a new era

2005 ANNUAL REPORT

Perilya Limited
ABN 85 009 193 695

Perilya is an ASX300 Resources Company with base metal and gold assets in numerous proven mineralised systems in Australia and Malaysia.

Established in 1987 Perilya has, through a diligent approach to identifying undervalued assets, assembled a diverse portfolio of quality base and precious metal operations and exploration projects.

We own and operate the Broken Hill lead, zinc and silver mine in New South Wales, making our company one of Australia's largest base metal miners. We have recently commenced production from our Daisy Milano gold project located in Western Australia's historic Goldfields region.

These provide the opportunity for growth without having to compete for external projects.

Our headquarters are in Perth, Western Australia. We employ more than 600 people Australia-wide.

Annual General Meeting

The nineteenth annual general meeting of Perilya Limited will be held at 10:00am on 23rd November 2005 in the Conference Suite, Level 8, Exchange Plaza, 2 The Esplanade, Perth, Western Australia.

COVER PETER RAWLINS (LEFT) AND MARK ROWBOTHAM, SHAFT CREW MEMBERS, BROKEN HILL

this year saw the beginning of a new era for Perilya

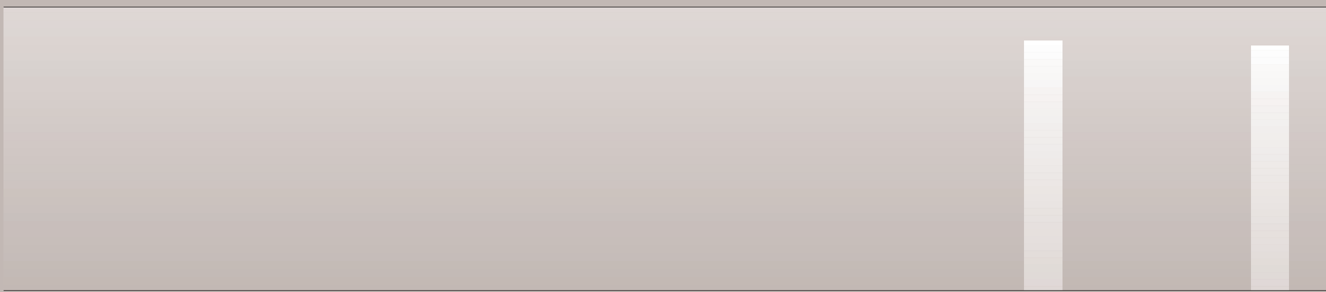
we are refocussing our culture on creating stakeholder value

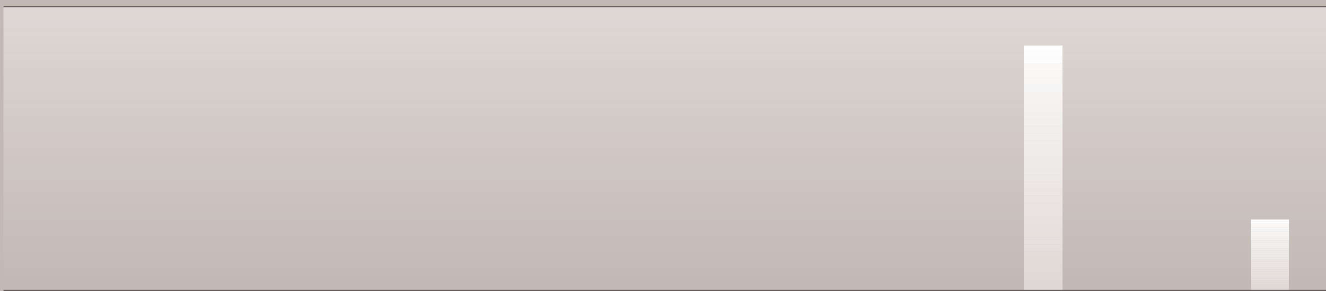
we are building our capabilities

we are seizing the opportunity for growth

our vision is to become a sustainable resources company delivering value to all stakeholders through the application of leading operating, technical and financial expertise, together with best practices in environmental and safety management.

performance summary

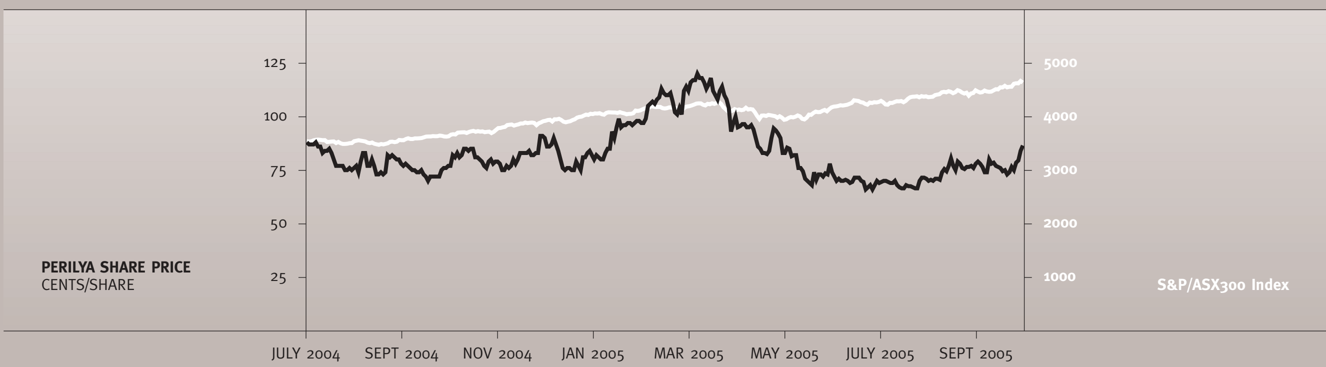




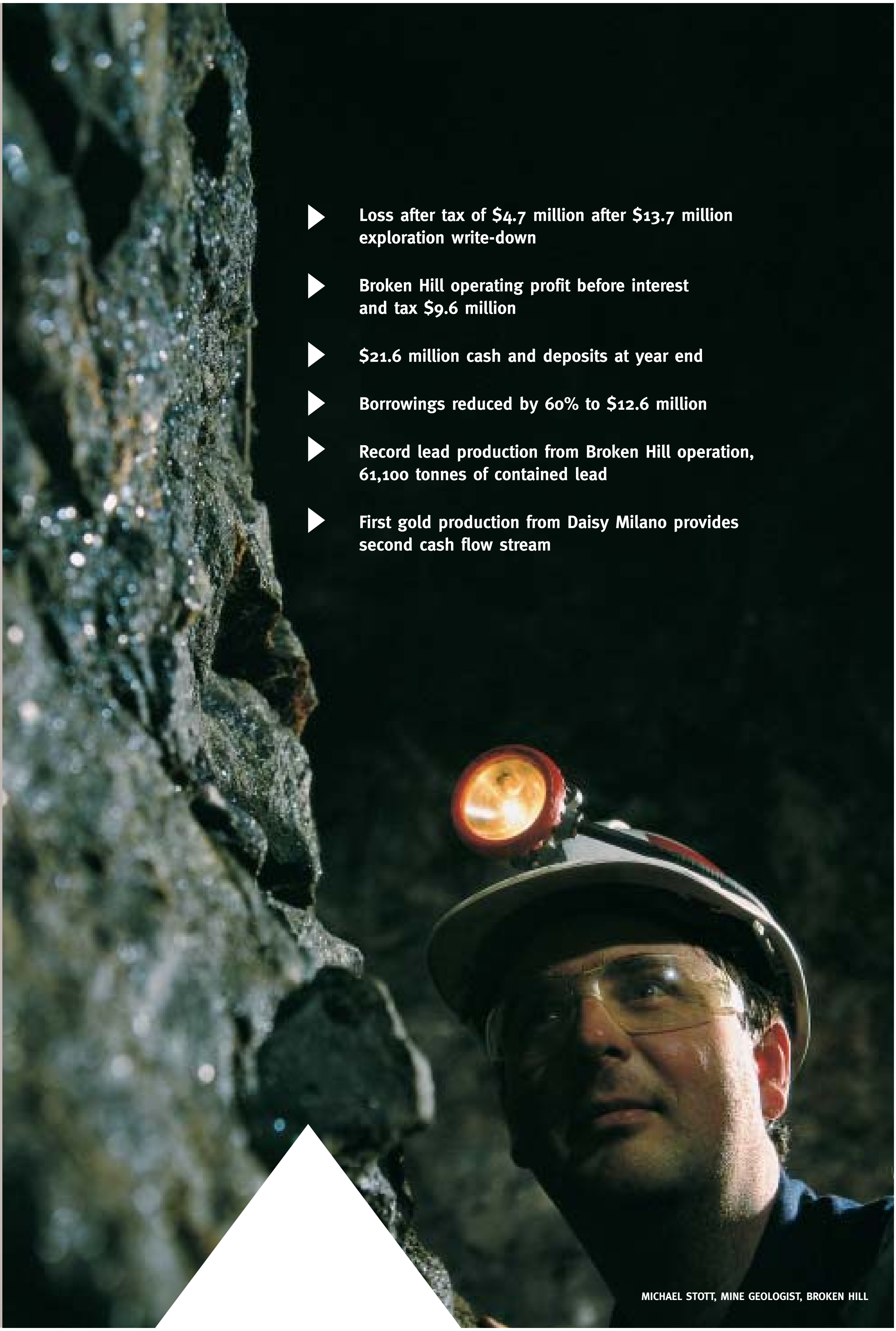
	30 JUNE 2005	30 JUNE 2004
Revenue from ordinary activities ($ million)	**198.4**	194.2
Cash flow from operating activities ($ million)	**30.2**	8.7
Profit/(loss) after tax ($ million)	**(4.7)***	12.9
Capital expenditure ($ million)	**48.4**	41.8
Lead (contained in concentrate) production (tonnes)	**61,100**	54,200
Zinc (contained in concentrate) production (tonnes)	**132,000**	140,400
Silver (contained in concentrate) production (million ounces)	**1.9**	1.7

*After a $13.7 million write down of exploration projects. The Broken Hill operation generated a profit before interest and tax of $9.6 million.

Perilya shareprice v ASX index



- Loss after tax of $4.7 million after $13.7 million exploration write-down
- Broken Hill operating profit before interest and tax $9.6 million
- $21.6 million cash and deposits at year end
- Borrowings reduced by 60% to $12.6 million
- Record lead production from Broken Hill operation, 61,100 tonnes of contained lead
- First gold production from Daisy Milano provides second cash flow stream



MICHAEL STOTT, MINE GEOLOGIST, BROKEN HILL

This 2005 Annual Report marks a number of important milestones and developments which will shape the future of Perilya.

It signals the third full financial year of operation at Broken Hill by Perilya, having acquired the operation in late 2002. The performance of the mine has not met early expectations, however we have now gained a good understanding of the critical issues and have put in place a number of initiatives to address these.

One of these initiatives, the creation of a Board Health, Safety and Environment Audit Committee, will provide further impetus to the already significant improvements made in this important aspect of our operations.

In January 2005, following completion of the due diligence process, the Board agreed to proceed with the acquisition of the Daisy Milano gold project. The mine produced its first gold from mechanized mining in the June quarter thereby generating a second cashflow stream for the Company.

As a result of the core activities of the Company transitioning from exploration to operations over the past couple of years, the Board deemed it appropriate that the expertise at the head of the organization similarly reflect this change.

The appointment of Len Jubber as CEO and Managing Director in May 2005 follows this decision and heralds a major shift in focus for Perilya.

Len's operations and corporate experience in established mining companies will enable the Company to accelerate its transition to that of a sustainable diversified zinc producer. The change in leadership also provides the opportunity to have a fresh look at our extensive asset portfolio and consider the most appropriate go forward strategy in the current buoyant commodity market.

In addition the Board will also review, and if necessary change it's composition to ensure that it has the skills and experience to support the new CEO and the future business strategy.

The recent appointment to the Board of Mr Chang Keun Choi follows the strategic decision to align with the Korea Zinc Group, who have now had off-take arrangements with the Broken Hill operation for over twenty years.

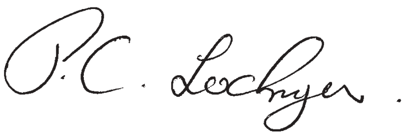
This arrangement, which includes long term zinc and lead off-take agreements, has seen them take a substantial shareholding in Perilya.

In recent months the Board farewelled Tim Clifton who, as Managing Director since Perilya's inception in 1987, has made an exceptional contribution to the development of the Company. He led the business with a willingness to explore new opportunities, resulting in a diverse portfolio of investments and exploration assets, in addition to the Broken Hill and Daisy Milano mines.

On behalf of the Board and employees I extend our sincere thanks and appreciation to Tim for his devoted and outstanding contribution to Perilya and wish him well.

I acknowledge the work of my fellow directors, management and employees for their ongoing commitment and enthusiasm towards achieving what we set out to do in 2002.

I have no doubt that 2005/06 will be a year of significant and positive change for Perilya.



Phillip C. Lockyer
Chairman

our goal ▸

Our key objectives for the 2004/05 financial year were to improve performance at the Broken Hill operation, commit to the re-development of the Daisy Milano gold project subject to a favourable evaluation study and identify additional ore sources at Broken Hill.

Significant progress was made in improving the Broken Hill operation. This was achieved through alleviating the pressure on the Southern Operations by introducing orefeed from the North Mine, completing a life of mine schedule for the Southern Operation and adopting a campaign treatment roster in the concentrator. Having reduced the performance variability the focus will now shift to achieving absolute gains in operating cost and production.

To assist in this and other initiatives across the organisation, we will adopt a more systematic and disciplined approach to continuous improvement and capital projects. Our ultimate goal is to develop a steady operating platform and secure cash flow from which we can sustainably grow our business.

Gold production at Daisy Milano commenced in the June quarter. Production will gradually increase to two thirds of the plants' capacity by September 2005.

Progress on identifying additional ore sources at Broken Hill accelerated during the later half of the year with the pre-feasibility study on Potosi and the resource model on the North Mine both due for completion early in the December quarter. These will enable decisions on the development of the Potosi orebody and technical studies on the North Mine to be considered prior to end 2005.

consistently delivering to expectation

In the reports that follow, you will find details of our operational, financial and social performance in 2004/05. More importantly, you will also gain an introduction to the change Perilya is currently undergoing.

Financial

Perilya recorded an after tax loss of $4.7 million following a $13.7 million write down of the exploration assets.

The Broken Hill contribution to earnings increased to $9.6 million (before interest and tax), reflecting the steady improvement in operational performance coupled with the benefit of higher commodity prices, comparing favourably with the loss of $3.8 million in the previous year.

Net cash flow from the Broken Hill operation was $22.8 million (after capital expenditure but excluding price and production linked payments), an increase of $26.0 million on the previous year's negative cash flow of $3.2 million.

Production

Metal production at Broken Hill was highlighted by record (contained) lead production (61,100 tonnes) following significant improvement in head grades and recovery, despite annual ore production falling by 10.6 per cent.

The increase in annual cash cost was restricted to 5% (US$0.41/lb zinc) despite the lower ore production and costs pressures, particularly fuel, steel consumables and salaries/wages.

The Daisy Milano gold project produced 4,827 ounces in the June quarter, providing a second cash flow stream for the business.

It is expected that the operation will achieve breakeven production levels by the end of the September 2005 quarter.

Health and Safety

The turnaround in Perilya's operational safety performance during the year saw the number of lost time injuries per million hours worked fall from 6.7 in 2003/04 to 4.4 in 2004/05. This pleasing result needs to be followed up with similar improvements in future years to ensure we achieve our goal of zero harm to people working at any of our operations.

A major accomplishment during the year was the introduction of a comprehensive void assessment methodology to assist in safely accessing the remnant stopes at Broken Hill.

Market Conditions

With limited inventory, ongoing demand from China, major producers indicating their reluctance to bring new projects on line and disrupt the supply/demand equilibrium and only a few projects in the global pipeline, the zinc spot price has been pushed to well above the long term average.

The consensus forecast for zinc continues to increase – placing Perilya in a strong position to capitalise on existing production and bring new production on line at Potosi (Broken Hill) and the Flinders project.

The similar favourable trend in the gold price coincides with the ramping up of production at Daisy Milano.

On the flip side cost pressures are expected to continue and will be a key focus area.

Outlook

As 2004/05 was a year of consolidation, then 2005/06 is a year of building capability. This started with the announcement on the 9 September 2005 of the sale of 17.2 million ounces of silver from the Broken Hill operation for an upfront payment of $47.8 million and further payments totalling up to $40 million on delivery of the silver over the 8 year period.

These funds will enable us to accelerate our growth strategy in accordance with the outcome of the strategic business review due for completion in the December 2005 quarter.

Our key objectives for the latter half of 2005 and leading up to the conclusion of the strategic review are:

- strengthening our organisational capability
- optimising existing production and reducing overall costs at Broken Hill
- completing the Daisy Milano optimisation study and ramping up production
- prioritising and accelerating exploration and development activities

This will involve improving the way our people, processes and systems interact to grow the value of our assets.

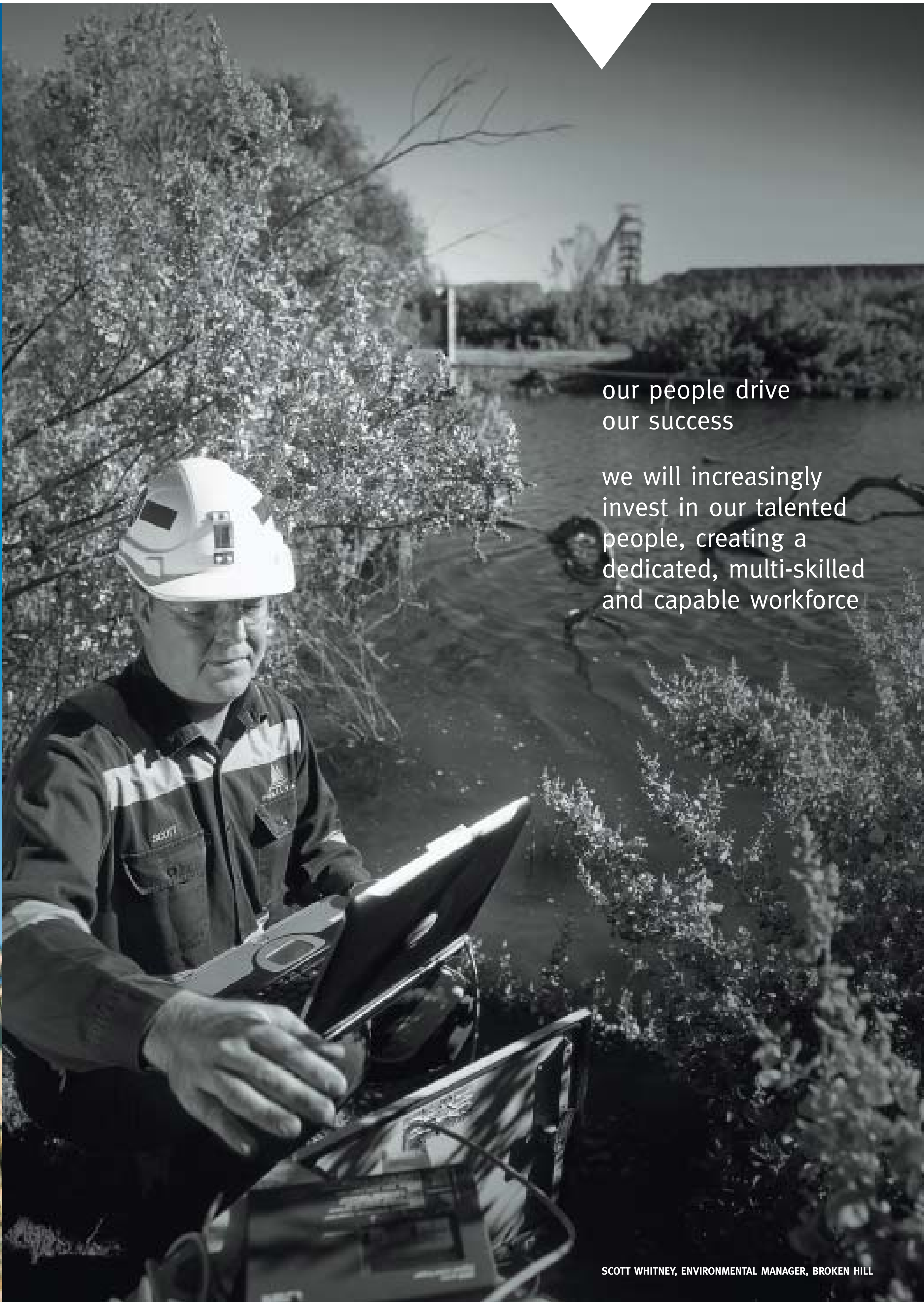
The future will see Perilya reap the benefits of an energetic and strong leadership base and a commitment to meeting industry best practice.

Finally, I wish to recognise the significant progress made by the Perilya team in coming to grips with the Broken Hill operation and the first gold production from Daisy Milano – and look forward to working with them to seek more cost effective ways of consistently delivering to expectation.

Len S. Jubber
Chief Executive Officer

MARK MANLY, EXPLORATION MANAGER, BROKEN HILL

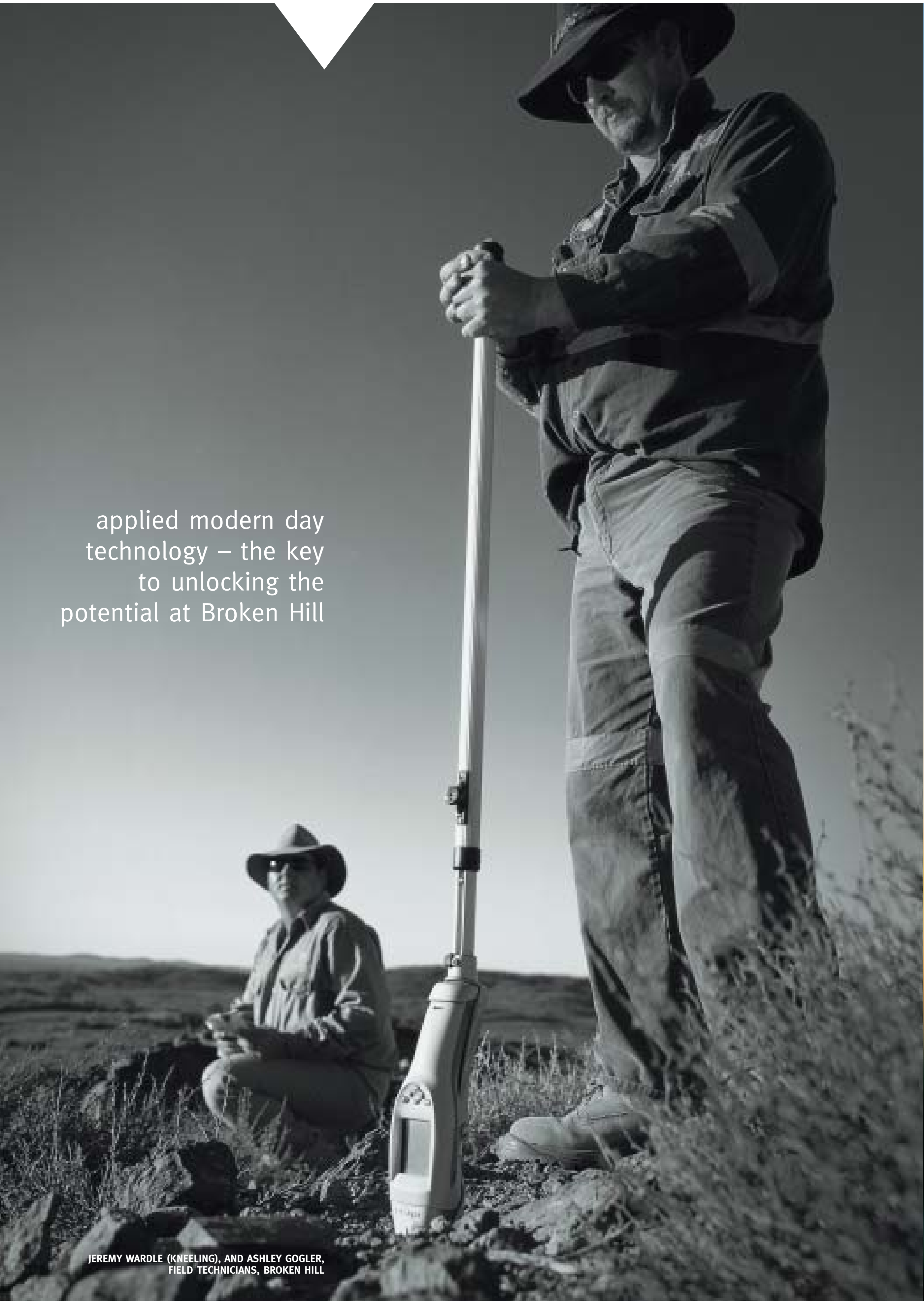
we have, over the past three years, developed a core competency in applying innovative techniques to residual operations – providing a platform for future growth



our people drive
our success

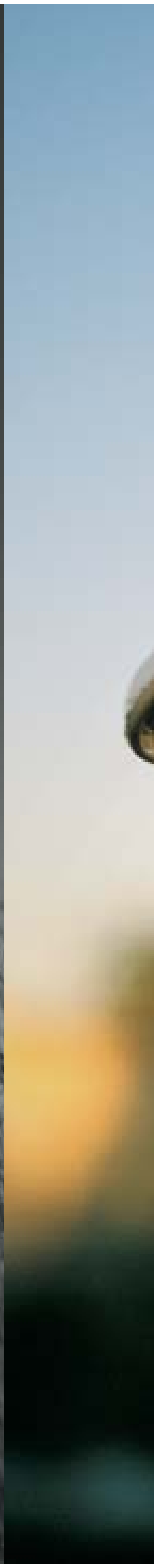
we will increasingly invest in our talented people, creating a dedicated, multi-skilled and capable workforce

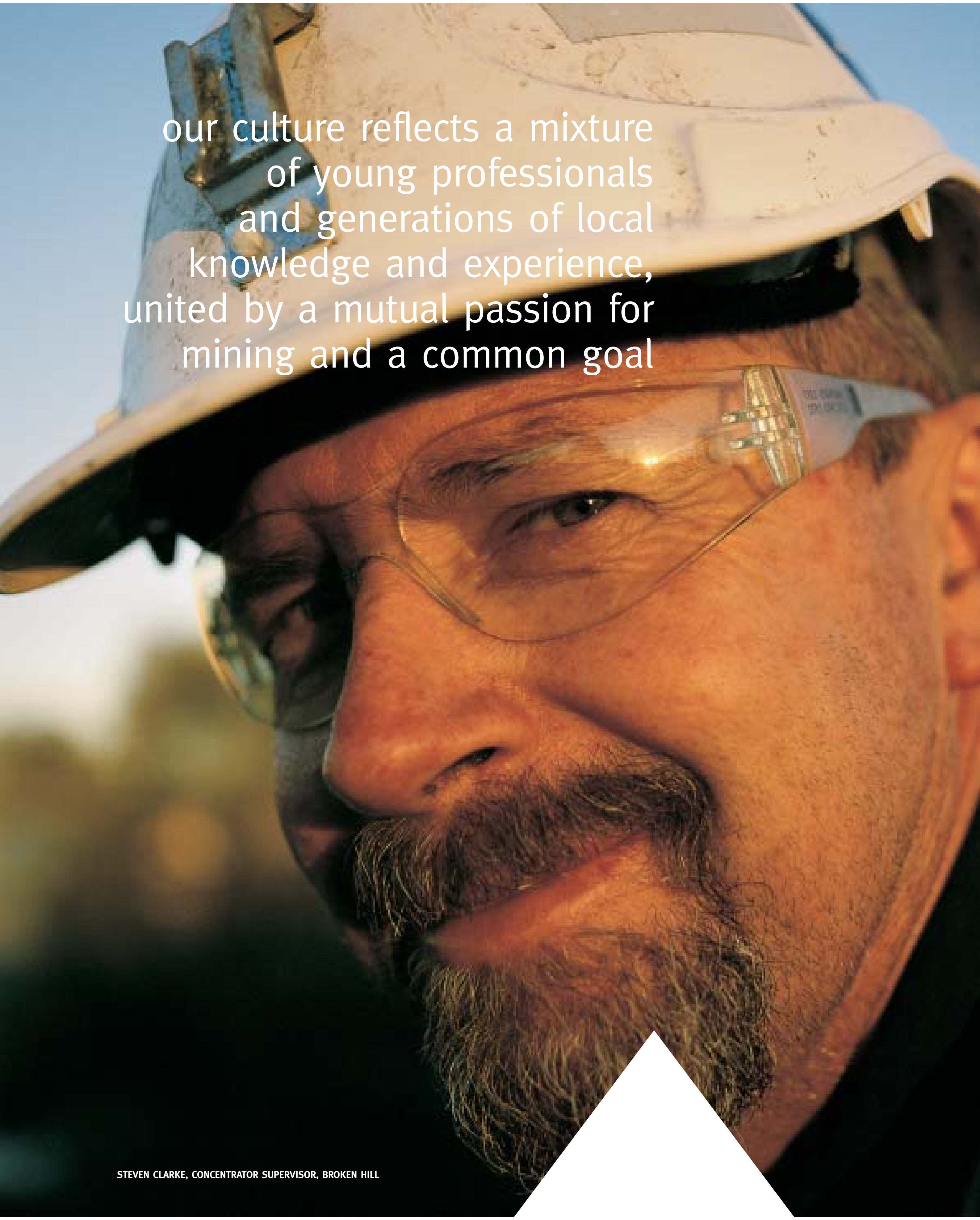
SCOTT WHITNEY, ENVIRONMENTAL MANAGER, BROKEN HILL



applied modern day technology – the key to unlocking the potential at Broken Hill

JEREMY WARDLE (KNEELING), AND ASHLEY GOGLER, FIELD TECHNICIANS, BROKEN HILL





STEVEN CLARKE, CONCENTRATOR SUPERVISOR, BROKEN HILL

seizing the moment – capability building, coupled with unique circumstances, presents Perilya with the opportunity to significantly increase stakeholder value

MICK SHEPHERD, MINE FOREMAN, DAISY MILANO

performance summary

Profit

Perilya Limited recorded an after tax loss of $4.7 million for the 2004/05 financial year after a $13.7 million write down of exploration projects. The Broken Hill operation generated a profit of $9.6 million.

No dividend has been declared for the 2004/05 financial year.

Review of operations

Production results at the Broken Hill operation were variable during the year. First quarter production was impacted by mine scheduling issues, while the second quarter recorded one of the highest monthly levels of metal production achieved by Perilya. This was followed by six months of high production of lead concentrate, with the final quarter resulting in the highest lead output since Perilya commenced mining at Broken Hill in 2002.

Overall, Perilya recorded a 10.6 per cent reduction in annual ore production. Continuing improvement in operating efficiencies through focused business improvement initiatives restricted the increase in the cash costs from US$0.39/lb zinc to US$0.41/lb zinc. This was despite global pressure on labour, shipping costs, the strengthening of the Australian dollar and rising consumable costs.

Perilya's Broken Hill operation has the potential to provide significant cash flows to sustain our exploration, development and investment activities.

The Daisy Milano gold project came online in June, providing a second cash flow stream for Perilya. A total of 4,827 ounces of gold was produced from the processing and sale of 20,059 tonnes of mainly development ore, which averaged eight grams per tonne.

A comprehensive review of the exploration strategy has commenced, with a view of prioritising, and accordingly funding future exploration activities.

The carrying value of the portfolio of exploration projects was written down to $15.8 million following a review of the expenditure accumulated over many years. This adjustment does not diminish the richness of the diverse portfolio, characterised by a range of commodities and locations within proven mineralised areas. Importantly, the portfolio provides Perilya with numerous organic growth opportunities.

The expenditure on exploration activities during the year (excluding Daisy Milano) was $7 million.

New long-term concentrate sales agreements will be formalised with the Korea Zinc Group and Zinifex commencing in 2006, providing a secure trading position for Perilya into the future.

Cash flow

Net cash flow from the Broken Hill operation for the year was $22.8 million (after capital expenditure but before price and production linked payments totalling $12.8 million), an increase of $26 million on the previous year's negative cash flow of $3.2 million.

The 2004/05 production and price linked payments, associated with the purchase of the Broken Hill operation, totalled $12.8 million compared to $7.6 million in the previous year. The outstanding production linked obligation totalling $8.3 million will, at the current production rate, be eliminated by September 2006. The outstanding price linked obligations of up to $20.9 million, which is contingent on the US dollar zinc price, will, at current zinc prices, be completed by end 2007. However any obligation that may be outstanding as at November 2009 will expire.

Cash and short term deposits

Perilya held cash and deposits totalling $21.6 million at 30 June 2005, including $9.6 million of deposits supporting environmental rehabilitation bonds.

This followed a year of investment including $15.9 million in the development of the Daisy Milano gold project, and the payment of price and production linked payments totalling $12.8 million associated with the acquisition of the Broken Hill operation.

Investments

In terms of investments, as at 30 June 2005, the market value of Perilya's holding in listed entities totalled $9.5 million.

Borrowings

Borrowings were reduced by 60 per cent to A$12.6 million following repayment of the US$15 million Korea Zinc Group convertible note loan. The borrowings comprise hire purchase commitments relating to underground mobile equipment at the Broken Hill and Daisy Milano operations, and a $2 million drawdown of the $20 million standby financing facility.

Net debt was $0.6 million with available cash largely offsetting the total borrowings of $12.6 million.

Liquidity and funding

During the year we strengthened our position corporately through association with the Korea Zinc Group, the world's largest zinc smelting and refining group, which took a ten per cent equity stake. The Korea Zinc Group is providing an A$20 million revolving standby financing facility.

Issued capital

Issued capital as at 30 June 2005 increased by 20.2 million shares to 186.5 million shares following the issue of 19.2 million shares valued at $19.4 million to the Korea Zinc Group and the exercising of share options.

The Korea Zinc Group is now the largest shareholder in Perilya with a 10.34 per cent holding.

activities review

PERILYA IS THE 3RD LARGEST ZINC PRODUCER IN AUSTRALIA AND BROKEN HILL IS THE 10TH LARGEST ZINC MINE IN THE WORLD.

	OPERATING	EVALUATING	RESOURCE DRILLING	EXPLORING
BASE METALS	1 Broken Hill (Zn, Pb, Ag)	3 Potosi (Zn, Pb, Ag)	5 Mt Oxide (Cu)	8 Dee Range (Cu, Zn)
		4 Flinders (Zn)	6 Tampang (Cu)	9 Woodline Well (Ni)
GOLD	2 Daisy Milano		7 Moyagee	10 Holleton
			6 Tampang	11 Honeymoon Well
				12 Kanowna

Operations

Base metals

Broken Hill, New South Wales (100%)

The Broken Hill operation produces two products, a zinc concentrate and a lead concentrate. Being of low complexity and containing a grade of about 50 per cent zinc in the zinc concentrate and 70 per cent lead in the lead concentrate, concentrates from Broken Hill are a premium coarse-grained product. 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 per cent of the zinc concentrate was sold to Korea Zinc Group with the remainder sold to Zinifex Limited for treatment at its Risdon zinc smelter.

Production

Production for the last 12 months was 261,300 tonnes of zinc concentrate containing 132,000 tonnes of zinc metal and 85,300 tonnes of lead concentrate containing 61,100 tonnes of lead metal and 1.9 million ounces of silver.

Production results were impacted in the first quarter by mine scheduling issues associated with a seismic event. However, the second quarter recorded one of the highest monthly levels of total metal production achieved by Perilya. Lead production increased steadily during the year, with the final quarter resulting in the highest lead output since Perilya commenced mining at Broken Hill in July 2002.

The increase in lead production is related to the improved lead recoveries and the high proportion of lead lodes mined.

Zinc, Lead and Silver Production

		FIRST HALF 2005	SECOND HALF 2005	FULL YEAR 2005	FULL YEAR 2004
Ore Treated ('000 tonnes)		971	913	**1,884**	2,109
Head grade	- Zinc (%)	7.6	7.8	**7.7**	7.4
	- Lead (%)	3.3	4.3	**3.8**	3.2
	- Silver (g/t)	36	46	**41**	34
Recoveries	- Zinc (%)	91.0	91.1	**91.1**	89.5
	- Lead (%)	83.6	88.8	**86.5**	82.2
Zinc concentrate ('000 tonnes)		133.8	127.5	**261.3**	282.4
- Zinc grade (%)		50.3	50.7	**50.5**	49.7
- Contained zinc ('000 tonnes)		67.4	64.6	**132.0**	140.4
Lead concentrate ('000 tonnes)		36.8	48.5	**85.3**	79.3
- Lead grade (%)		71.7	71.6	**71.6**	68.8
- Contained lead ('000 tonnes)		26.3	34.8	**61.1**	54.5
- Contained silver (million oz's)		0.8	1.1	**1.9**	1.7

Continuous improvement

During the year, we initiated a number of continuous improvement projects with a focus on improving productivity, achieving greater overall consistency and lowering operating costs:

- The program to reduce dependence on the South Mine at Broken Hill gained momentum with the North Mine contributing approximately 10 per cent of the total ore feed.
- A 10 per cent year on year reduction in the processing cost per tonne milled was achieved following the successful transition to campaign processing in the concentrator.
- Lead recoveries increased from 82.2 per cent to 86.5 per cent following an upgrade to the lead thickener.

CONSISTENCY IN OPERATIONS RESULTED IN BROKEN HILL ACHIEVING HIGHEST LEAD OUTPUT IN THE FINAL QUARTER SINCE PERILYA COMMENCED MINING IN 2002

ANNA MATUS, GRADUATE MINE GEOLOGIST, DAISY MILANO

Development

Precious metals

Daisy Milano

Perilya assumed control of the Daisy Milano gold project in 2003, located in Western Australia's historic Goldfields region, and exercised the option to purchase in January 2005. Production commenced in June 2005.

The mine historically produced 300,000 tonnes of ore at a grade of 16g/t gold (154,000 ounces) and is part of the Mount Monger mining district where previous gold production (including Daisy Milano) totalled 400,000 ounces.

At Daisy Milano, production is from thin (0.5-2m wide), high-grade gold-bearing quartz veins occurring within a linear shear zone, in a felsic porphyry unit. The Daisy Milano structure is one of a number of prospective mineralised structures within the Perilya tenement landholding.

The ore body reconciliation results derived through the development and early stope mining, coupled with resource drilling to be commenced in September, will allow completion of the project optimisation study by end 2005. The outcome of this study and the resource/reserve estimates will be reported in the December 2005 Quarterly Report.

Production

Daisy Milano commenced production in the June quarter.

A total of 4,827 ounces of gold was produced during the year from the processing and sale of 20,059 tonnes of mainly development ore which averaged 8 grams per tonne.

Stope mining on Level 12 commenced in August 2005, and production is expected to increase to approximately 10,000 tonnes per month by the end of September quarter in 2005.

Project evaluation

Base metals

Broken Hill, Potosi, New South Wales (100%)

Feasibility study activities focused on determining the optimal decline configuration for access to the existing mineral resource and known mineralisation.

Four practical options were identified and, to assist in the economic evaluation, drilling was conducted to test for extensions to the mineralisation in the vicinity of the Silver Peak Shaft. The drill results confirmed the tenor of the mineralisation. The route via the existing Potosi pit has been identified as the preferred option. Pending a favourable outcome of the pre-feasibility study on the economics of the potential resource at the Potosi Extended North, a drilling program and resource update will be completed during the latter half of 2005.

Ore from Potosi will complement that from the existing south and north operations, with effect from early 2007.

Broken Hill, North Mine, New South Wales (100%)

At the North Mine, where production is being sourced from the upper levels, a pre-feasibility study into the viability of mining the lower levels has commenced. A geological model, to be completed during the September quarter, will enable a feasibility study on the potential redevelopment and extension of the North Mine beyond Level 15, to be commenced by early 2006.

Flinders, South Australia – zinc (85-100%)

The Flinders project covers 6,095 square kilometres in South Australia, 470 kilometres north of Adelaide.

The high-grade zinc oxide project has identified resources of 0.94 million tonnes at 30.6% zinc containing approximately 300,000 tonnes of zinc metal within a major mineral system that extends over fifteen kilometres along the regional North-West Fault.

Perilya holds an option to acquire a 100% interest in the Beltana and Aroona mine leases and has a number of joint ventures where Perilya is earning interests between 85% and 90%. The Company also holds a number of tenements in its own right.

There is potential for further exploration success on the Beltana-Reliance trend, with the overall target being a deposit in excess of three million tonnes of contained zinc metal.

Activity during the year focussed on evaluating potential development options for the defined Beltana resource, which is amenable to direct shipping of ore.

Two deep diamond holes were drilled to test below the Reliance mineralisation. However, the holes did not reach the targeted structure, and the concept of high grade zinc mineralisation extending at depths beneath Reliance remains untested.

Exploration

Perilya has an extensive exploration portfolio in Australia as well as the Tampang project in Malaysia.

The projects are generally situated in major, proven mineralisation systems with a history of repeat discoveries and located close to existing infrastructure. We are currently investigating opportunities to accelerate exploration and evaluation of these projects in the current favourable commodity market.

The portfolio currently comprises two mine-based exploration projects, five major projects with numerous ore grade intercepts or resources defined, five less advanced projects (two of which adjoin major mineral systems), and two farmed out projects with other parties responsible for funding.

Base metals

Broken Hill, New South Wales – zinc, lead, silver (100%)

Perilya holds 1,024 km^2 of prospective terrain around Broken Hill which includes exploration licences over the historic Little Broken Hill and Pinnacles areas, and mine leases incorporating the Southern Operations, North Mine and Potosi Mine.

The Broken Hill ore body is the largest base metal ore body in the world, however controls on mineralisation are poorly understood, despite decades of research.

Historically exploration in the Broken Hill region has been driven by geophysics. This has been largely unsuccessful. The ore body cropped out, as did mineralisation at the Pinnacles, and to date geo-scientific exploration has not achieved another discovery in this world-class terrain. However, other deposits would not be unexpected as most mineralising processes cause multiple deposits to develop within a mineralised terrain, often in clusters or along regional structures.

The understanding of the geology of the ore body is derived from work completed during the 1970's and 1980's, when there was a significant investment in geological understanding. However, exploration concepts and ideas have progressed significantly since then, and there are now excellent exploration opportunities arising from the integration of modern exploration concepts and tools with historical information.

Over the past two years Perilya has completed a geological interpretation of the southern operation, and produced a geological framework from which to direct near mine and district exploration. Numerous attractive exploration targets have been identified within the 'in-mine' environment and are currently being pursued.

KALEM WRIGHT, EXPLORATION GEOLOGIST, BROKEN HILL

‘Key Ore Indicators’ of Broken Hill style mineralisation observed throughout Perilya’s tenement holding show that this ground is highly prospective. Recent exploration has concentrated on geological mapping and geochemical soil sampling, and, allied with the use of the Niton handheld XRF analyser and conventional RAB drilling, has produced several drilling targets.

Recent high-grade zinc mineralisation was encountered in RAB drilling at several prospects within the Stirling Vale schist zone, 10 kilometres west of Broken Hill. Further exploration is subject to gaining land access.

Mount Oxide, Queensland – copper (100%)

Mount Oxide is located 140 kilometres north of Mount Isa in Queensland. Exploration to date has successfully defined an inferred resource of 2.8 million tonnes at 2.9% copper below the old Mount Oxide open pit. The mineralisation is of similar style to that of Mount Gordon, 15 kilometres to the south, which had a pre-mining resource of 15.5 million tonnes at 5% copper.

Current activity is focussed on testing up-plunge of the defined resource, where mapping has delineated a large zone of brecciated, copper stained sandstone.

A diamond drilling program is scheduled to commence in the first half of 2005/06.

Bangemall, Western Australia – lead, silver, copper, gold (70%)

The Bangemall project consists of three ground positions within the Bangemall basin, located 200 kilometres north of Mekekatharra in Western Australia. Exploration is focussed on the Jillawarra Joint Venture with Apex Minerals NL, where Perilya can earn 70 per cent of the project by spending $1.35 million over six years.

Jillawarra is located 10 kilometres along trend from the Abra deposit, a very large poly-metallic base metals mineralisation system currently being actively explored.

Exploration by Perilya will concentrate on the Copper Chert prospect, at the eastern end of the Jillawarra project, where anomalous lead geochemistry in prospective stratography has not been followed up.

Rockhampton, Queensland – copper, zinc, gold (90%)

The Rockhampton project is 10 kilometres south-east of the old Mount Morgan gold-copper mine in eastern Queensland and covers 40 kilometres of strike length of a sequence of altered and mineralised volcanic rocks equated with the host sequence at the Mount Morgan mine.

Within the Rockhampton project area, drilling on the Lux prospect by Perilya intersected six metres at 7.86 grams per tonne of gold and 13.1% zinc. Follow-up drilling intersected significant alteration and mineralisation highlighting the potential of the area to host a massive sulphide deposit. The best drilling result was 20 metres at 6.94% zinc.

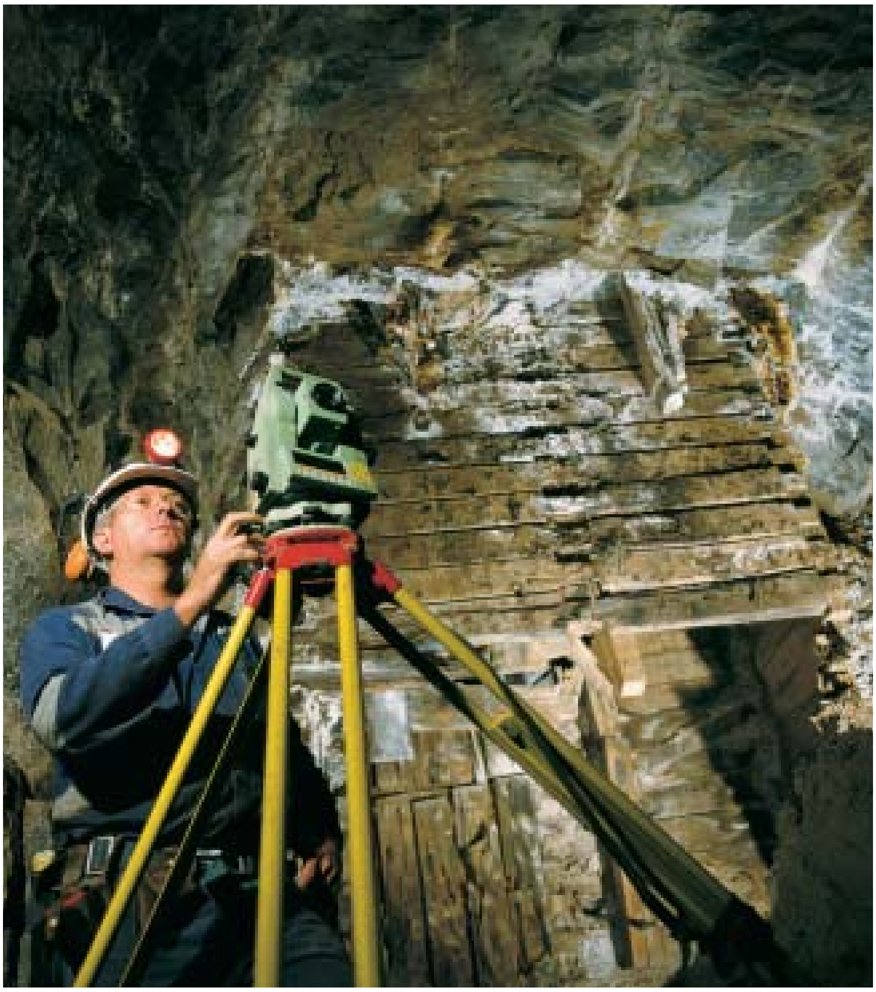
Precious metals

Kanowna West, Western Australia – gold (27.5 - 30.5%)

The Kanowna West project covers an area of 25 square kilometres, 17 kilometres north of Kalgoorlie, Western Australia and four kilometres west of the 4.5 million ounce Kanowna Belle gold mine.

The Kanowna West project comprises two joint ventures with project manager, Placer Dome Asia Pacific Limited, in which Perilya’s interests vary between 27.5 to 30.5 per cent.

Placer Dome completed 16 RC drill holes continuing the testing of priority targets at the Debernales and Beatty prospects. Two significant assay results were reported from this drilling.



BRUCE BAUM, SURVEYOR, BROKEN HILL

Additional holes testing various regional targets were also completed. Assessment of work to date and generation of targets is planned for the September quarter 2005/06.

Moyagee, Western Australia – gold (100%)

The Moyagee project is located mid-way between Mount Magnet and Cue in the Murchinson Greenstone Belt of Western Australia. Previous exploration by Perilya has defined an inferred resource of 887,000 tonnes at 7.8 g/t gold (223,500 ounces) at the Lena Prospect. The mineralisation is associated with narrow quartz veins within sheared ultramafic, and is controlled by the Lena shear.

Recent interpretation of the Lena shear cutting through more favourable statography north of Lena, identified targets that were tested with RAB and aircore drilling. Significant gold anomalism was encountered in differentiated dolerite and further drilling is planned.

Tampang, Sabah, Malaysia – copper and gold (50%)

The Tampang project is located in the Malaysian State of Sabah in the island of Borneo, and is a 50:50 joint venture between Perilya and Mamut Copper Mining, a wholly owned subsidiary of Mega First Sdn Bhd, a Malaysian listed company. The joint venture discovered significant porphyry copper mineralisation near the township of Ranau in 1999, and partially explored the Tampang Prospect. Following a hiatus in exploration since 2002, the joint venture is considering various options to advance the project.

The main gold-copper prospects at Tampang including Bongkud, Junction and Napong, occur along a 5 kilometre west-northwest trending structural corridor containing several monzonites to granodiorite intrusives called the Tampang Trend.

Drilling at Bongkud revealed porphyry copper-gold mineralisation below a supergene enriched-copper zone. The supergene zone is up to 60 metres thick and contains grades of up to 3.5% copper.

Drill Hole TRD003, the deepest hole at Bongkud, returned 0.31% copper and 0.7 g/t gold over its 331 metre length.

BARRY MITCHELL, GENERAL MANAGER, BROKEN HILL

Best hypogene grades average 0.43% copper and 0.95 g/t gold over 123 metres in TRD017. The porphyry system is interpreted to dip south at approximately 45 degrees and is open down-dip and to the west.

Potential development options are being evaluated by the joint venture partners.

Investments

Perilya has investments in the energy and resource sectors and is a substantial shareholder in ASX listed Strike Oil Limited, Comet Ridge Limited, Greenrock Energy and Gleneagle Gold Limited. These investments present Perilya with exposure to the growing oil, gas, geothermal energy and coal seam gas sectors.

Strike Oil Limited (20.5%)

Oil and gas explorer with onshore and offshore interests in Australia and onshore in North America. Operator of several projects, with active exploration programs in the Carnarvon and Cooper/Eromanga Basins and onshore Gulf Coast, Texas.

(ASX: STX)

Comet Ridge Limited (16.2%)

Coal seam gas explorer focused on projects in Australia and more recently in the USA.

(ASX: COI)

Green Rock Energy Limited (27.1%)

Geothermal energy explorer focused on the area in the immediate vicinity of the Olympic Dam copper and uranium mine in South Australia. The aim is to establish a geothermal power plant that will produce environmentally friendly power that can be linked into the South Australian power grid.

(ASX: GRK)

Gleneagle Gold Limited (8.2%)

Gold explorer working towards delineating further ore reserves to allow the re-opening of the Fortnum gold mine.

Perilya will receive $0.5 million upon commencement of production at Fortnum plus a $10 per ounce royalty from production, capped at $2 million, after the first 50,000 ounces of gold have been produced.

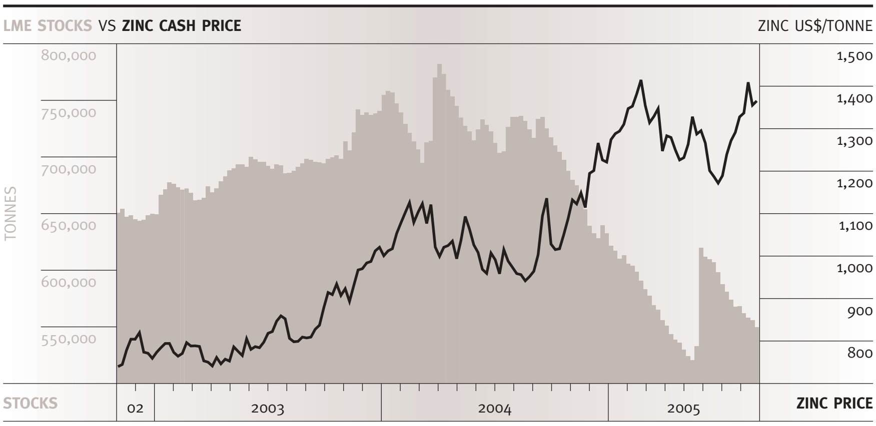
(ASX: GLN)

market conditions

Zinc

Zinc prices trended upwards during the course of the year, from a low of US$950 per tonne in September 2004 to a high of US$1,450 per tonne in March 2005.

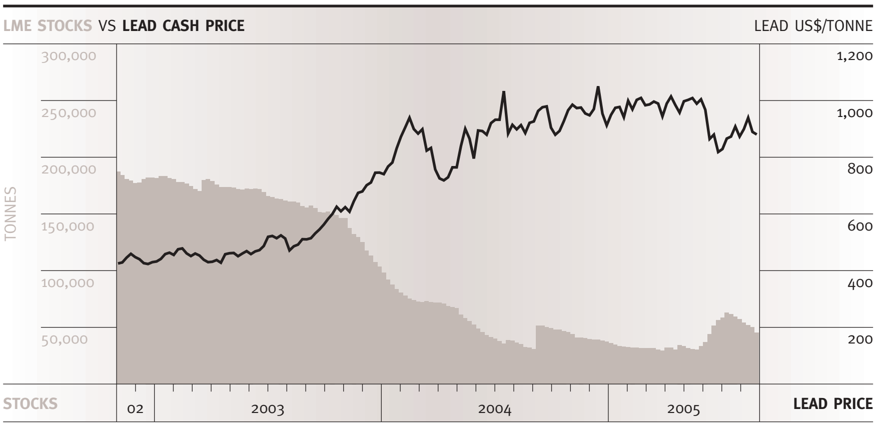
The combined effect of the reduction in LME inventory levels to less than six weeks global consumption, the growth in demand from China and the lack of new production capacity led to the average zinc price for the 2004/05 year of US$1,183 per tonne, up 23% on the prior year.



Lead

The lead price fluctuated between US$845 and US$1,017 per tonne during the year following significant increases in price during the prior year.

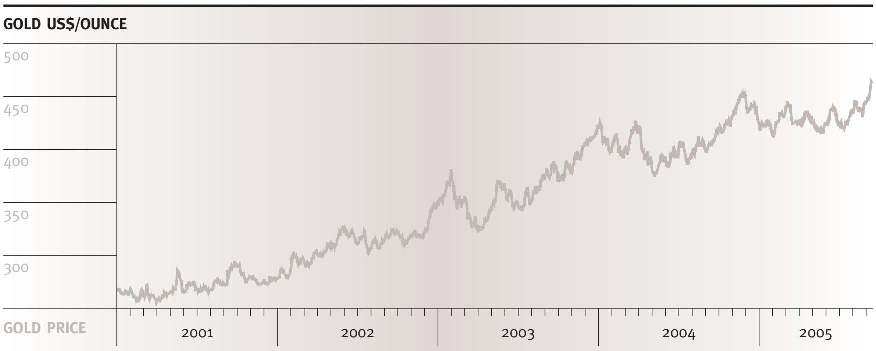
Despite the modest increase during the course of the 2004/05 year, the average annual lead price out performed all other base metals compared to the previous financial year, rising 34% to an average price of US$921 per tonne.



Gold

The steady increase in the gold price over the last few years continued during the year. Gold started the year at US$389 an ounce and reached the year's high of US$456 in December.

The gold price averaged US$423 per ounce during the year, up 8.6% on the average for the 2003/04 year.



WITH OIL PRICES AT HISTORICALLY HIGH LEVELS AND THE FEAR OF INFLATION INCREASING, HOLDING GOLD IS BECOMING MORE ATTRACTIVE.

reserves and resources

Broken Hill

The Broken Hill Mineral resource of 17.73 Mt at 9.9% Zn, 5.9% Pb and 63g/t Ag includes the ore reserve of 10.45 Mt at 7.3% Zn, 4.2% Pb and 45 g/t Ag. Reserve depletion through annual production has been partially offset by the inclusion of lower grade ore previously excluded from the delineation of remnant ore blocks.

The 7% lead plus zinc cut-off grade used in the calculation of the resource and reserve estimates remains unchanged from the previous year.

Flinders

The Flinders resource of 941,000 tonnes at 30.6% Zn remains unchanged from the previous year.

Moyagee

The Moyagee resource of 887,000 tonnes at 7.8 g/t Au (223,500 oz) remains unchanged from the previous year.

Mount Oxide

The Mount Oxide resource of 2.81 Mt at 2.9% Cu remains unchanged from the previous year.

Daisy Milano

The first Daisy Milano resource and reserve estimate will be included in the December 2005 Quarterly Report.

Mineral resource and ore reserve as at 31 March 2005

			TONNES '000	ZINC %	LEAD %	SILVER g/t	GOLD g/t	COPPER %
Broken Hill	- Resources	Measured	11,920	9.9	5.9	60		
		Indicated	2,400	9.0	6.3	62		
		Inferred	3,410	10.6	5.5	74		
		Total	17,730	9.9	5.9	63		
	- Reserves	Proved	7,730	7.4	4.3	45		
		Probable	2,720	6.8	4.0	44		
		Total	10,450	7.3	4.2	45		
		Reserve at 31 March 2004	11,662	7.8	4.1	44		
Flinders	- Resources	Indicated	318	34.0				
		Inferred	623	28.9				
		Total	941	30.6				
Moyagee	- Resources	Inferred	887				7.8	
Mount Oxide	- Resources	Inferred	2,810					2.9

The information in this report that relates to Mineral Resources or Ore Reserves in respect of Broken Hill is based on information compiled by Christopher Mroczek and Jared Broome employees of the Company. In respect of Flinders and Moyagee the information that relates to Mineral Resources was compiled by Michelle Wild of Wildfire Resources. In respect of Mount Oxide the Mineral Resource was estimated by Western Metals Limited and is based on, and accurately reflects information compiled by C. Gwatkin. J Broome is a member of the Australian Institute of Geoscientists and the others are Members of The Australasian Institute of Mining and Metallurgy. All have sufficient experience 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 Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves".

our people

OUR AIM IS TO CREATE A LEARNING ORGANISATION WITH A PARTICULAR EMPHASIS ON DEVELOPING STRONG LEADERSHIP AT ALL LEVELS.

Enhancing individual capabilities (training and development)

As part of an approach to systematically address organisational capability, Perilya continues to invest in training and development programs to empower and develop a multi-skilled and talented workforce to deliver organisational objectives.

During the year, significant resources were directed to these activities, particularly in the areas of health and safety training and professional development for both employees and contractors. In a commitment to supporting life-long learning, Perilya has assisted a number of employees to complete business related tertiary education.

Training and development programs aim to realise the potential of our people and our future.

Attracting talent and capability

Perilya is committed to keeping ahead of industry trends in employee relations. With increased activity across the mining industry during the last 12 months, the issue of recruitment continues to be a high priority.

During the last two years, we have been actively responding to the issue of skills shortage and integrating initiatives that aim to attract and retain quality employees. Our approach to career progression, training and leadership development, resulted in increased internal promotions and also a boost in employee retention rates.

In addition, we have developed partnerships with local educational institutions. The significance of the partnerships is two-fold, aiming to maintain and enhance our reputation as a mining operation of choice and as a driver to secure a skilled workforce into the future. Activities including career expos and vocational workplace experience for university graduates and TAFE students continue to deliver positive results.

Training for local youth

Perilya's commitment to making a difference to the future of our community's youth is demonstrated by creating a wide range of training opportunities for young people. We are particularly focused on education-linked employment and training such as apprenticeships that assist students to gain practical experience while they are completing studies.

Initiatives include:

- during the 2004/05 year our Australian operations engaged 16 employees within apprenticeships
- an annual graduate training and employment program offering a 14 week vacation program for university students
- a range of partnerships with schools and other learning institutions to provide work experience for students
- a graduate program tailored to individual development needs and career goals

TIM BLYTH, RESIDENT MANAGER, DAISY MILANO AND REBECCA HARRIS, ADMINISTRATION CO-ORDINATOR, DAISY MILANO

Employing locally

Perilya recognises the importance of local communities in its operating areas, in particular, offering employment for the local people, business opportunities for local industries and engaging in local community programs.

This is particularly relevant to our Broken Hill operation. The region has a long and active history with the mining industry and has had years of building skills and expertise among its local community members, providing an opportunity to tap into this solid base of experience and skill to build capability within our operations.

BOYD SYMONDS, MILL OPERATOR, BROKEN HILL

Industrial relations

Perilya continues to enjoy harmonious workplace relations, with no days lost due to industrial action.

This year also saw the maturing of the relationship between Perilya and employee unions. Through extensive Enterprise Bargaining Agreement (EBA) discussions, a forum involving members of the management team, leaders of the unions and employees provided a valuable outlet to promote meaningful discussion and shared resolutions.

This was supported by the efforts of operational managers in building stronger relationships by working closely with workplace union delegates outside the EBA process.

focussing on the health, safety and wellbeing of our people

THE HEALTH, SAFETY AND WELLBEING OF PERILYA'S PEOPLE, CONTRACTORS, SUPPLIERS, VISITORS, LOCAL COMMUNITY IS A KEY PRIORITY.

Perilya continues to follow a three pronged approach to safety management:

1 systems and controls

2 behaviour and awareness

3 emergency response

Systems and controls

Our safety management system has been designed to be consistent with the Australian/New Zealand Standard 4801 for safety management. The standard provides a solid framework to progress our safety goals and develop departmental safety management plans for all areas of our operations to improve awareness and performance. We submit our systems to both internal and external audits on a regular basis to ensure ongoing compliance, integration and understanding of relevant legislative requirements.

Behaviour and awareness

As part of our approach to shape safe behaviour and improve awareness, we have comprehensive employee education and training programs, which are supported by online guidelines and manuals.
We carry out risk assessments for each new task, conduct safety briefings at the commencement of each shift and hold regular workshops to openly communicate our performance and new developments in safety management with our workforce, contractors and the wider community.

Perilya will continue its efforts to increase awareness of health risks and implemented targeted health programs in areas of concern.

Emergency response

Recognising the potentially hazardous nature of the mining industry, Perilya has a dedicated emergency response team that can vigilantly respond to a crisis situation within the workplace and is equipped to provide support to the local community if required.

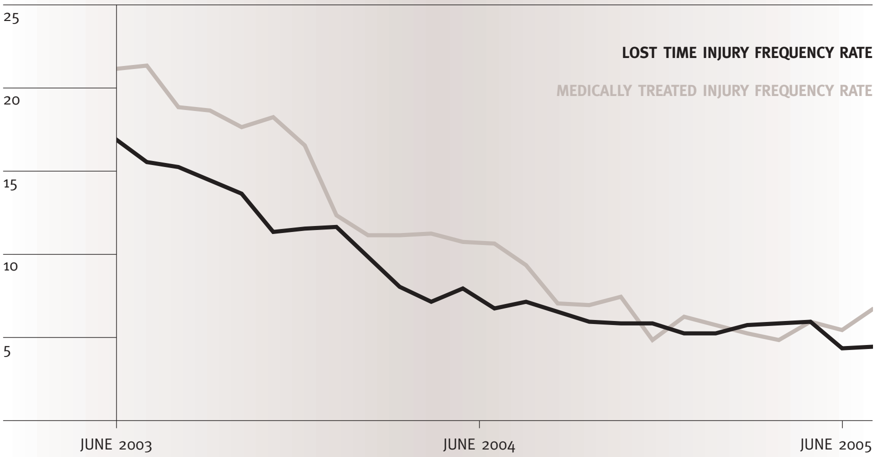
Our active mine rescue crew is nationally accredited and has state of the art equipment to action prompt responses.

In Broken Hill, Perilya representatives work alongside community members in the Far West District Emergency Management Committee to examine emerging issues in the region.

BRENDAN BRADLEY, EXPLORATION GEOLOGIST, DAISY MILANO

HIGH PERFORMANCE AND CAPABILITY IN EMERGENCY PREPAREDNESS WAS ACKNOWLEDGED DURING THE YEAR WITH PERILYA'S EMERGENCY RESPONSE TEAM RECEIVING THE TOP AWARD FOR THE NSW ESPRIT DECOUR 2004 AGAINST INDUSTRY PEERS.

INJURY FREQUENCY RATES PER MILLION HOURS WORKED



AS PART OF OUR APPROACH TO SHAPE SAFE BEHAVIOUR AND IMPROVE AWARENESS WE CONDUCT SAFETY BRIEFINGS AT THE COMMENCEMENT OF EACH SHIFT

This association ensures community representatives remain well aware of Perilya's skills, experience and equipment, in the event of an emergency. A similar partnership exists between Perilya and the State Emergency Services (SES).

Our approach to safe mining practice is focused on preparedness and response as well as prevention. As part of this commitment we will continue to invest in disciplined, skilled and competent rescue team members and equipment.

A collective approach

At Perilya, safety is viewed as an individual and collective responsibility. This underpins our safety management system.

We have recently established an Occupational Health and Safety (OHS) management committee, drawing on expertise from all areas of the operations in recognition of the need for proactive, high-level leadership in safety strategies and initiatives.

Perilya also contributes to improving health and safety within the industry through exploring ways to share knowledge and understanding with industry peers, government and local community groups.

Employees play a pivotal role in promoting the health and wellbeing of themselves, contractors, visitors and the wider community. We recently introduced a health and wellbeing program – an employee initiative - that simply involves promoting healthy lifestyles outside the workplace. It has proved to be an excellent way to minimise risks of sprains and strains, promoting a culture of safety among employees and addressing lifestyle health issues.

Performance

The turnaround in Perilya's safety performance during the year saw the operations lost time injury frequency rate (LTIFR) fall from 6.7 in 2003/04 to 4.4 in 2004/05.

This is an incredible improvement on the results of just two years ago when we recorded an LTIFR of 16.9. This result included no significant breaches of occupational health and safety during the reporting period.

The high point of our safety performance this year came when the company passed 4,472,540 man hours without lost time due to injury, for the first time in Perilya's history.

The improvement is a result of a stronger safety focus within the business, supported by enhancements to the safety system. It also indicates the direct commitment of all employees to maintaining a stringent approach to operating safely within the workplace.

ROBERT FAZULLA, MINE RESCUE SUPERVISOR, BROKEN HILL

EACH EMPLOYEE AT OUR MINING OPERATIONS REGULARLY RECEIVES TRAINING IN ROPE RESCUE, CHEMICAL RESPONSE, VEHICLE EXTRICATION, FIRE FIGHTING AND SEARCH AND RESCUE PROGRAMS.

Health and safety priorities

Our safety management has identified high risk areas within our operations. Details, together with the management solutions, are outlined in the table below:

HIGH RISK AREA	MANAGEMENT SOLUTIONS
Lead and Dust	• occupational hygiene program to reduce exposure levels through a combination of engineering and practical controls • monitoring of workers and community members • collaborating with government-funded community advisory group to promote awareness within local community
Method of mining - remnants expose people to higher risks than average mining operation	• using remote controlled mining equipment • mining process plans which include construction of safe access routes • conducting in-depth review and analysis of all available archival and historical information relating to the mine area and digitising maps for ongoing understanding • blasting and eliminating weak pillars and unsafe ground • lining holes for blasts with PVC • trialling new ways to manage issues relating to broken ground
Dependent safety culture	• strong leadership, promotion and clear priority of safety in the workplace • comprehensive education and training programs with focus on behavioural safety training, hazard identification, risk management, corrective action and reporting

environment

PERILYA AIMS TO BALANCE ECONOMIC AND ENVIRONMENTAL VALUES BY INTEGRATING COMPREHENSIVE ENVIRONMENTAL MANAGEMENT TECHNIQUES TO ADDRESS IMPACTS FROM CURRENT AND FUTURE OPERATIONS.

In assessing the integrity of Perilya's environmental management systems, we benchmark against the international Environmental Management System standard 14001. This is undertaken through external and internal review processes.

The Environmental Management System documents strategies to reduce emission levels, manage waste, use water efficiently and address noise and biodiversity issues.

Compliance

Excellence in environmental performance is critical. Compliance with all environmental legislation is the central means to measuring our performance. However, in a wide range of areas we extend our commitment to reducing our environmental footprint by implementing voluntary guidelines beyond legislative requirements.

We are not aware of any non-compliance during the year except as set out in the table below.

National Pollutant Inventory (NPI)

As part of our commitment to transparent reporting, we have engaged external consultants to independently monitor and report emission levels for substances listed on the NPI on behalf of Perilya. This year, we were required to report on 20 substances, up from 12 the previous year.

The increases in emission levels reported correlate to advanced sampling techniques, providing a more accurate analysis of emission sources and their levels and increased production levels. As part of our commitment to cleaner production, we are currently undertaking a range of dust suppression trials which include assembling wind breaks, covers and enclosing stockpiles.

Occupational exposure

Occupational exposure limits for substances of particular importance to the organisation, such as lead, is a critical issue at Broken Hill.

We conduct routine workplace monitoring designed to assess the level of worker exposure to lead particulate and monitor trends. The program involves bi-annual testing of all employees.

In addition, we extended the program to offer voluntary health screening for community members.

To generate awareness and understanding amongst community members, we have developed comprehensive lead information packs which are available from the government funded Community Lead Centre in Broken Hill.

Information and knowledge generated about lead particulates and impacts is provided to government and non-government organisations through a wide range of forums. This forms part of our commitment to open dialogue and cooperation on this important issue.

Independent consultants who have undertaken extensive sampling and monitoring, have confirmed that the ambient air quality at our operations meets the strict guidelines for the protection of employee health. This includes lead particulates. Our commitment to reducing the exposure is further illustrated by self-imposing occupational exposure limits that are more stringent than government regulations, and setting lower baseline targets.

Water

We are acutely aware that water is a precious natural resource and at our Broken Hill operation the majority of water used is recycled around the operation to ensure the fresh water used in the process is minimised. This is but one example of Perilya's commitment to employing leading technology and best practice management techniques.

DESCRIPTION OF INCIDENT	IMPACT OF INCIDENT	CORRECTIVE ACTION
On 20th February 2005 Perilya exceeded condition L6.1 of EPA Licence 2688, ground vibration from blasting operations	Exceeded licence vibration and noise limits, prompting complaints from community members	• Blast vibration monitoring to continue • Engaged stakeholders in open dialogue about siesmicity • Undertaking research and development on seismic monitoring

Our monitoring of water use, identification of potential efficiency gains and sourcing from the most efficient supply are key elements of our commitment to reducing water use. We are currently investigating a range of responsible design, use and recycling options for our Broken Hill operation, including harvesting techniques and improved reclaiming and recycling practices.

We continue to monitor and report on discharge to the Environmental Protection Authority (EPA), and will continue to be proactive in setting and achieving water conservation and discharge targets, in order to actively respond to community expectations and government regulations.

Dust

Dust emissions are a key environmental concern for Perilya. We have established targets to minimise the impact of dust on the areas surrounding our operation. We conduct two forms of monitoring on-site using 24 dust deposition gauges. These are positioned at the direction of the EPA, in specific locations within the local community. Monitoring is conducted and analysed independently by a National Association of Testing Authorities Australia (NATA) accredited third party and the results are routinely submitted to the EPA.

Initiatives that we have introduced include improvements to dust reduction measures and enhanced industrial sprinklers and water carts on haul roads and open areas, all aimed at suppressing dust emissions.

Noise and vibration

Our Broken Hill underground operations are required to comply with stringent noise limits set by government. We also work hard to meet the expectations of our surrounding community, and try to ensure our operations do not impact on our neighbours' quality of life.

We have adopted comprehensive environmental procedures to minimise impacts on the neighbouring community from blast noise and ground vibration including:

- restricting certain operations when meteorological conditions are not favourable
- using noise abatement measures, such as construction of mounds or walls
- limiting the hours in which various mining operations may take place
- setting limits for general operational noise
- informing community members of upcoming sizeable blasts
- undertaking research and development in mine siesmicity, the benefits of which will be applied in the future

During the year, we experienced one incident of exceeding licence noise and vibration limits which prompted several complaints from community members and an investigation from the EPA. We responded by initiating a program to investigate the likely cause, reviewing current control measures and determining areas where we can engineer improvements in noise and vibration control.

DANNYELLE GAITER, ENVIRONMENTAL OFFICER, BROKEN HILL

Mine closure / heritage

Perilya appreciates that mining is a transient activity and that the reserves contained in any particular deposit on which a project is based are finite. To this end, we continually review mine decommissioning processes as part of our mine operating plans.

We strive not only to rehabilitate but to provide a positive legacy of our operations that will add value for future generations. This includes examining alternative, post-mining land uses, which takes into account public safety hazards and risks, financial constraints, protecting the environment and community expectations.

Part of this process includes ongoing relationships and open dialogue with stakeholders that may be affected by or have an interest in mine closure.

community

PERILYA UNDERSTANDS THE NEED TO WORK WITH THE COMMUNITIES NEAR OUR OPERATIONS, IN PARTICULAR, OFFERING EMPLOYMENT FOR LOCAL PEOPLE, BUSINESS OPPORTUNITIES FOR LOCAL INDUSTRIES AND SUPPORTING LOCAL COMMUNITY PROGRAMS.

Adding value

Perilya's operations have a positive impact on the socio-environment in regional Australia through employment, purchasing materials and services, and taxes and royalties. This also provides significant flow on benefits such as injection into the local economy, leading to increased government spend on infrastructure and services.

We also work closely with local suppliers to introduce them to corporate technology and encourage them to build on their skills and expertise which may enable them to compete successfully in state, national and global markets.

At Perilya, we believe that we should continue to devote our energy and expertise to identifying ways of adding value to the communities in which we operate.

Strengthening regional communities

In regional communities like Broken Hill, corporate support for community organisations plays a key role in their success. Through our sponsorship program in the 2004/05 financial year, we contributed to community organisations representing sport, health and environment, charitable and educational initiatives.
For example, Perilya maintains sporting grounds and facilities for the use of the wider community – such as the local bowling, sporting ovals and the Zinc Lake Complex, an attractive picnic and recreation area for Broken Hill residents and visitors. We also provide funding and in-kind support towards essential services such as Royal Flying Doctors Service and the State Emergency Service.

Ensuring our sponsorship program reflects the geographical spread of Perilya's interest and priorities, corporately we contributed to a wide-range of charitable institutions, directing our contribution to the social and economic wellbeing of the underprivileged and the disadvantaged.

Community consultation

A critical component of our consultation process is establishing stronger links with the community, understanding and addressing community views and improving public access to our information and activities.

At our Broken Hill operation for example, we actively met with local decision makers, groups and individuals to discuss different aspects of our business. We initiated a feedback line to register areas of interest or concern expressed by community members and we regularly reported on activities through newsletters, forums and the local media. These methods let us actively respond to concerns about our operations or activities. We are also exploring other ways to engage with the communities in which we operate.

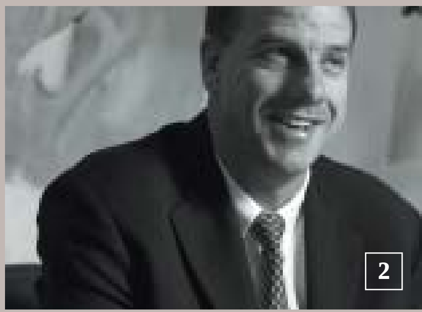
Native Title

During the year Perilya concluded a number of native title agreements, particularly in relation to exploration in the Mt Oxide copper project in Queensland (Kalkadoon People) and the Moyagee project in Western Australia (Ballardong, Badimia and Yugunga Nya claim groups).

Creating pathways for employees to support regional communities

During the year, the need of an ageing population was recognised by Perilya's Broken Hill employees as a key community issue when we introduced the Meals on Wheels program – an employee initiative that simply involves employees devoting company-paid time and skills for half a day each week to assist in delivering Meals on Wheels within the region.

board of directors



1 Phillip C. Lockyer
AWASM, DIPMETALL, M.SC

Chairman – Non-Executive Director

Phillip is a mining engineer and metallurgist with more than 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.

2 Len S. Jubber
B. Civil Eng, MBA

Managing Director and Chief Executive Officer

Len is an engineer with a post graduate degree in business administration and over 16 years experience in the minerals industry. He spent 7 years with Oceana Gold Limited, ultimately becoming the Chief Operating Officer and an Executive Director. Prior to Oceana Gold, Len spent 8 years with Rossing Uranium Mining Limited, a subsidiary of Rio Tinto, in Namibia, Southern Africa.

3 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 Ltd.

Mr McIntyre has significant experience as a mining consultant and is the Non-Executive Chairman of Tectonic Resources NL.

4 Guy A. Travis
AWASM, DIC, M.SC, MAUSIMM

Non-Executive Director

A geologist by profession, he spent his first 18 years in the industry 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.

5 Peter Harley
B.Comm, FCPA, FAICD

Non-Executive Director

Mr Harley is a qualified accountant with more than 30 years experience in a number of industries. He is Chairman of iiNet Ltd, a Director of Gunson Resources Ltd, and was recently appointed as a Director of Blaze International Limited. Peter serves as Chairman of the Board Audit Committee.

6 Chang Keun Choi
MEng, MBA

Non-Executive Director

Chang Keun Choi holds a Bachelor of Engineering in Mining Engineering, a Master of Engineering and an MBA. He is currently Vice Chairman of the Korea Zinc Company which, together with Young Poong Corporation, holding 10.3% of the issued share capital of Perilya Limited.

five year summary

Financial

YEAR ENDING		JUNE 2005	JUNE 2004	JUNE 2003	JUNE 2002	JUNE 2001
Net profit/(loss) after tax	$'000	**(4,713)**	12,887	(105)	(264)	3,728
Operating revenue	$'000	**191,111**	157,726	12,158	4,668	39,506
Cash flow from operating activities	$'000	**30,161**	8,712	(7,596)	(6,929)	16,620
Cash and cash equivalents(1)	$'000	**21,610**	40,695	34,755	14,329	31,957
Total assets	$'000	**187,735**	193,401	168,696	124,384	55,289
Borrowings(2)	$'000	**22,213**	44,864	35,572	38,583	Nil
Shareholders' equity	$'000	**115,353**	98,824	84,095	45,623	45,471
Exploration and evaluation expenditure(3)	$'000	**19,267**	13,571	4,384	3,933	5,291
Basic earnings per share	c/share	**(2.8)**	8.0	(0.1)	(0.3)	3.7
Issued capital - shares	'000	**186,522**	164,020	159,385	102,424	101,154

(1) Cash and cash equivalent includes restricted cash of $9.6 million.

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

(3) 2005 included $12.3 million relating to exploration, evaluation and technical feasibility study at the Daisy Milano project

Production

YEAR ENDING		JUNE 2005	JUNE 2004	JUNE 2003	JUNE 2002	JUNE 2001
Ore Treated	'000 tonnes	**1,884**	2,109	1,787	-	-
Head grade - Zinc	%	**7.7**	7.4	88	-	-
- Lead	%	**3.8**	3.2	3.5	-	-
- Silver	g/t	**41**	34	34	-	-
Zinc concentrate	'000 tonnes	**261.3**	282.4	284.8	-	-
- Contained zinc	'000 tonnes	**132.0**	140.4	144.6	-	-
Lead concentrate	'000 tonnes	**85.3**	79.3	80.1	-	-
- Contained lead	'000 tonnes	**61.1**	54.5	54.6	-	-

Perilya acquired the Broken Hill operation in 2002, resulting in first production for the company in 2003.

corporate governance, directors' report and financial statements

FOR THE 12 MONTHS ENDED 30 JUNE 2005

PERILYA LIMITED
ABN 85 009 193 695

PERILYA

corporate governance

1. INTRODUCTION

The Board of Perilya recognise that high standards of Corporate Governance are critical to business integrity and performance.

Perilya aims to comply with the ASX Corporate Governance Council's Principle's of Good Corporate Governance and Best Practice Recommendations (ASX Principles), which provide a minimum base for our corporate governance standards.

2. BOARD OF DIRECTORS

The board has adopted a formal charter which allocates responsibilities and powers of the board for:

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

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.

2.1 Role of the Board

The board acknowledges its accountability to shareholders to creating shareholder value within a framework that protects the rights and interests of shareholders and ensures Perilya is properly managed. The board aims to achieve these objectives through the adopting and monitoring strategies, plans, policies and performance as follows:

- appointment and monitoring performance of Directors, the Managing Director, Chief Financial Officer and Company Secretary, approving other key executive appointments and planning for executive succession;
- providing input into, 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

2.2 Composition of the Board

The Perilya Board currently comprises six directors; five non-executive directors, including the Chairman, and one executive director.

The nominations committee continually assesses the balance of executive and non executive directors and the composition of the board in terms of the skills and diversity required to ensure it remains relevant to deal with current and emerging issues of the business and environment.

In accordance with the Company's constitution, Mr Colin McIntyre will retire at the end of the 2005 Annual General Meeting and will not be seeking re-election.

Mr C K Choi was appointed by the Board as a Director in April 2005. In accordance with the Constitution, he will be seeking election at the 2005 Annual General Meeting.

In May 2005, Mr Tim Clifton, Executive Director and Managing Director, resigned from the board and was replaced by Mr Len Jubber.

An explanation of Phil Lockyer's status as an independent director is described below. Details of skills, experience and expertise of current directors are set out on page 35.

2.3 Director independence

The Board regularly assesses the independence of each director. For this purpose the board have adopted the criteria set out in the ASX principles to assess independence of directors.

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, in respect to: making decisions that regularly come before the board; objectively assessing information provided by or from management; setting broad company policy; or otherwise performing their role as a director.

Applying this criteria, the board is satisfied that all non executive directors are independent except for C K Choi who is associated with a substantial shareholder of the company.

In the 2003/04 Annual Report the board commented that Phillip Lockyer and Guy Travis were not independent at that time. Phillip Lockyer's high level of consultancy services to the company in 2003/04 were such that he was not considered independent at that time. The Board has reassessed Phillip Lockyer's status and now consider him to be an independent director. This assessment took into account the following:

- During the year ended 30th June 2005, consultancy services have ceased to be provided by Phillip Lockyer.
- Going forward, it is the Board's intention that the company will not acquire consultancy services from Phillip Lockyer.
- The services provided were technical services related to the company's operational activities which the Board now considers can be readily acquired elsewhere.

  On this basis, the services previously provided by Phillip Lockyer are not services which interfere with his ability to perform his duties as a director of the company.

NAME	APPOINTED	NON-EXECUTIVE	INDEPENDENT	RETIRING AT 2005 AGM	SEEKING RE-ELECTION AT 2005 AGM
Leonard Jubber	2005	No	No	No	No
Colin McIntyre	2003	Yes	Yes	Yes	No
Peter Harley	2003	Yes	Yes	No	No
Phillip Lockyer	2003	Yes	Yes	No	No
Guy Travis	2002	Yes	Yes	No	No
CK Choi	2005	Yes	No	Yes	Yes

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Guy Travis was the former executive director of Ranger Minerals Limited, when it merged with Perilya in 2002 and during 2003/04 was not considered by the board to be an independent director given his former role as part of management. In view of the passage of time since the merger the board now considers Mr Travis as an independent director.

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

2.4 Role of Chairman and Managing Director (MD)

The roles of the chairman and managing director are separate roles undertaken by separate people.

The role of the chairman is to lead the board, ensuring it functions effectively, arranging evaluation of the board's performance and overseeing the provision of information from management to the board. Phil Lockyer, who was appointed as Chairman in June 2004, acted as Chairman throughout the year.

For the reasons set out above, the board considers Mr Lockyer to be an independent director and accordingly the company complies with ASX principle 2.2 which recommends that the Chairman should be independent.

The role of the managing director is to recommend policy and strategic direction for board approval and is responsible for day-to-day operation of the company. 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. Tim Clifton resigned as Managing Director on 16 May 2005. Len Jubber was appointed Managing Director on 16 May 2005.

2.5 Meetings

The board meets on a regular basis and at least six times a year. Full board meetings are scheduled monthly (except January). Special meetings can also be convened to consider issues of importance. During 2004/05 the board met 11 times and conducted two site visits during the year.

Directors attendance at board and committee meetings is detailed on page 35 of the Directors' Report.

Members of the management team attend meetings at the invitation of the board.

2.6 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 shall, prior to the 2005 Annual General Meeting, undertake the annual performance evaluation of itself that:

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

2.7 Election and re-election

Directors are elected by shareholders at Annual General Meetings and serve a three year term before offering themselves for re-election once every three years in accordance with Perilya's constitution.

2.8 Access to independent professional advice

Consistent with the ASX Principles, all directors have unrestricted access to independent, professional advice at Perilya's expense, with prior written approval of the chairman, to assist the director in the proper exercise of powers and discharge of duties.

2.9 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.

3. BOARD COMMITTEES

Perilya's board has established two standing committees, the Audit Committee and the Remuneration Committee. Each committee plays a vital role in ensuring that good corporate governance is maintained throughout the organisation. The committees review matters on behalf of the board and make recommendations on policy for consideration by the entire board. Copies of the charters of these two committees may be accessed from our website (www.perilya.com.au).

3.1 Audit Committee

The Audit Committee is comprised of the following non executive directors – Peter Harley (chairman of Audit Committee), Colin McIntyre and Guy Travis, and has a majority of independent members. The structure of the Audit Committee complies with the ASX Principles. The Board is considering the composition of the Audit Committee in anticipation of Colin McIntyre retiring at the end of the 2005 Annual General Meeting.

The Audit Committee meets generally four times during a financial year and meetings are also attended by Perilya's Chief Financial Officer and external auditors. Committee members attendance is detailed on page 35 of the Director's Report.

The Audit Committee's overall role is to assist the Board fulfil its responsibilities for Perilya's financial reporting and audit, internal control and financial risks. Responsibilities include:

- Evaluating the effectiveness of Perilya's internal control measures, and gaining understanding of whether internal control recommendations made by external auditors have been implemented
- Understanding the current areas of greatest financial risk for Perilya 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

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- Considering preliminary financial announcements, interim results and analysts briefings
- Recommend to the board the appointment of the external auditor, to review the scope and monitor progress of the external audit plans and to review other issues as requested by the board

3.2 Remuneration Committee

The Remuneration Committee is comprised of the following non executive directors – Phillip Lockyer (Chairman of Remuneration Committee), Peter Harley and Colin McIntyre. The committee meets twice a year. Its role is to review and recommend to the board Perilya's remuneration and compensation plans and policies including the remuneration and performance appraisal policies of non executive directors, the Managing Director and senior executives. The Board is considering the composition of the Remuneration Committee in anticipation of Colin McIntyre retiring at the end of the 2005 Annual General Meeting.

A detailed Remuneration Report is contained in page 37 of this Annual Report which explains the basis for remunerating non-executive directors. The report also explains the structure and rationale behind Perilya's remuneration practices and the link between the remuneration of employees and performance. Remuneration details of each director and relevant senior management are set out in the Directors' Report on pages 37 to 42.

3.3 Nomination Committee

At this stage of Perilya'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 Perilya'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 Perilya's website.

4. CODE OF CONDUCT

The board has adopted the Australian Institute of Company Directors' Code of Conduct to reinforce the board's commitment to ethical decision making. In addition, Perilya directors are subject to Perilya's Code of Conduct which is considered by the board to be an effective way to guide the behaviour of directors, employees and contractors alike, and demonstrates Perilya's commitment to ethical and responsible practices.

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 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
- alcohol and drug use

4.1 Share trading

The board has adopted the Perilya Limited Securities Trading Policy. 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.

5. FINANCIAL REPORTING AND MANAGEMENT CERTIFICATION

Consistent with ASX Principles 4.1 and 7.2 and Section 295A of the Corporations Act, Perilya's financial report preparation and approval process for the financial year ended 30 June 2005 involved both the Managing Director and the Chief Financial Officer providing detailed representations to the board covering:

- maintenance of financial records in accordance with the Corporations Act
- 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
- effectiveness of the system of internal control

To support the Managing Director and Chief Financial Officer making certifications to the board, management complete a comprehensive questionnaire and certification process in relation to the preparation and integrity of all financial reports and the effectiveness of all internal control systems.

corporate governance

Ultimately, the Managing Director and Chief Financial Officer are required to make certifications to the board.

5.1 External Auditors

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 Perilya'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 2005.

PricewaterhouseCoopers have a policy for the rotation of the lead audit partner for their clients.

6. RISK MANAGEMENT

Perilya is committed to managing risks to protect our people, the environment, assets and our reputation as well as realise opportunities.

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.

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
- 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.

The Board has 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 assists 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
- the Company's Exploration Manager

The Risk Management Committee meets at least 4 times a year and reports 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
- the results of the Risk Management 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.

7. CONTINUOUS 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 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
- web-based communication

8. SHAREHOLDER COMMUNICATION

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

The Market Disclosure Policy provides that Perilya'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
- 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.

To further assist in communicating with shareholders, the External Auditor is requested to 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.

directors' report

FOR THE 12 MONTHS ENDED 30 JUNE 2005

THE DIRECTORS PRESENT THEIR REPORT ON THE CONSOLIDATED ENTITY CONSISTING OF PERILYA LIMITED ("PARENT ENTITY") AND THE ENTITIES IT CONTROLLED AT THE END OF, OR DURING, THE YEAR ENDED 30 JUNE 2005 (THE "GROUP").

DIRECTORS

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

Leonard S. Jubber
B.CIVIL ENG, MBA

Chief Executive Officer (appointed as an Executive Director on 16 May 2005)

Len is an engineer with a post graduate degree in business administration and over 16 years experience in the minerals industry. He spent 7 years with Oceana Gold Limited, ultimately becoming the Chief Operating Officer and an Executive Director. Prior to Oceana Gold, Len spent 8 years with Rossing Uranium Limited, a subsidiary of Rio Tinto, in Southern Africa.

Timothy M. Clifton
B.SC (HONS), B.JURIS LLB, FAUSIMM FAICD

Managing Director (resigned as Managing Director on 16 May 2005)

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

Phillip C. Lockyer
AWASM, DIPMETALL, M.SC

Chairman

Phillip is a mining engineer and metallurgist with more than 40 years experience in the minerals industry with an emphasis on gold and nickel, in both underground and open pit mining operations. Phillip spent 20 years with WMC Resources and held the position of General Manager for WA, responsible for that company's nickel division and gold operations. Phillip also held the position of Director of Operations for Dominion Mining Ltd and Resolute Ltd. Phillip is Chairman of the Board Remuneration Committee and was a member of the Broken Hill Operations Committee.

Chang Keun Choi
B. ENG, MASTER OF ENG, MBA

Non-Executive Director (appointed as a Non-Executive Director on 27 April 2005)

Chang Keun Choi is Vice Chairman of the Korea Zinc Company which, together with Young Poong Corporation, holds approximately 10% of the issued share capital of Perilya Limited.

Peter Harley
B.COMM, FCPA, FAICD

Non-Executive Director

Mr Harley is a qualified accountant with more than 30 years experience in a number of industries. He is Chairman of iiNet Ltd, a Director of Gunson Resources Ltd, and was recently appointed as a Director of Blaze International Limited. Peter serves as Chairman of the Board Audit Committee.

Colin A. McIntyre
B. ENG, AWASM, FAUSIMM, FAICD

Non-Executive Director

Colin is a mining engineer with more than 30 years experience in the mining industry including 10 years with Western Mining Corporation. He has significant experience as a mining consultant, having served as a Non-Executive Director of Macmahon Holdings Limited and is currently the Non-Executive Chairman of Tectonic Resources NL. Colin is a member of the Board Audit Committee and Board Remuneration Committee.

Guy A. Travis
AWASM, MSC, DIC

Non-Executive Director

Guy is a geologist who left Western Mining Corporation after 18 years to found 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. He is currently a director of Southstar Resources NL. Guy is a member of the Board Audit Committee.

DIRECTORS' ATTENDANCE AT MEETINGS

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 during the 12 months ended 30 June 2005 are set out below:

DIRECTORS' ATTENDANCE AT MEETINGS	FORMAL BOARD MEETINGS		SHORT NOTICE MEETINGS		COMMITTEE MEETINGS	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Leonard Jubber	2	2	1	1	1	1
Timothy Clifton	9	8	0	0	9	6
Phillip Lockyer	11	11	1	1	10	10
Chang Keun Choi	2	1	1	1	-	-
Peter Harley	11	11	1	1	5	5
Colin McIntyre	11	10	1	1	5	3
Guy Travis	11	11	1	1	3	3

directors' report

FOR THE 12 MONTHS ENDED 30 JUNE 2005

COMPANY SECRETARY

John Traicos
BA, BL, LLB

Joined as Company Secretary in May 2000.

John is a lawyer with more than 25 years experience in legal and corporate affairs in Southern Africa and Australia. Over the past 6 years he has acted as a corporate lawyer to several Australian resource companies and has been involved in resource projects in Australia, Africa and Indonesia. John is a non-executive director of Strike Oil Limited.

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. In January 2005 the Company acquired the Daisy Milano gold project. Details of the project are set out in page 14. There has been no other significant change in the Company's activities during the financial year.

OBJECTIVES, STRATEGY AND RISKS

Perilya's aim is to become a significant diversified mining company that provides consistent returns to shareholders and benefits to all stakeholders. The Company strives 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.

These objectives are being pursued through the following strategies:

- The optimisation of the Broken Hill Operations and evaluation of the potential of the Broken Hill mineralised system;
- The development of the Daisy Milano gold project and the evaluation of the potential of the surrounding Mount Monger district; and
- The generation of growth opportunities through exploration on a diversified portfolio of projects.

The Company embarked upon a business plan during the year to reduce the dependence upon the South Operations by commencing operations at the North Mine and improve the productivity and cost efficiency of all activities associated with the Broken Hill Operation. Significant improvements in the operating performance of the Broken Hill Operation were achieved during the year.

The Daisy Milano gold project, located 50 kilometres South East of Kalgoorlie, Western Australia, was acquired in January 2005 following a detailed technical evaluation of the project. The commencement of gold production towards the end of the financial year has provided Perilya with its second income stream. The ore body reconciliation derived through the development and early stope mining, coupled with resource drilling to be commenced during the September quarter of 2005, will allow completion of the project optimisation study by the end of 2005.

Major factors affecting the level of cash flow from the operations include sensitivity to zinc, lead, silver and gold prices, the value of the Australian dollar relative to the US dollar and the attainment of production and ore grade targets.

REVIEW OF OPERATIONS AND RESULTS

Financial performance

Revenue from operating activities increased by $33.4 million to $191.1 million principally due to increased lead production from the Broken Hill operation and higher lead and zinc prices. Revenue from the sale of investments reduced from $30 million in the previous year to $4.2 million in 2004/05. The after tax loss of $4.7 million (2003/04: $12.9 million profit) was after a write-down of exploration projects by $13.7 million.

The Broken Hill Operation increased profit before interest and tax by $13.4 million to $9.6 million for the year. Lead head grades increased to 3.8% from the 2003/04 level of 3.2% and the zinc head grade increased from 7.4% to 7.7%. Lead concentrate production of 85,300 tonnes was the highest annual production since Perilya commenced production in September 2002. Zinc concentrate production was 261,300 tonnes.

Despite a 10.6% reduction in annual ore production and global pressure on consumable and labour costs, continuing improvements in operating efficiencies at the Broken Hill Operation restricted the increase in the average unit cash costs of production from US$0.39 per pound of payable zinc to US$0.41 per pound.

The Daisy Milano gold project, acquired in January 2005, commenced mining development ore during the second half of the year with the mining of the main ore body scheduled to commence in September 2005. A loss of $1.4 million was recognised for the year based on the processing and sale of 20,059 tonnes of mainly development ore, averaging 8.0 grams per tonne to produce 4,827 ounces of gold.

Mining of the main ore stopes commenced in August 2005 and the project is on track to increase production to approximately 10,000 tonnes per month by the end of the September 2005 quarter.

The carrying value of the extensive portfolio of exploration projects was written down by $13.7 million to $15.8 million following a review of the expenditure accumulated over many years. The diverse portfolio which is characterized by its range of commodities and locations within proven mineralised systems provides Perilya with many organic growth opportunities.

A net profit before tax of $3.6 million was recognised during the year from the sale and impairment of non strategic investments (2003/04: $22.6 million). At 30 June 2005 the Company held listed investments with a carrying value of $8.7 million and a market value on that date of $9.5 million.

Cash flow

The cash from operating activities was $30.2 million up from $8.7 million the previous year.

The cash outflow from investing activities of $48.1 million (2003/04: $3.9 million) comprised $23.2 million on mine development and plant and equipment at Broken Hill, $15.3 million on the evaluation and development of Daisy Milano and $6.1 million (excluding Daisy Milano) on exploration and project evaluation.

In addition, $6.2 million in production linked payments, associated with the purchase of Broken Hill, were paid. In the 2003/04 year $30.1 million was received from the proceeds from the sale of non strategic investments.

Broken Hill generated cash from operations (after capital expenditure but before the price and production linked payments totalling $12.8 million) of $22.8 million, an increase of $26 million on the previous year from the treatment of 1.9 million tonnes of ore (2003/04: 2.1 million tonnes).

The cash outflow from financing activities of $1.2 million (2003/04: $0.1 million inflow) included the repayment of the US$15 million convertible note loan (A$19.4 million), the receipt of $20.4 million from the issue of 19.2 million fully paid ordinary shares to the Korea Zinc Group at $1.01 per share, and the exercise of 2.5 million options at an average price of $0.44 per share.

Balance Sheet

Cash, deposits and restricted cash at 30 June 2005 totalled $21.6 million (30 June 2004: $40.7 million). In addition, the Company has available a $20 million standby financing facility from YK Australia Pty Limited, a subsidiary of the Korea Zinc Group. The facility was drawn down by $2 million as at 30 June 2005.

Net debt (borrowings less available cash and deposits) stood at $0.6 million as at 30 June 2005 (30 June 2004: $4.2 million).

Gearing, being net debt to net debt plus equity, fell from 4.1 per cent to 0.5 percent reflecting the 60 percent reduction in debt to $12.6 million and the issue of 19.2 million fully paid ordinary shares during the year to the Korea Zinc Group for $19.4 million.

DIVIDENDS

No dividends have been paid since the end of the previous financial year and no dividend is recommended for the 2004/05 year.

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. Non-executive directors do not receive any retirement benefits other than the statutory superannuation contributions. No share options were issued to non-executive directors during the year.

Non-executive directors' fees comprise a base amount plus a committee fee, where applicable, and are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The current base remuneration for the non-executive directors was last reviewed with effect from 1 July 2004. The maximum aggregate currently stands at $400,000 and was approved at the Annual General Meeting held on 19 November 2002.

Each non-executive director is elected for a 3 year term in line with the Company's constitution.

Chief Executive Officer

Len Jubber was appointed Chief Executive Officer on 16 May 2005 under a contract of appointment. The contract is not for a fixed term and has a six months notice of cessation of employment by either party. If the contract is terminated by the company a payment of six months salary in lieu of notice or a combination of notice of in lieu of notice is required to be paid. The contract covers fixed remuneration as well as short term and long term incentives. The short term incentive is an annual cash payment based on achievement of performance criteria established by the Board. The long term incentive comprises options over Perilya shares with maturities out to 4 years and exercise prices set 20%, 35% and 50% above the share price at the time of issue.

A summary of the key terms of the Chief Executive Officer's contract was published by Perilya on 19 May 2005.

Executives

The executive remuneration and reward framework has:

- fixed remuneration
- short-term performance incentives
- long-term equity-linked performance incentive, and
- other compensation such as superannuation.

The combination of these comprises the executive's total remuneration. The Chief Executive Officer approves the remuneration of the executive managers and the Board approve the remuneration of the Chief Executive Officer.

Fixed remuneration

Executives are offered a competitive base pay. External remuneration consultants provide analysis and advice to ensure the base pay reflects the market for comparable roles. Adjustments to base pay are made based on changes to role scope, pay position relative to comparable market pay and performance in the role.

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

Short-term performance incentives

The Company currently has no set short-term incentive scheme. In the 2004/05 year a cash incentive was offered to 14 senior managers with payment based on the successful implementation of the Broken Hill improvement strategy. No payments were made under this incentive.

Long-term equity-linked incentives

Options over Perilya shares have been granted to senior managers as a means of linking their remuneration to the returns provided to shareholders. The exercise price of options have been set at a minimum of 20%, and up to 50% 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.

The options are granted with an average life of 5 years and are exercisable in 1 to 3 annual tranches commencing from the grant date and carry no dividend or voting rights.

Other compensation

Other compensation comprises mainly superannuation contributions at the Superannuation Guarantee Contributions rate, currently 9%, of the applicable base pay. In some instances employees are provided with a fully maintained motor vehicle to assist them in fulfilling their role.

Service agreements

Remuneration and other terms of employment for the five specified executives are formalised in service agreements. These agreements do not have a fixed term, and other than the Chief Executive Officer, have a four week notice of cessation of employment by either party. The remuneration is reviewed annually and is set to reflect performance in the role and the market for a comparable role. The service agreements do not provide for termination payments.

Relationship of reward to historical performance

The historical relationship between Perilya's performance and the equity linked incentive scheme is shown in the following table.

		2000/01	2001/02	2002/03	2003/04	2004/05
Profit/(loss) after tax ($m)		3.7	(0.3)	(0.3)	12.9	(4.7)
Earnings per share (cents/share)		3.7	(0.3)	(0.1)	8.0	(2.8)
Share price ($/share)						
- At beginning of year		0.24	0.34	0.74	0.44	0.87
- Average for the year		0.25	0.50	0.56	0.98	0.82
- At end of year		0.34	0.74	0.44	0.87	0.68
Options						
2001/02	No options were issued					
2001/02	Quantity issued		5,850,000			
	Average Issue Price ($/share)		0.45			
	Quantity & year exercised		150,000	-	1,400,000	2,300,000
	Average Issue Price ($/share)		0.45	-	0.45	0.45
2002/03	Quantity issued			250,000		
	Average Issue Price ($/share)			0.70		
	Quantity & year exercised			-	-	-
	Average Issue Price ($/share)			-	-	-
2003/04	Quantity issued				1,500,000	
	Average Issue Price ($/share)				0.89	
	Quantity & year exercised				300,000	-
	Average Issue Price ($/share)				0.89	-
2004/05	Quantity issued					6,750,000
	Average Issue Price ($/share)					1.19
	Quantity & year exercised					-
	Average Issue Price ($/share)					-

directors' report

FOR THE 12 MONTHS ENDED 30 JUNE 2005

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 five specified executives of the parent and the consolidated entity receiving the highest emoluments for the year ended 30 June 2005, are set out in the following tables.

Directors of the consolidated entity

2004/05 YEAR NAME	**PRIMARY** CASH SALARY & FEES $	**POST-EMPLOYMENT** SUPERANNUATION $	**EQUITY** OPTIONS $	OTHER $	TOTAL $
Leonard Jubber - Chief Executive Officer (1)	69,271	6,234	13,465	-	88,970
Timothy Clifton – Managing Director (2)	358,506	33,028	-	-	391,534
Phillip Lockyer - Non-Executive Chairman (3)	62,750	47,340	-	163,750	273,840
Chang Keun Choi - Non-Executive Director (4)	8,333	750	-	-	9,083
Colin McIntyre - Non-Executive Director	60,000	5,400	-	-	65,400
Peter Harley - Non-Executive Director	67,000	6,030	-	-	73,030
Guy Travis - Non-Executive Director	55,000	4,950	-	-	59,950
Total	680,860	103,732	13,465	163,750	961,807

(1) Leonard Jubber was appointed Chief Executive Officer and Managing Director on 16 May 2005

(2) Timothy Clifton resigned as a director and Managing Director on 16 May 2005

(3) Phillip Lockyer's superannuation includes $38,250 of salary sacrifice from the base fees. The "Other" component represents fees paid (at a rate of $1,250 plus GST per day for full days worked) by Perilya to Phillip Lockyer and Associates, a company which Phillip Lockyer is a shareholder and director, for technical services provided to Perilya during the course of the year.

(4) Chang Keun Choi was appointed a director on 27 April 2005

2003/04 YEAR NAME	**PRIMARY** CASH SALARY & FEES $	**POST-EMPLOYMENT** SUPERANNUATION $	OTHER $	TOTAL $
Timothy Clifton - Managing Director	307,064	32,645	-	339,709
Phillip Lockyer – Non-Executive Chairman	45,591	4,103	78,875	128,569
Barry Cahill - Operations Director (1)	188,623	22,905	326,251	537,779
Peter Harley - Non-Executive Director	41,147	3,703	-	44,850
Richard Lockwood - Non-Executive Director (2)	31,057	-	-	31,057
Colin McIntyre - Non-Executive Director	78,068	7,026	38,165	123,259
Vincent Pendal - Non-Executive Director (2)	33,410	-	-	33,410
Yong Fook Shin - Non-Executive Director (2)	-	18,794	-	18,794
Guy Travis- Non-Executive Director	51,141	4,603	86,400	142,144
Peter Unsworth - Non-Executive Director (2)	22,989	2,069	-	25,058
Total	799,090	95,848	529,691	1,424,629

(1) Barry Cahill resigned on 22 March 2004

(2) Richard Lockwood, Vincent Pendal, Peter Unsworth and Yong Fook Shin retired on 18 November 2003.

directors' report

FOR THE 12 MONTHS ENDED 30 JUNE 2005

The fees paid to the non-executive directors for the 2004/05 year, indicating the component received as a member of the relevant board committees for the 2004/05 year, is set out in the following table.

NAME	BASE FEE	AUDIT COMMITTEE	BROKEN HILL (1) OPERATIONS COMMITTEE	REMUNERATION COMMITTEE	TOTAL ANNUAL FEES PAID
Phillip Lockyer – Chairman (2)	85,000		11,000	5,000	101,000
Chang Keun Choi	8,333				8,333
Peter Harley (3)	50,000	12,000		5,000	67,000
Colin McIntyre	50,000	5,000		5,000	60,000
Guy Travis	50,000	5,000			55,000
Total	243,333	22,000	11,000	15,000	291,333

(1) The Broken Hill Operations Committee ceased as a board committee during the year

(2) Phillip Lockyer was Chairman of the Remuneration Committee

(3) Peter Harley was Chairman of the Audit Committee

Specified executives of the parent and consolidated entity

2004/05 YEAR	PRIMARY		POST-EMPLOYMENT	EQUITY	
NAME	CASH SALARY AND FEES $	NON-MONETARY BENEFITS $	SUPERANNUATION $	OPTIONS (1) $	TOTAL $
Paul Cranney - Exploration Manager (2)	193,762	8,800	17,439	19,505	239,506
Ron Ellis - Manager Mining Broken Hill	177,500	-	15,975	51,565	245,040
Alan Knights - Chief Financial Officer	287,203	-	25,848	60,166	373,217
Barry Mitchell - General Manager Broken Hill	293,578	-	26,422	98,867	418,867
John Traicos - Company Secretary	184,020	-	95,924	40,661	320,605
Total	1,136,063	8,800	181,608	270764,	1,597,235

(1) Options were allocated to the executives based on their role and the ability to influence the performance of the Company. The option remuneration value listed, represents the amortisation applicable to the 2004/05 year, of the assessed fair value of the options granted prior to or during, and which vest during or after, the 2004/05 year. The assessed fair value at grant date of options granted to directors and specified executives is amortised on a straight line basis 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.

(2) Paul Cranney was provided with a fully maintained motor vehicle with an estimated remuneration value of $8,800.

2003/04 YEAR	PRIMARY		POST-EMPLOYMENT	EQUITY	
NAME	CASH SALARY AND FEES $	NON-MONETARY BENEFITS $	SUPERANNUATION $	OPTIONS $	TOTAL $
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 (1)	206,730	-	18,606	124,650	349,986
Barry Mitchell - General Manager Broken Hill (2)	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

(1) Alan Knights commenced employment on 31 July 2003

(2) Barry Mitchell commenced employment on 24 November 2003

Share-based compensation

As part of the performance incentive scheme, options over Perilya Limited shares are granted to directors and senior managers, in terms of the Perilya Limited Employee Share Option Plan, for no consideration and are granted with an average life of 5 years and are exercisable in 1 to 3 annual tranches commencing from the grant date. The options carry no dividend or voting rights. When exercisable, each option is convertible into one fully paid ordinary share.

The exercise price of options have been set at a minimum of 20%, and up to 50% above the weighted average price at which the company's shares traded on the Australian Stock Exchange during the five trading days immediately before the options were offered to the employees.

The terms and conditions of options over Perilya shares, affecting the remuneration of directors and specified executives in this or future reporting periods, are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	EARLIEST EXERCISABLE DATE (VESTING DATE)
2004				
30 Sep 2003	31 Aug 2007	$0.80	$0.34	40% after 31 August 2003
				30% after 31 August 2004
				30% after 31 August 2005
16 Oct 2003	16 Oct 2006	$1.00	$0.33	16 October 2004
18 Jun 2004	21 May 2009	$0.97	$0.38	50% after 21 May 2005
				50% after 21 May 2006
2005				
20 Aug 2004	9 Aug 2009	$1.00	$0.19	30% @ $1.00 after 9 August 2005
		$1.20	$0.16	30 % @ $1.20 after 9 August 2006
		$1.40	$0.09	40% @ $1.40 after 9 August 2007
1 Sep 2004	9 Aug 2009	$1.00	$0.15	30% @ $1.00 after 9 August 2005
		$1.20	$0.10	30% @ $1.20 after 9 August 2006
		$1.40	$0.06	40% @ $1.40 after 9 August 2007
31 May 2005	16 May 2010	$1.01	$0.07	60% @ $1.01 after 16 May 2007
	16 May 2011	$1.13	$0.08	20% @ $1.13 after 16 May 2008
	16 May 2012	$1.26	$0.08	20% @ $1.26 after 16 May 2009

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

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 DURING THE YEAR	VESTED AND EXERCISABLE AT THE END OF THE YEAR
Leonard Jubber - Chief Executive Officer (1)	-	5,000,000	-	5,000,000	-	-
Timothy Clifton- Managing Director (2)	2,000,000	-	-	2,000,000	-	2,000,000
Paul Cranney - Exploration Manager	-	250,000	-	250,000	-	-
Ron Ellis - Manager Mining Broken Hill	150,000	250,000	-	400,000	75,000	75,000
Alan Knights - Chief Financial Officer	400,000	500,000	-	900,000	150,000	250,000
Barry Mitchell - General Manager Broken Hill	500,000	500,000	-	1,000,000	400,000	400,000
John Traicos - Company Secretary	300,000	250,000	-	550,000	150,000	150,000

(1) Appointed as Chief Executive Officer on 16th of May 2005

(2) Resigned as Managing Director on 16 May 2005

directors' report

FOR THE 12 MONTHS ENDED 30 JUNE 2005

The allocation, between the grant date and the vesting date, of the value of options granted during the 2004/05 year to directors and specified executives is set out below.

NAME	OPTIONS ISSUED NUMBER	JUNE 2005 $	JUNE 2006 $	JUNE 2007 $	JUNE 2008 $	JUNE 2009 $	TOTAL $
Directors							
Leonard Jubber	5,000,000	13,465	163,822	148,718	38,456	15,539	380,000
Top 5 Executives							
Paul Cranney	250,000	19,505	9,590	3,573	332	-	33,000
Ron Ellis	250,000	14,828	7,231	2,467	224	-	24,750
Alan Knights	500,000	39,010	19,180	7,146	664	-	66,000
Barry Mitchell	500,000	29,656	14,461	4,934	448	-	49,499
John Traicos	250,000	19,505	9,590	3,573	332	-	33,000
Total	6,750,000	135,969	223,874	170,411	40,456	15,539	586,249

Further details relating to options and the portion of each director and specified executive's remuneration related to equity compensation in the 2004/05 year are set out below:

NAME	PERCENTAGE OF REMUNERATION CONSISTING OF OPTIONS	VALUE OF OPTIONS GRANTED, EXERCISED OR LAPSED IN 12 MONTHS ENDED 30 JUNE 2005			
		GRANTED (1)	EXERCISED	LAPSED	TOTAL
Leonard Jubber	81%	380,000	-	-	380,000
Timothy Clifton	-	-	-	-	-
Phillip Lockyer	-	-	-	-	-
Chang Keun Choi	-	-	-	-	-
Peter Harley	-	-	-	-	-
Colin McIntyre	-	-	-	-	-
Guy Travis	-	-	-	-	-
Paul Cranney	13%	33,000	-	-	33,000
Ron Ellis	11%	24,750	-	-	24,750
Alan Knights	17%	66,000	-	-	66,000
Barry Mitchell	15%	49,500	-	-	49,500
John Traicos	11%	33,000	-	-	33,000
Total		586,250	-	-	586,250

(1) Value at time of grant

directors' report

FOR THE 12 MONTHS ENDED 30 JUNE 2005

SHAREHOLDINGS

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

SHAREHOLDINGS 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
Directors of the consolidated entity					
Leonard Jubber	Chief Executive Officer	-	-	50,000	50,000
Timothy Clifton	Managing Director	3,699,000	-	-	3,699,000
Phillip Lockyer	Non Executive Chairman	20,000	-	-	20,000
Chang Keun Choi	Non Executive Director	-	-	-	-
Peter Harley	Non Executive Director	15,000	-	-	15,000
Colin McIntyre	Non Executive Director	50,000	-	-	50,000
Guy Travis	Non Executive Director	4,335,201	-	(4,972)	4,330,229
Specified executives of the parent and consolidated entity					
Paul Cranney	Exploration Manager	900,000	-	(900,000)	-
Ron Ellis	Manager Mining Broken Hill	-	-	-	-
Alan Knights	Chief Financial Officer	100,000	-	-	100,000
Barry Mitchell	General Manager Broken Hill	-	-	-	-
John Traicos	Company Secretary	300,000	-	(200,000)	100,000

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.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the group during the financial year were as follows:

- An increase in contributed equity of $21.2 million (from $78.0 million to $99.3 million) as a result of:
  - Issue of 828,157 fully paid ordinary shares @ $0.97 each to Ridgeway Group arising from exercise of the option to purchase the Daisy Milano gold project.
  - Issue of 19,198,750 fully paid ordinary shares @$1.01 each to Korea Zinc Company Limited and Young Poong Corporation.
  - Issue of 2,475,000 fully paid ordinary shares @ $0.44 each on exercise of options.
- The repayment of the US$15 million (A$19.4 million) loan supporting fully redeemable convertible notes.

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 2005.

ENVIRONMENT

The Group's 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.

directors' report

FOR THE 12 MONTHS ENDED 30 JUNE 2005

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 pages 30 to 34.

The Directors have received and considered a certification from the Chief Executive Officer 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 the 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.

NON-AUDIT SERVICES

During the year, Perilya's auditors, PricewaterhouseCoopers, provided non-audit services to Perilya for fees totalling $104,499. These non-audit services consisted of:

- Taxation services – $58,150
- Corporate services – $46,349

The directors are satisfied that the provision of the above non-auditing services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Also the directors are satisfied that the provision of the above non-audit services during the year did not compromise the auditor independence requirements of the Corporations Act 2001 because:

- They have no reason to question the veracity of the auditor's independence declaration referred to in the section immediately following this section of the report.
- The fees paid for such non-audit services are modest.
- The nature of the non-audit services provided is not inconsistent with those requirements.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration (made under section 307C of the Corporations Act 2001) is set out on page 45 and forms part of this report.

This report is made in accordance with a resolution of the Directors made on 5 September 2005.

Leonard S. Jubber
Director

5 September 2005

PRICEWATERHOUSECOOPERS

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Auditors' Independence Declaration

As lead auditor for the audit of Perilya Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Perilya Limited and the entities it controlled during the period.

David J Smith
Partner, PricewaterhouseCoopers

Perth, 6 September 2005

statements of financial performance

FOR THE YEAR ENDED 30 JUNE 2005

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Revenue from operating activities	2	**191,111**	157,726	**-**	250
Revenue from outside operating activities	2	**7,252**	36,427	**4,570**	2,708
Revenue from ordinary activities (excluding shares of equity accounted net profits of associates and joint venture partnership)	2	**198,363**	194,153	**4,570**	2,958
Movements in stockpiles		**546**	3,205	**-**	-
Raw materials, power and consumables		**(50,542)**	(54,664)	**-**	-
Employee benefits expensed		**(45,230)**	(36,892)	**(2,978)**	(2,533)
Depreciation and amortisation	3	**(20,454)**	(18,274)	**(113)**	(45)
External services and consultants		**(28,367)**	(26,587)	**(1,264)**	(1,143)
Insurance expense		**(5,000)**	(4,513)	**(152)**	(165)
Rates and property taxes		**(2,696)**	(2,298)	**(77)**	(68)
Rental expense on operating leases		**(163)**	(139)	**(163)**	(139)
Royalties		**(5,366)**	(4,070)	**-**	-
Foreign exchange loss		**(1,600)**	(1,561)	**-**	-
Freight and handling		**(22,315)**	(19,683)	**(12)**	(10)
Price linked payments		**(7,338)**	(1,833)	**-**	-
Exploration written off		**(13,715)**	(296)	**(6,860)**	(208)
Written down value of investments disposed of		**(679)**	(7,773)	**(212)**	-
Written down value of property, plant and equipment disposed of		**-**	(1,851)	**-**	(1,119)
Written down value of exploration tenements net of associated rehabilitation provision disposed of		**-**	480	**-**	480
Other expenses from ordinary activities		**(2,481)**	(1,501)	**(1,391)**	(1,282)
Borrowing costs	3	**398**	(1,462)	**1,589**	(154)
Shares of net profits of associates accounted for using the equity method	12	**(145)**	3,842	**-**	-
Profit /(loss) from ordinary activities before related income tax expense	3	**(6,784)**	18,283	**(7,063)**	(3,428)
Income tax (expense) / benefit	4	**2,071**	(5,396)	**2,212**	1,289
Profit /(loss) from ordinary activities after related income tax expense		**(4,713)**	12,887	**(4,851)**	(2,139)
Net profit /(loss) attributable to members of Perilya Limited	24	**(4,713)**	12,887	**(4,851)**	(2,139)
Total changes in equity attributable to members of Perilya Limited other than those resulting from transactions with owners as owners		**(4,713)**	12,887	**(4,851)**	(2,139)

	NOTES	CENTS	CENTS
Basic earnings per share	37	**(2.8)**	8.0
Diluted earnings per share	37	**(2.8)**	7.7

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

statements of financial position

AS AT 30 JUNE 2005

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Current assets					
Cash assets	5,28	**12,022**	31,111	**7,969**	30,355
Receivables	6,28	**9,608**	8,493	**149**	671
Inventories	7	**12,751**	11,106	**-**	-
Other financial assets	8,28	**8,724**	1,857	**3,550**	1,000
Other	9	**2,072**	5,614	**29**	10
Total current assets		**45,177**	58,181	**11,697**	32,036
Non-current assets					
Restricted Cash	5	**9,588**	9,584	**9,588**	9,584
Receivables	10,28	**11**	1,370	**53,613**	35,290
Investments accounted for using the equity method	11	**90**	4,999	**-**	-
Other financial assets	13,28	**869**	1,314	**36,972**	36,972
Exploration and evaluation expenditure	15	**15,756**	27,216	**7,776**	9,023
Mine properties	15	**66,350**	42,368	**-**	-
Property, plant and equipment	15	**49,894**	48,370	**354**	160
Total non-current assets		**142,558**	135,221	**108,303**	91,029
Total assets		**187,735**	193,402	**120,000**	123,065
Current liabilities					
Payables	16,28	**25,350**	19,919	**977**	1,277
Interest bearing liabilities	17,28	**4,965**	26,260	**15**	21,774
Current tax liabilities		**316**	307	**316**	256
Provisions	18	**12,592**	11,260	**1,433**	357
Total current liabilities		**43,223**	57,746	**2,741**	23,664
Non-current liabilities					
Interest bearing liabilities	19,28	**7,660**	9,029	**2,000**	-
Deferred tax liabilities	22	**1,649**	4,099	**1,649**	2,195
Provisions	20	**19,850**	23,704	**86**	73
Other	21	**-**	-	**15,000**	15,000
Total non-current liabilities		**29,159**	36,832	**18,735**	17,268
Total liabilities		**72,382**	94,578	**21,476**	40,932
Net assets		**115,353**	98,824	**98,524**	82,133
Equity					
Parent entity interest					
Contributed equity	23	**99,286**	78,044	**99,286**	78,044
Retained profits	24	**16,067**	20,780	**(762)**	4,089
Total equity		**115,353**	98,824	**98,524**	82,133

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

statements of cash flows

FOR THE YEAR ENDED 30 JUNE 2005

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Cash flows from operating activities					
Cash receipts in the course of operations (inclusive of goods and services tax)		**207,172**	176,740	**1,121**	275
Cash payments in the course of operations (inclusive of goods and services tax)		**(174,486)**	(168,159)	**(5,804)**	(125)
Interest received		**1,444**	1,688	**1,256**	1,207
Interest and other finance costs paid		**(3,599)**	(1,710)	**(833)**	(857)
Income taxes paid		**(370)**	153	**(316)**	126
Net cash inflow (outflow) from operating activities	35	**30,161**	8,712	**(4,576)**	626
Cash flows from investing activities					
Payment for purchase of investments		**-**	(2,208)	**-**	-
Repayment of funds advanced to controlled entities		**-**	-	**-**	23,877
Payments for mine properties		**(16,401)**	(10,917)	**-**	-
Payments for deferred stamp duty		**(801)**	(779)	**-**	-
Payments for production linked payment		**(6,183)**	(7,078)	**-**	-
Payments for property plant and equipment		**(10,229)**	(6,655)	**(338)**	(122)
Payments for exploration and evaluation		**(15,563)**	(11,995)	**(5,612)**	(2,347)
Payments of funds advanced to other entities		**(150)**	-	**-**	-
Proceeds from sale of Fortnum tenements		**-**	500	**-**	500
Proceeds from return of capital from associate		**-**	7,124	**-**	-
Funds advanced to external parties		**-**	(1,367)	**-**	-
Movement in monetary backing for performance guarantees		**(4)**	(955)	**(4)**	(955)
Proceeds from sale of investments		**1,235**	-	**238**	-
Proceeds from sale of equity investments		**-**	30,080	**-**	-
Proceeds from sale of plant and equipment		**-**	386	**-**	-
Net cash inflow (outflow) from investing activities		**(48,096)**	(3,864)	**(5,716)**	20,953
Cash flows from financing activities					
Proceeds of funds from issue of shares		**20,442**	1,842	**20,442**	1,842
Repayment of hire purchase liability		**(4,094)**	(1,609)	**-**	-
Repayment of convertible notes		**(19,352)**	-	**(19,352)**	-
Funds advanced to controlled entities		**-**	-	**(15,184)**	-
Funds advanced to associates		**(150)**	-	**-**	-
Payment of Ranger Minerals Ltd dividends		**-**	(95)	**-**	-
Proceeds from borrowings	25	**2,000**	-	**2,000**	-
Net cash inflow (outflow) from financing activities		**(1,154)**	138	**(12,094)**	1,842
Net increase (decrease) in cash held		**(19,089)**	4,986	**(22,386)**	23,421
Cash at the beginning of the financial year		**31,111**	26,125	**30,355**	6,934
Cash at the end of the financial year	5	**12,022**	31,111	**7,969**	30,355
Financing arrangements	19				
Non-cash financing and investing activities	36				

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

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2005

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.

(a) 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 2005 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(e).

(b) 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.

(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.

(c) 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.

(d) 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).

(e) 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 32.

1 **Summary of significant accounting policies (continued)**

(f) 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.

(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 consolidated entity contributes to employees' nominated superannuation funds. Contributions made by the consolidated entity 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.

(g) 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.

(h) Depreciation of plant and equipment

The cost of plant and 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.

1 **Summary of significant accounting policies (continued)**

(i) 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 interest, or alternatively by its sale; or

(ii) exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

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.

(j) 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).

(k) 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 and Daisy Milano, 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.

(l) 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 ore revenue is recognised when title and control of the ore passes to the buyer at the buyers' premises at the price per ounce of contained gold agreed with the buyer.

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.

1 Summary of significant accounting policies (continued)

(m) 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 was recognised in the financial statements for the year ended 30 June 2004.

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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

1 Summary of significant accounting policies (continued)

(r) Acquisition of assets (continued)

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.

(s) 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
- 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.

(t) 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 which will generate future economic benefits in excess of the assets original designed capacity, in which case the costs are capitalised and depreciated in accordance with note 1(h). Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

(u) Accounting for options

Options are granted to employees via the Perilya Limited Employee Share Option Plan 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 30 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.

(v) 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.

(w) 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.

(x) 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.

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000

2 Revenue

Revenue from operating activities				
Sale of goods	**191,111**	157,726	**-**	250
Revenue from outside the operating activities				
Interest revenue	**1,444**	1,688	**1,256**	1,207
Other revenue	**1,573**	2,773	**314**	1
Proceeds from sale of property, plant and equipment	**-**	1,386	**-**	1,000
Proceeds from sale of exploration prospect	**-**	500	**-**	500
Proceeds from sale of investments	**4,235**	30,080	**3,000**	-
	7,252	36,427	**4,570**	2,708
Revenue from ordinary activities (excluding share of equity accounted net profits of associates)	**198,363**	194,153	**4,570**	2,958

3 Profit / (Loss) from ordinary activities

Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:

Net Gain/(loss) on disposal of:				
Investments	**3,556**	22,563	**2,788**	-
Property, plant and equipment	**-**	(465)	**-**	(120)
Other non-current assets	**-**	167	**-**	167
Cost of sales	**147,185**	137,846	**-**	-
Depreciation:				
Buildings	**240**	220	**-**	-
Plant and equipment	**10,470**	9,576	**113**	45
Total depreciation	**10,710**	9,796	**113**	45
Amortisation of mine properties and development	**9,744**	8,478	**-**	-
Exploration and evaluation expenditure written off	**13,715**	296	**6,860**	208
Writedown of Investments	**1,050**	-	**450**	-
Rental expense on operating leases	**163**	139	**163**	139
Provision for employee entitlements	**2,828**	1,793	**489**	126
Royalties	**5,429**	4,070	**-**	-
Provisions for obsolescence	**432**	156	**-**	-
Borrowing costs:				
Unwinding of discount on production linked payments	**(18)**	355	**-**	-
Interest and finance charges paid/payable	**2,042**	1,810	**833**	857
Exchange losses/ (gains) on foreign currency borrowings	**(2,422)**	(703)	**(2,422)**	(703)
Borrowing costs expensed/(credited)	**(398)**	1,462	**(1,589)**	154

4 Income tax

Income tax expense

(a) The income tax expenses for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Profit from ordinary activities before income tax expense	**(6,784)**	18,283	**(7,063)**	(3,428)
Income tax calculated @ 30% (2004 - 30%)	**(2,035)**	5,485	**(2,119)**	(1,028)
Tax effect of permanent differences				
Non-deductible expenses	**28**	55	**23**	46
Tenement acquisition costs	**4**	262	**2**	11
Share of net losses /(profits) of associates	**44**	(297)	**-**	-
Uplift in assets on tax consolidation	**-**	(706)	**-**	(706)
Capital losses utilised	**-**	(1,071)	**-**	-
Taxable capital gains on sale of investments	**-**	7,957	**-**	-
Accounting gain on sale of investments	**-**	(6,692)	**-**	-
Tax gain on sale of assets	**-**	179	**-**	179
Income tax adjusted for permanent differences	**(1,959)**	5,172	**(2,094)**	(1,498)
Timing differences and tax losses not brought to account as FITB	**6**	6	**-**	-
Under (over) provision in prior year	**(118)**	218	**(118)**	209
Aggregate income tax expense / (benefit)	**(2,071)**	5,396	**(2,212)**	(1,289)
Tax consolidation items for wholly owned subsidiaries:				
Profit from ordinary activities before income tax expense – tax consolidated group (excluding parent entity)			**279**	21,710
Income tax calculated @ 30% (2004 – 30%)			**84**	6,513
Non-deductible depreciation and amortisation			**7**	260
Equity share of associates profit			**44**	(298)
Gain on sale of investments			**-**	1,265
Capital losses of prior years utilised			**-**	(1,071)
Income tax expense – tax consolidated group (excluding parent entity)			**135**	6,669
Benefit of losses recouped			**2,094**	1,497
			1,959	5,172
Underprovision of tax in prior year			**-**	10
Timing differences and tax losses not brought to account as FITB			**6**	6
Compensation received from tax consolidated group entities			**(1,965)**	(5,188)
Aggregate income tax expense	**(2,071)**	5,396	**(2,212)**	(1,289)
Aggregate income tax expense comprises:				
Current taxation provision	**497**	388	**497**	-
Deferred income tax provision	**(2,450)**	4,790	**(2,591)**	-
Future income tax benefit	**-**	-	**-**	(1,496)
Under (over) provision in prior year	**(118)**	218	**(118)**	207
	(2,071)	5,396	**(2,212)**	(1,289)

Tax losses

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
(b) The directors estimate that the potential future income tax benefit at 30 June 2005 in respect of foreign tax losses not brought to account is	**803**	797	**-**	-

4 Income tax (continued)

Tax losses (continued)

This benefit for foreign 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.

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 subsequent financial statements. The accounting policy on implementation of the legislation is set out in note 1(o) and 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

5 Current assets - Cash assets

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Cash at bank and on hand	**10,023**	12,109	**5,970**	11,353
Cash on deposit	**1,999**	19,002	**1,999**	19,002
	12,022	31,111	**7,969**	30,355
Cash reconciliation				
Balances as above	**12,022**	31,111	**7,969**	30,355
Add: Restricted Cash	**9,588**	9,584	**9,588**	9,584
Total of Cash assets plus Restricted Cash	**21,610**	40,695	**17,557**	39,939

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 4.45% p.a to 5.42% p.a (2004: 4.90% p.a to 5.48% p.a).

6 Current assets - Receivables

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Trade debtors	**9,451**	8,485	**142**	663
Other debtors	**157**	8	**7**	8
	9,608	8,493	**149**	671

		CONSOLIDATED		PARENT ENTITY	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
7	**Current assets - Inventories**				
	Consumable supplies and spare parts, at cost	**4,268**	3,885	**-**	-
	Less: Provision for obsolescence	**432**	500	**-**	-
		3,836	3,385	**-**	-
	Ore - Lead & Zinc, at cost	**639**	500	**-**	-
	Concentrates - Lead & Zinc, at net realisable value	**7,628**	7,221	**-**	-
	Ore - Gold, at net realisable value	**648**	-	**-**	-
		12,751	11,106	**-**	-
8	**Current assets - Other financial assets**				
	Shares in listed corporations (i)	**8,724**	1,857	**3,550**	1,000
		8,724	1,857	**3,550**	1,000

(i) The market value of shares in listed corporations in the consolidated entity at year end was $9.5 million (parent entity $3.6 million).

		CONSOLIDATED 2005	CONSOLIDATED 2004	PARENT ENTITY 2005	PARENT ENTITY 2004
9	**Current assets - Other**				
	Prepayments	**2,072**	3,614	**29**	10
	Insurance claim receivable	**-**	2,000	**-**	-
		2,072	5,614	**29**	10
10	**Non-current assets - Receivables**				
	Loans	**-**	1,368	**-**	1
	Loans to controlled entities	**-**	-	**53,604**	35,289
	Other receivables	**11**	2	**9**	-
		11	1,370	**53,613**	35,290
11	**Non-current assets - Investments accounted for using the equity method**				
	Shares in associates	**90**	4,999	**-**	-

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 12).

12 Investments in associates

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	
		2005 %	2004 %	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
Southstar Diamonds Ltd (i)	Explorer	**50**	50	**90**	69	**-**	-
Strike Oil Ltd (ii)	Oil and gas explorer	**21**	36	**-**	4,930	**-**	-
				90	4,999	**-**	-

(i) Southstar Diamonds Limited was a non-listed investment as at 30 June 2005.

(ii) On 5 August 2004 Strike Oil Limited listed in the Australian Stock Exchange and raised new equity through an initial public offering ("IPO"). Prior to the listing and IPO, Perilya held 36% shareholding in Strike Oil Limited, had two members on the board of directors and held a contract which prohibited Strike Oil Limited from undertaking certain events without Perilya's approval. Subsequent to the listing and IPO, Perilya's equity holding in Strike Oil Limited has reduced to 20.6%, the contractual obligations have been eliminated and Perilya only has one member on the board of directors. As Perilya no longer has a significant influence in the company's operational and financial policies, Perilya has ceased equity accounting its interest in Strike Oil Limited. The holding in Strike Oil Limited is now reflected in Current assets - Other financial assets.

	CONSOLIDATED	
	2005 $'000	2004 $'000
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	**4,999**	13,923
Share of profits /(losses) from ordinary activities after income tax	**(145)**	3,897
Advance to associate	**150**	-
Share of preference dividends	**-**	(55)
Cost of investments purchased during the year	**-**	1,956
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)
Transfer of Strike Oil no longer equity accounted	**(4,914)**	-
Carrying amount at the end of the financial year	**90**	4,999
Results attributable to associates		
Profits / (losses) from ordinary activities before income tax	**(145)**	3,897
Profits / (losses) from ordinary activities after income tax	**(145)**	3,897
Share of preference dividends	**-**	55
	(145)	3,842
Retained profits / (losses) attributable to associates at the beginning of the financial year	**877**	(2,965)
Adjustment for entity no longer equity accounted	**(1,201)**	-
Retained profits / (losses) attributable to associates at the end of the financial year	**(469)**	877
Share of associates' contingent liabilities		
Exploration commitments	**99**	2,880
Summary of the performance and financial position of associates		
Profit / (Loss) from ordinary activities after income tax expense	**(303)**	12,397
Assets	**129**	9,833
Liabilities	**(458)**	(458)

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000

13 Non-current assets - Other financial assets

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Investments traded on organised markets				
Shares in listed corporations - at cost	**-**	445	**-**	-
Other (non-traded) investments				
Shares in unlisted corporations - at cost	**869**	869	**-**	-
Shares in controlled entities - net	**-**	-	**36,972**	36,972
	869	1,314	**36,972**	36,972

Investments in controlled entities by the Parent entity are shown in Note 14 below at cost of $38.9 million. The carrying value of $37.0 million is net of provisions made 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 investments in listed shares have been transferred from non-current to current assets as they may be sold within the next twelve months.

14 Investments in controlled entities

(a) Details of controlled entities

NAME OF ENTITY	COUNTRY OF INCORPORATION	COST OF PARENT ENTITY'S INVESTMENT 2005 $'000	2004 $'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	**-**	-
Perilya Daisy Milano Pty Ltd	Australia	**-**	-
		38,893	38,893

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.

(b) Disposal of Controlled Entity

Perilya Geothermal Energy Pty Ltd

On 10 May 2005 Perilya Limited sold its controlled entity, Perilya Geothermal Energy Pty Ltd which held a 50% interest in the geothermal energy project surrounding the Olympic Dam mine in South Australia, to Green Rock Energy Ltd (formerly Mokuti Mining Limited) for a consideration of 7.5 million ordinary shares in Green Rock Energy and 7.5 million "A" Class performance shares which were converted to fully paid ordinary shares on the drilling of the first exploratory well on the geothermal leases.

14 Investments in controlled entities (continued)

(b) Disposal of Controlled Entity (continued)

Details of the disposal are as follows:

	$'000
Consideration	
Shares	3,000
Total disposal value	3,000
Book value of identifiable net assets of controlled entity disposed	
Capitalised Exploration Expenditure	212
	212
Gain on disposal of controlled entity	2,788

15 Non-current assets - Exploration & Evaluation, Mine Properties and Property, Plant & Equipment

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
(a) Exploration and evaluation expenditure				
Cost brought forward	**27,216**	14,275	**9,023**	7,217
Expenditure incurred during the year (i)	**19,267**	13,571	**5,612**	2,014
Expenditure written off during the year (ii)	**(13,715)**	(296)	**(6,859)**	(208)
Exploration tenement disposed during year	**-**	(334)	**-**	-
Transfer to Mine Properties - Daisy Milano	**(17,012)**	-	**-**	-
	15,756	27,216	**7,776**	9,023

(i) Of the $19.3 million exploration expenditure incurred during the 2004/05 financial year, $12.3 million relates to the exploration, evaluation and technical feasibility study at the Daisy Milano gold project.

(ii) Exploration and evaluation projects have been written down to their expected recoverable amounts.

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
(b) Mine properties				
Cost brought forward	**58,106**	75,458	**-**	28,269
Expenditure incurred during the year on existing properties	**16,714**	10,917	**-**	-
Transferred from Exploration and evaluation expenditure - Daisy Milano	**17,012**	-	**-**	-
Disposal of Fortnum mine property	**-**	(28,269)	**-**	(28,269)
Cost carried forward	**91,832**	58,106	**-**	-
Amortisation brought forward	**15,738**	35,529	**-**	28,269
Amortisation charge for the year	**9,744**	8,478	**-**	-
Charge on assets sold	**-**	(28,269)	**-**	(28,269)
Accumulated amortisation	**25,482**	15,738	**-**	-
	66,350	42,368	**-**	-

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000

15 Non-current assets - Exploration & Evaluation, Mine Properties and Property, Plant & Equipment (continued)

(c) Property, plant and equipment

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Land & buildings				
Freehold land and mine buildings - at cost	**2,942**	2,468	**-**	-
Less: Accumulated depreciation	**768**	524	**-**	-
	2,174	1,944	**-**	-
Plant and equipment				
Plant & equipment				
At cost	**26,622**	20,896	**602**	437
Less: Accumulated depreciation	**6,164**	6,025	**453**	422
	20,458	14,871	**149**	15
Plant & equipment under Hire Purchase				
At cost	**16,548**	14,558	**-**	-
Less: Accumulated depreciation	**5,107**	1,517	**-**	-
	11,441	13,041	**-**	-
Mobile Equipment				
At cost	**29,046**	26,168	**-**	-
Less: Accumulated depreciation	**14,538**	8,942	**-**	-
	14,508	17,226	**-**	-
Office equipment				
At cost	**4,491**	3,457	**924**	791
Less: Accumulated depreciation	**3,178**	2,169	**719**	646
	1,313	1,288	**205**	145
Total property, plant and equipment	**49,894**	48,370	**354**	160

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 2004	1,944	33,385	13,041	48,370
Additions	474	10,021	1,990	12,485
Inter-entity transfers at cost	-	(383)	-	(383)
Depreciation/amortisation expense (note 3)	(240)	(6,880)	(3,590)	(10,710)
Depreciation capitalised to mine properties	(4)	(146)	-	(150)
Inter-entity transfers accumulated depreciation	-	282	-	282
Carrying amount at 30 June 2005	2,174	36,279	11,441	49,894
Parent entity				
Carrying amount at 1 July 2004	-	160	-	160
Additions	-	353	-	353
Disposals	-	(46)	-	(46)
Depreciation/amortisation expense (note 3)	-	(113)	-	(113)
Carrying amount at 30 June 2005	-	354	-	354

15 Non-current assets - Exploration & Evaluation, Mine Properties and Property, Plant & Equipment (continued)

(c) Property, plant and equipment (continued)

Acquisition of Daisy Milano

On 31 January 2005 Perilya Daisy Milano Ltd exercised its option to acquire the Daisy Milano mine. The acquisition cost of the Daisy Milano mine and surrounding tenements comprised $5.2 million, made up of $4.4 million cash and $0.8 million represented by 828,157 Perilya Limited shares, plus a $5 million Cash Flow Payment and a $5 million Production Royalty Payment. $4.1 million of the acquisition cost of the Daisy Milano mine and surrounding tenements was attributed to the exploration tenements and capitalised as Exploration and Evaluation expenditure. Expenditure prior to the exercise of the option was capitalised under Exploration and Evaluation Expenditure. Upon exercise of the option $17 million was transferred from Exploration and Evaluation expenditure to Mine Properties.

(i) The $5 million Cash Flow Payment payable to the Ridgeview Group commences once Perilya has recouped all past operating and capital expenditure, exploration expenditure and acquisition costs. The Cash Flow Payments are to be paid monthly at the rate of 30% of the mine's net positive cashflow up to the point in time Perilya has mined in aggregate 250,000 tonnes of ore, then at a rate of 35% until the $5 million has been paid. Potential payments pursuant to this arrangement cannot be reliably measured and have not been recognised in the statement of financial position.

(ii) After payment of the $5 million Cash Flow Payment, Perilya is also required to pay the Ridgeview Group a production royalty up to $5 million. The Production Royalty Payment is payable at the rate of:

- $15/oz if the gold price and the head grade is less than A$600/oz and 13 g/t respectively.
- $30/oz if either the gold price or the head grade exceed the above amounts.
- $50/oz if both the gold price and head grade exceed the above amounts. Potential payments pursuant to this Production Royalty Payment arrangement cannot be reliably measured and have not been recognised in the statement of financial position.

16 Current liabilities - Payables

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Trade creditors and accruals	**24,869**	19,521	**691**	1,263
Other payables	**481**	398	**286**	14
	25,350	19,919	**977**	1,277

17 Current liabilities - Interest bearing liabilities

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Secured				
Convertible Notes (i)	**-**	21,774	**-**	21,774
Finance Lease	**15**	-	**15**	-
Hire Purchase Agreements	**4,950**	3,685	**-**	-
	4,965	25,459	**15**	21,774
Unsecured				
Deferred Stamp duty (ii)	**-**	801	**-**	-
	4,965	26,260	**15**	21,774

Details of the security relating to each of the secured liabilities are set out in note 19.

(i) The fully redeemable convertible note, issued to the Korea Zinc Group, with a face value of US$15 million was repaid on the 2nd May 2005. A realised foreign exchange gain of A$2.4 million was reflected in the Statement of Financial Performance in the current year.

(ii) The stamp duty liability was repaid in November 2004.

18 Current liabilities - Provisions

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Provisions - annual leave	**5,339**	3,670	**833**	357
Production linked payments (i)	**6,653**	7,590	**-**	-
Provisions - other	**600**	-	**600**	-
	12,592	11,260	**1,433**	357

(i) Pursuant to the Sale and Purchase Agreement for the acquisition of the Broken Hill operation's assets, as part of the purchase consideration Perilya is required to pay Pasminco Limited (Administrators) and Zinifex Limited, a combined total of $3.30 per tonne 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 6%. Payments made during the year amounted to $6.2 million.

Movements in provisions

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

	PRODUCTION LINKED PAYMENTS $'000	PROVISION FOR LEGAL FEES $'000
Consolidated		
Carrying amount at start of year	7,590	-
Transferred from non-current liability	5,245	-
Current provision	-	600
Payments	(6,182)	-
Carrying amount at end of year	6,653	600

19 Non-current liabilities - Interest bearing liabilities

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Secured				
Secured Loan (i)	**2,000**	-	**2,000**	-
Hire Purchase	**5,660**	9,029	**-**	-
Total secured non-current interest bearing liabilities	**7,660**	9,029	**2,000**	-
Total unsecured non-current interest bearing liabilities	**-**	-	**-**	-
Total non-current interest bearing liabilities	**7,660**	9,029	**2,000**	-

(i) Perilya Limited has a borrowing facility of $20 million with YK Australia Pty Ltd which can be drawn down and repaid over the next 5 years. During the current financial year $2 million was drawn down under the facility. The funds drawn down attract interest at the average 90 day bank bill rates with a margin of 2.75%, with the interest payable quarterly in arrears. A commitment fee of 0.5% per annum is payable on the outstanding facility balance.

Assets pledged as security

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

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
First mortgage				
Mine properties	**42,430**	42,368	**-**	-
Property, plant & equipment	**41,194**	34,698	**-**	-
Total assets pledged as security	**83,624**	77,066	**-**	-

A first ranking charge over the fixed and floating assets of the Broken Hill Operation is provided to YK Australia Pty Ltd and a second ranking charge to Zinifex Australia Limited (formerly Pasminco Australia Limited) and Pasminco Broken Hill Mine Pty Ltd. The hire purchase loan is secured by assets acquired under hire purchase. The assets have a carrying value of $11.4 million.

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000

20 Non-current liabilities - Provisions

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Provisions - long service leave	**1,695**	536	**86**	73
Production linked payments (i)	**1,405**	6,668	**-**	-
Mining restoration and rehabilitation	**16,750**	16,500	**-**	-
	19,850	23,704	**86**	73

(i) Refer note 18.

Movements in provisions

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

	MINING RESTORATION AND REHABILITATION $'000	PRODUCTION LINKED PAYMENTS $'000	TOTAL $'000
Consolidated			
Carrying amount at 1 July 2004	16,500	6,668	23,168
Transferred to current liability	-	(5,245)	(5,245)
Unwinding of discount	-	(18)	(18)
Increase in Mining restoration and rehabilitation	250	-	250
Carrying amount at 30 June 2005	16,750	1,405	18,155

21 Non-current liabilities - Other

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Secured				
Payable to wholly owned entities	**-**	-	**15,000**	15,000
	-	-	**15,000**	15,000

22 Non-current liabilities - Deferred tax liabilities

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Provision for deferred income tax	1,649	4,099	1,649	2,195

23 Contributed equity

	PARENT ENTITY 2005 SHARES	PARENT ENTITY 2004 SHARES	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
(a) Share capital				
Ordinary shares				
Issued and paid up capital	**186,522,239**	164,020,332	**99,286**	78,044
	186,522,239	164,020,332	**99,286**	78,044

23 Contributed equity (continued)

(b) Movements in ordinary share capital

DATE	DETAILS	NUMBER OF SHARES	AVERAGE ISSUE PRICE PER SHARE	$'000
1 July 2003	Balance	159,385,332		76,202
	Options exercised	4,635,000	$0.40	1,842
30 June 2004	Balance	164,020,332		78,044
	Options exercised	2,475,000	$0.44	1,090
31 Jan 2005	Share issue (i)	828,157	$0.97	800
2 Feb 2005	Share issue (ii)	19,198,750	$1.01	19,352
				99,286
30 June 2005	Balance	186,522,239		99,286

(i) shares issued to the Ridgeview Group arising from the exercise of the Daisy Milano option.

(ii) shares issued to Korea Zinc Company Limited and Young Poong Corporation.

(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 Share 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.

24 Retained profits

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Retained profits at the beginning of the financial year	**20,780**	7,893	**4,089**	6,228
Net profit /(loss) attributable to members of Perilya Limited	**(4,713)**	12,887	**(4,851)**	(2,139)
Retained profits at the end of the financial year	**16,067**	20,780	**(762)**	4,089

25 Franking credits

Franked dividends

The franked portions of the dividends recommended after 30 June 2005 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 2006.

	2005	2004
Franking credits available for subsequent financial years based on a tax rate of 30%	**16,079**	15,619

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.

26 Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets which were not provided for in the financial statements of the economic entity and the Company as at 30 June 2005 other than:

Contingent liabilities

(a) Broken Hill - Price Linked Payments

In accordance with the Sale and Purchase Agreement between Perilya Limited, Perilya Broken Hill Limited and Pasminco Limited, price participation payments are payable if the spot zinc price averages in excess of US$950/tonne in any one quarter. The amount payable is 10% of the amount that the average zinc price is in excess of US$950/tonne multiplied by the tonnes of zinc plus lead concentrate sold to Zinifex in the quarter. These potential royalty payments cease 7.5 years after 31 May 2002 or the payment of A$30 million, whichever occurs first. Payments made in the year ended 30 June 2005 total A$6.6 million. At 30 June 2005, the cumulative amounts paid and payable total $A9.1 million. The price of zinc was US$1,223 per tonne at 30 June 2005. Potential payments pursuant to this arrangement cannot be reliably measured and have not been recognised in the Statement of financial position.

(b) Daisy Milano Cash Flow Payments and Production Royalty Payments.

Refer to note 15.

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 of $2 million. These amounts have not been recognised in the financial statements.

27 Commitments for expenditure

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year - Operating Leases	**122**	212	**122**	212
Within one year - Finance Lease	**5**	-	**5**	-
Later than one year but not later than 5 years - Operating Leases	**-**	136	**-**	136
Later than one year but not later than 5 years - Finance Lease.	**13**	-	**13**	-
	140	348	**140**	348
Representing:				
Non-cancellable operating leases	**122**	348	**122**	348
Non-cancellable finance leases	**18**	-	**18**	-
	140	348	**140**	348

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

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Hire purchase commitments				
Commitments in relation to hire purchase contracts are payable as follows:				
Within one year	**5,584**	4,495	**-**	-
Later than one year but not later than 4 years	**6,043**	9,860	**-**	-
	11,627	14,355	**-**	-
Less: Unexpired hire purchase finance charges	**1,015**	1,641	**-**	-
Commitments recognised as a liability in the financial statements (notes 18 and 20)	**10,612**	12,714	**-**	-

27 **Commitments for expenditure (continued)**

Tenement commitments

Perilya maintains current rights of tenure to tenements which require outlays of expenditure until the tenement is relinquished. Estimated expenditure outlays for 2005/2006 are $5.0 million on exploration tenements and $12.6 million on the Broken Hill mine tenements (2004/2005: $16.0 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 2005/2006, 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 2005 or 30 June 2004.

Supply contracts

Perilya Broken Hill Limited has entered into take or pay contracts with the Silverton Tramway Company Limited for the provision of shunting operation services and with Country Energy for the provision of water at the Broken Hill Operations. The minimum expenditure commitment is $2.8 million per year (2004/05: $10.5 million).

Finance leases

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Commitments in relation to finance leases are payable as follows:				
Within one year	**5**	-	**5**	-
Later than one year but not later than 5 years	**13**	-	**13**	-
Less: Unexpired Charges	**5**	-	**5**	-
Total lease liabilities	**13**	-	**13**	-

28 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 the majority of its commodities in US dollars resulting in trade debtors in US dollars and in addition holds a US dollar bank account. At 30 June 2005 the outstanding amount held in the US dollar bank account was US$3.0 million (2004: US$0.2million).

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 2005, outstanding amounts held in foreign currency bank accounts in Malaysia were RM 0.2 million (2004: RM 0.4 million).

(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.

28 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:

2005	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	5	**10,023**	**11,587**	**-**	**-**	**21,610**
Receivables	6,10	**-**	**-**	**-**	**9,619**	**9,619**
Other financial assets	8,13	**-**	**-**	**-**	**9,593**	**9,593**
		10,023	**11,587**	**-**	**19,212**	**40,822**
Weighted average interest rate		**4.45%**	**5.42%**			
Financial liabilities						
Trade and other creditors	16	**-**	**-**	**-**	**25,350**	**25,350**
Finance Lease	17	**-**	**-**	**15**	**-**	**15**
Hire Purchase	17,19	**-**	**4,950**	**5,660**	**-**	**10,610**
Secured Loan	19	**-**	**-**	**2,000**	**-**	**2,000**
Production linked payments	18,20	**-**	**-**	**-**	**8,058**	**8,058**
		-	**4,950**	**7,675**	**33,408**	**46,033**
Weighted average interest rate			**7.31%**	**7.13%**		
Net financial assets (liabilities)		**10,023**	**6,637**	**(7,675)**	**(14,196)**	**(5,211)**

2004	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	5	12,109	28,586	-	-	-	40,695
Receivables	6,10	-	-	1,000	-	10,863	11,863
Other financial assets	8,13	-	-	-	-	3,171	3,171
		12,109	28,586	1,000	-	14,034	55,729
Weighted average interest rate		4.20%	5.40%				
Financial liabilities							
Trade and other creditors	16	-	-	-	-	19,918	19,918
Deferred Stamp Duty	17,19	-	801	-	-	-	801
Hire purchase	18,19	-	3,685	9,029	-	-	12,714
Convertible Note	19	-	21,774	-	-	-	21,774
Production linked payments	18,20	-	-	-	-	14,258	14,258
		-	26,260	9,029	-	34,176	69,465
Weighted average interest rate			4.55%	7.36%			
Net financial assets (liabilities)		12,109	2,326	(8,029)	-	(20,142)	(13,736)

(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.

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $

29 Remuneration of auditors

During the year the following services were paid to the auditor of the parent entity, its related practices and non-related audit firms:

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the Corporations Act 2001	**136,200**	149,705	**136,200**	149,705
Taxation services	**58,150**	226,309	**58,150**	226,309
Corporate services	**46,349**	36,862	**46,349**	36,862
Total remuneration	**240,699**	412,876	**240,699**	412,876
Other auditors of controlled entities	**3,221**	2,948	**-**	-
Remuneration of other auditors of controlled entities	**3,221**	2,948	**-**	-

30 Director and executive disclosures

Directors

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

Chairman - non executive

Phillip C. Lockyer

Executive directors

Leonard S. Jubber, Chief Executive Officer (appointed 16th May 2005)
Timothy M. Clifton, Managing Director (resigned 1st July 2005)

Non-executive directors

Peter Harley
Colin A. McIntrye
Guy A. Travis
Chang Keun Choi (appointed 27th April 2005)

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 2004.

Remuneration report

Refer to the Directors' Report

30 **Director and executive disclosures (continued)**

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 parent and consolidated entity are set out below. When exercisable, each option is convertible into one fully paid 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		
Leonard Jubber - Chief Executive Officer	5,000,000	
Specified executives of the consolidated entity		
Paul Cranney - Exploration Manager	250,000	-
Ron Ellis - Manager Mining Broken Hill	250,000	75,000
Alan Knights - Chief Financial Officer	500,000	150,000
Barry Mitchell - General Manager Broken Hill	500,000	400,000
John Traicos - Company Secretary	250,000	150,000

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 specified executives is amortised on a straight line basis 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.

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.

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 parent and consolidated entity, including their personally-related entities, are set out on the following page.

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
Specified directors of the consolidated entity					
Tim Clifton	2,000,000	-	-	2,000,000	2,000,000
Len Jubber	-	5,000,000	-	5,000,000	-
Specified executives of the consolidated entity					
Paul Cranney - Exploration Manager	-	250,000	-	250,000	-
Ron Ellis - Manager Mining Broken Hill	150,000	250,000	-	400,000	75,000
Alan Knights - Chief Financial Officer	400,000	500,000	-	900,000	250,000
Barry Mitchell - General Manager Broken Hill	500,000	500,000	-	1,000,000	400,000
John Traicos - Company Secretary	300,000	250,000	-	550,000	150,000

30 Director and executive disclosures (continued)

Equity instrument disclosures relating to directors and executives (continued)

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 parent and 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				
Len Jubber - Chief Executive Officer	-	-	50,000	50,000
Timothy Clifton	3,699,000	-	-	3,699,000
Phillip Lockyer - Non-Executive Director	20,000	-	-	20,000
Colin A McIntyre - Non-Executive Director	50,000	-	-	50,000
Guy A Travis - Non-Executive Director	4,335,201	-	(4,972)	4,330,229
Peter Harley - Non Executive Director	15,000	-	-	15,000
Chang Keun Choi - Non Executive Director	-	-	-	-
Specified executives of the parent and consolidated entity				
Ordinary shares				
Paul Cranney - Exploration Manager	900,000	-	(900,000)	-
Ron Ellis - Manager Mining Broken Hill	-	-	-	-
Alan Knights - Chief Financial Officer	100,000	-	-	100,000
Barry Mitchell - General Manager Broken Hill	-	-	-	-
John Traicos - Company Secretary	300,000	-	(200,000)	100,000

31 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.

31 **Segment information (continued)**

Primary reporting - business segments

2005	BASE METALS MINING $'000	GOLD MINING $'000	EXPLORATION $'000	INVESTMENT & ADMINISTRATION $'000	CONSOLIDATED $'000
Total sales revenue	**188,390**	**2,721**	**-**	**-**	**191,111**
Other revenue	**949**	**310**	**-**	**5,993**	**7,252**
Total segment revenue	**189,339**	**3,031**	**-**	**5,993**	**198,363**
Segment result	**9,598**	**(1,411)**	**(13,715)**	**(1,111)**	**(6,639)**
Share of net profits of associates					**(145)**
Loss from ordinary activities before income tax expense					**(6,784)**
Income tax benefit					**2,071**
Net loss attributable to members of the parent entity					**(4,713)**
Segment assets	**119,815**	**24,157**	**15,756**	**28,007**	**187,735**
Unallocated assets					**-**
Total assets					**187,735**
Segment liabilities	**36,593**	**2,921**	**-**	**2,061**	**41,575**
Unallocated liabilities					**30,807**
Total liabilities					**72,382**
Investments in associates	**-**	**-**	**-**	**90**	**90**
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	**26,200**	**19,330**	**2,255**	**298**	**48,083**
Depreciation and amortisation expense	**19,143**	**1,201**	**-**	**110**	**20,454**
Other non-cash expenses	**-**	**-**	**-**	**-**	**-**

2004	BASE METALS MINING $'000	GOLD MINING $'000	EXPLORATION $'000	INVESTMENT & ADMINISTRATION $'000	CONSOLIDATED $'000
Total sales revenue	157,476	250	-	-	157,726
Other revenue	2,638	1,500	-	32,289	36,427
Total segment revenue	160,114	1,750	-	32,289	194,153
Segment result	(3,808)	516	(296)	18,029	14,441
Share of net losses of associates					3,842
Profit from ordinary activities before income tax expense					18,283
Income tax benefit					(5,396)
Net loss attributable to members of the parent entity					12,887
Segment assets	115,323	-	27,216	50,588	193,127
Unallocated assets					275
Total assets					193,402
Segment liabilities	33,502	-	1,706	848	36,056
Unallocated liabilities					58,522
Total liabilities					94,578
Investments in associates	-	-	-	4,999	4,999
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	28,446	-	14,043	121	42,610
Depreciation and amortisation expense	18,229	-	-	45	18,274
Other non-cash expenses	-	-	296	-	296

31 **Segment information (continued)**

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	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
Australia	**107,420**	141,561	**187,609**	190,907	**48,083**	42,610
Korea	**90,943**	52,592	**-**	-	**-**	-
Malaysia	**-**	-	**126**	2,495	**-**	-
	198,363	194,153	**187,735**	193,402	**48,083**	42,610

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 on associates is found in note 12.

32 Interests in joint ventures

Joint venture operation

The economic entity's aggregate interests in the assets and liabilities of each of its 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 26 and 27.

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Current assets				
Receivables	**33**	26	**-**	-
Other	**1**	1	**-**	-
Total current assets	**34**	27	**-**	-
Non-current assets				
Exploration and evaluation	**2,736**	8,878	**2,736**	6,965
Property, plant and equipment	**69**	74	**-**	-
Total non-current assets	**2,805**	8,952	**2,736**	6,965
Total assets	**2,839**	8,979	**2,736**	6,965

32 Interests in joint ventures (continued)

Joint venture operation (continued)

Companies within the economic entity are participants in the following joint ventures as at 30 June 2005. 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 venturers fulfil their obligations to the joint ventures are as follows:

JOINT VENTURE	LOCATION	PRINCIPAL ACTIVITY	% HOLDING 30 JUNE 2005	% HOLDING 30 JUNE 2004
Dee Range	QLD	Gold and base metal exploration	**90**	30
Ulam Range	QLD	Gold and base metal exploration	**90**	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
Kanowna	WA	Gold exploration	**30**	30
Kalbarra	WA	Gold exploration	**27**	27
Holleton	WA	Gold exploration	**90**	90
Honeymoon Well	WA	Gold exploration	**70**	70
South Mt Woods	SA	Gold and base metal exploration	**50**	50
Yancowinna	NSW	Base metal exploration	**100**	89
Aroona	SA	Base metal exploration	**90**	90
Jillawarra	WA	Base metal exploration	**70**	-
Coultra	NSW	Base metal exploration	**80**	-
Stirling Vale	NSW	Base metal exploration	**70**	-
Greenshire	NSW	Base metal exploration	**90**	-
Rustenberg	South Africa	PGM exploration	**50**	-

33 Related parties

Directors

Disclosures relating to directors and specified executives are set out in note 30.

Remuneration benefits

Information on remuneration of directors is disclosed in note 30.

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

Share and Option transactions are disclosed in note 30.

Other transactions with directors and director-related entities

The Company consulted with Phil Lockyer and Associates Pty Ltd, of which Phillip Lockyer is a shareholder and director. Fees of $163,750 were paid to Phil Lockyer and Associates Pty Ltd for technical services rendered (2004: $78,875).

The Company was charged fees of $3,356 by iiNet Limited, of which Peter Harley is a director, for internet services provided during the financial year. The Company owed iiNet Limited $640 at year end (2004: $1,335 and $245 respectively).

Wholly-owned group

The wholly-owned group consists of Perilya Limited and those wholly-owned controlled entities as disclosed in note 14. 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.

34 Events occurring after reporting date

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

35 Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Profit / (loss) from ordinary activities after income tax	**(4,713)**	12,887	**(4,851)**	(2,138)
Depreciation and amortisation	**20,454**	18,274	**113**	45
Exploration and Evaluation written off	**13,715**	380	**6,860**	208
Share of loss (gain) of associate	**145**	(3,842)	**-**	-
Unwinding of discount on production linked payments	**(17)**	355	**-**	-
Interest on deferred stamp duty	**-**	(22)	**-**	-
Realised exchange gain on settlement of loan	**(2,422)**	-	**(2,422)**	-
Diminution on carrying value of investments	**813**	-	**-**	-
Loss - (profit) on sale of exploration prospects	**-**	(167)	**-**	(167)
Loss - (profit) on sale of plant and equipment	**-**	465	**-**	120
Loss - (profit) on sale of Investments	**(3,556)**	(22,563)	**(2,788)**	-
Excess rehabilitation provision reversed on Fortnum mine	**-**	(815)	**-**	(815)
Unrealised foreign exchange (gain) / loss	**42**	(802)	**-**	(701)
Change in operating assets and liabilities				
Decrease / (increase) in trade debtors	**(1,015)**	2,250	**983**	(5)
Decrease / (increase) in inventories	**(1,645)**	(3,044)	**-**	597
Decrease / (increase) in prepayments	**3,542**	(2,846)	**(19)**	483
Decrease / (increase) in tax assets	**-**	3,567	**-**	1,707
Increase / (decrease) in trade creditors	**3,456**	1,612	**(1,042)**	696
Increase / (decrease) in provisions	**3,803**	1,737	**1,060**	126
Increase / (decrease) in deferred tax liabilities	**(2,441)**	1,286	**(2,227)**	470
Net cash inflow from operating activities	**30,161**	8,712	**(4,333)**	626

36 Non-cash financing and investing activities

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Shares acquired in Gleneagle Gold Ltd as part consideration for disposal of Fortnum mine assets (i)	**-**	1,000	**-**	-
Shares acquired in Green Rock Energy Ltd (ii)	**3,000**	-	**3,000**	-
Acquisition of plant & equipment on H.P. (iii)	**1,990**	11,452	**-**	-
Shares Issued as part consideration for the Daisy Milano acquisition (iv)	**828**	-	**-**	-

(i) Gleneagle Gold Ltd

As part of the sale of Fortnum Gold project, Perilya Limited received 5 million shares in Gleneagle Gold Limited valued at $0.20 per share.

(ii) Green Rock Energy Ltd

On 10 May 2005 Perilya Limited acquired 7.5 million ordinary shares and 7.5 million "A" class performance shares as sales proceeds for their 50% interest in the geothermal energy project at Olympic Dam in South Australia. (Refer to note 14 (b) for further information).

(iii) Hire Purchase of plant and equipment

During the year ended 30 June 2005, Perilya entered into hire purchase contracts amounting to $2.0 million to finance the acquisition of underground mobile equipment for the Broken Hill and Daisy Milano Operations.

(iv) Daisy Milano

In conjunction with the purchase of Daisy Milano the company issued shares to the Ridgeview Group.

37 Earnings per share

	CONSOLIDATED 2005 CENTS	2004 CENTS
Basic earnings per share	**(2.8)**	8.0
Diluted earnings per share	**(2.8)**	7.7

	CONSOLIDATED 2005 NUMBER	2004 NUMBER
Weighted average number of shares		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	**168,121,022**	161,657,982
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	**168,121,022**	167,853,562

	$'000	$'000
Net Profit (loss) used in calculating earnings per share		
Net profit	**(4,713)**	12,887

Information concerning the classification of securities

(a) Options

Options granted to employees under the Perilya Limited Employee Share Option Plan are considered to be potential ordinary shares and have not been included in the determination of diluted earnings per share for the year ended 30 June 2005 as the effect, on the $4.7 million loss, would be anti-dilutive. The options were however included in the determination of diluted earnings per share for the comparative disclosure. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 23(d).

38 Impacts of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) has adopted International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to the International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS 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.

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

Perilya has established a project team to manage the transition to AIFRS, 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 quarterly to the audit committee.

The project team has analysed the AIFRS and has identified the accounting policy changes that will be required. The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS are shown for each line item in the statements of financial performance and statements of financial position, with descriptions of the differences. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed in these notes are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change should the AASB or IASB amend or issue additional standards and/or interpretations. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

38 Impacts of adopting Australian equivalents to IFRS (continued)

(a) Financial instruments

The group will be taking advantage of the exemption available under AASB 1 to apply AASB 132 'Financial Instruments Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' with effect from 01 July 2005. Under AASB 132 the current classification of financial instruments issued by entities in the consolidated entity would not change.

Notwithstanding the later adoption of the above standards, the company has identified the following financial instruments adjustments required.

Under AASB 139 'Financial Instruments: Recognition and Measurement' (IFRS equivalent: IAS 39) assets are classified into one of four categories:

(i) Assets available for sale.

(ii) Assets held for trading.

(iii) Investments held to maturity.

(iv) Loans and receivables originated by the enterprise and not held for trading.

The investments held by the Perilya Group are classed as "Assets available for sale". In terms of this classification Perilya is required to value the assets at each reporting date at the market value. The movement in each reporting date valuation, for financial years ended on or after 30 June 2006, is transferred to a "Fair Value Adjustment Reserve" unless the Board of Directors consider any reduction in market value to be a permanent diminution in value in which case the difference will be expensed in the Profit and Loss. Fair value adjustments prior to the financial year ended 30 June 2005 is taken directly to Fair Value Adjustment Reserve in Equity. When the investments are sold, the cumulative adjustments associated with the investments sold, if any, will be transferred from the Fair Value Adjustment Reserve to the Profit and Loss. The fair value adjustment as at 1 July 2005 to be credited to Fair Value Adjustment Reserve will be:

	CONSOLIDATED 01 JULY 2005 $'000	PARENT 01 JULY 2005 $'000
Fair value adjustment	**1,845**	**(285)**

The company has identified the Broken Hill Operation's price linked payment as an embedded derivative which is yet to be valued for the financial instruments disclosure. The price linked payment is payable to the Administrators of Pasminco if the spot zinc price averages in excess of US$ 950/tonne in any one quarter. These potential payments cease on 30 November 2009, or the payment of $30 million, whichever occurs first.

(b) Deferred tax liability

Under 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 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.

If the policy required by AASB 112 had been applied during the year ended 30 June 2005 a decrease in the consolidated entity deferred tax liabilities of $550,000 ($780,00 decrease on transition) at 30 June 2005 would have been recognised as a result of a discounted rehabilitation provision. The adoption of AASB 112 has no impact on the parent entity.

(c) Provisions, Contingent Liabilities and Contingent Assets

Under AASB 137 Provisions, Contingent Liabilities and Contingent Assets' (IFRS equivalent: IAS 37) the provision for rehabilitation and restoration is to be the estimated total future rehabilitation and restoration costs discounted to a present value.

For new mining projects, the discount value of the estimated total future rehabilitation and restoration costs will be the initial provision. Each subsequent reporting period, the amount of the provision will be adjusted by:

a) any change in the estimated future rehabilitation and restoration costs of existing workings

b) an increase in the estimated future rehabilitation and restoration costs for new workings and

c) the discount associated with the change in either the life of the project or the discount rate.

38 Impacts of adopting Australian equivalents to IFRS (continued)

(c) Provisions, Contingent Liabilities and Contingent Assets (continued)

Changes in the estimated total future rehabilitation and restoration costs for existing and new workings are capitalised under mine properties.

Perilya Limited's policy for rehabilitation and restoration costs under existing GAAP was to accrue the total estimated future rehabilitation and restoration costs on an undiscounted basis. On implementation of the IFRS equivalent accounting standards, Perilya will be required to present value the provision for rehabilitation and restoration costs and charge the difference to Retained Income.

For the financial year ended 30 June 2004 an amount of $2.6 million will be credited to Retained Income in the consolidated financial statements. For the financial year at 30 June 2005 an amount of $0.8 million will be debited to the Profit and Loss (before tax credit of $0.2 million in the consolidated financial statements. The adoption of AASB 137 has no impact on the parent entity.

In determining the present value of the rehabilitation and restoration costs, a discount rate of 5.5% was applied.

(d) Impairment of Assets

Under AASB 136 Impairment of Assets', entities are no longer able to assess whether assets are impaired by using and undiscounted recoverable amount test. Entities will be required to determine recoverable amount as the higher of fair value less costs to sell and value in use. Discounted cash flows must be used to determine recoverable amount. The impact of the application of AASB 136 has not been quantified as at 30 June 2005.

(e) Share based payments

Under AASB 2 Share Based Payments', from 1 July 2004, the consolidated entity is required to recognised as an expense for those options that were issued to employees after November 2002 but that had not vested by January 2005.

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

If the policy required by AASB 2 had been applied during the year ended 30 June 2005, consolidated retained profits at 30 June 2005 would have been lower, with a corresponding increase in the share-based payment reserve. For the year ended 30 June 2005, the consolidated and parent employee benefits expense would have been $520,00 higher ($35,000 recognised on transition) with a corresponding increase in the net movement in the share based payment reserve.

f) Other revenue disclosures

Under AIFRS, the revenue recognised in relation to the sale of non-current assets is the net gain on sale. This is in contrast to the current Australian GAAP treatment under which the gross proceeds from the sale are recognised as revenue and the carrying amount of the assets sold is recognised as an expense. The net impact on the profit or loss of this difference is nil.

If the policy required under AIFRS had been applied during the year ended 30 June 2005, the consolidated revenue from ordinary activities would have been $679,000 lower with a corresponding decrease to other expenses.

Under AASB 123 Borrowing Costs' foreign exchange gains on interest bearing liabilities are not included in borrowing costs. This is in contrast to the current Australian GAAP treatment under which the foreign exchange gains are recognised as borrowing costs.

If the policy under AFIRS had been applied during the year ended 30 June 2005 the consolidated revenue from ordinary activities would have been $2,422,000 higher with a corresponding increase to borrowing costs.

g) Tax consolidation accounting

Under UIG 1052 Tax Consolidation Accounting, the parent entity, as the head entity in the tax consolidated group, will be required to recognise the current tax payable of the tax consolidated subsidiaries and deferred tax assets relating to the tax losses of those subsidiaries. As the tax consolidated group has entered into a tax funding agreement, the net difference between these amounts and amounts receivable or payable under the tax funding agreements will result in equity contributions or distributions being recognised in the head entity and other members of the tax consolidated group.

The parent entity's own tax amounts will be measured using one of the acceptable allocation methods in UIG 1052.

This differs from current accounting policy, under which the parent entity recognises current and deferred tax amounts relating to transactions, events and balances of the tax consolidated subsidiaries as if those transactions, events and balances were its own, and measures its own tax amounts by applying the principles in AASB 1020.

The consolidated tax balances will not change as a result of UIG 1052 and the impact on the parent entity has not been quantified.

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000

39 Employee benefits

Employee benefit and related on-costs liabilities				
Provision for annual leave - current (note 18)	**5,339**	3,670	**833**	357
Provision for long service leave - non-current (note 20)	**1,695**	536	**86**	73
Aggregate employee benefit and related on-costs liabilities	**7,034**	4,206	**919**	430

	NUMBER		NUMBER	
	2005	2004	**2005**	2004
Employee numbers				
Average number of employees during the financial year	**567**	528	**90**	39

As explained in notes 1(f)(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 Share Option Plan

Options granted to employees under the Perilya Limited Employee Share Option Plan 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 over a period of up to five years. The employees' entitlements to the options are vested as soon as they become exercisable.

Set out below are summaries of options granted under the plan and still 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	CANCELLED DURING THE YEAR NUMBER	BALANCE AT THE END OF THE YEAR NUMBER
Consolidated and parent entity - 2005							
30 June 2000	19/12/2004	0.26	50,000	-	(50,000)	-	-
30 June 2001	31/12/2005	0.30	100,000	-	(100,000)	-	-
30 June 2002	30/06/2005	0.45	2,300,000	-	(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	195,000	-	(25,000)	-	170,000
30 June 2003	31/12/2006	0.70	600,000	-	-	(50,000)	550,000
30 June 2004	31/08/2007	0.80	700,000	-	-	-	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	-	-	(200,000)	700,000
30 June 2005	09/08/2009	1.00	-	630,000	-	-	630,000
30 June 2005	09/08/2009	1.20	-	630,000	-	-	630,000
30 June 2005	09/08/2009	1.40	-	840,000	-	-	840,000
30 June 2005	20/08/2009	0.88	-	850,000	-	-	850,000
30 June 2005	16/05/2010	1.01	-	3,000,000	-	-	3,000,000
30 June 2005	16/05/2011	1.13	-	1,000,000	-	-	1,000,000
30 June 2005	16/05/2012	1.26	-	1,000,000	-	-	1,000,000
			7,245,000	7,950,000	(2,475,000)	(250,000)	12,470,000

40 Economic dependency

A controlled entity, Perilya Broken Hill Limited, depends for a significant volume of revenue on Zinifex Limited (formerly Pasminco Limited), Korea Zinc Company Limited and Young Poong Corporation. During the year ended 30 June 2005, approximately 99% (2004 - 80%) of the controlled entity's revenue was sourced from said companies.

directors' declaration

30 JUNE 2005

In the directors' opinion:

(a) The financial statements and notes set out on pages 46 to 79 and the Remuneration Report set out on pages 37 to 42, are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; 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.

The directors have been given the declarations by the chief executive officer and the chief financial officer required by section 295A of the Corporations Act 2001.

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

Len Jubber

Leonard S. Jubber

Perth, Western Australia
5 September 2005

independent audit report

TO THE MEMBERS OF PERILYA LIMITED

Audit Opinion

In our opinion:

1. 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 Group (defined below) as at 30 June 2005, and of their performance for the year ended on that date,
   - is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001; and
2. the remuneration disclosures that are contained in pages 4 to 9 of the directors' report comply with Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities (AASB 1046) and the Corporations Regulations 2001

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

SCOPE

The financial report, remuneration disclosures 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 Group (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 1046, under the heading "Remuneration Report" on pages 37 to 42 of the directors' report, as permitted by the Corporations Regulations 2001.

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. The directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures comply with AASB 1046 and the Corporations Regulations 2001. 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. For further explanation of an audit, visit our website http://www.pwc.com/au/financial statementaudit.

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. We also performed procedures to assess whether the remuneration disclosures comply with AASB 1046 and the Corporations Regulations 2001.

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 remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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 Australia professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

PricewaterhouseCoopers

David J Smith

David J Smith
Partner

Perth, 6 September 2005

ASX additional information

The shareholder information set out below was applicable as at 23 September 2005.

DISTRIBUTION OF EQUITY SHARES

There were 112 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	295
1,101 to 5,000	983
5,001 to 10,000	596
10,001 to 100,000	701
More than 100,000	94
Total	2,669

SUBSTANTIAL SHAREHOLDERS

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

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE HELD %
Acorn Capital Limited	14,712,002	9.16
Korea Zinc Company Ltd	9,599,375	5.17
Young Poong Corporation Ltd	9,599,375	5.17

TOP 20 SHAREHOLDERS

The top 20 largest shareholders are listed below:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE HELD %
ANZ Nominees Limited	35,077,412	18.81
National Nominees Limited	30,803,525	16.51
Westpac Custodian Nominees Limited	26,558,705	14.24
Merrill Lynch (Australia) Nominees Pty Ltd	8,350,394	4.48
JP Morgan Nominees Australia Limited	3,652,678	1.96
Interstate Investments Pty Ltd	3,597,929	1.93
Yandal Investments Pty Ltd	3,050,000	1.64
Citicorp Nominees Pty Limited	3,023,146	1.62
Citicorp Nominees Pty Limited (CFSIL CWLTH BOFF SUPER A/C)	2,665,740	1.43
Health Super Pty Ltd	2,489,769	1.33
Calm Holdings Pty Ltd	2,329,000	1.25
Mirrabooka Investments Limited	2,000,000	1.07
HSBC Custody Nominees (Australia) Limited	1,874,382	1.00
Lyrebird Pty Ltd	1,755,182	0.94
Aurex Pty Ltd	1,669,358	0.89
HSBC Custody Nominees (Australia) Limited	1,396,000	0.75
Mr Eric Arthur Hopgood & Mr Owen William Hopgood	1,366,000	0.73
Nattai Pty Ltd	1,248,880	0.67
Elise Nominees Pty Ltd	1,175,615	0.63
Paticoa Nominees Pty Ltd	1,145,901	0.61
Total	135,229,556	72.29

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.

glossary of terms

A$ is Australian currency / Australian dollars

Alteration change in the physical or chemical composition of rock

Australian Accounting Standards are standards, ranked internationally, for conducting accounting operations within the private, public and not-for-profit sectors.

Base metal generally a non-ferrous metal inferior in value to the precious metals, usually zinc, lead, copper and nickel

Belt a zone or a band of a particular kind of rock strata exposed on the surface

Breccia rock consisting of angular fragments in a finer-grained matrix, distinct from conglomerate

Cash costs are direct production costs, such as for mining, milling, smelting, refining, maintenance, marketing, freight and selling.

Commissioning is bringing plant or equipment into operation at a rate approximating its design capacity.

Commodity cost curves plot global production against the cost of production less intermediate and co-product revenue. Cumulative production is expressed as a percentage, usually divided into quartiles. The lower a producer is placed on the cumulative production curve, the higher its margins at a given price.

Corporations Act relates to Australian federal laws covering the legal and constitutional structure of companies, specifying how a company conducts business with other entities, the regulation of corporate finance, shareholdings, duties and liabilities of the board of directors, directors and officers.

Cost of sales includes all cash and non-cash production costs, any selling, marketing and administration costs and takes into account any stock movements and royalties.

Cutoff grade is the lowest grade of mineralised material considered economic to process. It is used in the calculation of the quantity of ore present in a given deposit

Dolerite an intrusive dyke rock composed mainly of feldspar and pyroxene

Environmental non-compliance incidents are incidents or circumstances that breach statutory environmental obligations established through legislation, regulation or a site operating licence.

Fitness for work relates to a person's capacity to work safely and free of impairment due to stress, fatigue and the effects of drugs and/or alcohol.

Fully-allocated cost includes all mining and processing costs, cash costs, plus any amortisation, depreciation, royalty and administration costs less intermediate and co-product revenue. This figure is used by independent agencies to assess the real cost of mine production, and is broadly similar to the cost of sales figure we use.

Global Reporting Initiative is an initiative to develop, promote and disseminate an internationally accepted framework for voluntary reporting of the economic, environmental, and social performance of an organisation.

Grade is the proportion of metal or mineral present in ore, or any other host material, expressed in this document as per cent, grams per tonne or ounces per tonne.

Granophyric descriptive of an igneous texture characterised by irregular intergrowths of quartz and feldspar

Greenfield exploration is the search for ore bodies away from existing operations.

Greenhouse gas emissions are emissions of carbon dioxide and other gases, such as methane, that cause the "greenhouse effect".

Head grade is the average grade of ore delivered to the mill.

London Metal Exchange, or the LME, is a major "spot" market for selling metals outside long-term contracts. As such, it provides useful benchmark or reference prices.

Lost-time injury is a work-related injury that results in a person being off work for at least one full shift.

Medically-treated injury is a work-related injury requiring treatment beyond the scope of normal first aid.

Mineral Resource is material of intrinsic economic interest occurring in such form and quantity that there are reasonable prospects for eventual economic extraction.

Mineralisation is a concentration of valuable solid minerals.

Minerals are any inorganic, naturally-occurring element or compound. All metals and most chemicals are derived from products extracted by the resources industry.

Ore is a rock from which a metal(s) or mineral(s) can be economically extracted.

Ore reserve is that part of a mineral deposit which is removed from an underground mine for processing.

Porphyry an igneous rock in which a comparatively fine-grained matrix contains scattered course mineral crystals

Probable ore reserves are reserves for which quantity and grade and/or quality are computed from information similar to that used for proved reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proved reserves, is high enough to assume continuity between points of observation.

Proved ore reserves are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, depth and mineral content of reserves are well established.

Reserves or ore reserves are remaining mineralisation that, at the time of the estimation, is sufficiently delineated to indicate that material can be economically and legally mined and extracted.

Risk management is any process that identifies, assesses and addresses risk.

Royalties are payable to the State Government upon the extraction and recovery of meals from the mining leases.

Stakeholders are people or organisations who have a general, financial or business interest in an enterprise.

Sulphide is a naturally-occurring compound of metal and sulphur.

Sustainability relates to business operations and development that meet the needs of the present without compromising the ability of future generations to meet their needs.

Tailings are the rock wastes which are rejected from a concentrating process after the recoverable valuable minerals have been extracted.

Triple-bottom-line is an aggregation of the economic, environmental, and social performance of an organisation.

US$ is United States currency / United States dollars

Value-added is the extent to which the value of a finished product exceeds the cost of its raw material components.

index

Corporate directory

Phillip C. Lockyer
CHAIRMAN – NON-EXECUTIVE DIRECTOR

Len S. Jubber
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Colin A. McIntyre
NON-EXECUTIVE DIRECTOR

Guy A. Travis
NON-EXECUTIVE DIRECTOR

Peter Harley
NON-EXECUTIVE DIRECTOR

Chang Keun Choi
NON-EXECUTIVE DIRECTOR

Company Secretary

John Traicos

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Chartered Accountants

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Perth, Western Australia 6000

Share Registry

Computershare Investor Services Pty Ltd

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Perth Western Australia 6000

Stock Exchange Listing

The Company's shares are listed on the Australian Stock Exchange Limited

ASX Code: PEM

www.perilya.com.au

PERILYA

DESIGNED AND PRODUCED BY GRYPHON MANAGEMENT AUSTRALIA