

31 January 2018

QUARTERLY ACTIVITIES REPORT

For the December quarter and to the date of this report

Australian gas producer, Po Valley Energy Limited, ("Po Valley" or "The Company") is pleased to provide its Quarterly Activities Report for the period ending 31 December 2017.

Highlights

Key highlights for the quarter include:

- Successful drilling, completion and testing of the Podere Maiar 1dir well in the Selva gas field northwest of Bologna in Italy. The well is a significant commercial discovery for Po Valley.
- Advancement of environmental approval at Teodorico, PVE's offshore Adriatic licence.
- Successful close of water production levels in the Bezzecca gas field allowing Bezzecca to return to stable production rates with limited water production.
- Readjustment and restart of Sillaro gas production in Italy, increasing production significantly to 20,000 scm per day.
- Annual 2017 gas production increased by 58% to 7 million cubic metres.
- Quarterly production as foreshadowed was down 24% to 1.9 million scm reflecting the Sillaro and Bezzecca planned shutdowns and well performance improvement work.
- Revenue 2017 increased by 55% to EUR1.46m (A\$2.26m).

Commercial discovery at Podere Maiar-1dir well in Selva Gas field – 63% PVE

The highlight of the quarter was the successful drilling and testing of the Podere Maiar-1dir well, at the Selva gas field within the Podere Gallina Permit.

The well was spudded on 21 November 2017 and reached a total depth of 1,330 metres in the Pliocene, ahead of schedule and on budget.

Log analysis and pressure testing delineated two gas bearing reservoirs with a total gross pay of 62m and a net pay of 41m. The thickest level C2 (net pay 25.5m) which runs from 1282.5mMD to 1328.5mMD with a Gas Water Contact ("GWC") at 1,320mMD has been perforated over a combined 8.5m and is expected to be the largest reservoir and producer. The shallower level C1 (net pay 15.5m) runs from 1253.5mMD to 1275.5mMD with a GWC at 1270.5mMD and has been perforated over 2.5m in the uppermost portion. Both sands have excellent reservoir properties, with porosities averaging more than 28%.

Following completion, flow testing was completed in mid-January with results significantly ahead of expectations. The strong gas flows on test on both levels, together with the 600 metre proximity of the well to the Italian national grid and its pure 99.1 methane content, have confirmed a significant commercial discovery.

The thickest level C2 reported a peak flow rate of 148,136 scm/day on a 3/8 inch choke and a pressure differential of 11 bar with no water production. Pressure recovery to formation pressure occurred in 2 minutes.

The higher level C1 also reported strong flow test results with a peak flow rate of 129,658scm/day on a 3/8 inch choke with good pressure recovery (about 12 minutes).¹

Po Valley holds a 63% share of the Podere Gallina licence. In May 2017, United Oil and Gas Plc acquired 20% stake through a farm-in on a 2 for 1 promote basis, and on 1 November 2017, the Company announced the a new farm-in with a wholly-owned subsidiary of Prospex Oil and Gas Plc, for a 17% interest in the licence in exchange for funding 34% of the cost of Podere Maiar-1 well (i.e. on a 2 for 1 promote basis). In aggregate, the farm-in JV partners were responsible for 74% of the capital cost of the drilling programme, in exchange for a 37% participating interest.

PVE will complete and submit a production concession application to the Italian Ministry in the first half of 2018. Re-estimates to resources and reserves will be updated at that time.

Q4 Italian Gas Production - Saffron (54% PVE)

Production from Sillaro (100%) and Bezzecca (90%) gas fields was 1.9 million standard cubic metres (66.8 MMcf) in the quarter ending 31 December 2017, bringing total production for 2017 to 7.0 million standard cubic metres (247.0 MMcf).

Quarter-on-Quarter production was down 24% primarily due to shutdowns for well production improvement initiatives at both Sillaro and Bezzecca. Sillaro operated at reduced levels through the start of the quarter. However, a planned field shut in December has allowed Sillaro to restart at 20,000 scm/day – a short-term increase on production rates. Sillaro production from the current CO level has exceeded the 3P estimates at the time of the February 2017 IPO of Saffron Energy Plc (“Saffron”). This level is near depletion and is expected to cease before mid-year. Increased production at Sillaro will be driven by a planned deviation well from Sillaro 1dir to access remaining reserves and contingent resources in the Miocene and Pliocene levels

At Bezzecca, a planned rig-less intervention at Bezzecca was successfully carried out to shut off water production from the deeper levels of level R and level S. Production has recommenced with production from the higher level of R and from Level A at a production rate of 18,000 scm/day and limited water production. Further initiatives are being implemented to minimise hydrate production and remove condensate production which have adversely affected Bezzecca production during the colder winter months. Revised reserve and resource estimates for Bezzecca are under preparation by the competent person CCG for the Saffron readmission to AIM and it is expected that reserves and resources for Bezzecca will be reduced as part of this re-estimation process. Update estimates will be provided in February.

¹ For further details on tests please refer to the ASX announcement “Significant Italian gas discovery confirmed for Po Valley” released on 19th January 2018

Revenue from gas sales to Shell Energy Italia for the quarter was €380,847, bringing total production for the year to €1,471,418. Po Valley attained a gas price of €0.201 per cubic metre in Q4 compared to €0.208 in the previous months' quarter. Prices of Italian natural gas rose significantly in the December quarter as a result of an explosion in a Austrian gas plant on the transit pipeline from Russia to Italy, leading prices to soar to over EUR0.40 per cubic metre. Market prices are currently around 0.20 cent/scm.

Gas production and Sales

	Q3 17	Q4 17	Change (%)	YTD 17
Total production ('000 cubic metres)	2,481	1,890	-24%	6,995
Total production ('000 cubic feet)	87,602	66,760	-24%	247,039
Daily production (cubic metres per day)	26,963	20,548	-24%	
Daily production ('000 cubic feet per day)	952	726	-24%	
Daily production (boepd)	164	125	-24%	
Revenue (€)	515,740	380,847	-26%	1,467,587
Average gas price (€ per cubic metre)	0.208	0.201	-3%	

Other Italian field development activities

Development progress was advanced at Teodorico and at Sant Alberto during the quarter.

EIA approval for Teocorico is advancing and we expect approval mid-year. Sant Alberto now has a fully granted production concession application and plans are advancing to put this field into production later this year.

On the exploration front, PVE has initiated the process to acquire existing 2D seismic in the Torre del Morro licence and progress initial geological and geophysical evaluations.

Saffron Energy/Coro transaction

In the September quarter last year, Po Valley announced a non-binding conditional heads of terms to combine the Italian energy assets of Po Valley, Sound Energy Plc and PVE majority owned Saffron Energy Plc (L:SRON).

On 18 January 2018, Po Valley signed a binding Share Sale and Purchase Agreement with Saffron Energy Plc, under which Saffron will acquire onshore and offshore oil and gas production, development and exploration assets in northern Italy held by Po Valley Operations Pty Ltd ("Transaction"). The Transaction is subject to shareholder approval and is part of a broader three-way commercial deal to create a large European oil and gas

business, as first announced on 6 October 2017, and from which Saffron intends to expand its interests to include South East Asian oil and gas assets. PVE currently holds 100 million shares (53.8%) of Saffron.

Under the formal agreement, Saffron will acquire PVO from PVE for 200 million Saffron shares and also acquire fellow Italian-based Sound Energy Holdings Italy Ltd (“SEHIL”) for 185.9 million Saffron shares through a reverse takeover. This will increase PVE’s holding in Saffron to the 300 million shares. As part of this larger Transaction, agreements have been reached with large international institutional investors for Saffron to raise £14 million (A\$24.3 million) at an issue price of 4.38p per Saffron ordinary share. Po Valley plans under the broader Transaction, to eventually distribute its 300 million shares in Saffron to existing PVE shareholders on a pro-rata basis.

Immediately post Transaction, Po Valley will own 33.65% of Saffron Energy Plc. It will also own a 5% royalty interest in any commercial gas discoveries within the Podere Gallina Licence Permit, including the recent Selva gas discovery, along with the proceeds from the expected completion of the sale of the Grattassasso and Cadelbosco exploration licences².

Corporate

During the quarter, Michael Masterman assumed the role of Chief Executive Officer of PVE, replacing Sara Edmonson, who formally took up the position of CEO with Saffron Energy Plc, which is 53.8% owned by PVE (as at 22 January 2018). James Parsons, CEO of Sound Energy Plc, became Chairman of Saffron and together with Fiona McAuley, CEO Echo Energy Plc, and Marco Fumagalli, founding partner at Continental Investment Partners SA, joined the Board of Saffron Energy as non-Executive Directors, effective 12 December 2017.

Consolidated cash at bank at the end of the quarter was €390,314 (A\$598,975³).

Revenue for the December quarter was Euro 380,847 (A\$583,914). Revenue for 2017 was €1.47 million (A\$2.25 million)

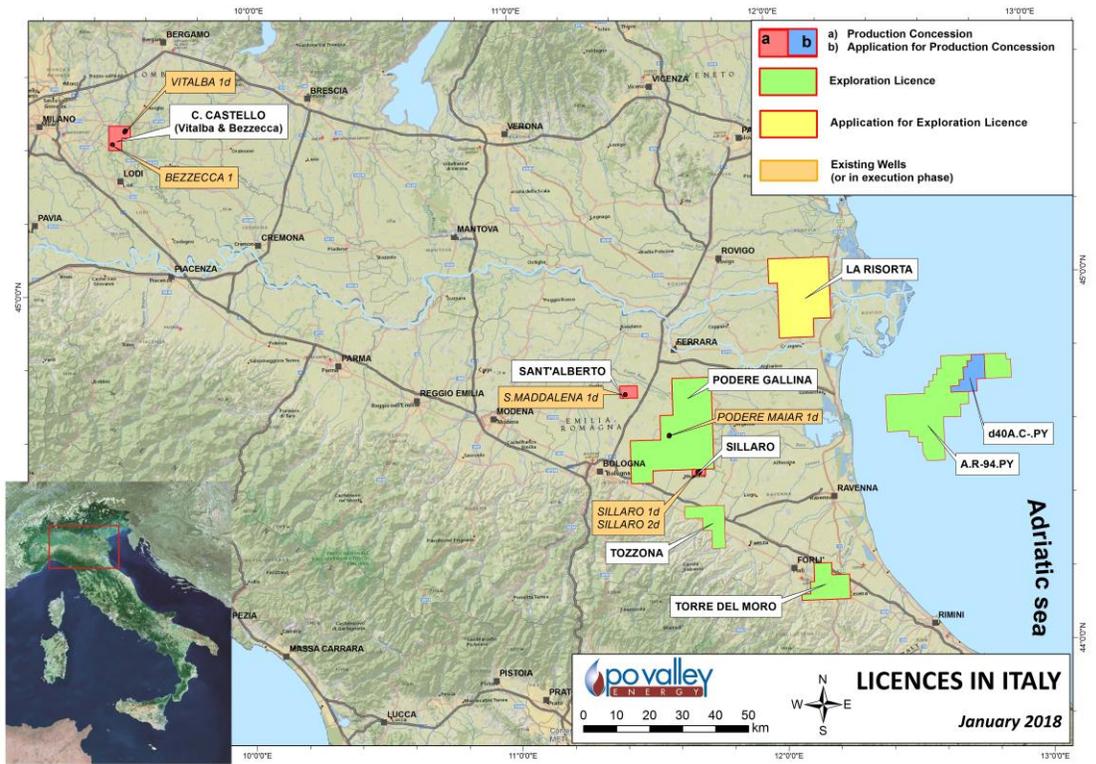
² For further details on the transaction please refer to the ASX announcement “*PO Valley advances Saffron Energy Plc expansion with binding deals and £14m capital raise*” released on 23 January 2018

³ €1 = AUD 1.5346 as at 31 December 2017 - €1 = AUD 1.5322 average for 4Q 2017 - Source www.oanda.com

Summary of Tenements

	Tenement	Location	Interest held	Interest disposed during 4Q 2017	
PROD. CONCESSION	GRANTED	<i>Sillaro</i>	Italy, Emilia Romagna, Bologna	100%	-
	<i>Cascina Castello (Vitalba)</i>	Italy, Lombardia Cremona / Lodi	90%	-	
	<i>Cascina Castello (Bezzecca)</i>	Italy, Lombardia Cremona / Lodi	90%	-	
	<i>Sant'Alberto</i>	Italy, Emilia Romagna, Bologna	100%	-	
	PREL. AWARDED	<i>d40.A.C-PY</i>	Italy, Adriatic Offshore	100%	-
EXPL. PERMIT	GRANTED	<i>AR94PY</i>	Italy, Adriatic Offshore	100%	-
	<i>Cadelbosco di Sopra</i>	Italy, Emilia Romagna	0%	Sale pending completion	
	<i>Grattasasso</i>	Italy, Emilia Romagna	0%	Sale pending completion	
	<i>Podere Gallina</i>	Italy, Emilia Romagna	63%	17%	
	<i>Torre del Moro</i>	Italy, Emilia Romagna	100%	-	
	<i>Tozzona</i>	Italy, Emilia Romagna	100%	-	
	PREL AWARDED	<i>La Risorta</i>	Italy, Emilia Romagna & Veneto	100%	-

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Notes:

- All tenements are 100% equity with exception of Cascina Castello (90%), and Podere Gallina (63%).
- In 3Q 2017, the Company sold its interests in Grattasasso and Cadelbosco di Sopra to a private oil and gas company.
- Po Valley Energy holds 53.8% of the shares in Saffron Energy Plc (SRON) which was listed on the AIM Board of the London Stock Exchange in February 2017.
- **Qualified Petroleum Reserves and Resources Evaluator:** Statements in this Quarterly Report regarding estimates of petroleum Reserves and Contingent and Prospective Resources is based on and fairly represented information and supporting documentation reviewed by Mr Enzo Vegliante, Production and Development Manager of Po Valley Energy Ltd since December 2014. Mr Vegliante holds a Bachelor's Degree in Petroleum Engineering with 19 years of experience in petroleum engineering and the oil and gas industry. He is a member of SPE (Society of Petroleum Engineers). Mr Vegliante has approved the statement as a whole and has consented to the inclusion of the estimated petroleum Reserves and Contingent and Prospective Resources and supporting information in this Quarterly Report in the form and context in which they are presented.

Registered Office

Suite 8, 7 The Esplanade, Mt Pleasant WA 6153 Australia

TEL +61 (08) 9316 9100

FAX +61 (08) 9315 5475

Or visit: www.povalley.com

Rome Office

Via Francesco Crispi 90,

Rome, 00187 Italy

TEL +39 06 4201 4968

FAX +39 06 4890 5824