



29 October 2021

## QUARTERLY ACTIVITIES REPORT

For the September 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 30 September 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 and Selva Update

The second half of 2021 has been a volatile period in European Energy and Gas markets with rapid increases in domestic gas prices and fundamentally tight market conditions.

Frustratingly supply chain bottlenecks associated with the recovery from the COVID 19 Pandemic have pushed up pipeline and equipment pricing and caused delays in project execution. Regrettably, the estimated time to execute the construction of the grid pipeline necessary to tie in the Selva Gas Field will be significantly longer than previously forecast.

We have completed a review of schedule and capital expenditure estimates reflecting the latest regulatory requirements and updated equipment and pipeline pricing.

- **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
- **Capital Expenditure estimate:** Capital expenditure has been re-estimated at EUR2.65M. The EUR0.35 m increase reflects recent increases in materials prices and supply chain shortages in Europe.
- **Regulatory approvals.** The Ministry has confirmed they are progressing the Selva and Teodorico production concessions and we expect the INTESA for Selva to be approved in the December quarter 2021 and the full production concession granted in the March Quarter of 2022
- **Monitoring:** Initial GPS monitoring began in June 2020 and this program will be continued jointly with seismic and subsidence monitoring programs. The first 12 months of full monitoring will be completed within December 2022.

### Market Prices and energy security

Prices of gas in Italy have surged from around EUR0.20 per standard cubic meter to above EUR0.90 per standard cubic meter reflecting Europe and Italian gas shortages and underpinning strong economics for both Selva and Teodorico.

Teodorico in particular is very leveraged to the strong market conditions. Teodorico has advanced through the final production concession grant process and it is timely to explore options to bring in joint venture partners on this large offshore gas field.

Po Valley remains a northern Italy-focused energy development, exploration and near-term production company with a streamlined focus on five large assets:

- The onshore gas development at Selva Malvezzi;
- Offshore Adriatic gas development at Teodorico;
- The large-scale gas/oil condensate exploration license at Torre del Moro, and
- The expanded Ravizza (Grattasasso Permit) and Bagnolo (Cadelbosco di Sopra Permit) oil reservoirs and extensions and nearby gas prospects

### **Selva Malvezzi Production Concession – 100% PVE (Operator)<sup>1</sup>**

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 (80.68km<sup>2</sup>) 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 long 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 Formation<sup>2</sup>

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 EUR2,65 M. A refundable bond of EUR757k will be issued to SNAM with the funds to be returned to Po Valley on commencement of first gas.

<sup>1</sup> 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

<sup>2</sup> 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 issued the final EIA decree for Teodorico with effective date of 29 March 2021 which paves the way for the grant of full production concession. Po Valley has progressed regulatory requirements and expects final Production Concession approval from MiTE in the first quarter 2022.

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

is seeking legal advice on this matter and understands that Po Valley can join the Italian Ministry in its legal defence of this claim. An update will be provided to the market in due course.

### **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 estimate<sup>3</sup> 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.

<sup>3</sup> 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 firmed up in the license.

### **Corporate**

Po Valley completed the Retail Offer portion of the A\$10.1 million equity raise in July 2021 providing a strong base for bringing Selva into production and driving forward the monetization of Teodorico.

Net operating cash outflows for the quarter was EUR217k and Exploration expenditure payments in the quarter amounted to EUR48k. The Group's cash reserves at 30 September 2021 was EUR2.52 m.

With regards to Section 6.1 and 6.2, no payments were paid to related parties or their associates in the quarter.

*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<sup>(1)</sup></i>	Italy, Emilia Romagna	100% Po Valley <sup>(1)</sup>
EXPLORATION PERMITS	<i>AR94PY</i>	Italy, Adriatic Offshore	100% Po Valley
	<i>Cadelbosco di Sopra</i>	Italy, Emilia Romagna	100% Po Valley
	<i>Grattasasso</i>	Italy, Emilia Romagna	100% Po Valley
	<i>Podere Gallina</i>	Italy, Emilia Romagna	63% Po Valley
	<i>Torre del Moro</i>	Italy, Emilia Romagna	100% Po Valley

<sup>1</sup> 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				7.4	10.6	14.0			
	PL3-C							7.9	15.9	25.0
Podere Gallina [Net] <sup>2</sup>	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
Cadelbosco di Sopra	East Selva							18.3	21.9	25.6
	Riccardina							8.2	24.4	81.2
	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)

<sup>2</sup> 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	Low	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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