Half-Year Financial Results

for the six months ending 31 December 2008

27 February 2009

PERILYA REPORTS INTERIM HALF-YEARLY RESULT

Perilya (ASX:PEM) today released its half-yearly financial results for the six months ending 31 December 2008, reporting a loss after tax of $77.2 million after one-off impairments, redundancy costs and write downs totalling $54.7 million. Excluding the effect of these one-off items, the underlying net loss after tax attributable to members of the company was $22.5 million.

The results reflect the challenging period of the past six months that saw US dollar zinc and lead prices fall by 51% and 63% respectively giving rise to Perilya's decision in August 2008 to resize the Broken Hill Operation to focus on a lower production and cost profile.

The new operating plan was fully implemented in November, the results of which will be fully reflected in the second half of the 2009 financial year.

KEY POINTS

- Significant falls in metal prices over the past six months
- Underlying net loss after tax of $22.5 million
- Impairment, resizing and one-off write downs after tax of $54.7 million, including a write-off of deferred tax assets and carry forward tax losses of $31.9 million
- Implemented new operating plan with positive trends in productivity and cost reductions already achieved
- Cash on hand of $19.1 million including $10.0 million deposit received from Zhongjin Lingnan. Cash position strengthened further with receipt of the balance of placement funds from Zhongjin Lingnan in February of $35.5 million.
- No corporate debt

Perilya's Managing Director, Paul Arndt commented on the period under review, saying that it has been a tough time for all base metals producers, with falling zinc and lead prices and production cuts prevalent across the industry.

"Perilya has taken some very difficult decisions during the past six months to better position the Company to sustain production during this period of low metal prices. Our focus for 2009 is to continue to lower costs and to maintain consistent production rates, in line with the new operating plan. The Company is targeting annual production of 55,000 tonnes of contained zinc and 50,000 tonnes of contained lead from the Broken Hill Operations over the next 8 to 9 years. With the Beltana zinc stockpiles planned to contribute a further 28,000 tonnes annually of contained zinc over the next 2 years on a cash flow positive basis," Mr Arndt said.

With the focus now on lower production and costs, we have begun to see the benefits of increased productivity and a re-positioning of our cost base significantly lower down on the industry cost curve. Encouragingly, the significant cost improvements have continued into 2009 with the month of January recording net cash operating costs of under US$0.60 per pound of payable zinc. We remain confident that we will see costs come down even further in the second half of the year on the back of sustained improvements in productivity and ongoing cost reduction initiatives.

"In light of the industry challenges and the Board's conservative financial management approach, $54.7 million in impairment write-downs and other non-reoccurring items associated with the resizing of the Broken Hill Operation have been expensed during the period," Mr Arndt reported.

"We've had to make some very difficult decisions over the past six months. The decision to reduce our workforce at Perilya, amongst other measures, was the hardest of those. In the long run however, by making those difficult choices and partnering with Zhongjin Lingnan (China's third largest zinc producer), we have better positioned the Broken Hill Operation for the future."

Further details on the Interim Half-Yearly Results and the performance of the business are set out in the Half-Yearly Report.

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