

Quarterly Activities Report

For the December quarter and to the date of this report



31 January 2017

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 1.01 million standard cubic metres (35.85 million standard cubic feet)
- Total gas production for 2016 was 4.43 million cubic metres (156.35 million standard cubic feet)
- Construction of the pipeline to connect Bezzecca-1 to the Vitalba plant is now complete. Final technical operations on the plants are ongoing
- First gas from Bezzecca is expected by March 2017
- Preliminary production concession for the offshore Teodorico gas field was granted from the Ministry of Economic Development on November 17th 2017
- Production Concession for Sant'Alberto gas field is expected by the end of the first quarter 2017
- Environmental approval to drill Podere Maiar-1 (Selva) was issued by the Emilia Romagna Region. Drilling authorisation from Ministry of Economic Development is expected in February 2017
- A comprehensive re-evaluation of the residual potential of the production and near production assets was completed and released to the market in November 2016
- Options to list the gas production assets – Sillaro, Bezzecca and Sant'Alberto - on the London Stock Exchange's AIM market are well advanced. IPO is planned for the first quarter 2017
- Cash at bank at 31 December 2016 was 0.17 Euro million (AU\$ 0.24million)
- Revenue for the December quarter was 0.22 Euro million (AU\$ 0.32 million)
- Revenue for 2016 was 0.96 Euro million (AU\$ 1.41 million)

Capital Details (ASX:PVE)

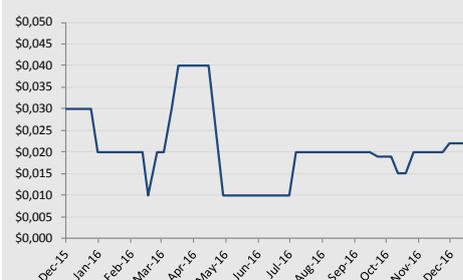
(as at 31 December 2016, AU\$)

Share Price	\$0.02
Shares on Issue	550.37m
Market Cap	\$11.00m
Cash at Bank	\$0.24m
Drawn Debt	\$1.64m
Enterprise Value	\$12.40m

2016 Gas Production & Revenue

	4Q 2016	3Q 2016	FULL 2016
Total Production Mscm	1.01	1.06	4.43
Total Production Mscf	35.85	37.43	156.35
Total Revenue €m	0.22	0.23	0.96

PVE Share Price Dec 2015 - Dec 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 1.01 million standard cubic metres at an average of around 11,036 scm/day from its Sillaro field. Production from the Vitalba field remains temporarily suspended.

In November the Company updated the market on the Sillaro, Bezzecca and Sant'Alberto fields' reserves and resource estimates, in light of a) the rigless campaign carried out in various steps between December 2015 and June 2016 on the Sillaro field, b) an internal in-depth integrated study on the Bezzecca field following the reprocessing of 2D seismic lines, and c) The imminent development of the Sant'Alberto gas field planned for 2017. Please refer to the ASX announcement on 25 November release for the estimates of the revised recoverable volumes for each field and the updated reserves table.

DEVELOPMENT

The Company has made good progress with the development of the **Bezzecca** gas field. The construction of the 7 km pipeline to tie in the Bezzecca-1 well to the existing gas treatment plant of Vitalba has been completed. The hydrostatic testing will be completed by end of January. Civil and mechanic construction works on the Bezzecca wellsite commenced last week of January and will be finalised by the end of February. The electric and instrument set up in Bezzecca wellsite and Vitalba plant will be completed for first gas in March 2017.

The pipeline construction had a total capital cost of €2.2 and the contract with TESI Srl included a flexible financing arrangement whereby a portion of the fees were paid upfront and the residual amount will be paid in monthly installments once production commences. The balance of funding has been provided through the JV farm in from Petrorep Italia and from internal sources.

During the quarter another key milestone was announced: in November the Company received from the Italian Ministry of Economic Development the preliminary Production Concession of its offshore **Teodorico** gas field, in the northern Adriatic Sea. Immediately after the award, Po Valley commenced the preparation of the Environmental Impact Assessment (EIA) documentation. Works are well advanced and the EIA will be submitted to the Ministry of Environment in the first quarter of 2017.

Following EIA approval and the grant of a full production concession, PVE will move to drill two development production wells and then connect the gas field to the nearby ENI's Naomi Pandora offshore gas processing facility. The required feasibility study and development design, including well locations, is already complete.

The Company has 3D seismic across the Teodorico (d.40.AC-PY) development area and the locations for the well sites and platform have been identified. The Company expects to finance the development of the field with a farm-in partner experienced in off-shore drilling.

DEVELOPMENT - CONT'D

In late September the Company announced the final award of the Environmental Impact Assessment (EIA) Decree for its **Sant'Alberto** gas field. Grant of the final Production Concession is expected in the first quarter 2017 and preparation is underway for development.

Following the environmental approval for the Podere Maiar-1 (**Selva**) exploration drilling application received from the Emilia Romagna region in September, the Company applied for and received approval for some minor changes to the drilling program which will allow the Company to use a lighter drilling rig thus reducing the environmental footprint. The Company is now waiting for the Ministry to issue the final drilling authorisation.

CORPORATE

In October the Company finalised the announced capital raising of A\$900,000 through a private placement. Several institutional and sophisticated investors participated, including some existing institutional shareholders and directors.

As part of a strategic review of its capital structure the Company has advanced the option to list its existing gas production and near production gas assets – Sillaro, Bezzecca, and Sant' Alberto - on the AIM market of the London Stock Exchange. During the quarter, material progress was made in this direction and in early January 2017 the Company announced the advancement of options to undertake a UK IPO. The listing vehicle would be the new PVE's Group wholly owned subsidiary Saffron Energy Plc. Po Valley will maintain a majority shareholding in Saffron Energy following the IPO, which is expected to have a pre-money valuation in excess of GBP5m (AUD 8.5m) and raise GBP 2-2.2M (AUD 3.4-3.7m). The IPO is expected to be completed in the March quarter .

The Company believes the separation of production orientated assets from its exploration portfolio, and listing on these European orientated assets on the London market will better align with differential investor priorities and consequentially provide an improvement in both liquidity and valuation.

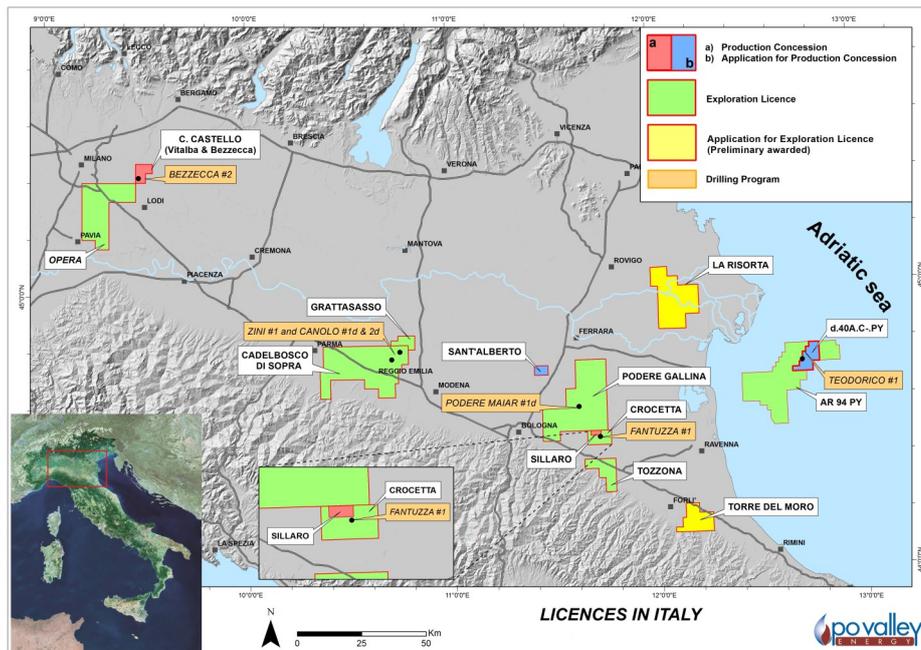
Cash at bank at the end of the quarter was Euro 0.17 million (AU\$0.24million).

Revenue for the December quarter was Euro 0.22 million (AU\$ 0.32 million).

Revenue for 2016 was 0.96 Euro million (AU\$ 1.41 million)

€1 = AUD 1.4680 as at 31 December 2016 - €1 = AUD 1.445 average for 4Q 2016 - Source www.oanda.com

SUMMARY OF LICENCES IN ITALY AS AT 31 DECEMBER 2016



SUMMARY OF TENEMENTS AS AT 31 DECEMBER 2016

		Tenement	Location	Interest held	Interest disposed during 4Q 2016
PROD. CONCESSION	Granted	Sillaro <i>(derived from Crocetta Expl. Licence)</i>	Italy, Emilia Romagna, Bologna	100%	-
		Cascina Castello <i>(derived from C.S. Pietro Expl. Licence)</i>	Italy, Lombardia Cremona / Lodi	90%	-
	Prel. Awarded	Sant'Alberto <i>(derived from San Vincenzo Expl. Licence)</i>	Italy, Emilia Romagna, Bologna	100%	-
		d40A.C.PY <i>(Derived from AR94PY Expl. Licence)</i>	Italy, Emilia Romagna, Ravenn, Ferrara, Rovigo	100%	-
EXPLORATION PERMITS	Granted	Crocetta	Italy, Emilia Romagna	100%	-
		Podere Gallina	Italy, Emilia Romagna	100%	-
		Opera	Italy, Lombardia	100%	-
		Grattasasso	Italy, Emilia Romagna	100%	-
		Cadelbosco di Sopra	Italy, Emilia Romagna	85%	-
		Tozzona	Italy, Emilia Romagna	100%	-
	Prel. Awarded	AR94PY	Italy, Adriatic Offshore	100%	-
		La Risorta	Italy, Emilia Romagna & Veneto	100%	-
		Torre del Moro	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 Bezzecca 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.

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 Crispi 90, Rome, 00187 Italy
 TEL +39 06 4201 4968
 FAX +39 06 4890 5824