PO VALLEY ENERGY LIMITED

A.B.N. 33 087 741 571

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 June 2013

DIRECTORS' REPORT

The Directors present their report together with the condensed consolidated interim financial report for the half-year ended 30 June 2013 and the review report thereon.

Directors
The directors of the Company during and at the end of the half-year are:

Name	**Date of appointment**
Non- Executive:	
G Bradley (Chairman)	30 September 2004
B Pirola	10 May 2002
M Masterman	22 June 1999 (Managing Director) 11 October 2010 (Non-Executive Director)
G Short	5 July 2010
K Eley	19 June 2012
G Catalano	19 June 2012

Company Secretary

Lisa Jones	21 October 2009

Principal Activities

The principal continuing activities of the Group in the course of the year were:
- the exploration for gas and oil in the Po Valley region in Italy
- appraisal and development of gas and oil fields
- production and sale of gas from the Group's production wells

Review and results of operations

Operating Results

The net loss of the consolidated entity after income tax amounted to €5,625,677 for the half-year ended 30 June 2013 (2012: €305,761 profit).

Operating Review

<u>Production Assets</u>

Combined production from both Sillaro and Castello gas fields for the first six months of 2013 amounted to 11.0 million (10,982,716) standard cubic metres of gas (circa 400 million standard cubic feet).

During the first half of the year, the installation at Sillaro of the 3 phase separator was completed and subsequent to 30 June the main producing levels PL2 C1+C2 were re-opened. The new daily production rate target is approximately 75,000 Scm/day. Production from the Sillaro field for the half year 2013 was 8.7 million standard cubic metres (circa 308 million standard cubic feet).

Castello gas field produced steadily at approximately 17,000 Scm/day for most of the reporting period. In the second half of May, the Castello field started to show a significant increase in water production. Pending completion of tests and analysis, it was decided that it would be prudent to manually reduce production rates from the field to a range of 5,000 to 10,000 Scm/day. Production from the Castello field for the half year 2013 was 2.3 million standard cubic meters (circa 82 million standard cubic feet).

Company Reserves and Resources

During the half year the Company commissioned a Competent Persons Report on its core asset portfolio from Robertson CGG (formerly Fugro Robertson), a leading geological and petroleum reservoir company. The Report resulted in a slight increase of the Company's Reserves due to the inclusion of the Bezzecca field and a material increase in Contingent and Prospective Resources.

Development Assets

The Robertson CGG report confirmed the high potential of AR94PY, the Company's first offshore exploration permit awarded in 2012. Specifically, the certified Contingent Resources doubled from 24.8 billion cubic feet to 47.3 billion cubic feet ("bcf").

The notable increase is attributable to the added clarity arising from the purchase and review of 78 sq. km of existing 3D seismic volume in January 2013. The technical team commenced work on a preliminary front-end engineering and design (FEED) study and related development plan, aimed to fast track the development of the offshore gas project named Teodorico (formerly Carola-Irma).

After the award of the final drilling approval by the Ministry, the Company announced its commitment to drill the Gradizza-1 exploration well, in the La Prospera licence. Procurement activities and civil works are complete and the rig is expected to become available in August, with the subsequent spud to follow immediately. A farm-in agreement with AleAnna Resources LLC and Petrorep Italiana S.p.a. was executed in respect of the Gradizza-1 well, leaving the Company's equity in the La Prospera licence at 75% with Petrorep at 15% and AleAnna at 10%.

The Development plan for the Santa Maddalena gas field in the Sant'Alberto production licence application is under review by the Ministry. After the preliminary approval, the final production concession award will be subject to the EIA clearance from the Region.

The process to secure the final production concession for Bezzecca was progressed over the period and is now in the final stages of the EIA.

Exploration Assets

Geological, exploration and appraisal work advanced on a number of the company's prospects. A new low risk prospect named Selva Stratigraphic was identified within the Podere Gallina licence and the associated drilling program of Podere Maiar-1d has been lodged with the Ministry. Robertson CGG has certified 2C Contingent Resources of 17 bcf to the Selva prospect and a structure identical in concept – East Selva - has been identified nearby within the same license.

In June 2013 the Company received the full award of a new exploration licence Tozzona. The area lies along the eastern border of the existing ENI gas production licence containing the Santerno gas field (circa 35 bcf of gas produced to date). The Company will purchase a semi-regional grid of 2D seismic lines in order to complete the geological and geophysical studies aimed at evaluating already identified opportunities.

Corporate Activities

In May 2013 Po Valley Energy announced the completion of a €20 million Reserve Based Lending (RBL) facility with the London branch of Nedbank Group Limited, one of the four largest banking groups in South Africa. The new five year term RBL facility replaced the Company's former loan with Lloyds TSB Bank which was to expire in November 2013.

Half year revenue from gas production totalled €2,999,368. This was approximately 32% lower compared to the same period last year. Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) amounted to €905,666 compared to €2,651,645 at 30 June 2012. The significant (66%) decrease in EBITDA was primarily driven by the decline in revenue resulting from comparatively less production for the same period and a drop in realised gas prices.

EBITDA (unaudited) is reconciled to statutory results from operating activities as follows:

EBITDA reconciliation table (in Euro)	**30 June 2013**	**30 June 2012**
EBITDA	905,666	2,651,645
Depreciation and amortisation expense	(1,189,598)	(1,894,976)
Depreciation expense	(10,091)	(15,180)
Impairment losses	(5,038,782)	(12,764)
Finance expense	(239,881)	(381,856)
Foreign exchange differences	(62,644)	(13,670)
Income tax benefit / (expense)	9,653	(27,438)
Net (loss) / profit from operating activities	**(5,625,677)**	**305,761**

The Company made a net loss for the half year of €5,625,677. The net loss includes an impairment of resource property costs and plant and equipment related to its Castello field for €5,021,112. The impairment was the direct result of a significant change in the field's expected daily production rate. Refer to Note 5 and Note 6 of the present consolidated financial report for further details.

In June 2013 the Company finalised a new off-take agreement with Shell Italia SpA part of the global group Royal Dutch Shell. The contract is benchmarked to gas prices in Italy and commenced 1 July 2013.

Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of the Directors’ report for the half-year ended 30 June 2013.

This report has been made in accordance with a resolution of Directors.

Graham Bradley
Chairman

7 August 2013
Sydney, NSW Australia

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Po Valley Energy Ltd:

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG.

KPMG

R Gambitta
Partner

Perth

7 August 2013

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	NOTES	30 June 2013 €	31 December 2012 €
Current Assets			
Cash and cash equivalents		2,409,995	1,226,348
Trade and other receivables		2,598,153	2,581,026
Current assets		**5,008,148**	**3,807,374**
Non-Current Assets			
Other receivables	**3**	1,185,770	1,285,372
Inventory		741,786	701,187
Other assets		43,657	43,657
Deferred tax assets	**4**	2,279,226	2,228,095
Property, plant & equipment	**5**	3,707,261	5,636,768
Resource property costs	**6**	18,636,775	22,017,610
Non-current assets		**26,594,475**	**31,912,689**
Total assets		**31,602,623**	**35,720,063**
Current Liabilities			
Trade and other payables		2,347,280	1,718,168
Interest bearing liabilities	**9**	-	3,984,896
Provisions	**8**	124,462	113,825
Advance income		171,222	-
Total current liabilities		**2,642,964**	**5,816,889**
Non-Current Liabilities			
Provisions	**8**	3,562,656	3,608,421
Interest bearing liabilities	**9**	4,368,100	-
Non-current liabilities		**7,930,756**	**3,608,421**
Total Liabilities		**10,573,720**	**9,425,310**
Net Assets		**21,028,903**	**26,294,753**
Equity			
Share capital		45,819,924	45,460,097
Reserves		1,192,269	1,192,269
Accumulated losses		(25,983,290)	(20,357,613)
Total equity		**21,028,903**	**26,294,753**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

PO VALLEY ENERGY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	NOTE	30 June 2013 €	30 June 2012 €
Revenue		2,999,368	4,403,269
Operating costs		(606,784)	(514,094)
Depreciation and amortisation expense		(1,189,598)	(1,894,976)
Gross profit		1,202,986	1,994,199
Other income		203,633	299,271
Employee benefit expense		(1,028,681)	(867,174)
Depreciation expense		(10,091)	(15,180)
Corporate overheads		(678,426)	(662,832)
Impairment losses		(5,021,112)	-
Exploration costs expensed		(17,670)	(12,764)
Foreign exchange differences		(62,644)	(13,670)
Other expenses		-	(15,446)
(Loss) / profit from operating activities		(5,412,005)	706,404
Finance income		16,556	8,651
Finance expense		(239,881)	(381,856)
Net finance expense		(223,325)	(373,205)
(Loss) / profit before income tax expense		(5,635,330)	333,199
Income tax benefit / (expense)		9,653	(27,438)
(Loss) / profit for the period		(5,625,677)	305,761
Other comprehensive income		-	-
Total comprehensive (loss) / income for the period		(5,625,677)	305,761
Profit attributable to:			
Owners of the Company		(5,625,677)	305,761
(Loss) / Profit for the period		(5,625,677)	305,761
Total comprehensive (loss) / income attributable to:			
Owners of the Company		(5,625,677)	305,761
Total comprehensive (loss) / income for the period		(5,625,677)	305,761
Basic and diluted (loss) / earnings per share (€)	**2**	**(4.65) cents**	**0.28 cents**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2013

In Euro's	Attributable to equity holders of the Company Share capital	Translation Reserve	Accumulated Losses	Total
Balance at 1 January 2012	**44,753,650**	**1,192,269**	**(22,730,454)**	**23,215,465**
Total comprehensive income for the period:				
Profit for the period	**-**	**-**	305,761	305,761
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	305,761	305,761
Transactions with owners recorded directly in equity:				
Contributions by and distributions to owners	-	-	-	-
Balance at 30 June 2012	**44,753,650**	**1,192,269**	**(22,424,693)**	**23,521,226**
Balance at 1 January 2013	**45,460,097**	**1,192,269**	**(20,357,613)**	**26,294,753**
Total comprehensive loss for the period:				
Loss for the period	**-**	**-**	(5,625,677)	(5,625,677)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(5,625,677)	(5,625,677)
Transactions with owners recorded directly in equity:				
Contributions by and distributions to owners	359,827	-	-	359,827
Balance at 30 June 2013	**45,819,924**	**1,192,269**	**(25,983,290)**	**21,028,903**

The above consolidated statement changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	30 June 2013 €	30 June 2012 €
Cash flows from operating activities		
Receipts from customers	3,095,920	7,005,315
Payments to suppliers and employees	(1,974,388)	(2,748,187)
Interest received	16,556	8,651
Interest paid	(133,929)	(189,249)
Income tax paid	(74,728)	-
Net cash generated from operating activities	929,431	4,076,530
Cash flows from investing activities		
Payments for non-producing property plant and equipment	(1,313)	(24,640)
Payments on security deposits	-	(24,000)
Receipts for resource property costs from joint operations partners	171,222	-
Payments for resource property costs and producing plant and equipment	(825,520)	(3,873,887)
Net cash used in investing activities	(655,611)	(3,922,527)
Cash flows from financing activities		
Proceed from issues of shares	359,827	-
Payments for share issue costs	-	-
Proceeds from borrowings	5,000,000	-
Repayment of borrowings	(4,000,000)	-
Borrowing costs	(450,000)	-
Net cash generated from financing activities	909,827	-
Net increase / (decrease) in cash and cash equivalents	1,183,647	154,003
Cash and cash equivalents at 1 January	1,226,348	1,889,879
Cash and cash equivalents at 30 June	2,409,995	2,043,882

The above consolidated cash flow statement should be read in conjunction with the accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) REPORTING ENTITY

Po Valley Energy Limited ("the Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 30 June 2013 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 31 December 2012 is available upon request from the Company's registered office at Level 28, 140 St Georges Terrace, Perth WA 6000 or at www.povalley.com.

(b) STATEMENT OF COMPLIANCE

The condensed consolidated interim financial report has been prepared in accordance with *AASB 134 Interim Financial Reports* and the Corporations Act 2001. They do not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 31 December 2012.

The consolidated interim financial report was approved by the Board of Directors on 6 August 2013.

(c) BASIS OF PREPARATION

The interim financial report is presented in Euro.

The interim financial report is prepared on the historical cost basis except for financial assets and financial liabilities recognised at fair value.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the interim financial report amounts and other disclosures.

(d) USE OF ESTIMATES AND JUDGEMENTS

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-current assets

The ultimate recoupment of the value of resource property costs and property plant and equipment is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying properties. The Group undertakes at least on a biannual basis, a comprehensive review for indicators of impairment of these assets. Should an impairment indicator exist, the area of interest is tested for impairment. There is significant estimation and judgment in determining the inputs and assumptions used in determining the recoverability amounts.

The key areas of estimation and judgement in determining recoverable amounts include:

- Recent drilling results and reserves and resources estimates
- Environmental issues that may impact the underlying licences
- The estimated market value of assets at the review date
- Fundamental economic factors such as the gas price and current and anticipated operating costs in the industry
- Future production rates

Rehabilitation provisions

The value of these provisions represents the discounted value of the present obligations to restore, dismantle and rehabilitate each well site. Significant judgment is required in determining the provisions for rehabilitation and closure as there are many transactions and other factors that will affect ultimate costs necessary to rehabilitate the sites. The discounted value reflects a combination of management’s best estimate of the cost of performing the work required, the timing of the cash flows and the discount rate.

A change in any, or a combination of, the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions. The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at that time. Changes to the estimated figure costs for operating sites are recognised in the balance sheet by adjusting both the restoration and rehabilitation asset and provision.

Reserve estimates

Estimation of reported recoverable quantities of Proven and Probable reserves include judgemental assumptions regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period.

(e) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in the consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012.

NOTE 2: EARNINGS PER SHARE

	30 June 2013	30 June 2012
Basic earnings / (loss) per share (€ cents)	(4.65)	0.28
Diluted earnings / (loss) per share (€ cents)	(4.65)	0.28

The calculation of basic earnings / (loss) per share was based on the loss attributable to shareholders of €5,625,677 (2012 Profit: €305,761) and a weighted average number of ordinary shares outstanding during the half year of 121,031,466 (2012: 111,147,396).

NOTE 3: TRADE AND OTHER RECEIVABLES

	30 June 2013	31 December 2012
	€	€
Included in receivables are Italian indirect taxes recoverable as follows:		
Current	768,004	1,093,577
Non-current	1,185,770	1,285,372

The indirect taxes relate to Italian Value Added Tax ("VAT"), which is typically 21% of invoiced amounts (with certain exceptions). The extent of VAT that has not been recovered from the Italian authorities is recognised on the balance sheet as a receivable. Po Valley expects to recover this receivable through reducing VAT remitted on sales, reducing the Group's obligation to pay employee taxes to the authorities and/or applying for an annual refund (capped at the lowest amount of VAT credits generated in any of the past 3 years). The current portion receivable is estimated to be recoverable in the next twelve months. We note that VAT remitted on oil and gas sales in Italy is 10%.

NOTE 4: DEFERRED TAX ASSETS

Deferred tax assets have been recognised in respect of tax losses and temporary differences based on management assessment that future taxable profit will be available against which the Group can utilise the benefits therefrom. Deferred tax assets amounting to €2,279,226 (December 2012: €2,228,095) have been recognised in relation to Italian subsidiaries available tax losses and temporary differences.

NOTE 5: PROPERTY, PLANT & EQUIPMENT

	30 June 2013	31 December 2012
	€	€
Office Furniture & Equipment:		
At cost	195,525	194,212
Accumulated depreciation	(148,719)	(138,628)
	46,806	55,584
Gas producing plant and equipment		
At cost	5,369,720	7,668,967
Accumulated depreciation	(1,709,265)	(2,087,783)
	3,660,455	5,581,184
	3,707,261	5,636,768

NOTE 5: PROPERTY, PLANT & EQUIPMENT (continued)

	30 June 2013	31 December 2012
	€	€
Reconciliations:		
Reconciliation of the carrying amounts for each class of Plant & equipment are set out below:		
Office Furniture & Equipment:		
Carrying amount at beginning of period	55,584	51,251
Additions	1,313	5,578
Disposals		-
Depreciation expense	(10,091)	(1,245)
Carrying amount at end of period	46,806	55,584
Gas Producing plant and equipment:		
Carrying amount at beginning of period	5,581,184	6,005,664
Additions	378,698	-
Reclassed from resource property costs	208,580	-
Depreciation expense	(343,794)	(424,480)
Impairment (refer note 6)	(2,164,213)	-
Carrying amount at end of period	3,660,455	5,581,184
	3,707,261	5,636,768

NOTE 6: RESOURCE PROPERTY COSTS

	30 June 2013	31 December 2012
	€	€
Resource Property costs		
Exploration Phase	7,965,511	7,272,641
Production Phase	10,671,264	14,744,969
	18,636,775	22,017,610

NOTE 6: RESOURCE PROPERTY COSTS (continued)

	30 June 2013	31 December 2012
Reconciliation of carrying amount of resource properties	€	€
Exploration Phase		
Carrying amount at beginning of period	7,272,641	6,981,179
Exploration expenditure	669,659	64,500
Change in estimate of rehabilitation assets	40,881	260,149
Exploration expenditure written off	(17,670)	(33,187)
Carrying amount at end of period	7,965,511	7,272,641

Resource property costs in the exploration and evaluation phase have not yet reached a stage which permits a reasonable assessment of the existence of, or otherwise, economically recoverable reserves. The ultimate recoupment of resource property costs in the exploration phase is dependent upon the successful development and exploitation, or alternatively sale, of the respective areas of interest at an amount greater than or equal to the carrying value.

	30 June 2013	31 December 2012
Production Phase	€	€
Carrying amount at beginning of period	14,744,969	15,274,318
Additions	-	190,577
Reclassified to Property plant & equipment (Gas producing assets)	(208,580)	-
Change in estimate of rehabilitation assets	(162,422)	416,238
Amortisation of producing assets	(845,804)	(1,136,164)
Impairment loss	(2,856,899)	-
Carrying amount at end of period	10,671,264	14,744,969

During the period, an impairment trigger was identified with regard to Castello as a result of a decrease in the expected daily production rate. Accordingly, the associated resource property cost and related plant and equipment (as a cash generating unit) were tested for impairment. The recoverable amount is determined by reference to a discounted cashflow forecast model. The key assumptions adopted in that model include gas pricing, remaining reserves, expected daily gas production, operating expenditure and a discount rate. The recoverable amount is most sensitive to the remaining reserves and daily gas production. As a result of this assessment, an impairment of €2,856,899 on resource property costs and €2,164,213 on the related plant and equipment has been recognised for the period to 30 June 2013. The residual carrying value for the Castello field at 30 June 2013 is €126,904 and relates to plant and equipment.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2013

NOTE 7: FINANCIAL REPORTING BY SEGMENTS

The Group reportable segments as described below are the Group's strategic business units. The strategic business units are classified according to field licence areas which are managed separately. All strategic business units are in Italy. For each strategic business unit, the CEO reviews internal management reports on a monthly basis. Exploration, Development and Production gas and oil are the operating segments identified for the Group.

	Exploration		**Development and Production**		**Total**	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**	**30 June 2013**	**30 June 2012**
	€	**€**	**€**	**€**	**€**	**€**
External revenues	-	-	2,999,368	4,403,269	2,999,368	4,403,269
Segment (loss) / profit before tax	(17,670)	(12,764)	(3,818,118)	1,994,199	(3,835,788)	1,981,435
Depreciation and amortisation	-	-	(1,189,598)	(1,894,976)	(1,189,598)	(1,894,976)
Impairment on resource property costs	(17,670)	(12,764)	(5,021,112)	-	(5,038,782)	(12,764)
	30 June 2013	**31 December 2012**	**30 June 2013**	**31 December 2012**	**30 June 2013**	**31 December 2012**
	€	**€**	**€**	**€**	**€**	**€**
Reportable segment assets:						
Resource property costs	7,965,511	7,272,641	10,671,264	14,744,970	18,636,775	22,017,611
Plant & Equipment	-	-	3,660,455	5,581,184	3,660,455	5,581,184
Receivables	2,191	-	1,405,575	1,170,575	1,407,766	1,170,575
Inventory	-	-	741,786	701,187	741,786	701,187
Capital expenditure	669,659	299,433	376,698	367,668	1,048,357	667,101
Movement in rehabilitation assets	40,881	260,149	(162,422)	416,238	(121,541)	676,387
Reportable segment liabilities	(2,072,921)	(1,314,262)	(3,086,205)	(2,788,064)	(5,159,126)	(4,102,326)

NOTE 7: FINANCIAL REPORTING BY SEGMENTS (continued)

Reconciliation of reportable segment profit or loss, assets and liabilities	**30 June 2013**	**30 June 2012**
Profit or loss:	**€**	**€**
Total profit / (loss) for reportable segments	(3,835,788)	1,981,435
Unallocated amounts:		
Net finance income / (expense)	(223,325)	(386,875)
Other corporate expenses	(1,566,564)	(1,261,361)
Consolidated loss before income tax	(5,625,677)	333,199

Assets:	**30 June 2013**	**31 December 2012**
Total assets for reportable segments	24,446,782	29,470,556
Other assets	7,155,841	6,249,507
Consolidated total assets	31,602,623	35,720,063
Liabilities:		
Total liabilities for reportable segments	(5,159,126)	(4,102,326)
Other liabilities	(5,414,594)	(5,322,984)
Consolidated total liabilities	(10,573,720)	(9,425,310)

NOTE 8: PROVISIONS

	30 June 2013	**31 December 2012**
	€	**€**
Current:		
Employee leave entitlements	124,462	113,825
Non Current:		
Restoration provision	3,562,656	3,608,421

Reconciliation of restoration provision:

Opening balance	3,608,421	2,839,978
(Decrease) / Increase in provision due to revised estimates	(121,541)	676,388
Increase in provision from unwind of discount rate	75,776	92,055
Closing balance	3,562,656	3,608,421

NOTE 9: INTEREST BEARING LIABILITIES

	30 June 2013	31 December 2012
	€	€
Current liabilities		
Lloyds finance facility	-	3,984,896
Non-current liabilities		
Nedbank finance facility	4,368,100	-

Terms and debt repayment schedule:
Terms and conditions of outstanding loans were as follows:

				30 June 2013		31 December 2012	
	Currency	Nominal Interest rate	Year of maturity	Face value €	Carrying Amount €	Face value €	Carrying Amount €
Secured bank loan	Euro	Euribor + 1.8%	2013	-	-	4,000,000	3,984,896
Secured bank loan	Euro	Euribor + 3.75%	2018	5,000,000	4,368,100	-	-

The amount presented is disclosed net of borrowing costs of €631,900 (Dec 2012: €15,104).

The company has secured a new finance facility with Nedbank Group Ltd during the period. The facility is a Senior Secured Revolving Reducing Borrowing Base Facility of €20 million and matures on 3 May 2018; and is secured over the assets of Northsun Italia SpA and Po Valley Operations Pty Ltd.

The facility became available on 16 May 2013 and the Company drew €5,000,000 of the facility in order primarily to settle the facility previously held with Lloyds and pay transaction costs. The current borrowing limit for the six months to 31 December 2013 is set to €5.83 million as of 30 June 2013 and incorporates the semi-annual borrowing base review during June.

Interest is currently payable at Euribor plus 375 basis points. No principal repayments have been made during the six months to June 2013 in regards to the Nedbank facility. €4,000,000 was repaid on the Lloyds facility. As at 30 June 2013, there is no contractual requirement to make any principal repayment, however the company expects to make principal repayments in line with its ongoing semi-annual borrowing base reviews.

NOTE 10: SHARE CAPITAL

	30 June 2013 Number	31 December 2012 Number
Share Capital		
Opening balance - 1 January / 1 July	118,564,063	111,147,396
Shares issued during the year:		
Shares issued at €0.093 ($0.12) each on 7 March 2013	3,850,000	-
Shares issued at €0.095 ($0.12) each on 6 December 2012	-	7,416,667
Closing balance – 30 June / 31 December	122,414,063	118,564,063

All ordinary shares are fully paid and carry one vote per share and the right to dividends. In the event of winding up the Company, ordinary shareholders rank after creditors. Ordinary shares have no par value.

No dividends were paid or declared during the current period.

DIRECTORS' DECLARATION

In the opinion of the Directors of the Po Valley Energy Limited ("the Company"):

1. the financial report and notes, as set out on pages 6 to 18, are in accordance with the *Corporations Act 2001* including:

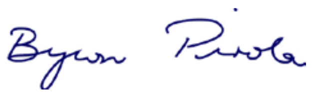
   (a) giving a true and fair view of financial position of the Group as at 30 June 2013 and of its performance for the six month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting", the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Graham Bradley
Chairman



Byron Pirola
Non-Executive Director

7 August 2013
Sydney, NSW, Australia

Independent auditor's review report to the members of Po Valley Energy Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Po Valley Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2013, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Po Valley Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Po Valley Energy Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG.

KPMG

R Gambitta
Partner

Perth

7 August 2013