

PERILYA LIMITED SCHEME MEETING – CHAIRMAN’S ADDRESS

DEAR PERILYA SHAREHOLDERS,

BACKGROUND TO THE SCHEME

ON 4 SEPTEMBER 2013, PERILYA LIMITED (**PERILYA**) ANNOUNCED THAT IT HAD SIGNED A SCHEME IMPLEMENTATION AGREEMENT WITH ZHONGJIN LINGNAN MINING (HK) COMPANY LIMITED (**ZHONGJIN**), A WHOLLY OWNED SUBSIDIARY OF SHENZHEN LINGNAN NONFEMET CO LTD, UNDER WHICH IT IS PROPOSED THAT ZHONGJIN WILL ACQUIRE THE BALANCE OF THE ORDINARY SHARES IN PERILYA THAT IT DOES NOT ALREADY OWN BY WAY OF COURT APPROVED SCHEME OF ARRANGEMENT (**SCHEME**).

IF THE SCHEME IS IMPLEMENTED, PERILYA SHAREHOLDERS WILL RECEIVE \$0.35 CASH FOR EACH PERILYA SHARE HELD AT THE SCHEME RECORD DATE OF 16 DECEMBER 2013. IT IS ANTICIPATED THAT THE SCHEME CONSIDERATION WILL BE PAID ON OR ABOUT THURSDAY 19 DECEMBER 2013.

IF THE SCHEME IS APPROVED TODAY, PERILYA WILL SEEK THE FINAL APPROVAL OF THE FEDERAL COURT OF AUSTRALIA AT A HEARING SCHEDULED FOR MONDAY 9 DECEMBER 2013.

THE SCHEME BOOKLET WHICH HAS BEEN MAILED TO SHAREHOLDERS PROVIDES A DETAILED OVERVIEW OF THE SCHEME.

SCHEME PROCESS

IMPLEMENTATION OF THE SCHEME REQUIRES A NUMBER OF CONDITIONS, SET OUT IN THE SCHEME BOOKLET, TO BE SATISFIED. I AM PLEASED TO REPORT THAT ALL OF THIRD PARTY APPROVALS HAVE NOW BEEN OBTAINED EXCEPT FOR SHAREHOLDER APPROVAL WHICH WE ARE SEEKING AT THE MEETING TODAY AND CERTAIN CONDITIONS RELATING TO THE APPROVAL OF THE FEDERAL COURT OF AUSTRALIA (WHICH MAY ONLY OCCUR SUBSEQUENT TO SHAREHOLDER APPROVAL BEING OBTAINED AT TODAY’S MEETING).

THE KEY CONDITIONS THAT REMAIN OUTSTANDING ARE AS FOLLOWS:

- THE SCHEME MUST BE APPROVED BY A MAJORITY IN NUMBER OF PERILYA'S SHAREHOLDERS NOT ASSOCIATED WITH ZHONGJIN (**NON-ASSOCIATED SHAREHOLDERS**) VOTING AT THIS SCHEME MEETING (WHETHER IN PERSON OR BY PROXY, ATTORNEY OR CORPORATE REPRESENTATIVE), WHO MUST TOGETHER HOLD AT LEAST 75% OF THE VOTES CAST ON THE RESOLUTION; AND
- SECONDLY, THE FEDERAL COURT OF AUSTRALIA MUST APPROVE THE SCHEME FOLLOWING APPROVAL BY PERILYA'S NON-ASSOCIATED SHAREHOLDERS. THE SECOND COURT HEARING FOR THE SCHEME IS SCHEDULED FOR MONDAY, 9 DECEMBER 2013, SUBJECT TO THE SCHEME FIRST BEING APPROVED AT THIS SCHEME MEETING.

INDEPENDENT EXPERT'S REPORT

TO ASSIST SHAREHOLDERS IN MAKING A DECISION ON THE PROPOSED SCHEME, YOUR BOARD APPOINTED ERNST & YOUNG TRANSACTION ADVISORY SERVICES LIMITED AS THE INDEPENDENT EXPERT TO CONSIDER THE SCHEME AND PROVIDE AN OPINION AS TO WHETHER OR NOT IT IS IN THE BEST INTERESTS OF PERILYA'S NON-ASSOCIATED SHAREHOLDERS.

AS PUBLISHED IN THE SCHEME BOOKLET, THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE PROPOSED SCHEME IS FAIR AND REASONABLE AND IS THEREFORE IN THE BEST INTERESTS OF PERILYA'S NON-ASSOCIATED SHAREHOLDERS, IN THE ABSENCE OF A SUPERIOR PROPOSAL.

THE INDEPENDENT EXPERT HAS ASSESSED THE VALUE OF PERILYA SHARES AT BETWEEN \$0.20 AND \$0.38 PER SHARE. THE SCHEME CONSIDERATION OF \$0.35 PER SHARE FALLS WELL WITHIN THIS RANGE.

INDEPENDENT DIRECTOR'S RECOMMENDATION

YOUR INDEPENDENT DIRECTORS WHO ESTABLISHED AN INDEPENDENT SUB-COMMITTEE OF THE BOARD FOLLOWING RECEIPT OF ZHONGJIN'S INITIAL INDICATIVE AND NON-BINDING PROPOSAL TO ACQUIRE 100% OF PERILYA BY SCHEME OF ARRANGEMENT (NAMELY, PAUL ARNDT, ANNA LICIA AND MYSELF) HAVE FORMED THE VIEW THAT THE

SCHEME IS IN THE BEST INTERESTS OF PERILYA'S NON-ASSOCIATED SHAREHOLDERS AND UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME.

THE REASONS FOR THIS RECOMMENDATION ARE SET OUT IN FULL IN THE SCHEME BOOKLET, BUT, IN SUMMARY, THOSE REASONS ARE AS FOLLOWS:

- THE SCHEME CONSIDERATION OF \$0.35 PER SHARE REPRESENTS A SIGNIFICANT PREMIUM TO THE TRADING PRICES OF PERILYA SHARES ON THE ASX PRIOR TO THE ANNOUNCEMENT OF THE PROPOSED SCHEME.
- THE SCHEME CONSIDERATION PROVIDES YOU WITH CERTAINTY OF VALUE FOR YOUR PERILYA SHARES IN AN UNCERTAIN ECONOMIC ENVIRONMENT.
- THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE PROPOSED SCHEME IS FAIR AND REASONABLE, AND THEREFORE IN THE BEST INTERESTS OF PERILYA'S NON-ASSOCIATED SHAREHOLDERS, IN THE ABSENCE OF A SUPERIOR PROPOSAL.
- SINCE THE ANNOUNCEMENT OF THE SCHEME, NO SUPERIOR PROPOSAL TO ACQUIRE PERILYA HAS EMERGED.
- IF THE SCHEME IS NOT IMPLEMENTED, PERILYA'S SHARE PRICE IS LIKELY TO TRADE AT LEVELS BELOW CURRENT TRADING LEVELS (AND THE SCHEME CONSIDERATION) MORE IN LINE WITH PERILYA'S TRADING PRICE PRIOR TO ANNOUNCEMENT OF THE SCHEME.
- IF THE SCHEME DOES NOT PROCEED, PERILYA SHAREHOLDERS WILL CONTINUE TO BE SUBJECT TO THE RISKS ASSOCIATED WITH PERILYA'S BUSINESS AND GENERAL MARKET RISKS, INCLUDING THE RISK OF PERILYA UNDERTAKING A DILUTIVE EQUITY CAPITAL RAISING.
- SHAREHOLDERS WILL NOT INCUR ANY BROKERAGE OR STAMP DUTY IN CONNECTION WITH THE SCHEME.

PERILYA'S MANAGING DIRECTOR, MR PAUL ARNDT, IS THE ONLY INDEPENDENT DIRECTOR WHO HOLDS PERILYA SHARES AND INTENDS TO VOTE ALL SHARES IN WHICH HE HAS A RELEVANT INTEREST IN FAVOUR OF THE SCHEME AT THE SCHEME MEETING TODAY.

IT IS FOR THESE REASONS THAT THE INDEPENDENT DIRECTORS OF PERILYA URGE YOU TO VOTE IN FAVOUR OF THE RESOLUTION TO APPROVE THE SCHEME.

FURTHER INFORMATION ON THE ADVANTAGES AND DISADVANTAGES OF THE SCHEME IS SET OUT IN THE SCHEME BOOKLET THAT WAS MAILED TO SHAREHOLDERS, COPIES OF WHICH ARE AVAILABLE AT THE BACK OF THIS ROOM.

YOURS SINCERELY,

A handwritten signature in blue ink, appearing to read 'P. O'Connor', with a long horizontal stroke extending to the right.

PATRICK O'CONNOR

PERILYA LIMITED

CHAIRMAN OF SCHEME MEETING