PO VALLEY ENERGY LIMITED

A.B.N. 33 087 741 571

INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2018

PO VALLEY ENERGY LIMITED

DIRECTORS' REPORT

The Directors present their report together with the interim financial report for the half-year ended 30 June 2018 and the review report thereon.

Director details

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

- Michael Masterman – Chief Executive Officer
- Byron Pirola – Non-Executive Director
- Kevin Bailey – Non-Executive Director

Company Secretary

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

- Zoe Levendel — Resigned 7 April 2018
- Kevin Hart — Appointed 17 April 2018

Principal Activities

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

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

Review and results of operations

The profit attributable to members of the Company was €3,276,993 (30 June 2017 loss: €846,950). The profit is due to a net gain of €4,406,460 from discontinued operations following the restructuring of the Group and the spin-off of Coro Energy Plc (formerly Saffron Energy Plc).

As approved by shareholders, the Company's shareholding of 100m ordinary shares in Coro Energy Plc was distributed to shareholders of the Company as a return of capital. Shareholders received 1 Coro share for every 5.9 shares held in PVE. The value of the total distribution was €4,410,847.

With the completion of the distribution of the Coro shares to shareholders, PVE remains a northern Italy focused energy development and exploration company with a more streamlined focus on three large assets:

- The onshore gas development at Selva
- Offshore Adriatic development - Teodorico, and
- The large-scale gas/oil condensate exploration licence at Torre del Moro.

The Company completed a A$2.5 million convertible note issue in June 2018, to fund ongoing Selva, Teodorico and Torre del Moro development.

Selva Gas Field (63% PVE)

PVE has formally submitted the production concession application to the Italian Ministry for the development of the Selva Malvezzi field. This followed the successful flow testing of the field's 2018 drilled Podere Maiar-1dir exploration well within the Podera Gallina Exploration licence in northern Italy.

PVE holds a 63% share of the Podere Gallina licence. In May, 2017, United Oil and Gas Plc acquired a 20% stake through a farm-in on a 2-for-1 promote basis. On 1 November, 2017, the Company announced a farm-in with a wholly-owned subsidiary of Prospex Oil and Gas Plc for a 17% interest in the licence in exchange for funding 34% of the cost of the Podere Maiar-1dir well. In aggregate, the farm-in partners were responsible for 74% of the capital cost of the drilling programme in exchange for a 37% participating interest.

Under the first phase of the development plan for Selva, PVE will install a fully automated gas plant at the existing Selva/Podere Maiar-1dir well site at a cost of €2.4 million and install a one-kilometre long pipeline to connect with the nearby Italian National Grid. Based on dynamic reservoir studies, the field development is designed to produce, in the first phase, at a rate of up to 150,000 cubic metres (5.3mmscf/day) a day from successfully tested C1 and C2 production levels in the Medium-Upper Pilocene sands of the Porto Garibaldi Formation.

In the second phase of the development (contingent on 3D seismic results), additional wells would be drilled: a Selva gas field development well, the highly prospective Selva East, Selva South Flank, and Riccardina prospects, all of which fall within the production concession application area. Following the success of the Podere Maiar 1dir well in January this year, 3D seismic will be acquired (subject to JV approval) across these areas in the second half of 2018 or early 2019 with a view to significantly increasing the size of the Selva natural gas resource.

Preparation is advanced to proceed forward with a 3D seismic programme in the December 2018/March 2019 quarters and a formal Selva JV development decision is expected later in 2018.

The UNMIG office in Bologna has extensively reviewed the application and the Italian Ministry is expected to review the Selva production application at its next Hydrocarbon Commission meeting, expected in the September 2018 quarter.

In parallel, Po Valley has commenced preparation of environmental approval documentation.

Teodorico Offshore Gas field development (100% PVE)

The Teodorico gas field is located in shallow waters of the northern Adriatic Sea – the primary source of domestic gas production for much of Italy – and in close proximity to exiting off-shore gas production facilities.

Teodorico has the largest gas in place of all of Po Valley's gas fields, is at an advanced stage of assessment and is ready for development. The Company received a preliminary award of the Teodorico Production Concession last year and is advanced in securing environmental approval - the main step before full grant of the Production Concession.

In the 2018 June quarter, the approvals process for Tedorico continued to advance with a number of key meetings completed with Environmental Approval officials.

Additional requested information is under preparation and our target remains environmental approval at the end of calendar 2018.

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

Following the grant of the Torre del Moro licence in northern Italy, Po Valley has moved to purchase 2D seismic covering the large anticline structure in the centre of the Torre del Moro licence. The data has been received and is currently being processed as part of a full geological and geophysical study expected to be completed at the end of calendar 2018.

Cadelbosco di Sopra (85% PVE) and Grattasasso (100% PVE)

The Company entered into a sale and purchase agreement in September 2017 to sell its 85% interest in the fully awarded oil exploration licence, Cadelbosco di Sopra, and 100% of the immediately adjoining small oil exploration licence, Grattasasso, to a private oil and gas company backed by a private equity fund in London. Consideration for the licences will be €1,130,000. Completion of the transaction is subject to final approval by the Italian Mininstry of Economic Development which is anticipated by the end of September 2018.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on Page 4 and forms part of the Directors' report for the half-year ended 30 June 2018.

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

Michael Masterman
Michael Masterman
Chairman and Chief Executive Officer

13 September 2018
Sydney, NSW Australia

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Po Valley Energy Limited

ABN: 33 087 741 571

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

I declare that, to the best of my knowledge and belief, during the half year ended 30 June 2018, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

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

Bentleys NSW Audit Pty Ltd

Robert Evett
Director
Sydney

BENTLEYS NSW AUDIT PTY LTD
Chartered Accountants

Date: 13 September 2018

PO VALLEY ENERGY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	NOTE	30 June 2018 €	31 December 2017 €
Current Assets			
Cash and cash equivalents		1,013,241	390,114
Trade and other receivables	**6**	651,377	2,292,724
Assets available for sale	**8**	450,653	-
Total current assets		**2,115,271**	**2,682,838**
Non-Current Assets			
Inventory		-	252,034
Other assets		27,578	100,031
Deferred tax assets	**3**	603,595	2,598,509
Property, plant & equipment	**7**	14,135	2,158,869
Resource property costs	**8**	7,212,105	9,341,801
Total non-current assets		**7,857,413**	**14,451,244**
Total assets		**9,972,684**	**17,134,082**
Liability and equity			
Current Liabilities			
Trade and other payables		1,674,744	4,739,681
Provisions	**9**	2,697	58,270
Interest bearing loans	**10**	1,051,314	526,892
Total current liabilities		**2,728,755**	**5,324,843**
Non-Current Liabilities			
Convertible notes	**12**	1,583,975	-
Provisions	**9**	-	4,802,873
Total non-current liabilities		**1,583,975**	**4,802,873**
Total Liabilities		**4,312,730**	**10,127,716**
Equity			
Issued capital	**11**	45,051,421	49,462,268
Reserves		1,192,269	1,192,269
Accumulated losses		(40,583,736)	(43,860,729)
Non-controlling interests		-	212,558
Total equity		**5,659,954**	**7,006,366**
Total equity and liabilities		**9,972,684**	**17,134,082**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018

	NOTE	30 June 2018 €	30 June 2017 €
Continuing Operations			
Other income		161,552	194,055
Employee benefits - corporate		(235,827)	(116,243)
Depreciation expense		(234)	(1,565)
Corporate overheads		(396,282)	(178,016)
Impairment		(816,426)	-
Exploration costs expensed		(544)	(414)
Loss from operating activities	**2**	(1,287,761)	(102,183)
Finance income		81	69
Finance expense		(47,939)	(149,410)
Net finance expense		(47,858)	(149,341)
Loss before income tax expense		(1,335,619)	(251,524)
Income tax (expense) / benefit	**3**	-	-
Loss for the period from continuing operations		(1,335,619)	(251,524)
Discontinued Operations			
Profit / (loss) for the period from discontinued operations	**5**	4,406,460	(916,039)
Profit / (loss) for the period		3,070,841	(1,167,563)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the period		3,070,841	(1,167,563)
Profit / (loss) attributable to:			
Members of the Company		3,276,993	(846,950)
Non-controlling interests		(206,152)	(320,613)
Profit / (loss) for the period		3,070,841	(1,167,563)
Total comprehensive income / (loss) attributable to:			
Members of the Company		3,276,993	(846,950)
Non-controlling interests		(206,152)	(320,613)
Total comprehensive income / (loss) for the period		3,070,841	(1,167,563)
Basic and diluted earnings / (loss) per share (€) from continuing operations	**4**	**(0.23) cents**	**(0.05) cents**
Basic and diluted earnings / (loss) per share (€) from discontinued operations	**4**	**0.78 cents**	**(0.10) cents**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to equity holders of the Company				
	Share capital €	Translation Reserve €	Accumulated Losses €	Non-controlling Interests €	Total €
Balance at 1 January 2017	**48,659,337**	**1,192,269**	**(42,773,120)**	**-**	**7,078,486**
Total comprehensive loss for the period:					
Loss for the period	-	-	(846,950)	(320,613)	(1,167,563)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	(846,950)	(320,613)	(1,167,563)
Transactions with members recorded directly in equity:					
Contributions by members (net of costs)	441,843	-	-	2,134,978	2,576,821
Share based payments	361,088	-	-	-	361,088
Balance at 30 June 2017	**49,462,268**	**1,192,269**	**(43,620,070)**	**1,814,365**	**8,848,832**
Balance at 1 January 2018	**49,462,268**	**1,192,269**	**(43,860,729)**	**212,558**	**7,006,366**
Total comprehensive loss for the period:					
Profit / (loss) for the period	-	-	3,276,993	(206,152)	3,070,841
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	3,276,993	(206,152)	3,070,841
Transactions with members recorded directly in equity:					
Return of capital	(4,410,847)	-	-	-	(4,410,847)
Non-controlling interest on disposal of subsidiary	-	-	-	(6,406)	(6,406)
Balance at 30 June 2018	**45,051,421**	**1,192,269**	**(40,583,736)**	**-**	**5,659,954**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	NOTE	30 June 2018 €	30 June 2017 €
Cash flows from operating activities			
Payments to suppliers and employees		(729,102)	(180,769)
Interest received		81	69
Interest paid		-	(10,080)
Net operating cash flows used in discontinued operations	**5**	(164,730)	(1,205,473)
Net cash used in operating activities		(893,751)	(1,396,253)
Cash flows from investing activities			
Payments for non-producing property plant and equipment		(3,700)	-
Receipts for resource property costs from joint operations partners		1,613,498	-
Payments for resource property costs and production plant and equipment		(2,024,103)	(92,982)
Net investing cash flows used in discontinued operations	**5**	(927,652)	(213,281)
Net cash used in investing activities		(1,341,957)	(306,263)
Cash flows from financing activities			
Proceeds from issues of shares		-	444,377
Transaction costs relating to issue of shares		-	(2,534)
Proceeds from borrowings		551,811	93,096
Proceeds from convertible notes		1,580,039	-
Net financing cash flows provided by discontinued operations	**5**	726,985	1,773,525
Net cash provided by financing activities		2,858,835	2,308,464
Net increase in cash and cash equivalents		623,127	605,948
Cash and cash equivalents at 1 January		390,114	166,459
Cash and cash equivalents at 30 June		1,013,241	772,407

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 REPORTING ENTITY

Po Valley Energy Limited ("the **Company**" or "**PVE**") is a company domiciled in Australia. The consolidated interim financial report for the six-month period ended 30 June 2018 comprises the Company and its interests in subsidiaries, associates and jointly controlled entities and operations (together referred to as the "Group").

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

The consolidated annual financial report of the Group as at and for the year ended 31 December 2017 is available upon request from the Company's registered office at Suite 8, 7 The Esplanade, Mt. Pleasant WA 6153 or at www.povalley.com.

1.2 BASIS OF PREPARATION

(a) STATEMENT OF COMPLIANCE

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

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2017. They do not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 31 December 2017 and with any public announcements made by Po Valley Energy Limited during the half-year ended 30 June 2018.

The consolidated interim financial report was approved by the Board of Directors on 13 September 2018.

(b) BASIS OF MEASUREMENT

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

(c) GOING CONCERN

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

(d) FUNCTIONAL AND PRESENTATION CURRENCY

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

(e) USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on complex or subjective judgments and past experience of other assumptions deemed reasonable in consideration of the information available at the time and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-current assets
Assets are impaired when there are events or changes in circumstances that indicate the carrying values of the assets are not recoverable. The ultimate recoupment of the value of resource property costs and property plant and equipment is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying properties. The Group undertakes at least on an annual basis, a comprehensive review for indicators of impairment of these assets. Should an impairment indicator exist, the Cash Generating Unit is tested for impairment. There is significant estimation involved in determining the inputs and assumptions used in determining the recoverability amounts.

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

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

The estimated value in use is based on the present values of expected future cash flows net of disposal costs. The expected future cash flows used for impairment analyses are based on judgmental assessments of future production volumes, prices and costs, considering available information at the date of review and are discounted by using a rate that considers the risks specific to the asset.

The pre-tax discount rate used for impairment purposes is 12.7% and which reflects the current market valuation of the time value of money and of the specific risks of the asset not reflected in the estimate of the future cash flows.

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

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

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

Reserve estimates

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

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

Recognition of deferred tax assets

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

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

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

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

1.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in the consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017.

a) New and amended standards adopted by the group

AASB9 *Financial Instruments* and AASB15 *Revenue from Contracts with Customers* became applicable to the current reporting period. The adoption of these standards did not require any restatement of prior year comparatives as the application of these standards did not have a material impact on the financial report.

NOTE 2: PROFIT AND LOSS INFORMATION

Expenses relating to discontinued operations are included in the net gain from those operations (refer note 5) whereas in the comparative period, these costs were included in the expense categories as reported on the face of the statement of profit or loss and other comprehensive income.

For continuing operations in the period to June 2018, there were increased professional fees, employee costs and general corporate costs incurred as compared to the prior period. This includes costs relating to the finalisation of the restructuring of the group which are non-reoccurring.

Management continues in its effort in reducing general and administrative costs.

Impairment loss of €816,426 relates to the fair value adjustment of the Company's shareholding in Coro Energy Plc at the date of distribution of the shares to the Company shareholders (refer note 5).

NOTE 3: INCOME TAX EXPENSE

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

	30 June 2018	**30 June 2017**
	€	**€**
Profit / (loss) for the year before tax	3,070,841	(1,167,563)
Income tax expensed / (benefit) using the Company's domestic tax rate of 27.5 % (2017: 30%)	844,481	(350,270)
Effect of tax rates in foreign jurisdictions	8,047	105,055
Current year losses and temporary differences for which no deferred tax asset was recognised	489,072	346,747
Other non-deductible expenses / (income)	(1,341,600)	(101,532)
Income tax expense / (benefit)	-	-

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

Deferred tax assets have been recognised in respect of tax losses and temporary differences based on management assessment that future taxable profit will be available against which the Group can utilise the benefits therefrom. Deferred tax assets amounting to €603,595 (December 2017: €2,598,509) have been recognised in relation to Italian subsidiaries available tax losses and temporary differences.

NOTE 4: EARNINGS PER SHARE

	30 June 2018	30 June 2017
Basic and diluted earnings / (loss) per share (€ cents) from continuing operations	(0.23)	(0.05)
Basic and diluted earnings / (loss) per share (€ cents) from discontinued operations	0.78	(0.10)

The calculation of basic and diluted loss per share from continuing operations was based on the loss attributable to members of €1,335,619 (2017 Loss: €846,950) and a weighted average number of ordinary shares outstanding during the half year of 593,260,128 (2017: 578,154,914).

The calculation of basic and diluted earnings per share from discontinued operations was based on the profit attributable to members of €4,612,612 and a weighted average number of ordinary shares outstanding during the half year of 593,260,128 (2017: 578,154,914).

NOTE 5: DISCONTINUED OPERATIONS

During the period, PVE completed the restructuring and spin off of its subsidiary Saffron Energy Plc, now Coro Energy Plc ("**Coro**"). On 9th April 2018, Coro acquired Sound Energy Italy and completed a GBP14 million capital raise, thereby diluting the Company's 100m shareholding in Coro to 13.92%, and with no members on the Board of Coro, this has resulted in deconsolidation of Coro from the Group results. An effective date for accounting purposes of 31 March 2018 has been used for the deconsolidation given the level of operating transactions between this date and 9th April 2018 were immaterial.

	30 June 2018 €	31 December 2017 €
Net assets of discontinued operation at the date of loss of control		
The carrying amount of assets and liabilities as at the date of deconsolidation were:		
Cash and cash equivalents	496,589	365,397
Trade and other receivables	1,696,458	663,560
Inventory	252,034	252,034
Other non-current assets	79,685	72,453
Deferred tax assets	1,994,913	1,994,913
Property plant and equipment	2,097,515	2,148,200
Resource property costs	2,404,528	2,271,285
Trade and other payables	(3,100,666)	(2,100,238)
Provisions – current	(37,510)	(37,510)
Provisions – non-current	(4,827,080)	(4,802,874)
Net assets of discontinued operation	1,056,466	827,220

NOTE 5: DISCONTINUED OPERATIONS

	30 June 2018 €	30 June 2017 €
Financial performance from discontinued operation		
The financial performance presented for the 3 months ended 31 March 2018 was as follows:		
Revenue	584,676	560,040
Operating expenses	(207,589)	(307,087)
Depreciation and amortisation expense	(55,784)	(102,528)
Gross profit	321,303	150,425
Other income	3,927	6,888
Administrative and corporate expenses	(664,230)	(959,107)
Net finance costs	(73,303)	(114,245)
Loss from discontinued operations	(412,303)	(916,039)
Gain on deconsolidation of discontinued operations	4,818,763	-
Profit / (loss) from discontinued operations	4,406,460	(916,039)
Profit / (loss) attributable to members of the Company	4,612,612	(595,426)
Profit / (loss) attributable to Non-controlling interests	(206,152)	(320,613)
Net profit from discontinued operations	4,406,460	(916,039)

	30 June 2018 €	30 June 2017 €
Cash flows from discontinued operation		
The net cash flows from discontinued operations were as follows:		
Net cash used in operations	(164,730)	(1,205,473)
Net cash used in investing activities	(431,063)	(213,281)
Net cash and cash equivalents disposed of	(496,589)	-
Net cash provided by financing activities	726,985	1,773,525
	(365,397)	**354,771**

The Company obtained shareholder approval to distribute the 100m shares it held in Coro to shareholders as a return of capital. Shareholders received 1 Coro share for every 5.9 shares held in PVE. The fair value of the distribution was determined as the closing market price of the Coro shares on the record date for distribution. The Coro share price on that date was €0.0441 (GBP0.03875) per share. The total value of the distribution to shareholders was €4,410,847. The decrease in value of shares held at the record date for distribution has been recognised as an impairment of €816,426 in the statement of profit and loss and other comprehensive income.

NOTE 6: TRADE AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
	€	€
Trade receivables	183,819	1,243,696
Accrued gas sales	-	158,507
Indirect taxes receivable	461,204	819,817
Other receivables	6,354	70,704
Trade and other receivables	**651,377**	**2,292,724**

NOTE 7: PROPERTY, PLANT & EQUIPMENT

	30 June 2018	31 December 2017
	€	€
Office Furniture & Equipment:		
At cost	24,576	221,843
Accumulated depreciation	(10,441)	(203,585)
	14,135	18,258
Gas producing plant and equipment		
At cost	-	8,509,086
Accumulated depreciation	-	(6,368,475)
	-	2,140,611
	14,135	2,158,859

	30 June 2018	31 December 2017
	€	€
Reconciliations:		
Reconciliation of the carrying amounts for each class of Plant & equipment are set out below:		
Office Furniture & Equipment:		
Carrying amount at beginning of period	18,258	21,941
Additions	3,700	4,325
Depreciation expense	(234)	(1,996)
Depreciation expenses discontinued operations	(1,057)	(6,012)
Assets relating to discontinued operations (refer note 5)	(6,532)	-
Carrying amount at end of period	14,135	18,258
Gas Producing plant and equipment:		
Carrying amount at beginning of period	2,140,611	2,325,663
Additions	-	5,889
Depreciation expense discontinued operations	(49,628)	(119,998)
Impairment losses	-	(70,943)
Assets relating to discontinued operations (refer note 5)	(2,090,983)	-
Carrying amount at end of period	-	2,140,611
	14,135	2,158,869

NOTE 8: RESOURCE PROPERTY COSTS

	30 June 2018 €	31 December 2017 €
Resource Property costs		
Exploration Phase	7,212,105	9,182,411
Production Phase	-	159,390
	7,212,105	9,341,801

	30 June 2018 €	31 December 2017 €
Reconciliation of carrying amount of resource properties		
Exploration Phase		
Carrying amount at beginning of period	9,182,411	8,383,017
Exploration expenditure	594,242	1,466,203
Transfer to Production phase	-	(2,524,310)
Adjustment from reorganisation	-	(506,547)
Change in estimate of rehabilitation assets	-	(131,699)
Impairment losses	-	(767,914)
Reversal of prior impairment losses	-	3,263,661
Reclassed as available for sale	(450,653)	-
Assets relating to discontinued operations (refer note 5)	(2,113,895)	-
Carrying amount at end of period	7,212,105	9,182,411

Resource property costs in the exploration and evaluation phase have not yet reached a stage which permits a reasonable assessment of the existence of, or otherwise, economically recoverable reserves. The ultimate recoupment of resource property costs in the exploration phase is dependent upon the successful development and exploitation, or alternatively sale, of the respective areas of interest at an amount greater than or equal to the carrying value.

The Company entered into a sale and purchase agreement in September 2017 to sell its 85% interest in the fully awarded oil exploration licence, Cadelbosco di Sopra, and 100% of the immediately adjoining small oil exploration licence, Grattasasso, to a private oil and gas company backed by a private equity fund in London. Consideration for the licences will be €1,130,000. Completion of the transaction is subject to final approval by the Italian Ministry of Economic Development which is anticipated by the end of September 2018. The carrying value of these assets of €450,653 have been reclassed to current assets as assets available for sale.

	30 June 2018	31 December 2017
Production Phase	€	€
Carrying amount at beginning of period	159,390	599,173
Additions for discontinued operations	137,400	782,529
Transfer from exploration	-	2,524,310
Change in estimate of rehabilitation assets	-	(86,106)
Amortisation of producing assets in discontinued operations	(6,157)	(136,472)
Impairment loss	-	(3,524,044)
Assets relating to discontinued operations (refer note 5)	(290,633)	-
Carrying amount at end of period	-	159,390

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

NOTE 9: PROVISIONS

	30 June 2018 €	31 December 2017 €
Current:		
Employee leave entitlements	2,697	58,270
Non Current:		
Restoration provision	-	4,802,873
Reconciliation of restoration provision:		
Opening balance	4,802,873	4,961,907
(Decrease) / Increase in provision due to revised estimates	-	(217,805)
Increase in provision from unwind of discount rate	24,207	58,771
Provisions relating to discontinued operations (refer note 5)	(4,827,080)	-
Closing balance	-	4,802,873

NOTE 10: INTEREST BEARING LIABILITIES

	30 June 2018 €	31 December 2017 €
Current liabilities		
Loans	1,051,314	526,892
	1,051,314	526,892

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

				30 June 2018		31 December 2017	
	Currency	Nominal Interest rate	Year of maturity	Face value €	Carrying Amount €	Face value €	Carrying Amount €
Unsecured loans	AUD	10%	2018	1,051,314	1,051,314	526,892	526,892

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

NOTE 11: ISSUED CAPITAL

	30 June 2018 Number	30 June 2018 €	31 December 2017 Number	31 December 2017 €
Issued Capital				
Opening balance - 1 January / 1 July	593,260,128	49,462,268	550,378,091	48,659,337
Shares issued during the year:				
Placement issue on 5 April 2017	-	-	9,818,182	192,471
Settlement of short term loans by issue of shares on 5 April 2017	-	-	4,708,784	90,528
Placement issue on 7 June 2017	-	-	13,818,181	251,906
Settlement of short term loans by issue of share on 7 June 2017	-	-	14,536,890	270,560
Return of capital	-	(4,410,847)	-	-
Share issue costs	-	-	-	(2,534)
Closing balance – 30 June / 31 December	593,260,128	45,051,421	593,260,128	49,462,268

All ordinary shares are fully paid and carry one vote per share and the right to dividends. In the event of winding up the Company, ordinary shareholders rank after creditors. Ordinary shares have no par value.
No dividends were paid or declared during the current period (no dividends were paid at December 2017).

Following shareholder approval, the Company distributed 100m shares held in Coro Energy Plc to its shareholders as a final completion of the restructuring and spin off of Coro Energy Plc.

NOTE 12: CONVERTIBLE NOTES

During the period, the Company issued convertible notes equivalent to A$2,500,000 (€1,583,975).

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

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

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

Redemption of the notes occurs on:

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

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

NOTE 13: RELATED PARTIES

The Company obtained financing through a streamlined facility provided by existing and former Directors of the Company. The facility agreement has been reached with entities associated with Bryon Pirola and Kevin Baily (Directors) and Graham Bradley (former Director).

Related Party	Loan Amount 30 June 2018	Loan Amount 31 December 2017	Interest	Repayment Term
Beronia Investments Pty Ltd	A$236,181	A$236,181	10% p.a.	12 months
Beronia Investments Pty Ltd	A$459,696	A$227,238	10% p.a.	6 months
Beronia Investments Pty Ltd	A$395,000	-	10% p.a.	6 months
Kevin Bailey	A$227,305	A$227,305	10% p.a.	12 months
Fuiloro Pty Ltd	A$6,191	A$6,191	10% p.a.	12 months
Fuiloro Pty Ltd	A$240,000	-	10% p.a.	6 months
G.J. Bradley	A$94,927	A$94,927	10% p.a.	12 months

NOTE 14: SUBSEQUENT EVENTS

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

DIRECTORS' DECLARATION

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

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

   (a) giving a true and fair view of financial position of the Group as at 30 June 2018 and of its performance for the six-month period ended on that date; and

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

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

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

Michael Masterman
Chairman and Chief Executive Officer

Kevin Bailey
Non-Executive Director

13 September 2018
Sydney, NSW, Australia

Bentleys
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PO Valley Energy Limited
ABN: 33 087 741 571

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

Report on the half-year financial report

We have reviewed the accompanying half year financial report of Po Valley Energy Limited (the company) and its Controlled Entities ("the Group") which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, selected explanatory notes and the directors' declaration for the Group, comprising both the company and the entities it controlled during that half year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Po Valley Energy Limited, would be in the same terms if provided to directors as at the time of this auditor's review report.

Conclusion

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

a. Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Bentleys NSW Audit Pty Ltd

Robert Evett
Director
Sydney

BENTLEYS NSW AUDIT PTY LTD
Chartered Accountant

Date: 13 September 2018