financial report

for the year ended 30 June 2006

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PERILYA LIMITED

ABN 85 009 193 695

This financial report covers both Perilya Limited as an individual entity and 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
Level 10
553 Hay Street
Perth WA 6000

The description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the Directors' report on pages 3 to 4, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 29 September 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 News and Reports section on our website: www.perilya.com.au.

For queries in relation to our reporting please call: + 61 8 6210-2000 (within Australia 08 6210-2000) or alternately email: Perilya@perilya.com.au.

board of directors

PATRICK O'CONNOR

B.COM, SEP STANFORD EXECUTIVE PROGRAM (USA), FAICD

Chairman, Independent Non-Executive Director

Patrick was appointed Chairman on 1 February 2006. He is Chairman of the Remuneration Committee and a member of the Audit and Risk Management and HS&E Committees. Patrick is a fellow of the Australian Institute of Directors and attended the Stanford Executive Program at Stanford University, California, USA.

Patrick was the founder and Managing Director of Macraes Mining Company Limited from 1989 to 1998. Patrick is currently one of the founders and executives of St George Capital Pty Ltd, a boutique investment manager, and an executive of SG Growth Equities Limited. Patrick is also non-executive Chairman of Xceed Biotechnology Limited and is non-executive director of Adelphi Energy Limited and the Water Corporation of Western Australia.

Patrick has extensive executive leadership skills and wide experience in communicating with capital markets, shareholders and the media. Patrick has a deep understanding of organisational and strategic development drawn from his involvement in management consulting practices specialising in these fields.

Age: 43

Current Directorships

- Chairman: Xceed Biotechnology Limited
- Executive Chairman: SG Growth Equities Limited
- Director: Adelphi Energy Limited
- Director: Water Corporation of Western Australia

Former Directorships over the past three years

- Director: Oceana Gold Limited
- Chairman: Acuron Limited

LEN JUBBER

B.CIVIL ENG, MBA

Managing Director and Chief Executive Officer

Chief Executive Officer since 16 May 2005, Len is an engineer with a post graduate degree in business administration and over 16 years experience in the minerals industry. He spent seven years with Oceana Gold Limited, ultimately becoming the Chief Operating Officer and an Executive Director. Prior to Oceana Gold, Len spent eight years in Southern Africa with Rossing Uranium Limited, a subsidiary of Rio Tinto.

Age: 46

Current Directorships

- Director: Southstar Diamonds Limited

Former Directorships over the past three years

- Executive Director: Oceana Gold Limited

PHILLIP LOCKYER

AWASM, DIPMETALL, M.SC

Independent Non-Executive Director

Phillip was appointed non-executive director on 19 November 2003 and was the Company's Chairman until 1 February 2006. Phillip is Chairman of HS&E Committee and a member of both the Audit and Risk Management Committee and Remuneration Committee.

Phillip is a mining engineer and metallurgist with more than 40 years experience in the minerals industry with an emphasis on gold and nickel, in both underground and open pit mining operations. Phillip spent 20 years with WMC Resources and held the position of General Manager for WA, responsible for that Company's nickel division and gold operations.

Age: 62

Current Directorships

- Director: Jubilee Mines NL
- Director: Ammtec Limited
- Director: Focus Minerals Limited
- Director: MERIWA

Former Directorships over the past three years

- Nil

CHANG KEUN CHOI

B. ENG, MASTER OF ENG, MBA

Non-Executive Director

Chang Keun Choi was appointed non-executive director on 27 April 2005.

Chang Keun Choi holds a Bachelor of Engineering in Mining Engineering, a Masters of Engineering and an MBA. He is currently Vice Chairman of the Korea Zinc Company Limited which, together with Young Poong Corporation Ltd, holds approximately 10% of the issued share capital of Perilya Limited.

Age: 59

Current Directorships

- Director: Korea Zinc Company Limited
- Director: Sorin Corporation Ltd

Former Directorships over the past three years

- Nil

PETER HARLEY

B.COMM, FCPA, FAICD

Independent Non-Executive Director

Peter was appointed non-executive director on 19 November 2003. He is Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee.

Peter is a qualified accountant with more than 30 years experience in a range of diverse industries and a fellow of the Australian Institute of Directors. Peter is a director of Gunson Resources Limited, Blaze International Limited and Chairman of iiNet Limited a leading internet services provider.

Age: 56

Current Directorships

- Chairman: iiNet Limited
- Director: Gunson Resources Limited
- Director: Blaze International Limited

Former Directorships over the past three years

- Nil

GUY TRAVIS

AWASM, MSC, DIC

Independent Non-Executive Director

Guy was appointed non-executive director on 5 October 2002.

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

Age: 64

Current Directorships

- Director: Southstar Diamonds Limited

Former Directorships over the past three years

- Nil

directors' report

30 June 2006

The Directors present their report on the consolidated entity comprising Perilya Limited ("Perilya" or "the Company") and its controlled entities ("the consolidated entity") for the year ended 30 June 2006 ("the financial year"). Perilya is a Company limited by shares that is incorporated and domiciled in Australia.

DIRECTORS

The Directors of Perilya Limited throughout the entire year and up to the date for this report were :

NAME	POSITION	INDEPENDENT	FIRST APPOINTED
Patrick O'Connor	Chairman	Yes	1 February 2006
Len Jubber	Chief Executive Officer	No	16 May 2005
Chang Keun Choi	Non-Executive Director	No	27 April 2005
Peter Harley	Non-Executive Director	Yes	19 November 2003
Phillip Lockyer	Non-Executive Director	Yes	19 November 2003
Guy Travis	Non-Executive Director	Yes	5 October 2002
Colin McIntyre (resigned 23 Nov 2005)	Non-Executive Director	Yes	16 June 2003

INFORMATION OF DIRECTORS

Particulars on the skills, experience, expertise and responsibilities of each Director at the date of this report, including all Directorships of other listed companies held or previously held by a Director at any time in the past three years, are set out on page 1 of this report.

COMMITTEE MEMBERSHIP

As at the date of this report, the Company had an Audit & Risk Management Committee, a Remuneration Committee and a Health, Safety and Environment (HS&E) Committee of the Board of Directors. Directors acting on these committees of the Board during the year were:

AUDIT & RISK MANAGEMENT COMMITTEE	REMUNERATION COMMITTEE	HS&E COMMITTEE (1)
Peter Harley (Chairman)	Patrick O'Connor (Chairman) (appointed 1 Feb 2006)	Phillip Lockyer (Chairman)
Phillip Lockyer (appointed 22 Dec 05)	Peter Harley	Len Jubber
Patrick O'Connor (appointed 1 Feb 06)	Phillip Lockyer	Patrick O'Connor
Guy Travis (ceased 4 Mar 06)	Guy Travis (23 Nov 05 to 10 Jan 06)	
Colin McIntyre (resigned 23 Nov 2005)	Colin McIntyre (resigned 23 Nov 05)	

(1) The HS&E committee was formed on 28 April 2006.

DIRECTORS' ATTENDANCE AT MEETINGS

Particulars of the number of meetings of the Board of Directors of Perilya and each Board committee of Directors held and attended by each Director during the 12 months ended 30 June 2006 are set out below:

	BOARD MEETINGS		BOARD COMMITTEE MEETINGS					
			AUDIT & RISK MANAGEMENT COMMITTEE		REMUNERATION COMMITTEE		HS&E COMMITTEE	
	A	B	A	B	A	B	A	B
Patrick O'Connor	6	6	2	2	1	1	1	1
Len Jubber	16	16	-	-	-	-	1	1
Chang Keun Choi	3	16	-	-	-	-	-	-
Peter Harley	15	16	5	5	2	2	-	-
Phillip Lockyer	15	16	3	3	2	2	1	1
Guy Travis	14	16	3	4	1	1	-	-
Colin McIntyre	6	7	2	2	-	-	-	-

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the relevant committee during the year.

directors' report

30 June 2006

DIRECTORS' SHAREHOLDINGS

The relevant interests of each Director in the ordinary shares and options in Perilya Limited at the date of this report are:

2006	FULLY PAID ORDINARY SHARES BENEFICIAL, PRIVATE COMPANY OR TRUST	OWN NAME	OPTIONS OVER ORDINARY SHARES OPTIONS	EXERCISE PRICE	EXPIRY DATE
Patrick O'Connor	-	-	-	-	-
Len Jubber (1)	131,088	-	5,000,000	3,000,000 @ $1.01 1,000,000 @ $1.13 1,000,000 @ $1.26	3,000,000 on 16 May 2010 1,000,000 on 16 May 2011 1,000,000 on 16 May 2012
Chang Keun Choi (2)	-	-	-	-	-
Peter Harley	15,000	-	-	-	-
Phillip Lockyer	20,000	-	-	-	-
Guy Travis (3)	3,830,229	-	-	-	-

(1) Options issued to Mr Jubber on 31 May 2005, under the terms of the Perilya Employee Share Option Plan as approved by shareholders in November 2003.

(2) Mr C K Choi is a shareholder of Young Poong Corporation and a director and shareholder of Korea Zinc Company Limited, who hold in aggregate 10% of the voting capital of Perilya. Mr C K Choi's interests are not regarded as relevant interests for the purposes of disclosure.

(3) Mr Travis is one of three Directors and a shareholder of Aurex Pty Ltd, which holds 1,169,358 shares in Perilya. The whole of Aurex's shareholding in Perilya has been disclosed as relevant interest. However, Mr Travis has disclosed that he is the beneficiary of only 1/3rd of those shares. In addition Mr Travis is a director and a beneficiary of Lyrebird Pty Ltd which holds 2,660,871 shares in Perilya.

COMPANY SECRETARY

The Company Secretary and Group Manager Legal is Darryl Edwards, BCom, FCIS.

Darryl was appointed on 7 March 2006, as the Company Secretary and Group Manager Legal. He is a qualified Company Secretary, a Fellow of the Australian Institute of Chartered Secretaries and a member of the Western Australian State Council of Chartered Secretaries Australia. He has over 15 years experience in Company Secretarial roles and before joining Perilya held senior positions with a number of large and small ASX listed companies.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year consisted of zinc, lead, gold and silver mining, mineral exploration and investment activities.

CONSOLIDATED RESULTS

	2006 $M	2005 $M
Consolidated entity profit/(loss) attributable to members of Perilya	**67.0**	(6.1)

DIVIDENDS

A fully franked interim dividend of 1.0 cent per share was paid to shareholders on 7 April 2006.

Since the end of the financial year the Directors have declared the payment of a fully franked final dividend of 4.0 cents per share to be paid to shareholders on 2 October 2006. The record date for determining entitlement to this final dividend was 14 September 2006.

There were no dividends declared or paid for the 2005 financial year.

REVIEW OF OPERATIONS AND RESULTS

The consolidated entity's financial performance benefited from high metal prices and improved operational efficiencies. Key performance details include:

- $67.0 million full year net profit after tax (2005: $6.1 million loss) after a $13.3 million (after tax) write down of the Daisy Milano gold mine.
- Fully franked final dividend of four cents per share; total annual dividend of five cents per share (2005: nil).
- $161.6 million in cash and receivables at 30 June 2006 (30 June 2005: $33.3 million). Debt of $7.1 million (30 June 2005: $12.6 million).
- Net cash flow from operations of $166.0 million (2005: $30.2 million).
- Broken Hill zinc production up 9.2 per cent and lead up 22.4 per cent on the previous year.

directors' report

30 June 2006

FINANCIAL PERFORMANCE

The consolidated entity recorded a $67.0 million (2005: $6.1 million loss) net profit after tax, or 35.6 cents per share, for the year ended 30 June 2006 (2005: 3.6 cents per share loss). Revenues increased by $152.0 million to $345.0 million. The increase in revenue and profitability was principally due to higher zinc and lead prices combined with higher zinc and lead production from the Broken Hill operations.

The profit result includes a $19.0 million pre tax write down of the Daisy Milano asset value ($13.3 million after tax). This follows a review of the carrying value of the project at current production levels and operating efficiencies.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 870.8 per cent over the previous year from $13.7 million to $133.0 million.

BROKEN HILL

Broken Hill zinc production was up 9.2 per cent to 144,100 tonnes (2005: 132,000 tonnes) and lead production was 22.4 per cent higher at 74,800 tonnes (2005: 61,100 tonnes). Production increases were largely due to increased mill throughput.

Total direct operating cost increases at Broken Hill were limited to only 4.5 per cent (compared to 2005) with gains in mine scheduling efficiency and increased productivity offsetting global operating cost pressures.

CASH FLOW

The net cash flow for 2006 increased $132.1 million to $113.0 million from a net cash outflow of $19.1 million the previous year.

Operating cash flows included an amount of $46.8 million from the sale of future silver production from the Broken Hill operation in September 2005. Significant expenditures included the payment of the outstanding deferred acquisition liability of $30.1 million, mine properties and development expenditure of $29.8 million, capital expenditures of $11.7 million and $5.6 million on exploration.

BROKEN HILL – DEFERRED ACQUISITION PAYMENTS

During the financial year, the $55.0 million deferred acquisition liability associated with the purchase of the Broken Hill mine in 2002, was settled in full following payment of the outstanding $30.1 million. This liability was paid for out of the operational cash flows from Broken Hill and was settled four years ahead of schedule.

BALANCE SHEET

Cash and receivables at year end totaled $161.6 million (2005: $33.3 million).

The Company has total borrowings of $7.1 million (2005: $12.6 million), comprising mobile equipment finance leases and short-term insurance premium funding.

SHARE CAPITAL

During the financial year the Company issued 4,525,000 shares as a result of the exercise of unlisted employee options. Accordingly the total share capital at the end of the financial year was 191,047,239 shares (2005: 186,522,239 shares).

OBJECTIVES, STRATEGY AND RISKS

Perilya's aim is to become a significant diversified mining Company that provides consistent returns to shareholders and benefits to all stakeholders. The Company strives to operate in a manner which ensures the health and safety of its people, the integrity of the environment in which it operates, and the highest standards of corporate governance.

During the financial year, Perilya's operational structure was modified to clarify the alignment and responsibilities of senior management. The new organisational structure is aimed at simplifying and focusing our attention on the key functions that drive our business objectives:

- Creating a sustainable future;
- Strategically building the capability of our people and systems; and
- Delivering positive financial and operational performance.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Operationally, the outlook is for continuing strong production and financial performance. Production levels for the 2007 financial year at Broken Hill are expected to be similar to that of 2006.

The Company will be reviewing its gold assets with the view to developing a strategy to maximise their value and contribution to Perilya's growth plans.

Further information about the likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- An increase in contributed equity of $3.7 million (from $99.3 million to $103.0 million) mainly as a result of the issue of 4,525,000 fully paid ordinary shares at an average price of $0.67 each on the exercise of options;
- Net cash flow of $113.0 million resulting in cash and receivables at 30 June 2006 of $161.6 million;
- The finalisation of the deferred acquisition payments of $55.0 million related to the acquisition of Broken Hill from Pasminco Limited (Administrators) in 2002; and
- The sale of 17.2 million ounces of silver production for an upfront part payment of $46.8 million in September 2005. A further US$6 million, contingent upon Perilya achieving agreed minimum production levels, will be paid in annual increments over the next eight years. The Company will also receive a further US$2.31 per ounce of silver produced (indexed to CPI).

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

Gleneagle Gold Limited announced commencement of production from Fortnum Gold Project

As part payment for the Fortnum Gold project sold to Gleneagle Gold Limited ("Gleneagle") in July 2003, Perilya was to receive $500,000 upon commencement of production at the Fortnum mine by Gleneagle and, after the first 50,000 ounces of production, a royalty at the rate of $10 per ounce, up to a maximum of $2 million. Gleneagle announced that production had commenced in the week beginning 9 July 2006. The $500,000 payment was received on 21 July 2006 and is not included in the results.

Dividend declaration

The Directors have declared the payment of a fully franked final dividend of 4 cents per share. The record date for determining entitlement was 14 September 2006 and the final dividend is payable on 2 October 2006.

NUMBER OF EMPLOYEES

As at 30 June 2006, the consolidated entity had 625 employees (30 June 2005: 567 employees).

OPTIONS

Options on Issue

Details of options over unissued shares in Perilya Limited as at the date of this report are set out below:

	NUMBER	EXERCISE PRICE	GRANT DATE	EXPIRY DATE
Unlisted Employee Incentive Options	20,000	$0.45	20.11.01	19.11.06
Unlisted Employee Incentive Options	150,000	$0.70	16.01.03	31.12.06
Unlisted Employee Incentive Options	180,000	$0.97	18.06.04	21.05.09
Unlisted Employee Incentive Options	200,000	$0.88	20.08.04	20.08.09
Unlisted Employee Incentive Options	445,000	$1.00 / $1.20 / $1.40	01.09.04	09.08.09
Unlisted Employee Incentive Options	3,000,000	$1.01	31.05.05	16.05.10
Unlisted Employee Incentive Options	1,000,000	$1.13	31.05.05	16.05.11
Unlisted Employee Incentive Options	1,000,000	$1.26	31.05.05	16.05.12
Unlisted Employee Incentive Options	600,000	$1.31	17.03.06	09.01.11
Unlisted Employee Incentive Options	200,000	$1.47	17.03.06	09.01.12
Unlisted Employee Incentive Options	200,000	$1.64	17.03.06	09.01.13
Unlisted Employee Incentive Options	200,000	$1.80	17.03.06	09.01.14
Unlisted Employee Incentive Options	300,000	$2.38	28.03.06	07.03.11
Unlisted Employee Incentive Options	100,000	$2.67	28.03.06	07.03.12
Unlisted Employee Incentive Options	100,000	$2.97	28.03.06	07.03.13
Unlisted Employee Incentive Options	300,000	$3.46	14.08.06	17.07.11
Unlisted Employee Incentive Options	100,000	$3.89	14.08.06	17.07.12
Unlisted Employee Incentive Options	100,000	$4.32	14.08.06	17.07.13
	8,195,000			

Since the end of the financial year 500,000 options have been granted with exercise prices of between $3.46 and $4.32 per share.

Options exercised

During the financial period 4,525,000 options were exercised and 4,525,000 ordinary shares in Perilya Limited were issued for a consideration of $3,048,000. Since the end of the financial year, a further 275,000 options have been exercised at an average price of $1.06 per share.

Options forfeited

During or since the end of the financial period 1,650,000 options were forfeited.

Options expired or lapsed

Since the end of the financial period 25,000 options have expired or lapsed in accordance with the terms of the Employee Share Option Plan.

INSURANCE OF OFFICERS

During or since the end of the period, the Company has paid premiums of $87,734 in respect of a contract to insure Directors and officers of the consolidated entity against liabilities incurred in the performance of their duties.

The officers of the group covered by the insurance policy include any person acting in the course of duties for the consolidated entity who is, or was, a Director, executive officer, or a senior manager within the consolidated entity.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers, in their capacity as officers, of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

ENVIRONMENT REGULATIONS

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

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

RISK AND CONTROL COMPLIANCE

The Directors have implemented internal control processes for identifying, evaluating and managing significant risks to the achievement of the Company's objectives. These internal control processes cover financial and operational risks. The Company's corporate governance practices are outlined further in the Company's Corporate Governance Statement included in this report.

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

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

At the date of this report there are no leave applications or proceedings brought on behalf of the consolidated entity under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

In accordance with the Company's External Auditor Policy and Guidelines, the Company may decide to engage the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the consolidated entity are important.

Details of the amounts paid or payable to the auditor, PricewaterhouseCoopers, for audit and non-audit services provided during the financial year are set out in note 36 on page 66 of the financial statements.

The Directors are satisfied that the provision of the non-auditing services detailed in note 36 of the financial statements were compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Also the Directors are satisfied that the provision of these non-audit services did not compromise the auditor independence requirements of the *Corporations Act 2001* because:

- they have no reason to question the veracity of the auditor's independence declaration referred to in the section immediately following this section of the report; and
- the nature of the non-audit services provided is not inconsistent with those requirements.

AUDITOR'S INDEPENDENCE DECLARATION

PricewaterhouseCoopers continues as external auditor in accordance with section 327 of the *Corporations Act 2001*. The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17 and forms part of this report.

REMUNERATION REPORT

The Remuneration Report summarises the key remuneration policies for the reporting period, highlights the link between pay and corporate performance, and provides detailed information on the remuneration practices for the key management personnel of Perilya Limited and its controlled entities ("the Group") in office during the financial year and until the date of this report.

The remuneration report has been set out under the following main headings:

- A Key management personnel
- B Principles used to determine the nature and amount of remuneration
- C Details of remuneration for the key management personnel
- D Contracts for key management personnel
- E Share-based compensation
- F Relationship between remuneration and Perilya performance
- G Additional information

The information provided under sections A to E includes remuneration disclosures that are required under accounting standard AASB124 *Related Party Disclosures*. These disclosures have been transferred from the financial statements which have been audited. The disclosures in sections F and G are required by the *Corporations Act 2001* and the *Corporations Regulations 2001*, which have not been audited.

directors' report

30 June 2006

A. Key Management Personnel (audited)

Key management personnel of Perilya Limited and its controlled entities include the Directors, the Chief Executive Officer and those executives that report directly to the Chief Executive Officer.

Directors

The Directors of Perilya Limited during 2006 are set out below in Table 1.

Table 1: The Directors of Perilya during 2006

NAME	POSITION	PERIOD (IF LESS THAN THE ENTIRE PERIOD)
Executive Director		
Len Jubber	Managing Director/CEO	
Non- Executive Directors		
Patrick O'Connor	Chairman	Appointed - 1 February 2006
Chang Keun Choi	Director (Non-Executive)	
Peter Harley	Director (Non-Executive)	
Phillip Lockyer (1)	Director (Non-Executive)	
Guy Travis	Director (Non-Executive)	
Colin McIntyre	Director (Non-Executive)	Resigned - 23 November 2005

(1) Mr Lockyer held the position of non-executive Chairman until 1 February 2006.

Executives

The executives (other than the Executive Director) of Perilya Limited and its controlled entities during 2006 are set out below in Table 2.

Table 2: Executives (other than the Executive Director) during 2006

NAME	POSITION	PERIOD (IF LESS THAN THE ENTIRE PERIOD)
Tim Carstens	General Manager - Corporate Development	Commenced - 7 November 2005
Ron Ellis	Mine Manager, Daisy Milano	
Tim Manners	General Manager - Finance	Commenced - 7 March 2006
Rob Scargill	General Manager - Broken Hill	Commenced - 22 November 2005
Former Executives:		
Paul Cranney	Exploration Manager	Resigned - 25 November 2005
Alan Knights	Chief Financial Officer	Resigned - 18 November 2005
Barry Mitchell	General Manager - Broken Hill	Resigned - 6 January 2006
John Traicos	Company Secretary	Retrenched - 31 October 2005

B. Principles Used To Determine the Nature and Amount of Remuneration (audited)

Remuneration Committee

Perilya's Remuneration Committee is responsible for evaluating the performance of the Chief Executive Officer ("CEO") and monitoring performance of the executive team. The Board also determines the remuneration of the CEO and approves the remuneration of those executives reporting directly to the CEO.

The Remuneration Committee works to ensure that the Company has remuneration policies and practices that fairly, responsibly and competitively reward executives. The committee's decisions on reward structures are based on the current competitive environment for high calibre executives and employees generally and high standards of governance.

Remuneration Policy and Principles

The Board recognises that Perilya's performance is dependent on the quality of its people. To achieve its financial and operating objectives, Perilya must be able to attract, retain and motivate highly capable people.

Perilya's executive remuneration policy and principles have been designed to ensure that Perilya:

- provides competitive rewards that attract, retain and motivate executives of the highest calibre;
- sets demanding levels of performance which are clearly linked to an executive's remuneration;
- structures remuneration at a level that reflects the executive's duties and accountabilities;
- sets a competitive level of remuneration that is sufficient and reasonable;
- aligns executive incentive rewards with the creation of value for shareholders; and
- complies with applicable legal requirements and appropriate standards of governance.

Perilya's desire to remunerate executives fairly and responsibly is achieved by ensuring that:

- there is a clear relationship between the performance of Perilya, individual performance and remuneration;
- the policy underlying executive remuneration is openly communicated to, and understood by, executives; and
- the approach to executive remuneration demonstrates continuity and consistency with minimum exceptions.

Executive remuneration is reviewed annually having regard to both individual and business performance measures.

Remuneration Structure of the CEO and Senior Executives

Perilya's remuneration structure for the CEO and senior executives is divided into two principal components:

- Fixed annual reward; and
- Variable annual reward, which includes a short-term incentive ("STI") and a long-term incentive ("LTI").

Fixed Annual Reward

The fixed annual reward component of executive remuneration comprises base salary, statutory superannuation contributions and other allowances such as housing (where applicable), motor vehicle and health insurance. It is determined by the scope of each executive's role, level of knowledge, skill and experience along with their individual performance.

Perilya annually reviews and benchmarks this component of executive remuneration against appropriate market comparisons using information and advice from external consultants.

Variable Annual Reward

Executives may receive a variable annual reward, based on an assessment of their individual performance and Perilya's overall performance. These assessments are conducted, for senior executives, by the CEO and approved by the Remuneration Committee. The performance assessment for the CEO is conducted by the Board with assistance from the Remuneration Committee.

Each senior executive's variable annual reward allocation will comprise both a STI and a LTI:

- **Short-term incentive component (STI):**

  The short-term incentive component of an executive's annual remuneration is between 16% and 30% of their base salary and is available to be paid in cash following an assessment of performance of both Perilya and the individual executive for the past year.

  The Board sets a series of key performance indicators ("KPI's") for Perilya which are linked to Perilya's business principles, budget and business plan and external indicators. The degree to which these KPI's are achieved determines the size of the short-term incentive distribution to executives.

- **Long-term incentive component (LTI) comprising:**

  Options – under the Perilya Limited Employee Share Option Plan (approved by shareholders in November 2003):

  Options over Perilya Limited shares have been granted to the CEO, executives and a number of managers as a means of linking their remuneration to the returns provided to shareholders. The exercise price of options have been set at a minimum of 20%, and up to 65%, above the weighted average price at which Perilya's shares are traded on the Australian Stock Exchange during a five trading day period.

The options are granted with an average life of 5 years and are exercisable in one to four annual tranches (depending on the terms of their grant). The options which have not vested are forfeited if the executive leaves the employment of Perilya. In special circumstances, such as retirement or retrenchment, an executive will be allowed, subject to Board approval, to retain the options. The options carry no dividend or voting rights.

Remuneration Structure of Non-Executive Directors

Remuneration Policy

The Board recognises that, in order to achieve Perilya's financial and operating objectives, Perilya must be able to attract, retain and motivate talented non-executive Directors.

Perilya's non-executive Director remuneration policy aims to reward non-executive Directors fairly and responsibly having regard to:

- the level of fees paid to Directors relative to other comparative sized Australian mining companies;
- the size and complexity of Perilya's operations; and
- the responsibilities and work requirements of individual Board members.

Fees paid to non-executive Directors of Perilya are recommended by the Remuneration Committee based on advice from external remuneration consultants and determined by the Board, subject to the aggregate limit of $400,000 approved by shareholders at the 2002 Annual General Meeting. It is proposed to seek shareholder approval at the 2006 Annual General Meeting to increase the aggregate limit to $500,000, to provide the Board with the flexibility to increase the size of the Board if necessary. There is no proposed increase in individual non-executive Directors fees for the 2007 financial year.

C. Details of Remuneration for the Key Management Personnel (audited)

Non-Executive Directors

Remuneration Payable

Non-executive Director's remuneration consists only of base fees, committee fees and superannuation contributions, details of which are set in Table 3 below. Fees payable to non-executive Directors are reviewed annually and fixed by the Board.

Board fees are not paid to Executive Directors as the time spent on Board work and the responsibilities of Board membership are considered in determining the remuneration package provided as part of their normal employment conditions.

Table 3 – Annual Board and Committee Fees payable to non-executive Directors

POSITION	ANNUAL FEES UP TO 30 JUNE 2006 $	ANNUAL FEES FROM 1 JULY 2007 $
Chairman of the Board	110,000	110,000
Non-Executive Director	50,000	50,000
Chairman of the Audit & Risk Management committee	12,000	12,000
Member of a Board Committee	5,000	5,000

The total remuneration which was paid to each non-executive Director in 2006 is set out below in Table 4.

Table 4 – Remuneration of Non-Executive Directors

NAME	POSITION	DIRECTOR FEES $	BOARD COMMITTEE FEES $	OTHER $	SUPERANNUATION $	TOTAL $
Non-Executive Directors						
Patrick O'Connor (1)	Chairman					
2006		45,833	4,167	-	4,500	54,500
2005		-	-	-	-	-
Chang Keun Choi	Director (Non-Executive)					
2006		50,000	-	-	4,500	54,500
2005		8,333	-	-	750	9,083
Peter Harley	Director (Non-Executive)					
2006		50,000	17,000	-	6,030	73,030
2005		50,000	17,000	-	6,030	73,030
Phillip Lockyer (2)	Director (Non-Executive)					
2006		30,833	7,500	-	41,184	79,517
2005 (3)		57,750	5,000	163,750	47,340	273,840
Guy Travis	Director (Non-Executive)					
2006		50,000	5,000	-	4,950	59,950
2005		50,000	5,000	-	4,950	59,950
Colin McIntyre (4)	Director (Non-Executive)					
2006		22,917	2,083	-	2,250	27,250
2005		50,000	10,000	-	5,400	65,400
Total						
2006		**249,583**	**35,750**	**-**	**63,414**	**348,747**
2005		**216,083**	**37,000**	**163,750**	**64,470**	**481,303**

(1) Mr Patrick O'Connor was appointed Chairman on 1 February 2006.

(2) Mr Phillip Lockyer held the position of Chairman of the Board until Mr O'Connor's appointment.
Mr Lockyer's superannuation includes an amount of $37,734, which has been salary sacrificed from the base Directors fees (2005: $38,250).

(3) In the 2005 Financial Year Mr Lockyer received consultancy fees of $163,750.

(4) Mr Colin McIntyre resigned as a director on 23 November 2005.

Executive Director

At the date of this report the CEO, Mr Len Jubber, is the only Executive Director of the Board.

Employment Contract

Mr Jubber was appointed as Perilya's CEO and Managing Director with effect from 16 May 2005. Mr Jubber's employment contract with Perilya is for an undefined term.

Under his employment contract, Mr Jubber:

- receives an annual salary;
- participates in the Employee Share Option Plan and Employee Share Acquisition Plan (subject to the matters described in more detail below); and
- receives superannuation and other benefits available to Perilya executives and employees.

The details of Mr Jubber's remuneration are described below and set out in Table 5. A summary of the contractual provisions for Mr Jubber's employment contract is set out below.

Remuneration Payable

The remuneration provisions of Mr Jubber's employment contract as it applied for 2006 provided for:

- A fixed annual reward: Mr Jubber's fixed remuneration was set at $475,000 per annum, plus 9% superannuation, and is subject to annual review in accordance with his employment contract;
- Short-term incentive component: comprises a cash payment of up to 16% of fixed annual reward based on Perilya's performance, the CEO's individual performance and Board discretion. For the period ending 30 June 2006, the Board determined that the CEO's short-term incentive payment would be $87,083, which is 16% of the fixed annual reward specified in his employment contract for the period from 16 May 2005 to 30 June 2006. The payment was based on performance against objectives and the Board's exercise of discretion. Payment occurred subsequent to the end of the financial year; and
- Long-term incentive: On 31 May 2005, Mr Jubber received a long-term incentive comprising of 5,000,000 options, which were granted to Mr Jubber on his appointment as CEO. The options vest in three tranches over 4 years and expire three years after the vesting date. The exercise prices are set between $1.01 and $1.26 per share, which was based on the then weighted average share price plus a premium of between 20% and 50%. The options vest immediately there is a change of control in Perilya. Any unvested options lapse on cessation of employment, unless otherwise approved by the Board or under special circumstances such as retirement or redundancy. Further details of the options are set out in Tables 8 through to 15.

Remuneration provisions of Mr Jubber's employment contract for the 2007 financial year have not yet been determined by the Board. The Board has engaged an external remuneration consultant to review the remuneration structure and STI performance criteria for Mr Jubber.

In accordance with the terms of the Company's Employee Share Acquisition Plan (refer page 16 for more details), under the terms of an offer made in August 2006, Mr Jubber was entitled to receive a one-off issue of shares to the value of $47,500 and a further amount of shares up to a maximum of $47,500 subject to Mr Jubber contributing an equal amount of up to $47,500 to acquire Perilya shares. All shares acquired for the benefit of Mr Jubber are purchased on-market and in accordance with the terms of the Company's Employee Share Acquisition Plan. The offer is consistent with that offered to all employees in the Perilya Group and restrictions of up to 2 years apply to all shares acquired by Mr Jubber under the plan.

Termination

Mr Jubber's employment contract may be terminated by:

- Mr Jubber at any time during the term of the agreement on giving six months notice;
- Perilya, immediately in the event of serious misconduct or in other nominated circumstances; or
- Perilya, at any time during the term of the agreement on sixth months giving written notice.

Key Management Personnel (excluding non-executive Directors)

Remuneration Paid

The total remuneration paid to key management personnel (excluding non-executive Directors) in 2006 is set out in Table 5 below. Data in this table includes the 5 group executives who received the highest remuneration for the year ending 30 June 2006.

Table 5 – Key Management Personnel Remuneration (excluding non-executive Directors)

NAME	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT		LTI [4]	TOTAL
	CASH SALARY & FEES	INCENTIVE BONUS PAYMENTS [3]	NON-MONETARY	TERMINATION PAYMENTS	SUPER-ANNUATION	FAIR VALUE OF LONG-TERM INCENTIVE OPTIONS	
	$	$	$	$	$	$	$
Perilya Limited							
Executive Directors							
Len Jubber [1]							
2006	475,000	87,083	53,307	-	42,750	579,756	**1,237,896**
2005	69,271	-	-	-	6,234	13,465	**88,970**
Tim Clifton [2] (resigned)							
2006	-	-	-	-	-	-	**-**
2005	358,506	-	-	295,696	36,063	-	**690,265**
Senior Executives							
Tim Carstens (appointed 7 Nov 2005)							
2006	166,136	29,074	1,291	-	14,952	77,668	**289,121**
2005	-	-	-	-	-	-	**-**
Tim Manners (appointed 7 March 2006)							
2006	84,461	14,781	806	-	7,601	46,484	**154,133**
2005	-	-	-	-	-	-	**-**
Paul Cranney (resigned)							
2006	205,583	-	4,915	11,537	6,470	2,084	**230,589**
2005	193,762	-	8,800	-	17,439	19,505	**239,506**
Alan Knights (resigned)							
2006	156,769	-	545	-	8,345	7,801	**173,460**
2005	287,203	-	-	-	25,848	60,166	**373,217**
John Traicos (retrenched)							
2006	71,340	-	485	265,299	22,908	25,520	**385,552**
2005	184,020	-	-	-	95,924	40,661	**320,605**
Perilya Limited total							
2006	**1,159,289**	**130,938**	**61,349**	**276,836**	**103,026**	**739,313**	**2,470,751**
2005	**1,092,762**	**-**	**8,800**	**295,696**	**181,508**	**133,797**	**1,712,563**
Controlled Entities							
Ron Ellis							
2006	193,847	-	6,184	-	17,446	18,113	**235,590**
2005	177,500	-	-	-	15,975	51,565	**245,040**
Rob Scargill (appointed 22 Nov 2005)							
2006	137,538	24,069	519	-	12,378	77,668	**252,172**
2005	-	-	-	-	-	-	**-**
Barry Mitchell (resigned)							
2006	186,711	-	2,310	-	14,334	3,853	**207,208**
2005	293,578	-	-	-	26,422	98,867	**418,867**
Consolidated entity total							
2006	**1,677,385**	**155,007**	**70,362**	**276,836**	**147,184**	**838,947**	**3,165,721**
2005	**1,563,840**	**-**	**8,800**	**295,696**	**223,905**	**284,229**	**2,376,470**

(1) Mr Len Jubber was appointed as Managing Director and CEO on 16 May 2005. Non-monetary benefits relating to Mr Len Jubber comprise mainly of one-off relocation benefits of $51,532.

(2) Mr Tim Clifton resigned as Managing Director on 16 May 2005. Termination payments were paid in July 2006 and included an amount of $141,620 for accrued annual leave and long service leave.

(3) Short-term incentives for the year ending 2006 were paid in September 2006. The amount of short-term incentive has been included in the 2006 remuneration numbers above.

(4) Options were allocated to key management personnel based on their role and the ability to influence the performance of the Company. The option remuneration value listed represents the amortisation applicable to the 2006 financial year of the assessed fair value of the options granted prior to or during the year and which vest during or after, the 2006 financial year.

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

Short-term and long term incentives - 2006

For the period ending 30 June 2006, the amount of short-term incentive payment payable to executives was based on performance against financial, operating and/or individual objectives and the exercise of discretion by the Board. Payments occurred subsequent to the end of the financial year but are included in the above remuneration disclosed in Table 5.

Table 6 shows the components of remuneration for the 2006 year for the key management personnel (employed as at 30 June 2006) with data drawn from the remuneration disclosed in Table 5.

Table 6 – Key Management Personnel Remuneration Breakdown

NAME AND JOB TITLE	FIXED REMUNERATION%	STI %	LTI %
Len Jubber - CEO	46%	7%	47%
Tim Carstens – GM Corporate Development	63%	10%	27%
Ron Ellis – Mine Manager, Daisy Milano	92%	-	8%
Tim Manners – GM Finance	60%	10%	30%
Rob Scargill – GM Broken Hill	59%	10%	31%

D. Contracts for Key Management Personnel (audited)

A summary of the key contractual provisions for each of the current key management personnel (excluding non-executive Directors) is set out in Table 7 below.

Table 7 - Contractual Provisions for Key Management Personnel

NAME AND JOB TITLE	EMPLOYING COMPANY	CONTRACT DURATION	NOTICE PERIOD COMPANY	MAXIMUM STI	NOTICE PERIOD EMPLOYEE	TERMINATION PROVISION [1]
Len Jubber – CEO/Managing Director	Perilya Limited	No fixed term and reviewed annually	6 months	16% of fixed annual reward	6 months	No entitlement to termination payment other than payment of accrued leave. If the position becomes redundant Mr Jubber is entitled to a payment of 1 year's annual salary and entitled to retain all options subject to continuing vesting terms and expiry dates.
Tim Carstens – GM Corporate Development	Perilya Limited	No fixed term and reviewed annually	3 months	30% of fixed annual reward	3 months	No entitlement to termination payment other than payment of accrued leave.
Ron Ellis – Mine Manager, Daisy Milano	Perilya Daisy Milano Pty Ltd	No fixed term and reviewed annually	2 months	-	2 months	No entitlement to termination payment other than payment of accrued leave.
Tim Manners – GM Finance	Perilya Limited	No fixed term and reviewed annually	3 months	30% of fixed annual reward	3 months	No entitlement to termination payment other than payment of accrued leave.
Rob Scargill – GM Broken Hill	Perilya Broken Hill Limited	No fixed term and reviewed annually	1 month	30% of fixed annual reward	1 month	No entitlement to termination payment other than payment of accrued leave.

(1) If the position of an executive becomes redundant they are entitled to statutory payments in lieu of notice and subject to Board approval, entitled to retain all options, on continuing vesting terms and expiry dates.

In addition to the above contractual terms Messrs, Jubber, Scargill, Carstens and Manners employment contracts provided for each to receive a LTI component, being the grant of options on commencement of employment. The options were granted with an exercise price set at a minimum of 20%, and up to 65%, above the weighted average price at which Perilya's shares traded on the Australian Stock Exchange during the five trading days immediately before the date of the employee commencing employment or the date of the remuneration committee meeting that agrees the issue of options.

The options are granted with an average life of 5 years and are exercisable in three to four annual tranches (depending on the terms of their grant). Options which have not vested are forfeited if the executive leaves the employment of Perilya. In special circumstances, such as retirement or retrenchment, an executive will be allowed, subject to Board approval, to retain the options. The options carry no dividend or voting rights. Details of the options are set out in Table 10 below.

E. Share-Based Compensation (audited)

Employee Share Option Plan – approved by shareholders in November 2003

As part of the performance incentive scheme, options over Perilya Limited shares are granted to the CEO, key management personnel and senior managers under the terms of the Perilya Limited Employee Share Option Plan, for no consideration.

Options are granted with an average life of 5 years commencing from the grant date and generally vest, and are exercisable, in three to four annual tranches (depending on the terms of grant).

The exercise price of options have been set at a minimum of 20%, and up to 65%, above the weighted average price at which the Company's shares traded on the Australian Stock Exchange during the five trading days immediately before the date of the employee commencing employment, or the date of the remuneration committee meeting that agrees the issue of options.

Further details on the plan are set out in the remuneration structure detailed on page 8 of this report.

The number of options granted and exercised by the executive director and key management personnel during the financial year, are set out below in Table 8 (2005: see Table 9 below):

Table 8 – Movement of Options Granted to Key Management Personnel during 2006

NAME	BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR AS REMUNERATION	EXERCISED DURING THE YEAR	BALANCE AT THE END OF THE YEAR	VESTED DURING THE YEAR	VESTED AND EXERCISABLE AT THE END OF THE YEAR
Len Jubber	5,000,000	-	-	5,000,000	-	-
Tim Carstens	-	600,000	-	600,000	-	-
Ron Ellis	400,000	-	(150,000)	250,000	150,000	75,000
Tim Manners	-	500,000	-	500,000	-	-
Rob Scargill	-	600,000	-	600,000	-	-
Total	**5,400,000**	**1,700,000**	**(150,000)**	**6,950,000**	**150,000**	**75,000**

No non-executive Directors held options during the financial year ended 30 June 2006.

Table 9 – Movement of Options Granted to Key Management Personnel during 2005

NAME	BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR AS REMUNERATION	EXERCISED DURING THE YEAR	BALANCE AT THE END OF THE YEAR	VESTED DURING THE YEAR	VESTED AND EXERCISABLE AT THE END OF THE YEAR
Len Jubber	-	5,000,000	-	5,000,000	-	-
Tim Clifton	2,000,000	-	-	2,000,000	-	2,000,000
Paul Cranney	-	250,000	-	250,000	-	-
Ron Ellis	150,000	250,000	-	400,000	75,000	75,000
Alan Knights	400,000	500,000	-	900,000	150,000	250,000
Barry Mitchell	500,000	500,000	-	1,000,000	400,000	400,000
John Traicos	300,000	250,000	-	550,000	150,000	150,000
Total	**3,350,000**	**6,750,000**	**-**	**10,100,000**	**775,000**	**2,875,000**

No non-executive Directors held options during the financial year ended 30 June 2005.

The terms and conditions of options over Perilya Limited shares, affecting the remuneration of the key management personnel in office at the end of the reporting period in this or future reporting periods, are set out below in Table 10.

Table 10 – Options Terms Granted to Key Management Personnel as at 30 June 2006

NAME	OPTIONS	GRANT DATE	EXERCISE PRICE	FAIR VALUE PER OPTION AT GRANT DATE	VESTING DATE	NUMBER OF SHARES ISSUED ON EXERCISE OF OPTIONS	EXPIRY DATE
Len Jubber	5,000,000	31 May 2005	3,000,000 @ $1.01	$0.27	16 May 2007	-	16 May 2010
			1,000,000 @ $1.13	$0.28	16 May 2008	-	16 May 2011
			1,000,000 @ $1.26	$0.29	16 May 2009	-	16 May 2012
Tim Carstens (1)	600,000	17 Mar 2006	300,000 @ $1.31	$1.01	9 Jan 2008	-	9 Jan 2011
			100,000 @ $1.47	$1.00	9 Jan 2009	-	9 Jan 2012
			100,000 @ $1.64	$0.99	9 Jan 2010	-	9 Jan 2013
			100,000 @ $1.80	$0.99	9 Jan 2011	-	9 Jan 2014
Ron Ellis	150,000	18 June 2004	75,000 @ $0.97	$0.27	21 May 2005	75,000	21 May 2009
			75,000 @ $0.97	$0.27	21 May 2006	-	21 May 2009
	250,000	1 Sept 2004	75,000 @ $1.00	$0.16	9 Aug 2005	75,000	9 Aug 2009
			75,000 @ $1.20	$0.12	9 Aug 2006	-	9 Aug 2009
			100,000 @ $1.40	$0.09	9 Aug 2007	-	9 Aug 2009
Tim Manners (2)	500,000	28 Mar 2006	300,000 @ $2.38	$0.78	7 Mar 2008	-	7 Mar 2011
			100,000 @ $2.67	$0.81	7 Mar 2009	-	7 Mar 2012
			100,000 @ $2.97	$0.82	7 Mar 2010	-	7 Mar 2013
Rob Scargill (1)	600,000	17 Mar 2006	300,000 @ $1.31	$1.01	9 Jan 2008	-	9 Jan 2011
			100,000 @ $1.47	$1.00	9 Jan 2009	-	9 Jan 2012
			100,000 @ $1.64	$0.99	9 Jan 2010	-	9 Jan 2013
			100,000 @ $1.80	$0.99	9 Jan 2011	-	9 Jan 2014

(1) The exercise price was based on a premium of 20% to 65% above the 5 day weighted average of the closing price of Perilya's share price on the ASX as at 9 January 2006, being the date the Remuneration Committee approved the offer to Messrs Scargill and Carstens.
(2) The exercise price was based on a premium of 20% to 50% above the 5 day weighted average of the closing price of Perilya's share price on the ASX as at 7 March 2006, being the date the Board approved the offer to Mr Manners.

Further details relating to options and the portion of key management personnel remuneration (excluding non-executive Directors) related to equity compensation in the 2006 year are set out below in Table 11.

Table 11 – Value of Options as at 30 June 2006

NAME	PERCENTAGE OF REMUNERATION CONSISTING OF OPTIONS	VALUE OF OPTIONS GRANTED, EXERCISED OR LAPSED IN 12 MONTHS ENDED 30 JUNE 2006			
		GRANTED (1) $	EXERCISED $	LAPSED $	TOTAL $
Len Jubber	47%	-	-	-	-
Tim Carstens	27%	603,000	-	-	603,000
Ron Ellis	8%	-	147,750	-	147,750
Tim Manners	30%	395,800	-	-	395,800
Rob Scargill	31%	603,000	-	-	603,000

(1) Value at time of grant

Perilya Limited Employee Share Acquisition Plan

The Perilya Limited Employee Share Acquisition Plan was implemented in August 2006. Accordingly, no shares were purchased for the benefit of the key management personnel during the financial year ending 30 June 2006.

F. Relationship between Remuneration and Perilya Performance (unaudited)

The Remuneration Committee and the Board continually seek to strengthen the link between executive remuneration and the Company's short and long term performance.

The short term performance component takes into account a number of internal and external factors relevant to the executives performance and the overall performance of Perilya. Given Perilya's results and performance can be significantly impacted by movements in both commodity prices and exchange rates, the impact of these factors is taken into account in determining the amount of an executive's short term incentive payments.

In determining the long-term performance component of the CEO and the senior executives, and more recently the wider employee base, the Employee Share Option Plan and the Employee Share Acquisition Plan are an integral part of Perilya's overall approach to competitive performance based remuneration. Both the Employee Share Option Plan and the Employee Share Acquisition Plan aim to align employees' and shareholders' interests, thus strengthening the ownership and commitment to our future success, and attracting and retaining high calibre people.

Perilya's performance during 2006 and the four previous years are set out in Table 12 below.

Table 12 – Perilya's Financial Performance for the Past 5 Years

YEAR ENDED 30 JUNE	2006	2005	2004	2003	2002
Net Profit after tax ($m)	67.0	(6.1)	12.9	(0.3)	(0.3)
Earnings per share (cents)	35.6	(3.6)	8.0	(0.1)	(0.3)
Dividends per share (cents) (1)	5.0	-	-	-	-
Dividend Pay Out Ratio (%)	14.0	-	-	-	-
Market capitalisation ($m)	456.0	127.0	143.0	70.0	76.0
Closing Share Price ($)	2.39	0.68	0.87	0.44	0.74

(1) Dividends include dividends declared at year end.

G. Additional Information (unaudited)

Details of remuneration: Cash bonus and options

For each cash bonus and grant of options included in the above tables, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the services and performance criteria, is set out below in Table 13. The maximum value of options yet to vest has been determined based on the portion of the grant date fair value that has not been expensed as at reporting date. That is, the amount that will be expensed in future years for each tranche of options granted.

Table 13 – Cash Bonus and Options to Key Personnel

NAME	CASH BONUS		OPTIONS					
	PAID	FORFEITED	YEAR GRANTED	VESTED IN 2005/06	FORFEITED / CANCELLED IN 2005/06	FINANCIAL YEAR IN WHICH OPTIONS MAY VEST FOR UNVESTED OPTIONS	MINIMUM TOTAL VALUE OF GRANT YET TO VEST	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST
	%	%	YR	%	%	YR	$	$
Len Jubber								
2006	100%	-	-	-	-	-	-	-
2005	-	-	2005	-	-	2007	nil	360,316
						2008	nil	178,275
						2009	nil	212,837
Tim Carstens								
2006	58%	42%	2006	-	-	2008	nil	252,219
2005	-	-				2009	nil	89,465
						2010	nil	90,616
						2011	nil	93,032
Ron Ellis								
2006	-	-	-	-	-	-	-	-
2005	-	-	2005	30%	-	2007	nil	496
						2008	nil	3,248
			2004	50%	-	-	-	-
Tim Manners								
2006	58%	42%	2006	-	-	2008	nil	199,728
2005	-	-				2009	nil	73,643
						2010	nil	75,945
Rob Scargill								
2006	58%	42%	2006	-	-	2008	nil	252,219
2005	-	-				2009	nil	89,465
						2010	nil	90,616
						2011	nil	93,032

Ordinary Shareholdings of the key management personnel (excluding non-executive Directors)

Details of Perilya ordinary shares held by each of the group's key management personnel (excluding non-executive Directors) in office at the end of the reporting period are set out below in Table 14 (2005: see Table 15 below)

Details of shareholdings of non-executive Directors are set out on page 3 of this report.

Table 14 – Shareholdings of key management personnel at 30 June 2006

NAME	BALANCE AT THE START OF THE YEAR	NUMBER RECEIVED ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Len Jubber	50,000	-	65,000	115,000
Tim Carstens	-	-	-	-
Ron Ellis	-	150,000	(150,000)	-
Tim Manners	-	-	7,500	7,500
Rob Scargill	-	-	-	-

Table 15 – Shareholdings of key management personnel at 30 June 2005

NAME	BALANCE AT THE START OF THE YEAR	NUMBER RECEIVED ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Len Jubber	-	-	50,000	50,000
Paul Cranney (1)	900,000	-	(900,000)	-
Ron Ellis	-	-	-	-
Alan Knights (1)	100,000	-	-	100,000
Barry Mitchell (1)	-	-	-	-
John Traicos (2)	300,000	-	(200,000)	100,000

(1) These executives resigned in the 2006 year.
(2) Mr Traicos was retrenched in the 2006 year.

Shares - under the Perilya Limited Employee Share Acquisition Plan:

The CEO, senior executives and the wider employee base are eligible to participate in the Perilya Employee Share Acquisition Plan ("ESAP"). The ESAP, which was implemented subsequent to the end of the financial year, aims to align employee's and shareholders' interests and to provide all employees with part ownership in Perilya. Furthermore, it provides for all employees to participate in the Company's development and when coupled with our capability building program, will strengthen individual commitment towards positioning Perilya for sustainable long term growth.

Under the terms of the ESAP, participating employees (present and future) are issued with a once-off free issue of shares, equal to 10% of their annual salary. In addition, if an employee wishes to purchase additional shares by way of salary sacrifice, Perilya will match the employee's contributions, dollar for dollar, up to a further 10% of the employee's annual salary. At the date of this report 99% of Perilya's employees participate in the ESAP and over 57% have elected to purchase additional shares, each month, by way of salary sacrifice.

Shares acquired in the ESAP are subject to restrictions of up to two years from the date of purchase. Shares which have not met the vesting conditions (other than shares purchased using an employee's before-tax salary contributions) are forfeited if the employee leaves Perilya.

All shares acquired under the ESAP are held by the plan's Trustee, CPU Share Plans Pty Ltd (and managed by Computershare Limited) for the benefit of employees. All shares acquired in the plan are purchased on-market by the Trustee.

The ESAP complies with the Investment and Financial Services Association (IFSA) Guidance Note on Executive Share and Option Schemes.

ROUNDING OF AMOUNTS

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

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

Leonard S. Jubber
Managing Director

Perth, Western Australia
29 September 2006

PRICEWATERHOUSECOOPERS

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Auditors' Independence Declaration

As lead auditor for the audit of Perilya Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit 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 audit for the reporting period.

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

David J Smith
Partner, PricewaterhouseCoopers

Perth, 29 September 2006

corporate governance

This statement reports on Perilya's key governance principles and practices. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and best practice in corporate governance.

ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Perilya, as a listed entity, must comply with the *Corporations Act 2001* (Cwtth) ("Corporations Act"), the Australian Stock Exchange Limited ("ASX") Listing Rules ("ASX Listing Rules") and other Australian laws.

ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles") released by the ASX Corporate Governance Council. The ASX Principles require the Board to consider carefully the development and adoption of appropriate corporate governance policies and practices founded on the ASX Principles.

COMPLIANCE WITH ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The Board has recently updated its corporate governance policies and procedures which reflect best practice ASX Principles. Details of the Company's compliance with the ASX Principles are set out below and in the ASX Principles Compliance Statement ("Compliance Statement") found on pages 22 to 23 of this report and published on the Company's website www.perilya.com.au

As detailed in this Corporate Governance Statement, Perilya considers that its governance practices comply with the ASX Principles, subject to the qualifications noted in the Compliance Statement relating to ASX Principle Recommendations 2.4 and 9.4.

1. The Board of Directors

a) Board Composition and Expertise

The Board has a broad range of relevant industry experience, financial and other skills and expertise to meet its objectives.

The current Board composition, the date they were first appointed and their status as non-executive, independent or executive Director are set out on page 2. Biographical details for each Director are set out on page 1 of this report.

b) Board Role and Responsibilities

The roles and responsibilities of the Board are formalised in the Board Charter. The Board Charter defines in detail the matters that are reserved for the Board and its committees, and those that the Board has delegated to management. The central role of the Board is to oversee and approve the Company's strategic direction, to select and appoint a Chief Executive Officer ("CEO"), to oversee the Company's management and business activities and report to shareholders.

In addition to matters required by law to be approved by the Board, the following powers are reserved to the Board for decision:

- strategy - providing strategic oversight and approving strategic plans, initiatives and budgets;
- board performance and composition – evaluating the performance of non-executive Directors, and determining the size and composition of the Board as well as recommending to shareholders the appointment and removal of Directors;
- leadership selection – evaluating the performance of, and selection of, the CEO and those executives reporting directly to the CEO;
- corporate responsibility – considering the social, safety, ethical and environmental impacts of Perilya's activities, setting standards and monitoring compliance with corporate and social policies and practices;
- financial performance – approving Perilya's annual budget, monitoring management, financial and operational performance;
- financial reports to shareholders – approving annual and half-year reports and disclosures to the market that contain or relate to financial projections, statements as to future financial performance or changes to the policy or strategy of the Company; and
- establishing procedures – ensuring that the Board is in a position to exercise its power and to discharge its responsibilities as set out in the Board Charter;

The Board also recognises its responsibilities to Perilya's employees, the communities and environments within which Perilya operates and, where relevant, other stakeholders.

Responsibility for management of Perilya's business activities is delegated to the CEO who is accountable to the Board.

The Board Charter is available in the corporate governance section of Perilya's website.

c) Directors' Retirement and Re-election

Non-executive Directors must retire at the third annual general meeting ("AGM") following their election or their most recent re-election.

At least one non-executive Director must stand for election at each AGM. Any Director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves to shareholders for election at the next AGM. Re-appointment of Directors retiring by rotation is not automatic.

d) Skills, Knowledge and Experience

The Board considers that the non-executive Directors collectively bring the range of skills, knowledge and experience necessary to direct the Company.

In assessing the composition of the Board, the Directors have regard to the following policy:

- the Chairman should be non-executive and independent;
- the role of the Chairman and CEO should not be filled by the same person;
- the CEO should be a full-time employee of the Company;
- the majority of the Board should comprise Directors who are both non-executive and independent; and
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the Company.

e) Board Succession Planning

The Board reviews the size and composition of the Board and the mix of existing and desired competencies across members at least annually.

Criteria considered by the Directors when evaluating prospective candidates are contained in the Board's Charter.

f) Nominations and Appointment of New Directors

Recommendations for nomination of new Directors are considered by the Board as a whole. The ASX Principles indicate that the Board should form a Nominations Committee, however at this stage of Perilya's development the Board considers that it is unnecessary to have a separate Nominations Committee.

g) Professional Advice

Directors may, in carrying out their Company related duties, seek external professional advice.

corporate governance

If external professional advice is sought, a Director is entitled to reimbursement of all reasonable costs where such a request for advice is approved by the Chairman. In the case of a request made by the Chairman, approval is required by at least two Board members.

h) Director Independence

The Board has approved a Policy on Independence of Directors, a copy of which is available in the corporate governance section of Perilya's website.

The policy provides that the independence of a Director will be assessed by determining whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The test of whether a relationship or business is material is based on the nature of the relationship or business and on the circumstances and activities of the Director. Materiality is considered from the perspective of Perilya, the persons or organisations with which the Director has an affiliation and from the perspective of the Director. Materiality thresholds are considered by the Board from time to time. The Board considers that:

- a material customer is a customer of Perilya which accounts for more than 5% of Perilya's consolidated gross revenue;
- a supplier is material if Perilya accounts for more than 5% of the supplier's consolidated gross revenue;
- a substantial shareholder of Perilya is someone who holds greater than 5% of the voting capital of Perilya; and
- service on the Board for a period exceeding 10 years is a period which could, or could reasonably be perceived to, materially interfere with a Director's ability to act in the best interests of the Company.

In the event that one or more of these thresholds is exceeded, the Board then focuses on whether or not in their view that impacts materially on the independent judgement of the Director.

The Board has considered the associations of each of the five non-executive Directors in office at the date of this report and its determination in relation to their independence is set out on page 2 of this report.

Non-executive Director, C. K. Choi is not considered to be independent as he is both an executive and shareholder of Korea Zinc Company Limited ("Korea Zinc") and a shareholder in Young Poong Corporation ("Young Poong") both of which are substantial shareholders of Perilya. Korea Zinc and Young Poong are also significant customers of the Company. Board decisions on matters that concern Korea Zinc or Young Poong and that are considered to be a potential conflict of interest for Mr C. K. Choi are dealt with under the Directors' conflict of interest guidelines, which are set out in the Directors' Code of Conduct.

i) Conflicts of Interest

In the event that there is, or may be, a conflict between the personal or other interests of a Director, then the Director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter. When the matter comes before the Board for discussion, the Director withdraws from the meeting for the period the matter is considered and takes no part in the discussion or decision-making process.

j) Chairman

The Chairman of the Board, Mr O'Connor, is an independent, non-executive Director. The Chairman is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function and for the promotion of relations between Board members and between Board and management that are open, cordial and conducive to productive co-operation. The Chairman's responsibilities are set out in more detail in the Board Charter.

Mr O'Connor is also Chairman of Xceed Biotechnology Limited, a director of a number of other companies and an executive of St George Capital Pty Ltd and SG Growth Equities Limited. The Board considers that neither his role within those companies nor any of his other commitments, interfere with the discharge of his duties to the Company. The Board is satisfied that he commits the time necessary to discharge his role effectively.

k) Board Performance Evaluation

The Chairman of the Board is responsible for determining the process for evaluating Board performance. Evaluations are conducted at least annually.

In addition, the performance of the Board as a whole and each of its committees are reviewed annually against the requirements of their respective charters. This evaluation process aims to produce continuing improvements in Board processes and overall efficiency.

The Chairman's performance is reviewed each year by the other members of the Board. As Mr O'Connor was appointed on 1 February 2006, there has been no formal review of his performance to date.

l) Terms of Appointment, Induction Training and Continuing Education

All new Directors are provided with a formal letter of appointment setting out the key terms and conditions of the appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work.

Induction training is provided to all new Directors. It includes comprehensive meetings with the CEO, key executives and management, and information on key corporate and Board policies, visits to the Company's principal operations and completion of compulsory safety inductions.

All Directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and where this involves industry seminars and approved education courses, this is paid for by the Company where appropriate.

m) Directors' Remuneration

Details of remuneration paid to Directors (executive and non-executive) are set out in the Remuneration Report.

n) Board Meetings

During the year ended 30 June 2006, the Board held 16 Board meetings. Details of Directors' attendance at these meetings are set out in the Directors' Report.

The Chairman sets the agenda for each meeting in conjunction with the CEO and the Company Secretary. Any Director may request additional matters be added to the agenda. Members of senior management attend meetings of the Board by invitation and sessions are also held for non-executive Directors to meet without management present.

Copies of Board papers are circulated in advance of the meetings in either electronic or hard copy form. Directors are entitled to request additional information where they consider the information is necessary to support informed decision-making.

The Board works to an agenda encompassing periodic reviews of Perilya's operating business units, recurring statutory obligations, business approvals and other responsibilities identified in the Board Charter.

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AUDIT & RISK MANAGEMENT COMMITTEE	REMUNERATION COMMITTEE	HS&E COMMITTEE
Peter Harley (Chair) Phillip Lockyer Patrick O'Connor	Patrick O'Connor (Chair) Peter Harley Phillip Lockyer	Phillip Lockyer (Chair) Len Jubber (CEO) Patrick O'Connor

2. Board Committees

a) Board Committees and Membership

The Board has established three standing committees to assist in the discharge of its responsibilities. These are the:

- Audit and Risk Management Committee;
- Remuneration Committee; and
- Health, Safety and Environment ("HS&E") Committee.

The charters of all Board Committees detailing the roles and duties of each are available in the corporate governance section of Perilya's website. At the date of this report membership of each committee is as shown above.

All papers considered by the standing committees are available on request to Directors who are not on that committee.

Minutes of all standing committee meetings are provided to all Directors and the proceedings of each meeting are reported by the Chair of the committee at the next Board meeting. The Company Secretary provides secretariat services for each committee.

The number of committee meetings held during the year, and members' attendances at these meetings, are set out on page 2 of this report. Other committees are convened to address major transactions or other matters calling for special attention.

b) Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, internal control structure, financial risk management procedures and the internal and external audit function. In doing so, it is the committee's responsibility to maintain free and open communication between the committee and the external auditors and the management of Perilya.

The Audit & Risk Management Committee is required to have a minimum of three members composed of independent non-executive Directors.

The external auditors, the CEO, the General Manager Finance and the Group Financial Controller attend committee meetings by invitation. The committee meets at least four times per year.

c) Remuneration Committee

The role of the Remuneration Committee is to assist the Board in establishing policies and practices which:

- enable the Company to attract high calibre Directors and to attract, retain and motivate employees who achieve operational excellence and create value for shareholders;
- reward employees fairly and responsibly, having regard to the financial results of the group, individual performance and general remuneration conditions; and
- reflect best practice in people development which meets Perilya's business needs.

The CEO attends committee meetings by invitation. The committee meets at least two times per year.

d) Health, Safety & Environment Committee

As part of the continuing development of the Company the Board established the Health, Safety & Environment Committee on 28 April 2006. The role of the committee is to assist the Board to meet its oversight responsibilities in relation to the Company's health, safety and environmental practices. Relevant key management attend committee meetings by invitation. The committee meets at least four times per year.

3. Audit Governance and Independence

a) Approach to Audit and Governance

The Board is committed to the basic principles that:

- Perilya's financial reports represent a true and fair view;
- Perilya's accounting practices are comprehensive, relevant and comply with applicable accounting standards and policies; and
- The external auditor is independent and serves shareholders' interests.

b) External Auditor Relationship

Perilya's independent external auditor is PricewaterhouseCoopers ("PwC"). PwC was appointed by shareholders at the 1988 annual general meeting in accordance with the *Corporations Act*.

The Board has adopted an External Auditor Policy which requires rotation of the audit partner at least every five years, prohibits the reinvolvement of a previous audit partner in the audit service for two years following their rotation, and provides that a former partner of the audit firm, or member of the audit team, may only be recruited into a position as a Director or senior employee of Perilya after the expiry of at least two years.

Furthermore, in accordance with the External Auditor Policy, the Audit and Risk Management Committee oversees detailed External Auditor Guidelines covering the terms of engagement of Perilya's external auditor. The guidelines include provisions directed to maintaining the independence of the external auditor and assessing whether the provision of any non-audit services by the external auditor that may be proposed is appropriate. Such provisions are referenced to the Code of Ethics published by the International Federation of Accountants ("IFAC").

The External Auditor Guidelines contain a set of controls which address threats to the independence of the external auditor including, in particular, any threat which may arise by reason of self-interest, self-review, advocacy, familiarity or intimidation (all terms defined by the IFAC's Code of Ethics). The External Auditor Guidelines classify a range of non-audit services which are considered not acceptable for provision by the external auditor.

In accordance with section 249K of the *Corporations Act 2001* the external auditor attends the annual general meeting in their capacity, as auditors to answer shareholders' questions about the conduct of the audit and preparation of their independent audit report.

4. Controlling and Managing Risk

a) Approach to Risk Management

The Board and senior executives are responsible for overseeing the implementation of the Company's Risk Management Policy.

The Company's approach to risk management is based on the identification, assessment, monitoring and management of material risks embedded in its business and management systems. This framework is based on the Australian Standards for Risk Management.

b) Management Assurance

Consistent with ASX Principle 7.2, the CEO and General Manager Finance have stated in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the group's financial conditions and operational results and are in accordance with the relevant accounting standards.

corporate governance

The CEO and General Manager Finance have also stated in writing to the Board that the statement they have given relating to the integrity of the Company's financial statements and notes to the financial statements, is founded on a sound system of risk management and internal compliance and control which implements the policies approved by the Board, and that Perilya's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

5. Promoting Ethical and Responsible Behaviour

a) Codes of Conduct

The Board has approved a Code of Conduct for Directors and a Code of Conduct for Employees which describes the standards of ethical behaviour that Directors and employees are required to maintain.

Compliance with the Code of Conduct by Directors and employees will also assist Perilya in effectively managing its operating risks and meeting its legal and compliance obligations, as well as enhancing Perilya's corporate reputation.

The Code of Conduct describes Perilya's requirements on matters such as confidentiality, conflicts of interest, sound employment practices, compliance with laws and regulations and the protection and proper use of Perilya's assets.

A copy of each Code of Conduct is available in the corporate governance section of Perilya's website.

b) Concern Reporting and Whistleblowing

The Board has approved a Whistleblower Policy which documents Perilya's commitment to maintaining an open working environment in which employees are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal.

c) Insider Trading Policy and Trading in Perilya Shares

Perilya's Share Trading Policy is binding on all Directors and employees. This policy provides a brief summary of the law on insider trading and other relevant laws, sets out the restrictions on dealing in securities by people who work for, or are associated with, Perilya and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

The policy stipulates that the only appropriate time for a Director or employee to deal in the Company's securities is when he or she is not in possession of price sensitive information that is not generally available to the share market. A Director wishing to deal in the Company's securities may only do so after first having advised the Chairman of his or her intention. A senior executive wishing to deal must first notify the CEO. Confirmation of any dealing must also be given by the Director or senior executive within two business days after the dealing. In the case of other employees, contractors, consultants and advisers, there is no notification requirement.

Directors' and senior executives' dealings in the Company's securities are also subject to specified closed periods, which are set out in the Company's Share Trading Policy or as otherwise determined by the Board from time to time.

A copy of the Company's Share Trading Policy is available in the corporate governance section of Perilya's website.

6. Remuneration Framework

Details of Perilya's remuneration framework are included in the Remuneration Report.

7. Corporate Responsibility and Sustainability

Perilya aims to produce positive outcomes for all stakeholders in managing its business and to maximise financial, social and environmental value from our activities.

In practice this means having a commitment to transparency, fair dealing, responsible treatment of employees and customers and positive links to the community.

Sustainable and responsible business practices within Perilya are viewed as an important long term driver of performance and shareholder value. Through such practices Perilya seeks to reduce operational and reputation risk and enhance operational efficiency while contributing to a more sustainable society.

Perilya accepts that the responsibilities on the Board and management, which flow from this approach, go beyond strict legal and financial obligations. In particular, the Perilya Board seek to take a practical and broad view of Directors' fiduciary duties, in line with stakeholder's expectations.

8. Market Disclosure

Perilya is committed to ensuring that shareholders and the share market are provided with full and timely information and that all stakeholders have equal opportunity to receive externally available information issued by Perilya.

Perilya's Continuous Disclosure and Market Communications Policy reinforces Perilya's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance. The policy also describes Perilya's guiding principles for market communications.

A copy of the Continuous Disclosure and Market Communications Policy is available in the corporate governance section of Perilya's website.

9. Shareholder Communications and Participation

The Company's shareholders play a fundamental role in enabling the Company to meet its objectives through the election or re-election each year of the Directors of the Board and their ongoing support as investors.

Directors recognise that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares in Perilya.

Perilya's Shareholder Communication Policy provides that the Company will communicate effectively with its shareholders and give shareholders ready access to balanced and understandable information about Perilya. The way it does this includes:

- ensuring that financial reports are prepared in accordance with applicable laws and industry best practice;
- ensuring the disclosure of full and timely information about Perilya's activities in accordance with the general and continuous disclosure principles of the ASX Listing Rules and the *Corporations Act 2001*. This includes reporting on a quarterly basis the activities and prospects of the Company;
- the Chairman and CEO reporting to shareholders at the Company's annual general meeting;
- placing all ASX announcements (including quarterly reports and financial reports) on Perilya's website as soon as practicable following release; and
- ensuring that annual reports, notices of meeting and other shareholder communications are prepared in a clear and concise manner.

A copy of the Shareholder Communication Policy is available in the corporate governance section of Perilya's website.

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ASX PRINCIPLES COMPLIANCE STATEMENT

ASX CORPORATE GOVERNANCE COUNCIL'S BEST PRACTICE RECOMMENDATIONS		REFERENCE [1]	COMPLIANCE
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	1b	Comply
Principle 2:	**Structure the Board to add value**		
2.1	A majority of the Board should be independent Directors.	1a, 1h	Comply
2.2	The chairperson should be an independent director.	1j	Comply
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	1a, 1b, 1j	Comply
2.4	The Board should establish a nomination committee	1f	Non-compliant
2.5	Provide the information indicated in Guide to reporting on Principle 2.	1a,1g,1h, Directors' Report	Qualified Compliance [2]
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct to guide the Directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to the:	5a,5b	Comply
	• practices necessary to maintain confidence in the Company's integrity; and		
	• responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2	Disclose the policy concerning trading in Company securities by Directors, officers and employees.	5c	Comply
3.3	Provide the information indicated in the Guide to reporting on Principle 3.	5a,5b, 5c	Comply
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.	4a,4b	Comply
4.2	The Board should establish an audit committee.	2b	Comply
4.3	Structure the audit committee so that it consists of:		
	• only non-executive Directors	2a	Comply
	• a majority of independent Directors	2a	Comply
	• an independent chairperson who is not chairperson of the Board	2a	Comply
	• at least three members	2b	Comply
4.4	The audit committee should have a formal charter.	2a	Comply
4.5	Provide the information indicated in Guide to reporting on Principle 4.	2a, 3b Directors' Report	Comply
Principle 5:	**Make timely and balanced disclosure**		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.	8	Comply
5.2	Provide the information indicated in Guide to reporting on Principle 5.	8	Comply

corporate governance

Principle 6:	**Respect the rights of shareholders**		
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	8,9	Comply
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	3b, 9	Comply
Principle 7:	**Recognise and manage risk**		
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management.	2b,4a,4b	Comply
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:		
	• the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.	4b	Comply
	• the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	4b	Comply
7.3	Provide the information indicated in Guide to reporting on Principle 7.	4a,4b, Directors' Report	Comply
Principle 8:	**Encourage enhanced performance**		
8.1	Disclose the process for performance evaluation of the Board, its committees and individual Directors and key executives.	1a,1d,1e,1j,1k, Remuneration Report	Comply
Principle 9:	**Remunerate fairly and responsibly**		
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to Directors and key executives and corporate performance.	Remuneration Report	Comply
9.2	The Board should establish a remuneration committee.	2d	Comply
9.3	Clearly distinguish the structure of non-executive Directors' remuneration from that of executives.	Remuneration Report	Comply
9.4	Ensure that payments of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders:		
	• 2003 Employee Share Option Plan	Remuneration Report	Comply
	• 2006 Employee Share Acquisition Plan ("ESAP")	Remuneration Report	Qualified compliance (3)
9.5	Provide the information indicated in Guide to reporting on Principle 9.	2d, 6, Remuneration Report, Directors' Report	Comply
Principle 10:	**Recognise the legitimate interests of stakeholders**		
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	5a,5b,5c,5d,7	Comply

(1) The default reference refers to the relevant sections of this Corporate Governance Statement. Reference to the Directors' Report and the Remuneration Report is shown where applicable.

(2) ASX principles require that the Nomination Committee Charter be placed on the Company's web-site. There is no Nomination Committee of the Board of Perilya. A description of Perilya's procedure for selection and appointment of new Directors is set out in the Board Charter, which is available on the Company's web-site.

(3) The 2006 Employee Share Acquisition Plan ("ESAP") was established in August 2006 and is a Company-wide plan available to all employees. Shares purchased under the terms and conditions of the ESAP are purchased on-market, by the plan's Trustee, CPU Share Plans Pty Ltd. Shareholder approval of the ESAP is not required under ASX Listing rules.

income statements

for the year ended 30 June 2006

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Revenue	4	**344,969**	193,156	**3,230**	1,256
Other income	5	**6,600**	5,349	**558**	5,523
Changes in inventories of finished goods & work in progress		**6,237**	546	**-**	-
Raw materials, power and consumables used		**(60,943)**	(50,542)	**-**	-
Employee benefits expense		**(51,116)**	(45,821)	**(3,906)**	(3,569)
Depreciation and amortisation expense	6	**(35,820)**	(20,102)	**(184)**	(113)
External services and consultants		**(37,118)**	(28,367)	**(3,512)**	(1,264)
Freight and handling		**(26,189)**	(22,315)	**(11)**	(12)
Royalties		**(11,111)**	(5,366)	**-**	-
Foreign exchange loss		**(1,344)**	-	**-**	-
Price linked payments		**-**	(7,338)	**-**	-
Impairment of mine properties	20	**(18,989)**	-	**-**	-
Exploration written off		**(1,132)**	(13,715)	**(1,132)**	(6,860)
Provision for inter-company loans		**-**	-	**(24,608)**	-
Other expenses from ordinary activities		**(13,323)**	(10,340)	**(1,418)**	(1,783)
Finance costs	6	**(2,872)**	(3,527)	**(383)**	(832)
Share of loss from associates accounted for using the equity method		**(162)**	(145)	**-**	-
Profit/(loss) before income tax		**97,687**	(8,527)	**(31,366)**	(7,654)
Income tax (expense)/benefit	7	**(30,681)**	2,417	**203**	2,212
Profit/(loss) for the year		**67,006**	(6,110)	**(31,163)**	(5,442)
Profit/(loss) attributable to members of Perilya Limited		**67,006**	(6,110)	**(31,613)**	(5,442)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company		**CENTS**	CENTS		
Basic earnings/(loss) per share	47	**35.6**	(3.6)		
Diluted earnings/(loss) per share	47	**35.1**	(3.6)		

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

balance sheets

as at 30 June 2006

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	8	**125,048**	12,022	**109,665**	7,969
Trade and other receivables	9	**25,994**	11,680	**3,737**	178
Inventories	10	**21,700**	12,751	**-**	-
Available-for-sale financial assets	11	**5,381**	-	**1,350**	-
Other financial assets	12	**-**	8,724	**-**	3,550
Derivative financial instruments	13	**1,715**	-	**-**	-
Total current assets		**179,838**	45,177	**114,752**	11,697
Non-current Assets					
Restricted cash	8	**10,560**	9,588	**9,760**	9,588
Trade and other receivables	14	**26**	11	**24**	53,613
Investments accounted for using the equity method	15	**53**	90	**-**	-
Available-for-sale financial assets	16	**4,942**	-	**2,729**	-
Other financial assets	17	**-**	869	**36,972**	36,972
Deferred tax assets	18	**21,262**	1,692	**-**	966
Exploration and evaluation expenditure	19	**22,223**	15,756	**10,467**	7,776
Mine properties in use	20	**48,866**	63,779	**-**	-
Property, plant and equipment	21	**54,194**	49,894	**935**	354
Total non-current assets		**162,126**	141,679	**60,887**	109,269
Total assets		**341,964**	186,856	**175,639**	120,966
LIABILITIES					
Current liabilities					
Trade and other payables	22	**36,525**	25,350	**2,188**	977
Borrowings	23	**4,301**	4,965	**600**	15
Current tax liabilities	24	**27,523**	316	**27,523**	316
Provisions	25	**5,682**	12,058	**225**	1,350
Prepaid income	26	**5,368**	-	**-**	-
Derivative financial instruments	13	**45,143**	-	**-**	-
Total current liabilities		**124,542**	42,689	**30,536**	2,658
Non-current liabilities					
Borrowings	27	**2,769**	7,660	**71,385**	17,000
Provisions	28	**20,855**	20,232	**54**	169
Prepaid income	26	**37,038**	-	**-**	-
Derivative financial instruments	13	**23,932**	-	**-**	-
Other	29	**1,407**	-	**-**	-
Deferred tax	18	**-**	-	**1,980**	-
Total non-current liabilities		**86,001**	27,892	**73,419**	17,169
Total liabilities		**210,543**	70,581	**103,955**	19,827
Net assets		**131,421**	116,275	**71,684**	101,139
EQUITY					
Contributed equity	30	**102,970**	99,286	**102,970**	99,286
Reserves	31	**(39,141)**	639	**573**	639
Retained profits	32	**67,592**	16,350	**(31,859)**	1,214
Total equity		**131,421**	116,275	**71,684**	101,139

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

statements of changes in equity

for the year ended 30 June 2006

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Total equity at the beginning of the financial year		**116,275**	100,553	**101,139**	84,749
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:					
Retained profits	32	**(13,854)**	-	**-**	-
Reserves	31(a)	**1,194**	-	**14**	-
Restated total equity at the beginning of the financial year		**103,615**	100,553	**101,153**	84,749
Changes in the fair value of available-for-sale financial assets, net of tax		**945**	-	**(270)**	-
Changes in the fair value of cash flow hedges, net of tax	31	**(42,109)**	-	**-**	-
Net expense recognised directly in equity		**(41,164)**	-	**(270)**	-
Profit/(loss) for the year		**67,006**	(6,110)	**(31,163)**	(5,442)
Total recognised income and expense for the year		**25,842**	(6,110)	**(31,433)**	(5,442)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	30(a)	**3,048**	21,241	**3,048**	21,241
Dividends provided for or paid	33(a)	**(1,910)**	-	**(1,910)**	-
Employee share options	31(a)	**826**	591	**826**	591
		1,964	21,832	**1,964**	21,832
Total equity at the end of the financial year		**131,421**	116,275	**71,684**	101,139

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

cash flow statements

for the year ended 30 June 2006

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Cash flows from operating activities					
Cash receipts in the course of operations (inclusive of GST)		**394,949**	207,172	**112**	1,121
Cash payments in the course of operations (inclusive of GST)		**(208,757)**	(167,148)	**(5,761)**	(5,804)
		186,192	40,024	**(5,649)**	(4,683)
Payment for price linked payments		**(21,880)**	(7,338)	**-**	-
Interest received		**2,974**	1,444	**2,820**	1,256
Interest and other finance costs paid		**(1,088)**	(3,599)	**(383)**	(833)
Income taxes paid		**(159)**	(370)	**(159)**	(316)
Net cash inflow/(outflow) from operating activities	45	**166,039**	30,161	**(3,371)**	(4,576)
Cash flows from investing activities					
Payments for mine properties		**(29,750)**	(16,401)	**-**	-
Payment for production linked payments		**(8,309)**	(6,183)	**-**	-
Payments for property, plant and equipment		**(11,740)**	(10,229)	**(642)**	(338)
Payments for exploration and evaluation		**(5,596)**	(15,563)	**(3,566)**	(5,612)
Payments for deferred stamp duty		**-**	(801)	**-**	-
Payments for purchase of available-for-sale financial assets		**(1,971)**	-	**(266)**	-
Payments for performance guarantee bonds		**(972)**	(4)	**(172)**	(4)
Proceeds from sale of property, plant and equipment		**26**	-	**1**	-
Proceeds from sale of available-for-sale financial assets		**10,849**	1,235	**-**	238
Repayments of funds advanced from/(to) other entities		**150**	(150)	**-**	-
Net cash outflow from investing activities		**(47,313)**	(48,096)	**(4,645)**	(5,716)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		**3,048**	20,442	**3,048**	20,442
Dividends paid to company's shareholders		**(1,892)**	-	**(1,892)**	-
Proceeds from borrowings		**14,871**	2,000	**14,871**	2,000
Repayment of borrowings		**(16,299)**	-	**(16,299)**	-
Repayment of finance lease liabilities		**(5,303)**	(4,094)	**(4)**	-
Repayment of convertible notes		**-**	(19,352)	**-**	(19,352)
Funds advanced to associates		**(125)**	(150)	**-**	-
Funds advanced to subsidiaries		**-**	-	**-**	(15,184)
Repayment of funds advanced to subsidiaries		-	-	**109,988**	-
Net cash inflow/(outflow) from financing activities		**(5,700)**	(1,154)	**109,712**	(12,094)
Net increase/(decrease) in cash and cash equivalents		**113,026**	(19,089)	**101,696**	(22,386)
Cash and cash equivalents at the beginning of the financial year		**12,022**	31,111	**7,969**	30,355
Cash and cash equivalents at end of the year	8	**125,048**	12,022	**109,665**	7,969
Financing arrangements	27				
Non-cash investing and financing activities	46				

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

notes to the financial statements

for the year ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of this financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial report includes separate financial statements for Perilya Limited as an individual entity and the consolidated entity consisting of Perilya Limited and its subsidiaries.

(a) Basis of preparation of financial report

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Statement of Compliance

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Perilya Limited comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Disclosure and Presentation*.

Application of AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards

While the interim half year report for December 2005 was prepared in accordance with AIFRSs, this financial report is the first full year 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 this report.

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 this report, 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 in respect of 2005 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 Group's equity and its net income are given in note 49.

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 and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(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 30 June 2006 and the results of all subsidiaries for the 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 deconsolidated 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 on consolidation. 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.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Perilya Limited.

(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.

(b) Principles of consolidation (cont.)

(iii) Joint ventures

Jointly controlled assets.

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

Details of interests in joint ventures are set out in note 42.

(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 Perilya Limited'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) Group companies

The results and financial position of all the Group entities (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
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, 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. Revenue is recognised for the major business activities as follows:

(i) Base metals

Base metal revenue is recognised, based on a provisional metal price net of treatment costs, when the significant risks and rewards of the concentrate pass 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.

(ii) Gold

Prior to December 2005 gold revenue was derived from the sale of gold ores direct to third parties with revenue recognised when the 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. From December 2005 the Group entered into a milling agreement for the treatment of ore through to production of bullion with revenue then derived from the subsequent sale of gold bullion. Revenue from the subsequent sale of bullion is recognised when title and the significant risks and rewards of ownership of the bullion passes to the buyer.

(iii) Interest income

Interest income is recognised as it accrues based on the effective interest method, being the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(iv) Prepaid income

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(f) Income tax (cont.)

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Tax consolidation legislation

Perilya Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation retrospectively as of 18 October 2002.

Perilya Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts Perilya Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

(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 (note 38). 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. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 38). 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) Business combinations

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, or more frequently if events or changes in circumstances indicate they might be impaired. 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. Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Group could receive for the cash generating unit in an arms length transaction.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other highly liquid investments that are readily convertible to known amounts of cash and which are subject to

(j) Cash and cash equivalents (cont.)

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 either a current or 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.

(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.

Under previous AGAAP, interests in listed and unlisted securities, other than subsidiaries and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the income statement when receivable. Where, in the opinion of the Directors, there had been a diminution in the value of any individual investment, a provision for diminution in value was made. Transaction costs are excluded from the carrying amounts and subsidiaries and associates were accounted for in the consolidated financial statements as set out in note 1(b).

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 profits or reserves.

For further information concerning the adjustments on transition date reference should be made to the following notes:

- Current assets - available-for-sale financial assets — note 11
- Non-current assets - available-for-sale financial assets — note 16
- Reserves — note 31
- Retained profits — note 32
- Explanation of transition to AIFRS — note 49
  Section 5 of this note discloses the adjustment to each line item in the financial statements on transition date.

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, 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 (notes 9 and 14).

(iii) 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 *(iii) Available-for-sale financial assets (cont.)*

have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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 financial assets fair value 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 making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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) 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. Prior to 1 July 2005 no derivatives were brought to account therefore the Group had no extant AGAAP accounting policy disclosures for comparative periods.

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.

For further information concerning the adjustments on transition date reference should be made to the following notes:

- Derivative financial instruments — note 13
- Reserves — note 31
- Retained profits — note 32
- Explanation of transition to AIFRS — note 49
  Section 5 of note discloses the adjustment to each line item in the financial statements on 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 at each reporting date. 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:

(i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

(ii) 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.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Movements in the hedging reserve in shareholders' equity as shown in note 30.

(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. The gain or loss relating to the effective portion of forward metal sale contracts is recognised in the income statement within "sale of goods" with a corresponding offsetting amount to the carrying amount of the asset or liability being the fair value movement of the hedged asset or liability.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement as other income or other expense.

(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 as other income or other expense.

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). The gain or loss relating to the effective portion of forward metal sale contracts is recognised in the income statement within "sale of goods". 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.

(ii) Cash flow hedge (cont.)

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.

(o) 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 Group 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 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 Group for similar financial instruments.

(p) Property, plant and equipment

Land and buildings and all other property, plant and equipment are 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:

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	3-6 years

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

(q) 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(p) above.

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

(r) Exploration and evaluation expenditure

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

- such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

In the event that an area of interest is abandoned or, if facts and circumstances suggest that the carrying value of an exploration and evaluation asset is impaired (as outlined in 1(i)) then the 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.

(s) 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 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).

(t) 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, revegetation and monitoring 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 arising from mine extensions or changes in rehabilitation costs, whether due to changed legal requirements or anticipated technological advancements, 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 borrowing 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.

(u) 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.

(v) 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.

(w) 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;
- finance lease charges; and
- the cost of unwinding discounted provisions.

(x) 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.

(y) 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 as a current provision 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. Liabilities expected to be settled post 12 months of the reporting date are recognised as a non-current provision and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave 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. Information relating to share-based payments is set out in note 48.

Shares options granted before 7 November 2002 and/or vested before 1 January 2005

In line with the exemption under AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* 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 options granted is adjusted to reflect market vesting conditions but 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 group 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 transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

(z) Contributed equity

Ordinary shares are classified as equity and incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

If the entity reacquires its own equity instruments for the purpose of reducing its issued capital, eg as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(aa) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(ab) 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 year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

(ac) 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.

(ad) Goods and services tax

Revenue, expenses and assets are recognised, net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flow.

(ae) New accounting standards issued but not mandatory for 30 June 2006

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 7 *Financial Instruments: Disclosures (August 2005)* replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2005-4 *Amendments to Australian Accounting Standards [AASB 139, AASB 132, AASB 1 & AASB 1023 & AASB 1038]* (June 2005) restricts the designation of financial assets and financial liabilities as "at fair value through profit or loss", such that designation is only where permitted under paragraph 11A of AASB 139 (relating to contracts that contain embedded derivatives), or when doing so results in more relevant information. AASB 2005-4 is applicable for annual reporting periods beginning on or after 1 January 2006.
- AASB 2005-9 *Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]* (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet.

  AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006.

(ae) New accounting standards issued but not mandatory for 30 June 2006 (cont.)

- AASB 2005-10 *Amendments to Australian Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038] (September 2005) makes consequential amendments to the indicated standards arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

The Group plans to adopt AASB 7, AASB 2005-4, AASB 2005-9 and AASB 2005-10 in the 2007 financial year.

While the Group has contracts with embedded derivatives they have not been designated as "at fair value through profit and loss" and were extinguished in the period ending 30 June 2006. Certain forward contracts used by the Group have been designated as "at fair value through profit and loss" (see note 1(n)). An assessment of the impact of AASB 2005-4 in relation to these has not been made therefore the impact, if any, of AASB 2005-4 on the financial statements of the Group and the parent entity cannot be reasonably determined.

The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the Group or the parent entity as the standard and the amendment are concerned only with disclosures.

The initial application of the revised rules under AASB 2005-9 is not expected to have an impact on the financial results or disclosures of the Group or the parent entity as at the date of this report neither the Group nor the parent entity has any financial guarantee contracts in place.

Additionally the following UIG interpretations have been published.

- UIG 4 *Determining whether an Arrangement contains a Lease*. UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The Group has elected not to adopt UIG 4 early but will apply UIG 4 and the UIG 4 transition provisions in its 2007 financial statements. The Group will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. The Group has yet to assess the impact of UIG 4.
- UIG 5 *Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.* The Group does not have any interests in decommissioning, restoration and environmental rehabilitation funds therefore this interpretation will not affect the Groups financial statements.
- UIG 9 *Reassessment of Embedded Derivatives.* UIG 9 is applicable to annual reporting periods beginning on or after 1 June 2006. UIG 9 requires the Group to make an assessment as to whether an embedded derivative is required to be separated from its host contract and accounted for as a derivative when the Group first became a party to the contract and prohibits reassessment unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group, while been party to contracts containing embedded derivatives, brought those embedded derivatives to account in accordance with the provisions of AASB 139 and AASB 101 (see note 49, section 5) at 1 July 2005 as though the Group had made the assessment at the time the contracts were entered into. Additionally there have been no changes to the terms of the contracts during the intervening periods that would have significantly modified the cash flows required under the contracts. Therefore this interpretation is not expected to affect the Group's financial statements.

(af) 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and made and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Critical accounting estimates and assumptions

(i) Impairment of assets

In accordance with accounting policy note 1(i) the Group, in determining whether the recoverable amount of each cash generating unit is the higher of fair value less costs to sell or value-in-use against which asset impairment is to be considered, undertakes future cash flow calculations which are based on a number of critical estimates and assumptions including, for its mine properties, forward estimates of:

- mine life including quantities of mineral reserves and resources for which there is a high degree of confidence of economic extraction with given technology;
- production levels and demand;
- metal price;
- inflation;
- US/Australian dollar exchange rates;
- cash costs of production; and
- discount rates applicable to the cash generating unit.

(ii) Exploration and evaluation expenditure

Following impairment analysis on capitalised exploration and evaluation expenditure, including assumptions on maintenance of title, ongoing expenditure and prospectivity, expenditure with a value of $22,223,000 has been carried forward. This is in accordance with accounting policy note 1(r) whereby, at this stage either costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or 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 either of these assumptions no longer hold then this expenditure may, in part or full, be expensed through the income statement in future periods.

(iii) Estimation of sales revenue on delivery

As set out in accounting policy note 1(e), base metals revenue is recognised based on a provisional price being the spot metal price at the time of delivery. Provisional revenues estimated for the period are revised to actual revenue for the period when actual metal prices are determined with the adjustment taken to account in the period when metal prices are actualised.

(iii) Restoration and rehabilitation provisions

As set out in accounting policy note 1(t), the value of current restoration and rehabilitation provisions are based on a number of assumptions including the nature of restoration activities required and the valuation at the present value of a future obligation that necessitates estimates of the cost of performing the work required, the timing of future cash flows and the appropriate discount rate. Additionally current provisions are based on the assumption that no significant changes will occur in either relevant Federal or State legislation covering restoration of mineral properties. A change in any, or a combination, of these assumptions used to determine current provisions could have a material impact to the carrying value of the provision.

(iv) Income tax

The Group is subject to income taxes in Australia and Malaysia and significant judgement is required in determining the ultimate provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of the Groups business for which the ultimate tax determination is uncertain from the moment of incurrence, through the process of lodgement of statutory returns with the appropriate authorities, until a final tax assessment is determined. As such, the Group recognises liabilities for tax, and if appropriate for anticipated tax audit issues, based on whether tax and/or additional tax will be due and payable. Where the tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which the assessment is made.

(b) Critical judgements in applying the Groups accounting policies

(i) Derivative financial instruments

Forward metal sale contracts used as hedges of forecasted transactions, with an aggregate face value of $60,156,000 have been designated as cash flow hedges and accounted for in accordance with accounting policy note 1(n). Management's assessment is that the derivatives have been highly effective in offsetting changes in the fair value of the future cash flows against which they have been designated and as such are compliant with the hedge effectiveness requirements of AASB 139. On this basis movement in the fair value of these cash flow hedges, which would otherwise have resulted in an additional expense after tax of $42,109,000 being recognised in the income statement, have been deferred in the 'Hedging reserve – cash flow hedges' reserve.

3. 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

Geographical segments

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

(b) Primary reporting format – business segments

2006	BASE METALS MINING $'000	GOLD MINING $'000	EXPLORATION $'000	INVESTMENT & ADMINISTRATION $'000	CONSOLIDATED $'000
Sales to external customers	325,151	15,962	-	-	341,113
Other revenue/income	671	183	-	9,602	10,456
Total segment revenue/income	325,822	16,145	-	9,602	351,569
Segment result	123,912	(25,194)	(1,132)	263	97,849
Share of net losses of associates					(162)
Profit before income tax					97,687
Income tax expense					(30,681)
Profit for the year					67,006
Segment assets #	152,015	11,683	22,223	# 134,781	320,702
Unallocated assets					21,262
Total assets					341,964
Segment liabilities*	* 164,701	4,748	-	3,198	172,647
Unallocated liabilities					37,896
Total liabilities					210,543
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	28,237	15,511	-	797	44,545
Depreciation and amortisation expense	27,430	8,206	-	184	35,820
Impairment of mine properties (note 20)	-	18,989	-	-	18,989
Other non-cash expenses	1,838	-	1,132	348	3,318

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

(b) Primary reporting format – business segments (cont.)

2005	BASE METALS MINING $'000	GOLD MINING $'000	EXPLORATION $'000	INVESTMENT & ADMINISTRATION $'000	CONSOLIDATED $'000
Sales to external customers	188,390	2,721	-	-	191,111
Other revenue/income	(491)	341	-	7,544	7,394
Total segment revenue/income	187,899	3,062	-	7,544	198,505
Segment result	7,766	(1,390)	(13,715)	(1,043)	(8,382)
Share of net losses of associates					(145)
Loss before income tax					(8,527)
Income tax benefit					2,417
Loss for the year					(6,110)
Segment assets	117,266	24,135	15,756	29,699	186,856
Unallocated assets					-
Total assets					186,856
Segment liabilities	36,462	2,899	-	2,061	41,422
Unallocated liabilities					29,159
Total liabilities					70,581
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	26,200	19,330	2,255	298	48,083
Depreciation and amortisation expense	18,788	1,201	-	113	20,102
Impairment of mine properties	-	-	-	-	-
Other non-cash expenses	-	-	-	-	-

(c) Secondary reporting – geographical segments

	SEGMENT REVENUES FROM SALES TO EXTERNAL CUSTOMERS		SEGMENT ASSETS		ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLES AND OTHER NON-CURRENT SEGMENT ASSETS	
	2006 $000	2005 $'000	**2006 $000**	2005 $'000	**2006 $000**	2005 $'000
Australia	**178,294**	100,168	**320,421**	186,730	**44,545**	48,083
South East Asia	**162,819**	90,943	**281**	126	**-**	-
	341,113	191,111	**320,702**	186,856	**44,545**	48,083
Unallocated assets			**21,262**	-		
Total assets			**341,964**	186,856		

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

(d) Notes to and forming part of the segment information

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and accounting standard AASB 114 *Segment Reporting*.

3. SEGMENT INFORMATION (CONT.)

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, mine properties, property, plant and equipment, available-for-sale financial assets and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors and employee benefits. Segment assets and liabilities do not include income taxes.

(ii) Inter-segment transfers

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

(iii) Equity-accounted investments

The Group owns 50% of Southstar Diamonds Limited, a mineral exploration company located in Australia which is accounted for using the equity method and is allocated to the investment and administration segment.

Further information on associates can be found at note 41.

4. REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
From continuing operations				
Sales revenue				
Sale of goods	**341,113**	191,111	**-**	-
	341,113	191,111	**-**	-
Other revenue				
Interest	**3,384**	1,444	**3,230**	1,256
Rent and sub-lease rentals	**289**	291	**-**	-
Other revenue	**183**	310	**-**	-
	344,969	193,156	**3,230**	1,256

5. OTHER INCOME

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Profit on sale of available-for-sale financial assets		**5,812**	-	**-**	-
Profit on sale of investments		**-**	3,556	**-**	2,788
Profit on sale of tenements		**478**	-	**478**	-
Foreign exchange gains (net)	5(a)	**-**	821	**-**	2,421
Other income		**310**	972	**80**	314
		6,600	5,349	**558**	5,523

(a) Net foreign exchange gains (net loss in 2006 – refer to income statement)

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Exchange gains on foreign currency borrowings included in borrowing costs	**-**	2,421	**-**	2,421
Other net foreign exchange losses included in other income	**-**	(1,600)	**-**	-
Net foreign exchange gains recognised in profit/(loss) before income tax for the year (as either other income or expense)	**-**	821	**-**	2,421

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6. EXPENSES

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Profit before income tax includes the following specific expenses:				
Depreciation:				
Buildings	**385**	240	**32**	-
Plant and equipment	**12,112**	10,470	**152**	113
Total depreciation	**12,497**	10,710	**184**	113
Amortisation of mine properties	**23,323**	9,392	**-**	-
Total depreciation and amortisation expense	**35,820**	20,102	**184**	113
Impairment, or write-down of other financial assets	**-**	1,050	**-**	450
Finance costs				
Unwinding of discounts	**1,838**	1,487	**-**	-
Interest and finance charges paid/payable	**1,034**	2,040	**383**	832
Total finance costs	**2,872**	3,527	**383**	832

7. INCOME TAX EXPENSE

(a) Income tax expense/(benefit)

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Current tax expense / (benefit)		**26,118**	5,293	**(4,836)**	(1,548)
Deferred tax expense / (benefit)		**3,496**	(7,592)	**3,059**	(546)
Under/(over) provision in prior years		**1,067**	(118)	**1,574**	(118)
Income tax expense/(benefit)		**30,681**	(2,417)	**(203)**	(2,212)
Deferred income tax (benefit) expense included in income tax comprises					
Decrease/(Increase) in deferred tax assets	18 (b)	**4,113**	(1,248)	**2,126**	(205)
(Decrease)/Increase in deferred tax liabilities	18 (d)	**(617)**	(6,344)	**930**	(341)
Deferred tax expense / (benefit)		**3,496**	(7,592)	**3,056**	(546)

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Profit/(loss) before income tax expense	**97,687**	(8,527)	**(31,366)**	(7,654)
Tax at the Australian tax rate of 30% (2005: 30%)	**29,306**	(2,558)	**(9,410)**	(2,296)
Tax effect of amounts which are not deductible in calculating taxable income				
Non deductible expenses	**12**	28	**3**	23
Write down of subsidiary loans	**-**	-	**7,382**	-
Share of net loss of associates	**48**	44	**-**	-
Share-based payments	**248**	177	**248**	177
Other	**-**	10	**-**	2
	29,614	(2,299)	**(1,777)**	(2,094)
Under/(over) provision in prior years	**1,067**	(118)	**1,574**	(118)
Income tax expense/(benefit)	**30,681**	(2,417)	**(203)**	(2,212)

7. INCOME TAX EXPENSE (CONT.)

(c) Amounts recognised directly in equity

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax debited directly to equity	**17,130**	-	**110**	-

(d) Tax losses

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Unused foreign tax losses for which no deferred tax asset has been recognised	**803**	803	**-**	-

(e) Tax consolidation legislation

Perilya Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation retrospectively as of 18 October 2002. The accounting policy in relation to this legislation is set out in note 1(f). The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned entities reimburse Perilya Limited for any current income tax payable by Perilya Limited arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised within the aggregate intercompany balance due to/payable by Perilya Limited. In the opinion of the Directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by Perilya Limited.

8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

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

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Cash at bank and in hand	**21,246**	10,023	**5,882**	5,970
Deposits at call	**103,802**	1,999	**103,783**	1,999
Cash at the end of the year as per statements of cash flows	**125,048**	12,022	**109,665**	7,969

(b) Total cash

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

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Balances as above	**125,048**	12,022	**109,665**	7,969
Add: Non-current - Restricted cash *	**10,560**	9,588	**9,760**	9,588
	135,608	21,610	**119,425**	17,557

* Restricted cash comprises deposits and commercial bills that are used for monetary backing for performance guarantees

(c) Cash at bank and on hand

Cash at bank is deposited in trading accounts with major financial institutions under normal terms and conditions appropriate to the operations of the accounts. These deposits earn interest at rates set by these institutions and for the period ending 30 June 2006 the weighted average interest rate on these accounts was 4.95% (2005: 4.45%). Cash on hand is non-interest bearing.

(d) Deposits at call

The deposits at call comprise both floating and fixed interest rate deposits and commercial bills at rates ranging between 5.83% and 7.13%. (2005: 4.45% and 5.42%). These deposits have an average maturity of 132 days, however they are available at call if required and withdrawal will not incur any penalties.

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Trade debtors	**21,720**	9,451	**139**	142
Prepayments	**3,513**	2,072	**3,002**	29
Other debtors	**761**	157	**596**	7
	25,994	11,680	**3,737**	178

10. CURRENT ASSETS – INVENTORIES

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Consumable supplies and spare parts, at cost	**5,103**	4,268	**-**	-
Less: Provision for obsolescence	**(598)**	(432)	**-**	-
	4,505	3,836	**-**	-
Zinc and lead ore, at cost	**2,556**	639	**-**	-
Zinc and lead concentrates, at cost	**13,313**	-	**-**	-
Zinc and lead concentrates, at net realisable value	**-**	7,628	**-**	-
Gold ore, at net realisable value	**1,326**	648	**-**	-
	21,700	12,751	**-**	-

(a) Inventory expense

Inventories recognised as expense during the year ended 30 June 2006 amounted to $169,827 (2005: $432,000).

11. CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
At beginning of the year	11(a)	**8,724**	-	**3,550**	-
Adjustment on adoption of AASB 132 and AASB 139	11(a)	**560**	-	**20**	-
Additions		**1,789**	-	**265**	-
Disposals		**(5,648)**	-	**-**	-
Net revaluation gain/(loss) transferred to equity		**436**	-	**(375)**	-
Reclassifications from non-current available-for-sale financial assets	16	**3,843**	-	**-**	-
Reclassifications to non-current available-for-sale financial assets	16	**(4,323)**	-	**(2,110)**	-
At end of year		**5,381**	-	**1,350**	-
Comprising:					
Listed Australian equities		**1,538**	-	**1,350**	-
Unlisted Australian equities - options		**31**	-	**-**	-
Unlisted overseas equities		**3,812**	-	**-**	-
		5,381	-	**1,350**	-

11. CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONT.)

(a) Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to these standards at 1 July 2005:

For the Group

(i) equity securities with a carrying value of $8,724,000 that were classified in the balance sheet under previous AGAAP as other financial assets were designated and re-classified as available-for-sale financial assets; and

(ii) a net adjustment of $560,000 was recognised. This represented an initial gain on remeasurement to fair value of assets that, under previous AGAAP, had been measured at cost.

For the Parent entity

(i) equity securities with a carrying value of $3,550,000 that were classified in the balance sheet under previous AGAAP as other financial assets were designated and re-classified as available-for-sale financial assets; and

(ii) a net adjustment of $20,000 was recognised. This represented an initial gain on remeasurement to fair value of assets that, under previous AGAAP, had been measured at cost.

For further information refer to note 1(m) and section 5 of note 49.

(b) Unlisted securities

Unlisted securities are traded in inactive markets. Fair values for these assets are established using the methodologies outlined in accounting policy note 1(m).

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

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

12. CURRENT ASSETS – OTHER FINANCIAL ASSETS

		CONSOLIDATED		PARENT ENTITY	
	NOTES	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
At beginning of the year		-	1,857	-	1,000
Additions		-	3,000	-	3,000
Disposals		-	(442)	-	-
Impairment or write-down of other financial assets taken to profit and loss	6	-	(1,050)	-	(450)
Reclassifications from non-current other financial assets	17	-	445	-	-
Reclassification of assets previously equity-accounted	12(b)	-	4,914	-	-
At end of year	12(a)	-	8,724	-	3,550
Comprising:					
Listed Australian equities		-	8,478	-	3,550
Listed overseas equities		-	246	-	-
		-	8,724	-	3,550

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(a) Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to these standards at 1 July 2005 equity securities that were classified in the balance sheet under previous AGAAP as other financial assets were designated and re-classified as available-for-sale financial assets. At the date of transition to these standards at 1 July 2005:

For the Group

(i) equity securities with a carrying value of $8,724,000 that were classified in the balance sheet under previous AGAAP as other financial assets were designated and re-classified as available-for-sale financial assets.

For the Parent entity

(i) equity securities with a carrying value of $3,550,000 that were classified in the balance sheet under previous AGAAP as other financial assets were designated and re-classified as available-for-sale financial assets.

For further information refer to notes 1(m) and section 5 of note 49.

(b) Reclassification of assets previously equity accounted

On 5 August 2004 Strike Oil Limited listed on the Australian Stock Exchange and raised new equity through an initial public offering ("IPO"). Prior to the listing and IPO, Perilya held a 36% shareholding in Strike Oil Limited, had two members on the board of Directors and held a contract which prohibited Strike Oil Limited from undertaking certain events without Perilya's approval. Subsequent to the listing and IPO, Perilya's equity holding in Strike Oil Limited reduced to 20.6% in 2005, the contractual obligations were eliminated and Perilya only had one member on the board of Directors. As Perilya no longer had a significant influence in the Company's operational and financial policies, Perilya ceased equity accounting its interest in Strike Oil Limited and holdings in Strike Oil Limited were reflected in Current assets - Other financial assets. The shareholdings in Strike Oil Limited were sold in 2006.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Current assets				
Forward metal sale contracts - cash flow hedges	**1,715**	-	**-**	-
Total current derivative financial instrument assets	**1,715**	-	**-**	-
Total derivative financial instrument assets	**1,715**	-	**-**	-
Current liabilities				
Forward metal sale contracts - fair value hedges	**4,020**	-	**-**	-
Forward metal sale contracts - cash flow hedges	**41,123**	-	**-**	-
Total current derivative financial instrument liabilities	**45,143**	-	**-**	-
Non-current liabilities				
Forward metal sale contracts - cash flow hedges	**23,932**	-	**-**	-
Total non-current derivative financial instrument liabilities	**23,932**	-	**-**	-
Total derivative financial instrument liabilities	**69,075**	-	**-**	-

13. DERIVATIVE FINANCIAL INSTRUMENTS (CONT.)

(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 future price fluctuations in the primary commodity markets in which it operates. This is done 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:

(i) forward metal sales contracts – cash flow hedges ("cash flow hedges") to hedge its AUD metal price risk; and

(ii) forward metal sales contracts – fair value hedges ("fair value hedges") for hedging of its open sales positions (in AUD) to secure sale prices on a shipment by shipment basis to eliminate the short term price risk that exists during the quotation period of each sale.

All contracts have been entered into on an unsecured basis and are not subject to any margin calls. All cash flow hedges are compliant with the hedge effectiveness requirements of AIFRSs.

As at 30 June 2006 the group had the following forward metal sales contracts:

(i) cash flow hedges in place over approximately 25% of anticipated monthly zinc and lead production through to June 2008 with maturity dates and tonnes of metal hedged as follows:

	SELL ZINC		SELL LEAD	
MATURITY	TONNES	AVERAGE PRICE (A$/T)	TONNES	AVERAGE PRICE (A$/T)
0 – 1 year	30,444	2,914	22,040	1,426
1 – 2 years	24,000	2,451	19,410	1,324

(ii) fair value hedges in place for 5,322 tonnes of zinc at A$3,933 per tonne and 11,200 tonnes of lead at A$1,241 per tonne expiring within 2 months.

(b) Cash flow hedges

The gain or loss from remeasuring the fair values of cash flow hedges at fair value is deferred in equity in the hedging reserve to the extent that it is effective. When the contract is settled the gain or loss relating to the effective portion of forward metal sale contracts is recognised in the income statement within 'sale of goods'.

The net carrying amount and fair value of cash flow hedges used as hedges of forecasted transactions at 30 June 2006 was $60,156,000 comprising assets of $1,715,000 and liabilities of $61,871,000 (30 June 2005: nil).

Included in liabilities is the amount of $3,185,000 which related to June 2006 forward metal sales contracts settled in July 2006 and included in the income statement.

(c) Fair value hedges

The gain or loss from remeasuring the fair values of forward fair value hedges at fair value is recognised in the income statement within 'sale of goods'.

The net carrying amount and fair value of fair value hedges used to hedge open sales positions at 30 June 2006 was $2,792,000 comprising liabilities of $2,792,000 (30 June 2005: nil).

Included in liabilities is the amount of $1,228,000 which related to June 2006 forward metal sales contracts settled in July 2006 and included in the income statement.

14. NON-CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Loans to subsidiaries	**-**	-	**-**	53,604
Other receivables	**26**	11	**24**	9
	26	11	**24**	53,613

Further information relating to loans to and from related parties (controlled entities) is set out in notes 27 and 39.

15. NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Shares in associates	**53**	90	**-**	-

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the investing entity (refer to note 41).

16. NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
At beginning of the year	17(a)	**869**	-	**-**	-
Adjustment on adoption of AASB 132 and AASB 139	16(a)	**1,145**	-	**-**	-
Additions		**1,015**	-	**629**	-
Net revaluation gain/(loss) transferred to equity		**1,433**	-	**(10)**	-
Reclassifications from current available-for-sale financial assets	11	**4,323**	-	**2,110**	-
Reclassifications to current available-for-sale financial assets	11	**(3,843)**	-	**-**	-
At end of year		**4,942**	-	**2,729**	-
Comprising:					
Listed Australian equities		**4,323**	-	**2,110**	-
Unlisted Australian equities - options		**619**	-	**619**	-
		4,942	-	**2,729**	-

(a) Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 F*inancial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to these standards at 1 July 2005:

For the Group

(i) equity securities with a carrying value of $869,000 that were classified in the balance sheet under previous AGAAP as other financial assets were designated and re-classified as available-for-sale financial assets; and

(ii) a net adjustment of $1,145,000 was recognised. This represented an initial gain on remeasurement to fair value of assets that, under previous AGAAP, had been measured at cost.

For further information refer to note 1(m) and section 5 of note 49.

(b) Unlisted securities

Unlisted securities are traded in inactive markets. Fair values for these assets are established using the methodologies outlined in accounting policy note 1(m).

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

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

(d) Investments in related parties

Refer to note 17 for information on the carrying amount of investments in subsidiaries.

17. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
At beginning of the year		**-**	1,314	**36,972**	36,972
Reclassification to current other financial assets	12	**-**	(445)	**-**	-
At end of year	17(a)	**-**	869	**36,972**	36,972
Comprising:					
Unlisted overseas equities		**-**	869	**-**	-
Investments in subsidiaries		**-**	-	**36,972**	36,972
		-	869	**36,972**	36,972

17. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS (CONT.)

(a) Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to these standards at 1 July 2005 equity securities that were classified in the balance sheet under previous AGAAP as other financial assets were designated and re-classified as available-for-sale financial assets. At the date of transition to these standards at 1 July 2005:

For the Group

(i) equity securities with a carrying value of $869,000 that were classified in the balance sheet under previous AGAAP as other financial assets were designated and re-classified as available-for-sale financial assets.

For further information refer to notes 1(m) and section 5 of note 49.

18. DEFERRED TAX

		CONSOLIDATED		PARENT ENTITY	
	NOTES	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Deferred tax asset	18(a)	**30,082**	10,212	**1,283**	3,299
Set-off of deferred tax liabilities of parent entity pursuant to set off provisions		**(8,820)**	(8,520)	**(1,283)**	(2,333)
Net deferred tax asset		**21,262**	1,692	**-**	966
Deferred tax liability	18(c)	**8,820**	8,520	**3,263**	2,333
Set-off of deferred tax liabilities of parent entity pursuant to set off provisions		**(8,820)**	(8,520)	**(1,283)**	(2,333)
Net deferred tax liability		**-**	-	**1,980**	-

(a) The deferred tax asset balance comprises temporary differences attributable to:

		CONSOLIDATED		PARENT ENTITY	
	NOTE	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Amounts recognised in profit or loss					
Employee benefits		**2,403**	2,111	**84**	276
Available-for-sale financial assets		**359**	-	**711**	-
Other financial assets		**-**	934	**-**	711
Provision for obsolescence		**179**	130	**-**	-
Provision for non recovery of subsidiary loans		**-**	-	**-**	1,926
Depreciation of property, plant and equipment		**434**	1,047	**50**	159
Amortisation of mine properties in use		**5,690**	-	**-**	-
Accruals		**2,061**	822	**314**	223
Finance leases		**8**	-	**8**	4
Derivatives held for trading		**838**	-	**-**	-
Tax losses		**-**	5,168	**-**	-
Other		**64**	-	**6**	-
		12,036	10,212	**1,173**	3,299
Amounts recognised directly in equity					
Available-for-sale financial assets fair value reserve		**-**	-	**110**	-
Hedging reserve	31(a)	**18,046**	-	**-**	-
Net deferred tax assets		**30,082**	10,212	**1,283**	3,299

(b) Movements in deferred tax asset:

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Opening balance at 1 July		**10,212**	8,964	**3,299**	3,094
Change on adoption of AASB 132 and AASB 139	49(5)	**5,937**	-	**(6)**	-
Credited/(charged) to the income statement	7(a)	**(4,113)**	1,248	**(2,126)**	205
Credited/(charged) to equity - hedging reserve	31(a)	**18,046**	-	**-**	-
Credited/(charged) to equity - available-for-sale financial assets fair value reserve		**-**	-	**116**	-
Closing balance at 30 June		**30,082**	10,212	**1,283**	3,299

(c) The deferred tax liability balance comprises temporary differences attributable to:

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Amounts recognised in profit or loss				
Receivables	**123**	-	**123**	-
Inventories	**1,531**	1,280	**-**	-
Land and buildings	**177**	47	**-**	-
Depreciation of property plant & equipment	**-**	2,466	**-**	-
Exploration and evaluation	**6,067**	4,727	**3,140**	2,333
Other	**5**	-	**-**	-
	7,903	8,520	**3,263**	2,333
Amounts recognised directly in equity				
Available-for-sale financial assets	**917**	-	**-**	-
	8,820	8,520	**3,263**	2,333

(d) Movements in deferred tax liability

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Opening balance at 1 July		**8,520**	14,864	**2,333**	2,674
Change on adoption of AASB 132 and AASB 139	49(5)	**511**	-	**-**	-
Charged/(credited) to the income statement	7(a)	**(617)**	(6,344)	**930**	(341)
Charged/(credited) to equity		**406**	-	**-**	-
Closing balance at 30 June		**8,820**	8,520	**3,263**	2,333

19. NON-CURRENT ASSETS - EXPLORATION AND EVALUATION EXPENDITURE

		CONSOLIDATED		PARENT ENTITY	
	NOTES	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
Cost brought forward		**15,756**	27,216	**7,776**	9,023
Expenditure incurred during the year		**7,750**	19,267	**3,974**	5,612
Expenditure written off during the year	19(a)	**(1,132)**	(13,715)	**(1,132)**	(6,859)
Tenements disposed of during the year at cost		**(151)**	-	**(151)**	-
Transfer of Daisy Milano to Non-current assets - Mine properties in use	19(b)	**-**	(17,012)	**-**	-
		22,223	15,756	**10,467**	7,776

(a) Expenditure written off during the year

Capitalised values of exploration and evaluation projects were tested for impairment as outlined in note 1(i) and where the carrying values exceeded recoverable amounts then an impairment loss has been recognised with the difference between the carrying value and recoverable amount having been expensed through the income statement under 'Exploration written off'.

(b) Acquisition of Daisy Milano

On 31 January 2005 Perilya Daisy Milano Ltd exercised its option to acquire the Daisy Milano mine. Expenditure prior to the exercise of the option was capitalised under 'Exploration and evaluation expenditure'. Upon exercise of the option $17,012,000 was transferred from 'Exploration and evaluation expenditure' to 'Mine properties in use' - see note 20.

20. NON-CURRENT ASSETS - MINE PROPERTIES IN USE

		CONSOLIDATED		PARENT ENTITY	
	NOTES	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
Cost brought forward at 1 July		**88,051**	54,325	**-**	-
Expenditure incurred during the year on existing properties		**31,412**	16,714	**-**	-
Transfer of capital works in progress to property, plant and equipment - assets under construction	21(b)	**(4,013)**	-	**-**	-
Transfer of Daisy Milano capitalised exploration and evaluation expenditure	19	**-**	17,012	**-**	-
Impairment of capitalised value of Daisy Milano mine property	20(a)	**(18,989)**	-	**-**	-
Cost carried forward at 30 June		**96,461**	88,051	**-**	-
Amortisation brought forward at 1 July		**24,272**	14,880	**-**	-
Amortisation for the year	6	**23,323**	9,392	**-**	-
Amortisation carried forward at 30 June		**47,595**	24,272	**-**	-
Net book amount at 30 June		**48,866**	63,779	**-**	-

(a) Impairment of capitalised value of Daisy Milano mine property

Due to sub-optimal mining performance of the Daisy Milano mine, the Daisy Milano mine property was tested for impairment as outlined in note 1(i) using a pre-tax discount rate of 12% and based on current production levels and operating efficiencies. Testing indicated that the carrying value exceeded the recoverable amount. On this basis, the Daisy Milano mine property was written down to its assessed value in use and an impairment loss of $18,989,000 has been recognised and expensed through the income statement under 'Impairment of mine properties'. For segment reporting purposes the Daisy Milano mine property is classified under 'Gold mining' (see Note 3).

21. NON-CURRENT ASSETS - PROPERTY PLANT AND EQUIPMENT

(a) Carrying amounts of each class of property, plant and equipment

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Land and buildings				
Freehold land and mine buildings at cost	**4,271**	2,942	**-**	-
Less: accumulated depreciation	**(1,119)**	(768)	**-**	-
Net book amount	**3,152**	2,174	**-**	-
Leasehold improvements				
Leasehold improvements at cost	**601**	-	**601**	-
Less: accumulated depreciation	**(32)**	-	**(32)**	-
Net book amount	**569**	-	**569**	-
Plant and equipment				
Plant and equipment at cost	**31,576**	26,622	**710**	602
Less: accumulated depreciation	**(8,239)**	(6,164)	**(503)**	(453)
Net book amount	**23,337**	20,458	**207**	149
Leased plant and equipment at cost	**17,539**	16,548	**-**	-
Less: accumulated depreciation	**(8,805)**	(5,107)	**-**	-
Net book amount	**8,734**	11,441	**-**	-
Mobile equipment at cost	**31,862**	29,046	**-**	-
Less: accumulated depreciation	**(18,663)**	(14,538)	**-**	-
Net book amount	**13,199**	14,508	**-**	-
Office equipment at cost	**4,893**	4,491	**898**	924
Less: accumulated depreciation	**(3,615)**	(3,178)	**(739)**	(719)
Net book amount	**1,278**	1,313	**159**	205
Assets under construction - at cost	**3,925**	-	**-**	-
Less: accumulated depreciation	**-**	-	**-**	-
Net book amount	**3,925**	-	**-**	-
Total property plant and equipment at cost	**94,667**	79,649	**2,209**	1,526
Less: total accumulated depreciation	**(40,473)**	(29,755)	**(1,274)**	(1,172)
Net book amount of property plant and equipment	**54,194**	49,894	**935**	354

21. NON-CURRENT ASSETS - PROPERTY PLANT AND EQUIPMENT (CONT.)

(b) Movements

Reconciliation of the movement in the carrying values of classes of property, plant and equipment at the beginning and the end of each period covered by this financial report are set out below:

	NOTES	LAND AND BUILDINGS $000	LEASEHOLD IMPROVEMENTS $,000	ASSETS UNDER CONSTRUCTION $000	LEASED PLANT AND EQUIPMENT $'000	OTHER PLANT AND EQUIPMENT $000	TOTAL $'000
Consolidated							
At 1 July 2004							
At cost		2,468	-	-	14,558	50,521	67,547
Less: accumulated depreciation		(524)	-	-	(1,517)	(17,136)	(19,177)
Net book amount carried forward		1,944	-	-	13,041	33,385	48,370
Year ended 30 June 2005							
Opening net book amount brought forward		1,944	-	-	13,041	33,385	48,370
Additions		474	-	-	1,990	10,021	12,485
Inter-entity transfers at cost		-	-	-	-	(383)	(383)
Depreciation/amortisation expense	6	(240)	-	-	(3,590)	(6,880)	(10,710)
Depreciation capitalised to mine properties		(4)	-	-	-	(146)	(150)
Inter-entity transfers accumulated depreciation		-	-	-	-	282	282
Closing net book amount at 30 June 2005		2,174	-	-	11,441	36,279	49,894
Comprising:							
At cost		2,942	-	-	16,548	60,159	79,649
Less: accumulated depreciation		(768)	-	-	(5,107)	(23,880)	(29,755)
Net book amount carried forward		2,174	-	-	11,441	36,279	49,894
Year ended 30 June 2006							
Opening net book amount brought forward		2,174	-	-	11,441	36,279	49,894
Additions		807	601	3,492	1,159	6,824	12,883
Transferred from Mine properties in use	20	-	-	4,013	-	-	4,013
Disposals		(4)	-	-	-	(95)	(99)
Inter-classification transfers at cost		528	-	(3,580)	(167)	3,219	-
Depreciation/amortisation expense	6	(353)	(32)	-	(3,699)	(8,413)	(12,497)
Closing net book amount at 30 June 2006		3,152	569	3,925	8,734	37,814	54,194

(b) Movements (cont.)

	NOTES	LEASEHOLD IMPROVEMENTS $,000	OTHER PLANT AND EQUIPMENT $000	TOTAL $'000
Parent entity				
At 1 July 2004				
At cost		-	1,228	1,228
Less: accumulated depreciation		-	(1,068)	(1,068)
Net book amount carried forward		-	160	160
Year ended 30 June 2005				
Opening net book amount brought forward		-	160	160
Additions		-	353	353
Disposals		-	(46)	(46)
Depreciation/amortisation expense	6	-	(113)	(113)
Closing net book amount at 30 June 2005		-	354	354
Comprising:				
At cost		-	1,526	1,526
Less: accumulated depreciation		-	(1,172)	(1,172)
Net book amount carried forward		-	354	354
Year ended 30 June 2006				
Opening net book amount brought forward		-	354	354
Additions		601	195	796
Disposals		-	(31)	(31)
Depreciation/amortisation expense	6	(32)	(152)	(184)
Closing net book amount at 30 June 2006		569	366	935

22. CURRENT LIABILITES - TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Trade creditors and accruals	**33,810**	24,869	**1,983**	691
Other payables	**2,715**	481	**205**	286
	36,525	25,350	**2,188**	977

23. CURRENT LIABILITIES - BORROWINGS

		CONSOLIDATED		PARENT ENTITY	
	NOTES	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
Secured					
Finance leases	38(b)	**3,728**	4,965	**27**	15
Unsecured					
Insurance funding liabilities		**573**	-	**573**	-
		4,301	4,965	**600**	15

Details of the security relating to the secured liabilities are set out in note 27.

24. CURRENT LIABILITIES - CURRENT TAX LIABILITIES

The current tax liability for the consolidated entity of $27,523,000 (2005:$316,000) and for the parent entity of $27,523,000 (2005:$316,000) represent the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, the parent entity, as the head entity of the Australian tax-consolidated group has assumed the current tax liability initially recognised by the members in the tax-consolidated group.

25. CURRENT LIABILITIES - PROVISIONS

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Employee benefits - annual leave		**5,682**	4,805	**225**	750
Production linked payments	25(a)	**-**	6,653	**-**	-
Other		**-**	600	**-**	600
		5,682	12,058	**255**	1,350

(a) Production linked payments

Pursuant to the Sale and Purchase Agreement for the acquisition of the Broken Hill assets, part of the purchase consideration Perilya was required to pay Pasminco Limited (Administrators) and Zinifex Limited, was a combined total of $3.30 per tonne of ore treated up to a total of $25 million. As this payment was being paid on a deferred settlement basis, the liability was discounted using a discount rate of 6%. The liability was extinguished during the year following final payments made during the year totalling $8,309,000.

(b) Movements in provisions

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

	NOTES	PRODUCTION LINKED PAYMENTS $000	OTHER - PROVISION FOR LEGAL FEES $'000
Consolidated - 2006			
Carrying amount at start of year		6,653	600
Transferred from Non-current liabilities - Provisions	28	1,405	-
Unwinding of discount		251	-
Payments		(8,309)	-
Reclassified to Current liabilities - Trade and other payables		-	(600)
		-	-

26. LIABILITIES - CURRENT AND NON-CURRENT PREPAID INCOME

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Current prepaid silver income	**5,368**	-	**-**	-
Non-current prepaid silver income	**37,038**	-	**-**	-
Total prepaid silver income	**42,406**	-	**-**	-

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 part payment, net of GST, of AUD$46,753,000 (USD$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.

Details of the security relating to the presale of silver to Coeur are set out in note 27.

27. NON-CURRENT LIABILITIES - BORROWINGS

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Secured					
Finance leases	38(b)	**2,769**	5,660	**-**	-
Secured loan	27(a)	**-**	2,000	**-**	2,000
Loans from subsidiaries		**-**	-	**15,000**	15,000
		2,769	7,660	**15,000**	17,000
Unsecured					
Loans from subsidiaries		**-**	-	**56,385**	-
		2,769	7,660	**71,385**	17,000

Further information relating to loans to and from subsidiaries (related parties) is set out in notes 14 and 39.

(a) Secured loan facility

Perilya Limited has a borrowing facility of $20 million with YK Australia Pty Ltd which can be drawn down and repaid over a period of 5 years. Funds drawn down attract interest at the average 90 day bank bill rates with a margin of 2.75%, with the interest payable quarterly in arrears. A commitment fee of 0.5% per annum is payable on the outstanding facility balance.

As at 1 July 2005 $2,000,000 was drawn down and outstanding under the facility. During the financial year ending 30 June 2006 additional borrowings of $8,000,000 were drawn down under this facility and capital repayments of $10,000,000 were made (loans outstanding against the facility were fully repaid in October 2005). As at 30 June 2006 the Group had no outstanding loan liabilities against this facility.

(b) Assets pledged as security

The loan facility with YK Australia Pty Ltd is secured via a first ranking charge over the fixed and floating assets of the Broken Hill operation comprising carrying amounts pledged as security, as follows:

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
First mortgage				
Mine properties in use	**44,174**	42,430	**-**	-
Property, plant and equipment	**44,703**	41,194	**-**	-
Total assets pledged as security	**88,877**	83,624	**-**	-

Production and price linked payment liabilities pursuant to the acquisition of the Broken Hill operations were pledged via a second ranking charge, retained over the Broken Hill operation assets disclosed above, to Zinifex Australia Limited (formerly Pasminco Australia Limited) and Pasminco Broken Hill Mine Pty Ltd during the 2005 and 2006 reporting periods. This second ranking charge was discharged on finalisation of outstanding production and price linked payment liabilities related to the acquisition of the Broken Hill operation as discussed at note 25.

The pre-sale of silver production between Perilya Broken Hill Limited and Coeur, as outlined in note 26, is also secured via a second ranking fixed and floating charge over the Broken Hill assets disclosed above.

Finance lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor or financier in the event of default. The assets securing lease liabilities have a carrying value of $8,734,000.

28. NON-CURRENT LIABILTIES - PROVISIONS

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Employee benefits - annual leave		**53**	534	**25**	83
Employee benefits - long service leave		**2,279**	1,695	**29**	86
Production linked payments *	28(a)	**-**	1,405	**-**	-
Restoration and rehabilitation	28(a)	**18,523**	16,598	**-**	-
		20,855	20,232	**54**	169

* Refer to note 25(b)

28. NON-CURRENT LIABILTIES - PROVISIONS (CONT.)

(a) Movements in provisions

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

	NOTES	PRODUCTION LINKED PAYMENTS $000	RESTORATION AND REHABILITATION $'000
Consolidated - 2006			
Carrying amount at start of year		1,405	16,598
Transferred to Current liabilities - Provisions	25	(1,405)	-
Unwinding of discount		-	542
Increase in provisions		-	1,383
		-	18,523

29. NON-CURRENT LIABILITIES - OTHER

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Non-secured				
Other liabilities	**1,407**	-	**-**	-
	1,407	-	**-**	-

30. CONTRIBUTED EQUITY

(a) Share capital

	2006 SHARES	2005 SHARES	**2006 $000**	2005 $'000
Opening balance of issued and fully paid shares	**186,522,239**	164,020,332	**99,286**	78,045
Share placements	**-**	20,026,907	**-**	20,151
Options exercised	**4,525,000**	2,475,000	**3,048**	1,090
Transfers from share based payments reserve	**-**	-	**636**	-
30 June closing balance of issued and fully paid shares	**191,047,239**	186,522,239	**102,970**	99,286

notes to the financial statements

for the year ended 30 June 2006

(b) Movements in ordinary share capital

DATE	DETAILS	NOTES	NUMBER OF SHARES	ISSUE PRICE	CONTRIBUTED EQUITY PAID IN $'000	PLUS: TRANSFERS FROM SHARE BASED PAYMENTS RESERVE $'000	TOTAL CONTRIBUTED EQUITY $'000
01 Jul 2004	Opening balance		164,020,332		78,045		78,045
14 Dec 2004	Exercise of 2000 options		50,000	$0.26	13	-	13
17 Jan 2005	Exercise of 2002 options		25,000	$0.45	12	-	12
31 Jan 2005	Share issue	(i)	828,157	$0.97	800	-	800
01 Feb 2005	Exercise of 2001 options		100,000	$0.30	30	-	30
17 Feb 2005	Exercise of 2002 options		800,000	$0.45	360	-	360
08 Mar 2005	Exercise of 2002 options		500,000	$0.45	225	-	225
02 May 2005	Share issue	(ii)	19,198,750	$1.01	19,351	-	19,351
27 May 2005	Exercise of 2002 options		500,000	$0.45	225	-	225
15 Jun 2005	Exercise of 2002 options		500,000	$0.45	225	-	225
30 Jun 2005	Balance		186,522,239		99,286	-	99,286
01 Jul 2005	Transfer from share based payment reserve		-	-	-	81	81
14 Dec 2005	Exercise of 2003 options		150,000	$0.70	105	15	120
14 Dec 2005	Exercise of 2004 options		200,000	$0.80	160	55	215
16 Dec 2005	Exercise of 2004 options		200,000	$0.80	160	55	215
06 Jan 2006	Exercise of 2004 options		200,000	$0.80	160	55	215
10 Jan 2006	Exercise of 2004 options		150,000	$1.00	150	43	193
11 Jan 2006	Exercise of 2004 options		150,000	$1.00	150	43	193
12 Jan 2006	Exercise of 2003 options		250,000	$0.70	175	24	199
13 Jan 2006	Exercise of 2005 options		150,000	$1.00	150	33	183
16 Jan 2006	Exercise of 2004 options		100,000	$0.97	97	33	130
17 Jan 2006	Exercise of 2004 options		75,000	$0.97	73	20	93
17 Jan 2006	Exercise of 2005 options		75,000	$1.00	75	12	87
17 Jan 2006	Exercise of 2005 options		100,000	$0.88	88	22	110
19 Jan 2006	Exercise of 2004 options		100,000	$0.80	80	27	107
20 Jan 2006	Exercise of 2005 options		25,000	$0.88	22	7	29
25 Jan 2006	Exercise of 2004 options		70,000	$0.97	68	19	87
25 Jan 2006	Exercise of 2005 options		105,000	$1.00	105	17	122
31 Jan 2006	Exercise of 2002 options		150,000	$0.45	67	-	67
31 Jan 2006	Exercise of 2005 options		25,000	$0.88	22	7	29
01 Feb 2006	Exercise of 2004 options		50,000	$0.97	49	17	66
02 Feb 2006	Exercise of 2005 options		50,000	$0.88	44	13	57
03 Feb 2006	Exercise of 2005 options		25,000	$1.00	25	6	31
07 Mar 2006	Exercise of 2005 options		50,000	$1.00	50	12	62
20 Mar 2006	Exercise of 2002 options		2,000,000	$0.45	900	-	900
27 Apr 2006	Exercise of 2004 options		25,000	$0.97	24	7	31
01 Jun 2006	Exercise of 2004 options		50,000	$0.97	49	13	62
30 Jun 2006	Balance		191,047,239		102,334	636	102,970

(i) shares issued to the Ridgeway Group arising from the exercise of the Daisy Milano option.
(ii) shares issued to Korea Zinc Company Limited and Young Poong Corporation

30. CONTRIBUTED EQUITY (CONT.)

(c) Ordinary shares

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

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

(d) Options

Information relating to the Perilya Limited Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 48.

31. RESERVES

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Available-for-sale financial assets fair value reserve (net of tax)	**2,139**	-	**(256)**	-
Share-based payments reserve	**829**	639	**829**	639
Hedging reserve - cash flow hedges (net of tax)	**(42,109)**	-	**-**	-
	(39,141)	639	**573**	639

(a) Movements

Available-for-sale financial assets fair value reserve	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Balance 1 July		**-**	-	**-**	-
Adjustment on adoption of AASB 132 and AASB 139, (net of tax)	49(5)	**1,194**	-	**14**	-
Revaluation		**1,868**	-	**(386)**	-
Plus/(less): Deferred tax on revaluation		**(561)**	-	**116**	-
Transfer to net profit		**(517)**	-	**-**	-
Plus/(less): Deferred tax on transfer		**155**	-	**-**	-
		2,139	-	**(256)**	-

Share-based payments reserve	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Balance 1 July		**639**	48	**639**	48
Option expense		**826**	591	**826**	591
Transfer to share capital (options exercised)	30(a)	**(636)**	-	**(636)**	-
Balance 30 June		**829**	639	**829**	639

Hedging reserve – cash flow hedges	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Balance 1 July		**-**	-	**-**	-
Revaluation - gross		**60,155**	-	**-**	-
Deferred tax	18(a)	**(18,046)**	-	**-**	-
Balance 30 June		**(42,109)**	-	**-**	-

(b) Nature and purpose of reserves

(i) Available-for-sale financial assets fair value reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale financial assets fair value reserve, as described in note 1(m). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

(iii) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains and losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(n). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

32. RETAINED PROFITS

Movements in retained profits were as follows:

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Balance 1 July		**16,350**	22,460	**1,214**	6,656
Adjustment on adoption of AASB 132 and AASB 139 (net of tax)	49(5)	**(13,854)**	-	**-**	-
Net profit/(loss) for the year		**67,006**	(6,110)	**(31,163)**	(5,442)
Dividends	33	**(1,910)**	-	**(1,910)**	-
Balance 30 June		**67,592**	16,350	**(31,859)**	1,214

33. DIVIDENDS

(a) Dividends paid on ordinary shares

	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Interim dividend for the year ended 30 June 2006 of 1 cent (2005: nil) per fully paid share paid 7 April 2006)		
Fully franked based on tax paid at 30%	**1,910**	-
Total dividends provided for or paid	**1,910**	-

(b) Dividends not recognised at year end

	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
In addition to the above dividend, since year end the Directors have recommended the payment of a final dividend of 4 cents per fully paid ordinary share, fully franked based on tax paid at 30%, with a record date for determining entitlement of 14 September 2006. The aggregate amount of the proposed dividend expected to be paid* on 2 October 2006 out of retained profits(i) at 30 June 2006, but not recognised as a liability at year end is:	**7,653**	-

* Based on shares on issue of 191,322,239 as at 14 September 2006

(i) The Directors of a subsidiary have, since year end, declared the payment of a final dividend of $40,000,000 to be paid to the parent. The dividend due to the parent was paid on 29 September 2006.

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2006 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2006.

		CONSOLIDATED		PARENT ENTITY	
	NOTES	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2005: 30%)		**42,703**	16,079	**42,703**	16,079

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

(i) franking credits that will arise from the payment of the amount of the provision for income tax;

(ii) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(iii) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

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

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $3,280,000 (2005: Nil).

34. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial and commodity markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by the finance area of the Group, under policies approved by the Board of Directors with identification, evaluation and hedging of financial and commodity price risks being undertaken in close co-operation with the Group's operating units. The Board provides written principles for overall risk management as well as written policies covering specific areas such as use of derivative financial instruments and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group sells the majority of its commodities in US dollars resulting in trade debtors in US dollars and in addition holds a US dollar bank account. At 30 June 2006 the outstanding amount held in the US dollar bank account was US$11.4 million (2005: US$3.0 million) and the Group had outstanding US dollar denominated debtor transactions totalling US$15.3 million (2005: US$6.5 million).

Additionally the Group undertakes foreign currency transactions for exploration and evaluation activities in Malaysia. The amounts denominated in foreign currency accounts are maintained at minimum levels and are aligned with approved expenditure programmes. At 30 June 2006, outstanding amounts held in foreign currency bank accounts in Malaysia were RM 0.2 million (2005: RM 0.2 million).

Other than via AUD denominated forward metal contracts (see note (ii) below), the Group does not use any derivative instruments to hedge its US/AUD foreign exchange risk.

(ii) Price risk

The Group is exposed to commodity price risk for its primary base metal products and uses both:

(i) cash flow hedges to hedge its AUD metal price risk; and

(ii) fair value hedges to hedge its open sales positions (in AUD) to secure sale prices on a shipment by shipment basis to eliminate the short term price risk that exists during the quotation period of each sale.

Further details of current commodity price derivative operations are provided at note 13.

Additionally the Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available-for-sale. The Group does not use any derivative instruments to hedge this risk.

(b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The exposure of the Group to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of the assets as indicated in the balance sheet.

While the Group has policies in place to ensure that sales of its products are made to customers with an appropriate credit history it does have a concentration of credit risk in relation to its primary base metal sales due to its dependence for a significant volume of its sales revenues on a few principle buyers (see note 43). In relation to managing other potential credit risk exposures, the Group has in place policies that aim to ensure that derivative counterparties and cash transactions are limited to high credit quality financial institutions and that the amount of credit exposure to any one financial institution is limited as far as is considered commercially appropriate.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Interest rate risk exposure

The Group's exposure to the risk of changes in interest rates relates primarily to cash deposits with a floating interest rate. The Groups policy to manage interest rate risk on deposits is to keep a mix of floating and fixed term investments while the policy in respect to finance lease liabilities is to take out fixed term contracts. As at the end of the reporting period the Group's interest rate risk exposure for each class of financial assets and liabilities was:

2006	FLOATING INTEREST RATE $'000	FIXED 1 YEAR OR LESS $'000	FIXED OVER 1 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	NON INTEREST BEARING $'000	TOTAL $'000
Financial assets						
Cash and cash equivalents	31,825	103,783	-	-	-	135,608
Trade and other receivables	-	-	-	-	26,020	26,020
Available-for-sale financial assets	-	-	-	-	10,323	10,323
	31,825	103,783	-	-	36,343	171,951
Weighted average interest rate	4.95%	6.00%	-	-	-	
Financial liabilities						
Trade and other payables	-	-	-	-	36,525	36,525
Insurance funding	-	573	-	-	-	573
Finance leases	-	3,701	2,796	-	-	6,497
Other	-	-	-	-	1,407	1,407
	-	4,274	2,796	-	37,932	45,002
Weighted average interest rate	-	6.88%	7.49%	-	-	
Net financial assets (liabilities)	31,825	99,509	(2,796)	-	(1,589)	126,949

34. FINANCIAL RISK MANAGEMENT (CONT.)

(d) Interest rate risk exposure (cont.)

2005	FLOATING INTEREST RATE $'000	FIXED 1 YEAR OR LESS $'000	FIXED OVER 1 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	NON INTEREST BEARING $'000	TOTAL $'000
Financial assets						
Cash and cash equivalents	10,023	11,587	-	-	-	21,610
Trade and other receivables	-	-	-	-	11,691	11,691
Other financial assets	-	-	-	-	9,593	9,593
	10,023	11,587	-	-	21,284	42,894
Weighted average interest rate	4.45%	5.42%	-	-	-	
Financial liabilities						
Trade and other payables	-	-	-	-	25,350	25,350
Finance leases	-	4,950	5,675	-	-	10,625
Secured loan	-	-	2,000	-	-	2,000
Production linked payments	-	-	-	-	8,058	8,058
	-	4,950	7,675	-	33,408	46,033
Weighted average interest rate	-	7.31%	7.13%	-	-	
Net financial assets (liabilities)	10,023	6,637	(7,675)		(12,124)	(3,139)

(e) Fair value

The net fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

35. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

(i) Chairman - non executive

Patrick O'Connor (appointed 1 February 2006)

(ii) Executive Directors

Leonard (Len) S. Jubber, Chief Executive Officer

(iii) Non-executive Directors

Chang Keun Choi
Peter Harley
Phillip C. Lockyer
Guy A. Travis
Colin A. McIntyre (resigned 23 November 2005)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the year or for the periods of employment as indicated:

NAME	POSITION	EMPLOYER
Tim Carstens	General Manager – Corporate (appointed 7 November 2005)	Perilya Limited
Ron Ellis	Mine Manager Daisy Milano (formerly Mine Manager Broken Hill)	Perilya Daisy Milano Limited
Tim Manners	General Manager – Finance (appointed 7 March 2006)	Perilya Limited
Robert Scargill	General Manager Broken Hill (appointed 22 November 2005)	Perilya Broken Hill Limited
Paul Cranney	Exploration Manager (resigned 25 November 2005)	-
Alan Knights	Chief Financial Officer (resigned 18 November 2005)	-
Barry Mitchell	General Manager Broken Hill (resigned 6 January 2006)	-
John Traicos	Company Secretary (retrenched 31 October 2005)	-

(c) Key management personnel compensation

	CONSOLIDATED	
	2006 $'000	2005 $'000
Short-term employee benefits	**2,188,087**	1,825,723
Post-employment benefits	**210,598**	288,375
Share- based payments	**838,947**	284,229
Termination benefits	**276,836**	295,696
Other benefits	**-**	*163,750
	3,514,468	2,857,773

* See related parties - note 39

The Company has taken advantage of the relief provided by Corporations Regulation CR2M.604 and has transferred the detailed remuneration disclosures to the Directors' report. The relevant information can be found in sections A-D of the remuneration report on pages 7 to 13.

(d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section E of the remuneration report on pages 13 to 14.

35. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

(ii) Options holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Perilya Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2006 NAME	BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR AS COMPENSATION	EXERCISED DURING THE YEAR	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR#	VESTED AND EXERCISABLE AT THE END OF THE YEAR
Directors of Perilya Limited						
Patrick O'Connor	-	-	-	-	-	-
Len Jubber	5,000,000	-	-	-	5,000,000	-
Chang Keun Choi	-	-	-	-	-	-
Peter Harley	-	-	-	-	-	-
Phillip C. Lockyer	-	-	-	-	-	-
Guy A. Travis	-	-	-	-	-	-
Colin A. McIntyre (resigned 23 November 2005)	-	-	-	-	-	-
Other key management personnel						
Tim Carstens	-	600,000	-	-	600,000	-
Ron Ellis	400,000	-	(150,000)	-	250,000	75,000
Tim Manners	-	500,000	-	-	500,000	-
Robert Scargill	-	600,000	-	-	600,000	-
Paul Cranney (resigned)	250,000	-	-	(250,000)	-	-
Alan Knights (resigned)	900,000	-	(400,000)	(500,000)	-	-
Barry Mitchell (resigned)	1,000,000	-	(550,000)	(450,000)	-	-
John Traicos (retrenched)	550,000	-	(375,000)	-	175,000	-

For those Directors and key management personnel who have left the Company, the balances indicate the individual's options holding as at the date of their ceasing employment within the Group that are still vested and exercisable at period end. Under the terms of John Traicos's retrenchment package unvested options, at the time of his retrenchment, were retained by Mr Traicos.

No options are vested and un-exercisable at the end of the year.

2005 NAME	BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR AS COMPENSATION	EXERCISED DURING THE YEAR	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR#	VESTED AND EXERCISABLE AT THE END OF THE YEAR
Directors of Perilya Limited						
Len Jubber	-	5,000,000	-	-	5,000,000	-
Tim Clifton (resigned 16 May 2005)	2,000,000	-	-	-	2,000,000	2,000,000
Chang Keun Choi	-	-	-	-	-	-
Peter Harley	-	-	-	-	-	-
Phillip C. Lockyer	-	-	-	-	-	-
Guy A. Travis	-	-	-	-	-	-
Colin A. McIntyre	-	-	-	-	-	-
Other key management personnel						
Paul Cranney	-	250,000	-	-	250,000	-
Ron Ellis	150,000	250,000	-	-	400,000	75,000
Alan Knights	400,000	500,000	-	-	900,000	250,000
Barry Mitchell	500,000	500,000	-	-	1,000,000	400,000
John Traicos	300,000	250,000	-	-	550,000	150,000

For those Directors and key management personnel who have left the Company, the balances indicate the individuals options holding as at the date of their ceasing employment within the Group that were still vested and exercisable at period end.

notes to the financial statements

for the year ended 30 June 2006

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Perilya Limited and other key management personnel of the Group, including their personally-related entities, are set out below:

2006 NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR OR ON LEAVING THE COMPANY#
Directors of Perilya Limited				
Patrick O'Connor (appointed 1st February 2006)	-	-	-	-
Len Jubber	50,000	-	65,000	115,000
Phillip Lockyer	20,000	-	-	20,000
Chang Keun Choi	-	-	-	-
Peter Harley	15,000	-	-	15,000
Guy Travis	4,330,229	-	(500,000)	3,830,229
Colin McIntyre (resigned 23 November 2005)	50,000	-	-	50,000
Other key management personnel				
Tim Carstens	-	-	-	-
Ron Ellis	-	150,000	(150,000)	-
Tim Manners	-	-	7,500	7,500
Robert Scargill	-	-	-	-
Paul Cranney (resigned)	-	-	-	-
Alan Knights (resigned)	100,000	-	-	100,000
Barry Mitchell (resigned)	-	-	-	-
John Traicos (retrenched)	100,000	-	-	100,000

\# For those Directors and key management personnel who have left the Company, the balances indicate the individuals shareholding in the Company as at the date of their ceasing employment within the Group.

There were no shares granted during the year as compensation.

2005 NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR OR ON LEAVING THE COMPANY#
Directors of Perilya Limited				
Len Jubber	-	-	50,000	50,000
Timothy Clifton (resigned 16 May 2005)	3,699,000	-	-	3,699,000
Phillip Lockyer	20,000	-	-	20,000
Chang Keun Choi	-	-	-	-
Peter Harley	15,000	-	-	15,000
Guy Travis	4,335,201	-	(4,972)	4,330,229
Colin McIntyre	50,000	-	-	50,000
Other key management personnel				
Paul Cranney	900,000	-	(900,000)	-
Ron Ellis	-	-	-	-
Alan Knights	100,000	-	-	100,000
Barry Mitchell	-	-	-	-
John Traicos	300,000	-	(200,000)	100,000

\# For those Directors and key management personnel who left the Company, the balances indicate the individuals shareholding in the Company as at the date of their ceasing employment within the Group.

35. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

(e) Loans to key management personnel

There were no loans made, outstanding or repaid by any Directors or other key management personnel during 2006 (2005: nil).

(f) Other transactions with key management personnel

Apart from details as disclosed above, in the remuneration report on pages 6 to 16 and in note 39 (detailing related party transactions), there were no other transactions with Directors or other key management personnel during 2006.

36. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) Assurance services

	CONSOLIDATED		PARENT ENTITY	
	2006 $	2005 $	**2006 $**	2005 $
Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**209,835**	149,000	**209,835**	149,000
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group.	**2,700**	3,221	**-**	-
Total remuneration for audit services	**212,535**	152,221	**209,835**	149,000
Other assurance services				
PricewaterhouseCoopers Australian firm				
Controls assurance services	**12,000**	-	**12,000**	-
AIFRS accounting services	**90,000**	9,300	**90,000**	9,300
Other services	**16,270**	31,705	**16,270**	31,705
Total remuneration for other assurance services	**118,270**	41,005	**118,270**	41,005
Total remuneration for assurance services	**330,805**	193,226	**328,105**	190,005

(b) Taxation services

	CONSOLIDATED		PARENT ENTITY	
	2006 $	2005 $	**2006 $**	2005 $
PricewaterhouseCoopers Australian firm				
Tax compliance services.	**94,555**	58,150	**94,555**	58,150
Total remuneration for taxation services	**94,555**	58,150	**94,555**	58,150

The Group employs PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally taxation services where PricewaterhouseCoopers acts as the Groups taxation agent and in relation to provision of general corporate advice. It is the Group's policy to seek competitive tenders for all major consulting projects.

37. CONTINGENCIES

There were no known contingent assets or liabilities which were not provided for in the financial statements of the Group as at 30 June 2006, other than:

(a) Contingent liabilities

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 cash flow 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 balance sheet due to the inherent uncertainty of conditions being achieved.

(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 balance sheet due to the inherent uncertainty of conditions being achieved.

Guarantees

Apart from items pledged for security against borrowings, as disclosed in note 27, the parent entity, Perilya Limited has an unsecured guarantee of payment, given to an unrelated party, with respect to wholly owned subsidiary dealings in relation to derivative contracts for the sale, purchase, swap and lease of metals on spot and forward transactions. As at 30 June 2006 the extent of this guarantee amounts to $67,360,000 (2005: nil). This guarantee may give rise to liabilities in the parent entity if the subsidiary does not meet their obligations under the terms of the guarantee.

(b) Contingent assets

Fortnum Mine sale proceeds

As part payment for the Fortnum Gold project sold to Gleneagle Gold Limited in July 2003, Perilya was to receive $500,000 upon commencement of production at the Fortnum mine by Gleneagle and, after the first 50,000 ounces of production, a royalty at the rate of $10 per ounce, up to a maximum of $2 million.

Gleneagle announced that production had commenced in the week beginning 9 July 2006. The initial $500,000 due to Perilya on commencement of production was made on 21 July 2006 and is not recognised in these financial statements. In relation to the ongoing production royalty payment arrangement the potential receipts pursuant to this arrangement cannot be reliably measured and have not been recognised in the financial statements.

38. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Property, plant and equipment				
Commitments in relation to capital expenditure contracted for, but not provided for are payable as follows:				
Within one year	**1,893**	-	**-**	-
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	1,893	-	**-**	-

38. COMMITMENTS (CONT.)

(b) Lease commitments - operating and finance leases

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Operating leases				
Commitments in relation to non-cancellable operating leases contracted for at the reporting date, but not recognised as liabilities payable:				
Within one year	**1,647**	122	**263**	122
Later than one year but not later than five years	**1,204**	-	**1,054**	-
Later than five years	**197**	-	**197**	-
	3,048	122	**1,514**	122

The operating lease reflected under the parent entity relates to Perilya's head office located at 553 Hay Street, Perth with the remaining balance of $1,534,000 under the consolidated entity relating to hire of mobile underground equipment at Broken Hill.

During the financial year ended 30 June 2006, $2,536,000 was recognised as an expense in the income statement in respect of operating leases (2005: $1,402,000).

	NOTE	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Commitments in relation to finance leases are payable as follows:					
Within one year		**4,091**	5,588	**33**	5
Later than one year but not later than five years		**2,860**	6,055	**-**	13
Later than five years		**-**	-	**-**	-
		6,951	11,643	**33**	18
Less: future finance charges		**(454)**	(1,018)	**(6)**	(3)
Total recognised as a liability		**6,497**	10,625	**27**	15
Representing lease liabilities:					
Current	23	**3,728**	4,965	**27**	15
Non-current	27	**2,769**	5,660	**-**	-

The Group enters finance leases with various financial institutions as a means of funding the acquisition of some property, plant and equipment. Lease payments are fixed and have no escalation clauses and under the contractual terms of the agreements the Group retains the equipment on completion of the agreed repayment schedule between the Group and the financier or has the option to acquire the leased assets for agreed fair values on the expiry of the leases. The weighted average interest rate implicit across all finance leases is 7.46% (2005: 7.13%).

(d) Exploration expenditure commitments

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000
Discretionary exploration expenditure relating to existing mineral tenements is as follows:		
Within one year	**10,946**	17,600

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State and national governments under whose jurisdiction the Group's tenements reside. As at 30 June 2006 the Group maintains current rights of tenure to tenements which require estimated expenditure outlays for 2006/2007 of $6.8 million on exploration tenements (2005: $5.0 million); and $4.1 million on the Broken Hill mine tenements (2005: $12.6 million). Ongoing expenditure obligations exist until such time as the tenement is relinquished. Under certain circumstances these obligations are subject to the possibility of adjustment to the amount and/or timing of such obligations, however, they are expected to be fulfilled in the normal course of operations. Further outlays in respect of tenements will continue beyond 2006/2007 however the amount is impractical to quantify. These obligations are not provided for in the financial report.

(e) Supply contracts

Perilya Broken Hill Limited has entered into take or pay contracts with the Silverton Tramway Company Limited for the provision of shunting operation services and with Country Energy for the provision of power and water at the Broken Hill operations. The minimum expenditure commitment is $5,190,000 per year (2005: $4,892,000). These obligations are not provided for in the financial report.

39. RELATED PARTY TRANSACTIONS

(a) Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries (see note 40), associates (see note 41), joint ventures (see note 42) and with its key management personnel (see notes 35 and 48).

(b) Parent entity

The ultimate Australian parent entity within the Group is Perilya Limited.

(c) Subsidiaries

Interests in subsidiaries are set out in note 40.

(d) Key management personnel and remuneration benefits

Disclosures relating to key management personnel including information on remuneration are disclosed in note 35 and information related to option transactions are disclosed in note 48.

(e) Transactions with related parties

The following transactions occurred with related parties:

		CONSOLIDATED		PARENT ENTITY	
	NOTES	**2006 $**	2005 $	**2006 $**	2005 $
Purchase of goods and services					
Technical consultation services provided by Phil Lockyer and Associates	(i)	**-**	163,750	**-**	163,750
Tax consolidation legislation					
Current tax payable assumed from wholly-owned tax consolidated entities	(ii)	**-**	-	**30,441**	-
Loans to/(from) subsidiaries	(iii)				
Beginning of the year		**-**	-	**38,604,308**	20,289,432
Loans advanced		**-**	-	**18,474,120**	24,680,130
Loan repayments received/ loans advanced		**-**	-	**(128,462,818)**	(6,365,254)
End of year	14 & 27	**-**	-	**(71,384,390)**	38,604,308
Loans to/(from) associates					
Beginning of the year		**150,000**	-	**-**	-
Loans advanced	41	**125,000**	150,000	**-**	-
Loan repayments received		**-**	-	**-**	-
End of year		**275,000**	150,000	**-**	-

(i) Fees of $163,750 were paid for technical services rendered during the year ending 30 June 2005 to Phil Lockyer and Associates Pty Ltd, of which Mr Phillip C. Lockyer is a shareholder and director. Transactions between the Group and Phil Lockyer and Associates Pty Ltd were undertaken on normal commercial terms and conditions.

(ii) The Group entities have entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly owned controlled entities reimburse Perilya Limited for any current income tax payable by Perilya Limited arising in respect of their activities.

(iii) Transactions between Perilya Limited and its controlled entities (as disclosed in note 40) consist of the transfer of funds amongst companies for day to day financing. Inter Company loans are unsecured, do not bear interest and have no defined repayment terms.

40. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

NAME OF ENTITY	NOTE	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING 2006 %	2005 %
Perilya Broken Hill Limited		Australia	Ordinary	**100**	100
Perilya Daisy Milano Pty Ltd		Australia	Ordinary	**100**	100
Ranger Minerals Limited		Australia	Ordinary	**100**	100
Kolmar Limited		Australia	Ordinary	**100**	100
Noble Mining Corporation Pty Ltd		Australia	Ordinary	**100**	100
Freehold Mining Ltd		Australia	Ordinary	**100**	100
Strike Energy Pty Ltd		Australia	Ordinary	**100**	100
Perilya Operations Pty Ltd	(i)	Australia	Ordinary	**-**	100
Perilya (Malaysia) Sdn Bhd		Malaysia	Ordinary	**100**	100

(i) Perilya Operations Pty Ltd was deregistered on 14 August 2005.

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

41. INVESTMENTS IN ASSOCIATES

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

(a) Carrying amounts

NAME OF COMPANY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST 2006 %	2005 %	CONSOLIDATED CARRYING AMOUNT 2006 $'000	2005 $'000
Southstar Diamonds Limited	Explorer	**50**	50	**53**	90
				53	90

The parent entity has no carrying investment value in the associates listed above.

Southstar Diamonds Limited is an Australian incorporated Company and is a non-listed investment as at 30 June 2006.

	NOTE	CONSOLIDATED 2006 $'000	2005 $'000
(b) Movements in carrying amounts			
Carrying amount at the beginning of the financial year		**90**	4,999
Share of losses after income tax		**(162)**	(145)
Advances to associate	39	**125**	150
Transfer of Strike Oil to 'Other financial assets' - no longer equity accounted		**-**	(4,914)
Carrying amount at the end of the financial year		**53**	90
(c) Share of associates' losses			
Loss before income tax		**(162)**	(145)
Income tax (expense)/benefit		**-**	-
Loss after income tax		**(162)**	(145)

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000
(d) Retained losses attributable to associates		
Retained profits / (losses) attributable to associates at the beginning of the financial year	**(469)**	877
Plus: Current period losses attributable to associates after income tax	**(162)**	(145)
Less: Adjustment for entity no longer equity accounted	**-**	(1,201)
Retained profits / (losses) attributable to associates at the end of the financial year	**(631)**	(469)
(e) Summarised financial information of associates		
Revenues	**4**	2
Loss	**(323)**	(303)
Assets	**103**	129
Liabilities	**754**	458
Share of associates' contingent liabilities		
Exploration commitments	**203**	99

42. INTERESTS IN JOINT VENTURES

(a) Jointly controlled assets

The Group's aggregate interests in the assets employed in its joint venture operations are included in the consolidated balance sheet, in accordance with the accounting policy described in note 1(b), under the following classifications:

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Current assets				
Receivables	**37**	33	**-**	-
Other	**1**	1	**-**	-
Total current assets	**38**	34	**-**	-
Non-current assets				
Exploration and evaluation expenditure	**1,909**	2,736	**1,870**	2,736
Property, plant and equipment	**75**	69	**-**	-
Total non-current assets	**1,984**	2,805	**1,870**	2,736
Total assets	**2,022**	2,839	**1,870**	2,736

The contingent liabilities and commitments in respect thereto are referred to in notes 37 and 38.

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42. INTERESTS IN JOINT VENTURES (CONT.)

Companies within the economic entity are participants in the following joint ventures as at 30 June 2006. The percentage interests may vary depending on the monies expended by the joint venturers. The Groups percentage interests in future output if all the venturers fulfil their obligations to the joint ventures are as follows:

JOINT VENTURE	LOCATION	PRINCIPAL ACTIVITY	% HOLDING 2006	2005
Coultra	NSW	Base metal exploration	**80**	80
Greenshire	NSW	Base metal exploration	**90**	90
Stirling Vale	NSW	Base metal exploration	**70**	70
Yancowinna	NSW	Base metal exploration	**-**	100
Aroona	SA	Base metal exploration	**-**	90
Beltana Corridor	SA	Base metal exploration	**70**	85
Blinman (Minotaur)	SA	Base metal exploration	**80**	80
Mt Frome	SA	Base metal exploration	**90**	90
Reephook	SA	Base metal exploration	**85**	85
Jillawarra	WA	Base metal exploration	**-**	70
Malaysia Wide	Malaysia	Gold and base metal exploration	**50**	50
Ranau	Malaysia	Gold and base metal exploration	**50**	50
Dee Range	QLD	Gold and base metal exploration	**90**	90
Ulam Range	QLD	Gold and base metal exploration	**90**	90
South Mt Woods	SA	Gold and base metal exploration	**50**	50
Holleton	WA	Gold exploration	**90**	90
Honeymoon Well	WA	Gold exploration	**70**	70
Kalbarra	WA	Gold exploration	**27**	27
Kanowna	WA	Gold exploration	**30**	30
Rustenberg	South Africa	PGM exploration	**50**	50

43. ECONOMIC DEPENDENCY

A subsidiary, Perilya Broken Hill Limited, depends on Zinifex Limited (formerly Pasminco Limited), Korea Zinc Company Limited and Young Poong Corporation for a significant volume of revenue. During the year ended 30 June 2006, approximately 99% (2005: 99%) of the controlled entity's revenue was sourced from said companies.

44. EVENTS OCCURING AFTER THE BALANCE SHEET DATE

Gleneagle Gold Limited announced commencement of production from Fortnum Gold Project

As part payment for the Fortnum Gold project sold to Gleneagle Gold Limited ("Gleneagle") in July 2003, Perilya was to receive $500,000 upon commencement of production at the Fortnum mine by Gleneagle and, after the first 50,000 ounces of production, a royalty at the rate of $10 per ounce, up to a maximum of $2 million. Gleneagle announced that production had commenced in the week beginning 9 July 2006. The initial $500,000 due to Perilya on commencement of production was made in mid July and is not recognised in these financial statements. In relation to the ongoing production royalty payment arrangement the potential receipts pursuant to this arrangement cannot be reliably measured and have not been recognised in the balance sheet. See also note 37.

Dividend declaration

As disclosed in note 33, subsequent to the end of the financial year the Directors have declared the payment of a fully franked final dividend of 4 cents per share. The record date for determining entitlement was 14 September 2006 and the final dividend is payable on 2 October 2006. The amount payable, based on shares on issue of 191,322,239 as at 14 September 2006, is $7,653,000. The financial impact of the final dividend is not included in the results for the year ended 30 June 2006.

As disclosed in note 33, subsequent to the end of the financial year the Directors of a subsidiary have declared the payment of a final dividend of $40,000,000 to be paid to the parent. The dividend due to the parent has been paid on 29 September 2006.

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

45. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Profit for the year	**67,006**	(6,110)	**(31,163)**	(5,442)
Depreciation and amortisation	**35,820**	20,102	**184**	113
Exploration and evaluation written off	**1,132**	13,715	**1,132**	6,860
Impairment of mine properties	**18,989**	-	**-**	-
Unwinding of discounts	**1,838**	1,487	**-**	-
Non-cash share-based payments employee benefits expense	**826**	591	**826**	591
Share of loss of associate	**162**	145	**-**	-
Realised foreign exchange gain on settlement of loan	**-**	(2,422)	**-**	(2,422)
Impairment on carrying value of 'other financial assets'	**-**	813	**-**	-
(Gain) on sale of 'other financial assets'	**-**	(3,556)	**-**	(2,788)
(Gain) on sale of 'available-for-sale financial assets'	**(5,878)**	-	**-**	-
(Gain) on sale of exploration tenements	**(478)**	-	**(478)**	-
(Gain)/loss on sale of plant and equipment	**40**	-	**(1)**	-
Unrealised foreign exchange gain	**-**	42	**-**	-
Change in operating assets and liabilities				
Decrease/(increase) in trade debtors	**(9,856)**	(975)	**(2)**	514
Decrease/(increase) in inventories	**(8,128)**	(1,645)	**-**	-
Decrease/(increase) in prepayments	**(3,513)**	1,542	**(2,973)**	(19)
Decrease/(increase) in other current assets	**-**	2,000	**-**	-
Increase/(decrease) in trade creditors	**27,399**	3,799	**30,186**	(299)
Increase/(decrease) in provisions	**2,953**	3,428	**(720)**	1,089
Increase/(decrease) in tax assets and liabilities	**30,522**	(2,795)	**(362)**	(2,773)
Increase/(decrease) in hedge assets and liabilities	**7,205**	-	**-**	-
Net cash inflow from operating activities	**166,039**	30,161	**(3,371)**	(4,576)

46. NON-CASH INVESTING AND FINANCING ACTITIVIES

		CONSOLIDATED		PARENT ENTITY	
	NOTES	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Unlisted options acquired in Abra Mining Limited	46(a)	**629**	-	**629**	-
Shares acquired in Green Rock Energy Ltd	46(b)	**-**	3,000	**-**	3,000
Acquisition of plant and equipment on finance leases		**1,175**	1,990	**-**	-
Shares issued as part consideration for the Daisy Milano acquisition	46(c)	**-**	828	**-**	-

(a) Abra Mining Limited unlisted options

In April 2006 the Group acquired 3,400,000 unlisted options in Abra Mining Limited as consideration for the sale of interests in the Jillawarra project exploration tenements. The value of these options was calculated at $629,000.

(b) Green Rock Energy Ltd shares

On 10 May 2005 Perilya Limited acquired 7.5 million ordinary shares and 7.5 million "A" class performance shares as sales proceeds for their 50% interest in the geothermal energy project at Olympic Dam in South Australia.

(c) Daisy Milano acquisition

In conjunction with the January 2005 purchase of Daisy Milano the Company issued shares to the Ridgeview Group valued at $828,000.

notes to the financial statements

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47. EARNINGS PER SHARE

(a) Basic and diluted earnings per share

	CONSOLIDATED 2006 CENTS	2005 CENTS
Basic earnings/(loss) per share	**35.6**	(3.6)
Diluted earnings/(loss) per share	**35.1**	(3.6)

(b) Reconciliation of earnings used in calculating earnings per share

	CONSOLIDATED 2006 $'000	2005 $'000
Net profit/(loss)	**67,006**	(6,110)

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

	CONSOLIDATED 2006 $'000	2005 $'000
Weighted average number of ordinary shares used in the denominator in calculating basic earnings per share	**188,233,746**	168,121,022
Adjustments for calculation of diluted earnings per share		
Unlisted options[d]	**2,594,616**	-
Weighted average number of ordinary shares and potential ordinary shares used in the denominator in calculating diluted earnings per share	**190,828,362**	168,121,022

(d) Information concerning the classification of securities

Options granted to employees under the Perilya Limited Employee Share Option Plan are considered to be potential ordinary shares. For the year ending 30 June 2006 they have been included in the determination of diluted earnings per share to the extent to which they are dilutive, but for the year ended 30 June 2005 they have not been included as the effect, on the $6.1 million loss, would be anti-dilutive. Options have not been included in the determination of basic earnings per share.

48. SHARE-BASED PAYMENTS

(a) Employee options plans

Options have been granted to employees under 2 established options plans ("the plans"), namely the old Perilya Limited 2000 Employee Incentive Scheme ("the incentive scheme") and its subsequent replacement, the Perilya Limited Employee Share Option Plan ("the current plan"), which was approved by shareholders at the 2003 annual general meeting. Staff eligible to participate in the schemes, over the relevant periods, have been, or are, generally those at senior management level and above (including executive and non-executive Directors) or those employees considered eligible to participate by the Board or its delegated committee.

Set out below are current balance summaries of options granted under the plans, as at year ended 30 June 2006:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	NOTE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	CANCELLED / FORFEITED DURING THE YEAR NUMBER	EXPIRED	BALANCE AT END OF THE YEAR NUMBER	EXERCISABLE AT END OF THE YEAR NUMBER
2006										
16-Nov-01	16-Nov-06	$0.45	(i)	2,000,000	-	(2,000,000)	-	-	-	-
20-Nov-01	19-Nov-06	$0.45	(i)	170,000	-	(150,000)	-	-	20,000	20,000
16-Jan-03	31-Dec-06	$0.70	(i)	550,000	-	(400,000)	-	-	150,000	150,000
30-Sep-03	31-Aug-07	$0.80	(i)	700,000	-	(700,000)	-	-	-	-
16-Oct-03	16-Oct-06	$1.00	(i)	300,000	-	(300,000)	-	-	-	-
11-Feb-04	14-Jan-07	$1.40	(ii)	100,000	-	-	(100,000)	-	-	-
18-Jun-04	21-May-09	$0.97	(ii)	700,000	-	(370,000)	(100,000)	-	230,000	230,000
20-Aug-04	09-Aug-09	$1.00	(ii)	630,000	-	(405,000)	(225,000)	-	-	-
20-Aug-04	09-Aug-09	$1.20	(ii)	630,000	-	-	(375,000)	-	255,000	-
20-Aug-04	09-Aug-09	$1.40	(ii)	840,000	-	-	(500,000)	-	340,000	-
20-Aug-04	20-Aug-09	$0.88	(ii)	850,000	-	(200,000)	(350,000)	-	300,000	50,000
31-May-05	16-May-10	$1.01	(ii)	3,000,000	-	-	-	-	3,000,000	-
31-May-05	16-May-11	$1.13	(ii)	1,000,000	-	-	-	-	1,000,000	-
31-May-05	16-May-12	$1.26	(ii)	1,000,000	-	-	-	-	1,000,000	-
17-Mar-06	09-Jan-11	$1.31	(ii)	-	600,000	-	-	-	600,000	-
17-Mar-06	09-Jan-12	$1.47	(ii)	-	200,000	-	-	-	200,000	-
17-Mar-06	09-Jan-13	$1.64	(ii)	-	200,000	-	-	-	200,000	-
17-Mar-06	09-Jan-14	$1.80	(ii)	-	200,000	-	-	-	200,000	-
28-Mar-06	07-Mar-11	$2.38	(ii)	-	300,000	-	-	-	300,000	-
28-Mar-06	07-Mar-12	$2.67	(ii)	-	100,000	-	-	-	100,000	-
28-Mar-06	07-Mar-13	$2.97	(ii)	-	100,000	-	-	-	100,000	-
Total				12,470,000	1,700,000	(4,525,000)	(1,650,000)	-	7,995,000	450,000
Weighted average exercise price				$0.94	$1.81	$0.67	$1.16	$0.00	$1.24	$0.11

notes to the financial statements

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48. SHARE-BASED PAYMENTS (CONT.)

(a) Employee options plans (cont.)

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	NOTE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	CANCELLED / FORFEITED DURING THE YEAR NUMBER	EXPIRED	BALANCE AT END OF THE YEAR YEAR NUMBER	EXERCISABLE AT END OF THE YEAR NUMBER
2005										
20-Dec-99	19-Dec-04	$0.26	(i)	50,000	-	(50,000)	-	-	-	-
15-Jan-01	31-Dec-05	$0.30	(i)	100,000	-	(100,000)	-	-	-	-
16-Nov-01	16-Nov-06	$0.45	(i)	2,000,000	-	-	-	-	2,000,000	2,000,000
16-Nov-01	30-Jun-05	$0.45	(i)	2,300,000	-	(2,300,000)	-	-	-	-
20-Nov-01	19-Nov-06	$0.45	(i)	195,000	-	(25,000)	-	-	170,000	170,000
16-Jan-03	31-Dec-06	$0.70	(i)	600,000	-	-	(50,000)	-	550,000	550,000
30-Sep-03	31-Aug-07	$0.80	(i)	700,000	-	-	-	-	700,000	400,000
16-Oct-03	16-Oct-06	$1.00	(i)	300,000	-	-	-	-	300,000	300,000
11-Feb-04	14-Jan-07	$1.40	(ii)	100,000	-	-	-	-	100,000	100,000
18-Jun-04	21-May-09	$0.97	(ii)	900,000	-	-	(200,000)	-	700,000	350,000
20-Aug-04	09-Aug-09	$1.00	(ii)	-	630,000	-	-	-	630,000	-
20-Aug-04	09-Aug-09	$1.20	(ii)	-	630,000	-	-	-	630,000	-
20-Aug-04	09-Aug-09	$1.40	(ii)	-	840,000	-	-	-	840,000	-
20-Aug-04	20-Aug-09	$0.88	(ii)	-	850,000	-	-	-	850,000	-
31-May-05	16-May-10	$1.01	(ii)	-	3,000,000	-	-	-	3,000,000	-
31-May-05	16-May-11	$1.13	(ii)	-	1,000,000	-	-	-	1,000,000	-
31-May-05	16-May-12	$1.26	(ii)	-	1,000,000	-	-	-	1,000,000	-
Total				7,245,000	7,950,000	(2,475,000)	(250,000)	-	12,470,000	3,870,000
Weighted average exercise price				$0.60	$1.10	$0.44	$0.92	$0.00	$0.94	$0.64

Notes: (i) Issued under the Perilya Limited Employee Incentive Scheme 2000
(ii) Issued under the Perilya Limited Employee Share Option Plan 2003

48. SHARE-BASED PAYMENTS (CONT.)

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2006 was $1.79 (2005: $0.95)

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2006 (and 2005 comparatives) is provided in the table below. 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 impact of dilution, 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 period of the option.

The model inputs for options granted during the year ended 30 June 2006 are provided in the following table and included:

	2006		2005
Grant dates	17 March 2006	28 March 2006	31 May 2005
Share price at grant dates	$2.32	$2.40	$0.73
Consideration and conditions of grant	Granted for nil consideration and vest over 4 year period at rate of 50% on 9 Jan 2008 and then 16.7% each year thereafter for remaining 3 years. Each tranche is exercisable for a 3 year period following vesting date.	Granted for nil consideration and vest over 3 year period at rate of 60% on 7 Mar 2008 and then 20% each year thereafter for remaining 2 years. Each tranche is exercisable for a 3 year period following vesting date.	Granted for nil consideration and vest over 3 year period at rate of 60% on 16 May 2007 and then 20% each year thereafter for remaining 2 years. Each tranche is exercisable for a 3 year period following vesting date.
Exercise prices and expiry dates	$1.31 – 9 Jan 2011 $1.47 – 9 Jan 2012 $1.64 – 9 Jan 2013 $1.80 – 9 Jan 2014	$2.38 – 7 Mar 2011 $2.67 – 7 Mar 2012 $2.97 – 7 Mar 2013	$1.01 – 16 May 2010 $1.13 – 16 May 2011 $1.26 – 16 May 2012
Assessed fair values	$1.014 – Tranche 1 $1.006 – Tranche 2 $0.987 – Tranche 3 $0.995 – Tranche 4	$0.776 – Tranche 1 $0.813 – Tranche 2 $0.817 – Tranche 3	$0.268 – Tranche 1 $0.281 – Tranche 2 $0.293 – Tranche 3
Expected price volatility	54%	54%	50%
Expected dividend yield	2.0%	1.8%	0.0%
Risk free interest rate	5.32%	5.25%	5.14%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes in future volatility due to publicly available information.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Options issued under employee options plan	**826**	591	**826**	591
	826	591	**826**	591

49. 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

		CONSOLIDATED			PARENT ENTITY		
	NOTES	PREVIOUS AGAAP $'000	EFFECT OF TRANSITION TO AIFRS $'000	AIFRS $'000	PREVIOUS AGAAP $'000	EFFECT OF TRANSITION TO AIFRS $'000	AIFRS $'000
ASSETS							
Current assets							
Cash and cash equivalents		31,111	-	31,111	30,355	-	30,355
Receivables	(g)	8,493	3,614	12,107	671	10	681
Inventories		11,106	-	11,106	-	-	-
Other financial assets		1,857	-	1,857	1,000	-	1,000
Other current assets	(g)	5,614	(3,614)	2,000	10	(10)	-
Total current assets		58,181	-	58,181	32,036	-	32,036
Non-current assets							
Restricted cash		9,584	-	9,584	9,584	-	9,584
Receivables		1,370	-	1,370	35,290	-	35,290
Investments accounted for using the equity method		4,999	-	4,999	-	-	-
Other financial assets		1,314	-	1,314	36,972	-	36,972
Deferred tax assets		-	-	-	-	420	420
Exploration and evaluation expenditure		27,216	-	27,216	9,023	-	9,023
Mine properties in use	(b)	42,368	(2,901)	39,467	-	-	-
Property, plant and equipment		48,370	-	48,370	160	-	160
Total non-current assets		135,221	(2,901)	132,320	91,029	420	91,449
Total assets		193,402	(2,901)	190,501	123,065	420	123,485
LIABILITIES							
Current liabilities							
Payables		19,919	-	19,919	1,277	-	1,277
Borrowings		26,260	-	26,260	21,774	-	21,774
Current tax liabilities		307	-	307	256	-	256
Provisions	(c)	11,260	(367)	10,893	357	(36)	321
Total current liabilities		57,746	(367)	57,379	23,664	(36)	23,628
Non-current liabilities							
Borrowings		9,029	-	9,029	15,000	-	15,000
Deferred tax liabilities	(b) (i)	4,099	(2,995)	1,104	2,195	(2,195)	-
Provisions	(b) (c)	23,704	(1,268)	22,436	73	36	109
Total non-current liabilities		36,832	(4,263)	32,569	17,268	(2,159)	15,109
Total liabilities		94,578	(4,630)	89,948	40,932	(2,195)	38,737
Net assets		98,824	1,729	100,553	82,133	2,615	84,748
EQUITY							
Contributed equity		78,044	-	78,044	78,044	-	78,044
Reserves	(a)	-	48	48	-	48	48
Retained profits	(a) (b) (i) (j)	20,780	1,681	22,461	4,089	2,567	6,656
Total equity		98,824	1,729	100,553	82,133	2,615	84,748

49. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSS (CONT.)

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

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

		CONSOLIDATED			PARENT ENTITY		
	NOTES	PREVIOUS AGAAP $'000	EFFECT OF TRANSITION TO AIFRS $'000	AIFRS $'000	PREVIOUS AGAAP $'000	EFFECT OF TRANSITION TO AIFRS $'000	AIFRS $'000
ASSETS							
Current assets							
Cash and cash equivalents		12,022	-	12,022	7,969	-	7,969
Receivables	(g)	9,608	2,072	11,680	149	29	178
Inventories		12,751	-	12,751	-	-	-
Other financial assets		8,724	-	8,724	3,550	-	3,550
Other current assets	(g)	2,072	(2,072)	-	29	(29)	-
Total current assets		45,177	-	45,177	11,697	-	11,697
Non-current assets							
Restricted cash		9,588	-	9,588	9,588	-	9,588
Receivables		11	-	11	53,613	-	53,613
Investments accounted for using the equity method		90	-	90	-	-	-
Other financial assets		869	-	869	36,972	-	36,972
Deferred tax assets	(b) (i)	-	1,692	1,692	-	966	966
Exploration and evaluation expenditure		15,756	-	15,756	7,776	-	7,776
Mine properties in use	(b)	66,350	(2,571)	63,779	-	-	-
Property, plant and equipment		49,894	-	49,894	354	-	354
Total non-current assets		142,558	(879)	141,679	108,303	966	109,269
Total assets		187,735	(879)	186,856	120,000	966	120,966
LIABILITIES							
Current liabilities							
Payables		25,350	-	25,350	977	-	977
Borrowings		4,965	-	4,965	15	-	15
Current tax liabilities		316	-	316	316	-	316
Provisions	(c)	12,592	(534)	12,058	1,433	(83)	1,350
Total current liabilities		43,223	(534)	42,689	2,741	(83)	2,658
Non-current liabilities							
Borrowings		7,660	-	7,660	17,000	-	17,000
Deferred tax liabilities	(i)	1,649	(1,649)	-	1,649	(1,649)	-
Provisions	(b) (c)	19,850	382	20,232	86	83	169
Total non-current liabilities		29,159	(1,267)	27,892	18,735	(1,566)	17,169
Total liabilities		72,382	(1,801)	70,581	21,476	(1,649)	19,827
Net assets		115,353	922	116,275	98,524	2,615	101,139
EQUITY							
Contributed equity		99,286	-	99,286	99,286	-	99,286
Reserves	(a)	-	639	639	-	639	639
Retained profits	(a) (b) (i) (j)	16,067	283	16,350	(762)	1,976	1,214
Total equity		115,353	922	116,275	98,524	2,615	101,139

49. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSS (CONT.)

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

		CONSOLIDATED			PARENT ENTITY		
	NOTES	PREVIOUS AGAAP $'000	EFFECT OF TRANSITION TO AIFRS $'000	AIFRS $'000	PREVIOUS AGAAP $'000	EFFECT OF TRANSITION TO AIFRS $'000	AIFRS $'000
Revenue	(e)	191,111	2,045	193,156	-	1,256	1,256
Other income	(d) (e) (f)	7,252	(1,903)	5,349	4,570	953	5,523
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)	(2,978)	(591)	(3,569)
Depreciation and amortisation expense	(b)	(20,454)	352	(20,102)	(113)	-	(113)
External services and consultants		(28,367)	-	(28,367)	(1,264)	-	(1,264)
Royalties		(5,366)	-	(5,366)	-	-	-
Foreign exchange loss	(f)	(1,600)	1,600	-	-	-	-
Freight and handling		(22,315)	-	(22,315)	(12)	-	(12)
Price linked payments		(7,338)	-	(7,338)	-	-	-
Exploration written off		(13,715)	-	(13,715)	(6,860)	-	(6,860)
WDV of investments disposed of	(d)	(679)	679	-	(212)	212	-
Other expenses from ordinary activities		(10,340)	-	(10,340)	(1,783)	-	(1,783)
Borrowing costs	(b) (f)	398	(3,925)	(3,527)	1,589	(2,421)	(832)
Share of profit (loss) from associates		(145)	-	(145)	-	-	-
Loss before income tax		(6,784)	(1,743)	(8,527)	(7,063)	(591)	(7,654)
Income tax expense	(b)	2,071	346	2,417	2,212	-	2,212
Loss for the year		(4,713)	(1,397)	(6,110)	(4,851)	(591)	(5,442)
Loss attributable to members of Perilya Limited		(4,713)	(1,397)	(6,110)	(4,851)	(591)	(5,442)

	CENTS	CENTS	CENTS
Basic earnings per share	(2.8)	(0.8)	(3.6)
Diluted earnings per share	(2.8)	(0.8)	(3.6)

49. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSS (CONT.)

(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.

(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 profits of $48,000 and a corresponding increase in reserves. The effect is the same for the parent entity.

(ii) 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 profits of $639,000 and a corresponding increase in reserves. The effect is the same for the parent entity

(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 to be 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 its 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. There is no effect on the parent entity.

(ii) For and at the year ended 30 June 2005

For the Group there has been an increase in borrowing costs of $1,504,000; a decrease in amortisation expense of $352,000; 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 $726,000; and a net decrease of $1,693,000 in retained profits. There is no effect on the parent entity.

(c) Annual leave provisioning

Under AASB 119 *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. 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. For the parent entity there has been a decrease in current provisions of $36,000 and a corresponding increase in non-current provisions of $36,000.

(ii) 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. For the parent entity there has been a decrease in current provisions of $83,000 and a corresponding increase in non-current provisions of $83,000.

(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 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. For the parent entity there has been a decrease in expenses of $212,000 and a corresponding decrease in other income of $212,000.

49. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSS (CONT.)

(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 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. For the parent entity there has been a decrease in other income of $1,256,000 and a corresponding increase in revenue from continuing operations of $1,256,000.

(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 year ended 30 June 2005

For the Group there has been an increase in borrowing costs of $2,421,000; a net decrease of $1,600,000 in foreign exchange loss; and net increase in other income of $821,000. For the parent entity there has been an increase in borrowing costs of $2,421,000 and an increase in other income of $2,421,000.

(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 its prepayments, previously classified under other current assets, to receivables. The effect of this is:

(i) At 1 July 2004

For the Group there has been a decrease in other current assets of $3,614,000 and a corresponding increase in current receivables of $3,614,000. For the parent entity there has been a decrease in other current assets of $10,000 and a corresponding increase in current receivables of $10,000.

(ii) At 30 June 2005

For the Group there has been a decrease in other current assets of $2,072,000 and a corresponding increase in current receivables of $2,072,000. For the parent entity there has been a decrease in other current assets of $29,000 and a corresponding increase in current receivables of $29,000.

(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. The effect of this was the same on both the Group and the parent entity.

(j) Retained profits

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

	CONSOLIDATED		PARENT ENTITY	
	1 JULY 2004	30 JUNE 2005	1 JULY 2004	30 JUNE 2005
Rehabilitation and restoration provisions (net of tax)	(886)	(1,693)	-	-
Share based payments	(48)	(639)	(48)	(639)
Deferred tax	2,615	2,615	2,615	2,615
Total adjustment	1,681	283	2,567	1,976

49. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSS (CONT.)

(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 for the Group 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 reclassification and fair value adjustment of other financial assets that resulted in

  (a) current and non-current other financial assets been reclassified as available-for-sale financial assets resulting in a decrease of current other financial assets of $8,724,000 and a decrease in non-current other financial assets of $869,000 with respective increases in current and non-current available-for-sale financial assets; and

  (b) an increase of $560,000 in current available-for-sale financial assets; an increase of $1,145,000 in non current available-for-sale financial assets; and a $511,000 increase in deferred tax liabilities with a net credit to the available-for-sale financial assets fair value reserve of $1,194,000.

Adjustments recognised on transition for the parent entity were:

(i) current and non-current other financial assets been reclassified as available-for-sale financial assets resulting in a decrease of current other financial assets of $3,550,000 with a respective increase in current available-for-sale financial assets; and

(ii) an increase of $20,000 in current available-for-sale financial assets and a $6,000 increase in deferred tax liabilities with a net credit to the available-for-sale financial assets fair value reserve of $14,000.

notes to the financial statements

for the year ended 30 June 2006

49. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSS (CONT.)

(5) Change in accounting policies (cont.)

	CONSOLIDATED			PARENT ENTITY		
	30 JUNE 2005 $'000	ADJUSTMENT $'000	1 JULY 2005 $'000	30 JUNE 2005 $'000	ADJUSTMENT $'000	1 JULY 2005 $'000
ASSETS						
Current assets						
Cash and cash equivalents	12,022	-	12,022	7,969	-	7,969
Receivables	11,680	-	11,680	178	-	178
Inventories	12,751	-	12,751	-	-	-
Available-for-sale financial assets	-	9,284	9,284	-	3,570	3,570
Other financial assets	8,724	(8,724)	-	3,550	(3,550)	-
Total current assets	45,177	560	45,737	11,697	20	11,717
Non-current assets						
Restricted cash	9,588	-	9,588	9,588	-	9,588
Receivables	11	-	11	53,613	-	53,613
Investments accounted for using the equity method	90	-	90	-	-	-
Available-for-sale financial assets	-	2,014	2,014	-	-	-
Other financial assets	869	(869)	-	36,972	-	36,972
Derivative financial instruments	-	-	-	-	-	-
Deferred tax assets	1,692	5,937	7,629	966	-	966
Exploration and evaluation expenditure	15,756	-	15,756	7,776	-	7,776
Mine properties in use	63,779	-	63,779	-	-	-
Property, plant and equipment	49,894	-	49,894	354	-	354
Total non-current assets	141,679	7,082	148,761	109,269	-	109,269
Total assets	186,856	7,642	194,498	120,966	20	120,986
LIABILITIES						
Current liabilities						
Payables	25,350	-	25,350	977	-	977
Borrowings	4,965	-	4,965	15	-	15
Current tax liabilities	316	-	316	316	-	316
Provisions	12,058	(922)	11,136	1,350	-	1,350
Derivative financial instruments	-	12,239	12,239	-	-	-
Total current liabilities	42,689	11,317	54,006	2,658	-	2,658
Non-current liabilities						
Borrowings	7,660	-	7,660	17,000	-	17,000
Deferred tax liabilities	-	511	511	-	6	6
Provisions	20,232	-	20,232	169	-	169
Derivative financial instruments	-	8,474	8,474	-	-	-
Total non-current liabilities	27,892	8,985	36,877	17,169	6	17,175
Total liabilities	70,581	20,302	90,883	19,827	6	19,833
Net assets	116,275	(12,660)	103,615	101,139	14	101,153
EQUITY						
Contributed equity	99,286	-	99,286	99,286	-	99,286
Reserves	639	1,194	1,833	639	14	653
Retained profits	16,350	(13,854)	2,496	1,214	-	1,214
Total equity	116,275	(12,660)	103,615	101,139	14	101,153

Refer to notes 1(m), 1(n) and 1(o) 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.

directors' declaration

30 June 2006

In the Directors' opinion:

(a) the financial statements and notes set out on pages 24 to 84 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 and consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 7 to 14 of the remuneration report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001.*

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

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

Leonard S. Jubber
Managing Director

Perth, Western Australia
29 September 2006

independent audit report

to the members of Perilya Limited

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AUDIT OPINION

In our opinion:

1. the financial report of Perilya Limited:
   - gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Perilya Limited and the Perilya Limited Group (defined below) as at 30 June 2006, and of their performance for the year ended on that date, and
   - is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001; and
2. the audited remunerations disclosures that are contained on pages 22 to 30 of the remuneration report comply with Accounting Standard AASB 124 *Related Party Disclosures (AASB 124)* and the *Corporations Regulations 2001*.

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

SCOPE

The financial report, remunerations disclosures and Directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statements, statement of changes in equity, accompanying notes to the financial statements, and the Directors' declaration for both Perilya Limited (the Company) and the Perilya Limited Group (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the Company and the entities it controlled during that year.

The Company has disclosed information about the remuneration of Directors and executives (remuneration disclosures) as required by AASB 124, on pages 6 to 16 of the remuneration report, as permitted by the *Corporations Regulations 2001*.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.
For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*.

independent audit report

to the members of Perilya Limited

SCOPE (CONT.)

Audit approach (cont.)

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

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

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

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

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

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers

David J Smith

David J Smith
Partner

Perth, 29 September 2006

ASX additional information

Additional information required by the Australian Stock Exchange Limited Listing rules and not disclosed elsewhere in this report is set out below. The information was applicable as at 18 September 2006.

DISTRIBUTION OF EQUITY SHARES

There were 38 holders of less than a marketable parcel of ordinary shares. The number of shareholders by size of holding is set out below:

SIZE OF HOLDING (ORDINARY SHARES)	SHAREHOLDERS
Less than 1,000	527
1,001 to 5,000	1,315
5,001 to 10,000	497
10,001 to 100,000	470
More than 100,000	71
Total	**2,880**

SUBSTANTIAL SHAREHOLDERS

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

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE HELD %
Young Poong Corporation Ltd / Korea Zinc Company Ltd	19,198,750	10.40
Acorn Capital	12,460,847	6.51
Barclays Global Investors Australia Limited	11,642,104	6.08
Delta Partners LLC / Charles Jobson	11,000,000	5.75

TOP 20 SHAREHOLDERS

The top 20 largest shareholders are listed below:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE HELD %
Westpac Custodian Nominees Limited	33,903,969	17.72
ANZ Nominees Limited (Cash income A/C)	29,790,338	15.57
National Nominees Limited	29,691,856	15.52
Citicorp Nominees Pty Limited	20,850,034	10.90
JP Morgan Nominees Australia Limited	10,948,568	5.72
HSBC Custody Nominees (Australia) Limited (GSCO ESCA)	5,383,928	2.81
Merrill Lynch (Australia) Nominees Pty Ltd	5,301,910	2.77
Yandal Investments Pty Ltd	3,110,000	1.63
Lyrebird Pty Ltd	2,660,871	1.39
HSBC Custody Nominees (Australia) Limited	2,302,345	1.20
Calm Holdings Pty Limited (The Tide Account)	2,000,000	1.05
CPU Share Plans Pty Ltd (Perilya Employee Share Acquisition Plan)	1,749,239	0.91
Cogent Nominees Pty Limited	1,657,490	0.87
Citicorp Nominees Pty Ltd (CFSIL Cwlth Boff Super A/C)	1,637,618	0.86
Mr Eric Arthur Hopgood & Mr Owen William Hopgood	1,366,000	0.71
Aurex Pty Ltd	1,169,358	0.61
Australian Reward Investment Aliance	1,122,332	0.59
Mirrabooka Investments Limited	1,000,000	0.52
Krystal Holdings Pty Ltd (Macnish Family A/C)	798,576	0.42
Merrill Lynch (Australia) Nominees Pty Ltd (BPB A/C)	737,695	0.39
Total	**157,182,127**	**82.16**

VOTING RIGHTS

Ordinary shares

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

Options

There are no voting rights attached to options.

UNLISTED SHARE OPTIONS

The Company has 8,195,000 employee options on issue with exercise prices between $0.45 and $4.32 per shares, issued in accordance with the Employee Share Option Plan approved by shareholders in November 2003.

OTHER INFORMATION

Perilya Limited is incorporated and domiciled in Australia and is a publicly listed Company limited by shares.

corporate directory

Perilya is an expanding diversified mining and exploration 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 an extensive portfolio of gold and base metal exploration properties, and investments in the mining sector. The Company was established in 1987, its headquarters are in Perth, Western Australia and its current Board of Directors and Company Secretary comprise:

DIRECTORS

Patrick O'Connor
Chairman – Non-executive Director

Len Jubber
Managing Director and
Chief Executive Officer

Phillip Lockyer
Non-executive Director

Guy Travis
Non-executive Director

Peter Harley
Non-executive Director

Chang Keun Choi
Non-executive Director

COMPANY SECRETARY

Darryl Edwards

HEAD OFFICE & REGISTERED OFFICE

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ABN: 85 009 193 695

AUDITORS

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Chartered Accountants
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Perth, Western Australia 6000

STOCK EXCHANGE LISTING

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

ASX Code: PEM

SHAREHOLDER INFORMATION

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

Feedback or comments on Perilya's shareholders communication are welcome.

CONTINUOUS DISCLOSURE

Copies of Perilya's announcements to the ASX since the company listed as a public company are available on Perilya's website: www.perilya.com.au/Announce.htm

Register to receive ASX announcements via email by visiting: www.perilya.com.au/ContactUs.htm

WEBSITE

- Perilya's website (www.perilya.com.au) enables stakeholders to access company information at their convenience.

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Tce
Perth, Western Australia, 6000
Telephone: +61 8 9323 2000
Website: www.computershare.com.au

The following shareholder forms are available from Computershare and are on the Computershare website:

- Change of address notification
- Change of account designation
- Direct credit instruction
- Minor(s) statement and indemnity
- Name change - statutory declaration
- Name correction request & indemnity
- Request to consolidate holdings
- Standard transfer
- Annual report election
- TFN, ABN or exemptions notification.

All forms should be submitted directly to Computershare

INVESTOR RELATIONS

Write to:
Investor Relations
Perilya Limited
Po Box 3057
Adelaide Terrace
Perth Western Australia 6832
Email: info@perilya.com.au
Telephone: +61 8 6210 2000
Facsimile: +61 8 6210 2099

CALENDAR OF EVENTS*

EVENT	DATE
Annual General Meeting	Wednesday 29 November 2006 3.00pm, Exchange Plaza Theatrette 2 Esplanade, Perth WA 6000
September 2006 Quarterly Report lodged with the ASX	by 24 October 2006
December 2006 Quarterly Report lodged with the ASX	by 25 January 2007
December 2006 Half Year Report lodged with the ASX	by 28 February 2007
March 2007 Quarterly Report lodged with the ASX	by 24 April 2007
June 2007 Quarterly Report lodged with the ASX	by 24 July 2007
Full Year results lodged with the ASX	by 31 August 2007
Annual report lodged with the ASX	by 27 October 2007

* DATES ARE INDICATIVE

DESIGNED AND PRODUCED BY GRYPHON MANAGEMENT AUSTRALIA

www.perilya.com.au