PO VALLEY ENERGY LIMITED

A.B.N. 33 087 741 571

INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020

DIRECTORS' REPORT

The Directors present their report together with the interim financial report for the half-year ended 30 June 2020 and the independent auditor's review report thereon.

Director details

The following persons were Directors of Po Valley Energy Limited ("the Company" or "PVE") during or since the end of the financial half-year:

- Michael Masterman – Chief Executive Officer
- Kevin Bailey – Non-Executive Director
- Sara Edmonson - Non-Executive Director
- Byron Pirola – Non-Executive Director (Resigned 3 March 2020)

Company Secretary

The Company Secretary during or since the end of the financial half-year was:

- Kevin Hart

Principal Activities

The principal continuing activities of the Group in the course of the half year were:

- The exploration for gas and oil in the Po Valley region of northern Italy
- Appraisal and development of gas and oil fields in that footprint

Review and results of operations

The loss attributable to members of the Company was €427,315 (30 June 2019: €838,787).

PVE remains a northern Italy focused energy development and exploration company with a focus on its four large assets held by the 100% owned subsidiary Po Valley Operations Pty Ltd ("PVO"):

- The onshore gas development at Selva;
- Offshore Adriatic development - Teodorico;
- The large-scale gas/oil condensate exploration licence at Torre del Moro, and
- The expanded Ravizza and Bagnolo oil reservoirs and extensions.

Since the beginning of 2020 Italy has faced a very challenging operating environment as a result of COVID-19 virus impacts and the resulting State of Emergency and associated lockdowns. The Company's priority remains keeping our operations team safe. The team continue to operate under 'Smart Working' regime from home with minimal field operations but have effectively advanced several key workstreams. The Company has implemented initiatives to safe-guard its staff and contractors and to reduce its costs and overheads during this difficult economic climate whilst continuing to advance our projects through the approval process. The Company anticipates final development approval to be granted on the Selva Gas Field development in the latter half of the year which will allow the Company to complete plans to be ready to invest and create new jobs in the Italian energy sector as the economy recovers from this crisis.

Subsequent to the period end, the Company obtained additional funding of AU$500,000 (approximately €310,000) from directors and major shareholders which together with ongoing cost reduction measures will provide the Company with working capital in the short term. The next phase of fund raising anticipated to be completed by December 2020 will be predicated on the receipt of formal development approval for the Selva Gas Field development.

Selva Gas Field (63% PVO*)

Po Valley was formally granted the Selva Malvezzi preliminary gas Production Concession (80.68km²) by the Italian Ministry for the Economic Development in 2019. The Environmental Impact Assessment ('EIA') study for Selva was submitted during the period with the Italian Government confirming preliminary technical environmental approval for the Selva gas field development in January 2020. Final EIA decree is expected in the latter part of 2020 after which Po Valley anticipates final development approval to be granted.

Under the first phase of the development plan, Po Valley will install a fully automated gas plant at the existing Selva/Podere Maiar 1dir well site and install a one-kilometre long pipeline to connect the well with the nearby Italian National Gas Grid. Based on dynamic reservoir studies, the field development is designed to produce at a rate of up to 150,000 cubic metres (5.3 mmscf/day) a day from successfully tested C1 and C2 production levels in the Medium-Upper Pliocene sands of the Porto Garibaldi Formation.

Preliminary work commenced to prepare the field for gas production in 2021. In accordance with environmental monitoring plan, a GPS subsidence monitoring system was installed at the Podere Maiar well pad, in June 2020.

* Italian Authorities approved the quota transfer of 20% to United Oil and Gas and 17% to Prospex Oil and Gas in Podere Gallina Permit where PVO is operator in March 2020; deeds of assignment were signed in June 2020 and are waiting for final decree. Transfer approval for Selva Malvezzi to be formally requested.

Teodorico Offshore Gas field development (100% PVO)

The Teodorico gas field is located in shallow waters (30m) of the northern Adriatic Sea – the primary source of domestic gas production for much of Italy – and in close proximity to existing east coast offshore gas production facilities.

Teodorico has the largest gas-in-place of all of Po Valley's gas fields and is at an advanced stage of assessment, ready for development.

The Company has already received a preliminary award for the Teodorico Production Concession.

Teodorico also advanced through the regulatory approval process following grant of primary environmental approval. Key related EIA approval integrated documentation has been discussed and approved by the Environmental Technical Commission in April 2020 and Po Valley expects to complete the regulatory approval process in the second half of 2020.

Torre del Moro Gas/Oil Condensate exploration (100% PVO)

Torre del Moro is a very large oil prospect with a maiden Prospective Resource of 106 million barrels best estimate and has the potential to transform the size and scale of the Company's operations.

A preliminary well location has been identified and the study of land constraints is underway.

The current focus of activities for the Torre del Moro site, south of Forli, is the study of the petroleum system and the drilling plan for submission to the Government as soon as the exploration activities ban ends in August 2021.

Ravizza, Bagnolo in Piano, and Bagnolo SW Exploration (100% PVO)

Development design work for these two proven undeveloped oil fields between Bologna and Parma has advanced with production profiles, development plan, design and verification work at an advanced stage. Po Valley's objective is to complete production planning and well design during the second half of 2020.

Strategy

Po Valley's priority is very focused on bringing the low cost Selva and Teodorico fields into gas production. The size and scale of Torre del Moro and Ravizza / Bagnolo in Piano, warrant initiatives to de-risk and prioritise the projects and design drilling programs.

In these challenging times, it is a credit to our team, with the support of the Italian authorities, that we have been able to progress our natural gas projects through the approval processes for Selva and Teodorico. Gas remains a critical transition fuel in Italy's move to a greener economy and the development and employment opportunities from the Company's two advanced projects underpin their support from local communities.

The fields and prospects in granted exploration licences (Torre del Moro, Bagnolo in Piano, and Ravizza) are covered under the Italian Government's Plan of Areas Program. Under this program, which was recently reviewed in Parliament, the timeframe for field activities such as drilling and related approvals is suspended until August 2021 (30 months from the date of Ministerial decree in February 2019) as the Ministry conducts an environmental clearance program. This aligns with the Group's technical advancement program on Torre del Moro, Bagnolo in Piano, and Ravizza, allowing Po Valley to advance and prioritise low cost geological and geophysical evaluation, and to advance drilling location selection and prepare drilling programs over a prudent timeframe. The Group's drilling programs have very small footprints and are designed to the highest environmental and safety standards. While Po Valley is confident that the areas in which it operates should clear the environmental clearance process, there is always a risk of delay or non-clearance.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of the Directors' report for the half-year ended 30 June 2020.

This report has been made in accordance with a resolution of Directors.

Michael Masterman

Michael Masterman
Chairman

12 October 2020
Sydney, NSW Australia

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Po Valley Energy Limited for the half-year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
12 October 2020

L Di Giallonardo
Partner

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PO VALLEY ENERGY LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTE	30 June 2020 €	30 June 2019 €
Continuing Operations			
Other income		64,599	1,124
Employee benefits		(302,929)	(309,249)
Depreciation expense		(20,218)	(20,850)
Corporate overheads		(206,503)	(381,484)
Gain on agreement debt settlement		110,940	-
Exploration costs expensed		(9,000)	(1,500)
Loss from operating activities	**2**	(363,111)	(711,959)
Finance income		141	126
Finance expense		(64,345)	(126,954)
Net finance expense		(64,204)	(126,828)
Loss before income tax expense		(427,315)	(838,787)
Income tax (expense) / benefit	**3**	-	-
Loss for the period		(427,315)	(838,787)
Other comprehensive income		-	-
Total comprehensive loss for the period		(427,315)	(838,787)
Loss attributable to:			
Members of the Company		(427,315)	(838,787)
Total comprehensive loss attributable to:			
Members of the Company		(427,315)	(838,787)
Basic and diluted earnings / (loss) per share (€) from continuing operations	**4**	**(0.07) cents**	**(0.14) cents**

The accompanying notes from part of these financial statements

PO VALLEY ENERGY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	NOTE	30 June 2020 €	31 December 2019 €
Current Assets			
Cash and cash equivalents		31,149	42,165
Trade and other receivables	**5**	100,005	283,853
Total current assets		**131,154**	**326,018**
Non-Current Assets			
Other assets		17,578	17,578
Deferred tax assets	**3**	947,181	947,181
Property, plant & equipment	**6**	31,627	105,145
Resource property costs	**7**	7,959,834	7,876,926
Total non-current assets		**8,956,220**	**8,946,830**
Total assets		**9,087,374**	**9,272,848**
Equity and liabilities			
Current Liabilities			
Trade and other payables		1,257,153	1,090,159
Lease liabilities	**8**	24,783	41,066
Provisions		2,797	2,797
Interest bearing loans	**9**	1,393,362	1,272,676
Convertible notes	**11**	1,530,903	-
Total current liabilities		**4,208,998**	**2,406,698**
Non-Current Liabilities			
Lease liabilities	**8**	-	58,512
Convertible notes	**11**	-	1,563,183
Interest bearing loans	**9**	61,236	-
Total non-current liabilities		**61,236**	**1,621,695**
Total Liabilities		**4,270,234**	**4,028,393**
Equity			
Issued capital	**10**	46,641,745	46,641,745
Reserves		1,192,269	1,192,269
Accumulated losses		(43,016,874)	(42,589,559)
Total equity		**4,817,140**	**5,244,455**
Total equity and liabilities		**9,087,374**	**9,272,848**

The accompanying notes from part of these financial statements

PO VALLEY ENERGY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to equity holders of the Company			
	Share capital €	**Translation Reserve €**	**Accumulated Losses €**	**Total €**
Balance at 1 January 2019	**45,531,416**	**1,192,269**	**(41,080,669)**	**5,643,016**
Adjustment from adoption of AASB16	-	-	(4,149)	(4,149)
Adjusted balance at 1 January 2019	**45,531,416**	**1,192,269**	**(41,084,818)**	**5,638,867**
Total comprehensive loss for the period:				
Loss for the period	-	-	(838,787)	(838,787)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(838,787)	(838,787)
Transactions with members recorded directly in equity:				
Issue of shares (net of costs)	260,085	-	-	260,085
Balance at 30 June 2019	**45,791,501**	**1,192,269**	**(41,923,605)**	**5,060,165**
Balance at 1 January 2020	**46,641,745**	**1,192,269**	**(42,589,559)**	**5,244,455**
Total comprehensive loss for the period:				
Loss for the period	-	-	(427,315)	(427,315)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(427,315)	(427,315)
Transactions with members recorded directly in equity:	-	-	-	-
Balance at 30 June 2020	**46,641,745**	**1,192,269**	**(43,016,874)**	**4,817,140**

The accompanying notes from part of these financial statements

PO VALLEY ENERGY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTE	30 June 2020 €	30 June 2019 €
Cash flows from operating activities			
Payments to suppliers and employees		(294,532)	(502,941)
Interest received		141	126
Interest paid		(254)	(25,017)
Net cash used in operating activities		(294,645)	(527,832)
Cash flows from investing activities			
Receipts for resource property costs from joint operations partners		147,059	-
Payments for resource property costs		(73,430)	(128,576)
Net cash provided by / (used in) investing activities		73,629	(128,576)
Cash flows from financing activities			
Proceeds from issues of shares (net of issue costs)		-	81,144
Proceeds from borrowings		210,000	92,585
Net cash provided by financing activities		210,000	173,729
Net decrease in cash and cash equivalents		(11,016)	(482,679)
Cash and cash equivalents at 1 January		42,165	515,604
Cash and cash equivalents at 30 June		31,149	32,925

The accompanying notes from part of these financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 REPORTING ENTITY

Po Valley Energy Limited ("the **Company**" or "**PVE**") is a company domiciled in Australia. The consolidated interim financial report for the six-month period ended 30 June 2020 comprises the Company and its interests in subsidiaries, associates and jointly controlled entities and operations (together referred to as the "Group").

The Group is primarily involved in the exploration, appraisal, development and production from gas properties in the Po Valley region in Italy and is a for profit entity.

1.2 BASIS OF PREPARATION

(a) STATEMENT OF COMPLIANCE

The interim financial report is a condensed general purpose financial report prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2019. They do not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 31 December 2019 and with any public announcements made by Po Valley Energy Limited during the half-year ended 30 June 2020.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(b) BASIS OF MEASUREMENT

These consolidated financial statements have been prepared on the basis of historical cost taking into account, where appropriate, any value adjustments except for certain items required to be recognised at fair value.

(c) GOING CONCERN

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the period ended 30 June 2020, PVE has recorded a loss after tax from continuing operations of €427,315; it has a cash balance of €31,149 net current liabilities of €4,077,844 and had net cash outflows from continuing operations of €294,645. Since the beginning of 2020 Italy has faced a very challenging operating environment as a result of COVID-19 virus impacts and the resulting State of Emergency and associated lockdowns. During this period, PVE has put in place a number of initiatives to safe-guard its staff and contractors and to reduce costs with minimised field operations. The Italian Government has been focussed on COVID-19 legislation and European funding stimulus packages which have delayed domestic approvals.

The Directors recognise that the ability of PVE to continue as a going concern is dependent on the Group being able to secure additional funding through either the issue of new equity, convertible debt, sale of operating or non-operating interests in assets or a combination of these and other funding instruments and options as required to fund ongoing planned activities and for working capital. PVE has the ongoing support of its Board and major shareholders who have provided funding through unsecured loans to the Group. Given the current circumstances the Group has agreed to accept additional unsecured loans of AU$500,000 (approximately €310,000) from directors and major shareholders since 30 June 2020. In addition, repayment terms on the existing and new unsecured loans have been extended to 31 December 2021. PVE has put in place measures to reduce operating costs. The small executive and consulting team have elected to defer or reduce fees to significantly lower levels over the next two quarters and at least until final formal approval of Selva development is obtained and development can commence. PVE has further cut costs to minimum levels for field and technical costs and travel costs due to minimised field operations and travel during current COVID-19 restrictions and continues to reduce costs further where possible in relation to administrative and office costs as staff continue to work from home. The cost reduction plan is essentially complete and has been implemented successfully. Cost savings are expected to be more visible in the second half of 2020. The Directors believe that the additional loans and cost saving measures will provide sufficient working capital pending a more significant fund raising in the latter half of 2020 which will coincide with the anticipated granting of development approval for Selva. The Directors also believe that they will be able to raise sufficient funds to redeem the convertible notes in June 2021, or to extend the redemption date of the convertible notes if the need arises.

Should the Group not achieve the matters set out above, there is a material uncertainty that may cast significant doubt whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

(d) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Euro, which is the Company's and each of the Group entities' functional currency.

(e) USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Actual results may differ from these estimates.
Estimates and underlying assumptions are based on complex or subjective judgments and past experience of other assumptions deemed reasonable in consideration of the information available at the time and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.
The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-current assets
The ultimate recoupment of the value of resource property costs and property plant and equipment is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying properties. The Group undertakes at least on an annual basis, a comprehensive review for indicators of impairment of these assets. Should an impairment indicator exist, the area of interest or CGU is tested for impairment. There is significant estimation involved in determining the inputs and assumptions used in determining the recoverability amounts.

The key areas of estimation involved in determining recoverable amounts include:

- Recent drilling results and reserves and resources estimates
- Environmental issues that may impact the underlying licences
- The estimated market value of assets at the review date
- Fundamental economic factors such as the gas price and current and anticipated operating costs in the industry
- Future production rates

The post-tax discount rate used for impairment purposes is 10%.

Rehabilitation provisions

The value of these provisions represents the discounted value of the present obligations to restore, dismantle and rehabilitate each well site. Significant estimation is required in determining the provisions for rehabilitation and closure as there are many transactions and other factors that will affect ultimate costs necessary to rehabilitate the sites. The discounted value reflects a combination of management's best estimate of the cost of performing the work required, the timing of the cash flows and the discount rate.

A change in any, or a combination of, the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions. The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at that time. Changes to the estimated future costs for operating sites are recognised in the statement of financial position by adjusting both the restoration and rehabilitation asset and provision.

The Group has considered its obligations for restoration and rehabilitation of the well development planned for the Selva field. The Company estimates that the cost of restoration of the well development will be €2,065,119 to be incurred once production ceases at the end of estimated production life estimated to be 15 years. A provision for these restoration costs will commence to be recognised once the final production concession is granted and development has commenced as anticipated in the latter half of 2020.

Reserve estimates

Estimation of reported recoverable quantities of Proven and Probable reserves include estimates regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period.

A change in any, or a combination of, the key assumptions used to determine the reserve estimates could have a material impact on the carrying value of the project via depreciation rates or impairment assessments. The reserve estimates are reviewed at each reporting date and any changes to the estimated reserves are recognised prospectively to depreciation and amortisation. Any impact of the change in the reserves is considered on asset carrying values and impairment losses, if any, are immediately recognised in the profit or loss.

Recognition of deferred tax assets

The recoupment of deferred tax assets is dependent on the availability of profits in future years. The Group undertakes a forecasting exercise at each reporting date to assess its expected utilisation of these losses.

The key areas of estimation involved in determining the forecasts include:

- Future production rates
- Economic factors such as the gas price and current and anticipated operating costs in the industry
- Capital expenditure expected to be incurred in the future

A change in any, or a combination of, the key assumptions used to determine the estimates could have a material impact on the carrying value of the deferred tax asset. Changes to estimates are recognised in the period in which they arise.

1.3 SIGNIFICANT ACCOUNTING POLICIES

a) New and revised Standards and Interpretations on issue not yet adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been early adopted by the Group for the reporting period ended 30 June 2020. The Directors do not believe that these new and revised Standards and Interpretations will have a material effect on the Group.

b) New Standards and Interpretations applicable for the six-month period ended 30 June 2020
The Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to the Group accounting policies.

NOTE 2: PROFIT AND LOSS INFORMATION

Loss for the half-year includes the following items:

	30 June 2020	30 June 2019
	€	€
Professional fees	(99,629)	(262,870)
Company administration and compliance	(50,935)	(63,396)
Travel costs	(17,164)	(29,508)
Gain on agreement debt settlement	110,940	-

Cost reductions in the current period are a result of reduced activity and cost restrictions due to the current economic climate under COVID-19 pressures. Management continue their effort to further reduce costs whilst the Group awaits approval of its Selva development project and for improvement in current economic climate.
On 30 June 2020, the Group reached an agreement with Apennine Energy S.p.A (formerly Northsun Italia S.p.A) to settle a disputed amount in relation to charges made to Po Valley Operations Pty Ltd (PVO) for costs in relation to the drilling of the Selva gas field. The final agreed amount to settle all claims between the companies was €120,000. This has resulted in a net gain to PVO of €110,940.

NOTE 3: INCOME TAX EXPENSE

Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expenses calculated per the statutory income tax rate

	30 June 2020	30 June 2019
	€	€
Loss for the year before tax	(427,315)	(838,787)
Income tax expensed / (benefit) using the Company's domestic tax rate of 27.5 % (2019: 27.5%)	(117,512)	(230,666)
Effect of tax rates in foreign jurisdictions	9,502	15,160
Current year losses and temporary differences for which no deferred tax asset was recognised	108,009	215,506
Income tax expense / (benefit)	-	-

Tax benefits have not been recognised in respect of tax losses and temporary differences for the first six months based on management assessment of future taxable profit that would be available against which the

Group can utilise the benefits therefrom. Deferred tax assets have been recognised in respect of tax losses and temporary differences based on management assessment that future taxable profit will be available against which the Group can utilise the benefits therefrom. Deferred tax assets amounting to €947,181 (December 2019: €947,181) have been recognised in relation to the Italian subsidiary's available tax losses and temporary differences.

NOTE 4: EARNINGS PER SHARE

	30 June 2020	30 June 2019
Basic and diluted earnings / (loss) per share (€ cents) from continuing operations	(0.07)	(0.14)

The calculation of basic and diluted loss per share from continuing operations was based on the loss attributable to members of €427,315 (2019: €838,787) and a weighted average number of ordinary shares outstanding during the half year of 647,286,102 (2019: 613,632,661).

NOTE 5: TRADE AND OTHER RECEIVABLES

	30 June 2020	31 December 2019
	€	€
Trade receivables	33,132	151,866
Indirect taxes receivable	19,937	46,636
Other receivables	46,936	85,351
Trade and other receivables	**100,005**	**283,853**

NOTE 6: PROPERTY, PLANT & EQUIPMENT

	30 June 2020	31 December 2019
	€	€
Office Furniture & Equipment:		
At cost	21,503	21,503
Accumulated depreciation	(13,846)	(12,989)
	7,657	8,514
Right-of-use assets:		
Buildings	83,316	136,616
Accumulated depreciation	(59,346)	(39,985)
	23,970	96,631
Carrying amount at end of period	31,627	105,145

	6 Months to 30 June 2020	Year to 31 December 2019
Reconciliations:		
Property plant and equipment:		
Carrying amount at beginning of period	105,145	9,603
Adjustment on transition to AASB 16 right-of-use assets	(53,300)	136,616
Additions	-	626
Depreciation expense	(20,218)	(41,700)
Carrying amount at end of period	31,627	105,145

NOTE 7: RESOURCE PROPERTY COSTS

	30 June 2020 **€**	**31 December 2019** **€**
Resource Property costs		
Exploration Phase	7,959,834	7,876,926

	6 Months to 30 June 2020	Year to 31 December 2019
Reconciliation of carrying amount of resource properties		
Exploration Phase		
Carrying amount at beginning of period	7,876,926	7,704,644
Expenditure during the period	82,908	172,282
Carrying amount at end of period	7,959,834	7,876,926

Resource property costs comprises the carrying value of its exploration and pre-development projects. The ultimate recoupment of resource property costs is dependent upon the successful development and exploitation, or alternatively sale, of the respective areas of interest at an amount greater than or equal to the carrying value. Where activities in the area of interest have, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, the exploration and evaluation assets are assessed for impairment. Impairment will occur if sufficient data exists to determine technical feasibility and commercial viability and the facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Following review, no impairment has been recognised for the 6 months to 30 June 2020.

NOTE 8: LEASING

Lease liabilities are presented in the statement of financial position within trade and other payables as follows:

	30 June 2020 **€**	**31 December 2019** **€**
Lease liabilities (current)	24,783	41,066
Lease liabilities (non-current)	-	58,512

The Group has a lease for the main operation office in Rome Italy. During the period, the Group renegotiated the term of the lease resulting in the reduction of the lease term by 16 months. The lease will early terminate in January 2021. The effect of this change has reduced the non-current lease liabilities from 2019, with the remaining liability being due within one year:

	Within one year €	One to five years €	After five years €	Total €
Lease payments	25,025	-	-	25,025
Finance charges	(242)	-	-	(242)
Net present values	24,783	-	-	24,783

Lease payments not recognised as a liability
The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expense relating to payments not included in the measurement of lease liability for the period to 30 June 2020 was €748.

NOTE 9: INTEREST BEARING LIABILITIES

	30 June 2020 €	31 December 2019 €
Current liabilities		
Loans	1,393,362	1,272,676
Non-current liabilities		
Loans	61,236	-
Total	1,454,598	1,272,676

Terms and debt repayment schedule:
Terms and conditions of outstanding loans were as follows:

				30 June 2020		31 December 2019	
	Currency	Nominal Interest rate	Year of maturity	Face value €	Carrying Amount €	Face value €	Carrying Amount €
Unsecured loans	AUD	10%	2020	1,393,362	1,393,362	1,272,676	1,272,676
Unsecured loans	AUD	10%	2021	61,236	61,236	-	-

The financing facility above is provided by existing and former Directors of the Company and longstanding shareholders. The loans are unsecured with repayment dates of 31 December 2020 and 31 December 2021 and an interest rate of 10%. Subsequent to the period end, repayment dates on the €1,315,754 of the loans maturing in 2020 have been extended to 31 December 2021 (refer note 12).

NOTE 10: ISSUED CAPITAL

	30 June 2020 Number	30 June 2020 €	31 December 2019 Number	31 December 2019 €
Issued Capital				
Opening balance - 1 January / 1 July	647,286,103	46,641,745	611,736,319	45,531,416
Shares issued during the year:				
Placement issue tranche 2 – 27 May 2019	-	-	10,095,237	262,337
Placement issue - 8 August 2019	-	-	14,545,456	484,062
Placement issue tranche 2 - 6 November 2019	-	-	10,909,091	371,996
Share issue costs	-	-	-	(8,066)
Closing balance – 30 June / 31 December	647,286,103	46,641,745	647,286,103	46,641,745

All ordinary shares are fully paid and carry one vote per share and the right to dividends. In the event of winding up the Company, ordinary shareholders rank after creditors. Ordinary shares have no par value.

No dividends were paid or declared during the current period (no dividends were paid at December 2019).

NOTE 11: CONVERTIBLE NOTES

The Company has on issue convertible notes equivalent to A$2,500,000 (€1,530,903).

The convertible notes are convertible into fully paid ordinary shares of the Company at a conversion price of A$0.042 per share. The notes are to be converted or otherwise redeemed within three years of issue (issued June 2018; convertible June 2021) (repayment date) and interest shall be payable in cash on the principal amount at a rate of 8% per annum, calculated monthly and payable 6 monthly in arrears.

Subject to shareholder approval, if required, the noteholder may before the maturity date convert the convertible note into shares by providing the Company with written notice of the conversion.

The Company has the right to elect to redeem any unconverted convertible notes by giving 30-day notice to the noteholder.

Redemption of the notes occurs on:

a) The repayment date;
b) Within 10 business days on the occurrence of an event of default which has not been remedied within the prescribed period; or
c) On a change in control of the Company (including a takeover) or the sale of the Company's main undertaking unless the noteholder elects to convert the Convertible Notes into shares.

The redemption amount is the outstanding facility amount with respect to each note plus any unpaid interest.

NOTE 12: RELATED PARTIES

The Company obtained financing through unsecured loans provided by existing and former Directors of the Company. The loan agreements have been reached with entities associated with Michael Masterman, Kevin Baily (Directors), Bryon Pirola (former Director and major shareholder) and Graham Bradley (former Director).

30 June 2020:

Related Party	Loan Amount	Interest % p.a	Repayment	Accrued Interest €
Beronia Investments Pty Ltd	A$663,179	10%	Dec-20	44,060
Beronia Investments Pty Ltd	A$156,054	10%	Dec-20	10,367
Beronia Investments Pty Ltd	A$528,396	10%	Dec-20	35,105
Beronia Investments Pty Ltd	A$80,000	10%	Dec-20	2,282
Kevin Bailey	A$264,172	10%	Dec-20	20,218
Fuiloro Pty Ltd	A$190,800	10%	Dec-20	11,123
Fuiloro Pty Ltd	A$50,000	10%	Dec-21	310
K & G Bailey as trustee for The Bailey Family Trust	A$106,055	10%	Dec-20	7,046
K & G Bailey as trustee for The Bailey Family Trust	A$80,000	10%	Dec-20	2,255
Symmall Pty Ltd	A$80,000	10%	Dec-20	1,866
Symmall Pty Ltd	A$50,000	10%	Dec-21	336
G. Bradley	A$126,736	10%	Dec-20	8,420
	A$2,375,392			
Total	€1,454,598			143,388

Subsequent to the period end all loans, with the exception of the loan with G. Bradley, were extended by mutual agreement to 31 December 2021 with the lenders agreeing to capitalise interest accrued on the outstanding loans.

31 December 2019:

Related Party	Loan Amount	Interest % p.a	Repayment	Accrued Interest €
Beronia Investments Pty Ltd	A$663,179	10%	Dec-20	24,312
Beronia Investments Pty Ltd	A$156,055	10%	Dec-20	5,721
Beronia Investments Pty Ltd	A$528,396	10%	Dec-20	19,371
Kevin Bailey	A$264,172	10%	Dec-20	12,408
Fuiloro Pty Ltd	A$190,800	10%	Dec-20	6,138
K & G Bailey as trustee for The Bailey Family Trust	A$106,055	10%	Dec-20	3,888
G. Bradley	A$126,736	10%	Dec-20	4,646
	A$2,035,393			
	€1,272,676			76,484

	6 Months to 30 June 2020	Year to 31 December 2019
Movement on related party loans is summarised below:	**€**	**€**
Balance at beginning of period	1,272,676	1,201,258
Loans received	210,000	99,351
Loans repaid	-	(240,845)
Interest capitalised on loans	-	206,234
Effect of foreign exchange	(28,078)	6,678
Balance at end of period	1,454,598	1,272,676
Accrued interest on loans		
Balance at beginning of period	76,484	155,380
Accrued interest for period	66,904	127,338
Interest capitalised to loans during period	-	(206,234)
Balance of accrued interest at end of period	143,388	76,484

NOTE 13: FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts of financial assets and liabilities as disclosed in the statement of financial position equate to their estimated net fair value.

	30 June 2020	31 December 2019
	€	€
Financial assets		
Cash and cash equivalents	31,149	42,165
Receivables – current	100,005	283,853
Other assets	17,578	17,578
Total financial assets	148,732	343,596
Financial liabilities		
Trade and other payables - current	1,257,153	1,090,159
Lease liabilities – current	24,783	41,066
Lease liabilities – non-current	-	58,512
Loans – current	1,393,362	1,272,676
Loans – non-current	61,236	-
Convertible notes – current	1,530,903	-
Convertible notes – non-current	-	1,563,183
	4,267,437	4,025,596

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Current receivables, current payables and cash & cash equivalents are not measured at fair value. Due to their short- term nature, the carrying amount of current receivables, current payables and cash and cash equivalents is assumed to approximate their fair value.

The table below summarises financial assets and liabilities at fair value at each level of measurement:

At 30 June 2020	Level 1 €	Level 2 €	Level 3 €	Total €
Lease Liabilities (refer note 8)	-	-	24,783	24,783
Convertible Notes (refer note 11)	-	1,530,903	-	1,530,903
	-	1,530,903	24,783	1,555,686

NOTE 14: SUBSEQUENT EVENTS

Subsequent to the period end, the Company obtained additional funding of AU$500,000 (approximately €310,000) from directors and major shareholders and also extended terms on unsecured loans to 31 December 2021.

Other than matters already disclosed in this report, there were no other events between the end of the financial year and the date of this report that, in the opinion of the Directors, affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group.

DIRECTORS' DECLARATION

In the opinion of the Directors of Po Valley Energy Limited ("the Company"):

1. the condensed consolidated financial statements and notes, as set out on pages 5 to 19, are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the financial position of the Group as at 30 June 2020 and of its performance for the six-month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting", the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Michael Masterman

Michael Masterman
Chairman

Kevin Bailey

Kevin Bailey
Non-Executive Director

12 October 2020
Sydney, NSW, Australia

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Po Valley Energy Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Po Valley Energy Limited ("the company") which comprises the condensed consolidated statement of financial position as at 30 June 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Po Valley Energy Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 1.2(c) in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
12 October 2020