



11 July 2017

## **Quarterly Production and Development Report**

Australian gas producer, Po Valley Energy, (ASX: "PVE") is pleased to provide a quarterly production and development update for the three months ended 30 June 2017.

### **Q2 Gas Production**

Production from Sillaro (100%) and Bezzecca (90%) gas fields - which Po Valley holds through its subsidiary Saffron Energy Plc. - has increased by 104% from 862,000 standard cubic metres (30.4 mmcf) in the quarter ended 31 March 2017 to 1.762 million standard cubic metres (62.2 mmscf) in the quarter ended 30 June. This increase was driven primarily by the commencement of production from the Bezzecca field in mid-April 2017.

The Bezzecca gas field - located east of Milan within the established prolific, gas-producing Po Valley region in northern Italy - is operated by Saffron's subsidiary Northsun Italia SPA (NSI). Gas from the now-producing Bezzecca 1 well is processed at the Vitalba processing plant and directly connected to the national grid.

Revenue from gas sales to Shell Energy Italia has also increased by 93%; in line with the increase in production. Po Valley attained a gas price of approximately €0.213 per cubic metres in Q2 compared to €0.226 in the previous winter months' quarter.

### **Gas production and Sales**

	<b>Q1 17</b>	<b>Q2 17</b>	<b>Change (%)</b>	<b>YTD 17</b>
Total production ('000 cubic metres)	862	1,762	104%	2,624
Total production ('000 cubic feet)	30,441	62,224	104%	92,665
Daily production (cubic metres per day)	9,370	19,368	104%	
Daily production ('000 cubic feet per day)	331	684	104%	
Daily production (boepd)	57	118	104%	
Revenue (€)	195,000	376,000	93%	571,000
Average gas price (€ per cubic metre)	0.226	0.213	- 6%	

### **Current Natural Gas Production Activity**

Po Valley expects that gas production and revenue will increase further in the third quarter ending 30 September 2017, driven by a full three months contribution of production from the Bezzecca field.

The Bezzecca gas field was completed and commissioned in Q2 with first gas flows on 18 April and full commercial production commencing at a steady state from Level A interval in mid-May 2017.

Over the first two weeks of July, the Company will install a downhole choke at Bezzecca and production from the field will recommence immediately afterwards from several levels, namely Level A, S and possibly R. Production rates in Level A will be adjusted down to allow for increased aggregate production from multiple levels.

### **Current Natural Gas Field Development Activity**

Po Valley has also made significant progress during the quarter on its natural gas development assets.

At the Selva gas field, preparations for drilling the first well Podere Maiar-1 are advancing with the first stage of civil works complete and procurement of long lead items such as the casing and well head advanced. A competitive option for a drilling rig has opened up we expect to secure the drilling rig during the September Quarter in preparation for drilling in the December quarter. Funding for 40% of the well is expected to be provided by United Oil and Gas who have advanced initial funds<sup>1</sup>.

Our offshore gas development project, Teodorico is progressing through Italian Environmental approval and we expect this process to be substantially complete by year end.

Geological and geophysical work on the recently granted Torre del Moro licence south of Bologna has also advanced during the quarter.

**Chairman of Po Valley Energy, Michael Masterman commented:** “After the first gas achieved at Bezzecca in April, I am pleased to announce the significant increase in our natural gas production, which translates into higher revenues. We have been able to deliver Bezzecca on time and despite the short delay on the production concession grant we are making good progress of Sant’Alberto. The Company is also evaluating additional opportunities to substantially increase production and bring more value to our shareholders. We are also making significant development progress with the substantially larger Selva and Teodorico gas fields”.

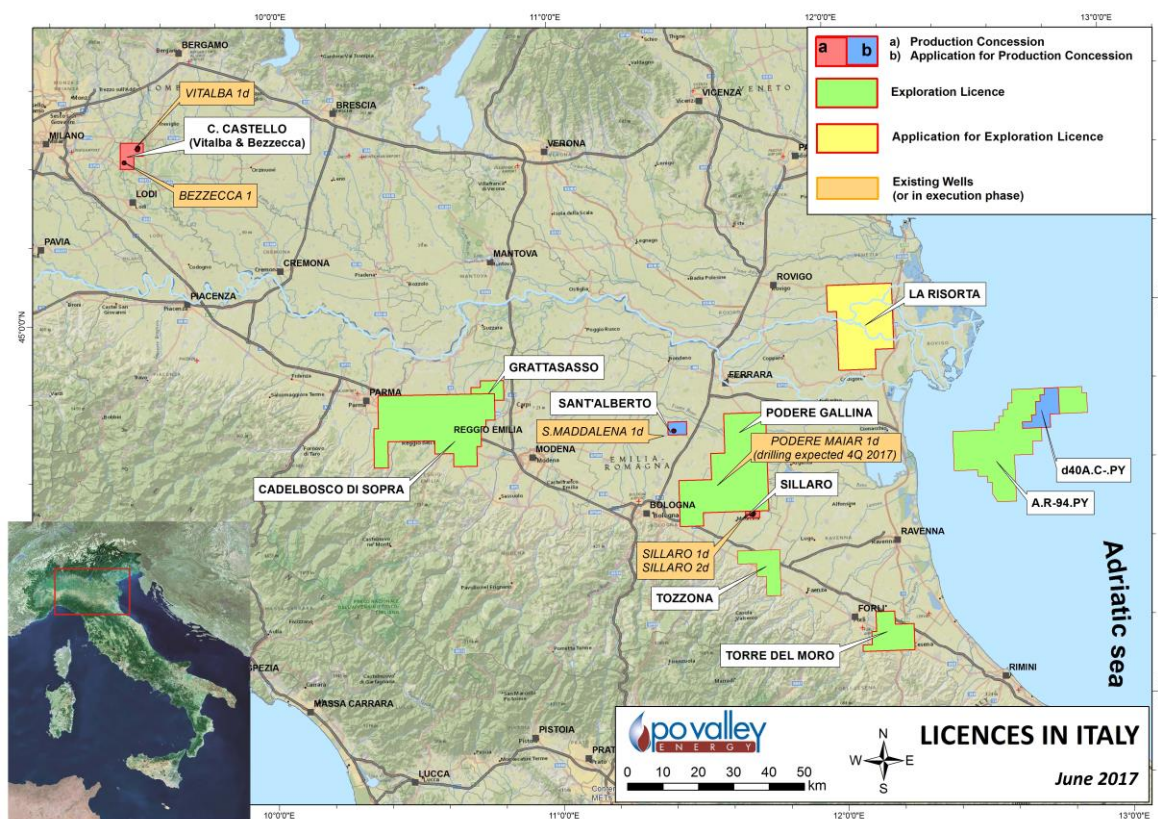
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<sup>1</sup> For further details please refer to the ASX announcement “Po Valley advances funding for key Northern Italy gas field with United Oil and Gas farm-in”, released on 8<sup>th</sup> May 2017

## Summary of Tenements

		Tenement	Location	Interest held	Interest disposed during 2Q 2017
<b>PROD. CONCESSION</b>	<b>Granted</b>	<i>Sillaro</i>	Italy, Emilia Romagna, Bologna	100%	-
		<i>Vitalba</i>	Italy, Lombardia Cremona / Lodi	90%	-
		<i>Bezzecca</i>	Italy, Lombardia Cremona / Lodi	90%	-
	<b>Prel. Awarded</b>	<i>Sant'Alberto</i>	Italy, Emilia Romagna, Bologna	100%	-
		<i>d40A.C-PY</i>	Italy, Adriatic Offshore	100%	-
<b>EXPLORATION PERMITS</b>	<b>Granted</b>	<i>AR94PY</i>	Italy, Adriatic Offshore	100%	-
		<i>Cadelbosco di Sopra</i>	Italy, Emilia Romagna	85%	-
		<i>Grattasasso</i>	Italy, Emilia Romagna	100%	-
		<i>Podere Gallina</i>	Italy, Emilia Romagna	100%	-
		<i>Torre del Moro</i>	Italy, Emilia Romagna	100%	-
		<i>Tozzona</i>	Italy, Emilia Romagna	100%	-
	<b>Prel. Awarded</b>	<i>La Risorta</i>	Italy, Emilia Romagna & Veneto	100%	-

## Licences in Italy



**Note:**

- 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 Bezzecca 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.

- Po Valley Energy holds 65% of the shares in Saffron Energy Plc (SRON) which was listed on the AIM Board of the London Stock Exchange in February 2017.

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