

PO VALLEY ENERGY LIMITED
ACN 087 741 571

SUPPLEMENTARY PROSPECTUS

IMPORTANT INFORMATION

This is a supplementary prospectus (**Supplementary Prospectus**) intended to be read with the prospectus dated 19 March 2018 (**Prospectus**), issued by Po Valley Resources Limited (ACN 087 741 571) (**Company**).

This Supplementary Prospectus is dated 18 April 2018 and was lodged with ASIC on that date. The ASIC, the ASX and their respective officers take no responsibility for the contents of this Supplementary Prospectus.

Other than as set out below, all details in relation to the Prospectus remain unchanged. Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

This Supplementary Prospectus will be issued with the Prospectus as an electronic prospectus and may be accessed on the Company's website (<https://www.povalley.com/en>).

The Company will send a copy of this Supplementary Prospectus to all Shareholders who have been sent the Prospectus.

This is an important document and should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

1. GENERAL

All references in the Prospectus to:

- (a) "Notice of Meeting" are replaced with "Notice of Meeting as supplemented by the Addendum to the Notice of Meeting";
- (b) "23 April 2018" are replaced with "7 May 2018"; and
- (c) "80,000,000" are replaced with "100,000,000".

The Addendum to the Notice of Meeting is included at Annexure A to this Supplementary Prospectus.

2. SECTION 2.1 – TIMETABLE

The timetable in Section 2.1 of the Prospectus is replaced with:

General Meeting to approve the Capital Reduction Resolution	7 May 2018
ASX informed of Shareholder approval of Capital Reduction Resolution	7 May 2018
Record Date for determining entitlements under In-Specie Distribution	10 May 2018
In-specie Distribution to Eligible Shareholders completed	17 May 2018

3. SECTION 3.3 NOTICE OF MEETING – SUMMARY OF MATERIAL PROVISIONS OF NOTICE OF MEETING

New subsection (o) is included with the following:

(o) Addendum

This document sets out amended and supplemental information to that contained in the original Notice of Meeting in relation to:

- (i) the increase in the quantity of the Distribution Shares the subject of the Resolution from 80,000,000 to 100,000,000 and the result that following the implementation of the Distribution, PVE will retain only a residual number of Saffron Shares resulting from the rounding of fractional entitlements of Eligible Shareholders;
- (ii) the revised timetable based on approval being obtained at the adjourned meeting date;
- (iii) updated Po Valley financial information to reflect an increase in the quantity of the Distribution Shares the subject of the Resolution from 80,000,000 to 100,000,000;
- (iv) not proceeding with the class ruling application for demerger roll-over relief on the basis that the conditions for demerger roll-over relief would no longer be satisfied;

- (v) the effect of the Capital Reduction on Shareholders to reflect a revised quantity of Saffron Shares to be distributed for each PVE Share held on the Record Date; and
- (vi) updated disclosure of the Saffron Shares to be distributed to Po Valley Directors as a result of the increase in the quantity of the Distribution Shares the subject of the Resolution from 80,000,000 to 100,000,000.

4. DIRECTORS' AUTHORISATION

This Supplementary 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 Supplementary Prospectus with the ASIC.



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

ANNEXURE A - ADDENDUM TO THE NOTICE OF MEETING

PO VALLEY ENERGY LIMITED

ACN 087 741 571

ADDENDUM TO NOTICE OF MEETING

Po Valley Energy Limited (ACN 087 741 571) (**Company**), gives notice to Shareholders that, in relation to the Notice of Meeting announced on the Company's ASX announcements platform on 19 March 2018 (**Notice of Meeting**) in respect of a general meeting of Shareholders to be held at 11.30am (AEST) on 23 April 2018 at Port Jackson Partners Limited, Level 20, 88 Phillip Street, Sydney (**Meeting**), the Directors have determined to amend and supplement the information contained in the Notice of Meeting provided to Shareholders by this addendum to the Notice of Meeting (**Addendum**) for the purposes set out below.

Definitions in the Notice of Meeting have the same meaning in this Addendum. In the event of any inconsistency the definitions used in this Addendum prevail.

This Addendum is supplemental to the original Notice of Meeting and should be read in conjunction with the original Notice of Meeting.

Adjournment of Meeting

For the reasons set out below and elsewhere in this Addendum, the Company proposes to adjourn the Meeting to 11.30am (AEST) on 7 May 2018 at Port Jackson Partners Limited, Level 20, 88 Phillip Street, Sydney (Adjourned Meeting) in order for Shareholders to have adequate time to consider the supplemental information before voting on the Resolution (as amended).

Background

The Board of Po Valley has resolved to increase the number of Saffron Shares for distribution to Shareholders from 80,000,000 to 100,000,000 (being all Saffron Shares held by the Company). This will provide Shareholders with an increased distribution of Saffron Shares and prevent a prolonged lock-in pursuant to AIM rules of the 20,000,000 Saffron Shares that were not originally proposed to be distributed. Therefore, PVE will not retain any Saffron Shares other than a residual amount due to rounding of fraction entitlements of Eligible Shareholders.

As a result of this proposed change the Directors have determined to amend and supplement the information contained in the Notice of Meeting provided to Shareholders by this Addendum.

Replacement Proxy Form

Annexed to this Addendum is a replacement Proxy Form.

For the purposes of the Adjourned Meeting, if Shareholders wish to have their votes counted by proxy in respect of the Resolution (as amended), Shareholders MUST use the replacement Proxy Form.

Proxy Forms annexed to the original Notice of Meeting, whether duly completed or not, **WILL NOT** be accepted by the Company or counted in relation to the Resolution.

To vote in persons, please attend the Adjourned Meeting at the time, date and place set out above.

SUPPLEMENTARY ITEMS OF BUSINESS

Resolution 1 is amended to the following:

Resolution 1: Approval of in-specie distribution of Saffron Shares to PVE Shareholders

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

*"That, for the purposes of section 256B and 256C of the Corporations Act and for all other purposes, approval is given for an equal reduction in the Company's share capital to be satisfied by the Company making a pro-rata in-specie distribution of 100,000,000 Saffron Shares (**Distribution Shares**) held by the Company to the Eligible Shareholders or the Nominee and on the terms and conditions set out in the Explanatory Memorandum."*

SUPPLEMENTARY EXPLANATORY MEMORANDUM

The Explanatory Statement is amended and supplemented as follows:

5. GENERAL

All references in the Notice of Meeting to:

- (a) "Notice of Meeting" are replaced with "Notice of Meeting as supplemented by the Addendum to the Notice of Meeting";
- (b) "23 April 2018" are replaced with "7 May 2018"; and
- (c) "80,000,000" are replaced with "100,000,000".

6. SECTION 2.1 – TIMETABLE

The timetable in Section 2.1 of the Prospectus is replaced with:

Activity	Date
Last day for PVE Shareholders to return proxy forms	5 May 2018
Meeting of PVE Shareholders to approve the Capital Reduction	7 May 2018
Record Date	10 May 2018
Implementation of the Capital Reduction (being the date the Distribution Shares are transferred to Eligible Shareholders (or the Nominee)	17 May 2018

7. SECTION 3.4 – PVE'S FINANCIAL POSITION

Section 3.4 of the Notice of Meeting is replaced with:

Attached as Schedule 2 to this Explanatory Memorandum is the consolidated financial position of PVE (audited) and the consolidated pro forma statement of financial position, as at 31 December 2017 and on the basis of the following assumptions:

- (a) The Distribution was effected;
- (b) The value of PVE's investment in Saffron and the Distribution is revalued at market value being the last trading price of Saffron Shares on AIM as at 9th April, 2018.

The significant accounting policies upon which the Statement of Financial Position and the Pro-Forma Statement of Financial Position are based are consistent with those contained in the Company's audited financial report for year ended 30 June 2017.

Schedule 2 of the Notice of Meeting is replaced with the Annexure to this Addendum.

8. SECTION 6.1 – THE EFFECT OF THE CAPITAL REDUCTION ON PVE

The reference to 0.135 in relation to the quantity of Saffron Shares to be distributed for each PVE Share held on the Record Date is increased to 0.16856.

9. SECTION 6.3 – DIRECTOR INTERESTS

The number of Saffron Shares the Po Valley Directors are likely to have an interest in if the Resolution (as amended) is passed and implemented is amended to the following:

	Saffron Shares Director will receive under Resolution 1
Michael Masterman	26,412,190
Kevin Bailey	22,372,676
Byron Pirola	10,028,338

10. SECTIONS 7.1 -7.4 – TAX IMPLICATIONS OF THE CAPITAL REDUCTION

Section 7.1 to 7.4 (inclusive) of the Notice of Meeting is replaced with:

7.1 Capital Gains Tax (CGT) Consequences

The CGT consequences described is on the basis that demerger rollover relief under Division 125 of the Income Tax Assessment Act 1997 is not expected to be available having regard to PVE's ownership interest in Saffron at the time of the in-specie distribution.

The Capital Reduction will result in the application of CGT event G1 in relation to each PVE Share held by Shareholders. A capital gain under CGT event G1 will arise in respect of each PVE Share held if the market value of Saffron Shares received by an Eligible Shareholder at the time of the in-specie distribution exceeds the cost base of the PVE Share.

A CGT discount may be available depending on whether the Eligible Shareholder is an individual, trustee of a trust or complying superannuation fund.

PVE Shareholders will also be required to reduce the cost base (or reduced cost base) of their Shares by the market value of the Saffron Shares received at the time of the in-specie distribution (but not below zero).

Eligible Shareholders will be treated as having acquired the corresponding Saffron Shares on the date of the in-specie distribution to determine the availability of the CGT discount in relation to any subsequent disposal of those Saffron Shares. The first element of the cost base (or reduced cost base) of the Saffron Shares would be equal to their market value at the time of acquisition.

7.2 Dividend Consequences

It is expected that the Capital Reduction should not be a deemed dividend.

7.3 - Not used

7.4 - Not used

Dated: 18 April 2018

BY ORDER OF THE BOARD

Enquiries

Shareholders are requested to contact the Company Secretary on +61 8 9316 9100 if they have any queries in respect of the matters set out in these documents.

ANNEXURE – REPLACEMENT SCHEDULE 2

Schedule 2 – Audited Consolidated and Unaudited Proforma Consolidated Statement of Financial Position for PVE as at 31 December 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Audited 31-Dec-17				31-Dec-17
(Euro)	Consolidated	Deconsolidate	Revalue Saffron to Market value	Distribution - Return of capital	Pro - Forma Consolidated
Current Assets					
Cash and cash equivalents	390,114	(365,397)	-	-	24,717
Trade and other receivables	2,292,724	(663,560)	-	-	1,629,164
Current Assets	2,682,838	(1,028,957)	-	-	1,653,881
Non-Current Assets					
Other assets	100,031	(72,453)	-	-	27,578
Deferred tax assets	2,598,509	(1,994,913)	-	-	603,596
Inventory Non current	252,034	(252,034)	-	-	-
Property, plant & equipment office	18,258	(7,589)	-	-	10,669
Property, plant & equipment production	2,140,611	(2,140,611)	-	-	-
Resource property costs	9,341,801	(2,271,284)	-	-	7,070,517
Investment in Saffron Plc	-	5,227,273	(340,909)	(4,886,364)	-
Non-current Assets	14,451,244	(1,511,611)	(340,909)	(4,886,364)	7,712,360
Total Assets	17,134,082	(2,540,568)	(340,909)	(4,886,364)	9,366,241
Current Liabilities					
Trade and other payables	4,739,681	(2,100,239)	-	-	2,639,442
Loans	526,892	-	-	-	526,892
Advance income	-	-	-	-	-
Interest bearing loans current	-	-	-	-	-

Provisions	58,270	(37,510)	-	-	20,760
Total Current Liabilities	5,324,843	(2,137,749)	-	-	3,187,094
Non-Current Liabilities					
Rehabilitation provision	4,802,873	(4,802,873)	-	-	-
Non-Current Liabilities	4,802,873	(4,802,873)	-	-	-
Total Liabilities	10,127,716	(6,940,622)	-	-	3,187,094
Net Assets	7,006,366	4,400,054	(340,909)	(4,886,364)	6,179,147
Equity					
Share capital	49,462,268	-	-	(4,886,364)	44,575,904
Reserves	1,192,269	(37,439)	-	-	1,154,830
Accumulated losses	(43,860,729)	4,650,051	(340,909)	-	(39,551,587)
Outside shareholders interests	212,558	(212,558)	-	-	-
Total Equity	7,006,366	4,400,054	(340,909)	(4,886,364)	6,179,147