PERILYA

Media Release

Financial Results for the Half Year Ended 31 December 2005

Highlights

- Sales revenue of $123.4 million
- Net Profit after Tax of $16.9 million
- EBIT contribution of $28.4 million from Broken Hill
- Pre-financing cash flows of $38 million
- Inaugural fully franked interim dividend

Summary

Half year to:	31 Dec 05 $m	31 Dec 04 $m
Revenue	123.4	83.3
EBITDA	39.1	11.1
NPAT	16.9	0.1
EPS	9.1 cents	0.1 cent
Dividend	1 cent / share	Nil

Comment

Perilya has today announced a net profit after tax of A$16.9 million for the half-year ending 31 December 2005.

In announcing the result, Chief Executive Officer, Len Jubber said "The result was very encouraging. While increasing commodity prices were obviously a significant driver, there were a number of improvements across the operations. The improved consistency achieved by the Broken Hill operation delivered increases of 5% and 38% in zinc and lead production respectively over the corresponding half year period in 2004.

Given a current zinc price of over US$1.00/lb and the strong fundamental outlook for our commodities, the second half of the year is expected to be significantly stronger. We also expect our organizational development program to yield further benefits in terms of both metal production and costs.

Perilya is now entering a strong cashflow period, with the retirement of the Broken Hill acquisition related price and production linked obligations in the next 6 months. The decision to declare an inaugural interim dividend of 1 cents per share should be seen as recognition of Perilya's transition from an explorer to a profitable producer."

- The half year saw production increases in all metals over the prior corresponding period. Zinc increased 5% to 70.7kt, lead increased 38% to 36.4kt, silver increased 25% to 1.048moz and 12,687oz of gold was produced in the continued ramp–up of Daisy Milano.

- Price increases were enjoyed across all commodities. The average price received for zinc was US$0.67/lb, up from US$0.48/lb in the prior corresponding period.

- Production costs were tightly controlled, with price linked treatment charges the predominant factor in the rise in net cash costs to US$0.46 from US$0.40 in the prior corresponding period.

- During the half year, Perilya received a $46.8 million upfront payment following the sale of 17.2moz of future silver production to Coeur d'Alene. A further US$2.31/oz is due on delivery and US$6 million pending achievement of annual silver production thresholds.

- Free cash flow from operations was $14.7 million (excluding the $46.8 million from the silver sale) from which $10.6 million was applied to price and production linked payments associated with the acquisition of Broken Hill and $1.6 million to the final deferred acquisition payment in respect of Daisy Milano.

- At 31 December 2005, Perilya held $60.9 million in cash and deposits and carried total debt of $13.6 million.

- Development of the Daisy Milano project continued to plan, with ore production rates progressing to the intermediate target of 12,000 tonnes per month in November. While Daisy Milano's contribution to the result was a net expenditure of $2.3 million, the project had reached a monthly breakeven level by the end of the period and is expected to make a positive contribution to earnings in the second half.

- Exploration expenditure during the half-year was $1.7 million with the majority focused on the Broken Hill region. With an increased focus on progression of projects such as Flinders and Mt Oxide, this spend is expected to be around $5 million in the second half.

- An inaugural fully franked interim dividend of $0.01 per share was declared with a record date of Monday 27 March, 2006 and a payment date of Friday 7 April, 2006.

- Perilya is committed to delivering acceptable returns to shareholders and ensuring long term viability. Capitalising on near historic highs in both zinc and lead, forward sale positions to the extent of 10% of monthly production to April 2008 have been put in place for the purpose of lowering our breakeven production cost threshold to provide a sustainable operating base from which to grow our business.

For more information contact:

Len Jubber Chief Executive Officer
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Perilya is an expanding diversified resources company. The Company owns and operates the Broken Hill lead, zinc and silver mine in New South Wales, Australia, making it one of Australia's largest base metal miners. The Company is also producing from its Daisy Milano Gold project located in Western Australia. It has several base metal development opportunities, a portfolio of exploration prospects and investments in the mining and energy sectors.

Perilya Limited
ABN 85 009 193 695

PERILYA

ASX Half-year information - 31 December 2005

This information should be read in conjunction with the
30 June 2005 annual financial report

Contents

Perilya Limited
ABN 85 009 193 695

For the half-year ended 31 December 2005
(Previous corresponding period: Half-year ended 31 December 2004)

Results for Announcement to the Market
31 December 2005

				2005 $A'000
Revenue from ordinary activities	up	48%	to	123,449
Profit from ordinary activities after tax attributable to members	up	16,349%	to	16,943
Net profit for the period attributable to members	up	16,349%	to	16,943

Dividends / distributions	**Amount per security**	**Franked amount per security**
Interim dividend	1 cent	1 cent

Dividend declaration

On 16 March 2006 the Directors declared a fully franked interim dividend of 1 cent per share.

Record date for determining entitlements to the interim dividend	27 March 2006
Date the interim dividend is payable	7 April 2006

Perilya Limited
ABN 85 009 193 695

Interim financial report
For the half-year ended 31 December 2005

Contents

The directors of Perilya Limited present their report on the consolidated entity consisting of Perilya Limited and the entities it controlled during or at the end of the six months to 31 December 2005.

Directors

Unless otherwise indicated, the following persons were directors of Perilya Limited during the half-year and up to the date of this report:

Patrick O'Connor	Chairperson - Non Executive Director	Appointed 1 February 2006
Leonard S. Jubber	Managing Director and Chief Executive Officer	
Phillip C. Lockyer	Non Executive Director	
Chang Keun Choi	Non Executive Director	
Peter Harley	Non Executive Director	
Guy Travis	Non Executive Director	
Colin McIntyre	Non Executive Director	Resigned 23 November 2005

Highlights

- Net profit after tax of $16.943 million, up from $0.103 million (AIFRS adjusted) in the prior corresponding period.
- Revenue from operations increased by 48% to $123.449 million.
- $28.437m in earnings before interest and tax from Broken Hill operations.
- Daisy Milano project development on track.
- Inaugural fully franked interim dividend of $0.01 per share declared.

Operations

The Broken Hill operation contributed earnings before interest and tax of $28.437 million (31 December 2004: $0.662 million). While increased commodity prices were a significant factor, with average realized prices for zinc rising to US$0.67 /lb (2004: US$0.48), increases in zinc and lead production of 5% and 38% respectively also contributed to the improvement in earnings. Production costs were tightly controlled, with net price linked treatment charges the predominant factor in the increase in net cash costs to US$0.46c (2004: US$0.40c).

Development of the Daisy Milano project continued to progress to plan, with ore production rates progressing to the intermediate target of 12,000 tonnes per month in November. While the Daisy Milano project's contribution to the result was a net expenditure of $2.376 million, it had reached a monthly breakeven level by the end of the period and is expected to make a positive contribution to earnings in the second half.

Exploration expenditure during the half year was $3.605 million, with the majority focused on the Broken Hill region

Financial

At 31 December 2005, Perilya held $60.860 million in cash and deposits and carried total debt of $13.556 million

Cashflow

Cash inflow from operating activities for the half-year was $54.528 million (2004: cash outflow of $0.648 million). This is largely due to the increased production and sales of zinc and lead from the Broken Hill operation and the higher zinc and lead prices realised, combined with the receipt of $46.753 million by way of the upfront sale of 17.2 million ozs of silver to Coeur d'Alene Mines Corporation in September 2005

Revenue Protection

Perilya is committed to delivering acceptable returns to shareholders and ensuring its long term viability. Capitalising on near historic highs in both zinc and lead prices, forward sale contracts have been put in place covering 10% of monthly production until April 2008.

Earnings per share

	2005 Cents	2004 Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	**9.1**	0.1
Diluted earnings per share	**8.9**	0.1

Dividends

A fully franked interim dividend of $0.01 per share has been declared with a record date of 27 March 2006 and a payment date of 7 April 2006.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Lead auditors independence declaration

The lead auditors independence statement is set out on page 5 and forms part of the Directors' report for the half year ended 31 December 2005.

This report is made in accordance with a resolution of directors.

Leonard S. Jubber

Director

Perth
16 March 2006

PricewaterhouseCoopers
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Auditors' Independence Statement

As lead auditor for the review of Perilya Limited for the half year ended 31 December 2005, I confirm 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 review for the reporting period other than a contravention covered by ASIC Class Order 05/910, and

b) no contraventions of any applicable code of professional conduct in relation to the review for the reporting period.

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

David J Smith
Partner
PricewaterhouseCoopers

Perth
16 March 2006

Perilya Limited
ABN 85 009 193 695
Interim financial report - 31 December 2005

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Perilya Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

This financial report covers the consolidated entity consisting of Perilya Limited and its subsidiaries. The financial report is presented in the Australian currency.

Perilya Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Perilya Limited
553 Hay Street
Perth WA 6000.

The financial report was authorised for issue by the directors on 16 March 2006. The company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available at our website: www.perilya.com.au.

For queries in relation to our reporting please call: 61 8 6210-2000 (within Australia 08 6210-2000)

	Notes	Half-year ended 2005 $'000	2004 $'000
Revenue from continuing operations		**123,449**	83,348
Other income		**1,583**	2,098
Changes in inventories of finished goods and work in progress		**9,607**	5,798
Raw materials, power and consumables used		**(24,408)**	(25,938)
Employee benefits expense		**(27,324)**	(21,789)
Depreciation and amortisation expense		**(17,962)**	(9,267)
External services and consultants		**(17,491)**	(8,093)
Insurance expense		**(2,378)**	(2,390)
Rates and property taxes		**(1,386)**	(1,352)
Rental expense on operating leases		**(87)**	(78)
Royalties		**(4,054)**	(2,414)
Freight and handling		**(11,778)**	(10,803)
Price linked payments		**-**	(1,632)
Exploration written off		**(184)**	(222)
Other expenses from ordinary activities		**(4,860)**	(4,899)
Borrowing costs		**(1,277)**	(2,118)
Share of net losses of associates and joint venture partnerships accounted for using the equity method		**(100)**	(64)
Profit before income tax		**21,350**	185
Income tax expense		**(4,407)**	(82)
Profit for the half-year		**16,943**	103
Profit attributable to members of Perilya Limited		**16,943**	103
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		**9.1**	0.1
Diluted earnings per share		**8.9**	0.1

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

	Notes	**31 December 2005 $'000**	30 June 2005 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**51,257**	12,022
Receivables		**18,685**	11,680
Inventories		**27,207**	12,751
Other financial assets		**10,888**	8,724
Derivative financial instruments	4	**362**	-
Total current assets		**108,399**	45,177
Non-current assets			
Restricted cash		**9,603**	9,588
Receivables		**11**	11
Investments accounted for using the equity method		**40**	90
Other financial assets		**3,128**	869
Derivative financial instruments	4	**308**	-
Deferred tax assets		**2,385**	1,692
Exploration and evaluation expenditure		**19,177**	15,756
Mine properties in use		**67,368**	63,779
Property, plant and equipment		**47,420**	49,894
Total non-current assets		**149,440**	141,679
Total assets		**257,839**	186,856
LIABILITIES			
Current liabilities			
Payables		**37,219**	25,351
Interest bearing liabilities	6	**4,934**	4,965
Current tax liabilities		**838**	316
Provisions	7	**7,092**	12,058
Prepaid income	5	**5,463**	-
Derivative financial instruments	4	**14,372**	-
Total current liabilities		**69,918**	42,690
Non-current liabilities			
Interest bearing liabilities	8	**4,614**	7,660
Provisions	9	**19,354**	20,231
Prepaid income	5	**39,898**	-
Derivative financial instruments	4	**170**	-
Total non-current liabilities		**64,036**	27,891
Total liabilities		**133,954**	70,581
Net assets		**123,885**	116,275
EQUITY			
Contributed equity	3	**99,711**	99,286
Reserves		**4,735**	639
Retained profits		**19,439**	16,350
Total equity		**123,885**	116,275

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

	Notes	Half-year ended 2005 $'000	2004 $'000
Total equity at the beginning of the half-year		**116,275**	100,553
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:			
Retained profits	12.5	**(13,854)**	-
Reserves	12.5	**1,194**	-
Other financial assets, net of tax		**2,075**	-
Cash flow hedges, net of tax		**425**	-
Net income recognised directly in equity		**(10,160)**	-
Profit for the half-year		**16,943**	103
Total recognised income and expense in equity for the period		**6,783**	103
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	3	**425**	-
Employee share options		**402**	257
		827	257
Total equity at the end of the half-year		**123,885**	100,913

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

	Notes	Half-year ended 2005 $'000	2004 $'000
Cash receipts in the course of operations (inclusive of goods and services tax)		**176,928**	90,024
Cash payments in the course of operations (inclusive of goods and services tax)		**(116,247)**	(88,834)
		60,681	1,190
Payment for price linked payment		**(7,252)**	(1,183)
Interest received		**1,112**	841
Interest and other finance costs paid		**29**	(1,182)
Income taxes paid		**(42)**	(314)
Net cash inflow/(outflow) from operating activities		**54,528**	(648)
Cash flows from investing activities			
Proceeds from sale of other financial assets		**649**	298
Funds advanced to external parties		**-**	(237)
Payments for mine properties		**(9,919)**	(6,076)
Payments for deferred stamp duty		**-**	(779)
Payment for production linked payment		**(3,132)**	(3,185)
Payments for property, plant and equipment		**(2,601)**	(5,158)
Payments for exploration and evaluation		**(1,698)**	(9,493)
Movement in monetary backing for performance guarantees		**(15)**	17
Proceeds from sale of property, plant and equipment		**9**	-
Repayment of loans advanced to other entities		**150**	-
Net cash outflow from investing activities		**(16,557)**	(24,613)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**425**	13
Proceeds from borrowings		**4,916**	-
Repayment of borrowings		**(2,000)**	-
Repayment of hire purchase liabilities		**(2,076)**	(2,068)
Net cash inflow/(outflow) from financing activities		**1,265**	(2,055)
Net increase/(decrease) in cash and cash equivalents		**39,236**	(27,316)
Cash and cash equivalents at the beginning of the half-year		**12,021**	31,111
Cash and cash equivalents at end of the half-year		**51,257**	3,795

The above cash flow statement should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

This general purpose financial report for the interim half year reporting period ended 31 December 2005 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Perilya Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

(a) Basis of preparation of half-year financial report

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards
This interim financial report is the first Perilya Limited interim financial report to be prepared in accordance with AIFRSs. AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Perilya Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Perilya Limited interim financial report for the half year ended 31 December 2005, management has amended certain accounting and valuation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the company's equity and its net income are given in note 12.

Early adoption of standard
The Group has elected to apply AASB 119 *Employee Benefits* (issued in December 2004) to the reporting periods beginning 1 July 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Perilya Limited (the "company" or the "parent entity") as at 31 December 2005 and the results of all subsidiaries for the half-year then ended. Perilya Limited and its subsidiaries together are referred to in this financial report as "the Group" or "the consolidated entity".

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1 Summary of significant accounting policies (continued)

(ii) Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint ventures
The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Foreign operations
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

1 Summary of significant accounting policies (continued)

- all resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Base metal revenue is recognised, based on a provisional metal price, when the significant risks and rewards 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 the significant risks and rewards of the ore passes to the buyer at the buyers' premises at the price per ounce of contained gold agreed with the buyer.

Prepaid income is recognised as a liability when received. It is recognised as revenue in the income statement when the benefits of ownership of the underlying sale of product have passed to the buyer.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Leases

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

1 Summary of significant accounting policies (continued)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(h) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus 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 based on the best available evidence of the price at which the instruments could be exchanged between knowledgeable, willing parties in an arm's length transaction. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the business acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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 exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

From 1 July 2004 the Group elected to take the exemption under AASB 1 *First-Time Adoption of Australian Equivalents To International Financial Reporting Standards* to not apply AASB 3 *Business Combinations* retrospectively.

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if utilised, are shown within borrowings in current liabilities on the balance sheet.

Restricted cash, which is excluded from cash and cash equivalents, represents deposits and commercial bills that are used for monetary backing of performance guarantees, and is disclosed as a non-current asset.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Except for non-current receivables which include tenement bonds, trade receivables are generally due for settlement no more than 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

1 Summary of significant accounting policies (continued)

(l) 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.

(m) Investments and other financial assets

From 1 July 2004 to 30 June 2005
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The company has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005.

Adjustments on transition date: 1 July 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is exclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

From 1 July 2005
The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

1 Summary of significant accounting policies (continued)

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(n) Financial instrument transaction costs

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The company has applied previous Australian GAAP (AGAAP) in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP transaction costs were excluded from the amounts disclosed in the financial statements. Under AIFRS such costs are included in the carrying amounts. At the date of transition to AASB 132 and AASB 139 the adjustment to carrying amounts for the company was immaterial.

(o) Derivatives

From 1 July 2004 to 30 June 2005
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The company has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005.

Adjustments on transition date: 1 July 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date.

From 1 July 2005
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1 Summary of significant accounting policies (continued)

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(p) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

(q) Property, plant and equipment

Land and buildings are shown at cost less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The cost of mine-based 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.

Depreciation or amortisation of plant and equipment, excluding mine-based plant and equipment, is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

1 Summary of significant accounting policies (continued)

Motor vehicles and heavy mobile equipment	
- Underground	2-5 years
- Surface	5 years
Office equipment	3-5 years

Other non mine plant and equipment typically have the following estimated useful lives:	
Plant and equipment	3 years
Office furniture	3-5 years
Leasehold improvements	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

(r) Maintenance and repairs

Plant of the Group 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 or modification of an asset which will generate future economic benefits in excess of the assets original designed capacity. In these instances, the costs are capitalised and depreciated in accordance with note 1(q) above.

Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

(s) Exploration and evaluation expenditure

Exploration and evaluation costs relating to areas of interest with current tenure 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. 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.

(t) 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 3 Business Combinations. 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).

1 Summary of significant accounting policies (continued)

(u) Restoration and rehabilitation

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation is incurred. The nature of restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas.

Typically the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the liability is increased for the change in the present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

The unwinding of the effect of discounting on the provision is recorded as a finance cost in the income statement. The carrying amount capitalised is depreciated over the life of the related asset.

In respect of both Broken Hill and Daisy Milano, the Group recognised, on acquisition, full provisions for estimated costs of rehabilitation with these provisions reviewed annually in accordance with the above policy to determine whether the amount carried represents the present value of the expected cost of rehabilitation. In determining present obligations, the Group has assumed no significant future changes will occur in relevant Federal and State legislation in relation to restoration of such mineral properties.

(v) Trade and other payables

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

(w) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(x) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Borrowing costs include:
- interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance lease charges.

(y) Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(z) Employee benefits

(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 other payables 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.

1 Summary of significant accounting policies (continued)

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits 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) Retirement benefit obligations
Contributions to employees defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments
Share-based compensation benefits are provided to employees via the Perilya Limited Employee Share Option Plan.

Shares options granted before 7 November 2002 and/or vested before 1 January 2005
No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Shares options granted after 7 November 2002 and vested after 1 January 2005
The fair value of options granted under the Perilya Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently 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 share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is not transferred to share capital.

(aa) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half-year, adjusted for bonus elements in ordinary shares issued during the half-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.

(ab) 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, the nearest dollar.

2 Segment information

(a) Description of segments

Business segments
The Group is organised on a global basis into the following divisions by product and service type.

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

Gold mining
Mining and extraction of gold ore

Exploration
Exploration for and evaluation of gold and base metal ore deposits

Investment and administration
Investment and administration of the corporate office

(b) Primary reporting format - business segments

Half-year 2005	Base metals mining $'000	Gold mining $'000	Exploration $'000	Investment and administration $'000	Consolidated $'000
Total sales revenue	116,637	5,443	-	-	122,080
Other revenue/income	1,314	175	-	1,463	2,952
Total revenue and other income	117,951	5,618	-	1,463	125,032
Segment result	27,898	(2,382)	(184)	(3,882)	21,450
Share of net profit of associates					(100)
Profit before income tax					21,350
Income tax expense					(4,407)
Profit for the half-year					16,943

Half-year 2004	Base metals mining $'000	Gold mining $'000	Exploration $'000	Investment and administration $'000	Consolidated $'000
Total sales revenue	82,362	-	-	-	82,362
Other revenue	(743)	-	-	3,827	3,084
Total revenue and other income	81,619	-	-	3,827	85,446
Segment result	(47)	-	(222)	518	249
Unallocated revenue less unallocated expenses					(64)
Profit before income tax					185
Income tax expense					(82)
Profit for the half-year					103

3 Equity securities issued

	December 2005 Shares	December 2004 Shares	**December 2005 $'000**	December 2004 $'000
Issues of ordinary shares during the half-year				
Opening balance of issued and fully paid ordinary shares at 1 July	**186,522,239**	164,020,332	**99,286**	78,044
Exercise of options issued under the Perilya Limited Employee Share Option Plan (as below)	**550,000**	50,000	**425**	13
	187,072,239	164,070,332	**99,711**	78,057

3 Equity securities issued (continued)

Exercise of options issued under the Perilya Limited Employee Share Option Plan for the six months ended 31 December 2005:

Date of option exercise and share issue	No of options exercised	Exercise price	Total
			$'000
13 December 2005	200,000	$0.80	160
14 December 2005	150,000	$0.70	105
16 December 2005	200,000	$0.80	160
	550,000		425

4 Derivative financial instruments

	31 December 2005 $'000	30 June 2005 $'000
Current assets		
Forward metal sale contracts	**362**	-
Total current derivative financial instrument assets	**362**	-
Non-current assets		
Forward metal sale contracts	**308**	-
Total non-current derivative financial instrument assets	**308**	-
Total derivative financial instrument assets	**670**	-
Current liabilities		
Forward metal sale contracts	**75**	-
Price linked payments	**14,297**	-
Total current derivative financial instrument liabilities	**14,372**	-
Non-current liabilities		
Forward metal sale contracts	**170**	-
Total non-current derivative financial instrument liabilities	**170**	-
Total derivative financial instrument liabilities	**14,542**	-

(a) Instruments used by the company

The company is party to derivative financial instruments in the normal course of business in order to hedge exposure to forward price fluctuations in the primary commodity markets in which it operates in accordance with the Group's financial risk management policies.

The Group is exposed to risks related to the movements in base metal prices on sales and the Group uses forward metal sales contracts to hedge its AUD metal price risk.

The prices of metals which have been hedged include lead and zinc and, at the date of this report, the Group has forward sold approximately 10% of anticipated monthly zinc and lead production through to April 2008.

4 Derivative financial instruments (continued)

(b) Forecasted transactions

The Group classes its forward metals sales contracts as cash flow hedges and measures them at fair value. As at 31 December 2005 the consolidated entity has entered into Australian Dollar forward metal sales consisting of 10,875 tonnes of lead contracts maturing from January 2006 to March 2007 totalling $15,779,625, and 5,100 tonnes of zinc contracts maturing from January 2006 to March 2008 totalling $11,814,000.

(c) Fair values of forward metal sale contracts

The net carrying amount and fair value of forward metal sale contracts used as hedges of forecasted transactions at 31 December 2005 was $425,000 comprising assets of $670,000 and liabilities of $245,000 (30 June 2005: nil).

(d) Price linked payments

AIFRS introduces the concept of embedded derivatives and AASB 139 requires the identification, recognition and measurement of derivatives embedded within contracts that a company may enter.

In reviewing existing contracts to determine the extent of any embedded derivatives, a price linked payment obligation to the administrators of Pasminco was identified. Under this contract an amount becomes payable to the administrators of Pasminco if the spot price of zinc averages in excess of US$960/tonne in any one quarter. This obligation extends to either 30 November 2009, or when payments under this arrangement have totalled $30,000,000.

The Group has taken the exemption available under AASB 1 to apply AASB 139 from 1 July 2005 and therefore a liability for potential outstanding price linked payments was brought onto the books at a fair value of $19,791,000, as at that date, split between a current liability of $11,317,000 and a non-current liability of $8,474,000 (see Note 12.5). As at 31 December the fair value of the outstanding price linked payment liability was $14,297,000 and, based on current commodity price expectations is now classified as a current liability.

5 Current and non-current prepaid income

	Half-year ended	
	2005	2004
	$'000	$'000
Current prepaid silver income	5,463	-
Non-current prepaid silver income	39,898	-
Total prepaid income	**45,361**	-

In September 2005, the Group sold 17.2 million ounces of payable silver from Broken Hill to a wholly owned Australian subsidiary of Coeur d'Alene Mines Corporation (Coeur) for an upfront payment, net of GST, of AUD $46,753,000 ($US 36,000,000). This prepaid income was recognised as a liability on receipt and is recognised as revenue in the income statement when the benefits of ownership of the underlying sale of the silver have passed to Coeur.

6 Current liabilities - Interest bearing liabilities

	31 December 2005 $'000	30 June 2005 $'000
Secured		
Hire purchase agreements	**4,920**	4,950
Finance lease	**14**	15
Total secured current interest bearing borrowings	**4,934**	4,965

7 Current liabilities - Provisions

	31 December 2005 $'000	30 June 2005 $'000
Employee benefits	**4,647**	4,805
Production linked payments	**2,445**	6,653
Other provisions	**-**	600
Total current provisions	**7,092**	12,058

8 Non-current liabilities - Interest bearing liabilities

	31 December 2005 $'000	30 June 2005 $'000
Secured		
Hire purchase agreements	**4,614**	5,660
Secured loans	**-**	2,000
Total secured non-current interest bearing borrowings	**4,614**	7,660

9 Non-current liabilities - Provisions

	31 December 2005 $'000	30 June 2005 $'000
Employee benefits	**2,476**	2,229
Production linked payments	**-**	1,405
Mining restoration and rehabilitation	**16,878**	16,597
Total non-current provisions	**19,354**	20,231

10 Contingencies

Contingent liabilities

There were no known contingent liabilities which were not provided in the financial statements of the company as at 31 December 2005, other than:

Potential Daisy Milano cash flow payments and production royalty payments
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.

(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.

11 Events occurring after the balance sheet date

Declaration of dividend

On 16 March 2006 the Directors declared a fully franked interim dividend of $0.01 per share. The record date is 27 March 2006 and the dividend will be paid on 7 April 2006.

12 Explanation of transition to Australian equivalents to IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

	Note	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
ASSETS				
Current assets				
Cash and cash equivalents		31,111	-	31,111
Receivables	(g)	8,493	3,614	12,107
Inventories		11,106	-	11,106
Other financial assets		1,857	-	1,857
Other current assets	(g)	5,614	(3,614)	2,000
Total current assets		58,181	-	58,181
Non-current assets				
Restricted cash		9,584	-	9,584
Receivables		1,370	-	1,370
Investments accounted for using the equity method		4,999	-	4,999
Other financial assets		1,314	-	1,314
Exploration and evaluation expenditure		27,216	-	27,216
Mine properties	(b)	42,368	(2,901)	39,467
Property, plant and equipment		48,370	-	48,370
Total non-current assets		135,221	(2,901)	132,320
Total assets		193,402	(2,901)	190,501
LIABILITIES				
Current liabilities				
Payables		19,919	-	19,919
Interest bearing liabilities		26,260	-	26,260
Current tax liabilities		307	-	307
Provisions	(c)	11,260	(367)	10,893
Total current liabilities		57,746	(367)	57,379
Non-current liabilities				
Interest bearing liabilities		9,029	-	9,029
Deferred tax liabilities	(b) (i)	4,099	(2,995)	1,104
Provisions	(b) (c)	23,704	(1,268)	22,436
Total non-current liabilities		36,832	(4,263)	32,569
Total liabilities		94,578	(4,630)	89,948
Net assets		98,824	1,729	100,553

12 Explanation of transition to Australian equivalents to IFRSs (continued)

		Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
EQUITY				
Contributed equity		78,044	-	78,044
Reserves	(a)	-	48	48
Retained earnings	(a) (b) (j)	20,780	1,681	22,461
Parent entity interest		98,824	1,729	100,553
Total equity		98,824	1,729	100,553

12 Explanation of transition to Australian equivalents to IFRSs (continued)

(b) At the end of the last half-year reporting period under previous AGAAP: 31 December 2004

	Note	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
ASSETS				
Current assets				
Cash and cash equivalents		5,081	-	5,081
Receivables	(g)	10,259	4,766	15,025
Inventories		17,044	-	17,044
Other financial assets		1,834	-	1,834
Other current assets	(g)	4,848	(4,766)	82
Total current assets		39,066	-	39,066
Non-current assets				
Restricted cash		9,567	-	9,567
Receivables		1,607	-	1,607
Investments accounted for using the equity method		21	-	21
Other financial assets		6,226	-	6,226
Exploration and evaluation expenditure		36,533	-	36,533
Mine properties	(b)	40,413	(2,719)	37,694
Property, plant and equipment		53,248	-	53,248
Total non-current assets		147,615	(2,719)	144,896
Total assets		186,681	(2,719)	183,962
LIABILITIES				
Current liabilities				
Payables		16,674	-	16,674
Interest bearing liabilities		24,366	-	24,366
Current tax liabilities		-	-	-
Provisions	(c)	11,645	(472)	11,173
Total current liabilities		52,685	(472)	52,213
Non-current liabilities				
Interest bearing liabilities		7,960	-	7,960
Deferred tax liabilities	(b)	4,483	(3,209)	1,274
Provisions	(b) (c)	21,828	(226)	21,602
Total non-current liabilities		34,271	(3,435)	30,836
Total liabilities		86,956	(3,907)	83,049
Net assets		99,725	1,188	100,913

12 Explanation of transition to Australian equivalents to IFRSs (continued)

		Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
EQUITY				
Contributed equity		78,057	-	78,057
Reserves	(a)	-	305	305
Retained earnings	(a) (b) (j)	21,668	883	22,551
Parent entity interest		99,725	1,188	100,913
Total equity		99,725	1,188	100,913

12 Explanation of transition to Australian equivalents to IFRSs (continued)

(c) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Note	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
ASSETS				
Current assets				
Cash and cash equivalents		12,022	-	12,022
Receivables	(g)	9,608	2,072	11,680
Inventories		12,751	-	12,751
Other financial assets		8,724	-	8,724
Other current assets	(g)	2,072	(2,072)	-
Total current assets		45,177	-	45,177
Non-current assets				
Restricted cash		9,588	-	9,588
Receivables		11	-	11
Investments accounted for using the equity method		90	-	90
Other financial assets		869	-	869
Deferred tax assets	(b) (j)	-	1,692	1,692
Property, plant and equipment		49,894	-	49,894
Exploration and evaluation expenditure		15,756	-	15,756
Mine properties	(b)	66,350	(2,571)	63,779
Total non-current assets		142,558	(879)	141,679
Total assets		187,735	(879)	186,856
LIABILITIES				
Current liabilities				
Payables		25,350	-	25,350
Interest bearing liabilities		4,965	-	4,965
Current tax liabilities		316	-	316
Provisions	(c)	12,592	(534)	12,058
Total current liabilities		43,223	(534)	42,689
Non-current liabilities				
Interest bearing liabilities		7,660	-	7,660
Deferred tax liabilities		1,649	(1,649)	-
Provisions	(b) (c)	19,850	382	20,232
Total non-current liabilities		29,159	(1,267)	27,892
Total liabilities		72,382	(1,801)	70,581
Net assets		115,353	922	116,275
EQUITY				
Contributed equity		99,286	-	99,286
Reserves	(a)	-	639	639
Retained earnings	(a) (b) (j)	16,067	283	16,350
Total equity		115,353	922	116,275

12 Explanation of transition to Australian equivalents to IFRSs (continued)

(2) Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRSs (AIFRS)

(a) Reconciliation of profit for the half-year ended 31 December 2004

	Note	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Revenue	(e)	82,362	986	83,348
Other income	(d) (e) (f)	2,114	(16)	2,098
Changes in inventories of finished goods and work in progress		5,798	-	5,798
Raw materials, power and consumables used		(25,938)	-	(25,938)
Employee benefits expense	(a)	(21,532)	(257)	(21,789)
Depreciation and amortisation expense	(b)	(9,449)	182	(9,267)
External services and consultants		(8,093)	-	(8,093)
Insurance expense		(2,390)	-	(2,390)
Rates and property taxes		(1,352)	-	(1,352)
Rental expense on operating leases		(78)	-	(78)
Royalties		(2,414)	-	(2,414)
Foreign exchange loss	(f)	(1,256)	1,256	-
Freight and handling		(10,803)	-	(10,803)
Price linked payments		(1,632)	-	(1,632)
Exploration written off		(222)	-	(222)
WDV of investments disposed of	(d)	(25)	25	-
Other expenses from ordinary activities		(4,899)	-	(4,899)
Borrowing costs	(b) (f)	1,069	(3,187)	(2,118)
Share of profit (loss) from associates		(64)	-	(64)
Profit before income tax		1,196	(1,011)	185
Income tax expense	(b)	(308)	226	(82)
Profit attributable to members of Perilya Limited		888	(785)	103

12 Explanation of transition to Australian equivalents to IFRSs (continued)

(b) Reconciliation of profit for the year ended 30 June 2005

	Note	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Revenue	(e)	191,111	2,045	193,156
Other income	(d) (e) (f)	7,252	(1,903)	5,349
Changes in inventories of finished goods and work in progress		546	-	546
Raw materials, power and consumables used		(50,542)	-	(50,542)
Employee benefits expense	(a)	(45,230)	(591)	(45,821)
Depreciation and amortisation expense	(b)	(20,454)	352	(20,102)
External services and consultants		(28,367)	-	(28,367)
Insurance expense		(5,000)	-	(5,000)
Rates and property taxes		(2,696)	-	(2,696)
Rental expense on operating leases		(163)	-	(163)
Royalties		(5,366)	-	(5,366)
Foreign exchange loss	(f)	(1,600)	1,600	-
Freight and handling		(22,315)	-	(22,315)
Price linked payments		(7,338)	-	(7,338)
Exploration written off		(13,715)	-	(13,715)
WDV of investments disposed of	(d)	(679)	679	-
Other expenses from ordinary activities		(2,481)	-	(2,481)
Borrowing costs	(b) (f)	398	(3,925)	(3,527)
Share of profit (loss) from associates		(145)	-	(145)
Loss before income tax		(6,784)	(1,743)	(8,527)
Income tax expense	(b)	2,071	346	2,417
Loss from continuing operations		(4,713)	(1,397)	(6,110)
Loss attributable to members of Perilya Limited		(4,713)	(1,397)	(6,110)

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

12 Explanation of transition to Australian equivalents to IFRSs (continued)

(4) Notes to the reconciliations

(a) Share based payments

Under AASB 2 Share-based Payment from 1 July 2004 the Group is required to recognise an expense for those options that were issued to employees under the Perilya Limited Employee Share Option Plan after 7 November 2002 but that had not vested by 1 January 2005. The effect of this is:

i) *At 1 July 2004*

For the Group here has been a decrease in retained earnings of $48,000 and a corresponding increase in reserves.

ii) *For and at the half-year ended 31 December 2004*

For the Group there has been an increase in employee benefits expense of $257,000, a decrease in retained earnings of $305,000 and a corresponding increase in reserves.

iii) *For and at the year ended 30 June 2005*

For the Group there has been an increase in employee benefits expense of $591,000, a decrease in retained earnings of $639,000 and a corresponding increase in reserves

(b) Restoration and rehabilitation provisions

Under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, where the effect of the time value of money is material, then the provision is required discounted to its present value. This is based on discount rates that reflect current market assessments and risks specific to the liability. The subsequent unwinding of the discount on the provision is recorded as a borrowing cost in the income statement.

In line with this, the Group has reviewed is restoration and rehabilitation provisions and associated mine property amortisation for both Broken Hill and Daisy Milano. The effect of this is:

i) *At 1 July 2004*

For the Group there has been a net decrease in mine properties of $2,901,000; a net decrease in non-current provisions of $1,635,000; a net decrease in deferred tax liabilities of $380,000 and a net decrease in retained profits of $886,000.

ii) *For and at the half-year ended 31 December 2004*

For the Group there has been a increase in borrowing costs of $937,000; a decrease in amortisation expense of $182,000; a net decrease in income tax expense of $226,000; a decrease in mine properties of $2,719,000; a decrease in non-current provisions of $698,000; a net decrease in deferred tax liabilities of $1,650,000; and a net decrease of $1,415,000 in retained earnings.

iii) *For and at the year ended 30 June 2005*

For the Group there has been a increase in borrowing costs of $1,504,000; a decrease in amortisation expense of $351,000; a net decrease in income tax expense of $346,000; a net decrease in mine properties of $2,571,000; a net decrease in non-current provisions of $152,000; a net increase in deferred tax assets of $725,000; and a net decrease of $1,694,000 in retained earnings.

12 Explanation of transition to Australian equivalents to IFRSs (continued)

(c) Annual leave provisioning

Under AASB 19 *Employee Benefits (December 2004)* the Group is required to recognise long term employee benefits on a present value basis where the benefit is expected to be paid beyond a 12 month period. In line with this the Group has determined that there is a non-current element in its employee annual leave provisioning but has determined that the discount effect on that element is immaterial (as on average all accrued annual leave is paid out within 15 months) The effect of this is:

i) *At 1 July 2004*

For the Group there has been a decrease in current provisions of $367,000 and a corresponding increase in non-current provisions of $367,000.

ii) *At 31 December 2004*

For the Group there has been a decrease in current provisions of $472,000 and a corresponding increase in non-current provisions of $472,000.

iii) *At 30 June 2005*

For the Group there has been a decrease in current provisions of $534,000 and a corresponding increase in non-current provisions of $534,000.

(d) Revenue recognition on disposal of non-current assets

Under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* income recognised in relation to the sale on non-current assets is required to be disclosed as a single amount on the face of the income statement This contrasts to Australian GAAP treatment where gross proceeds from sale were recognised as revenue and the carrying amount of assets sold was recognised as an expense. In line with this the Group has netted off the carrying amounts of assets sold that were previously shown as an expense against the sale proceeds that were included in the 'Other income' line. The effect of this is:

i) *For the half-year ended 31 December 2004*

For the Group there has been a decrease in expenses of $25,000 and a corresponding decrease in other income of $25,000.

ii) *For the year ended 30 June 2005*

For the Group there has been a decrease in expenses of $679,000 and a corresponding decrease in other income of $679,000.

(e) Revenue recognition

Under AASB 118 *Revenue* revenue is defined as the gross inflow of economic benefits during the period arising in the course of the ordinary activities of the entity and inclusive of the use by others of entity assets. In line with this the Group has reclassified a number of items, including interest income, from 'Other income' to 'Revenue from continuing operations'. The effect of this is:

i) *For the half-year ended 31 December 2004*

For the Group there has been a decrease in 'Other income' of $986,000 and a corresponding increase in 'Revenue from continuing operations' of $986,000.

ii) *For the year ended 30 June 2005*

For the Group there has been a decrease in 'Other income' of $2,045,000 and a corresponding increase in 'Revenue from continuing operations' of $2,045,000.

12 Explanation of transition to Australian equivalents to IFRSs (continued)

(f) Borrowing costs and foreign exchange gains

Under AASB 123 *Borrowing Cost* foreign exchange gains on interest bearing liabilities are not included in borrowing costs except to the extent they are regarded as an adjustment to interest costs. In line with this the Group has subsequently reclassified foreign exchange gains previously classified as borrowing costs and netted these amounts against foreign exchange losses disclosed in the expense line items with the resultant net foreign exchange gain/loss reclassified as 'Other income'. The effect of this is:

i) *For the half-year ended 31 December 2004*

For the Group there has been an increase in 'Borrowing costs' of $2,251,000; a net decrease of $1,256,000 in 'Foreign exchange loss'; and net increase in 'Other income' of $995,000.

ii) *For the year ended 30 June 2005*

For the Group there has been an increase in 'Borrowing costs' of $2,422,000; a net decrease of $1,600,000 in 'Foreign exchange loss'; and net increase in 'Other income' of $822,000.

(g) Reclassification of prepayments to receivables

Under AASB 101 *Presentation of Financial Statements* prepayments are classified as a sub-element of Receivables on the face of the balance sheet. In line with this the Group has reclassified it's prepayments, previously classified as 'Other' under current assets to 'Receivables'. The effect of this is:

i) *At 1 July 2004*

For the Group there has been an decrease in other current assets of $3,614,000 and a corresponding increase in current Receivables of $3,614,000.

ii) *At 31 December 2004*

For the Group there has been an decrease in other current assets of $4,766,000 and a corresponding increase in current Receivables of $4,766,000.

iii) *At 30 June 2005*

For the Group there has been an decrease in other current assets of $2,072,000 and a corresponding increase in current Receivables of $2,072,000.

(h) Financial instruments

The Group has elected to apply the exemption from restatement of comparatives for AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement.* It has therefore continued to apply the previous AGAAP rules to derivatives, financial assets and financial liabilities and also to hedge relationships for the year ended 30 June 2005. The adjustments required for differences between previous AGAAP and AASB 132 and AASB 139 have been determined and recognised at 1 July 2005. Refer to section 5 of this note and note 1 for further details.

(i) Deferred tax liability

Under previous AGAAP income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. The adoption of AIFRS has resulted in a change in accounting policy. The effects on deferred tax of the AIFRS transition adjustments are reflected in the notes (a) through to (g) above.

On applying the balance sheet approach under AIFRS in calculating the net deferred tax balance on transition an additional net adjustment of $2,615,000 to reduce the net deferred tax liability was identified.

12 Explanation of transition to Australian equivalents to IFRSs (continued)

(j) Retained earnings

The effect on retained earnings of the changes set out above are as follows:

	1 July 2004 $'000	31 December 2004 $'000	30 June 2005 $'000
Rehabilitation and restoration provisions (net of tax)	(886)	(1,415)	(1,694)
Share-based payments	(48)	(305)	(639)
Deferred tax	2,615	2,603	2,616
Total adjustment	1,681	883	283

12 Explanation of transition to Australian equivalents to IFRSs (continued)

(5) Change in accounting policies

Adjustments on transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*: 1 July 2005

In the current financial year the Group adopted AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 139 has resulted in the Group recognising available-for-sale investments and all derivative instruments as assets or liabilities at fair value. This change has been accounted for by adjusting the opening balance of retained earnings and the related fair value reserves at 1 July 2005.

The impact on the balance sheet in the comparative period is set out below as an adjustment to the opening balance sheet at 1 July 2005. The transitional provisions will not have any effect in future reporting periods.

Adjustments recognised on transition were:

(i) recognition of Broken Hill's price linked payment obligation to the administrators of Pasminco as an embedded derivative. Under this contract an amount will become payable to the administrators of Pasminco if the spot price of zinc averages in excess of US$960/tonne in any one quarter. This obligation extends to either 30 November 2009, or when payments under this arrangement have totalled $30,000,000. Recognition of the price linked payment liability as an embedded derivative resulted in a $12,239,000 increase in the current 'Derivative financial instruments' account; a $922,000 decrease in the current 'Provisions' account, an $8,474,000 increase in the non-current 'Derivative financial instruments' account and a $5,937,000 increase in deferred tax assets with a net debit to Retained Profits of $13,854,000; and

(ii) the fair value adjustment of other financial assets that resulted in an increase of $560,000 in current 'Other financial assets'; a increase of $1,145,000 in non-current 'Other financial assets'; and a $511,000 increase in deferred tax liabilities with a net credit to the 'Other financial assets Fair Value Reserve' of $1,194,000.

	30 June 2005 $'000	Adjustment $'000	1July 2005 $'000
ASSETS			
Current assets			
Cash and cash equivalents	12,022	-	12,022
Receivables	11,680	-	11,680
Inventories	12,751	-	12,751
Other financial assets	8,724	560	9,284
Derivative financial instruments	-	-	-
Other current assets	-	-	-
	45,177	560	45,737
Total current assets	45,177	560	45,737

12 Explanation of transition to Australian equivalents to IFRSs (continued)

	30 June 2005 $'000	Adjustment $'000	1July 2005 $'000
Non-current assets			
Restricted cash	9,588	-	9,588
Receivables	11	-	11
Investments accounted for using the equity method	90	-	90
Other financial assets	869	1,145	2,014
Deferred tax assets	10,211	5,937	16,148
Property, plant and equipment	49,894	-	49,894
Exploration and evaluation expenditure	15,756	-	15,756
Derivative financial instruments	-	-	-
Mine properties	63,779	-	63,779
Total non-current assets	150,198	7,082	157,280
Total assets	195,375	7,642	203,017
LIABILITIES			
Current liabilities			
Payables	25,350	-	25,350
Interest bearing liabilities	4,965	-	4,965
Current tax liabilities	316	-	316
Provisions	12,058	(922)	11,136
Derivative financial instruments	-	12,239	12,239
	42,689	11,317	54,006
Non-current liabilities			
Interest bearing liabilities	7,660	-	7,660
Deferred tax liabilities	8,519	511	9,030
Provisions	20,232	-	20,232
Derivative financial instruments	-	8,474	8,474
Total non-current liabilities	36,411	8,985	45,396
Total liabilities	79,100	20,302	99,402
Net assets	116,275	(12,660)	103,615
Contributed equity	99,286	-	99,286
Reserves	639	1,194	1,833
Retained earnings	16,350	(13,854)	2,496
Parent entity interest	116,275	(12,660)	103,615
Total equity	116,275	(12,660)	103,615

Refer to notes 1(m), 1(o) and 1(n) for further information on the transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* on 1 July 2005.

In the directors' opinion:

(a) the financial statements and notes set out on pages 6 to 39 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) giving a true and fair view of the company's financial position as at as at 31 December 2005 and of its performance, as represented by the results of its operations, changes is equity and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Perilya Limited will be able to pay its debts as and when they become due and payable.

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

Leonard S. Jubber

Director

Perth
16 March 2006

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Independent review report to the members of Perilya Limited.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Perilya Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Perilya Limited Group as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the Perilya Limited Group (the consolidated entity), for the half-year ended 31 December 2005. The consolidated entity comprises both Perilya Limited (the company) and the entities it controlled during that half-year.

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

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations, changes in equity and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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

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

PricewaterhouseCoopers

David J Smith.
Partner

Perth
16 March 2006