

ASX and Media Release

9 December 2008

PERILYA SECURES WATERSHED ALLIANCE WITH ZHONGJIN RAISES \$45.5 MILLION VIA A PLACEMENT OF NEW SHARES

Key Points

- **Perilya signs Share Subscription Agreement with major Chinese metals and mining company Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd, to raise A\$45,464,560**
- **Issue price of A\$0.23 represents a 53% premium to the last traded price of Perilya on 5 December 2008 and a 61% premium to the volume weighted average price (VWAP) of Perilya shares for the 30 trading days up to 5 December 2008**
- **Further strengthens Perilya's balance sheet cash backing and strongly positions Perilya to weather the current commodity price environment and for growth**
- **Introduces a strong and committed strategic partner to secure the future of Perilya as an independent company**
- **Zhongjin and Perilya agree to enter into good faith negotiations for potential lead and zinc concentrate off-take sales agreements on commercial and arms-length terms upon expiry of existing agreements**

Perilya Limited (ASX:PEM) today announced it has entered into a share placement agreement and strategic partnership with major Chinese metal company Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd. ("**Zhongjin**"), to raise A\$45,464,560.

Pending Perilya shareholders' and regulatory approvals, Zhongjin will subscribe for 197,672,000 fully paid ordinary shares in Perilya at an issue price of A\$0.23 per share, to acquire 50.1% of the Company.

Under the agreement, the Perilya Board will be restructured to allow for a new Board with Zhongjin representatives comprising half of the new Board. Paul Arndt will continue as Managing Director and Chief Executive Officer.

Perilya Managing Director, Paul Arndt, said "the agreement represents a watershed event for Perilya and provides a significant platform for growth and a major operational and funding boost for the Company."

"It also will leave Perilya extremely well placed to withstand the current commodity price environment, and to pursue growth options as they arise."

"Perilya believes this access to capital provides a significant comparative advantage to other resource companies, and will also allow us to advance, as appropriate, development projects such as the Mount Oxide copper project," Mr Arndt said.

“Zhongjin is a strong and well funded strategic partner committed to the long-term development of Perilya’s assets. As China’s third largest zinc producer, Zhongjin has a wealth of mining, processing, smelting and marketing experience that will add significant value, particularly through these turbulent times,” he added.

President of Zhongjin, Mr Zhang Shuijian, said that “this represents a good opportunity to invest in the Australian market and support Perilya.”

“Zhongjin is fully supportive of Perilya, its current management team and operating plan. This support will extend to future opportunities for Perilya and its shareholders as they arise.”

Mr Zhang confirmed that Zhongjin do not intend to accept CBH Resources Limited offer for Perilya shares post completion of this transaction.

Perilya Chairman Patrick O’Connor said “a partnership with Zhongjin represents a Company-defining agreement for Perilya and its shareholders and leaves Perilya in a very strong position with no corporate debt and significant cash and investment reserves.”

“The Board is unanimous in the belief that the placement of shares to Zhongjin represents the best alternative currently available to Perilya shareholders, and will be voting their own stock in favour of the Placement”.

“The Board further believes the ability to deliver such a significant transaction against an extremely challenging economic backdrop is testament to both the leadership of Paul Arndt and the strength of Perilya’s asset base,” Mr O’Connor said.

As part of the Placement, Zhongjin will provide Perilya with an initial cash deposit of A\$10 million, which is refundable in the event the transaction conditions precedents are either not satisfied or waived.

Zhongjin and Perilya have also agreed to enter into good faith negotiations with respect to potential arm’s length, commercial concentrate sales agreement(s) for a portion of Perilya’s zinc and lead concentrate production which will further support Perilya’s long-term viability.

UBS Investment Bank is acting as financial adviser to Perilya.

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For further information please contact:

Investors:

Paul Arndt
Managing Director
+61 8 6210 2000

Patrick O’Connor
Non-Executive Chairman
+61 8 6210 2000

Inquiries:

Paul Marinko
Company Secretary
+61 8 6210 2000

Media:

Warrick Hazeldine
Purple Communications
+61 89485 1254

SHARE SUBSCRIPTION AGREEMENT

Perilya Limited (ASX:PEM) (“**Perilya**”) is pleased to announce that it has entered into an agreement with Shenzhen Zhongjin Lingnan Nonfermet Co., Ltd. (“**Zhongjin**”) under which Zhongjin will subscribe for 197,672,000 fully paid ordinary shares in Perilya (“**New Shares**”) at an issue price of A\$0.23 per share to raise A\$45,464,560 in cash (“**Placement**”).

Following completion of the Placement, Perilya will have 394,554,640 shares on issue and Zhongjin will own 50.1% of Perilya.

The Perilya Board will be restructured to allow for a new Board, comprising a mix of existing Directors and Directors nominated by Zhongjin. Paul Arndt will continue as Managing Director and Chief Executive Officer.

The Placement significantly improves Perilya’s cash backing and better positions Perilya to withstand the currently depressed commodity price environment through a material injection of capital. Perilya believes that access to capital will provide it with a material comparative advantage to other resource companies, while also allowing Perilya to advance development projects such as Mount Oxide.

As part of the Placement, Zhongjin will provide Perilya with an initial cash deposit of A\$10 million by 24 December 2008 to complement Perilya’s existing cash balance. The deposit is refundable in the event the transaction conditions precedents are either not satisfied or waived.

Commercial Off-Take Negotiations

As part of the Share Subscription Agreement, Zhongjin and Perilya have also agreed to enter into good faith negotiations with respect to potential concentrate sales agreement(s) for a portion of Perilya’s zinc and lead concentrate production, subject to sufficient concentrates and ores becoming available from existing off-take contracts. Any such off-take arrangements entered into between Perilya and Zhongjin will be conducted on arm’s length commercial terms and will further support Perilya’s long-term viability.

Perilya shareholder approval and other conditions

The proposed share Placement is conditional upon Perilya shareholder approval (pursuant to Section 611 exception 7 of the Corporations Act and ASX Listing Rule 7.1), approval by the Foreign Investment Review Board and Chinese regulatory approvals.

Perilya shareholder approval will be sought in a general meeting, currently scheduled for February 2009. A Notice of Meeting and Explanatory Memorandum will be issued to shareholders in January 2009. The Explanatory Memorandum will include further details on the proposed Placement and will include an Independent Expert’s Report that will opine on whether the Placement is fair and reasonable and in the best interest of Perilya shareholders, given all other alternatives currently available to Perilya.

Unanimous Perilya board support for the Placement

In the absence of a superior alternative offer (which includes CBH's current unsolicited takeover offer), the Directors of Perilya unanimously recommend that shareholders vote in favour of the Placement and intend to vote the shares they own in favour of the Placement. The key reasons for the Directors' recommendations are outlined below:

- Perilya will receive approximately A\$45 million in cash as a result of the Placement and will continue to have no corporate debt. The Directors believe that increasing Perilya's cash position by way of the Placement will significantly improve Perilya's ability to weather a sustained downturn in commodity prices. In contrast, CBH's offer is a scrip offer and would expose Perilya shareholders to CBH's substantial corporate debt position (\$160 million as disclosed in the CBH Bidder's Statement) along with the cash outflow required to service interest payments on CBH's debt.
- The price of the Placement represents a 53% premium to the last traded price of Perilya shares as at 5 December 2008 and a 61% premium to the volume weighted average price (VWAP) of Perilya shares for the 30 days up to 5 December 2008.
- Perilya shareholders will retain ownership of 49.9% of the expanded shareholder base and retain exposure to Perilya's two producing assets (Broken Hill and the Flinders project) as well as Perilya's Mount Oxide copper development asset. In comparison, under the terms of the CBH offer, Perilya shareholders would own only 48% of the merged group and would be exposed to CBH's assets including the Endeavor mine which has already been subject of three downward revisions to production estimates this year.
- Zhongjin is a well funded, long-term strategic partner with significant mining, processing, smelting and marketing experience. Zhongjin is supportive of Perilya's current operating plan and has the expertise, commitment and financial backing to assist Perilya through the currently depressed economic environment. In comparison, CBH has not clearly outlined how it intends to achieve its targeted cost savings at its Endeavor mine, let alone the synergies to Perilya shareholders from combining CBH and Perilya.

OVERVIEW OF ZHONGJIN

Zhongjin 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 is China's third largest zinc producer and is listed on the Shenzhen stock exchange (Ticker: 000060) and had a market capitalisation of CNY8.6 billion (A\$1.9 billion) as at 4 December 2008.

Financial highlights

For the nine months ended 30 September 2008, Zhongjin reported an unaudited consolidated net profit of CNY759 million (approximately A\$170 million) with consolidated net sales of CNY5.9 billion (approximately A\$1.3 billion). Zhongjin had total debt of CNY1.3 billion

(approximately A\$280 million) and total cash and equivalents of CNY1.2 billion (approximately A\$270 million) as at 30 September 2008.

For the year ended 31 December 2007, Zhongjin reported net sales revenue of CNY8.3 billion (approximately A\$1.9 billion) and a consolidated net profit CNY1.2 billion (approximately A\$273 million). Of these sales revenues, sales from lead/zinc products comprised approximately 90%.

Ownership

The main shareholder of Zhongjin is Guangdong Rising Assets Management Co. Ltd (“Rising”) which holds approximately 38% of Zhongjin’s issued shares through various direct and indirect investments.

Incorporated in 1999, Rising is a wholly State-owned assets management company, representing the Guangdong Provincial Government in operating and managing State-owned assets. As at 31 December 2007, Rising’s total assets were CNY 34.832 billion and net assets were CNY 28.058 billion. Non-ferrous metals and mining accounted for 68% of Rising’s sales in 2007.

The balance of Zhongjin’s shares are held by a combination of public and institutional investors, with no one entity holding greater than 4.0%.

Main business operations

Zhongjin’s main activities comprise mining and smelting activities. Its key operations are the Shaoguan and Danxia Smelters and the Fankou Lead/Zinc Mine.

(a) Shaoguan smelter

The Shaoguan Smelter is located 9km north east of Shaoguan City in Guangdong Province. It was the first Chinese Smelter to apply the ISP pyro-metallurgical process and is ISO9002 and ISO10012 certified. The capacity of the Shaoguan smelter is 240,000 tonnes per annum of lead and zinc and 320,000 tonnes per annum of sulfuric acid. The smelter has completed a technological enhancement program, with the annual capacity increased to 300,000 tonnes of lead and zinc and 400,000 tonnes of sulfuric acid at the end of 2008.

(b) Danxia smelter

The Danxia Smelter is located in Renhua Country, north east of Shaoguan City, Guangdong Province, near the Fankou Mine. The annual capacity of the Danxia smelter is 20,000 tonnes of zinc and 36,000 tonnes of sulfuric acid and was the first Chinese smelter to adopt Pressure Leach Technology from Canada. The smelter is also currently undertaking an expansion program, targeting an increase in 2009 capacity to 100,000 tonnes of zinc.

(c) Fankou Lead/Zinc Mine

The primary mining asset of the company is the underground Fankou Mine, located 48km north east of Shaoguan City in Guangdong Province. The mine commenced production in 1968 and has a current capacity of 150,000 tonnes per annum of lead and zinc metal in concentrate, with average ore grades of 4.89% for lead and 9.12% for zinc. The mine is

currently undertaking an expansion program which is targeting an increase in 2008 production to 180,000 tonnes of lead and zinc. The Directors of Zhongjin believe the Fankou mine is one of the lowest cost mines in the world.

Production from the Fankou Mine supplies approximately 50% of the feedstock requirements of the Shaoguan and Danxia smelters. The two smelters together produced 181,500 tonnes of refined zinc metal, 92,200 tonnes of refined lead metal and 185 tonnes of refined silver in 2007.