



PERILYA

Perilya Limited

ABN 85 009 193 695

ANNUAL REPORT 2004

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CHAIRMAN'S REVIEW

Important steps were made in 2003/04 towards our objective of building a diversified resource Company. This year we completed our first full production year at the Broken Hill zinc, lead silver mine and secured the right to acquire the Daisy-Milano gold mine which holds the potential to be our second operating mine.

Exploration and evaluation at our operations and across our portfolio of base metal and gold assets returned success.

We continued to manage our assets and investments pro-actively, increasing our interest in the promising Mount Oxide copper project during the year and divesting non strategic holdings in investments when the market conditions were considered appropriate. Strike Oil Limited, a successful petroleum exploration company supported by Perilya since 1997, was listed on the Australian Stock Exchange in August 2004. Through Strike (Perilya 20%) and Comet Ridge Limited (Perilya 16%), Perilya shareholders have significant exposure to the Australian oil and gas sector at a time of near record oil prices.

At Broken Hill we completed an underground equipment replacement program which resulted in improved productivity, and we simplified the concentrator to improve recoveries and concentrate quality. Despite this, the South Mine, which has provided 95% of the ore, has not performed to the level desired. An improving operating performance was adversely affected by several independent and isolated events which disrupted production and impacted on grade and cost performance.

As a consequence, in July 2004, following a comprehensive review of the operation, which was undertaken with the experience of two years of operating the mine, a decision was taken to modify the production profile so as to reduce reliance on the South Mine. The mining rate at the higher grade North Mine has been increased and the rate at the South Mine reduced by 25% to 1.8 million tonnes per annum. The Potosi resource is currently being permitted for development to provide a third ore source.

The reduction in production pressure at the South Mine and the increased mining flexibility between North and South should reduce operational risk at Broken Hill. The benefits of this strategy are expected to flow from the December quarter onwards in the form of increased head grades and reduced unit operating costs.

In conjunction with the change in the production profile, a further cost and efficiency review is being undertaken at Broken Hill with the objective of identifying and implementing projects to reduce the unit operating costs and improve grade. This process will be undertaken without compromising the health and safety of our employees or the environment.

Perilya's strategy of acquiring projects with strong growth potential during the cyclical low the mining industry has experienced over the past several years is now starting to bear fruit. Perilya is asset rich at a time when asset prices are rapidly increasing. Shareholders have exposure to a wide range of projects across gold, zinc, lead, copper, nickel and oil and gas. We have the potential within this portfolio for substantial growth in shareholder value.

Following the 2003 Annual General Meeting, Colin McIntyre took on the role of acting Chairman and in May 2004 I was appointed Chairman. Barry Cahill, Operations Director resigned from the Company and the Board in March 2004. We would like to acknowledge Barry's contribution to the Company, particularly his role in directing the commissioning of the Broken Hill Operations.

In conclusion, we would like to acknowledge the hard work and dedication of Perilya's employees throughout the year. Their contribution and continuing commitment to our core values are vital factors in delivering high performance.

Phillip C. Lockyer
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OBJECTIVES, STRATEGY AND RISKS

Perilya's objective is to become a significant diversified mining company with base metal and gold divisions that provide consistent dividend returns to its shareholders. The Company aims to operate in a manner which ensures the health and safety of its people, the integrity of the environment in which it operates, and the highest standards of corporate governance.

Immediate growth will be achieved through:

- the optimisation of the Broken Hill Operations
- the evaluation and development of the Daisy-Milano gold mine to become the Company's second mining operation
- the realisation of growth opportunities presented by the exploration projects

In order to achieve this objective, it is important for the Broken Hill Operation, as the Company's primary generator of cash in the coming financial year, to achieve its cash flow targets. Major factors affecting the level of cash flow from the operation include sensitivity to world metal prices and the attainment of production and ore grade targets.

Although significant improvements in the operating performance of the mine have been achieved during Perilya's two year ownership (in the form of improved safety standards, maintenance, productivity, metal recoveries and concentrate grades), the operation has not consistently achieved target performance in the past year. Disruptions to the mining programme caused by a series of independent and isolated events relating to the history, size and nature of the operation resulted in significant operational downtime at the South Mine. This, combined with the fact that 95% of the mill feed was sourced from the South Mine, was the principal reason for under performance. In order to mitigate the principal operational risks, the Company has initiated a long term strategy of reducing dependence on the South Mine and improving mining flexibility and head grades. Production from the South Mine will be progressively reduced from the current mining rate of 180,000 to 200,000 tonnes per month to 150,000 tonnes per month, whilst phasing in 20,000 to 30,000 tonnes per month of higher grade ore from the North Mine and, in due course, from the proposed new mine at Potosi.

This strategy will have the dual effect of reducing exposure to unplanned disruption at the South Mine and, by lowering production pressure, enabling a greater emphasis to be applied to mining quality which, in turn, will lead to improved head grades. In addition management will be focused on maximising the net margin, the difference between the sale price of metal and the unit cost of production, over the remaining mine life.

To make the Broken Hill Operations internationally competitive for its six to seven year mine life, and with the objective of extending its life for an additional six years and beyond, the Company has embarked upon a business plan that not only includes reducing dependence upon the South Mine but improving the efficiency and cost of all activities associated with the Operation from exploration through to marketing. The results will be recognised in reduced unit costs and progress will be reported in the coming Quarterly Reports.

Pursuing a strategy to secure a second cash flow stream, in October 2003 Perilya entered into an 18 month option to acquire the Daisy-Milano gold mine and surrounding tenements located approximately 50 kilometres south east of Kalgoorlie, Western Australia. Until Perilya's involvement, Daisy-Milano was mined by private operators on a small scale producing approximately 150,000 ounces of gold at an average grade of 16 g/t gold over a period of more than 25 years.

A decline development, trial mining and diamond drilling programme currently underway is designed to establish ore continuity and grade. If, as is anticipated, the ore body continues at depth in the same manner as it occurs in the lower levels of the mine (8 to 11 level) then, on current mining models, an operation producing more than 70,000 ounces of gold per annum, with potential to deliver significant cash flows, could be established.

REVIEW OF OPERATIONS

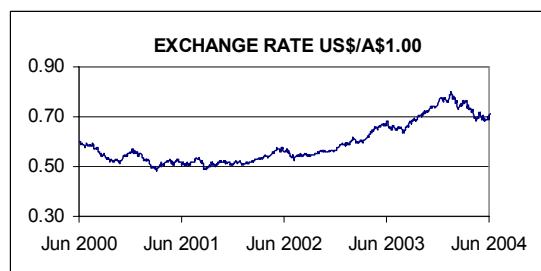
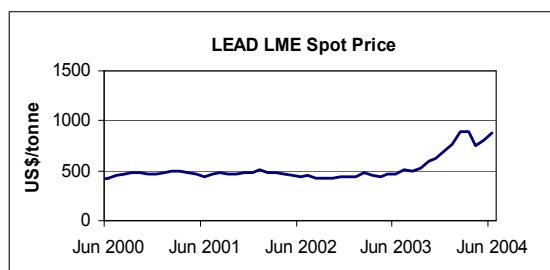
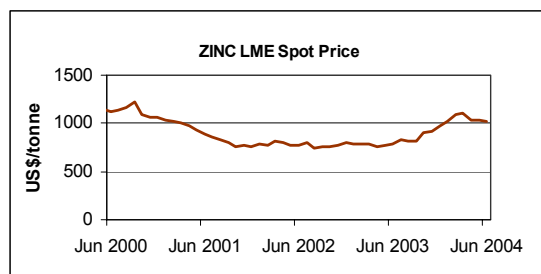
Operating Results

Financial Summary	2002/03 \$m	2003/04 \$m
Revenue from ordinary activities	144.6	194.2
Profit/(loss) after tax	(0.1)	12.9
Cash flow from operating activities	(7.6)	8.7
Capital Expenditure	10.6	29.0

Perilya Limited's after tax profit in 2003/04 of \$12.9 million (2002/03: \$0.1 million loss) resulted from a combination of the sale of non strategic investments and a before tax loss of \$3.8 million from the Broken Hill Operations. The Broken Hill outcome reflects several independent and isolated events which disrupted production during the year and a 19 day production downtime in January 2004 due to the ore haulage skip jamming in the shaft. The downtime in January reduced zinc concentrate production by 15,300 tonnes and lead concentrate production by 4,700 tonnes. The financial affect has been a reduction in profit of approximately \$5 million and cash flow of approximately \$7.0 million. We have recognised in revenue an insurance claim receivable of \$2.0 million representing a \$7.0 million loss of profit less a \$5 million deductible.

The unit cash cost of production averaged US\$0.36 per pound of payable zinc in the first half of the year and US\$0.43 per pound in the second half. Adjusting for the 19 day downtime, the unit costs in the second half of the year would have been US\$0.35 per pound.

During the year the Company reduced its holding in non strategic investments generating a before tax profit of \$22.6 million. At 30 June 2004 the Company held investments with a carrying value of \$6.3 million and a market value on that date of \$12.8 million. Non strategic investments will continue to be sold during the 2004/05 year as prices and market conditions are considered appropriate. The share of net profit before income tax of equity accounted investments in Independence Group NL and Strike Oil Limited was \$1.9 million and \$2.3 million respectively.



Perilya Limited and its wholly owned subsidiaries elected to consolidate and be treated as a single entity for income tax purposes, effective 18 October 2002, resulting in an uplift of exploration assets which reduced current income tax by \$0.7 million. As at 30 June 2004 the Company has \$11.8 million of un-utilised pre tax consolidation losses available for offset against future taxable income.

Dividend

Given the significant capital outlays planned in 2004/05 associated with the attainment of our strategic objective, the Directors have decided against the payment of a dividend for the 2003/04 year. Proposed capital expenditure is required to provide the operating capacity to generate sustainable cash flows, profit and dividends in future years.

Cash Flow

The cash flow from operating activities was \$8.7 million (2002/03: negative \$7.6 million) of which the Broken Hill Operation contributed \$11.9 million.

The proceeds from the sale of non strategic investments, which generated \$30.1 million in cash flow for the year, were used to evaluate and develop long term cash flow generation projects. The cash outflows associated with major investment activities comprised \$17.5 million on mine development and plant and equipment at Broken Hill, \$7.5 million on the evaluation and development at Daisy-Milano and \$4.5 million, excluding Daisy-Milano, on exploration and evaluation. In addition, \$7.1 million in production linked payments, associated with the purchase of Broken Hill, were paid.

In April 2004 Perilya received \$7.1 million from Strike Oil Limited comprising a \$2.8 million unfranked dividend and a return of capital of \$4.3 million.

Liquidity and Funding

Cash and deposits at 30 June 2004 totalled \$40.7 million (30 June 2003: \$34.8 million). Borrowings totalled \$34.5 million at 30 June 2004 (30 June 2003: \$25.3 million). In addition Perilya has \$9.6 million cash backed rehabilitation bonds with State Governments.

Fully redeemable convertible notes, issued to Korea Zinc Company Ltd, with a face value of US\$15 million (A\$21.8 million at 30 June 2004), are convertible at the greater of A\$0.87 per Perilya share or market subject to a prior right to Perilya to redeem. In the event that the notes are not converted by the Korea Zinc Company Ltd or redeemed earlier by Perilya, they are repayable by a single payment in May 2005.

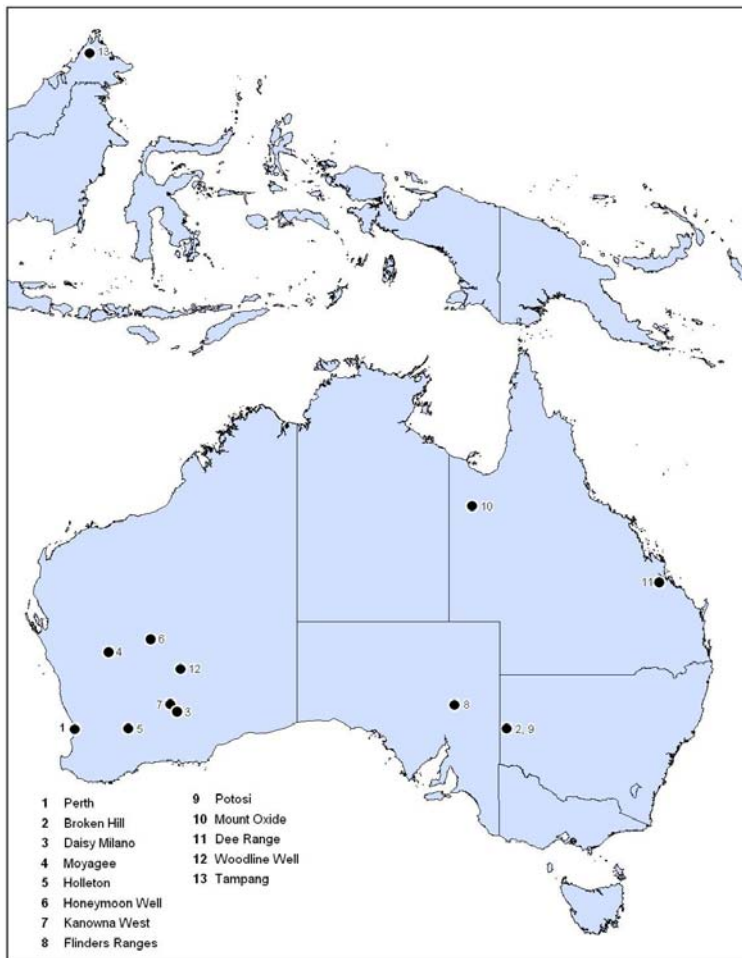
The other major borrowings are hire purchase contracts totalling \$12.7 million at 30 June 2004, with repayment periods extending to June 2008, which have been used to acquire the underground mobile equipment for the Broken Hill Operation.

During the year 4,635,000 options were exercised at an average issue price of \$0.40 per share increasing contributed equity by \$1.8 million to \$78.0 million.

OPERATIONS & PROJECTS

Perilya's principle operation is the Broken Hill zinc, lead and silver operation. The Daisy-Milano gold project, which is currently being evaluated, is planned to become the second mining operation in the second half of 2004/05. In addition, the Company has a portfolio of projects at various stages of exploration and evaluation.

Operating	B' Hill (Zn, Pb, Ag)	
Developing	Potosi (Zn, Pb, Ag)	Daisy-Milano
Evaluating	Flinders (Zn)	
Resource Drilling	Mt Oxide (Cu) Tampang (Cu, Au)	Moyagee
Exploring	Dee Range (Cu, Zn) Broken Hill (Zn, Pb, Ag) Woodline Well (Ni)	Holleton Honeymoon Well Kanowna
	BASE METALS	GOLD



BASE METALS

Operations

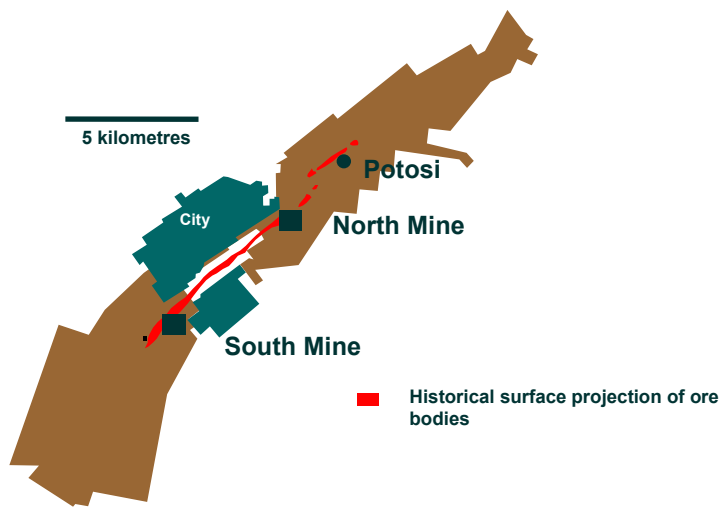
Broken Hill Zinc Lead Silver (100-90%), New South Wales

In May 2002, Perilya acquired the Broken Hill Operation which comprises in excess of 60 square kilometres of tenements, two operating mines; the South Mine and North Mine with a third project, Potosi, currently being permitted for development. The processing plant is situated near the South Mine.

The Broken Hill Operation produces a zinc concentrate and a lead concentrate from ore mined at the South Mine and North Mine. Both concentrates are railed to Port Pirie, South Australia. The lead concentrate is sold to Zinifex Limited for treatment at its Port Pirie lead smelter. Approximately 50% of the zinc concentrate is sold to Korea Zinc Company Ltd with the remainder sold to Zinifex Limited for treatment at its Risdon zinc smelter.

The Broken Hill ore body has produced more than 200 million tonnes of zinc, lead and silver ore since its beginnings in 1885.

PERILYA'S BROKEN HILL TENEMENTS



A review of the operating performance of Broken Hill is provided in the Management Discussion and Analysis on pages 3 to 5.

Production	2002/03	2003/04
Ore treated 000's tonnes	1,787	2,109
Zinc grade %	8.8	7.4
Lead grade %	3.5	3.2
Silver grade g/t	34.4	33.7
Zinc concentrate 000's tonnes	284.8	282.4
Contained zinc metal 000's tonnes	144.6	140.4
Recovery %	91.5	89.5
Lead concentrate 000's tonnes	80.1	79.3
Contained lead metal 000's tonnes	54.6	54.5
Recovery %	87.5	82.2

Exploration Projects

Growth through exploration is an important element of Perilya's business plan. A steady commitment to investment in exploration over a number of years has resulted in the creation of shareholder value and has enabled the Company to build a portfolio of exploration projects, in gold and base metals, with promising potential.

Perilya's approach to exploration investment requires that a high proportion of exploration expenditure is allocated to drilling activities. In this regard the Company is achieving amongst the highest levels of drilling expenditure relative to total exploration expenditure in the industry.

Over the past year direct drilling expenditure increased and success was achieved at the Daisy-Milano and Honeymoon Well gold projects. Drilling was underway on the Flinders zinc project and at the Woodline Well nickel project at the year end.

EXPLORATION AND EVALUATION EXPENDITURE **	2003 \$m	2004 \$m
Daisy Milano *	-	8.7
Mount Oxide	0.3	1.8
Broken Hill	0.5	1.2
Flinders	1.0	0.6
Honeymoon Well	-	0.4
Holleton	0.6	-
Other	1.9	0.9
TOTAL	4.3	13.6

* Includes mining and development expenditure associated with the exploration and evaluation.

** The total exploration and evaluation expenditure for 2004 of \$13.6 million comprises a cash outflow of \$12 million and a \$1.6 million accrual.

Flinders Zinc (85 – 100%), South Australia

The Flinders project, located in South Australia, has combined resources of 941,000 tonnes at 31% zinc.

The objective in the coming year at this project is to increase the resource through establishing extensions to the known high grade zinc mineralisation. Drilling is currently underway at the Reliance and Tom Thumb prospects, where there is potential for a large zinc discovery that would be amenable to metal production via hydrometallurgical processing.

Evaluation has also commenced on a development option at the Flinders project which would involve mining from known resources and the direct shipment and sale of high grade ore to smelters. Both exploration and development activities are being progressed simultaneously to enable optimal development of the project.

Mount Oxide Copper (100%), Queensland

Mount Oxide is located 15 kilometres to the north of the Mount Gordon copper mine in Queensland, a deposit which had pre-mining resources of 15.5 million tonnes at 5% copper. The geological setting at Mount Oxide is similar to Mount Gordon, and Mount Oxide is considered to hold potential for a significant discovery of 'Mount Gordon style' mineralisation.

Drilling below the old Mount Oxide open pit has defined an inferred resource of 2.8 million tonnes at 2.9% copper. This mineralisation is open in a number of positions.

Recent surface exploration has identified the Mount Oxide breccia system, a large and undrilled zone of sandstone breccia with visible copper mineralisation, located immediately north of the Mount Oxide resource area. The results from mapping and sampling of the Mount Oxide breccia system are consistent with the surface expression of significant 'Mount Gordon style' copper mineralisation. Drilling is planned for early in the year.

Broken Hill Zinc Lead Silver (100 – 90%), New South Wales

Exploration and evaluation studies over the past two years at Broken Hill has allowed Perilya to more fully understand the prospectivity of its large tenement holding. Data evaluation conducted at the South Mine has been productive, with 46 'in-mine' exploration targets generated. These are now being drill tested, some with marked success. Similar compilation work, and target generation field activity, is now underway on Perilya's regional ground holdings, and success is being achieved with numerous drill targets generated. Drilling will be undertaken in the 2004/05 year.

Woodline Well Nickel (100%), Western Australia

Woodline Well is located 23 kilometres west of Laverton, on the western flank of the Mt Windarra anticline in a mafic and ultramafic sequence that is equated with the host sequence to the Windarra nickel deposit.

Drilling by previous explorers encountered dunite hosted disseminated nickel sulphide with best results of 1m @ 4.3% nickel, 3.1m @ 2.3% nickel and 6.2m @ 3.0% nickel. A geophysical survey completed by Perilya defined conductors that are being drill tested.

GOLD

Daisy-Milano (right to acquire 100%), Western Australia

In October, Perilya secured an option to acquire the Daisy-Milano gold mine, which has previously produced 154,000 ounces at a grade of 16 g/t gold. The lode structure had been mined to the 11 level, 300 metres below surface, with potential to extend down plunge. Perilya drilled nine diamond core holes from surface, the results from which confirmed the extension of the lode structure.

Perilya assumed management in November 2003 and ceased mining, which at that time was being carried out from the 11 level via the South Shaft, to allow an evaluation programme to be undertaken. A decline previously developed to a depth of 150 metres below surface is now being extended to 320 metres below surface to enable detailed evaluation and trial production from the down plunge extensions of the Daisy-Milano ore body. These activities are expected to commence in the first half of 2005.

Subject to the results of the evaluation programme, production is expected at levels in excess of 70,000 ounces of gold per annum.

Honeymoon Well (70%), Western Australia

Perilya commenced drilling at the Capital prospect, Honeymoon Well project, in April to further evaluate a high grade drill intercept of 24 metres at 11 g/t gold made by previous explorers. Perilya drill results include 15 metres at 8.60 g/t gold. Exploration indicates potential at the Capital prospect to develop mineable mineralisation of a similar tenor to the Wiluna gold camp, which sits 20 kilometres to the north of Honeymoon Well.

RESERVES AND RESOURCES

The estimates of Ore Reserves and Mineral Resources in this report were prepared in accordance with the standards set out in the "Australasian Code for Reporting of Mineral Resources and Ore Reserves" as published by the Australasian Institute of Mining and Metallurgy, the Australasian Institute of Geoscientists and the Minerals Council of Australia and accepted by the Australian Stock Exchange Ltd. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.

	Perilya Interest %	Ore '000 tonnes	Zinc Grade %	Lead Grade %	Silver Grade g/tonne
BROKEN HILL (i)	100				
Resources					
Measured		15,025	10.2	5.7	59
Indicated		3,053	9.8	6.2	59
Inferred		3,054	10.8	5.0	63
Total		21,132	10.2	5.7	60
Reserves					
Proved		10,245	7.8	4.1	43
Probable		1,417	7.4	4.6	45
Total		11,662	7.8	4.1	44
Reserve Reconciliation (ii)					
Reserves as at 31 March 2003		11,570	7.7	4.0	41
- depleted by mining		2,152	8.2	3.1	34
- added		2,244	8.6	3.8	47
Reserves as at 31 March 2004		11,662	7.8	4.1	44
FLINDERS	85-100				
Resources					
Indicated		318	34.0		
Inferred		623	28.9		
Total		941	30.6		

	Perilya Interest %	Ore '000 tonnes	Gold Grade g/tonne	Gold '000 ozs
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MOYAGEE	100			
Resources				
Inferred		887	7.8	223.5

	Perilya Interest %	Ore '000 tonnes	Copper Grade %
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MOUNT OXIDE	100		
Resources			
Inferred		2,810	2.9
Total			

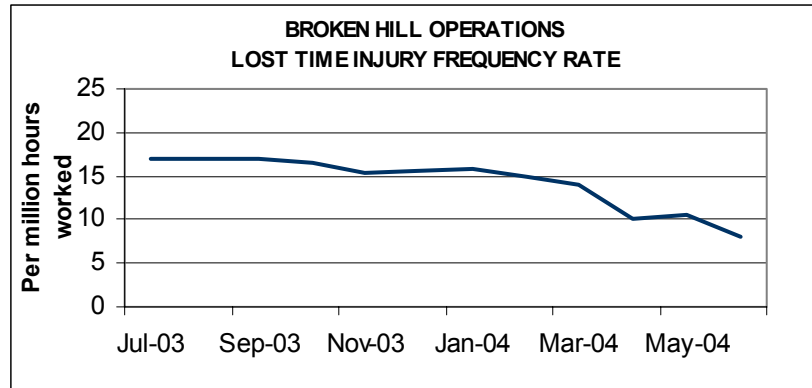
- i. Broken Hill Resources and Reserves are as at 31 March 2004
- ii. The mill production of 2.14 million tonnes at 7.9% zinc, 3.1% lead and 34 g/t silver compares favourably with reserve depletion. Additions to reserves are largely due to conversion of resources following extensive geological re-interpretation and preliminary mine design.

NOTES

1. The Moyagee resource is an undiluted cross-sectional polygonal estimate. A top-cut grade of 40 g/t gold was applied. Between surface and 100m, a 1 gram per tonne cutoff was applied, and below 100m, a 3 gram per tonne cutoff was applied.
2. The Flinders resource was estimated using the classical sectional method. Intercepts greater than 3m (downhole length) and above a 10% zinc equivalent cut-off grade were selected. No edge dilution and no top-cut have been applied. The Beltana component of the resource reported (365,200 tonnes at 31.2% zinc) is the subject of an option agreement with Pasminco Limited.
3. The Broken Hill resources is based on diamond drilling from sections spaced at approximately 20m at the South Mine, 20-60m at the North Mine, 40-100m at Potosi, and information from underground openings. Three dimensional wire frames were developed at a 7% lead plus zinc cutoff. Grade interpolation was by inverse distance and geostatistical methods within the wireframes. The Broken Hill ore reserve is derived from the measured and indicated resources of the South Mine, by intersecting preliminary stope designs with the resource model and applying dilution factors. The resources are stated inclusive of the ore reserve.
4. The information in this report that relates to Mineral Resources or Ore Reserves is based on information compiled by Christopher Mroczek and Jared Broome, employees of the Company, in respect of Broken Hill, and Michelle Wild of Wildfire Resources in respect of Flinders and Moyagee. J Broome is a member of the Australian Institute of Geoscientists the others are Members of The Australasian Institute of Mining and Metallurgy. All have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as a Competent Persons as defined in the 1999 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves".
5. The Mount Oxide resource was estimated by Western Metals Limited and is based on, and accurately reflects, information compiled by C. Gwatkin who is a Member of the Australasian Institute of Mining and Metallurgy, and is calculated using 1% copper cutoff grade. The resource has been block modelled and grades interpolated into the block model using inverse distance to the power 3. The SG was interpolated into the blocks and allowed for 10% porosity. The block model was created within geological wireframes that were based on an approximate 0.1% Copper cutoff.

SOCIETY

HEALTH, SAFETY AND THE ENVIRONMENT



It is a core principle of the Company that all activities are conducted in a manner which ensures the health and safety of our people and the integrity of the environment in which we operate. The Company recognises that rigorous health, safety and environmental management is essential to commercial success and it implements programs that reduce the risk of harm to our people and the environment.

Health, safety and the environment are managed through systems and procedures that are fully integrated into Perilya's day to day management activities.

The fundamental operating philosophy is that if there is a conflict between safety and our business or operating targets, then safety of the individual takes priority.

The Company's health safety and management system includes weekly safety meetings, formal safe work procedures, monthly and daily workplace inspections, job safety analysis and hazard identification. Each employee at our mining operations attended a minimum of 12 sessions during the course of the year.

The Company provides training in mines rescue which includes rope rescue, chemical response, vehicle extrication, fire fighting and search and rescue programs. This training is provided every five days.

At the Broken Hill Operation a site occupational, Health and Safety Committee meets on a monthly basis.

Perilya's safety record at Broken Hill improved during 2003/04 when compared to the previous year with a lost time injury frequency rate of 8.7 per million hours worked achieved. This represents a 40 percent reduction in our injury frequency rate over that achieved in 2002/03.

At the Broken Hill Operation six monthly compulsory blood lead testing is carried out on all employees and full time contractors. The Company has also instituted a lead awareness program, aimed at employee and contractor families which provides information on the potential effects of lead exposure and effective hygiene and dietary practices.

Continuous rehabilitation is being carried out at Broken Hill to progressively restore the mine site to mine closure standards over the areas no longer the subject of mining and processing. Regular monitoring of environmental factors is carried out to statutory standards. Key issues include water discharge, noise, blast vibration and dust levels within the operation and the wider community of Broken Hill.

The Company actively supports community schemes including the Royal Flying Doctor Service. During the year the Company cleaned and refurbished the Zinc Lake complex, which is a popular and attractive picnic and recreation area for Broken Hill residents and visitors.

CORPORATE GOVERNANCE

THE BOARD AND CORPORATE GOVERNANCE

The Perilya Limited Board is committed to protecting and enhancing shareholder value and conducting the Company's business ethically and in accordance with high standards of corporate governance.

An important regulatory feature for listed companies reporting on their corporate governance practices is the ASX Corporate Governance Council *Principles of Good Corporate Governance and Best Practice Recommendations* (ASX Principles). The ASX Principles were released in March 2003, and provide the corporate governance standard against which listed companies must report each year in their Annual Reports. Under ASX Listing Rule 4.10.3, listed companies must disclose the extent to which they followed the ASX Principles, and if any of the recommendations have not been followed then the company must explain why not.

The requirements under Listing Rule 4.10.3 apply to the Company for the financial year ended 30 June 2004, and this corporate governance statement therefore sets out and explains any departures by the Company from the ASX Principles.

THE PERILYA CORPORATE GOVERNANCE WEBSITE

Important information relating to the Company's corporate governance policies and practices are set out on our website at www.perilya.com.au. In particular, the following documents are available:

- Board Charter
- Audit Committee Charter
- Board policy on nomination and appointment of Directors
- Remuneration Committee Charter
- Risk Management Policy
- Code of Conduct
- Market Disclosure Policy
- Securities Trading Policy

The corporate governance section of the website was first made available from 30 June 2004 and the majority of the documents referred to above made available on the website with effect from that date. Following the release of the ASX Principles in March 2003, the Board conducted a review of its corporate governance policies and practices with a view to ensuring the Company complied with the ASX Principles where possible and appropriate. Due to the changes to the Board in late 2003, the corporate governance review took longer to complete than was first contemplated.

The Board is continuing to review and develop the corporate governance section of the website.

THE ROLE OF THE BOARD AND THE BOARD CHARTER

The Perilya Limited Board Charter was formally adopted on 28 April 2004 and sets out the following overall powers and responsibilities of the Board:

- charting the direction, strategies and financial objectives of the Company and monitoring their implementation; and
- monitoring compliance with regulatory requirements and ethical standards.

Specific powers and responsibilities set out in the Board Charter include:

- the appointment, and monitoring the performance, of the Managing Director and Company Secretary, approving other key executive appointments and planning for executive succession;
- providing direction for, and approving, strategic plans and objectives;
- monitoring and assessing strategic and operational performance; and
- approving and monitoring processes, procedures and systems that provide financial control and accountability and ensure accurate and timely financial reporting.

The Board considers that the Board Charter appropriately sets out the functions and responsibilities of the Board, and the Board has not separately formalised the functions delegated to management.

On 20 August 2004 the Board adopted the Australian Institute of Company Directors' Code of Conduct to reinforce the Board's commitment to ethical decision making.

In addition, Directors of the Company are subject to Perilya's Code of Conduct (see further discussion below). The Code of Conduct is considered by the Board to be an effective way to guide the behaviour of Directors, employees and contractors alike, and demonstrates the Company's commitment to ethical and responsible practices.

BOARD COMPOSITION

The Perilya Board has five Directors; four non-executive Directors including the Chairman, and one executive Director. In March 2004, Barry Cahill, an executive Director, left the Company and resigned from the Board. Two new Directors, Peter Harley and Phillip Lockyer, were appointed to the Board on the 19 November 2003. Colin McIntyre was appointed acting

Chairman following the retirement of Vincent Pental at the 2003 Annual General Meeting, the position he held until the appointment of Phillip Lockyer as Chairman in May 2004.

In accordance with the Company's constitution, Guy Travis, Peter Harley and Phillip Lockyer will retire at the 2004 Annual General Meeting and will offer themselves for re-election.

Names of Directors in office at the date of this Report

Name	Appointed	Non-Executive	Independent	Retiring at 2004 AGM	Seeking re-election at 2004 AGM
Tim Clifton	1988	No	No	No	
Colin McIntyre	2003	Yes	Yes		
Peter Harley	2003	Yes	Yes	Yes	Yes
Phillip Lockyer	2003	Yes	No*	Yes	Yes
Guy Travis	2002	Yes	No	Yes	Yes

**Phillip Lockyer was appointed as an independent Non-Executive Director on the 19 November 2003. However, due to the significant mining consultancy services Mr Lockyer has provided to the Company since the resignation of Barry Cahill, the Company's former Operations Director, in March 2004, the Board does not consider Mr Lockyer to be independent as at the date of this Annual Report. When Mr Lockyer's consultancy services are reduced, the Board will reconsider his status as an Independent Director.*

Details of the skills, experience and expertise relevant to the position of Director held by each Director in office as at the date of the Annual Report are set out on page 19.

Non-Executive Directors are expected to review their membership of the Board from time to time, taking into account their length of service on the Board, age, qualifications and experience together with other criteria considered desirable for composition of a balanced Board and the overall interests of the Company.

DIRECTOR INDEPENDENCE

In assessing the independence of each Non-Executive Director, consideration is given to the underlying purpose behind each of the specific relationships identified as relevant to independence, and the overall purpose of independence. The Board considers that the overall purpose of independence is to ensure that a Director does not have a relationship where there are, or could reasonably be perceived to be, matters that could materially interfere with the Director:

- making decisions on matters that regularly come before the Board or its committees;
- objectively assessing information provided by or from management;
- setting broad Company policy; or
- otherwise performing their role as a Director.

On 28 April 2004 the Company adopted the criteria for assessing the independence of a Director as set out in the ASX Principles.

The Board has concluded that the Non-Executive Directors other than Guy Travis and Phillip Lockyer, are independent:

- Guy Travis was the co-founder and Managing Director of Ranger Minerals Limited when it merged with Perilya in 2002. As a recent Executive Director of a company in the Perilya Group the Board considers that Mr Travis is not independent. This will be reviewed by the Board in 2005. In the Board's opinion, Mr Travis has no other relationships which could, or could reasonably be perceived to, materially interfere with his ability to act in the best interests of the Company.
- See the discussion in relation to Phillip Lockyer's independence above.

Neither Mr Harley nor Mr McIntyre have any relationships that raise independence issues.

CHAIRMAN

The Chairman is responsible for leading the Board, ensuring it functions effectively, arranging regular evaluation of the Board's performance and overseeing the provision of information from management to the Board. Colin McIntyre was appointed acting Chairman following the retirement of Vincent Pental at the 2003 Annual General Meeting, the position he held until the appointment of Phillip Lockyer as Chairman in June 2004. See the section on Independence of Directors above for a discussion on the independence of Mr Lockyer.

Notwithstanding the consultancy services provided to the Company by Mr Lockyer during his tenure as Chairman, the Board considers that Mr Lockyer remains the most appropriate member of the Board to act as its Chairman. Notwithstanding that ASX Principle 2.2 recommends that the Chairman should be independent, the Board consider that Mr Lockyer's ability to provide those services, on what is planned to be a short term basis following Mr Cahill's departure, has been very valuable to the Company and outweighs any issue of Mr Lockyer's independence.

Neither Mr McIntyre nor Mr Lockyer served as Managing Director or Chief Executive Officer during the year.

MANAGING DIRECTOR

The Managing Director, Perilya's most senior employee, is selected by the Board and is subject to annual performance reviews by the Non-Executive Directors. The Managing Director recommends policy and strategic direction for Board approval and is responsible for the day-to-day operation of the Company. Tim Clifton was appointed a Director in January 1988.

BOARD MEETINGS

The Board meets at least six times each year, and full Board meetings are usually held monthly (except January). From time to time meetings are convened outside the scheduled dates to consider issues of importance. In addition the Board conducts visits to the operational sites. The full Board met 13 times between 1 July 2003 and 30 June 2004. The Board conducted two site visits during the year.

Directors' attendance at Board and Committee meetings is detailed on page 20 of the Directors' Report.

BOARD COMMITTEES

Perilya's Board has established two standing committees to assist in meeting its responsibilities – the Audit Committee and the Remuneration Committee. These Committees review matters on behalf of the Board and make recommendations on policy for consideration by the entire Board. Each Committee formally reports to the Board at least once a year. Copies of the charters of these two Committees may be accessed from our website (www.perilya.com.au).

Audit Committee

The Audit Committee consists of three non-executive Directors; Peter Harley, Colin McIntyre and Guy Travis, and has a majority of independent members. The chairman of the Audit Committee is Peter Harley. The structure of the Audit Committee complies with the ASX Principles.

The Committee meets generally four times during a financial year. Committee members' attendance at Audit Committee meetings is detailed on page 20 of the Directors' Report.

The Audit Committee's overall role is to assist the Board in fulfilling its responsibilities for the Company's financial reporting and audit, internal control and financial risks.

The Audit Committee's specific responsibilities include (but are not limited to):

- evaluating the effectiveness of the Company's internal control measures, and gaining an understanding of whether internal control recommendations made by external auditors have been implemented;
- understanding the current areas of greatest financial risk for the Company and management's response to minimising those risks;
- reviewing significant accounting and reporting issues;
- reviewing annual financial reports, and meeting with management and external auditors to discuss the reports and the results of the audit; and
- considering preliminary financial announcements, interim results and analysts briefings.

It is also the responsibility of the Audit Committee to recommend to the Board the appointment of the External Auditor, to review the scope and monitor the progress of the external audit plans and to review other issues as requested by the Board.

The Chief Financial Officer and the External Auditors usually attend Audit Committee meetings.

Remuneration Committee

The Remuneration Committee consists of three Non-Executive Directors; Phillip Lockyer, Peter Harley and Colin McIntyre. The Committee meets at least twice a year. Its role is to review and recommend to the Board the Company's remuneration and compensation plans and policies including the remuneration of Non-Executive Directors, the Managing Director and Senior Executives.

The Committee is also responsible for reviewing and recommending to the Board the performance appraisal policies for the Non-Executive Directors, the Managing Director and Senior Executives.

Nomination Committee

At this stage of the Company's development the Board considers that it is unnecessary to have a separate Nomination Committee, and the Board as a whole undertakes the responsibilities of a Nomination Committee. The responsibilities of the Board in relation to nomination are to ensure the Board is comprised of Directors who are best able to discharge the Board's legal and other responsibilities, meet the Company's obligations to shareholders and to do so at high standards of corporate governance. Consideration is given to the Board's size and composition and succession planning for the Managing Director and Company Secretary.

A copy of the Board's formal policy on nomination and appointment of Directors is available from the Corporate Governance section of the Perilya website.

FINANCIAL REPORTING

Consistent with ASX Principle 4.1, the Company's financial report preparation and approval process for the financial year ended 30 June 2004 involved both the Managing Director and the Chief Financial Officer providing detailed representations to the Board covering:

- compliance with Perilya's accounting policies and relevant accounting standards;
- the accuracy of the financial statements and that they provide a true and fair view;
- integrity and objectivity of the financial statements; and
- effectiveness of the system of internal control.

EXTERNAL AUDIT

The Audit Committee Charter sets out the Board's responsibilities on the appointment of the external auditor. The Audit Committee reviews the performance of the External Auditor, considers independence issues and makes recommendations regarding the re-appointment of the auditors. The Board considers that at this stage the Audit Committee Charter clearly sets out the matters to be considered by the Board and the Audit Committee in relation to selection of External Auditors (including rotation of partners) and has not provided any additional information or procedures for the selection of the External Auditor on the Perilya website (as is recommended in the guide to reporting on ASX Principle 4). The Board will, if necessary, consider this matter further and make any further disclosure considered necessary or appropriate.

PricewaterhouseCoopers (originally Coopers & Lybrand) was appointed as the Company's external auditors in 1988. The Audit Committee meets with the External Auditors at least twice per year. PricewaterhouseCoopers' existing policy requires that its audit teams provide an annual independence declaration addressed to the Board, that the Auditor has maintained its independence in accordance with the Corporations Act and the rules of the professional accounting bodies. A declaration to this effect was provided to the Audit Committee and the Board for the financial year ended 30 June 2004.

PricewaterhouseCoopers have a policy for the rotation of the lead audit partner for their clients. A new lead audit partner for the Company was appointed for the financial year ended June 2004.

PricewaterhouseCoopers attend, and are available to answer questions at, the Company's Annual General Meetings.

ACCESS TO INDEPENDENT ADVICE

Each Director has the right to seek independent professional advice to enable them to fulfill their responsibilities. Where a Director intends to exercise their right to obtain independent advice, Perilya will meet the expense, providing prior approval of the Chairman to obtain such advice has been given.

INDEMNITIES

The Company has entered into deeds of access, indemnity and insurance with each Director. These deeds provide access to documentation, indemnification against liability from conduct of the Company's business and subsidiaries, and Directors' and officers' liability insurance.

BOARD PERFORMANCE EVALUATION

The Board's policy with respect to performance evaluation is to review its performance and that of its Committees and Executive Management at least annually. The Chairman discusses with each Director, on a one on one basis, their contribution to the Board.

The Board Charter shall, prior to the 2004 Annual General Meeting, undertake the annual performance evaluation of itself and individual Directors that:

- compares performance to the requirements of the Charter;
- identifies goals for next year;
- identifies improvements to the Board or Committee Charters.

SHARE TRADING

The Board adopted the Perilya Limited Securities Trading Policy on 28 April 2004. The policy prohibits Directors and employees from engaging in short-term or speculative trading of any Perilya Limited securities, or buying or selling Perilya Limited shares if they possess unpublished price-sensitive information.

In addition, individual Directors and Senior Management must not buy or sell Perilya Limited shares between the end of the half or full financial year and the release of that period's financial results. Directors and Senior Management must receive approval from the Chairman, or in the case of the Chairman, the Managing Director, before buying or selling company shares.

The Securities Trading Policy is available on the Perilya website.

DISCLOSURE

Perilya has in place comprehensive policies and procedures for the purposes of compliance with its continuous and periodic disclosure obligations under the Corporations Act and ASX Listing Rules, including a formal Market Disclosure Policy which is available from the corporate governance section of the Perilya website. The Market Disclosure Policy was formally adopted on 28 April 2004, but is consistent with the Board's informal policies and procedures that were in place prior to the adoption of the formal policy. The Company Secretary has primary responsibility for ensuring that the ASX disclosure requirements are met.

The Market Disclosure Policy sets out the type of information to be disclosed, and the procedures in place to ensure timely and appropriate disclosure is made. The Market Disclosure Policy also deals with:

- accuracy of reporting;
- authorised spokespersons;
- market speculation and rumour;
- trading halts;
- investors and analysts briefing;
- pre-results period; and
- web-based communication.

SHAREHOLDER COMMUNICATIONS

The Board's formal policy on shareholder communication, and particularly web-based communication is primarily contained in its Market Disclosure Policy which was adopted on 28 April 2004. The Board places considerable importance on timely and effective communication with shareholders and the market.

The Market Disclosure Policy provides that the Company's website will feature a discrete section for shareholders and investors where the following information is available:

- Annual Reports and result announcements;
- all other Company announcements made to the ASX;
- speeches and support material given at investor conferences or presentations;
- the Company's profile and contact details;
- all written information provided to investors or stockbroking analysts; or
- briefing material from site visits.

Historical information is archived on the website to ensure shareholders and investors are aware that the information may be out of date.

The Board will continue to review the website with a view to ensuring it remains an efficient, effective medium for the distribution of information to shareholders and investors. At this stage, the Board considers that the Perilya website, and the corporate governance section in particular, is easy to use and sets out all relevant and available information clearly and in a manner where shareholders can access information efficiently. The Company does not have a formal description on its website of all of the arrangements the Company has to promote communication with shareholders (as is recommended in the guide to reporting on ASX Principle 6). The Board considers such further description unnecessary in the light of the information on the website and the shareholder communication policies set out in the Market Disclosure Policy.

To further assist in communicating with shareholders, the External Auditor will attend the Company's Annual General Meeting and will be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the Auditor's Report.

Shareholders may elect to receive company reports by mail or e-mail.

CODE OF CONDUCT

The Perilya Code of Conduct sets parameters for ethical behaviour and business practices for Directors, employees and contractors. Through this code the Company seeks to encourage and develop a culture of professionalism, honesty and responsibility.

The Code was adopted on 28 April 2004 and deals with the following matters:

- compliance with and respect for the law;
- professional conduct;
- equal opportunity and employee discrimination;
- environment;
- occupational health and safety;
- market disclosure;

- ore reserves and mineral resources;
- insider information;
- gifts;
- financial controls and records;
- confidential information;
- efficiency; and
- alcohol and drug use.

RISK MANAGEMENT

The Board as a whole, including the Managing Director, takes primary ownership of risk management and risk management policy formation for the Company. Oversight of the financial risks of the Company is primarily the responsibility of the Audit Committee, and those responsibilities are set out in the Audit Committee Charter. The Audit Committee Charter was adopted on 10 May 2003.

These responsibilities include, but are not limited to:

- understanding the current areas of greatest financial risk for the Company, and how management is managing those risks;
- communicating to employees the importance of internal controls and the management of financial risks;
- considering management's accountability for security of computer systems;
- understanding whether the External Auditors' internal control recommendations have been implemented; and
- asking management and the External Auditors about significant risks and exposures and plans to minimise those risks.

A full copy of the Audit Committee Charter is available from the corporate governance section of the website.

On 20 August 2004 the Board formally adopted a risk management policy that sets out the measures taken by the Board in addressing its risk management and oversight responsibilities. In accordance with the policy the Board has also established a Risk Management Committee, being a management committee reporting to the Board.

The Risk Management Committee was formed to assist the Board in the effective discharge of the Board's governance and oversight responsibilities by establishing, monitoring and reviewing internal control and risk management systems.

The Risk Management Committee comprises:

- the Managing Director;
- the Chief Financial Officer;
- the Company Secretary/Counsel;
- a representative of each of the mining operation divisions of the Company; and
- the Company's Exploration Manager.

The Risk Management Committee will meet at least 4 times a year, and report to the Board after each meeting. In addition the Risk Management Committee will provide a formal report once a year to the Board that will include the following information (without limitation):

- an assessment of the material risks affecting the Company and measures taken to monitor and minimise those risks; and
- the results of the Committee's review of internal compliance and control systems.

Senior Managers are responsible for risk management activities in their respective areas of accountability. The Risk Management Committee is responsible for establishing risk acceptance criteria and ensuring the ongoing management and accountability for operational risk at each of the Company's sites. The risks are identified, assessed and managed according to their impact on health and safety, environment and production.

The Board's Risk Management policy was made available on the corporate governance section of the Perilya website on 21 August 2004.

BOARD OF DIRECTORS

PHILLIP C. LOCKYER *AWASM, DIPMETALL, M.SC*
CHAIRMAN – NON-EXECUTIVE DIRECTOR

Mr Lockyer is a mining Engineer and Metallurgist with 40 years technical and management experience in the minerals industry. He is a Director of Jubilee Mines Limited and former Director of Operations at Dominion Mining Ltd and Resolute Ltd. Mr Lockyer is a member of the AJ Parker Hydrometallurgy CRC Industry Advisory Committee and the MERIWA Mining and Engineering Sub Committee.

TIMOTHY M. CLIFTON *B.SC (HONS), B. JURIS LLB, FAUSIMM FAICD*
MANAGING DIRECTOR

Mr Clifton is a geologist with more than 35 years of experience in the mining and exploration industry in Australia and New Zealand.

COLIN A. McINTYRE *AWASM, FAUSIMM, FAICD*
NON-EXECUTIVE DIRECTOR

A mining engineer with more than 30 years experience in the mining industry including 10 years with Western Mining Corporation. Mr McIntyre has significant experience as a mining consultant and is the Non-Executive Chairman of Tectonic Resources NL.

GUY A. TRAVIS *AWASM, DIC, M.SC, MAUSIMM*
NON-EXECUTIVE DIRECTOR

A geologist by profession, his first 18 years in the industry being with Western Mining Corporation Ltd before forming the geological consulting and contracting company Aurex Pty Ltd. He was Managing Director of Ranger Minerals Ltd from its incorporation in 1984 to its merger with Perilya in October 2002.

PETER HARLEY *B.COMM, FCPA, FAICD*
NON-EXECUTIVE DIRECTOR

Mr Harley is a qualified accountant with over 30 years experience in a number of industries. He is Chairman of iiNet Ltd, and also a Director of Gunson Resources Ltd and Foundation Capital Ltd, Western Australia's largest venture capital fund.

DIRECTORS' ATTENDANCE AT MEETINGS JULY 2003 TO JUNE 2004

Directors	FORMAL BOARD MEETINGS		SHORT NOTICE MEETINGS		AUDIT COMMITTEE MEETINGS	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Phillip Lockyer	6	6			3	2
Colin McIntyre	10	10	3	2	2	1
Timothy Clifton	10	9	3	2		
Peter Harley	6	6			3	3
Guy Travis	10	9	3	1	3	3
Barry Cahill	7	5	3	2		
Richard Lockwood	4	0	3	0		
Vincent Pendal	4	4	3	3	2	2
Peter Unsworth	4	4	3	2	2	2
Yong Fook Shin	4	4	3	2		

REMUNERATION

Non-Executive Director fees

Total remuneration for Non-Executive Directors is determined by resolution of shareholders. The Remuneration Committee determines actual payments to Directors and reviews their remuneration annually, based on independent external advice, relativities and the duties and accountabilities of the Directors. The maximum available aggregate remuneration approved for Non-Executive Directors is \$400,000. During the year Directors received a combined total payment, including superannuation, of \$347,024 in respect of Non-Executive Directors fees as set out in the table below.

Non-Executive Director remuneration accrued and payable for the year ended 30 June 2004				
	Director fee	Other ⁽¹⁾	Total	Completed years of service as at 30 June 2004
Phillip Lockyer	45,591	82,978	128,569	0
Peter Harley	41,147	3,703	44,850	0
Colin McIntyre	78,068	45,191	123,259	1
Guy Travis	51,141	91,003	142,144	1
Richard Lockwood	31,057	-	31,057	Retired 18 November 2003
Vincent H. Pendall	33,410	-	33,410	Retired 18 November 2003
Peter J. Unsworth	22,989	2,069	25,058	Retired 18 November 2003
Yong Fook Shin	-	18,794	18,794	Retired 18 November 2003

⁽¹⁾ Includes superannuation and specific consulting advice

Non-Executive Directors may provide specific consulting advice to the company upon direction from the Board. Remuneration for this work is made at market rates. During the year the following Directors; Guy Travis, Colin McIntyre and Phillip Lockyer provided specific consulting advice and received \$86,400, \$38,165 and \$78,875 respectively

Non-Executive Directors do not receive any other retirement benefits other than a superannuation guarantee contribution required by government regulation which is currently 9% of their fees. While Non-Executive Directors of the Company are able to participate in the Perilya Employee Share Option Plan under the rules of the Plan, the Board has adopted a practice of not making invitations to Non-Executive Directors under the Plan.

Managing Director and Senior Executive remuneration

Perilya Limited executives receive remuneration packages which comprise a fixed salary and participation in the Perilya Employee Share Option Plan. The objective of the remuneration package is to ensure reward for performance is competitive and appropriate for the results delivered.

Details of the remuneration (including fixed salary, incentive payments, superannuation and other material remuneration) for all Directors and the 5 highest paid Non-Director Executives is set out in the table below.

PERILYA LIMITED ANNUAL REPORT 2004
CORPORATE GOVERNANCE

EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION accrued and payable for the year ended 30 June 2004

	Primary			Post-employment		Equity
	Cash salary \$	Other \$	Non-monetary benefit \$	Superannuation \$	Options ⁽²⁾ \$	Total \$
Executive Directors						
Tim Clifton, <i>Managing Director</i>	307,064	-	-	32,645	-	339,709
Barry Cahill, <i>Operations Director</i>	188,623	326,251 ⁽¹⁾	-	22,905	-	537,779
Senior Executives						
Paul Cranney, <i>Exploration Manager</i>	179,999	-	7,299	16,200	-	203,498
Ron Ellis, <i>Mine Manager Broken Hill</i>	162,323	-	-	14,609	931	177,863
Alan Knights, <i>Chief Financial Officer</i>	206,730	-	-	18,606	124,650	349,986
Barry Mitchell, <i>General Manager Broken Hill</i>	144,615	-	-	13,015	71,783	229,413
John Traicos, <i>Company Secretary</i>	137,751	-	-	91,149	124,650	353,550

(1) Total Emoluments in respect of cessation of employment.

(2) The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	EXERCISABLE DATE
30 September 2003	31 August 2007	\$0.80	\$0.34	31 August 2003, 31 August 2004, 31 August 2005
16 October 2003	16 October 2006	\$1.00	\$0.33	16 October 2004
22 June 2004	21 May 2009	\$0.97	\$0.38	21 May 2005, 21 May 2006

Options are granted under the Perilya Employee Option Plan which was approved by shareholders at the 18 November 2003 Annual General Meeting. Staff eligible to participate in the plan are those of Senior Management level and above (including Executive and Non-Executive Directors).

Options are granted under the plan for no consideration.

Options granted to Directors and Executives are granted on average over 5 years and are exercisable in 1 to 3 annual tranches commencing from the grant date.

Directors' interest in securities

Details of Executive Director and Non-Executive Directors' interest in Company securities at 23 August 2004 is set out in the tables below:

Director option holdings in Perilya Limited

Perilya Limited option issues	Exercise price	Issue date	Expiry date	Timothy Clifton
November 2001 issue	\$0.45	16 November 2001	16 November 2006	2,000,000

Director shareholdings in Perilya Limited fully paid shares

Timothy Clifton	Phillip Lockyer	Colin McIntyre	Guy Travis	Peter Harley
3,699,000	20,000	50,000	4,335,201	15,000

SHAREHOLDERS

As at 20 August, 2004, we had 2,760 shareholders, with the 20 largest holding 66.57 per cent of the 164,020,332 million shares on issue. Some 93.58 per cent of our shareholders have registered addresses in Australia. A more detailed analysis of our shareholders is available on page 88 or on request. Perilya Limited shares are listed on the Australian Stock Exchange.

DIVIDENDS

The payment of dividends, or implementation of other capital management initiatives, is determined by the Board after consideration of factors including financial results, strategic objectives, ongoing capital expenditure requirements and general business conditions.

SHARE ENQUIRIES

Investors seeking information about their Perilya Limited shareholding should contact:

Computershare Investor Services Pty Limited
GPO Box D182 Perth
Western Australia 6840, Australia

Telephone: 1300 557 010 (for callers within Australia)
+61 3 9415 4000 (for international callers)

Facsimile: (08) 9323 2033 (for callers within Australia)
+61 8 9323 2033 (for international callers)

E-mail: web.queries@computershare.com.au

Please note, when seeking information shareholders will be required to provide their Shareholder reference Number or Holder Identification Number, which is recorded on their shareholding statements.

ANNUAL GENERAL MEETING

The Annual General Meeting of Perilya Limited will be held on 22 October 2004 commencing at 2.00pm, at The Celtic Club 48 Ord Street, West Perth, Western Australia, 6005.

DIRECTORS' REPORT

ACTIVITIES AND REVIEW OF OPERATIONS

The Directors present their report for the year ended 30 June 2004 on the consolidated entity consisting of Perilya Limited ("parent entity") and the entities it controlled during or at the end of the year (the "group").

DIRECTORS

The following persons were Directors of the Company during the year or up to the date of this report:

Phillip C. Lockyer

Chairman (appointed as a Non-Executive Director from 19 November 2003 until 21 May 2004 when he was appointed Chairman)

Timothy M. Clifton

Managing Director

Guy A. Travis

Non-Executive Director

Peter Harley

Non-Executive Director (appointed as a Non-Executive Director on 19 November 2003)

Colin A. McIntyre

Non-Executive Director (appointed as Interim Chairman on 19 November 2003 until 21 May 2004)

Barry Cahill

(resigned as a Director on 22 March 2004)

Richard Lockwood

(retired as a Director on 18 November 2003)

Vincent Pental

(retired as a Director and Chairman on 18 November 2003)

Yong Fook Shin

(retired as a Director on 18 November 2003)

Peter J. Unsworth

(retired as a Director on 18 November 2003)

Particulars of the qualifications, experience and special responsibilities of each Director are set out on page 19.

Particulars of the number of meetings of the Company's Directors (including meetings of committees of Directors) and the number of meetings attended by each Director are detailed on page 20.

Particulars of shares, and options over ordinary shares, held by the Directors of the Company in the Company or any related body corporate as at the date of this report are set out on page 21.

REMUNERATION OF DIRECTORS AND EXECUTIVES

The policy and basis for the remuneration of Directors and Senior Executives is set by the Board's Remuneration Committee. Details of the remuneration are set out in pages 20 and 21.

INSURANCE OF OFFICERS

During or since the end of the period, the group has paid premiums in respect of a contract to insure Directors and Officers of the group against liabilities incurred in the performance of their duties on behalf of the group.

The Officers of the group covered by the insurance policy include any person acting in the course of duties for the group who is or was a Director, Secretary or Executive Officer as well as Senior and Executive staff. The Company is prohibited, under the terms of the insurance contract, from disclosing details of the nature of the liability insured and the amount of the premium.

DIVIDENDS

No dividends have been paid since the end of the previous financial year and no dividend is recommended for the current year.

PRINCIPAL ACTIVITIES

The principal activities of the group during the financial year consisted of zinc, lead and silver mining, processing and marketing, mineral exploration and investment activities. There has been no significant change in these activities during the financial year.

REVIEW OF OPERATIONS AND RESULTS

The consolidated group after tax profit was \$12.9 million (2002/03: \$0.1 million loss). Further information on the operations of the group during the financial year and the results of the operations, are set out in the following sections of this report:

- Chairman's Review – page 2
- Management Discussion & Analysis – pages 3 to 5

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the group during the financial year.

EVENTS SUBSEQUENT TO BALANCE DATE

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 of the group, the results of those operations, or the state of affairs of the group, in future periods.

LIKELY DEVELOPMENTS

In the opinion of the Directors, it would prejudice the interests of the group to provide additional information, except as reported in this Director's Report, relating to likely developments in the operations of the group and expected results of those operations in the years subsequent to the financial year ended 30 June 2004.

ENVIRONMENT

The groups Australian operations are subject to various Commonwealth and State laws governing the protection of the environment in areas such as air and water quality, waste emission and disposal, environmental impact assessments, mine rehabilitation and access to and use of ground water. In particular, some operations are required to be licensed to conduct certain activities under the environmental protection legislation of the State in which they operate and such licenses include requirements specific to the subject site.

So far as the Directors are aware, there have been no material breaches of the group's licenses and all mining and exploration activities have been undertaken in compliance with the relevant environmental regulations.

OUTSTANDING OPTIONS ISSUED UNDER THE PERILYA EMPLOYEE SHARE OPTION PLANS

Options over Perilya Limited ordinary shares issued and outstanding under the Perilya Employee Share Option Plans at 25 August 2004 are;

Number	Issue price	Expiry date
50,000	\$0.26	19 December 2004
2,300,000	\$0.45	30 June 2005
100,000	\$0.30	31 December 2005
2,000,000	\$0.45	16 November 2006
195,000	\$0.45	19 November 2006
600,000	\$0.70	31 December 2006
300,000	\$1.00	16 October 2006
700,000	\$0.80	31 August 2007
100,000	\$1.40	14 January 2004
900,000	\$0.97	21 May 2009
850,000	\$0.88	20 August 2009
1,000,000	\$1.00 / \$1.20 / \$1.40	9 August 2009

During the year 2,300,000 options were issued under the plan.

The above options are exercisable at various vesting dates from the date of allotment to two years from the date of allotment at the issue price. If a request to exercise options has not been made to the Company by the expiry date then the options will, subject to the terms of the plan and the election of the individuals, be exercised or lapse.

SHARES ISSUED

Details of Perilya Limited ordinary shares issued following the exercise of options are as follows:

	Number of options	Issue price
During the year	2,070,000	\$0.26
	200,000	\$0.30
	1,765,000	\$0.45
	300,000	\$0.70
	300,000	\$0.80

Since balance date nil

The shares issued on exercise of the options mentioned above are fully paid.

RISK AND CONTROL COMPLIANCE

The Directors have implemented internal control processes for identifying, evaluating and managing significant risks to the achievement of the Company's objectives. These internal control processes cover financial and operational risks. The Company's corporate governance practices are outlined in further detail on page 18.

The Directors have received and considered a certification from the Managing Director and the Chief Financial Officer in respect of the integrity of the financial statements and risk management and internal compliance and control systems, and to the extent they relate to financial reporting they are, in all material respects, operating effectively. It must be recognised, that even well designed, implemented and monitored controls can only provide a level of assurance of achieving the desired control objectives. Assurance control systems have inherent limitations and no evaluation of controls can provide absolute assurance that all issues have been detected.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in Australian Securities and Investments Commission Class Order 98/0100. Amounts shown in financial report and this Directors' report have been rounded off to the nearest one thousand dollars, except where otherwise required, in accordance with that class order.

This report is made in accordance with a resolution of the Directors.

.....
Phillip C. Lockyer
Chairman

.....
Timothy M. Clifton
Managing Director

25 August 2004

FINANCIAL STATEMENTS

Perilya Limited
Statements of financial performance
for the year ended 30 June 2004

	Notes	Consolidated		Parent entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from operating activities	2	157,726	120,158	250	345
Revenue from outside operating activities	2	<u>36,427</u>	<u>24,481</u>	<u>2,708</u>	<u>1,415</u>
Revenue from ordinary activities (excluding share of equity accounted net profits of associates)	2	194,153	144,639	2,958	1,760
Movements in stockpiles		3,205	4,416	-	-
Raw materials, power and consumables		(54,664)	(42,962)	-	-
Employee benefits expensed		(36,892)	(32,588)	(2,533)	(1,880)
Depreciation and amortisation	3	(18,274)	(16,098)	(45)	(60)
External services and consultants		(26,587)	(15,580)	(1,143)	(764)
Insurance expense		(4,513)	(5,490)	(165)	(152)
Rates and property taxes		(2,298)	(2,217)	(68)	(69)
Rental expense on operating leases		(139)	(156)	(139)	(156)
Royalties		(4,070)	(2,860)	-	-
Foreign exchange loss		(1,561)	(1,173)	-	-
Freight and handling		(19,683)	(15,620)	(10)	(28)
Price linked payments	19,21	(1,833)	-	-	-
Exploration written off		(296)	(1,415)	(208)	(832)
Written down value of investments disposed of		(7,773)	(12,214)	-	-
Written down value of property, plant and equipment disposed of		(1,851)	(93)	(1,119)	(30)
Written down value of controlled entities disposed of		-	(818)	-	-
Written down value of exploration tenements net of associated rehabilitation provision disposed of		480	(63)	480	-
Other expenses from ordinary activities		(1,501)	(1,415)	(1,282)	(642)
Borrowing costs	3	(1,462)	688	(154)	2,834
Shares of net profits/(losses) of associates accounted for using the equity method	13	<u>3,842</u>	<u>(1,774)</u>	<u>-</u>	<u>-</u>
Profit /(loss) from ordinary activities before related income tax expense	3	18,283	(2,793)	(3,428)	(19)
Income tax expense / (benefit)	4	<u>(5,396)</u>	<u>2,528</u>	<u>1,289</u>	<u>(36)</u>
Profit /(loss) from ordinary activities after related income tax expense		12,887	(265)	(2,139)	(55)
Net loss attributable to outside equity interest		<u>-</u>	<u>160</u>	<u>-</u>	<u>-</u>
Net profit /(loss) attributable to members of Perilya Limited	25	<u>12,887</u>	<u>(105)</u>	<u>(2,139)</u>	<u>(55)</u>
Total changes in equity attributable to members of Perilya Limited other than those resulting from transactions with owners as owners		<u>12,887</u>	<u>(105)</u>	<u>(2,139)</u>	<u>(55)</u>
		Cents	Cents		
Basic earnings per share	38	8.0	(0.1)		
Diluted earnings per share	38	7.7	(0.1)		

The above Statements of financial performance should be read in conjunction with the accompanying notes.

Perilya Limited
Statements of financial position
As at 30 June 2004

	Notes	Consolidated		Parent entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current assets					
Cash assets	6,29	31,111	26,125	30,355	6,934
Receivables	7,29	8,493	12,125	671	22
Inventories	8	11,106	8,218	-	597
Other financial assets	9	1,857	669	1,000	-
Other	10	5,614	1,861	10	493
Total current assets		58,181	48,998	32,036	8,046
Non-current assets					
Restricted cash	6	9,584	8,629	9,584	8,629
Receivables	11,29	1,370	177	35,290	60,041
Investments accounted for using the equity method	12	4,999	13,923	-	-
Other financial assets	14,29	1,314	869	36,972	36,972
Exploration and evaluation expenditure	16	27,216	14,275	9,023	7,217
Mine properties	16	42,368	39,929	-	-
Property, plant and equipment	16	48,370	41,894	160	1,205
Total non-current assets		135,221	119,696	91,029	114,064
Total assets		193,402	168,694	123,065	122,110
Current liabilities					
Payables	17,29	19,919	16,947	1,277	582
Interest bearing liabilities	18,29	26,260	1,483	21,774	-
Current tax liabilities		307	-	256	-
Provisions	19	11,260	10,979	357	1,069
Total current liabilities		57,746	29,409	23,664	1,651
Non-current liabilities					
Payables	20,29	9,029	25,460	-	22,475
Deferred tax liabilities	23	4,099	-	2,195	504
Provisions	21	23,704	29,730	73	50
Other	22	-	-	15,000	15,000
Total non-current liabilities		36,832	55,190	17,268	38,029
Total liabilities		94,578	84,599	40,932	39,680
Net assets		98,824	84,095	82,133	82,430
Equity					
Parent entity interest					
Contributed equity	24	78,044	76,202	78,044	76,202
Retained profits	25	20,780	7,893	4,089	6,228
Total equity		98,824	84,095	82,133	82,430

The above Statements of financial position should be read in conjunction with the accompanying notes.

Perilya Limited
Statements of cash flows
for the year ended 30 June 2004

	Notes	Consolidated		Parent entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash flows from operating activities					
Cash receipts in the course of operations (inclusive of goods and services tax)		176,740	118,788	275	1,925
Cash payments in the course of operations (inclusive of goods and services tax)		(168,159)	(118,540)	(125)	(9,876)
Interest received		1,688	1,053	1,207	668
Interest and other finance costs paid		(1,710)	(1,627)	(857)	(1,132)
Income taxes paid		153	(7,270)	126	(144)
Net cash inflow (outflow) from operating activities	36	8,712	(7,596)	626	(8,559)
Cash flows from investing activities					
Payment for purchase of investments		(2,208)	(5,019)	-	-
Net inflow from purchase of controlled entities		-	5,056	-	(9,427)
Repayment of funds advanced to controlled entities		-	-	23,877	-
Payments for mine properties		(10,917)	(6,718)	-	-
Payments for deferred stamp duty		(779)	(1,557)	-	-
Payments for production linked payment		(7,078)	(3,432)	-	-
Payments for property plant and equipment		(6,655)	(837)	(122)	(42)
Payments for exploration and evaluation		(11,995)	(4,288)	(2,347)	(3,389)
Payment of funds advanced to staff		-	(16)	-	(1)
Proceeds from dividends		2,850	639	-	639
Proceeds from sale of Fortnum tenements		500	55	500	55
Proceeds from return of capital from associate		4,274	-	-	-
Funds advanced to external parties		(1,367)	-	-	-
Movement in monetary backing for performance guarantees		(955)	329	(955)	329
Proceeds from sale of equity investments		30,080	18,691	-	-
Proceeds from sale of controlled entity		-	2,216	-	-
Proceeds from prior year sale of exploration prospect		-	1,266	-	-
Proceeds from sale of plant and equipment		386	140	-	31
Net cash inflow (outflow) from investing activities		(3,864)	6,525	20,953	(11,805)
Cash flows from financing activities					
Proceeds of funds from issue of shares		1,842	10,395	1,842	10,395
Repayment of hire purchase liability		(1,609)	-	-	-
Proceeds from borrowings		-	15,000	-	15,000
Funds advanced to controlled entities		-	(173)	-	(3,307)
Payment of Ranger Minerals Ltd dividends		(95)	(3,397)	-	-
Net cash inflow (outflow) from financing activities		138	21,825	1,842	22,088
Net increase (decrease) in cash held		4,986	20,754	23,421	1,724
Cash at the beginning of the financial year		26,125	5,371	6,934	5,210
Cash at the end of the financial year	6	31,111	26,125	30,355	6,934
Financing arrangements	20				
Non-cash financing and investing activities	37				

Refer to note 6 for information on cash balances held by the entity.

The above statements of cash flows should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in note 1(aa).

(a) Basis of accounting

The financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. The economic entity has not adopted a policy of revaluing its non-current assets on a regular basis.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Perilya Limited ('company' or 'parent entity') as at 30 June 2004 and the results of all controlled entities for the year then ended. Perilya Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits and losses of associates is recognised in the consolidated statement of financial performance, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. Distributions made by the investee are offset against the carrying value of the investment. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

Investments in joint ventures are accounted for as set out in note 1(f).

Note 1. Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year, except as stated in note 1(u) for differences arising on foreign currency borrowings included in borrowing costs.

(ii) Foreign controlled entity

As foreign controlled entities are not self-sustaining, the temporal method is used to translate the entities into Australian dollar equivalent. Under the temporal method, non-monetary assets and liabilities and equity items, including revenue and expenses, are translated using historic rates of exchange, and monetary assets and liabilities are translated using rates of exchange current at the reporting date. Any resultant exchange differences are recorded within operating revenue or expense.

(d) Inventories

Inventories of work in progress and finished goods are physically measured or estimated and valued at the lower of cost and net realisable value. Cost comprises direct material, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of stock on the basis of weighted average costs in getting such inventories to their existing location and condition, based on weighted average costs incurred during the period in which such inventories were produced. Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average cost. Obsolete or damaged inventories of such items are valued at net realisable value.

(e) Investments

Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statements of financial performance when receivable. Where in the opinion of the directors, there has been a diminution in the value of any individual investment, a provision for diminution in value is made. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(a).

(f) Joint ventures

The economic entity's proportionate interest in joint ventures has been included in the financial statements by taking up the economic entity's share in each of the individual assets and liabilities of the joint ventures as disclosed in note 33.

(g) Employee entitlements

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Note 1. Summary of significant accounting policies (continued)

(ii) *Long service leave*

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for long service leave and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for long service leave and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Superannuation*

The Company contributes to employees' nominated superannuation funds. Contributions made by the Company are legally enforceable and are made in accordance with the requirements of the Superannuation Guarantee Legislation.

(iv) *Employee benefit on-costs*

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(h) Cash

For purposes of the statements of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(i) Depreciation of property, plant and equipment

The cost of property, plant & equipment is written off over its expected economic life on a units of production method, in the establishment of which, due regard is given to the life of the related area of interest.

Assets which are depreciated or amortised on a basis other than the units of production method typically have the following expected economic lives:

Category	Useful life	Depreciation basis
Motor Vehicles and heavy mobile equipment		
-Underground	2-5 years	straight line
-Surface	5 years	straight line
Office equipment	3-5 years	straight line

Other non-mine plant and equipment typically have the following expected economic lives.

Plant and equipment	3 years	straight line
Office furniture	3-5 years	straight line
Leasehold improvements	3-5 years	straight line

Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Note 1. Summary of significant accounting policies (continued)

(j) Exploration and Evaluation

Exploration and evaluation costs relating to current areas of interest are carried forward to the extent that:

- (i) such costs are expected to be recouped through successful development and exploitation of the area of
- (ii) exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the year in which that assessment is made.

Identifiable exploration assets acquired from another mining company are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 1015 Accounting for the Acquisition of Assets. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions above is met.

(k) Mine Properties

Mine properties represent the accumulation of all exploration, evaluation and development expenditure incurred by or on behalf of the entity in relation to areas of interest in which mining of a mineral resource has commenced. Mine properties acquired from another mining company are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 1015 Accounting for the Acquisition of Assets. When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property only when substantial future economic benefits are established, otherwise such expenditure is classified as part of the cost of production. Amortisation of costs is provided on the unit of production method, with separate calculations being made for each mineral resource. Estimated future capital development costs to be incurred in accessing the reserves and measured resources are taken into account in determining amortisation charges. The unit of production basis results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves plus measured resources).

(l) Restoration and Rehabilitation

Rehabilitation costs are incurred on an ongoing basis. Restoration and rehabilitation costs that are expected to be incurred are provided for as part of the cost of production. Accordingly, these costs are recognised gradually over the life of the mine. These costs include obligations relating to reclamation, waste dump contouring and landfill costs. These estimates of the restoration obligations are based on anticipated technology, legal requirements and future costs. These estimated costs have not been discounted and changes in cost estimates are calculated prospectively. In determining the obligations, the economic entity has assumed no significant changes will occur in relevant Federal and State Legislation in relation to restoration of such mineral properties in the future.

In respect of Broken Hill, the Company recognised a full provision for rehabilitation upon acquisition of that operation. This provision is reviewed annually in accordance with the above policy to determine whether the amount carried represents the current cost of rehabilitation and with any upward movements reflected in the statement of financial performance over the remaining life of the mine.

Note 1. Summary of significant accounting policies (continued)

(m) Revenue Recognition

Sales Revenue

Base metal revenue is recognised, based on a provisional metal price, when control of the concentrate passes to the customer. The provisional metal price is the spot metal price at the time of delivery. An adjustment is subsequently made to the provisional revenue amount to reflect the replacement of the provisional metal price with the final metal price, which is the average metal price for the month of delivery or the first or second month following the month of delivery.

Gold bullion is taken up as revenue in the period during which it is shipped from the mine, provided it is either sold or deposited in a metals account, at which point it is available for sale in its marketable form. Revenue is determined at the spot price of gold unless the delivery has been hedged. In such instances, the bullion is valued at the forward contract rate.

Interest Income

Interest income is recognised as it accrues.

Asset Sales

The gross proceeds of asset sales are recognised as revenue on disposal.

Receivables

Debtors are carried at amounts due. Collectibility of debts is assessed at balance date and a specific provision is made for any doubtful accounts.

Note 1. Summary of significant accounting policies (continued)

(n) Hedging arrangements

The Company may enter into commodity hedging arrangements from time to time to manage financial risks.

Premiums received or costs arising upon entering into forward sales contracts that are designated hedges of anticipated sales, together with subsequent realised and unrealised gains or losses, are brought to account in the measurement of sales revenue. This will arise when either of the following occurs:

- the underlying commodity is delivered against the hedge position; or
- the underlying commodity is deposited in a metal account.

When anticipated sales have been hedged, actual sales which occur during the designated hedged period are accounted for as having been hedged until the amounts of those transactions in the designated period are fully allocated against the hedged amounts.

If the hedged transaction is not expected to occur as originally designated, or if the hedge is no longer expected to be effective, any previously deferred gains or losses are recognised as revenue or expense immediately.

If the hedging transaction is terminated prior to its maturity date and the hedged transaction is still expected to occur as designated, deferral of any gains and losses which arose prior to termination continues and those gains and losses are included in the measurement of the hedged transaction.

If a hedge transaction relating to a commitment for the sale of the underlying commodity is redesignated as a hedge of another specific commitment and the original transaction is still expected to occur as designated, the gains and losses that arise on the hedge prior to its redesignation are deferred and included in the measurement of the original sale when it takes place. If the hedge transaction is redesignated as a hedge of another commitment because the original sale is no longer expected to occur as designated, the gains and losses that arise on the hedge prior to its redesignation are recognised in the statement of financial performance at the date of the redesignation.

Note 1. Summary of significant accounting policies (continued)

(o) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Tax consolidation legislation

Perilya Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation retrospectively as of 18 October 2002. The financial effect of the implementation of the legislation has been recognised in the financial statements for the year ended 30 June 2004 but was not recognised in the financial statements for the year ended 30 June 2003.

As a consequence, Perilya Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime, with one exception. The deferred tax balances relating to assets that had their tax values reset on joining the tax consolidated group, have been remeasured based on the carrying amount of those assets at the tax-consolidated group level and their reset tax values. The remeasurement adjustments to these deferred tax balances are also recognised in the consolidated financial statements as income tax expense or revenue. The impact on the income tax expense for the year is disclosed in note 4.

(p) Trade and other creditors

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Interest bearing liabilities

Loans and debentures are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of the liability.

Note 1. Summary of significant accounting policies (continued)

(r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Rounding of amounts

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. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(t) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their fair value as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired to zero until the discount is eliminated. Where, after reducing the recorded amounts of the non-monetary assets acquired to zero, a discount balance remains it is recognised as revenue in the statements of financial performance.

Note 1. Summary of significant accounting policies (continued)

(u) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received
- on interest rate swaps
- amortisation of discounts or premiums relating to borrowings
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings
- finance lease charges, and
- foreign exchange differences arising from foreign currency borrowings.

(v) Maintenance and repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1(i). Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

(w) Accounting for options

Options are granted to employees via the Perilya Limited Employee Incentive Scheme and to directors. No accounting entries are made in relation to these options until the options are exercised, at which time the amounts receivable from employees or directors are recognised in the Statement of Financial Position as share capital. The amounts disclosed for remuneration of directors and executives in note 31 includes the assessed fair values of options calculated at the date of grant, and recognised over the periods from grant dates to the vest date. The vesting period and terms are determined by the directors at the time the options are granted.

(x) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present value.

(y) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the company, whichever is the shorter.

Note 1. Summary of significant accounting policies (continued)

(z) Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The leased asset is amortised on a straight line basis over the term of the lease, or where it is likely that the company will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over periods ranging up to 4 years.

Other operating lease payments are charged to the statements of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Note 1. Summary of significant accounting policies (continued)

(aa) International Financial Reporting Standards (IFRS)

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Perilya has established a project team to manage the transition to Australian equivalents to IFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the Group Financial Controller and reports to the audit committee on progress. The project team has prepared a detailed timetable for managing the transition and is currently on schedule. To date the project team has analysed most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under AASB 1 First-time Adoption of Australian International Financial Reporting Pronouncements. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

(i) Income tax

Under the AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

(ii) Provisions, Contingent Liabilities and Contingent Assets

Under the AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, the mining restoration and rehabilitation provision will be required to be discounted to present value.

This will result in a change to the current accounting policy which recognises the provision gradually over the life of the mine.

(iii) Equity-based compensation benefits

Under the AASB 2 *Share-based Payment*, equity-based compensation to employees will be recognised as an expense in respect of the services received.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

Note 1. Summary of significant accounting policies (continued)

(iv) *Financial instruments*

Under the AASB 139 *Financial Instruments: Recognition and Measurement* there may be impacts as a result of financial assets held by the company being subject to classification as either held for trading, held-to-maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost.

The most likely accounting change is that investments in equity securities will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is sold.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to IFRS on the consolidated entity's financial position and reported results.

(v) *Impairment*

Under the AASB 136 *Impairment of Assets* there may be impacts as a result of the future cash flows of non current assets being discounted to reflect the time value of money and the risks specific to the non current asset, which will result in a change of accounting policy.

Perilya Limited's current policy does not discount the future cash flows of non current assets.

(vi) *Exploration*

The IFRS standard on Exploration for and Evaluation of Mineral Resources will not be issued until the fourth quarter of 2004.

The impacts of changes from Perilya Ltd's existing accounting policy (which is in accordance with AASB 1022; Accounting for the extractive industries) are not yet determinable.

Perilya Limited
Notes to the financial statements
for the year ended 30 June 2004
(continued)

Note 2. Revenue

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from operating activities				
Sale of goods	<u>157,726</u>	<u>120,158</u>	<u>250</u>	<u>345</u>
Revenue from outside the operating activities				
Interest revenue	1,688	1,053	1,207	668
Proceeds from dividends	-	639	-	638
Other revenue (i)	2,773	476	1	78
Proceeds from sale of property, plant and equipment	1,386	140	1,000	31
Proceeds from sale of interest in controlled entity	-	2,216	-	-
Proceeds from sale of investments	30,080	18,691	-	-
Proceeds from sale of exploration prospect	500	1,266	500	-
	<u>36,427</u>	<u>24,481</u>	<u>2,708</u>	<u>1,415</u>
Revenue from ordinary activities (excluding share of equity accounted net profits of associates)	<u>194,153</u>	<u>144,639</u>	<u>2,958</u>	<u>1,760</u>

(i) Other revenue includes \$2 million due on an insurance claim agreed with the assessors. (see note 10)

Perilya Limited
Notes to the financial statements
for the year ended 30 June 2004
(continued)

Note 3. Profit / (Loss) from ordinary activities

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net Gain/(loss) on disposal of:				
Investments	22,563	6,447	-	-
Property, plant and equipment	(465)	47	(120)	-
Other non-current assets	167	-	167	-
Net gain on disposal of controlled entity	-	1,335	-	-
Cost of sales	<u>137,846</u>	<u>105,017</u>	<u>-</u>	<u>-</u>
Depreciation:				
Buildings	220	306	-	-
Plant and equipment	<u>9,576</u>	<u>8,532</u>	<u>45</u>	<u>60</u>
Total depreciation	<u>9,796</u>	<u>8,838</u>	<u>45</u>	<u>60</u>
Amortisation of mine properties and development	<u>8,478</u>	<u>7,260</u>	<u>-</u>	<u>-</u>
Exploration and evaluation expenditure written off	296	1,415	208	832
Rental expense on operating leases	139	156	139	156
Provision for employee entitlements	1,793	2,162	126	16
Royalties	4,070	2,860	-	-
Provisions for obsolescence	156	344	-	-
Borrowing costs:				
Unwinding of discount on production linked payments	355	1,619	-	-
Interest and finance charges paid/payable	1,810	1,735	857	1,208
Exchange losses/ (gains) on foreign currency borrowings	<u>(703)</u>	<u>(4,042)</u>	<u>(703)</u>	<u>(4,042)</u>
Borrowing costs expensed	<u>1,462</u>	<u>(688)</u>	<u>154</u>	<u>(2,834)</u>

Perilya Limited
Notes to the financial statements
for the year ended 30 June 2004
(continued)

Note 4. Income tax

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
(a) Income tax expense				
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	<u>18,283</u>	(2,793)	<u>(3,428)</u>	(19)
Income tax calculated @ 30% (2003 - 30%)	5,485	(838)	(1,028)	(6)
Tax effect of permanent differences				
Non-deductible expenses	55	203	46	143
Tenement acquisition costs	262	-	11	-
Share of net losses /(profits) of associates	(297)	532	-	-
Uplift in assets on tax consolidation	(706)	-	(706)	-
Capital losses utilised	(1,071)	(964)	-	-
Taxable capital gains on sale of investments	7,957	(1,386)	-	-
Accounting gain on sale of investments	(6,692)	-	-	-
Tax gain on sale of assets	<u>179</u>	-	<u>179</u>	-
Income tax adjusted for permanent differences	5,172	(2,453)	(1,498)	137
Timing differences and tax losses not brought to account as FITB	6	50	-	-
Under (over) provision in prior year	<u>218</u>	(125)	<u>209</u>	(101)
Aggregate income tax expense / (benefit)	<u><u>5,396</u></u>	<u><u>(2,528)</u></u>	<u><u>(1,289)</u></u>	<u><u>36</u></u>
Tax consolidation items for wholly owned subsidiaries:				
Profit from ordinary activities before income tax expense – tax consolidated group (excluding parent entity)			<u>21,710</u>	-
Income tax calculated @ 30% (2003 – 30%)			6,513	-
Non-deductible depreciation and amortisation			260	-
Equity share of associates profit			(298)	-
Gain on sale of investments			1,265	-
Capital losses of prior years utilised			<u>(1,071)</u>	-
Income tax expense – tax consolidated group (excluding parent entity)			6,669	-
Benefit of losses recouped			<u>(1,497)</u>	-
			5,172	-
Underprovision of tax in prior year			10	-
Timing differences and tax losses not brought to account as FITB			6	-
Compensation received from tax consolidated group entities			(5,188)	-
Aggregate income tax expense	<u><u>5,396</u></u>	<u><u>(2,528)</u></u>	<u><u>(1,289)</u></u>	<u><u>36</u></u>

Note 4. Income tax (continued)

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Aggregate income tax expense comprises:				
Current taxation provision	388	-	-	-
Deferred income tax provision	4,790	1,571	-	1,990
Future income tax benefit	-	(3,974)	(1,496)	(1,853)
Under (over) provision in prior year	218	(125)	207	(101)
	<u>5,396</u>	<u>(2,528)</u>	<u>(1,289)</u>	<u>36</u>

(b) Tax losses

No part of the future income tax benefit shown in note 10 is attributable to tax losses. The directors estimate that that the potential future income tax benefit at year end in respect of tax losses not brought to account is

	<u>3,548</u>	<u>1,855</u>	<u>-</u>	<u>1,064</u>
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This benefit for tax losses will only be obtained if:

- (i) the entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- (ii) the losses are transferred to an eligible entity in the consolidated entity, and
- (iii) no changes in tax legislation adversely affect the entity in realising the benefit from the deductions for the losses.

Future income tax benefits attributable to tax losses recognised as a reduction of the provision for deferred income tax are disclosed in note 23.

Tax consolidation legislation

Perilya Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation retrospectively as of 18 October 2002. The financial effect of the implementation of the legislation has been recognised in the financial statements for the year ended 30 June 2004 but was not recognised in the financial statements for the year ended 30 June 2003. The accounting policy on implementation of the legislation is set out in note 1(o). The impact on the income tax expense for the year is disclosed in the tax reconciliation above.

The wholly-owned entities have fully compensated Perilya Limited for deferred tax liabilities assumed by Perilya Limited on the date of the implementation of the legislation and have been fully compensated for any deferred tax assets transferred to Perilya Limited.

The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned entities reimburse Perilya Limited for any current income tax payable by Perilya Limited arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised within the aggregate intercompany balance due to/payable by Perilya Limited. In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by Perilya Limited.

Note 5. Outside Equity Interests

Consolidated		Parent entity	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

Outside equity interest in operating loss after income tax (i)	-	160	-	-
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(i) The outside equity interest relates to the period in which Perilya controlled General Minerals Corporation, that is from 2 October 2002 to 8 April 2003.

Note 6. Current assets - Cash assets

Consolidated		Parent entity	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

Cash at bank and on hand	12,109	13,861	11,353	1,953
Cash on deposit	19,002	12,264	19,002	4,981
	<u>31,111</u>	<u>26,125</u>	<u>30,355</u>	<u>6,934</u>

Cash reconciliation

Balances as above	31,111	26,125	30,355	6,934
Add: Restricted Cash	9,584	8,629	9,584	8,629
Total of Cash assets plus Restricted Cash	<u>40,695</u>	<u>34,754</u>	<u>39,939</u>	<u>15,563</u>

Restricted Cash comprises deposits and commercial bills that are used for monetary backing for performance guarantees.

Cash assets plus Restricted Cash includes deposits and commercial bills which bear both fixed and floating interest rates ranging from 4.9% p.a to 5.48% p.a (2003: 4.65% p.a to 4.78% p.a).

Note 7. Current assets - Receivables

Consolidated		Parent entity	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

Trade debtors	8,493	12,125	671	22
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Perilya Limited
Notes to the financial statements
for the year ended 30 June 2004
(continued)

Note 8. Current assets - Inventories

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Consumable supplies and spare parts - at cost	3,885	3,448	-	-
Less: Provision for obsolescence	500	344	-	-
	<u>3,385</u>	<u>3,104</u>	<u>-</u>	<u>-</u>
Ore on surface - at cost	500	389	-	-
Concentrates - at net realisable value	7,221	4,128	-	-
Consumable supplies and spare parts - at net realisable value	-	577	-	577
Core deposits - at cost	-	20	-	20
	<u>11,106</u>	<u>8,218</u>	<u>-</u>	<u>597</u>

Note 9. Current assets - Other financial assets

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Shares in listed corporations at cost (i)	<u>1,857</u>	<u>669</u>	<u>1,000</u>	<u>-</u>

(i) The market value of shares in listed corporations in the consolidated entity at year end was \$3.7 million.

Note 10. Current assets - Other

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Prepayments	3,614	768	10	493
Future income tax benefit (current)	-	1,093	-	-
Insurance claim receivable	2,000	-	-	-
	<u>5,614</u>	<u>1,861</u>	<u>10</u>	<u>493</u>

Perilya Limited
Notes to the financial statements
for the year ended 30 June 2004
(continued)

Note 11. Non-current assets - Receivables

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Loans (i)	1,368	175	1	174
Loans to controlled entities	-	-	35,289	59,867
Other receivables	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>
	<u>1,370</u>	<u>177</u>	<u>35,290</u>	<u>60,041</u>

- (i) Loans of \$1.4 million include a secured loan to an external party for \$1.37 million, \$1 million of which is interest bearing at a rate of 5.5% per annum. The loan is secured over exploration tenements.

Note 12. Non-current assets - Investments accounted for using the equity method

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Shares in associates	<u>4,999</u>	<u>13,923</u>	<u>-</u>	<u>-</u>

Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (see note 13).

Note 13 Investments in associates

As a result of the merger with Ranger Minerals Limited on 2 October 2002, the consolidated entity acquired control of 28% of the issued capital of listed nickel producer Independence Group NL, and 50% of unlisted explorer Southstar Diamonds Limited.

During the year ended 30 June 2004, Ranger Minerals Limited sold all its holding in Independence Group NL for proceeds of \$29.4 million.

During the year Perilya acquired a 35% holding in Comet Ridge Limited for \$712,000. In April 2004, Comet Ridge Limited was listed on the Australian Stock Exchange by way of an Initial Public Offer. As a result, Perilya's holding reduced to 16%. Perilya has consequently discontinued equity accounting of the investment.

Information relating to the 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.

Name of company	Principal activity	Ownership interest		Consolidated carrying amount		Parent entity carrying amount	
		2004 %	2003 %	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Independence Group NL	Nickel producer and explorer	-	28	-	5,304	-	-
Southstar Diamonds Ltd (i)	Explorer	50	50	69	97	-	-
Strike Oil Ltd (i)	Oil and gas explorer	36	36	4,930	8,522	-	-
				<u>4,999</u>	<u>13,923</u>	<u>-</u>	<u>-</u>

- (i) Southstar Diamonds Limited and Strike Oil Limited were non-listed investments as at 30 June 2004. Strike Oil Limited was listed on the Australian Stock Exchange by way of an Initial Public Offer on 05 August 2004. As a result Perilya's holding reduced to 20.65%. During the year the Group acquired an additional 12.4 million shares in Strike Oil Limited at \$0.10 per share. It also received, from Strike Oil Limited, a return of capital of \$4.3 million and a dividend of \$2.8 million.

Consolidated	
2004 \$'000	2003 \$'000

Movements in carrying amounts of investments in associates

Carrying amount at the beginning of the financial year	13,923	4,294
Share of profits /(losses) from ordinary activities after income tax	3,897	(1,720)
Share of preference dividends	(55)	(54)
Cost of investments purchased during the year	1,956	11,403
Disposal of equity accounted investments	(7,156)	-
Return on capital	(4,273)	-
Dividends received	(2,850)	-
Transfer of Comet Ridge no longer equity accounted	(443)	-
Carrying amount at the end of the financial year	<u>4,999</u>	<u>13,923</u>

Perilya Limited
Notes to the financial statements
for the year ended 30 June 2004
(continued)

Results attributable to associates

Profits / (losses) from ordinary activities before income tax	<u>3,897</u>	<u>(1,720)</u>
Profits / (losses) from ordinary activities after income tax	<u>3,897</u>	<u>(1,720)</u>
Share of preference dividends	<u>55</u>	<u>54</u>
	<u>3,842</u>	<u>(1,774)</u>
Retained profits / (losses) attributable to associates at the beginning of the financial year	<u>(2,965)</u>	<u>(1,191)</u>
Retained profits / (losses) attributable to associates at the end of the financial year	<u>877</u>	<u>(2,965)</u>

Share of associates' contingent liabilities

Exploration commitments	<u>2,880</u>	<u>606</u>
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Summary of the performance and financial position of associates

Profit / (Loss) from ordinary activities after income tax expense	12,397	(1,527)
Assets	9,833	66,814
Liabilities	(458)	(37,172)

Note 14. Non-current assets - Other financial assets

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Investments traded on organised markets				
Shares in listed corporations - at cost	<u>445</u>	-	-	-
Other (non-traded) investments				
Shares in unlisted corporation - at cost	<u>869</u>	869	-	-
Shares in controlled entities - net	<u>-</u>	-	<u>36,972</u>	<u>36,972</u>
	<u>1,314</u>	<u>869</u>	<u>36,972</u>	<u>36,972</u>

Investments in controlled entities by the Parent entity are shown below at cost of \$38.9 million. The carrying value of \$36.97 million is net of provisions against Kolmar Limited (\$1.7 million) and Perilya (Malaysia) Sdn Bhd (\$0.2 million) in the financial years ending 30 June 1997 and 30 June 2001 respectively.

The market value of shares in listed corporations at year end was \$1.1 million.

Note 15. Investments in controlled entities

Name of entity	Country of incorporation	Cost of parent entity's investment	
		2004 \$'000	2003 \$'000
Kolmar Limited	Australia	1,716	1,716
Noble Mining Corporation Pty Ltd	Australia	-	-
Freehold Mining Limited	Australia	-	-
Perilya (Malaysia) Sdn Bhd	Malaysia	205	205
Perilya Broken Hill Limited	Australia	-	-
Ranger Minerals Limited	Australia	36,972	36,972
Strike Energy Pty Ltd	Australia	-	-
Perilya Operations Pty Ltd	Australia	-	-
		<u>38,893</u>	<u>38,893</u>

Perilya Limited is the ultimate parent entity and all other entities are 100% owned. All entities were owned at the beginning and end of the current financial year.

All investments in controlled entities comprise ordinary shares and all shares held are unquoted.

There are a number of wholly owned subsidiary companies that have not been disclosed due to the immaterial nature of their size and operations.

(a) Purchase of Controlled Entities

Ranger Minerals Limited

On 2 October 2002, Perilya Ltd ("Perilya") merged with Ranger Minerals Ltd ("Ranger") via a Scheme of Arrangement ("Scheme") approved by the Supreme Court of Western Australia. The scheme contained the following conditions:

- Ranger shareholders received a fully franked dividend of 5.5 cents per Ranger share
- Ranger shareholders were issued with 3 Perilya shares for every 4 Ranger shares held

Prior to the approval of the Scheme by shareholders Perilya held 11,600,000 shares in Ranger. Through the Scheme, Perilya acquired the remaining 52,887,464 Ranger shares outstanding through the issue of 39,665,598 Perilya shares.

Strike Energy Pty Ltd

During the year ended 30 June 2003, Kolmar Limited, a wholly owned subsidiary of Perilya Limited, purchased Strike Energy Pty Ltd by the issue of 1,510,922 Perilya Limited shares. This acquisition was valued at \$1.2 million and enabled Perilya Limited to gain control of an additional 1,586,044 fully paid ordinary shares in Strike Oil NL.

Perilya Limited
Notes to the financial statements
for the year ended 30 June 2004
(continued)

Note 15. Investments in controlled entities (continued)

Details of the acquisitions are as follows:

	2003 \$'000
Fair value of identifiable net assets of controlled entity acquired	
Investments	29,775
Prepayments	62
Trade debtors	22
Property, plant and equipment	163
Exploration	3,260
Cash	15,010
Loans	15,000
Employee shares scheme receivable	463
Trade creditors	(2,368)
Tax liability	(6,733)
Employee benefits provision	(17)
Dividends payable	<u>(3,554)</u>
	51,083
Less: Outside equity interests	<u>(1,556)</u>
	49,527
Discount on acquisition	<u>(11,391)</u>
	<u><u>38,136</u></u>
Consideration	
Cash	7,308
Shares	28,182
Transaction costs	<u>2,646</u>
	<u><u>38,136</u></u>
Inflow of cash to acquire controlled entity, net of cash acquired	
Cash consideration	(7,308)
Transaction costs	<u>(2,646)</u>
Cash consideration	<u>(9,954)</u>
	15,010
Cash	<u>15,010</u>
Inflow of cash	<u><u>5,056</u></u>

Note 15. Investments in controlled entities (continued)

(b) Disposal of Controlled Entity

General Minerals Corporation

On 8 April 2003, Ranger Minerals Limited disposed of 19,500,000 shares in General Minerals Corporation, a Canadian company listed on the Toronto Stock Exchange. This transaction reduced Ranger's holding in General Minerals from 51% to less than 10% resulting in a loss of control of the subsidiary.

Details of the disposal are as follows:

	2003 \$'000
Consideration	
Disposal value	2,216
Total disposal value	<u>2,216</u>
 Fair value of identifiable net assets of controlled entity disposed	
Cash	206
Exploration	1,949
Payables	(173)
Outside equity interests	<u>(1,101)</u>
	<u>881</u>
 Inflow of cash to Perilya Limited	
Consideration	<u>2,216</u>
 Profit on disposal of controlled entity	 <u><u>1,335</u></u>

Note 16. Non-current assets - Exploration & Evaluation, Mine Properties and Property, plant & equipment

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(a) Exploration and evaluation expenditure				
Cost brought forward	14,275	11,306	7,217	4,647
Expenditure incurred during the year (i)	13,571	4,384	2,014	3,402
Expenditure written off during the year	(296)	(1,415)	(208)	(832)
Exploration tenement disposed during year	<u>(334)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>27,216</u>	<u>14,275</u>	<u>9,023</u>	<u>7,217</u>

Of the \$13.6 million exploration expenditure incurred during the 2003/04 financial year, \$8.6 million relates to the exploration, evaluation and technical feasibility study at the Daisy Milano gold project.

(b) Mine properties				
Cost brought forward	75,458	68,740	28,269	28,269
Expenditure incurred during the year on existing properties	10,917	6,718	-	-
Disposal of Fortnum mine property	<u>(28,269)</u>	<u>-</u>	<u>(28,269)</u>	<u>-</u>
Cost carried forward	<u>58,106</u>	<u>75,458</u>	<u>-</u>	<u>28,269</u>
Amortisation brought forward	35,529	28,269	28,269	28,269
Amortisation charge for the year	8,478	7,260	-	-
Charge on assets sold	<u>(28,269)</u>	<u>-</u>	<u>(28,269)</u>	<u>-</u>
Accumulated amortisation	<u>15,738</u>	<u>35,529</u>	<u>-</u>	<u>28,269</u>
	<u>42,368</u>	<u>39,929</u>	<u>-</u>	<u>-</u>

(c) Property, plant and equipment

Land & buildings

Freehold land and mine buildings - at cost	2,468	3,683	-	1,251
Less: Accumulated depreciation	<u>524</u>	<u>1,381</u>	<u>-</u>	<u>1,075</u>
	<u>1,944</u>	<u>2,302</u>	<u>-</u>	<u>176</u>

Note 16. Non-current assets - Exploration & Evaluation, Mine Properties and Property, plant & equipment (continued)

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<i>Plant and equipment</i>				
Plant & equipment				
At cost	20,896	38,743	437	9,927
Less: Accumulated depreciation	6,025	12,884	422	8,964
	<u>14,871</u>	<u>25,859</u>	<u>15</u>	<u>963</u>
Plant & equipment under Hire Purchase				
At cost	14,558	3,107	-	-
Less: Accumulated depreciation	1,517	136	-	-
	<u>13,041</u>	<u>2,971</u>	<u>-</u>	<u>-</u>
Mobile Equipment				
At cost	26,168	12,927	-	-
Less: Accumulated depreciation	8,942	3,716	-	-
	<u>17,226</u>	<u>9,211</u>	<u>-</u>	<u>-</u>
Office equipment				
At cost	3,457	2,956	791	682
Less: Accumulated depreciation	2,169	1,405	646	616
	<u>1,288</u>	<u>1,551</u>	<u>145</u>	<u>66</u>
Total property, plant and equipment	<u>48,370</u>	<u>41,894</u>	<u>160</u>	<u>1,205</u>

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Land and Buildings \$'000	Plant and Equipment \$'000	Plant and equipment under hire purchase \$'000	Total \$'000
Consolidated				
Carrying amount at 1 July 2003	2,302	36,621	2,971	41,894
Additions	47	6,625	11,451	18,123
Disposals	(185)	(1,666)	-	(1,851)
Depreciation/amortisation expense (note 3)	(220)	(8,195)	(1,381)	(9,796)
Carrying amount at 30 June 2004	<u>1,944</u>	<u>33,385</u>	<u>13,041</u>	<u>48,370</u>

Note 16. Non-current assets - Exploration & Evaluation, Mine Properties and Property, plant & equipment (continued)

	Land and Buildings \$'000	Plant and Equipment \$'000	Plant and equipment under hire purchase \$'000	Total \$'000
Parent entity				
Carrying amount at 1 July 2003	176	1,029	-	1,205
Additions	-	121	-	121
Disposals	(176)	(945)	-	(1,121)
Depreciation/amortisation expense (note 3)	-	(45)	-	(45)
Carrying amount at 30 June 2004	<u>-</u>	<u>160</u>	<u>-</u>	<u>160</u>

Note 17. Current liabilities - Payables

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade creditors and accruals	19,521	16,947	1,263	582
Other payables	398	-	14	-
	<u>19,919</u>	<u>16,947</u>	<u>1,277</u>	<u>582</u>

Note 18. Current liabilities - Interest bearing liabilities

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Secured				
Convertible Notes (i)	21,774	-	21,774	-
Hire Purchase Agreements	<u>3,685</u>	659	<u>-</u>	-
	<u>25,459</u>	659	<u>21,774</u>	-
Unsecured				
Deferred Stamp duty (ii)	<u>801</u>	824	<u>-</u>	-
	<u>26,260</u>	1,483	<u>21,774</u>	-

Details of the security relating to each of the secured liabilities are set out in note 20.

- (i) Fully redeemable convertible notes, issued to the Korea Zinc Group, with a face value of US\$15 million, convertible after May 2004 at the greater of A\$0.87 per Perilya share or market subject to a prior right to Perilya to redeem. In the event that the notes are not converted by the Korea Zinc Group or redeemed early by Perilya, they are repayable by a single bullet payment in May 2005. Interest is payable on the facility quarterly in arrears at LIBOR plus 2.75%. The funding is secured by a first ranking security over the Broken Hill mine assets and tenements held by Perilya Broken Hill Limited. The value of the convertible loan facility has reduced due to a stronger \$AUD:\$USD exchange rate (2004: 0.6889 ; 2003: 0.6674) which resulted in an unrealised foreign exchange gain of \$0.7 million.
- (ii) Stamp duty relating to the acquisition of the Broken Hill assets was deferred for payment over a 30 month period, with interest payable at market rates, currently 4.89% pa. During the financial year one payment was made totaling \$0.9 million (interest inclusive), with one remaining payment of \$0.8 million being due in November 2004.

Perilya Limited
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(continued)

Note 19. Current liabilities - Provisions

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Provisions - annual leave	3,670	2,144	357	254
Production linked payments (i)	7,590	8,020	-	-
Mining restoration and rehabilitation	-	815	-	815
	<u>11,260</u>	<u>10,979</u>	<u>357</u>	<u>1,069</u>

- (i) Pursuant to the Sale and Purchase agreement for the acquisition of the Broken Hill assets, as part of the purchase consideration Perilya is required to pay Pasmenco Limited (Administrators) and Zimifex Limited, a combined total \$3.30 per tonne charge of ore treated up to a total of \$25 million. As this payment is being paid on a deferred settlement basis, the liability has been discounted using a discount rate of 5.99%. Payments made during the year amounted to \$7.1 million.

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

	Rehabilitation \$'000	Production linked payments \$'000	Total \$'000
Consolidated			
Carrying amount at start of year	815	8,020	8,835
Transferred from non-current liability	-	6,648	6,648
Payments	-	(7,078)	(7,078)
Transfer of rehabilitation provision on sale of tenements	<u>(815)</u>	<u>-</u>	<u>(815)</u>
Carrying amount at end of year	<u>-</u>	<u>7,590</u>	<u>7,590</u>
Parent entity			
Carrying amount at start of year	815	-	815
Transfer of rehabilitation provision on sale of tenements	<u>(815)</u>	<u>-</u>	<u>(815)</u>
Carrying amount at end of year	<u>-</u>	<u>-</u>	<u>-</u>

Note 20. Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Secured				
Hire Purchase	9,029	2,206	-	-
Convertible Notes	-	22,475	-	22,475
Total secured non-current interest bearing liabilities	9,029	24,681	-	22,475
Unsecured				
Deferred Stamp duty	-	779	-	-
Total unsecured non-current interest bearing liabilities	-	779	-	-
Total non-current interest bearing liabilities	9,029	25,460	-	22,475

Assets pledged as security

The carrying amounts of non-current assets pledged as security are:

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
First mortgage				
Mine properties	42,368	39,929	-	-
Property, plant & equipment	34,698	36,554	-	-
Total assets pledged as security	77,066	76,483	-	-

A first ranking charge over the fixed and floating assets of the Broken Hill Operation is provided to Korea Zinc Company Limited and a second ranking charge to Zinifex Australia Limited (formerly Pasmafinco Australia Limited) and Pasmafinco Broken Hill Mine Pty Ltd.

The hire purchase loan is secured by assets acquired under hire purchase. The assets have a carrying value of \$12.9 million.

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Notes to the financial statements
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(continued)

Note 21. Non-current liabilities - Provisions

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Provisions - long service leave	536	269	73	50
Production linked payments (i)	6,668	12,961	-	-
Mining restoration and rehabilitation	16,500	16,500	-	-
	<u>23,704</u>	<u>29,730</u>	<u>73</u>	<u>50</u>

(i) Refer note 19.

	Production linked		Total \$'000
	Rehabilitation \$'000	Payments \$'000	
Consolidated			
Carrying amount at 1 July 2003	16,500	12,961	29,461
Transferred to current liability	-	(6,648)	(6,648)
Unwinding of discount	-	355	355
Carrying amount at 30 June 2004	<u>16,500</u>	<u>6,668</u>	<u>23,168</u>

Note 22. Non-current liabilities - Payables

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Payable to wholly owned entities	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>

Note 23. Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Provision for deferred income tax	<u>4,099</u>	<u>-</u>	<u>2,195</u>	<u>504</u>

Note 24. Contributed equity

	Parent entity		Parent entity	
(a) Share capital	2004	2003	2004	2003
	Shares	Shares	\$'000	\$'000
Ordinary shares				
Issued and paid up capital	164,020,332	159,385,332	78,044	76,202

(b) Movements in ordinary share capital

Date	Details	Number of shares	Average issue price per share	\$'000
1 July 2002	Balance	102,423,784		37,625
	Share placement	16,810,922	\$0.71	11,919
	Options exercised	485,000	\$0.34	167
17 Oct 2002	Allotment to Ranger shareholders	39,665,626	\$0.68	26,973
	Costs on share issues	-		(482)
30 June 2003	Balance	159,385,332		76,202
	Options exercised	4,635,000	\$0.40	1,842
				78,044
30 June 2004	Balance	164,020,332		78,044

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options

Information relating to the Perilya Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 39.

Perilya Limited
Notes to the financial statements
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(continued)

Note 25. Retained profits

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Retained profits at the beginning of the financial year	7,893	7,998	6,228	6,283
Net profit /(loss) attributable to members of Perilya Limited	<u>12,887</u>	<u>(105)</u>	<u>(2,139)</u>	<u>(55)</u>
Retained profits at the end of the financial year	<u><u>20,780</u></u>	<u><u>7,893</u></u>	<u><u>4,089</u></u>	<u><u>6,228</u></u>

Note 26. Franking credits

Franked dividends

The franked portions of the dividends recommended after 30 June 2004 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2005.

	Parent entity	
	2004	2003
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	<u><u>15,619</u></u>	<u><u>15,693</u></u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability
- (b) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
- (c) franking credits that may be prevented from being distributed in subsequent financial years.

The amounts include franking credits that would be available to the parent entity if distributable profits of controlled entities were paid as dividends.

Note 27. Contingent liabilities and contingent assets

There were no contingent liabilities assets or liabilities which were not provided for in the financial statements of the economic entity and the Company as at 30 June 2004 other than:

Contingent liabilities

(a) Officers' Indemnity

An indemnity agreement has been entered into with Directors and certain Officers of the economic entity in respect of claims and related expenses that arise in their official capacity. No monetary limit applies to the agreement and no known obligations have emerged as a result of this agreement.

(b) Price Linked Payments

In accordance with the Sale and Purchase Deed between Perilya Limited, Perilya Broken Hill Limited and Pasmaenco Limited, price participation royalty payments are payable if the zinc price exceeds US\$950 per tonne. These potential royalty payments cease 7.5 years after 31 May 2002 or the payment of A\$30 million, whichever occurs first. Payments/payables to 30 June 2004 total A\$1.4 million. At 30 June 2004 the price of zinc was US\$967 per tonne. Potential payments pursuant to this arrangement cannot be reliably measured and have not been recognised in the Statement of Financial Position.

(c) Broken Hill Coronial Inquest

A Coronial Inquest into the death of an employee, who died in November 2002 as a result of an underground incident at the Broken Hill Mine, is scheduled to commence on the 11 October 2004. Costs in respect of the inquest hearing are estimated to amount to approximately \$150,000. Additional costs, if any, cannot be reliably determined at this stage.

Contingent Assets

(a) Fortnum Sale Proceeds

As part payment for the Fortnum Gold Project, Perilya will receive \$500,000 upon commencement of production by Gleneagle Gold Limited at the Fortnum mine and , after the first 50,000 ounces of production a royalty at the rate of \$10 per ounce, up to a maximum amount of \$2 million. These amounts have not been recognised in the financial statements.

Note 28. Commitments for expenditure

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<i>Lease commitments</i>				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	212	74	212	74
Later than one year but not later than 5 years	<u>136</u>	<u>-</u>	<u>136</u>	<u>-</u>
	<u>348</u>	<u>74</u>	<u>348</u>	<u>74</u>
Representing:				
Non-cancellable operating leases	<u>348</u>	<u>74</u>	<u>348</u>	<u>74</u>

The operating lease relates to Perilya's head office situated at 31 Ventnor Avenue, West Perth. The lease expires at the end of January 2006.

Hire Purchase Commitments

Commitments in relation to hire purchase contracts are payable as follows:

Within one year	4,495	838	-	-
Later than one year but not later than 4 years	<u>9,860</u>	<u>2,401</u>	<u>-</u>	<u>-</u>
	<u>14,355</u>	<u>3,239</u>	<u>-</u>	<u>-</u>
Less: Unexpired hire purchase charges	<u>1,641</u>	<u>374</u>	<u>-</u>	<u>-</u>
Commitments recognised as a liability in the financial statements (notes 18 and 20)	<u>12,714</u>	<u>2,865</u>	<u>-</u>	<u>-</u>

Tenement Commitments

The parent entity and the consolidated group maintain current rights of tenure to tenements which require outlays of expenditure until the tenement is relinquished. Estimated expenditure outlays for 2004/2005 by the parent entity are \$2.1 million (2003/2004: \$2.1 million) and by the economic entity are \$16.0 million (2003/2004: \$15.5 million). These commitments relate to tenement lease rentals and the minimum expenditure requirements of the Western Australian, New South Wales, Queensland, Malaysian and South Australian Mines Departments attaching to the tenements.

Under certain circumstances, these commitments are subject to the possibility of adjustment to the amount and/or timing of such obligations, however, they are expected to be fulfilled in the normal course of operations. Further outlays in respect of tenements will continue beyond 2004/2005, however the amount is impractical to quantify.

Capital Commitments

There were no capital commitments contracted for, but not provided for, in the financial statements at 30 June 2004 or 30 June 2003.

Supply Contracts

Perilya Broken Hill Limited has entered into take or pay contracts with the Silverton Tramway Corporation Limited for the provision of shunting operation services, with Australian Inland for the provision of water at the Broken Hill zinc-lead-silver-mine and a contract of affreightment for the sea carriage of mineral concentrates. The minimum expenditure commitment is \$10.5 million per year.

Note 29. Financial instruments

(a) Risk Management

The company has historically used derivative financial instruments that are commonly used in the mining industry. These financial instruments are used to minimise the exposure of adverse movements in commodity prices and are not used for trading purposes. There was no hedging conducted during the financial year.

(b) Currency Risk

The economic entity sells its commodities in US dollars resulting in trade debtors in US dollars and in addition holds a US dollar bank account. At 30 June 2004 the outstanding amount held in the US dollar bank account was US\$0.2 million (2003: US\$2.3 million).

The economic entity undertakes foreign currency transactions for exploration and evaluation activities in Malaysia. The amounts denominated in foreign currency accounts are maintained at minimum levels and are aligned with approved expenditure programmes. At 30 June 2004, outstanding amounts held in foreign currency bank accounts in Malaysia were RM 0.4 million (2003: RM 0.5 million).

Fully redeemable convertible notes, with a face value of US\$15.0 million, are convertible after May 2004. In the event the notes are not converted, or redeemed earlier by Perilya, they are repayable by a single bullet payment in May 2005. At 30 June 2004, the notes were valued at A\$21.7 million based on the USD/AUD exchange rate of 0.6889 compared to A\$22.5 million at 30 June 2003 based on the USD/AUD exchange rate of 0.6674.

(c) Counterparty Credit Risk

The credit risk of financial assets of the economic entity which have been recognised on the Statement of Financial Position is generally the carrying amount. Bills of exchange that have been purchased at a discount to face value are carried on the Statement of Financial Position at an amount less than the amount realisable at maturity. The total credit risk exposure could also be considered to include the difference between the carrying amount and the realisable amount. Counterparty risk is managed by restricting the percentage of financial assets deposited/invested with any one counterparty and by monitoring their credit ratings.

Note 29. Financial instruments (continued)

(d) Interest Rate Risk Exposure

The economic entities exposure to interest rate risk for each class of financial assets and liabilities was:

As at 30 June 2004	Notes	Floating interest rate \$'000	Fixed 1 year or less \$'000	Fixed Over 1 to 5 years \$'000	Non interest bearing \$'000	Total \$'000
Financial assets						
Cash and deposits	6	12,109	28,586	-	-	40,695
Receivables	7,10,11	-	-	1,000	10,863	11,863
Other financial assets	9,14	-	-	-	3,171	3,171
		<u>12,109</u>	<u>28,586</u>	<u>1,000</u>	<u>14,034</u>	<u>55,729</u>
Weighted average interest rate		4.20%	5.40%	5.50%		
Financial liabilities						
Trade creditors	17	-	-	-	19,918	19,918
Deferred Stamp Duty	18	-	801	-	-	801
Hire Purchase	18,20	-	3,685	9,029	-	12,714
Convertible Note	18	-	21,774	-	-	21,774
Production linked payments	19,21	-	-	-	14,258	14,258
		-	<u>26,260</u>	<u>9,029</u>	<u>34,176</u>	<u>69,465</u>
Weighted average interest rate			4.55%	7.36%		
Net financial assets (liabilities)		<u>12,109</u>	<u>2,326</u>	<u>(8,029)</u>	<u>(19,586)</u>	<u>(13,180)</u>

As at 30 June 2003	Notes	Floating interest rate \$'000	Fixed 1 year or less \$'000	Fixed Over 1 to 5 years \$'000	More than 5 years \$'000	Non interest bearing \$'000	Total \$'000
Financial assets							
Cash and deposits	6	13,693	20,894	-	-	168	34,755
Receivables	7,11	-	-	-	-	12,302	12,302
Investments	9,14	-	-	-	-	1,538	1,538
		<u>13,693</u>	<u>20,894</u>	<u>-</u>	<u>-</u>	<u>14,008</u>	<u>48,595</u>
Weighted average interest rate		3.68%	4.71%				
Financial liabilities							
Trade and other creditors	17	-	-	-	-	16,949	16,949
Deferred Stamp Duty	18,20	-	824	779	-	-	1,603
Hire purchase	18,20	-	659	2,206	-	-	2,865
Convertible Note	20	-	-	22,475	-	-	22,475
Production linked payments	19,21	-	-	-	-	20,981	20,981
		-	<u>1,483</u>	<u>25,460</u>	<u>-</u>	<u>37,930</u>	<u>64,873</u>
Weighted average interest rate			5.38%	4.23%			
Net financial assets (liabilities)		<u>13,693</u>	<u>19,411</u>	<u>(25,460)</u>	<u>-</u>	<u>(23,922)</u>	<u>(16,278)</u>

Note 29. Financial instruments (continued)

(e) Fair Value

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts. The fair value of shares in listed corporations is disclosed in note 14.

Note 30. Remuneration of auditors

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
During the year the following services were paid to the auditor of the parent entity, its related practices and non-related audit firms:				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the Corporations Act 2001	149,705	184,063	149,705	184,063
Taxation services	226,309	152,647	226,309	152,647
Corporate Services	<u>36,862</u>	<u>34,320</u>	<u>36,862</u>	<u>34,320</u>
Total remuneration	<u>412,876</u>	<u>371,030</u>	<u>412,876</u>	<u>371,030</u>
Other auditors of controlled entities	<u>2,948</u>	<u>5,370</u>	-	-
Remuneration of other auditors of controlled entities	<u>2,948</u>	<u>5,370</u>	<u>-</u>	<u>-</u>

Note 31. Director and executive disclosures

Directors

The following persons were directors of Perilya Limited during the financial year:

Chairman – Non- Executive

Phillip C Lockyer (appointed Non-Executive Director 19 November 2003)

Executive Directors

Tim Clifton, Managing Director

Barry Cahill, Operations Director (resigned 22 March 2004)

Non-Executive Directors

Peter Harley (appointed 19 November 2003)

Colin A McIntyre

Guy A Travis

Richard Lockwood (retired 18 November 2003)

Vincent H Pental (retired 18 November 2003)

Peter J Unsworth (retired 18 November 2003)

Yong Fook Shin (retired 18 November 2003)

Phillip C Lockyer was appointed a Non-Executive Director on 19 November 2003. On 21 May 2004 he was appointed Chairman. Colin A McIntyre was appointed as interim Chairman from 19 November 2003 until 21 May 2004. Vincent Pental retired as Chairman and a Director on 18 November 2003.

Executives (other than directors) with the greatest authority for strategic direction and management

The following persons were the five executives with the greatest authority for the strategic direction and management of the consolidated entity (“specified executives”) during the financial year:

Name	Position
Paul Cranney	Exploration Manager
Ron Ellis	Manager Mining Broken Hill
Alan Knights	Chief Financial Officer
Barry Mitchell	General Manager Broken Hill
John Traicos	Company Secretary

The above persons were also specified executives during the year ended 30 June 2003, except for Barry Mitchell and Alan Knights who commenced employment with the group on 24 November 2003 and 31 July 03 respectively.

Remuneration report

Principles used to determine the nature and amount of remuneration

The objective of the company’s executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors’ fees and payments are reviewed annually by the Board. The Board also has agreed to the advice of independent remuneration consultants to ensure non-executive directors’ fees and payments are appropriate and in line with the market. The Chairman’s fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. No share options were issued to non-executive directors during the year.

Note 31. Director and executive disclosures (continued)

Directors' fees

The current base remuneration was last reviewed with effect from 17 February 2004. The Chairman's remuneration is inclusive of committee fees while non-executive directors who chair a committee receive additional yearly fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum aggregate currently stands at \$400,000.

Executive pay

The executive pay and reward framework has:

- base pay and benefits
- long-term incentives through participation in Perilya's Option Plan, and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases fixed in any senior executives' contracts.

Retirement benefits

Retirement benefits are delivered under Perilya Limiteds' Superannuation Fund.

Service Agreements

Remuneration and other terms of employment for the Managing Director and the five specified executives are formalised in service agreements. These agreements do not have a fixed term and have a four week notice of cessation of employment. The remuneration is reviewed annually and is set to reflect the market for a comparable role. The service agreements do not provide for termination payments.

Perilya Limited Employee Option Plan

Information on the Option Plan is set out on page 48.

Note 31. Director and executive disclosures (continued)

Details of remuneration

Details of the nature and amount of each element of the emoluments of each director of Perilya Limited and each of the 5 officers of the company and the consolidated entity receiving the highest emoluments for the year ended 30 June 2004 are set out in the following tables.

Directors of the consolidated entity

2004	Primary	Post-employment		
Name	Cash salary and fees \$	Superannuation \$	Other \$	Total \$
Tim Clifton - Managing Director	307,064	32,645	-	339,709
Phillip Lockyer - Chairman	45,591	4,103	(i) 78,875	128,569
Colin A McIntyre - Non-Executive Director	78,068	7,026	(i) 38,165	123,259
Barry Cahill - Operations Director	188,623	22,905	(ii) 326,251	537,779
Peter Harley - Non-Executive Director	41,147	3,703	-	44,850
Guy A Travis - Non-Executive Director	51,141	4,603	(i) 86,400	142,144
Richard Lockwood - Non-Executive Director	31,057	-	-	(iii) 31,057
Vincent H Pandal - Non-Executive Director	33,410	-	-	(iv) 33,410
Peter J Unsworth - Non-Executive Director	22,989	2,069	-	25,058
Yong Fook Shin - Non-Executive Director	-	18,794	-	18,794
Total	799,090	95,848	529,691	1,424,629

- (i) Refer to note 34 for information regarding other fees earned by Phillip Lockyer, Colin McIntyre and Guy Travis.
- (ii) Barry Cahill resigned as Operations Director on 02 April 2004, total emoluments in respect of the cessation of his employment were \$326,251 and are classified above in Other emoluments.
- (iii) Director Fees of \$31,057 were paid to Sir Norman Brearley Trust on behalf of Richard Lockwood.
- (iv) Fees of \$33,410 were paid to Ardlussa Pty Ltd on behalf of Vincent H Pandal.

Note 31. Director and executive disclosures (continued)

Specified executives of the consolidated entity

2004 Name	Primary		Post-employment	Equity	Total
	Cash salary and fees \$	Non-monetary benefits \$	Superannuation \$	Options \$	
Paul Cranney - Exploration Manager	179,999	7,299	16,200	-	203,498
Ron Ellis - Manager Mining Broken Hill	162,323	-	14,609	931	177,863
Alan Knights - Chief Financial Officer	206,730	-	18,606	124,650	349,986
Barry Mitchell - General Manager Broken Hill	144,615	-	13,015	71,783	229,413
John Traicos - Company Secretary	137,751	-	91,149	124,650	353,550
Total	831,418	7,299	153,579	322,014	1,314,310

Total remuneration of directors of Perilya Limited and the 5 specified executives of the consolidated entity for the year ended 30 June 2003 is set out below. Information for individual directors and specified executives is not shown as this is the first financial report prepared since the issue of AASB 1046 *Director and Executive Disclosures by Disclosing Entities*.

Directors of the consolidated entity

2003	Primary		Post-employment		Total
	Cash salary and fees \$	Cash bonus \$	Superannuation \$	Other \$	
Total	722,944	125,000	178,132	57,249	1,083,325

Specified executives of the consolidated entity

2003	Primary			Post-employment	Equity	Total
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Superannuation \$	Options \$	
Total	749,447	60,000	11,315	109,539	15,000	945,301

Note 31. Director and executive disclosures (continued)

Share-based compensation

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
30 Sept 2003	31 August 2007	\$0.80	\$0.34	40% after 31 August 2003; 30% after 31 August 2004 and 30% after 31 August 2005
16 Oct 2003	16 Oct 2006	\$1.00	\$0.33	16 October 2004
22 Jun 2004	21 May 2009	\$0.97	\$0.38	50% after 21 May 2005; 50% after 21 May 2006

Options are granted under the plan for no consideration. Options granted to directors and executives are granted with an average life of 5 years and are exercisable in 1 to 3 annual tranches commencing from the grant date.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of options are approximately 20% above the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are offered to employees.

Equity instrument disclosures relating to directors and executives

Options provided as remuneration

Details of options over ordinary shares in the company provided as remuneration to directors of Perilya Limited and the specified executives of the consolidated entity are set out below. When exercisable, each option is convertible into one ordinary share of Perilya Limited. Further information on the options is set out in note 39.

Name	Number of options granted during the year	Number of options vested during the year
Specified directors of the consolidated entity		
None applicable in financial year		
Specified executives of the consolidated entity		
Paul Cranney - Exploration Manager	-	-
Ron Ellis - Manager Mining Broken Hill	150,000	-
Alan Knights - Chief Financial Officer	500,000	200,000
Barry Mitchell - General Manager Broken Hill	500,000	-
John Traicos - Company Secretary	500,000	200,000

Equity instrument disclosures relating to directors and executives

Options provided as remuneration

The assessed fair value at grant date of options granted to directors and executives is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration disclosed above. Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Note 31. Director and executive disclosures (continued)

Shares provided on exercise of remuneration options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each director of Perilya Limited and each of the five specified executives of the consolidated entity are set out below.

Name	Exercise price	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year
<i>Specified directors of the consolidated entity</i>			
Barry Cahill	\$0.26	2 April 2004	520,000
Barry Cahill	\$0.45	6 April 2004	150,000
Vincent H Pandal	\$0.45	7 January 2004	300,000
<i>Specified executives of the consolidated entity</i>			
Paul Cranney Exploration Manager	\$0.26	25 February 2004	750,000
Paul Cranney Exploration Manager	\$0.45	25 February 2004	150,000
Alan Knights Chief Financial Officer	\$0.80	18 June 2004	100,000
John Traicos Company Secretary	\$0.80	4 December 2003	200,000

Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Perilya Limited and each of the five specified executives of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<i>Specified directors of the consolidated entity</i>					
Tim Clifton	2,000,000	-	-	2,000,000	2,000,000
Barry Cahill	670,000	-	(670,000)	-	-
Richard Lockwood	500,000	-	-	500,000	500,000
Vincent H Pandal	800,000	-	(300,000)	500,000	500,000
Peter J Unsworth	800,000	-	-	800,000	800,000
Yong Fook Shin	500,000	-	-	500,000	500,000
<i>Specified executives of the consolidated entity</i>					
Paul Cranney - Exploration Manager	900,000	-	(900,000)	-	-
Ron Ellis - Manager Mining Broken Hill	-	150,000	-	150,000	-

Note 31. Director and executive disclosures (continued)

Alan Knights - Chief Financial Officer	-	500,000	(100,000)	400,000	100,000
Barry Mitchell - General Manager Broken Hill	-	500,000	-	500,000	-
John Traicos - Company Secretary	-	500,000	(200,000)	300,000	-

No options are vested and unexercisable at the end of the year

Share holdings

The numbers of shares in the company held during the financial year by each director of Perilya Limited and each of the five specified executives of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Specified directors of the consolidated entity				
Ordinary shares				
Tim Clifton Executive Director	3,699,000	-	-	3,699,000
Peter Harley Non-Executive Director	-	-	15,000	15,000
Phillip Lockyer Non-Executive Director	-	-	20,000	20,000
Colin A McIntyre Non-Executive Director	125,000	-	(75,000)	50,000
Guy A Travis Non-Executive Director	4,335,201	-	-	4,335,201
Barry Cahill Executive Director	245,000	670,000	(815,000)	100,000
Richard Lockwood Non-Executive Director	-	-	-	-
Vincent H Pandal Non-Executive Director	150,000	300,000	(375,000)	75,000
Peter J Unsworth Non-Executive Director	5,279,501	-	(1,300,000)	3,979,501
Yong Fook Shin Non-Executive Director	-	-	-	-
	-	-	-	-
Specified executives of the consolidated entity				
Ordinary shares				
Paul Cranney Exploration Manager	500,000	900,000	(500,000)	900,000
Ron Ellis Mine Manager Broken Hill	-	-	-	-
Alan Knights Chief Financial Officer	-	100,000	-	100,000
Barry Mitchell General Manager Broken Hill	-	-	-	-
John Traicos Company Secretary	500,000	200,000	(400,000)	300,000

Note 32. Segment information

Business Segments

The consolidated entity is organised on a global basis into the following divisions by product and service type.

Base metals mining

Mining and sale of base metals.

Gold mining

Mining and sale of gold.

Exploration

Exploration for gold and base metals

Investment & Administration

Investment and administration of the corporate office.

Geographical segments

The main activities are solely based in Australia, with exploration in Malaysia as shown below.

Australia

The home country of the parent entity which is also the main operating entity. The areas of operation are principally gold mining, base metals mining, exploration, investment and corporate administration.

Malaysia

Exploration conducted in Malaysia.

Primary reporting - business segments

	Base metals mining \$'000	Gold mining \$'000	Exploration \$'000	Investment & Administration \$'000	Consolidated \$'000
2004					
Operating Revenue:					
Total sales revenue	157,476	250	-	-	157,726
Shares of net profits of associates	-	-	-	-	-
Other revenue	2,638	1,500	-	32,289	36,427
Total segment revenue	<u>160,114</u>	<u>1,750</u>	<u>-</u>	<u>32,289</u>	<u>194,153</u>
Segment result	(3,808)	516	(296)	18,029	14,441
Share of net profits of associates	-	-	-	3,842	3,842
Loss from ordinary activities before income tax expense					18,283
Income tax expense					<u>(5,396)</u>
Net loss attributable to outside equity interest					-
Net profit attributable to members of the parent entity					<u>12,887</u>
Segment assets	<u>115,323</u>	<u>-</u>	<u>27,216</u>	<u>50,588</u>	193,127
Unallocated assets					275
Total assets					<u>193,402</u>
Segment liabilities	<u>33,502</u>	<u>-</u>	<u>1,706</u>	<u>848</u>	36,056
Unallocated liabilities					58,522
Total liabilities					<u>94,578</u>
Investments in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,999</u>	4,999
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	<u>28,446</u>	<u>-</u>	<u>14,043</u>	<u>121</u>	42,610
Depreciation and amortisation expense	<u>18,229</u>	<u>-</u>	<u>-</u>	<u>45</u>	18,274
Other non-cash expenses	<u>-</u>	<u>-</u>	<u>296</u>	<u>-</u>	296

Note 32. Segment information (continued)

Primary reporting - business segments (continued)

	Base metals mining \$'000	Gold mining \$'000	Exploration \$'000	Investment & Administration \$'000	Consolidated \$'000
2003					
Total sales revenue	119,812	346	-	-	120,158
Other revenue	477	-	-	24,004	24,481
Total segment revenue	<u>120,289</u>	<u>346</u>	<u>-</u>	<u>24,004</u>	<u>144,639</u>
Segment result	<u>(6,887)</u>	<u>(41)</u>	<u>(1,415)</u>	<u>7,324</u>	<u>(1,019)</u>
Share of net losses of associates	-	-	-	(1,774)	(1,774)
Segment result	<u>(6,887)</u>	<u>(41)</u>	<u>(1,415)</u>	<u>5,550</u>	<u>(2,793)</u>
Income tax benefit					2,528
Net loss					<u>(265)</u>
Segment assets	<u>111,682</u>	<u>1,736</u>	<u>14,275</u>	<u>39,450</u>	167,143
Unallocated assets					1,553
Total assets					<u>168,696</u>
Segment liabilities	<u>30,638</u>	<u>815</u>	<u>603</u>	<u>603</u>	32,659
Unallocated liabilities					51,942
Total liabilities					<u>84,601</u>
Investments in associates	-	-	-	13,923	13,923
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	<u>10,503</u>	<u>-</u>	<u>4,384</u>	<u>264</u>	<u>15,151</u>
Depreciation and amortisation expense	<u>16,033</u>	<u>-</u>	<u>-</u>	<u>65</u>	<u>16,098</u>
Other non-cash expenses	<u>-</u>	<u>-</u>	<u>1,415</u>	<u>-</u>	<u>1,415</u>

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	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Australia	194,153	144,639	190,631	164,676	42,610	15,151
Malaysia	-	-	2,495	2,467	-	-
	<u>194,153</u>	<u>144,639</u>	<u>193,126</u>	<u>167,143</u>	<u>42,610</u>	<u>15,151</u>

Note 32. Segment information (continued)

Notes to and forming part of the segment information

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and accounting standard AASB 1005 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provision for service warranties. Segment assets and liabilities do not include income taxes.

(b) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an 'arm's-length' basis and are eliminated on consolidation.

(c) Equity accounted investments

Equity accounted investments are accounted for using the equity method and are allocated to the Investment and Administration segment. Further information of associates is found in note 13.

Note 33. Interests in joint ventures

Joint venture operation

The economic entity's aggregate interests in the assets and liabilities of each of these joint ventures is reflected in the following asset and liability categories in the financial statements. The contingent liabilities and commitments in respect thereto are referred to in notes 27 and 28.

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Current assets				
Receivables	26	26	-	-
Other	1	-	-	-
Total current assets	27	26	-	-
Non-current assets				
Exploration and evaluation	8,878	9,948	6,965	5,900
Property, plant and equipment	74	74	-	-
Bonds	-	1	-	-
Total non-current assets	8,952	10,023	6,965	5,900
Total assets	8,979	10,049	6,965	5,900

Companies within the economic entity are participants in the following joint ventures as at 30 June 2004. The percentage interests may vary depending on the monies expended by the joint venturers. The economic entity's percentage interests in future output if all the ventures fulfill their obligations to the joint ventures are as follows:

Joint venture	Location	Principal activity	% holding	% holding
			30 June 2004	30 June 2003
Dee Range	QLD	Gold and base metal exploration	30	30
Ulam Range	QLD	Gold and base metal exploration	30	30
Malaysia Wide	Malaysia	Gold and base metal exploration	50	50
Ranau	Malaysia	Gold and base metal exploration	50	50
Beltana Corridor	SA	Base metal exploration	85	85
Blinman (Minotaur)	SA	Base metal exploration	80	80
Mt Frome	SA	Base metal exploration	90	90
Reephook	SA	Base metal exploration	85	85
Mt Oxide	QLD	Base metal exploration	100	40
Moyagee	WA	Gold exploration	100	49
Kanowna	WA	Gold exploration	30	76
Kalbarra	WA	Gold exploration	27	68
Holleton	WA	Gold exploration	90	80
Narelles Reward	WA	Gold exploration	-	65
Honeymoon Well	WA	Gold exploration	70	70
South Mt Woods	SA	Gold and copper exploration	50	20
Mabel Creek	SA	Gold and copper exploration	-	80
Yancowinna	NSW	Base metal exploration	89	89
Aroona	SA	Base metal exploration	90	-

Note 34. Related parties

Directors

Disclosures relating to directors and specified executives are set out in note 31.

Remuneration benefits

Information on remuneration of directors is disclosed in note 31.

Transactions of directors and director-related entities concerning shares or share options

Share and Option transactions are disclosed in note 31.

Other transactions with directors and director-related entities

The Company currently consults with Phil Lockyer and Associates Pty Ltd, of which Phillip Lockyer is a shareholder and director. Fees of \$78,875 were charged by Phil Lockyer and Associates Pty Ltd for technical services rendered, of which \$16,500 was outstanding at year end.

The Company paid Colmac Pty Ltd \$38,165 for technical services rendered during the financial year. Colin A McIntyre is a shareholder and director of Colmac Pty Ltd. No monies were outstanding at year end.

The Company was charged fees of \$1,335 by Inet Limited, of which Peter Harley is a director, for internet services provided during the financial year. The Company owed Inet limited \$245 at year end.

The Company consults with Oakvale Capital Limited in respect of financial services. Vincent Pental was, during his tenure as director of Perilya Limited, a director of Oakvale Capital Limited. The company paid Oakvale Capital Limited \$11,543 during the period that Vincent Pental was a director of Perilya Limited.

The Company paid Aurex Pty Ltd, of which Guy Travis is a director and shareholder, \$86,400 for technical services rendered during the financial year. No amount was outstanding at year end.

Refer to note 13 for transactions with Strike Oil Limited of which Tim Clifton is a shareholder.

Wholly-owned group

The wholly-owned group consists of Perilya Limited and those wholly-owned controlled entities as disclosed in note 15. Transactions between Perilya Limited and its controlled entities consist of the transfer of funds amongst companies for day to day financing. Inter-company loans are unsecured, do not bear interest and have no defined repayment terms. The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned controlled entities reimburse Perilya Limited for any current income tax payable by Perilya Limited arising in respect of their activities.

Note 35. Events occurring after reporting date

There were no events subsequent to the reporting date that require disclosure in the financial statements.

Note 36. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Profit from ordinary activities after income tax	12,887	(265)	(2,138)	(55)
Depreciation and amortisation	18,274	16,098	45	60
Exploration and Evaluation written off	380	1,415	208	832
Share of loss (gain) of associate	(3,842)	1,774	-	-
Unwinding of discount on production linked payments	355	1,619	-	-
Interest on deferred stamp duty	(22)	-	-	-
Loss - (profit) on sale of exploration prospects	(167)	(1,266)	(167)	-
Loss - (profit) on sale of plant and equipment	465	(47)	120	-
Loss - (profit) on sale of Investments	(22,563)	(6,477)	-	-
Loss - (profit) on sale of controlled entity	-	(1,335)	-	-
Diminution in value of employee share option plan	-	163	-	-
Proceeds from option fee	-	(55)	-	(55)
Excess rehabilitation provision reversed on Fortnum mine	(815)	-	(815)	-
Unrealised foreign exchange (gain) / loss	(802)	(3,822)	(701)	(4,026)
Dividends received	-	(639)	-	(639)
Change in operating assets and liabilities				
Decrease (increase) in trade debtors	2,249	(10,456)	(5)	(246)
Decrease (increase) in inventories	(3,044)	(3,398)	597	778
Decrease (increase) in prepayments	(2,846)	(580)	483	(382)
Decrease (increase) in future income tax benefit	3,567	(1,094)	1,707	-
Increase (decrease) in trade creditors	1,612	7,058	696	(4,694)
Increase (decrease) in provisions	1,737	1,985	126	16
Increase (decrease) in deferred tax liabilities	1,286	(8,274)	470	(148)
Net cash inflow from operating activities	<u>8,712</u>	<u>(7,596)</u>	<u>626</u>	<u>(8,559)</u>

Note 37. Non-cash financing and investing activities

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Purchase of Ranger Minerals Ltd (i)	-	26,973	-	26,973
Purchase of Strike Energy Pty Ltd (i)	-	1,209	-	-
Shares acquired in Gleneagle Gold Ltd as part consideration for disposal of Fortnum mine assets	<u>1,000</u>	-	-	-
Acquisition of plant and equipment on hire purchase	<u>11,451</u>	3,702	-	-

(i) See note 15 for further information on acquisition /disposal of controlled entities.

Note 38. Earnings per share

	Consolidated	
	2004 Cents	2003 Cents
Basic earnings per share	8.0	(0.1)
Diluted earnings per share	<u>7.7</u>	<u>(0.1)</u>

The alternative basic and diluted earnings per share amounts have been calculated to exclude the impact of the extraordinary item recognised in the financial report for the half year ended 31 December 2003 in order to make the earnings per share amounts for the prior half-year more comparable with the basic and diluted earnings per share amounts for the current half-year.

	Consolidated	
	2004 Number	2003 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative basic earnings per share	<u>161,657,982</u>	<u>147,650,565</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and alternative diluted earnings per share	<u>167,853,562</u>	<u>150,581,853</u>
Reconciliations of earnings used in calculating earnings per share	\$'000	\$'000
Basic and alternative basic earnings per share		
Net profit	12,887	(265)
Net loss attributable to outside equity interest	-	160
Diluted and alternative diluted earnings per share		
Net profit	<u>12,887</u>	<u>(265)</u>
Earnings used in calculating diluted earnings per share	<u>12,887</u>	<u>(265)</u>

Note 38. Earnings per share (continued)

Information concerning the classification of securities

(a) Options

Options granted to employees under the Perilya Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 24(d).

Note 39. Employee benefits

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Employee benefit and related on-costs liabilities				
Provision for annual leave - current (note 19)	3,670	2,144	357	254
Provision for long service leave - non-current (note 21)	<u>536</u>	<u>269</u>	<u>73</u>	<u>50</u>
Aggregate employee benefit and related on-costs liabilities	<u><u>4,206</u></u>	<u><u>2,413</u></u>	<u><u>430</u></u>	<u><u>304</u></u>
	Number		Number	
	2004	2003	2004	2003
Employee numbers				
Average number of employees during the financial year	<u><u>528</u></u>	<u><u>422</u></u>	<u><u>39</u></u>	<u><u>29</u></u>

As explained in notes 1(g)(ii) and (iii), the amounts for long service leave and termination benefits that are expected to be settled more than 12 months from the reporting date and superannuation are measured at their present values.

Employee Incentive Scheme

Options granted to employees under the Perilya Limited 2000 Employee Incentive Scheme and options granted to directors are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share.

Options are granted under the plan for no consideration and are exercisable at a fixed price in 1 to 3 annual tranches over a period of up to five years.

Note 39. Employee benefits (continued)

Set out below are summaries of options granted under the plan and outstanding at the beginning and/or the end of the financial year.

Grant date (Year ended)	Expiry date	Exercise price	Balance at start of the year Number	Issued during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at the end of the year Number
Consolidated and parent entity - 2004							
30 June 2000	19/12/2004	0.26	1,600,000	-	(1,550,000)	-	50,000
30 June 2000	26/01/2005	0.26	520,000	-	(520,000)	-	-
30 June 2001	31/12/2005	0.30	300,000	-	(200,000)	-	100,000
30 June 2002	30/06/2005	0.45	3,400,000	-	(1,100,000)	-	2,300,000
30 June 2002	16/11/2006	0.45	2,000,000	-	-	-	2,000,000
30 June 2002	19/11/2006	0.45	860,000	-	(665,000)	-	195,000
30 June 2003	31/12/2006	0.70	1,050,000	-	(300,000)	(150,000)	600,000
30 June 2004	31/08/2007	0.80	-	1,000,000	(300,000)	-	700,000
30 June 2004	16/10/2006	1.00	-	300,000	-	-	300,000
30 June 2004	14/01/2007	1.40	-	100,000	-	-	100,000
30 June 2004	21/05/2009	0.97	-	900,000	-	-	900,000
			<u>9,730,000</u>	<u>2,300,000</u>	<u>(4,635,000)</u>	<u>(150,000)</u>	<u>7,245,000</u>

Note 40. Economic dependency

A controlled entity, Perilya Broken Hill Limited, depends for a significant volume of revenue on Zinifex Limited (formerly Pasminco Limited) and Korea Zinc Company Limited. During the year ended 30 June 2004, approximately 80% (2003 - 58%) of the controlled entity's revenue was sourced from said companies.

Perilya Limited
Directors' Declaration
30 June 2004

The Directors declare that the financial statements and notes set out on pages 27 to 85:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Timothy M. Clifton
MANAGING DIRECTOR

Perth, Western Australia
25 August 2004



Independent audit report to the members of Perilya Limited

PricewaterhouseCoopers
ABN 52 780 433 757

QV1
250 St Georges Terrace
PERTH WA 6000
GPO Box D198
PERTH WA 6840
DX 77 Perth
Australia
www.pwc.com/au
Telephone +61 8 9238 3000
Facsimile +61 8 9238 3999

Audit opinion

In our opinion, the financial report of Perilya Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Perilya Limited and the Perilya Limited Group (defined below) as at 30 June 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Perilya Limited (the company) and the Perilya Limited Group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)



We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in cursive script that reads "David J. Smith".

David Smith
Partner

Perth, Western Australia
25 August 2004

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 20 August 2004.

DISTRIBUTION OF EQUITY SHARES

There were 114 holders of less than a marketable parcel of ordinary shares. The number of shareholders by size of holding is set out below:

SIZE OF HOLDING	SHAREHOLDERS
Less than 1,100	307
1,001 to 5,000	1,029
5,001 to 10,000	660
10,001 to 100,000	667
More than 100,000	97
TOTAL	2,760

SUBSTANTIAL SHAREHOLDERS

An extract of the Company's Register of Substantial Shareholders (who held 5% or more of the issued capital) is set out below:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE HELD
Acorn Capital	14,712,002	9.16%
Golden Prospect Plc	12,102,324	7.51%
Equity Trustees Limited	9,269,742	5.65%

TOP 20 SHAREHOLDERS

The 20 largest shareholders are listed below:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE HELD %
National Nominees Limited	26,544,736	16.18
ANZ Nominees Limited	20,503,978	12.50
NEFCO Nominees Pty Ltd	11,152,293	6.80
Equity Trustees Limited	9,269,742	5.65
Westpac Custodian Nominees Limited	8,026,490	4.89
J P Morgan Nominees Australia Limited	5,012,964	3.06
Merrill Lynch (Australia) Nominees Pty Ltd	4,125,436	2.52
Yandal Investments Pty Ltd	3,050,000	1.86
AMP Life Limited	3,016,414	1.84
NCH Investments Pty Ltd	2,879,501	1.76
Mirrabooka Investments Limited	2,400,000	1.46
Calm Holdings Pty Ltd	2,329,000	1.42
Lyrebird Pty Ltd	1,755,182	1.07
Aurex Pty Ltd	1,669,358	1.02
Challenger Trading Corporation	1,629,205	0.99
Mr Eric Arthur Hopgood & Mr Owen William Hopgood	1,366,000	0.83
Health Super Pty Ltd	1,299,100	0.79
Nattai Pty Ltd	1,248,880	0.76
Valleystone Nominees Pty Ltd	1,000,000	0.61
Shar Holdings Pty Ltd	924,959	0.56
	109,203,238	66.57

VOTING RIGHTS

For all ordinary shares, voting rights are on a show of hands whereby every member present in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

FIVE YEAR FINANCIAL SUMMARY

		2004	2003	2002	2001	2000
Net profit/(loss) after tax	\$'000	12,887	(105)	(264)	3,728	4,394
Operating revenue	\$'000	157,726	120,158	4,668	39,506	44,739
Cash flow from operating activities	\$'000	8,712	(7,596)	(6,929)	16,620	16,873
Cash and cash equivalents ⁽¹⁾	\$'000	40,695	34,755	14,329	31,957	22,886
Total assets	\$'000	193,401	168,696	124,384	55,289	56,668
Borrowings ⁽²⁾	\$'000	44,864	35,572	38,583	Nil	Nil
Shareholders' equity	\$'000	98,824	84,095	45,623	45,471	41,473
Exploration and evaluation expenditure	\$'000	13,571	4,384	3,933	5,291	3,671
Capital expenditure	\$'000	29,040	10,648	87,821	127	6,620
Basic earnings per share	c/s	8.0	(0.1)	(0.3)	3.7	4.4
Issued capital - shares	\$'000	164,020	159,385	102,424	101,154	101,154

⁽¹⁾ Cash and cash equivalent includes restricted cash.

⁽²⁾ Borrowings includes rehabilitation bonds with the various State Governments.

COMPANY PARTICULARS

Principal and Registered Office

Level 2, 31 Ventnor Avenue
West Perth, Western Australia 6005

Postal Address

PO Box 1787
West Perth, Western Australia 6872

Email: perilya@perilya.com.au
Website: www.perilya.com.au
Telephone: (61 8) 9423 1700
Facsimile: (61 8) 9423 1787

Share Register Enquiries

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth, Western Australia 6000

Telephone: (61 8) 9323 2000
Facsimile: (61 8) 9323 2033
Email: perth.services@computershare.com.au

Stock Exchange Listing

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

Company Secretary

John Traicos

Auditor

PricewaterhouseCoopers Chartered Accountants
QV1, 250 St Georges Terrace
Perth, Western Australia 6000