



30 April 2018

## **QUARTERLY ACTIVITIES REPORT**

### **For the March quarter and to the date of this report**

Australia's Po Valley Energy Limited, ("Po Valley" or "The Company") is pleased to provide its Quarterly Activities Report for the period ending 31 March 2018, including substantially higher gas production volumes and gas sales revenue.

### **Highlights**

Key highlights for the quarter include:

- Significant gas discovery confirmed at Podere Maiar 1dir well in the Selva gas field northwest of Bologna in northern Italy.
- Selva Production Concession application under preparation
- Maiden 2P Reserves of 36.5 bcf of gas declared at the Teodorio offshore gas field in the northern Adriatic Sea
- Completion of the merger of Saffron Energy with Sound Energy Italy and GBP14m capital raising
- 46% increase in March Quarter gas production to 2.7 MMscm (97.4 MMcf)
- 58% increase in March Quarter revenue to €0.6 million (A\$ 0.9 million)

### **Commercial discovery at Podere Maiar-1dir well in Selva Gas field – 63% PVE**

The successful drilling and testing of the Podere Maiar-1dir well was the highlight of the previous December 2017 quarter. The well was spudded on 21 November 2017 and reached a total depth of 1,330 metres in the Pliocene, ahead of schedule and on budget. Flow testing was completed in mid-January, with results significantly ahead of expectations. The strong gas flows on test on both levels, together with the 600 metre proximity of the well to the Italian national grid and pure 99.1% methane content, have confirmed a significant commercial discovery.

Po Valley's technical team is presently preparing the production concession application that will be submitted to the Ministry by the end of June 2018. Re-estimates to contingent resources and reserves will be updated as part of the production concession application.

Po Valley holds a 63% share of the Podere Gallina licence. In May 2017, United Oil and Gas acquired a 20% stake through a farm-in on a 2-for-1 promote basis. On 1 November 2017, the Company announced a new farm-in with a wholly-owned subsidiary of Prospex, for a 17% interest in the licence in exchange for funding 34% of the cost of the Podere Maiar-1 well (i.e. on a 2 for 1 promote basis). In aggregate, the farm-in JV partners were responsible for 74% of the capital cost of the drilling programme, in exchange for a 37% participating interest.

### **Teodorico Offshore Gasfield development (100% PVE)**

In February, Po Valley released a new Competent Person Report, with an important upgrade on its offshore Adriatic development, the Teodorico gas field. Maiden 2P Reserves of 36.5 bcf of gas have now been declared, in line with the Society of Petroleum Engineers ("SPE") guidelines<sup>1</sup>.

The 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. Teodorico has the largest gas in place of all of Po Valley's gas fields, is at an advanced stage of assessment and is ready for development. The Company received a preliminary award of the Teodorico Production Concession last year and is advanced in securing environmental approval - the main step before full grant of the Production Concession.

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<sup>1</sup> For further details please refer to the ASX announcement "Energy Reserve and Resource Upgrade for Po Valley Maiden Reserves of 2P 36.5 bcf declared for Teodorico" released on 19 February 2018

## **Q4 Gas Production - Saffron (50% PVE\*)**

	Q3 17	Q1 18	Change (%)	YTD 18
Total production ('000 cubic metres)	1.890	2.759	46%	2.759
Total production ('000 cubic feet)	66.760	97.440	46%	97.440
Daily production (cubic metres per day)	20.548	30.658	49%	
Daily production ('000 cubic feet per day)	726	1.083	49%	
Daily production (boepd)	125	187	49%	
Revenue (€)	380.847	600.009	58%	600.009
Average gas price (€ per cubic metre)	0,202	0,217	8%	

*\*PVE share as at 30 March 2018. Following re-admission to the AIM on 9 April, PVE now owns 13.9% of Saffron Energy*

Production from Sillaro (100%) and Bezzecca (90%) gas fields in northern Italy was 2.7 million standard cubic metres (97.4 MMcf) in the quarter ending 31 March 2018.

Quarter-on-Quarter production was up 46%, primarily due to a significant increase in daily rates at Sillaro. From early in January, the field is producing up to 726,000 scf/day (20,000 scm/day) following a zero-cost production restart initiative. As expected, the daily rate has and will continue to decrease gradually. Production from this field has clearly surpassed 3P reserves. It is expected that this field, under its current completion scheme, is close to depletion and will require a workover (sidetrack) to unlock further production potential.

At Bezzecca, a planned rig-less intervention was successfully carried out to shut off water production from the lower sections of the Level R and Level S. Production was restarted with production from Level A at a production rate of 18,000 scm/day and limited water presence. Further initiatives are being implemented to minimise hydrate production and remove condensate production which have adversely affected Bezzecca output during the colder winter months.

Po Valley attained an average gas price of €0.217 per cubic metre in Q1 compared to €0.202 in the previous quarter.

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

Following the grant of the Torre del Moro licence in northern Italy, Po Valley has moved to purchase seismic covering the large anticline structure. The new data will be evaluated and processed mid-year prior to future geological and geophysical work.

### **Corporate**

During the quarter, Po Valley's 50%-owned subsidiary, Saffron Energy, acquired Sound Energy Italy Limited's Italian gas field interests through the issue of 185.9m shares. In addition, Saffron Energy raised GBP14m through the issue of 319.6 million shares. The merger and capital raising were approved by shareholders on 29 March, and Saffron (now named Coro Energy) re-admitted to the AIM on 9 April.

As part of the Coro transaction, James Parsons, CEO of Sound Energy, became Chairman, James Menzies, the former CEO of Salamander Energy, was appointed CEO of Coro, with Sara Edmonson as Deputy CEO and Fiona MacAulay, lead independent technical Non-Executive Director.

The transaction, including the GBP14m placement and share-based acquisition, reduced Po Valley's 100m share ownership of Saffron to 13.9%.

The Board of Po Valley has recommended to shareholders that the 100m Saffron/Coro shares be distributed on a pro-rata basis to Po Valley shareholders. Approval for this transaction will be sought at a 7 May 2018 shareholders' meeting. The distribution, if approved, will allow Po Valley Energy shareholders to hold a direct stake Coro Energy Plc.

Following the reduction in shareholding in Saffron and with no ongoing Board representation, Po Valley will no longer consolidate Saffron Energy revenues and earnings from 1 April 2018 onwards in line with accepted accounting practice.

With the completion of the merger and capital raising, and the proposed distribution of 100m Saffron/Coro shares to shareholders, Po Valley remains a northern Italy focused energy development and exploration company but with a more streamlined focus on three large assets: the onshore gas development at Selva, offshore Adriatic development at Teodorico and the large-scale gas/oil condensate exploration licence at Torre del Moro.

Po Valley announced in April, a planned AUD2.5 million convertible note issue to fund ongoing Selva, Teodorico and Torre del Moro development.

Consolidated cash at bank at the end of the quarter was €0.8 million (AUD\$ 1.3 million).

Revenue for the March quarter was Euro 0.6 million (AU\$ 0.9 million)<sup>2</sup>.

### Summary of Tenements

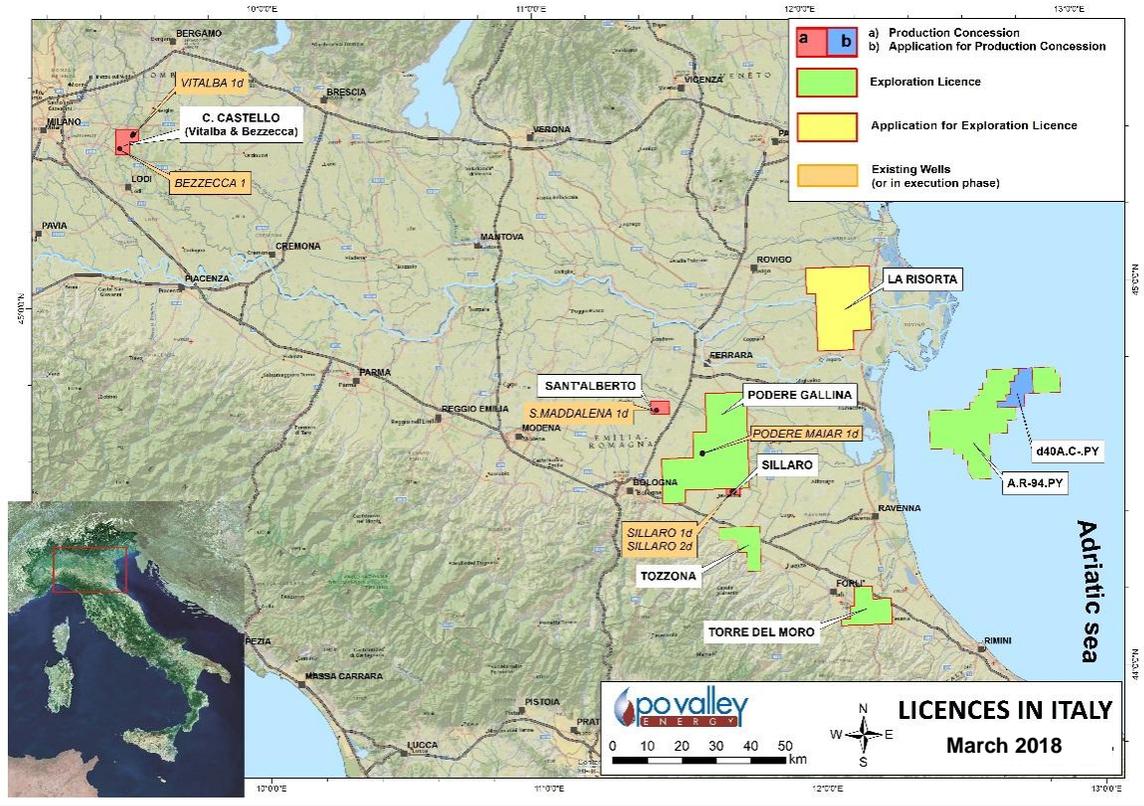
	Tenement	Location	Interest held
PROD. CONCESSION	<i>Sillaro</i>	Italy, Emilia Romagna, Bologna	100% Northsun Italia
	GRANTED <i>Vitalba (Cascina Castello)</i>	Italy, Lombardia Cremona	90% Northsun Italia
	<i>Bezzecca (Cascina Castello)</i>	Italy, Lombardia Lodi	90% Northsun Italia
	<i>Sant'Alberto</i>	Italy, Emilia Romagna, Bologna	100% Northsun Italia
	PREL. AWARDED <i>Teodorico (d.40.AC-PY)</i>	Italy, Adriatic Offshore	100% Po Valley
EXPL. PERMITS	<i>AR94PY</i>	Italy, Adriatic Offshore	100% Po Valley
	<i>Cadelbosco di Sopra</i>	Italy, Emilia Romagna	Sold to Delta Energy**
	<i>Grattasasso</i>	Italy, Emilia Romagna	Sold to Delta Energy**
	<i>Podere Gallina</i>	Italy, Emilia Romagna	63% Po Valley
	<i>Tozzona</i>	Italy, Emilia Romagna	100% Northsun Italia
	<i>Torre del Moro</i>	Italy, Emilia Romagna &	100% Po Valley
	PREL. AWARDED <i>La Risorta</i>	Italy, Emilia Romagna &	100%

\*\* Sale still under finalisation – waiting for final Ministry approval

No interests were disposed during the March Quarter 2018

<sup>2</sup> €1 = AUD 1.603 as at 31 March 2017 - €1 = AUD 1.5635 average for 1Q 2018 - Source [www.oanda.com](http://www.oanda.com)

## Licences in Italy



### 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](http://www.povalley.com)

### Rome Office

Via Francesco Crispi 90,

Rome, 00187 Italy

TEL +39 06 4201 4968

FAX +39 06 4890 5824