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Australian Stock Exchange
Continuous Disclosure Area

Via: E Lodgement

**Announcement of Capital Management Plan & Withdrawal of
Shareholder Requisition for General Meeting**

On 17 June 2009, the Company advised that it had received a requisition to hold a general meeting of members. This requisition has been withdrawn today.

Please find attached:

- three resolutions that will be put by the Premium Investors Limited Board to shareholders at an upcoming general meeting – date to be advised;
- media release regarding the proposed capital management plan and agreement reached with Dixon Advisory.

Yours faithfully



Reema Ramswarup
Company Secretary



ASX ANNOUNCEMENT:

“Premium Investors Limited announces capital management plan & withdrawal of Dixon resolutions”

BOARD RESOLUTIONS TO BE PUT TO A GENERAL MEETING OF SHAREHOLDERS

OVERVIEW

Three resolutions have been put forward by the Board for shareholder consideration:

- RESOLUTION 1:** An immediate off-market equal access buy-back of up to 65 per cent of issued capital at a 1.75 per cent discount to NTA
- RESOLUTION 2:** A further on-market buy-back over the next 12 months of up to 15 per cent of issued capital
- RESOLUTION 3:** Amendments to the constitution to provide shareholders with greater ability to ensure periodic capital management assessments

These resolutions, and how they may affect shareholders if they are approved, are discussed below.

RESOLUTION 1: OFF-MARKET EQUAL ACCESS BUY-BACK

Following shareholder approval, PRV intends to immediately proceed with an off-market buy-back.

The off-market buy-back involves the Company offering to buy-back from each eligible shareholder ordinary shares at the buy-back price (as described below). Shareholders will have the opportunity of selling up to 65 per cent of their shares. An independent expert's report will be mailed to all shareholders shortly addressing the fairness of the buy-back.

A separate buy-back booklet will be mailed to shareholders. The buy-back booklet, when sent, will set out details of the offer, including tax consequences, the timetable and the total amount available for buying back shares under the initial off-market buy-back.

Size of Equal Access Buy-Back Program – 65 per cent Limit

The proposed off-market buy-back is for up to 65 per cent of the issued share capital of the Company. This limits the total shares that can be bought back to approximately 145.8 million shares. The 65 per cent buy-back limit represents a maximum number of shares that may be bought back, rather than the number that will actually be bought back.

The number of shares actually bought back will depend on the number of shareholders who chose to take up the off-market buy-back offer.

Shareholders will be entitled to nominate their desired level of participation in the share buy-back to the extent permitted by law. To the extent that shareholders may choose not to sell their full entitlement of shares into the buy-back, other shareholders will be able to participate to a greater extent than 65 per cent of their shareholding. The total number of shares that are bought back through the buy-back shall not exceed 65 per cent of the total shares on issue.



Pricing the Off-Market Buy-Back

The price of the buy-back will be set at a discount of 1.75 per cent to the buy-back NTA. The buy-back NTA date is yet to be determined, and will be on, or around, the date the buy-back is completed. These dates will be determined and clearly set out in the buy-back documentation to be mailed to all shareholders. The Directors note that if the share price remains at a material discount to NTA (over 1.75 per cent) the buy-back price will be greater than the current market price on the NTA date.

Eligible Shareholders

Subject to certain exceptions below, any shareholder who holds shares on the relevant record date will be eligible to participate in the buy-back. The record date for the off-market buy-back will be determined shortly after the General Meeting.

Shareholders resident in Australia, UK, New Zealand, the United States of America, Hong Kong and Singapore and potentially other countries will be eligible to participate. Shareholders in other foreign countries will not be eligible to participate unless they can demonstrate to the Company's satisfaction before the end of the offer period that they can lawfully participate in the initial off-market buy-back either unconditionally or after compliance with such conditions as the Country in its absolute discretion regards as acceptable and not unduly onerous. Details of eligibility will be included in the buy-back booklet.

Timing

The Board's intention is to dispatch the buy-back booklets to shareholders as soon as possible, subject to regulatory approvals and the buy-back resolutions being passed. The off-market buy-back will be open for at least three weeks.

RESOLUTION TWO: ON-MARKET BUY-BACK

The Board seeks approval to proceed with an on-market buy-back at the discretion of the Board. If the resolution is approved, the Board will not be required to proceed with the on-market buy-back but has the pre-approval of shareholders to do so.

The proposed on-market buy-back will be for up to 15 per cent of the original total shares on issue. This equates to approximately 33.7 million shares. The pricing of the on-market buy-back will be determined by market conditions at the time. All purchases will be conducted in a twelve month period from the date the resolutions are approved.

Impact on Share Register

Not all shareholders are likely to participate in the buy-backs to the same extent. As a result, there is a potential for dilution or accretion in any given shareholder's interest in the Company. The potential size of the buy-back programs and subsequent cancellation of shares could significantly increase the percentage holdings of any shareholder that does not participate.

If the nominated participation of shareholders in the off-market buy-back will result in any shareholder increasing their voting power to 20 per cent or more, Premium Investors will reduce the number of shares to be bought back under the off-market buy-back. This would be done on a parri passu basis to all participating shareholders to ensure that the relevant shareholder's voting power does not exceed 20 per cent.

BOARD RESOLUTION 3: AMENDMENT TO COMPANY CONSTITUTION

The share price of a listed investment company often differs from the NTA per share.

In October 2005, the constitution of the company was amended to allow that where the price of shares in the Company trade at a substantial discount to NTA, that matter may be brought before a meeting of shareholders where shareholder opinion on the need for remedial action can be sought.

In the event that shareholders determine that some form of remedial action is required, the Board is charged with considering the alternatives and reporting back to shareholders at an extraordinary general meeting to be convened within three months of the annual general meeting at which the ordinary resolution is passed.

The current wording of rule 14.1 of the constitution requires that a resolution on the continuation of the Company be voted on if throughout a 12 month period, the price of shares in the Company have traded at discount to NTA of 10 per cent or greater (after tax). Rather than requiring that the daily share price for an entire year trade at a 10 per cent discount to trigger the obligation to provide the shareholders with the opportunity of considering if the Company should continue, the proposed amendment will only look at the month end position for the prior 12 months, an easier hurdle.

The amendment to the constitution proposed by the Board has the effect that if for each of 12 consecutive calendar months the monthly volume weighted average price for the company's ordinary shares sold on ASX is less than 90 per cent of the NTA per share (after tax), the directors must ensure that shareholders are provided with the opportunity to vote by way of an ordinary resolution at the next annual general meeting on the continuation of the company's business in its present form or otherwise.

ADDITIONAL INFORMATION

ASIC relief

The proposed off-market buy-back program does not technically comply with the requirements under the Corporations Act for an equal access buy-back. Accordingly, it would be treated as a selective buy-back for the purposes of the Corporations Act, and, rather than requiring approval by ordinary resolution of shareholders, it would require approval by a special resolution on which no votes are to be cast by persons whose shares are proposed to be bought back.

However, if approval is received by shareholders to proceed with the buy-back, Premium Investors will seek from ASIC an exemption under subsection 257D(4) of the Corporations Act. This exemption would permit Premium Investors to conduct the buy-back in substantially the same manner as an equal access buy-back, in accordance with Division 2 of Part 2J.1 of the Corporations Act, except that the offers under the buy-back are not to be made to shareholders whose registered addresses are in jurisdictions where offers cannot be made because of the laws of those jurisdictions.

Investor Considerations

If shareholders are in doubt as to the course they should follow, they should seek advice on the matters contained in this Explanatory Statement from a stockbroker, solicitor, accountant or other professional adviser immediately.

The potential tax effects relating to the buy-backs will vary between shareholders. Shareholders are urged to consider the possible tax consequences of participating in the buy-backs by consulting a professional tax adviser.

ATO Class Ruling

As well as an ASIC exemption, if the Board resolutions are approved, the Company will apply for a Class Ruling confirming the tax position for shareholders. The Company will not necessarily wait to receive a final Class Ruling before proceeding with an Off-market Buy-back. Further details of the Class Ruling process will be contained in the Buy-back Booklet.

ASX waiver

Before proceeding with any off-market buy-back, the Company will apply for any relevant waivers from the ASX including from Listing Rule 3.8A. This will allow the Company to lodge its Appendix 3F notifying the market and shareholders of the results of the proposed off-market buy-back at least half an hour before the commencement of trading on the second business day after the proposed off-market offer period ends, rather than that time on the first such business day required

The waivers from ASX may not be necessary for the off-market buy-back to proceed.

MEDIA RELEASE

Premium Investors Limited announces capital management plan; plan receives support of Dixon Advisory

Sydney, 8 July 2009: The Board of Premium Investors Limited (ASX: PRV) today announced details of an ongoing capital management plan.

On June 17, 2009 Dixon Advisory, representing a number of retail shareholders (Members), requisitioned a General Meeting.

The Board also announced today that Dixon Advisory, as representatives of shareholders who recently requisitioned a General Meeting, have agreed that the proposals contained in requisition are no longer in the best interests of PRV shareholders given today's announcement. The proposed directors from Dixon Advisory have withdrawn their consent to be nominated and will be discussing the merits of today's announcement with the Members to procure their agreement to withdraw the requisition.

Premium Investors and Dixon Advisory have reached in-principle agreement that:

1. Premium Investors will call a meeting of shareholders to consider approving a 65 per cent equal access buy-back (with the ability to elect for 100 per cent and a pro rata scale back) and a 15 per cent on-market buy-back
2. Dixon Advisory no longer believes proceeding with the requisition is in the best interests of all shareholders. Dixon Advisory will contact the Members as soon as possible to explain the outcome of the requisition and obtain their agreement to withdraw the requisition
3. Premium Investors and Dixon Advisory will work together to achieve the best outcome for all shareholders.

Mr Tom Collins, Chairman of Premium Investors, said: "The Board has adopted a clear strategy to enhance the value of Premium Investor's shares, and has proposed resolutions to further implement a continuing capital management program as one of the means of addressing PRV's share price discount to NTA.

"The Board has given careful consideration to PRV's capital management objectives and to shareholder feedback in developing proposed resolutions for shareholder consideration at the General Meeting.

"The Board believes the plan outlined by the resolutions presents the best course of action to maximise value for all shareholders.



“As a result we are confident the resolutions put to shareholders have significant support.

“The Board proposals aim to close the discount between the share price and NTA and to provide an opportunity for shareholders to stay invested in PRV as markets and LIC share prices revalue,” Mr Collins said.

Premium Investors expects to hold the General Meeting of shareholders to consider these resolutions before the end of August 2009. A notice of meeting and explanatory statement will be mailed to shareholders shortly.

The full resolutions to be put to shareholders at the General Meeting are attached (Attachment 1).

In summary, the resolutions are:

- RESOLUTION 1:** An immediate off-market equal access buy-back of up to 65 per cent of issued capital at a 1.75 per cent discount to NTA
- RESOLUTION 2:** A further on-market buy-back over the next 12 months of up to 15 per cent of issued capital
- RESOLUTION 3:** Amendments to the constitution to provide shareholders with greater ability to ensure periodic capital management assessments

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Further Information:

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