# Quarterly Activities Report

For the March quarter and to the date of this report

9 April 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.

The Company's core portfolio includes a total of 15 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

During 1Q 2014 the Company continued to make solid progress on selected projects including: Selva, Teodorico, Bezzecca and Gradizza. Production rates from Sillaro, whilst stable, decreased compared to 4Q13. We comment as follows:

- Total gas production for the quarter was 5.66 million standard cubic metres (0.20 billion cubic feet). The Sillaro field is currently producing at 57,000 standard cubic meters per day (2.01 million cubic feet) approximately 18% below the average daily rate achieved in 2H13
- 55 km of 2D seismic data related to **Selva** (Podere Gallina license) was purchased from Eni and will be reprocessed as soon as possible. A revised EIA for the drilling program of Podere Maiar-1 was filed with the Emilia Romagna Region following minor variation requests
- Design, engineering and tender documentation for the **Bezzecca** pipeline was completed and the bid process has commenced. Bid participants have been given until end of May to submit their proposals
- The 3D seismic reprocessing for **Teodorico** is nearly complete. Discussions progressed with Eni in regards to the tie-in logistics and technical specifications of the Naomi Pandora platform allowing the company to finalise the preliminary development plan
- The production concession application for **Gradizza** was filed with the Ministry of Economic Development in February
- Revenue for the March quarter was € 1.55 million (AUD 2.3 million)
- Cash at bank at 31 March 2014 was € 1.02 million (AUD 1.5 million)

### Capital Details (ASX:PVE)

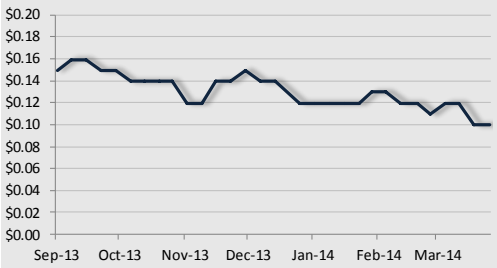
(as at 31 March 14, AUD)

| | |
|---|---|
| Share Price | $0.10 |
| Shares on Issue | 122.4m |
| Market Cap | $12.2m |
| Cash at Bank | $1.5m |
| Drawn Debt | $5.2m |
| Enterprise Value | $15.9m |

### 2013-2014 Gas Production & Revenue

| | 1Q 2014 | 4Q 2013 | FULL 2013 |
|---|---|---|---|
| Total Production Mscm | 5.66 | 6.65 | 23.98 |
| Total Production Bcf | 0.20 | 0.23 | 0.85 |
| Total Revenue €m | 1.55 | 1.87 | 6.66 |

### PVE Share Price Sep 2013 – Mar 2014




### 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

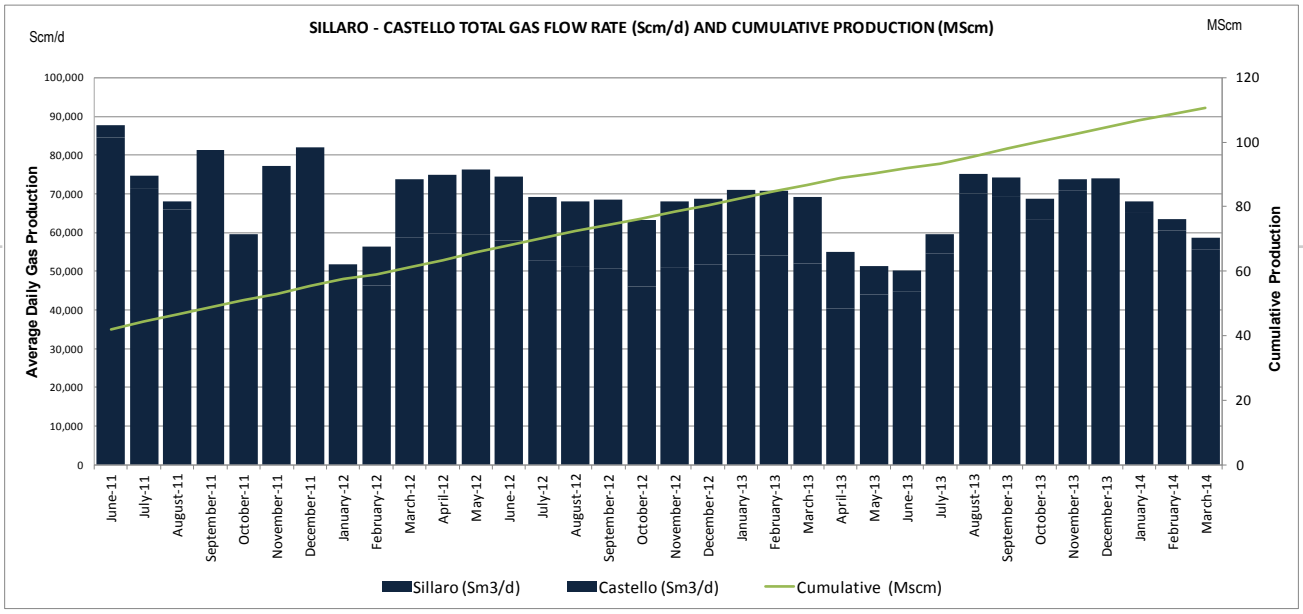
## PRODUCTION UPDATE

Combined production from the Sillaro and Vitalba fields for 1Q14 was 5.66 million standard cubic metres (0.20 billion cubic feet). Total combined production in 1Q14 decreased by roughly 15% compared to 4Q13.

During the March quarter Sillaro produced at an average rate of 60,000 scm/day. Total production of the field for the quarter was 5.41 million standard cubic metres (0.19 bcf).

While production during the last quarter was solid, the production rates at Sillaro have been, and will continue to be lower than 2H13. The field is currently circa 40% depletion level with increasing water cuts in some reservoirs. With careful production management it is anticipated that the field will continue to produce steadily in forthcoming years however production rates will be subject to the field's natural decline. Current production rate is 57,000 standard cubic metres per day.

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 Bezzecca field which will be connected via a slender 7 km pipeline roughly 2 inches in diameter.




## OPERATIONS UPDATE

Approximately 55 km of 2D seismic related to the Selva Stratigraphic prospect within the Podere Gallina license was purchased from Eni and will be reprocessed as soon as possible. This prospect previously formed part of the Eni – operated Selva field. This field produced 85 bcf from 15 wells over a 35 year period. PVE filed a drilling application including an Environmental Impact Study for the exploration well Podere Maiar-1 in Q213. Following minor variation requests by the Emilia Romagna Region, a revised EIS was filed in April 2014. Podere Maiar-1 continues to be a key exploration priority for PVE in 2014.

## OPERATIONS UPDATE - CONT'D

During the quarter, further technical meetings with Eni were held to discuss and fine tune the tie-in logistics for **Teodorico** (the offshore gas discovery in the AR94PY area) to the Naomi Pandora facilities located 12 km southeast. The reprocessing of the 3D seismic acquired in 2013 continues and is near completion. Further 3D seismic will be purchased in due course to start the evaluation of promising exploration targets within the same AR94PY license.

In regards to **Bezzecca**, the engineering and design of the pipeline and related surface facilities were finalised following internal review and the bid process for the EPIC (Engineering, Procurement, Installation and Construction) contract commenced. Bid participants will have until the end of May to submit their proposals. As previously announced, the Environmental Impact Assessment (EIA) was completed and the related Decree was issued by the Lombardy Region. 10 km of 2D seismic data was purchased from Eni and will be reprocessed shortly together with the 45 km already purchased.
The seismic data will be used to define the bottom hole location of Bezzecca-2 .

## OTHER DEVELOPMENTS & NEW VENTURES

Technical work continued on the two oil prospects **Bagnolo in Piano and Ravizza** (located in the Cadelbosco di Sopra and Grattasasso license respectively). Well data purchased from Eni was received and a preliminary development study was completed. The results confirm the technical viability and commercial attractiveness of the projects.

## CORPORATE

In the March quarter the Company generated revenues of €1.55 million* (AUD 2.3 million). Cash at bank at the end of the quarter amounted to € 1.02 million (AUD 1.5 million). The closing balance of the financing facility with Nedbank remains unchanged at €3.5 million (AUD 5.2 million).

Year-end financial results for 2013 were released during the quarter. The results concluded with a loss for the period of €5.8 million including a non-cash write down of €5,021,112 relating to the Company's Vitalba (Castello) well and related production assets. Excluding the write down, the net loss would have been €775,154.

Net cash flow from operating activities in 2013 was €3.3 million and the Company invested €2.2 million in exploration activities and geoscience studies. The Company continues to make significant investments in exploration projects which we believe are the most material value drivers.

* 1€ = AUD 1.486 as at 31 March 2014; 1€ = AUD 1.529 as at average for the 1Q 2014; Source www.oanda.com

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## SUMMARY OF PETROLEUM TENEMENTS AS AT 31 MARCH 2014

| | | Tenement | Location | Interest held |
|---|---|---|---|---|
| PROD. 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%** |
| | Prel. Awarded | ***Cascina Castello extension*** *(derived from C.S. Pietro Expl. Licence)* | Italy, Lombardia *Lodi* | **100%** |
| | In Application | ***Sant'Alberto*** *(derived from San Vincenzo Expl. Licence)* | Italy, Emilia Romagna, *Bologna* | **100%** |
| | | ***Gradizza-1**** *(derived from La Prospera Expl. Licence)* | Italy, Emilia Romagna, Ferrara | **75%** |
| EXPLORATION PERMITS | 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%** |
| | In Appl | ***Zanza*** | ***Italy, Emilia Romagna*** | ***75%*** |

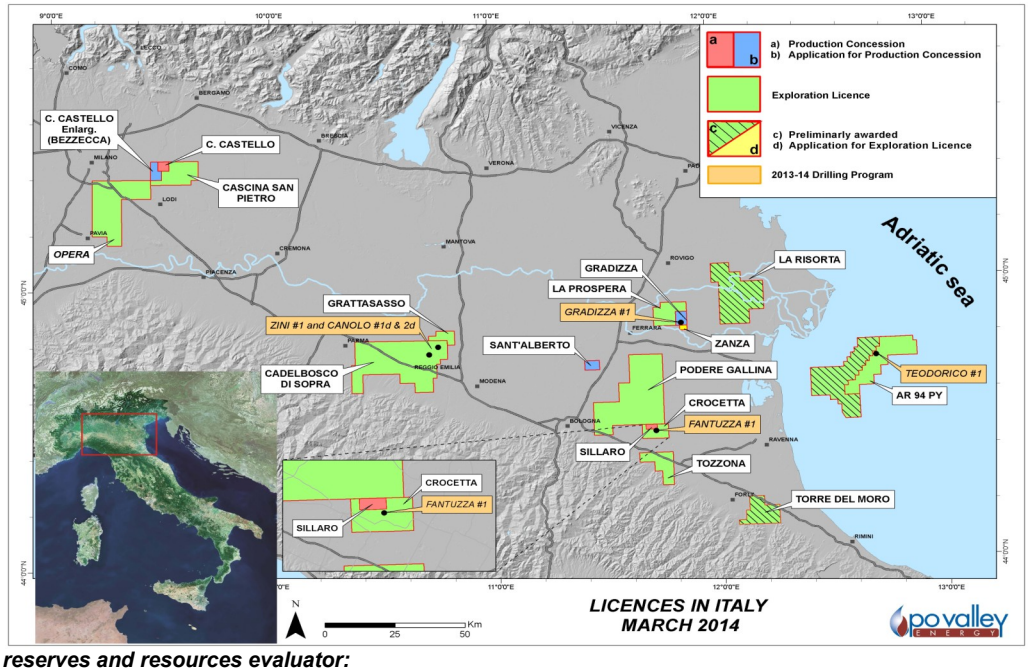
*All tenements are 100% equity with exception of Cadelbosco di Sopra (85%), La Prospera (75%) and Zanza (75%).*

*Zanza can be considered the possible extension towards the south of the same play discovered in Gradizza. For this reason the Company and its joint ventures partners Petrorep and AleAnna Resources LLC have submitted a new production concession application in the same equity percentages as La Prospera. (Po Valley holding 75%, Petrorep Italiana S.p.a. 15% and AleAnna Resources LLC 10%). Po Valley and its partners are waiting for notification from the Ministry as to whether any topfile was submitted during the competition period, which expired at the end of March 2014.*

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

*Additionally in 1Q 2014 the Company submitted the application for the Gradizza production concession (Po Valley holding 75%, Petrorep Italiana S.p.a. 15% and AleAnna Resources LLC 10%)*

*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.*




***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.*