Full Financial Report

for the six months ending 31 December 2009

26 February 2010

PERILYA ANNOUNCES A NET PROFIT AFTER TAX OF $28.5 MILLION FOR THE SIX MONTHS ENDING 31 DECEMBER 2009

Perilya (ASX:PEM) today released its full audited financial report for the six month period ending 31 December 2009, reporting a net profit after tax of $28.5 million, a significant improvement on the $2.1 million net profit after tax for the preceding six month period.

KEY FINANCIAL HIGHLIGHTS:

- A net profit after tax of $28.5 million, an outstanding turnaround in performance from the previous financial year's loss of $75.1 million
- Free cash on hand of $116.7 million, including the $54.1 million raised via Perilya's 1 for 3 Rights Issue completed in December.
- Cashflow from operations of $50.4 million for the period.
- Sales revenue (net of treatment & refining charges) of $151.7 million, an increase of 54% on the previous six months (six months to Jun 09: $98.5 million).
- Combined zinc and lead production of 64,300 tonnes (contained) produced at an average C1 cash operating cost at Broken Hill of US$0.44/lb of payable zinc – a material reduction from US$0.58/lb of payable zinc in the six months to 30 June 2009. Cash costs were well ahead of market guidance of US$0.50 – US$0.55/lb of payable zinc.
- Average price received for zinc during the period was US$0.95/lb resulting in operations generating a healthy cash operating margin of US$0.51/lb of payable zinc.
- Continuous improvement at the Broken Hill Operations in operating costs and productivity (tonnes mined per employee) achieved throughout the period.
- Confirmation that all lead & zinc hedging has been treated as effective under Australian Accounting Standards. Silver hedging (to 31 December) has been deemed ineffective with an associated pre tax fair value adjustment of $4.6 million (unfavourable) recognised in the December results.
- No impairment charges or impairment reversals during the period.

COMMENTARY

The results for the six months to 31 December 2009 again highlight the success of Perilya's response last year to the difficult economic circumstances it faced. The improved operational results post resizing continue to demonstrate the capability of the Broken Hill operation to not only withstand periods of weak metal prices but for it to be extremely well positioned to benefit from increases in metal prices as the global economic conditions start to improve.

Cash costs at Broken Hill continued to improve with C1 cash costs for the six months to December 24% lower than the previous six months due to higher lead and silver prices & tight cost control over mine site costs.

Perilya's Managing Director, Paul Arndt, commented on the financial year under review, saying that:

"These results represent an outstanding operational and financial performance by the Company during an improving, but still difficult, global economic environment. This new operating plan, together with the continued productivity improvements and reductions in operating costs, has put the Broken Hill Operations in a far stronger position to both endure difficult market conditions as they occur and to generate solid cash flow and profitability as economic situations improve."

"During the past six months not only has the operation attained some excellent productivity and financial outcomes with a strongly cashflow accretive performance, it has also improved its safety performance with Perilya ending the period with an All Injury Frequency Rate of 27.8 which is the lowest rate ever achieved at Broken Hill under Perilya's ownership." Mr Arndt said.

He added "The outstanding operational and financial performance, together with the completion of the silver buy back and the highly successful 1 for 3 rights issue during the period, is a continuation of a strategy we have implemented at Perilya to position ourselves to pursue with a high degree of confidence both organic and acquisition growth opportunities as they present themselves."

"We have demonstrated our capability to consistently achieve or exceed all the production and operating cost improvement targets we set for ourselves and described to the market and now have a well demonstrated skill set that can be applied to these growth opportunities."

ACCOUNTING TREATMENT OF HEDGING

On 30 December 2009 the Company announced that there is some uncertainty with respect to the ability to treat the hedging of different revenue streams derived from the sale of its lead concentrate as effective hedging under AASB 139.

Confirmation can now be given that as at 31 December, 2009 all lead and zinc hedging has been treated as effective, with any movements in fair value being recognised in equity rather than the income statement. However, the silver hedging has been deemed ineffective with the resultant movement in fair value ($4.6 million) being recognised as an expense in the 31 December 2009 Financial Statements.

CHANGE IN FINANCIAL YEAR END

As previously announced, Perilya has changed its financial year end date from 30 June to 31 December. Accordingly, the financial year just completed is a transitional one from 1 July 2009 to 31 December 2009 (i.e. six months).

For further information:

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