

Quarterly Activities Report

For the December quarter and to the date of this report



31 January 2014

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.

Po Valley holds 11 license areas, including one offshore gas discovery – a game changer in PVE's resource potential.

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

During 4Q 2013 the Company made solid progress on selected projects including: Gradizza, Teodorico, and Bezzecca

- Production tests on **Gradizza-1** were completed in early December confirming the commercial viability of the well; Contingent Resources were assessed and recently disclosed to the market. The production concession application is under preparation and nearly complete
- The offshore **Teodorico** pre-FEED study was finalised and is being reviewed internally. Discussions progressed with Eni in regards to the tie-in logistics and technical specifications of the Naomi Pandora platform. Seismic reprocessing is ongoing
- Design, engineering and tender documentation for the **Bezzecca** pipeline was completed and the bid process is expected to commence shortly

Total gas production for the quarter was 6.65 million standard cubic metres (0.23 billion cubic feet)

Revenue for the December quarter was € 1.87 million (AUD 2.7 million)

Revenue for 2013 was € 6.7 million (AUD 9.2 million)

Cash at bank at 31 December 2013 was € 1.5 million (AUD 2.4 million)

€1.5 million was paid down under the Company's reservoir financing facility with Nedbank to a closing balance of €3.5 million (AUD 4.8 million)

Capital Details (ASX:PVE)

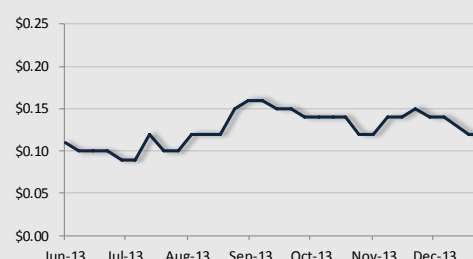
(as at 31 December 13, AUD)

Share Price	\$0.12
Shares on Issue	122.4m
Market Cap	\$14.7m
Cash at Bank	\$2.4m
Drawn Debt	\$4.8m
Enterprise Value	\$17.1m

2013 Gas Production & Revenue

	4Q 2013	FULL 2013	FULL 2012
Total Production Mscm	6.65	23.98	24.67
Total Production Bcf	0.23	0.85	0.86
Total Revenue €m	1.87	6.66	8.21

PVE Share Price June – Dec 2013



Board of Directors

Graham Bradley, Chairman
Michael Masterman, Non-Executive Director
Byron Pirola, Non-Executive Director
Gregory Short, Non-Executive Director
Kevin Eley, Non-Executive Director

Sara Edmonson, Acting CEO
Lisa Jones, Company Secretary

OPERATIONS UPDATE

During the quarter the Company performed additional production tests on the **Gradizza-1** well drilled in August, within the La Prospera licence, north of Bologna.

Testing was completed at the beginning of December 2013 on different chokes over a 5 day period. Specifically, flow rates stabilised at ~15,000 standard cubic metres/day with a 3/16" choke, an increase of ~8,000 standard cubic metres/day compared to the test carried out post completion in September 2013.

At the end of January the Company assessed the Contingent Resource estimates for the gas discovery. An in depth description of the new resource evaluation was provided under a separate press release published on 30 January 2014. Prospective Resources are now reclassified as Contingent Resources and are summarised as follows:

Contingent Resource Category	Contingent Resource Estimate - (Bcf) 100%	Contingent Resources Estimate - (Bcf) PVE 75% equity interest
1C	1.6	1.2
2C	3.6	2.7
3C	8.8	6.6

Together with its farm-in partners, PVE is now finalising the application for a production concession which will be filed with the Ministry of Economic Development in February.

One of the Company's key priority projects, Teodorico (the offshore gas discovery in the AR94PY area), was advanced on several fronts during 4Q 2013:

- The pre-feed study was completed by RINA (a well known company specialised in technological services for the maritime industry) and it is now under internal review.
- PVE Management initiated discussion with Eni in relation to tie-in arrangements to Eni's Naomi Pandora facilities located 12 km southeast of Teodorico
- TEEC, (a well renowned German company specialised in seismic processing) was contracted to reprocess the full dataset of 3D seismic and their work continues on budget

In regards to **Bezzecca**, the engineering and design of the pipeline and related surface facilities were finalised and they are now under review by the technical team together with the tender documentation. The Company plans to initiate the tender process for an engineering and construction contract by the end of 1Q 2014.

From a technical standpoint, the Environmental Impact Assessment (EIA) is complete, however the Lombardy Region is in the process of assimilating the last pieces of required formal documentation to officially close the review. The Company expects to receive the EIA grant in the next few weeks.

OPERATIONS UPDATE — CONT'D

Sant' Alberto was discussed at the recent Hydrocarbon Commission meeting held in December at the Ministry of Economic Development. No issues or areas of concern have been raised therefore the Company expects to receive the Preliminary Production Concession in the next few weeks.

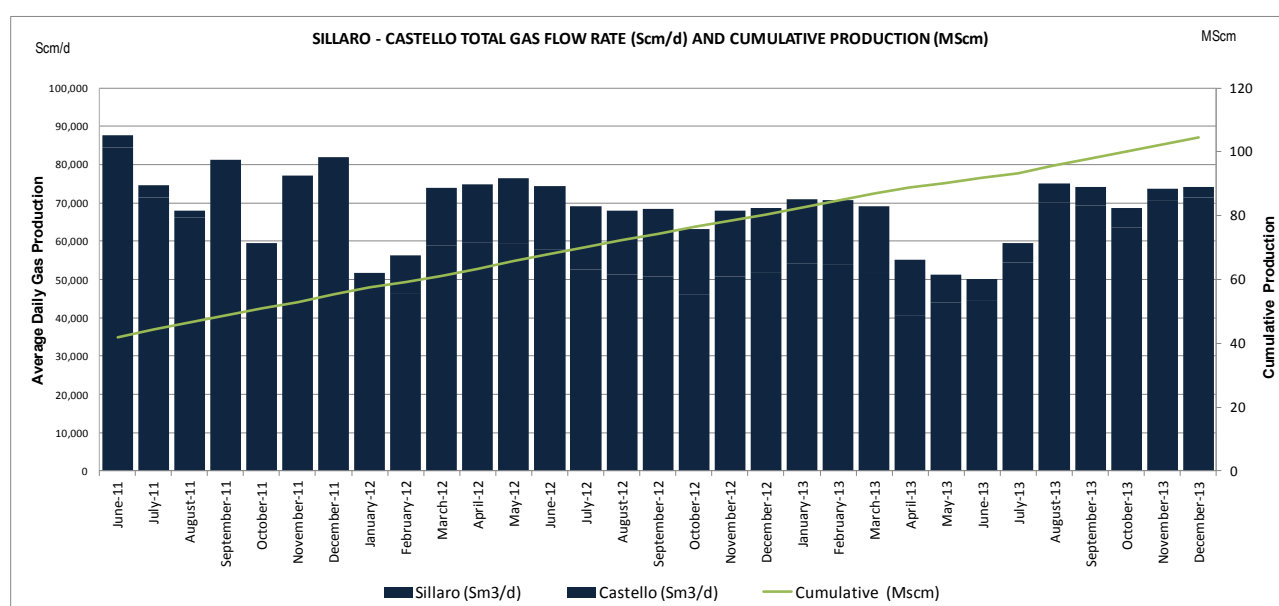
The pre-feasibility study for the EIA has been finalised and is ready to be filed with the Emilia Romagna Region once the preliminary production concession has been granted.

PRODUCTION UPDATE

Combined production from the Sillaro and Vitalba fields for 2013 was 23.98 million standard cubic metres (0.85 bcf). Total combined production in 2H 2013 increased by roughly 20% compared to 1H 2013.

During the December quarter Sillaro produced at an average rate of 69,000 scm/day. Total production of the field for the quarter was 6.32 million standard cubic metres and total production for the year ended December 31 2013 was 20.90 million standard cubic metres (0.73 bcf).

Vitalba continued to produce at limited rates due to the increase in water production. Although water production has stabilised over the past few months, the production rate is not expected to improve. The plant will be used to treat gas fed from the Bezzacca field which will be connected via a slender 7 km pipeline roughly 2 inches in diameter.



OTHER DEVELOPMENTS & NEW VENTURES

- In December the technical team visited Eni to select new seismic lines for purchase with the aim of progressing several projects, including **Podere Maiar** (Selva stratigraphic in the Podere Gallina licence area), one of the top strategic priorities for the Company in 2014.
- Following the encouraging Production and Optimisation study finalised in October, work also continued to progress on the two oil prospects **Bagnolo** and **Ravizza**. In November the contract with Eni to purchase the well cores for Ravizza-1 and Bagnolo-3 was received and the Company is now waiting for the data to be delivered. A preliminary development concept has been drafted and reviewed by PVE's technical team.

CORPORATE

During the 4Q 2013 a total of € 1.5 million* (AUD 2.2 million) was paid down under the reservoir financing facility with Nedbank. Consequently, as at 31 December 2013, the current amount outstanding is € 3.5 million (AUD 4.8 million). As a result the Company will have substantial headroom under its financing facility to support future investment in production facilities in the year ahead.

In the December quarter the Company generated revenues of € 1.8 million (AUD 2.7 million). Cash at bank at the end of the quarter amounted to € 1.5 million (AUD 2.4 million).

As previously reported, the Company is committed to implementing cost saving initiatives in the near and long term. Results of actions taken to date have been encouraging and will continue throughout 2014.

* 1€ = AUD 1.551 as at 31 December 2013; 1€ = AUD 1.467 as at average for the 4Q 2013; 1€ = AUD 1.376 as at average for 2013. Source www.oanda.com

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Qualified petroleum reserves and resources evaluator:

The information in this report that relates to Hydrocarbon Resources is based on, and fairly represents, information and supporting documentation prepared under the supervision of the Qualified Petroleum Reserves and Resources Evaluator, Mr. Greg Short. Mr Short is a Non-Executive Director of Po Valley Energy Limited, a geologist with over 40 years of oil and gas industry experience and a member of AAPG. He has consented to the form and context in which the Contingent Resources/ Prospective Resources and the supporting information are presented in this report.

SUMMARY OF PETROLEUM TENEMENTS AS AT 31 DECEMBER 2013

		Tenement	Location	Interest acquired or disposed of during the quarter	Interest held as at 31/12/13
CONCESSION	Granted	Sillaro (derived from Crocetta Expl. Licence)	Italy, Emilia Romagna, Bologna	-	100%
		Cascina Castello (derived from C.S. Pietro Expl. Licence)	Italy, Lombardia Cremona	-	100%
	In Application	Cascina Castello extension (derived from C.S. Pietro Expl. Licence)	Italy, Lombardia Lodi	-	100%
		Sant'Alberto (derived from San Vincenzo Expl. Licence)	Italy, Emilia Romagna, Bologna	-	100%
EXPLORATION PERMIT	Granted	Crocetta	Italy, Emilia Romagna	-	100%
		Cascina S. Pietro	Italy, Lombardia	-	100%
		La Prospera	Italy, Emilia Romagna	-	75%
		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%
		AR94PY	Italy, Adriatic Offshore	-	100%
	Prel. Award	La Risorta	Italy, Emilia Romagna & Veneto	-	100%
		Torre del Moro	Italy, Emilia Romagna.	-	100%

No tenements were acquired and disposed during the quarter

All tenements are 100% equity with exception of Cadelbosco (85%) and La Prospera (75%).

The Farmin Agreement for Cadelbosco was completed in June 2012 with Petrorep Italiana S.p.a. for its 15% interest; Petrorep committed to a promoted share of future drilling expenditures and reimbursement on past costs.

The Farmin agreement for La Prospera was completed in May 2013 with AleAnna Resources LLC and Petrorep Italiana S.p.a. for a disproportional funding by the new partners for the drilling cost of Gradizza-1 well, leaving the Company equity in La Prospera licence post promote at 75%, with Petrorep at 15% and AleAnna at 10%.

PVE reports no changes of beneficial interests held in farm-in and farm-out agreements as at the end of the quarter.

