



**ASX / MEDIA RELEASE
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COMPANY UPDATE ON INITIATIVES TO RECAPITALISE AND RESTRUCTURE

Po Valley Energy Limited (ASX:PVE) provides the following market update.

As previously reported, the Company's priorities have been to increase production and revenue from its Sillaro gas field, to seek funding to bring its near term development assets into production and to progress the licensing of the Company's more prospective exploration and development assets. The Company provides the following update on production and development, expected 2015 financial results and initiatives which the Company has implemented and plans to implement to recapitalise and restructure the Company.

Production & Development

As previously announced, the Company is in the process of a relatively low cost rigless rework of its Sillaro field in order to access remaining gas from completed and non-completed levels. While not without risk, it is judged to have a good prospect of increasing the production rate from and longevity of this field. If successful, it is anticipated that production from Sillaro will increase from a current average of approximately 10,000 scm/day to 30,000 scm/day once the rigless rework is completed.

As also previously announced, the Company has made good progress over the past six months on the permitting process for its offshore gas field, Teodorico. However, recent legislation reintroduced a 12 nautical mile moratorium including additional restrictions on exploration and production development activity. Based on our current understanding it appears that Teodorico will be largely unaffected as all of our planned development activity is envisaged within the permitted area. The perimeter of the concession was recently reshaped by the Italian Ministry of Economic Development in order to comply with the new law.



As regards the broader exploration licence (AR94PY) the Company has been informed by the Italian Ministry of Economic Development that this acreage will not be reduced or reshaped in any way, however, the area will be limited to exploration activity only and a production concession for any discovered resources will not be awarded under the current legislation. The Company does not currently have any pending drilling applications or similar for this area.

The Company's other major prospective appraisal asset, Selva, is expected to be awarded a drilling authorisation in the fourth quarter of 2016 calendar year. Subject to regulatory approval and available finances, it is intended to finance this appraisal well through a farm-in with a third party.

2015 Full Year Financial Statements

The Company's full year 2015 financial statements are due to be released at the end of March 2016. The Company is expected to impair some operating and deferred tax assets. These impairments are primarily a result of the decline in forecast gas prices generally, and a decline in production from the Sillaro gas field. In addition, the Company has incurred a loss on the disposal of the La Prospera licence at below book value. The Company expects to report an operating loss for 2015, due largely to reduced Sillaro production, and will make a net loss as a result of these anticipated asset impairments.

Recapitalisation & Restructure

The Company has been pursuing various initiatives aimed at strengthening the Company's balance sheet to enable it to focus on advancing its high-value priority projects. The Board does not believe that the current market capitalisation of the Company accurately reflects the value of the underlying assets of the Company; a view that reflects both the current low global prices for oil and gas and also recognises minimal trading in the Company's shares on the ASX. For this reason the Board is pursuing a pathway of recapitalisation and restructuring that seeks to maximise shareholder value and to do so in a manner such that all shareholders have the opportunity to participate in this process.



Initiatives implemented to date

The Company has completed a restructure of its borrowing arrangements under a reserve based lending facility with its primary lender Nedbank Limited. The details of this restructure were announced to ASX on 21 January 2016 and included repayments totalling €2.2 million in January 2016 reducing the outstanding amount to €576,000. A repayment plan has been agreed which would see the facility extinguished by 30 September 2016.

The Board has been considering various options for the sale of assets in order to better capitalise the Company. In late 2015, the Company announced the sale of its 75% interest in La Prospera exploration licence including the Gradizza gas discovery concession and Zanza exploration licence to Aleanna Resources for €1,850,000. A further €200,000 is payable should the production concession for Gradizza be received by 31 August 2016. The proceeds from this sale were used to repay debt under the Nedbank facility as discussed above.

The Company has recently entered into a short term unsecured bridging loan facility pending completion of the Sillaro rework. The facility was provided by Beronia Investments Pty Ltd, an entity associated with a Director, Byron Pirola. Under the facility the Company may draw down up to €300,000 and has to date drawn down €150,000.

Remaining Recapitalisation Steps

The Directors, after careful review, have developed the following pathway to restructure and recapitalize the Company in order to preserve maximum value for shareholders. This restructuring plan involves six key steps:

1. Raise approximately \$1.75 million (approximately €1.1 million) through a pro-rata renounceable rights issue – the details of which will be announced following this announcement.
2. Pursue the possible sale of smaller assets (for example, Sant'Alberto and Bezzecca) to increase the Company's cash reserves.
3. Refinance the remaining €576,000 debt with Nedbank.



4. Pursue the possible sale as an operating entity of the 100% owned subsidiary NorthSun Italia Spa, which controls 65% of the Sillaro gas field, 32.5% of the Sant'Alberto gas field and 100% of the Bezecca and Vitalba gas fields. NorthSun Italia Spa is an operating entity with several assets which are not currently contributing to operational cashflow. A sale of NorthSun Italia Spa would reduce the working capital needs and capital expenditure of the Company significantly.
5. Simplify the Company's structure and further reduce operating costs, including reduction in the size of the Board from the current four members to three members and implementation of a sale of unmarketable parcels to reduce the large number of Shareholders holding small parcels (notice of which was dispatched on 10 March 2016). Directors have agreed to reduce their fees by 30% with effect from 1 January 2016. They have also agreed to accept half of those fees in shares and to accept shares in lieu of directors' fees for the period 1 April – 31 December 2015, in both cases subject to the requisite shareholder approvals.
6. The Directors are considering various options for streamlining the Company's structure and reducing costs. One such option may include the potential delisting of the Company from the ASX to allow the Company to continue as an unlisted public company without the administration and compliance costs involved in being listed. Any such proposal would be subject to shareholder approval.

The Board believes this recapitalisation and restructuring plan is currently the best mechanism to enable shareholders to realise value from the Company's assets.

Over recent months the Company has received various overtures in the form of non-binding and conditional offers to purchase individual assets and the Company's undertaking in its entirety. To date, these offers have not represented sufficiently attractive offers for the Company's assets to warrant pursuing. However, the Board will continue to give careful and due consideration to any good faith offers received whether for the Company's individual assets, its subsidiaries or for the entire Company itself.

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