



ASX / MEDIA RELEASE

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Po Valley to increase Sillaro Production

Po Valley (ASX:PVE) the Italian based oil & gas exploration, development and production company has completed its resource and technical review of the Sillaro gas field and has defined its 2015-2016 work programme to increase production and cash flow from this asset.

Sillaro has been a strong revenue and cashflow generator for PVE since production commenced in 2010 generating over EUR 30 million in revenue and EUR 23 million in operating cashflow. Production declined in 2014 and an in-depth technical and reservoir review has identified and prioritised two core initiatives to increase production, revenue and profitability.

The work plan involves two phases:

- Phase 1 - Recomplete Sillaro-2 to increase production to around 50,000scm/day
- Phase 2 - Redrill Sillaro-1 well with a side track to access the Miocene levels which is expected to increase production rates to 80-90,000scm/day

Financing for the above will be achieved through a combination of a farm-out, equity and potentially additional drawings on the existing Nedbank EUR 20 million facility (current drawn to EUR 3 million).

The Company is targeting to progress these projects in the second half of 2015 and the first half of 2016.

The first initiative will be to pull out the completion in Sillaro 2 and recomplete the well in the Pliocene levels with commercially attractive remaining recoverable reserves. These reserves are estimated at approximately 2 bcf¹ and primarily in the C1 production level and in level E and D which we expect to be new production levels. The capital cost for the recompletion is estimated at EUR 1.8 million and, if successful, is projected to generate EUR 4.5 million per annum in revenue and EUR 4 million in operating cashflow in the first full year of production in 2016.

Given the low capital cost and high return a priority will be to recomplete the well in the September Quarter 2015 with the work planned to take approximately 20 days.



The second initiative is to redrill the Sillaro 1 well to access the deeper Miocene reservoir at 2475m. This redrill will also add an additional depletion point for the overlying developed Pliocene reservoirs and should facilitate increased ultimate recovery from those zones. This investment offers good prospective returns. The Sillaro-1 sidetrack is expected to increase production rates by a further 40,000 standard cubic metres per day at an estimated capital cost of EUR 4.1 million.

The Sillaro production expansion coupled with the Company's planned development of its Bezzacca gas field are expected to be funded primarily from a third party farm-in. Discussions with potential farm-in partners are progressing.

Commenting on the developments, Sara Edmonson, Acting CEO, said "The work program at Sillaro combined with the development of Bezzacca are expected to materially improve revenue and earnings for Po Valley in 2016. The revised strategy will transform these two assets, with the main funding sourced from farm-in contributions."

Estimates of recoverable volumes at Sillaro (including the Pliocene and Miocene reservoirs) were announced to the market on 9 January 2015 at 132mscm¹.

A recent investor presentation was released to the market on the ASX on 13 May 2015.

MEDIA CONTACTS:

Sara Edmonson
Po Valley Energy
+39 06 4201 62 75

Qualified petroleum reserves and resources evaluator:

The information in this announcement that relates to Hydrocarbon Resources is based on, and fairly represents, information and supporting documentation prepared under the supervision of the Qualified Petroleum Reserves and Resources Evaluator, Mr. Greg Short. Mr Short is a Non-Executive Director of Po Valley Energy Limited, a geologist with over 40 years of oil and gas industry experience and a member of AAPG. He has consented to the form and context in which the Reserves and the supporting information are presented in this announcement.

About Po Valley Energy:

Po Valley Energy (ASX: PVE) is an oil and gas production and exploration company listed on the Australian Stock Exchange. It has an expanding portfolio of hydrocarbon assets in northern Italy. Po Valley holds 11 license areas, encompassing 2,000 km² and owns and operates two gas treatment plants. The Po Valley region is the main gas production zone in Italy. The Company's web site is <http://www.povalley.com>

1. Please refer to the ASX announcement "**Sillaro Field Reserves Revision and Production Forecast**" lodged on 9 January 2015 and to the Company's 2014 Annual Report lodged on 14 April 2015 for full details of the Company's reserves and resources.