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**OFFSHORE REGULATORY AND OPERATIONS UPDATE**

Po Valley Energy Ltd (ASX: PVE) the Italian based oil & gas exploration, development and production company with interests in Northern Italy provides the following offshore regulatory and operations update.

**Changes to Offshore Legislation**

In late December 2015, the Italian Parliament passed the 2016 Budget Law which includes further restrictions on offshore oil and gas activity including the re-introduction of a general ban on E&P activity within 12 nautical miles of the coast of Italy. This restriction was originally introduced in 2010 and repealed in 2012 for exploration licenses that were already awarded, including the Company's license AR94PY. The law became effective 1 January 2016.

The Company has initiated an in-depth review of this recent legislation in order to fully assess the implications on both the production concession application "Teodorico" and the larger exploration license AR94PY. If the new restrictions are found to apply to our license area, it is likely that it will adversely affect the size of our exploration license AR94PY as approximately half our acreage lies within the 12 nautical mile area, although the majority of our currently targeted gas resources in the production concession application area lies outside this perimeter.

Importantly, resolving the implications of the new law will almost certainly cause a delay in the determination of our Teodorico concession application.

**Operations Update**

As detailed in our September Quarterly Activities Report released 30 October 2015 the Company's technical team has identified a relatively low cost rig less rework of our Sillaro-2 well in order to access remaining gas from the Sillaro field. This work was initiated in December and will be completed this month.



As a result of these activities production in December averaged 15,000 scm/day compared to 35,000 scm/day in October and November. Average production for the December Quarter will therefore be approximately 28,000 scm/day compared to 38,000 in the September Quarter. Some restoration of production rate should be achieved later this month. While most individual reservoirs in Sillaro are reaching an advanced stage of depletion, we continue our efforts to maximise production rate and recovery where commercially viable to do so.

The Sillaro field is currently producing approximately 16,000 scm/day. A detailed commentary on the operations carried out and future plans will be provided in the December Quarterly Activities Report.

Following the sale of the Company's interests in La Prospera, Gradizza and Zanza which completed on 23 December, the Company is in the process of negotiating to restructure its current borrowing arrangements with Nedbank to convert its current reserve-based loan to a fixed loan facility with monthly repayment instalments. This is in line with our stated strategy of reducing debt and borrowing costs. These negotiations are on-going and an update will be provided in due course.

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