



ABN 33 087 741 571

19 August 2020

ASX Limited
Central Park
152-158 St George's Terrace
PERTH WA 6000

Attention: Simon Barcham

By email: ListingsCompliancePerth@asx.com.au

Dear Simon,

Po Valley Energy Limited ("the Company or "PVE") – Response to Queries on Appendix 5B

We refer to your letter to PVE dated 14 August 2020 and in addition provide the following background on the Company and its activities on behalf of the Board.

Background

The Company has been quoted on ASX for some 16 years first bringing its production assets online around 2010. These assets were subsequently spun out into an AIM listed entity the transaction for which was completed in early 2018. The Company retained an interest in the production assets through shares in the AIM listed entity and these interests were subsequently transferred to PVE shareholders.

PVE has since then been focused on the exploration assets in its portfolio having preliminary production concessions at Selva Malvezzi (Selva) and Teodorico and exploration permits at AR94PY; Cadelbosco di Sopra (gas and oil); Grattasasso; Podere Gallina and Torre del Moro.

The Company's Licences are set out in Appendix A and its Reserves and Resources in Appendix B.

The Selva (onshore gas) and Teodorico (offshore gas) development projects are of primary focus for the Company with both projects having been granted preliminary production concession by the Italian Government. PVE has previously advised the market that Primary environmental approval has been published by the Ministry of the Environment for Selva and the Board expects final production concession approval in the second half of 2020.

Unfortunately, since the beginning of 2020 Italy has faced a very challenging operating environment as a result of COVID-19 virus impacts and the resulting State of Emergency and associated lockdowns. The Company has put in place a number of initiatives to safe-guard its staff and contractors and together with the Government concessions materially reduced overheads. The Board believes that PVE will be able to move quickly to advance the Selva development once formal production approvals are received.

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The Company enjoys the very real and ongoing support of its Board and major shareholders and has been in the process of finalising funding arrangements since the beginning of the year.

Given the current circumstances the Company has agreed to accept additional unsecured loans from directors and major shareholders increasing unsecured borrowings by AU\$380,000 bringing the total amount proposed to be drawn since 30 June 2020 to AU\$500,000. (Refer ASX Announcement 19 August 2020).

The Company believes that this will provide sufficient working capital to PVE pending a more significant fund raising in the latter half of 2020 which will coincide with the anticipated granting of development approval for Selva.

ASX Queries

Our response to the questions raised in the ASX query letter of 14 August 2020 are set out below:

1. *Please explain the basis for and the factors considered by the Directors to satisfy themselves that PVE will be able to continue its operations and meet its business objectives, as referred to in the 2019 Accounts, March Appendix 5B and June Appendix 5B.*

The Directors have satisfied themselves that PVE will be able to continue its operations and meet its business objectives by implementing the following three step funding strategy:

- a) **Cost Reductions** – PVE has reduced costs following the continued impact of COVID-19 on operations in Italy. PVE has a small executive and consulting team who have elected to defer or reduce fees to significantly lower levels over the next two quarters and at least until final formal approval of Selva development is obtained and development can commence. The Company has further cut costs to minimum levels for field and technical costs and travel costs due to minimised field operations and travel during current COVID-19 restrictions. The Company continues to reduce costs further where possible in relation to administrative and office costs as staff continue to work from home. The cost reduction plan is essentially complete and has been implemented successfully. As is often the case, costs savings are expected to be more visible in the third and fourth quarters of 2020.
- b) **Funding** - PVE enjoys the very real and ongoing support of Directors and major shareholders. To that end, the Directors and major shareholder loan facilities have been further extended to provide additional funding to the Company, subsequent to 30 June 2020 undertakings have been received for an additional AU\$500,000. These loans will fund current working capital requirements.
- c) **Selva approval** - The Company received technical committee approval in early 2020 from the Italian Ministry of Environment for the development of the Selva gas field.



Approval from the technical committee at the Ministry is the heart of the environmental approval (EIA) process whereby the project development plan is reviewed in great detail. As a final step, the Environmental Minister must sign off on the technical committee's review report. The Italian Government has been focussed on COVID-legislation and European funding stimulus packages which has delayed domestic approvals; however, given the progress made during the summer months, the Company anticipates final approval to be granted on Selva by October 2020. This will allow the Company to complete its funding plans for development by December 2020 and prepare for gas production in 2021.

- 2. In light of PVE's cash balance at 30 June 2020 of €31,000 and estimated quarters funded of '-0.1', does PVE consider that its financial condition is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please explain the basis for this conclusion.*

Directors are cognisant of the fact that additional funding is required to meet working capital requirements. The Company believes that, following the undertaking to provide additional unsecured loan funding from Directors and major shareholders, together with the unusual circumstances in 2020 continued quotation is appropriate.

The Directors and major shareholder loan facilities have been extended to provide additional funding to the Company.

The next phase of fund raising will be predicated on the receipt of formal development approval from the Italian Ministry of the Environment for the Selva development, which is anticipated to be received by October 2020. PVE expects to complete an equity raising by December 2020 to fund the Selva development and to provide working capital. The Directors believe that this capital raising will be supported by existing shareholders and potential third party investors.

- 3. Please provide an update on the review of financing options and plans to raise additional funds as referred to in the March Appendix 5B and the June Appendix 5B.*

As noted in 1 and 2 above, the Company has agreed terms for additional loans of AU\$500,000 to fund working capital. The next phase of fund raising is anticipated by December 2020 following approval for Selva Development.

As previously outlined the Company has the continued support of its Board and major shareholders and as a result the directors reasonably expect that they will be able to raise sufficient funds to meet its exploration and working capital requirements to continue its operations and to meet its business objectives.



4. *Please detail PVE's current cash position as at the date of this letter.*

Cash position at 14 August 2020 is approximately €12,000, but with additional loan funds to fund working capital to be received.

5. *Please confirm that PVE is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.*

The Company confirms there is no additional information.

6. *Please confirm that PVE's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of PVE with delegated authority from the board to respond to ASX on disclosure matters.*

The Company confirms that the responses above have been approved and authorised by the Board.

PVE acknowledges that its working capital position requires strengthening, however the ongoing support of its shareholders and of the Board together with the quality of the projects it has in Italy provides the Directors with the comfort and belief that its financial position will be strengthened in the short term.

Yours faithfully

A handwritten signature in black ink that reads "Michael Masterman".

Michael Masterman
Chairman



Appendix A

Summary of Tenements

	Tenement	Location	Interest held
PRODUCTION CONCESSIONS	PREL. AWARDED <i>Teodorico (d.40.AC-PY)</i>	Italy, Adriatic Offshore	100% Po Valley
	PREL. AWARDED <i>Selva Malvezzi⁽¹⁾</i>	Italy, Emilia Romagna	100% Po Valley
EXPLORATION PERMITS	<i>AR94PY</i>	Italy, Adriatic Offshore	100% Po Valley
	<i>Cadelbosco di Sopra⁽²⁾</i>	Italy, Emilia Romagna	100% Po Valley
	<i>Grattasasso</i>	Italy, Emilia Romagna	100% Po Valley
	<i>Podere Gallina⁽¹⁾</i>	Italy, Emilia Romagna	100% Po Valley
	<i>Torre del Moro</i>	Italy, Emilia Romagna	100% Po Valley

1. Italian Authorities approved quota transfer of 20% to United Oil and Gas and 17% to Prospex Oil and Gas in Podere Gallina Permit where PVO is operator in March 2020; deeds of assignment were signed in June 2020; waiting for final decree. Transfer approval for Selva Malvezzi to be formally requested.
2. After Petrorep Italiana request, Italian Government on 25 February 2020 approved the 15% licence quota to be transferred from Petrorep Italiana to Po Valley Operations, now operator at 100%.



Appendix B

Gas Reserves and Resources*

Licence	Project	Reserves			Contingent Resources			Prospective Resources		
		1P	2P	3P	1C	2C	3C	Low	Best	High
AR94PY	Teodorico outside 12 miles	26.7	36.5	47.5						
	Teodorico Inside 12 miles				7.4	10.6	14.0			
	PL3-C							7.9	15.9	25.0
Podere Gallina [Net]	Selva (Podere Maiar1)	2.6	8.4	18.8						
	Selva level A South				0.7	1.1	2.3			
	Selva level B North				2.2	5.6	11.2			
	Selva level B South				0.6	2.2	5.9			
	Cembalina							1.3	2.1	3.0
	Fondo Perino							6.4	9.2	12.9
	EastSelva							18.3	21.9	25.6
Cadelbosco di Sopra	Riccardina							8.2	24.4	81.2
	Zini (Qu-B)				1.1	2.7	4.6			
	Canolo (Qu-A)				0.7	1.1	1.7			
	Canolo (Plioc)				0.4	3.6	10.5			
	Zini (Qu-A)							0.6	1.4	2.4

*Refer ASX announcements and CPR reports dated 19 February 2018, 8 February 2019, 26 April 2019

Oil Reserves and Resources*

Licence	Project	Reserves			Contingent Resources			Prospective Resources		
		1P	2P	3P	1C	2C	3C	Low	Best	High
Torredel Moro	Torredel Moro							65.0	106.0	240.0
Cadelbosco	Bagnolo in Piano				6.6	27.3	80.6			
	Bagnolo SW							22.1	54.5	112.0
Grattasasso	Ravizza				2.8	16.1	41.6			

*Refer ASX announcements and CPR reports dated 19 February 2018, 8 February 2019, 26 April 2019

The Company confirms it is not aware of any new information or data that materially affects the information included in the original market announcements referred to in this announcement and, in the case of estimates for petroleum reserves, contingent resources and prospective resources, all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not materially changed from the original market announcement.



14 August 2020

Reference: 22132

Mr Kevin Hart
Company Secretary
Po Valley Energy Limited

By email:

Dear Mr Hart

Po Valley Energy Limited ('PVE'): Appendix 5B - Query

ASX refers to the following:

A. PVE's Appendix 5B quarterly reports for the period ended 30 June 2020 lodged with ASX Market Announcements Platform ('MAP') on 31 July 2020 (the 'June Appendix 5B'), which noted the following:

- a. Net cash used in operating activities for the quarter of €182,000.
- b. Total cash balance at the end of the quarter of €31,000.
- c. Nil available funds under financial facilities at the end of the quarter; €1,455,000 in outstanding loan facilities at the end of the quarter, repayable on 31 December 2020; and €1,531,000 in outstanding convertible notes.
- d. Estimated quarters funded available was less than 1 quarter.
- e. *'The Directors are currently reviewing a range of financing options which may include the further issue of new equity. Directors/related parties have continued to support the company through related party financing facilities and have extended further facilities during the quarter and subsequent to the quarter. Based on demonstrated past successes with raising equity, the directors reasonably expect that they will be able to raise sufficient funds to meet its exploration and working capital requirements to continue its operations and to meet its business objectives.'*

'...with the measures currently in place to ensure security of its assets and preservation of cash reserves, combined with the plan to raise further capital in the coming months, the Directors are of the opinion that the entity will be able to continue its operations and meet its business objectives.'

B. PVE's Appendix 5B quarterly reports for the period ended 31 March 2020 lodged with ASX Market Announcements Platform ('MAP') on 30 April 2020 (the 'March Appendix 5B'), which noted the following:

- a. Net cash used in operating activities for the quarter of €109,000.
- b. Total cash balance at the end of the quarter of €183,000.
- c. Nil unused financial facilities at the end of the quarter; €1,269,000 in outstanding loan facilities at the end of the quarter, repayable on 31 December 2020; and €1,395,000 in outstanding convertible notes.
- d. Estimated quarters funded available was 1.2 quarters.
- e. *'...due to the current impact of COVID-19, the Company has taken prudent fiscal measures to ensure security of assets and preservation of cash balance by, amongst others, stopping all*

non-discretionary expenditure, reducing / deferring fees for Directors, contractors and consultants where possible. Future outflows are dependent on the available cash resources. Contributions from JV partners are expected to continue to provide part funding for JV asset and staff costs.'

'The Directors are currently reviewing a range of financing options which may include the further issue of new equity. The directors reasonably expect that they will be able to raise sufficient funds to meet its exploration and working capital requirements to continue its operations and to meet its business objectives.'

- C. PVE's Full Year Statutory Accounts for the period ended 31 December 2019 lodged with MAP on 31 March 2020 ('2019 Accounts'), which noted the following:

'For the year ended 31 December 2019, the Group has recorded a loss after tax from continuing operations of €1,504,741; it has a cash balance of €42,165 net current liabilities of €2,080,680 and had net cash outflows from continuing operations of €1,127,291. In addition, the Group may be impacted by the subsequent event (COVID-19) as noted in note 27. These conditions indicate a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that sufficient funds will be available to meet the Group's immediate working capital requirements. However, the Directors recognise that the ability of the Group to continue as a going concern is dependent on the Group being able to secure additional funding through either the issue of new equity, convertible debt, sale of operating or non-operating interests in assets or a combination of these and other funding instruments and options as required to fund ongoing planned activities and for working capital. The Directors are currently reviewing a range of financing options and reviewed the Group's cashflow requirements for the 15 months ended 31 March 2021 and are of the opinion that sufficient funds will be available in order to meet its ongoing obligations.'

- D. Listing Rule 12.2 which states:

12.1 *The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued +quotation of the entity's +securities and its continued listing.*

Request for Information

It is possible to conclude, based on the information in the June Appendix 5B that if PVE were to continue to expend cash at the rate indicated by the June Appendix 5B, PVE may not have sufficient cash to continue funding its operations.

In light of the above, ASX asks PVE to answer separately each of the following questions and request for documentation:

1. Please explain the basis for and the factors considered by the Directors to satisfy themselves that PVE will be able to continue its operations and meet its business objectives, as referred to in the 2019 Accounts, March Appendix 5B and June Appendix 5B.
2. In light of PVE's cash balance at 30 June 2020 of €31,000 and estimated quarters funded of '-0.1', does PVE consider that its financial condition is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please explain the basis for this conclusion.
3. Please provide an update on the review of financing options and plans to raise additional funds as referred to in the March Appendix 5B and the June Appendix 5B.
4. Please detail PVE's current cash position as at the date of this letter.

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5. Please confirm that PVE is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
6. Please confirm that PVE's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of PVE with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that PVE considers may be relevant to ASX forming an opinion on whether PVE is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing. Please note that based on PVE's response, ASX may form the view that PVE is not in compliance with Listing Rule 12.2 which will result in the suspension of PVE's securities from official quotation.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **3:00 PM AWST Tuesday, 18 August 2020**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, PVE's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require PVE to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in PVE's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in PVE's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to PVE's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that PVE's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Simon Barcham
Listings Compliance (Perth)