

Quarterly Activities Report

For the June quarter and to the date of this report



29 July 2016

COMPANY OVERVIEW

Po Valley Energy (ASX:PVE) is an independent oil and gas exploration and production company with assets in the Po Valley region in northern Italy.

The Company's core portfolio includes a total of 14 onshore and 1 offshore assets for a total acreage position of circa 2,000 km².

The Company's Rome based management team is focused on accelerating growth opportunities whilst building a solid foundation from its producing assets, Sillaro and Castello.

HIGHLIGHTS

- Total gas production for the quarter was 1.16 million cubic metres (40.9 million standard cubic feet)
- The perforation work program which targeted gas volumes in the C1 reservoir of the Sillaro field was completed but resulted in no gas or water flow. Connectivity of the reservoir is believed to be impaired by residue from a chemical seal used on the level directly above C1
- Negotiations with contractors to build the pipeline and tie in the Bezzecca field significantly advanced during the quarter. Construction to start in 3Q16
- The environmental approval for the Sant'Alberto gas field was received. The final production concession is expected to be awarded by the Ministry of Economic Development within year-end 2016
- The environmental approval to drill Podere Maiar-1 (Selva) was received during the quarter. The final drilling program is currently being reviewed by the local technical office of the Ministry of Economic Development (UNMIG)
- The pro rata renounceable rights issue was successfully completed in April, raising AU\$1.75 million
- The Company refinanced its outstanding debt in May with Nedbank Limited, replacing it with streamlined loan facilities provided by shareholders including some existing and former Directors of the Company ("shareholder loan facilities").
- Cash at bank at 30 June 2016 was 0.43 Euro million (AU\$ 0.65 million)
- Revenue for the 1H2016 was 0.50 Euro million (AU\$ 0.74 million)

Capital Details (ASX:PVE)

(as at 30 June 2016, AU\$)

Share Price	\$0.01
Shares on Issue	505.37m
Market Cap	\$5.05 m
Cash at Bank	\$0.65m
Drawn Debt	\$1.13m
Enterprise Value	\$5.53m

2016 Gas Production & Revenue

	2Q 2016	1Q 2016	FULL 2015
Total Production Mscm	1.16	1.19	9.84
Total Production Mscf	40.9	42.08	347.55
Total Revenue €m	0.25	0.25	2.49

PVE Share Price Mar 2015 - Jun 2016



Board of Directors

Michael Masterman, Chairman
(Appointed 22 Apr 16)
Byron Pirola, Non-Executive Director
Kevin Bailey Non-Executive Director
(Appointed 22 Apr 16)
Sara Edmonson CEO
Lisa Jones Company Secretary

PRODUCTION UPDATE

During the quarter the Company produced a total of 1.18 million standard cubic metres, at an average of 12,900 scm/day from its Sillaro field. Production from Vitalba field remains temporarily suspended as outlined in the 31 December 2015 Quarterly Report.

During the June Quarter the Company completed the rigless intervention campaign on the Sillaro field despite numerous setbacks including malfunctions of the service company's perforation equipment and limited availability.

At the beginning of May the Company announced that the perforation of level C1 in Sillaro carried out during April was inconclusive. The contractor subsequently returned in June to complete the perforation of the target zone. The perforation work program, which targeted gas volumes in the C1 reservoir, was successfully completed, but regrettably testing of C1 following the perforation resulted in no gas or water flow.

Following extensive analysis and assimilation of empirical evidence, the technical team is of the view that (i) available static and dynamic data continue to underpin the assumption that level C1 is gas bearing; (ii) the connectivity of the reservoir and tubing is impaired by residue in the casing tubing annular from the chemical seal used on the level directly above level C1 (i.e. level C2). The Company is currently evaluating options to clean the casing tubing annular, costs and chance of success.

The Sillaro-1 sidetrack project originally announced in January 2015 remains valid and would optimize production of the remaining reserves from the Pliocene reservoirs along with the development of the Miocene target.

During the quarter, production from level C0 continued throughout the workover producing an average of 13,000 scm/day.

DEVELOPMENT

The Company has made significant steps to progress the development of the **Bezzecca** gas field which requires a pipeline and tie-in to existing facilities. Discussions with contractors were advanced with the aim to start pipeline construction in August. The duration of construction is highly dependent on weather conditions and is estimated to be in the order of 90 to 120 days. A short standard commissioning period would follow.

In regards to **Teodorico**, the Company is awaiting advice from the Ministry of Economic Development in respect of its application for a production concession. Following the re-mapping of the perimeter of the production concession area in 1Q16, the Company continued to engage with the Ministry of Economic Development chiefly to demonstrate that no changes to the original work program for the Teodorico gas field were necessary, as all planned development activity lies within the permitted area.

On the regulatory front, the Company made further steps toward the development of two key projects:

Sant'Alberto production concession application: In early July the Company received environmental approval from the Ministry of Environment. The Company is now waiting for the Minister of Environment to sign the EIA Decree and immediately thereafter the Ministry of Economic Development is able to award the production concession for the field. Once the production concession is awarded, the Company is able to file the detailed engineering of the gas treatment plant with the technical office of the Ministry (UNMIG) for review and installation of the plant can commence.

Podere Maiar-1 (Selva) drilling application. In June the Company received environmental approval from the Emilia Romagna region. In the meantime, the technical team has completed the final engineering of the drilling program and is working with technical office of the Ministry (UNMIG) to review HSE compliance of the program. Meetings with various service companies and rig operators will take place in 3Q16 to advance contract documentation. Selva continues to be a major prospective development and a strategic priority for the Company.

CORPORATE

During the June quarter, the Company continued to pursue various initiatives aimed at strengthening the Company's balance sheet to enable it to focus on advancing its high-value priority projects.

In early May the Company announced the finalisation of the refinancing of its outstanding debt. The Company entered into shareholder loan facilities with several shareholders including directors and former directors. They are unsecured, have a term of 12 months and an interest rate of 10%. These new shareholder loan facilities provide a streamlined, flexible arrangement and have relieved the Company from the onerous administrative and security requirements of the Nedbank reserve based lending facility.

In June and July, additional funds were drawn to cover working capital requirements and progress the development of Bezzecca. At the date of this report, total funds drawn under the shareholders loan facilities amounted to Euro 850,000.

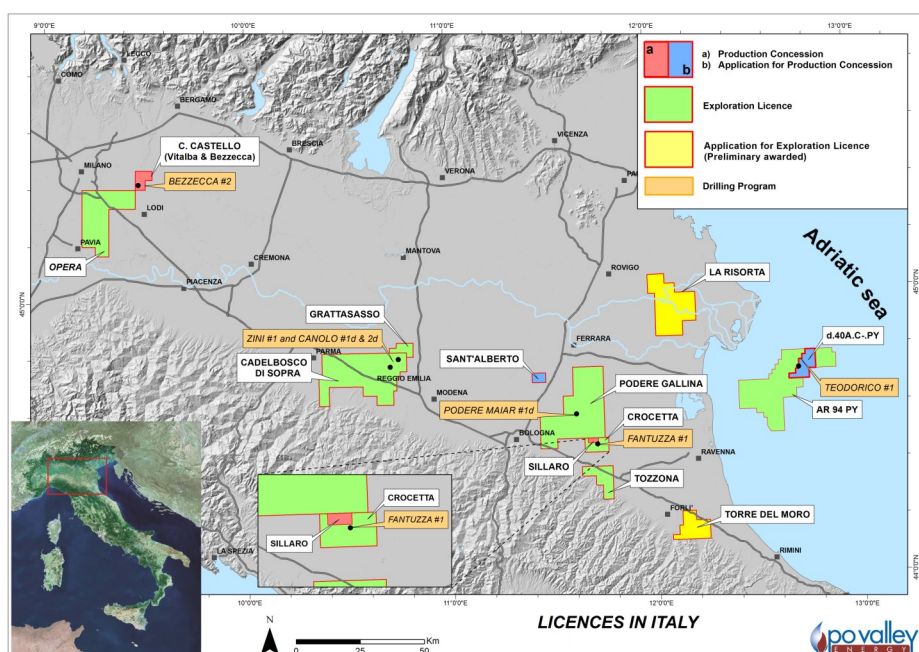
In March the Company announced a renounceable 2.5 for 1 pro-rata rights issue offer to shareholders to raise approximately \$1.75 million before costs. On 20 April 2016 the rights issue was successfully completed with the issue of a total of 350,392,300 new shares. Proceeds from the rights issue totalled AU\$1,751,961.50 before costs.

As anticipated in the previous quarterly report, on 21 April the Company announced the restructuring and downsizing of its Board of Directors, with the retirement of Company's long-standing Chairman, Mr. Graham Bradley along with Mr. Kevin Eley. Mr. Kevin Bailey, a substantial shareholder for several years, was appointed non-executive Director. Numerous other initiatives were undertaken to reduce the Company's overheads, the full benefit of which will become more evident in the second half of 2016.

Currently, PVE has an Audit & Risk Committee and a Remuneration & Nominations Committee. These committees comprise three non-executive directors. With the recent reduction of the board size to three members, the board has resolved that there are no efficiencies to be gained from delegating responsibilities for audit, remuneration and nomination issues to separate committees. Accordingly, with effect from 1 August 2016, the roles and responsibilities of the Audit & Risk Committee and Remuneration & Nominations Committee will be undertaken by the full board.

Cash at bank at the end of the quarter was Euro 437,023.

SUMMARY OF LICENCES IN ITALY AS AT 30 JUNE 2016



SUMMARY OF TENEMENTS AS AT 30 JUNE 2016

		Tenement	Location	Interest held	Interest disposed during 2Q 2016
PROD. CONCESSION	Granted	Sillaro (derived from Crocetta Expl. Licence)	Italy, Emilia Romagna, Bologna	100%	-
		Cascina Castello (derived from C.S. Pietro Expl. Licence)	Italy, Lombardia Cremona / Lodi	90%	-
	Prel. Awarded	Sant'Alberto (derived from San Vincenzo Expl. Licence)	Italy, Emilia Romagna, Bologna	100%	-
EXPLORATION PERMITS	Granted	Crocetta	Italy, Emilia Romagna	100%	-
		La Prospera	Italy, Emilia Romagna	75%	-
		Podere Gallina	Italy, Emilia Romagna	100%	-
		Opera	Italy, Lombardia	100%	-
		Grattasasso	Italy, Emilia Romagna	100%	-
		Cadelbosco di Sopra	Italy, Emilia Romagna	85%	-
		Tozzona	Italy, Emilia Romagna	100%	-
		AR94PY	Italy, Adriatic Offshore	100%	-
	Prel. Awarded	La Risorta	Italy, Emilia Romagna & Veneto	100%	-
		Torre del Moro	Italy, Emilia Romagna	100%	-

All tenements are 100% equity with exception of Cascina Castello (90%), and Cadelbosco di Sopra (85%)

In 4Q 2014, the Company successfully concluded a third farm-in with Petrorep Italiana Spa for a 10% interest in the Cascina Castello Bezzeca production concession. Petrorep committed to a promoted share of future development expenditures.

Registered Office

Suite 8, 7 The Esplanade, Mt Pleasant WA 6153 Australia
 TEL +61 (08) 9316 9100
 FAX +61 (08) 9315 5475
 Or visit: www.povalley.com

Rome Office

Via Crispi 90, Rome, 00187 Italy
 TEL +39 06 4201 4968
 FAX +39 06 4890 5824