

Quarterly Activities Report



For the September quarter and to the date of this report

30 October 2013

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 eight onshore assets and one offshore gas discovery – a game changer in PVE's resource potential.

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

During Q3 2013 solid progress has been made on three priority projects including: Gradizza, Teodorico, and Bezzecca

- **Gradizza-1** well was successfully drilled and initially tested in August 2013. Further rigless testing is planned for early November
- First draft of the offshore **Teodorico** pre-FEED study was finalised. Additional 40km² of 3D seismic was purchased from ENI and will be reprocessed in Q4 2013 for further interpretation
- **Bezzecca** is moving towards development. The final internal conference at the Lombardy Region to approve the Environmental Impact Assessment (EIA) was held in September with no major issues noted. The Company is gearing up for the engineering and contracting phase of the project

Total gas production for the quarter was 6.3 million standard cubic metres (0.22 billion cubic feet), a 35% increase from the previous quarter

Revenue for the quarter was € 1.8 million (AUD 2.6 million)

Cash at bank at 30 September 2013 was € 2.7 million (AUD 3.9 million)

Capital Details (ASX:PVE)

(as at 30 September 13, AUD)

| | |
|------------------|---------|
| Share Price | \$0.15 |
| Shares on Issue | 122.4m |
| Market Cap | \$18.4m |
| Cash at Bank | \$3.9m |
| Drawn Debt | \$7.2m |
| Enterprise Value | \$21.7m |

2013 Gas Production & Revenue

| | 3Q 2013 | 2Q 2013 | 1H 2013 |
|-----------------------|------------|------------|------------|
| Total Production Mscm | 6.35 | 4.70 | 10.98 |
| Total Production Bcf | 0.22 | 0.16 | 0.39 |
| Total Revenue €m | 1.8 | 1.3 | 3.0 |

PVE Share Price May – Sep 2013



Board of Directors

Graham Bradley, Chairman
Michael Masterman, Non-Executive Director
Byron Pirola, Non-Executive Director
Gregory Short, Non-Executive Director
Kevin Eley, Non-Executive Director

Sara Edmonson, Acting CEO
Lisa Jones, Company Secretary

OPERATIONS UPDATE

During the quarter the Company drilled and tested the **Gradizza-1** exploration well, in the La Prospera licence (north of Bologna).

After reaching Total Depth of 1,030 metres, the Company completed logging operations and identified a gas bearing zone in the primary target area of the quaternary sand level. The well intersected a 10 metre gross gas column, with 9 metres of net gas sand.

During the production test, the flow rate stabilised at ~7,000 standard cubic metres/day (~247,000 standard cubic feet/day) with a 3/16" choke. Well pressure recovered quickly throughout the testing period and the well was single completed with a gravel pack.

In the beginning of October the Company announced that it will proceed with rigless testing to complete the well cleanup and perform additional production tests, to better evaluate the commercial potential of the well. The testing is planned to commence in early November. Once the production test results are incorporated in the reservoir model for the field, both the commercial potential and Contingent Resources of the Gradizza discovery will be reported to the market.

Teodorico (the offshore gas project in the AR94PY area) is a key priority for the Company and solid progress was made during the 3Q 2013 on various areas of activities concerning geoscience and engineering.

PVE purchased an additional 40km² of 3D seismic from ENI and the dataset was received in mid October. PVE has appointed a leading company, TEEC, to reprocess the full dataset including the 80km² dataset purchased in November 2012. The reprocessing is expected to take 2 to 3 months followed by internal analysis which should take four to six weeks. The reprocessed seismic will be used to allow PVE to refine the structural interpretation for the discovery, providing the basis for gas volume confirmation and development well location selection.

The engineering work reported in the first draft of the pre-FEED study was completed by RINA (a well known company specialised in technological services for offshore Oil&Gas) and is currently under review by the Company's technical team. The preliminary development plan resulting from the pre-FEED study and geological work already completed will be presented to the Ministry in order to pursue a fast track process towards a production concession.

Progress was made on the Environmental Impact Assessment (EIA) procedure regarding the **Bezzecca** production concession during the September quarter. Specifically, the Lombardy Region Commission held the final meeting (Conferenza Servizi) at the end of September with no major issues noted. The production concession is expected to be awarded in 1Q 2014.

OPERATIONS UPDATE — CONT'D

In parallel, the Company started the feasibility study for the construction of the 7km pipeline to connect Bezzecca with the existing Vitalba production plant. The Company plans to call for tenders for the final engineering and construction contract before year end.

PVE received confirmation that **Sant'Alberto** will be reviewed at the next Hydrocarbon Committee (CIRM) held by the Ministry. The Company has begun the pre-feasibility study, which is an integral part of the Environment Impact Assessment (EIA). The EIA is the final step in the regional regulatory process before receiving the Preliminary Production Concession award.

An advanced blueprint of a small, low cost modular plant intended for Sant'Alberto has been finalised and the design specifications will be incorporated in the pre-feasibility study.

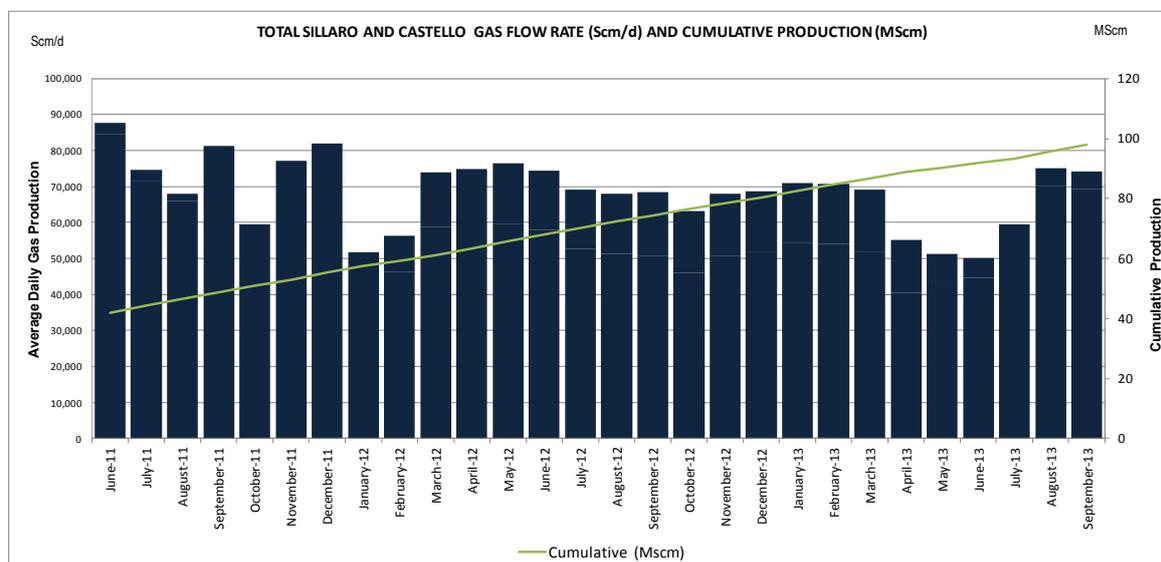
PRODUCTION UPDATE

With the condensate separator equipment installed and operational at Sillaro, combined production in the September quarter from both Sillaro and Castello fields was 6.35 million standard cubic metres (circa 224 million standard cubic feet), accounting for a 35% increase on the previous quarter.

The Sillaro field is now producing at an average of 71,000 scm/day. Total production for the field in 3Q 2013 was 5.9 million standard cubic metres (circa 208 million standard cubic feet).

Due to the increase in water production in the previous quarter, Vitalba continued to produce at limited rates of around 5,000 scm/day. Over the past few months, water production has stabilised.

Vitalba quarterly production was around 440,000 standard cubic metres (circa 16 million standard cubic feet). The future production prospects of the field are currently under review; however the field is expected to continue producing at a reduced rate for the foreseeable future.



OTHER DEVELOPMENTS & NEW VENTURES

Bagnolo and Ravizza (Cadelbosco & Grattasasso licences)

The Company formally submitted a purchase request to ENI for the available well data and requested test reports for Bagnolo 3 and Ravizza 1, located within this high-potential oil target. An external consultant finalised the Production, Optimisation and Economic study which is being reviewed by the PVE technical team. The preliminary results of this report are encouraging.

Selva Stratigraphic (Podere Gallina licence)

Within this low risk prospect, the well location of the new well Podere Maiar-1d was selected. The drilling application was lodged with UNMIG at the end of June and in August the Company finalised and lodged the EIA with the Emilia Romagna Region.

Vitalba West (Cascina Castello production concession)

The PVE technical team is reviewing and interpreting newly acquired 3D seismic survey data from ENI, to finalise a well location and a drilling program for this prospect. While a potentially smaller prospect in the company's broader exploration portfolio, this target is located only a short distance from the existing Vitalba gas production facility and within the current production concession licence area.

CORPORATE

In mid August Giovanni Catalano stepped down from the position of CEO and Managing Director. Ms Sara Edmonson, the Company's Chief Financial Officer, assumed the role of Acting CEO.

At the end of June 2013 the Company finalised a new off-take gas agreement with Shell Italia S.p.A, part of the global group Royal Dutch Shell. The contract is benchmarked to gas prices in Italy and commenced on 1 July 2013.

In the September quarter the Company generated revenues of € 1.78 million* (AUD 2.6 million).

Cash at bank at the end of the quarter amounted to € 2.7 million (AUD 3.9 million).

* 1€ = AUD 1.450 as at 30 September 2013; 1€ = AUD 1.446 as at average for the 3Q 2013

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Competent Person's Statement

Information in this report that relates to Hydrocarbon Reserves and or Resources is based on information compiled by Mr Greg Short, Non-Executive Director of Po Valley Energy who has consented to the inclusion of this information in the form and context in which it appears. Mr Short is an oil and gas geoscientist and manager with over 40 years of industry experience.