

**PO VALLEY ENERGY LIMITED**  
**ACN 087 741 571**  
**(COMPANY)**

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**SHORT FORM PROSPECTUS**

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For an offer to transfer Saffron Shares to Shareholders of Po Valley Energy Limited pursuant to the Capital Reduction by way of In-specie Distribution being the subject of the Capital Reduction Resolution in the Notice of Meeting for a General Meeting to be held on 23 April 2018 and to facilitate secondary trading of those Saffron Shares.

**IMPORTANT INFORMATION**

This Prospectus is important and requires your immediate attention. You should read this Prospectus in its entirety and consult your professional adviser in respect of the contents of this Prospectus.

This Prospectus is a short form prospectus prepared in accordance with section 712 of the Corporations Act. This Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type, but refers to parts of other documents lodged with the ASIC, the contents of which are therefore taken to be included in this Prospectus.

The Po Valley Directors consider an investment in the Saffron Shares that will be distributed and transferred under this Prospectus and the Capital Reduction Resolution, to be speculative.

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## **1. IMPORTANT NOTICE**

### **1.1 General**

This Prospectus is dated 19 March 2018 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC, ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Saffron Shares may be offered or transferred on the basis of this Prospectus later than 13 months after the date of this Prospectus.

This Prospectus, including the Notice of Meeting which is incorporated by reference into this Prospectus, is important and should be read in its entirety. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser immediately.

This Prospectus does not constitute an offer in any place in which or to any person to whom it would not be lawful to make such an offer.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to Shareholders and professional advisers whom Shareholders may consult.

Defined terms and abbreviations used in this Prospectus are explained in section 6 of this Prospectus.

### **1.2 Short form prospectus**

This Prospectus is a short form prospectus issued in accordance with section 712 of the Corporations Act. This means this Prospectus alone does not contain all the information that is generally required to satisfy the disclosure requirements of the Corporations Act. Rather, it incorporates all other necessary information by reference to information contained in the Notice of Meeting lodged with ASIC on 19 March 2018.

In referring to the Notice of Meeting, the Company:

- (a) identifies the Notice of Meeting as being relevant to the offer of Saffron Shares under this Prospectus and contains information that will provide Shareholders and their professional advisers to assist them in making an informed assessment of:
  - (i) the rights and liabilities attaching to the Saffron Shares; and
  - (ii) the assets and liabilities, financial position and performance, profits and losses and prospects of Saffron;
- (b) refers Shareholders and their professional advisers to section 3 of this Prospectus which summarises the material information in the Notice of Meeting deemed to be incorporated in this Prospectus;

- (c) informs Shareholders and their professional advisers that they are able to obtain, free of charge, a copy of the Notice of Meeting by contacting the Company at its registered office during normal business hours during the period of the Offer; and
- (d) advises that the information in the Notice of Meeting will be primarily of interest to Shareholders and their professional advisers or analysts.

### **1.3 Exposure Period**

The Corporations Act prohibits the Company from distributing and transferring the Saffron Shares to the Shareholders during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the distribution and transfer of Saffron Shares. As the General Meeting will be held on 23 April 2018, the Exposure Period will have ended by the time the In-specie Distribution occurs, assuming Shareholders approve the Capital Reduction Resolution.

This Prospectus (including the Notice of Meeting) will be made generally available during the Exposure Period by being posted on Po Valley's website [www.povalley.com](http://www.povalley.com). A paper copy will be made available to Australian residents on request to Po Valley during the Exposure Period.

### **1.4 Forwarding-looking statements**

This Prospectus may contain forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Po Valley Directors and management. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law. These forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements.

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## 2. THE OFFER

### 2.1 Terms and conditions of the Offer

The terms and conditions of the Offer are set out in the Notice of Meeting accompanying this Prospectus.

In broad terms, the Notice of Meeting includes the Capital Reduction Resolution pursuant to which Po Valley proposes an equal reduction of capital to be satisfied by the distribution and transfer of 80,000,000 Saffron Shares held by Po Valley (**Capital Reduction**) to be distributed to Po Valley Shareholders registered as such on the Record Date (**Eligible Shareholders**) in proportion to their respective holdings of Shares as at that date (**In-specie Distribution**).

The In-specie Distribution will only proceed if Shareholder approval is obtained.

The In-specie Distribution is expected to occur in accordance with the following timetable.

General Meeting to approve the Capital Reduction Resolution	23 April 2018
ASX informed of Shareholder approval of Capital Reduction Resolution	23 April 2018
Record Date for determining entitlements under In-Specie Distribution	27 April 2018
In-specie Distribution to Eligible Shareholders completed	4 May 2018

Under ASIC Regulatory Guide 188, an invitation to vote on the Capital Reduction Resolution in the Notice of Meeting constitutes an offer by Po Valley to transfer the Saffron Shares the subject of the Capital Reduction Resolution for the purposes of Chapter 6D of the Corporations Act. Accordingly, Po Valley has prepared this Prospectus to accompany the Notice of Meeting.

Shareholders should note that the In-specie Distribution of the Saffron Shares to Eligible Shareholders with a registered address outside Australia under the Capital Reduction Resolution will be subject to legal and regulatory requirements in their relevant jurisdictions.

If the requirements of any of these jurisdictions are held to:

- (a) restrict or prohibit the distribution of securities as proposed; or
- (b) would impose on Po Valley an obligation to prepare a prospectus or other similar disclosure document; or
- (c) otherwise impose on Po Valley an undue burden,

the Saffron Shares to which the relevant Eligible Shareholder is entitled will not in fact be issued to such Shareholders and instead will be sold by Po Valley on their behalf as soon as practicable after the Record Date.

If Po Valley elects to sell the Saffron Shares on a relevant Shareholder's behalf, Po Valley will then account to those Shareholders for the net proceeds of sale after deducting the costs and expenses of the sale. As the return of capital is being represented and satisfied by the In-specie Distribution and security prices may

vary from time to time (assuming a liquid market is available), the net proceeds of sale to such Shareholders may be more or less than the notional dollar value of the reduction of capital. It will be the responsibility of each Eligible Shareholder to comply with the laws to which they are subject in the jurisdictions in which they are resident.

## **2.2 Effect of the Offer on the Company**

The principal effects of the Offer will be that the Company ceases to hold 80,000,000 Saffron Shares currently held by the Company which will be distributed and transferred to the Eligible Shareholders in proportion to their respective holdings at the Record Date and that the share capital of the Company will be reduced by the market value of the Saffron Shares distributed under the In-specie Distribution on the Record Date.

Any Saffron Shares not distributed to Eligible Shareholders due to rounding of fractional entitlements will be retained by the Company.

## **2.3 Action required by Shareholders**

No action is required to be taken by Shareholders under this Prospectus. Should Shareholder approval be obtained for the Capital Reduction Resolution and the Capital Reduction proceed to be implemented, then the Saffron Shares will be distributed and transferred to Eligible Shareholders in accordance with the terms of the Capital Reduction Resolution, Po Valley's constitution and the terms set out in the Notice of Meeting, whether you voted for or against the Capital Reduction Resolution or did not vote at all (or did not attend the Meeting).

In accordance with *ASIC Corporations (Application Form Requirements) Instrument 2017/241*, no application form is required to be completed or returned to participate in the proposed distribution and transfer of Saffron Shares under the Capital Reduction and no application form is included in or accompanies this Prospectus.

Eligible Shareholders will be asked to make an election as to how they wish to hold their Saffron Shares. Saffron Shares to be held in CREST will be credited to the designated CREST account by Saffron's registrar. Saffron Shares to be held in certificated form will be entered on to the shareholder register by Saffron's registrar on the same day, but the mailing of the certificate will result in a delay before relevant Shareholders receive the certificate.

If you have any queries regarding this Prospectus, please contact the Company Secretary on +61 8 9316 9100.

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### **3. INFORMATION DEEMED TO BE INCORPORATED IN PROSPECTUS**

#### **3.1 Short form prospectus**

This Prospectus is a short form prospectus prepared in accordance with section 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type. However, it incorporates by reference information contained in the Notice of Meeting that has been lodged with the ASIC.

#### **3.2 Included information**

The Notice of Meeting contains all information that Shareholders require in relation to the Capital Reduction and the Notice of Meeting in its entirety is deemed to be incorporated in this Prospectus.

The material provisions of the Notice of Meeting are summarised below in section 3.3 and will primarily be of interest to Shareholders and their professional advisers or analysts.

The Notice of Meeting will be sent to Shareholders with this Prospectus. In addition, the Notice of Meeting will be made generally available during the Application Period by being posted on the Company's website ([www.povalley.com](http://www.povalley.com)).

#### **3.3 Notice of Meeting – Summary of material provisions of Notice of Meeting**

In accordance with section 712 of the Corporations Act, set out below is a summary of the information contained in the Notice of Meeting that is deemed to be incorporated in this Prospectus to assist Shareholders and their professional advisers for the purposes of making an informed investment decision in relation to the Saffron Shares.

The sections, schedules and annexures referred to below are references to sections, schedules and annexures in the Notice of Meeting.

(a) **Section 2.1 – Background**

This section provides an overview of the Capital Reduction, the Company's existing interest in Saffron and the Company's intention with the Saffron Shares retained following completion of the In-specie Distribution.

(b) **Section 2.2 – Advantages and disadvantages of the In-specie Distribution**

This section sets out potential principal advantages and disadvantages of the In-specie Distribution that may be relevant to a Shareholder's decision on how to vote on the Capital Reduction Resolution.

(c) **Section 2.3 – Directors Recommendations**

This section sets out the Po Valley Directors' voting recommendations in relation to the resolution in the Notice of Meeting and their reasons.

(d) **Section 2.4 – Timetable**

This section sets out the timetable for the In-specie Distribution.

(e) **Section 3.3 – Company's strategy post Capital Reduction**

This section sets out information regarding the Company's intentions following completion of the Capital Reduction. Po Valley will retain 100% of Po Valley Operations Pty Ltd which holds interests in two gas field production assets and one oil and condensate exploration licence and will also seek to expand its activities from the European to the Australian energy market, specifically, the Company intends to consider natural gas and exploration and development activities on the eastern states of Australia, along with energy storage solutions such as battery power. The Company will actively pursue this direction through 2018 and advise the market when further information is available.

(f) **Section 3.4 and Schedule 2 – Po Valley Financial Information**

This section and schedule contains the unaudited consolidated and unaudited pro forma statement of financial position of the Company as at 31 December 2017 assuming completion of the Capital Reduction.

(g) **Section 4 and Annexure A – Saffron**

This section sets out information regarding Saffron, the company whose shares the Company is proposing to distribute, including its assets, capital structure, historic share price information, financial information, board of directors and their shareholdings and other interests, business strategy, use of proceeds of the capital raising, substantial holders and material contracts (including agreements with related parties).

Annexure A is the admission document issued by Saffron and released on the London Stock Exchange in relation to its application for its ordinary shares to be re-admitted to trading following its acquisition of SEHIL and completion of the capital raising set out in the admission document.

(h) **Section 5 and Annexure A (Part 3) – Risk factors**

This section highlights to Shareholders, that should they approve the Capital Reduction Resolution, then those Shareholders will be directly exposed to those risks which Saffron is exposed to as well as risks relating to the distribution of Saffron Shares and the risks relating to Po Valley assuming the In-specie Distribution is completed.

(i) **Section 6.1 – The effect of the Capital Reduction on Shareholders**

This section outlines the effect of the Capital Reduction on Shareholders, which is primarily that Eligible Shareholders will receive an in-specie distribution of Saffron Shares with no change to their holding in Po Valley as a result of the In-specie Distribution. However, there will be a change to the cost base of the Shares held by Eligible Shareholders equal to the market value of the Saffron Shares received under the In-specie Distribution as calculated at the Record Date.

(j) **Section 6.2 – Share price information of the Company**

This section discloses the highest, lowest and most recent recorded sale prices of Shares as traded on ASX during the 12 months immediately preceding the date of the Notice of Meeting and the respective dates of those sales.



(k) **Section 6.3 – Directors interest and remuneration**

This section discloses the current shareholdings of the Po Valley Directors and the Saffron Shares they are entitled to under the Capital Reduction Resolution as well as the remuneration provided to them by the Company during the previous two financial years.

(l) **Section 6.4 – Eligible Shareholders not resident in Australia**

This section sets out the rights and restrictions of Eligible Shareholders who are not resident in Australia in relation to the Capital Reduction.

(m) **Section 7 – Tax implications of the Capital Reduction**

This section provides a general summary of the Australian taxation consequences for Eligible Shareholders who receive Saffron Shares in respect of the Capital Reduction based on applicable taxation law as at the date of the Notice of Meeting.

Information is also given in respect of the Company's application to seek a class ruling from the ATO in respect of the availability of demerger tax relief.

The summary is not intended, and should not be relied upon, as specific taxation advice to any particular Shareholder. The comments in the summary are of a general nature only, may not apply to a Shareholder's specific circumstances and cannot be relied upon for accuracy or completeness. Each Shareholder should seek and rely on its own professional taxation advice, specific to its particular circumstances, in relation to the taxation consequences of the proposed Capital Reductions.

Neither Po Valley, nor any of its officers or advisers, accepts liability or responsibility with respect to such consequences or the reliance of any Shareholder on any part of the summary.

(n) **Schedule 1 – Summary of material rights attaching to Saffron Shares and UK law relevant to holding Saffron Shares**

This schedule sets out that Saffron is an entity incorporated in England and Wales with its shares listed on the AIM Market of the London Stock Exchange and includes a summary of the material constitutional rights attaching to Saffron Shares, a summary of applicable UK law relevant to Saffron or holders of Saffron Shares, a summary of the differences between companies and securities laws in Australia and England and Wales, general information about how to sell AIM-listed securities and the transfer and settlement system relevant to Saffron Shares.

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## **4. ADDITIONAL INFORMATION**

### **4.1 Interests of directors**

Other than as set out below or elsewhere in this Prospectus or the Notice of Meeting, no Po Valley Director or proposed director of the Company and no Saffron Director or proposed director of Saffron, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company or Saffron;
- (b) property acquired or proposed to be acquired by the Company or Saffron in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Po Valley Director or proposed director of the Company or a Saffron Director or proposed director of Saffron:

- (d) as an inducement to become, or to qualify as, a director of the Company or Saffron; or
- (e) for services provided in connection with:
  - (i) the formation or promotion of the Company or Saffron; or
  - (ii) the Offer.

### **4.2 Interests of experts and advisers**

Other than as set out below or elsewhere in this Prospectus or the Notice of Meeting, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of the Company or Saffron; or
- (c) underwriter to the sale offer or a financial services licensee named in this Prospectus as a financial services licensee involved in the sale offer,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company or Saffron;
- (b) any property acquired or proposed to be acquired by the Company or Saffron in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or

- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company or Saffron; or
- (b) the Offer.

### 4.3 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Saffron Shares), the Po Valley Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Saffron has given its written consent to the inclusion of the Admission Document included as Annexure A of the Notice of Meeting that is incorporated into this Prospectus. Saffron has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

CGG Services (UK) Limited (**CGG**) has given its written consent to the inclusion of the Competent Person's Report at Part 4 of the Admission Document included as Annexure A of the Notice of Meeting that is incorporated into this Prospectus. CGG has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

PKF Littlejohn LLP (**PKF**) has given its written consent to the inclusion of its reports on financial information at Part 5 of the Admission Document included as Annexure A of the Notice of Meeting that is incorporated into this Prospectus. PKF has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

### 4.4 Privacy

Po Valley collects personal information about its Shareholders' holdings of Shares in accordance with the Corporations Act. Po Valley will share that personal information with its advisers and service providers and with Saffron and its advisers and service providers in connection with the Capital Reductions and In-specie Distribution.

Shareholders can contact Po Valley's Share Registry if they have any questions about their personal information.

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**5. DIRECTORS' AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Po Valley Directors.

In accordance with Section 720 of the Corporations Act, each Po Valley Director has consented to the lodgement of this Prospectus with the ASIC.

A handwritten signature in black ink, reading "Michael Masterman". The signature is written in a cursive style with a long horizontal flourish at the end.

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**Michael Masterman**  
**Chairman**  
**For and on behalf of**  
**Po Valley Energy Limited**

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## 6. GLOSSARY

**Application Period** means the period commencing at the end of the Exposure Period and ending on the date that the Meeting is held.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

**Capital Reduction** means the capital reduction the subject of the Capital Reduction Resolution to implemented by the In-specie Distribution.

**Capital Reduction Resolution** means Resolution 1 of the Notice of Meeting to be put to Shareholders at the General Meeting to approve the Capital Reduction.

**Company** or **Po Valley** means Po Valley Energy Limited (ACN 087 741 571).

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Eligible Shareholder** means a Shareholder on the Record Date.

**Exposure Period** means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

**General Meeting** means the general meeting of the Company convened by the Notice of Meeting to be held on 23 April 2018.

**In-specie Distribution** or **Distribution** means the distribution of 80,000,000 Saffron Shares held by the Company to Eligible Shareholders.

**Notice of Meeting** means the notice of meeting of the Company including the accompanying explanatory memorandum in relation to the General Meeting.

**Offer** means the offer of Saffron Shares to Shareholders pursuant to the Notice of Meeting.

**Po Valley Director** means a director of the Company as at the date of this Prospectus.

**Prospectus** means this short form prospectus prepared in accordance with section 712 of the Corporations Act.

**Record Date** means the date specified in section 2.1 of this Prospectus.

**Saffron** means Saffron Energy Plc.

**Saffron Director** means a current director of Saffron.

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

**SEHIL** means Sound Energy Holdings Italy Limited.

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

**Shareholder** means a registered holder of a Share.