

Quarterly Activities Report

For the September quarter and to the date of this report



31 October 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 1.06 million cubic metres (37.43 million standard cubic feet)
- Construction of the pipeline to connect Bezzecca-1 to the Vitalba plant commenced in early September.
- The official Environmental Decree for the Sant'Alberto gas field was received. The Production Concession is expected to be awarded by the Ministry of Economic Development within the end of the year.
- The Emilia Romagna Region issued the environmental approval to drill Podere Maiar-1 (Selva). The final drilling program is currently being reviewed by the local technical office of the Ministry of Economic Development (UNMIG)
- AU\$0.9 million was raised through a Private Placement to several institutional and sophisticated investors, including some existing institutional shareholders and directors.
- Cash at bank at 30 September 2016 was €0.31 million (AU\$0.45million)
- Revenue for the September quarter was €0.23 million (AU\$0.33 million)

Capital Details (ASX:PVE)

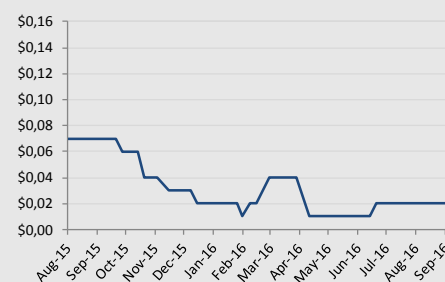
(as at 30 September 2016, AU\$)

Share Price	\$0.02
Shares on Issue	550.37m
Market Cap	\$11.00m
Cash at Bank	\$0.31m
Drawn Debt	\$1.55m
Enterprise Value	\$12.25m

2016 Gas Production & Revenue

	3Q 2016	2Q 2016	FULL 2015
Total Production Mscm	1.06	1.16	9.84
Total Production Mscf	37.43	40.9	347.55
Total Revenue €m	0.23	0.25	2.49

PVE Share Price Mar 2015 - Sep 2016



Board of Directors

Michael Masterman, Chairman
Byron Pirola, Non-Executive Director
Kevin Bailey, Non-Executive Director
Sara Edmonson, CEO
Lisa Jones, Company Secretary

PRODUCTION UPDATE

During the quarter the Company produced a total of 1.06 million standard cubic metres at an average of around 11,500 scm/day from its **Sillaro** field. Production from the Vitalba field remains temporarily suspended as outlined in the 31 December 2015 Quarterly Report.

The slight decrease in the quarterly production, compared with the June quarter, is due to a minor mechanical issue with the gas treatment plant that nonetheless required temporary suspension of production from the Sillaro field for about 5 days whilst it was being rectified.

DEVELOPMENT

The Company has made significant steps to progress the development of the **Bezzecca** gas field which requires a pipeline and tie-in to existing facilities. In early September the master construction contract was signed with a local contractor TESI Srl. The contract is a turnkey contract for the construction of the 7 km pipeline and tie in to the existing gas treatment plant. Construction commenced immediately thereafter.

At the date of this report the development continues to progress on schedule. The pipeline construction is over 60% complete and the tie-in to the Vitalba production plant is planned to commence in November with first gas expected in January 2017.

The pipeline will have a total capital cost of €2.2 million and the contract with TESI Srl includes a flexible financing arrangement whereby a portion of the fees will be paid upfront and the residual amount to be paid in monthly installments once production commences. Upfront payments will be in part financed through funds from 10% joint venture owner Petrorep's contribution, and from the Company's own working capital.

In late September the Company announced another key milestone, the final award of the Environmental Impact Assessment (EIA) Decree for its **Sant'Alberto** gas field. With the award of the EIA Decree the remaining step is local regional administration (Emilia Romagna Region), to formally acknowledge the Decree through a process called "Intesa". The awarding of the final Production Concession the Ministry of Economic Development is expected before the end of this calendar year.

The development plan to bring the field into production is well advanced. The plan involves a relatively straight forward leasing and installation of an existing small modular gas treatment plant appropriately sized for the field. Gas production can then commence from the existing single completed Santa Maddalena-1dir well.

In regards to Podere Maiar-1 (**Selva**) drilling application, after the environmental approval received from the Emilia Romagna region in September, the Company filed a request to the Region to approve some minor changes to the drilling program which would allow the company to use a lighter drilling rig thus reducing the environmental footprint. These proposed changes were subsequently accepted and approved by the Region. Selva continues to be a major prospective development and a strategic priority for the Company.

In regards to **Teodorico**, the Company remains confident of receiving the production concession preliminary award and looks forward to formal confirmation from the Italian Ministry.

CORPORATE

In early September Po Valley announced a capital raising of AU\$0.9 million through a private placement. The company issued 45,000,000 fully paid ordinary shares at \$0.02 (2 cents) to several institutional and sophisticated investors, including some existing institutional shareholders and directors. The placement shares were issued in two tranches. The first tranche of 9,272,997 shares in mid September and the second tranche of 35,727,003 shares were issued to the Directors following shareholder approval obtained at the extraordinary meeting of shareholders held on October 24th.

The Board and management have made significant progress in its efforts to recapitalize and restructuring the group with the aim to maximise shareholder value and focus on advancing its high-value priority projects. The successful financing of Bezzecca is an important milestone.

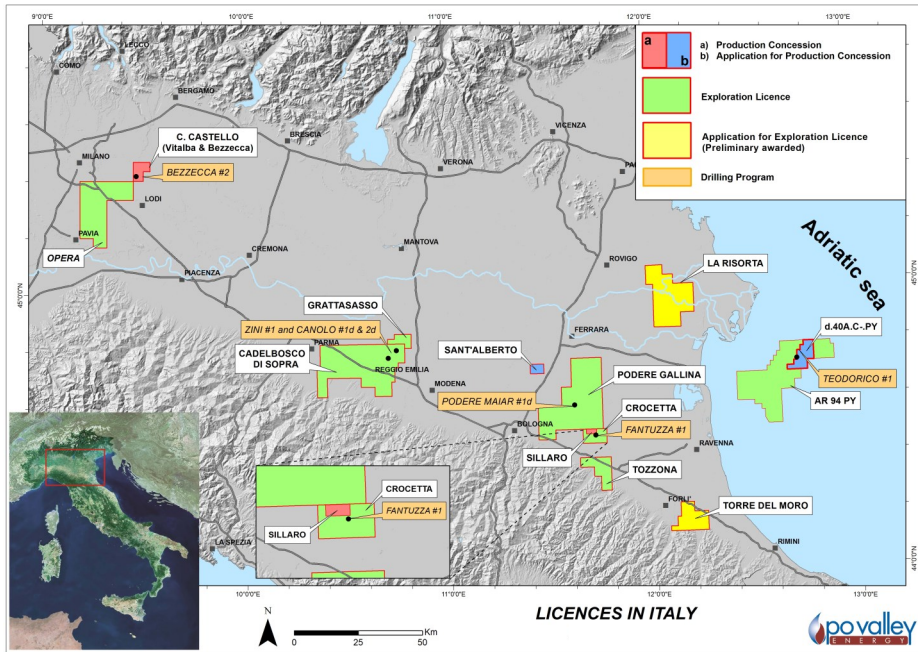
The Company continues to review its strategic options in relation to ways to better realise the value of the company's underlying assets and the market will be kept informed regarding developments.

Cash at bank at the end of the quarter was Euro 0.31 million (AU\$0.45 million). Revenue for the September quarter was Euro 0.23 million (AU\$ 0.33 million).

The Board would like to take the opportunity to wish to its CEO Sara Edmonson all the best for the birth of her second child due in December. While on maternity leave the Board has appointed a trusted senior Italian oil and gas executive to act as interim CEO.

€1 = AUD 1.468 as at 30 September 2016 - €1 = AUD 1.471 average for 3Q 2016 - Source www.oanda.com

SUMMARY OF LICENCES IN ITALY AS AT 30 SEPTEMBER 2016



SUMMARY OF TENEMENTS AS AT 30 SEPTEMBER 2016

		Tenement	Location	Interest held	Interest disposed during 3Q 2016
PROD. CONCESSION	Granted	<i>Sillaro</i> <i>(derived from Crocetta Expl. Licence)</i>	Italy, Emilia Romagna, <i>Bologna</i>	100%	-
		<i>Cascina Castello</i> <i>(derived from C.S. Pietro Expl. Licence)</i>	Italy, Lombardia <i>Cremona / Lodi</i>	90%	-
	Prel. Awarded	<i>Sant'Alberto</i> <i>(derived from San Vincenzo Expl. Licence)</i>	Italy, Emilia Romagna, <i>Bologna</i>	100%	-
EXPLORATION PERMITS	Granted	<i>Crocetta</i>	Italy, Emilia Romagna	100%	-
		<i>La Prospera</i>	Italy, Emilia Romagna	75%	-
		<i>Podere Gallina</i>	Italy, Emilia Romagna	100%	-
		<i>Opera</i>	Italy, Lombardia	100%	-
		<i>Grattassasso</i>	Italy, Emilia Romagna	100%	-
		<i>Cadelbosco di Sopra</i>	Italy, Emilia Romagna	85%	-
		<i>Tozzona</i>	Italy, Emilia Romagna	100%	-
	<i>AR94PY</i>	Italy, Adriatic Offshore	100%	-	
	Prel. Awarded	<i>La Risorta</i>	Italy, Emilia Romagna & Veneto	100%	-
<i>Torre del Moro</i>		Italy, Emilia Romagna	100%	-	

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 Bezzeca 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.

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