# ASX and Media Release

8 January 2009

## RESPONSE TO CBH'S 7 JANUARY ASX RELEASE

Perilya (ASX:PEM), the New South Wales zinc and lead miner, has today formally responded to CBH and its lawyers regarding CBH's ASX release of 7 January.

Perilya has a number of concerns with CBH's 7 January announcement. Perilya has also today formally raised these concerns with ASX and ASIC.

In response to press speculation following CBH's recent announcement Perilya confirms it is in compliance with ASX Listing Rules.

The Board of Perilya continue to recommend to shareholders to support the superior alternative Zhongjin Lingnan transaction and to reject CBH's unsolicited offer.

Perilya's Managing Director, Paul Arndt, said "We recognise CBH is competing against a superior proposal and that certain statements made by CBH must be read in that context. We will however, deal with them in the appropriate manner for the best interests of Perilya's shareholders."

"As previously advised, the Board and management's view is that the Zhongjin Lingnan transaction is a superior alternative cash proposal to CBH's all-scrip offer at a time of global economic uncertainty."

"This view is supported by the Independent Expert, Ernst & Young, who has concluded after consideration of a number of significant factors, that the proposed share placement to Zhongjin Lingnan is 'not fair but reasonable'. The Independent Expert's Report has further cited the superiority of Zhongjin Lingnan's proposal to inject $45.5 million cash into Perilya in exchange for Perilya shares, is preferable to the all-scrip offer from CBH."

"The transaction with Zhongjin Lingnan is cash-based and will support the other measures Perilya has taken in the past year to ensure the Company is well-positioned to weather a prolonged period of low metal prices."

"Importantly, Zhongjin Lingnan's placement will leave Perilya with a strong cash position and no corporate debt," Mr Arndt said.

By contrast, CBH's offer:

- does not deliver immediate or certain cash to the Company, to help during a period of prolonged low metal prices;
- does not deliver any clear operational synergies to Perilya in the current low metal price environment. Perilya notes press speculation that CBH will if the merger proceeds, further reduce production at Perilya's Broken Hill Operation and not proceed with the development of Rasp until metal prices improve. Perilya has sought clarification on this media speculation from CBH.

- does not guarantee repayment of CBH's corporate debt of approximately $147.9 million, thereby exposing Perilya shareholders to increased financial leverage and associated servicing costs;
- does not provide certainty on the sustainability of CBH's operations. Perilya notes that CBH's cash position has deteriorated from $66 million at 2 December 2008 to $56 million at 31 December 2008, equating to a cash burn rate of approximately $6 – 10 million per month. Perilya's Directors remain concerned that CBH may itself be required to raise additional capital in the near future;
- does not provide sufficient transparency around CBH's current financial position and operating performance since 30 June 2008, providing only 30 June 2008 financial information to the market. Perilya advises that it has again called on CBH to clarify its own financial position, which CBH has previously advised it will do in February 2009 pursuant to an undertaking given by CBH to the Takeovers Panel; and
- does not attribute appropriate consideration to Perilya shareholders to reflect Perilya's significantly larger production contribution to the combined group – Perilya shareholders would receive only 48.5% of the combined group, despite currently producing 950,000 tones of ore per annum, more than twice the production of CBH's Endeavor operation, which is producing at 420,000 tonnes per annum.

Perilya also notes that CBH has not reported any acceptances of their offer to date, which has now been open for one month.

"Given the current debt position of CBH, a merger with CBH would move Perilya into a net debt position with significant interest payments, during a time of depressed metal prices and volatile markets," Mr Arndt added.

Perilya's Board has considered both alternatives and found no compelling financial or operational logic for merging Perilya and CBH at current metal prices. While the merger could save CBH around $70 million, if Rasp proceeds, CBH have failed to demonstrate in its Bidder's Statement how a merger would benefit Perilya shareholders.

"CBH's interest in Perilya is a reflection of the inherent strength and value of Perilya's Broken Hill Operations."

"We believe Zhongjin Lingnan will be a strategic long-term partner, bringing a wealth of mining, processing, smelting and marketing experience to Perilya and one who is committed to the long-term development of Perilya's assets, all of which makes them a worthy and ideal partner," Mr Arndt concluded.

Perilya's proposed placement of shares to Zhongjin Lingnan is subject to shareholder approval at an Extraordinary General Meeting to be held on 5 February 2009 and Foreign Investment Review Board approval. In the absence of a superior proposal (which clearly CBH's offer is not), the Board continues to unanimously support and recommend the proposed transaction with Zhongjin Lingnan in the firm belief that 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 and to REJECT CBH's highly conditional offer.

ENDS

Inquiries:
Paul Marinko
Company Secretary
+61 8 6330 1000

Investors:
Paul Arndt
Managing Director
+61 8 6330 1000

Patrick O'Connor
Non-Executive Chairman
+61 8 6330 1000

Media:
Warrick Hazeldine
Purple Communications
+61 8 9485 1254
0417 944 616