perilya

(ABN 85 009 193 695)

PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A

Current Reporting Period: Financial Year ending 30 June 2008

Previous Reporting Period: Financial Year ending 30 June 2007

CONTENTS OF THE PRELIMINARY FINAL REPORT

The information contained in this preliminary financial report is to be read in conjunction with the last annual report of Perilya Limited for the year ended 30 June 2007 and with any public announcements made during the reporting period.

For more information about Perilya Limited, please visit www.perilya.com.au

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				2007 $A'000		**2008 $A'000**
Revenue from ordinary activities	down	25.3%	from	365,793	to	**273,124**
Profit / (loss) after tax from ordinary activities	down	-	from	82,483	to	**(140,235)**
Profit / (loss) after tax attributable to members	down	-	from	82,483	to	**(140,235)**

DIVIDENDS/DISTRIBUTIONS

	Amount per security	**Franked amount per security at 30% tax**
Final dividend for the year ended 30 June 2008	nil	nil

A fully franked interim dividend of 1 cent per share was paid to shareholders on 27 March 2008. The directors have decided not to pay a final dividend for the year ending 30 June 2008.

NET TANGIBLE ASSETS PER SHARE

	2007	**2008**
Net tangible assets per share	0.76	**0.75**

EXPLANATION OF REVENUE AND PROFIT

See commentary on results at page 9 of this report

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST IN THE PERIOD

Since the last annual reporting date two new 100% owned subsidiary companies were incorporated in Australia, namely:

- Powerform Investments Pty Ltd; and
- Richview Investments Pty Ltd.

There were no other entities over which control has been gained or lost over the period.

AUDIT REPORT

This preliminary final report is based on accounts which are in the process of being audited.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 $000	2007 $000
Revenue from continuing operations	3	**273,124**	365,793
Other income	3	**25,515**	13,285
Changes in inventories of finished goods & work in progress		**27,923**	(8,525)
Raw materials, power and consumables used		**(59,111)**	(60,178)
Employee benefits expense		**(81,243)**	(65,077)
Depreciation and amortisation expense		**(48,334)**	(31,265)
External services and consultants		**(49,635)**	(37,861)
Freight and handling		**(30,526)**	(19,167)
Royalties		**(6,871)**	(10,215)
Foreign exchange loss		**(3,544)**	(3,571)
Other expenses from ordinary activities		**(13,813)**	(13,772)
Impairment losses	4	**(188,211)**	(1,315)
Finance costs		**(12,781)**	(7,707)
Share of loss from associates accounted for using the equity method		**(521)**	(385)
Profit/(loss) before income tax		**(168,028)**	120,040
Income tax (expense)/benefit		**25,772**	(34,929)
Profit/(loss) from continuing operations		**(142,256)**	85,111
Profit/(loss) from discontinued operations	5	**2,021**	(2,628)
Profit/(loss) for the year attributable to members of Perilya Limited		**(140,235)**	82,483
Earnings/(loss) per share for profit from continuing operations attributable to the ordinary equity holders of the company		**Cents**	Cents
Basic earnings per share	16	**(73.1)**	44.7
Diluted earnings per share	16	**(73.1)**	44.5
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the company		**Cents**	Cents
Basic earnings per share	16	**(72.1)**	43.3
Diluted earnings per share	16	**(72.1)**	43.1

The above consolidated income statement should be read in conjunction with the accompanying notes

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008

ASSETS	Notes	2008 $000	2007 $000
Current assets			
Cash and cash equivalents	6(a)	**26,532**	147,455
Trade and other receivables		**3,406**	37,611
Current tax assets		**2,967**	-
Inventories		**31,300**	14,709
Available-for-sale financial assets	7	**40,856**	4,344
Derivative financial instruments	8	**129,143**	16,397
Total current assets		**234,204**	220,516
Non-current assets			
Restricted cash	6(b)	**10,444**	25,592
Trade and other receivables		**37**	36
Inventories		**8,754**	-
Available-for-sale financial assets		**-**	674
Investments accounted for using the equity method	14	**-**	293
Deferred tax		**-**	33,886
Exploration, development and evaluation expenditure		**15,193**	33,169
Mine properties in use		**-**	64,879
Property, plant and equipment		**30,818**	69,984
Total non-current assets		**65,246**	228,513
Total assets		**299,450**	449,029
LIABILITIES			
Current liabilities			
Trade and other payables		**43,656**	46,460
Borrowings		**20,211**	10,460
Current tax liabilities		**-**	27,020
Provisions		**14,721**	7,583
Prepaid income		**1,938**	4,611
Deferred option premiums		**30,332**	-
Derivative financial instruments	8	**7,701**	99,007
Total current liabilities		**118,559**	195,141
Non-current liabilities			
Borrowings		**5,794**	5,191
Provisions		**24,777**	26,754
Prepaid income		**2,710**	38,274
Derivative financial instruments		**-**	34,396
Total non-current liabilities		**33,281**	104,615
Total liabilities		**151,840**	299,756
Net assets		**147,610**	149,273
EQUITY			
Contributed equity	9	**106,539**	106,047
Reserves	10	**62,001**	(80,008)
Retained profits	11	**(20,930)**	123,234
Total equity		**147,610**	149,273

The above consolidated balance sheet should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

	Contributed equity $'000	Retained earnings $'000	Reserves $'000	Total equity $000
Balance at 1 July 2006	**102,970**	**67,592**	**(39,141)**	**131,421**
Changes in the fair value of available-for-sale financial assets (net of tax)	-	-	(2,262)	(2,262)
Changes in the fair value of cash flow hedges (net of tax)	-	-	(42,921)	(42,921)
Net expense recognised directly in equity	-	-	(45,183)	(45,183)
Profit for the year	-	82,483	-	82,483
Total recognised income and expense for the year	**-**	**82,483**	**(45,183)**	**37,300**
Contributions of equity, net of transaction costs	9,484	-	-	9,484
Dividends provided for or paid (note 12)	-	(26,841)	-	(26,841)
Employee share options – value of employee services	-	-	1,377	1,377
Perilya Employee Share Acquisition plan (note 1(b))	(6,407)	-	2,939	(3,468)
	3,077	**(26,841)**	**4,316**	**(19,448)**
Balance at 30 June 2007	**106,047**	**123,234**	**(80,008)**	**149,273**

	Contributed equity $'000	Retained earnings $'000	Reserves $'000	Total equity $000
Balance at 1 July 2007	**106,047**	**123,234**	**(80,008)**	**149,273**
Changes in the fair value of available-for-sale financial assets (net of tax)	-	-	766	766
Changes in the fair value of cash flow hedges (net of tax)	-	-	140,022	140,022
Net expense recognised directly in equity	-	-	140,788	140,788
Loss for the year	-	(140,235)	-	(140,235)
Total recognised income and expense for the year	**-**	**(140,235)**	**140,788**	**553**
Contributions of equity, net of transaction costs	1,020	-	-	1,020
Dividends provided for or paid (note 12)	-	(3,929)	-	(3,929)
Employee share options – value of employee services	-	-	520	520
Perilya Employee Share Acquisition plan (note 1(b))	(528)	-	701	173
	492	**(3,929)**	**1,221**	**(2,216)**
Balance at 30 June 2008	**106,539**	**(20,930)**	**62,001**	**147,610**

The above statement of changes in equity should be read in conjunction with the accompanying notes

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 $000	2007 $000
Cash flows from operating activities			
Cash receipts in the course of operations (inclusive of GST)		**278,429**	379,397
Cash payments in the course of operations (inclusive of GST)		**(262,656)**	(228,820)
		15,773	150,577
Interest received		**6,533**	8,722
Interest and other finance costs paid		**(1,964)**	(705)
Income taxes paid		**(30,264)**	(26,526)
Net cash (outflow)/inflow from operating activities		**(9,922)**	132,068
Cash flows from investing activities			
Payments for mine properties		**(48,154)**	(41,887)
Payments for property, plant and equipment		**(29,661)**	(20,105)
Payments for exploration and evaluation		**(22,331)**	(14,979)
Payments for purchase of available-for-sale financial assets		**(28,470)**	(100)
(Payments for)/returns of performance guarantee bonds		**15,147**	(15,032)
Payments for other bonds		**(3)**	(10)
Proceeds from sale of available-for-sale financial assets		**44,553**	14,359
Proceeds from sale of tenements		**2,555**	318
Proceeds from sale of property, plant and equipment		**6,233**	-
Funds advanced to associates		**(350)**	(625)
Net cash outflow from investing activities		**(60,481)**	(78,061)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**354**	3,842
Payments for shares acquired by the Perilya Employee Share Acquisition Plan		**(3,112)**	(6,694)
Dividends paid to company's shareholders		**(3,423)**	(20,950)
Proceeds from borrowings		**40,000**	-
Repayment of borrowings		**(38,090)**	(3,946)
Repayment of finance lease liabilities		**(6,258)**	(3,852)
Net cash outflow from financing activities		**(10,529)**	(31,600)
Net decrease/(increase) in cash and cash equivalents		**(80,932)**	22,407
Cash and cash equivalents at the beginning of the financial year		**147,455**	125,048
Reclassification of cash to available-for-sale investments	7	**(39,991)**	-
Cash and cash equivalents at end of the year	6	**26,532**	147,455

The above consolidated cash flow statements should be read in conjunction with the accompanying notes

FINANCIAL ANALYSIS

Results

The consolidated entity has recorded a net loss after tax (NLAT) of $140.2 million for the 12 months to 30 June 2008, comprising a net loss after tax of $142.2 million from continuing operations and a net profit after tax of $2.0 million from discontinued operations (Daisy Milano gold operations). The net loss for the year compares to a net profit after tax (NPAT) of $82.5 million in the previous year.

The result includes pre tax impairment losses of $188.2 million and other one-off adjustments which are described further below. The underlying net loss after tax of $22.1 million was impacted by weaker zinc and lead prices, a stronger Australian dollar, higher treatment and refining charges, and a number of one-off items.

The weaker AUD metal prices and the higher operating cost environment have resulted in the need to impair the company's Broken Hill assets and, ultimately, resize the operation to provide for a more financially acceptable operating plan for the next 2 to 3 years (refer ASX announcement made on 21 August 2008).

Reconciliation to underlying financial results:

A$ Million	Pre tax	Tax effect	Net impact after tax
Net loss from continuing operations	(168.0)	25.8	(142.2)
Add back significant items:			
Impairment losses (refer table below)	188.2	(56.5)	131.7
Adjustment to deferred income (silver sale)	(36.0)	10.8	(25.2)
Profit on sale of investments (Herald Resources – Dec 07)	(16.0)	4.8	(11.2)
Non recognition of net deferred tax asset	-	24.8	24.8
Underlying financial result	**(31.8)**	**9.7**	**(22.1)**

Impairment Losses & Significant items

As announced in the company's recent ASX releases the carrying value of the company's assets was assessed for possible impairment in accordance with relevant accounting standards. The total impairment loss recognised in the financial statements is summarised in the following table and discussed further below.

Impairment losses A$ Million	Note	Pre tax impact
Impairment of Broken Hill operating and exploration assets	(a)	165.6
Other exploration assets	(b)	8.6
Available-for-sale financial assets	(c)	13.8
Sundry		0.2
Total impairment losses (pre tax)		**188.2**

(a) Broken Hill Impairment

As part of the extensive review of the Broken Hill operations, which culminated in the decision on 21 August 2008 to reduce the production profile and focus on a lower cost operation, the carrying value of the Broken Hill assets was assessed. As a result, the carrying value of the operating assets was reduced by $135.7 million and exploration assets by $29.9 million. Importantly, the Board believes that despite these one-off write downs, the operational changes implemented at Broken Hill will allow the operation to maintain a production level that is financially acceptable whilst retaining the ability to re-establish increased production and profitability in the future if metal prices increase.

(b) Other exploration assets impairment

All exploration assets, other than the Mount Oxide Project have been written down to zero. The carried forward exploration expenditure at Flinders and other non-core exploration assets was impaired by $8.6 million.

(c) Available-for-sale investments impairment

As a result of the current volatility in world financial markets, the Board has reclassified $40.0 million in cash invested in commercial paper to 'Current assets – Available-for-sale financial assets' and provided for, what the Board believes to be, a impairment against these investments of $9.8 million. The Board believes the carrying value at 30 June 2008 of $30.2 million represents fair value for these investments.

Notwithstanding, the reclassification of these investments (which have high credit ratings) and that they continue to meet all principal and interest obligations, there continues to be a risk that further deterioration may occur in the future or where the investments are realised before maturity. Importantly, these investments are being actively managed to minimise the potential for loss. Subsequent to the end of the financial year, approximately 25% of these investments had been converted to cash.

Furthermore, the company holds a number of listed investments held for sale. The value of these investments has been impaired by $4.0 million at 30 June 2008 as a result of the deterioration in the local equity markets.

Silver sale (October 2005)
On the back of the resizing of the Broken Hill Operation, the company reviewed the balance of the deferred silver revenue relating to the up-front proceeds received from Coeur d'Alene Mines Corporation in October 2005. Under the agreement with Coeur d'Alene, there were approximately a further 12.5 million ounces of silver outstanding at 30 June 2008. Accordingly, the company has booked a pre tax credit of $36.0 million resulting from the re-estimate of silver production under the current resized operating plan.

In the event that the company re-establishes increased production beyond its current operating plan, it will continue to deliver silver to Coeur d'Alene in accordance with its obligations.

Profit on sale of investments
During the year Perilya sold an 8.86% investment in Herald Resources Limited resulting in net cash proceeds of $16.0 million.

Non-recognition of deferred tax asset
Under the resized operations at Broken Hill, in the Board's opinion, it is not probable Perilya will have sufficient future taxable profit to offset against carried forward unused tax losses. Therefore no deferred tax asset has been recognized.

Sales Revenue

Product sales revenues were negatively impacted by the volatility in zinc and lead prices, which have fallen by 50% and 42% respectively in Australian dollar terms, compared to the previous year. Physical sales volumes for zinc and lead were slightly lower than last year by 1 per cent and 13 per cent respectively. Included in sales revenue of $273.1 million is an amount of $36.0 million recognised on accelerated release of pre-paid silver revenue as discussed above.

Cash and Deposits

At 30 June 2008, cash and deposits totalled $36.9 million which includes secured deposits of $10.4 million to support performance bonds required under various mining licences at Broken Hill. As at 30 June 2008 approximately $40.0 million of investments, which were previously recorded as cash, were reclassified to available for sale investments.

At the end of the June quarter the company had $26.0 million in debt (30 June 07: $15.7 million), of which $10.0 million is due for repayment in September 2008.

Financial Position

Notwithstanding the impairment losses recognised in the financial statements, the Group's net asset position as at 30 June 2008 was largely unchanged at 30 June of $147.6 million (30 June 2007: $149.3 million). As a result of the decline in metal prices during the year there was a significant increase in the mark to market value of the company's hedge book, which is recognised in reserves in the equity section of the balance sheet.

At 30 June 2008 the company had an excess of current assets over current liabilities of $115.5 million.

Subsequent to the end of the financial year the hedge book was closed realising $60.3 million in cash, underlining the strong working capital position of the company.

BROKEN HILL OPERATION

Resizing (as announced 21 August 2008)

In response to the current low metal prices environment and cost pressures, the company announced on 21 August 2008, after an extensive review, the resizing of the Broken Hill operations. Under the revised operating plan, ore production will reduce from 1.8 to 0.95 million tonnes per annum, which is expected to produce approximately 55,000 tonnes of contained zinc and 50,000 tonnes of contained lead.

In conjunction with the resizing, Perilya also announced it had closed-out its hedge book realising $60.3 million in cash. The hedge book was closed to realise its inherent financial value and to strengthen the company's balance sheet during this period of low metal prices.

COMMENTARY ON RESULTS

FOR THE YEAR ENDED 30 JUNE 2008

The resizing at the Broken Hill Operation is prudent and positions the operation for the future. The company is confident that the Broken Hill Operation can be sustained to maintain a level of continuity of production and one that is financially acceptable at current metal prices for at least the next 2 to 3 years without significant compromise to the longer-term life of mine.

Should metal prices increase in the future, the company will be in a strong position to ramp-up production at the Broken Hill Operation and to utilise full potential of the Broken Hill concentrator with ore sources from the Southern Operations, Potosi, the North Mine and Flying Doctor.

Regrettably, the lower production rate has necessitated a reduction in our workforce from 760 to 320 employees. The affected employees will be provided with their full entitlements and supported in the transition. The decision to reduce our workforce has not been taken lightly and we are mindful of the impact upon individuals, their families and the community. The new operating plan will commence is September 2008.

Production

Zinc production was 91,295 tonnes and lead production was 52,412 tonnes for the year. (FY07: 92,100 tonnes of zinc and 60,500 tonnes of lead). Production in the second half of the year was up 15% on the first half on the back of business improvement programs, increased development and equipment utilisation and improved mine planning.

Cash operating margin at the Broken Hill Operation for the year reduced 78% to US$0.16 cents per pound zinc (FY07: US$0.72), on the back of lower metal prices. Net cash costs at Broken Hill for the year increased 37% to US$1.03 cents per pound zinc (FY07: US$0.75), largely on the back of higher operating costs and lower lead prices.

Key Operating Statistics

Broken Hill Quarterly Production & Cash	Jun Qtr 2008	Mar Qtr 2008	Dec Qtr 2007	Sept Qtr 2007	12 Months 07/08	12 Months 06/07
PRODUCTION STATISTICS						
Ore						
Total Ore Mined (kt)	517.9	449.1	385.3	436.2	1,788.5	1,718.1
Total Ore Treated (kt)	477.3	454.5	384.9	428.7	1,745.4	1,751.7
Zinc						
Grade (%)	6.4	5.3	5.2	6.0	5.8	5.8
Concentrate (kt)	56.5	43.6	36.6	46.4	183.1	186.1
Contained Zinc (kt)	28.3	22.0	18.0	23.0	91.3	92.1
Payable Zinc (kt)	23.8	18.5	15.1	19.3	76.6	77.2
Lead						
Grade (%)	3.3	3.4	3.8	3.6	3.5	4.0
Concentrate (kt)	18.6	18.0	17.3	18.4	72.4	82.8
Contained Lead (kt)	13.4	13.2	12.5	13.3	52.4	60.5
Payable Lead (kt)	12.8	12.5	11.8	12.7	49.8	57.5
Silver						
Grade (g/t)	35.1	35.6	41.7.	38.1	37.4	41.7
Contained Silver (Moz)	0.374	0.363	0.368	0.377	1.482	1.679
CASH COST & OPERATING MARGIN (US$/lb zinc)						
Average Price Received	**1.04**	**1.08**	**1.17**	**1.29**	1.19	**1.47**
Direct Cash Costs	0.96	1.10	1.25	1.03	1.07	0.80
By-product credits (*)	(0.26)	(0.23)	(0.48)	(0.51)	(0.35)	(0.49)
Zinc treatment charges	0.31	0.33	0.30	0.33	0.31	0.43
Net Cash Cost	**1.01**	**1.20**	**1.07**	**0.85**	1.03	**0.75**
Cash Operating Margin	**0.03**	**(0.12)**	**0.10**	**0.44**	0.16	**0.72**

(*) Silver and Lead production net of treatment charges, freight and handling and lead hedging gains and losses

FLINDERS PROJECT

Flinders provides Perilya with a high grade niche zinc silicate product to take full advantage of tight market conditions.

During the financial period, Perilya successfully established a market for blended zinc silicate ore from its Beltana mine and the current stockpiles, together with the Reliance deposit, will provide an excellent opportunity to create significant value when market conditions improve in the future.

Beltana

The Beltana mine is located 520 kilometres north of Adelaide in the Flinders Ranges of South Australia. The project consisted of open pit mining and on-site crushing to produce a direct shippable high grade zinc oxide ore.

In January 2008, the company completed mining and crushing operations at Beltana with a total of 316,400 tonnes of zinc silicate ore mined and stockpiled at an approximate average grade of 32% zinc, for a total of 101,385 tonnes of contained zinc.

During the period February 2008 to June 2008, the company successfully completed 6 shipments of Beltana blended intermediate grade ore sold for a total of 26,800 tonnes of contained zinc. Sales of the remaining stockpiled ore are expected to be completed over the coming 2 years.

A total of 263,520 tonnes of zinc silicate ore is stockpiled at 30 June 2008 at an approximate average grade of 31% zinc, for a total of 81,585 tonnes of contained zinc. Sales of the stockpiled ore are expected to be completed over the coming 2 to 3 years.

MOUNT OXIDE PROJECT

The Mount Oxide project is located in the Mount Isa region Western Succession that includes several major sediment hosted breccia copper deposits. The deposit was intermittently mined between 1920 and 1971 by way of a small open pit and underground operation. The project lies 25 kilometres north of the existing Mount Gordon mine operated by Aditya Birla Minerals Limited.

Development and Exploration

Following a successful mineral resource extension drilling program in 2007, Perilya announced, on 19 February 2008, an 80% upgrade to the Mount Oxide mineral resource to 203,000 tonnes of contained copper.

A drilling program was approved in April 2008 to test for repetitions of high grade copper mineralisation at depth around the recent high grade hits, extending the mineralisation to the north and also infilling the inferred portion of the resource.

Recent results include, spectacular drill intercepts outside the main Mount Oxide resource including in one hole 23m at 8.9% copper from 395m and 6m at 5.9% copper from 165m and from within the resource model results include in one hole 8m at 4.4% copper from 151m and 7m at 6.2% copper from 162m.

Commercialisation and Development

In April 2008, the company completed a scoping study with Coffey Mining to define a potential open cut operation at Mount Oxide based on the recently updated resource of 15.5 Mt @ 1.3% copper (see ASX release dated 19th February 2008 for details).

Pit optimisation was completed based upon preliminary geotechnical work, estimated recent mining costs, estimated toll treatment costs, and an A$7,500/t copper price. The optimised pit shell, based on the maximum undiscounted cash flow for the total Indicated and Inferred Resource, contains approximately 8.6 Mt of in-pit resource at 1.5% Cu, 0.05% Co and 9 g/t Ag at a strip ratio of 7.7:1. The study identified that the resource is amenable to either open cut or underground mining and processing options include production of a concentrate through conventional flotation or potentially direct to metal production by an SX/EW processing.

Commercialisation and development opportunities are being advanced, with a number of parties formally expressing interest in participating in the further development of the Mount Oxide copper and cobalt project either in partnership with Perilya by way of joint venture, or through outright purchase of the project. A decision on the future of Mt Oxide is expected to be made in September 2008.

COMMENTARY ON RESULTS

FOR THE YEAR ENDED 30 JUNE 2008

CORPORATE

Dividend

No final dividend will be paid.

The Board has also resolved to suspend the company's Dividend Re-investment Plan until further notice.

Investments

During the year Perilya sold an 8.86% investment in Herald Resources Limited resulting in net cash proceeds of $16.0 million.

The gold assets, including the Daisy Milano mine, were also sold during the period, to Silverlake Resources Limited for a consideration of $14.5 million in cash and shares, plus a production royalty of up to $250,000.

Revenue Protection

The mark to market value of the company's hedge book was A$84.4 million at 30 June 2008 compared to the previous period of A$105.1 million out of the money as at 30 June 2007.

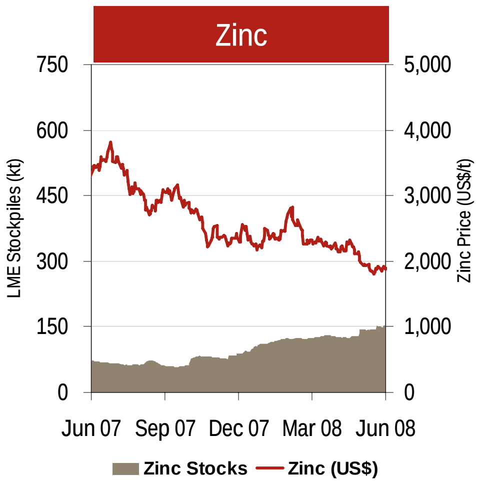
Subsequent to the year end the company closed out its hedge book realising $60.3 million in cash, net of option premiums.

METALS MARKETS

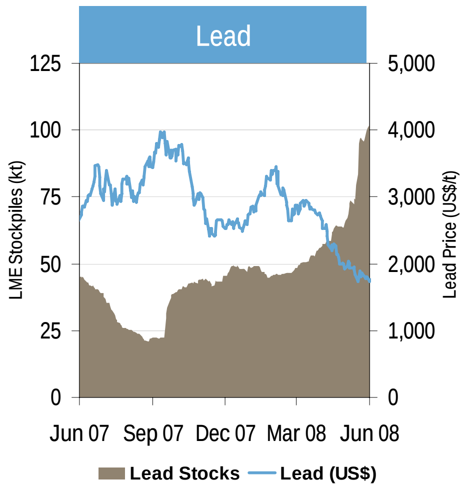
During the period zinc price dropped 43% to US$1,903/tn or US$0.86/lb (30 June 2007: US$3,338/tn & US$1.51/lb) on the back of an increase in Zinc stocks to 153,625 tonnes.

The lead price, after rising rapidly in the early part of the period, dropped 34% to US$1,736/tn or US$0.78/lb (30 June 2007: US$2,647/tn & US$1.20/lb). LME stocks rose 126% from 45,075 tonnes to 101,900 tonnes at year end.

Zinc (LME stockpiles & US$ Cash Price per tonne)



Lead (LME stockpiles & US$ Cash Price per tonne)



OUTLOOK

The Board is currently in the process of finalising a review on its Mount Oxide copper project. The Board expects to be in a position to report on the finalisation of the review, including expression of interest received for its Mount Oxide copper project in September 2008. An ultimate decision on the Mount Oxide project will be made on the basis of maximising value for Perilya shareholders.

Following the outcome of the Mount Oxide process, a review will be undertaken on any other non core assets and surplus capital, after assessing the capital needs of the resized Broken Hill Operation, and a prudent capital management program will be initiated. It is expected that an announcement regarding future capital management strategies will be made by 31 October 2008, with any required shareholder approvals to be obtained at, or prior to, the company's Annual General Meeting, which will be held during November 2008.

1. BASIS OF PREPARATION OF PRELIMINARY FINANCIAL REPORT

This preliminary financial report has been prepared in accordance with the Australian Stock Exchange Listing rules as they relate to Appendix 4E and in accordance with the measurement requirements of Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

As such, this preliminary financial report does not include all the notes of the type included in an annual financial report and accordingly, should be read in conjunction with the annual report of Perilya Limited for the year ended 30 June 2007 and with any public announcements made by Perilya Limited during the reporting period in accordance with the disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those disclosed in the annual financial report for the year ended 30 June 2007.

This preliminary financial report is presented in Australian dollars. The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the financial report, therefore amounts in this preliminary financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(a) Comparatives

Comparative revenue and expenses in the income statement, including those related to discontinued operations as disclosed in note 5, have been reclassified within the income statement with no impact on the profit of the prior year to enhance comparability and understanding of the financial statements.

(b) Reclassification of cash on deposit to available-for-sale investments

Investments in commercial paper were classified under cash and cash equivalents as 'Deposits at call' in prior years (see note 6) as it was considered to meet the definition of cash - being a highly liquid investment, readily convertible into known amounts of cash and subject to insignificant risk of change in value. In line with conditions experienced in financial markets during the reporting period and at balance date the Group reclassified these deposits to 'Current assets - Available-for-sale financial assets' as these deposits were no longer considered to meet the definition of cash and cash equivalents. Comparative data was not reclassified as at the prior reporting period these deposits were considered to meet the definition of cash and cash equivalents.

2. FINANCIAL REPORTING BY BUSINESS AND GEOGRAPHIC SEGMENTS

(a) Description of segments

Business segments

Having completed the sale of its gold assets, including the Daisy Milano gold mine, in November 2007, the Group is currently organised on a global basis into the following divisions by product and service type.

Base metals mining
Mining and extraction of base metal ores primarily zinc, lead and silver

Exploration
Exploration for and evaluation of base metal ore deposits

Investment and administration
Investment and administration of the corporate office

Segment disclosures below include a discontinued operation segment which relates to those revenues and expenses that were previously disclosed under 'gold mining' in segment disclosures. For further information on the sale of our gold mining operation and associated gold assets see note 5 - Discontinued operation.

2. FINANCIAL REPORTING BY BUSINESS AND GEOGRAPHIC SEGMENTS (CONTINUED)

Geographical segments

The consolidated entity operates in two main geographical areas with primary operations being undertaken in Australia, the home country of the parent entity, and secondary operations (exploration) and principal customers in the South East Asia region.

(b) Primary reporting format – business segments

2008	Base metals mining $'000	Exploration $'000	Investment & administration $'000	Total continuing operations $,000	Disposal group - Discontinued gold mining operation plus gold exploration assets (note 5) $'000	Consolidated $'000
Sales to external customers	266,522	-	-	266,522	5,277	271,799
Other revenue/income	6,453	-	25,664	32,117	46	32,163
Total segment revenue/income	272,975	-	25,664	298,639	5,323	303,962
Segment result	(128,962)	(38,462)	(83)	(167,507)	1,961	(165,546)
Share of net losses of associates				(521)	-	(521)
Loss before income tax				(168,028)	1,961	(166,067)
Income tax (expense)/benefit				25,772	60	25,832
Loss for the year				(142,256)	2,021	(140,235)
Segment assets #	193,909	15,193	87,381	296,483	-	296,483
Unallocated assets						2,967
Total assets						299,450
Segment liabilities *	130,700	-	20,339	151,039	-	151,039
Unallocated liabilities						801
Total liabilities						151,840
Investments in associates	-	-	-	-	-	-
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	80,137	-	3,467	83,604	-	83,604
Depreciation and amortisation expense	47,858	-	476	48,334	7	48,341
Impairment losses taken to profit and loss	134,877	38,462	14,872	188,211	-	188,211
Other non-cash expenses	10,832	-	520	11,352	-	11,352

Investment and administration segment assets include cash on deposit.
* *Base metals mining segment liabilities include derivative financial instrument liabilities and prepaid silver income.*

2. FINANCIAL REPORTING BY BUSINESS AND GEOGRAPHIC SEGMENTS (CONTINUED)

(b) Primary reporting format – business segments (continued)

2007	Base metals mining $'000	Exploration $'000	Investment & administration $'000	Total continuing operations $,000	Disposal group - Discontinued gold mining operation plus gold exploration assets (note 5) $'000	Consolidated $'000
Sales to external customers	356,290	-	-	356,290	21,078	377,368
Other revenue/income	690	-	22,098	22,788	19	22,807
Total segment revenue/income	356,980	-	22,098	379,078	21,097	400,175
Segment result	113,551	(498)	7,372	120,425	(4,794)	115,631
Share of net losses of associates				(385)	-	(385)
Profit before income tax				120,040	(4,794)	115,246
Income tax expense				(34,929)	2,166	(32,763)
Profit for the year				85,111	(2,628)	82,483
Segment assets #	221,009	33,169	153,304	407,482	7,661	415,143
Unallocated assets						33,886
Total assets						449,029
Segment liabilities *	258,034	-	11,309	269,343	1,145	270,488
Unallocated liabilities						29,268
Total liabilities						299,756
Investments in associates	-	-	293	293	-	293
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	60,687	-	648	61,335	4,359	65,694
Depreciation and amortisation expense	30,936	-	329	31,265	4,981	36,246
Impairment losses taken to profit and loss	-	498	817	1,315	4,648	5,963
Other non-cash expenses	7,133	-	1,192	8,325	12	8,337

 # Investment and administration segment assets include cash on deposit.
** Base metals mining segment liabilities include derivative financial instrument liabilities and prepaid silver income.*

(c) Secondary reporting – geographical segments

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	2008 $000	2007 $000	**2008 $000**	2007 $000	**2008 $000**	2007 $000
Australia	**133,712**	162,729	**296,251**	414,712	**83,604**	65,694
South East Asia	**143,676**	214,639	**232**	431	**-**	-
	277,388	377,368	**296,483**	415,143	**83,604**	65,694
Unallocated assets			**2,967**	33,886		
Total assets			**299,450**	449,029		

Segment revenues from sales to external customers are allocated based on the country in which the customer is located. Segment assets and capital expenditure are allocated based on where the assets are located.

3. REVENUE AND OTHER INCOME

	2008 $000	2007 $000
REVENUE		
Sales revenue		
Sale of goods	**230,488**	356,290
Accelerated release of pre-paid silver revenue	**36,034**	-
Other revenue		
Interest	**6,339**	8,723
Rent and sub-lease rentals	**263**	280
Royalties	**-**	500
	273,124	365,793
OTHER INCOME		
Net gain on sale of available-for-sale financial assets	**19,734**	12,953
Net gain on sale of tenements	**42**	185
Gain on ineffective hedging	**5,589**	-
Other income	**150**	147
	25,515	13,285
FROM DISCONTINUED OPERATIONS (note 5)		
Revenue	**5,277**	21,097
Other income	**46**	-

4. IMPAIRMENT LOSSES

Impairment losses recognised comprise:

	2008 $000	2007 $000
Plant and equipment	**61,112**	-
Mine properties	**74,657**	-
Exploration and development assets	**38,462**	498
Available-for-sale financial assets (note 7)	**13,858**	817
Other assets (note 14)	**122**	-
Total impairment losses	**188,211**	1,315

Further explanation on the impairment losses is provided in the 'Commentary on results' section on page 9.

5. DISCONTINUED OPERATION AND DISPOSAL GROUP OF ASSETS

(a) Description

In March 2007 Perilya Limited announced the suspension of operations at its Daisy Milano mine site and the transition of this operation to a care and maintenance basis pending its intended sale. On 27 August 2007 the sale of the Daisy Milano mine operation, along with other gold exploration projects, comprising Mount Monger, Moyagee and Honeymoon Well was announced. The sale of the Honeymoon Well asset, to MPI Nickel Pty Ltd, was completed on 12 November and the sale of the Daisy Milano mine operation and Mount Monger and Moyagee assets, to Silver Lake Resources Limited, was completed on 14 November 2007. The Daisy Milano operation disposed of is reported in this financial year as a discontinued operation and the group of assets disposed of as the 'disposal group'.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. Further information is set out in note 2 – Segment information.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the period ended 14 November 2007 (2008 column) and the year ended 30 June 2007.

	2008 $000	2007 $000
Revenue (note 3)	**5,277**	21,097
Other income	**46**	-
Expenses	**(4,051)**	(25,891)
Profit before income tax	**1,272**	(4,794)
Income tax (expense) / benefit	**266**	2,166
Profit after income tax of discontinued operation	**1,538**	(2,628)
Gain on sale of the disposal group before income tax	**689**	-
Income tax expense	**(206)**	-
Gain on sale of the disposal group after income tax	**483**	-
Profit from discontinued operations	**2,021**	(2,628)
Net cash inflow/(outflow) from operating activities	**2,617**	5,267
Net cash inflow/(outflow) from investing activities*	**7,000**	(4,642)
Net cash inflow/(outflow) from financing activities	**(9,617)**	(625)
Net increase in cash generated by the operations	**-**	-

** 2007 includes cash inflow from the sale of the disposal group of assets*

5. DISCONTINUED OPERATION AND DISPOSAL GROUP OF ASSETS (CONTINUED)

(c) Carrying amounts of assets and liabilities of the disposal group

The carrying amounts of assets and liabilities as at the date of sale (14 November 2007) and 30 June 2007 were:

	14 November 2007 $000	30 June 2007 $000
Inventories	**318**	345
Exploration and evaluation expenditure	**6,016**	5,751
Mine properties	**3,169**	3,283
Property, plant and equipment	**1,949**	1,973
Total assets	**11,452**	11,352
Borrowings	**391**	649
Total liabilities	**391**	649
Net assets	**11,061**	10,703

(d) Details of the sale of the disposal group

	2008 $000	2007 $000
Net consideration received and receivable*		
Cash	**7,000**	-
Available-for-sale financial assets	**4,500**	-
Gold sales royalty (at $5 per oz to maximum of $250,000)	**250**	
Total net disposal consideration	**11,750**	-
Carrying amount of net assets sold	**(11,061)**	-
Gain on sale before income tax	**689**	-
Income tax expense	**(206)**	-
Gain on sale after income tax	**483**	-

** net of transaction costs associated with sale*

6. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

(a) Reconciliation to cash at the end of the year

	2008 $000	2007 $000
Cash at bank and in hand	**26,532**	81,058
Deposits at call (note 1)	**-**	66,397
Cash at the end of the year as per consolidated cash flow statement	**26,532**	147,455

6. CURRENT ASSETS – CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Total cash

The above figures are reconciled to total cash (inclusive of restricted cash), at the end of the financial year as follows:

	2008 $000	2007 $000
Balances as above	**26,532**	147,455
Add: Non-current – Restricted cash *	**10,444**	25,592
Cash at the end of the year inclusive of restricted cash	**36,976**	173,047

* *Restricted cash comprises deposits and commercial bills that are used for monetary backing for performance guarantees –see also note 17.*

7. CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008 $000	2007 $000
At beginning of the year	**4,344**	5,381
Additions	**33,273**	100
Reclassification of commercial paper from cash and cash equivalents [(a)]	**39,991**	-
Disposals	**(44,555)**	(14,253)
Impairment of securities (note 4)	**(4,017)**	-
Impairment of commercial paper (note 4)	**(9,841)**	
Reclassifications from non-current available-for-sale financial assets [(b)]	**1,486**	2,074
Net revaluation gain/(loss) transferred to equity	**20,175**	11,042
At end of year	**40,856**	4,344
Comprising:		
Commercial paper	**30,150**	-
Listed Australian equities	**8,887**	4,342
Unlisted Australian equities – options	**1,305**	2
Unlisted overseas equities	**514**	-
	40,856	4,344

(a) Commercial paper

As outlined in note 1, commercial paper was classified as cash and cash equivalents in prior years as it was considered to meet the definition of cash being a highly liquid investment, readily convertible into known amounts of cash and subject to insignificant risk of change in value. In line with conditions experienced in financial markets during the reporting period and at balance date, the Group reclassified these deposits to available-for-sale and, given objective evidence that the assets were impaired, an analysis was undertaken and the assets written down to assessed fair value with the impairment loss of $9,841,000 recognised in the income statement.

(b) Transfers from/to non-current available-for-sale financial assets

The Group designates available-for-sale assets as a current asset if it has an intention to dispose of the investment within 12 months of the balance sheet date and as a non-current asset if sale intentions are expected to be greater than 12 months of the balance sheet date. Sale intentions, and therefore asset classification between current and non-current for individual investment holdings, depend on a number of factors including re-assessment at each reporting date of individual holdings from strategic, asset return, and capital investment considerations.

8. DERIVATIVE FINANCIAL INSTRUMENTS

	2008 $000	2007 $000
Current assets		
Forward metal sale contracts - cash flow hedges	**72,239**	-
Forward metal sale option contracts - cash flow hedges	**34,278**	6,595
Forward currency option contracts - cash flow hedges	**22,626**	9,802
Total current derivative financial instrument assets	**129,143**	16,397
Total derivative financial instrument assets	**129,143**	16,397
Current liabilities		
Forward metal sale contracts - fair value hedges	-	3,786
Forward metal sale contracts - cash flow hedges	**7,701**	95,221
Total current derivative financial instrument liabilities	**7,701**	99,007
Non-current liabilities		
Forward metal sale contracts - cash flow hedges	-	34,396
Total non-current derivative financial instrument liabilities	-	34,396
Total derivative financial instrument liabilities	**7,701**	133,403

As disclosed in note 17 the Group closed out its hedge book during August 2008 realising $60,314,000 in cash (at market value less costs of sale at the time of sale and after payment of deferred option premium liabilities) with the future hedging policy to be restricted to Quotation Period (“QP”) hedging (i.e. hedging of product sales as they occur) and the use of options contracts to manage the Group’s revenue protection.

9. CONTRIBUTED EQUITY

	2008 Shares	2007 Shares	2008 $000	2007 $'000
Opening balance of issued and fully paid shares	**196,276,377**	191,047,239	**112,454**	**102,970**
Dividend re-investment plan issues	**346,263**	1,389,138	**667**	**5,642**
Options exercised	**260,000**	3,840,000	**353**	**3,842**
30 June closing balance of issued and fully paid shares	**196,882,640**	196,276,377	**113,474**	**112,454**
Opening balance of treasury shares	**(2,028,850)**	-	**(6,407)**	-
Less: Treasury shares purchased	**(1,730,450)**	(2,126,375)	**(3,112)**	**(6,694)**
Plus: Perilya ESAP shares issued	**858,880**	97,525	**2,584**	**287**
30 June closing balance of treasury shares	**(2,900,420)**	(2,028,850)	**(6,935)**	**(6,407)**
Total consolidated contributed equity	**193,982,220**	194,247,527	**106,539**	**106,047**

As at 30 June 2008:

i. options over unissued shares in Perilya Limited totalled 3,050,000 (2007: 4,510,000); and
ii. rights over unissued shares in Perilya Limited totalled 702,000 (2007: nil).

10. RESERVES

	2008 $000	2007 $000
Available-for-sale financial assets fair value reserve (net of tax)	**643**	(123)
Share-based payments reserve	**6,366**	5,145
Hedging reserve – cash flow hedges (net of tax)	**54,992**	(85,030)
Balance 30 June	**62,001**	(80,008)

a) Movements

	2008 $000	2007 $000
Available-for-sale financial assets fair value reserve		
Balance 1 July	**(123)**	2,139
Revaluation	**20,987**	796
Plus/(less): Deferred tax on revaluation	**(6,296)**	(239)
Transfer to net profit	**(19,892)**	(4,029)
Plus/(less): Deferred tax on transfer	**5,967**	1,210
Balance 30 June	**643**	(123)
Share-based payments reserve		
Balance 1 July	**5,145**	829
Option expense	**520**	1,377
Perilya ESAP shares expensed	**3,285**	3,226
Issue of shares held by Perilya ESAP Trust to employees	**(2,584)**	(287)
Balance 30 June	**6,366**	5,145
Hedging reserve – cash flow hedges		
Balance 1 July	**(85,030)**	(42,109)
Revaluation - gross	**132,777**	(97,538)
Deferred tax on revaluation	**(39,833)**	29,261
Transfer to net profit	**67,255**	36,223
Deferred tax on transfer	**(20,177)**	(10,867)
Balance 30 June	**54,992**	(85,030)

11. RETAINED PROFITS

Movements in retained profits were as follows:

	2008 $000	2007 $000
Balance 1 July	**123,234**	67,592
Net profit/(loss) for the year	**(140,235)**	82,483
Dividends (note 12)	**(3,929)**	(26,841)
Balance 30 June	**(20,930)**	123,234

12. DIVIDENDS

	2008 $000	2007 $000
Fully franked final ordinary dividend for the year ended 30 June 2007 of 1 cent (2006: 4 cents) per fully paid share paid on 29 September 2007	**1,963**	7,653
Fully franked interim ordinary dividend for the year ended 30 June 2008 of 1 cent (2007: 10 cents) per fully paid share on 27 March 2008	**1,966**	19,188
Total dividends provided for or paid	**3,929**	26,841
Dividends paid in cash or satisfied by the issue of shares under the Perilya dividend reinvestment plan during the years ended 30 June 2008 and 2007 were as follows:		
Paid/payable in cash	**3,262**	21,199
Satisfied by issue of shares under Dividend Reinvestment Plan (as approved by shareholders on 29 November 2007)	**667**	5,642
	3,929	26,841

(a) Dividends not recognised at year end

Subsequent to the end of the financial year end the directors have decided that a final dividend will not be paid in respect of the year ending 30 June 2008.

13. CONTINGENCIES

(a) Contingent liabilities

Potential Daisy Milano cash flow payments and production royalty payments
As reported in the 30 June 2007 annual financial report, on 30 August 2007 Perilya Daisy Milano Pty Ltd and the Ridgeview Group agreed to vary the terms of the purchase agreement for the Daisy-Milano mine, to facilitate the sale by Perilya Daisy Milano Pty Ltd of the Daisy Milano mine to Silver Lake Resources Limited. Accordingly, the contingent liabilities, as existed at 30 June 2007 have ceased. The estimated impact of this was reflected in the results for the year ended 30 June 2007 as the amount was included in the costs to sell estimate on impairment of the Daisy-Milano assets.

Silver sale agreement with Coeur d'Alene Mines Corporation (Coeur)
In October 2005 Perilya sold 17.2 million ounces of payable silver to a wholly owned Australian subsidiary of Coeur d'Alene Mines Corporation (Coeur) for an upfront payment of US$36.0 million. Coeur will also pay an ongoing US$2.00 per ounce as each ounce of silver is produced plus a refining charge of US$0.31 per ounce (indexed to CPI).

As at 30 June 2008 approximately 4.7 million ounces of payable silver have been delivered into this contract. Under the resized Broken Hill operating plan the company expects to produce a further 2.5 million ounces of payable silver. In the event that the company re-establishes increased production beyond its current operating plan, it will continue to deliver the silver to Coeur in accordance with its obligations.

Apart from the items disclosed above there were no other known contingent assets or liabilities which were not provided for in the financial statements of the Group as at 30 June 2008.

14. INVESTMENTS IN ASSOCIATES

Information relating to associates is set out below. These shareholdings are treated as investments in associates and are accounted for in the consolidated financial statements using the equity method of accounting.

		Ownership interest		Consolidated carrying amount	
Name of Company	Principal activity	**2008 %**	2007 %	**2008 $'000**	2007 $'000
Southstar Diamonds Limited	Explorer	**50**	50	-	293
				-	293

Southstar Diamonds Limited is an Australian incorporated company and is a non-listed investment as at 30 June 2008.

(a) Movement

The movement in investments in associate comprises:

	2008 $000	2007 $000
Balance 1 July	**293**	53
Advances to associate	**350**	625
Share of losses after tax	**(521)**	(385)
Impairment loss taken to profit and loss	**(122)**	-
Balance 30 June	-	293

15. INTERESTS IN JOINT VENTURES

Joint venture operations
Companies within the economic entity are participants in the following joint ventures as at 30 June 2008. The percentage interests may vary depending on the monies expended by the joint venturers. The Groups percentage interests in future output if all the venturers fulfil their obligations to the joint ventures are as follows:

			% Holding	
Joint venture	Location	Principal activity	**2008**	2007
Coultra	NSW	Base metal exploration	**80**	80
Greenshire	NSW	Base metal exploration	**90**	90
Stirling Vale	NSW	Base metal exploration	**70**	70
Beltana Corridor	SA	Base metal exploration	**70**	70
Blinman (Minotaur)	SA	Base metal exploration	**80**	80
Mt Frome	SA	Base metal exploration	**90**	90
Reephook	SA	Base metal exploration	**85**	85
Malaysia Wide	Malaysia	Gold and base metal exploration	**50**	50
Ranau	Malaysia	Gold and base metal exploration	**50**	50
Dee Range	QLD	Gold and base metal exploration	**90**	90
Ulam Range	QLD	Gold and base metal exploration	**90**	90
Kanowna	WA	Gold exploration	**30**	30
Rustenberg	South Africa	PGM exploration	**50**	50

16. EARNINGS PER SHARE

(a) Basic earnings per share

	2008 cents	2007 cents
Profit / (loss) from continuing operations attributable to the ordinary equity holders of the company	**(73.1)**	44.7
Profit / (loss) from discontinued operations	**1.0**	(1.4)
Profit / (loss) attributable to the ordinary equity holders of the company	**(72.1)**	43.3

(b) Diluted earnings per share [e]

	2008 cents	2007 cents
Profit / (loss) from continuing operations attributable to the ordinary equity holders of the company	**(73.1)**	44.5
Profit / (loss) from discontinued operations	**1.0**	(1.4)
Profit / (loss) attributable to the ordinary equity holders of the company	**(72.1)**	43.1

(c) Reconciliation of earnings used in calculating basic and diluted earnings per share

	2008 $'000	2007 $'000
Profit / (loss) from continuing operations	**(142,256)**	85,111
Profit / (loss) from discontinued operations	**2,021**	(2,628)
Profit / (loss) attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**(140,235)**	82,483

(d) Weighted average number of shares used as the denominator

	2008	2007
Weighted average number of ordinary shares used in the denominator in calculating basic earnings per share	**194,636,819**	190,562,028
Adjustments for calculation of diluted earnings per share		
Unlisted options [e]	**-**	705,233
Weighted average number of ordinary shares and potential ordinary shares used in the denominator in calculating diluted earnings per share	**194,636,819**	191,267,261

16. EARNINGS PER SHARE (CONTINUED)

(e) Information concerning the classification of securities

Treasury shares (as disclosed in note 9) are deducted from total shares on issue for the purposes of calculating earnings per share.

Options granted to employees under the Perilya Limited Employee Share Option Plan are considered to be potential ordinary shares and have not been included in the determination of diluted earnings per share for the year ended 30 June 2008 as the effect on the loss recorded from both continuing operations and the loss attributable to ordinary equity holders would be anti-dilutive. The options were however included in the determination of diluted earnings per share for the comparative period to the extent to which they are dilutive. Options have not been included in the determination of basic earnings per share.

Performance rights granted to employees under the Perilya Long Term Share Incentive Plan are considered to be potential ordinary shares however as they were initially issued in October 2007 and do not vest for a minimum of 3 years they have not been included in determination of diluted earnings per share. Performance rights have not been included in the determination of basic earnings per share.

17. EVENTS OCCURING AFTER THE BALANCE SHEET DATE

Broken Hill Operation resizing and closure of hedge book

On 21 August 2008, Perilya reported that it has completed an extensive review of its Broken Hill zinc, lead and silver operation and implemented a plan to resize the operation in light of current low metal prices. As a result of this review, Perilya has implemented a new production plan at its Broken Hill Operation, focused on a lower tonnage profile around mining remnant pillars and stopes with low development requirements in the Southern Operation.

It was further decided that the North Mine and Potosi exploration decline be placed on care and maintenance. The new production plan and operational changes are aimed at ensuring the Broken Hill Operation maintains a production level that is financially acceptable and allows the operation to weather the current low metal prices. Furthermore, it positions the Broken Hill Operation to re-establish increased production and profitability in the future when metal prices increase.

A summary of the production and operational changes include:

- A reduction in milled tonnage from 1.8 to 0.95 million tonnes per annum ('mtpa'), with annual production of approximately 55,000 tonnes of contained zinc and 50,000 tonnes of contained lead.
- Future ore production will focus on the utilisation of stopes that are currently available, or require minimal development, and the bringing forward of high grade pillars that were originally planned to be mined in the latter years of the Life of Mine Plan.
- Exposure to spot prices, with hedging restricted to QP hedging and the use of option contracts.
- Reduction in manning levels by approximately 440, at a total cash cost of $20 million (including leave liabilities of approximately $10 million) which will be recognised in FY 2009.
- Lower capital and development expenditure for FY2009 forecast at $25 million reducing to $15 million in FY2010.
- Lower exploration expenditure within the Broken Hill region.
- Further cost reductions at the corporate head office.

As a result of the resizing of the Broken Hill Operation and the prevailing low metal prices environment, Perilya has, at 30 June 2008, written down the carrying value of its Broken Hill assets by $165.6 million.

In conjunction with the resizing, Perilya closed-out its hedge book realising $60,314,000 in cash. The hedge book was closed to realise its inherent financial value and to strengthen the company's balance sheet during this period of low metal prices. The gains arising from the closure of the hedge book will be recognised over the FY2009 and FY2010 financial accounts, in accordance with relevant accounting standards.

17. EVENTS OCCURING AFTER THE BALANCE SHEET DATE (CONTINUED)

Restricted cash
After balance date bank guarantees backing existing rehabilitation performance guarantees in place with relevant state governments expired and were required to be replaced by cash backed facilities. To meet this requirement Perilya placed an additional $14,275,000 into restricted cash.

Apart from the items disclosed above or as part of continuous reporting requirements, there has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material or unusual nature which, in the opinion of the directors has, or may, significantly affect the operations or financial position of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future periods.

SHAREHOLDER INFORMATION

Head office and registered office

Level 10, 553 Hay Street
Perth, Western Australia 6000

Mail: PO Box 3057
Perth Adelaide Terrace
Western Australia 6832

Telephone: +61 8 6210 2000
Facsimile: +61 8 6210 2099

Email: Perilya@perilya.com.au
Website: www.perilya.com.au

Company Secretary

Darryl Edwards

Auditors

PricewaterhouseCoopers
Chartered Accountants
QV1, 250 St George's Terrace
Perth, Western Australia 6000

Stock exchange listing

The company's shares are listed on the Australian Stock Exchange Limited
ASX Code: PEM

Shareholder communication

At Perilya, we are committed to the provision of timely, balanced shareholder communication, using plain language. The policy is provided on our website, along with our other corporate governance policies.

Half-year and annual financials

Copies of this report or earlier half-year or annual financial reports are available on our website at www.perilya.com.au/investor-information/company-reports or can be obtained by contacting Investor Relations (see details below).

Continuous disclosure

Copies of Perilya's announcements are available by visiting: www.perilya.com.au/investor-information or alternately register to receive ASX announcements via email by visiting: www.perilya.com.au/investor-information/subscribe

Website

Apart from information already noted, Perilya's website (www.perilya.com.au) also enables stakeholders to access other company information, for example copies of conference and forum presentations, details on directors and senior executives, information on current development projects etc, at their convenience.

Share registrar

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth Western Australia 6000

Website: www-au.computershare.com