

Quarterly Activities Report

For the March quarter and to the date of this report



29 April 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 1.19 million cubic metres (42.08 million standard cubic feet)
- Sillaro rigless campaign is ongoing, results expected in 2Q 2016
- A new, in-depth integrated study of the estimated recoverable volumes of the Bezzacca gas field was completed. The study will be reviewed by specialist advisors and the results released to the market in due course
- The EIA approval for Selva progressed with the final environmental conference held during the quarter
- Agreed new perimeter of the offshore production concession application Teodorico with the Ministry of Economic Development following recent legislation (December 2015) and progressed review of the impact on the larger exploration license
- Progressed a rights issue which raised AU\$1.75 million (completed on 20 April)
- Completed the restructure of borrowing arrangements with Nedbank in February
- Cash at bank at 31 March 2016 was Euro 0.18 million (AU\$ 0.26 million)
- Revenue for the March quarter was Euro 0.25 million (AU\$0.39 million)
- During the quarter, and finalised in April, the Company reduced the size of Board of Directors from five to three members as well as compensation by one third as part of a broad range of cost reduction actions.

Capital Details (ASX:PVE)

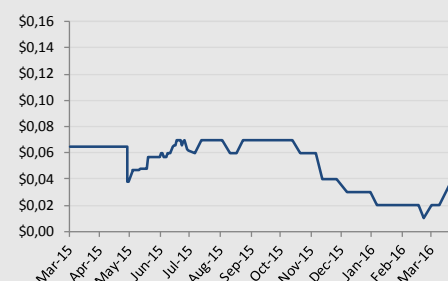
(as at 31 March 2016, AU\$)

Share Price	\$0.04
Shares on Issue	140.16m
Market Cap	\$5.60 m
Cash at Bank	\$0.26m
Drawn Debt	\$0.78m
Enterprise Value	\$6.12m

2015 Gas Production & Revenue

	1Q 2016	4Q 2015	FULL 2015
Total Production Mscm	1.19	2.69	9.84
Total Production Mscf	42.08	95.32	347.55
Total Revenue €m	0.25	0.58	2.49

PVE Share Price Mar 2015 - Mar 2016



Board of Directors

Graham Bradley, Chairman (Res 22 Apr 16)
Michael Masterman, Chairman (App 22 Apr 16)
Byron Pirola, Non-Executive Director
Gregory Short, Non-Executive Director (Res 25 Jan 16)
Kevin Eley, Non-Executive Director (Res 22 Apr 16)
Kevin Bailey Non-Executive Director (App 22 Apr 16)
Sara Edmonson CEO
Lisa Jones Company Secretary

PRODUCTION UPDATE

During the quarter the Company produced a total of 1.22 million standard cubic metres, at an average of 13,400 scm/day from its Sillaro field. Production from Vitalba remains temporarily suspended as outlined in the 31 December 2015 Quarterly Report.

As previously announced, the Company started a relatively low cost rigless rework of Sillaro field in order to access remaining gas from both completed and non-completed levels. While not without technical risk, this 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. The campaign, which began in December 2015, was recommenced in mid-April due primarily to delays in the availability of the main contractor.

The core activity revolves around accessing Level C1 via perforation through tubing. This operation was carried out successfully on Sillaro-2 on 21 April 2016. At the date of this report, the operations team is currently cleaning up the well. Results are therefore still under review and will be released to the market as soon as they are available.

DEVELOPMENT

During the quarter the technical team completed an internal in-depth integrated (geophysical, petrophysical and reservoir) study on the **Bezzecca** field. The review was similar to the one recently carried out on Sillaro and included a layer by layer geological review as well as a review of the petrophysical characteristics and recovery factors assumptions for each level.

The results are encouraging and the Company is currently preparing for an independent external review of this work. Conclusions will be released to the market as soon as the review is complete. Efforts continue to secure funding, including joint venture partnerships and/or alternative debt, for the development of Bezzecca.

As outlined in the previous Quarterly Report, in late December 2015 the Italian Parliament passed the 2016 Budget Law which prescribed 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 impacted the **Teodorico** gas field production concession application within the larger AR94PY offshore licence area.

During the quarter the Company finalised an in-depth review of this recent legislation in order to fully assess the implications on both the Teodorico gas field and the larger exploration license area. Formal advice from the Ministry of Economic Development has confirmed the detailed re-mapping of the perimeter of the production concession area to comply with the 12 nautical mile limit with the following impacts:

- A reduction in the total licence area by approximately 10%.
- No changes to the original work program for the Teodorico gas field production concession application are necessary as all planned development activity lies within the permitted area.

The existing exploration license AR94PY will survive the new legislation. Any future hydrocarbon discovery within the 12 nautical miles restricted area could not be permitted to be developed under current legislation.

In regards to the awarding of a production concession for the **Sant'Alberto** gas field, the Company has been informed that the EIA procedure is complete and the documentation necessary for the Ministry of Environment to issue the Decree is under preparation. Once the EIA Decree is issued the Ministry of Economic Development is able to award the production concession license for this field and construction of the gas treatment plant can commence.

DEVELOPMENT - CONT'D

The Company is also waiting for the final environmental approval for its Podere Maiar-1 (**Selva**) appraisal well. In February the Emilia Romagna region held the final environmental conference and no issues were raised. As a result, the environmental procedure can now be considered complete, therefore the authorisation to drill is believed to be imminent. Selva continues to be a major prospective development and a strategic priority for the Company.

CORPORATE

During the March quarter PVE pursued various initiatives aimed at strengthening the Company's balance sheet to enable it to focus on advancing its high-value priority projects¹.

The restructure of the Company's borrowing arrangements under a reserve based lending facility with its primary lender Nedbank Limited announced in January was completed in February. During the quarter, the Company has taken steps to refinance this debt into a more flexible and unsecured facility.

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. The net funds raised will be used to fund the rigless intervention work needed to increase production and revenue from the Company's Sillaro gas field, to progress the Selva gas field to drilling approval, to repay debt and for working capital purposes.

As announced the 21st January 2016, the Directors are considering various options for streamlining the Company's structure and reducing costs. One such option includes the 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. Such proposal is subject to shareholder approval at the upcoming Annual General Meeting on 31 May 2016.

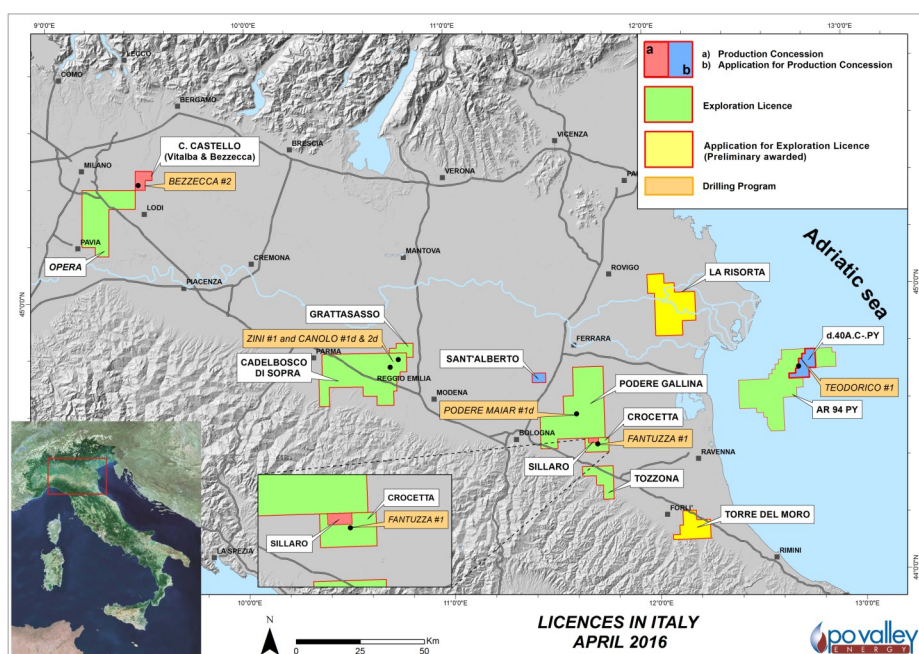
On 22 April the Company announced the restructuring and downsizing of its Board of Directors. The Company's long-standing Chariman, Mr. Graham Bradley AM, retired from the Board along with Mr. Kevin Eley while Mr. Kevin Bailey, a substantial shareholder for several years, was appointed Non Executive Director.

Cash at bank at the end of the quarterly was Euro 179,645.

¹ For further details please refer to the ASX announcement "Company Update on initiatives to recapitalise and restructure" released on 17 March 2016

€1 = AUD 1.480 as at 31 March 2016 - €1 = AUD 1.528 average for 1Q 2016 - Source www.oanda.com

SUMMARY OF LICENCES IN ITALY AS AT 31 MARCH 2016



SUMMARY OF TENEMENTS AS AT 31 MARCH 2016

		Tenement	Location	Interest held	Interest disposed during 1Q 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.

The Farm-in Agreement for Cadelbosco was completed in June 2012 with Petrorep Italiana Spa for its 15% interest; Petrorep committed to a promoted share of future drilling expenditures and reimbursement on past costs.

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 Ludovisi 16, Rome, 00187 Italy
TEL +39 06 4201 4968
FAX +39 06 4890 5824