



31 January 2022

QUARTERLY ACTIVITIES REPORT

For the December 2021 quarter and to the date of this report

Australia's Po Valley Energy Limited (ASX: **PVE**), ("**Po Valley**" or "**The Company**") provides its Quarterly Activities Report for the period ending 31 December 2021, covering the Company's further progress on gas and oil exploration, development and production outcomes across its onshore and offshore assets in northern Italy.

Highlights

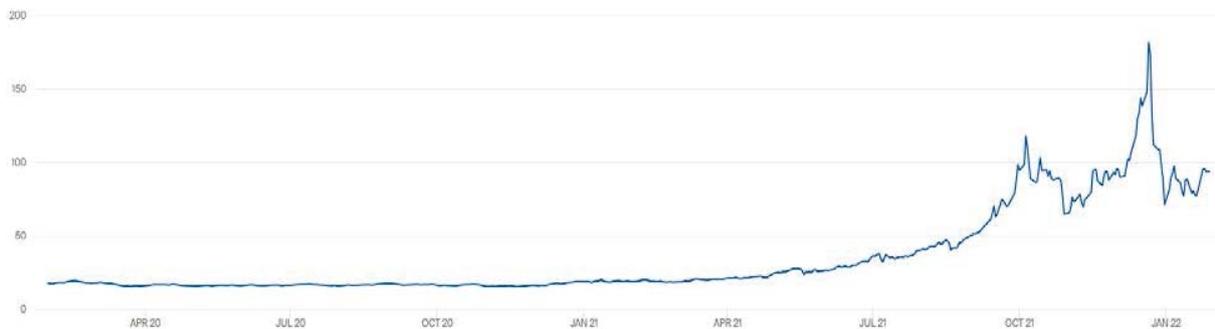
Po Valley's primary focus since completing the \$10m capital raising in July 2021 has been to secure approvals and expedite development of the Selva Gas field. As previously reported, since the capital raising there have been some changes to the development plan for Selva which affected both estimated capital expenditure as well as time of execution. At the same time, there have also been changes in market conditions in the Italian and European Gas markets with an unprecedented increase in natural gas prices.

- **Schedule update:** Following a review of the project execution plan with particular reference to the timing of construction of the grid connection point by pipeline operator SNAM, the estimated time to first gas has been extended to the first half of 2023. During 4Q21, the team has been in close contact with the pipeline operator with the aim to secure a faster pipeline connection. There is no certainty that this will be achieved however SNAM has confirmed their commitment to make an effort to reduce the timetable.
- **Capital Expenditure estimate:** Capital expenditure has been re-estimated at €2.65M. The €0.35 m increase reflects recent increases in materials prices and supply chain shortages in Europe.
- **Regulatory approvals:** The Ministry has officially requested the INTESA (local government production agreement) from the Emilia Romagna Region. This is the penultimate step necessary to receive the final Production Concession.
- **Monitoring:** Material progress has been made on the installations for seismic and subsidence monitoring, namely the drilling of three shallow monitoring boreholes and installation of necessary equipment. These activities are a requirement established by the Technical Committee under the approved Environmental Impact Assessment.
- **Development:** Detailed design for the Selva gas plant and pipeline connection started in December 2021 and the SNAM tie-in contract agreed. A €757k bank guarantee deposit has been issued to SNAM for construction of tie-in point to Italian National Gas Grid. The deposit is refundable upon commencement of first gas.
- **Market Prices:** Gas prices in Italy have continued to remain strong having surged from around €0.20 per standard cubic meter to above €0.90 per standard cubic meter (averaging €0.94 in January 2022; see Chart 1 below). The increase in prices underpins strong economics for both Selva and Teodorico. Teodorico in particular is very leveraged to the strong market conditions and Po Valley continues to explore options to introduce joint venture partners or divest this large offshore gas field. Previous independent

valuations of Selva and Teodorico have used a base input of around €0.20 per standard cubic meter.

- Energy security:** There is increasing conversation about European (and Italian) gas shortages and reliance on imports from Russia, which accounts for approximately 36% of Italy's gas consumption. In this context, the Italian Minister for Ecological Transition, Roberto Cingolani, has stated the need to increase domestic gas production. Elsewhere in Europe, the Netherlands recently announcing a doubling of output in its Groningen gas field. Po Valley has noticed a positive momentum in the Italian ministry and is supportive of the practical governmental approach to energy security being adopted in Europe.

Chart 1: Italian PSV Natural Gas Futures



Prices in € per MWh. Conversion rate to € per standard cubic meter is 0.011.

Source: <https://www.theice.com/products/49321531/Italian-PSV-Natural-Gas-Futures>

Selva Malvezzi Production Concession – 100% PVE (Operator)¹

Selva Malvezzi is an onshore gas development asset located in the eastern part of the Po Plain, Italy.

Po Valley was awarded the Selva Malvezzi preliminary gas Production Concession (80.68km²) in 2019 and had the final Environmental Impact Assessment (EIA) decree issued by Italy's Ecological Transition Ministry (MiTE), effective date of 29 March 2021.

Under the first phase of the development plan, Po Valley will install a fully automated gas plant at the existing Selva/Podere Maiar 1dir well site and install a one-kilometre pipeline to connect the well with the nearby Italian National Gas Grid. Based on dynamic reservoir studies, the field development is designed to produce at a maximum rate of up to 150,000 cubic meters/day (5.3 mmscf/day) from successfully tested C1 and C2 production levels in the Medium-Upper Pliocene sands of the Porto Garibaldi Formation²

Guidance for the capital expenditure for the project has also been adjusted to reflect the new structure for the pipeline connection point which reduces tie-in costs with an overall increase of total capital cost due to materials prices increase and supply shortage. Overall, the estimated capital cost estimate is now in the range of €2.65M (up from €2.35M). A deposit, as a form of bank guarantee, was issued to SNAM for €757k in December 2021 with the funds to be returned to Po Valley on commencement of first gas. Detailed design of the gas plant is in progress and anticipated to be completed and internally approved by the end of February 2022. with the support of the project manager in charge for this activity.

Works for seismic and subsidence monitoring have commenced and the installation of piezometers, settlement gauges and seismic stations are in progress. GPS monitoring for subsidence has been active since June 2020. This monitoring program is a requirement as set forth by the prescriptions tabled by the Technical Committee of the Italian Ministry of Ecological Transition and as a result are a legal obligation. Po Valley has proceeded with this activity on this basis. JV Partners UOG and Prospex have, to date, declined to participate in the financial expense of this activity at this time on the basis that they believe it is only an obligation once the production concession has been granted. After seeking legal advice on the matter, Po Valley has taken the position that this decision is in violation of the Joint Operating Agreement and has informed its partners as much. Environmental monitoring activities costs €44k has been incurred in the quarter. The JV partners share of this expense for therefore €16.5k up to December 2021.

¹ Transfer approval of JV Partners, UOG (20%) and PROSPEX (17%), quotas for Selva Malvezzi production concession are to be formally requested as soon as final Production Concession is awarded. The relevant quotas to the JV partners on the Podere Gallina exploration licence was formally transferred in October 2020

² Refer ASX announcement 29 May 2018

Teodorico Offshore Gas Field Development (100% PVE)

The Teodorico gas field is located in shallow east coast waters (30m) of the northern Adriatic Sea; the primary source of domestic gas production for much of Italy; and in close proximity to existing east coast offshore gas production facilities. Teodorico has the largest gas-in-place of all of Po Valley's gas fields and is at an advanced stage of assessment, ready for development.

MiTE (Ministry of Ecological Transition) issued the final EIA decree for Teodorico, effective date of 29 March 2021, which paves the way for the grant of full production concession.

As reported in the September quarterly, the company was informed that some environmental groups and local municipalities have filed a law suit against the Ministry of Environment regarding the Teodorico Gas Field on the basis that they believe there was an error in the environmental impact assessment process. The company has sought legal advice on this matter and may provide technical or procedural evidence in support of the Italian Ministry in its legal defence of this claim.

Torre del Moro Gas / Oil Condensate Exploration (100% PVE)

Torre del Moro is a very large oil prospect with a maiden Prospective Resource of 106 million barrels best estimate³ and has the potential to transform the size and scale of the Company's operations.

The current focus of activities for the Torre del Moro site, south of Forli, is the drilling plan for submission to the Government which is planned to be carried out as soon as the exploration activities ban ends and when Plan of Areas are officially approved.

³ Refer ASX announcement 26 April 2019

Ravizza, Bagnolo-in-Piano, and Bagnolo SW Exploration (100% PVE)

Development design work for these two proven undeveloped oil fields between Bologna and Parma has advanced, with production profiles, development plan, design and verification work at an advanced stage. Additional gas prospects have been identified in the license.

Corporate

Joseph Constable joined the PVE board as a Non-Executive Director. Joseph Constable is an investment manager with H&G Limited, has been a long-time shareholder of PVE personally as well as professionally via the H&G High Conviction Fund (formerly The Supervised Fund). Joseph has a detailed understanding of the company and its assets and his significant financial skills will be beneficial to PVE and the board of directors.

Net operating cash outflows for the quarter was €397k which included €134k payment of employee related costs from prior years that were deferred to this reporting period. Interest paid in the quarter include interest on convertible notes for the period to December €45k and interest on loan settlement noted below.

Exploration expenditure payments in the quarter amounted to €59k. A bank guarantee deposit of €757k was provided to SNAM for the construction of the tie-in.

A Loan repayment of €81k plus interest thereon of €20k was made in settlement of the final loan facility held by Po Valley.

The Group's cash reserves as at 31 December 2021 was €1.262M.

With regards to Section 6.1 and 6.2, payments to related parties or their associates in the quarter amounted to €26k being 8% interest for the 6 months to December 2021 on convertible notes held by related parties or their associates.

This announcement has been authorised for release by the Board of Directors of the Company

Summary of Tenements

	Tenement	Location	Interest held
PRODUCTION CONCESSIONS	PREL. AWARDED <i>Teodorico (d.40.AC-PY)</i>	Italy, Adriatic Offshore	100% Po Valley
	PREL. AWARDED <i>Selva Malvezzi⁽¹⁾</i>	Italy, Emilia Romagna	100% Po Valley ⁽¹⁾
EXPLORATION PERMITS	GRANTED <i>AR94PY</i>	Italy, Adriatic Offshore	100% Po Valley
	GRANTED <i>Cadelbosco di Sopra</i>	Italy, Emilia Romagna	100% Po Valley
	GRANTED <i>Grattasasso</i>	Italy, Emilia Romagna	100% Po Valley
	GRANTED <i>Podere Gallina</i>	Italy, Emilia Romagna	63% Po Valley
	GRANTED <i>Torre del Moro</i>	Italy, Emilia Romagna	100% Po Valley

¹ Transfer approval for UOG (20%) and PROSPEX (17%) quotas Selva Malvezzi to be formally requested as soon as Concession will be awarded.

Reserves and Resources*

Licence	Project	Reserves			Contingent Resources			Prospective Resources		
		1P	2P	3P	1C	2C	3C	Low	Best	High
AR94PY	Teodorico outside 12miles	26.7	36.5	47.5						
	Teodorico Inside 12 miles PL3-C				7.4	10.6	14.0	7.9	15.9	25.0
Podere Gallina [Net] ²	Selva (Podere Maiar1)	2.6	8.4	18.8						
	Selva level A South				0.7	1.1	2.3			
	Selva level B North				2.2	5.6	11.2			
	Selva level B South				0.6	2.2	5.9			
	Cembalina							1.3	2.1	3.0
	Fondo Perino							6.4	9.2	12.9
	East Selva							18.3	21.9	25.6
Riccardina							8.2	24.4	81.2	
Cadelbosco di Sopra	Zini (Qu-B)				1.1	2.7	4.6			
	Canolo (Qu-A)				0.7	1.1	1.7			
	Canolo (Plioc)				0.4	3.6	10.5			
	Zini (Qu-A)							0.6	1.4	2.4

*Reserve and Resource estimated are as reported and CPR reports dated 19 February 2018, 8 February 2019, 26 April 2019 (Refer ASX announcements 19 February 2018, 8 February 2019, 26 April 2019)

² Net to the Company's 63% economic interest in Podere Gallina

Reserves and Resources*

Licence	Project	Reserves			Contingent Resources			Prospective Resources		
		1P	2P	3P	1C	2C	3C	Lo w	Best	High
Torre del Moro	Torre del Moro							65.0	106.0	240.0
Cadelbosco	Bagnolo in Piano				6.6	27.3	80.6			
	Bagnolo SW							22.1	54.5	112.0
Grattasasso	Ravizza				2.8	16.1	41.6			

*Reserve and Resource estimated are as reported and CPR reports dated 19 February 2018, 8 February 2019, 26 April 2019 (Refer ASX announcements 19 February 2018, 8 February 2019, 26 April 2019)

The Company confirms it is not aware of any new information or data that materially affects the information included in the original market announcements referred to in this announcement and, in the case of estimates for petroleum reserves, contingent resources and prospective resources, all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not materially changed from the original market announcement.

Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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Directors	
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