



31 October 2017

QUARTERLY ACTIVITIES REPORT

For the September quarter and to the date of this report

Po Valley Energy Limited, ("Po Valley" or "The Company") is pleased to provide its second Quarterly Activities Report for the period ending 30 September 2017.

Q3 Gas Production

Production from Sillaro (100%) and Bezzecca (90%) gas fields - which Po Valley holds through its subsidiary Saffron Energy Plc. - has increased by 41% from 1.762 million standard cubic metres (62.2 mmcf) in the quarter ended 30 June 2017 to 2,481 million standard cubic metres (87.6 mmscf) in the quarter ended 30 September 2017. This increase was driven primarily by the ramp up of production from Bezzecca in mid-July due to the introduction of production from the S levels (on top of the production from the A levels).

Revenue from gas sales to Shell Energy Italia has also increased by 37%; in line with the increase in production. Po Valley attained a gas price of €0.208 per cubic metre in Q3 compared to €0.213 in the previous months' quarter.

Gas production and Sales

	Q2 17	Q3 17	Change (%)	YTD 17
Total production ('000 cubic metres)	1,762	2,481	41%	5,105
Total production ('000 cubic feet)	62,224	87,602	41%	180,267
Daily production (cubic metres per day)	19,368	26,963	39%	
Daily production ('000 cubic feet per day)	684	952	39%	
Daily production (boepd)	118	164	39%	
Revenue (€)	376,000	515,740	37%	1,086,740
Average gas price (€ per cubic metre)	0.213	0.208	-2%	

Current Natural Gas Production Activity

During the quarter Sillaro production continued at a steady-state of circa. 10,000 scm/day. In early September 2017, the Company managed to reduce production variability by implementing a more frequent manual well clean up. This initiative did not require any additional cost.

In July 2017, production at Bezzecca increased from approximately 10,000 scm / day to approximately 22,000 scm / day by opening the S-levels and commingling with production from level A. The Company plans to conduct well operations in level R and plant maintenance in the December quarter. The planned well operation in level R is targeted to close off the bottom 2 perforations in level R and then move to commingled production in level A,S and R. The well operations and associated maintenance downtime will reduce December quarter production.

The Company has also been awarded a Production Concession for its Sant' Alberto gas field. First production is expected during the first half of 2018.

Current Natural Gas Field Exploration & Development Activity

Po Valley has also made significant progress during the quarter on its natural gas development and exploration assets.

At the Podere Gallina permit, (former ENI Selva gas field), preparations for drilling the first exploration well Podere Maiar-1 are almost completed, with the civil works finalised. The Archimede HH Rig is ready to be mobilised to site in the first weeks of November, with an estimated spud date around mid November 2017

Corporate

In September 2017 Po Valley announced the sale of its 85% interest in the fully awarded large oil exploration licence, Cadelbosco di Sopra, and 100% of the immediately adjoining small oil exploration licence, Grattasasso, to a private oil and gas company backed by a private equity fund based in London.

Consideration for the licences, located northwest of Modena in the Emilia Romagna Region, will be Euro 1.13 million (A\$1.69 million). Completion of the transaction, subject to formal approval by the Italian Ministry of Economic Development, is expected to be received in the March 2018 quarter¹.

At the end of the same month Saffron Energy Plc, the PVE UK listed subsidiary, has successfully raised £1.25 (AUD 2.16 million) in a private placement to new and existing shareholders. Following the issue of the placement shares, PVE's holding in Saffron reduced from 65% to 54%.

On October 5th, 2017 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 (AIM:SRON).

¹ For further details please refer to the ASX announcement "A\$1.7m sale of two Italian oil licences by Australia's Po Valley", released on 25th September 2017

The proposed restructure transaction will increase Saffron Energy Plc's current production and revenue stream, adding significantly larger assets to the portfolio. These will include two additional production fields from Sound Energy Plc's Italian portfolio (the Rapaganano Gas Field and Casa Tiberi Gas field), as well as the remaining oil and gas interests in northern Italy from Po Valley. These comprise an 80% interest in the large near-term onshore gas development Selva (2C 17bcf)², a 100% interest in the Teodorico offshore Adriatic gas field (47.3 bcf)³ and the Torre Del Moro oil exploration project.

The proposed restructure is subject to regulatory and shareholder consents, and is anticipated to complete early next calendar year,

On transaction completion prior to any new capital raising, Po Valley on a proforma basis will have a 51% interest in the enlarged Saffron, Saffron AIM shareholders will have a 16% stake and Sound Energy's shareholders a 33% holding.

It is proposed to eventually rename Saffron Energy Plc as Coro Energy Plc ("Coro")⁴.

Po Valley Energy will retain outside of the proposed restructure transaction the proceeds from the recent sale of its interests in Cadelbosco di Sopra and Grattasasso ("CDS sale proceeds") permits in northern Italy, amounting to €1.13 million (AU\$ 1.69 million).

Podere Maiar-1 is currently funded through its Joint Venture with United Oil and Gas and internal Po Valley Energy funds. PVE is considering additional JV and financing options and will update the market when these are finalised.

Cash at bank at the end of the quarter was €0.25 million (AU\$ 0.36 million). Funds from Saffron Energy were received in early October 2017.

Revenue for the September quarter was Euro €0.51 million (AU\$ 0.75 million).

² "The estimates of contingent resources for Selva is based on information that has previously been reported in the Company's 2016 Annual Report, which was lodged with the ASX on 28 April 2017. The Company is not aware of any new information or data that materially affects the information included in this announcement and that all the material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed."

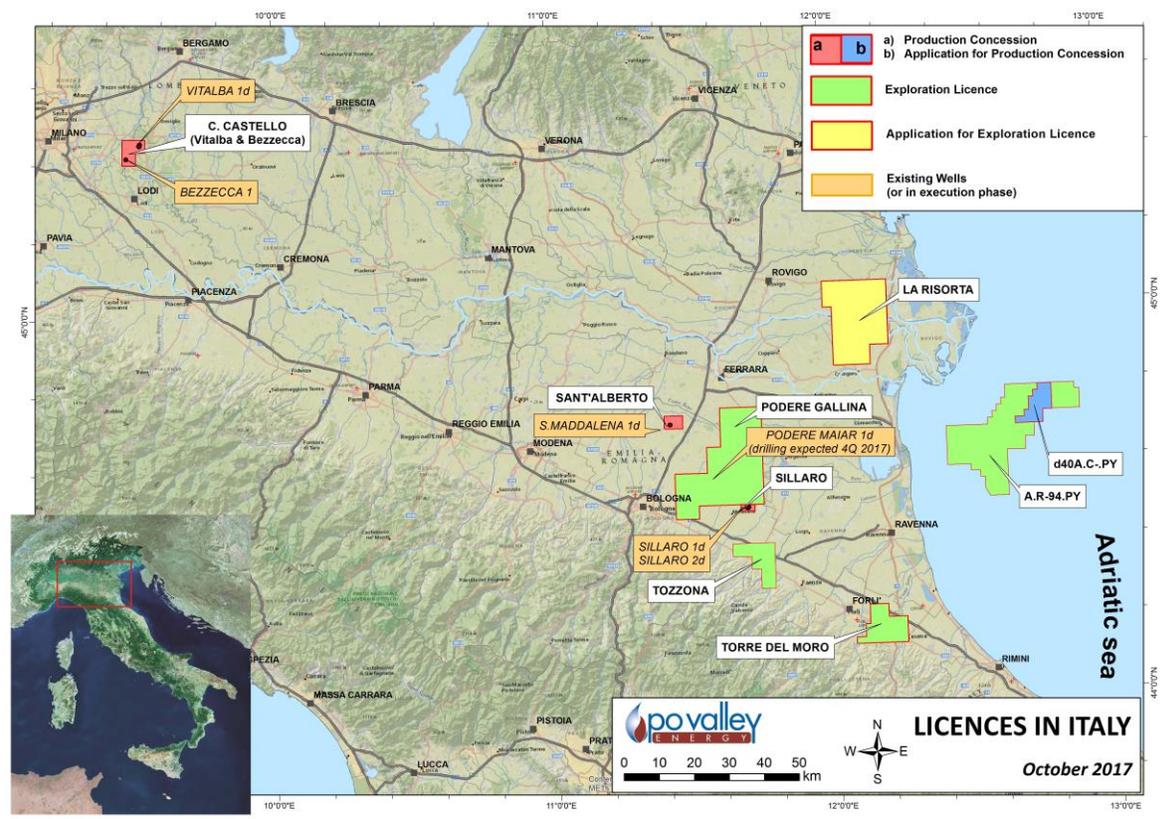
³ "The estimates of contingent resources for Teodorico is based on information that has previously been reported in the Company's 2016 Annual Report, which was lodged with the ASX on 28 April 2017. The Company is not aware of any new information or data that materially affects the information included in this announcement and that all the material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed."

⁴ For further details please refer to the ASX Announcement "Po Valley in proposed major re-organisation of Italian oil and gas assets into larger AIM-listed play with renowned UK energy executive as new Chair" released on 6 October 2017

Summary of Tenements

	Tenement	Location	Interest held	Interest disposed during 3Q 2017	
PROD. CONCESSION	Granted	<i>Sillaro</i>	Italy, Emilia Romagna, <i>Bologna</i>	100%	-
		<i>Cascina Castello (Vitalba)</i>	Italy, Lombardia <i>Cremona / Lodi</i>	90%	-
		<i>Cascina Castello (Bezzecca)</i>	Italy, Lombardia <i>Cremona / Lodi</i>	90%	-
	Prel. Awarded	<i>Sant'Alberto</i>	Italy, Emilia Romagna, <i>Bologna</i>	100%	-
		<i>d40.A.C-PY</i>	Italy, Adriatic Offshore	100%	-
EXPLORATION PERMIT	Granted	<i>AR94PY</i>	Italy, Adriatic Offshore	100%	-
		<i>Cadelbosco di Sopra</i>	Italy, Emilia Romagna	0%	85%
		<i>Grattasasso</i>	Italy, Emilia Romagna	0%	100%
		<i>Podere Gallina</i>	Italy, Emilia Romagna	80%	-
		<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%	-

Licences in Italy



Notes:

- All tenements are 100% equity with exception of Cascina Castello (90%), and Podere Gallina (80%)

In 4Q 2014, the Company successfully concluded a third farm-in with Petrorep Italiana Spa for a 10% interest in the Cascina Castello (Vitalba) and Bezzecca production concession. Petrorep committed to a promoted share of future development expenditures.

- In 3Q 2017, the Company sold its 100% interest in Grattasasso and 85% interest in Cadelbosco di Sopra to a private oil and gas company.

- Po Valley Energy holds 54% 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