

ASX and Media Release

24 June 2008

Perilya rejects CBH reverse takeover proposal

Perilya (ASX: PEM) today announced that the Board has unanimously rejected as inadequate an alternative (but incomplete) proposal from CBH Resources Limited to acquire 100% of Perilya's shares.

Since the original proposed merger was announced on 26 March 2008, there have been a number of material changes to the parties' respective operations and to market conditions, including:

- Recently announced major changes to CBH's Endeavor mine and Rasp project. Perilya has had limited opportunity to properly evaluate the changes and form a view as to the value impact or associated risks of the planned changes.
- Erosion of the anticipated short term merger benefits as a result of further technical evaluation of the Rasp project, the decline in commodity prices, and anticipated delays to CBH's Rasp project approvals.
- Indicated lack of support from some CBH noteholders seeking improved terms.
- Delays to CBH's independent experts report and further delays anticipated in light of the announced major changes to CBH's operations, making it unlikely in Perilya's view that the Merger Implementation Agreement (MIA) timetable will now be achieved.
- Recently reported exploration results from Perilya's Mt Oxide copper project and new resources in the Pinnacles region, together with the sustained improvement in operating performance of the Broken Hill mine, has enhanced the value of Perilya's assets.
- Lead and zinc prices have fallen 36% and 19% in AUD terms respectively changing the relative valuations of both company's NSW operations, particularly with respect to the approximately \$80 million in the money market position of Perilya's hedge book, which means it is better placed to weather a low commodity price cycle than CBH, which is relatively unhedged.

The proposed merger announced on 26 March 2008 of one Perilya share for every three CBH shares plus options, and one Perilya note for every CBH note, is required to be completed by 25 August 2008. Perilya does not intend to extend the MIA timetable.

While there are some differences about the implementation process underway, it remains our view that there is logic in combining the Broken Hill operations.

Patrick O'Connor, Perilya's executive chairman, said that notwithstanding our best efforts and in light of the major changes to CBH's Endeavor mine and Rasp project, it is now extremely doubtful the agreed MIA timetable for merging with CBH could be achieved.

"Notwithstanding our rejection of the new CBH proposal, we remain prepared to work constructively with CBH to explore ways to combine the Broken Hill assets under a single ownership in order to deliver increased value to shareholders," he said.

"Perilya is fortunate today to have a strong production profile, underpinned by a solid hedgebook and cash position, together with a significant portfolio of development assets. These provide the company with both considerable upside potential if commodity prices increase and optionality should metal prices deteriorate any further," he added.

For further information:

Investors: Patrick O'Connor
Executive Chairman

Media: Darryl Edwards
Company Secretary

Phone: +61 8 6210 2000

Background to Perilya

Perilya Limited is an ASX 200 Australian base metals mining and exploration company. Perilya is investing substantially in the development of its three major projects located in the Broken Hill, Mt Isa and Flinders regions as well as exploration in the surrounding tenements.

The company is expanding its operations at the iconic Broken Hill mine through the development of an exploration decline at Potosi, re-developing the North mine and evaluating the development of an open mine at the Flying Doctor deposit and conducting exploration within a ten kilometre radius of the concentrator.

The Company is also targeting early development of its 203,000 tonne Mount Oxide (contained metal) copper project in the Mt Isa region in Queensland.

The company is also investing in the development of the Flinders zinc silicate project in South Australia, with approximately 90,000 tonnes of contained zinc stockpiled from its Beltana deposit and evaluating development of nearby deposits including the Reliance deposit.

Perilya has a strong balance sheet with low debt levels.

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