



ABN 33 087 741 571

## NOTICE OF MEETING AND NOTICE OF MEETING FOR THE REDUCTION OF CAPITAL

**TIME:** 11.00 am (EST) (General Meeting)  
11.15 am (EST) (Reduction of Capital Meeting)

**DATE:** 28 August 2009

**PLACE:** Level 32, HSBC Centre  
580 George Street  
Sydney NSW 2000

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (08) 9278 2533.***



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## 1. TIME AND PLACE OF MEETING AND HOW TO VOTE

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### 1.1 VENUE

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The General Meeting of the Shareholders of Po Valley Energy Limited which this Notice of Meeting relates to will be held on Friday, 28 August 2009 at 11.00 am:

Level 32, HSBC Centre  
580 George Street  
Sydney NSW 2000

### 1.2 YOUR VOTE IS IMPORTANT

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The business of the General Meeting affects your shareholding and your vote is important.

### 1.3 VOTING IN PERSON

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To vote in person, attend the General Meeting on the date and at the place set out above.

### 1.4 VOTING BY PROXY

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To vote by proxy, please send the completed proxy form enclosed (and relevant authorities) to Link Market Services Limited so that it is received no later than 11.00am Sydney time on Wednesday, 26 August 2009.

To do this, you may:

- use the enclosed reply paid envelope; or
- fax to +61 2 9287 0309; or
- mail to Locked Bag A14, Sydney South NSW 1235 Australia; or
- deliver in person to Level 12, 680 George Street, Sydney Australia; or
- lodge online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) in accordance with the instructions given there (you will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website). You will need your Holder Identification Number (HIN) or Securityholder Reference Number (SRN), which can be found on the front of the Proxy Form.

If you require further information on how to complete the proxy form, telephone Link Market Services Limited on +61 2 8280 7424.

Shareholders voting in relation to the General Meeting should use the proxy form entitled "Proxy Form for General Meeting" and the Masterman Superannuation Fund (being the only Shareholder entitled to vote at the Reduction of Capital Meeting) should use the yellow proxy form entitled "Proxy Form for Reduction of Capital Meeting").

**Proxy forms received later than 11.00am Sydney time on Wednesday, 26 August 2009 will be invalid.**



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## 2. NOTICE OF GENERAL MEETING

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Notice is given that the General Meeting of Shareholders of Po Valley Energy Limited will be held at Level 32, HSBC Centre, 580 George Street, Sydney, New South Wales on Friday, 28 August 2009 commencing at 11.00 am EST.

The Explanatory Statement to this Notice of General Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the proxy form are part of this Notice of General Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company on 26 August 2009 at 11.00 am (EST).

Terms and abbreviations used in this Notice of General Meeting and Explanatory Statement are defined in the Glossary.

### 2.1 AGENDA

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#### **RESOLUTION 1 - CANCELLATION OF SHARES ISSUED TO THE MASTERMAN SUPERANNUATION FUND**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, for the purposes of Section 256C(2) of the Corporations Act and for all other purposes, approval is given for the Company to make a selective reduction of capital and cancel a total of 833,333 Shares on the terms and conditions set out in the Explanatory Statement accompanying this Notice.*”

**Short Explanation:** Under the Corporations Act, a company may make a selective reduction of its capital by a special resolution passed at a general meeting. The cancellation of 833,333 Shares is a selective reduction of capital and therefore must be approved by either a special resolution at a general meeting or by a resolution agreed to by all ordinary shareholders at a general meeting. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on shares is to be reduced, or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.



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**RESOLUTION 2 - ALLOTMENT AND ISSUE OF SHARES TO THE MASTERMAN SUPERANNUATION FUND**

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

*“That, subject to the passing of Resolution 1, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue to the Masterman Superannuation Fund (a nominee of Mr Michael Masterman) up to 833,333 Shares at an issue price of \$1.20 per Share, to be issued on the terms set out in the Explanatory Statement accompanying this Notice.”*

**Short Explanation:** The Company wishes to allow Michael Masterman, an existing director of the Company, via the Masterman Superannuation Fund, to subscribe for the placement as detailed in Resolution 3. Under Listing Rule 10.11, the issue of shares to a director requires prior shareholder approval. As such, shareholder approval is required. If approval is obtained under Listing Rule 10.11, shareholder approval is not required under Listing Rule 7.1. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Michael Masterman and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**Dated: 10 JULY 2009**

**BY ORDER OF THE BOARD**



**DOM DEL BORRELLO**  
Company Secretary

**Voting Exclusion Note:**

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.



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### 3. NOTICE OF MEETING FOR THE REDUCTION OF CAPITAL

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Notice is given that the Reduction of Capital Meeting will be held at Level 32, HSBC Centre, 580 George Street, Sydney, New South Wales on Friday, 28 August 2009 commencing at 11.15 am EST.

The Explanatory Statement to this Notice Meeting for the Capital Reduction provides additional information on matters to be considered at the Reduction of Capital Meeting. The Explanatory Statement and the proxy form are part of this Notice Meeting for the Capital Reduction.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Reduction of Capital Meeting is Michael Masterman, whose Shares are to be cancelled and who is a registered Shareholder of the Company as at the time that is 48 hours prior to the time and date of the Reduction of Capital Meeting.

Terms and abbreviations used in this Notice Meeting for the Capital Reduction and Explanatory Statement are defined in the Glossary.

#### 3.1 AGENDA

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#### RESOLUTION 1 – APPROVAL FOR A SELECTIVE REDUCTION OF CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, in accordance with Section 256C(2) of the Corporations Act and for all other purposes, approval is given by the Masterman Superannuation Fund for the Company to make a selective reduction of capital and cancel a total of 833,333 Shares held by the Masterman Superannuation Fund on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

**Short Explanation:** Under the Corporations Act, a company may make a selective reduction of its capital by a special resolution passed at a general meeting. The cancellation of 833,333 Shares is a selective reduction of capital and therefore must be approved by the Masterman Superannuation Fund whose Shares are being cancelled. Please refer to the Explanatory Statement for details.

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**Dated: 10 JULY 2009**

**BY ORDER OF THE BOARD**

  
**DOM DEL BORRELLO**  
Company Secretary

**Voting Exclusion Note:**

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.



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#### 4. EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting of Shareholders and the Reduction of Capital Meeting to be held at 11.00 am (EST) and 11.15 am (EST) respectively on 28 August 2009 at Level 32, HSBC Centre, 580 George Street, Sydney, New South Wales.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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##### 4.1 Background

At the Company's Annual General Meeting held on 20 May 2009 (**AGM**), the Company obtained Shareholder approval pursuant to Listing Rule 10.11 to allot and issue 833,333 Shares to the Masterman Superannuation Fund (or nominee) (**MSF Shares**).

The Masterman Superannuation Fund is an entity associated with Michael Masterman, a Director of the Company and is therefore a related party of the Company. As stated in the Notice of Annual General Meeting for the AGM and as required by Listing Rule 10.11, the MSF Shares were required to be issued no later than one month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules).

As stated in the Appendix 3Y announced to ASX on 3 July 2009, the MSF Shares were issued to the Masterman Superannuation Fund on 30 June 2009, being a period of greater than one month after the AGM.

It has subsequently been brought to the Company's attention that the MSF Shares were issued to the Masterman Superannuation Fund in breach of Listing Rule 10.11 (**Breach**). The Company wishes to advise Shareholders that the Breach was a result of an unintended and inadvertent administrative oversight.

Further to discussions with ASX in relation to the Breach, the Company is seeking Shareholder approval pursuant to:

- (a) Resolution 1 of the Notice of General Meeting and Resolution 1 of the Notice of Meeting for the Capital Reduction to cancel the MSF Shares; and
- (b) Resolution 2 of the Notice of General Meeting to re-issue the MSF Shares.

Shareholders should be aware that they have previously approved the issue of the MSF Shares. However, as a result of the Breach, the Company is required to reobtain Shareholder approval in respect of the issue of those Shares. Further details of the cancellation and re-issue of the MSF Shares is contained in Sections 4.2 and 4.3 below.



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## 4.2 RESOLUTION 1 – CANCELLATION OF SHARES ISSUED TO THE MASTERMAN SUPERANNUATION FUND

### 4.2.1 General

This Resolution relates to Resolution 1 of the Notice of General Meeting and to Resolution 1 of the Notice of Reduction of Capital Meeting.

As detailed in Section 4.1, on 30 June 2009 the Masterman Superannuation Fund was issued 833,333 shares in the Company at an issue price of \$1.20 each to raise \$1,000,000 (**MSF Shares**). The MSF Shares were issued in breach of Listing Rule 10.11.

Accordingly, Resolution 1 seeks Shareholder approval for the reduction of capital by way of cancellation of 833,333 shares in the Company held by the Masterman Superannuation Fund by way of a selective reduction of capital.

### 4.2.2 Corporations Act

Pursuant to Section 256 of the Corporations Act, a company may make a selective capital reduction if it is approved by a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on shares is to be reduced. If the reduction of capital involves the cancellation of shares, the reduction must also be approved by a special resolution passed at a meeting of the shareholders whose shares are to be cancelled.

The Corporations Act provides that the rules relating to a reduction of share capital are designed to protect the interests of shareholders and creditors by:

- (a) addressing the risk of the transaction leading to the company's solvency;
- (b) seeking to ensure fairness between the shareholders of the company; and
- (c) requiring the company to disclose all material information.

In particular, Section 256B of the Corporations Act requires that a company may only reduce its capital if:

- (a) it is fair and reasonable to the shareholders as a whole;
- (b) it does not materially prejudice the company's ability to pay its creditors; and
- (c) it is approved by shareholders in accordance with Section 256C of the Corporations Act.

Section 256C(4) of the Corporations Act requires that the company must include with the Notice a statement setting out all information known to the company that is material to the decision on how to vote on the resolution. However, the company does not have to disclose information if it would be unreasonable to require the company to do so because the company had previously disclosed the information to shareholders.



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The Directors believe that the capital reduction as proposed is fair and reasonable to shareholders for the reasons set out in this Explanatory Statement and that the capital reduction will not prejudice the Company's ability to pay its creditors. Further, the Directors believe it is appropriate that the Shares be cancelled in the circumstances.

Pursuant to Section 256C(2) of the Corporations Act, a selective reduction of capital must be approved by either:

- (a) a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on shares is to be reduced, or by their associates; or
- (b) a resolution agreed to, at a general meeting by all ordinary shareholders.

The phrase "no votes being cast" is intended to operate in a similar way to the way in which voting exclusion statements operate in the context of the Listing Rules.

#### 4.2.3 Summary of and Effect of Proposed Selective Capital Reduction

The overall effect of the selective capital reduction and cancellation of the MSF Shares is as follows:

	<b>Shares</b>
Current Issued capital	103,396,158
Less: Shares subject of capital reduction and cancellation	(833,333)
Issued capital upon completion of selective capital reduction and cancellation of MSF Shares	<hr/> 102,562,825 <hr/>

The Shares the subject of the selective capital reduction and cancellation represent approximately 0.80% of the issued capital of the Company as at the date of this Meeting.

In accordance with the Corporations Act, the Masterman Superannuation Fund has agreed to the cancellation of his 833,333 Shares.

#### 4.2.4 Directors' Recommendation

The Directors believe that the proposed capital reduction is in the best interests of Shareholders.

The Company takes its compliance with the Listing Rules seriously and therefore as a result of inadvertent breach of Listing Rule 10.11 the Directors consider it both appropriate and necessary to cancel the previously issued MSF Shares and seek Shareholder approval pursuant to Resolution 2 of the Notice of General Meeting to re-issue the MSF Shares.



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#### 4.2.5 Other Material Information

There is no information material to the making of a decision by a Shareholder whether or not to approve the Resolution being information that is known to any of the Directors and which has not been previously disclosed to shareholders in the Company, other than as disclosed in this Explanatory Statement.

Once the Resolutions are passed by Shareholders and the Masterman Superannuation Fund, the Company will not make the reduction of capital until 14 days after lodgement of the Resolution with the ASIC.

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### 4.3 RESOLUTION 2 – ALLOTMENT AND ISSUE OF SHARES TO THE MASTERMAN SUPERANNUATION FUND

#### 4.3.1 General

The Company wishes to allow Mr Michael Masterman, via The Masterman Superannuation Fund, to indirectly participate in the placement of up to 833,333 Shares at an issue price of \$1.20 each to raise up to \$1,000,000 (**MSF Placement**).

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Mr Masterman, by virtue of being a director, is a related party of the Company. It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the purposes of Listing Rule 10.11 for the Masterman Superannuation Fund (or nominee) to subscribe to the MSF Placement.

It is noted that 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.

Mr Masterman is a Director, and therefore a related party. Issuing Mr Masterman via the Masterman Superannuation Fund with Shares under the MSF Placement constitutes giving a financial benefit to a related party.

It is the view of the Directors that the exception set out in Section 210 of the Corporations Act (arms length transaction) applies in the current circumstances. Accordingly, Shareholder approval is not being sought under section 208 of the Corporations Act for the Masterman Superannuation Fund (or nominee) to participate in the MSF Placement.



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#### **4.3.2 Shareholder Approval (Listing Rule 10.11)**

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Shares to Mr Masterman:

- (a) the Shares are to be issued indirectly to Mr Masterman via the Masterman Superannuation Fund;
- (b) the maximum number of Shares to be issued to the Masterman Superannuation Fund (or nominee) is 833,333 Shares;
- (c) the Shares will be issued to the Masterman Superannuation Fund (or nominee) no later than one month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Shares will be issued on one date;
- (d) the Shares will be issued for consideration of \$1.20 per Share. Accordingly a maximum of \$1,000,000 will be raised;
- (e) the Shares issued will rank equally with the Company's current issued Shares; and
- (a) the funds raised will be used to keep debt levels low, drill the Bezzecca gas appraisal project in northern Italy, and progress existing gas development projects to production.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares to the Masterman Superannuation Fund (or nominee) as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to Mr Masterman via the Masterman Superannuation Fund will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

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#### **4.4 ENQUIRIES**

Shareholders are required to contact Company Secretary on (08) 9278 2533 if they have any queries in respect of the matters set out in these documents.



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5. **GLOSSARY**

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**General Meeting** means the meeting convened by the Notice.

**ASX** means Australian Securities Exchange Limited.

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

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

**Constitution** means the Company's constitution.

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

**Directors** means the current directors of the Company.

**EST** means Eastern Standard Time, Sydney, New South Wales.

**Explanatory Statement** means the explanatory statement set out in this Notice.

**Notice of General Meeting** means this notice of general meeting including the Explanatory Statement.

**Notice of Meeting** or **Notice** means the Notice of General Meeting and/or the Notice of Meeting for the Reduction of Capital as the context permits.

**Notice of Meeting for the Reduction of Capital** means the Notice of Meeting for the Reduction of Capital forming part of this document including the Explanatory Statement.

**Reduction of Capital** means the selective reduction of capital as contemplated by Resolution 1 of the Notice of General Meeting and to Resolution 1 of the Notice of Reduction of Capital Meeting.

**Reduction of Capital Meeting** means the meeting convened by the Notice of Meeting for the Reduction of Capital.

**Resolutions** means the resolutions set out in the Notice or any one of them, as the context requires.

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

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