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28 February 2018

Mutual Termination of Sale of PVO to Saffron - Po Valley to Retain Prime Italian Assets

Following the announcement of 23rd January, 2018, the Boards of Po Valley Energy Limited ("Po Valley") and Saffron Energy Plc ("Saffron") have reached a mutual agreement to not proceed with the sale of Po Valley Operations Pty Ltd ("PVO") and its northern Italian gas assets to Saffron for a consideration of 200 million Saffron shares.

The mutual decision was reached following recent discussions with Po Valley's tax advisers and the Australian Taxation Office, and receipt of the Independent Experts Report ("IER"). The IER was required under chapter 10 of the ASX listing rules.

Following a number of discussions with the ATO, and having regard to the recent valuation of these shares, Po Valley's tax advisers are of the view that a favorable class ruling to grant demerger relief to Po Valley shareholders will be unlikely for the in-specie distribution of the 200m Saffron shares.

Furthermore, the Independent Expert, BDO Corporate Finance (WA) Pty Ltd, operating under ASIC guidelines, found that the abovementioned transaction was "neither fair nor reasonable" in particular as a result of the independent experts valuations of the Selva and Teodorico gasfields.

Following receipt of the above information the Board of Po Valley informed the Board of Saffron that it would not be able to recommend the transaction to Po Valley shareholders and in accordance with the PVO sale and purchase agreement both parties agreed to mutually terminate the PVO sale and purchase agreement.

Po Valley remains highly supportive of the proposed Saffron/Coro transaction and acquisition of Sound Energy Italy Holdings Limited by Saffron. Po Valley currently holds 100 million shares in Saffron and intends to vote its shares in favour of the Saffron/Coro transaction and associated authorisations.

A lot of effort has been put in by both parties to progress the PVO sale transaction and the Board of Po Valley wishes to thank everyone for their tireless efforts. The Board of Po Valley has every confidence that Saffron (to be renamed Coro) will be successful in their separate endeavors.

The Board is equally confident that Po Valley shareholders will benefit from less dilution of, and increased focus on the PVO assets. These assets include its 63% interest in the recently successfully drilled Selva gas development field, its 100% owned Teodorico offshore gas development field (for which it recently announced a major reserve upgrade), and the 100% owned Torro del Morro oil and condensate exploration field. A full copy of the SRK Valuation of the PVO assets, used by both the Board and the Independent Expert in relation to the evaluation of the proposed sale of PVO, is attached.

Independent Specialist Report on the petroleum assets of Po Valley Operations Pty Ltd

A wholly owned subsidiary company of Po Valley Energy Limited

Report Prepared for

BDO Corporate Finance (WA) Pty Ltd

Report Prepared by

SRK Consulting (Australasia) Pty Ltd

Project Number: BDO009

February 2018

Independent Specialist Report on the petroleum assets of Po Valley Operations Pty Ltd

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February 2018

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Bruce McConachie; Peter Stanmore; Anthony Stepcich, Anargul Kushkarina

Cover Photo: Sillaro gas processing plant (Source: Po Valley AGM Presentation, 2015).

Executive Summary

Po Valley Energy Limited (PVE) has entered into an agreement to dispose of its wholly owned subsidiary, Po Valley Operations Pty Ltd (PVO) to its 53.8%-owned subsidiary, Saffron Energy plc (Saffron) via the grant of a call option, in exchange for shares in Saffron.

PVE has engaged BDO Corporate Finance (WA) Pty Ltd (BDO) to prepare an Independent Expert Report to support the proposed transaction. BDO has subsequently commissioned SRK Consulting (Australasia) Pty Ltd (SRK) to provide an Independent Specialist Report incorporating a technical assessment and valuation of the Italian hydrocarbon assets held by PVO.

SRK understands that this Independent Specialist Report is to be included as an appendix to BDO's Independent Expert Report, which will provide an opinion regarding the fairness and reasonableness of the proposed transaction.

Summary of principal objectives

The objective of this report is to provide an independent assessment of the technical project assumptions included in the cash flow model of the Company's 2P Reserves and if warranted 2C Resources. These include:

- Resources and Reserves incorporated into the production profile.
- Production physicals (including volumes and recovery).
- Operating costs (including but not limited to extraction, general site costs, haulage, transhipment, corporate office and royalties).
- Non-operating and other costs (including but not limited to reclamation, surface works, discretionary capital costs and deferred capital costs).
- Capital expenditure (including but not limited to sustaining capital expenditure).
- Any other relevant technical assumptions not listed above.
- The valuation of all residual resources and exploration potential not considered above.

This report has been prepared in accordance with the "Australasian Code for the Public Reporting of Technical Assessment and Valuation of Mineral Assets" - VALMIN Code (2015) which incorporates the "Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves" - JORC Code (2012) and petroleum assets under PRMS (2007) and the Guidelines for Application of the Petroleum Resources Management System (PRMS, 2011).

Outline of work program

The following aspects were considered in the preparation of this report:

- Full access to key PVO personnel for discussion and enquiry.
- A high-level review of the stated Hydrocarbon Reserves and Resource estimates and the methodologies applied; this did not include any re-estimation of Reserves or Resources.
- A review of the following technical areas: Project Background, Resources/ Reserves, Production, Infrastructure, Environmental, Operating and Capital costings, Project Risks and Opportunities.
- A review of technical reports and supporting documentation prepared by and/or on behalf of the parties.
- Compilation of Comparable transactions.

- Valuation of residual resources and exploration potential.
- Report Preparation.

Overview

Po Valley Energy Limited (ASX: PVE) is an Australian oil and gas exploration and development company primarily focussed on the Po Basin Province of northern Italy. The company is based in Mount Pleasant, Australia.

The Company was registered with the Australian Securities and Investment Commission (ASIC) on 25 May 1999 under Australian Company Number (ACN 087 741 571) and incorporated in 2002 prior to listing on the Australian Securities Exchange (ASX) on 14 December 2004.

PVO's key assets to be considered in this Report comprise:

- A 63% interest* in the Selva Onshore Project, consisting of a single granted Exploration Permit (Podere Gallina) located east of Bologna, in Emilia Romagna Province of Italy
- A 100% interest in the Teodorico Offshore Project consisting of a Production Concession (Teodorico - d.40.AC-PY) and an Exploration Permit (Rita - AR94PY) in the Adriatic Sea
- A 100% interest in the Torre de Moro Onshore Oil Project consisting of a single granted Exploration Permit in the Emilia Romagne Province of Italy.

*Upon completion of the farm in agreements with United Oil & Gas Plc and Prospex Oil and Gas Plc.

For the purposes of this report, SRK has completed a high-level review of PVO's stated Hydrocarbon Resource/ Reserve estimates for the purpose of determining their validity from a valuation perspective. SRK has not performed, nor does it accept the responsibilities of a Competent Person as defined by the JORC Code (2012) in respect of the stated Resources and Reserve estimates presented in this report.

In SRK's opinion, PVO's Resource/ Reserve estimates are acceptable as a representation of in situ volumes.

When valuing the exploration and development assets of PVO, SRK has considered methods commonly used to value mineral assets at these stages of development. These methods are outlined in this report.

All monetary figures used in this report are expressed in either Euros (€), United States (US$), or Australian dollar (A$) terms. The final valuation is presented in Euros. This report has adopted an effective valuation date of 31 January 2018.

SRK's recommended valuation ranges and preferred values are detailed in the Valuation section (Section 8) of this report and are summarised below. SRK has produced a Market Value as defined by the VALMIN Code (2015).

SRK's preferred values are positioned conservatively, as given the level of study and assumptions incorporated by SRK into its analysis, we have no strong inclination towards either end of the valuation range. SRK has adopted this position due to varying levels of technical and geological uncertainty, including but not limited to the expected difficulties in defining resources, and the care and maintenance status of some assets.

SRK's preferred values and value ranges for assets are presented in Table ES-1.

Table ES-1: Valuation of PVO's Italian hydrocarbon assets as at 31 January 2017

Project	Asset type	Valuation method	Low (€ M)	High (€ M)	Preferred (€ M)
Teodorico	Development	DCF – 2P Reserves	15.3	33.6	23.2
		Comparable transactions – 2C	4.5	13.5	9.1
Selva	Exploration	Comparable transactions – 2C + Prospective Resources	7.4	22.1	14.5
Torre del Moro	Exploration	Comparable transactions – Ex Potential	0.07	0.09	0.08
TOTAL			**27.3**	**69.3**	**46.9**

Note:
Any discrepancies between values in the table are due to rounding.

Statement of Competency

Dr Bruce Alan McConachie

Dr Bruce Alan McConachie is a geologist with extensive experience in economic resource evaluation and exploration. His career spans over 30 years and includes production, development and exploration experience in petroleum, coal, bauxite and various industrial minerals.

Work history includes:

- **Comalco:** 15 years **(Rio Tinto-Alcan)** – Chemist, Mine Geologist, Planning Engineer, Senior Geologist and Team Leader (Petroleum Group)
- **Australian Geological Survey Organisation/ Bureau of Mineral Resources:** 2½ years (Geoscience Australia) - Senior Research Scientist (Petroleum Systems Petrel Sub-basin Project)
- **Santos:** 7 years – Senior Geologist, Team Leader and Chief Geologist – Indonesia
- **BHP Billiton**: 2½ years – Global Bauxite Commodity Specialist and Manager Bulk Commodities
- **SRK Consulting**: 8 years – Principal Consultant (Manager Petroleum Group).

Experience:

Extensive relevant experience covering petroleum exploration programs, joint venture management, farmin and farmout deals, onshore and offshore operations, field evaluation and development, oil and gas production and economic assessment, and relevant experience assessing petroleum resources under the PRMS code and mineral commodities under the JORC code.

Industry Group Memberships:

- The Australasian Institute of Mining and Metallurgy (AusIMM) – 30 Years
- American Association of Petroleum Geologists (AAPG) – 15 Years
- Petroleum Exploration Society Australia (PESA) and
- Society of Petroleum Engineers (SPE).

Qualifications:

- Graduate degrees in geology and analytical chemistry
- Master of Applied Science by research and thesis on the coal geology of the Bowen Basin, Queensland
- Doctor of Philosophy by dissertation on foreland and fold belt basin analysis to characterise petroleum and mineral systems and deposits.

I am a fulltime employee of SRK Consulting and am an experienced petroleum reserves and resources estimator with over 15 years relevant experience. I have adhered to the ASX Listing Rules Guidance Note 32. My qualifications and experience meet the requirements to act as a Competent Person to report petroleum reserves under PRMS (2007) and value assets under the Valmin Code of the AusIMM.

The data and interpretations presented in this document accurately reflect my view of Po Valley Ltd's assets that are the subject of the report.

Dr Bruce Alan McConachie

Table of Contents

Executive Summary ii
Disclaimer ix
Glossary of Oil and Gas Terms x
1 Introduction and Scope of Report 1
1.1 Nature of the brief 2
1.2 Summary of principal objectives 2
1.3 Outline of work program 2
1.4 Program objectives 3
1.5 Reporting standard 3
1.6 Work program 3
1.7 Key sources of data 4
1.8 Effective date 4
1.9 Project team 4
1.10 Limitations, reliance on information, declaration and consent 5
1.10.1 Limitations 5
1.10.2 Statement of SRK independence 5
1.10.3 Indemnities 5
1.10.4 Consent 5
1.10.5 Consulting fees 6
2 Po Valley Energy 7
3 Introduction 9
3.1.1 Climate and Topography 9
3.2 Project Tenure 9
3.3 Geological Setting 10
3.3.1 Regional 10
3.4 Exploration history 12
3.5 Petroleum Reserves and Resources 12
4 Technical Summary of Assets 14
4.1 Teodorico (AR94PY) 14
4.1.1 Geology and Geophysics 14
4.1.2 Reservoir Engineering 17
4.2 Podere Gallina (Selva) 18
4.2.1 Geology and Geophysics 19
4.3 Torre Del Moro 22
5 Key risks 25
6 Other considerations 25
6.1 PRMS Definitions and Guidelines – Summary 25

6.2 Market conditions 26
6.2.1 Introduction 26
6.3 Previous Valuations 27
7 Valuation 28
7.1 Valuation approaches 28
7.2 Valuation basis 30
7.3 SRK's valuation technique 30
7.3.1 Teodorico 2P Reserves 30
7.3.2 Valuation of Exploration Potential 35
8 Valuation Summary 41
8.1 Discussion on SRK's Valuation Range 41
8.2 Valuation Risks 42
8.2.1 Exploration and resource risk 43
8.2.2 Mining and production risk 43
8.2.3 Environmental risk 43
8.2.4 Financing 43
8.2.5 Native Title and land access 43
9 References 45

List of Tables

Table 3-1: Summary of PVO's Po Valley licences 10
Table 3-2: Summary of Reserves in the Teodorico Licence 12
Table 3-3: Summary of contingent Resources in the Teodorico and Podere Gallina (Selva Strat Trap) Licence areas 12
Table 3-4: Summary of prospective Resources in Podere Gallina (Selva) Licence area 13
Table 4-1: Gas-bearing zones in the Teodorico field 18
Table 4-2: Potential reservoir properties assumed for the Torre del Moro prospect 24
Table 7-1: Suggested valuation approaches according to development status 28
Table 7-2: Valuation basis of PVO's assets 30
Table 7-3: DCF Valuation summary 34
Table 7-4: Sensitivity analysis 34
Table 7-5: Recent hydrocarbon transactions in Europe 36
Table 7-6: Prospective Resources 38
Table 7-7: Valuation of contingent & prospective Resources 39
Table 7-8: Comparable transactions 40
Table 8-1: Summary of SRK's valuation of PVO's assets as at 31 January 2018 on a 100% equity basis 41
Table 8-2: General guide regarding confidence for target and Resource/Reserve Estimates 42

List of Figures

Figure 2-1: Location of PVE's petroleum interests in northern Italy 7
Figure 3-1: Regional geological setting and hydrocarbon plays, including the Po Valley in central northern Italy 11
Figure 4-1: Location of the AR9 PY (Teodorico) Licence marked by the red ellipse 14
Figure 4-2: Location of the Teodorico (AR 94 PY) Licence showing well locations and adjacent fields 15
Figure 4-3: Schematic geological cross-section through Irma-1 well showing gas bearing reservoir horizons 16
Figure 4-4: Seismic line through the Irma 1 well location showing the gas bearing reservoir horizons 16
Figure 4-5: Seismic line and depth structure map well showing the prospective stratigraphic trap at the PL3-C level updip of the Irma 2x 17
Figure 4-6: Location of the Podere Gallina (Selva) Licence marled by the red ellipse 19
Figure 4-7: Map of the Podere Gallina Licence showing the existing wells and prospect locations 20
Figure 4-8: Structure map the Selva Field show the location of inferred stratigraphic trap 21
Figure 4-9: Seismic line showing the stratigraphic onlap trap and the Podere Maiar-1 the well location 21
Figure 4-10: Location of the Torre del Moro Exploration Licence 23
Figure 4-11: Schematic cross-section, Torre del Moro prospect, showing notional exploration well location 24
Figure 7-1: Modelled production profile Mscm 30
Figure 7-2: Forecast Italian PSV gas price 31
Figure 7-3: Historical Italian PSV gas price 31
Figure 7-4: Forecast Opex (Million Euro) 32
Figure 7-5: Forecast Capex (Million Euro) 32
Figure 7-6: Forecast Revenue (Million Euro) 33
Figure 7-7: After Tax cash flow (Million Euro) 33
Figure 7-8: Sensitivity spider diagram 34
Figure 8-1: Uncertainty by advancing exploration stage 42

List of Appendices

Under separate cover

Disclaimer

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Po Valley Energy Limited (PVE). The opinions in this Report are provided in response to a specific request from BDO Corporate Finance (WA) Pty Ltd (BDO) to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

Glossary of Oil and Gas Terms

Abbreviation	Meaning	Abbreviation	Meaning
%	Percent	Mdfpd	thousand barrels of fluid per day
A$	Australian dollar	Mboepd	thousand barrels of oil equivalent per day
$A MM bbl	Million Australian dollars barrel	Mbopd	thousand barrels of oil per day
BBTU	billions of British Thermal units	Mbwpd	thousand barrels of water per day
BBTU/d	billions of British Thermal Units per day	MMbbl	million barrels of oil
Bcf	billion cubic feet of gas	Mmboe	million barrels of oil equivalent
bscf	billion standard cubic feet of gas	MMBTU	millions of British thermal units
bcpd	barrels of condensate per day	MMscf	million standard cubic feet of gas
bfpd	barrels of fluid per day	MMscfd.	million standard cubic feet of gas per day
boe	barrels of oil equivalent	MOL	an amount of a chemical substance that contains as many elementary entities (e.g. atoms, molecules) as there are atoms in 12 grams of pure carbon-12 (approx. 6 x 10_{23} elementary entities of the substance)
boepd	barrels of oil equivalent per day	MW	megawatt
bopd	barrels of oil per day	NGLs	Natural Gas Liquids
Bwpd	barrels of water per day	NZP&M.	New Zealand Petroleum & Minerals, the New Zealand Government body charged with managing New Zealand's oil, gas, mineral and coal resources, refer to website www.nzpam.govt.nz
Capex	capital expenditure	Opex	operating expenditure
E&A	Exploration and Appraisal	Permeability	measure of the ease with which a fluid flows through a rock. The units are millidarcies or darcies
EIA	Environmental Impact Assessment	PJ	Petajoules
EPC	Engineering, Procurement and Construction	PLCR	Project Life Cover Ratio
FOA	Farm Out Agreement	POD	Plan of Development
FPSO	Floating Production Storage and Offloading vessel	Porosity.	measure of how much of a rock is open space. This space can be between grains or within cracks or cavities of the rock. Measured in %.
FSO	Floating Storage and Offloading vessel	PSC	Production Sharing Contract
FTP	First Tranche Petroleum	STOIIP	Stock Tank Oil Initially In Place
G&A	General and Administrative	Tapis	Malaysian crude used for benchmark pricing in Singapore
G&G	Geology and Geophysics	Tcf	trillion standard cubic feet of gas
GBP	British Pound, the lawful currency of the United Kingdom	US$.	United States Dollar, the lawful currency of the United States of America
GSA	Gas Sales Agreement	VMS	Volcanogenic massive sulphides
ISPC	Incremental Production Sharing Agreement	WHP	Wellhead Platform
JOA	Joint Operating Agreement	WI	Working Interest
JOB	Joint Operating Body	WTI	West Texas Intermediate used for benchmark pricing in North America
km	Kilometre	MM	Million
L/t	Litres/tonne	Mbcpd	thousand barrels of condensate per day
LLCR	Loan Life Cover Ratio	mD	millidarcy
M	metre		

1 Introduction and Scope of Report

Po Valley Energy Limited (PVE) has entered into an agreement to dispose of its wholly owned subsidiary, Po Valley Operations Pty Ltd (PVO) to its 53.8%-owned subsidiary, Saffron Energy plc (Saffron) via the grant of a call option, in exchange for shares in Saffron.

PVE has engaged BDO Corporate Finance (WA) Pty Ltd (BDO) to prepare an Independent Expert Report to support the proposed transaction. BDO has subsequently commissioned SRK Consulting (Australasia) Pty Ltd (SRK) to provide an Independent Specialist Report incorporating a technical assessment and valuation of the petroleum assets held by PVO comprising three exploration licences in Italy, namely the Selva, Teodorico and Torre del Moro Projects.

SRK understands that this Independent Specialist Report is to be included as an appendix to BDO's Independent Expert Report, which will provide an opinion regarding the fairness and reasonableness of the proposed transaction.

As defined in the VALMIN Code (2015), mineral and petroleum assets comprise all property including (but not limited to) tangible property, intellectual property, mining and exploration tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals and Petroleum in connection with that Tenure.

For the purpose of this valuation, the projects held by PVO were classified according to the development stage categories outlined in the VALMIN Code (2015), these being:

- **Early Stage Exploration Projects** – Tenure holdings where Petroleum may or may not have been identified, but where Mineral or Petroleum Resources have not been identified.
- **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral or Petroleum Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral or Petroleum Resources category.
- **Pre-Development Projects** – Tenure holdings where Mineral or Petroleum Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral or Petroleum Resources have been identified, even if no further work is being undertaken.
- **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study.
- **Production Projects** – Tenure holdings - particularly mines, wellfields and processing plants that have been commissioned and are in production.

SRK's technical assessment and valuation is current as at 31 January 2018. All monetary amounts are expressed in Euro (€) terms as specified throughout the Report. The final valuation is expressed in Euros.

1.1 Nature of the brief

This Independent Specialist Report was initiated by Mr Adam Myers, Director, Corporate Finance of BDO on 19 January 2018. The Report is to be included as an appendix to BDO's Independent Expert Report which will provide an opinion on the fairness and reasonableness of the proposed transaction between PVE and Saffron.

Specifically, BDO has requested the following:

- That SRK provide BDO with an *independent* opinion on the market valuation of Po Valley Operations' three Italian exploration licences being Selva, Teodorico, and Torre del Moro
- The Report should include a Competent Person's statement, in accordance with the requirements of a practitioner under section 2.2 of the VALMIN Code 2015
- The basis of the consideration and approximate fee for the report to comply with section 6.3 of the VALMIN Code 2015
- Compliance with section 7.2 of the VALMIN Code 2015, relating to Status of Tenure.

PVO's key assets to be considered in this Report comprise:

- A 63% interest* in the Selva Onshore Project, consisting of a single granted Exploration Permit (Podere Gallina) located east of Bologna, in Emilia Romagna Province of Italy
- A 100% interest in the Teodorico Offshore Project consisting of a Production Concession (Teodorico - d.40.AC-PY) and an Exploration Permit (Rita - AR94PY) in the Adriatic Sea
- A 100% interest in the Torre de Moro Onshore Oil Project consisting of a single granted Exploration Permit in the Emilia Romagne Province of Italy.

Note:

**Upon completion of the farm in agreements with United Oil & Gas Plc and Prospex Oil and Gas Plc.*

1.2 Summary of principal objectives

The objective of this Report is to provide an independent technical assessment and valuation of the petroleum assets held by PVO.

This Report has been prepared in accordance with the "Australasian Code for the Public Reporting of Technical Assessment and Valuation of Mineral Assets" - VALMIN Code (2015) which incorporates the "Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves" - JORC Code (2012) and takes account of the Petroleum Resources Management System of the Society of Petroleum Engineers.

1.3 Outline of work program

The following activities were carried out during the preparation of this Report:

- Review of technical reports and supporting documentation prepared by and/ or on behalf of the parties
- Discussions with key technical personnel of PVO and PVE
- Valuation of the respective interests and preparation of an Independent Specialist Report.

1.4 Program objectives

This Report and associated valuation has been prepared by SRK under instructions from BDO. This Report complies with the mineral and petroleum asset information required under various securities laws of Australia.

As per the VALMIN Code (2015), a first draft of the Report was supplied to BDO and PVE to check for material error, factual accuracy and omissions before the final report was issued. SRK's scope of work was limited to the second draft of the Report after a round of edits by BDO and PVE. The final report was issued following review of any comments by the project team.

SRK has selected the most appropriate valuation technique for the assets, based on the development status of the projects and the available information. This Report expresses an opinion regarding the value of certain petroleum assets held by PVO as directed in SRK's mandate from BDO. This Report does not comment on the 'fairness and reasonableness' of any transaction between the owners of these mineral interests and any other parties.

1.5 Reporting standard

This Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment and Valuation Report under the guidelines of the VALMIN Code (2015). It should be noted that the authors of this Report are Members of either the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG) and, as such, are bound by both the VALMIN and JORC Codes. For the avoidance of doubt, this Report has been prepared according to:

- 2015 edition of the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets ("VALMIN Code")
- 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code")
- 2007 and 2011 Editions of the Petroleum Resource Management System of the Society of Petroleum Engineers'(SPE-PRMS).

For the purposes of this Report, value is defined as 'market value' being the amount of money (or the cash equivalent or some other consideration) for which a mineral asset should change hands on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion.

1.6 Work program

This assignment commenced in mid-January 2018, with a review of electronic company data and other information sourced by SRK from literature and company websites, as well as subscription databases such as S&P Global Market Intelligence (formerly SNL) database services. SRK consultants worked through the relevant databases, completed research on comparable market transactions to assist with the valuation, and compiled the Report.

SRK notes that the VALMIN Code (2015) recommends that a site inspection be completed should it be 'likely to reveal information or data that is material to the report'. A site visit was not undertaken for the purposes of this Report mostly due to the early development stage of the mineral assets.

SRK carried out the following work program:

- Assignment commenced 19 January 2018
- Submission of draft report 31 January 2018
- Submission of updated draft report 18 February 2018
- Submission of final report 21 February 2018

1.7 Key sources of data

Data and information on the assets used by SRK during the preparation of this Report are referenced throughout the Report.

1.8 Effective date

The effective date of this Report is 31 January 2018.

1.9 Project team

This Report has been prepared based on a technical review by a team of consultants from SRK's Australian offices. Details of the qualifications and experience of the consultants who have carried out the work in this Report, who have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out below.

- Dr Bruce McConachie, Associate Principal Consultant (Petroleum Group Manager), PhD, MAppSc, BAppSc (Applied Chemistry) and BAppSc (Applied)
- Peter Stanmore, Associate Principal Consultant (Petroleum), BSc(Hons), BSc (Geology), MPESA, MSPE
- Ms Anargul Kushkarina (Petroleum Engineer, SPE Certified), BSc, MSc.
- Anthony Stepcich, Principal Consultant (Project Evaluation), BEng, MSc, Grad Dip, Dip, FAusIMM (CP)
- Jeames McKibben, Principal Consultant (Project Evaluation), BSc(Hons), MBA, MAusIMM(CP), MAIG, MRICS,

Dr Bruce McConachie and Peter Stanmore are petroleum geologists of long standing experience, who along with Anargul Kushkarina (Petroleum Engineer, SPE Certified), were responsible for validating the Reserves and Resources.

Dr Bruce McConachie, Associate Principal Consultant (Petroleum Group Manager), PhD, MAppSc, BAppSc (Applied Chemistry) and BAppSc (Applied Geology), MAAPG, MPESA, MSPE, MAusIMM who has undertaken this valuation based on the review of technical reports. Dr McConachie assumes the responsibility for the estimates presented here in and has the relevant experience to be considered an Expert under the VALMIN Code guidelines. Dr McConachie also has the necessary experience required to be considered a Competent Person in accordance with JORC Code (2012) and VALMIN Code (2015) requirements.

1.10 Limitations, reliance on information, declaration and consent

1.10.1 Limitations

SRK's opinion contained herein is based on information provided to SRK by PVE throughout the course of SRK's investigations as described in this Report, which in turn reflect various technical and economic conditions at the time of writing. Such technical information as provided by PVE was taken in good faith by SRK. SRK has not independently verified historical Petroleum Resources estimates by means of recalculation.

This Report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Such calculations may involve a degree of rounding. Where such rounding occurs, SRK does not consider them to be material.

As far as SRK has been able to ascertain, the information provided by PVE was complete and not incorrect, misleading or irrelevant in any material aspect.

PVE has confirmed in writing to SRK that full disclosure has been made of all material information and that to the best of their knowledge and understanding, the information provided by PVE was complete, accurate and true and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld.

1.10.2 Statement of SRK independence

Neither SRK, nor any of the authors of this Report, have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with PVE regarding the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

1.10.3 Indemnities

As recommended by the VALMIN Code (2015), PVE has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by PVE or PVE not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.10.4 Consent

SRK consents to this Report being included, in full, in BDO's documents in the form and context in which the technical assessment is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report.

1.10.5 Consulting fees

SRK's estimated fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK's knowledge of the assets and availability of data. The fee payable to SRK for this engagement is estimated at approximately A$20,000. The payment of this professional fee is not contingent upon the outcome of the Report.

2 Po Valley Energy

Po Valley Energy Limited (ASX: PVE) is an Australian oil and gas exploration and development company primarily focussed on the Po Basin Province of northern Italy. The company is based in Mount Pleasant, Australia.

The Company was registered with the Australian Securities and Investment Commission (ASIC) on 25 May 1999 under Australian Company Number (ACN 087 741 571) and incorporated in 2002 prior to listing on the Australian Securities Exchange (ASX) on 14 December 2004.

The company was established with the objective of participating in the deregulation of the Italian hydrocarbon exploration and production market. Italy was, and continues to be, seen by the company as an attractive market with high quality gas and oil occurrences, an accessible and low cost transportation network and a stable price environment relative to other European countries.

Since listing PVE has grown its asset portfolio as a means of creating shareholder value. The Company operates through a number of subsidiary companies including:

- A 100% interest in Po Valley Operations Pty Ltd, an Australian unlisted company (PVO)
- A 100% interest in North Sun Italia SpA, an unlisted Italian company
- A 53.8% interest in Saffron Energy PLC, an AIM listed company.

The Company's core portfolio includes a total of 10 onshore gas and oil assets and one offshore licence covering an area in excess of 2,000 km^2 primarily located around the cities of Bologna and Milan in the Lombardy and Emilia Romagna regions, northern Italy and in the northern Adriatic Sea. It also owns and operates two gas treatment plants.

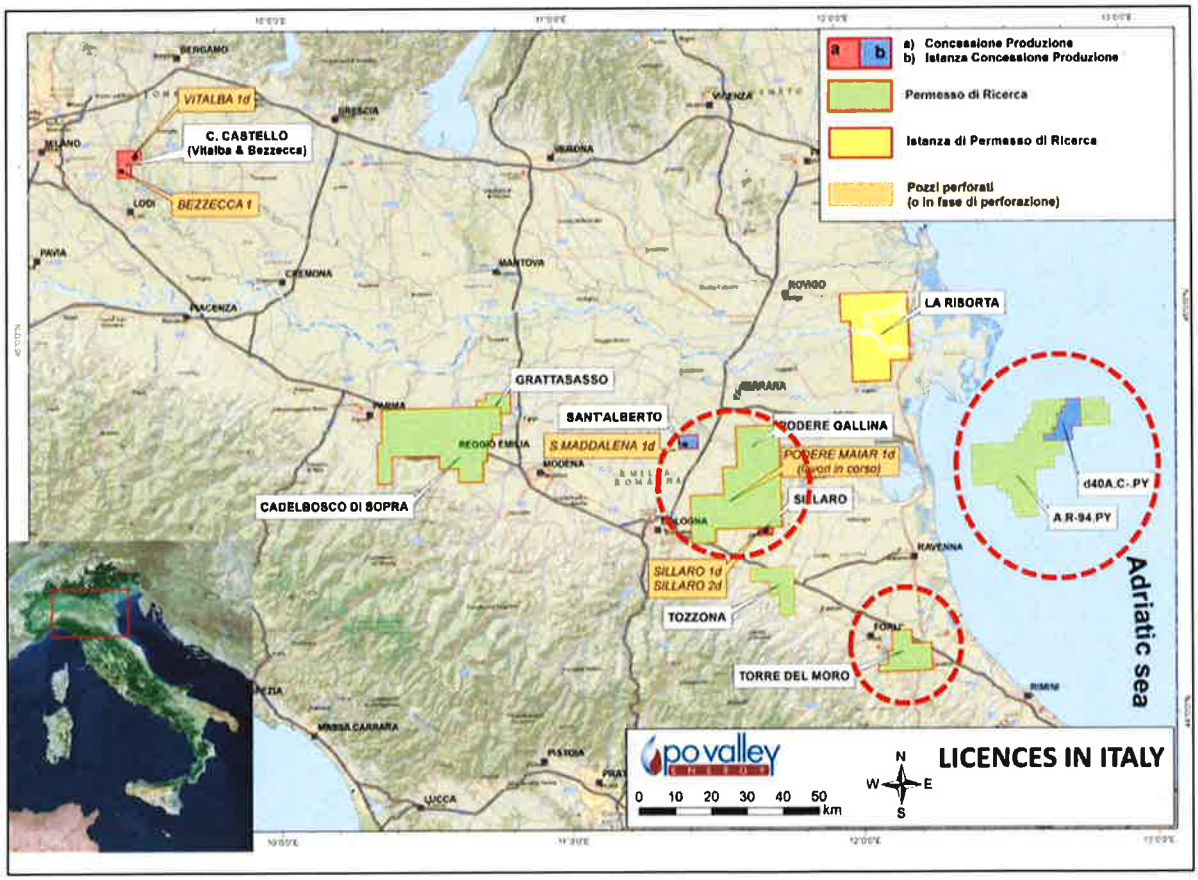


Figure 2-1: Location of PVE's petroleum interests in northern Italy

As outlined in Figure 2-1, PVE's wholly owned subsidiary, PVO is currently exploring three Projects within the Po Basin Province of Northern Italy, namely:

- A 63% interest* in the Selva Onshore Project, consisting of a single granted Exploration Permit (Podere Gallina) located east of Bologna, in Emilia Romagna Province of Italy. The Project contains the Selva Strat onshore gas appraisal project, and including the recently successful Podere Maiar-1 gas well ("PM1"), and the East Selva, Cembalina, Fondo Perino and PL3-C prospects
- A 100% interest in the Teodorico Offshore Project consisting of a Production Concession (Teodorico - d.40.AC-PY) and an Exploration Permit (Rita - AR94PY) in the north Adriatic Sea
- A 100% interest in the Torre de Moro Onshore Oil Project consisting of a single granted Exploration Permit in the Emilia Romagne Province of Italy.

3 Introduction

The Po Basin Province is strategically located within an "industrial triangle" between Milan, Turin and Bologna, the centre of industrialised Italy. This solid industrial legacy is the backbone of the region's economy, with the area being one of the most prosperous and urbanised in Italy. The region contributes substantially to Italian exports, comprising a productive mix of manufacturing, services and agricultural activities. The national gas transportation grid is more than 29,000 km long and the distribution network is well developed, covering 90% of northern Italy.

Due to the proximity of the area to Bologna, as well as an abundance of local villages, the region is well serviced with respect to accommodation, medical and community facilities, as well as local water resources, electricity generation and transmission infrastructure and communications. In addition, the community is reportedly supportive of recent exploration and development efforts focused on re-establishing the former petroleum extraction and processing operations, with mining accepted as a socially responsible and potential contributor to the local economy. With strong industrial ties, the surrounding region is able to supply skilled and general personnel and services to any future operation.

Bologna (population 1.0 million) is a modern industrial city which acts as the capital to the Emilia-Romagna region and as an important agricultural, industrial, financial and transportation hub. It is supported by many different industrial sectors, in particular in the mechanical, electronic and food industries.

3.1.1 Climate and Topography

This part of Northern Italy is characterised by a humid, subtropical climate. Rainfall is on average, evenly distributed across all seasons with the summer months generally the wettest with most rain typically falling in April and October. Annual rainfall varies from 700 to 1,200 mm. Between November and March, the Po Valley is often covered in fog with snow common between early December and early March. During the summer months (June-August) daily maximum temperatures are mostly between 27°C and 31° C (but may be significantly hotter) and during the winter months (November to April) minimum temperatures average between -0.5°C and 4°C. Winds are usually weak, although sudden thunderstorms are known to occur throughout the region. Exploration and development activities can be conducted all year round.

The area is characterised by flat terrain with elevations largely ranging from 20 m to 300 m above sea level ("m asl"). The physiography comprises open plains with low lying, undulating hills which are traversed by tributaries to the Po, Reno and Savena Rivers.

Native vegetation within the valley comprises mainly mixed broadleaved forest of poplar, oak, birch, hornbeam, elder and beech trees, and with much of the area characterised by fields used for crop production and grazing.

3.2 Project Tenure

SRK has relied upon the independent Legal Opinion of Watson Farley & Williams dated 19 December 2017 with regards to the validity of PVO's Italian mining concessions. SRK makes no other assessment or assertion as to the legal title of the tenements and is not qualified to do so.

PVO holds interests ranging from 63% to 100% in its gas tenures in northern Italy and the Northern Adriatic Sea. These tenures consist of a single granted offshore development concession (Teodorico), a granted offshore exploration concession (Rita) and two granted onshore exploration concessions (Podere Gallina and Torre Del Moro) covering a total area of 1,143 km^2 (note the Teodorico development concession falls with the Rita exploration concession).

Each of the licences and concessions has been granted by the Emilia-Romagna Regional Government and provides PVO with the rights to gas and oil associated with the tenure. Details of the licences and concessions are outlined in Table 3-1.

All permits are in good standing and no impediments to operating are currently known to exist. Appendices B and C provide the Clean Title Due Diligence Report of Studio Legale Associato a Watson Farley & Williams and the Legal Opinion Watson Farley & Williams, dated 15 February 2018. These confirm legal title subject to their Appendix A provisions.

Table 3-1: Summary of PVO's Po Valley licences

Field/ Prospect (Licence)	Operator	Interest (%)	Status	Licence expiry date	Licence Area	Comments
Selva Strat (Podere Gallina)	PVO	63%*	Exploration	02/02/2018 (requested 2nd exploration period)	506 km^2	Production concession application to be flied Feb 2018
Teodorico (d40ACPY)	PVO	100%	Development	Preliminary production concession awarded	65.89 km^2	Also contains PL3·C prospect
Rita (AR94PY)	PVO	100%	Exploration	10/07/2018 (requested 2nd exploration period)	526 km^2	Pending further studies
Torre del Moro (Torre del Moro)	PVO	100%	Exploration	03/02/2023	111 km^2	Prospect

Note: * After the farn-in of United Oil and Gas and Prospex Oil and Gas.

Agreements and Royalties pertaining to the licences are described in Appendix B. No completing land uses (i.e. parks, restricted areas) or Environmental Liabilities and Constraints were identified by SRK.

3.3 Geological Setting

3.3.1 Regional

PVO's hydrocarbon assets are found within petroleum exploration licences located both offshore and onshore in the Po Basin Province of central northern Italy.

The Po Basin Province extends between latitude 43° and 46° N and longitude 7° and 15° E, covering an area of some 115,000 km^2. It includes northern Italy's Lombardy, Po River and Veneto plains as well as the northern Adriatic Sea with an adjacent portion of onshore Croatia known as the Istrian Peninsula. Approximately two-thirds of the area is onshore (98% Italy, 2% Croatia) and one-third offshore (65% Italy, 35% Croatia).

The Po Basin is a major hydrocarbon province which was estimated by the US Geological Survey to contain approximately 16 TCF of ultimately recoverable gas (Lindquist, USGS, 1999, on-line review paper). The Po Basin is the main gas production zone in Italy with the majority of hydrocarbons represented by Pliocene and Pleistocene (with minor Miocene sourced and reservoired) biogenic and diagenetic gas. Oil and gas has been produced in the area for over sixty years.

The Province is surrounded by thrusted terrain of the southern Alps Mountains to the west and north, the northern Apennine Mountains to the south and the Dinaride Mountains to the east (Figure 3-1).

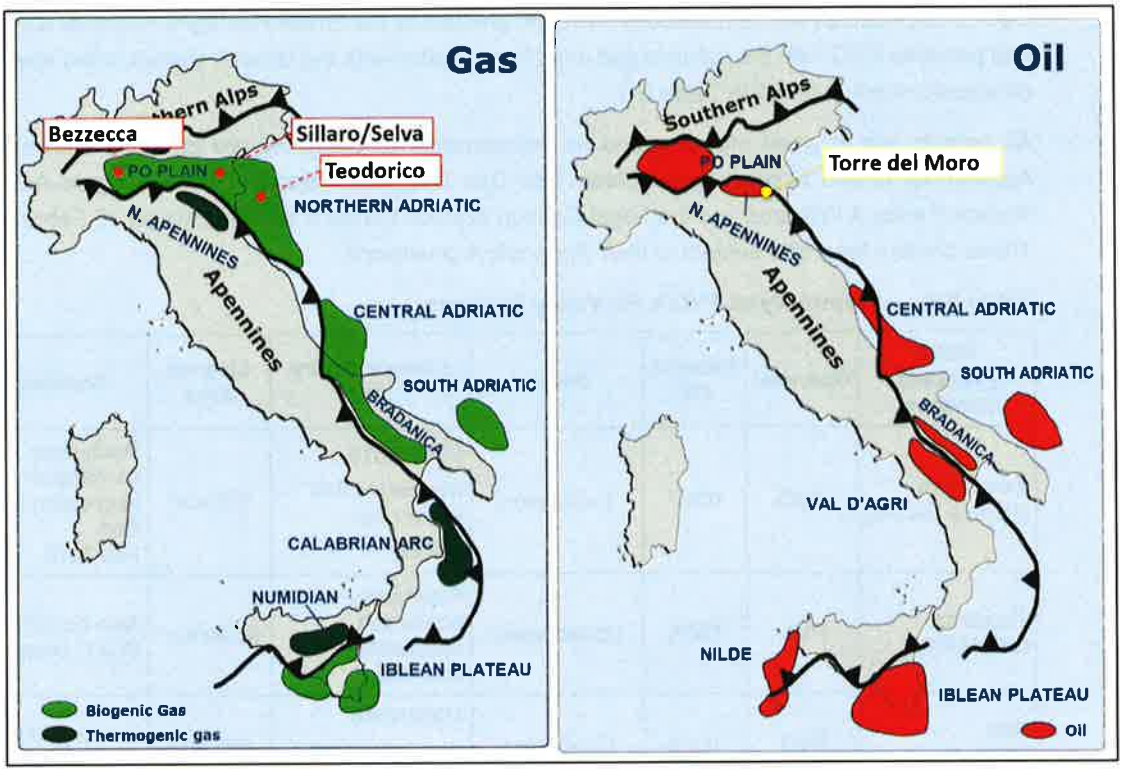


Figure 3-1: Regional geological setting and hydrocarbon plays, including the Po Valley in central northern Italy

The basin opens into the Adriatic Sea to the east. Compression associated with the building of the Alpine and Apennine mountain belts created a large deep basin (or "foredeep") into which large thicknesses of sediment were shed from the surrounding uplands. As the basin deepened, turbidite sands were deposited and the high sediment supply began to fill the basin. Many of these turbidite sands are now gas-bearing, including long-established reservoirs discovered and developed by ENI, as well as thin-bedded reservoirs that are becoming new targets at the present time. Pliocene reservoirs include marine sands of significant lateral extent, which are folded over faulted structures that were formed during the compressional phases. At least 6 km of Pliocene sediments were deposited in the foredeep, and as this was filled, the Po River drainage system became established, depositing marine sands in a delta-front environment. These may be overlain by fluvial sands as subsidence slowed and the basin filled.

The source of the gas is the Miocene and Pliocene shales that are interbedded with the turbidites and other sediments; the gas is predominantly biogenic rather than associated with deep burial of the shales. Biogenic gas may be generated at shallower depths than is required for the generation of gas by burial and is related to the activity of bacteria acting on organic matter buried with the shales. However, the deepest known bacterial gas generation is recorded in the Po Basin at a depth of 4,500 m. As such, the process can generate large gas volumes throughout a basin, and the source may continue to be active at the present time. These aspects have led directly to the hydrocarbon richness of the Po Basin. Many structures and many reservoirs have proven to be gas-bearing, which explains the 263 developed fields in the Po Basin. Much potential for new discoveries remains, as do many opportunities for field re-development (missed pays and remaining gas in old fields).

The geology of the assets under consideration here include Miocene and Pliocene reservoir sands, stacked vertically, and including both thick, good quality gas sands and thin-bedded gas reservoirs. Reservoir sands are interbedded with shaly and marly fine-grained sediments. In many cases, the sands are pressure isolated from each other and may be drained in succession according to well designs and completion strategies employed.

3.4 Exploration history

Hydrocarbon shows in the Italian Apennines have been known since the 1700s, and some shallow wells were drilled there as early as 1860. The first exploratory wells in the Po Basin Province of Italy were drilled in the 1890s and 1907, followed by several more in the 1920s. Generally, several Italian exploratory wells were drilled annual during the 1930s and 1940s, and both exploration and development operations intensified in the 1950s as reflection seismic geophysical techniques were refined. Italian offshore exploration began in 1960. From the early 1950s until the mid-1990s, AGIP SpA – the Italian state oil company had exclusive exploration rights in most of the Italian Po Basin Province.

3.5 Petroleum Reserves and Resources

Petroleum Reserves and resources associated with PVO's assets have been evaluated in accordance with PRMS (2007) and are presented below in both gross and net terms. Full definitions of the categories are provided in Appendix A.

The Reserves, Contingent Resources and Prospective Resources currently attributed to the Licences areas are summarised in Table 3-2, Table 3-3 and Table 3-4.

Only 2P Reserves were valued by production modelling. Contingent Resources and Prospective Resources were only valued on comparative transaction basis.

Table 3-2: Summary of Reserves in the Teodorico Licence

Name	Gross (MMscm)			Net attributable (IMMscm)			Operator
	Proved	Proved & Probable	Proved, Probable & Possible	Proved	Proved & Probable	Proved, Probable & Possible	
Teodorico [1]	756.1	1033.6	1345.1	756.1	1033.6	1345.1	PVO

Source: CGG Services (UK) Limited, 2018.

Note: [1] Volumes outside the 12 mile zone.

Table 3-3: Summary of contingent Resources in the Teodorico and Podere Gallina (Selva Strat Trap) Licence areas

Name	Gross (MMscm)			Net attributable[2] (MMscm)			Risk tacfor[1]	Operator
	1C	2C	3C	1C	2C	3C		
Teodorico[3]	209.9	300.5	395.9	209.9	300.5	395.9	75%	PVO
Selva Strat Trap	322.9	481.5	651.4	203.4	303.3	410.4	*>80%*	PVO

Source: CGG Services (UK) Limited, 2018.

Notes:

1. The risk factor for Contingent Resources means the estimated chance that the volumes will be commercially extracted.
2. Post farmin by United Oil and Gas and Prospex Oil and Gas.
3. Volumes inside the 12 mile zone.

Table 3-4: Summary of prospective Resources in Podere Gallina (Selva) Licence area

Name	Gross (MMscm)			Net attributable* (MMscm)			Risk factor[1]	Operator
	Low	Best	High	Low	Best	High		
East Selva	824.1	985.6	1149.8	519.2	620.9	724.4	13%	PVO
Cembalina	59.5	93.5	133.1	37.5	58.9	83.9	51%	PVO
Fonda Perino	288.9	413.5	580.6	182.0	260.5	365.8	34%	PVO
PL3-C	223.7	450.3	708.0	223.7	450.3	708.0	17%	PVO

Source: CGG Services (UK) Limited, 2018.

Note:

1. The risk factor for Prospective Resources means the estimated chance of discovering hydrocarbons in sufficient quantity for them to be tested to the surface.
2. Post farmin by United Oil and Gas and Prospex Oil and Gas.

4 Technical Summary of Assets

4.1 Teodorico (AR94PY)

4.1.1 Geology and Geophysics

The Teodorico Project (formally d40 PY AC) is located in the shallow waters of the Adriatic Sea (offshore from the Emilia Romagna region) and contains two connected gas discoveries, Carola and Irma, both drilled and tested by the former operator ENI. The offshore gas project was renamed Teodorico. (Theoderic the Great was king of the Germanic Ostrogoths and ruler of Italy between 493 and 526 AD). The location of the project area is shown in Figure 4-1 and Figure 4-2.

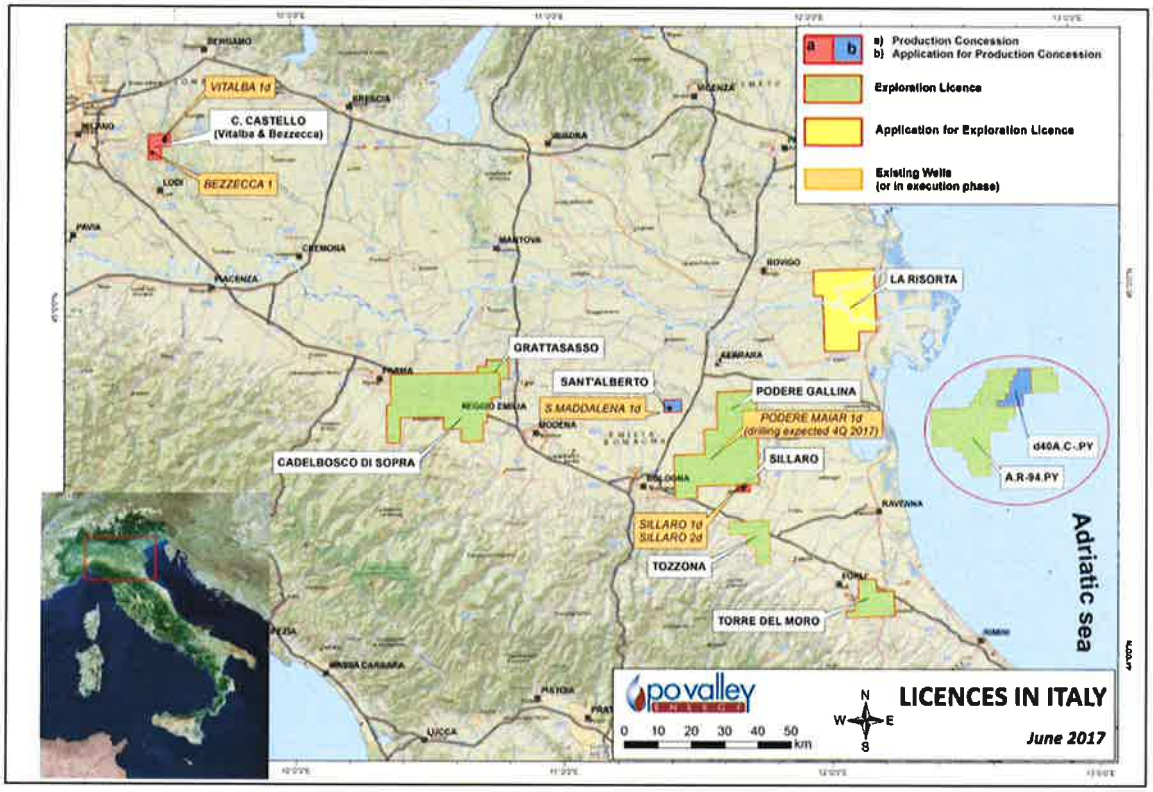


Figure 4-1: Location of the AR9 PY (Teodorico) Licence marked by the red ellipse

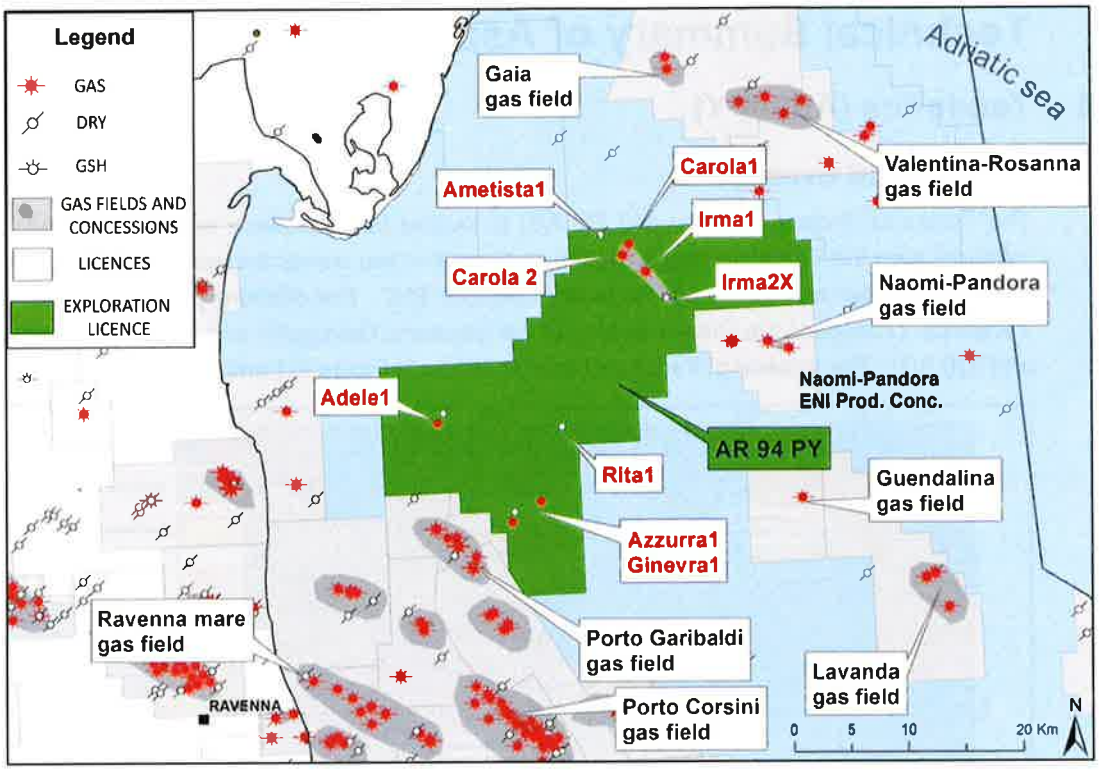


Figure 4-2: Location of the Teodorico (AR 94 PY) Licence showing well locations and adjacent fields

PVO was awarded a six-year licence for the offshore block AR94PY in Q3 2012. In November 2016 the Company received from the Italian Ministry of Economic Development a preliminary Production Concession for the Teodorico gas field.

The Teodorico (formerly Carola/ Irma) structure is a low-relief four-way dip closure located in 30 m of water in the northern Adriatic Sea. Four wells have been drilled on the structure since 1986. All four wells have been plugged and abandoned, however, gas has been observed in several sands within the Pleistocene interval, the sands with the largest potential volumes being the Pleistocene C, D and E sands, as well as the Q4 sand.

The discovery well, Carola-1, was drilled in 1986 to a depth of 2,620 m, and tested gas at a rate of up to 62,000 m^3/day (2.190 MMscf/d) on a 1/4" choke from sand PLQ-C2. This sand is partially within the 12 nautical mile limit and cannot be exploited under current Italian law. Sand PLQU-4 is very shallow and also extends within the 12 nautical mile limit; it was tested at a rate of up to 87,800 m^3/d (3.101 MMscf/d) through a ½" choke.

Well Irma-1, drilled in 1988 to a depth of 2,572 m, tested gas at up to 131,000 m^3/d (4.626 MMscf/d) from PLQ-E2/F level through a 5/16"choke and from PLQ-D1 at a maximum rate of 281,000 m^3/d (9.924 MMscf/d) through a ½" choke. A schematic geological cross-section and seismic line are displayed below as Figure 4-3 and Figure 4-4.

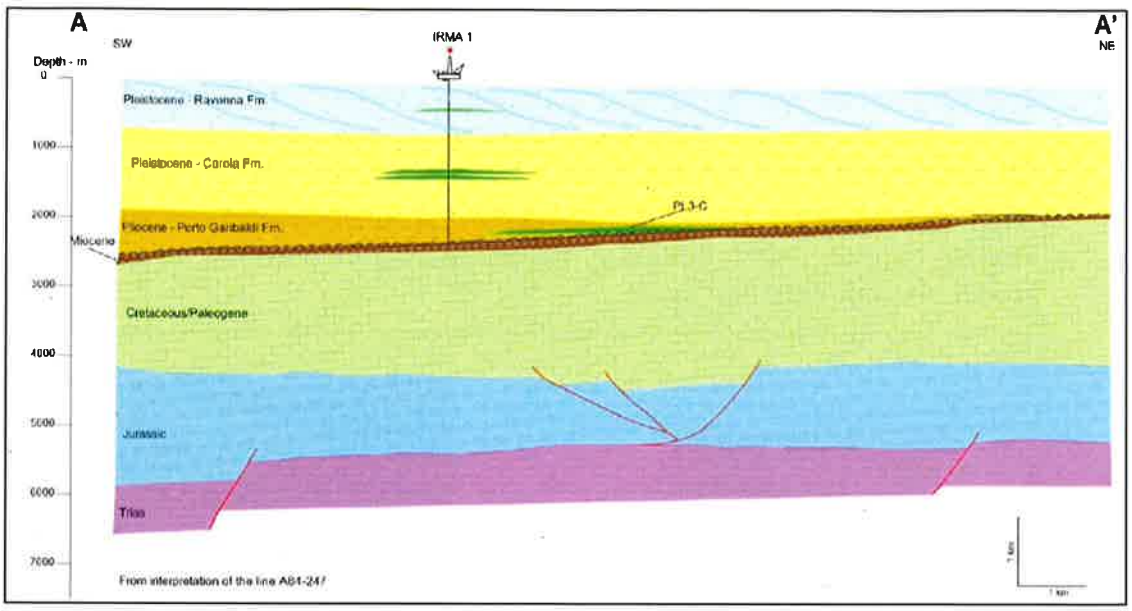


Figure 4-3: Schematic geological cross-section through Irma-1 well showing gas bearing reservoir horizons

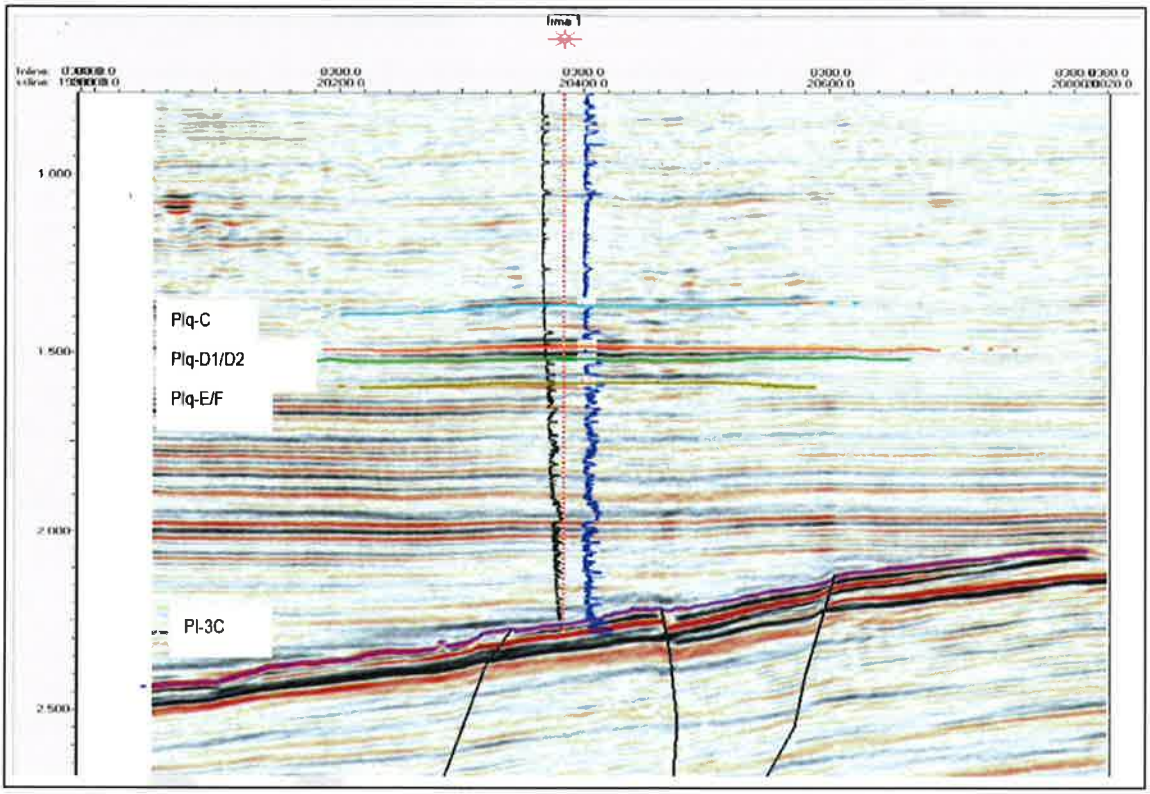


Figure 4-4: Seismic line through the Irma 1 well location showing the gas bearing reservoir horizons

The well Carola-2 was drilled in 1992 and showed very clear indications of gas on logs, similar to log indications in the previous two wells. Core was cut from Levels D and E of the Pleistocene "Carola Formation" in Carola-2, yielding porosity measurements in the range of 22.6% to 37.3% with permeabilities from 0.14 mD to 174 mD.

The last well, Irma-2X, drilled in 2001, showed traces of gas and was categorised as "dry".

PVE has identified seven gas sands: two at Upper Pleistocene level (QU-3, QU-4) and five at Lower Pleistocene level: PLQ-C, PL1-C2/C6, PLQ-D1, PLQ-D2 and PLQ-E2-F. Each of the horizons forms low-relief 4-way dip closures which may act as stacked reservoir units. The reservoirs are made up of sands, silts and shales deposited in turbidite environments, the source sediment being washed off the Alpine and Apennine mountain chains into subsiding basins.

Additional prospectivity has been identified within a Pliocene stratigraphic trap in the underlying Porto Garibaldi Formation (PL3-C, Figure 4-5). The greatest risks to this prospect are considered to be gas charge and trap integrity (fault seal).

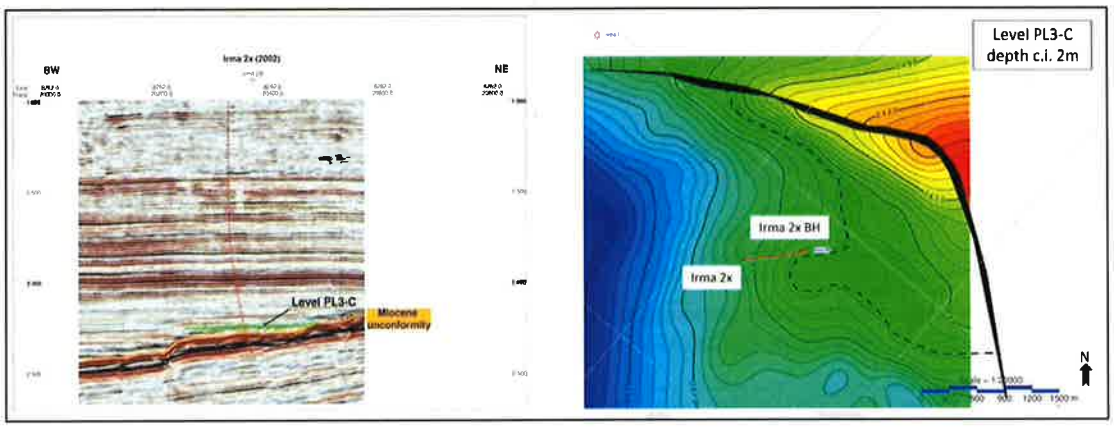


Figure 4-5: Seismic line and depth structure map well showing the prospective stratigraphic trap at the PL3-C level updip of the Irma 2x

Irma-2X well tested a water-wet Late Pliocene pinch-out structure against the Messinian unconformity, known as the PL3-C. To the South East of the AR94PY licence the same reservoir horizon and structural configuration has tested gas in the nearby Naomi-Pandora gas field. PVE therefore interprets the updip extension of the pinch-out against the lapout edge within its Teodorico license area as a prospective structure which they propose to test with a well.

The Teodorico gas field contains five wells: Ametista-1, Carola-1 and -2, Irma-1 and Irma-2X and is covered by the 3D ADRIA seismic survey, acquired and processed between 1993 and 1997 then reprocessed in 1998. PVE purchased and interpreted 118 km^2 of this 3D seismic volume. Depth conversion using VSP, check shot data and average velocity where no data is available in the well path confirms 4-way dip closure at each reservoir horizon. A velocity anomaly that exists between the Ametista-1 and Carola-1 wells is corrected using average velocities at Q3 and Q4 levels.

4.1.2 Reservoir Engineering

The Teodorico gas field has been drilled with the wells Carola 1, Carola 2, Irma 1 and Irma 2 x by ENI between 1988 and 2001. These wells showed successful production tests for different horizons. During production tests, well Irma 1 flowed gas at rates between 111 Mm^3/d (3.920 MMscf/d) and 123 Mm^3/d (4.344 MMscf/d) from horizon PLQ E2-F and at rates between 83 Mm^3/d (2.931 MMscf/d) and 281 Mm^3/d (9.924 MMscf/d) from horizon PLQ D1. Similar ranges of gas rates are reported for the horizon Q4-A from well Carola 1. Production profiles are based on these production tests.

The Teodorico field is divided into different horizons. Because of the wide depth ranges of these horizons, crossflow from one deeper horizon to another shallower horizon may occur if the horizons are not isolated from each other. Hence some of the horizons cannot be produced at the same time. Consequently, the development wells will be double completed with at least 1 selective string. The following table provides the list of the horizons associated with the contingent resources and reserves (Table 4-1).

Table 4-1: Gas-bearing zones in the Teodorico field

Sand	Depth (m)	Thickness (m)
Q3	326-329	3
Q4	421-427	6
PLQ-C2-C6	1330-1333	3
PLQ-D1	1463-1468	5
PLQ-D2	1505-1507	2
PLQ-E2-F	1582-1588.5	6

The exploration permit was awarded to the Company in July 2012 and subsequently the Company selected 120 km^2 of 3D seismic and well dataset for purchase from ENI.

Subsequently the Company commenced work on a preliminary development plan aimed to fast-track the progress of the project on several fronts.

To date the Company has invested EUR 1 million in:

- The Preliminary front-end engineering and design (PRE-feed) study, which is now complete
- Full 3D seismic coverage (120 km) purchased from ENI, reprocessed and re-interpreted in house
- Process and distribution at utility rate through ENI's adjacent Naomi Pandora processing facility (tie-in discussion ongoing with ENI).

This progress has put the Company in a position to apply directly for a Production Concession.

In August 2015, the technical team completed the production concession application for Teodorico and filed it with the Ministry. In November 2014 the Italian Ministry of Economic Development has formally awarded Po Valley a preliminary Production Concession and invited the Company to commence the environmental approval process for Teodorico. The Environmental Impact Assessment (EIA) documentation was submitted in the first half of 2017.

4.2 Podere Gallina (Selva)

The Podere Gallina licence is situated in the southeastern part of the Po Plain, south of the Po Delta region, within the Ferrara and Bologna provinces, in the Emilia Romagna Region. The exploration licence was awarded to PVE in 2008 and a second exploration period has been applied for which is due to commence in February 2018. The map below shows the location of the Licence (Figure 4-6).

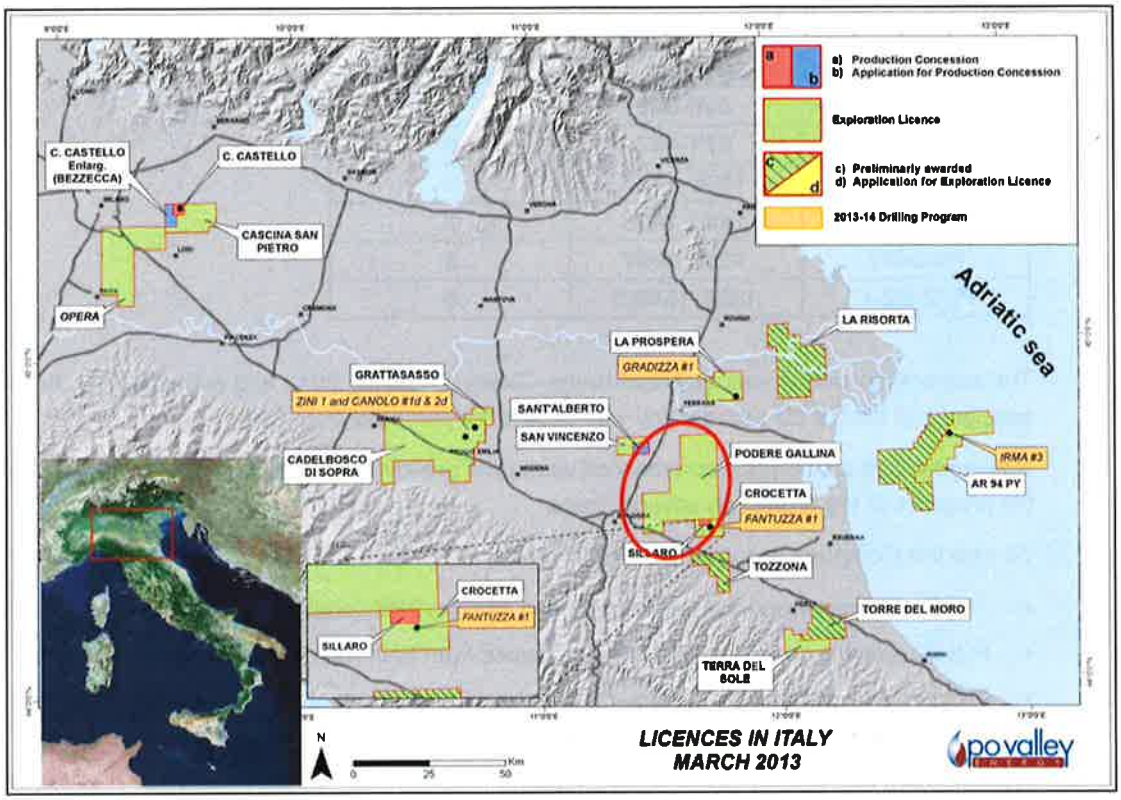


Figure 4-6: Location of the Podere Gallina (Selva) Licence marled by the red ellipse

In May 2017 Po Valley Energy farmed out 20% of the licence to United Oil and Gas Plc in a deal that provided funding for 40% of the cost of the completed Podere Maiar-1 well. A further 17% was farmed out to Prospex Oil and Gas Plc in November 2017, funding an additional 34% of the cost of the well, such that PVE currently has a 63% interest in the licence.

4.2.1 Geology and Geophysics

The Podere Gallina Licence contains the Selva Gas Field, which produced between 1956 and 1984, with some 24 wells drilled during this time. Total production from the field was approximately 84 Bcf, with individual wells shut-in once they watered out.

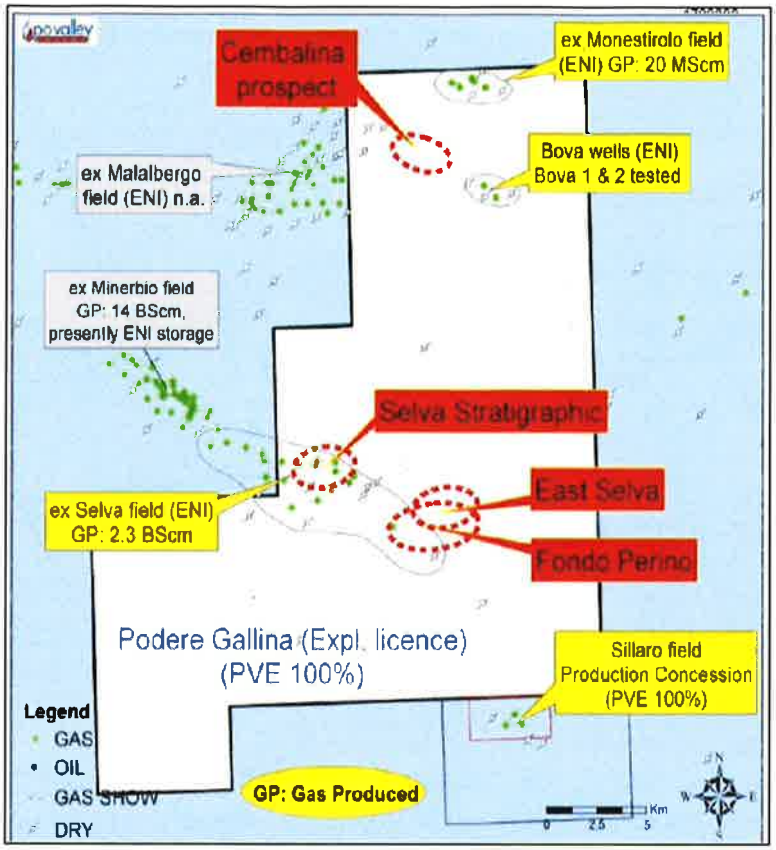


Figure 4-7: Map of the Podere Gallina Licence showing the existing wells and prospect locations

The Selva Stratigraphic redevelopment opportunity forms part of the former ENI operated Selva Field. During 2012, PVE carried out geological and geophysical work to assess the remaining undrained Selva gas potential and a new low risk prospect named "Selva Stratigraphic" was identified and a second exploration target (East Selva) on the pinch out edge to the east of the main Selva field. Approximately 70 km of 2D seismic was purchased from ENI and reprocessed to further evaluate the exploration potential.

The extension of the Selva Field into the Podere Gallina License was interpreted by PVEL mainly using isopach mapping from well data at Upper Mid Pliocene level. Recent modelling (DREAM 2013) was based on the conservative assumption that the initial GWC of the Selva Field at 1,336 m TVDSS had risen to 1,235 m (top level C on Selva 6 well) leaving a potential undrained gas volume updip from this well (Figure 4-7).

PVEL targeted the updip volume based upon a new interpretation of the position of the lapout edge towards the Selva-3 well.

Seismic and wells data show the Selva stratigraphic prospect to be an Upper Middle Pliocene onlap to a Lower Pliocene thrust bounded anticline (Figure 4-8). However, interpretation of seismic lines suggests the reservoir is also displaced by reactivated thrust splays which detach onto the main thrust fault.

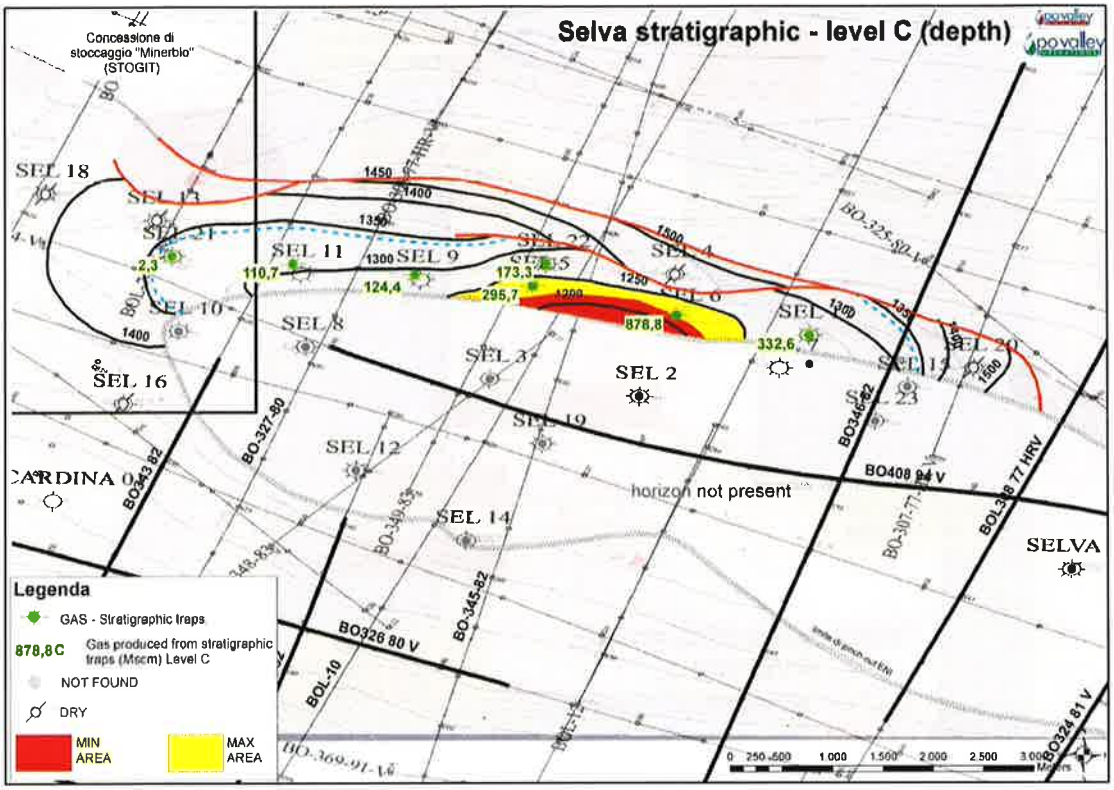


Figure 4-8: Structure map the Selva Field show the location of inferred stratigraphic trap

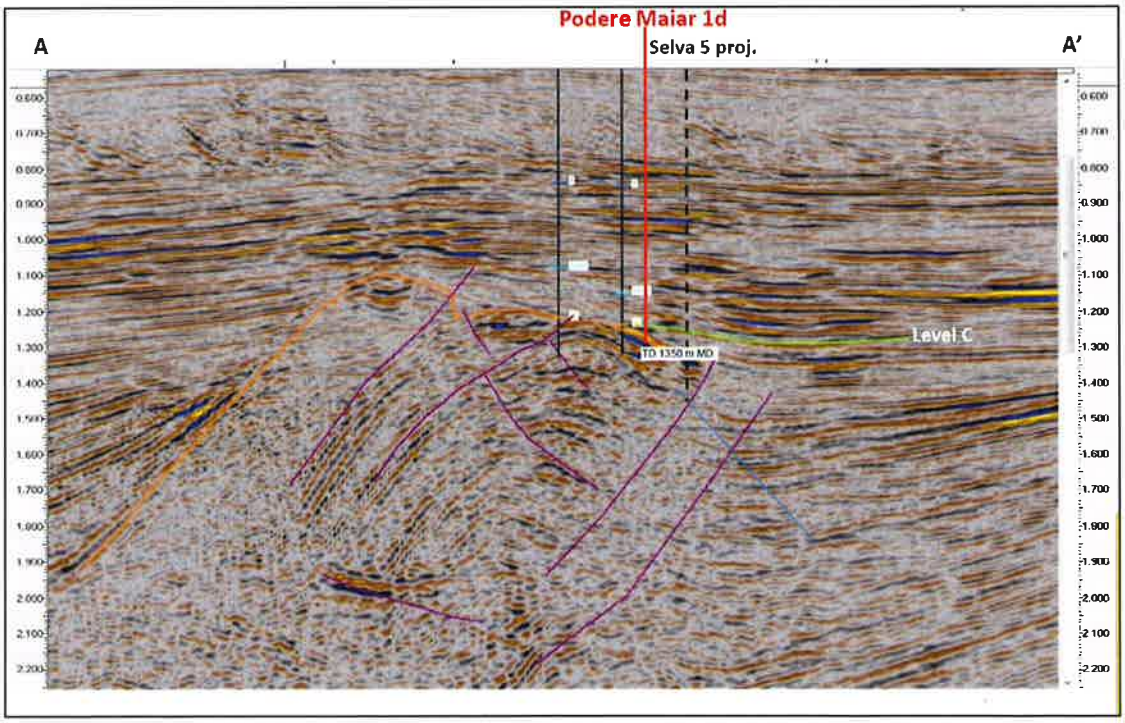


Figure 4-9: Seismic line showing the stratigraphic onlap trap and the Podere Maiar-1 the well location

Podere Maiar 1 dir well, in the former Selva gas field, was spudded on Tuesday 21 November 2017. The drilling program intersected two identified gas reservoirs, C1 and C2, in the Medium-Upper Pliocene sands of the Porto Garibaldi Formation.

The thickest level C2 (net pay 25.5 m) reported a peak flow rate of 148,136 scm/d (5.231 MMcf/d) on a 3/8" choke and a pressure of 11 bar (159.5 psi) with no water production. Pressure recovery to the formation pressure occurred in 2 minutes. The shallower level Ci interval (net pay 15.5 m) also reported strong test results with a peak flow rate of 129,658 scm/d (4.579 MMcf/d) on a 3/8" choke with good pressure recovery (about 12 minutes).

The strong flow rates from two gas bearing levels, high quality 99.1% methane gas content and the well's 600 m proximity to the Italian national gas grid pipeline connection, suggests that the Podere Maiar 1dir well can be classified as a commercial discovery. A production concession application to the Italian Ministry will now prepare and submit in the first half of 2018.

The East Selva structure is identical in concept in the Selva Stratigraphic structure but has not previously been drilled. PVEL reinterpreted the mapped closure area of this structure using available seismic data and the prospect, and while having risk associated with defining the updip limit of sand development and correctly mapping the structural shape of the container based on the limited 2D seismic control, the prospect appears to offer a valid drilling opportunity, particularly in the light of the successful test of the pay type to the west.

The Cembalina prospect is along trend from the ENI Bova wells (Figure 4-9) defined on five seismic lines at Upper Pliocene level. Lines are oriented NNE-SSW 1.2 km to 3.4 km apart and WNW-ESE 0.4 km to 7 km apart. The structure is a WNW-ESE oriented hanging-wall anticline with associated back thrust at Early Pliocene level with fold drape above the structure at Upper Pliocene level. The seismic interpretation of horizons has been checked and validated.

Additional seismic lines purchased by PVEL in 2011 resulted in a revised structural interpretation which had the effect of increasing the size of the Cembalina prospect as compared to pre-2011.

The Fondo Perino prospect is the dip closed cap of a hanging-wall anticline located between the Selva-1 and Selva-23 wells. The trap is interpreted on two NNE-SSW oriented seismic lines located 1.3 km apart and a WNW-ESE line. The limits of the prospect closure exist between smaller faults in the core of the anticline.

4.3 Torre Del Moro

This Oil Exploration Licence in the Emilia Romagna region of Northern Italy was awarded to Po Valley Operations Pty Ltd. with 100% working interest in February of 2017 (Figure 4-10). The licence area is 111 km^2 and expires February 3rd, 2023.

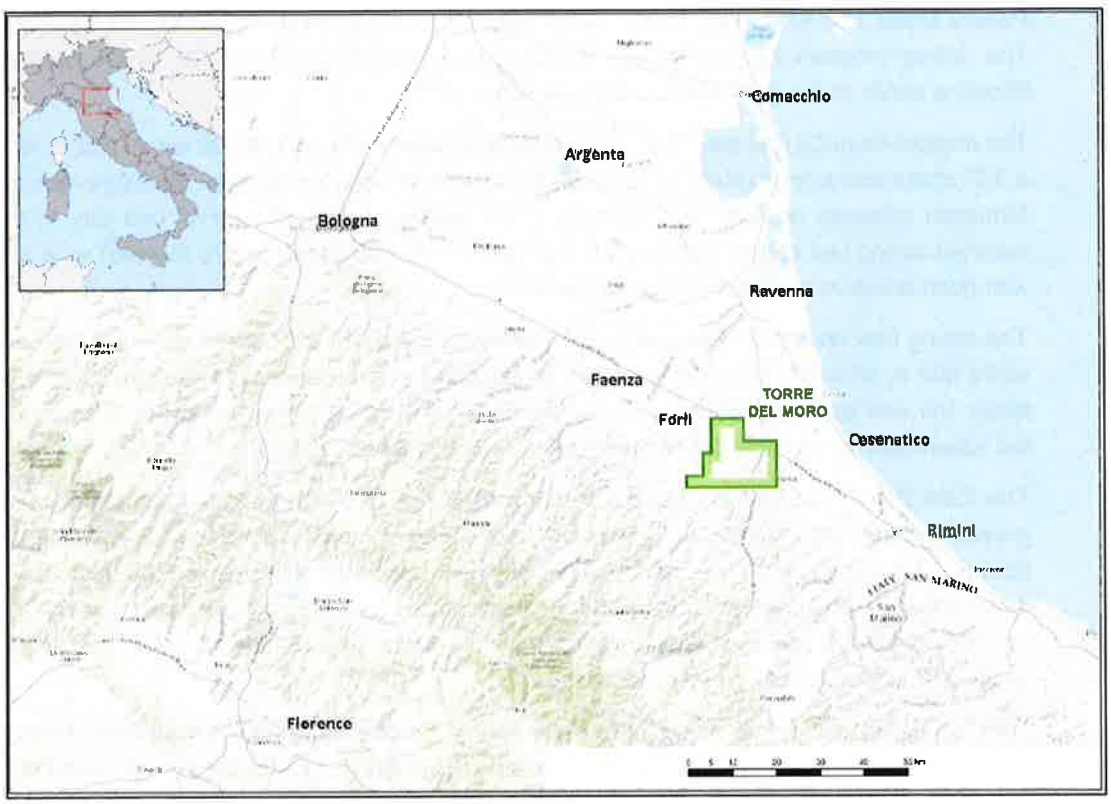


Figure 4-10: Location of the Torre del Moro Exploration Licence

In terms of underlying geology, the Licence encompasses an area on the Eastern margin of the Apennines, having Lower Jurassic carbonates of the Marmarone Formation at 3,500 to 6,000 feet depth or greater, buried by overlying Miocene to Pleistocene sediments. Oil shows were encountered in the target limestones in the Sarsina-1 well that was drilled some 15 km away on the lower flank of a large thrust fold. The crestal part of the fold structure remains undrilled, with a crest at about 3,500-4,000 m depth; this being the main Lead in the Licence area (Figure 4-11).

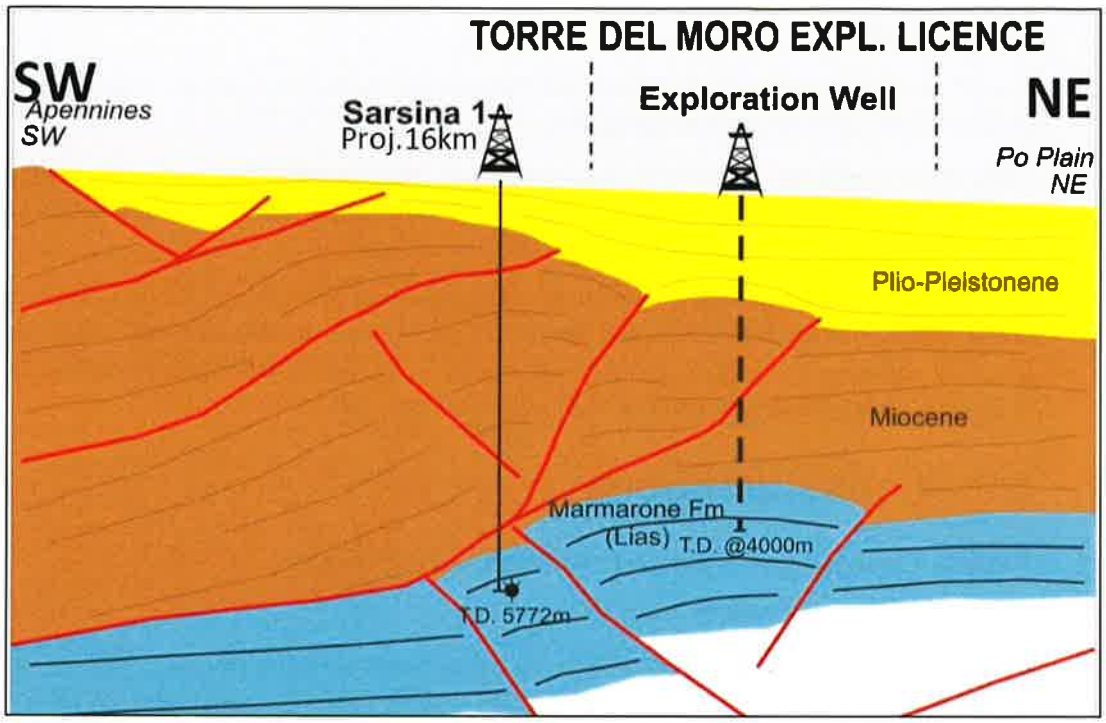


Figure 4-11: Schematic cross-section, Torre del Moro prospect, showing notional exploration well location

PVO have inspected 2D seismic lines held at ENI in support of the gross rock volume of the structure and have reviewed publicly available well log information relating to the Villafortuna oil field which is considered to be a good analogue for the Torre del Moro Lead. CGG has not been able to review these 2D seismic lines, as they have not yet been purchased by PVO and remain the property of ENI. Given that additional technical work is required before this can be regarded as a *viable drilling target*, CGG considers that the Torre del Moro structure is, at this point in time, a Lead rather than a Prospect according to PRMS definitions.

Table 4-2: Potential reservoir properties assumed for the Torre del Moro prospect

* PARAMETERS ASSUMED FROM "VILLAFORTUNA" AREA
Area: 25-30 sqkm
Pay: 120-150 m
* Porosity: 3-4%
* Sw: 30%
Bo: 1-1.2
* RF: 30%

5 Key risks

The 2P gas production is the most likely estimation in the Teodorico Licence. This was undertaken by CGC (CGG Services (UK) Limited (2017).

Contingent Resources are proven sub-commercial hydrocarbons and can only be valued by comparative transactions. Prospective Resources have both risk of discovery and risk of development. They similarly can only be valued by comparative transactions.

USA gas exports to Europe will grow over time. Current Henry Hub prices are US$2-4/ Mscf but likely to rise. Future gas prices in Europe will depend on transport and development costs from the USA as a counter balance to Russian gas price rises. As a counter to this market scenario European production of gas is declining and that trend will likely continue.

6 Other considerations

6.1 PRMS Definitions and Guidelines – Summary

(Further details are provided in Appendix A)

CONTINGENT RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

UNRECOVERABLE is that portion of Discovered or Undiscovered Petroleum Initially-in-Place quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur, the remaining portion may never be recovered due to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

PRMS Guidelines 2011 state: Contingent Resources may be assigned for projects that are dependent on "technology under development." It is recommended that the following guidelines are considered to distinguish these from quantities that should be classified as Unrecoverable:

1 The technology has been demonstrated to be commercially viable in analogous reservoirs. Discovered recoverable quantities may be classified as Contingent Resources.

2 The technology has been demonstrated to be commercially viable in other reservoirs that are not analogous, and a pilot project will be necessary to demonstrate commerciality for this reservoir. If a pilot project is planned and budgeted, discovered recoverable quantities from the full project may be classified as Contingent Resources. If no pilot project is currently planned, all quantities should be classified as Unrecoverable.

3 The technology has not been demonstrated to be commercially viable but is currently under active development, and there is sufficient direct evidence (e.g. from a test project) to indicate that it may reasonably be expected to be available for commercial application within 5 years. Discovered Recoverable quantities from the full project may be classified as Contingent Resources.

4 The technology has not been demonstrated to be commercially viable and is not currently under active development, and/or there is not yet any direct evidence to indicate that it may reasonably be expected to be available for commercial application within five years. All quantities should be classified as Unrecoverable.

Definition of Prospective Resources, P_{90}, P_{10}, P_{50}.

While there may be a significant risk that sub-commercial or undiscovered accumulations will not achieve commercial production, it is useful to consider the range of potentially recoverable volumes independently of such a risk.

Prospective Resources are those quantities of petroleum which are estimated to be potentially recoverable from undiscovered accumulations. These estimates are derived from volumetric estimates for the reservoir size, estimates of the reservoir characteristics (porosity, permeability, oil saturation). The basis of these estimates would be available geological and geophysical data, and the data from any existing wells in the given area. Any estimation of resource quantities for an accumulation is subject to both technical and commercial uncertainties and consequently there will be a range of estimates which in general will be substantially greater for undiscovered accumulations than for discovered accumulations. In all cases, however, the actual range will be dependent on the amount and quality of data (both technical and commercial) which is available for that accumulation. As more data become available for a specific accumulation (for example wells and reservoir performance data) the range of uncertainty would be reduced. Probabilistic methods are normally used to quantify the uncertainty in these estimated quantities and the results of the analysis are typically presented by stating resource quantities at the following levels of confidence:

- **P90 resource** reflects a volume estimate that, assuming the accumulation is developed, there is a 90% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a low estimate of resource.
- **P50 resource** reflects a volume estimate that, assuming the accumulation is developed, there is a 50% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a median estimate of resource.
- **P10 resource** reflects a volume estimate that, assuming the accumulation is developed, there is a 10% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a high estimate of resource.

6.2 Market conditions

The following overview of European gas markets is based on analysis by the European Commission. Refer to references for further details.

6.2.1 Introduction

Since 2013, prices of all fossil fuels (most notably oil) have declined. This has been driven by increases in supply (US shale oil and gas, Canadian oil sands, robust OPEC production, increased global gas (including liquid natural gas (LNG) and coal production) and weaker demand (slower global growth, notably in China but also structural changes on the demand side, such as growing energy efficiency and alternative fuels in the housing and transport sectors, driven by efficiency policies for buildings and cars).

Although oil and gas markets have tended to traditionally trade independently of one another, there has been a strong correlation between the development of European hub prices and global oil and coal benchmarks in 2017, reflecting the close relationship between the gas market and the wider energy complex.

Gas spot prices at European gas hubs started to increase from August 2017, driven by a number of factors, including the relatively low storage levels, continuing coal-to gas switching, rising oil and coal prices, cooling temperatures, Norwegian outages and persistent concerns about French nuclear availability. In the third quarter 2017, hub prices were roughly 20% higher than a year earlier. Oil-indexed prices, on the other hand, increased by 58% compared to the same period of 2016 and clearly exceeded hub prices in Northwest Europe. The difference peaked in July 2017 but decreased afterwards.

European Gas Market

Gas constitutes 23% of the EU's primary energy consumption. It fuels 15% of the region's electricity and almost a third of both households' and industry's final energy needs. EU gas wholesale prices were rising until 2013, but subsequently fell over by 50% prior to a muted recovery over 2017.

Gas consumption by the European Union (EU) increased by 14% year on year in the third quarter of 2017, the seventh consecutive quarter in which an increase has been recorded. This increase was driven the growing use of gas in the power sector and also supported by gradual economic recovery of the region.

EU gas production decreased by an estimated 9% year on year in the third quarter of 2017 which was 2% lower than in the same period of 2016.

In the third quarter of 2017, EU gas imports were 14% higher than a year earlier. Pipeline imports from North Africa decreased compared to the same period in 2016 but this was more than offset by increasing flows from Russia and Norway, as well as rising LNG imports.

In the third quarter of 2017, Russia remained the EU's top supplier, covering 44% of extra-EU imports, followed by Norway (33%); LNG imports made up 16%, the highest share in the last four years. The market share of North African pipeline supplies decreased year-on-year from 12% to 7% as high oil-indexed prices provided an incentive to Italy and Spain to reduce imports and replace it with cheaper LNG.

Ukraine remained the main supply route of Russian gas coming to the EU, covering 50% of total imports from Russia. Nord Stream deliveries increased in August, following a court ruling that lifted a suspension on Gazprom's right to book additional capacity on the OPAL pipeline but flows decreased in September when Nord Stream was closed for 11 days due to maintenance.

6.3 Previous Valuations

The VALMIN Code requires that an Independent Valuation report should refer to other recent valuations or Independent Expert Reports undertaken on the mineral properties being assessed.

Having asked the question of PVE, SRK is not aware of any recent Valuations or Expert's Reports involving the petroleum assets which are the subject of this Report.

7 Valuation

The objective of this section is to provide BDO with a valuation of PVO's hydrocarbon assets. SRK has not valued either PVE, Saffron or PVO, these being the corporate entities within the transaction which are the beneficial owners of the assets considered in this Report. SRK understands that this Valuation will be included as an appendix to BDO's Independent Expert Report and, as such, this Report is intended for public release.

In assessing the technical aspects relevant to this Valuation, SRK has relied on information provided by PVE, as well as information sourced from the public domain. All sources are listed in Section 10 (References).

7.1 Valuation approaches

While the VALMIN Code (2015) states that the selection of the valuation approach and methodology is the responsibility of the Practitioner, where possible, SRK considers a number of methods.

The aim of this approach is to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

The VALMIN Code (2015) outlines three generally accepted Valuation approaches:

1 Market Approach

2 Income Approach

3 Cost Approach.

The *Market Approach* is based primarily on the principle of substitution and is also called the Sales Comparison or Comparable Transaction Approach. The mineral asset being valued is compared with the transaction value of similar mineral assets, transacted in an open market (CIMVAL, 2003). Methods include comparable transactions, metal transaction ratio (MTR) and option or farm-in agreement terms analysis.

The *Income Approach* is based on the principle of anticipation of economic benefits and includes all methods that are based on the income or cashflow generation potential of the mineral asset (CIMVAL, 2003). Valuation methods that follow this approach include Discounted Cashflow (DCF) modelling, Monte Carlo Analysis, Option Pricing and Probabilistic methods.

The *Cost Approach* is based on the principle of contribution to value (CIMVAL, 2003). Methods include the appraised value method and multiples of exploration expenditure, where expenditures are analysed for their contribution to the exploration potential of the mineral asset.

The applicability of the various valuation approaches and methods vary depending on the stage of exploration or development of the mineral asset, and hence the amount and quality of the information available on the mineral potential of the assets. Table 7-1 presents the various valuation approaches for the valuation of mineral assets at the various stages of exploration and development.

Table 7-1: Suggested valuation approaches according to development status

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

Source: VALMIN Code (2015).

The market-based approach to valuation is generally accepted as the most suitable approach for valuation of a Mineral Resource or a Pre-development Project.

An income-based method, such as a Discounted Cashflow (DCF) model is commonly adopted for assessing the Value of a Tenure containing a deposit where an Ore Reserve has been produced following appropriate level of technical studies and to accepted technical guidelines such as the JORC Code (2012). However, an income-based method is not considered an appropriate method for deposits that are less advanced, i.e. where there is no declared Ore Reserve and supporting mining and related technical studies. As this Valuation only considers Mineral Resources outside of defined Ore Reserves, the use of income-based methods of valuation is not considered appropriate within the context of this Valuation.

The use of cost-based methods, such as considering suitable multiples of exploration expenditure is best suited to exploration properties, i.e. prior to estimation of Mineral Resources. As current Mineral Resources have been declared for the Pre-development and Advanced Exploration projects, cost-based methods of valuation are considered less suitable than market-based methods of valuation for these properties.

In general, these methods are accepted analytical valuation approaches that are in common use for determining Market Value (defined below) of mineral assets, using market-derived data.

The **"Market Value"** is defined in the VALMIN Code (2015) as, in respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should change hands on the Valuation date between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The term Market Value has the same intended meaning and context as the International Valuation Standards Committee's (IVSC) term of the same name. This has the same meaning as Fair Value in Regulatory Guide (RG) 111. In the 2005 edition of the VALMIN Code this was known as Fair Market Value.

The **"Technical Value"** is defined in the VALMIN Code (2015) as an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations. The term Technical Value has an intended meaning that is similar to the IVSC term Investment Value.

Valuation methods are, in general, subsets of valuation approaches. For example, the income-based approach comprises several methods. Furthermore, some methods can be considered to be primary methods for valuation while others are secondary methods or rules of thumb that are considered suitable only to benchmark valuations completed using primary methods.

The methods traditionally used to value exploration and development properties include:

- Multiples of Exploration Expenditure (MEE)
- Joint Venture Terms (expenditure-based)
- Geoscience Ratings (e.g. Kilburn – area-based)
- Comparable Market Value (real estate based)
- Metal Transaction Ratio (MTR) Analysis (ratio of the transaction value to the gross dollar metal content, expressed as a percentage - real estate based)
- Yardstick/ Rule of Thumb (e.g. $/resource or production unit, percentage of an in situ value)
- Geological Risk.

In summary, however, the various recognised valuation methods are designed to provide an estimate of the mineral asset or property value in each of the various categories of development. In some instances, a particular mineral asset or property or project may comprise assets which logically fall under more than one of the previously discussed development categories.

7.2 Valuation basis

SRK has considered the declared Hydrocarbon Reserves and Resources associated with POV's projects, as well as the areal extent and exploration potential of the granted exploration tenure.

Table 7-2: Valuation basis of PVO's assets

Asset	Concessions	Development Stage	Valuation basis
Teodorico	Teodorico (d40ACPY) and Rita (AR94PY)	Development	2P Reserves
Selva	Selva Strat (Podere Gallina)	Exploration	2C Resources + Exploration Potential
Torre del Moro	Torre del Morro	Exploration	Exploration Potential

7.3 SRK's valuation technique

In estimating the value of PVO's assets as at the Valuation Date, SRK has considered various valuation methods within the context of the VALMIN Code (2015).

The valuation method applied depends on the relative maturity of assessment for each asset, as well as the amount of available data supporting the project. In preparing its valuation of PVO's assets, SRK has considered the three main approaches (market, income and cost) as well as the available methodologies under each approach.

7.3.1 Teodorico 2P Reserves

SRK has undertaken a technoeconomic analysis of the Teodorico 2P Reserves, the results of which can be seen below.

Figure 7-1 below shows an estimated production profile modelled for the Teodorico 2P Reserves in Mscm.

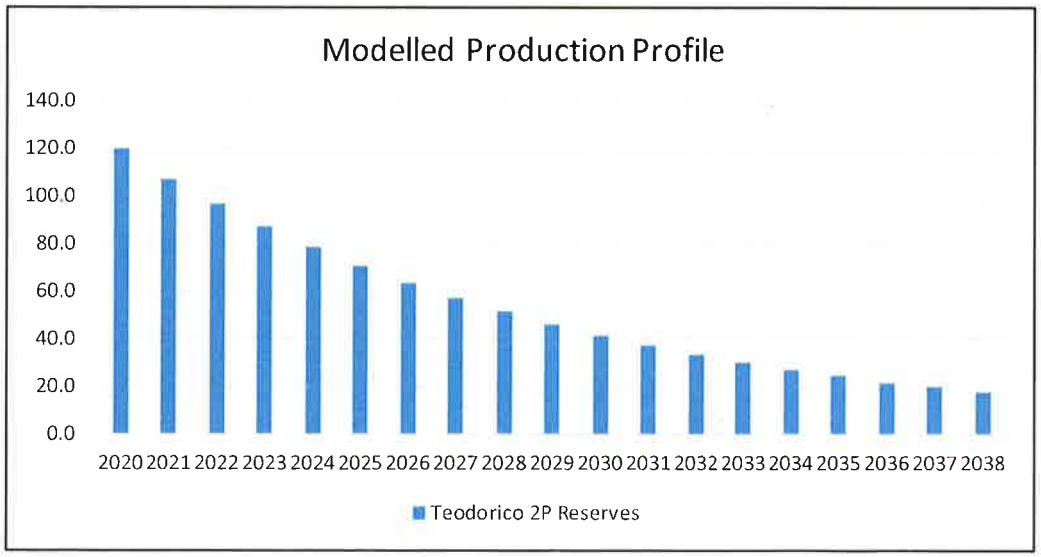


Figure 7-1: Modelled production profile Mscm

Figure 7-2 below shows the Italian PSV Gas price used in the SRK Valuation. SRK believes that the forecast gas price curve is based on reasonable assumptions, SRK has chosen the mid price of the price deck supplied by PVE.

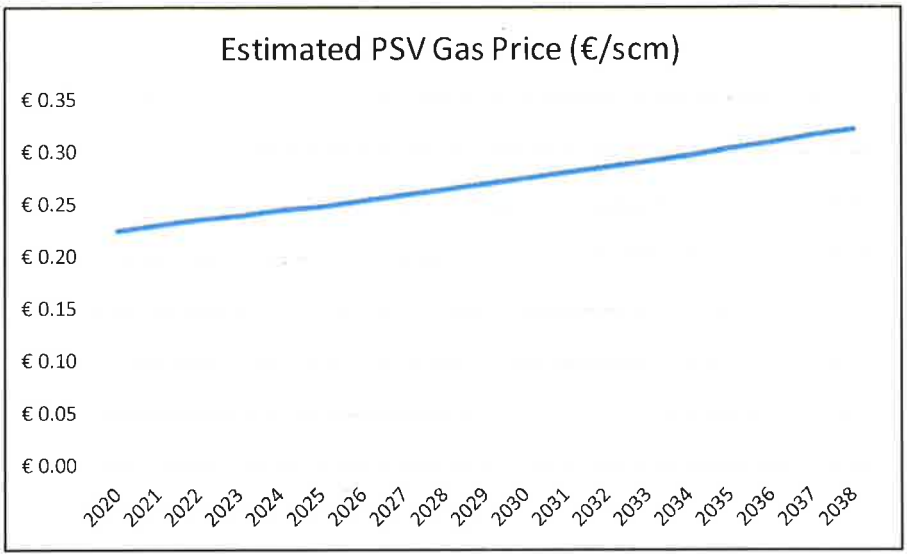


Figure 7-2: Forecast Italian PSV gas price

Figure 7-3 below shows the historical Italian PSV gas price over the last two years on the ICE Exchange.

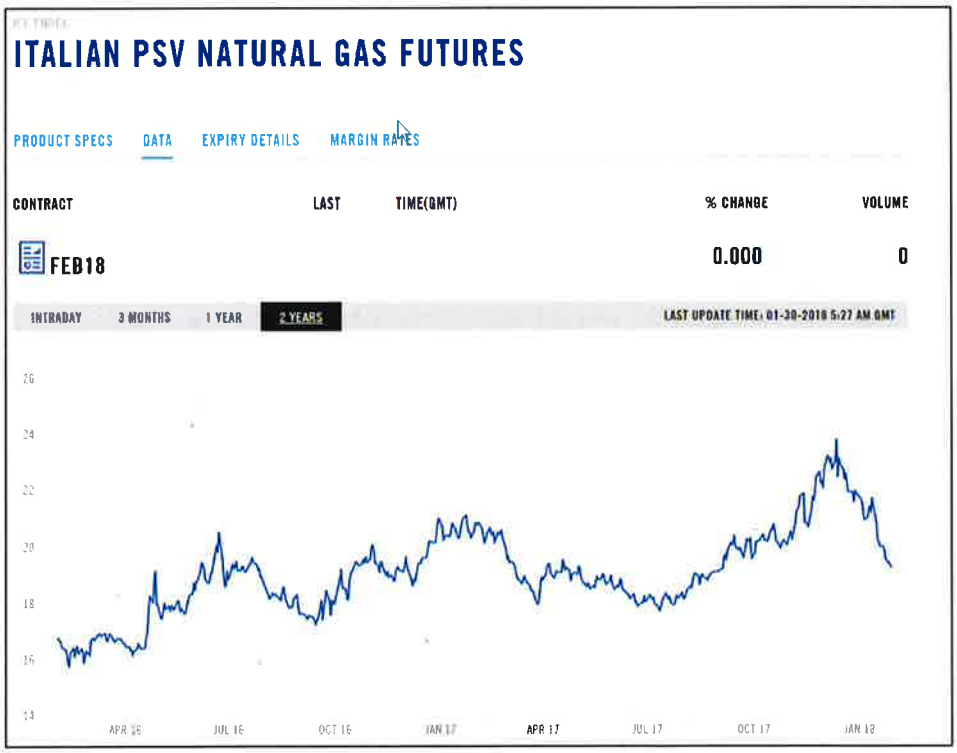


Figure 7-3: Historical Italian PSV gas price

Figure 7-4 below shows the estimated operating cost for producing the Teodorico 2P Reserves. Having reviewed the forecast operating costs, SRK believes that they are reasonable and can be included in the DCF valuation of the Teodorico 2P Reserves.

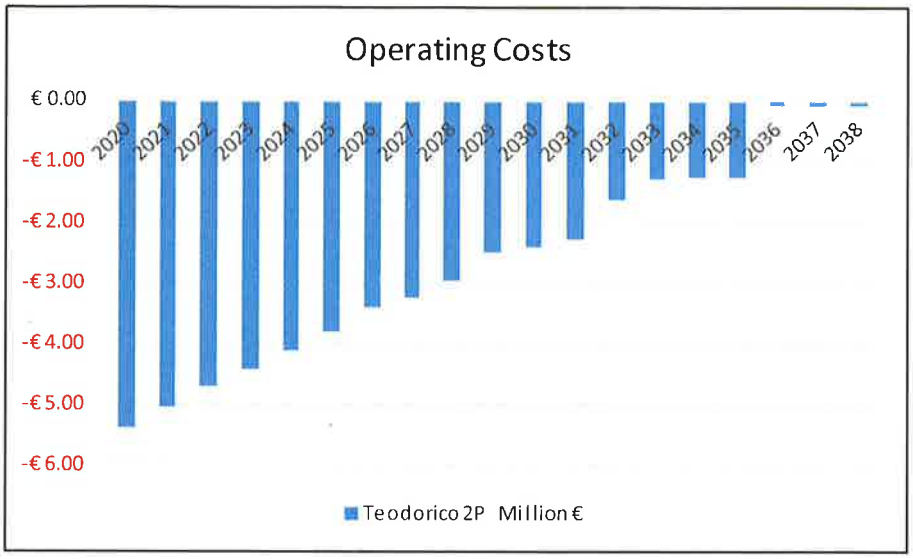


Figure 7-4: Forecast Opex (Million Euro)

Figure 7-5 below shows the forecast capital coats. Having reviewed the forecast capital costs, SRK believes that they are reasonable and can be included in the DCF valuation of the Teodorico 2P Reserves.

Figure 7-5 below shows the estimated capex to produce from the Teodorico 2P Reserves.

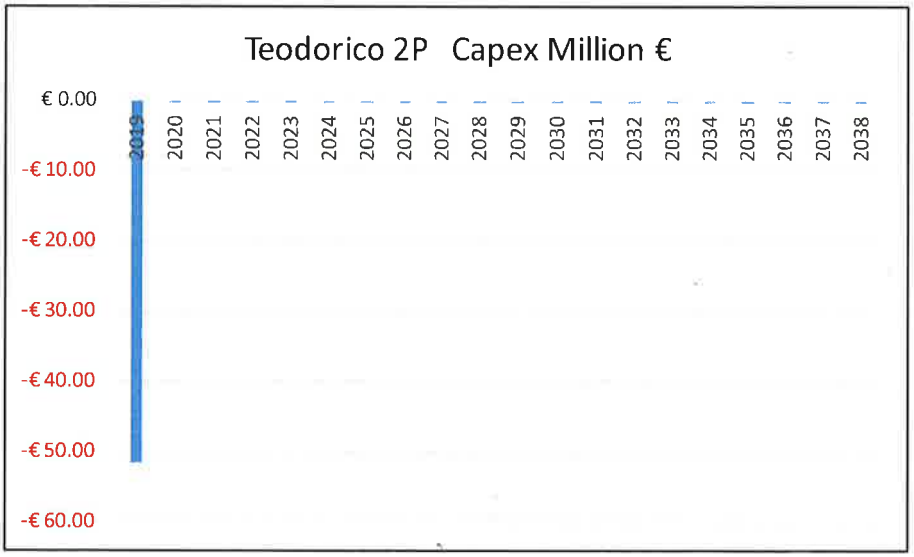


Figure 7-5: Forecast Capex (Million Euro)

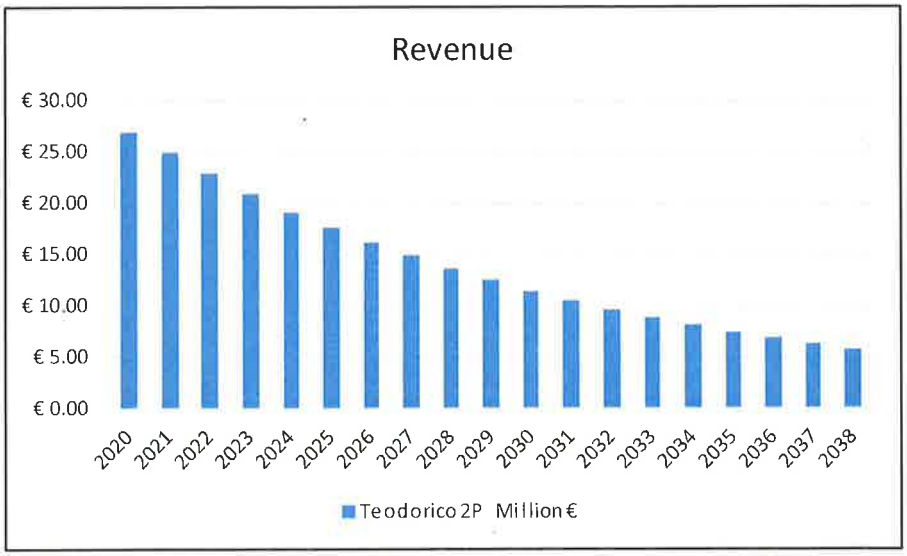


Figure 7-6: Forecast Revenue (Million Euro)

Figure 7-6 above shows the forecast revenue produced from the Teodorico 2P Reserve.

Figure 7-7 below shows the estimates After Tax Cashflow of the Teodorico 2P Reserve.

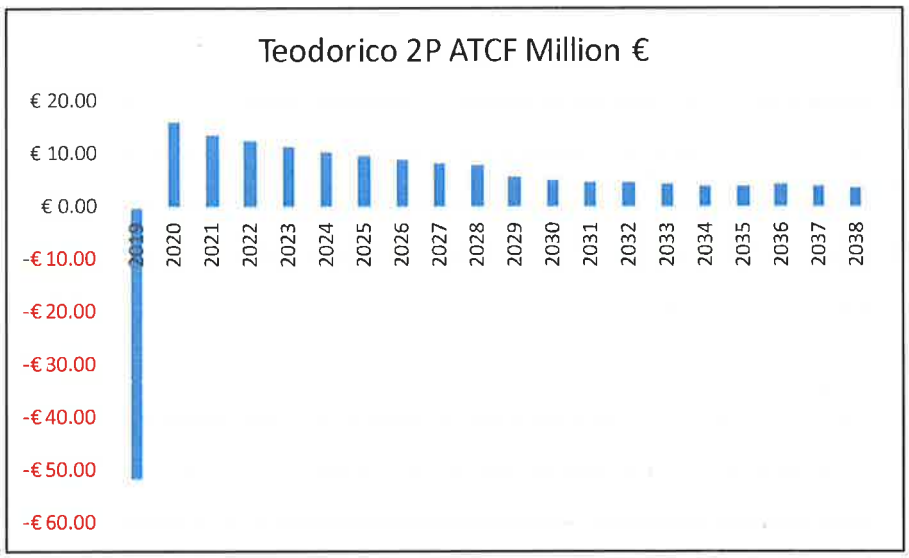


Figure 7-7: After Tax cash flow (Million Euro)

Economic Assessment Summary

Table 7-3 below shows the result of SRK's DCF valuation of the Teodorico 2P Reserves. SRK values the Teodorico 2P between € 15.3M and € 33.6M, with a preferred value of € 23.2M.

SRK chose a Discount Rate of 10% for this assessment on the basis that 10% is commonly used by the Petroleum industry for the evaluation of 2P assets.

Table 7-3: DCF Valuation summary

SRK Economic Assessment		Low Estimate	**Preferred Estimate**	High Estimate
		€ M	**€ M**	€ M
Discount Rate	%	12.50%	**10%**	7.50%
DCF Valuation				
Teodorico	**2P Reserves**	**€ 15.32**	**€ 23.17**	**€ 33.59**

Sensitivity Analysis

SRK has undertaken a Sensitivity Analysis on the Teodorico 2P Reserves, the results of which can be seen below.

Table 7-4: Sensitivity analysis

Variance	Revenue	Opex	Capex
25%	€ 42.18	€ 19.09	€ 13.16
20%	€ 38.38	€ 19.90	€ 15.19
15%	€ 34.58	€ 20.72	€ 17.20
10%	€ 30.77	€ 21.54	€ 19.21
5%	€ 26.97	€ 22.35	€ 21.19
0%	**€ 23.17**	**€ 23.17**	**€ 23.17**
-5%	€ 19.36	€ 23.98	€ 25.13
-10%	€ 15.56	€ 24.80	€ 27.07
-15%	€ 11.76	€ 25.62	€ 29.01
-20%	€ 7.96	€ 26.43	€ 30.93
-25%	€ 4.15	€ 27.25	€ 32.83

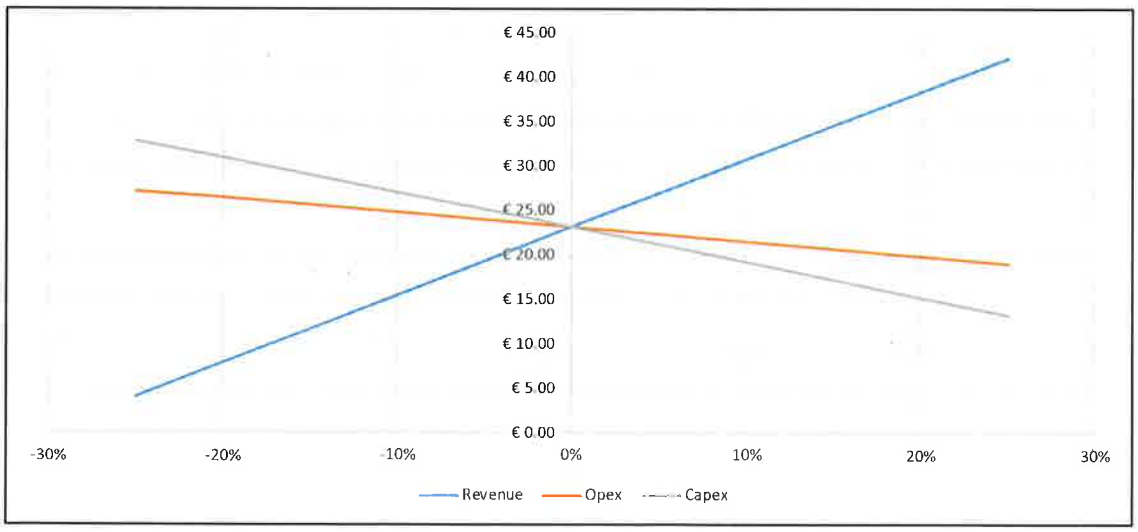


Figure 7-8: Sensitivity spider diagram

Comparable transactions

Using SRK's internal databases and the S&P Global Market Intelligence (formerly SNL Financial) subscription database, transactions involving oil and gas were compiled, researched and analysed in order to assess the comparability of the hydrocarbon assets relative to the Project. The hydrocarbon assets incumbent within these transactions were assessed according to the project development categories outlined in the VALMIN Code (2015).

In valuing PVO's Italian 2C resources, SRK has carried out an analysis of market transactions involving similar assets in Europe, with a particular reference towards transactions involving hydrocarbon projects in Italy.

7.3.2 Valuation of Exploration Potential

For the valuation of pre-resource projects and the associated exploration potential, SRK has considered the values implied by recent transactions involving early to advanced stage exploration tenure without associated resources or reserves.

The methods are discussed below.

Comparable transactions

In valuing the 2C Resources and exploration potential associated with PVO's Italian exploration concessions, SRK has carried out an analysis of market transactions involving similar assets in Europe, with a particular reference towards transactions involving hydrocarbon projects in Italy.

Details of the transactions considered by SRK are presented in Table 7-5.

Table 7-5: Recent hydrocarbon transactions in Europe

Vendor	Acquirer	Date	Asset	Consideration
Lundin Norway AS	CapeOmega AS	27/06/2017	39% in the Brynhild field in the Norwegian North Sea	NOK 774 million (c. US $91.6 million)
Dong Energy A/S	INEOS	24/05/2017	Shares in 10 producing fields in the UK, Denmark, Norway.	US $1.05 billion plus US $250 million contingent
Engie E&P Norge AS	DEA Group	23/12/2016	20% in the Norge field, 105 in the Hyme field, 10% in the Snilehorn discovery, 15% in the Noatun discovery, and 20% in the North Flank discovery	not disclosed
Rosneft	Beijing Gas Group Company Limited	7/11/2016	20% in Verkhnechonskneftegaz which develops the Verkhnechonskoye oil and gas condensate field in Russia	c. US $1.1 bln
Engie E&P Deutschland GmbH	Vermilion Energy Germay GmbH & Co. KG	28/06/2016	Operated and non-operated interests in five oil and three gas producing fields, along with an operated interest in one exploration licence in Germany. Acquisition also includes a 50% operated interest in a 190 km oil pipeline network and a 66.7% operated interest in the Bedekaspel exploration license located in the Permian Rotliegend gas fairway	US $479 million
Rosneft	A consortium consisting of Oil India Limited, Indian Oil Corporation Limited, Bharat petroResources Limited	17/06/2016	23.9% in Vankorneft JSC which develops Vankor oil and gas condensate field in Russia	c. US $2.02 bln
Rosneft	BP	17/06/2016	49% in Yermak Negtegas JV focusing on onshore exploration of two Areas of Mutual Interest (AMIs) in the West Siberian and Yenisey-Khatanga basins covering a combined area of about 260,000 km² in Russia	US $300 million in two phases as BP's contribution to the cost of the JV's activities at the exploration stag
Premier Oil Norway	Det norske oljeselskap	16/11/2015	The operated Velte development and adjacent Mackerel and Herring discoveries (50%), a non-operated interest in the Frøy field (50 percent interest) and seven exploration licenses in the North Sea	US $120 million

Vendor	Acquirer	Date	Asset	Consideration
Svenska Petroleum	Det norske oljeselskap	14/10/2015	13 licences in Norway: 25 % stake in the Krafla/Askja discovery, 20 % in Garantiana, 40 % in Frigg Gamma Delta and 25 % in Fulla/Lille-Frigg and four exploration licences in the North Sea	US $75 million
E.ON	Deutsche Erdoel AG	14/10/2015	100% of E.ON's Norwegian oil and gas business including equity interests in 43 licences and three producing oil and gas fields, namely Skarv (28.1%), Njord (30%), and Hyme (17.5%)	US $1.6 bln
Apache Beryl I Ltd	Edison SpA	30/04/2015	10.5% in the Scott and 15.7% in the Telford Fields in the UK North Sea	41 mln Euro (c. US $45.8 mln)
Ithaca Energy Inc.	MOL Group	24/04/2015	14 exploratory licences offshore Norway	US $60 million + possible bonuses of up to US $30 million if exploration is successful
Premier Oil	MOL Group	29/06/2014	Non-operated interests in the Nexen-operated Scott (21.84%), Telford (1.59%) and Rochelle (15%) fields, as well as participating interests in further exploration licenses in Norway	US $130 million
Ithaca Energy Inc.	Sumitomo Corporation	23/06/2014	20% in the Cook field, 7.48% in the Pierce field and 7.43% in the Wytch Farm field in the UK	US $170 million

Based on its review of these transactions, SRK did not consider any to be truly comparable to the hydrocarbon assets held by PVO for the following reasons:

- The majority of transactions identified involved the purchase of a corporate entity rather than the acquisition of an asset (such as tenure);
- Most parties involved in these transactions held asset in northern Europe, in particular in the North Sea, UK, Norway, Germany, and Russia.
- The majority of transactions were for offshore assets
- The transactions were predominantly focussed on oil rather than gas or oil and gas.
- Many of the announcements relating to these transactions were missing key information required to generate multiples for comparison.

As such, SRK then focussed on recent divestments completed by PVE involving similar Italian assets. In this regard, SRK notes the following transactions:

In September 2017, PVE sold two onshore Italian oil exploration licences to a private oil and gas company for €1.13 million (A$1.692 million). These interests comprised an 85% interest in the Cadelbosco di Sopra and 100% interest in the Grattassasso concessions. SRK notes that in its 2016 Annual Report, PVE outlined the following Contingent Resources:

Licence	Project	Units	Contingent Resources			Prospective Resources
			1C	2C	3C	Best
Cadelbosco di Sopra	Zini (Qu-B) [Net]	Bcf	0.9	2.3	3.9	
	Canolo (Qu-A) [Net]	Bcf	0.6	0.9	1.4	
	Canolo (Plioc) [Net]	Bcf	0.3	3.1	8.9	
	Zini (Qu-A) [Net]	Bcf				1.2
Grattassasso	Ravizza	MMbbls	2.2	5.7	10.7	

Based on the defined 2C Resources, SRK considers the implied value of this transaction is €840,900/Bcf 2C + Prospective.

In a second transaction dated 19 October 2015, PVE agreed to sell its 75% interest in the La Prospera and Zanza exploration licences to AleAnna Resources LLC for €1.85 million with a further amount of €200,000 payable if the final production concession for Gradizza is received by August 2016. SRK notes that in its 2014 Annual Report, PVE announced that the Prospective Resources for La Prospera were as follows:

Table 7-6: Prospective Resources

Licence	Project	Prospective Resources (Bcf)		
		Low	Best	High
La Prospera	Pioppette [Net]	5.3	9.5	15.6
	Capitello [Net]	4.1	7.0	10.8

Based on the defined Prospective Resources, SRK considers the implied value of this transaction is €112,000/Bcf (Best).

Application of these metrics to the Teodorico and Selva 2C and Prospective Resources, results in the following estimated values.

Table 7-7: Valuation of contingent & prospective Resources

Licence	Resource Classification	BCF	Value (€ M)
Teodorico	2C	10.81	9.1
Selva	2C	10.71	9.0
TOTAL			**18.1**
East Selva	Prospective (Best)	22.14	2.5
Cembalina	Prospective (Best)	2.10	0.2
Fondo Perino	Prospective (Best)	9.29	1.0
PL3-C	Prospective (Best)	16.05	1.8
TOTAL			**5.5**

Exploration Potential

For the consideration of value for projects where no Hydrocarbon Resources have been defined, SRK notes the following two transactions and the associated implied multiples.

Table 7-8: Comparable transactions

Vendor	Acquirer	Date	Asset	Consideration	Area (km^2)	Implied Value (€/km^2)
Raffles Energy	Prospex Oil and Gas Plc	10/08/2017	50% economic interest in the Exploration Area of the EIV-1 Suceava Concession in Romania. The acquisition consists of an exploration area, which has an undeveloped discovery (Grancesti SE-1) and a number of prospects	Total consideration of €750,000. In addition, the Company has undertaken to cover its share of the work programme expenditure for H2 2017 of up to €550,000	1,734	865
San Leon Energy Plc	Horizon Petroleum Ltd.	26/07/2017	100% interests in 2 oil & gas concessions known as Cieszyn and Bielsko-Biala (Primary Concessions), plus 100% working interests in 2 additional oil & gas concessions known as Prusice and Kotlarka, and another concession (Secondary Concessions) which is under application in Poland	Previously paid non-refundable deposit of US$100,000 and advanced a loan of US$100,000 as part of this transaction. Primary Concessions - US $1 million in cash, C$1 million in common shares in the capital of Horizon based on Horizon meeting specific issuance terms, and a 6% net profits interest. Secondary Concessions - €10,000 per concession, plus a 6% net profits interest.	3,030	660

Based on these transactions, SRK considers the market has been paying in the range €650 to €850 /km^2 for early stage exploration projects.

Application of these metrics to the Torre del Moro tenure (111 km^2), implies a value range of between €72,000 and €94,000.

8 Valuation Summary

BDO has commissioned SRK to prepare an Independent Specialist Report incorporating a technical assessment and valuation of the hydrocarbon assets held by PVO. This Report has been prepared under the guidelines of the VALMIN Code (2015), which incorporates the JORC Code (2012) and the SPE-PRMS guidelines.

While the VALMIN Code (2015) states that decisions as to which valuation methodology is used are the responsibility of the Expert or Specialist, where possible, SRK considers a number of methods. The aim of this approach is to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

SRK has recommended preferred values and value ranges for PVO's petroleum assets on the basis of the defined Petroleum Reserves (2P), Contingent Resources (2C) and perceived exploration potential. SRK has considered a discounted cashflow (DCF) and Comparable Transactions approach to arrive at a valuation range.

SRK's recommended valuation ranges and preferred values for each project are summarised in Table 8-1. SRK has produced a Market Value as defined by the VALMIN Code (2015). SRK's preferred values are positioned conservatively due to varying levels of technical and geological uncertainty, including but not limited to the expected difficulties in converting resources into reserves.

Table 8-1: Summary of SRK's valuation of PVO's assets as at 31 January 2018 on a 100% equity basis

Project	Asset type	Valuation method	Low (€ M)	High (€ M)	Preferred (€ M)
Teodorico	Development	DCF – 2P Reserves	15.3	33.6	23.2
		Comparable transactions – 2C	4.5	13.5	9.1
Selva	Exploration	Comparable transactions – 2C + Prospective Resources	7.4	22.1	14.5
Torre del Moro	Exploration	Comparable transactions – Ex Potential	0.07	0.09	0.08
TOTAL			**27.3**	**69.3**	**46.9**

Note: Any discrepancies between values in the table are due to rounding.

8.1 Discussion on SRK's Valuation Range

In assigning its valuation range and preferred value, SRK is mindful that the valuation range is also indicative of the uncertainty associated with early stage exploration assets.

The wide range in value is driven by the confidence limits placed around the size and quality of the metals occurrences assumed to occur within each project area. Typically, this means that as exploration progresses and a prospect moves from an early to advanced stage prospect, through Inferred, Indicated or Measured Resource categories to Reserve status, there is greater confidence around the likely size and quality of the contained base metals and its potential to be extracted profitably. Table 8-2 presents a general guide of the confidence in targets, resource and reserve estimates, and hence value, referred to in the mining industry (Bouchard, 2001; Snowden et al., 2002; Mackenzie et al., 2007 and Macfarlane, 2007).

Table 8-2: General guide regarding confidence for target and Resource/Reserve Estimates

Classification	Estimate range (90% Confidence Limit)
Proven/ Probable Reserves	±5 to 10%
Measured Resources	±10 to 20%
Indicated Resources	±30 to 50%
Inferred Resources	±50 to 100%
Exploration Target	+100%

This level of uncertainty with advancing project stages is shown graphically in Figure 8-1.

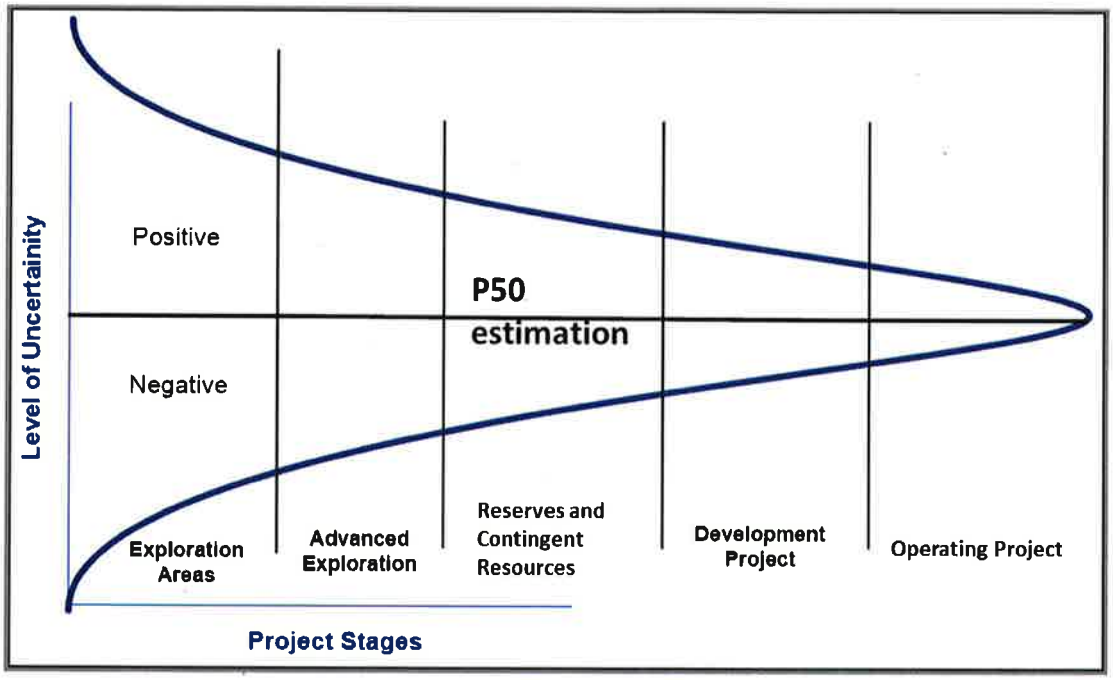


Figure 8-1: Uncertainty by advancing exploration stage

Estimated confidence of plus or minus 60% to 100% or more are not uncommon for exploration areas and are within acceptable bounds given the level of uncertainty associated with early stage exploration assets. By applying narrower confidence ranges, one is actually implying a greater degree of certainty regarding these assets than may be the case in reality.

All tenements from MQR and Co27 are exploration assets in the early stages of assessment. Therefore, there are significant uncertainties around their attributes. This results in a wide valuation range. Where possible, SRK has endeavoured to narrow its valuation range. In recognising this wide range, SRK has also indicated a preferred value for each project.

8.2 Valuation Risks

SRK is conscious of the risks associated with valuing early stage assets, which impacts on the valuation range. In defining its valuation range, SRK notes that there are always inherent risks involved when deriving any arm's length valuation for exploration properties given the level of uncertainty present for each of the variables that impact on prospects and their valuation. These factors can ultimately result in significant differences in valuations over time. The key risks include but are not limited to the following.

8.2.1 Exploration and resource risk

The business of metals exploration, project development and production is by nature high risk. The exploration potential of tenements where resources are not yet defined may vary considerably as further exploration is undertaken.

The exploration for and production of metals deposits involves various operating hazards including, but not limited to, adverse weather conditions, shortages or delays in the availability of drilling rigs, or other critical equipment or personnel.

Mineral Resources prepared under the 2012 edition of the JORC Code are best estimates based on individual judgement and reliance upon knowledge and experience using industry standards and the available database. No current estimates are available at this time. However, this may change over time as more information comes to hand.

8.2.2 Mining and production risk

The projects discussed in this report are at a relatively early stage of evaluation and none of the assets have a defined Ore Reserve. Forecasting cash flows for these assets are less certain and therefore riskier than for base metals projects in production, development or with a feasibility study completed.

The successful development of a mining operation is dependent upon geological interpretation to define mineable blocks and an appropriate schedule to meet expected sales volumes. Actual base metals mined may be different in quality and tonnage that estimates and the overburden ratios and geological mining conditions anticipated may prove to be different. Operating costs can be adversely affected by disruptions due to geological conditions, equipment failure or industrial disputes. Development of a new mining operation is dependent upon the provision of rail for transport and port facilities for international shipping while an adequate supply of water is also important.

8.2.3 Environmental risk

Environmental conditions will be attached to future mining and exploration tenements which if not deemed compliant by the relevant authorities could result in the forfeiture of these rights. Substantial costs can be encountered for environmental rehabilitation, damage, control and losses, which can vary over the life of the mining operation. Conditions attached to the mining and exploration rights may also vary over the life of the project and in response to any change in the size or type of operation that cannot be anticipated at this time.

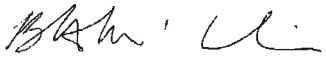
8.2.4 Financing

Further funds may be required to further explore and develop the projects. Failure to obtain sufficient financing for the projects may result in a delay or indefinite postponement of exploration and development on the properties or even a loss of a property interest. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company.

8.2.5 Native Title and land access

Mining title has not been granted on any of the tenements discussed in this report. Native title claims and heritage issues may arise in the future and thus delay the development of any future mining operation and/or production from areas where freehold land or mining leases have not been obtained. These issues are likely to be addressed in future should the future exploration be successful and warrant the conversion of exploration permits to mining leases.

Compiled by



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Name/Title	Company
Adam Myers	BDO Corporate Finance (WA) Pty Ltd

Rev No.	Date	Revised By	Revision Details
Rev0	23/01/2018	Anthony Stepcich	Initial Draft Report
1	02/02/2018	Anthony Stepcich	Draft Report
2	18/02/2018	Bruce McConachie	DRAFT report for review
3	21/02/2018	Bruce McConachie	Final report