

ASX and Media Release

29 December 2008

ZHONGJIN UPDATE

Perilya Limited (ASX:PEM) today advised that major Chinese metal company Shenzhen Zhongjin Lingnan Nonfemet CO., LTD. (**Zhongjin Lingnan**) has advised that it has received all relevant Chinese Government approval to invest \$45.5 million in Perilya pursuant to the terms of a share placement agreement and that Perilya has received an initial payment of A\$10 million from Zhongjin Lingnan.

Key Points

- **Zhongjin Lingnan confirms receipt of relevant Chinese Government approval to invest in Perilya**
- **Zhongjin Lingnan confirms agreement to a share placement in Perilya at 23 cents per share to raise A\$45,464,560, subject to FIRB and Perilya Shareholder approval**
- **Perilya receives initial A\$10 million payment**
- **FIRB approvals are in progress**
- **An Extraordinary General Meeting of Perilya will be held in early February for Shareholders to approve the share placement to Zhongjin Lingnan**

Perilya is pleased to advise that it received the initial cash deposit of A\$10 million on 24 December, 2008 as part of the \$45.5 million share placement agreement reached with Zhongjin Lingnan, on 5 December 2008. The payment follows the completion of relevant Chinese Government approval for Zhongjin Lingnan to invest in Perilya. Under the terms of the agreement the deposit is refundable within 20 business days in the event the transaction conditions precedents, including relevant Chinese Government, FIRB and Perilya Shareholder approvals are either not satisfied or the share placement agreement is terminated. Under the terms of a further agreement with Zhongjin Lingnan, Perilya has agreed to sell its Mount Oxide Copper exploration asset for A\$15 million cash to Zhongjin Lingnan, should Perilya be unable to repay the deposit of A\$10 million as a result of a failure of the conditions precedent or termination (Mount Oxide Call Option Deed). Accordingly, Zhongjin Lingnan may set off the amount payable under the Mount Oxide Call Option Deed against the initial deposit if the Zhongjin Lingnan share placement is not completed.

Perilya shareholder approval for the \$45.5 million share placement to Zhongjin Lingnan will be sought in an extraordinary general meeting, currently scheduled for early 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 share placement and will include an Independent Expert's Report that will opine on whether the share placement is fair and reasonable and in the best interest of Perilya shareholders, given all other alternatives currently available to Perilya.

FIRB approval process has commenced with representatives of both Perilya and Zhongjin Lingnan having met with FIRB officers.

CBH BID CONDITIONS

The share placement agreement and the subsequent agreement over the Mount Oxide Copper exploration project may breach a number of CBH's Bid Conditions, potentially entitling CBH to withdraw its takeover bid, whether or not the share placement to Zhongjin Lingnan is approved.

Notwithstanding this, Perilya considers there are clear commercial advantages for the Company and Shareholders by the Company entering into the share placement agreement and Mount Oxide Call Option Deed, so that Shareholders are given an opportunity to consider the proposed transaction, as an alternative to the CBH Bid.

BACKGROUND TO ZHONGJIN LINGNAN AND SHARE PLACEMENT AGREEMENT AS ANNOUNCED ON 9 DECEMBER 2008

On 9 December 2008, Perilya and Zhongjin Lingnan announced that subject to Perilya shareholders' and regulatory approvals, Zhongjin Lingnan 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.

The terms of the agreement reached, included the restructure of the Perilya Board to allow for a new Board with Zhongjin Lingnan representatives appointed as Directors. Patrick O'Connor, current Non-Executive Chairman of Perilya will retain his role as a non-executive Director and Paul Arndt will continue as Managing Director and Chief Executive Officer.

Full details on the agreement are set out in the Company's announcement on 9 December 2008.

The watershed agreement with Zhongjin Lingnan will leave Perilya extremely well placed to withstand the current commodity price environment, and to pursue growth options if they arise.

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 had a market capitalisation of CNY8.6 billion (A\$1.9 billion) as at 4 December 2008.

ENDS

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