



ABN 33 087 741 571

NOTICE OF ANNUAL GENERAL MEETING 2016

TIME: 11.30am (AEST)
DATE: Tuesday, 31 May 2016
PLACE: Port Jackson Partners Limited
Level 32, 50 Bridge Street
SYDNEY NSW AUSTRALIA

Attending and Voting in Person

To vote in person, attend the Annual General Meeting on the date and at the place set out above. Registration will commence 15 minutes prior to the commencement of the Meeting. Please bring this Notice of AGM and your proxy form which will facilitate registration for the AGM.

Voting by Proxy

To vote by proxy, please follow the instructions on the enclosed proxy form on how to send the completed proxy form enclosed (and relevant authorities) to Link Market Services Limited so that it is received no later than 11.30am (AEST) on Sunday, 29 May 2016. You may also lodge your proxy form online by visiting www.linkmarketservices.com.au. Select 'Investor Login' and enter Po Valley Energy Limited or the ASX code (PVE) in the Issuer name field, your Security Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your proxy form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

If you require further information on how to complete the proxy form, telephone Link Market Services Limited on 1300 554 474 or +61 1300 554 474 if calling from overseas.

Questions from Shareholders

In addition to asking questions at the meeting, written questions to the Chairman of the meeting about the management of PVE, or to PVE'S auditor about the content of the Auditor's Report and the conduct of the audit, may be submitted no later than **Friday 27 May 2016** by fax or email to:

PVE Chairman
C/- Company Secretary
Po Valley Energy Limited
Fax: (08) 9278 2525
Email: ljones@povalley.com



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NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of the Shareholders of Po Valley Energy Limited will be held on Tuesday, 31 May 2016 at 11.30am (AEST) at the Offices of Port Jackson Partners Limited at Level 32, 50 Bridge Street, Sydney New South Wales, Australia.

ITEMS OF BUSINESS

Po Valley Financial Report

To receive the Financial Statements, Directors' Report and Auditor's Report of the Company and its controlled entities for the year ended 31 December 2015.

Resolution 1: Adoption of Remuneration Report

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

"That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, the Company adopts the Remuneration Report as contained in the Company's annual financial report for the year ended 31 December 2015."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

In accordance with the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by or on behalf of:

- a member of the Key Management Personnel named in the Remuneration Report or their Closely Related Parties regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a member of the KMP at the date of the AGM or their closely related parties.

However, a person (the **voter**) described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this resolution; or
- the voter is the Chair and the appointment of the Chair as proxy:
 - does not specify the way the proxy is to vote on this resolution; and
 - expressly authorises the Chair to exercise the proxy even though this resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Resolution 2: Re-Election of Dr Byron Pirola as a Director

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

"That, Dr Byron Pirola being a Director of the Company retires under the director rotation provisions of Clause 13.2 of the Company's Constitution, and ASX Listing Rule 14.4. Dr Pirola, being eligible, is hereby re-elected as a Director of the Company."



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Resolution 3: Election of Kevin Bailey as a Director

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

“That, for the purposes of clause 13.4 of the Constitution and for all other purposes, Mr Kevin Bailey, a Director who was appointed on 22 April 2016, retires, and being eligible, is re-elected as a Director.”

Resolutions 4(a) to 4(e): Approval to Issue Shares in lieu of Directors’ Fees

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

Resolution 4(a): Issue of Shares to Michael Masterman

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot up to 3,322,734 Shares to Michael Masterman or his nominee for settlement of directors’ fees due to him for the period 1 April 2015 to 31 March 2016 on the terms and conditions set out in the Explanatory Notes”

Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by Michael Masterman (or his nominee) or his associates. A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if the proxy is either a member of the Key Management Personnel or a Closely Related Party of such a member; and the appointment does not specify the way the proxy is to vote on this Resolution. However, the above prohibition does not apply if the proxy is the Chair and the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Resolution 4(b): Issue of Shares to Byron Pirola

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot up to 3,322,734 Shares to Byron Pirola or his nominee for settlement of directors’ fees due to him for the period 1 April 2015 to 31 March 2016 on the terms and conditions set out in the Explanatory Notes”

Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by Byron Pirola (or his nominee) or his associates. A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if the proxy is either a member of the Key Management Personnel or a Closely Related Party of such a member; and the appointment does not specify the way the proxy is to vote on this Resolution. However, the above prohibition does not apply if the proxy is the Chair and the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Resolution 4(c): Issue of Shares to Graham Bradley

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot up to 4,984,101 Shares to Graham Bradley or his nominee for settlement of directors’ fees due to him for the period 1 April 2015 to 31 March 2016 on the terms and conditions set out in the Explanatory Notes”



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Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by Graham Bradley (or his nominee) or his associates. A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if the proxy is either a member of the Key Management Personnel or a Closely Related Party of such a member; and the appointment does not specify the way the proxy is to vote on this Resolution. However, the above prohibition does not apply if the proxy is the Chair and the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Resolution 4(d): Issue of Shares to Kevin Eley

“That, for the purposes of Listing Rule 10.11 and for all other purposes approval is given for the Company to allot up to 3,322,734 Shares to Kevin Eley or his nominee for settlement of directors’ fees due to him for the period 1 April 2015 to 31 March 2016 on the terms and conditions set out in the Explanatory Notes”.

The Company will disregard any votes cast on this resolution by Kevin Eley (or his nominee) or his associates. A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if the proxy is either a member of the Key Management Personnel or a Closely Related Party of such a member; and the appointment does not specify the way the proxy is to vote on this Resolution. However, the above prohibition does not apply if the proxy is the Chair and the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Resolution 4(e): Issue of Shares to Gregory Short

“That, for the purposes of Listing Rule 10.11 and for all other purposes approval is given for the Company to allot up to 3,075,871 of Shares to Gregory Short or his nominee for settlement of directors’ fees due to him for the period 1 April 2015 to 31 January 2016 on the terms and conditions set out in the Explanatory Notes”.

Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by Gregory Short (or his nominee) or his associates. A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if the proxy is either a member of the Key Management Personnel or a Closely Related Party of such a member; and the appointment does not specify the way the proxy is to vote on this Resolution. However, the above prohibition does not apply if the proxy is the Chair and the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Resolution 5: Delisting of the Company from the ASX

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

“That, for the purposes of ASX Listing Rule 17.11 and for all other purposes, the Company be removed from the official list of the ASX on a date to be decided by ASX (being not earlier than one month after this Resolution is passed) and that the Directors of the Company be authorised to do all things reasonably necessary or desirable to give effect to the de-listing of the Company from the ASX”.



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Dated: 18 April 2016

BY ORDER OF THE BOARD

LISA JONES
Company Secretary



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EXPLANATORY NOTES

The Explanatory Notes have been prepared to assist Shareholders to understand the reasons for and the effect of the resolutions to be put to the Shareholders at the AGM. The Explanatory Notes and the proxy form are part of this Notice of Meeting.

General notes on Voting

Voting Entitlement

For the purposes of the Annual General Meeting, only those persons registered as Shareholders of the Company at 11:30am (AEST) on Sunday 29 May 2016 will be entitled to vote. This means that if you are not a registered Shareholder at that time you will not be entitled to vote in respect of that Share. On a show of hands each Shareholder has one vote. On a poll each Shareholder has one vote for each Share they hold.

Proxies

All Shareholders who are entitled to attend and vote at the meeting have the right to appoint a proxy to attend and vote for them. The proxy does not have to be a Shareholder of the Company.

Shareholders holding two or more Shares may appoint either one or two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and no proportion or number of votes is specified, each proxy may exercise one-half of the votes. Neither proxy may vote on a show of hands.

If the Chairman of the meeting is appointed, or taken to be appointed, as a proxy, but the appointment does not specify the way to vote on a resolution, then the Chairman intends to exercise all available votes in favour of the relevant resolution.

In accordance with the Corporations Act, any directed proxies that are not voted on a poll at the meeting will automatically default to the Chairman of the meeting, who is required to vote proxies as directed.

Special considerations apply to proxy voting on Resolution 1 (Remuneration Report) – please refer to the explanatory notes below.

Financial Statements and Reports

The Corporations Act requires the financial report, directors' report and auditor's report to be laid before the AGM. There is no requirement in the Corporations Act or the Company's Constitution for Shareholders to vote on, approve or adopt these reports. Shareholders will have a reasonable opportunity at the AGM to ask questions about and make comments about these reports and the management and performance of the Company. Shareholders may also submit written questions on these matters to the Company by fax or email as set out on the first page of this Notice.

The 2015 Annual Report can be found on the Company's website (www.povalley.com).



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Resolution 1: Adoption of Remuneration Report

General

The Remuneration Report is set out in the Directors' Report in the Company's 2015 Annual Report.

Shareholders will be afforded the opportunity to comment on and ask questions about the content of the Remuneration Report and the Board will take the outcome of the vote into consideration when reviewing the remuneration practice and policies of the Company.

Voting consequences

In accordance with the Corporations Act, the vote on this Resolution is advisory only and does not bind the Directors or the Company. However, under the Corporations Act if 25% or more of votes that are cast are voted against the adoption of the remuneration report at two consecutive annual general meetings (effectively, "two strikes"), Shareholders will be required to vote at the second of those annual general meetings on a resolution (referred to as a *spill resolution*) that another meeting be held within 90 days at which all of the Company's Directors (other than a Managing Director) must go up for re-election. At the Company's 2015 annual general meeting, less than 25% of votes cast were against the remuneration report and the spill resolution is not, therefore, relevant for this Annual General Meeting.

Proxy Votes on Resolutions 1 and 4(a) – 4(e)

The key management personnel of the Company (which includes each of the directors and the executives named in the Company's 2015 Remuneration Report) and their closely related parties will not be able to vote as your proxy on Resolutions 1 or 4(a) – 4(e) unless you tell them how to vote, or the Chairman of the meeting is your proxy. Accordingly, if you intend to appoint a member of the key management personnel or one of their closely related parties as your proxy, please ensure that you direct them how to vote on Resolutions 1 or 4(a) – 4(e), otherwise they will not be able to cast your vote as your proxy on that resolution.

If you appoint the Chairman of the meeting as your proxy, you can direct him how to vote by marking one of the boxes for Resolutions 1 or 4(a) – 4(e) (i.e. to vote "for", "against" or "abstain"). If you appoint the Chairman of the meeting as your proxy or the Chairman of the meeting is appointed as your proxy by default, but you do not mark a voting box for Resolutions 1 or 4(a) – 4(e), you will be taken to have expressly authorised the Chairman of the meeting to exercise the proxy in respect of that resolution even though it is connected with the remuneration of key management personnel.

Resolutions 2: Re-Election of Dr Byron Pirola

Clause 13.2 of the Constitution requires that at the Company's annual general meeting one-third of the Directors shall retire from office provided always that no Director (except a Managing Director) holds office for a period in excess of 3 years. With a board of three directors, this requires one director to retire at the 2016 AGM.

Dr Byron Pirola BSc, PhD

Byron is a co-founder of the Company and is based in Sydney. He is currently a Director of Port



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Jackson Partners Limited, a Sydney based strategy management consulting firm. Prior to joining Port Jackson Partners in 1992, Byron spent six years with McKinsey & Company working out of the Sydney, New York and London Offices and across the Asian Region. He has extensive experience in advising CEOs and boards of both large public and small developing companies across a wide range of industries and geographies.

Recommendation

Dr Pirola's re-election is unanimously recommended to Shareholders by the other Directors.

Resolution 3: Election of Kevin Bailey as a Director

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office only until the next following general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Kevin Bailey will retire in accordance with clause 13.4 of the Constitution and ASX Listing Rule 14.4 and being eligible seeks re-election.

Because of Mr Bailey's substantial shareholding, he will not be considered an independent director for the purposes of the ASX Corporate Governance Council Principles and Recommendations.

Recommendation

Mr Bailey's re-election is unanimously recommended to Shareholders by the other Directors.

Kevin Bailey

Mr Bailey was appointed as a director on 22 April 2016. He has been a shareholder of the Company since April 2008 and will bring significant business acumen and experience to the Board. Mr Bailey is a highly successful businessman with a range of business interests, both local and overseas. He worked for 28 years as a Certified Financial Planner and was a founding director of the Shadforth Financial Group Limited. He is a member of the Prime Minister's Community Business Partnership and devotes considerable time to philanthropic interests. Mr Bailey is currently a director of various entities including the Investment Advisory Board of the Timor Leste Petroleum Fund, the \$17Bn Sovereign Wealth Fund of Timor Leste. He is also a director of Outward Looking International Pty Ltd, Halftime Australia Pty Ltd, Alpha Australia, Empart Inc, Dads4Kids Fatherhood Foundation and he is Chairman of Parousia Media Pty Ltd.

Resolutions 4(a)-(e): Issue of Shares to Directors and former Directors in lieu of Directors Fees

In order to conserve the Company's working capital, each Director and Gregory Short, Graham Bradley and Kevin Eley, each a former director of the Company (together, the **Related Parties**) agreed to accept part or full payment of his director's fees or salary (net of any taxes or statutory superannuation guarantee amounts due) in the form of Shares, subject to Shareholder approval as

follows:

- (a) in respect of each current Director and Graham Bradley and Kevin Eley, from 1 April 2015 to 31 March 2016; and
- (b) in respect of Gregory Short, from 1 April 2015 to 26 January 2016 (being the date that Mr Short resigned as director).

Directors Fees 1 April 2015 – 31 March 2016

The Board resolved, subject to Shareholder approval, to issue Shares to the Related Parties in lieu of up to 100% of their entitlement to salary and directors' fees payable to them for the period of 1 April 2015 to 31 December 2015 and up to 50% of their entitlement to salary and directors' fees from 1 January 2016 to 31 March 2016 at a deemed issue price of \$0.015 per Share.

The directors fees payable for the period 1 January 2015 to 31 December 2015 are €60,000 per annum for the Chairman, Graham Bradley, and €40,000 per annum for all other current and previous directors of the Company. With effect from 1 January 2016, directors of the Company agreed to reduce their fees by 30% so that the annual fees payable from 1 January 2016 are €42,000 for the Chairman and €28,000 for other directors. Directors also agreed to accept 50% of those fees through the issue of Shares subject to Shareholder approval at the relevant time. Therefore, Resolutions 4(a) to 4(e) seek approval for the issue of Shares to the Related Parties in lieu of up to 100% of Directors' fees and salaries for the period 1 April 2015 to 31 December 2016 and up to 50% of Directors' fees and salaries for the period 1 January 2016 to 31 March 2016.

The total amount of director's salary or fees in respect of which it is proposed to issue Shares in lieu of cash payment to each Related Party for the period 1 April 2015 to 31 March 2016 converted from Euro into Australian dollars is set out in the table below.

Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of Shares constitutes giving a financial benefit and each of the Related Parties is a related party of the Company by virtue of being a Director (in the case of Michael Masterman and Byron Pirola) or past directors of the Company within the last 6 months (in the case of Graham Bradley, Gregory Short and Kevin Eley).

The Directors (other than each of the Related Parties in respect only of the Resolution which relates to the issue of Shares to himself given his material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Shares because the agreement to issue the Shares in lieu of each Related Party's



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entitlement to salary or director fees' for the period between 1 April 2015 and 31 March 2016 is considered to be reasonable remuneration in the circumstances and was negotiated on an arm's length basis, which each interested Director abstaining from participation in the vote which related to that Director's issue of Shares in lieu of his salary or fee entitlement.

Accordingly, the exception to approval under Chapter 2E provided by section 211 of the Corporations Act applies to the proposed issue of the Shares.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party. A person is considered to be a related party of an entity if he is a current director or has been a director of that entity within the last six months. Mr Masterman and Dr Pirola are current directors of the Company and Messrs Bradley, Eley and Short have been directors of the Company in the past six months. They are collectively referred to as the **Related Parties**. Listing Rule 10.13.3 requires the shares to be issued within one month after the date of approval by shareholders in general meeting.

The following information is provided in relation to the issue of Shares in accordance with Listing Rule 10.13:

- (a) *The name of the related parties to whom the securities will be issued*

The Shares will be granted to Michael Masterman and Byron Pirola (or their nominee(s)) who are related parties of the Company by virtue of being Directors and to Graham Bradley, Gregory Short and Kevin Eley (or their nominee(s)) who are related parties by virtue of having been directors of the Company within the past six months.

- (b) *The maximum number of securities to be issued.*

The maximum number of Shares to be issued to the Related Parties is set out in the table below:

Related Party	Director's Fees or Salary owed¹	Maximum number of Shares to be issued to each Related Party pursuant to Resolutions 4(a) to (e) at a deemed price of \$0.015
Michael Masterman	\$49,841	3,322,734
Byron Pirola	\$49,841	3,322,734
Graham Bradley	\$74,762	4,984,101



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Kevin Eley	\$49,841	3,322,734
Gregory Short	\$46,138	3,075,871
TOTAL	\$270,423	18,028,174

1. An exchange rate of **1.4877** has been used for the purpose of converting outstanding directors' fees or salary from Euro to AUD.

(c) *The date by which the securities will be issued*

Subject to Shareholder approval, the Shares will be issued to the Related Parties no later than one month after the date of this AGM.

(d) *The issue price of the securities and terms of issue*

The issue price is nil but the Shares will be deemed to be issued at a price of \$0.015 (1.5c). As at 18 April 2016, the date of preparation of this Notice, the Company's Shares had not traded since 21 March 2016 when the closing price was \$0.045 (4.5c). On that date the Company's issued Share capital was 140,156,920 Shares. The Company has recently undertaken a pro-rata renounceable rights issue under which the Company's issued Share capital will increase to approximately 490,549,220 Shares on or around 20 April 2016 (**Rights Issue**). When the dilution of the new Shares issued under the Rights Issue is taken into account, a deemed price of \$0.015 (1.5c) is equivalent to a price of \$0.053 (5.3c) prior to the Rights Issue. The deemed price of 1.5c for conversion of directors' fees or salaries into Shares therefore represents a premium to that closing price of approximately 17%.

The Shares will be fully paid ordinary Shares issued on the same terms as the Company's existing Shares.

(e) *A voting exclusion statement*

A voting exclusion statement is included in this Notice

(f) *The intended use of funds raised*

No funds will be raised by this issue as the Shares are proposed to be issued to the Related Parties in lieu of part of their director's fees or salaries for the period 1 April 2015 to 31 March 2016. The issue of Shares will reduce the Company's liability to pay directors' fees or salaries in respect of the period 1 April 2015 to 31 March 2016 thereby assisting to preserve the Company's cash.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Shares to the Related



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Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to the Related Parties (or their nominee(s)) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

Resolution 5: Delisting of the Company from the ASX

The Company intends to apply to ASX pursuant to Listing Rule 17.11 to be removed from the Official List of ASX. On 22 April 2016 the Company received in-principle advice from ASX confirming that, on receipt of a request for removal from the official list of ASX by the Company pursuant to Listing Rule 17.11, ASX would be likely to agree to remove the Company, on a date to be decided by ASX in consultation with the Company, subject to compliance with the following conditions.

- (a) that the request for removal of the Company from the Official List be approved by an ordinary resolution of the Company's shareholders;
- (b) that the removal shall not take place any earlier than one month after the date on which the resolution to approve the delisting is passed; and
- (c) that the Company releases the full terms of ASX's decision in relation to the Company's delisting application to the market immediately upon receipt.

Accordingly, this Resolution seeks Shareholder approval for the delisting of the Company from the official list of ASX. The Company will advise the market when it makes formal application to ASX for removal from the official list and will release the full terms of ASX's decision in relation to the Company's delisting application immediately upon receipt.

Indicative Timetable for removal of the Company from the official list

The indicative timetable for the proposed removal of the Company from the official list of ASX is set out below:

Event	Date
Receipt of ASX in-principle advice	22 April 2016
Shareholder Approval sought at Annual General Meeting (this Notice)	31 May 2016
Formal Application to ASX for removal and ASX decision announced	Mid to late June 2016
Company removed from official list	On or about 29 July 2016

Rationale for delisting

The Board of the Company has determined that the delisting of the Company from the ASX is in the best interests of Shareholders as the benefits for the Company of being listed are no longer justified by the costs and disadvantages to the Company of continued listing.



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The Board has reached this decision due to (a) the low market capitalization of the Company on ASX and the problems this creates for the Company in negotiating commercial agreements and asset sales; (b) the lack of liquidity in the Company's Shares on ASX and the consequent effect that small trades can have on the Company's market capitalisation; (c) lack of institutional investment support; (d) impact of low market capitalization on ability to raise capital; and (e) compliance costs.

Impact of Low Market Capitalisation

The current market capitalization of the Company in ASX does not accurately reflect value of its underlying assets. This is due in part to the current low global prices for oil and gas but also to the minimal trading in the Company's Shares on the ASX and the negative sentiment generally regarding junior oil & gas companies in the Australian market. The Company's operations and assets are all located in Italy and this contributes to the lack of investor interest in the Company within the Australian investment community.

A key part of the Company's strategy is to seek funding to bring its near term development assets into production through (i) negotiation of farm-out agreements under which a partner obtains an interest in an asset in return for funding its development; and (ii) the sale of smaller assets to fund development of more material assets; and (iii) the possible sale of its operating subsidiary, NorthSun Italia SpA. The low market capitalization of the Company as indicated by its Share price on ASX inhibits the Company's ability to sell individual assets at their full value and has proven disadvantageous in the context of farm-out agreements since it leaves our prospective partners in doubt about the Company's ability to raise the capital necessary to fulfil its obligations under the farm-out agreement.

Low liquidity

The Company's shares on ASX have had a low level of liquidity with long periods of little or no trading. In the 12 months ended 31 March 2016 only 6.5% of the Company's shares traded. On days where Shares were traded, the average daily trade volume during this period was 160,039, with an average value of \$10,007. However, accounting for trading days where no volume of Shares were traded, the average daily trading volume was 36,056, with an average value of \$2255. This low level of liquidity reflects the fact that the Company's shares are tightly held. The top 20 Shareholders as at 18 April 2016 controlled 78% of the Shares on issue.

The Company also has a large number of Shareholders with less than marketable parcels of Shares. This led the Company to announce on 10 March 2016 a less than marketable parcel sale facility which is due to be concluded on 6 May 2016. At that time, the Company had 633 Shareholders out of a total 779 Shareholders holding less than marketable parcels of Shares. Although this sale facility is not due to complete until 6 May 2016 and the Company cannot know until that time how many unmarketable parcels will be sold under the facility, it is possible that the Company will have fewer than 300 Shareholders once completed.

Low Value Trades have a significant impact on Company value

Due to the low level of trading in the Company's Shares, the market value of the Company is significantly impacted by small volume and low value trades which reduce the Company's Share price. For example, on 18 February 2016 the Share price fell 40% on a traded value of \$285, and on 9 March 2016 the Share price rose 70% on a traded value of \$3449. This negatively impacts the price



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at which the Company is able to raise capital and the perception of its value and the value of its assets.

Lack of Institutional interest in the Company's Shares

The Company has had very limited institutional investor interest in its Shares despite various efforts in the past to engage the institutional investment market in Australia. The Board has no reason to believe that this will change in the near future.

Impact on ability to raise capital

The Company's low market capitalization on ASX means that the Company has limited scope to raise additional capital when needed without substantial dilution of existing Shareholders. This led the Company to conduct its most recent capital raising via a pro-rata rights issue so that Shareholders had the opportunity to maintain their Shareholding percentage, but it is not feasible to raise capital in this way each time the Company requires additional funding.

Compliance Costs

The continued listing of the Company results in significant expense to the Company. In addition to the direct costs of maintaining an ASX listing, there are other costs associated with the listing including management and Board time devoted to listing related matters. The Board is implementing a programme of costs savings across the Company as announced as part of the plans to recapitalize and restructure the Company. A delisting will lead to significant savings.

Effect of Delisting

If Shareholders approve Resolution 5 and ASX approves the delisting, the Company will be removed from the official list of ASX on a date no earlier than 29 July 2016 (**Removal Date**). An indicative timetable for the delisting is set out above.

Prior to the Removal Date, the Company's Shares may continue to be traded on ASX which will enable Shareholders who wish to sell their Shares to do so for a period of at approximately 90 days from the date of this Notice.

Shareholders who remain on the Company's register after the removal of the Company from the official list of ASX will retain the protections afforded to them under the Corporations Act and the Company's Constitution. The Company will continue to be a public company and subject to various obligations under the Corporations Act and its Constitution. While the Company has more than 100 Shareholders following the delisting, the Company's securities may be classified as unlisted enhanced disclosure securities which would oblige the Company to disclose material information in a timely fashion to ASIC and/or on the Company's website. However, the Company will no longer be subject to the requirements of the Listing Rules of ASX. For so long as the Company has at least 50 Shareholders, the acquisition of control of the Company and certain interests in Shares will be subject to the takeover provisions in Chapter 6 of the Corporations Act, including a requirement for substantial Shareholders to give notice to the Company and ASIC of changes in their substantial shareholdings.

The Constitution of the Company will continue to apply following the Company's removal from the official list of ASX, however, the provisions of the Constitution which refer to ASX listing or Listing Rules will no longer apply.

The Company anticipates that following delisting it would amend some of its corporate governance policies and procedures which were specific to requirements of ASX.



ABN 33 087 741 571

Disadvantages of Delisting

The Board has considered the potential disadvantages of delisting, including the fact that if the Company is delisted:

- (a) the Company's shares will no longer be traded on ASX, and consequently the liquidity of the Company's shares will be affected;
- (b) the ASX Listing Rules and the shareholder protections inherent therein will no longer apply to the Company, including but not limited to restrictions on the issue of Shares by the Company, restrictions on transactions with persons of influence, significant changes to the Company's activities and quarterly activities and cashflow reporting;
- (c) the Company's options for capital raising will be more limited. For example, the Company would no longer have access to fundraising options not requiring a prospectus such as rights issues or share purchase plans and limited disclosure fundraising methods such as a s713 prospectus which are available to listed companies. The Company's main options for raising funds as an unlisted company would be by way of a full prospectus or by way of private placement.

Exit Mechanism

The Company does not intend to implement a formal share buy back or other sale facility (other than the facility for the sale of unmarketable parcels commenced on 10 March 2016) for the sale of Shares prior to delisting the Company. Therefore, if the Company is delisted, Shareholders can continue to trade the Company's Shares with a willing counterparty on ASX up to the Removal Date. Shareholders will have approximately 90 days from the date of this Notice to trade their Shares on the ASX prior to the Removal Date. After the Removal Date Shareholders would need to find a purchaser for their Shares and sell those Shares off-market in accordance with the Company's Constitution unless an offer is made by a purchaser to all Shareholders to acquire the Company or its assets.

Other Information

On 18 March the Company provided a market update to ASX which outlined the Company's strategy for recapitalising and restructuring the Company. The first step in that plan was a capital raising via rights issue which closed on 13 April 2016. The remaining steps outlined included:

- (a) pursue the sale of smaller assets (for example, Sant'Alberto and Bezzecca) to increase the Company's cash reserves;
- (b) pursue the possible sale as an operating entity of the Company's 100% owned NorthSun Italia SpA; and
- (c) simplify the Company's structure and reduce operating costs.

The Board believes that delisting the Company will facilitate its efforts to achieve each of the above initiatives.

Board Recommendation

After careful consideration, the Board believes that it is in the best interests of the Company and all its Shareholders to seek to remove the Company from the official list of ASX for the reasons outlined above.

The Board recommends that Shareholders accept the recommendation of the Board and vote in favour of this Resolution.

GLOSSARY

2015 Annual Report means the Company's annual report for the year ended 31 December 2015.

AEST means Australian eastern standard time as observed in Sydney, New South Wales.

Annual General Meeting or **AGM** means the annual general meeting of the Company to be held at 11.30am on 31 May 2016 (**AEST**).

ASX means ASX Limited.

Board means the current board of directors of the Company.

Closely Related Parties of a member of the KMP means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Po Valley Energy Limited (ABN 33 087 741 571).

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company.

Explanatory Notes means the explanatory notes which accompany and are incorporated as part of this Notice.

KMP means key management personnel, which has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group

Listing Rules means the official listing rules of the ASX.

Notice and **Notice of Meeting** means this Notice of AGM.

Remuneration Report means the remuneration report of the Company for the year ended 31 December 2015, as set out in the 2015 Annual Report.

Rights Issue means the renounceable pro-rata rights issue announced to ASX on 18 March 2016 to raise approximately \$1.75million which closed on 13 April 2016 and under which the Company's issued Share capital will be increased to 490,549,220 Shares on 20 April 2016.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
Po Valley Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

 **ALL ENQUIRIES TO**
Telephone: +61 1300 554 474

LODGE MENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **11:30am (AEST) on Sunday, 29 May 2016**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

 **ONLINE**
www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the reverse of this Proxy Form).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, 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 indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

PROXY FORM

I/We being a member(s) of Po Valley Energy Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:30am (AEST) on Tuesday, 31 May 2016 at Port Jackson Partners Limited, Level 32, 50 Bridge Street, Sydney, NSW, Australia** (the Meeting) and at any postponement or adjournment of the Meeting.

Important for Resolutions 1 and 4(a) to 4(e): If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1 and 4(a) to 4(e), even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

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

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Delisting of the Company from the ASX	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-Election of Dr Byron Pirola as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3 Election of Kevin Bailey as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4(a) Issue of Shares to Michael Masterman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4(b) Issue of Shares to Byron Pirola	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4(c) Issue of Shares to Graham Bradley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4(d) Issue of Shares to Kevin Eley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4(e) Issue of Shares to Gregory Short	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				



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

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

