PO VALLEY ENERGY LIMITED

A.B.N. 33 087 741 571

INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2017

PO VALLEY ENERGY LIMITED

DIRECTORS' REPORT

The Directors present their report together with the interim financial report for the half-year ended 30 June 2017 and the review report thereon.

Directors

The directors of Po Valley Energy Limited ("the Company") during and at the end of the half-year are:

Name	Date of appointment
Non- Executive:	
M Masterman	22 June 1999 (Managing Director) 11 October 2010 (Non-Executive Director)
B Pirola	10 May 2002
K Bailey	31 May 2016

Company Secretary

Lisa Jones	21 October 2009 (resigned 3 July 2017)
Zoe Levendel	Appointed 3 July 2017

Principal Activities

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

- the exploration for gas and oil in the Po Valley region in Italy
- appraisal and development of gas and oil fields
- production and sale of gas from the Group's production wells

Review and results of operations

Operating Results

The net loss of the Group after income tax amounted to €1,167,563 for the half-year ended 30 June 2017 (6 months 2016: €2,420,621).

Operating Review

Production Assets

Production for the period was from the Company's Sillaro and Bezzecca gas fields. Bezzecca commenced commercial production in the second quarter of the year and in July increased further following the installation of a downhole choke necessary to allow commingled production. Production at the Sillaro and Bezzecca fields is operated by the Company's subsidiary Saffron Energy Plc of which it owns 65%.

Total Production for the first six months of 2017 amounted to 2.6 million standard cubic metres of gas (circa 91 million standard cubic feet). Production in 2016 for the same period was 2.4 million standard cubic metres (circa 83 million standard cubic feet).

The development and tie in Bezzecca gas field was completed and commissioned in Q2 with first gas flows on 18 April and full commercial production commencing at a steady state from the Level A interval in mid-May 2017. Over the first two weeks of July, the Company installed a downhole choke at Bezzecca and production from the field recommenced immediately afterwards from level, A and S.Production rates in Level A were adjusted in order to allow for increased aggregate production from both levels.

Development Assets

The Company continues to make good progress in its application for a full production concession for the gas field Sant'Alberto. Sant'Alberto is operated by the Company's subsidiary Saffron Energy Plc. The Company is currently awaiting the granting of an Intesa (agreement) from the Emilia Romagna regional government, following which the Ministry of Economic Development in Rome will issue the production concession. The Company had originally anticipated that the Intesa and the production concession would have been granted by the end of the first half of 2017. The Company now anticipates that this will have been achieved by Q3 2017.

Development of Sant'Alberto will follow the grant of the production concession and first gas is now expected in or around Q1 2018.

The Company has also made significant progress during the quarter on its natural gas development and exploration assets. At the Podere Gallina permit, (former ENI Selva gas field), preparations for drilling the first well Podere Maiar-1 are advancing with the first stage of civil works complete and procurement of long lead items such as the casing and well head advanced. It is anticipated that the Company will contract the rig within the September Quarter in preparation for drilling in the December quarter. Funding for 40% of the well will be provided by United Oil and Gas which completed the listing process on the Standard Board of the LSE last week with trading commencing 31 July 2017.

Our offshore gas development project, Teodorico is progressing through the environmental approval process and we expect this process to be substantially complete by year-end. Geological and geophysical work on the recently granted Torre del Moro exploration licence south of Bologna has also advanced during the quarter

Corporate Activities

In February, Saffron Energy Plc, a subsidiary of the company successfully listed on the AIM board of the London Stock Exchange following an oversubscribed £2.5m book build and capital raising.

The Company also raised AU$1.18million in a private placement issuing 47,882,037 shares over two tranches.

Health and Safety

The Company places a high importance on its commitment to Health, Safety and the Environment (HS&E). PVE ensures that the various stages of business activities from initial planning to carrying-out daily operational procedures are designed and performed with the implemented HS&E safety systems in mind. A total of 22,114 man- hours worked both on-site and within the administrative office with no incidents or near misses to report is testament to the importance and effectiveness the internal HS&E management systems. PVE is committed to maintaining environmental sustainability and health and safety in the workplace as they are an integral part of our business strategy and corporate citizenship.

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 3 and forms part of the Directors' report for the half-year ended 30 June 2017.

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

Michael Masterman

Michael Masterman
Chairman

13 September 2017
Sydney, NSW Australia

Bentleys
THINKING AHEAD

Bentleys NSW Audit Pty Ltd
Level 10, 10 Spring Street
Sydney NSW 2000
Australia
ABN 49 141 611 896
T +61 2 9220 0700
F +61 2 9220 0777
directors@bentleysnsw.com.au
bentleys.com.au

Po Valley Energy Limited

ABN 33 087 741 571

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Po Valley Energy Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2017, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

Robert Evett

Bentleys NSW Audit Pty Ltd

Robert Evett
Director
Sydney

13 September 2017

BENTLEYS NSW AUDIT PTY LTD
Chartered Accountants

PO VALLEY ENERGY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	NOTE	30 June 2017 €	31 December 2016 €
Current Assets			
Cash and cash equivalents		772,407	166,459
Trade and other receivables	**6**	969,469	262,512
Total current assets		**1,741,876**	**428,971**
Non-Current Assets			
Inventory		732,801	732,801
Other assets		165,956	155,956
Deferred tax assets	**4**	2,684,360	2,684,360
Property, plant & equipment	**7**	2,300,825	2,347,604
Resource property costs	**8**	9,390,714	8,982,190
Total non-current assets		**15,274,656**	**14,902,911**
Total assets		**17,016,532**	**15,331,882**
Liability and equity			
Current Liabilities			
Trade and other payables		2,485,725	1,815,336
Provisions	**9**	70,136	70,136
Interest bearing loans	**10**	620,029	1,406,017
Total current liabilities		**3,175,890**	**3,291,489**
Non-Current Liabilities			
Provisions		4,991,810	4,961,907
Total non-current liabilities		**4,991,810**	**4,961,907**
Total Liabilities		**8,167,700**	**8,253,397**
Equity			
Issued capital	**11**	49,462,268	48,659,337
Reserves		1,192,269	1,192,269
Accumulated losses		(43,620,070)	(42,773,120)
Non-controlling interests		1,814,365	-
Total equity		**8,848,832**	**7,078,486**
Total equity and liabilities		**17,016,532**	**15,331,882**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

PO VALLEY ENERGY LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017

	NOTE	30 June 2017 €	30 June 2016 €
Revenue		560,040	503,108
Operating costs		(307,087)	(293,102)
Depreciation and amortisation expense	2	(102,528)	(484,175)
Gross profit / (loss)		150,425	(274,169)
Other income		200,943	51,378
Employee benefits - corporate		(557,965)	(643,607)
Depreciation expense	2	(5,616)	(5,371)
Corporate overheads	3	(687,572)	(525,433)
Impairment		-	(607,986)
Exploration costs expensed		(4,192)	(2,171)
Loss from operating activities		(903,977)	(2,007,359)
Finance income		69	439
Finance expense		(263,655)	(413,701)
Net finance expense		(263,586)	(413,262)
Loss before income tax expense		(1,167,563)	(2,420,621)
Income tax (expense) / benefit	4	-	-
Loss for the period		(1,167,563)	(2,420,621)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,167,563)	(2,420,621)
Loss attributable to:			
Owners of the Company		(846,950)	(2,420,621)
Non-controlling interests		(320,613)	-
Loss for the period		(1,167,563)	(2,420,621)
Total comprehensive loss attributable to:			
Owners of the Company		(846,950)	(2,420,621)
Non-controlling interests		(320,613)	-
Total comprehensive loss for the period		(1,167,563)	(2,420,621)
Basic and diluted loss per share (€)	5	**(0.15) cents**	**(0.87) cents**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to equity holders of the Company				
	Share capital €	Translation Reserve €	Accumulated Losses €	Non-controlling Interests €	Total €
Balance at 1 January 2016	**46,692,830**	**1,192,269**	**(34,074,067)**	**-**	**13,811,032**
Total comprehensive loss for the period:				-	
Loss for the period	-	-	(2,420,621)	-	(2,420,621)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	(2,420,621)	-	(2,420,621)
Transactions with owners recorded directly in equity:					
Contributions by owners (net of costs)	1,200,303	-	-	-	1,200,303
Share based payments	149,041	-	-	-	149,041
Balance at 30 June 2016	**48,042,174**	**1,192,269**	**(36,494,688)**	**-**	**12,739,755**
Balance at 1 January 2017	**48,659,337**	**1,192,269**	**(42,773,120)**	**-**	**7,078,486**
Total comprehensive loss for the period:					
Loss for the period	-	-	(846,950)	(320,613)	(1,167,563)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	(846,950)	(320,613)	(1,167,563)
Transactions with owners recorded directly in equity:					
Contributions by owners (net of costs)	441,843	-	-	2,134,978	2,576,821
Share based payments	361,088	-	-	-	361,088
Balance at 30 June 2017	**49,462,268**	**1,192,269**	**(43,620,070)**	**1,814,365**	**8,848,832**

The above consolidated statement changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	30 June 2017 €	30 June 2016 €
Cash flows from operating activities		
Receipts from customers	440,515	726,671
Payments to suppliers and employees	(1,814,287)	(1,756,049)
Interest received	69	439
Interest paid	(22,550)	(15,090)
Income tax paid		-
Net cash used in operating activities	(1,396,253)	(1,044,029)
Cash flows from investing activities		
Payments for non-producing property plant and equipment	-	(9,308)
Receipts for resource property costs from joint operations partners	100,000	21,741
Payments for resource property costs and production plant and equipment	(406,263)	(70,447)
Net cash used in investing activities	(306,263)	(58,014)
Cash flows from financing activities		
Proceeds from issues of shares	444,377	1,200,303
Transaction costs relating to issue of shares	(2,534)	-
Net proceeds from issue of shares non-controlling interests	2,361,736	-
Proceeds from borrowings	50,255	763,634
Repayment of borrowings	(545,370)	(2,776,048)
Payment of borrowing costs other than interest	-	(118,159)
Net cash provided by / (used in) financing activities	2,308,464	(930,270)
Net increase / (decrease) in cash and cash equivalents	605,948	(2,032,313)
Cash and cash equivalents at 1 January	166,459	2,446,005
Cash and cash equivalents at 30 June	772,407	413,692

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 REPORTING ENTITY

Po Valley Energy Limited ("the Company") is a company domiciled in Australia. The consolidated interim financial report for the six month period ended 30 June 2017 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.

The consolidated annual financial report of the Group as at and for the year ended 31 December 2016 is available upon request from the Company's registered office at Suite 8, 7 The Esplanade, Mt. Pleasant WA 6153 or at www.povalley.com.

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 2016. 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 2016 and with any public announcements made by Po Valley Energy Limited during the half-year ended 30 June 2017.

The consolidated interim financial report was approved by the Board of Directors on 13 September 2017.

(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 as described in the summary of significant accounting policies.

(c) GOING CONCERN

The financial report has been prepared on a going concern basis. In arriving at this position, the Directors believe that the Group will have access to sufficient working capital to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

For the half-year ended 30 June 2017 the Group has incurred a consolidated loss of €1,167,563 and generated a net operating cash outflows of €1,396,253 and net investing outflows of €306,263. As at 30 June 2017 the Group had €772,407 in cash; and net current liabilities of €1,434,014. The Group has forecast cashflow requirements for the 15 months ending 30 September 2018 for operating and investing activities. These cashflow requirements reflect a combination of committed and uncommitted agreements.

(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
Assets are impaired when there are events or changes in circumstances that indicate the carrying values of the assets are not recoverable. 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 Cash Generating Unit 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 estimated value in use is based on the present values of expected future cash flows net of disposal costs. The expected future cash flows used for impairment analyses are based on judgmental assessments of future production volumes, prices and costs, considering available information at the date of review and are discounted by using a rate that considers the risks specific to the asset.

The post-tax discount rate used for impairment purposes is 10.0% and which reflects the current market valuation of the time value of money and of the specific risks of the asset not reflected in the estimate of the future cash flows.

If the recoverable amount of a cash generating unit is lower than the carrying amount, goodwill attributed to that cash generating unit is impaired up to that difference; if the carrying amount of goodwill is lower than the amount of the impairment loss, the assets of the cash generating unit are impaired pro-rata on the basis of their carrying amount for the residual difference.

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

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 recognized 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 recognized 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

The accounting policies applied by the Group in the consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016.

NOTE 2: DEPRECIATION AND AMORTIZATION

	30 June 2017 €	30 June 2016 €
Sillaro:		
Depreciation of production Plant & Equipment	(59,085)	(150,963)
Amortisation of Resource Property Costs	(16,090)	(333,206)
Bezzecca:		
Depreciation of production Plant & Equipment	(1,280)	-
Amortisation of Resource Property Costs	(26,073)	-
Castello:		
Depreciation of production Plant & Equipment	-	(6)
Corporate:		
Other fixed assets	(5,616)	(5,371)
Total Depreciation and Amortization	**(108,144)**	**(489,547)**

NOTE 3: CORPORATE OVERHEAD

Corporate overheads in the first six months of 2017 were €687,572 as compared to €525,433 in June 2016. The six months to June 2017 does include indirect costs related to the group reorganization including the listing of the Company's Subsidiary Saffron Energy Plc on the AIM board of the LSE in late February. Management continues in its effort in reducing general and administrative costs.

NOTE 4: 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 2017 €	30 June 2016 €
Loss for the year before tax	(1,167,563)	(2,420,621)
Income tax benefit using the Company's domestic tax rate of 30 % (2016: 30%)	(350,270)	(726,186)
Effect of tax rates in foreign jurisdictions	105,055	51,473
Current year losses and temporary differences for which no deferred tax asset was recognised	346,747	362,166
Changes in temporary differences		-
Other non-deductible expenses / (income)	(101,532)	312,547
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.

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 €2,648,360 (December 2016: €2,648,360) have been recognised in relation to Italian subsidiaries available tax losses and temporary differences.

NOTE 5: LOSS PER SHARE

	30 June 2017	30 June 2016
Basic loss per share (€ cents)	(0.15)	(0.87)
Diluted loss per share (€ cents)	(0.15)	(0.87)

The calculation of basic loss per share was based on the loss attributable to shareholders of €846,950 (2016 Loss: €2,420,621) and a weighted average number of ordinary shares outstanding during the half year of 578,154,914 (2016: 278,979,612).

NOTE 6: TRADE AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
	€	€
Trade receivables from gas sales customers	179,489	80,189
Accrued gas sales	153,851	76,008
Deposit on Security for interest and loan payments	7	7
Indirect taxes receivable	517,834	77,612
Other receivables	118,288	28,696
Trade and other receivables	**969,469**	**262,512**

Trade receivables from gas sales customers and accrued gas sales at 30 June 2017 refer to the production of the months of May and June, as per sale agreement with Shell production is invoiced within 10 days from the last day of the production month and paid in 35 days.

NOTE 7: PROPERTY, PLANT & EQUIPMENT

	30 June 2017 €	31 December 2016 €
Office Furniture & Equipment:		
At cost	217,518	217,518
Accumulated depreciation	(202,721)	(195,577)
	14,797	21,941
Gas producing plant and equipment		
At cost	8,523,927	8,503,197
Accumulated depreciation	(6,237,899)	(6,177,534)
	2,286,028	2,325,663
	2,300,825	2,347,604

Reconciliations:
Reconciliation of the carrying amounts for each class of Plant & equipment are set out below:

	30 June 2017 €	31 December 2016 €
Office Furniture & Equipment:		
Carrying amount at beginning of period	21,941	22,351
Additions	(1,528)	10,322
Depreciation expense	(5,616)	(10,732)
Carrying amount at end of period	14,797	21,941
Gas Producing plant and equipment:		
Carrying amount at beginning of period	2,325,663	2,592,842
Additions	20,730	-
Depreciation expense	(60,365)	(267,179)
Carrying amount at end of period	2,286,028	2,325,663
	2,300,825	2,347,604

NOTE 8: RESOURCE PROPERTY COSTS

	30 June 2017 €	31 December 2016 €
Resource Property costs		
Exploration Phase	5,867,728	8,383,017
Production Phase	3,522,986	599,173
	9,390,714	8,982,190

Reconciliation of carrying amount of resource properties		
Exploration Phase		
Carrying amount at beginning of period	8,383,017	9,646,269
Exploration expenditure	988,615	473,923
Transfer to Production phase	(2,964,975)	-
Adjustment to carrying amount at beginning of period	(538,929)	-
Change in estimate of rehabilitation assets	-	49,789
Exploration expenditure written off	-	(1,786,964)
Carrying amount at end of period	5,867,728	8,383,017

Resource property costs in the exploration and evaluation phase have not yet reached a stage which permits a reasonable assessment of the existence of, or otherwise, economically recoverable reserves. The ultimate recoupment of resource property costs in the exploration phase 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.

During the period, the Group completed the development of the Bezzecca field. Accumulated costs relating to this field were transferred to production phase assets as production commenced in the second quarter of the year.

NOTE 8: RESOURCE PROPERTY COSTS (continued)

	30 June 2017	31 December 2016
Production Phase	€	€
Carrying amount at beginning of period	599,173	5,521,279
Additions	1,000	257,573
Transfer from exploration	2,964,975	
Change in estimate of rehabilitation assets	-	46,504
Amortisation of producing assets	(42,162)	(610,968)
Impairment loss	-	(4,615,215)
Carrying amount at end of period	3,522,986	599,173

During the half-year ended June 30, 2017, there were no material events that would result in an impairment trigger. As standard practice, the Company reviewed the carrying value of all of its assets and cash generating units which have a carrying value over €500,000 using a Value in Use CGU valuation. The results of the Value in Use CGU valuation compared to the carrying value of each asset showed sufficient headroom. As a result, no impairment expense was recorded during the period.

NOTE 9: PROVISIONS

	30 June 2017 €	31 December 2016 €
Current:		
Employee leave entitlements	50,136	50,136
Other provisions	20,000	20,000
	70,136	70,136
Non Current:		
Restoration provision	4,991,810	4,961,907
Reconciliation of restoration provision:		
Opening balance	4,961,907	4,779,855
(Decrease) / Increase in provision due to revised estimates	-	96,283
Increase in provision from unwind of discount rate	29,903	85,769
Closing balance	4,991,810	4,961,907

NOTE 10: INTEREST BEARING LIABILITIES

	30 June 2017	31 December 2016
	€	€
Current liabilities		
Loans	620,029	1,406,017
	620,029	1,406,017

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

				30 June 2017		31 December 2016	
	Currency	Nominal Interest rate	Year of maturity	Face value €	Carrying Amount €	Face value €	Carrying Amount €
Unsecured loans	AUD	10%	2018	620,029	620,029	1,406,017	1,406,017

The Company obtained financing through a streamlined facility provided by existing and former Directors of the Company and longstanding shareholders. The facility arrangement has a term of 12 months and an interest rate of 10%.

NOTE 11: ISSUED CAPITAL

	30 June 2017 Number	30 June 2017 €	31 December 2016 Number	31 December 2016 €
Issued Capital				
Opening balance - 1 January / 1 July	550,378,091	48,659,337	140,156,920	46,692,830
Shares issued during the year:				
Placement issue on 5 April 2017	14,526,966	282,999	-	-
Placement issue on 7 June 2017	28,355,071	522,466	-	-
Shares issued pursuant to rights issue on 20 April 2016	-	-	350,392,300	1,208,213
Shares issued in lieu of directors remuneration on 30 June 2016	-	-	14,828,871	149,041
Placement issue on 14 September 2016	-	-	9,272,997	125,306
Placement issue on 31 October 2016	-	-	35,727,003	499,742
Share issue costs	-	(2,534)	-	(15,795)
Closing balance – 30 June / 31 December	593,260,128	49,462,268	550,378,091	48,659,337

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 2016).

NOTE 12: INTEREST IN JOINT ARRANGEMENTS

The Group's interests in joint arrangements at 30 June 2017 are as follows:

Joint Operation	Manager	Group's Interest	Principal Activity (Exploration)
Cascina Castello	Northsun Italian S.p.A	90% (Dec 2016: 90%)	Gas

The Group's interest in assets employed in the above joint venture includes capitalised exploration phase expenditure totalling €44,619 (Dec 2016: €44,619). These amounts are included under the resource property costs (note 10).

NOTE 13: COMMITMENTS AND CONTINGENCIES

In September 2016, the Company signed a master construction contract with local contractor TESI Srl for the development of its 90% Bezzecca gas field. The contract, was a turnkey contract for the construction of the 7 km pipeline and tie in to the existing gas treatment plant. Construction of the pipeline and tie in was completed in March 2017. The pipeline had a total capital cost of €2.2m and the contract with TESI Srl includes a flexible financing arrangement whereby a portion of the fees (€0.6m) will be paid upfront and the residual amount to be paid in monthly instalments once production commences. The first instalment was paid in July 2017. A company guarantee was provided by the parent company Po Valley Energy to TESI as part of this contract. Other than the abovementioned master construction contract with TESI, there are no other material commitments or contingent liabilities not provided for in the financial statements of the Company or the Group as at 30 June 2017 (no commitments or contingencies existed at December 2016).

NOTE 14: RELATED PARTIES

During 2016, the Company restructured its financing facility by repaying the facility with Nedbank Limited and obtained financing through a streamlined facility provided by existing and former Directors of the Company. The new facility agreement has been reached with entities associated with Byron Pirola and Kevin Baily (Directors) and Graham Bradley (former Director).

Related Party	Loan Balance 30 June 2017	Loan Balance 31 December 2016	Interest	Repayment Term
Beronia Investments Pty Ltd	AU$ 469,618	AU$756,518	10% p.a.	12 months
K & G Bailey as trustee for The Bailey Family Trust	-	AU$826,873	10% p.a.	12 months
Fuiloro Pty Ltd	AU$301,668	AU$230,769	10% p.a.	12 months
G.J. Bradley	AU$ 94,927	AU$144,927	10% p.a.	12 months

NOTE 15: SUBSEQUENT EVENTS

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 the Po Valley Energy Limited ("the Company"):

1. the condensed consolidated financial statements and notes, as set out on pages 4 to 20, are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of financial position of the Group as at 30 June 2017 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

Byron Pirola

Byron Pirola
Non-Executive Director

13 September 2017
Sydney, NSW, Australia

Bentleys
THINKING AHEAD

Bentleys NSW Audit Pty Ltd

Level 10, 10 Spring Street
Sydney NSW 2000
Australia

ABN 49 141 611 896

T +61 2 9220 0700
F +61 2 9220 0777

directors@bentleysnsw.com.au
bentleys.com.au

Po Valley Energy Limited
ABN: 33 087 741 571

Independent Auditor's Review Report to the Members of Po Valley Energy Limited and Controlled Entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Po Valley Energy Limited (the company) and its Controlled Entities ("the Group") which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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.

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 2017 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 Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Po Valley Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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 2017 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.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Bentleys NSW Audit Pty Ltd

Robert Evett
Director
Sydney

BENTLEYS NSW AUDIT PTY LTD
Chartered Accountants

13 September 2017