



(ABN 85 009 193 695)

# **PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

*This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under  
ASX Listing Rule 4.2A*

Current Reporting Period: Financial Year ending 30 June 2007  
Previous Reporting Period: Financial Year ending 30 June 2006

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**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

				2006 \$A'000		2007 \$A'000
Revenue from ordinary activities	up	12.2%	from	344,969	to	<b>386,890</b>
Profit after tax from ordinary activities	up	23.1%	from	67,006	to	<b>82,483</b>
Profit after tax attributable to members	up	23.1%	from	67,006	to	<b>82,483</b>

**DIVIDENDS/DISTRIBUTIONS**

	Amount per security	Franked amount per security at 30% tax
Interim dividend for the year ended 30 June 2007 (paid on 16 March 2007)	10 cents	10 cents
Final dividend for the year ended 30 June 2007 (payable on 28 September 2007)	1 cent	1 cent

A fully franked interim dividend of 10 cents per share was paid to shareholders on 16 March 2007. Subsequent to the end of the financial year the directors have declared the payment of a fully franked final dividend of 1 cent per fully paid share to be paid to shareholders out of retained profits at 30 June 2007.

Ex-dividend date

5 September 2007

Record date for determining entitlement to the final dividend is:

11 September 2007

Last date for receipt of an election notice for participation in the Perilya Dividend Reinvestment Plan\* is:

11 September 2007

Payment date for the final dividend is:

28 September 2007

The financial impact of the final dividend is not included in the results for the year ended 30 June 2007.

\* For further information on the operation of the Perilya Dividend Reinvestment Plan see Note 9(b) to this preliminary final report.

**NET TANGIBLE ASSETS PER SHARE**

	2006	2007
Net tangible assets per share	0.69	<b>0.76</b>

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## **EXPLANATION OF REVENUE**

Revenue for the current year was \$386.9 million. This represents an increase of 12% over the prior year (2006: \$345.0 million) due to:

- higher average base metal prices;
- a decrease in treatment charges;
- increased gold revenue from the Daisy-Milano operations (through to suspension of operations in March 2007); and
- an increase in interest revenue to \$8.7 million (2006: \$3.4 million).

These positive impacts were offset by a 25% decrease in product sales from Broken Hill primarily as a result of decreased production during the 2<sup>nd</sup> half of the financial year due to the delayed resumption of steady state operations following the tragic fatality at the Broken Hill mine in January 2007.

The strengthening of the Australian dollar over the US dollar experienced in the latter half of the year also had an adverse affect on sales revenue. The rise in the AUD prompted Perilya to purchase call options over the AUD such that the impact of further appreciation was largely removed for the June quarter and the 2008 financial year. The purchase of options however, meant exposure to the benefits of a weakening AUD was maintained. As at June 30 the company had call options over A\$280 million of projected receipts for the 2008 financial year at a strike price of US\$0.8325.

Base metal prices have fluctuated significantly over the course of the year. The average annual zinc price increased by 74% over the year from US\$2,106 per tonne in 2005/06 to US\$3,669 per tonne in 2006/07. Similarly, the average annual lead price increased by 58% from US\$1,068 per tonne to US\$1,690 per tonne during the same period.

Lower production from the Broken Hill operation during 2007 for the reason noted above, led to base metal sales decreasing by 25% over the prior year. Zinc concentrate sales were down 25% to 206,654 tonnes (2006: 274,467 tonnes) and lead concentrate sales were down 22% to 80,822 tonnes (2006: 103,127 tonnes).

Sales revenue from the Broken Hill operation for 2007 was \$355.5 million (2006: \$323.0 million) and is net of refining and treatment charges of \$121.4 million (2006: \$136.8 million).

Sales revenue from the company's Daisy Milano gold operation increased by 32% to \$21.1 million (2006:\$16.0 million), despite the suspension of mining operations in March 2007. Perilya has elected to focus on a base metals strategy and is in the process of divesting its gold assets.

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## **EXPLANATION OF PROFIT**

The net profit after tax was \$82.5 million, or 43.3 cents per share (2006: \$67.0 million – 35.6 cents per share). The increase in profit is generally attributable to higher base metal prices offset by lower product sales. The result also includes a profit on the disposal of listed investments of \$13.0 million and a \$4.6 million pre-tax write down of the Daisy Milano asset (2006: \$19.0 million pre-tax).

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

During the period control was gained over the "Perilya Employee Share Acquisition Plan – Tax Deferred" trust (for further detail see note 1(b) to this preliminary final report).

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## **AUDIT REPORT**

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

**CONSOLIDATED INCOME STATEMENT**

For the year ended 30 June 2007



	Notes	2007 \$000	2006 \$000
<b>Revenue</b>	3	<b>386,890</b>	344,969
Other income	3	13,285	6,532
Changes in inventories of finished goods & work in progress		(7,796)	6,237
Raw materials, power and consumables used		(62,704)	(60,943)
Employee benefits expense		(69,733)	(51,943)
Depreciation and amortisation expense		(36,246)	(35,820)
External services and consultants		(42,870)	(37,118)
Freight and handling		(20,531)	(26,189)
Royalties		(10,720)	(11,111)
Foreign exchange loss		(3,571)	(1,344)
Impairment of Daisy-Milano		(4,648)	(18,989)
Impairment of available-for-sale financial assets		(817)	-
Impairment of exploration and evaluation assets		(498)	(1,132)
Other expenses from ordinary activities		(16,558)	(12,428)
Finance costs		(7,852)	(2,872)
Share of loss from associates accounted for using the equity method		(385)	(162)
<b>Profit before income tax</b>		<b>115,246</b>	97,687
Income tax expense		(32,763)	(30,681)
<b>Profit attributable to members of Perilya Limited</b>		<b>82,483</b>	67,006
<b>Earnings per share for profit attributable to the ordinary equity holders of the company</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	13	43.3	35.6
Diluted earnings per share	13	43.1	35.1

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

## CONSOLIDATED BALANCE SHEET

As at 30 June 2007



	Notes	2007 \$000	2006 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	147,455	125,048
Trade and other receivables		37,611	25,994
Inventories		14,709	21,700
Available-for-sale financial assets		4,344	5,381
Derivative financial instruments	5	16,397	1,715
Total current assets		220,516	179,838
<b>Non-current assets</b>			
Restricted cash	4	25,592	10,560
Trade and other receivables		36	26
Investments accounted for using the equity method	11	293	53
Available-for-sale financial assets		674	4,942
Deferred tax		33,886	21,262
Exploration and evaluation expenditure		33,169	22,223
Mine properties in use		64,879	48,866
Property, plant and equipment		69,984	54,194
Total non-current assets		228,513	162,126
<b>Total assets</b>		<b>449,029</b>	<b>341,964</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		46,460	36,525
Borrowings		10,460	4,301
Current tax liabilities		27,020	27,523
Provisions		7,583	5,682
Prepaid income		4,611	5,368
Derivative financial instruments	5	99,007	45,143
Total current liabilities		195,141	124,542
<b>Non-current liabilities</b>			
Borrowings		5,191	2,769
Provisions		26,754	20,855
Prepaid income		38,274	37,038
Derivative financial instruments	5	34,396	23,932
Other		-	1,407
Total non-current liabilities		104,615	86,001
Total liabilities		299,756	210,543
<b>Net assets</b>		<b>149,273</b>	<b>131,421</b>
<b>EQUITY</b>			
Contributed equity	6	106,047	102,970
Reserves	7	(80,008)	(39,141)
Retained profits	8	123,234	67,592
<b>Total equity</b>		<b>149,273</b>	<b>131,421</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2007



	Contributed equity \$'000	Retained earnings \$'000	Reserves \$'000	Total equity \$000
<b>Balance at 1 July 2005</b>	<b>99,286</b>	<b>16,350</b>	<b>639</b>	<b>116,275</b>
Adjustment on adoption of AASB 132 and AASB 139 (net of tax)	-	(13,854)	1,194	(12,660)
<b>Restated total equity at the beginning of the financial year</b>	<b>99,286</b>	<b>2,496</b>	<b>1,833</b>	<b>103,615</b>
Changes in the fair value of available-for-sale financial assets (net of tax)	-	-	945	945
Changes in the fair value of cash flow hedges (net of tax)	-	-	(42,109)	(42,109)
Net expense recognised directly in equity	-	-	(41,164)	(41,164)
Profit for the year	-	67,006	-	67,006
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>67,006</b>	<b>(41,164)</b>	<b>25,842</b>
Contributions of equity, net of transaction costs	3,048	-	-	3,048
Dividends provided for or paid (note 9)	-	(1,910)	-	(1,910)
Employee share options – value of employee services	636	-	190	826
	<b>3,684</b>	<b>(1,910)</b>	<b>190</b>	<b>1,964</b>
<b>Balance at 30 June 2006</b>	<b>102,970</b>	<b>67,592</b>	<b>(39,141)</b>	<b>131,421</b>
	<b>Contributed equity \$'000</b>	<b>Retained earnings \$'000</b>	<b>Reserves \$'000</b>	<b>Total equity \$000</b>
<b>Balance at 1 July 2006</b>	<b>102,970</b>	<b>67,592</b>	<b>(39,141)</b>	<b>131,421</b>
Changes in the fair value of available-for-sale financial assets (net of tax)	-	-	(2,262)	(2,262)
Changes in the fair value of cash flow hedges (net of tax)	-	-	(42,921)	(42,921)
Net expense recognised directly in equity	-	-	(45,183)	(45,183)
Profit for the year	-	82,483	-	82,483
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>82,483</b>	<b>(45,183)</b>	<b>37,300</b>
Contributions of equity, net of transaction costs	9,484	-	-	9,484
Dividends provided for or paid (note 9)	-	(26,841)	-	(26,841)
Employee share options – value of employee services	-	-	1,377	1,377
Perilya Employee Share Acquisition plan (note 1(b))	(6,407)	-	2,939	(3,468)
	<b>3,077</b>	<b>(26,841)</b>	<b>4,316</b>	<b>(19,448)</b>
<b>Balance at 30 June 2007</b>	<b>106,047</b>	<b>123,234</b>	<b>(80,008)</b>	<b>149,273</b>

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

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2007



	Notes	2007 \$000	2006 \$000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations (inclusive of GST)		379,397	394,949
Cash payments in the course of operations (inclusive of GST)		(228,820)	(208,757)
		150,577	186,192
Payment for price linked payments		-	(21,880)
Interest received		8,722	2,974
Interest and other finance costs paid		(705)	(1,088)
Income taxes paid		(26,526)	(159)
<b>Net cash inflow from operating activities</b>		<b>132,068</b>	<b>166,039</b>
<b>Cash flows from investing activities</b>			
Payments for mine properties		(41,887)	(29,750)
Payment for production linked payments		-	(8,309)
Payments for property, plant and equipment		(20,105)	(11,740)
Payments for exploration and evaluation		(14,979)	(5,596)
Payments for purchase of available-for-sale financial assets		(100)	(1,971)
Payments for performance guarantee bonds		(15,032)	(972)
Proceeds from sale of available-for-sale financial assets		14,359	10,849
Proceeds from sale of tenements		318	-
Proceeds from sale of property, plant and equipment		-	26
Funds advanced to associates		(625)	(125)
Repayments of funds advanced to other entities		-	150
<b>Net cash outflow from investing activities</b>		<b>(78,051)</b>	<b>(47,438)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity securities		3,842	3,048
Payments for shares acquired by the Perilya Employee Share Acquisition Plan	1(b) & 6	(6,694)	-
Dividends paid to Company's shareholders		(20,950)	(1,892)
Proceeds from borrowings		-	14,871
Repayment of borrowings		(3,946)	(16,299)
Repayment of finance lease liabilities		(3,852)	(5,303)
Return of bonds		(10)	-
<b>Net cash outflow from financing activities</b>		<b>(31,610)</b>	<b>(5,575)</b>
<b>Net increase in cash and cash equivalents</b>		<b>22,407</b>	<b>113,026</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>125,048</b>	<b>12,022</b>
<b>Cash and cash equivalents at end of the year</b>	4	<b>147,455</b>	<b>125,048</b>

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



## COMMENTARY ON RESULTS

For the year ended 30 June 2007



### Financial Results

Perilya Limited recorded a net profit after tax attributable to members of \$82.5 million (2006: \$67.0 million) which equates to earnings of 43.3 cents per share (2006: 35.6 cents per share).

The increase in profit was primarily attributable to:

- higher base metal prices offset by lower zinc and lead sales;
- a decrease in treatment charges;
- increased profit contribution from the Daisy-Milano operations (through to suspension of operations in March 2007);
- gains realised on the sales of non strategic investments over the course of the year; and
- increased interest revenue as a result of the higher year on year cash balance held.

The profit result also includes a \$4.6 million pre-tax impairment charge on the Daisy Milano asset (2006: \$19.0 million pre-tax).

Broken Hill contributed \$127.6 million in earnings before interest and tax (EBIT) during the year (2006: \$126.4 million), from product sales of \$355.5 million (2006: \$323.0 million). The marginal increase in Broken Hill's EBIT was a combination of higher base metal prices offset by lower production and sales compared to 2006.

Cashflow from operating activities was \$132.1 million, a decrease of 21% over the prior year (2006: \$166.0 million). This was primarily caused by the \$26.4 million increase in tax payments year on year and the inclusion in the 2006 cashflows of the \$47.6 million received as part of the upfront silver sale proceeds in September 2005. From an operations perspective the benefit derived from higher metal prices were offset by lower product sales and cost pressures generally experienced in the industry.

The cash outflow from investing activities of \$78.1 million (2006: \$47.4 million) comprised payments for mine properties and development of \$41.9 million and property, plant and equipment totalling \$20.1 million both of which include costs associated with development of the Beltana mine in the Flinders region of South Australia and the Potosi exploration decline at Broken Hill. Cash outflows from investing activities were partially offset by an increase in receipts resulting from sales of non strategic investments.

Net cashflow of \$22.4 million for 2007, (2006: \$113.0 million) resulted in cash and receivables at year end increasing to \$210.7 million (2006: \$161.6 million), inclusive of the restricted cash balances.

Total borrowings were \$15.7 million as at 30 June 2007, comprising mobile equipment hire purchase commitments and short term insurance premium funding (30 June 2006: \$7.1 million).

### Dividends

An interim fully franked dividend of 10 cents per share was paid on 16 March 2007 and a fully franked final dividend of 1 cent per share for the period ending 30 June 2007 was declared on 27 August 2007. The record date for determining entitlement to the final dividend is 11 September 2007 and the final dividend is payable on 28 September 2007.

**NOTES TO THE PRELIMINARY FINAL REPORT**

30 June 2007 (continued)

**1. BASIS OF PREPARATION OF PRELIMINARY FINANCIAL REPORT**

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

As such, this preliminary financial report does not include all the notes of the type included in an annual financial report and accordingly, should be read in conjunction with the annual report for the year ended 30 June 2006 and with any public announcements made by Perilya Limited during the reporting period in accordance with the disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those disclosed in the annual financial report for the year ended 30 June 2006 except for the following:

(a) Early adoption of standards

The Group has elected to apply the revised AASB 101 Presentation of Financial Statements (issued October 2006) to the annual reporting period beginning 1 July 2006. No adjustments to any of the financial statements were required for the above pronouncement.

(b) Employee Share Acquisition Plan

Share based compensation benefits are provided to employees via the Perilya Employee Share Acquisition Plan ("ESAP"). The Group formed a trust during the year to administer the Group's employee share acquisition plan. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Through contributions to the trust the consolidated entity purchases shares in the company on market. Shares acquired are held by the Perilya ESAP Trust and are disclosed as "Treasury shares" and deducted from contributed equity. The cost of employer funded shares acquired by the ESAP is recognised as an employee benefit expense with a corresponding increase in equity in the "Share based payments reserve". The fair value of the benefit is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares.

(c) Metal and currency option derivative contracts

Perilya has entered into metal and currency option derivative contracts during the financial year. The accounting policy for these contracts is the same as the accounting policy for forward metal contracts as disclosed in the annual report for the year ended 30 June 2006.

(d) Comparatives

Comparative expenses in the income statement have been reclassified within the income statement with no impact on the profit of the prior year to enhance comparability and understanding of the financial statements.

## NOTES TO THE PRELIMINARY FINAL REPORT

30 June 2007 (continued)



## 2. SEGMENT INFORMATION

## (a) Description of segments

## Business segments

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

*Base metals mining*

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

*Gold mining*

Mining and extraction of gold ore

*Exploration*

Exploration for and evaluation of 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 being undertaken in Australia, the home country of the parent entity, and secondary operations (exploration) and principal customers in the South East Asia region.

## (b) Primary reporting format – business segments

2007	Base metals mining \$'000	Gold mining \$'000	Exploration \$'000	Investment & administration \$'000	Consolidated \$'000
Sales to external customers	356,290	21,078	-	-	377,368
Other revenue/income	690	19	-	22,098	22,807
Total segment revenue/income	356,980	21,097	-	22,098	400,175
Segment result	113,551	(4,794)	(498)	7,372	115,631
Share of net losses of associates					(385)
Profit before income tax					115,246
Income tax expense					(32,763)
Profit for the year					82,483
Segment assets #	221,009	7,661	33,169	153,304	415,143
Unallocated assets					33,886
Total assets					449,029
Segment liabilities *	258,034	1,145	-	11,309	270,488
Unallocated liabilities					29,268
Total liabilities					299,756
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	60,687	4,359	-	648	65,694
Depreciation and amortisation expense	30,936	4,981	-	329	36,246
Impairment losses taken to profit and loss	-	4,648	498	817	5,963
Other non-cash expenses	7,133	-	-	1,192	8,325

\* Base metals mining segment liabilities include derivative financial instrument liabilities and prepaid silver income.

# Investment and administration segment assets include cash on deposit.

NOTES TO THE PRELIMINARY FINAL REPORT

30 June 2007 (continued)



2. SEGMENT INFORMATION (CONTINUED)

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

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 *	* 169,899	6,020	-	3,225	179,144
Unallocated liabilities					31,399
Total liabilities					210,543
Investments in associates					53
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 losses taken to profit and loss	-	18,989	1,132	-	20,121
Other non-cash expenses	1,838	-	-	348	2,186

\* Base metals mining segment liabilities include derivative financial instrument liabilities and prepaid silver income.

# Investment and administration segment assets include cash on deposit.

(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	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Australia	162,729	187,261	414,712	320,421	66,889	44,545
South East Asia	214,639	153,852	431	281	-	-
	377,368	341,113	415,143	320,702	66,889	44,545
Unallocated assets			33,886	21,262		
Total assets			449,029	341,964		

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.

## NOTES TO THE PRELIMINARY FINAL REPORT

30 June 2007 (continued)



## 3. REVENUE AND OTHER INCOME

	2007 \$000	2006 \$000
<b>REVENUE</b>		
<i>Sales revenue</i>		
Sale of goods	377,368	341,113
<i>Other revenue</i>		
Interest	8,723	3,384
Rent and sub-lease rentals	280	289
Royalties	500	-
Other revenue	19	183
	<b>386,890</b>	<b>344,969</b>
<b>OTHER INCOME</b>		
Net gain on sale of available-for-sale financial assets	12,953	5,812
Net gain on sale of tenements	185	478
Other income	147	242
	<b>13,285</b>	<b>6,532</b>

## 4. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

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

	2007 \$000	2006 \$000
Cash at bank and in hand	81,058	21,246
Deposits at call	66,397	103,802
Cash at the end of the year as per consolidated cash flow statement	<b>147,455</b>	<b>125,048</b>

## (b) Total cash

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

	2007 \$000	2006 \$000
Balances as above	147,455	125,048
Add: Non-current – Restricted cash *	25,592	10,560
Cash at the end of the year inclusive of restricted cash	<b>173,047</b>	<b>135,608</b>

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

## NOTES TO THE PRELIMINARY FINAL REPORT

30 June 2007 (continued)



## 5. DERIVATIVE FINANCIAL INSTRUMENTS

	2007 \$000	2006 \$000
<b>Current assets</b>		
Forward metal sale contracts - cash flow hedges	-	1,715
Forward metal sale option contracts - cash flow hedges	6,595	-
Forward currency option contracts - cash flow hedges	9,802	-
Total current derivative financial instrument assets	<u>16,397</u>	<u>1,715</u>
Total derivative financial instrument assets	<u>16,397</u>	<u>1,715</u>
<b>Current liabilities</b>		
Forward metal sale contracts - fair value hedges	3,786	4,020
Forward metal sale contracts - cash flow hedges	95,221	41,123
Total current derivative financial instrument liabilities	<u>99,007</u>	<u>45,143</u>
<b>Non-current liabilities</b>		
Forward metal sale contracts - cash flow hedges	34,396	23,932
Total non-current derivative financial instrument liabilities	<u>34,396</u>	<u>23,932</u>
Total derivative financial instrument liabilities	<u>133,403</u>	<u>69,075</u>

## 6. CONTRIBUTED EQUITY

	2007 Shares	2006 Shares	2007 \$000	2006 \$000
Opening balance of issued and fully paid shares	191,047,239	186,522,239	102,970	99,286
Dividend re-investment plan issues	1,389,138	-	5,642	-
Options exercised	3,840,000	4,525,000	3,842	3,048
Transfers from share based payments reserve	-	-	-	636
30 June closing balance of issued and fully paid shares	<u>196,276,377</u>	<u>191,047,239</u>	<u>112,454</u>	<u>102,970</u>
Treasury shares purchased	(2,126,375)	-	(6,694)	-
Perilya ESAP shares issued	97,525	-	287	-
Total consolidated contributed equity	<u>194,247,527</u>	<u>191,047,239</u>	<u>106,047</u>	<u>102,970</u>

As at 30 June 2007, options over unissued shares in Perilya Limited totalled 4,510,000 (2006: 7,995,000).

## NOTES TO THE PRELIMINARY FINAL REPORT

30 June 2007 (continued)

## 7. RESERVES

	2007 \$000	2006 \$000
Available-for-sale financial assets fair value reserve (net of tax)	(123)	2,139
Share-based payments reserve	5,145	829
Hedging reserve – cash flow hedges (net of tax)	(85,030)	(42,109)
Balance 30 June	(80,008)	(39,141)

## a) Movements

	2007 \$000	2006 \$000
<i>Available-for-sale financial assets fair value reserve</i>		
Balance 1 July	2,139	-
Adjustment on adoption of AASB 132 and AASB 139, (net of tax)	-	1,194
Revaluation	796	1,868
Plus/(less): Deferred tax on revaluation	(239)	(561)
Transfer to net profit	(4,029)	(517)
Plus/(less): Deferred tax on transfer	1,210	155
	(123)	2,139

	2007 \$000	2006 \$000
<i>Share-based payments reserve</i>		
Balance 1 July	829	639
Option expense	1,377	826
Transfer to share capital (options exercised)	-	(636)
Perilya ESAP shares expensed	3,226	-
Issue of shares held by Perilya ESAP Trust to employees	(287)	-
Balance 30 June	5,145	829

	2007 \$000	2006 \$000
<i>Hedging reserve – cash flow hedges</i>		
Balance 1 July	(42,109)	-
Revaluation - gross	(97,538)	(60,155)
Deferred tax on revaluation	29,261	18,046
Transfer to net profit	36,223	-
Deferred tax on transfer	(10,867)	-
Balance 30 June	(85,030)	(42,109)

## NOTES TO THE PRELIMINARY FINAL REPORT

30 June 2007 (continued)

**8. RETAINED PROFITS**

Movements in retained profits were as follows:

	2007 \$000	2006 \$000
Balance 1 July	67,592	16,350
Adjustment on adoption of AASB 132 and AASB 139 (net of tax)	-	(13,854)
Net profit for the year	82,483	67,006
Dividends (note 9)	(26,841)	(1,910)
Balance 30 June	123,234	67,592

**9. DIVIDENDS**

	2007 \$000	2006 \$000
Fully franked final ordinary dividend for the year ended 30 June 2006 of 4 cents (2005: nil) per fully paid share paid on 2 October 2006	7,653	-
Fully franked interim ordinary dividend for the year ended 30 June 2007 of 10 cents (2006: 1 cent) per fully paid share on 16 March 2007	19,188	1,910
Total dividends provided for or paid	26,841	1,910

Dividends paid in cash or satisfied by the issue of shares under the Perilya dividend reinvestment plan during the years ended 30 June 2007 and 2006 were as follows:

Paid/Payable in cash	21,199	1,910
Satisfied by issue of shares - see note (b)	5,642	-
	26,841	1,910

**(a) Dividends not recognised at year end**

In addition to the above dividends, since year end the directors have declared the payment of a final dividend of 1 cent per fully paid ordinary share (2006: 4 cents), fully franked based on tax paid at 30%. The record date for determining entitlement to the final dividend is 11 September 2007 and the final dividend is payable on 28 September 2007.

**(b) Perilya Dividend Reinvestment Plan**

The Perilya Dividend Reinvestment Plan ("DRP") was approved by shareholders on 29 November 2006 and applies in respect of eligible dividends payable on participating shares at the record date of payment of the dividend. Participation in the DRP is optional and, to commence, amend or cease participation in the DRP, shareholders are required to complete and duly lodge the required application form by the date, and within the terms and conditions, set by the directors for the specified dividend. Shares issued to participants may be either new shares or shares acquired on market for transfer to participants.

The last date for receipt of an election notice from eligible shareholders to participate in the DRP in relation to the final dividend for the year ending 30 June 2007, and payable to shareholders on 28 September 2007, is the 11 September 2007. Eligible shareholders include those Australian and New Zealand shareholders on the register as at the record date of 11 September 2007.

Under the terms of the DRP, participants will be allocated shares in Perilya based on the five day volume weighted average price from 12 September 2007 to 18 September 2007 rounded down to the nearest full cent less a discount of 2.5%. Information on the DRP is available on the Company's website.



## NOTES TO THE PRELIMINARY FINAL REPORT

30 June 2007 (continued)



## 10. 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 2007, other than:

*Potential Daisy Milano cash flow payments and production royalty payments*

On 31 January 2005 Perilya Daisy Milano Ltd exercised its option to acquire the Daisy Milano mine. The acquisition cost of the Daisy Milano mine and surrounding tenements comprised \$5.2 million in cash and shares plus a \$5 million cash flow payment and a \$5 million production royalty payment.

- (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.

On 27 August 2007 Perilya announced the conditional sale of its gold assets including the Daisy-Milano mine to Silver Lake Resources Limited (refer note 14).

*Fatality at Broken Hill*

An employee died in January 2007, as a result of an underground incident at the Broken Hill mine. Costs in respect of this incident, arising out of investigations and/or potential legal actions arising, if any, cannot be reliably determined at this stage.

## 11. INVESTMENTS IN ASSOCIATES

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

Name of Company	Principal activity	Ownership interest		Consolidated carrying amount	
		2007	2006	2007	2006
		%	%	\$'000	\$'000
Southstar Diamonds Limited	Explorer	50	50	293	53
				<b>293</b>	<b>53</b>

Southstar Diamonds Limited is an Australian incorporated company and is a non-listed investment as at 30 June 2007.

## NOTES TO THE PRELIMINARY FINAL REPORT

30 June 2007 (continued)



## 12. INTERESTS IN JOINT VENTURES

*Joint venture operations*

Companies within the economic entity are participants in the following joint ventures as at 30 June 2007. 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	
			2007	2006
Coultra	NSW	Base metal exploration	80	80
Greenshire	NSW	Base metal exploration	90	90
Stirling Vale	NSW	Base metal exploration	70	70
Beltana Corridor	SA	Base metal exploration	70	70
Blinman (Minotaur)	SA	Base metal exploration	80	80
Mt Frome	SA	Base metal exploration	90	90
Reephook	SA	Base metal exploration	85	85
Malaysia Wide	Malaysia	Gold and base metal exploration	50	50
Ranau	Malaysia	Gold and base metal exploration	50	50
Dee Range	QLD	Gold and base metal exploration	90	90
Ulam Range	QLD	Gold and base metal exploration	90	90
South Mt Woods	SA	Gold and base metal exploration	-	50
Holleton	WA	Gold exploration	-	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

## 13. EARNINGS PER SHARE

## (a) Basic earnings per share

	2007 cents	2006 cents
Profit attributable to the ordinary equity holders of the company	43.3	35.6

## (b) Diluted earnings per share

	2007 cents	2006 cents
Profit attributable to the ordinary equity holders of the company	43.1	35.1

## NOTES TO THE PRELIMINARY FINAL REPORT

30 June 2007 (continued)

**13. EARNINGS PER SHARE (CONTINUED)****(c) Reconciliation of earnings used in calculating basic and diluted earnings per share**

	2007 \$'000	2006 \$'000
Profit attributable to the ordinary equity holders of the company	82,483	67,006

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

	2007	2006
Weighted average number of ordinary shares used in the denominator in calculating basic earnings per share	190,562,028	188,233,746
Adjustments for calculation of diluted earnings per share		
Unlisted options <sup>(e)</sup>	705,233	2,594,616
Weighted average number of ordinary shares and potential ordinary shares used in the denominator in calculating diluted earnings per share	191,267,261	190,828,362

**(e) Information concerning the classification of securities**

Treasury shares are deducted from total shares on issue for the purposes of calculating earnings per share.

Options granted to employees under the Perilya Limited Employee Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. Options have not been included in the determination of basic earnings per share.

**14. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

On 27 August 2007 Perilya announced the sale of its gold assets comprising the Daisy Milano Mine and Mount Monger, Moyagee and Honeymoon Well exploration projects to Silver Lake Resources Limited for a consideration of \$14,750,000, comprising cash of \$8,500,000, Silver Lake shares to a value of \$6,000,000 and royalties of \$250,000.

The sale of the gold assets to Silver Lake Resources Limited is subject to and conditional upon the following:

- a. Silver Lake, on or before 30 November, 2007 completing an Initial Public Offering and listing on the ASX;
- b. Perilya and the Ridgeview Group completing a deed of settlement and release in respect of all remaining obligations by Perilya under the 2003 purchase agreement for the Daisy Milano mine assets (see note 10); and
- c. Such consents as are legally required to the transfer of the assets is granted by the Minister of the State of Western Australia responsible for administering the Mining Act, as required under the Mining Act.

The sale of the Honeymoon Well project is also subject to a waiver of pre-emptive rights by the existing joint venture partners.

There is not expected to be any material profit or loss on sale as the Daisy-Milano assets have been written down to fair value less costs of sale in the current period.