



Perilya Limited
ABN: 85 009 193 695

annual general meeting

PERTH / 30 MAY 2013

The Perilya Limited Annual General Meeting will be held at the Conference Suite, Level 8, Exchange Plaza Building, Perth Western Australia, on Thursday 30 May 2013, commencing at 10.30 am (Perth time), with registration from 10.00 am. The following documents relate to the AGM:

- Notice of Meeting for the AGM, including Explanatory Statement;
- Notice of how to access a copy of the Company's electronic annual financial report for the period ended 31 December 2012; and
- Proxy Form and return envelope.

If you are attending the AGM in Perth and have not lodged a Proxy Form, please bring the Proxy Form with you to assist with registration.

If you are not attending the AGM in Perth, you can lodge a completed Proxy Form by returning it in the enclosed envelope or alternatively by facsimile.

Please be aware that the Proxy Form needs to be received by the Perilya Share Registrar by no later than 10.30 am (Perth time) on 28 May 2013. Further details on lodging your Proxy Form can be found on the reverse side of the Proxy Form.

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Notice of how to access a copy of the Company's electronic Annual Financial Report for the period ended 31 December 2012

Perilya has adopted regulations that enable it to no longer distribute a hard copy annual financial report, unless a shareholder elects to continue to receive a hard copy.

In accordance with the Corporations Act, Perilya advises that a copy of the Company's Annual Financial Report for the period ended 31 December 2012 is available on the Perilya website, www.perilya.com.au/investor-information/company-reports. When you access the Company's Annual Financial Report on-line, you can view it, search for specific information and print a copy of the Annual Financial Report.

Please note that if you have elected to continue to receive a hard copy of the Company's Annual Financial Report, it will be mailed to you no later than 21 days before the Annual General Meeting.

However, if you did not elect to continue to receive a hard copy of the Company's Annual Financial Report and now (or sometime in the future) wish to receive a hard copy of the Company's Annual Financial Report, then please contact the Perilya Share Registrar on +61 8 9323 2000. They will be pleased to mail you a copy.

notice of annual general meeting

The Annual General Meeting of Perilya Limited will be held at the Conference Suite, Level 8, Exchange Plaza Building, Perth Western Australia, on Thursday 30 May 2013 at 10.30 am (Perth time).

Terms used in this Notice and Explanatory Statement are defined in the glossary to this document.

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered at the Annual General Meeting.

agenda

Ordinary business

Annual Financial Statements

To receive and consider the annual financial statements, the directors' report and the audit report of Perilya for the financial year for the period ended 31 December 2012.

1. Resolution 1 - Adoption of the Remuneration Report (non-binding resolution)

To consider and, if thought fit, to pass the following resolution as a **non-binding resolution**:

"That for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, the Company adopt the annual remuneration report as set out in the directors' report for the financial year for the period ended 31 December 2012."

Voting exclusion: The Company will disregard any votes cast on Resolution 1 by any member of the Key Management Personnel of the Company whose remuneration is included in the Remuneration Report, or a closely related party of such member. However, the Company will not disregard any votes cast on Resolution 1 by such person if:

- (a) the person is acting as proxy and the Proxy Form specifies how the proxy is to vote on the Resolution, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chairman of the Meeting voting an undirected proxy and their appointment expressly authorises the Chairman to exercise the proxy even though Resolution 1 is connected with the remuneration of the Key Management Personnel of the Company.

If you are a member of the Key Management Personnel of the Company or a closely related party of such person (or are acting on behalf of any such person) and purport to cast a vote (other than as a proxy as permitted in the manner set out above), that vote will be disregarded by the Company (as indicated above) and you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.

2. Resolution 2 – Re-election of Mr Patrick O'Connor

To consider, and if thought fit to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That Mr Patrick O'Connor, being a director who retires in accordance with rule 3.6 of the Constitution, and, being eligible, is re-elected as a Director."

3. Resolution 3 - Approval to issue performance rights to Mr Paul Arndt

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

"That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 1,405,263 performance rights to Mr Paul Arndt (or his nominee) under the Perilya Long Term Incentive Plan (LTIP), as detailed in the Explanatory Statement accompanying this Notice of Annual General Meeting."

Voting exclusion: Refer to the voting exclusion for Resolutions 3 and 4.

4. Resolution 4 - Approval to issue performance rights to Mr Minzhi Han

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

“That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 580,395 performance rights to Mr Minzhi Han (or his nominee) under the Perilya Long Term Incentive Plan (LTIP), as detailed in the Explanatory Statement accompanying this Notice of Annual General Meeting.”

Voting exclusion for Resolutions 3 and 4: The Company will disregard any votes cast on Resolutions 3 or 4 by a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any person associated with that Director. However, the Company will not disregard any votes cast on Resolutions 3 or 4 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Company will disregard any votes cast on Resolutions 3 or 4 by any member of the Key Management Personnel of the Company, or a closely related party of such member, acting as proxy if their appointment does not specify the way the proxy is to vote on Resolutions 3 or 4. However, the Company will not disregard any votes cast on Resolutions 3 or 4 by such person if:

- (a) the person is acting as proxy and the Proxy Form specifies how the proxy is to vote on the Resolution, and the vote is not cast on behalf of a person who is otherwise excluded from voting on the Resolution as described above; or
- (b) the person is the Chairman of the Meeting voting an undirected proxy and their appointment expressly authorises the Chairman to exercise the proxy even though Resolutions 3 or 4 (as applicable) is connected with the remuneration of the Key Management Personnel of the Company.

If you are a member of the Key Management Personnel of the Company or a closely related party of such person (or are acting on behalf of any such person) and purport to cast a vote (other than as a proxy as permitted in the manner set out above), that vote will be disregarded by the Company (as indicated above) and you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.

notes

These notes form part of the Notice of Annual General Meeting.

Voting Entitlements

The Directors have determined that, for the purpose of voting at the Meeting, members eligible to vote at the Meeting are those persons who are the registered holders of Shares at 5.00 pm (Perth time) on 28 May 2013.

How to vote

You may vote by attending the Meeting in person, by proxy, or by an authorised representative.

Voting in person

To vote in person, attend the meeting on the date and at the place set out above. Members are asked to arrive at the venue 30 minutes prior to the time designated for the Meeting, if possible, so that the Company may check their shareholding against the Company's share register and note attendances.

Voting by proxy

A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. A proxy can be an individual or a body corporate. A body corporate appointed as a shareholder's proxy may appoint a representative to exercise any of the powers the body corporate may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

If a shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise.

To vote by proxy, the Proxy Form (together with the original of any power of attorney or other authority, if any, or certified copy of that power of attorney or other authority under which the proxy is signed) must be received at the Share Registrar of Perilya no later than 10.30 am (Perth time) on 28 May 2013 (Proxy Forms received after that time will be invalid). Proxy Forms must be received before that time via the following methods:

By Post: Computershare Investor Services Pty Limited
GPO Box 242
Melbourne, Victoria 3001

By Facsimile: (within Australia) 1800 783 447

By Facsimile: (outside Australia) +61 3 9473 2555

Corporate representatives

A body corporate may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company and/or the Company's Share Registrar, Computershare Investor Services, before the Meeting or at the registration desk on the day of the Meeting. Certificates of appointment of corporate representatives are available at www.computershare.com or on request by contacting Computershare Investor Services on telephone number +61 1300 557 010.

Enquiries

Shareholders are invited to contact the Company Secretary, Paul Marinko, on +61 8 6330 1000 if they have any queries in respect of the matters set out in these documents.

By order of the Board



Paul Marinko
Company Secretary

Dated: 19 April 2013

The Notice of Annual General Meeting, Explanatory Statement and Proxy Form should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

explanatory statement

This Explanatory Statement and all attachments are important documents. They should be read carefully. If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

General information

This Explanatory Statement has been prepared for the Shareholders of the Company in connection with the Annual General Meeting of the Company to be held on 30 May 2013.

The purpose of this Explanatory Statement is to provide Shareholders with information that the Board believes to be material to Shareholders in deciding whether or not to approve the Resolutions detailed in the Notice.

Financial statements and reports

The Corporations Act requires the annual financial report, directors' report, and the auditor's report ("**Annual Financial Statements**") to be received and considered at the Meeting. The Annual Financial Statements for the period ended 31 December 2012 are included in the Company's December 2012 Annual Financial Report, a copy of which can be accessed on-line at <http://www.perilya.com.au/investor-information/company-reports>. Alternatively, a hard copy will be made available on request.

No vote will be taken on the Annual Financial Statements. However, Shareholders attending the AGM will be given a reasonable opportunity to ask questions about, or make comments on, the Annual Financial Statements.

The Company's auditor, PricewaterhouseCoopers Chartered Accountants, will be present at the Meeting and Shareholders will have the opportunity ask the auditor questions in relation to the conduct of the audit, the auditor's report, the Company's accounting policies, and the independence of the auditor.

Resolution 1 – Adoption of the Remuneration Report (non-binding resolution)

The December 2012 annual financial report for the period ended 31 December 2012 contains a remuneration report which:

- sets out the remuneration policy for Perilya;
- discusses the relationship between the remuneration policy and the Company's performance; and
- details the remuneration arrangements for the Chief Executive Officer, senior executives and Non-Executive Directors.

The Remuneration Report is contained within the Directors' Report in the Company's December 2012 annual financial report and in the company reports section of the Company's website at <http://www.perilya.com.au/investor-information/company-reports>.

The Corporations Act provides that Resolution 1 need only be an advisory vote of shareholders and does not bind the Directors. However, in addition, the Corporations Act provides that if the Company's Remuneration Report resolution receives a "no" vote of 25 per cent or more of votes cast at the Meeting, the Company's subsequent remuneration report must explain the Board's proposed action in response or, if the Board does not propose any action, the Board's reasons for not making any changes. The Board will take into account the outcome of the vote when considering the remuneration policy, even if it receives less than a 25% "no" vote.

In addition, the Corporations Act sets out a “two strikes” re-election process. Under the “two strikes” re-election process, if the Company’s Remuneration Report receives a “no” vote of 25% or more of all votes cast at two consecutive annual general meetings (that is, “two strikes”), a resolution (the “spill resolution”) must be put to the second annual general meeting, requiring shareholders to vote on whether the Company must hold another general meeting (known as the “spill meeting”) to consider the appointment of all of the Directors who stand for re-appointment (other than the Managing Director). If the spill resolution is approved by a simple majority of 50% or more of the eligible votes cast, the “spill meeting” must be held within 90 days of that second annual general meeting (unless none of the current Directors, other than the Managing Director, stand for re-appointment). Further information will be provided on the “spill resolution” and “spill meeting” for any annual general meeting at which the Company may face a “second strike”.

The Company’s Remuneration Report did not receive a “no” vote of 25% or more at the Company’s previous annual general meeting held on 10 May 2012.

The remuneration levels for Directors, officers and senior managers are competitively set to attract and retain appropriate Directors and key management personnel.

The Chairman of the Meeting will allow reasonable opportunity for Shareholders to ask questions about, or comment on, the Remuneration Report at the Meeting.

Resolution 2 - Re-election of Mr Patrick O’Connor

Mr Patrick O’Connor was appointed a Director of the Company on 1 February 2006 and has been Deputy Chairman since 5 March 2009. Resolution 2 seeks the re-election of Mr O’Connor, pursuant to Rule 3.6 of the Constitution.

Mr O’Connor is a fellow of the Australian Institute of Directors and attended the Stanford Executive Program at Stanford University, California, USA.

Mr O’Connor has extensive executive leadership skills and wide experience in communicating with capital markets, shareholders and the media. Mr O’Connor is currently the non executive Chairman of Bravura Capital Pty Ltd, a niche independent investment banking firm with a focus on transactions in the resources sector, with an emphasis on efficient structured finance solutions, corporate actions requiring specialist advice and capital raisings mainly for junior mining and exploration companies with projects in Africa and South America.

| | |
|---|--|
| Qualifications | <i>BCom, SEP Stanford (USA), FAICD</i> |
| Independent | <i>Yes</i> |
| Special Responsibilities | <i>Deputy Chairman Chairman of the Audit & Risk Management Committee Member of the Diversity, Remuneration & Nominations Committee Chairman of the Contracts Committee</i> |
| Other current directorships | <i>Xceed Resources Limited</i> |
| Former directorships over the past three years: | <i>Chairman: Water Corporation</i> |

The Board (other than Mr Patrick O’Connor) endorses the re-election of Mr Patrick O’Connor as a Director.

Resolutions 3 and 4 - Approval to issue performance rights to Mr Paul Arndt and Mr Minzhi Han

Background

Shareholders are being asked to approve Resolutions 3 and 4 to allow performance rights and Shares that may vest under the Perilya Long Term Incentive Plan (“**LTIP**”) to be issued to the executive Directors, Mr Paul Arndt and Mr Minzhi Han.

explanatory statement

(continued)

At the annual general meeting of the Company held on 10 May 2012, Shareholders approved the issue of performance rights under the LTIP as an exception to Listing Rule 7.1, in accordance with Listing Rule 7.2 Exception 9. The key terms of the LTIP are summarised in Schedule 1.

The Board, in conjunction with the Diversity, Remuneration and Nominations Committee has determined that the grant of performance rights under the LTIP to Mr Arndt and Mr Han is an appropriate form of long term incentive for the Company's key management personnel. The Board considers that Mr Arndt and Mr Han are essential to the operation of Perilya's ongoing business.

Accordingly, the Company is proposing, subject to obtaining Shareholder approval, to allot and issue:

- (a) 1,405,263 performance rights to Mr Arndt, Managing Director and Chief Executive Officer (or his nominee) under the LTIP; and
- (b) 580,395 performance rights to Mr Han, Executive Director (or his nominee) under the LTIP.

In determining Mr Arndt and Mr Han's remuneration packages, including this proposed grant of performance rights under the LTIP, the Board and Diversity, Remuneration and Nominations Committee considered the scope of the executive Directors' roles, the business challenges facing Perilya and market practice for the remuneration of executive officers in positions of similar responsibility. Accordingly, they determine this proposed grant of performance rights appropriate.

The Company proposes to issue a further 3,965,877 performance rights to Key Executives (or their nominees), in each case under the LTIP.

Formula for calculating number of performance rights to be issued

Resolutions 3 and 4 propose that Mr Arndt (or his nominee) and Mr Han (or his nominee) receive a grant of performance rights under the LTIP, with the performance period deemed to commence on 1 January 2013 and ending on 31 December 2016.

The number of performance rights to be awarded to Mr Arndt, 1,405,263, was calculated as follows:

$$\frac{N = \text{TFR} \times 40\%}{V}$$

This formula reflects that Mr Arndt is a "tier 1" executive under the LTIP.

The number of performance rights to be awarded to Mr Han, 580,395, was calculated as follows:

$$\frac{N = \text{TFR} \times 33\%}{V}$$

This formula reflects that Mr Han is a "tier 2" executive under the LTIP.

Performance Hurdles

The performance rights will be issued to Mr Arndt and Mr Han subject to the time based, total shareholder return ("TSR") based and earnings per Share ("EPS") based, performance hurdles and corresponding vesting schedules set out in the Schedule 1.

The Board believes that the proposed grant of performance rights will encourage Mr Arndt and Mr Han to focus on the achievement of superior and sustainable long term performance for Shareholders.

Under both formulas:

N = the number of performance rights.

TFR = the relevant Directors' total fixed remuneration.

V = \$0.228 – being the weighted value ascribed to each performance right prior to the deemed grant date calculated through a valuation undertaken by Ernst & Young, prepared using the Binomial tree and Monte-Carlo simulation valuation methodology, detailed below.

Potential Impact of LTIP award on Shareholders

Perilya has 769,316,426 fully paid ordinary Shares on issue as at the date of this Notice. If Shareholders approve the grant of performance rights to Mr Arndt and Mr Han and the maximum number of Shares vested (which would require satisfaction of the time based, TSR based and EPS based, performance hurdles) as per the example above, then the maximum dilutionary impact of the performance rights for which approval is sought is 0.774 per cent.

ASX Listing Rule 10.14

Resolutions 3 and 4 seek Shareholder approval in order to comply with the requirements of ASX Listing Rule 10.14.

Listing Rule 10.14 provides that a company must not issue equity securities (including performance rights) to a director of the company under an employee incentive scheme unless the issue has been approved by shareholders by ordinary resolution. If approval is given by shareholders under Listing Rule 10.14, separate shareholder approval is not required under Listing Rule 10.11 (which provides a general restriction against issuing securities to directors without shareholder approval).

Under Resolutions 3 and 4, Perilya seeks approval from Shareholders for the issue of performance rights to the executive Directors, Mr Arndt and Mr Han, who by virtue of their position as Directors of the Company are related parties of the Company.

Information Requirements for Listing Rule 10.14

As required by Listing Rule 10.15 the following information is provided:

- (a) The maximum number of securities that may be acquired by Mr Arndt under Resolution 3 is 1,405,263.
- (b) The maximum number of securities that may be acquired by Mr Han under Resolution 4 is 580,395.
- (c) Since the last time Shareholders approved the LTIP at the Company's 2012 Annual General Meeting on 10 May 2012:
 - (i) 716,588 performance rights have been issued to Mr Arndt; and
 - (ii) 300,284 performance rights have been issued to Mr Han.

These issues were approved at the Company's 2012 Annual General Meeting on 10 May 2012. No acquisition price was payable for these securities. For further information regarding these securities (including performance and vesting conditions) please refer to the Company's Notice of Meeting dated 29 March 2012.

No other securities have been issued to any person referred to in Listing Rule 10.4 since the last time Shareholders approved the LTIP.

- (d) All the Executive Directors and other employees of Perilya (or a related body corporate) are entitled to participate under the LTIP.
- (e) A voting exclusion statement is set out on page 4 of the Notice of Meeting accompanying this Explanatory Statement.
- (f) The Company will not be providing a loan in connection with Mr Arndt and Mr Han's acquisition of performance rights under the LTIP.
- (g) The latest date that the Company will issue performance rights under Resolutions 3 to 4 will be no later than 12 months after the date of the Meeting.

Section 208 Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. The issue of the performance rights under Resolutions 3 and 4 constitute the provision of a financial benefit to a related party. Section 229 of the Corporations Act includes as an example of a financial benefit, the issuing of securities or the granting of an option to a related party.

A "related party" is widely defined under the Corporations Act, and includes the Directors of the Company. They are related parties of the Company for the purposes of section 228 of the Corporations Act.

A "financial benefit" is construed widely and in determining whether a financial benefit is being given, section 229 of the Corporations Act requires that any consideration that is given is disregarded, even if the consideration is adequate. It is necessary to look at the economic and commercial substance and the effect of the transaction in determining the financial benefit.

explanatory statement

(continued)

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within an exception to the provision; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

It is the view of the Directors (other than Messrs Arndt and Han) that the proposed issue of performance rights pursuant to Resolutions 3 and 4 fall within the exception under section 211 of the Corporations Act (reasonable remuneration given the circumstances of the Company and the positions held by Mr Arndt and Mr Han). Accordingly, the Directors (other than Messrs Arndt and Han) have determined not to seek shareholder approval under section 208 of the Corporations Act for the issue of the performance rights to Mr Arndt and Mr Han. However shareholder approval must nonetheless be obtained pursuant to Listing Rule 10.14.

Accordingly, the following information, required to be provided under Chapter 2E for the giving of a non exempt financial benefit to a related party, appears for shareholders information purposes only. The Company notes that the information has not been reviewed by, or approved by, ASIC.

Information Requirements for Chapter 2E

The following information is provided to Shareholders to enable them to assess the merits of Resolutions 3 and 4:

- (a) If Resolutions 3 and 4 are passed by Shareholders, it will permit the giving of a financial benefit to the following Directors (or their nominees):

| Director | Number of Performance Rights to be offered |
|----------|--|
| Mr Arndt | 1,405,263 |
| Mr Han | 580,395 |

- (b) The nature of the financial benefit proposed to be given is the issue performance rights under the LTIP for no consideration. The purpose of the performance right issue is to encourage Mr Arndt and Mr Han to focus on the achievement of superior and sustainable long term performance for Shareholders. Even if Shareholders approve the financial benefit the performance rights will still be subject to the performance hurdles set out in Schedule 1. The Directors (other than Messrs Arndt and Han) consider the issue of the Shares (on the vesting of performance hurdles) is appropriate having regard to the skills, ability and contribution of Mr Arndt and Mr Han (both now and in the future) to the Company.
- (c) In respect of Resolution 3, all Directors recommend that Shareholders vote in favour of Resolution 3, save for Mr Arndt who has an interest in the outcome of Resolution 3 and declines to make a recommendation in respect of it.
- (d) In respect of Resolution 4, all Directors recommend that Shareholders vote in favour of Resolution 4, save for Mr Han who has an interest in the outcome of Resolution 4 and declines to make a recommendation in respect of it.
- (e) As at the date of this Notice, Mr Arndt and Mr Han hold the following relevant interests in the securities in the Company representing 0.506% of the current issued capital of the Company on a fully diluted basis:

| Director | Securities |
|----------|------------|
| Mr Arndt | 3,641,409 |
| Mr Han | 300,284 |

- (f) If Shareholders approve Resolutions 3 and 4 (presuming that all the performance rights vest) Mr Arndt and Mr Han will hold 0.756% of the issued capital of the Company on a fully diluted basis. Respectively they will each hold:

| Director | % of the issued capital of the Company on a fully diluted basis |
|-----------------|--|
| Mr Arndt | 0.643 |
| Mr Han | 0.112 |

- (g) Mr Arndt and Mr Han's current base salaries per annum (including superannuation), or consulting fees and the total financial benefit² to be received by them to 31 December 2013, when added to the implied "value" to be received by the Mr Arndt and Mr Han as a result of the financial benefit the subject of Resolutions 3 and 4 (presuming the performance rights fully vest) are as follows:

| Director | Base salaries per annum (including superannuation), or consulting fees (\$) | Value of Performance Rights (\$)* | Total financial benefit² (\$) |
|-----------------|--|--|---|
| Mr Arndt | \$801,000 | \$320,400 | \$1,121,400 |
| Mr Han | \$401,000 | \$132,330 | \$533,330 |

*The value of the performance rights has been calculated, by Ernst & Young, using the Binomial tree and Monte-Carlo simulation valuation methodology detailed below.

- (h) The Directors do not consider that there are any opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the performance rights under Resolutions 3 and 4.
- (i) Other than details of the performance rights valuation methodology (which is set out below), neither the Directors or the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by Resolutions 3 and 4.

Performance rights valuation methodology

The total value of the performance rights to be issued to Mr Arndt is \$320,400 and to Mr Han is \$132,330.

The valuation of the performance rights requires judgement with respect to the appropriate valuation methodology. Perilya engaged Ernst & Young to provide expert advice in relation to the appropriate valuation methodology and to carry out a valuation of the performance rights.

The total value of the performance rights is based on a calculation of:

- the value of performance rights which vest upon satisfaction of time based performance hurdles, being 40% of performance rights issued under a grant made in accordance with the LTIP;
- the value of performance rights which vest upon satisfaction of EPS based performance hurdles, being 30% of performance rights issued under a grant made in accordance with the LTIP; and
- the value of performance rights which vest upon satisfaction of TSR based performance hurdles, being 30% of performance rights issued under a grant made in accordance with the LTIP.

The performance rights with time based and EPS vesting conditions have been valued using a Binomial tree valuation methodology, utilising computational techniques. In a Binomial tree valuation, the time to expiry is divided into discrete steps and the share prices are allowed to either move up or down within each discrete step of time. A large number of discrete steps result in a closer approximation of the underlying movements in share price. The value of the security at each discrete step is determined and the present value of the future outcomes, weighted by probability, results in the value of the award. This valuation methodology resulted in each performance right with time based or EPS vesting conditions being ascribed a value of \$0.24.

² As a component of Mr Arndt and Mr Han's remuneration they are eligible to be paid a short term incentive for the financial year ending 31 December 2012. As detailed on page 29 of Perilya's Full Year Statutory Accounts for the financial year ending 31 December 2012 (released on ASX on 28 February 2013) the short term incentive component of Mr Arndt and Mr Han's remuneration will be based on key performance indicators set by the Board, and an overriding discretion of the Board as to the payment of any short term incentive. As at the date of this Notice of Meeting the Board has not yet determined whether Mr Arndt or Mr Han will be paid a short term incentive in respect of the financial year ending 31 December 2012. If the Board resolves to pay either Mr Arndt or Mr Han a short term incentive in respect of the financial year ending 31 December 2012 this will be paid during 2013. The figure in this column does not include any amount which may be paid to Mr Arndt or Mr Han as a short term incentive in respect of the financial year ending 31 December 2012.

explanatory statement

(continued)

The performance rights with a TSR vesting condition have been valued using Monte-Carlo simulation. Monte-Carlo simulation is a highly flexible valuation technique which allows consideration of a wide variety of award structures. It is often used where the share-based payments or grants depend on more than one asset's return (relative return hurdles). Therefore it is an appropriate method for valuing the performance rights with TSR performance conditions. A valuation using this approach will:

- (a) simulate the Share price of the Company, and the relevant comparator group, as at a performance test date. The share prices are simulated such that they are consistent with the assumed distribution of, and correlation between, share price outcomes;
- (b) determine whether any awards vest at the current test date, based on the simulated share prices;
- (c) for any vesting awards calculate the value using the simulated share price. This valuation uses either an analytic or Binomial tree methodology; and
- (d) calculates the present value of the award as at the valuation date.

The results of many simulations are aggregated to determine the total fair value of the award.

This Monte-Carlo simulation valuation methodology resulted in each performance right with TSR vesting conditions being ascribed a value of \$0.20.

Accordingly, set out below is a table which indicates the value (using the valuation methods set out above) for both Mr Arndt and Mr Han's proposed awards of performance rights.

| Director | Total number of performance rights to be offered | Value of performance rights subject to time based hurdles | Value of performance rights subject to EPS based hurdles | Value of performance rights subject to TSR based hurdles | Total weighted value of each performance right | Total value of performance rights |
|----------|--|---|--|--|--|-----------------------------------|
| Mr Arndt | 1,405,263 | \$0.20 | \$0.24 | \$0.24 | \$0.228 | \$320,400 |
| Mr Han | 580,395 | \$0.20 | \$0.24 | \$0.24 | \$0.228 | \$132,330 |

Other Key Executives

Subject to Shareholders approving Resolutions 3 and 4, the Company also intends to issue performance rights to certain Key Executives. The performance rights will be issued under the LTIP on the same terms as those issued to Mr Arndt and Mr Han. The number of performance rights to be issued to each Key Executive and the value of those performance rights are set out in the table below:

| Name | Title | Performance Rights | Value* |
|--------------------|--|--------------------|-----------|
| Mr Angelo Christou | Chief Financial Officer | 580,395 | \$132,330 |
| Mr Andrew Lord | General Manager Cerro De Maimón Operations | 668,684 | \$152,460 |
| Mr Paul Marinko | General Counsel & Company Secretary | 580,395 | \$132,330 |
| Mr David Hume | General Manager Broken Hill Operations | 565,921 | \$129,030 |
| Mr Peter Trout | General Manager Mergers & Acquisitions | 591,974 | \$134,970 |
| Ms Fran Burgess | Group Manager Metallurgy | 327,851 | \$74,750 |

| Name | Title | Performance Rights | Value* |
|-----------------|---|--------------------|----------|
| Mr Bruce Byrne | Deputy General Manager Broken Hill Operations | 354,079 | \$80,730 |
| Mr Martin Jones | Chief Geologist | 296,579 | \$67,620 |

* The value of the performance rights has been calculated, by Ernst & Young, using the Binomial tree and Monte-Carlo simulation valuation methodology detailed above. This methodology results in each performance right having a weighted value of \$0.228.

As the other Key Executives are not Directors of the Company, approval is not required for the Company to issue performance rights to them (or their nominees) under Chapter 2E of the Corporations Act or Listing Rule 10.14. Accordingly, the information in this Explanatory Statement regarding the proposed issues of performance rights to the Key Executives appears for information purposes only.

Key features of the Perilya Long Term Incentive Plan

The LTIP's purpose is to provide Perilya with a mechanism for driving superior long term performance for Shareholders and retention of executives. It is targeted at Perilya's senior management, being those executives and selected senior managers (as determined by the Board from time to time) whose responsibilities provide them with the opportunity to significantly influence long term Shareholder value.

The key performance hurdles for the vesting of the performance rights are linked to the retention of Key Executives and Shareholder value creation. The performance hurdles are based on three separate criteria, being, time based, total shareholder return ("TSR") based and earnings per Share ("EPS") based. Each of these is considered in further detail in the table set out later in this Schedule.

Testing to determine whether the TSR and EPS performance hurdles have been met will occur three years after the date of the grant and, if the maximum performance hurdle is not met, the performance rights will be subject to retesting the following year using the same methodology.

The Board believes that this vesting framework strengthens the performance link over the long term and encourages executives to focus on performance over the full four year period. The Board also believes that the value of certain strategic initiatives may take three to four years to realise as is the case with large mining projects.

The key features of the LTIP are summarised in the table below.

| Instrument | Performance rights are granted over Shares |
|--|---|
| <i>Performance criteria:</i> Time based | 40% of the performance rights granted will vest progressively in the period commencing from 31 December in the year following the year in which the grant is made to 31 December of the third year following the year in which the grant is made. 10% of the performance rights will vest on 31 December in the year following the year in which the grant is made (the " First Vest Date "), 15% will vest on 31 December in the second year following the year in which the grant is made (the " Second Vest Date ") and 15% will vest on 31 December in the third year following the year in which the grant is made (the " Third Vest Date ") (the First Vest Date, the Second Vest Date and the Third Vest Date are each a "testing date"). A condition to vesting is that the relevant executive remains employed by Perilya at each testing date. |
| <i>Performance criteria:</i> Total shareholder return | 30% of the performance rights will vest subject to the performance of Perilya's relative TSR's compared to a ranking comparator group of companies derived from the official ASX 300 metals and mining index, excluding BHP Billiton Limited, Rio Tinto Limited, Newcrest Mining Limited, Fortescue Metals Group Limited, metal/steel manufactures. |
| <i>Performance criteria:</i> Earnings per share | 30% of the performance rights will vest subject to the performance of Perilya's EPS average compound growth rate over the period compared to a predetermined average annual compound growth rate. |
| Performance period | The performance period will commence on 1 January each year and ends four years later. In the case of performance rights which are granted in 2013, the performance period will be deemed to have commenced on 1 January 2013 and ends on 31 December 2016. |

explanatory statement

(continued)

| Instrument | Performance rights are granted over Shares | | | | | | | | | | |
|--|---|---|---|---------------------------|----|-----------------|--|---|--|---------------------------------|---|
| Performance testing | <p>TSR and EPS performance testing occurs after three years, with retesting at the end of the fourth year (each a test date).</p> <p>The adoption of re-testing is designed to reduce the potential for an unfair outcome in the event that the Share price or earnings per Share is depressed circumstantially at the time of the initial test. It also has the effect of maintaining, and indeed increasing, the incentive to achieve the target performance level over time by extending the relevance of a performance right and criteria over a longer period.</p> <p>The TSR component of the performance rights vest on the first test date only if Perilya's TSR ranking is at or above median. Vesting increases at the subsequent test date only if Perilya's TSR ranking has improved.</p> <p>The EPS component of the performance rights vest on the first test date only if Perilya's achieves an annual average compound growth in EPS of 10% or more. Vesting increases at the subsequent test dates only if Perilya's EPS annual average compound growth rate has improved.</p> | | | | | | | | | | |
| Vesting: Time based component of the performance rights | <p>40% of the performance rights granted will be tested by reference to the length of time the relevant executive remains employed by the Perilya. The proportion of the performance rights that vest and convert into Shares on the time based criteria will be determined as follows:</p> <table border="1" data-bbox="288 815 1034 1054"> <thead> <tr> <th data-bbox="288 815 463 874"><i>Perilya's relative TSR performance</i></th> <th data-bbox="538 815 893 842"><i>Proportion of Performance Rights that Vest</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="288 890 497 911">Less than 50th percentile</td> <td data-bbox="538 890 568 911">0%</td> </tr> <tr> <td data-bbox="288 927 412 948">50th percentile</td> <td data-bbox="538 927 919 948">50% of the rights subject to the TSR condition</td> </tr> <tr> <td data-bbox="288 963 490 1023">Between 50th percentile and 75th percentile</td> <td data-bbox="538 963 1016 1043">50% of the rights subject to the TSR condition plus an additional 2% of this award for each additional percentile ranking above the 50th percentile.</td> </tr> <tr> <td data-bbox="288 1059 930 1086">At or above the 75th percentile</td> <td data-bbox="538 1059 930 1086">100% of the rights subject to the TSR condition</td> </tr> </tbody> </table> | <i>Perilya's relative TSR performance</i> | <i>Proportion of Performance Rights that Vest</i> | Less than 50th percentile | 0% | 50th percentile | 50% of the rights subject to the TSR condition | Between 50th percentile and 75th percentile | 50% of the rights subject to the TSR condition plus an additional 2% of this award for each additional percentile ranking above the 50th percentile. | At or above the 75th percentile | 100% of the rights subject to the TSR condition |
| <i>Perilya's relative TSR performance</i> | <i>Proportion of Performance Rights that Vest</i> | | | | | | | | | | |
| Less than 50th percentile | 0% | | | | | | | | | | |
| 50th percentile | 50% of the rights subject to the TSR condition | | | | | | | | | | |
| Between 50th percentile and 75th percentile | 50% of the rights subject to the TSR condition plus an additional 2% of this award for each additional percentile ranking above the 50th percentile. | | | | | | | | | | |
| At or above the 75th percentile | 100% of the rights subject to the TSR condition | | | | | | | | | | |
| Vesting: EPS component of the performance rights | <p>30% of the performance rights granted will be tested based on TSR compared to the comparator group. The proportion of the performance rights that vest and convert into Shares will be determined based on Perilya's TSR ranking on the relevant test date as follows:</p> <table border="1" data-bbox="288 1214 1034 1453"> <thead> <tr> <th data-bbox="288 1214 463 1273"><i>Perilya's relative TSR performance</i></th> <th data-bbox="538 1214 893 1241"><i>Proportion of Performance Rights that Vest</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="288 1289 497 1310">Less than 50th percentile</td> <td data-bbox="538 1289 568 1310">0%</td> </tr> <tr> <td data-bbox="288 1326 412 1347">50th percentile</td> <td data-bbox="538 1326 919 1347">50% of the rights subject to the TSR condition</td> </tr> <tr> <td data-bbox="288 1362 490 1422">Between 50th percentile and 75th percentile</td> <td data-bbox="538 1362 1016 1442">50% of the rights subject to the TSR condition plus an additional 2% of this award for each additional percentile ranking above the 50th percentile.</td> </tr> <tr> <td data-bbox="288 1458 930 1485">At or above the 75th percentile</td> <td data-bbox="538 1458 930 1485">100% of the rights subject to the TSR condition</td> </tr> </tbody> </table> | <i>Perilya's relative TSR performance</i> | <i>Proportion of Performance Rights that Vest</i> | Less than 50th percentile | 0% | 50th percentile | 50% of the rights subject to the TSR condition | Between 50th percentile and 75th percentile | 50% of the rights subject to the TSR condition plus an additional 2% of this award for each additional percentile ranking above the 50th percentile. | At or above the 75th percentile | 100% of the rights subject to the TSR condition |
| <i>Perilya's relative TSR performance</i> | <i>Proportion of Performance Rights that Vest</i> | | | | | | | | | | |
| Less than 50th percentile | 0% | | | | | | | | | | |
| 50th percentile | 50% of the rights subject to the TSR condition | | | | | | | | | | |
| Between 50th percentile and 75th percentile | 50% of the rights subject to the TSR condition plus an additional 2% of this award for each additional percentile ranking above the 50th percentile. | | | | | | | | | | |
| At or above the 75th percentile | 100% of the rights subject to the TSR condition | | | | | | | | | | |

| Instrument | Performance rights are granted over Shares | | | | | | | | | | |
|--|---|--|---|--------------------|----|-------------|--|---------------------------------|--|-----------------|---|
| Vesting: EPS component of the performance rights | <p>30% of the performance rights granted will be tested based on EPS performance over the testing period. The proportion of the performance rights that vest and convert into Shares will be determined based on Perilya's EPS growth performance on the relevant test date as follows:</p> <table border="1"> <thead> <tr> <th><i>Perilya's annual average compound EPS growth rate</i></th> <th><i>Proportion of Performance Rights that Vest</i></th> </tr> </thead> <tbody> <tr> <td>Less than 10% p.a.</td> <td>0%</td> </tr> <tr> <td>At 10% p.a.</td> <td>50% of the rights subject to the EPS condition</td> </tr> <tr> <td>More than 10% but less than 20%</td> <td>Pro-rated vesting of between 51% and 99% of the rights subject to the EPS condition.</td> </tr> <tr> <td>At or above 20%</td> <td>100% of the rights subject to the EPS condition</td> </tr> </tbody> </table> | <i>Perilya's annual average compound EPS growth rate</i> | <i>Proportion of Performance Rights that Vest</i> | Less than 10% p.a. | 0% | At 10% p.a. | 50% of the rights subject to the EPS condition | More than 10% but less than 20% | Pro-rated vesting of between 51% and 99% of the rights subject to the EPS condition. | At or above 20% | 100% of the rights subject to the EPS condition |
| <i>Perilya's annual average compound EPS growth rate</i> | <i>Proportion of Performance Rights that Vest</i> | | | | | | | | | | |
| Less than 10% p.a. | 0% | | | | | | | | | | |
| At 10% p.a. | 50% of the rights subject to the EPS condition | | | | | | | | | | |
| More than 10% but less than 20% | Pro-rated vesting of between 51% and 99% of the rights subject to the EPS condition. | | | | | | | | | | |
| At or above 20% | 100% of the rights subject to the EPS condition | | | | | | | | | | |
| Upon Vesting | When a performance right vests, the participant will receive a matching number of Shares. | | | | | | | | | | |
| Lapse of performance rights | <p>Performance rights will lapse where an executive leaves Perilya due to resignation or dismissal before the performance rights vest, unless the Board determines otherwise.</p> <p>Performance rights (whether vested or unvested) will lapse where an executive acts fraudulently or dishonestly or is in material breach of their obligations under the LTIP or to Perilya, unless the Board determines otherwise.</p> <p>Any performance rights remaining unvested at the final test date lapse immediately.</p> | | | | | | | | | | |
| Other conditions | In the case of a special circumstance (i.e. death, total and permanent disablement, retirement, redundancy or other circumstances determined by the Board) the performance hurdle may be waived and the Board may determine in its absolute discretion to allocate Shares against all or part of the unvested performance rights. | | | | | | | | | | |
| Variations to the plan | <p>The Board may terminate, suspend or amend the terms of the LTIP at any time. However, the Board may not, without the consent of the participants, amend any restriction or other condition relating to Shares under the LTIP that reduce the rights of participants.</p> <p>The Board may amend the performance hurdles, specify different performance hurdles or specify a different retesting date for future grants of performance rights under the LTIP if it determines, in its discretion, that more appropriate performance hurdles have been identified. The performance hurdles for a particular grant of performance rights cannot be changed after the relevant performance rights have been granted.</p> | | | | | | | | | | |
| Expiry date of performance rights | Four years from the date performance rights are granted. | | | | | | | | | | |

glossary

| | |
|---|---|
| Annual General Meeting or AGM or Meeting | means the Annual General Meeting of Shareholders of the Company to be held at the Conference Suite, Level 8, Exchange Plaza Building, 2 The Esplanade, Perth, Western Australia, on 30 May 2013 at 10.30 am (Perth time), or any adjournment thereof. |
| ASX | means ASX Limited. |
| ASX Listing Rules or Listing Rules | means the Listing Rules of ASX. |
| Board | means the board of Directors of the Company. |
| Chairman | chairman of the General Meeting. |
| Company or Perilya | means Perilya Limited (ABN 85 009 193 695). |
| Constitution | means the Company's constitution. |
| Corporations Act | means the Corporations Act 2001 (Cth). |
| Director | means a director of the Company. |
| Explanatory Statement | means this information statement. |
| Key Management Personnel | management personnel of the Company (as defined in Section 9 of the Corporations Act). |
| LTIP | means the Perilya Long Term Incentive Plan. |
| Notice or Notice of Annual General Meeting | means the notice of meeting accompanying this explanatory statement. |
| Proxy Form | the proxy form enclosed with this Notice of Annual General Meeting. |
| Share | means a fully paid ordinary share in the capital of the Company. |
| Shareholder | means a holder of a Share. |
| Share Registrar | means Computershare Investor Services Pty Ltd. |

Level 8,
251 Adelaide Terrace
Perth WA 6000

Telephone: +61 8 6330 1000
Facsimile: +61 8 6330 1099
Email: perilya@perilya.com.au




www.perilya.com.au



Perilya Limited
ABN: 85 009 193 695

Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 729 381
(outside Australia) +61 3 9946 4462



Proxy Form




Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au

- Cast your proxy vote**
- Access the annual report**
- Review and update your securityholding**

Your secure access information is:
Control Number: 186238

 **PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 10.30 am (Perth time) on Tuesday, 28 May 2013**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Perilya Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Perilya Limited to be held at the Conference Suite, Level 8, Exchange Plaza Building, Perth Western Australia on Thursday 30 May 2013 at 10.30 am (Perth time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 3 and 4 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 3 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 3 and 4 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

| | For | Against | Abstain |
|--|--------------------------|--------------------------|--------------------------|
| Resolution 1. Adoption of the Remuneration Report (non-binding resolution) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2. Re-election of Mr Patrick O'Connor | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3. Approval to issue performance rights to Mr Paul Arndt | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4. Approval to issue performance rights to Mr Minzhi Han | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____ / ____ / ____