PO VALLEY ENERGY LIMITED

A.B.N. 33 087 741 571

INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2022

PO VALLEY ENERGY LIMITED

DIRECTORS' REPORT

The Directors present their report together with the interim financial report for the half-year ended 30 June 2022 and the independent auditor's review report thereon, of Po Valley Energy Limited ("the Company" or "Po Valley Energy" or "PVE") and its subsidiary Po Valley Operations Pty Ltd ("PVO") together referred to as "the Group".

Director details

The following persons were Directors of the Company during or since the end of the financial half-year:

- Kevin Bailey AM – Chairman (Non-Executive Director since 3 May 2016, appointed as Chairman 2 May 2022)
- Michael Masterman – Chairman (resigned 2 May 2022)
- Sara Edmonson - Non-Executive Director (since 23 December 2019)
- Joseph Constable – Non-Executive Director (since 30 November 2021)
- Katrina O'Leary – Non-Executive Director (appointed 2 May 2022)

Company Secretary

The Company Secretary during and 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 for the half-year was €374,492 (30 June 2021: €186,492).

On 2 May 2022, Non-executive Director Kevin Bailey AM was elected the new Chairman of Po Valley Energy, replacing Founder and outgoing Chairman Michael Masterman who retired after serving more than 20 years with the Company.

Katrina O'Leary, an Intellectual Property (IP) and Information Technology (IT) lawyer, was appointed a new independent non-executive director.

Po Valley Energy also appointed experienced oil & gas and finance executive Brent Bonadeo. Under the terms of engagement with Mr. Bonadeo, the Company issued 3,000,000 performance rights to Mr. Bonadeo (refer Note 11 to the financial statements).

During the half Po Valley Energy issued 62,500,000 ordinary fully paid shares on the conversion of 1,750,000 Convertible Notes, representing a total value of A$1.75 million (€1.18 million) at a conversion price of A$0.028.

The Group's cash reserves as at 30 June 2022 were €655,862 (31 December 2021: €1,262,151).

Subsequent to the period end, the Company completed a capital raise by way of A$4,500,000 (before costs) share placement of 81,818,182 ordinary shares at an issue price of A$0.055 (approximately €3,015,000). The placement includes an amount of A$600,000 to certain director related parties which is subject to shareholder approval at the upcoming General Meeting on 5 October 2022. The first tranche of 70,909,090 ordinary shares was issued on 15 August 2022 with the remaining 10,909,092 shares to be issued after shareholder approval.

The capital raising will allow Po Valley Energy to:

- Complete construction of the gas plant and pipeline which will facilitate first gas at the Podere Maiar-1 facility
- Progress geology and geoscience ("G&G") work programmes on Selva North, South and East
- Explore mechanisms to realise value at Teodorico via joint-venture or asset sales
- Progress planning for a 3D seismic programme on the greater Selva Malvezzi concession

In addition to the ordinary shares issued subsequent to 30 June 2022, Po Valley Energy also issued to the lead manager of the placement, 7,500,000 unlisted options with a strike price of A$0.10 expiring in June 2024.

Selva Malvezzi Production Concession (63% PVO)

Selva Malvezzi is an onshore gas development asset located in the eastern part of the Po Plain, Italy.

During the half-year, Po Valley Energy advanced its Podere Maiar gas field through to penultimate production concession. On 2 June 2022, the Regional Council of the Emilia Romagna Region approved the issue of an INTESA (local government production agreement) requested by Italy's Ecological Transition Ministry (MiTE)[1]. This was the penultimate step necessary to receive the Final Production Concession for Po Valley Energy's Selva Malvezzi.

Based on dynamic reservoir studies, the field development is designed to produce at a maximum rate of around 80,000 standard cubic meters/day, solely from C2 sand then switch to C1 sand[2].

On 29 July 2022, the Company was awarded the final production concession from MiTE[3] and signed gas plant and pipeline construction contracts on 11 August 2022[4]. The Final Production Concession enables the Group to proceed with installing a fully automated gas plant at the existing Selva Malvezzi / Podere Maiar 1-dir well site and a 1,000 metre (1km) pipeline to Italy's National Gas Grid.

Po Valley Energy anticipates first gas from Podere Maiar in the first half of 2023.

Teodorico Offshore Gas field development (100% PVO)

The Teodorico gas field is located in shallow east coast 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 Energy's gas fields and is at an advanced stage of assessment, ready for development. The Environmental Impact Assessment ("EIA") decree for Teodorico was granted in March 2021 which paves the way for the grant of full production concession.

Po Valley Energy is exploring mechanisms to realise value at Teodorico via joint-venture or asset sale.

Torre del Moro and Cadelbosco di Sopra exploration licences (100% PVO)

Following the publication of Italy's Plan of Sustainable Energy Transition of Suitable Areas ("Pitesai') Po Valley Energy has retained the licences at Torre del Moro and Cadelbosco di Sopra. Activities were halted during the Pitesai process, but now may resume in these areas. Po Valley Energy is seeking clarification on how the gas condensate exploration and targeted gas cap may be treated under the current Pitesai.

[1] Po Valley Energy ASX announcement dated 2 June 2022.
[2] Po Valley Energy ASX announcement dated 26 July 2022.
[3] Po Valley Energy ASX announcement dated 29 July 2022.
[4] Po Valley Energy ASX announcement dated 11 August 2022.

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 2022.

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

Kevin Bailey AM

Chairman

13 September 2022

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 2022, 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
13 September 2022

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 2022

	NOTE	30 June 2022 €	30 June 2021 €
Continuing Operations			
Other income		57,475	11,892
Employee benefits		(175,369)	(109,862)
Depreciation expense		(335)	(3,865)
Corporate overheads		(195,296)	(98,656)
Share based payment expense		(2,547)	-
Loss from operating activities	**2**	(316,072)	(200,491)
Finance income		257	1
Finance expense		(57,677)	(217,239)
Net finance expense		(58,420)	(217,238)
Loss before income tax		(374,492)	(417,729)
Income tax benefit	**3**	-	231,237
Loss for the period		(374,492)	(186,492)
Other comprehensive income		-	-
Total comprehensive loss for the period		(374,492)	(186,492)
Basic and diluted (loss) per share (€) from continuing operations	**4**	**(0.04) cents**	**(0.03) cents**

The accompanying notes from part of these financial statements

PO VALLEY ENERGY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	NOTE	30 June 2022 €	31 December 2021 €
Current Assets			
Cash and cash equivalents		655,862	1,262,151
Trade and other receivables	**5**	222,409	185,369
Total current assets		**878,271**	**1,447,520**
Non-Current Assets			
Other assets		761,078	759,078
Deferred tax assets	**3**	1,108,276	1,108,276
Property, plant & equipment	**6**	6,685	7,021
Resource property costs	**7**	8,519,643	8,146,546
Total non-current assets		**10,395,682**	**10,020,921**
Total assets		**11,273,953**	**11,468,441**
Equity and liabilities			
Current Liabilities			
Trade and other payables		766,406	642,552
Provisions		3,719	3,719
Convertible notes	**8**	-	1,120,170
Total current liabilities		**770,125**	**1,766,441**
Total Liabilities		**770,125**	**1,766,441**
Net Assets		**10,503,828**	**9,702,000**
Equity			
Issued capital	**9**	53,893,657	52,719,884
Reserves	**10**	1,205,503	1,202,956
Accumulated losses		(44,595,332)	(44,220,840)
Total Equity		**10,503,828**	**9,702,000**

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 2022

	Share capital €	Translation Reserve €	Option Reserve €	Accumulated Losses €	Total €
Balance at 1 January 2021	**46,641,745**	**1,192,269**	**-**	**(43,625,107)**	**4,208,907**
Total comprehensive loss for the period:			-		
Loss for the period	-	-	-	(186,492)	(186,492)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(186,492)	(186,492)
Transactions with members recorded directly in equity:					
Issue of shares	4,754,810	-	-	-	4,754,810
Share issue costs	(26,442)	-	-	-	(26,442)
Balance at 30 June 2021	**51,370,113**	**1,192,269**	**-**	**(43,811,599)**	**8,750,783**
Balance at 1 January 2022	**57,719,884**	**1,192,269**	**10,687**	**(44,220,840)**	**9,702,000**
Total comprehensive loss for the period:					
Loss for the period	-	-	-	(374,492)	(374,492)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(374,492)	(374,492)
Transactions with members recorded directly in equity:					
Issue of shares	1,180,454	-	-	-	1,180,454
Share issue costs	(6,681)	-	-	-	(6,681)
Share based payments	-	-	2,547	-	2,547
Balance at 30 June 2022	**53,893,657**	**1,192,269**	**13,234**	**(44,595,332)**	**10,503,828**

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 2022

	30 June 2022 €	30 June 2021 €
Cash flows from operating activities		
Receipts from joint operations partners	78,582	-
Payments to suppliers and employees	(400,961)	(292,694)
Interest received	257	1
Interest paid	(30,314)	(2,409)
Net cash (used in) operating activities	(352,436)	(295,102)
Cash flows from investing activities		
Receipts for resource property costs from joint operations partners	188,374	4,834
Payments for resource property costs	(469,499)	(34,635)
Net cash (used in) investing activities	(281,125)	(29,801)
Cash flows from financing activities		
Proceeds from issues of shares (net of issue costs)	(6,681)	2,348,432
Proceeds from borrowings	-	286,340
Repayment of convertible notes	-	(477,854)
Net cash (used in) / provided by financing activities	(6,681)	2,156,918
Net increase / (decrease) in cash and cash equivalents	(640,252)	1,832,015
Cash and cash equivalents at 1 January	1,262,151	44,107
Exchange difference on cash and cash equivalents	33,953	-
Cash and cash equivalents at 30 June	655,862	1,876,122

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 "**Po Valley Energy**" or "**PVE**") is a company domiciled in Australia. The consolidated interim financial report for the six-month period ended 30 June 2022 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 of, 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 2021. 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 2021 and with any public announcements made by Po Valley Energy Limited during the half-year ended 30 June 2022.

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 2022, PVE has recorded a loss after tax from continuing operations of €374,492 (30 June 2021: €186,492); at 30 June 2022 had a cash balance of €655,862 (31 December 2021 €1,262,151), net current assets of €108,146 (31 December 2021 net liabilities of €318,921) and had net cash outflows from continuing operations of €352,436 (30 June 2020 €295,102).

Subsequent to the period end, the Company completed a capital raise by way of A$4,500,000 (before costs) share placement of 81,818,182 ordinary shares at an issue price of A$0.055 (approximately €3,015,000). The placement includes an amount of A$600,000 to certain director related parties which is subject to shareholder approval at the upcoming General Meeting on 5 October 2022. The first tranche of 70,909,090 ordinary shares was issued on 15 August 2022 with the remaining 10,909,092 shares to be issued after shareholder approval.

The capital raising will allow Po Valley Energy to:

- Complete construction of the gas plant and pipeline which will facilitate first gas at the Podere Maiar-1 facility
- Progress geology and geoscience ("G&G") work programmes on Selva North, South and East
- Explore mechanisms to realise value at Teodorico via joint-venture or asset sales
- Progress planning for a 3D seismic programme on the greater Selva Malvezzi concession

The Group has prepared a cash flow forecast for the next twelve months from the date of signing the financial report which demonstrates that the Group will have sufficient cash to continue as a going concern, with the following assumptions:

- The successful completion of development of the Selva Gas Field.
- The profitable and cash flow positive operation of its interest in Selva.
- Critical to the forecast cash flows is the Group's ability to achieve forecast levels of gas production at forecast market prices and gross profit margins.

The Directors have a reasonable expectation that the Selva operation will achieve its forecast positive cash flows. Should the Group not achieve its cashflow forecasts as planned, the Directors recognise that the ability of the Group to continue as a going concern may become dependent on the Group's ability 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 as required to fund ongoing planned activities and for working capital. Whilst the Directors are confident that the Group will be able to secure sufficient funding to continue as a going concern based on demonstrated past successes in raising equity, should the Group not be successful in securing sufficient funding, this gives rise to a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets and liabilities that might be necessary if the Group does not 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 recoverable 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 2022.

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 effective

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 2022. 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 2022

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 2022	30 June 2021
	€	€
Professional fees	(93,903)	(28,740)
Company administration and compliance	(67,094)	(34,468)
Travel costs	(4,190)	(10,175)

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 2022	30 June 2021
	€	€
Loss for the year before tax	(374,492)	(417,729)
Income tax expensed / (benefit) using the Company's domestic tax rate of 26 % (2021: 27.5%)	(97,368)	(114,876)
Effect of tax rates in foreign jurisdictions	3,000	5,671
Current year losses and temporary differences for which no deferred tax asset was recognised	94,368	62,531
Prior year losses for which deferred tax is now recognised	-	(184,563)
Income tax (benefit)	-	(231,237)

Deferred tax assets have been recognised in respect of tax losses and temporary differences based on management's assessment that future taxable profit will be available against which the Group can utilise the benefits therefrom. Deferred tax assets amounting to €1,108,276 (31 December 2021: €1,108,276) have been recognised in relation to the Italian subsidiary's available tax losses and temporary differences.

NOTE 4: (LOSS) PER SHARE

	30 June 2022	30 June 2021
Basic and diluted (loss) per share (€ cents) from continuing operations	(0.04)	(0.03)

The calculation of basic and diluted loss per share from continuing operations was based on the loss attributable to members of €374,492 (2021: €186,492) and a weighted average number of ordinary shares outstanding during the half year of 1,027,016,368 (2021: 657,626,843).

NOTE 5: TRADE AND OTHER RECEIVABLES

	30 June 2022	31 December 2021
	€	€
Trade receivables	20,700	86,042
Indirect taxes receivable	107,347	53,199
Other receivables	94,362	3,039
Other deposits receivable	-	43,089
Trade and other receivables	**222,409**	**185,369**

NOTE 6: PROPERTY, PLANT & EQUIPMENT

	30 June 2022 €	31 December 2021 €
Office Furniture & Equipment:		
At cost	23,108	23,108
Accumulated depreciation	(16,423)	(16,087)
Carrying amount at end of period	6,685	7,021

	6 Months to 30 June 2022	Year to 31 December 2021
Reconciliations:		
Property plant and equipment:		
Carrying amount at beginning of period	7,021	11,199
Additions	-	630
Depreciation expense	(336)	(4,808)
Carrying amount at end of period	6,685	7,021

NOTE 7: RESOURCE PROPERTY COSTS

	30 June 2022 €	31 December 2021 €
Resource Property costs		
Exploration Phase	8,519,643	8,146,546

	6 Months to 30 June 2022	Year to 31 December 2021
Reconciliation of carrying amount of resource properties		
Exploration Phase		
Carrying amount at beginning of period	8,146,546	7,990,040
Expenditure during the period	373,097	186,577
Exploration written off	-	(30,071)
Carrying amount at end of period	8,519,643	8,146,546

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 a review by management, no impairment has been recognised for the 6 months to 30 June 2022.

NOTE 8: CONVERTIBLE NOTES

At 31 December 2021 the Company had on issue convertible notes equivalent to A$1,750,000 (€1,120,170). Following shareholder approval on 29 April 2022 for the variation of the terms of the convertible notes including a variation on the conversion price to A$0.028 per share, the Company issued 62,500,000 ordinary shares on conversion of all the convertible notes by the noteholders.

Convertible notes	30 June 2022	31 December 2021
Balance at beginning of the period	1,120,170	1,571,070
Convertible notes converted to equity by issue of ordinary shares	(1,180,454)	(476,594)
Effect of exchange rate	60,284	25,694
Balance at end of the period	-	1,120,170

NOTE 9: ISSUED CAPITAL

	Issue Price	30 June 2022 Number	30 June 2022 €	31 December 2021 Number	31 December 2021 €
Issued Capital					
Opening balance - 1 January		1,006,643,438	52,719,884	647,286,103	46,641,745
<u>Shares issued during the year:</u>					
Conversion of Convertible Notes	A$0.028	62,500,000	1,180,454	-	-
Placement	A$0.028	-	-	35,714,285	635,126
Institutional Offer ANREO	A$0.028	-	-	231,667,735	4,119,684
Retail Offer ANREO	A$0.028	-	-	62,461,961	1,101,689
Shortfall on retail offer of ANREO	A$0.028			29,513,351	520,560
Share issue costs		-	(6,681)	-	(298,920)
Closing balance – 30 June / 31 December		1,069,143,438	53,893,657	1,006,643,438	52,719,884

Subsequent to the period end, the Company completed a capital raising of A$4,500,000. The Company issued 70,909,090 ordinary shares at A$0.055 for the first tranche of the placement on 15 August 2022. A further 10,909,092 shares (A$600,000) is subject to shareholder approval at the upcoming General Meeting on 5 October 2022.

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 2021).

NOTE 10: RESERVES

	30 June 2022 €	31 December 2021 €
Foreign Currency Translation Reserve	1,192,269	1,192,269
Share based payment reserve	13,234	10,687
	1,205,503	1,202,956

The translation reserve comprises all foreign currency differences arising from translation of foreign operations prior to the change in functional currency.

The share based payment reserve comprises the fair value of vested options and performance rights issued.

Share based payment reserve reconciliation for the period:		
Opening balance	10,687	-
Issue of options during the period	-	10,687
Vesting of performance rights during the period	2,547	-
Closing balance	13,234	10,687

NOTE 11: SHARE BASED PAYMENTS

Performance rights:

During the year, the Group granted 3,000,000 performance rights (2021: nil) as consideration for services provided by a consultant.

The performance rights vest on 31 December 2022 and expire on 31 January 2023. The performance rights are subject to performance milestone of the Company achieving a volume weighted average share price over 30 consecutive days of at least A$0.06 by 31 December 2022 or earlier.

The fair value of the performance rights of $0.0309 per right is calculated at the date of grant using the Parisian Barrier1 valuation Model and allocated to the reporting period over the period from grant date to vesting date. The following valuation assumptions have been used:

Issue price at grant date	A$0.055
Exercise price	Nil
Expiry	31 January 2023
Volatility	76%
Risk-free rate	2.6%
Dividend yield	Nil

An expense of €2,547 has been recognised in the consolidated statement of profit or loss and other comprehensive income for the period to 30 June 2022 in respect of performance rights vesting during the period.

Options:

No options were granted, issued, exercised or cancelled during the period.

At 30 June 2022, the Company had on issue 5,000,000 unlisted options with an exercise price of A$0.05 and expiring on 21 July 2023.

NOTE 12: RELATED PARTIES

CONVERTIBLE NOTES

The table below summarises the Convertible notes held by related parties during the period. The convertible notes were held by Kevin Bailey, Michael Masterman, and Joseph Constable or their associated entities.

Following shareholder approval on 29 April 2022 for the variation of the terms of the convertible notes including a variation on the conversion price to A$0.028 per share, the Company issued 62,500,000 ordinary shares on conversion of all the convertible notes by the noteholders (refer Note 8); 44,642,857 shares were issued to related parties.

		30 June 2022		31 December 2021
K & G Bailey as trustee for The Bailey Family Trust		-	A$	700,000
Symmall Pty Ltd		-	A$	300,000
Joseph Constable		-	A$	10,000
Ida Constable**		-	A$	240,000
		-	A$	1,250,000
	€	**-**	**€**	**800,121**

** A related party by virtue of being a parent of Joseph Constable

Interest on related party convertible notes of A$32,603 (€22,021) was paid at the date of conversion.

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 values.

	30 June 2022	31 December 2021
	€	€
Financial assets		
Cash and cash equivalents	655,862	1,262,151
Receivables – current	222,409	185,369
Other assets	761,078	759,078
Total financial assets	1,639,349	2,206,598
Financial liabilities		
Trade and other payables - current	(766,406)	(642,552)
Convertible notes – current	-	(1,120,170)
	(766,406)	(1,762,722)

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 2022	Level 1 €	Level 2 €	Level 3 €	Total €
Convertible Notes (refer note 8)	-	-	-	-
	-	-	-	-

At 31 December 2021	Level 1 €	Level 2 €	Level 3 €	Total €
Convertible Notes (refer note 8)	-	1,120,170	-	1,120,170
	-	1,120,170	-	1,120,170

NOTE 14: SUBSEQUENT EVENTS

Subsequent to the period end, the Company completed a capital raise by way of A$4,500,000 (before costs) share placement of 81,818,182 ordinary shares at an issue price of A$0.055 (approximately €3,015,000). The placement includes an amount of A$600,000 to certain director related parties which is subject to shareholder approval at the upcoming General Meeting on 5 October 2022. The first tranche of 70,909,090 ordinary shares was issued on 15 August 2022 with the remaining 10,909,092 shares to be issued after shareholder approval at the upcoming General Meeting on 5 October 2022.

The capital raising will allow the Po Valley Energy to:

- Complete construction of the gas plant and pipeline which will facilitate first gas at the Podere Maiar-1 facility
- Progress geology and geoscience ("G&G") work programmes on Selva North, South and East
- Explore mechanisms to realise value at Teodorico via joint-venture or asset sales
- Progress planning for a 3D seismic programme on the greater Selva Malvezzi concession

In addition to the ordinary shares issued subsequent to 30 June 2022, Po Valley Energy also issued to the lead manager of the placement, 7,500,000 unlisted options with a strike price of A$0.10 expiring in June 2024.

Other than matters above or as already disclosed in this report, there were no other events between the end of the financial period 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 18, 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 2022 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.

Kevin Bailey AM
Chairman

13 September 2022

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 2022, 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 information, 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 does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 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*.

Basis for conclusion

We conducted our review in accordance with ASRE *2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note1.2(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.

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Responsibility of the directors for the 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 for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2022 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*.

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
13 September 2022