



ABN 33 087 741 571

## **ASX ANNOUNCEMENT – 29 May 2024**

### **2024 Annual General Meeting of Po Valley Energy Limited (ASX:PVE) Chairman’s report to Shareholders**

*To be delivered at 10:00am (AEST) today by Kevin Bailey AM, Chairman, at the 2024 Annual General Meeting of Po Valley Energy Ltd (“**Po Valley Energy**” or the “**Company**”) held at The Cluster Boardroom, Level 17 31 Queen Street Melbourne VIC.*

As reflected in our Annual Report, 2023 was a pivotal year for Po Valley Energy. Maiden production from the Podere Maiar-1 field commenced in early July reaching a cumulative 9.8 million standard cubic metres (6.2 million standard cubic metres net) by December 31, generating revenue of €2.3 million for the Group in 2023. This production coupled with our continued focus on operational discipline resulted in the first profit after tax in many years. By May 26<sup>th</sup> production has increased to a cumulative 20.61 million scm (12.98 million scm net to the company), generating revenue of €7 million for the operation (net €4.4 million to the company).

After a period of testing and commissioning, we have gradually ramped up production and the Selva Malvezzi concession is now consistently producing gas at a steady rate of 78,000 to 80,000 standard cubic meters (scm) per day. External factors have also aligned to augment our profitability. Gas prices are rising on the back of increased conflict in the Middle East. As Operator of the Selva Malvezzi concession we own 63%, with the remaining 37% being owned by our joint venture partner Prospex which is listed on the AIM of the LSE. At current gas prices this field is generating over \$20,000 AUD per day in free cash flow (for our 63% share).

Importantly, we are now experiencing one of the most favourable government and regulatory environments in the Company’s history, as Italy has sought to emancipate itself from Russian natural gas. In first quarter 2024 the Italian government’s Energy Decree, designed to encourage Italy’s energy security, was introduced. This includes measures to strengthen the security of natural gas supply which is highly encouraging for the domestic gas production sector.

Also in the first quarter of 2024, the Regional Administrative Court of Rome annulled the Plan for the Sustainable Energy Transition of Eligible Areas (“PiTESAI”). The former PiTESAI restricted hydrocarbon exploration and extraction activities in Italy and its repeal is anticipated to further improve drilling opportunities at Selva, heighten the chances of realizing maximum value from Teodorico and will possibly bring into play other PVE assets such as Torre del Morro.

This environment has created possibilities to fast-track the approvals for all our prospects, which could ultimately bring more wells into production more quickly than originally envisaged. Our team in Italy have been working closely with the Ministry in Rome to understand and assess these new opportunities for the Company.

These developments have caused us to reassess the optimal outcome for Po Valley Energy for the next few years, where we have a window of opportunity to benefit from the current Italian geopolitical environment and higher gas prices.

Accordingly, instead of rushing to pursue our proposed work program this year – which was to seek Ministry approval under the former PiTESAI to drill the smaller Selva North and South fields from a common pad and to begin a limited 2D seismic campaign to increase the confidence to drill the larger East Selva and Riccardina fields – we are now actively pursuing more ambitious plans.

We are confident that the necessary reorganization and recalibration to seek more generous approvals reflective of these recent changes is prudent. While this means a slight delay with the development of Selva North and South on its own, revising our plans to align with the opportunities now available to the Company should substantially increase our cashflow going forward.

At our present share price, we are on an enterprise value to free cash flow (EV/FCF) of 5 times. I personally have continued to add to my position at these prices and I now have nearly 25% of the issued capital either directly or via associated entities. All of my shares have been purchased in cash. The Balance Sheet of the company is looking extremely healthy with no debt and strong cash flow.

Our substantial cash base, which is \$4.2 million AUD and growing every month, has given us the optionality to advance to the next stages of our plan.

We have decided to appoint a full-time CEO domiciled in Rome and are in the process of doing this over the next few months. Once in place, a Rome-based CEO will greatly assist in formulating our plans for improved seismic and drilling on a faster scale. The cash flow being generated and cash at hand will lessen the need for a substantial capital raise this year to implement our plans. The funding of any seismic and drilling program will be undertaken in a way that will be least dilutive to existing shareholders. Naturally, once the additional revenue comes online it will substantially increase the value of the Company assets.

Going forward, there may be the need to raise additional capital in the future if we are to develop several fields contemporaneously, but this will only be undertaken where it enhances the value of the business as a whole. Another option will be to use part of the proceeds of the sale of certain assets to fund the development of cash-flow producing assets in the portfolio.

We acknowledge that current share price is not reflective of what the major shareholders and the Board believe is the inherent value of the business. Various factors have negatively impacted the share price despite the continuing success of the underlying business. The Board is focused on attracting new investors in new markets who recognize PVE's potential and low market valuation.

It is our intention to appoint an investor relations firm to assist in getting our story to the market, especially at this unique moment in time for the Company. We are also investigating interest from other jurisdictions. We believe that it will be a two-to-three-year process to maximize the value of the assets of the business. Our business plan was to initially develop our first producing well - which has now been achieved. Our intention remains to use part of the cash flow generated to progressively bring online other prospects in the Selva Malvezzi production concession, thereby continually increasing the gas and revenue flow. At the same time, we are continuing to investigate the prospects of either selling our larger offshore asset at Teodorico or farming in a joint venture partner to develop this asset.

Your Board is very optimistic of the future of the Company, which is well placed to pivot to take advantage of the current geopolitically favorable conditions. We will continue to react dynamically to opportunities to optimise shareholder value. While Po Valley is obviously a hydrocarbon producer, it also has strong environmental attributes. The company is ideally placed as an energy transition business with very good optionality for storage and new geothermal opportunities.

*This announcement was approved for release by the Board of Directors of Po Valley Energy Limited*

**Enquiries to:**

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