Full Year Financial Results

for the year ending 31 December 2010

28 February 2011

PERILYA ANNOUNCES A NET PROFIT AFTER TAX OF $ 74.2 MILLION FOR THE 12 MONTHS ENDING 31 DECEMBER 2010

Perilya (ASX:PEM) today released its preliminary financial results for the twelve month period ending 31 December 2010, reporting a net profit after tax of $74.2 million, a significant improvement on the $28.5 million net profit after tax for the preceding period (the previous reporting period was a transitional 6 month period to 31 December 2009).

Key Financial Highlights:

- A net profit after tax of $74.2 million
- Free cash on hand of $90.5 million.
- Net cashflow from operations of $53.2 million for the period.
- Sales revenue (net of treatment & refining charges) of $243.7 million.
- Significant increase in earnings per share up to 14.1cps (previous period 7.1cps).
- Combined zinc and lead production of 114,900 tonnes (contained) produced at an average C1 cash operating cost at Broken Hill of US$0.48/lb of payable zinc – ahead of market guidance of US$0.50 – US$0.55/lb of payable zinc.
- Average price received for zinc during the period was US$0.98/lb resulting in operations generating a healthy cash operating margin of US$0.54/lb of payable zinc.
- Continuous improvement at the Broken Hill Operations in safety, operating costs and productivity (tonnes mined per employee) achieved throughout the period.
- Successful acquisition of the former TSX listed GlobeStar Mining Corporation, including the Cerro de Maimón copper, silver & gold mine in the Dominican Republic.
- No impairment charges or impairment reversals during the period.

COMMENTARY

The results for the 12 months to 31 December 2010 saw another strong year from the Company's Broken Hill operations where the Company is continuing its strong performance in mining production coupled with an excellent safety performance. These outstanding performances are highlighted by mining production being 18% above plan for FY2010 and the All Injury Frequency Rate dropping to 17.2 (compared with 27.5 at the corresponding time last year). These results are a reflection of the strong focus and delivery in terms of both production and safety performance by our entire team at Broken Hill.

Combined metal production was slightly below market guidance of 120,000 tonnes due to grades being lower than plan, however, notwithstanding this, the Company has continued to maintain a very tight control on costs within the mine gate. The C1 cash costs for the period were US$0.48/lb of payable zinc, again well below targeted C1 cash costs of US$0.50 – US$0.55/lb of payable zinc.

Going forward, the strengthening Australian dollar is expected to have an adverse impact on cash costs for Broken Hill. This will be partially offset by stronger lead and silver by-products and continued cost control. With the volatility in metal prices a broader range of guidance for C1 cash costs for 2011 of US$0.50 – US$0.60/lb of payable zinc is provided. Annualised production is expected to be maintained around 120,000t of contained zinc and lead from our Broken Hill operations.

The period also saw Perilya engaging in a very intensive period of mergers and acquisition ("**M&A**) activity with its primary focus being the acquisition of an appropriate set of assets to compliment the Broken Hill operations. This increased M&A activity culminated during December with Perilya successfully completing its takeover bid for Globestar Mining Corporation ("**GlobeStar**"). At the close of Perilya's offer, Perilya had received acceptances representing 97.77% of the common shares of GlobeStar.

Perilya's Managing Director & CEO, Paul Arndt, commented on the financial year under review, saying that:

"With the implementation of significant changes within the organisation and its operations during late 2008 through 2009, the Company's goal for 2010 was to consolidate and build on the these improvements and to look for expansion through both internal and external growth opportunities as they presented themselves, in line with the Company's corporate strategy. The Company's performance for 2010 represents an outstanding result on all fronts including safety, operational performance, financial performance and strategic growth."

"Broken Hill operations continued to perform strongly where notwithstanding lower than plan grades being achieved, the Company maintain its tight control on costs with C1 costs for the year being well below guidance. Further, mine production significantly exceeded plan and another record year in terms of safety performance. All of these accomplishments reinforce that the new operating plan implemented in 2008/2009 is delivering sustained productivity improvements and tight operating cost control, and places the Broken Hill Operations in a far stronger position to both endure difficult market conditions as they occur and to generate solid cash flow and profitability as economic situations improve."

"Last year I said that we have demonstrated our capability to consistently achieve or exceed all the production and operating cost improvement targets we set for ourselves and described to the market and that we now had a well demonstrated skill set that can be applied to these growth opportunities. I am pleased to say that with the highly successful takeover bid for the former TSX listed GlobeStar Mining Corporation and the commencement of the development of the Potosi/Silver Peak mines, Perilya is delivering on this promise as well."

"With the inclusion of the GlobeStar assets and internal projects currently under consideration, as we look forward, Perilya shareholders have the prospect of:

- a new copper/gold/silver operating asset in the Dominican Republic with potential for resource upgrade and mine life extension;
- expansions at Broken Hill through the development of the Potosi/Silver Peak mines and possibly the North Mine as well as the deep drilling at the Southern Mine;
- with strengthening zinc prices and encouraging exploration results coming out of our Flinders exploration projects, possible further developments in the Flinders region of direct shipped zinc silicate ore;
- the completion of the Mount Oxide copper mine study;
- Potential resource upgrades and future development for the lithium and nickel projects in Canada and the Dominica Republic respectively; and
- other early stage exploration projects."

“Our newly acquired operating asset, the Maimón mine in the Dominican Republic is forecast to produce around 9,300 tonnes of saleable copper, 15,000 ounces of gold and 340,000 ounces of silver at a cash cost of approximately US$0.80/lb of copper.”

“Our focus over the ensuring 12 months will be to integrate the new acquisition, including both the optimisation of current operations as well as investigating, through an active near mine exploration programme, the potential for the Maimón mine to grow in size and/or life. There will also be a number of potential decisions around development projects and, through the strong support of our major shareholder, Zhongjin Lingnan, we will continue to actively look for further acquisition opportunities. 2010 has been a very active and exciting year for Perilya and we expect to build on the momentum created throughout 2011.”

SUBSEQUENT EVENTS:

GlobeStar Acquisition:

Post end of the period, Perilya completed the compulsory acquisition of the remaining 2.23% of outstanding common shares of GlobeStar and has now incorporated GlobeStar (and its subsidiaries) as a wholly owned subsidiary of Perilya.

The acquisition of GlobeStar gives Perilya immediate access to a low cost operating project producing copper, gold and silver with a seven year mine life and potential to increase both mine life and production rate, as well as an exciting suite of exploration/development projects. It delivers geographical diversification through the addition of an operating asset outside Australia and also provides a presence in the Latin America region and a Spanish speaking exploration team with regional experience.

GlobeStar’s primary assets are the low cost Cerro de Maimón copper-gold-silver project and an extensive portfolio of exploration tenements covering base metals and nickel in the Dominican Republic and 60% ownership of the Moblan lithium development project in Quebec, Canada.

The total cost of the business combination was $180.7 million, which was funded from a combination of a five year facility from China Development Bank of US$90 million and Perilya’s existing cash (including its working capital facilities). It is intended to progressively roll these working capital facilities on a 12 monthly basis, in line with discussions with our banks.

Potosi/Silver Peak Mine Development:

In January 2011 Perilya announced that its Board had formally approved the development of the Potosi/Silver Peak mine, located two kilometres from Broken Hill following completion of a development study and receipt of all necessary state and local government approvals for the project to proceed.

The Potosi project which originally commenced development in March 2007, was put on care and maintenance in September 2008 due to rapidly falling commodity prices at the time and uncertainty in global financial markets.

The mine development will commence during the first half 2011 and will initially target mining approximately 1.6 million tonnes of ore at an average grade of 8.3% zinc, 3.1% lead and 38 grams/tonne of silver.

Capitalising on existing infrastructure and a highly experienced mining workforce at Broken Hill, the Potosi/Silver Peak project has relatively competitive fundamentals in the current metal price environment and is expected to increase combined metal production (zinc and lead) from Broken Hill by approximately 30,000 tonnes in its first full year of production ramping up to approximately 45,000 tonnes per annum in subsequent years.

Ore mined from the Potosi/Silver Peak operation will be trucked to Southern Operations concentrator for processing.

The Potosi/Silver Peak project development will require approximately 18 months prior to the stoping operation which, under the initial plan, will continue for approximately an additional 40 months and will be funded out of Perilya’s existing cash reserves, including its working capital facilities, and from operating cashflows.

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About Perilya

Perilya Limited is an Australian base metals mining and exploration company. Perilya is the operator of the Broken Hill zinc, lead, silver mine in NSW Australia and the Flinders zinc silicate project in South Australia and, following the highly successful takeover of former TSX listed GlobeStar Mining Corporation, the Cerro de Maimón copper, gold & silver mine in the Dominican Republic.

The Company's operations at the iconic Broken Hill mine went through a resizing in 2008 which has resulted in significant improvement in productivity, profitability and cashflows resulting in an extension to the life of mine of in excess of 10 years.

In addition to its mining operations, the Company has an active exploration and development program which includes exploration and development programs in the Broken Hill region NSW Australia and in the Flinders region of South Australia in the vicinity of its Beltana zinc silicate project. The Company also has extensive exploration programs underway on its Dominican Republic mining and exploration concessions that include a laterite nickel project and highly prospective copper, gold & silver targets near its Cerro de Maimón mine.

The Company is reviewing options for the development of the Mount Oxide Copper and Cobalt Project in the Mount Isa region in Queensland. In addition, the Company has a 60% interest in the Moblan lithium project located in Quebec, Canada, which is currently undergoing a development study (the remaining 40% is held by SOQUEM, which is an investment company owned by the Quebec Government in Canada).

Perilya is owned 52% by Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd, (China's third largest zinc producer).

For more details, visit www.perilya.com.au

(ABN 85 009 193 695)

PRELIMINARY FINAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A

Current Reporting Period:	Financial Year ending 31 December 2010
Previous Reporting Period:	Financial Year ending 31 December 2009

Appendix 4E

PRELIMINARY FINAL REPORT

12 MONTHS ENDED 31 DECEMBER 2010

Details of the reporting period and the previous corresponding period

Name of entity

Perilya Limited

ABN	Reporting period	Previous corresponding period
85 009 193 695	Year ended 31/12/10	Year ended 31/12/09

Results for announcement to the market

				$'000
Revenues from ordinary activities	Up	161 %	to	243,665
Profit from ordinary activities after tax attributable to members	Up	260%	to	74,176

Dividends	Amount per security	Franked amount per security
Interim dividend	- ¢	- ¢
Final Dividend	- ¢	- ¢

Record date for determining entitlements to the dividends: Not applicable

Refer to the results announcement released in conjunction with this Appendix 4E to the market on 28 February 2011.

Consolidated income statement

For the 12 months ended 31 December 2010

	Notes	**12 months to 31 December 2010 $000**	6 months to 31 December 2009 $000
Revenue from operations	2	**243,665**	151,687
Other income		**2,196**	1,021
Changes in inventories of finished goods and work in progress		**(8,505)**	(2,919)
Raw materials, power and consumables used		**(56,341)**	(26,692)
Employee benefits expense		**(44,030)**	(23,352)
Depreciation and amortisation expense	3	**(27,753)**	(16,611)
External services and consultants		**(40,833)**	(15,752)
Freight and handling		**(22,981)**	(17,523)
Royalties		**(6,934)**	(4,927)
Foreign exchange gain		**3,387**	2,315
Other expenses from ordinary activities		**(13,362)**	(7,965)
Impairment of available-for-sale financial assets	3	**(361)**	-
Finance costs	3	**(1,328)**	(1,329)
Profit before income tax		**26,820**	37,953
Income tax benefit/(expense)		**47,356**	(9,440)
Profit for the year		**74,176**	28,513
Profit is attributable to:			
Owners of Perilya Limited		**74,176**	**28,513**
Non-controlling interests		**-**	**-**
		74,176	**28,513**
Earnings per share from profit attributable to the ordinary equity holders of the company		**Cents**	Cents
Basic earnings per share	7	**14.1**	7.2
Diluted earnings per share	7	**14.1**	7.1

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

Consolidated statement of comprehensive income

For the 12 months ended 31 December 2010

	12 months to 31 December 2010 $000	6 months to 31 December 2009
Profit for the year	**74,176**	28,513
Other comprehensive income		
Cash flow hedges	**421**	(32,160)
Available-for-sale financial assets	**(122)**	694
Foreign currency translation arising from business combination	**(5,505)**	-
Income tax relating to components of other comprehensive expense	**1,562**	9,440
Other comprehensive expense for the year, net of tax	**(3,644)**	(22,026)
Total comprehensive income for the year	**70,532**	6,487
Total comprehensive income for the year is attributable to:		
Owners of Perilya Limited	**70,532**	6,487
Non-controlling interests	**-**	-
	70,532	6,487

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

Consolidated balance sheet

31 December 2010

	Notes	**31 December 2010 $000**	31 December 2009 $000
ASSETS			
Current assets			
Cash and cash equivalents		**90,516**	116,709
Restricted cash		**9,320**	-
Trade and other receivables		**36,774**	21,929
Inventories		**24,487**	17,946
Available-for-sale financial assets		**2,298**	10,078
Held-for-trading financial assets		**380**	-
Derivative financial instruments		**14,748**	-
Total current assets		**178,523**	166,662
Non-current assets			
Restricted cash		**24,669**	24,570
Trade and other receivables		**66**	62
Exploration, development and evaluation expenditure		**159,928**	17,628
Mine properties in use		**158,415**	61,533
Property, plant and equipment		**40,585**	23,879
Deferred tax assets		**48,919**	-
Total non-current assets		**432,582**	127,672
Total assets		**611,105**	294,334
LIABILITIES			
Current liabilities			
Trade and other payables		**46,850**	33,139
Borrowings		**150,676**	61,186
Other liabilities		**7,372**	6,727
Current tax liabilities		**3,156**	-
Derivative financial instruments		**30,212**	22,715
Total current liabilities		**238,266**	123,767
Non-current liabilities			
Borrowings		**85,982**	864
Provisions		**26,800**	24,892
Derivative financial instruments		**10,619**	
Deferred tax liabilities		**29,659**	-
Total non-current liabilities		**153,060**	25,756
Total liabilities		**391,326**	149,523
Net assets		**219,779**	144,811
EQUITY			
Contributed equity		**210,008**	209,025
Reserves		**(1,020)**	3,292
Accumulated losses	4	**6,670**	(67,506)
Non-controlling interests		**4,121**	-
Total equity		**219,779**	144,811

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

Consolidated statement of cash flows

For the 12 months ended 31 December 2010

	Notes	**12 months to 31 December 2010**	6 months to 31 December 2009
Cash flows from operating activities			
Cash receipts in the course of operations (inclusive of GST)		**248,623**	155,590
Cash payments in the course of operations (inclusive of GST)		**(197,947)**	(105,248)
		50,676	50,342
Interest received		**4,636**	932
Interest and other finance costs paid		**(2,158)**	(887)
Net cash inflow from operating activities	9	**53,154**	50,387
Cash flows from investing activities			
Payments for mine properties		**(31,781)**	(73,784)
Payments for property, plant and equipment		**(21,607)**	(4,165)
Payments for exploration and evaluation		**(14,069)**	(2,570)
Payments for performance guarantee bonds		**-**	(5)
Payments for other bonds		**(3)**	(3)
Acquisition of GlobeStar, net of cash acquired	12	**(167,633)**	-
Proceeds from sale of available-for-sale financial assets		**8,935**	1,426
Proceeds from sale of property, plant and equipment		**815**	1,112
Net cash outflow from investing activities		**(225,343)**	(77,989)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**-**	54,147
Payments for issues of shares and other equity securities		**(46)**	-
Dividends paid to company's shareholders		**(1)**	(1)
Proceeds from borrowings		**157,996**	59,759
Repayment of borrowings		**-**	(2,308)
Repayment of finance lease liabilities		**(4,422)**	(3,981)
Net cash inflow from financing activities		**153,527**	107,616
Net increase(decrease) in cash and cash equivalents		**(18,662)**	80,014
Cash and cash equivalents at the beginning of the financial year		**116,709**	36,906
Effects of exchange rate changes on cash and cash equivalents		**(7,531)**	(211)
Cash and cash equivalents at end of the year		**90,516**	116,709

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

Consolidated statement of changes in equity

For the 12 months ended 31 December 2010

CONSOLIDATED	Contributed equity $'000	Accumulated losses $'000	Reserves $'000	Non-controlling interests $'000	Total equity $000
Balance at 1 July 2009	**154,287**	**(96,019)**	**25,451**	**-**	**83,719**
Total comprehensive income/(expense) for the period	**-**	**28,513**	**(22,026)**	**-**	**6,487**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	54,147	-	-	-	54,147
Employee share options – value of employee services	-	-	120	-	120
Perilya Employee Share Acquisition plan	591	-	(253)	-	338
	54,738	**-**	**(133)**	**-**	**54,605**
Balance at 31 December 2009	**209,025**	**(67,506)**	**3,292**	**-**	**144,811**

	Contributed equity $'000	Accumulated losses $'000	Reserves $'000	Non-controlling interests $'000	Total equity $000
Balance at 1 January 2010	**209,025**	**(67,506)**	**3,292**	**-**	**144,811**
Total comprehensive income/(expense) for the year	**-**	**74,176**	**(3,644)**	**-**	**70,532**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	(46)	-	-		(46)
Employee share options – value of employee services	-	-	198		198
Non-controlling interests	-	-	-	4,121	4,121
Perilya Employee Share Acquisition plan	1,029	-	(866)	-	163
	983	**-**	**(668)**	**4,121**	**4,436**
Balance at 31 December 2010	**210,008**	**6,670**	**(1,020)**	**4,121**	**219,779**

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

Notes to the consolidated income statement

1. Basis of accounting

These consolidated financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

2. Revenue from ordinary activities

	12 months to 31 December 2010 $000	6 months to 31 December 2009 $000
Sales revenue		
Sale of goods	**239,507**	155,276
Other revenue		
Loss on ineffective hedging	**(746)**	(4,557)
Interest	**4,772**	902
Rent and sub-lease rentals	**132**	66
	243,665	151,687

3. Expenses

	12 months to 31 December 2010 $000	6 months to 31 December 2009 $000
Profit before income tax includes the following specific expenses:		
Depreciation:		
Buildings	**40**	12
Leasehold improvements	**402**	306
Plant and equipment	**7,787**	3,638
Total depreciation	**8,229**	3,956
Amortisation of mine properties	**19,524**	12,655
Total depreciation and amortisation expense	**27,753**	16,611
Impairment losses:		
Available-for-sale financial assets	**361**	-
Total impairment losses	**361**	-
Finance costs:		
Unwinding of discount on rehabilitation provision	**(1,455)**	164
Interest and finance charges paid/payable	**2,783**	1,165
Total finance costs	**1,328**	1,329

4. Statement of retained earnings showing movements

Consolidated retained profits

	31 December 2010 $000	31 December 2009 $000
Balance at the beginning of the year	**(67,506)**	(96,019)
Net profit for the year	**74,176**	28,513
Dividends	**-**	-
Balance at the end of the year	**6,670**	(67,506)

5. Details of individual and total dividends and dividend payments

		Total amount paid or payable $'000	Amount per share $	Franked amount per share
Final dividend:	Current period	-	-	-
	Previous period	-	-	-
Interim dividend:	Current period	-	-	-
	Previous period	-	-	-

In line with non-payment of a final dividend for the reporting period ended 30 June 2008, the directors of Perilya resolved to suspend the company's Dividend Reinvestment Plan until further notice.

6. Net tangible assets per share

	31 December 2010 $000	31 December 2009 $000
Net tangible assets per share	**0.42**	0.28

7. Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with *AASB 133: Earnings Per Share* are as follows.

	31 December 2010 $'000	31 December 2009 $'000
Net Profit/(loss):	74,176	28,513
Adjustments:		
Net profit/(loss) attributable to minority equity interest	-	-
Earnings/(loss) used in calculating basic and diluted earnings per share	**74,176**	**28,513**

	Current period Number of Shares	Previous corresponding period Number of Shares *
Weighted average number of ordinary shares used in calculating basic earnings per share	524,991,452	398,624,460
Effect of dilutive securities:		
Share options	-	789,946
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**524,991,452**	**399,414,406**

	31 December 2010 cents	31 December 2009 Cents
Earnings per share from profit attributable to the ordinary equity holders of the company		
Basic earnings per share	**14.1**	7.2
Diluted earnings per share	**14.1**	7.1

8. Details of associates and joint venture entities

Companies within the economic entity are participants in the following joint ventures as at 31 December 2010. The joint ventures are not separate legal entities, they are contractual arrangements between the participants for the sharing of costs and output and do not in themselves generate revenue or profit. The percentage interests at each reporting date may vary depending on the monies expended by the joint venturers. The Group's percentage interests in future output if all the venturers fulfil their obligations to the joint ventures are as follows:

			% Holding	
Joint venture	**Location**	**Principal activity**	**31 December 2010**	31 December 2009
Coultra (1)	NSW	Base metal exploration	**51**	80
Greenshire (1)	NSW	Base metal exploration	**90**	90
Stirling Vale (1)	NSW	Base metal exploration	**51**	70
Beltana Corridor (1)	SA	Base metal exploration	**85**	85
Blinman (Minotaur) (1)	SA	Base metal exploration	**80**	80
Mt Frome (1)	SA	Base metal exploration	**90**	90
Reaphook (1)	SA	Base metal exploration	**85**	85
Aroona (1)	SA	Base metal exploration	**80**	80
Malaysia Wide (2)	Malaysia	Gold and base metal	**50**	50
Ranau (2)	Malaysia	Gold and base metal	**50**	50
Dee Range (1)	QLD	Gold and base metal	**90**	90
Ulam Range (1)	QLD	Gold and base metal	**90**	90
Moblan West (1)	Canada	Lithium exploration	**60**	-
Moblan East (1)	Canada	Lithium exploration	**60**	-
Kanowna	WA	Gold exploration	**76**	76
Rustenberg (2)	South Africa	Platinum group metals	**52**	52

Group's share of joint venture entities':	**31 December 2010 $'000**	31 December 2019 $'000
Loss from ordinary activities before tax	**(33)**	(16)
Income tax on ordinary activities	**-**	-
Loss from ordinary activities after tax	**(33)**	(16)
Adjustments	**-**	-
Share of net loss of associates and joint venture entities	**(33)**	(16)

9. Reconciliation of profit after income tax to net cash flow from operating activities

	31 December 2010 $'000	31 December 2009 $'000
Profit for the year	**74,176**	28,513
Depreciation and amortisation	**27,754**	16,611
Non-cash share-based payments employee benefits expense	**361**	457
Net exchange differences	**(7,042)**	211
(Gain)/loss on sale of available-for-sale financial assets	**(1,277)**	612
(Gain) on sale of plant and equipment	**(412)**	(983)
Change in operating assets and liabilities		
Decrease/(increase) in trade debtors	**(4,192)**	4,294
Decrease/(increase) in other debtors	**(854)**	133
Decrease/(increase) in inventories	**7,801**	2,516
Decrease/(increase) in prepayments	**3,506**	(1,775)
Increase/(decrease) in trade creditors and other payables	**2,718**	(899)
Increase/(decrease) in provisions	**(367)**	878
Increase/(decrease) in tax assets and liabilities	**(47,356)**	9,440
Decrease/(increase) in hedge assets and liabilities	**(1,662)**	(9,621)
Net cash inflow from operating activities	**53,154**	50,387

10. Non-cash investing and financing activities

	31 December 2010 $'000	31 December 2009 $'000
Acquisition of plant and equipment on finance leases	**3,451**	-

11. Contingent Liability

In July 2010, Pacific Basin IHC (IHC) gave notice of its intent to refer a dispute under an expired shipping contract between Perilya and IHC to arbitration under the terms of that contract's dispute resolution procedures. Whilst each party has nominated arbitrators pursuant to their respective rights under the shipping contract and the nominated Arbitrators have appointed a third arbitrator to Chair the panel, as at the date of this report, and despite repeated requests from the Panel for it to do so, IHC have yet to lodge any actual claim in the proceedings. Accordingly, it is not practicable at this stage to estimate either the nature of the claim or the likelihood or the quantum of any potential liability.

12. Business Combination

On 31 December 2010, pursuant to a Take-over Bid, Perilya Limited ("Perilya" or "PEM") acquired 97.77% of the voting shares of GlobeStar Mining Corporation ("GMI"), a company registered and headquartered in Toronto and publicly listed on the Toronto Stock Exchange ("TSX").

The acquisition of GMI gives Perilya immediate access to a low cost operating project producing copper, gold and silver with a seven year mine life and potential to increase both mine life and production rate. It delivers geographical diversification through the addition of an operating asset outside Australia and also provides a presence in the Latin America region and a Spanish speaking exploration team with regional experience.

GMI's prime assets are the low cost Cerro de Maimon copper-gold-silver project and an extensive portfolio of exploration tenements covering base metals and nickel in the Dominican Republic and 60% ownership of the Moblan lithium development project in Quebec, Canada.

The total cost of the business combination was $180.7 million.

The initial accounting for the acquisition of GMI can be determined only provisionally at 31 December 2010 as the acquisition date is the year-end date, therefore Perilya is still undertaking an assessment of the fair values of the assets, liabilities and contingent liabilities of GMI.

The provisional fair value of the identifiable assets and liabilities of GMI as at the date of acquisition were:

	Note	Recognised provisionally on acquisition $'000	Carrying value $'000
Cash and cash equivalent		13,027	13,027
Restricted cash		5,231	5,231
Financial assets – held for trading		393	393
Receivables		12,711	12,711
Prepayments		1,514	1,514
Inventory		14,807	7,177
Property, plant and equipment		291	291
Mine properties		87,376	87,376
Exploration, evaluation expenditure		132,399	11,469
Deferred tax assets		-	4,901
Long-term deposits		103	103
		267,851	144,191
Payables		11,837	11,837
Income tax payable		3,259	3,259
Borrowings		28,708	28,708
Derivatives		5,627	5,627
Provisions		3,017	3,017
Deferred tax liabilities		30,622	48
		83,071	50,259
Fair value of identifiable net assets		184,780	
Percentage of controlling interest		97.77%	
Fair value of identifiable net assets of controlling interest		180,660	
Goodwill arising on acquisition		-	
		180,660	
Cost of business combination			
Cash		180,660	
Cash outflow on business acquisition			
Cash consideration		180,660	
Net cash acquired with the subsidiary		(13,027)	
Net consolidated cash outflow		167,633	

Direct costs of $1.3 million relating to the acquisition have been recognised in the profit and loss for the year ended 31 December 2010.

From the date of acquisition, the GMI has contributed Nil to the revenue or net profit of Perilya for the year ended 31 December 2010.

Had the acquisition of GMI been completed on the first date of the financial year, Group revenue for the year would have been $87.1 million and Group net profit would have been $11.7 million.

13. Segment reporting

Description of segments

Management has determined the operating segments based on the reports reviewed by the executive management team and board of directors that are used to make strategic decisions.

The executive management team and board of directors consider the business from an operational perspective and have identified six reportable segments as at 31 December 2010.

Base metals consist of lead and zinc production which is sold into Australia and global markets from both Broken Hill and Beltana, and copper and gold production and sale from the newly acquired Cerro de Maimon mine located in the Dominican Republic. The executive management team considers these separately as they are three identifiable sites.

The Australia exploration segment operates predominantly in Australia with minor tenements held in Malaysia. This segment is monitored jointly as the only activity currently is in Australia.

The newly acquired America exploration segment consists of exploration activities related to the non-producing mineral properties located primarily in the Dominican Republic and Canada.

The investment and administration segment represents all other activities including: hedging; management of financial instruments; investments and other head office costs.

Segment information provided to the executive management team and Board of Directors

The segment information provided to the executive management team and the board of directors for the reportable segments for the year ended 31 December 2010 is as follows:

	Base metals mining			Exploration			
	Broken Hill $'000	Beltana $'000	Cerro de Maimon $'000	Australia $'000	America $'000	Investment & administration $'000	Consolidated $'000
Total segment revenue	224,311	14,582	-	-	-	4,772	243,655
Other revenue/income	549	-	-	-	-	1,647	2,196
Reconciliation to total revenue	224,860	14,582	-	-	-	6,419	245,861
EBIT	24,757	3,172	-	-	-	(4,553)	23,376
Reconciliation of EBIT to operating profit/(loss) for							
Interest revenue	-	-	-	-	-	4,772	4,772
Finance costs	1,064	-	-	-	-	(2,392)	(1,328)
Share of net losses of associates	-	-	-	-	-	-	-
Profit/(loss) before income tax	25,821	3,172	-	-	-	(2,173)	26,820
Income tax expense							47,356
Profit for the year							74,176
Depreciation and amortisation expense	(26,917)	(775)	-	-	-	(61)	(27,753)
Impairment losses taken to income statement	-	-	-	-	-	(361)	(361)
Segment assets # *	153,622	263	131,187	31,697	128,231	166,105	611,105
Total assets per the balance sheet							611,105
Segment liabilities # *	90,920	119	80,456	-	-	219,831	391,326
Total liabilities per the balance sheet							391,326
Investments in associates	-	-	-	-	-	-	-
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	67,458	-	-	-	-	-	67,458

\# *Investment and administration segment assets include cash on deposit.*

* *Base metals mining segment assets and segment liabilities include derivative financial instrument assets and liabilities.*

The segment information provided to the executive management team and the board of directors for the reportable segments for the six months ended 31 December 2009 is as follows:

	Base metals mining		Exploration	Investment & administration	Consolidated
	Broken Hill $'000	Beltana $'000	$'000	$'000	$'000
Total segment revenue	135,449	19,827	-	-	155,276
Other revenue/income	(3,470)	-	-	902	(2,568)
Reconciliation to total revenue	131,979	19,827	-	902	152,708
EBIT	34,363	4,527	-	(510)	38,380
Reconciliation of EBIT to operating profit/(loss) for the period					
Interest revenue	-	-	-	902	902
Finance costs	(473)	-	-	(856)	(1,329)
Share of net losses of associates					-
Profit/(loss) before income tax	33,890	4,527	-	(464)	37,953
Income tax expense					(9,440)
Loss for the period					28,513
Depreciation and amortisation expense	(16,076)	(493)	-	(42)	(16,611)
Impairment losses taken to income statement	-	-	-	-	-
Segment assets #	131,321	8,425	17,628	136,960	294,334
Total assets per the balance sheet					294,334
Segment liabilities *	85,453	2,824	-	61,246	149,523
Total liabilities per the balance sheet					149,523
Investments in associates	-	-	-	-	-
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	77,933	15	-	-	77,948

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

14. Subsequent events

On 10 January 2011, Perilya successfully completed the 100% takeover of GlobeStar Mining Corporation, a TSX listed company.

Statements in relation to accounts and audit

This report is based on accounts to which one of the following applies.

☐	The accounts have been audited (refer audit attached report).	☐	The accounts have been subject to review (refer attached review report).
☑	The accounts are in the process of being audited or subject to review.	☐	The accounts have *not* yet been audited or reviewed.

Sign here: .... (Company Secretary)   Date: 28 February 2011

Print name: Paul Marinko