

## ASX Release

11 September 2008

### Sale of Mount Oxide Copper Project into a Separate and Focussed Exploration Company

Perilya Limited (ASX:PEM) today reported that it had entered into a Heads of Agreement with Chalice Gold Mines Limited (ASX:CHN) for Chalice to acquire 100% of Perilya's interest in the Mount Oxide copper and cobalt project located in the Mt Isa region in northern Queensland.

Under the terms of the agreement, Perilya will receive 200 million shares in Chalice and through this shareholding in Chalice, Perilya shareholders retain a 73% interest in the Mount Oxide project.

Following completion of the sale and a review of Perilya's capital management requirements for the resized Broken Hill Operation, a prudent capital management strategy will be initiated with a view to identifying the best way of maximising and returning value directly to Perilya shareholders.

Perilya's Executive Chairman, Patrick O'Connor said, that the spin-off of the Mount Oxide project into a separate focussed exploration company is an important step in delivering value to shareholders.

"The Board is of the opinion that there is significant unrecognised value in Mount Oxide, particularly having regard Perilya's share price, the recent drilling results at Mount Oxide and the high prospectivity of the project as a stand-alone operation," Mr O'Connor stated.

"By separating the Mount Oxide copper assets from the zinc and lead assets of Broken Hill, via the sale of copper assets to Chalice, the trading price of both Perilya and Chalice may in time closer approximate the underlying asset values."

"The depressed zinc and lead prices have overshadowed the valuation of Perilya's copper assets and other non-core assets. The Board is of the view that the spin off of the Mount Oxide project will facilitate the pursuit of opportunities for both companies going forward, ultimately affording shareholders a greater opportunity to realise the full potential of the Mount Oxide project in future."

"The transaction will position Perilya to focus on its zinc and lead assets at Broken Hill and Flinders and allow management to continue to concentrate their efforts more effectively in positioning the Broken Hill Operation to remain financially viable during these times of depressed zinc and lead prices and in pursuing opportunities to take advantage of any up turn in metal prices."

"Chalice is in a strong financial position to complete the current drilling program and resource upgrade and has a highly capable and focussed team to carry forward the Mount Oxide project," Mr O'Connor concluded.

The acquisition of Perilya's Mount Oxide project by Chalice and the issue of the Chalice shares in consideration is subject to certain conditions precedent, including mutual due diligence, Chalice shareholder and other regulatory approvals. Further details on the transaction will be provided in due course.

#### For further information:

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Company Secretary

## Sale of Mount Oxide Copper Project into a Separate and Focussed Exploration Company

The Boards of Perilya Limited and Chalice Gold Mines Limited have today executed a binding Heads of Agreement for the sale and purchase of Perilya's Mount Oxide copper and cobalt project located in the Mt Isa Region in northern Queensland.

The agreement follows an extensive process in which Perilya called for expressions of interest from a number of Australian and overseas parties to participate in the further development of the Mount Oxide project. The proposal from Chalice was ultimately considered by the Perilya Board to be the best offer that delivers value to Perilya shareholders and provides shareholders with ongoing exposure to the asset.

The proposed sale for a consideration of \$25 million, involves the issue of 200 million shares by Chalice to Perilya in consideration for Perilya's Mount Oxide copper and cobalt project and an option to acquire Perilya's 50% interest in the Tampang copper and gold project in Sabah, Malaysia. (Each Chalice share issued in consideration of the purchase will be issued at its current cash-backed share price of 12.5 cents per share).

The Board and management of Chalice are well positioned with the financial resources to clearly focus on the development of the Mount Oxide and Tampang projects.

The sale and purchase is subject to satisfactory mutual due diligence prior to 30 September 2008. As part of the due diligence process and approvals process, Chalice will engage an independent expert to consider whether the transaction is fair and reasonable to Chalice shareholders. The sale of the Mount Oxide project to Chalice is also conditional upon several matters including Chalice shareholders' and regulatory approvals. On completion, two Perilya nominated directors are to be appointed to the Chalice Board.

Perilya expects that documents to effect the purchase by Chalice will be despatched to Chalice shareholders by mid October to consider the proposed transaction. Subject to Chalice shareholder and other regulatory approvals, it is expected that the proposed transaction will be completed in mid November.

It is expected that some members of Perilya's existing team of geologist and support personnel engaged on the Mount Oxide project will be offered positions with Chalice, to continue the excellent work they have completed to date and to bring the project to development.

The current drilling program at Mount Oxide, which will continue until the end of November 2008, will be funded by Perilya to 30 September 2008 and thereafter by Chalice (subject to completion of the transaction). Further drilling results continue to intercept visible high grade mineralisation, with a number of results pending.

As a further condition of the sale, Perilya has agreed that for the period in which it holds Chalice shares, other than for the following matters, it will not exercise votes over Chalice shares in excess of 10% of the total issued share capital of Chalice:

- (i) an acquisition or disposal of an asset in excess of 10% of the net assets of Chalice as shown in its most recent balance sheet lodged with ASX under a requirement of ASX's Listing Rules;
- (ii) a disposal of Chalice's main undertaking;
- (iii) any amendment to Chalice's constitution, return or variation of its capital or issue of shares exceeding 15% of its capital;
- (iv) any other act or matter that would result in a change of control in Chalice and whether directly or indirectly from that existing as at completion of the purchase of the Mount Oxide project; or
- (v) an application for winding-up or substantial reorganisation.

Chalice will apply to the ASX for a waiver in relation to ASX Listing Rule 9.1.3 to enable Perilya to receive the Chalice shares free of ASX escrow restrictions (which would otherwise restrict dealing in the Chalice shares for a period of one year).

### **Capital Management and Outlook**

The capital requirements for the Mount Oxide project are supported by Chalice's strong balance sheet, with approximately \$10 million in cash available for the further development of the Mount Oxide project. Accordingly, Perilya's balance sheet and capital requirements going forward will be solely focussed on the Broken Hill and Flinders zinc, lead and silver assets.

Following the completion of the sale of the Mount Oxide assets, the Perilya Board will undertake a review of its, its shareholding in Chalice, its non-core assets and any surplus capital. After assessing the capital needs of the resized Broken Hill Operation a prudent capital management program will be initiated.

### **Information on Chalice**

Chalice Gold Mines Limited is an independently funded and focused exploration, development and investment company. Chalice Gold's key assets comprise, cash of approximately \$10 million, deferred receivables, and exploration projects in the West Pilbara, Laverton and Murchison regions of Western Australia.

The Board of directors of Chalice currently comprise:

Andrew Bantock (Non-executive Chairman)

Timothy Goyder (Executive Director)

Anthony Kiernan (Non-executive Director)

Further information on Chalice can be found on [www.chalicegold.com](http://www.chalicegold.com)