



ABN 33 087 741 571

NOTICE OF ANNUAL GENERAL MEETING

TIME: 10:00am
DATE: Friday, 30 May 2008
PLACE: Whale Room,
Level 39, Citigroup Centre,
2 Park Street, Sydney, NSW

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

1.1 VENUE

The Annual General Meeting of the Shareholders of Po Valley Energy Limited which this Notice of Meeting relates to will be held on Friday, 30 May 2008 at 10:00am:

Whale Room, Level 39 Citigroup Centre, 2 Park Street, Sydney, New South Wales

1.2 YOUR VOTE IS IMPORTANT

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

1.3 VOTING IN PERSON

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

1.4 VOTING BY PROXY

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 10.00am Sydney time on Wednesday, 28 May 2008

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 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.

Proxy forms received later than this time will be invalid.



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2. NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Po Valley Energy Limited will be held in the Whale Room at Level 39 Citigroup Centre, 2 Park Street, Sydney, New South Wales on Friday, 30 May 2008 commencing at 10.00am EST.

The Explanatory Statement to this Notice Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the proxy form are part of this Notice of 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 Annual General Meeting are those who are registered Shareholders of the Company on 28 May 2008 at 10:00am (EST).

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

2.1 AGENDA

REPORTS AND ACCOUNTS

To receive the financial report of the Company for the year ended 31 December 2007, together with the directors' report, the auditor's report and the remuneration report.

RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT (NON-BINDING)

To consider and, if thought fit, to pass, with or without amendment, the following 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 2007."

Short Explanation: The Corporations Act provides that a resolution that the remuneration report be adopted must be put to vote at a listed company's annual general meeting. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

RESOLUTION 2 - RE-ELECTION OF MR BYRON PIROLA

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

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

Short Explanation: 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 holds office for a period in excess of 3 years. A retiring Director is eligible for re-election.



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RESOLUTION 3 – RATIFICATION OF ISSUE OF SHARES

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

“That, for the purposes of Listing Rule 7.4 of the Listing Rules of ASX Limited and for all other purposes, the shareholders of the Company ratify the allotment and issue of 4,775,000 fully paid ordinary shares in the capital of the Company at an issue price of \$1.65 per Share, and otherwise on the terms and conditions which are set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons.

Short Explanation: Under the Listing Rules, the Company may seek shareholder ratification after issuing securities to allow it the flexibility to make further issues of securities up to the threshold of 15% of its total equity securities in any 12 month period. Please refer to the Explanatory Statement for details.

RESOLUTION 4 – ISSUE OF EXECUTIVE OPTIONS TO MR MICHAEL MASTERMAN (EXECUTIVE OPTIONS)

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

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 1,000,000 Executive Options to Mr Michael Masterman (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Michael Masterman (or his nominee) or any of his associates.

RESOLUTION 5 – ISSUE OF DIRECTOR OPTIONS TO MR GRAHAM BRADLEY (NED OPTIONS)

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

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 600,000 NED Options to Mr Graham Bradley (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Graham Bradley (or his nominee) or any of his associates.



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RESOLUTION 6 – ISSUE OF DIRECTOR OPTIONS TO MR DAVID MCEVOY (NED OPTIONS)

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

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 600,000 NED Options to Mr David McEvoy (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr David McEvoy (or his nominee) or any of his associates.

RESOLUTION 7 – ISSUE OF DIRECTOR OPTIONS TO MR BYRON PIROLA (NED OPTIONS)

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

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 600,000 NED Options to Mr Byron Pirola (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Byron Pirola (or his nominee) or any of his associates.

Dated: 16 April 2008

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Dom Del Borrello', is written over the text '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. EXPLANATORY STATEMENT

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.

3.1 REPORTS AND ACCOUNTS

The 2007 Annual Report has been sent to Shareholders (other than those who do not wish to receive it) and can also be found on the Company's website (www.povalley.com). There will be an opportunity for Shareholders to ask questions about, or comment on, the 2007 Annual Report and the management and performance of the Company at the Annual General Meeting.

3.2 RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Remuneration Report is set out in the 2007 Annual Report.

Pursuant to section 250R(2) of the Corporations Act a resolution that the Remuneration Report be adopted must be put to vote at the Company's annual general meeting.

In accordance with Section 250R(3) of the Corporations Act the vote on this Resolution is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practice and policies of the Company.

Shareholders will have the opportunity at the Annual General Meeting to ask questions in relation to the Remuneration Report.

3.3 RESOLUTION 2 – RE-ELECTION OF MR 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 holds office for a period in excess of 3 years.

Clause 13.2 of the Constitution also provides that a retiring Director is eligible for re-election.

Mr Pirola has retired by rotation and now seeks re-election in accordance with clause 13.2 of the Constitution. The Board (Mr. Pirola abstaining) unanimously recommends the re-election of Mr. Pirola as a Director.

Please refer to the 2007 Annual Report for information regarding Mr Pirola's qualifications and experience.



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3.4 RESOLUTION 3 – RATIFICATION OF ISSUE OF SHARES

3.4.1 General

On 19 June and 31 July 2007, the Company placed a total of 4,775,000 Shares at an issue price of \$1.65 each to the parties listed in section 3.4.2(a) below. None of the subscribers pursuant to this placement were related parties of the Company. Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% threshold set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

3.4.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 4,775,000 Shares were allotted and issued to the parties set out below:

Allottee	Number of shares
J Hancock Fund	3,500,000
Cranport Pty Ltd	400,000
Hunter Hall	425,000
Harbinger Capital Ltd	450,000
TOTAL	4,775,000

- (b) 4,325,000 Shares were allotted and issued on 22 June 2007 and 450,000 Shares were allotted and issued on the 3 August 2007;
- (c) the issue price of the Shares was \$1.65 each;
- (d) the Shares issued were all fully paid ordinary shares in the capital of the Company; and
- (e) the funds raised have been and will continue to be used to progress existing projects to production and evaluate and progress exclusive license applications.

3.5 RESOLUTIONS 4, 5, 6 & 7 – ISSUE OF DIRECTOR OPTIONS

3.5.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 2,800,000 Options (**Director Options**) to Messrs Masterman (1,000,000 Executive Options), Bradley (600,000 NED Options), McEvoy (600,000 NED Options) and Pirola (600,000 NED Options) (**Related Parties**) on the terms and conditions set out below.



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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.

In addition, ASX Listing Rule 10.11 also 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.

The grant of the Director Options to the Related Parties requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and as Directors, Messrs Masterman, Bradley, McEvoy and Pirola are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Parties.

3.5.2 SHAREHOLDER APPROVAL (CHAPTER 2E OF THE CORPORATIONS ACT AND LISTING RULE 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the related parties are Messrs Masterman, Bradley, McEvoy and Pirola and they are related parties by virtue of being Directors;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
 - (i) 1,000,000 Executive Options to Mr Masterman;
 - (ii) 600,000 NED Options to Mr Bradley
 - (iii) 600,000 NED Options to Mr McEvoy; and
 - (iv) 600,000 NED Options to Mr Pirola.
- (c) the Director Options will be granted to the Related Parties no later than 1 month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- (d) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised;

- (e) the terms and conditions of the Executive Options are set out in Schedule 1 and the terms and conditions of the NED Options are set out in Schedule 2;
- (f) the value of the Director Options and the pricing methodology is set out in Schedule 3;
- (g) the relevant interests of the Related Parties in securities of the Company are set out below;

Related Party	Shares	Options
Mr Michael Masterman	21,573,844	1,500,000 ¹
Mr Graham Bradley	378,981	1,000,000 ²
Mr David McEvoy	129,593	500,000 ²
Mr Byron Pirola	12,010,821 ³	200,000 ²

¹ Options exercisable at \$1.25 each on or before 31 October 2008.

² Options exercisable at \$1.00 each on or before 31 October 2008.

³ As was advised by the Company in an ASX Announcement on 1 April 2008, Mr Pirola informed the Company that entities associated with him have margin lending arrangements with Opes Prime Stockbroking Limited (Receivers and Managers Appointed) (Administrators Appointed) (**Opes**) under which 7,800,000 Shares of those noted above are pledged as collateral. Mr Pirola has advised the receivers of Opes of his willingness to repay the facility balance and redeem the Shares held under the Opes arrangements. The Company is not in receipt of any notice of change in beneficial ownership of the relevant shares. The Company will keep the market informed of any further developments in relation to Mr Pirola's shareholding.

- (h) the remuneration and emoluments from the Company to the Related Parties for both the current financial year and previous financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Mr Michael Masterman	\$466,666	\$472,434
Mr Graham Bradley	\$60,000	\$58,484
Mr David McEvoy	\$40,000	\$38,262
Mr Byron Pirola	\$40,000	\$39,358

- (i) if the Director Options granted to the Related Parties are exercised, a total of 2,800,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 90,415,633 to 93,215,633 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:



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Related Party	Issued Shares as at the date of this Notice of Meeting	Director Options to be issued	Issued Shares upon exercise of all Director Options	Dilutionary effect upon exercise of Director Options
Mr Michael Masterman	21,573,844	1,000,000	93,215,633	1.07%
Mr Graham Bradley	378,981	600,000	93,215,633	0.64%
Mr David McEvoy	129,593	600,000	93,215,633	0.64%
Mr Byron Pirola	12,010,821	600,000	93,215,633	0.64%
TOTAL	34,093,239	2,800,000		3.00%

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company

- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice of Annual General Meeting is set out below:

	Price	Date
Highest	\$1.935	3 January 2008
Lowest	\$1.320	28 November 2007
Last	\$1.700	16 April 2008

- (k) The primary purpose of the grant of Director Options to the Related Parties is to provide cost effective consideration to the Related Parties for their ongoing commitment and contribution to the Company in their respective roles. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed.
- (l) The Board acknowledges the grant of NED Options to each of the three Non-Executive Directors does not conform to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of NED Options to each of the three Non-Executive Directors reasonable in the circumstances, given the necessity to attract and retain the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves. In this regard, the Directors note that the Board has resolved not to increase Non-Executive Directors' cash remuneration during 2008 and that Non-Executive Director's fees have not increased since the Company's commencement of trading on ASX in 2004.



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- (m) Mr Masterman declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 4, recommend that Shareholders vote in favour of Resolution 4. The Board (other than Mr Masterman) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (n) Mr Bradley declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 5, recommend that Shareholders vote in favour of Resolution 5. The Board (other than Mr Bradley) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (o) Mr McEvoy declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 6, recommend that Shareholders vote in favour of Resolution 6. The Board (other than Mr McEvoy) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and
- (p) Mr Pirola declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 7, recommend that Shareholders vote in favour of Resolution 7. The Board (other than Mr Pirola) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Parties 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. GLOSSARY

2007 Annual Report means the Company's annual report for the year ended 31 December 2007.

Annual General Meeting means the meeting convened by the Notice.

ASX means Australian Stock 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).

Director Option means an Executive Option or a NED Option.

Directors means the current directors of the Company.

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

Executive Option means an option granted pursuant to Resolution 4, with the terms and conditions set out in Schedule 1.

Explanatory Statement means the explanatory statement set out in this Memorandum.

Memorandum means all of the documents accompanying the Notice and referred to in the Contents section.

NED Option means an option granted pursuant to Resolutions 5, 6, & 7 with the terms and conditions set out in Schedule 2.

Notice means the notice of meeting which accompanies this Memorandum.

Remuneration Report means the remuneration report of the Company for the year ended 31 December 2007, as set out in the 2007 Annual Report.

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.



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SCHEDULE 1 – TERMS AND CONDITIONS OF EXECUTIVE OPTIONS

The Executive Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Executive Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Executive Option, the Optionholder must exercise the Executive Options in accordance with the terms and conditions of the Executive Options.
- (b) The Executive Options will expire at 5:00 pm (EST) on 31 May 2011 (**Expiry Date**). Any Executive Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Executive Option will be \$1.75 (**Exercise Price**).
- (d) The Executive Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Executive Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Executive Options specifying the number of Executive Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Executive Options being exercised;

(Exercise Notice).

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Executive Options specified in the Exercise Notice.
- (h) The Executive Options are not transferable.
- (i) All Shares allotted upon the exercise of Executive Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Executive Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Executive Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.



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- (l) There are no participating rights or entitlements inherent in the Executive Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Executive Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Executive Options prior to the date for determining entitlements to participate in any such issue.
- (m) An Executive Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Executive Option can be exercised.

Vesting Terms and Conditions of Executive Options

Of the 1,000,000 Executive Options to be issued to Michael Masterman:

- (a) 333,333 Executive Options become exercisable from 1 June 2008;
- (b) a further 333,333 Executive Options become exercisable from 1 June 2009; and
- (c) a further 333,334 Executive Options become exercisable from 1 June 2010.

Unless the Board in its absolute discretion determines otherwise, if Mr Masterman ceases to be employed as the Company's Chief Executive Officer, upon the date of the termination of employment, any Executive Options which have not yet become exercisable in accordance with the above vesting conditions will lapse.

Special Terms and Conditions of Executive Options

In addition to the terms and conditions set out above, once an Executive Option has vested, the Executive Option will only become exercisable once the Company's closing Share price on ASX has been equal to or greater than \$2.25 for 30 consecutive trading days (**Hurdle Price**).

If at any time the capital of the Company is reconstructed, the Hurdle Price will be adjusted accordingly at the time of the reconstruction in a manner consistent with the ASX Listing Rules and the Corporations Act, to ensure parity with the Hurdle Price based on the current capital of the Company.

Notwithstanding any of the terms and conditions set out above, upon:

- (a) the dispatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to Section 411 of the Corporations Act;
- (b) the offeror under a takeover bid for the Company acquiring a relevant interest in more than 50% of the issued Shares of the Company; or
- (c) the date upon which a person or a group of associated persons becomes entitled to sufficient Shares to give it or them the ability, in general meeting, to replace all or allow a majority of the board of directors of the Company in circumstances where such ability was not already held by a person associated with such person or group of associated persons,

all Executive Options shall vest and immediately become exercisable at any time until the Expiry Date.



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SCHEDULE 2 – TERMS AND CONDITIONS OF NED OPTIONS

The NED Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each NED Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each NED Option, the Optionholder must exercise the NED Options in accordance with the terms and conditions of the NED Options.
- (b) The NED Options will expire at 5:00 pm (EST) on 31 May 2011 (**Expiry Date**). Any NED Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each NED Option will be \$1.75 (**Exercise Price**).
- (d) The NED Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their NED Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of NED Options specifying the number of NED Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of NED Options being exercised;

(Exercise Notice).

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of NED Options specified in the Exercise Notice.
- (h) The NED Options are not transferable.
- (i) All Shares allotted upon the exercise of NED Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the NED Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of NED Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.



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- (l) There are no participating rights or entitlements inherent in the NED Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the NED Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their NED Options prior to the date for determining entitlements to participate in any such issue.
- (m) A NED Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the NED Option can be exercised.

Vesting Terms and Conditions of NED Options

NED Options to be issued to Graham Bradley

Of the 600,000 NED Options to be issued to Graham Bradley:

- (a) 200,000 NED Options become exercisable from 1 June 2008;
- (b) a further 200,000 NED Options become exercisable from 1 June 2009; and
- (c) a further 200,000 NED Options become exercisable from 1 June 2010.

Unless the Board in its absolute discretion determines otherwise, if Mr Bradley ceases to be a director of the Company, upon the date on which the directorship ceases, any NED Options which have not yet become exercisable in accordance with the above vesting conditions will lapse.

NED Options to be issued to David McEvoy

Of the 600,000 NED Options to be issued to David McEvoy:

- (a) 200,000 NED Options become exercisable from 1 June 2008;
- (b) a further 200,000 NED Options become exercisable from 1 June 2009; and
- (c) a further 200,000 NED Options become exercisable from 1 June 2010.

Unless the Board in its absolute discretion determines otherwise, if Mr McEvoy ceases to be a director of the Company, upon the date on which the directorship ceases, any NED Options which have not yet become exercisable in accordance with the above vesting conditions will lapse.



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NED Options to be issued to Byron Pirola

Of the 600,000 NED Options to be issued to Byron Pirola:

- (a) 200,000 NED Options become exercisable from 1 June 2008;
- (b) a further 200,000 NED Options become exercisable from 1 June 2009; and
- (c) a further 200,000 NED Options become exercisable from 1 June 2010.

Unless the Board in its absolute discretion determines otherwise, if Mr Pirola ceases to be a director of the Company, upon the date on which the directorship ceases, any NED Options which have not yet become exercisable in accordance with the above vesting conditions will lapse.

Special Terms and Conditions of NED Options

In addition to the terms and conditions set out above, once a NED Option has vested, the NED Option will only become exercisable once the Company's closing Share price on ASX has been equal to or greater than \$2.25 for 30 consecutive trading days (**Hurdle Price**).

If at any time the capital of the Company is reconstructed, the Hurdle Price will be adjusted accordingly at the time of the reconstruction in a manner consistent with the ASX Listing Rules and the Corporations Act, to ensure parity with the Hurdle Price based on the current capital of the Company.

Notwithstanding any of the terms and conditions set out above, upon:

- (a) the dispatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to Section 411 of the Corporations Act;
- (b) the offeror under a takeover bid for the Company acquiring a relevant interest in more than 50% of the issued Shares of the Company; or
- (c) the date upon which a person or a group of associated persons becomes entitled to sufficient Shares to give it or them the ability, in general meeting, to replace all or allow a majority of the board of directors of the Company in circumstances where such ability was not already held by a person associated with such person or group of associated persons,

all NED Options shall vest and immediately become exercisable at any time until the Expiry Date.



ABN 33 087 741 571

SCHEDULE 3 – VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to the Related Parties pursuant to Resolutions 4, 5, 6 & 7, have been independently valued by Stantons International Securities Pty Ltd. Using the Binomial Option Valuation Methodology and based on the assumptions set out below, the Director Options were ascribed a value range, as follows:

Assumptions:			
Valuation date	4 April 2008		
Market price of Shares	\$1.72		
Exercise price	\$1.75		
Hurdle Price	\$2.25		
Expiry date	31 May 2011		
Risk free interest rate	6.75%		
Volatility	20%	30%	40%
Indicative value per Director Option	33.38 cents	41.30 cents	49.41 cents
Total Value of Director Options	\$934,640	\$1,156,400	\$1,383,480
- Mr Michael Masterman	\$333,800	\$413,000	\$494,100
- Mr Graham Bradley	\$200,280	\$247,800	\$296,460
- Mr David McEvoy	\$200,280	\$247,800	\$296,460
- Mr Byron Pirola	\$200,280	\$247,800	\$296,460

Note: The valuation ranges noted above are not necessarily the market prices that the Director Options could be traded at and they are not automatically the market prices for taxation purposes.

APPOINTMENT OF PROXY

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.

You can also lodge your vote on-line at
 www.linkmarketservices.com.au

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

A 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 (excluding the registered securityholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following instructions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of the Company to be held at 10:00am on Friday, 30 May 2008, at the Whale Room, Level 39 Citigroup Centre, 2 Park Street, Sydney, NSW and at any adjournment of that meeting.

Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using this form an additional form of proxy is available on request from the share registry. Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

B To direct your proxy how to vote on any resolution please insert in the appropriate box below.

	For	Against	Abstain*		For	Against	Abstain*
Resolution 1 Adoption of Remuneration Report (Non-Binding)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 5 Issue of Director Options to Mr Graham Bradley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Re-election of Mr Byron Pirola	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 6 Issue of Director Options to Mr David McEvoy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Ratification of Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 7 Issue of Director Options to Mr Byron Pirola	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Issue of Executive Options to Mr Michael Masterman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

IMPORTANT: FOR ITEMS 3, 4, 5, 6 AND 7 ABOVE

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy in respect of Items 3, 4, 5, 6 and 7 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of these Items and that votes cast by him/her for these Items, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 3, 4, 5, 6 and 7 and your votes will not be counted in calculating the required majority if a poll is called on these Items. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 3, 4, 5, 6 and 7.

C

* 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.

D SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual) <input type="text"/>	Joint Securityholder 2 (Individual) <input type="text"/>	Joint Securityholder 3 (Individual) <input type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder'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 securityholder's constitution and the *Corporations Act 2001* (Cwlth).

Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website (www.linkmarketservices.com.au).



How to complete this Proxy Form

1 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.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in section A. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in section A. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

3 Votes on Items of Business

You should 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.

4 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.

To appoint a second proxy you must:

- (a) 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.
- (b) return both forms together.

5 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 securityholder may sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged 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.

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. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 10:00am on Wednesday, 28 May 2008, 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:

- by posting, delivery or facsimile to Po Valley Energy Limited's share registry as follows:
Po Valley Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Facsimile: (02) 9287 0309
- lodging it online at Link's website (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);
- delivering it to Level 12, 680 George Street, Sydney NSW 2000.