



PO VALLEY ENERGY LIMITED

A.B.N. 33 087 741 571

**CONSOLIDATED FINANCIAL REPORT FOR THE
YEAR ENDED 31 DECEMBER 2019**

PO VALLEY ENERGY LIMITED
CONTENTS

CORPORATE DIRECTORY	2
DIRECTORS' REPORT	3
Remuneration Report	9
AUDITOR'S INDEPENDENCE DECLARATION	18
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	19
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	20
STATEMENT OF CHANGES IN EQUITY	21
CONSOLIDATED STATEMENT OF CASH FLOWS	22
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	23
DIRECTORS' DECLARATION	62
INDEPENDENT AUDITOR'S REPORT	63

PO VALLEY ENERGY LIMITED
CORPORATE DIRECTORY

Directors	Michael Masterman Chairman and Chief Executive Officer Kevin Bailey Non-Executive Director Sara Edmonson Non-Executive Director
Company Secretary	Kevin Hart
Registered Office	Suite 8, 7 The Esplanade, Mt. Pleasant WA 6153 Australia Tel: +61 8 9316 9100
Rome Office	Via Francesco Crispi 90, 00187 Rome Italy Tel: +39 06 42014968
Share Register	Link Market Services Limited Level 12, 250 St Georges Terrace, Perth WA 6000
Auditor	Bentleys NSW Audit Pty Ltd Level 14, 60 Margaret Street Sydney NSW 2000 Australia
Solicitors	Steinepreis Paganin Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000 Australia
Banks	Bankwest 108 St. Georges Terrace, Perth WA 6000, Australia
Stock Exchange Listing	Po Valley Energy Limited shares are listed on the Australian Securities Exchange (ASX) under the code PVE
Website address	www.povalley.com

PO VALLEY ENERGY LIMITED

DIRECTORS' REPORT

The Directors present their report together with the financial report of Po Valley Energy Limited ("the Company" or "PVE") and of the Group, being the Company and its controlled entities ("the Group" or "Po Valley"), for the year ended 31 December 2019.

1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

Michael Masterman — Chief Executive Officer and Chairman, BEcHons, Age 57
Director since 22 June 1999

Michael is a co-founder of PVE. Michael first took up the position of CEO of PVE in 2002 up to October 2010 when he took up an executive position at Fortescue Metal Group until June 2014. Prior to joining PVE, Michael was CFO and Executive Director of Anaconda Nickel (now Minara Resources), and he spent 8 years at McKinsey & Company serving major international resource companies principally in the area of strategy and development. He is also Chairman of W Resources Plc, an AIM listed company with tungsten and gold assets in Spain and Portugal. Michael was appointed as Chairman of PVE on 22 April 2016 and took up the role of Chief Executive Officer on 1 November 2017.

Byron Pirola — Non-Executive Director, BSc, PhD, Age 59
Director from 10 May 2002 to 3 March 2020

Byron is a co-founder of PVE and is based in Sydney. He is currently a Director and Managing Director of Port Jackson Partners Limited, a Sydney based strategic management consulting firm. Prior to joining Port Jackson Partners in 1992, Byron spent six years with McKinsey & Company working out of the Sydney, New York and London offices and across the Asian region. He has extensive experience in advising CEOs and boards of both large public and small developing companies across a wide range of industries and geographies.

Kevin Bailey AM — Non-Executive Director, DipFP, Age 59
Director since 3 May 2016

Kevin was appointed as a director on 22 April 2016. He has been a shareholder of PVE since April 2008 and brings significant business acumen and experience to the Board. Mr. Bailey is a highly successful businessman with a range of business interests, both local and overseas. He worked for 28 years as a Certified Financial Planner and was a founding director of Shadforth Financial Group Limited. He was a member of the Prime Minister's Community Business Partnership and devotes considerable time to philanthropic interests. Mr. Bailey is currently Chairman of Parousia Media Pty Ltd and has served as director of various entities including the Investment Advisory Board of the Timor Leste Petroleum Fund, the \$17bn Sovereign Wealth Fund of Timor Leste, Outward Looking International Pty Ltd, Halftime Australia Pty Ltd, Alpha Australia, Empart Inc, and Dads4Kids Fatherhood Foundation.

Sara Edmonson — Non-Executive Director, BSBA, MBA Age 40
Director since 23 December 2019

Sara was appointed as a director on 23 December 2019. Sara has extensive experience in natural gas, the critical transition fuel for a low carbon future, having led PVE from July 2010 to 2017. She is currently the President at Associazione Energia Nazionale, an Italian association created to promote sustainable production, transportation and use of domestic energy and is fluent in Italian, having previously worked both in Italy and internationally for Ernst & Young Transaction Advisory Services. During her tenure at EY Sara advised numerous blue-chip corporate clients on transactions in Russia, Romania, Turkey and the US including the US\$5 billion acquisition of DRS Technologies by Finmeccanica in 2008. She holds an MBA from St John's University in New York City. Sara served on the board of Coro Energy plc from November 2017 to October 2018 and as executive until March 2019.

PO VALLEY ENERGY LIMITED
DIRECTORS' REPORT

2. Company Secretary

Kevin Hart – Company Secretary, B.Comm, FCA
Appointed 17 April 2018

Kevin Hart is a Chartered Accountant and was appointed to the position of Company Secretary on 17 April 2018. He has over 25 years' experience in accounting and the management and administration of public listed entities in the mining and exploration industry. He is currently a partner in an advisory firm, Endeavour Corporate, which specialises in the provision of company secretarial and accounting services to ASX listed entities.

3. Directors Meetings

The number of formal meetings of the Board of Directors held during the financial year and the number of meetings attended by each director is provided below:

	Michael Masterman	Byron Pirola	Kevin Bailey	Sara Edmonson
No. of board meetings held	10	10	10	-
No. of board meetings attended	10	10	10	-

The roles and responsibilities normally undertaken by the Audit and Risk Committee and the Remunerations and Nominations Committee have been dealt with by the full board as part of its duly convened meetings rather than through separate committees.

4. Principal Activities

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

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

5. Earnings per share

The basic and diluted earnings / (loss) per share for the Company from continuing operations was (0.24)€ cents (2018: (0.31)€ cents and 0.78€ from discontinued operations).

6. Operating and financial review

The loss for the year from continuing operations was €1,504,741 (2018: €1,832,552).

Cash and cash equivalents for the Group at 31 December 2019 amounted to €42,165 (2018: €515,604).

The Company completed a private placement of A\$1.4 million for the issue of 25,454,547 shares during the year in two tranches. The first tranche of the placement was completed in August 2019 with receipt of A\$800,000 from sophisticated investors and the second tranche completed with director participation for A\$600,000.

Selva Gas Field (63% PVO*)

Selva advanced during the year 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. Following concession preliminary award, Reserves of 13.3bcf (2P) were certified and new Contingent Resources in the Selva North and South Flank of 14.1bcf (2C) have been added.

PO VALLEY ENERGY LIMITED

DIRECTORS' REPORT

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.

The Environmental Impact Assessment ('EIA') study for Selva was submitted during the year. With the Italian Government confirming preliminary technical environmental approval for the Selva gas field development and preliminary work has now commenced to prepare the field for gas production in 2020. Final EIA decree is expected in the second quarter of 2020.

Under the first phase of the development plan, PVO 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.

*Po Valley Operations Pty Ltd (100% owned subsidiary of PVE, "PVO") holds the quota for 100% of the Podere Gallina and Selva Licences. United and Prospex have 20% and 17% economic interests and are awaiting Italian government approval for the 20% and 17% quotas to be transferred.

Teodorico Offshore Gas field development (100% PVO)

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 existing off-shore gas production facilities.

Following the granting of the primary environmental approval in 2019, Teodorico continued during the year to advance through the regulatory approval process. Key related EIA approval integrated documentation has now been submitted and Po Valley expects to complete the regulatory approval process in 2020.

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.

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

Torre del Moro is a very large oil prospect at a maiden Prospective Resource of 106 million barrels best estimate and has the potential to transform the size and scale of the company's operations.

The current focus of activities for the Torre del Moro site, south of Forli, is to identify the best drilling location, prepare a petroleum system study and the drilling plan for submission to the Government as soon as the exploration activities ban will end in February 2021.

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

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.

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).

Development design work for these two proven undeveloped oil fields between Bologna and Parma has advanced with production profiles, development plan, design and verification work at an advanced stage.

Po Valley's objective is to complete production planning and well design during 2020.

PO VALLEY ENERGY LIMITED DIRECTORS' REPORT

Strategy

Po Valley remains a northern Italy-focused energy development and exploration company with a streamlined focus on five large assets:

- The onshore gas development at Selva Malvezzi;
- Offshore Adriatic gas development at Teodorico;
- The large-scale gas/oil condensate exploration licence at Torre del Moro, and
- The expanded Ravizza (Grattasasso Permit) and Bagnolo (Cadelbosco Permit) oil reservoirs and extensions.

Po Valley'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.

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, which was recently reviewed in Parliament, the timeframe for field activities such as drilling and related approvals is suspended until August 2021 (30 months from the date of Ministerial decree in February 2019) as the Ministry conducts an environmental clearance program. This aligns with the Group'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. The Group's drilling programs have very small footprints and are designed to the highest environmental and safety standards. While Po Valley 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.

During the month of March 2020, the Italian government imposed a nationwide lockdown as a preventative measure to reduce the contagion of Covid-19. We are pleased to report that all Po Valley employees are healthy and are working from home. Importantly, we have seen evidence that the Italian Ministries continue to be operational therefore we do not expect significant delays in the ongoing environmental approvals for Selva Malvezzi and Teodorico. Importantly, the oil and gas industry was declared an "essential service" by the Italian government underpinning its strategic importance in the Italian economy.

Financial performance

Net loss before impairment expense is reconciled to comprehensive loss (after impairment expense) for the period as follows:

Comprehensive income reconciliation table (in Euro)	2019	2018
Net loss from continuing operations before impairment expense (unaudited)	(1,503,241)	(1,013,582)
Impairment of investment in associate	-	(816,426)
Exploration costs expensed	(1,500)	(2,544)
Net profit / (loss) from discontinued operations	-	4,406,460
Comprehensive income / (loss) for the year	(1,504,741)	2,573,908

PO VALLEY ENERGY LIMITED

DIRECTORS' REPORT

Net loss from continuing operations before impairment expense, which is not reviewed or audited, is calculated to show impact of impairment losses on the total comprehensive income for the year. The net profit from discontinued operations in 2018 is a result of the restructuring of the Group and the spin-off of Coro Energy Plc (formerly Saffron Energy Plc).

Health and safety

Paramount to Po Valley's ability to pursue its strategic priorities is a safe workplace and a culture of safety first. The Company regards environmental awareness and sustainability as key strengths in planning and carrying out business activities. Po Valley's daily operations are conducted in a way that adheres to these principles and management are committed to their continuous improvement. Whilst growing from exploration roots, the Company has strived to continually improve underlying safety performance. The Company has adopted an HSE Management System which provides for a series of procedures and routine checks (including periodical audits) to ensure compliance with all legal and regulatory requirements and best practices in this area. In 2019, the Group maintained its outstanding occupational health safety and environmental track record with no incidents or near misses to report.

Principle risks and uncertainties

Oil and gas exploration and appraisal involves significant risk. The future profitability of the Company and the value of its shares are directly related to the results of exploration and appraisal activities. There are inherent risks in these activities. No assurances can be given that funds spent on exploration and appraisal will result in discoveries that will be commercially viable. Future exploration and appraisal activities, including drilling and seismic acquisition may result in changes to current perceptions of individual prospects, leads and permits.

The Company identifies and assesses the potential consequences of strategic, safety, environmental, operational, legal, reputational and financial risks in accordance with the Company's risk management policy. PVE management continually monitors the effectiveness of the Company's risk management, internal compliance and control systems which includes insurance coverage over major operational activities, and reports to the Audit and Risk Committee on areas where there is scope for improvement. The Charter for the Audit and Risk Committee is available on the Company's website. The principal risks and uncertainties that could materially affect PVE future performance are described below.

External risks

Exposure to gas pricing	<p>Volatile oil and gas prices make it difficult to predict future price movements with any certainty. Decline in oil or gas prices could have an adverse effect on PVE. The Company does not currently hedge its exposures to gas price movements long term. The profitability of the Company's prospective gas assets will be determined by the future market for domestic gas. Gas prices can vary significantly depending on other European gas markets, oil and refined oil product prices, worldwide supply and the terms under which long term take or pay arrangements are agreed.</p>
Changes to law, regulations or Government policy	<p>Changes in law and regulations or government policy may adversely affect PVE's business. Examples include changes to land access or the introduction of legislation that restricts or inhibits exploration and production.</p> <p>Similarly changes to direct or indirect tax legislation may have an adverse impact on the Company's profitability, net assets and cash flow.</p>
Uncertainty of timing of regulatory approvals	<p>Delays in the regulatory process could hinder the Company's ability to pursue operational activities in a timely manner including drilling exploration and development wells, to install infrastructure, and to produce oil or gas. In particular, oil and gas operations in Italy are subject to both Regional and Federal approvals.</p>

PO VALLEY ENERGY LIMITED
DIRECTORS' REPORT

Operating risks

Exploration, development and production	The future value of PVE will depend on its ability to find, develop, and produce oil and gas that is economically recoverable. The ultimate success or otherwise of such ventures requires successful exploration, establishment of commercial reserves, establishment and successful effective production and processing facilities, transport and marketing of the end product. Through this process, the business is exposed to a wide variety of risks, including failure to locate hydrocarbons, changes to reserve estimates or production volumes, variable quality of hydrocarbons, weather impacts, facility malfunctions, lack of access to appropriate skills or equipment and cost overruns.
Estimation of reserves	The estimation of oil and natural gas reserves involves subjective judgments and determinations based on geological, technical, contractual and economic information. It is not an exact calculation. The estimate may change because of new information from production or drilling activities.
Tenure security	Exploration licences held by PVE are subject to the granting and approval by relevant government bodies. Government regulatory authorities generally require the holder of the licences to undertake certain proposed exploration commitments and failure to meet these obligations could result in forfeiture. Exploration licences are also subject to partial or full relinquishments after the stipulated period of tenure if no alternative licence application (e.g. production concession application) is made, resulting in a potential reduction in the Company's overall tenure position. In order for production to commence in relation to any successful oil or gas well, it is necessary for a production concession to be granted.
Health, safety and environmental matters	Exploration, development and production of oil and gas involves risks which may impact the health and safety of personnel, the community and the environment. Industry operating risks include fire, explosions, blow outs, pipe failures, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases. Failure to manage these risks could result in injury or loss of life, damage or destruction of property and damage to the environment. Losses or liabilities arising from such incidents could significantly impact the Company's financial results.

In addition to the external and operating risks described above, the Company's ability to successfully develop future projects including their infrastructure is contingent on the Company's ability to fund those projects through operating cash flows and affordable debt and equity raisings.

7. Dividends

No dividends have been paid or declared by the Company during the year ended 31 December 2019.

8. Significant events after the balance date

In February 2020, the Company entered into a Master Service Agreement for the provision of technical, administrative and commercial services to an oil and gas company with assets within the Po Valley region. These services will provide the Company with income of €25,000 per month for a minimum period of 3 months and until the agreement is terminated by either party.

During the month of March 2020, the Italian government imposed a nationwide lockdown as a preventative measure to reduce the contagion of Covid-19. Po Valley employees are working from home during this time. Importantly, we have seen evidence that the Italian Ministries continue to be operational therefore we do not expect significant delays in the ongoing environmental approvals for Selva Malvezzi and Teodorico. Importantly, the oil and gas industry was declared an "essential service" by the Italian government underpinning its strategic

PO VALLEY ENERGY LIMITED

DIRECTORS' REPORT

importance in the Italian economy. However, the timing, full extent of the impact and recovery from Covid-19 on our employees and business operations continues to evolve as at the date of this report. As such, the Group is unable to estimate the effects on the Group's financial position, liquidity and operations in the 2020 financial year.

Other than the above, 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.

9. Likely Developments

The Company plans to seek a suitable farm-out partner for selected assets. The Company also plans to continue to invest in its current exploration portfolio through geological and geophysical studies and, subject to available finances, in its planned drilling program for high potential gas prospects.

10. Environmental Regulation

The Company's operations are subject to environmental regulations under both national and local municipality legislation in relation to its mining exploration and development activities in Italy. Company management monitor compliance with the relevant environmental legislation. The Directors are not aware of any breaches of legislation during the period covered by this report.

11. Remuneration Report - audited

The Remuneration Report outlines the remuneration arrangements which were in place during the year, and remain in place as at the date of this report, for the Directors and executives of the Company.

Remuneration Policy

The Board is responsible for reviewing and recommending compensation arrangements for the Directors, the Chief Executive Officer and the senior executive team. The Board assesses the appropriateness of the size and structure of remuneration of those officers on a periodic basis, with reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The Company aims to ensure that the level and composition of remuneration of its Directors and executives is sufficient and reasonable in the context of the internationally competitive industry in which the Company operates.

All senior executives except the company secretary are based in Rome and when setting their remuneration, the Board must have regard to remuneration levels and benefit arrangements that prevail in the European oil and gas industry which remains highly competitive.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholders wealth the Board has regard to the following indices in respect of the current financial year and the previous financial periods.

Indices	2019	2018	2017	2016	2015	2014
Production (scm'000)	-	2,799*	7,155	4,461	9,991	18,560
Average realised gas price (€ cents per cubic metre)	-	21*	19	21	25	27
Profit / (loss) attributable to owners of the Company (€'000s)	(1,504)	2,780	(1,087)	(8,699)	(6,658)	(1,262)
Earnings / (loss) per share (€ cents per share)	(0.24)	(0.31)	(0.19)	(2.06)	(5.02)	(1.03)
Share Price at year end - AU\$	0.052	0.038	0.041	0.025	0.026	0.10

** production and gas prices for 2018 relates to the period prior to restructuring of the Group and deconsolidation of Coro Energy Plc (formally Saffron Energy Plc). PVE currently does not have any producing assets.*

PO VALLEY ENERGY LIMITED

DIRECTORS' REPORT

In establishing performance measures and benchmarks to ensure incentive plans are appropriately structured to align corporate behaviour with the long-term creation of shareholder wealth, the Board has regard for the stage of development of the Company's business and gives consideration to each of the indices outlined above and other operational and business development achievements of future benefit to the Company which are not reflected in the aforementioned financial measures.

Senior Executives and Executive Directors

The remuneration of PVE senior executives is based on a combination of fixed salary, short term incentive bonus' which is based on performance and in some cases a long term incentive payable in cash or shares. Other benefits include employment insurances, accommodation and other benefits, and superannuation contributions. In relation to the payment of annual bonuses, the board assesses the performance and contribution of executives against a series of objectives defined at the beginning of the year. These objectives are a combination of strategic and operational company targets which are considered critical to shareholder value creation and objectives which are specific to the individual executive. More specifically, objectives mainly refer to operating performance from both a financial and technical standpoint and growth and development of the Company's asset base. The Board exercises its discretion when determining awards and exercises discretion having regard to the overall performance and achievements of the Company and of the relevant executive during the year. No remuneration consultants were used during the current or previous year.

Non-Executive Directors

The remuneration of PVE Non-Executive Directors comprises cash fees. There is no current scheme to provide performance-based bonuses or retirement benefits to Non-Executive Directors. The Board of Directors and shareholders approved the maximum agreed remuneration pool for Non-Executive Directors at the annual general meeting in May 2011 at €250,000 per annum.

Service contracts

The major provisions of the service contracts held with the specified directors and executives, in addition to any performance related bonuses and/or options are as follows:

Directors:

Michael Masterman, Chairman and Chief Executive Officer

- Commencement Date: as Chief Executive Officer 1 November 2017
- Fixed remuneration for the year ended 31 December 2019: €140,000 p.a.
- Benefit of €2,500 per month for accommodation
- No termination benefits

Byron Pirola, Non-Executive Director

- Commencement Date: 10 May 2002
- Resignation date: 3 March 2020
- Fixed remuneration for the year ended 31 December 2019: €15,007 (A\$24,000)
- No termination benefits

Kevin Bailey, Non-Executive Director

- Commencement Date: 3 May 2016
- Fixed remuneration for the year ended 31 December 2019: €15,007 (A\$24,000)
- No termination benefits

PO VALLEY ENERGY LIMITED
DIRECTORS' REPORT

Sara Edmonson, Non-Executive Director

- Commencement Date: 23 December 2019
- Fixed remuneration for the year ended 31 December 2019: €15,007 (A\$24,000)
- No termination benefits

The Non-Executive Directors are not appointed for any fixed term but rather are required to retire and stand for re-election in accordance with the Company's constitution and the ASX Listing Rules.

PO VALLEY ENERGY LIMITED
DIRECTORS' REPORT

Key Management Personnel remuneration outcomes (including link to performance)

The remuneration details of each Director and other Key Management Personnel (KMP) during the year is presented in the table below.

Directors			Salary & fees €	Other €	Termination	
					payments €	Total €
M Masterman Chairman and Chief Executive Officer	2019		140,000	30,000	-	170,000
	2018		129,500	30,000	-	159,500
K Bailey Non-Executive	2019		15,007	-	-	15,007
	2018		14,790	-	-	14,790
S Edmonson Non-Executive (appointed 23 Dec 2019)	2019		289	-	-	289
	2018		-	-	-	-
B Pirola Non-Executive (resigned 3 March 2020)	2019		15,007	-	-	15,007
	2018		14,790	-	-	14,790
Total for Directors		2019	170,303	30,000	-	200,303
		2018	159,080	30,000	-	189,080

	Short term							Proportion of remuneration on performance related %
	Salary & fees €	Car €	Other €	Total Base €	Share based payments €	STI Cash €	Total Short-term €	
KMP Sara Edmondson ⁽¹⁾	2019	-	-	-	-	-	-	-
	2018	58,073	1,500	-	59,573	-	78,803	22%
Total for KMP	2019	-	-	-	-	-	-	-
	2018	77,303	1,500	-	78,803	-	78,803	88,650
Total Directors and KMP	2019	170,303	-	30,000	200,303	-	-	200,303
	2018	217,153	1,500	30,000	248,653	-	267,883	277,730

⁽¹⁾Sara Edmondson was Chief Executive officer of Po Valley Energy Ltd up to 31 October 2017 and then appointed as Chief Executive Officer of Coro Energy Plc (formerly Saffron Energy Plc)("Coro"). The remuneration in the table above for 2018 represents remuneration up to the date that the Company completed the restructuring of the Group and spin-off of Coro (refer note 7).

PO VALLEY ENERGY LIMITED
DIRECTORS' REPORT

Analysis of bonuses included in remuneration

There was no short-term incentive bonus awarded in remuneration in the current year.

The short-term incentive bonus awarded to S Edmonson in 2018 was in her capacity as Chief Executive Officer of Coro Energy Plc (formerly Saffron Energy Plc) ("Coro"). The amount of €19,230 included in remuneration related to the period up to the date the Company completed restructuring of the Group and spin off of Coro and vested in that financial year based on achievement of personal goals and satisfaction of specified operational performance criteria. The bonus award was based on performance, and specifically for having reached the agreed operational strategic objectives. These performance objectives are linked to financial performance and Company value indirectly.

Options over equity instruments granted as compensation

No options were granted as compensation to Directors or key management personnel during the reporting period (2018: Nil). No options vested during 2019. (2018: Nil)

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

Exercise and lapse of options granted as compensation

No options granted as compensation were exercised during 2019.

There were no options outstanding during 2019.

No options were exercised by directors or key management personnel.

No options over ordinary shares in the Company were held by any key management personnel during 2019.

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of the Company, held directly and indirectly by key management personnel, including their personally-related entities is as follows:

	Held at 31 Dec 2018	Purchased	Share based payments	Options Exercised	Sold / Other	Held at 31 Dec 2019
Directors						
M Masterman	156,692,994	11,278,788	-	-	-	167,971,782
B Pirola	59,494,135	3,290,043	-	-	-	62,784,178
K Bailey	132,728,169	17,536,983	-	-	-	150,265,152
S. Edmonson	2,966,406 ⁽ⁱ⁾	-	-	-	-	2,966,406
	351,881,704	32,105,814	-	-	-	383,987,518

⁽ⁱ⁾Holding at date of appointment

	Held at 31 Dec 2017	Purchased	Share based payments	Options Exercised	Sold / Other	Held at 31 Dec 2018
Directors						
M Masterman	156,692,994	-	-	-	-	156,692,994
B Pirola	59,494,135	-	-	-	-	59,494,135
K Bailey	132,728,169	-	-	-	-	132,728,169
	348,915,298	-	-	-	-	348,915,298
Executives						
S. Edmonson	2,966,406 ⁽ⁱ⁾	-	-	-	-	2,966,406 ⁽ⁱⁱ⁾
	2,966,406	-	-	-	-	2,966,406

⁽ⁱ⁾ Sara Edmondson was Chief Executive officer of Po Valley Energy Ltd up to 31 October 2017 and then appointed as Chief Executive Officer of Coro Energy Plc (formerly Saffron Energy Plc) ("Coro"). Shares in the table above were held at the time of restructuring of the Group (refer note 7).

Other transactions and balances with KMP and their related parties

The Company obtained financing through a streamlined facility provided by existing and former Directors of the Company. Refer to Note 24 for further details.

The amounts outstanding at 31 December 2019 are as follows:

Related Party	Loan Amount	Interest % p.a	Repayment Term
Beronia Investments Pty Ltd	A\$663,179	10%	19 months
Beronia Investments Pty Ltd	A\$156,055	10%	19 months
Beronia Investments Pty Ltd	A\$528,396	10%	19 months
Kevin Bailey	A\$264,172	10%	19 months
Fuilor Pty Ltd	A\$190,800	10%	19 months
G. Bradley	A\$126,736	10%	19 months
K & G Bailey as trustee for The Bailey Family Trust	A\$106,055	10%	19 months

No key management personnel have entered into a material contract, other than disclosed above, with the Group or the Company.

12. Directors' interests

At the date of this report, the direct and indirect interests of the Directors in the shares and options of the Company, as notified by the Directors to the ASX in accordance with S205G (1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary Shares	Convertible Notes
M Masterman	167,971,782	300,000
B Pirola	62,784,178	-
K Bailey	150,635,225	700,000
S Edmonson	2,966,406	-

13. Share Options

Options granted to directors and executives of the Company

The Company has not granted any options over unissued ordinary shares in the Company to any directors or specified executive during or since the end of the financial year.

Unissued shares under option

At the date of this report there are no unissued ordinary shares of the Company under option.

Shares issued on exercise of options

The Company has not issued any shares as a result of the exercise of options during or since the end of the financial year end.

14. Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of PVE support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the ASX Corporate Governance Council and considers that PVE is in compliance with those guidelines which are of importance to the commercial operation of a junior listed gas exploration and production company.

The Company has elected to publish its Statement of Corporate Governance Practices on its website www.povalley.com. In addition, each year the Key to Disclosures - Corporate Governance Council Principles and Recommendations will be available to shareholders at the same time that the Annual Report is released.

15. Indemnification and insurance of officers

The Company has agreed to indemnify current Directors against any liability or legal costs incurred by a Director as an officer of the Company or entities within the Group or in connection with any legal proceeding involving the Company or entities within the Group which is brought against the Director as a result of his capacity as an officer.

During the financial year the Company paid premiums to insure the Directors against certain liabilities arising out of the conduct while acting on behalf of the Company. Under the terms and conditions of the insurance contract, the nature of liabilities insured against and the premium paid cannot be disclosed.

16. Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Bentleys NSW Audit Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Bentleys NSW Audit Pty Ltd during or since the financial year.

17. Non audit services

During the year Bentleys NSW Audit Pty Ltd, the Group's auditor, did not provide non-audit services. Refer to note 5 of the financial report for details of auditor's remuneration.

18. Proceedings on behalf of the Company

In 2019 a legal proceeding was initiated by Northsun Italia (a wholly owned subsidiary of Coro Energy Plc) against Po Valley Energy's operating subsidiary Po Valley Operations in respect of a few disputed invoices related to intercompany services carried out in 2017 and early 2018 before the group restructuring was completed. The legal proceeding commenced in 2019 and a final decision from the Italian courts is expected in 2020. The full amount of the invoices in dispute has been provided for in the financial statements.

19. Lead Auditor's independence declaration

The lead auditor's independence declaration is set out on page 18 and forms part of the Directors' report for the financial year ended 31 December 2019.

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



Michael Masterman

Chairman and Chief Executive Officer

31 March 2020



Bentleys NSW Audit Pty Ltd

Level 14, 60 Margaret Street
Sydney NSW 2000
Australia

ABN 73 140 282 346

T +61 2 9220 0700

F +61 2 9220 0777

bentleys.com.au

Po Valley Energy Limited
ABN: 33 087 741 571

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

As lead auditor for the audit of Po Valley Energy Limited for the year ended 31 December 2019, I
declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Bentleys NSW Audit Pty Ltd
BENTLEYS NSW AUDIT PTY LTD

Robert Evett
ROBERT EVETT
Director
Sydney

31 March 2020

PO VALLEY ENERGY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		CONSOLIDATED	
	NOTES	2019 €	2018 €
Current Assets			
Cash and cash equivalents	10	42,165	515,604
Trade and other receivables	11	283,853	499,780
Total Current Assets		<u>326,018</u>	<u>1,015,384</u>
Non-Current Assets			
Other assets		17,578	27,455
Deferred tax assets	14	947,181	744,040
Property, plant & equipment	12	105,145	9,602
Resource property costs	13	7,876,926	7,704,644
Total Non-Current Assets		<u>8,946,830</u>	<u>8,485,741</u>
Total Assets		<u>9,272,848</u>	<u>9,501,125</u>
Liability and equity			
Current Liabilities			
Trade and other payables	15	1,090,159	1,122,845
Lease liabilities	17	41,066	-
Provisions	16	2,797	2,756
Interest bearing loans	18	1,272,676	1,201,258
Total Current Liabilities		<u>2,406,698</u>	<u>2,326,859</u>
Non-Current Liabilities			
Lease liabilities	17	58,512	-
Convertible notes	19	1,563,183	1,531,250
Total Non-Current Liabilities		<u>1,621,695</u>	<u>1,531,250</u>
Total Liabilities		<u>4,028,393</u>	<u>3,858,109</u>
Equity			
Issued capital	20	46,461,745	45,531,416
Reserve	20	1,192,269	1,192,269
Accumulated losses		(42,589,559)	(41,080,669)
Total Equity		<u>5,244,455</u>	<u>5,643,016</u>
Total Equity and liabilities		<u>9,272,848</u>	<u>9,501,125</u>

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

PO VALLEY ENERGY LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

		CONSOLIDATED	
	NOTES	2019	2018
		€	€
<i>Continuing Operations</i>			
Other income		35,144	161,563
Employee benefit expenses	3	(639,131)	(577,570)
Depreciation expense		(41,700)	(1,067)
Corporate overheads	4	(752,431)	(651,169)
Impairment losses		-	(816,426)
Exploration costs expensed		(1,500)	(2,544)
Profit / (loss) from operating activities		(1,399,618)	(1,887,213)
Finance income	6	134	286
Finance expenses	6	(308,398)	(85,797)
Net finance expenses		(308,264)	(85,511)
Loss before tax		(1,707,882)	(1,972,724)
Income tax (expense) / benefit	8	203,141	140,172
Loss for the year		(1,504,741)	(1,832,552)
<i>Discontinued Operations</i>			
Profit / (loss) for the period from discontinued operations	7	-	4,406,460
Profit / (loss) for the period		-	2,573,908
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		(1,504,741)	2,573,908
Profit / (loss) attributable to:			
Members of the Company		(1,504,741)	2,780,060
Non-controlling interests		-	(206,152)
Profit / (loss) for the period		(1,504,741)	2,573,908
Total comprehensive income / (loss) attributable to:			
Members of the Company		(1,504,741)	2,780,060
Non-controlling interests		-	(206,152)
Total comprehensive income / (loss) for the period		(1,504,741)	2,573,908
Basic and diluted earnings / (loss) per share (€)			
from continuing operations	9	(0.24)	(0.31)
Basic and diluted earnings / (loss) per share (€)			
from discontinued operations	9	-	0.78

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

PO VALLEY ENERGY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Attributable to equity holders of the Company				
	Issued capital	Translation Reserve	Accumulated Losses	Non-controlling Interests	Total
Consolidated	€	€	€	€	€
Balance at 1 January 2018	49,462,268	1,192,269	(43,860,729)	212,558	7,006,366
Total comprehensive income:					
Profit / (loss) for the year	-	-	2,780,060	(206,152)	2,573,908
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	2,780,060	(206,152)	2,573,908
Transactions with owners recorded directly in equity:					
Return of capital	(4,410,847)	-	-	-	(4,410,847)
Issue of shares (net of costs)	479,995	-	-	-	479,995
Non-controlling interest on disposal of subsidiary	-	-	-	(6,406)	(6,406)
Balance at 31 December 2018	45,531,416	1,192,269	(41,080,669)	-	5,643,016
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 income:					
Profit / (loss) for the year	-	-	(1,504,741)	-	(1,504,741)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	(1,504,741)	-	(1,504,741)
Transactions with owners recorded directly in equity:					
Issue of shares (net of costs)	1,110,329	-	-	-	1,110,329
Balance at 31 December 2019	46,641,745	1,192,269	(42,589,559)	-	5,244,455

The above statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

PO VALLEY ENERGY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	NOTES	CONSOLIDATED	
		2019	2018
		€	€
Operating activities			
Payments to suppliers and employees		(1,065,464)	(1,281,537)
Interest received		134	286
Interest paid		(61,961)	(13,470)
Net operating cash flows used in discontinued operations		-	(164,730)
Net cash used in operating activities	10	(1,127,291)	(1,459,451)
Investing activities			
Receipts for resource property costs from joint operations partners		-	1,742,693
Payments for resource property costs		(271,225)	(2,748,836)
Net investing cash flows used in discontinued operations		-	(927,652)
Net cash flows used in investing activities		(271,225)	(1,933,795)
Financing activities			
Proceeds from the issues of shares		877,550	483,009
Payment of share issue costs		(8,066)	(3,015)
Proceeds from convertible notes	19	-	1,580,038
Proceeds from borrowings	18	99,351	731,719
Payments of lease liabilities		(43,758)	-
Net financing cash flows provided by discontinued operations		-	726,985
Net cash flows from financing activities		925,077	3,518,736
Net (decrease)/ increase in cash and cash equivalents		(473,439)	125,490
Cash and cash equivalents at 1 January		515,604	390,114
Cash and cash equivalents at 31 December	10	42,165	515,604

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 address of the Company's registered office is Suite 8, 7 The Esplanade Mt Pleasant WA 6153.

The Consolidated Financial Statements of the Company for the year ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities and operations.

The financial statements were approved by the Board of Directors on 31 March 2020.

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

1.2 BASIS OF PREPARATION

(a) STATEMENT OF COMPLIANCE

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB's) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group also complies with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).

(b) BASIS OF MEASUREMENT

These consolidated financial statements have been prepared on the basis of historical cost.

(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 year ended 31 December 2019, the Group has recorded a loss after tax from continuing operations of €1,504,741; it has a cash balance of €42,165 net current liabilities of €2,080,680 and had net cash outflows from continuing operations of €1,127,291. In addition, the Group may be impacted by the subsequent event (COVID-19) as noted in note 27. These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that sufficient funds will be available to meet the Group's immediate working capital requirements. However, the Directors recognise that the ability of the Group to continue as a going concern is dependent on the Group being able to secure additional funding through either the 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 as required to fund ongoing planned activities and for working capital. The Directors are currently reviewing a range of financing options and reviewed the Group's cashflow requirements for the 15 months ended 31 March 2021 and are of the opinion that sufficient funds will be available in order to meet its ongoing obligations.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 entity's 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. Actual results may differ from these estimates.

Estimates and underlying assumptions 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

Any provisions made for rehabilitation represents the discounted value of the present obligations to restore, dismantle and rehabilitate a 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 when required. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

A provision, when recognised, for each site is reviewed at each reporting date and updated based on the facts and circumstances available at that time and any subsequent changes to the estimated future costs for operating sites will be 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 recognised 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 Group has consistently applied the accounting policies set out in notes 1.3 (a) to 1.3 (q) to all periods presented in the consolidated financial statements, except for new accounting policies adopted as detailed below.

New and amended standards adopted by the group
AASB16 'Leases'

AASB16 Leases became applicable to the current reporting period. AASB16 Leases replaced AASB117 Leases.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB16 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 Company has elected to apply AASB16 to contracts that were previously identified as leases under the definition of a lease from AASB117 and has not applied AASB16 to arrangements that were previously not identified as leases under AASB117.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

The Company 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 AASB16, being 1 January 2019. At this date, the Company 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 Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB16.

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 Company 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 Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

Impact on transition

On transition to AASB16, the Company recognised right-of-use assets and lease liabilities, recognising the difference in accumulated losses.

The impact on transition is summarised below.

	1 January 2019
	€
Right-of-use assets – property, plant and equipment	136,617
Lease liabilities	(140,766)
Accumulated losses	4,149

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

Refer Note 1.3 (p) and Note 17 for further details.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(a) PRINCIPLES OF CONSOLIDATION**(i) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Investments in subsidiaries are carried at cost less any impairment losses.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment losses.

(ii) Joint arrangements

The Group classifies its interests in joint arrangements as either joint operations or joint ventures (see below) depending on the Group's rights to the assets and obligation for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

Joint operation - when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

Joint venture – when the Group has rights only to the net assets of the arrangement, it accounts for its interest using the equity method adopted for associates.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) TAXATION

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Judgement is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgement is also required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, decommissioning costs, capital expenditure, dividends and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

(c) IMPAIRMENT

Non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset (or CGU) may be impaired. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount.

In calculating VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (12.7%) that reflects current market assessments of the time value of money and the risks specific to the asset/CGU.

The Company bases its impairment calculation on detailed budgets and forecasts, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecasts generally cover the forecasted life of the CGUs. VIU does not reflect future cash flows associated with improving or enhancing an asset's performance.

Impairment losses of continuing operations, including impairment of inventories, are recognised in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets/CGUs, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

determine the asset's/CGU's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset/CGU does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset/CGU in prior years. Such a reversal is recognised in the statement of profit or loss and other comprehensive income.

(d) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Items of property, plant and equipment are recorded at cost less accumulated depreciation, accumulated impairment losses and pre-commissioning revenue and expenses.

The cost of plant and equipment used in the process of gas extraction are accounted for separately and are stated at cost less accumulated depreciation and impairment costs.

Cost includes expenditure that is directly attributable to acquisition of the asset.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within "other income" in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with expenditure will flow to the Group.

(iii) Depreciation

Property, plant and equipment

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The depreciation will commence when the asset is installed ready for use.

The estimated useful lives of each class of asset fall within the following ranges:

	2019	2018
Office furniture & equipment	3 – 5 years	3 – 5 years
Right-of-use assets: buildings	4 – 6 years	-

The residual value, the useful life and the depreciation method applied to an asset are reviewed at each reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(e) FINANCIAL INSTRUMENTS**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable), except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted. Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement of financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

Classification and subsequent measurement of financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

Compound financial instruments

Compound instruments (convertible notes) issued by the Group are classified as either financial liabilities or equity in accordance with the substance of the arrangements. An option that is convertible and that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments will be classified as equity.

The fair value of the liability component is estimated on date of issue. This is done by using the prevailing market interest rate of the same kind of instrument. This amount is recognised using the effective interest method as a liability at amortised cost until conversion or the end of life of the instrument. The equity portion is calculated by deducting the liability amount from the fair value of the instrument as a whole. The equity portion is not remeasured after initial recognition. Equity will remain as such until the option is exercised. When the option is exercised a corresponding amount will be transferred to share capital. If the option lapses without the option being exercised the balance in equity will be recognised in profit or loss.

Costs of the transaction of the issue of convertible instruments are proportionally allocated to the equity and liability. Transaction costs in regards to the liability are included in the carrying amount of the liability and are amortised over its life using the effective interest method. Transaction cost in equity is directly recognised in equity.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Impairment

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: *Financial Instruments*:

- the general approach
- the simplified approach
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

(f) INVENTORIES

Inventories are measured at the lower of cost and net realisable value and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price less selling expenses.

(g) RESOURCE PROPERTIES

Resource property costs related to drilling are accumulated in respect of each separate area of interest.

Exploration properties

Exploration properties are carried at balance sheet date at cost less accumulated impairment losses. Exploration properties include the cost of acquiring resource properties, mineral rights and exploration, evaluation expenditure incurred subsequent to acquisition of an area of interest.

Exploration properties are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying value amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of the exploration license in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for an evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specific area; or
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Areas of interest which no longer satisfy the above policy are considered to be impaired and are measured at their recoverable amount, with any subsequent impairment loss recognised in the profit and loss.

Development properties

Development properties are carried at balance sheet date at cost less accumulated impairment losses. Development properties represent the accumulation of all exploration, evaluation and acquisition costs in relation to areas where the technical feasibility and commercial viability of the extraction of gas resources in the area of interest are demonstrable and all key project permits, approvals and financing are in place.

When there is low likelihood of the development property being exploited, or the value of the exploitable development property has diminished below cost, the asset is written down to its recoverable amount.

Production properties

Production properties are carried at balance sheet date at cost less accumulated amortisation and accumulated impairment losses. Production properties represent the accumulation of all exploration, evaluation and development and acquisition costs in relation to areas of interest in which production licences have been granted and the related project has moved to the production phase.

Amortisation of costs is provided on the unit-of-production basis, separate calculations being performed for each area of interest. The unit-of-production base results in an amortisation charge proportional to the depletion of economically recoverable reserves.

Amortisation of resource properties commences from the date when commercial production commences.

When the value of the exploitable production property has diminished below cost, the asset is written down to its recoverable amount.

The Group reviews the recoverable amount of resource property costs at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated (refer Note 1.3 (c)).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(h) PROVISIONS**Restoration and rehabilitation costs**

Long term environmental obligations are based on the Group's environmental and rehabilitation plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbances that have occurred up to the balance sheet date and abandonment of well sites and production fields. Increases due to additional environmental disturbances, relating to the development of an asset, are capitalised and recorded in resource property costs, and amortised over the remaining useful lives of the areas of interest. The net present value is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

Annual increases in the provision relating to the unwinding of the discount rate are accounted for in the statement of profit or loss as finance expense.

The estimated costs of rehabilitation are reviewed annually and adjusted against the relevant rehabilitation asset, as appropriate for changes in legislation, technology or other circumstances including drilling activity and are accounted for on a prospective basis. Cost estimates are not reduced by potential proceeds from the sale of assets.

(i) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings or other payables and unwinding of the discount of provisions and changes in the fair value of financial assets through profit and loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported as net amounts.

(j) EMPLOYEE BENEFITS**(i) Long-term service benefits**

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including on-costs and expected settlement dates, and is discounted using the rates attached to the Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

(ii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(iii) Superannuation

The Group contributes to defined contribution superannuation plans. Contributions are recognised as an expense as they are due.

(k) FOREIGN CURRENCY**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euro, which is PVE's functional and presentation currency (refer note 1.2 (d)).

(ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss as finance income or expense.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the date of transaction or the date fair value was determined, if these assets and liabilities are measured at fair value. Foreign currency differences arising on retranslation are recognised in profit and loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation are translated to Euro at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Euro at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Foreign exchange gains and losses arising from monetary items receivable from or payables to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the foreign currency translation reserve.

(l) EARNINGS/LOSS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Diluted EPS is calculated by dividing the net profit attributable to members of the parent entity, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(m) OTHER INDIRECT TAXES

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) and value added tax (VAT) except where the amount of GST or VAT incurred is not recoverable from the taxation authority. In these circumstances, the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST or VAT included. The net amount of GST or VAT recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a net basis. The GST and VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant taxation authority are classified as operating cash flows.

(n) SEGMENT REPORTING

DETERMINATION AND PRESENTATION OF OPERATING STATEMENTS

The Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and resource property costs.

(o) REVENUE

Revenue is measured at the fair value of the consideration received or receivable, net of the amount of value added tax ("VAT") payable to the taxation authority. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involved with the goods, and the amount of revenue can be measured reliably.

Sale of gas

Gas sales revenue is recognised when control of the gas passes at the delivery point. Proceeds received in advance of control passing are recognised as unearned revenue.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(p) LEASES*Accounting Policy Applicable from 1 January 2019**The Company as a lessee*

For any new contracts entered into on or after 1 January 2019, the Company 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 Company 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 Company
- the Company 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 Company has the right to direct the use of the identified asset throughout the period of use.

The Company 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 Company 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 Company, 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 Company 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 Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company 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 Company'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 Company 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 disclosed separately under current and non-current liabilities.

The Company 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 Company 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 Company 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 Company 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.

Accounting policy applicable to prior periods before 1 January 2019

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the property, plant and equipment accounting policy.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet. Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

(q) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(r) CHANGES IN ACCOUNTING POLICIES, DISCLOSURES, STANDARDS AND INTERPRETATIONS

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 31 December 2019.

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTE 2: FINANCIAL RISK MANAGEMENT

Exposure to credit, market and liquidity risks arise in the normal course of the Group's business.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

Risk recognition and management are viewed as integral to the Group's objectives of creating and maintaining shareholder value, and the successful execution of the Group's strategies in gas exploration and development. The Board as a whole is responsible for oversight of the processes by which risk is considered for both ongoing operations and prospective actions. Management is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

(i) Credit risk

The Group invests in short term deposits and trades with recognised, creditworthy third parties.

Cash and short-term deposits are made with institutions that have a credit rating of at least A1 from Standard & Poor's and A from Moody's.

Management has a credit policy in place whereby credit evaluations are performed on all customers and parties the Company and its subsidiaries deal with. The exposure to credit risk is monitored on an ongoing basis.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(ii) Market Risk

Interest rate risk

The Group is primarily exposed to interest rate risk arising from its cash and cash equivalents and borrowings. The Group does not hedge its exposure to movements in market interest rates. The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in bank accounts earning interest.

Currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the respective functional currencies of consolidated entities. The currency giving rise to this risk is primarily Australian dollars.

In respect to monetary assets held in currencies other than Euro, the Group ensures that the net exposure is kept to an acceptable level by minimising their holdings in the foreign currency where possible by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

(iii) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of issued share capital plus accumulated losses/earnings. The Board monitors accumulated losses/earnings.

The Board seeks to encourage all employees of the Group to hold ordinary shares.

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position from shareholders.

The Group does not have a defined share buy-back plan and there were no changes in the Group's approach to capital management during the year.

There are no externally imposed restrictions on capital management.

(iv) Liquidity Risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Management prepares regular cash flow forecasts taking into consideration debt facility obligations. Capital expenditures are planned around cash flow availability.

	CONSOLIDATED 2019	2018
	€	€

NOTE 3: EMPLOYEE BENEFIT EXPENSES

Wages and salaries	564,039	502,368
Contributions to defined contribution plans	75,092	75,202
	639,131	577,570

NOTE 4: CORPORATE OVERHEADS

Corporate overheads comprise:

Company administration and compliance	115,528	101,522
Professional fees	494,997	357,611
Office costs	60,007	105,588
Travel and entertainment	70,953	66,697
Other expenses	10,946	19,751
	752,431	651,169

NOTE 5: AUDITORS' REMUNERATION

Auditors of the Company: Bentleys NSW Audit Pty Ltd

Audit and review of the Group financial statements	24,090	26,581
--	--------	--------

Auditors of the Subsidiary entity: EY S.p.A

Audit and review of the subsidiary financial statements	10,540	8,000
For corporate tax services	-	15,600
For other services	-	16,800
	10,540	40,400

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED

	2019 €	2018 €
NOTE 6: FINANCE INCOME AND EXPENSE		
Recognised in profit and loss:		
Interest income	134	286
Finance income	134	286
Interest expense	260,191	169,200
Foreign exchange (gains) / losses (net)	48,207	(83,403)
Finance expense	308,398	85,797
Net finance expense	(308,264)	(85,511)

NOTE 7: DISCONTINUED OPERATIONS

During the prior period, PVE completed the restructuring and spin-off of its subsidiary Saffron Energy Plc, now Coro Energy Plc (“Coro”). On 9 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 9 April 2018 were immaterial.

	2019 €	2018 €
<i>Net assets of discontinued operation at the date of loss of control</i>		
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

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 7: DISCONTINUED OPERATIONS (continued)

	CONSOLIDATED	
	2019 €	2018 €
<i>Financial performance from discontinued operation</i>		
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)
Impairment losses	-	-
Loss from discontinued operations	-	(412,303)
Gain on deconsolidation of discontinued operations	-	4,818,763
Profit / (loss) from discontinued operations before tax	-	4,406,460
Income tax expense	-	-
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
	2019 €	2018 €
<i>Cash flows from discontinued operation</i>		
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 the prior year, 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 for 2018.

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

		CONSOLIDATED	
		2019	2018
		€	€
NOTE 8:	INCOME TAX (BENEFIT) / EXPENSE		
	Current tax		
	Current year	-	-
	Deferred tax		
	Origination and reversal of temporary differences	(203,141)	(140,172)
	Deferred tax (benefit) / expense	(203,141)	(140,172)
	Total income tax (benefit) / expense	(203,141)	(140,172)
	Numerical reconciliation between tax expense and pre-tax accounting profit / (loss)		
	Profit / (loss) for the year before tax from continuing operations	(1,707,882)	(1,972,724)
	Income tax (benefit) / expense using the Company's domestic tax rate of 27.5 per cent (2018: 27.5%)	(469,667)	(542,500)
	Non-deductible expenses:		
	Fair value adjustments	-	224,517
	Other	115,744	14,928
	Effect of tax rates in foreign jurisdictions	29,826	24,015
	Current year losses and temporary differences for which no deferred tax asset was recognised	108,600	115,382
	Changes in temporary differences	12,356	23,486
	Income tax (benefit) / expense	(203,141)	(140,172)
NOTE 9:	EARNINGS PER SHARE		
	Basic and diluted earnings / (loss) per share (€ cents) from continuing operations	(0.24)	(0.31)
	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 shareholders of €1,504,741 (2018: €1,832,552) and a weighted average number of ordinary shares outstanding during the year of 631,578,465 (2018: 593,766,325).

The calculation of basic and diluted earnings per share from discontinued operations in 2018 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 593,766,325.

Diluted earnings / (loss) per share is the same as basic earnings / (loss) per share.

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTE 9: EARNINGS PER SHARE (continued)

		CONSOLIDATED	
		2019	2018
		Weighted	Weighted
		average no.	average no.
The number of weighted average shares is calculated as follows:	No. of days		
Number of shares on issue at beginning of the year	365	611,736,318	593,260,128
10,095,237 shares issued 27 May 2019	218	6,029,485	-
14,545,456 shares issued on 8 August 2019	145	9,674,730	-
10,909,091 shares issue on 6 November 2019	55	4,109,590	-
18,476,190 shares issued on 21 December 2018	10	-	506,197
		<u>631,578,465</u>	<u>593,766,325</u>

		CONSOLIDATED	
		2019	2018
		€	€
NOTE 10: CASH AND CASH EQUIVALENTS			
(a) Cash and cash equivalents		<u>42,165</u>	<u>515,604</u>
(b) Reconciliation of cash flows from operating activities			
Profit / (loss) for the year		(1,504,741)	2,573,908
<u>Adjustment for non-cash items:</u>			
Depreciation and amortisation		41,700	1,067
Unrealised foreign exchange losses related to financing activities		38,611	-
Interest capitalised to loans / borrowings		195,660	-
Interest on lease liabilities		2,570	-
Impairments		-	816,426
Profit from discontinued operations		-	(4,406,460)
<u>Change in operating assets and liabilities:</u>			
Decrease/(increase) in receivables		215,927	(100,758)
Increase/(decrease) in trade and other payables		86,082	(20,728)
(Decrease)/Increase in provisions		41	(18,004)
(Increase)/Decrease in deferred tax assets		(203,141)	(140,172)
Cash flows used in discontinued operations		<u>-</u>	<u>(164,730)</u>
Net cash inflow from operating activities		<u>(1,127,291)</u>	<u>(1,459,451)</u>
(c) Non-cash financing activities			
Repayment of related party loans (refer Note 24)		<u>240,845</u>	<u>-</u>

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

		CONSOLIDATED	
		2019	2018
		€	€
NOTE 11:	TRADE AND OTHER RECEIVABLES		
	Current		
	Trade receivables	151,866	205,605
	Sundry debtors	85,351	4,443
	Indirect taxes receivable	46,636	289,732
		<u>283,853</u>	<u>499,780</u>

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 22.

NOTE 12: PROPERTY PLANT & EQUIPMENT

Office Furniture & Equipment:

<i>At cost</i>	21,503	24,576
<i>Accumulated depreciation</i>	(12,989)	(14,974)
	<u>8,514</u>	<u>9,602</u>

Right-of-use asset: Building

<i>At Cost</i>	136,616	-
<i>Accumulated depreciation</i>	(39,985)	-
	<u>96,631</u>	<u>-</u>

Total property plant & equipment

<u>105,145</u>	<u>9,602</u>
----------------	--------------

Reconciliations:

Reconciliation of the carrying amounts for each class of

Plant & equipment are set out below:

Carrying amount at beginning of year	9,602	18,258
Additions	626	-
Adjustment of right-of-use assets on transition to AASB16	136,616	-
Depreciation expense	(41,700)	(1,067)
Depreciation expense of assets in discontinued operations (refer note 7)	-	(1,057)
Assets relating to discontinued operations (refer note 7)	-	(6,532)
Carrying amount at end of year	<u>105,145</u>	<u>9,602</u>

Gas Producing plant and equipment:

Carrying amount at beginning of period	-	2,140,611
Additions / Reclassification	-	-
Depreciation expense discontinued operations	-	(49,628)
Impairment losses	-	-
Assets relating to discontinued operations (refer note 7)	-	(2,090,983)
Carrying amount at end of year	<u>-</u>	<u>-</u>
	<u>105,145</u>	<u>9,602</u>

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 13: RESOURCE PROPERTY COSTS

	CONSOLIDATED	
	2019	2018
	€	€
Resource Property costs		
Exploration and Evaluation	7,876,926	7,704,644
Reconciliation of carrying amount of resource properties		
<i>Exploration and Evaluation Phase</i>		
Carrying amount at beginning of period	7,704,644	9,182,411
Exploration expenditure	172,282	636,128
Impairment losses	-	-
Assets relating to discontinued operations (refer note 7)	-	(2,113,895)
Carrying amount at end of period	7,876,926	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 of 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. Where exploration permits have expired or not renewed, the costs previously capitalised are expensed to the statement of profit and loss.

The Group reviewed the carrying value of its assets and cash generating units using a Value in Use CGU valuation, in particular a valuation on Selva and Teodorico projects was calculated to determine the recoverable amount of each of these fields.

The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). In calculating VIU, the estimated future cash flows are discounted to their present value using an after-tax discount rate (10%) that reflects current market assessments of the time value of money and the risks specific to the assets.

The Company bases its calculation on detailed budgets and forecasts, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecasts generally cover the forecasted life of the CGUs. VIU does not reflect future cash flows associated with improving or enhancing an asset's performance. Furthermore, independent valuations were performed for the purposes of estimating the reserves of these projects by CGG Services (UK) Limited ("CGG").

The recoverable amount determined by the CGG report of Selva and Teodorico was €18.2 million and €17.8 million respectively. The recoverable amount determined by the Groups internal valuation was higher than these amounts.

The carrying value of these assets is significantly lower at €4.1 million and €2.9 million respectively. As a result of this assessment, with the recoverable amount exceeding the carrying value of these assets, no impairment has been required.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 13: RESOURCE PROPERTY COSTS (continued)

	CONSOLIDATED	
	2019	2018
	€	€
<i>Production Phase</i>		
Carrying amount at beginning of period	-	159,390
Additions	-	137,400
Amortisation of producing assets in discontinued operations	-	(6,157)
Assets relating to discontinued operations (refer note 7)	-	(290,633)
Carrying amount at end of period	-	-
The Group currently does not have any production assets		

NOTE 14: DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets

Deferred tax assets have been recognised in respect of the following items:

Tax losses	848,694	658,474
Accrued expenses and liabilities	98,487	85,566
Recognised deferred tax assets	947,181	744,040

The tax losses in both Italy and Australia do not expire. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have been recognised in respect of these items because it is probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Tax losses	759,112	1,100,264
Deductible temporary differences	1,848,250	1,840,089
Unrecognised deferred tax assets	2,607,362	2,940,353

Deferred tax benefit will only be obtained if:

- (i) the relevant company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the relevant company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) No changes in tax legislation adversely affect the relevant company in realising the benefit from the deductions for the losses.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 14: DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movement in recognised temporary differences during the year

	Balance 1 January 2018 €	Discontin- ued operations (refer note 7) €	Profit and loss €	Equity €	Balance 31 December 2018 €	Profit and loss €	Equity €	Balance 31 December 2019 €
Consolidated								
Tax losses	1,970,177	(1,446,919)	135,216	-	658,474	190,220	-	848,694
Accrued expenses and liabilities	628,332	(547,994)	5,228	-	85,566	12,921	-	98,487
Total recognised deferred tax asset	2,598,509	(1,994,913)	140,444	-	744,040	203,141	-	947,181

NOTE 15: TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2019 €	2018 €
Trade payables and accruals	1,051,524	1,112,384
Other payables	38,635	10,461
	<u>1,090,159</u>	<u>1,122,845</u>

Accrued interest on interest bearing loans of €76,484 (2018: €155,380) is included in trade payable and accruals (refer note 24)

The Group's exposure to currency and liquidity risks related to trade and other payables are disclosed in note 22.

NOTE 16: PROVISIONS

Current:

Employee leave entitlements	<u>2,797</u>	<u>2,756</u>
-----------------------------	--------------	--------------

Non-Current:

Restoration provision	<u>-</u>	<u>-</u>
-----------------------	----------	----------

Reconciliation of restoration provision:

Opening balance	-	4,802,873
Increase in provision due to revised estimates	-	
Increase in provision from unwind of discount rate in discontinued operations	-	24,207
Provisions relating to discontinued operations (refer note 7)	-	(4,827,080)
Closing balance	<u>-</u>	<u>-</u>

The Group has considered its obligations for restoration and rehabilitation of the well development planned for the Selva field. The Company estimates that the cost of restoration of the well development will be €2,065,119 to be incurred once production ceases at the end of estimated production life estimated to be 15 years. A provision for these restoration costs will be recognised once the final production concession is granted and development has commenced as anticipated in 2020.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 17: LEASES

Leases as lessee

The Company leases office facilities in Rome, the lease runs for a period of six years from start of the lease in June 2016. Previously this lease was classified as an operating lease under AASB117. The Company leases office equipment under short term contracts for low-value items and as such the Company has elected not to recognise right-of use assets and lease liabilities for these leases. Payments made under such leases are expensed on a straight-line basis.

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property and are presented as property, plant and equipment (see Note 12)

	€
Buildings	
Balance at 1 January (on adoption of AASB16)	136,616
Additions to right-of-use assets	-
Depreciation	(39,985)
Balance at 31 December 2019	96,631

Amounts recognised in profit or loss

	€
2019 - Leases under AASB16	
Interest on lease liabilities	2,570
Expenses relating to leases of low-value assets	1,233
2018 - Leases under AASB117	
Lease expense	35,220

Amounts recognised in statement of cash flows

	31 December 2019
	€
Total cash outflow for leases	43,758

Lease liabilities

Lease liabilities are presented in the statement of financial position separately within liabilities as follows:

	31 December 2019	31 December 2018
	€	€
Lease liabilities (current)	41,066	-
Lease liabilities (non-current)	58,512	-

The Group has a lease for the main operation office in Rome Italy. Future minimum lease payments at 31 December were as follows:

	Within one year	One to five years	After five years	Total
Lease payments	42,900	59,916	-	102,816
Finance charges	(1,834)	(1,404)	-	(3,238)
Net present values	41,066	58,512	-	99,578

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) or for leases of low value assets.

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTE 18: INTEREST BEARING LOANS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 22.

	CONSOLIDATED	
	2019	2018
	€	€
Current liabilities		
Loans	1,272,676	1,201,258

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal Interest rate	Year of Maturity	31 December 2019		31 December 2018	
				Face Value	Carrying	Face Value	Carrying
				€	Amount €	€	Amount €
Current liabilities							
Unsecured loans	AUD	10%	2020	1,272,676	1,272,676	1,201,258	1,201,258

The Group 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 19 months and an interest rate of 10%. (refer note 24 for details of related party balances)

The Group's exposure to currency, interest and liquidity risk related to interest bearing loans are disclosed in note 22.

NOTE 19: CONVERTIBLE NOTES

The Company issued convertible notes equivalent to A\$2,500,000 in 2018. The Euro value of these convertible notes at 31 December 2019 is €1,563,183 (2018: €1,531,250).

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.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 20: CAPITAL AND RESERVES

	Ordinary Shares			
	2019 Number	2018 Number	2019 €	2018 €
Share Capital				
Opening balance - 1 January	611,736,318	593,260,128	45,531,416	49,462,268
<u>Shares issued during the year:</u>				
Placement issue tranche 2 – 27 May 2019	10,095,237	-	262,337	-
Placement issue - 8 August 2019	14,545,456	-	484,062	-
Placement issue tranche 2 - 6 November 2019	10,909,091	-	371,996	-
Placement issue of 21 December 2018	-	18,476,190	-	483,009
Return of capital	-	-	-	(4,410,847)
Share issue costs	-	-	(8,066)	(3,014)
Closing balance – 31 December	647,286,102	611,736,318	46,641,745	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.

Translation Reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. The historical balance comprises of translation differences prior to change in functional currency of a foreign operation.

Dividends

No dividends were paid or declared during the current year (2018: Nil).

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTE 21: FINANCIAL REPORTING BY SEGMENTS

The Group reportable segments as described below are the Group's strategic business units. The strategic business units are classified according to field licence areas which are managed separately. All strategic business units are in Italy. For each strategic business unit, the CEO reviews internal management reports on a monthly basis. Exploration, Development and Production gas and oil are the operating segments identified for the Group. The individual exploration, development and production operation sites have been aggregated.

In euro	Exploration and evaluation		Discontinued operation		Total	
	2019	2018	2019	2018	2019	2018
	€	€	€	€	€	€
External revenues	-	-	-	584,676	-	584,676
Segment (loss) / profit before tax	(432,308)	(664,847)	-	4,406,460	(432,308)	3,741,613
Depreciation and amortisation	-	-	-	(55,784)	-	(55,784)
Reportable segment assets:						
Resource property costs	7,876,926	7,704,644	-	-	7,876,926	7,704,644
Plant & Equipment	-	-	-	-	-	-
Receivables	151,866	151,866	-	-	151,866	151,866
Capital expenditure	172,282	634,127	-	137,400	172,282	771,527
Reportable segment liabilities	(352,159)	(527,663)	-	-	(352,159)	(527,663)

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 21: FINANCIAL REPORTING BY SEGMENTS (continued)

	CONSOLIDATED	
Reconciliation of reportable segment profit or loss, assets and liabilities	2019	2018
Profit or loss:	€	€
Total profit / (loss) for reportable segments	(432,308)	3,741,613
<i>Unallocated amounts:</i>		
Net finance expense	(308,264)	(85,511)
Other corporate expenses	(967,310)	(1,222,366)
Consolidated profit / (loss) before income tax	(1,707,882)	2,433,736
Assets:		
Total assets for reportable segments	8,028,792	7,856,510
Other assets	1,244,056	1,644,615
Consolidated total assets	9,272,848	9,501,125
Liabilities:		
Total liabilities for reportable segments	(352,159)	(527,663)
Other liabilities	(3,676,234)	(3,330,446)
Consolidated total liabilities	(4,028,393)	(3,858,109)

NOTE 22: FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposures

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Variable rate instruments

Financial assets	42,165	515,604
Financial liabilities	-	-
	42,165	515,604

Fixed rate instruments

Financial assets	-	-
Financial liabilities	(2,835,859)	(2,732,508)
	(2,835,859)	(2,732,508)

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTE 22: FINANCIAL INSTRUMENTS (continued)

Cash flow sensitivity analysis for variable rate instruments:

A strengthening of 50 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

<i>Effect in €'s</i>	Profit or loss		Equity	
	2019	2018	2019	2018
31 December				
Variable rate instruments	211	2,578	-	-

(b) Credit Risk

Exposure to credit risk

The Group is not exposed to significant credit risk. Credit risk with respect to cash is held with recognised financial intermediaries with acceptable credit ratings.

The Group has limited its credit risk in relation to its receivables. Receivables from joint operations partners fall under the Joint Operations Agreement for the development of the Selva project. Other receivables from Government agencies have limited credit risk as these are either offset against other indirect taxes or payroll taxes payable first with any remainder receivable within a 12-month period.

The carrying amount of the Group's financial assets represents the maximum credit exposure and is shown in the table below. No receivables are considered past due nor were any impairment losses recognised during the period.

CONSOLIDATED Carrying Amount			
	Note	2019 €	2018 €
Cash and cash equivalents	10	42,165	515,604
Receivables – Current	11	283,853	499,780
Other assets		17,578	27,455
		<u>343,596</u>	<u>1,042,389</u>

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTE 22: FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

**Consolidated
31 December 2019**

<i>In €</i>	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 – 2 Years	2 – 5 Years
Trade and other payables	(1,090,159)	(1,090,159)	(1,090,159)	-	-	-
Lease liabilities	(99,578)	(103,675)	(21,450)	(21,450)	(60,775)	-
Interest bearing loans	(1,272,676)	(1,476,427)	-	(1,476,427)	-	-
Convertible notes	(1,563,183)	(1,816,444)	(128,207)	(62,527)	(1,625,710)	-
	(4,025,596)	(4,486,705)	(1,239,816)	(1,560,404)	(1,686,485)	-

**Consolidated
31 December 2018**

<i>In €</i>	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 – 2 Years	2 – 5 Years
Trade and other payables	(1,040,040)	(1,040,040)	(1,040,040)	-	-	-
Interest bearing loans	(1,201,258)	(1,356,638)	-	(1,356,638)	-	-
Convertible notes	(1,531,250)	(1,882,770)	(106,520)	(61,250)	(1,715,000)	-
	(3,772,548)	(4,279,448)	(1,146,560)	(1,417,888)	(1,715,000)	-

(d) Net Fair Values of financial assets and liabilities

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

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTE 22: FINANCIAL INSTRUMENTS (continued)

Current receivables, current payables and cash & cash equivalents are not measured at fair value. Due to their short-term nature, the carrying amount of current receivables, current payables and cash and cash equivalents is assumed to approximate their fair value.

The table below summarises financial assets and liabilities at fair value at each level of measurement:

At 31 December 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Lease Liabilities	-	-	99,578	99,578
Convertible Notes (refer note)	-	1,563,183	-	1,563,183
	-	1,563,183	99,578	1,662,761

(e) Foreign Currency Risk

The Group is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than Euro. The currencies giving rise to this risk is primarily Australian Dollars and Pound Sterling.

Amounts receivable/(payable) in foreign currency other than functional currency:	CONSOLIDATED	
	2019 €	2018 €
Cash	29,685	413,682
Current – Payables	(127,238)	(68,022)
Current – Interest bearing loans	(1,272,676)	(1,201,258)
Non-current – Convertible notes	(1,563,183)	(1,531,250)
Net Exposure	(2,933,412)	(2,386,848)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
Australian Dollar (\$)	0.620	0.632	0.625	0.616
Pound Sterling (£)	1.141	1.130	1.175	1.113

Sensitivity Analysis

A 5 percent strengthening of the Australian dollar against the Euro (€) at 31 December would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis for 2018 was prepared using the same basis.

	CONSOLIDATED	
	Profit or loss €	Equity €
31 December 2019		
Australian Dollar to Euro (€)	(142,970)	-
Pound Sterling (£)	(3,700)	-
31 December 2018		
Australian Dollar to Euro (€)	(128,673)	-
Pound Sterling (£)	(308)	-

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTE 22: FINANCIAL INSTRUMENTS (continued)

A 5 percent weakening of the Australian dollar against the Euro (€) at 31 December would have the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

NOTE 23: COMMITMENTS AND CONTINGENCIES

Contractual Commitments and contingencies

The Company has considered its obligations for restoration and rehabilitation of the well development planned for the Selva field. The Company estimates that the cost of restoration of the well development will be €2,065,119 to be incurred once production ceases at the end of estimated production life estimated to be 15 years.

A provision for these restoration costs will be recognised once the final production concession is granted and development has commenced as anticipated in 2020.

Other than the above, there are no other material commitments or contingent liabilities not provided for in the financial statements of the Company or the Group as at 31 December 2019.

NOTE 24: RELATED PARTIES

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation included in employee benefit expenses (see note 3) is as follows:

	Consolidated	
	2019	2018
	€	€
Short-term employee benefits	200,303	267,883
Termination benefits	-	-
Other long term benefits	-	-
Post-employment benefits	-	9,847
	<hr/>	<hr/>
	200,303	277,730

INTEREST BEARING LOANS

The Company obtained financing through a streamlined facility provided by existing and former Directors of the Company. The facility agreements have been reached with entities associated with Kevin Bailey (current director), Byron Pirola (director up to 3 March 2020) and Graham Bradly (former director and current shareholder). The loan balances and their repayment terms are summarised below:

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 24: RELATED PARTIES (continued)

31 December 2019

Related Party	Loan Amount	Interest % p.a	Repayment Term	Accrued Interest €
Beronia Investments Pty Ltd	A\$663,179	10%	19 months	24,312
Beronia Investments Pty Ltd	A\$156,055	10%	19 months	5,721
Beronia Investments Pty Ltd	A\$528,396	10%	19 months	19,371
Kevin Bailey	A\$264,172	10%	19 months	12,408
Fuilor Pty Ltd	A\$190,800	10%	19 months	6,138
G. Bradley	A\$126,736	10%	19 months	4,646
K & G Bailey as trustee for The Bailey Family Trust	A\$106,055	10%	19 months	3,888
				<u>76,484</u>

Related party loans were extended by mutual agreement to 31 December 2020 with the lenders agreeing to capitalise interest accrued on the outstanding loans up to 1 June 2019.

31 December 2018

Beronia Investments Pty Ltd	A\$236,181	10%	12 months	45,752
Beronia Investments Pty Ltd	A\$459,696	10%	6 months	30,694
Beronia Investments Pty Ltd	A\$395,000	10%	6 months	19,607
Kevin Bailey	A\$237,305	10%	6 months	16,963
Fuilor Pty Ltd	A\$6,191	10%	12 months	730
Fuilor Pty Ltd	A\$240,000	10%	6 months	20,525
G. Bradley	A\$94,927	10%	12 Months	17,409
Symmally Pty Ltd	A\$90,000	10%	6 months	1,302
Beronia Investments Pty Ltd	A\$100,000	10%	6 months	1,199
K & G Bailey as trustee for The Bailey Family Trust	A\$100,000	10%	6 months	1,199
				<u>155,380</u>

Movement on related party loans is summarised below:

	CONSOLIDATED	
	2019	2018
	€	€
Balance at beginning of year	1,201,258	526,892
Loans received	99,351	731,719
Loans repaid	(240,845)	-
Interest capitalised on loans	206,234	-
Effect of foreign exchange	6,678	(57,353)
Balance at end of year	<u>1,272,676</u>	<u>1,201,258</u>

Related party loans repaid during the year were settled with issue of 8,722,944 ordinary shares as part of the Directors participation in the private placements.

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTE 24: RELATED PARTIES (continued)

Accrued interest on loans

Balance at beginning of year	155,380	54,888
Accrued interest for year	127,338	100,492
Interest capitalised to loans during year	(206,234)	-
	<hr/>	<hr/>
Balance of accrued interest at end of year	76,484	155,380

CONVERTIBLE NOTES

The table below summarises the Convertible notes held by related parties at 31 December 2019. The convertible notes are held by entities associated with Kevin Bailey and Michael Masterman (current directors) Refer note 19 for details on the terms of the convertible notes.

Symmall Pty Ltd	A\$300,000	A\$300,000
K & G Bailey as trustee for The Bailey Family Trust	A\$700,000	A\$700,000
	<hr/>	<hr/>
	A\$1,000,000	A\$1,000,000

Interest accrued on convertible notes included in trade payables and accruals

	€	€
Symmall Pty Ltd	23,599	17,666
K & G Bailey as trustee for The Bailey Family Trust	55,065	7,572
	<hr/>	<hr/>
	78,664	25,238

NOTE 25: PARENT ENTITY DISCLOSURES

	2019	2018
	€	€
<i>Financial Position</i>		
Assets		
Current assets	43,971	440,283
Non-current assets	7,429,667	6,643,667
Total assets	<hr/>	<hr/>
	7,473,638	7,083,951
Liabilities		
Current liabilities	1,299,666	1,196,513
Non-current liabilities	1,563,183	1,531,250
Total liabilities	<hr/>	<hr/>
	2,862,849	2,727,763
Net Assets	<hr/>	<hr/>
	4,610,789	4,356,187
Equity		
Issued capital	46,641,745	45,531,416
Accumulated losses	(42,030,956)	(41,175,229)
Total equity	<hr/>	<hr/>
	4,610,789	4,356,187

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTE 25: PARENT ENTITY DISCLOSURES (continued)

Financial Performance

Loss	(855,727)	(1,285,086)
Other comprehensive loss	-	-
Total Comprehensive loss	<u>(855,727)</u>	<u>(1,285,086)</u>

NOTE 26: INTERESTS IN OTHER ENTITIES AND JOINT OPERATIONS

The Company's interest in joint arrangements at 31 December 2019 are as follows:

Joint Operation	Manager	Company's Interest	Principal Activity (Exploration)
Selva Malvezzi Field	Po Valley Operations	63%*	Gas

The Company has a farm-out agreement and Joint Operations Agreement ("JOA") with United Oil and Gas Plc ("United") (20% economic interest) and Prospex Oil and Gas Plc ("Prospex") (17% economic interest). In exchange for their respective interests United and Prospex cover 74% of the completed Podere Maiar-1 well cost. The Company received preliminary award of the Selva Production concession in January 2019. Development of the production well and field connection pipework will be undertaken under the terms of the JOA with United and Prospex.

*The Company holds the quota for 100% of the Podere Gallina and Selva Licences. United and Prospex have 20% and 17% economic interests and are awaiting Italian government approval for the 20% and 17% quotas to be transferred.

Subsidiaries

The parent and ultimate controlling party of the Group is Po Valley Energy Limited. The investments held in controlled entities are included in the financial statements of the parent at cost less any impairment losses. Set out below is a list of the significant subsidiaries of the Group.

Name:	Country of Incorporation	Class of Shares	2019 Investment €	2018 Investment €	Holding %
Po Valley Operations Pty Limited ("PVO")	Australia	Ordinary	<u>2,544,225</u>	<u>2,544,225</u>	100

NOTE 27: SUBSEQUENT EVENTS

In February 2020, the Company entered into a Master Service Agreement for the provision of technical, administrative and commercial services to an oil and gas company with assets within the Po Valley region. These services will provide the Company with income of €25,000 per month for a minimum period of 3 months and until the agreement is terminated by either party.

During the month of March 2020, the Italian government imposed a nationwide lockdown as a preventative measure to reduce the contagion of Covid-19. Po Valley employees are working from home during this time. Importantly, we have seen evidence that the Italian Ministries continue to be operational therefore we do not expect significant delays in the ongoing environmental approvals for

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTE 27: SUBSEQUENT EVENTS (continued)

Selva Malvezzi and Teodorico. Importantly, the oil and gas industry was declared an "essential service" by the Italian government underpinning its strategic importance in the Italian economy. However, the timing, full extent of the impact and recovery from Covid-19 on our employees and business operations continues to evolve as at the date of this report. As such, the Group is unable to estimate the effects on the Group's financial position, liquidity and operations in the 2020 financial year.

Other than the above, 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.

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

DIRECTORS' DECLARATION

1. In the opinion of the directors of PVE ("the Company"):
 - i) the financial statements and notes, as set out on pages 19 to 61, and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance, for the financial year ended on that date; and
 - b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - ii) subject to the matters disclosed in Note 1.2(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by 295A of the *Corporations Act 2001* by the chief executive officer for the financial year ended 31 December 2019.
3. The Directors draw attention to Note 1.2 to the Financial Statements which include a statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of directors.



Michael Masterman
Chairman and Chief Executive Officer
31 March 2020



Kevin Bailey
Non-Executive Director
31 March 2020

Po Valley Energy Limited

ABN: 33 087 741 571

Independent Auditor's Report to the Members of Po Valley Energy Limited and Controlled Entities**Report on the Audit of the Financial Report**

We have audited the financial report of Po Valley Energy Limited ("the Company") and its Controlled Entities ("the Group"), which comprises the statement of consolidated financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001* including:

- i. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Material Uncertainty Regarding Going Concern

We draw attention to Note 1.2 (c) of the financial report which describes that the Group made a loss for the financial year ended 31 December 2019 of €1,504,741; it has a cash balance of €42,165 and net current liabilities of €2,080,680. The Group has also reported a net operating cash outflow from continuing operations of €1,127,291. As stated in Note 1.2 (c), these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter – Covid 19

We also draw attention to Note 27 of the financial report which describes a subsequent event in respect of Covid-19. The Group, at this stage, is unable to estimate the effect of this on the Group's financial position, liquidity and operations in the 2020 financial year. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Going Concern The Group has incurred a loss of €1.5m for the year ended 31 December 2019 and is expected to continue to be loss making for the year ended 31 December 2020. The Group also had net operating cash outflows of €1.12m for the year ended 31 December 2019.	Our procedures included, amongst others: <ul style="list-style-type: none"> • We have obtained the current cash flow forecasts and budgets and discussed the assumptions with management. We have carried out sensitivity analysis on these. • We have reviewed confirmations from the Directors and shareholders which states that they will not recall their loans, any accrued interest on these loans and any unpaid directors' fees within 12 months from the date of signing of the financial report unless the company has sufficient cash reserves available. • We have reviewed the disclosure in Note 1.2 (c) for consistency with management's forecasts and assertions.
Carrying value of Resource Property Costs The Group has an exploration asset of € 7.88m at 31 December 2019. The carrying value of exploration and evaluation assets can be subjective based on the Group's ability, and intention, to continue to explore the asset.	Our procedures included, amongst others; <ul style="list-style-type: none"> • We have reviewed the impairment models prepared by management and discussed with them their assumptions and methodology. • We have carried out sensitivity analysis on the impairment valuation models. • We have reviewed the competent persons report issued by an independent valuer to evaluate the groups assessment of carrying value of exploration and evaluation assets.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The directors of the Company are responsible for the preparation of the 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 directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 15 of the Directors' Report for the year ended 31 December 2019.

In our opinion the Remuneration Report of Po Valley Energy Limited for the year ended 31 December 2019 complies with s300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with s300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



ROBERT EVETT
Director


BENTLEYS NSW AUDIT PTY LTD

Sydney, 31 March 2020.