

ASX and Media Release

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PERILYA LOWERS CASH COSTS OF PRODUCTION VIA THE TERMINATION OF SILVER SALE AGREEMENT WITH COEUR d'ALENE, PERMITTING SILVER SALES INTO SPOT MARKET

Key Points

- Perilya signs agreement with CDE Australia Pty Ltd (“CDEA”) and Coeur D’Alene Mines Corporation (“Coeur”) terminating Perilya’s obligations to deliver a further 11.2 million ounces (approximately) of silver under the Silver Sale Agreement between the parties executed in 2005.
- The payment to extinguish the agreement of US\$55 million will enable Perilya to sell those previously committed ounces into the spot market. The 11.2 million ounces have a face value of approximately US\$145 million (basis US\$13.00/oz).
- The transaction will further underpin the viability of the Broken Hill operations, with the additional silver credits expected to reduce cash operating costs (C1) by approximately US\$0.10-US\$0.12 per pound of payable zinc at current silver price and USD/AUD exchange rates.
- The transaction is strongly cashflow and earnings accretive for Perilya at current silver prices and rates of production.
- The increase in future cashflow and profitability that this transaction produces will also enable Perilya to re-assess the potential of mining high silver grade deposits in the region, including North Mine, Potosi and the North Mine Deeps projects.
- The transaction is further demonstration of the strength of the partnership with Shenzhen Zhongjin Lingnan Nonfermet Co. Ltd (“Zhongjin Lingnan”) who have facilitated the financing of the transaction.

Perilya Limited (ASX:PEM) today announced it has entered into a deed of termination with CDE Australia Pty Ltd (**CDEA**) and Coeur d’Alene Mines Corporation (**Coeur**) pursuant to which Perilya is released from the obligation to deliver a further 11.2 million ounces of silver to CDE under the 2005 Silver Sale Agreement from its tenements in and around Broken Hill. The consideration to be paid by Perilya for the termination is US\$55 million with the termination being effective on and from 1 July, 2009.

Upon completion of the termination deed, CDEA and Coeur will release all securities registered against Perilya and its mining tenements in Broken Hill.

As previously announced, on 8 September 2005 Perilya Broken Hill Limited (**PBH**) entered into a Sale Agreement with CDEA and Coeur, under which PBH agreed to sell 17.2 million ounces of silver product (which includes all silver in the form of ore or concentrate) to CDEA for US\$36 million plus US\$2.00/oz (C.P.I. adjusted) on every ounce sold thereafter (up until

the completion of the agreement). To date, Perilya has delivered approximately 6 million ounces of silver product to CDEA under the agreement.

At the time of the original transaction, the funds raised from the sale of the silver were crucial in allowing Perilya to fund the development of its zinc and lead mining operations at Broken Hill.

The freeing up of the silver product for Perilya will have a significant impact on reducing the cash costs of production by way of vastly improved silver credits. The reduction of cash costs (C1) of production will be in the order of US\$0.10/lb-US\$0.12/lb (at current silver price and USD/AUD exchange rates).

This reduction in cash costs will help underpin the viability of mining operations at Broken Hill. In addition, the increase in future cashflow and profitability that this transaction produces will enable Perilya to re-assess the potential of mining the higher grade silver deposits on Perilya's Broken Hill tenements including the North Mine, Potosi and North Mine Deeps.

Perilya currently produces approximately 1.4 to 1.6 million ounces of payable silver a year. At current rates of production and silver spot prices, the payback period for the purchase price is less than four years. Any increase in production rate will further reduce the payback period from the purchase.

The termination of the Silver Sale Agreement has been funded by an unsecured credit facility provided by the Bank of China to Perilya in the amount of US\$50 million, with the balance being paid out of Perilya's cash reserves. The funds are being provided via a guarantee facility granted by Zhongjin Lingnan to the Bank of China. The facility is not secured over any of the assets of Perilya.

The facility is a rolling 12 month facility which may be extended for a further two years at Perilya's option.

The facility has been provided at highly competitive rates, which are superior to what Perilya could achieve in the absence of Zhongjin Lingnan's support. The total costs of funding to Perilya, including bank and facility fees, margin and the guarantee fee payable to Zhongjin Lingnan in aggregate comprises less than 3% plus LIBOR p.a. (basis is three month LIBOR).

In line with the Company's Financial Risk Management policy, Perilya will continue to assess the silver price and, if considered appropriate, look to put in place price protection during the expected term of the debt facility whilst maintaining long term spot silver price exposure.

Perilya Managing Director, Paul Arndt, said *"the agreement represents a significant opportunity for Perilya which further places the Broken Hill Operations on a fundamentally stronger footing and enables us to vigorously pursue expansion opportunities whilst receiving full credit for the suite of metals we mine."*

“The transaction would not have been possible without the support of our major shareholder, Zhongjin Lingnan and further underlies the benefit of the relationship with Zhongjin Lingnan, which flow to all Perilya shareholders.” Mr. Arndt said.

Mr. Zhang Shujian, Perilya’s Chairman and President of Zhongjin Lingnan, added: *“that this transaction reinforces Zhongjin Lingnan’s commitment to Perilya and demonstrates its faith in the long term future of the Broken Hill mine.”*

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About Perilya

Perilya Limited is an Australian base metals mining and exploration company. Perilya is the operator of the Broken Hill zinc, lead, silver mine in NSW and the Flinders zinc silicate project in South Australia.

The Company's operations at the iconic Broken Hill mine have recently been resized in a bid to improve productivity and to ensure operations are sustainable in the event of a prolonged period of low metal prices.

The Company continues to sell zinc silicate from its Beltana stockpiles in South Australia and evaluating development of nearby deposits including the Reliance deposit.

The Company is reviewing options for the development of the Mount Oxide Copper and Cobalt Project in the Mount Isa region in Queensland.

Perilya is owned 50.1% by Shenzhen Zhongjin Lingnan Nonfermet Co. Ltd. (China's third largest zinc producer).

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

About 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 has a market capitalisation of approximately CNY21.6 billion (A\$4 billion).

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