

## ASX and Media Release

5 January 2009

### PERILYA RELEASES NOTICE OF MEETING FOR FEBRUARY EGM TO VOTE ON ZHONGJIN PLACEMENT

Perilya Limited (**ASX:PEM**), the New South Wales zinc and lead miner, today issued shareholders with a Notice of an Extraordinary General Meeting (**EGM**) to be held on 5 February 2009, to allow Perilya shareholders to consider and vote on the Company's proposed placement of shares to Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd (**Zhongjin Lingnan**).

Pending Perilya shareholders' and Foreign Investment Review Board approvals, Perilya will issue 197,672,000 fully paid ordinary shares to Zhongjin Lingnan at \$0.23 per share, representing 50.1% of the enlarged share capital of Perilya, for a cash consideration of \$45.5 million.

Perilya's Managing Director, Paul Arndt said the proposed placement of shares to Zhongjin is in the opinion of the Perilya directors a superior transaction to CBH's unsolicited, all-scrip offer.

"The resultant cash injection of \$45.5 million through the proposed placement of shares to Zhongjin Lingnan will strengthen the Company's financial position at a time when there is substantial global economic uncertainty and in an environment of continued low metal prices."

"We are confident the proposed share placement to Zhongjin Lingnan will help Perilya to manage through the current period of adverse metal prices. Zhongjin Lingnan is China's third largest zinc producer, and will be a strategic long-term partner, bringing a wealth of mining, processing, smelting and marketing experience to Perilya. We believe they are committed to the long-term development of Perilya's assets, all of which makes them a worthy and ideal partner" Mr Arndt said.

Based on the issue price of \$0.23 per share, the proposed Zhongjin Lingnan transaction represents a 53% premium to the last traded price of Perilya shares prior to the announcement of the transaction on 9 December 2008 and a 61% premium to the volume weighted average prices (VWAP) of Perilya shares for the 30 trading days up to 9 December 2008.

The Notice of Meeting includes an Independent Expert's Report by Ernst & Young Transaction Advisory Services Limited (**Ernst & Young**), which outlines significant factors relevant to Perilya shareholders.

"The Independent Expert's Report provides support for the Perilya Board's conclusion that the proposed share placement to Zhongjin Lingnan is preferable to the all-scrip offer by CBH in that it is the right deal for the time given the current market context," Mr Arndt said.

While the proposed placement to Zhongjin Lingnan represents a material premium to the pre-announcement price of Perilya shares, it is below the low end of Ernst & Young's assessed fair market value range of between \$0.33 and \$0.38 per Perilya share. Consequently, and after consideration of a number of significant factors, Ernst & Young concluded that the proposed share placement to Zhongjin Lingnan is 'not fair but reasonable'. The significant factors Ernst & Young considered in concluding that the placement was reasonable included:

- the placement shares are being issued at a significant 82.4% premium to Perilya's share price (based on a 20 day VWAP to 5 December 2008, the last trading day prior to announcement of the Zhongjin Lingnan transaction). The payment of a premium is to the benefit of Perilya shareholders;
- superiority of Zhongjin Lingnan's proposal to inject \$45.5 million cash, compared to the all-scrip offer from CBH;
- the increase in Perilya's share price since the announcement of the proposed Zhongjin Lingnan transaction indicates the market has reacted favourably to the Zhongjin Lingnan transaction; and
- Perilya's likely need to raise further capital and given the current extremely difficult capital market environment, would have likely led to an equity raising at a material discount to the current share price (as evidenced by recent equity market transactions).

"Ernst & Young's opinion reflects the current challenging global economic climate that we operate in," Mr Arndt said.

"I believe that Perilya's ability to attract a strategic shareholder at a significant share price premium to recent trading prices is a major achievement in the current economic climate."

Ernst & Young stated, "with the volatility in capital markets expected to continue through 2009, the issue of the shares to Zhongjin Lingnan will provide Perilya with a significant level of funding without the need to dispose of assets or to secure new funding from alternative sources."

Perilya's Chairman, Patrick O'Connor said "in the absence of a superior proposal, the Board continues to unanimously support and recommend the proposed transaction with Zhongjin Lingnan in the firm belief it represents the best alternative currently available to Perilya. We urge shareholders to participate in the EGM and approve the placement of shares to Zhongjin Lingnan."

The Perilya Board and management will be supporting the Zhongjin Lingnan placement by voting their own shares in support of this transaction. The Board re-states their previous advice to shareholders to reject CBH's offer, in favour of the proposal by Zhongjin Lingnan, which provides for an immediate injection of cash at a premium to current share values."

"Perilya's Board believes the all-scrip bid by CBH would expose Perilya shareholders to high levels of debt and significant annual debt-servicing costs and that there is no compelling financial or operational logic for merging Perilya and CBH at current metal prices," Mr O'Connor added.

"Zhongjin Lingnan has stated that, on completion of the proposed share placement, it intends to reject CBH's unsolicited offer for Perilya shares.

UBS Investment Bank AG is acting as financial adviser to Perilya.

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<b>Inquiries:</b> Paul Marinko Company Secretary +61 8 6330 1000	<b>Investors:</b> Paul Arndt Managing Director +61 8 6330 1000  Patrick O'Connor Chairman +61 8 6330 1000	<b>Media:</b> Warrick Hazeldine Purple Communications +61 8 9485 1254 0417 944 616
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### Background to Zhongjin Lingnan and Share Placement Agreement

On 9 December 2008, Perilya and Zhongjin Lingnan announced that subject to Perilya shareholders', Foreign Investment Review Board (FIRB) and Chinese regulatory approvals, Zhongjin Lingnan will subscribe for 197,672,000 fully paid ordinary shares in Perilya at an issue price of \$0.23 per share, to acquire 50.1% of the Company, for a cash consideration of \$45.5 million.

On 29 December 2009, Zhongjin Lingnan confirmed it had received relevant Chinese regulatory approvals and paid an initial deposit of \$10 million to Perilya to further add to Perilya's cash and investments holdings. The Perilya Board anticipates that Perilya and Zhongjin Lingnan will receive FIRB approvals prior to the Extraordinary General Meeting to be held on 5 February 2009, to allow Perilya shareholders to consider and vote on the Zhongjin Lingnan transaction.

Full details on the proposed share placement are set out in the Explanatory Memorandum accompanying the Notice of Meeting dated 5 January 2009.

### Overview of Zhongjin Lingnan

Zhongjin Lingnan is a joint stock limited Chinese company based in Shenzhen, Guangdong Province, China. Its principal activity is the mining and processing of lead, zinc and other non-ferrous metals. It is also engaged in the trading, building materials, transportation, real estate and high technology industries. Zhongjin Lingnan is China's third largest zinc producer and is listed on the Shenzhen stock exchange (Ticker: 000060) and a market capitalisation of approximately CNY8.6 billion (A\$2.0 billion).

### Perilya Profile

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 and the Flinders zinc silicate project in South Australia.

The Company's operations at the iconic Broken Hill mine have recently been re-sized to focus on a lower production and cost profile to ensure the operations are sustainable in the event of a prolonged period of low metal prices. A recent update to Ore Reserves and Mineral Resources was completed in November 2008, which provides for an approximate nine year mine life (based on long-term metal prices of US\$1,433/t of zinc, US\$1,433/t of lead, US\$2.22/oz silver, and an AUD/USD exchange rate of 72 cents).

The Company continues to sell zinc silicate from its Beltana stockpiles in South Australia (Flinders project) and is evaluating development of nearby deposits including the Reliance deposit.

The Company is also exploring for copper at its Mount Oxide deposit located in the Mt Isa Region of northern Queensland.

For more details, visit [www.perilya.com.au](http://www.perilya.com.au)