Full Year Financial Results

for the year ending 30 June 2009

31 August 2009

PERILYA RETURNS TO EARNINGS GROWTH ON THE BACK OF SECOND HALF PROFIT TURNAROUND

Perilya (ASX:PEM) today released its preliminary financial results for the year ending 30 June 2009, reporting a second half turnaround to record a net profit after tax of $2.1 million for the second half of 2009 financial year.

Perilya reported a full year result of a loss after tax of $75.1 million after one-off impairments, sale of investments, redundancy costs and write downs totalling $57.2 million (net of tax). Excluding the effect of these one-off items, the underlying net loss after tax attributable to members of the Company was $17.9 million.

The 12 months to 30 June 2009 represented a very challenging period for base metal miners that saw a significant fall in zinc and lead prices, both in US dollar and Australian dollar terms. These challenging conditions gave rise to Perilya's decision in August 2008 to resize the Broken Hill Operation and focus on a sustainable production and lower cost profile.

The full year results highlight the success of Perilya's response to the difficult economic circumstances it faced during the period, with the financial year being a tale of two halves. The 6 months to 31 December 2008 saw Perilya record a loss after tax of $77.2 million, whilst the 6 months to 30 June 2009 saw Perilya's resized operations and new operating plan take effect with Perilya turning the first half result around to record a profit after tax of $2.1 million for the period.

Post year end, Perilya completed financial settlement under the terms of the deed of termination of the silver sale agreement with CDE Australia Pty Ltd (CDEA) and Coeur d'Alene Mines Corporation (Coeur) (ASX Code: CXC). Under the terms of the Deed, Perilya paid CDEA US$55 million in consideration for releasing Perilya from its obligation to further deliver approximately 11.2 million ounces of silver to CDEA from its Broken Hill operations. The 11.2 million ounces have a face value of approximately US$157 million (basis US$14.00/oz).

KEY POINTS

- Second half results show a return to an after tax profit of $2.1 million.
- Cash costs at Broken Hill almost halved from US$1.08/lb of payable zinc in the first half to US$0.58/lb of payable zinc in the second, resulting in significant improvement in cash margins.
- A move to positive cashflow and earnings from both the Broken Hill Operation and the continued sale of Beltana zinc silicate stockpiles during the June quarter.
- A material reduction in head office costs post re-sizing of in excess of 55%.
- Impact of the new operating plan has resulted in continuous improvement at the Broken Hill Operations in productivity (tonnes mined per employee) achieved throughout the year, which saw the Company move to a sustainable production and lower cost profile.

- Impairment, sale of investments, resizing and one-off write downs after tax of $57.2 million, including a write-off of deferred tax assets (including tax losses) of $32.7 million.
- Cash on hand at 30 June 2009 of $36.9 million, up from $19.1 million at 31 December 2008.
- Positive start for this financial year, highlighted by the benefit of the silver transaction delivering immediate results at Broken Hill with a positive impact on cashflow and earnings with cash-costs of production for July well within Perilya's guidance range of US$0.50-US$0.55/lb of payable zinc at current metal prices and US$/A$ exchange rates.

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

"Despite the adverse economic circumstances of the past year Perilya has been able to place itself into a fundamentally stronger position having transformed the Broken Hill operation through almost halving the unit costs of production and the development of a sustainable long term production plan." Mr Arndt said.

He added "The completion of the silver transaction post the end of the financial year has further re-enforced this and Perilya is now in a position to consider and implement as appropriate organic and acquisition growth opportunities."

"We have successfully met or exceeded the production and operating cost improvement targets we set for ourselves and described to the market in the process of restructuring of Broken Hill and now have a demonstrated skill set that can be applied to these growth opportunities."

"Perilya has the strong support of our major shareholder, as demonstrated by the financing arrangements for the silver transaction and the assistance in opening up improved markets for our zinc silicate ores from the Flinders region. This support, the introduction of a number of new institutions to our register and our solid financial position allows us to enter the new financial year with a high level of confidence around future performance."

Further details on the Full-Year Results and the performance of the business are set out below in the Preliminary Final Report to the Australian Stock Exchange.

For further information:

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Financial Overview

The consolidated entity recorded a net loss after tax (NLAT) of $75.1 million for the 12 months to 30 June 2009, compared to a NLAT of $140.2 million in the previous year. The result included a first half loss after tax of $77.2 million compared with a much improved second half profit after tax of $2.1 million.

The significant improvement in second half earnings is a combination of both an increase in zinc and lead prices and a step change in operating productivities at Broken Hill, which resulted from the decision to resize the operation in the first half.

Highlights for the second half of the year included the following:

- Cash costs at Broken Hill almost halved from US$1.08/lb of payable zinc in the first half to US$0.58/lb of payable zinc in the second.

- A move to positive cashflow and earnings from both the Broken Hill Operation and the continued sale of Beltana zinc silicate stockpiles during the June quarter.

- Continuous improvement at the Broken Hill Operations in operating costs and productivity (tonnes mined per employee) achieved throughout the second half compared to the first half, which saw the Company move to a sustainable production and lower cost profile.

- Material reduction in head office costs.

As a result of these improvements and on the back of higher metal prices the consolidated entity recorded an after tax profit in the second half of the financial year of $2.1 million. Importantly, these results, post resizing, 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 expected increases in metal prices when the global economic conditions start to improve.

SUMMARY OF FINANCIAL AND OPERATING PERFORMANCE	2008-09 Financial Year			2007-08 Financial Year Total
	1 July – 31 Dec H1	1 Jan - 30 June H2	Financial Year Total	
Financial				
Revenue ($Million)	113.0	98.5	**211.5**	273.1
Net (loss)/profit after tax ($Million)	(77.2)	2.1	**(75.1)**	(140.2)
Cash flow from operations ($Million) *	(46.6)	(13.0)	**(59.5)**	(9.9)
Total assets ($Million)	135.5	160.8	**160.8**	307.7
Shareholders equity ($Million)	39.6	83.7	**83.7**	147.6
Broken Hill -Production				
Zinc (contained metal - tonnes)	40.1	35.2	**75.3**	91.3
Lead (contained metal -tonnes)	20.4	27.7	**48.1**	52.4
Zinc grade (%)	5.3%	5.4%	**5.4%**	5.8%
Lead grade (%)	3.0%	4.4%	**3.8%**	3.5%
Broken Hill - Cash costs and cash operating margin (US$/lb zinc)				
Average price received	0.73	0.57	**0.66**	1.19
Net cash costs	1.08	0.58	**0.85**	1.03
Cash operating margin	(0.35)	(0.01)	**(0.19)**	0.16

** before income from closure of hedge book which realised $60.3 million in H1.*

Introduction of New Major Shareholder

The second half of the year also saw the introduction of Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd ("Zhongjin Lingnan") as a 50.1% shareholder. This welcomed new partnership has brought not only financial stability to Perilya via a $45 million capital injection in February 2009, but a strong and focused base metals operator from China. Zhongjin Lingnan is China's third largest zinc producer and is listed on the Shenzhen stock exchange with a market capitalisation of approximately CNY25 billion (A$4.4 billion). Zhongjin's main activities comprise mining and smelting activities at its key operations at the Shaoguan and Danxia Smelters and the Fankou Lead/Zinc Mine.

Broken Hill Production

Production for the twelve months ended 30 June 2009 was 75,421 tonnes of contained zinc and 48,111 tonnes of contained lead, (2008: 91,295 tonnes of contained zinc and 52,412 tonnes of contained lead). The drop in production was a direct result of the resizing at Broken Hill to a sustainable production and lower cost profile.

Whilst the cash operating costs at the Broken Hill Operation for the year reduced an impressive 17% to US$0.85/lb, the performance improvement of the 2nd half as compared to the 1st was even more dramatic – a 46% drop in C1 costs to US$0.58/lb payable zinc (2008: US$1.08/lb payable zinc). This was achieved largely on the back of lower operating costs and productivity improvements.

Additional reductions in cash operating costs are forecast on the back of the Company's recent announcement of the termination of the Company's silver sale agreement, which will further underpin the viability of the Broken Hill operations, with the additional silver credits expected to reduce Broken Hill's cash operating costs by approximately US$0.10-US$0.12/lb of payable zinc at current silver price and USD/AUD exchange rates.

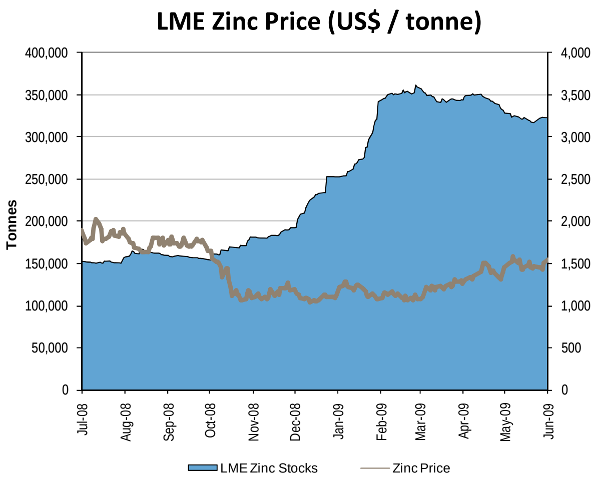
The improved operational results post resizing continue to demonstrate the capability of the Broken Hill operation to not only withstand periods of weak metal prices but for it to be extremely well positioned to benefit from expected increases in metal prices when the global economic conditions start to improve.

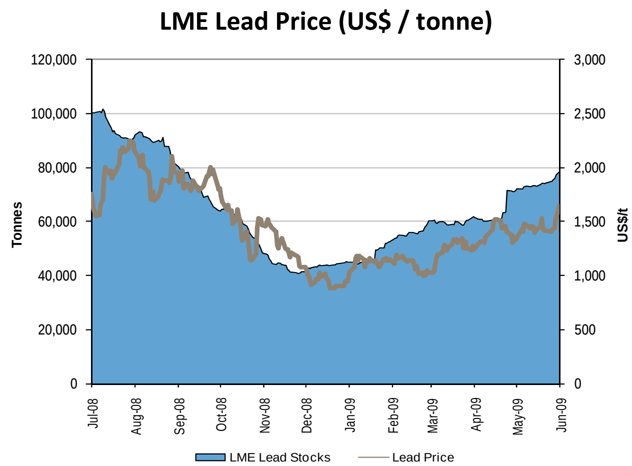
In the June 2009 quarter, the Company received approval from the EPA in South Australia for the export of lead concentrates out of its ship loading facility at Port Pirie. As previously announced, the Company's off-take agreement for lead concentrates with Nyrstar expires 31 December, 2009. With the EPA approval now in place, the Company is in a position to commence exports of its lead concentrates to other potentially higher margin markets with effect from 1 January, 2010.

Metals Market

Across the period zinc price dropped 17.1% to US$1,555/tn or US$0.71/lb (30 June 2008: US$1,875/tn & US$0.85/lb) on the back of an increase in zinc stocks and the global financial crisis. The lead price dropped 0.3% to US$1,730/tn or US$0.78/lb (30 June 2008: US$1,735/tn & US$0.79/lb). Average US Dollar prices received during the reporting period fell by 45.9% for zinc and 49.5% for lead.

Current demand for all metals remains relatively weak globally, however, notwithstanding this present weakness, Perilya continues to believe that zinc and lead market fundamentals remain sound over the medium to longer term.





Outlook

Subsequent to the end of year, and as announced on 16 July 2009, Perilya signed an agreement with CDE Australia Pty Ltd (“CDEA”) and Coeur d’Alene Mines Corporation (“Coeur”) terminating Perilya’s obligations to deliver a further 11.2 million ounces of silver under the Silver Sale Agreement between the parties executed in 2005. The termination was effective on and from 1 July 2009.

The payment to extinguish the agreement of US$55 million will enable Perilya to sell those previously committed ounces into the spot market. The 11.2 million ounces have a face value of approximately US$157 million (basis US$14.00/oz).

The termination of the agreement has been funded by an unsecured credit facility of US$50 million with the balance being paid out of Perilya’s cash reserves. The funds are being provided via a guarantee facility granted by Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd (“Zhongjin Lingnan”) to our financiers. The facility is not secured over any of the assets of Perilya. The total cost of funding to Perilya (including bank facility fees and guarantee fees payable to Zhongjin Lingnan), in aggregate comprises less than 3% plus LIBOR p.a. (basis is three month LIBOR).

The transaction will have a positive impact in a number of areas, including:

- Increase in future cash flow and earnings capability at Broken Hill;
- Lower cash operating costs (C1) by approximately US$0.10 – US$0.12/lb payable zinc (at current silver prices and USD/AUD exchange rate); and
- Enable Perilya to re-assess the potential of mining high silver grade deposits in the region, including North Mine, Potosi and the North Mine Deeps projects.

Future Growth Opportunities

Having built a solid platform for sustainable production and a significantly reduced cost profile at its core operations in Broken Hill, Perilya is now positioned to pursue growth opportunities as they arise in both base and precious metals. This will include pursuing both organic growth and external acquisitions opportunities.

From an internal growth perspective, in light of the termination of the silver sale agreement with Coeur d'Alene, Perilya is re-assessing the potential of mining the higher grade silver deposits on Perilya's Broken Hill tenements including the North Mine, Potosi and North Mine Deeps. In addition, Perilya will evaluate the potential for mining the South Mine upper levels.

Perilya will further pursue organic growth through a re-activation of its exploration drilling programs, previously reduced to tenement maintenance obligations in response to the adverse economic conditions faced during the financial year just ended. This will include a renewed exploration drilling program at its Mt Oxide copper project to increase the current resources. This may include re-examining the potential for earlier access to ore through the proving up and development of oxide resources. Perilya will also commence a targeted drilling program in the Flinders region to replace its Beltana ore.

In addition to pursuing organic growth opportunities, Perilya will pursue strategic acquisition opportunities in base and precious metals to complement its existing resource and production base.