

Quarterly Activities Report

For the December quarter and to the date of this report



29 January 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 2.69 million cubic metres (95.32 million standard cubic feet)
- Total gas production for 2015 was 9.84 million cubic metres (347.55 million standard cubic feet)
- Sillaro rigless campaign commenced, completion of rework expected in early 2016
- Completed sale of interests in La Prospera (Gradizza) and Zanza to JV Partner Aleanna Resources in late December
- Revenue for the December quarter was Euro 0.38 million (AU\$ 0.58 million)
- Revenue for 2015 was Euro 2.49 million (AU\$ 3.79 million)
- Agreement reached with Nedbank Limited to restructure borrowing arrangements in Mid-January 2016
- Cash at bank at 31 December 2015 was Euro 2.45 million (AU\$ 3.65 million)

Capital Details (ASX:PVE)

(as at 31 December 2015, AU\$)

| | |
|------------------|----------|
| Share Price | \$0.03 |
| Shares on Issue | 140.16m |
| Market Cap | \$4.20 m |
| Cash at Bank | \$3.65m |
| Drawn Debt | \$4.41m |
| Enterprise Value | \$4.96m |

2015 Gas Production & Revenue

| | 4Q 2015 | 3Q 2015 | FULL 2015 |
|-----------------------|------------|------------|--------------|
| Total Production Mscm | 2.69 | 3.46 | 9.84 |
| Total Production Mscf | 95.32 | 122.28 | 347.55 |
| Total Revenue €m | 0.38 | 0.93 | 2.49 |

PVE Share Price Dec 2014 - Dec 2015



Board of Directors

Graham Bradley, Chairman
Michael Masterman, Non-Executive Director
Byron Pirola, Non-Executive Director
Gregory Short, Non-Executive Director
(Resigned 25 January 2016)
Kevin Eley, Non-Executive Director

Sara Edmonson, CEO
Lisa Jones, Company Secretary

PRODUCTION UPDATE

During the quarter the Company produced a total of 2.69 million standard cubic metres. In the month of December water leakage from level C2 on Sillaro-1 gave rise to the need to intervene with remedial operations, including a chemical seal on level C2. This water breakthrough was inhibiting level B1 production. Preparatory activities for the rigless rework began mid-December including the cleaning of the long string on Sillaro-2 and a precautionary chemical seal on level C2.

In order to complete the rigless campaign the Company needs to perforate level C1 and clean a small amount of sand residue in Sillaro-1 in order to restart production from level B1. Both activities are intended to increase production which is currently ranging between 15,000 to 18,000 scm/day. Once funding is secured, the Company intends to carry out this work in two steps starting with the perforation of C1 in early 2016.

These operations and their success are not without risk and while they are judged to have a good prospect of increasing the production rate from and longevity of this reservoir, most individual levels in Sillaro are reaching an advanced stage of depletion. Efforts will continue to maximize production rate and recovery where commercially viable to do so.

Production from Vitalba decreased slightly in the quarter from 3,500 scm/day in 3Q15 to 3,000 scm/day in 4Q15. Production from this field was stopped in late November due to gas specifications issues following an increase in the humidity content ("dew point") at the entry point to the national grid. Some investment on the gas treatment plant would be required to allow the plant to effectively treat the gas and deliver according to SNAM specifications. It is unlikely that this investment would be carried out until development of Bezzecca is commenced. Efforts continue to secure funding, including joint venture partnerships and/or alternative debt, for the development of Bezzecca.

DEVELOPMENT

As stated in the last quarterly report, in August 2015 the Company filed a production concession application with the Ministry of Economic Development for the **Teodorico** gas field.

In late December 2015, the Italian Parliament passed the 2016 Budget Law which includes 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 restriction was originally introduced in 2010 and repealed in 2012 for exploration licenses that were already awarded, including the Company's license AR94PY. Certain exceptions apply for existing production concessions. The law became effective 1 January 2016.

The Company has initiated an in-depth review of this recent legislation in order to fully assess the implications on both Teodorico and the larger exploration license AR94PY. Based on an initial review it appears that Teodorico will be largely unaffected as all development activity is envisaged within the permitted area. It is likely however that the perimeter of the proposed concession area will need to be reshaped in order to comply with the new law.

As regards the exploration license, the Company expects for this acreage to be reduced by approximately half losing therefore some valuable exploration/appraisal upside. Management intends to work with the Ministry with a view to understanding the impact of the new legislation to the existing legal framework on the license and the production concession application.

DEVELOPMENT - CONT'D

In regards to the Company's **Sant'Alberto** project, the Company has been informed that the EIA procedure is complete and the documentation necessary for the EIA Decree is under preparation.

CORPORATE

In December the Company received formal approval by the Ministry of Economic Development to complete the sale of its 75% interest in the fully awarded exploration license La Prospera. The license also includes a preliminary production concession for the Gradizza gas discovery located within the licence. AleAnna also acquired the Company's share of the preliminarily awarded adjacent exploration license Zanza.

As stated in the ASX announcement lodged in October 2015, consideration was Euro 1,850,000 with a further amount of Euro 200,000 to be paid if the final production concession for Gradizza is received by August 2016. The proceeds from the sale were used to pay down the Company's debt on its reserve based lending facility with the Nedbank Group.

The Company also progressed ongoing negotiations with Nedbank to restructure the Company's borrowing arrangements and to this extent a voluntary trading halt was requested from 14 to 20 January 2016. Immediately thereafter the Company announced that it had reached an agreement with Nedbank on key terms of the restructure.

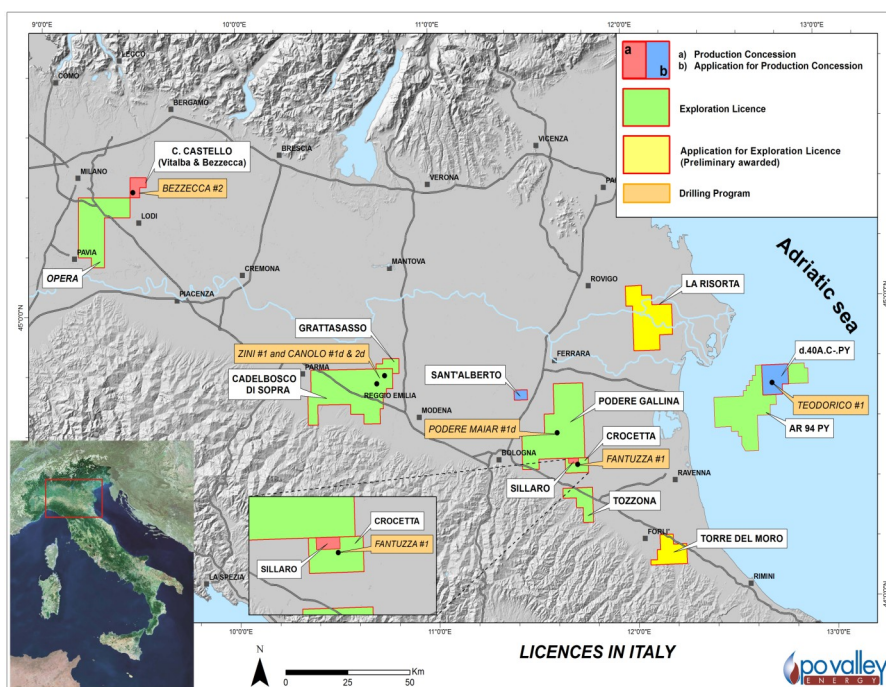
In accordance with the agreed terms, the Company repaid an additional Euro 350,000 for a total repayment of Euro 2.2 million on 19 January 2016 reducing the outstanding amount to Euro 576,000. Under the revised agreement, the Loan Facility will be changed from a reserve based loan to a standard loan with an agreed repayment plan in the form of monthly instalments in order to extinguish the facility by 30 September 2016.

While the decline on gas prices in Italy has been significantly less than global crude oil prices, the market has seen a reduction in the order of 20% over the last 12 months. December spot prices ranged between Euro 16.5 and Euro 20 cents per cubic metre. The Company has currently hedged a portion of its production at Euro 23 cents per cubic metre for the next Gas Year which runs from 1 October 2015 to 30 September 2017.

Cash at bank at the end of the quarterly was Euro 2.4 million. Cash at bank following the initial Euro 2.2 million repayment to Nedbank amounted to approximately Euro 0.4 million.

Directors are currently reviewing several options to supplement the Company's cash at bank and revenue in order to fund the Company's operations in the short to medium term.

SUMMARY OF LICENCES IN ITALY AS AT 31 DECEMBER 2015



SUMMARY OF TENEMENTS AS AT 31 DECEMBER 2015

| | | Tenement | Location | Interest held | Interest disposed during 4Q 2015 |
|---------------------|---------------|---|---------------------------------|---------------|----------------------------------|
| 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% | - |
| | | Gradizza (derived from La Prospera Expl. Licence) | Italy, Emilia Romagna, Ferrara | 75% | 75%* |
| EXPLORATION PERMITS | Granted | Crocetta | Italy, Emilia Romagna | 100% | - |
| | | La Prospera | Italy, Emilia Romagna | 75% | - |
| | | Podere Gallina | Italy, Emilia Romagna | 100% | - |
| | | Opera | Italy, Lombardia | 100% | - |
| | | Grattassasso | Italy, Emilia Romagna | 100% | - |
| | | Cadelbosco di Sopra | Italy, Emilia Romagna | 85% | - |
| | | Tozzona | Italy, Emilia Romagna | 100% | - |
| | | AR94PY | Italy, Adriatic Offshore | 100% | - |
| | Prel. Award | La Risorta | Italy, Emilia Romagna & Veneto | 100% | - |
| | | Torre del Moro | Italy, Emilia Romagna | 100% | - |
| | | Zanza | Italy, Emilia Romagna | 75% | 75%* |

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

As per the ASX announcement dated 19 October 2015, titled "Po Valley sells its La Prospera and Zanza interests to AleAnna Resources for Euro 1,850,000" the Company signed an agreement regarding these assets. The formal approval from the Ministry of Economic Development arrived in December 2015.

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.

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.

Qualified petroleum reserves and resources evaluator:

The information in this report 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 Contingent Resources / Prospective Resources and the supporting information are presented in this report.

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