Perilya Limited
ABN: 85 009 193 695

perilya

This document is also a Second Supplementary Target's Statement dated and lodged with the Australian Securities and Investments Commission on 20 January 2009 and is given by Perilya Limited under section 644 of the Corporations Act. This Second Supplementary Target's Statement supplements and should be read together with Perilya's Target's Statement dated 15 December 2008 and Perilya's Supplementary Target's Statement dated 5 January 2009 i.e. it should also be read together with the Notice of Meeting and Explanatory Memorandum.

ASIC takes no responsibility for its contents.

This Second Supplementary Target's Statement is signed on behalf of Perilya Limited by Paul Marinko, Company Secretary, who is authorised to sign by resolution of the directors of Perilya Limited.

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Paul Marinko

Dated: 20 January 2009

20 January 2009

Dear Shareholder

Notice of Extraordinary General Meeting and Explanatory Memorandum-Supplementary Target's Statement

I refer to the Extraordinary General Meeting to be held on Thursday, 5 February 2009 to consider and if thought fit, to pass resolutions approving the placement of shares to Zhongjin Lingnan Mining (HK) Company Limited ("Zhongjin Lingnan") and to appoint certain nominees of Zhongjin Lingnan as directors of Perilya Limited ("Perilya"). In connection with that meeting, Perilya issued a Notice of Meeting and Explanatory Memorandum dated 5 January 2009 to shareholders.

The Explanatory Memorandum contained a copy of an Independent Expert's Report dated 24 December 2008 from Ernst & Young Transaction Advisory Services Limited ("Ernst & Young"). Ernst & Young has issued a Supplementary Report, which accompanies this letter. In particular, Ernst & Young has provided further information about the fair value of Perilya and additional comments in respect of their analysis of the comparison of the value of a Perilya share implied by the CBH Bid with the issue price to Zhongjin Lingnan. I encourage you to read the enclosed letter from Ernst & Young together with the Notice of Meeting and Explanatory Memorandum (including the Independent Expert's Report).

Please note that the Supplementary Report does not change Ernst & Young's opinion that the transaction is not fair but that it is reasonable for a number of reasons that Ernst & Young have set out. In particular we note that the mid point of the assessed value of a Perilya share in the expanded capital post the proposed placement is 29 cents and that this assessed post placement value should be considered by Perilya shareholders when assessing the proposed placement. Page 12 of the Explanatory Memorandum refers to Ernst & Young's opinion and contains the following statement:

> "*Based on the trading prices of CBH's shares and Perilya's Shares since the announcement of the proposed Zhongjin Lingnan Transaction, the issue of the New Sshares to Zhongjin Lingnan is superior to the value being offered to Perilya Shareholders under the CBH Bid*".

Further, page 37 of the Explanatory Memorandum refers to Ernst & Young's opinion and contains the statement below:

> "*Based on the trading prices of CBH's shares and Perilya's Shares since the announcement of the proposed Zhongjin Lingnan Transaction, the issue of the New Shares to Zhongjin Lingnan is superior to the value being offered to Perilya Shareholders under the CBH Bid*".

The purpose of this letter is (a) to clarify what is meant by those statements: i.e. that Ernst & Young's opinion is that "... the price of the placement shares being paid by Zhongjin is superior to the value being offered to Perilya Shareholders under the CBH Bid" rather than implying that the proposed placement is a superior transaction and (b) to advise that the statements should be read together with the additional comments from Ernst & Young on pages 3 and 4 of the enclosed Supplementary Report.

Under the placement to Zhongjin Lingnan, Perilya shareholders will not receive any consideration and they will remain shareholders in Perilya. In the event the CBH offer was declared unconditional, CBH shares would be issued to Perilya shareholders who accepted the CBH offer and those Perilya shareholders would become shareholders in CBH. CBH's offer is subject to a minimum acceptance condition of 90% of Perilya shares.

For the reasons set out in the Notice of Meeting, Perilya directors continue to recommend that shareholders vote in favour of the proposed placement to Zhongjin Lingnan, as they believe that the proposed placement offers a materially better alternative to Perilya and its shareholders than the CBH offer.

For the reasons set out in its Target's Statement Perilya directors continue to recommend that shareholders do not accept the CBH offer.

Yours sincerely

Patrick O'Connor
Chairman

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19 January 2009

The Directors
Perilya Limited
First Floor, Block E
661 Newcastle Street
LEEDERVILLE WA 6007

Dear Sirs

Supplementary Independent Expert's Report in relation to the Proposed Issue of Shares to Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd

On 9 December 2008, Perilya Limited ("Perilya" or "the Company") announced that it had signed a share subscription agreement with Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd ("Zhongjin") ("the Share Subscription Agreement"), under which Zhongjin agreed to subscribe for 197,672,000 fully paid ordinary shares in Perilya ("the Placement Shares") at a price of 23 cents each ("Zhongjin Price"), for a total cash consideration of $45,464,560 ("the Proposed Transaction").

As a result of the Proposed Transaction, if it proceeds, Zhongjin will hold 50.1% of the expanded issued share capital of Perilya.

Under section 606 of the Corporations Act ("the Act") an entity is generally prohibited from increasing its interest in the voting shares of a listed company to greater than 20%. An exception to the prohibition is for the increase to be approved by shareholders of the company under item 7 of section 611 of the Act. Accordingly, approval from Perilya shareholders for the issue of the Placement Shares to Zhongjin under the Proposed Transaction is being sought pursuant to item 7 of section 611 of the Act.

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") was engaged by the directors of Perilya to prepare an independent expert's report, the purpose of which is to state whether or not, in our opinion, the issue of the Placement Shares to Zhongjin under the Proposed Transaction is fair and reasonable to the Company's shareholders not associated with the Proposed Transaction ("the Non-Associated Shareholders"). Our independent expert's report ("the IER") was dated 24 December 2008 and accompanied the Notice of Meeting and Explanatory Memorandum sent to Perilya's shareholders dated 5 January 2009. The opinion reached in the IER was that the issue of the Placement Shares to Zhongjin under the Proposed Transaction is not fair but reasonable. The key factors considered in forming this opinion are set out in the IER.

In this Supplementary Independent Expert's Report we provide further analysis and discussion in support of the conclusions expressed in the IER. We note however that the information referred to within this Supplementary Independent Expert's Report has no effect on the conclusions or opinion contained in the IER. Our opinion remains that the issue of the Placement Shares to Zhongjin under the Proposed Transaction is not fair but reasonable. Unless otherwise stated, we note that this further analysis is as at the date of the IER, being 24 December 2008, and we have not attempted to update our analysis for changes in market or economic conditions after that date. This report should be read in conjunction with the statements made in the IER.

Further analysis of Fair Value

In considering whether the Proposed Transaction is fair we valued Perilya on a fair market value basis, in the absence of the Proposed Transaction. As the price being paid by Zhongjin is below the assessed fair market value we concluded that the Proposed Transaction is not fair.

Australian Securities and Investment Commission Regulatory Guide 111 "Content of Expert Reports" also allows the independent expert to consider a control transaction such as the Proposed Transaction to be akin to a takeover transaction by assessing the value of the "target" (i.e. Perilya) as if the control transaction was successful.

Under this analysis, the value of the "consideration" would be taken to be the fair market value of Perilya assuming the Proposed Transaction proceeds and the value of the interest notionally being disposed of as being the fair market value of Perilya prior to the Proposed Transaction. If the fair value after the Proposed Transaction is greater than the fair value before, then the issue of the Placement Shares would be considered to be fair.

We consider the fair market value of a Perilya share in section 6.10 of the IER as being between 33 cents and 38 cents.

Our approach to assess the fair market value of a Perilya share after the Proposed Transaction is as follows:

- adjust the fair market value of Perilya before the Proposed Transaction (as referred to in section 6.10 of the IER) for the cash raised from the issue of the Placement Shares less expected transaction costs;
- adjust the number of shares on issue before the Proposed Transaction for the issue of the Placement Shares; and
- divide the adjusted fair market value of Perilya by the adjusted number of shares on issue to arrive at the fair market value per share after the Proposed Transaction.

Our calculation of the fair market value of a Perilya share after the Proposed Transaction is summarised in the table below:

Summary of Values ($000's)	Low	Mid	High
Fair market value per share before the Proposed Transaction ($)	**0.33**	**0.35**	**0.38**
Number of shares on issue	196,883	196,883	196,883
Fair Market Value of Perilya before the Proposed Transaction	65,544	69,836	74,130
Adjustments			
Cash raised frrom issue of the Placement Shares	45,465	45,465	45,465
Expected transaction costs	(950)	(950)	(950)
Fair Market Value of Perilya after the Proposed Transaction	110,059	114,351	118,645
Number of shares on issue	196,883	196,883	196,883
Issue of the Placement Shares	197,672	197,672	197,672
Total Number of shares on issue after the Proposed Transaction	394,555	394,555	394,555
Fair market value per share after the Proposed Transaction ($)	**0.28**	**0.29**	**0.30**

Source: Ernst & Young Transaction Advisory Services Analysis

As the fair market value per share after the Proposed Transaction of 28 cents to 30 cents is below the range of 33 cents to 38 cents in respect of the fair market value before the Proposed Transaction, this analysis indicates that the issue price of the Placement Shares to Zhongjin under the Proposed Transaction is not fair. This conclusion is consistent with our opinion in section 8.1 of the IER.

Additional Comments in Respect of Analysis Comparing the Value of a Perilya Share Implied by the CBH Bid with the Issue price of the Placement Shares

At the end of section 7.4 of the IER, we made the following statements:

> "Included below is an analysis comparing the value of a Perilya share implied by the CBH Bid with the issue price of the Placement Shares to Zhongjin. The analysis of CBH's and Perilya's share prices on the ASX are based on the volume weighted average price ("VWAP") for the day or days referred to. The "Implied Perilya" value represents the CBH VWAP multiplied by 4.2, reflecting the terms of the CBH Bid. The period of the analysis is the last trading day prior to the announcement of the Proposed Transaction, the day of the announcement and the four trading days post the announcement.

Comparison of CBH Bid and the Proposed Transaction	CBH VWAP (cents)	Implied Perilya (cents)	Perilya VWAP (cents)	CBH Bid Premium / (Discount)	Zhongjin Price (cents)	Zhongjin Premium / (Discount)
5 Dec 2008[1]	3.6	15.1	14.8	2.0%	23.0	55.4%
9 Dec 2008[2]	3.9	16.3	17.7	(7.9%)	23.0	29.9%
9 Dec to 19 Dec[3]	3.6	15.1	17.4	(13.2%)	23.0	32.2%

Notes:

1 - Last trading day before announcement of the Proposed Transaction with Zhongjin.

2 - Date of the announcement of the Proposed Transaction

3 - Details for the nine trading days from date of announcement

Ignoring the qualitative matters raised by the Directors of Perilya in the Target's Statement, the analysis shows that based on the trading prices of CBH's shares and Perilya's shares since the announcement of the Proposed Transaction, the price of the Placement Shares being paid by Zhongjin is superior to the value being offered to Perilya shareholders under the CBH Bid."

We make the following additional comments in respect to the above:

Update of Prices to 16 January 2009

Comparison of CBH Bid and the Proposed Transaction	CBH VWAP (cents)	Implied Perilya (cents)	Perilya VWAP (cents)	CBH Bid Premium / (Discount)	Zhongjin Price (cents)	Zhongjin Premium / (Discount)
9 Dec to 16 Jan 2009[1]	4.8	20.2	17.5	15.4%	23.0	31.4%

Notes:
1 - Details for the 26 trading days from date of announcement

The above table has been updated for prices to 16 January 2009. Under this analysis, the implied Perilya value under the CBH Bid is 20.2 cents which is less than the 23 cents to be paid by Zhongjin under the Proposed Transaction.

It must be noted that any analysis based on listed share prices is subject to market fluctuations. Any material movement in a company's underlying share price may have a material impact on the analysis being performed.

Differences between the Proposed Transaction and the CBH Bid in respect of Perilya post-transaction

While a comparison is made between the value offered under the CBH Bid and the Proposed Transaction relative to the trading prices of Perilya's shares, investors should be aware of the difference in nature between the CBH Bid and the Proposed Transaction.

The price being paid by Zhongjin is for new shares in the expanded Perilya (i.e. inclusive of the capital raised from the issue of the Placement Shares as detailed under the heading Further Analysis of Fair Value), whereas CBH's offer is for existing shares in Perilya. If Perilya shareholders accept the CBH Bid they will receive CBH shares in exchange for their Perilya shares and will become shareholders of CBH. CBH at that time will be reflective of a combined CBH/Perilya group. If Perilya shareholders accept the Proposed Transaction with Zhongjin they will continue as shareholders of Perilya, which will have additional cash reserves and Zhongjin as a 50.1% shareholder.

The Zhongjin Price of 23 cents per share will not be received by shareholders

The above table includes a comparison of the price being paid by Zhongjin for each new Perilya share to the Perilya VWAP. This consideration to be paid by Zhongjin will be received by Perilya and not by Perilya shareholders. In addition, the Zhongjin premium shown within the above table is based relative to Perilya's listed share price, and as such does not represent a premium to our assessed fair market value per share for Perilya. Further detail of our analysis of a premium for control is contained within section 7.7 of the IER.

Use of the Perilya VWAP as the Benchmark for Calculating a Premium or Discount

As set out throughout section 6 of the IER, in assessing the fair market value of a Perilya share, the primary methodology adopted to value Perilya's mineral assets was the discounted cash flow ("DCF") methodology. This methodology is our preferred valuation methodology due to its strong theoretical basis for businesses and assets with a finite life (such as mine operations). The DCF methodology generally requires the valuer to place reliance on the medium to long term projections of financial performance that are prepared and provided by management.

While this information was available to us in respect of the fair market valuation of Perilya, similar information was not available to us to value CBH for the purpose of assessing the implied Perilya value. Further the primary purpose of our report was to consider the Proposed Transaction involving Zhongjin and not to assess the CBH Bid which would have required more detailed valuation analysis.

As a result of the above limitations, a market based assessment using the VWAP calculation methodology was the only methodology that we practicably could adopt to assess the implied Perilya value. To ensure consistency and comparability, we have adopted the same methodology to set the benchmark (i.e. the Perilya VWAP) in calculating the relevant premium or discount in the table above.

Limitations on the Use of a Market Based Assessment Methodology

A market based assessment assumes that in an efficient and liquid market the price of listed shares incorporates all publicly available information relevant to the value of the share. Theoretically the share market is considered to represent an objective assessment of the fair market value of a listed entity on a minority interest basis where the market is fully informed and the volume of trading is considered to represent sufficient liquidity. If these conditions are not considered to prevail within the market, investors should be aware that share prices adopted for the purpose of the market based assessment may not necessarily be representative of the fair market value of the company. We note, for example that our assessed fair market value of Perilya exceeds recent share trading prices as set out in section 3.5 of the IER.

Conclusions Reached from the above analysis

As stated above, based on a relative comparison of Perilya's listed share prices (i.e. VWAPs) since the announcement of the Proposed Transaction to 19 December 2008 (and to 16 January 2009), the higher premium of the Zhongjin price to that implied by the CBH Bid indicates that the issue price of the Placement Shares being paid by Zhongjin is superior to the value being offered to Perilya shareholders under the CBH Bid. This statement must be taken in the context that it appears within the IER, in that the comparison between the Zhongjin price and that implied by the CBH Bid is only relevant for the assessment of whether the issue of the Placement Shares is reasonable. As indicated previously, we are of the opinion that the issue of the Placement Shares to Zhongjin under the Proposed Transaction is not fair but reasonable.

Other Matters

In section1.1 of the IER we made the following statement:

> "It is recognised in the Share Subscription Agreement that for as long as Zhongjin holds not less than 20% of the issued share capital of Perilya, it or any of its related entities must not acquire additional shares in the Company. An exception to this is by means of the *"3% every six months"* provision contained in item 9 of section 611 of the Corporations Act so as to maintain a relevant interest in no more than 52% of the shares on issue from time to time."

This statement should read:

> "It is recognised in the Share Subscription Agreement that so long as Zhongjin holds at least 20% of the issued capital in Perilya, it must not, and must procure that its Related Bodies Corporate (as defined under the Corporations Act) do not acquire shares in reliance on the *"3% every six months"* exception contained in item 9 of section 611 of the Corporations Act, save as to maintain a relevant interest in no more than 52% of the shares on issue from time to time."

Our opinion is made as at the date of the IER and, unless otherwise stated, reflects circumstances and conditions as at that date. The financial services guide attached to the IER continues to apply.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

Ken Pendergast
Director and Representative

Stuart Bright
Director and Representative