



29 April 2022

QUARTERLY ACTIVITIES REPORT

For the March 2022 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 March 2022, 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

- **Energy security:** The Russian invasion of Ukraine has certainly focused the Italian and European government's attention on addressing gas shortages and reliance on imports from Russia, which accounts for approximately 36% of Italy's total gas consumption. Italy is only second to Germany in terms of total gas volumes consumed in Europe. 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 announced a doubling of output in its Groningen gas field. The Po Valley management team has noticed an important step change with the Italian Authorities and is supportive of the practical approach to energy security being adopted in Europe. In this context the Italian Government issued an Energy Decree (DL 17; 1st March 2022) recommending increase of domestic gas production.
- **Schedule update:** The team has continued to be in close contact with the pipeline operator with the aim to secure a faster pipeline connection. Whilst there is still no certainty that this will be achieved, the dialogue with SNAM remains strong and frequent, and SNAM has confirmed their commitment to make every effort to reduce the timetable. SNAM completed tie-in plant project design and started authorisation procedures and material procurement. Agreements with landowners where gas pipe will be laid are under finalisation.
- **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 for Selva and is expected in 2Q 2022. Local municipalities and Region Technical departments have shown their support during this process.
- **Monitoring:** The installation of the seismic and subsidence monitoring equipment has been completed in February and system is recording data as required by EIA prescription.
- **Development:** Detailed design for the Selva gas plant has been finalised and bid to select gas plant and pipe line construction contractor is in progress to be completed during May 2022. A €757k bank guarantee deposit has been issued to SNAM for construction of tie-in point to Italian National Gas Grid in December 2021 and the deposit is refundable upon commencement of first gas. Po Valley will begin ordering long lead items in Q2 2022.
- **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 €1.20 in March 2022; see Chart 1 below). Again, 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.

- **PITESAI:** The Italian government recently published its plan of sustainable energy transition of suitable areas (PiTESAI or Plan). The Plan was finalised on 28 December 2021 and published on 11 February 2022 when it was adopted by the Ministry of Ecological Transition. The Plan’s purpose is to define suitable areas, onshore and offshore, where exploration and production activities would be allowed without threatening Italy’s environmental, social and economic sustainability and was an additional step taken by the former coalition government to delineate its regulations to align with the overall decarbonisation goals set by the European Union. In addition to defining suitable areas, the PiTESAI also imposed a ban on new oil activities.

Given the increase of government rental fees put in place with the PiTESAI, a technical revision of PVO acreage is underway, in order to select areas to be relinquished being without residual hydrocarbon potential and/or located in “unsuitable” areas.

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.

The Podere Maiar gas field is located in a defined “suitable area” under the PiTESAI.

The first phase of the development plan, will see Po Valley install a fully automated gas plant at the existing Selva/Podere Maiar 1dir well site and will lay 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 adjusted in 2021 reflects 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) (Refer ASX release 26 October 2021). 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 has been completed and bid to select gas plant and pipe line construction contractor is in progress to be completed in May 2022 with the support of the project manager in charge for this activity.

Works for seismic and subsidence monitoring started with the installation of piezometers, settlement gauges and seismic stations completed in February 2022 and data recording commenced. 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 VIA Technical Committee of the Italian Ministry of Ecological Transition and, as a result, it is a legal obligation. Based on that, Po Valley has proceeded with the program with JV Partners UOG and Prospex agreeing to contribution and participate in the financial expense of this activity.

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. Local municipalities and the Region Technical departments have shown their support during this process.

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 previously reported, the Company was informed that some environmental groups and local municipalities have filed law suits against the Ministry of Ecological Transition regarding the Teodorico Gas Field on the basis that they believe there was an error in the environmental impact assessment process, due to the institution of two new offshore protected areas bordering the Teodorico concession. The company has sought legal advice on this matter and will provide technical or procedural evidence in support of the Italian Ministry in its legal defence of this claim.

Teodorico may be affected by the PiTESAI as the existing 12-mile no development zone has been extended to the recent institution of environmental protected areas in proximity of the licence. Po Valley has initiated discussion with the Ministry legal department in order to better understand the impact on the licence. Under PiTESAI guidelines "projects with proven reserves bigger than 150 Mscm, are considered strategic" and therefore Teodorico project may be subject to a cost-benefit analysis.

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

Torre del Moro is a large gas/ oil condensate prospect with a maiden Prospective Resource of 106 million barrels best estimate³. The PiTESAI prohibits new activities in oil exploration and production but does not specify the treatment of gas condensate hydrocarbons. Po Valley is seeking clarification from the Ministry on how the gas condensate exploration and targeted gas cap may be treated and which activities would be allowed on this field.

³ Refer ASX announcement 26 April 2019

Cadelbosco and Grattasasso Permits:

Ravizza oil discovery (Grattasasso license), Bagnolo-in-Piano oil discovery, and Bagnolo Swoil prospect (Cadelbosco di Sopra license) Exploration (100% PVE)

Activities on the Ravizza and Bagnolo oil discoveries will not proceed under the PiTESAI, which prohibits new activities in oil exploration and production.

Canolo and Zini (Cadelbosco di Sopra Permit) Gas Prospects

Following the publishing of the PiTESAI, the moratorium on new exploration activities has been lifted, therefore Po Valley can recommence activities on the Canolo and Zini gas fields. Both of these projects are within a PiTESAI defined suitable area.

Drilling programs for the Zini 1, Canolo 1d and Canolo 2d wells were already submitted to the Ministry and the related regional EIAs were under review before the PiTESAI moratorium was implemented. Po Valley will now liaise with the EIA department of Emilia Romagna region to determine the next steps required in order to progress the EIA procedure for these fields.

Corporate

Net operating cash outflows for the quarter was €105k and exploration expenditure payments in the quarter amounted to €133k (net of JV partner recoveries).

The Group's cash reserves as at 31 March 2022 was €1.077M.

With regards to Section 6.1 and 6.2, there were no payments made to related parties or their associates in this 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⁽¹⁾</i>	Italy, Emilia Romagna	100% Po Valley ⁽¹⁾
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

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 inside 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] 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 East Selva							6.4	9.2	12.9
Cadelbosco di Sopra	Riccardina							18.3	21.9	25.6
	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)

*The Reserves and Resources for Teodorico lie within the extended 12 mile development zone under the Pitesai, treatment of this is currently under discussion with the Ministry

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	Low	Best	High
		Oil /Condensate MMbbl								
Torre del Moro	Torre del Moro	-	-	-	-	-	-	65.0	106.0	240.0

**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.

Registered Office	Rome Office
Suite 8, 7 The Esplanade Mt Pleasant WA 6153 Australia TEL +61 (08) 9316 9100 FAX +61 (08) 9315 5475	Via della Luce 58, Rome, 00153 Italy TEL +39 06 4201 4968 FAX +39 06 4890 5824
Directors	
Mr. Michael Masterman, Chairman Mr. Kevin Bailey, Non-executive Director Ms. Sara Edmonson, Non-executive Director Mr. Joseph Constable, Non-executive Director	