PO VALLEY ENERGY LIMITED

A.B.N. 33 087 741 571

INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2019

PO VALLEY ENERGY LIMITED

DIRECTORS' REPORT

The Directors present their report together with the interim financial report for the half-year ended 30 June 2019 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:

- Kevin Hart

Principal Activities

The principal continuing activities of the Group in the course of the half year were:
- The exploration for gas and oil in the Po Valley region of northern Italy
- Appraisal and development of gas and oil fields in that footprint

Review and results of operations

The loss attributable to members of the Company was €838,787 (30 June 2018 profit: €3,276,993).

PVE remains a northern Italy focused energy development and exploration company with a more streamlined focus on four 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, and
- The expanded Ravizza and Bagnolo oil reservoirs and extentions.

Subsequent to the period end, the Company announced a private placement of A$1.4 million. The first tranche of the placement was completed in August 2019 with receipt of A$800,000 from sophisticated investors. The second tranche relates to director participation and is subject to shareholder approval at the upcoming extraordinary general meeting. Proceeds from the placement will be used towards the continued development of the Company's assets.

Selva Gas Field (63% PVE)

Selva advanced significantly during the period with addition of significant additional 2C and 2P resources to the existing reserves in the production concession application area and importantly good progress with the environmental approval process.

Po Valley was formally granted the Selva Malvezzi preliminary gas Production Concession (80.68km²) by the Italian Ministry for the Economic Development. EIA study was officially submitted to competent authorities on April 19th and officially illustrated to the Ministry of Environment on July 11th. Following concession preliminary award, Reserves of 13.3bcf (2P) were certified (refer ASX announcement 8 February 2019) and new Contingent Resources in the Selva North and South Flank of 14.1bcf (2C) have been added (refer ASX announcement 26 April 2019).

With the benefit of the successful Podere Maiar well, and access to well and seismic data, the East Selva field's chance of success has been increased to 40% and a new large prospective resource for the Riccardina structure added, taking this concession's total Prospective Resources (best) to 91.5bcf (Refer ASX announcement 26 April 2019).

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

Teodorico Offshore Gas field development (100% PVE)

Teodorico also advanced through the regulatory approval process following grant of primary environmental approval. Key related EIA approval documentation has now been submitted and Po Valley expects to complete the regulatory approval process in the December quarter or early in 2020.

The Teodorico gas field is located in shallow waters (30m) of the northern Adriatic Sea – the primary source of domestic gas production for much of Italy – and in close proximity to existing east coast offshore gas production facilities.

Teodorico has the largest gas-in-place of all of Po Valley's gas fields and is at an advanced stage of assessment, ready for development.

The Company has already received a preliminary award for the Teodorico Production Concession.

In the 2019 March quarter, Teodorico was granted the primary environmental approval. Additional requests from the Ministry for specific plans for water treatment and decommissioning have been submitted. Po Valley hopes to complete the EIA process and obtain remaining environmental approval in 4Q 2019 or early 2020.

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

The PVE team, with independent third party assessment and validation from French consultancy CGG, has announced a Maiden Prospective Resource of 106 million barrels recoverable (best estimate) from an OOIP of 312 million barrels (refer ASX announcement 26 April 2019).

The evaluation highlighted a large and clearly structurally closed faulted ramp anticline feature structurally and geologically similar to the already discovered Villafortuna oil field in northern Italy's Po valley plain area (in excess of 300 MMbbls oil already produced). The presence of an active petroleum system is demonstrated by the oil shows in the nearby Sarsina-1 well drilled downdip from Po Valley's Torre del Moro prospect. Further work is underway to progressively de-risk this large-scale exploration prospect and identify the best well location in order to finalize a drilling program

Ravizza, Bagnolo in Piano, and Bagnolo SW Exploration (100% PVE)

The significant upgrade in the estimated 2C resources in Bagnolo in Piano (Cadelbosco exploration licence) and Ravizza (Grattasasso exploration licence) oil discoveries from 5.6 million and 4.4 million barrels respectively to 27.3 million and 16.1 million barrels (as independently assessed and validated by French consultancy CGG), flows from fresh seismic revision and geological evaluation work. This enhanced structure volumes and recovery factors, increases derived from the use of horizontal development wells (extensively drilled in these kind of reservoirs). In addition, available data of similar oil fields such as Cavone and Villafortuna were utilised (refer ASX announcement 26 April 2019).

In addition to these Contingent Resources estimates, a maiden Prospective Resource of 54.5 million barrels (best estimate) has been defined in the Bagnolo SW prospect (Torre del Moro exploration licence), being a geological/structural south-western extension of the Bagnolo in Piano oil discovery (refer ASX announcement 26 April 2019).

The next stage in the evaluation of the two oil fields will be to develop a horizontal drilling program for the development of Bagnolo discovery contingent resource, the largest and most prospective of the two fields. The extensive data available will be employed to prepare an estimated production profile.

Strategy

The Company's priority is very focused on bringing the low cost Selva and Teodorico fields into gas production. The size and scale of Torre del Moro and Ravizza / Bagnolo in Piano, warrant initiatives to de-risk and prioritise the projects and design drilling programs. PVE's focus and progress is continuing to yield significant results.

While the current Italian regulatory environment remains challenging, the Italian Ministry has confirmed that recent government amendments to energy policy will not affect the approval processes for Selva and Teodorico, both of which continue to progress through the normal approval procedures. Gas remains a critical transition fuel in Italy's move to greater renewables and the development and employment generation from the Company's two advanced projects enjoy good local support.

The fields and prospects in granted exploration licences (Torre del Moro, Bagnolo in Piano, and Ravizza) are covered under the Italian Government's Plan of Areas Program. Under this program, the timeframe for field activities such as drilling and related approvals is suspended to between July 2020 and January 2021 (18-24 months from the date of Ministerial decree in February 2019) as the Ministry conducts an environmental clearance program. This aligns with the Company's technical advancement program on Torre del Moro, Bagnolo in Piano, and Ravizza, allowing Po Valley to advance and prioritise low cost geological and geophysical evaluation, and to advance drilling location selection and prepare drilling programs over a prudent timeframe. PVE's drilling programs have very small footprints and are designed to the highest environmental and safety standards. While the Company is confident that the areas in which it operates should clear the environmental clearance process, there is always a risk of delay or non-clearance.

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 5 and forms part of the Directors' report for the half-year ended 30 June 2019.

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

Michael Masterman
Chairman and Chief Executive Officer

13 September 2019
Sydney, NSW Australia

Bentleys
THINKING AHEAD

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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 2019, 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 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	NOTE	30 June 2019 €	31 December 2018 €
Current Assets			
Cash and cash equivalents		32,925	515,604
Trade and other receivables	**6**	356,513	499,780
Total current assets		**389,438**	**1,015,384**
Non-Current Assets			
Other assets		17,578	27,455
Deferred tax assets	**3**	744,040	744,040
Property, plant & equipment	**7**	125,369	9,602
Resource property costs	**8**	7,792,041	7,704,644
Total non-current assets		**8,679,028**	**8,485,741**
Total assets		**9,068,466**	**9,501,125**
Liability and equity			
Current Liabilities			
Trade and other payables		1,066,913	1,122,845
Provisions		382	2,756
Borrowings	**10**	-	1,201,258
Total current liabilities		**1,067,295**	**2,326,859**
Non-Current Liabilities			
Trade and other payables		79,903	-
Convertible notes	**12**	1,543,075	1,531,250
Borrowings	**10**	1,318,028	-
Total non-current liabilities		**2,941,006**	**1,531,250**
Total Liabilities		**4,008,301**	**3,858,109**
Equity			
Issued capital	**11**	45,791,501	45,531,416
Reserves		1,192,269	1,192,269
Accumulated losses		(41,923,605)	(41,080,669)
Total equity		**5,060,165**	**5,643,016**
Total equity and liabilities		**9,068,466**	**9,501,125**

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 2019

	NOTE	30 June 2019 €	30 June 2018 €
Continuing Operations			
Other income		1,124	161,552
Employee benefits		(309,249)	(235,827)
Depreciation expense		(20,850)	(234)
Corporate overheads		(381,484)	(396,282)
Impairment		-	(816,426)
Exploration costs expensed		(1,500)	(544)
Loss from operating activities	**2**	(711,959)	(1,287,761)
Finance income		126	81
Finance expense		(126,954)	(47,939)
Net finance expense		(126,828)	(47,858)
Loss before income tax expense		(838,787)	(1,335,619)
Income tax (expense) / benefit	**3**	-	-
Loss for the period from continuing operations		(838,787)	(1,335,619)
Discontinued Operations			
Profit / (loss) for the period from discontinued operations	**5**	-	4,406,460
Profit / (loss) for the period		(838,787)	3,070,841
Other comprehensive income		-	-
Total comprehensive income / (loss) for the period		(838,787)	3,070,841
Profit / (loss) attributable to:			
Members of the Company		(838,787)	3,276,993
Non-controlling interests		-	(206,152)
Profit / (loss) for the period		(838,787)	3,070,841
Total comprehensive income / (loss) attributable to:			
Members of the Company		(838,787)	3,276,993
Non-controlling interests		-	(206,152)
Total comprehensive income / (loss) for the period		(838,787)	3,070,841
Basic and diluted earnings / (loss) per share (€) from continuing operations	**4**	**(0.14) cents**	**(0.23) cents**
Basic and diluted earnings / (loss) per share (€) from discontinued operations	**4**	**-**	**0.78 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 2019

	Attributable to equity holders of the Company				
	Share capital €	Translation Reserve €	Accumulated Losses €	Non-controlling Interests €	Total €
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**
Balance at 1 January 2019	**45,531,416**	**1,192,269**	**(41,080,669)**	**-**	**5,643,016**
Adjustment from adoption of AASB16	-	-	(4,149)	-	(4,149)
Adjusted balance at 1 January 2019	**45,531,416**	**1,192,269**	**(41,084,818)**	**-**	**5,638,867**
Total comprehensive loss for the period:					
Loss for the period	-	-	(838,787)	-	(838,787)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	(838,787)	-	(838,787)
Transactions with members recorded directly in equity:					
Issue of shares (net of costs)	260,085	-	-	-	260,085
Balance at 30 June 2019	**45,791,501**	**1,192,269**	**(41,923,605)**	**-**	**5,060,165**

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 2019

	NOTE	30 June 2019 €	30 June 2018 €
Cash flows from operating activities			
Payments to suppliers and employees		(502,941)	(729,102)
Interest received		126	81
Interest paid		(25,017)	-
Net operating cash flows used in discontinued operations	**5**	-	(164,730)
Net cash used in operating activities		(527,832)	(893,751)
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		(128,576)	(2,024,103)
Net investing cash flows used in discontinued operations	**5**	-	(927,652)
Net cash used in investing activities		(128,576)	(1,341,957)
Cash flows from financing activities			
Proceeds from issues of shares (net of issue costs)		81,144	-
Transaction costs relating to issue of shares		-	-
Proceeds from borrowings		92,585	551,811
Proceeds from convertible notes		-	1,580,039
Net financing cash flows provided by discontinued operations	**5**	-	726,985
Net cash provided by financing activities		173,729	2,858,835
Net increase in cash and cash equivalents		(482,679)	623,127
Cash and cash equivalents at 1 January		515,604	390,114
Cash and cash equivalents at 30 June		32,925	1,013,241

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 2019 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 2018 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 2018. 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 2018 and with any public announcements made by Po Valley Energy Limited during the half-year ended 30 June 2019.

The consolidated interim financial report was approved by the Board of Directors on 13 September 2019.

(b) BASIS OF MEASUREMENT

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

(c) GOING CONCERN

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the period ended 30 June 2019, the Group has recorded a loss after tax from continuing operations of €838,787; it has a cash balance of €32,925 net current liabilities of €677,857 and had net cash outflows from continuing operations of €527,832.

The Directors are currently reviewing a range of financing options which may include the further issue of new equity, convertible debt, sale of operating or non-operating interests in assets or a combination of these and other funding instruments and options. Subsequent to 30 June 2019, the Company completed a placement of A$1.4 million. The Directors have reviewed the Group's cashflow requirements for the 15 months ended 30 September 2020 and are of the opinion that sufficient funds will be available in order to meet its ongoing obligations.

Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

(d) FUNCTIONAL AND PRESENTATION CURRENCY

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

(e) USE OF ESTIMATES AND JUDGEMENTS

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

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

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

Impairment of non-current assets
The ultimate recoupment of the value of resource property costs and property plant and equipment is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying properties. The Group undertakes at least on an annual basis, a comprehensive review for indicators of impairment of these assets. Should an impairment indicator exist, the area of interest or CGU is tested for impairment. There is significant estimation involved in determining the inputs and assumptions used in determining the 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 post-tax discount rate used for impairment purposes is 10%.

Rehabilitation provisions
The value of these provisions represents the discounted value of the present obligations to restore, dismantle and rehabilitate each well site. Significant estimation is required in determining the provisions for rehabilitation and closure as there are many transactions and other factors that will affect ultimate costs

necessary to rehabilitate the sites. The discounted value reflects a combination of management's best estimate of the cost of performing the work required, the timing of the cash flows and the discount rate.
A change in any, or a combination of, the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions. The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at that time. Changes to the estimated future costs for operating sites are recognised in the balance sheet 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

a) New and amended standards adopted by the group

AASB16 *Leases* became applicable to the current reporting period. AASB16 Leases replaced AASB117 *Leases*, IFRIC 4 *'Determining whether an Arrangement contains a Lease'*, SIC 15 *'Operating Leases-Incentives'* and SIC 27 *'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'*.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

At the date of initial application, the Group has elected to apply AASB16 to contracts that were previously identified as leases under the definition of a lease from AASB117 and IFRIC 4 and has not applied AASB 16 to arrangements that were previously not identified as leases under AASB117 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.
Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under AASB117 immediately before the date of initial application.

On transition to AASB16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB16 was 1.83%. The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	€
Total operating lease commitments at 31 December 2018	147,408
Recognition exemptions:	
- Leases of low value assets / with remaining lease of less than 12 months	(833)
Operating lease liabilities before discounting	146,575
Discounting using incremental borrowing rate	(5,809)
Operating lease liabilities recognised under AASB16 at 1 January 2019	**140,766**

b) 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 2018 except for the effects of applying AASB 16.

Leases
As described in Note 1.3(a), the Group has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 117 and IFRIC 4.

Accounting policy applicable from 1 January 2019
The Group as a lessee
For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use.

The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee
At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in trade and other payables.

The Group as a lessee - Finance leases
Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

The group depreciates assets held under finance leases on a straight-line basis over the useful lives of the asset. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases
All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

NOTE 2: PROFIT AND LOSS INFORMATION

Loss for the half-year includes the following items:

	30 June 2019	30 June 2018
	€	€
Professional fees	262,870	218,143
Company administration and compliance	63,396	43,181
Travel costs	29,508	45,832

Costs in the half year include the streamline of functioning of the group including reviewing financing options. This has resulted in some additional costs incurred for the period. Management continues in its effort in reducing general and administrative costs.

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 2019	30 June 2018
	€	€
Profit / (loss) for the year before tax	(838,787)	3,070,841
Income tax expensed / (benefit) using the Company's domestic tax rate of 27.5 % (2018: 27.5%)	(230,666)	844,481
Effect of tax rates in foreign jurisdictions	15,160	8,047
Current year losses and temporary differences for which no deferred tax asset was recognised	215,506	489,072
Other non-deductible expenses / (income)	-	(1,341,600)
Income tax expense / (benefit)	-	-

NOTE 3: INCOME TAX EXPENSE (continued)

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 €744,040 (December 2018: €744,040) have been recognised in relation to Italian subsidiaries available tax losses and temporary differences.

NOTE 4: EARNINGS PER SHARE

	30 June 2019	30 June 2018
Basic and diluted earnings / (loss) per share (€ cents) from continuing operations	(0.14)	(0.23)
Basic and diluted earnings / (loss) per share (€ cents) from discontinued operations	-	0.78

The calculation of basic and diluted loss per share from continuing operations was based on the loss attributable to members of €838,787 (2018 Loss: €1,335,619) and a weighted average number of ordinary shares outstanding during the half year of 613,632,661 (2018: 593,260,128).
The calculation of basic and diluted earnings per share from discontinued operations for 2018 was based on the profit attributable to members of €4,612,612 and a weighted average number of ordinary shares outstanding at 30 June 2018 of 593,260,128. There was no profit or loss from discontinued operations in the current half year to 30 June 2019.

NOTE 5: DISCONTINUED OPERATIONS

In the prior 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.

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

NOTE 5: DISCONTINUED OPERATIONS (continued)

	30 June 2018
Financial performance from discontinued operation	
The financial performance presented for the 3 months ended 31 March 2018 was as follows:	€
Revenue	584,676
Operating expenses	(207,589)
Depreciation and amortisation expense	(55,784)
Gross profit	321,303
Other income	3,927
Administrative and corporate expenses	(664,230)
Net finance costs	(73,303)
Loss from discontinued operations	(412,303)
Gain on deconsolidation of discontinued operations	4,818,763
Profit / (loss) from discontinued operations	4,406,460
Profit / (loss) attributable to members of the Company	4,612,612
Profit / (loss) attributable to Non-controlling interests	(206,152)
Net profit from discontinued operations	4,406,460

	30 June 2018 €
Cash flows from discontinued operation	
The net cash flows from discontinued operations were as follows:	
Net cash used in operations	(164,730)
Net cash used in investing activities	(431,063)
Net cash and cash equivalents disposed of	(496,589)
Net cash provided by financing activities	726,985
	(365,397)

In 2018, the Company distributed 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 2019	31 December 2018
	€	€
Trade receivables	191,682	205,605
Indirect taxes receivable	152,146	289,732
Other receivables	12,685	4,443
Trade and other receivables	**356,513**	**499,780**

NOTE 7: PROPERTY, PLANT & EQUIPMENT

	30 June 2019	31 December 2018
	€	€
Office Furniture & Equipment:		
At cost	24,576	24,576
Accumulated depreciation	(15,831)	(14,974)
	8,745	9,602
Right-of-use assets:		
Buildings	136,617	-
Accumulated depreciation	(19,993)	-
	116,624	
Carrying amount at end of period	125,369	9,602

	30 June 2019	31 December 2018
	€	€
Reconciliations:		
Property plant and equipment:		
Carrying amount at beginning of period	9,602	18,258
Adjustment on transition to AASB 16 right-of-use assets	136,617	-
Additions	-	-
Depreciation expense	(20,850)	(1,067)
Depreciation expenses discontinued operations	-	(1,057)
Assets relating to discontinued operations (refer note 5)	-	(6,532)
Carrying amount at end of period	125,369	9,602
Gas Producing plant and equipment:		
Carrying amount at beginning of period	-	2,140,611
Additions	-	-
Depreciation expense discontinued operations	-	(49,628)
Assets relating to discontinued operations (refer note 5)	-	(2,090,983)
Carrying amount at end of period	-	-
	125,369	9,602

NOTE 8: RESOURCE PROPERTY COSTS

	30 June 2019 €	31 December 2018 €
Resource Property costs		
Exploration Phase	7,792,041	7,704,644
	7,792,041	7,704,644

Reconciliation of carrying amount of resource properties		
Exploration Phase		
Carrying amount at beginning of period	7,704,644	9,182,411
Exploration expenditure	87,397	636,128
Assets relating to discontinued operations (refer note 5)	-	(2,113,895)
Carrying amount at end of period	7,792,041	7,704,644

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.

NOTE 9: LEASING

Lease liabilities are presented in the statement of financial position within trade and other payables as follows:

	30 June 2019 €	31 December 2018 €
Lease liabilities (current)	40,334	-
Lease liabilities (non-current)	79,903	-

The Group has a lease for the main operation office in Rome Italy. Future minimum lease payments at 30 June 2019 were as follows:

	Within one year	One to five years	After five years	Total
Lease payments	42,536	82,225	-	124,761
Finance charges	(2,202)	(2,322)	-	(4,524)
Net present values	40,334	79,903	-	120,237

Lease payments not recognised as a liability
The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expense relating to payments not included in the measurement of lease liability for the period to 30 June 2019 was €522.

NOTE 10: INTEREST BEARING LIABILITIES

	30 June 2019	31 December 2018
	€	€
Current liabilities		
Loans	-	1,201,258
Non-current liabilities		
Loans	1,318,028	-
	1,318,028	1,201,258

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

				30 June 2019		31 December 2018	
	Currency	Nominal Interest rate	Year of maturity	Face value €	Carrying Amount €	Face value €	Carrying Amount €
Unsecured loans	AUD	10%	2020	1,318,028	1,318,028	1,201,258	1,201,258

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 18 months and an interest rate of 10%.

NOTE 11: ISSUED CAPITAL

	30 June 2019 Number	30 June 2019 €	31 December 2018 Number	31 December 2018 €
Issued Capital				
Opening balance - 1 January / 1 July	611,736,318	45,531,416	593,260,128	49,462,268
Shares issued during the year:				
Placement issue on 21 May 2019	10,095,237	262,337		
Placement issue on 21 December 2018	-	-	18,476,190	483,009
Return of capital	-	-	-	(4,410,847)
Share issue costs	-	(2,252)	-	(3,014)
Closing balance – 30 June / 31 December	621,831,555	45,791,501	611,736,318	45,531,416

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 2018).

NOTE 12: CONVERTIBLE NOTES

The Company has on issue convertible notes equivalent to A$2,500,000 (€1,543,075).

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).

30 June 2019:

Related Party	Loan Amount	Interest	Term
Beronia Investments Pty Ltd	A$1,347,630	10% p.a.	18 months
Kevin Bailey	A$364,172	10% p.a.	18 months
Fuiloro Pty Ltd	A$167,419	10% p.a.	18 months
G. Bradley	A$126,736	10% p.a.	18 months
K & G Bailey as trustee for The Bailey Family Trust	A$106,055	10% p.a.	18 months

NOTE 13: RELATED PARTIES

31 December 2018:

Related Party	Loan Amount	Interest	Term
Beronia Investments Pty Ltd	A$236,181	10% p.a.	12 months
Beronia Investments Pty Ltd	A$459,696	10% p.a.	6 months
Beronia Investments Pty Ltd	A$395,000	10% p.a.	6 months
Kevin Bailey	A$237,305	10% p.a.	6 months
Fuiloro Pty Ltd	A$6,191	10% p.a.	12 months
Fuiloro Pty Ltd	A$240,000	10% p.a.	6 months
G. Bradley	A$94,927	10% p.a.	12 Months
Symmall Pty Ltd	A$90,000	10% p.a.	6 months
Beronia Investments Pty Ltd	A$100,000	10% p.a.	6 months
K & G Bailey as trustee for The Bailey Family Trust	A$100,000	10% p.a.	6 months

NOTE 14: FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amount of financial assets and financial liabilities are as follows:

	30 June 2019 €	31 December 2018 €
Financial assets – at amortised cost		
Cash and cash equivalents	32,925	515,604
Receivables – current	356,513	499,780
Other assets	17,578	27,455
Total financial assets	407,016	1,042,839
Financial liabilities – at amortised cost		
Trade and other payables - current	1,066,913	1,122,845
Trade and other payables – non-current	79,903	-
Borrowing – current	-	1,201,258
Borrowing – non-current	1,318,028	-
Convertible notes – non-current	1,543,075	1,531,250
	4,007,919	3,855,353

The carrying amounts of financial assets and liabilities as disclosed equate to their estimated net fair value.

NOTE 15: SUBSEQUENT EVENTS

Subsequent to the period end, the Company announced a private placement of A$1.4 million. The first tranche of the placement was completed in August 2019 with receipt of A$800,000 from sophisticated investors. The second tranche relates to director participation and is subject to shareholder approval at the upcoming extraordinary general meeting.

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 6 to 22, 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 2019 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 2019
Sydney, NSW, Australia

Bentleys
THINKING AHEAD

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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 consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 2019 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.

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 2019 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 2019