PO VALLEY ENERGY LIMITED

A.B.N. 33 087 741 571

INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2023

PO VALLEY ENERGY LIMITED

DIRECTORS' REPORT

The Directors present their report together with the interim financial report for the half-year ended 30 June 2023 and the independent auditor's review report thereon, of Po Valley Energy Limited ("the Company" or "Po Valley Energy" or "PVE") and its subsidiary Po Valley Operations Pty Ltd ("PVO") together referred to as "the Group".

Director details

The following persons were Directors of the Company during or since the end of the financial half-year:

- Kevin Bailey AM – Chairman (Non-Executive Director since 3 May 2016, appointed as Chairman 2 May 2022)
- Sara Edmonson - Non-Executive Director (since 23 December 2019)
- Joseph Constable – Non-Executive Director (since 30 November 2021)
- Katrina O'Leary – Non-Executive Director (appointed 2 May 2022)

Company Secretary

The Company Secretary during and since the end of the financial half-year was:

- Kevin Hart

Principal Activities

The principal continuing activities of the Group in the course of the half-year were:

- The exploration for gas and oil in the Po Valley region of northern Italy
- Appraisal and development of gas and oil fields in that footprint

Review and results of operations

Financial results for the period

The loss attributable to members of the Company for the half-year was €399,260 (30 June 2022: €374,492).
The Group's cash reserves as at 30 June 2023 were €938,279 (31 December 2022: €1,536,041).
The Company issued 5,000,000 shares on the exercise of options during the half-year at an exercise price of AU$0.05 (~€0.031) per share raising €155,711 (before costs).
3,000,000 shares were issued on exercise of performance rights during the half-year. The performance rights had a Nil exercise price.

Selva Malvezzi Production Concession (63% PVO)

Selva Malvezzi is an onshore natural gas field located in the eastern part of the Po Valley plain spanning the Ferrara and Bologna provinces, within the Emilia Romagna Region. The production concession covers an area of 80.68 sq km. This concession was previously known as Podere Gallina Exploration Permit which is now reclassified as the Selva Malvezzi production concession incorporating the Podere Maiar-1 well, Selva North and South Prospects, Selva East prospect and the Riccardina prospect.

In February 2023, the Group, through its wholly owned subsidiary, PVO, entered into a Gas Sales Agreement (GSA) with BP Gas Marketing Limited (BPGM). The agreement was established in preparation of the completion of construction and commissioning of the gas plant facility at Podere Maiar-1. The contract with BPGM is an 18-month contract by which PVO will supply an estimated 37,000,000 standard cubic meters of gas at a pricing structure tide to Italy's "Heren PSV day ahead mid" price.

Construction of the gas plant and pipeline at Podere Maiar-1 including the connection to the Italian grid at the SNAM connection point, was successfully completed during the half-year. The performance bond of €757,000 (63% to PVO €476,910) initially deposited with SNAM at the commencement of the PM-1 development was returned to the Group following the successful completion of the pipeline tie-in to the PM-1 gas plant and having satisfied the condition of a GSA being in place. Construction and grid connection of PM-1 was completed largely on schedule and within 3% of budget.

Preparations for commissioning of the gas plant were concluded late in June 2023, following the grant of final approvals for gas production (refer ASX announcement 28 June 2023). After these final approvals, a mandatory 8-day period was required to finalise all administrative matters before production could commence. Production commenced on 4 July 2023 with the four-week ramp up and commissioning programme completed during the first week of August 2023.

Teodorico Offshore Gas field development (100% PVO)

The Teodorico gas field is located in shallow waters (approximately 30m deep) off the east coast in the northern Adriatic Sea; the primary source of domestic gas production for much of Italy; and in close proximity to existing east coast offshore gas production facilities. Teodorico has the largest gas-in-place of all of Po Valley Energy's gas fields and is at an advanced stage of assessment, ready for development. The Group holds a preliminary production concession for this area and the Environmental Impact Assessment ("EIA") decree for Teodorico was granted in March 2021. The EIA is a precursor for the grant of a full production concession.

PVE has sought guidance from the Italian Ministry regarding the impact of Italy's Plan of Sustainable Energy Transition of Suitable Areas ("Pitesai") on Teodorico due to the institution of environmental protected areas in proximity of the licence, particularly as the preliminary production concession was attained before the Pitesai process began in February 2019. PVO received the required Teodorico EIA approval before the Pitesai process commenced and the field reserves (2P 36.5bcf) are in excess of thresholds required for continuation (5.3bcf).

In conjunction with the considerations above, PVE is exploring mechanisms to realise value at Teodorico via joint-venture or asset sale.

Torre del Moro, Cadelbosco di Sopra and Grattasasso exploration licences (100% PVO)

The Company is reviewing optimal development paths for these residual assets including introduction of third-party investors/partners who have interest in participating in their development.

Cadelbosco di Sopra and Grattasasso are shallow gas opportunities which fit neatly with the Company's proven exploration and development capabilities whilst Torre del Moro is a large deep gas prospect.

Significant events after balance date

Subsequent to the balance date, production at Podere Maiar-1 commenced on 4th July 2023, with the 4-week ramp-up and commissioning period completed during the week ending 4th August 2023. The ramp-up and commissioning process progressed seamlessly concluding with a three-day shut down and removal of memory gauges from the C2 production zone. On the last day of the shut down period, a slick line rig attended site to complete the work programme and obtain pressure / temperature gradient data. Data analysis is currently underway and production recommenced. During the ramp-up period, approximately 1,800,000 standard cubic meters (scm) of gas was produced, all of which was sold to BPGM under the 18-month GSA. Initial gas production cash flows were received before the end of August 2023.

Initial production, results of the data analysis and ongoing stable gas production will have a significant impact on the Group's operations.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of the Directors' report for the half-year ended 30 June 2023.

This report has been made in accordance with a resolution of Directors.

Kevin Bailey AM

Chairman
11 September 2023

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Po Valley Energy Limited for the half-year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
11 September 2023

L Di Giallonardo
Partner

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PO VALLEY ENERGY LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	NOTE	30 June 2023 €	30 June 2022 €
Continuing Operations			
Other income		146,742	57,475
Employee benefits		(195,987)	(175,369)
Depreciation expense		(13,598)	(335)
Corporate overheads		(273,226)	(195,296)
Share based payment expense		-	(2,547)
Loss from operating activities	**2**	(336,069)	(316,072)
Finance income		6,118	257
Finance expense		(69,309)	(58,677)
Net finance expense	**3**	(63,191)	(58,420)
Loss before income tax		(399,260)	(374,492)
Income tax benefit	**4**	-	-
Loss for the period		(399,260)	(374,492)
Other comprehensive income		-	-
Total comprehensive loss for the period		(399,260)	(374,492)
Basic and diluted (loss) per share from continuing operations	**5**	**(0.03) € cents**	(0.04) € cents

The accompanying notes from part of these financial statements

PO VALLEY ENERGY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	NOTE	30 June 2023 €	31 December 2022 €
Current Assets			
Cash and cash equivalents		938,279	1,536,041
Trade and other receivables	**6**	825,691	434,480
Other assets		-	476,910
Total current assets		**1,763,970**	**2,447,431**
Non-Current Assets			
Other assets		12,238	13,178
Deferred tax assets	**4**	1,120,413	1,120,413
Property, plant & equipment	**7**	2,043,058	155,946
Resource property costs	**8**	10,707,502	11,398,598
Total non-current assets		**13,883,211**	**12,688,135**
Total assets		**15,647,181**	**15,135,566**
Equity and liabilities			
Current Liabilities			
Trade and other payables		1,474,388	741,384
Lease liabilities	**9**	28,406	22,112
Provisions	**10**	4,468	4,387
Total current liabilities		**1,507,262**	**767,883**
Non-Current Liabilities			
Provisions	**10**	1,485,248	1,450,828
Lease liabilities	**9**	100,063	117,412
		1,585,311	**1,568,240**
Total Liabilities		**3,092,573**	**2,336,123**
Net Assets		**12,554,608**	**12,799,443**
Equity			
Issued capital	**11**	56,847,752	56,632,102
Reserves	**12**	1,299,983	1,371,895
Accumulated losses		(45,593,127)	(45,204,554)
Total Equity		**12,554,608**	**12,799,443**

The accompanying notes from part of these financial statements

PO VALLEY ENERGY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Share Capital €	Foreign Currency Translation Reserve €	Share Based Payment Reserve €	Accumulated Losses €	Total €
Balance at 1 January 2022	**52,719,884**	**1,192,269**	**10,687**	**(44,220,840)**	**9,702,000**
Total comprehensive loss for the period:					
Loss for the period	-	-	-	(374,492)	(374,492)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(374,492)	(374,492)
Transactions with members recorded directly in equity:					
Issue of shares	1,180,454	-	-	-	1,180,454
Share issue costs	(6,681)	-	-	-	(6,681)
Share based payments	-	-	2,547	-	2,547
Balance at 30 June 2022	**53,893,657**	**1,192,269**	**13,234**	**(44,595,332)**	**10,503,828**
Balance at 1 January 2023	**56,632,102**	**1,192,269**	**179,626**	**(45,204,554)**	**12,799,443**
Total comprehensive loss for the period:					
Loss for the period	-	-	-	(399,260)	(399,260)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(399,260)	(399,260)
Transactions with members recorded directly in equity:					
Issue of shares	155,711	-	-	-	155,711
Share issue costs	(1,286)	-	-	-	(1,286)
Transfer on exercise of options and performance rights	61,225	-	(71,912)	10,687	-
Balance at 30 June 2023	**56,847,752**	**1,192,269**	**107,714**	**(45,593,127)**	**12,554,608**

The accompanying notes from part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	30 June 2023 €	30 June 2022 €
Cash flows from operating activities		
Receipts from joint operations partners	77,822	78,582
Payments to suppliers and employees	(580,287)	(400,961)
Interest received	6,118	257
Interest paid	(729)	(30,314)
Net cash (used in) operating activities	(497,076)	(352,436)
Cash flows from investing activities		
Receipts for resource property costs from joint operations partners	584,460	188,374
Payments for resource property costs and gas producing property plant and equipment	(1,271,505)	(469,499)
Refund of SNAM bond	476,910	-
Net cash (used in) investing activities	(210,135)	(281,125)
Cash flows from financing activities		
Proceeds from issues of shares (net of issue costs)	154,425	(6,681)
Payments of lease liabilities	(13,799)	-
Net cash (used in) / provided by financing activities	140,626	(6,681)
Net decrease in cash and cash equivalents	(566,585)	(640,242)
Cash and cash equivalents at 1 January	1,536,041	1,262,151
Exchange difference on cash and cash equivalents	(31,177)	33,953
Cash and cash equivalents at 30 June	938,279	655,862

The accompanying notes from part of these financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 REPORTING ENTITY

Po Valley Energy Limited ("the **Company**" or "**Po Valley Energy**" or "**PVE**") is a company domiciled in Australia. The consolidated interim financial report for the six-month period ended 30 June 2023 comprises the Company and its interests in subsidiaries, associates and jointly controlled entities and operations (together referred to as "the Group").

The Group is primarily involved in the exploration, appraisal, development of, and production from, gas properties in the Po Valley region in Italy and is a for profit entity.

1.2 BASIS OF PREPARATION

(a) STATEMENT OF COMPLIANCE

The interim financial report is a condensed general purpose financial report prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2022. They do not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 31 December 2022 and with any public announcements made by Po Valley Energy Limited during the half-year ended 30 June 2023.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(b) BASIS OF MEASUREMENT

These consolidated financial statements have been prepared on the basis of historical cost taking into account, where appropriate, any value adjustments except for certain items required to be recognised at fair value.

(c) GOING CONCERN

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

Notwithstanding the loss generated by the Group during the period, the Directors believe that the future cash flows generated by the operations of the Podere Maiar-1 well, which began production on 4th July 2023, will enable the Group to continue its normal activities and settle its liabilities in the normal course of business.

(d) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Euro, which is the Company's and each of the Group entities' functional currency.

(e) USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on complex or subjective judgments and past experience of other assumptions deemed reasonable in consideration of the information available at the time and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-current assets

The ultimate recoupment of the value of resource property costs and property plant and equipment is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying properties. The Group undertakes at least on an annual basis, a comprehensive review for indicators of impairment of these assets. Should an impairment indicator exist, the area of interest or CGU is tested for impairment. There is significant estimation involved in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of estimation involved in determining recoverable amounts include:

- Recent drilling results and reserves and resources estimates
- Environmental issues that may impact the underlying licences
- The estimated market value of assets at the review date
- Fundamental economic factors such as the gas price and current and anticipated operating costs in the industry
- Future production rates

The post-tax discount rate used for impairment purposes is 10%.

Rehabilitation provisions

The value of these provisions represents the discounted value of the present obligations to restore, dismantle and rehabilitate each well site under development or in production. Significant estimation is required in determining the provisions for rehabilitation and closure as there are many transactions and other factors that will affect ultimate costs necessary to rehabilitate the sites. The discounted value reflects a combination of management’s best estimate of the cost of performing the work required, the timing of the cash flows and the discount rate.

A change in any, or a combination of, the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions. The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at that time. Changes to the estimated future costs for operating sites are recognised in the statement of financial position by adjusting both the restoration and rehabilitation asset and provision.

Reserve estimates
Estimation of reported recoverable quantities of Proven and Probable reserves include estimates regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period.

A change in any, or a combination of, the key assumptions used to determine the reserve estimates could have a material impact on the carrying value of the project via depreciation rates or impairment assessments. The reserve estimates are reviewed at each reporting date and any changes to the estimated reserves are recognised prospectively to depreciation and amortisation. Any impact of the change in the reserves is considered on asset carrying values and impairment losses, if any, are immediately recognised in the profit or loss.

Recognition of deferred tax assets
The recoupment of deferred tax assets is dependent on the availability of profits in future years. The Group undertakes a forecasting exercise at each reporting date to assess its expected utilisation of these losses.
The key areas of estimation involved in determining the forecasts include:
- Future production rates
- Economic factors such as the gas price and current and anticipated operating costs in the industry
- Capital expenditure expected to be incurred in the future

A change in any, or a combination of, the key assumptions used to determine the estimates could have a material impact on the carrying value of the deferred tax asset. Changes to estimates are recognised in the period in which they arise.

1.3 SIGNIFICANT ACCOUNTING POLICIES

a) New and revised Standards and Interpretations on issue not yet effective
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been early adopted by the Group for the reporting period ended 30 June 2023. The Directors do not believe that these new and revised Standards and Interpretations will have a material effect on the Group.

b) New Standards and Interpretations applicable for the six-month period ended 30 June 2023
The Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to the Group accounting policies.

NOTE 2: PROFIT AND LOSS INFORMATION

Loss for the half-year includes the following items:

	30 June 2023 €	30 June 2022 €
Professional fees	(143,466)	(93,903)
Company administration and compliance	(85,845)	(67,094)
Travel costs	(20,451)	(4,190)

NOTE 3: FINANCE INCOME AND EXPENSE

Recognised in profit and loss:		
Interest income	6,118	257
Finance income	6,118	257
Interest expense	(3,473)	(30,315)
Net effective interest from rehabilitation provisions (Note 10)	(34,420)	-
Foreign exchange (gains) / losses (net)	(31,416)	(28,362)
Finance expense	(69,309)	(58,677)
Net finance expense	(63,191)	(58,420)

NOTE 4: INCOME TAX EXPENSE

Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expenses calculated per the statutory income tax rate

	30 June 2023 €	30 June 2022 €
Loss for the year before tax	(399,260)	(374,492)
Income tax expensed / (benefit) using the Company's domestic tax rate of 26 % (2022: 26%)	(103,808)	(97,368)
Effect of tax rates in foreign jurisdictions	2,665	3,000
Current year losses and temporary differences for which no deferred tax asset was recognised	101,143	94,368
Income tax (benefit)	-	-

Deferred tax assets have been recognised in respect of tax losses and temporary differences based on management's assessment that future taxable profit will be available against which the Group can utilise the benefits therefrom. Deferred tax assets amounting to €1,120,413 (31 December 2022: €1,120,413) have been recognised in relation to the Italian subsidiary's available tax losses and temporary differences.

NOTE 5: (LOSS) PER SHARE

	30 June 2023 € (cents)	30 June 2022 € (cents)
Basic and diluted (loss) per share from continuing operations	(0.03)	(0.04)

The calculation of basic and diluted loss per share from continuing operations was based on the loss attributable to members of €399,260 (2022: €374,492) and a weighted average number of ordinary shares outstanding during the half year of 1,155,899,798 (2022: 1,027,016,368).

NOTE 6: TRADE AND OTHER RECEIVABLES

	30 June 2023 €	31 December 2022 €
Trade receivables	343,842	211,793
Indirect taxes receivable	422,929	185,053
Other receivables	58,920	37,634
Trade and other receivables	**825,691**	**434,480**

NOTE 7: PROPERTY, PLANT & EQUIPMENT

	30 June 2023 €	31 December 2022 €
Gas producing plant and equipment		
At Cost	1,900,710	-
Accumulated depreciation	-	-
	1,900,710	-
Office Furniture & Equipment:		
At cost	39,707	39,707
Accumulated depreciation	(20,632)	(18,775)
Carrying amount at end of period	19,075	20,932
Right-of-use asset: Building (Note 9)		
At Cost	140,884	140,884
Accumulated depreciation	(17,611)	(5,870)
	123,273	135,014
Total property plant & equipment	2,043,058	155,946

NOTE 7: PROPERTY, PLANT & EQUIPMENT (continued)

	6 Months to 30 June 2023	Year to 31 December 2022
	€	€
Reconciliations:		
Property plant and equipment:		
Gas production plant and equipment		
Carrying amount at beginning of period	-	-
Additions – reclassified from resource property costs	1,900,710	-
Depreciation expense	-	-
	1,900,710	-
Office furniture & equipment		
Carrying amount at beginning of period	20,932	7,021
Additions	-	16,600
Depreciation expense	(1,857)	(2,689)
Carrying amount at end of period	19,075	20,932
Right-of-use assets		
Carrying amount at beginning of year		-
Additions right-of-use assets	135,014	140,884
Depreciation expense	(11,741)	(5,870)
Carrying amount at end of period	123,273	135,014
	2,043,058	155,946

NOTE 8: RESOURCE PROPERTY COSTS

	30 June 2023	31 December 2022
	€	€
Resource Property costs		
Exploration and evaluation phase	4,680,146	4,661,672
Development phase	-	6,736,926
Production phase	6,027,356	-
	10,707,502	11,398,598

NOTE 8: RESOURCE PROPERTY COSTS (continued)

	6 Months to 30 June 2023	Year to 31 December 2022
Reconciliation of carrying amount of resource properties		
Exploration Phase		
Carrying amount at beginning of period	4,661,672	8,146,546
Expenditure during the period	18,474	430,021
Exploration written off	-	-
Transfer to development phase	-	(3,914,895)
Carrying amount at end of period	4,680,146	4,661,672
Development Phase		
Carrying amount at beginning of period	6,736,926	-
Transfer from exploration and evaluation phase	-	3,914,895
Development expenditure	1,191,140	1,371,203
Restoration and rehabilitation asset	-	1,450,828
Transfer to production phase	(7,928,066)	-
Carrying amount at end of period	-	6,736,926
Production Phase		
Carrying amount at beginning of period	-	-
Transfer from development phase	7,928,066	-
Reclassified to property, plant & equipment (Gas producing assets)	(1,900,710)	-
	6,027,356	-

Resource property costs in exploration phase comprise the carrying value of its exploration and pre-development projects. The ultimate recoupment of resource property costs is dependent upon the successful development and exploitation, or alternatively sale, of the respective areas of interest at an amount greater than or equal to the carrying value. Where activities in the area of interest have, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, the exploration and evaluation assets are assessed for impairment. Impairment will occur if sufficient data exists to determine technical feasibility and commercial viability and the facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Resource property costs in the development phase comprise the carrying value of the development costs for areas that have reached the stage of reasonable assessment of economically recoverable reserves and have attained required permits and approvals to develop into a producing field.

NOTE 8: RESOURCE PROPERTY COSTS (continued)

Resource property costs in the production phase comprise the carrying value of the Group's production projects that have reached the completion of development and are ready for or have commenced production of gas having attained the required permits and approvals.

Following a review by management, no impairment has been recognised for the 6 months to 30 June 2023.

NOTE 9: LEASES

Leases as lessee

The Group leases office facilities in Rome under a new lease agreement. The lease runs for a period of six years from the start of the lease in October 2022.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets (Note 7):

	6 Months to 30 June 2023 €	Year to 31 December 2022 €
Buildings		
Balance at 1 January	135,014	-
Additions to right-of-use assets (new leases)	-	140,884
Depreciation	(11,741)	(5,870)
Total	123,273	135,014

Amounts recognised in profit and loss:

	6 Months to 30 June 2023 €	6 Months to 30 June 2022 €
Interest on lease liabilities	2,744	-

Amounts recognised in statement of cash flows:

	6 Months to 30 June 2023 €	6 Months to 30 June 2022 €
Payment of lease liabilities	13,799	-

Lease liabilities:

Lease liabilities are presented in the statement of financial position separately within liabilities as follows:

	30 June 2023 €	31 December 2022 €
Lease liabilities – current	28,406	22,112
Lease liabilities – non-current	100,063	117,412
	128,469	139,524

NOTE 9: LEASES (continued)

Future minimum lease payments at 30 June were as follows:

	Within one year €	One to five years €	After 5 years €	Total €
Lease payments	27,600	103,500	-	131,100
Finance charges	(4,609)	(9,032)	-	(13,641)
Net Present values	22,991	94,468	-	117,459

Lease payments not recognised as a liability
The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

NOTE 10: PROVISIONS

	6 Months to 30 June 2023 €	Year to 31 December 2022 €
Current:		
Employee provisions	4,468	4,387
Non-current:		
Rehabilitation and restoration provision	1,485,248	1,450,828
Reconciliation of rehabilitation and restoration provision:		
Opening balance	1,450,828	-
Provision for rehabilitation and restoration costs	-	1,450,828
Increase in provision from unwind of discount rate	34,420	
Closing balance	1,485,248	1,450,828

Provision has been made based on the net present value of the estimated cost of restoring the environmental disturbances and abandonment of the Podere Maiar-1 well site in the Selva Malvezzi production concession. The estimated net present value at 30 June 2023 is €1,485,248 (net 63% to the Group) (31 December 2022 €1,450,828) based on an undiscounted total future liability of €1,701,000 (net) using a discount factor, being the risk-free interest rate, of 4.75% p.a. and inflation rate of 3.64% p.a. Payments of these costs are expected at the end of life of the field in approximately 14 years. The provision will be adjusted at the end of each reporting period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Increases in the provision due to the passage of time will be recognised as a finance cost whereas increases/decreases due to changes in estimated future cash flows are capitalised where there is a future economic benefit associated with the asset. Actual costs incurred upon settlement of the rehabilitation and restoration obligation are charged against the provision to the extent the provision has been established.

NOTE 11: ISSUED CAPITAL

	Issue Price	30 June 2023 Number	30 June 2023 €	31 December 2022 Number	31 December 2022 €
Share Capital					
Opening balance - 1 January		1,150,961,620	56,632,102	1,006,643,438	52,719,884
<u>Shares issued during the reporting period:</u>					
Shares issued on exercise of performance rights	-	3,000,000	61,225	-	-
Shares issued on exercise of options	A$0.05	5,000,000	155,711	-	-
Conversion of convertible notes	A$0.028	-	-	62,500,000	1,180,454
Placement at A$0.055	A$0.055	-	-	81,818,182	3,071,153
Share issue costs			(1,286)		(339,389)
Closing balance – 30 June / 31 December		1,158,961,620	56,847,752	1,150,961,620	56,632,102

All ordinary shares are fully paid and carry one vote per share and the right to dividends. In the event of winding up the Company, ordinary shareholders rank after creditors. Ordinary shares have no par value.

No dividends were paid or declared during the current or previous period.

NOTE 12: RESERVES

	30 June 2023 €	31 December 2022 €
Foreign currency translation reserve	1,192,269	1,192,269
Share based payment reserve	107,714	179,626
	1,299,983	1,371,895

The translation reserve comprises all foreign currency differences arising from translation of foreign operations prior to the change in functional currency.

The share based payment reserve comprises the fair value of vested options and performance rights issued.

	6 Months to 30 June 2023 €	Year to 31 December 2022 €
Share based payment reserve reconciliation for the period:		
Opening balance	179,626	10,687
Options exercised in the period	(10,687)	-
Performance rights exercised in the period	(61,225)	-
Issue of options during the period	-	107,714
Vesting of performance rights during the period	-	61,225
Closing balance	107,714	179,626

NOTE 13: FINANCIAL REPORTING BY SEGMENTS

The Group reportable segments as described below are the Group's strategic business units. The strategic business units are classified according to field licence areas which are managed separately. All strategic business units are in Italy. For each strategic business unit, the Board reviews internal management reports on a monthly basis.

	Exploration and evaluation		Development		Production		Total	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023 €	30 June 2022 €
External revenues	-	57,475	146,530	-	-	-	146,530	57,475
Segment profit / (loss) before tax	(10,226)	10,882	113,470	-	(38,925)	-	64,319	10,882
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Reportable segment assets:								
Property plant & equipment	-	-	-	-	1,900,710	-	1,900,710	-
Resource property costs	4,680,146	4,661,672	-	6,736,926	6,027,356	-	10,707,502	11,398,598
Cash and cash equivalents	-	-	435,672	-	-	-	435,672	-
Receivables	-	-	343,486	211,437	-	-	343,486	211,437
Other assets	-	-	-	484,470	7,560	-	7,560	484,470
	4,680,146	4,661,672	779,158	7,432,833	7,935,626	-	13,394,930	12,094,505
Capital expenditure	18,475	430,021	1,191,140	1,371,203	-	-	1,209,615	1,801,224
Reportable segment liabilities:								
Rehabilitation and restoration provision	-	-	-	(1,450,828)	(1,485,248)	-	(1,485,248)	(1,450,828)
Other liabilities	-	-	(1,198,520)	(452,896)	-	-	(1,198,520)	(452,896)
	-	-	(1,198,520)	(1,903,724)	(1,485,248)	-	(2,683,768)	(1,903,724)

NOTE 13: FINANCIAL REPORTING BY SEGMENTS (continued)

Reconciliation of reportable segment profit or loss, assets and liabilities	**30 June 2023 €**	**30 June 2022 €**
Profit or loss:		
Total profit for reportable segments	64,319	10,882
Unallocated amounts:		
Net finance expense	(34,889)	(58,420)
Other corporate expenses	(428,690)	(326,954)
Consolidated loss before income tax	(399,260)	(374,492)

	30 June 2023 €	**31 December 2022 €**
Assets:		
Total assets for reportable segments	13,394,930	12,094,505
Other assets	2,252,251	3,041,061
Consolidated total assets	15,647,181	15,135,566
Liabilities:		
Total liabilities for reportable segments	(2,683,768)	(1,903,724)
Other liabilities	(408,805)	(432,399)
Consolidated total liabilities	(3,092,573)	(2,336,123)

NOTE 14: SHARE BASED PAYMENTS

Performance rights:

There were no performance rights granted as consideration for services in this period (2022: 3,000,000).

On 18 January 2023, 3,000,000 performance rights were exercised and converted to 3,000,000 ordinary shares. The performance rights had a Nil exercise price and vested on 31 December 2022.

The table below summarises the movement in performance rights for the period:

	30 June 2023 No.	**31 December 2022 No.**
Performance rights at the start of the period	3,000,000	-
Granted in the period	-	3,000,000
Exercised in the period	(3,000,000)	-
Performance rights at the end of the period	-	3,000,000

There were no performance rights outstanding over unissued ordinary shares at 30 June 2023 and there have been no rights granted subsequent to the period end.

NOTE 14: SHARE BASED PAYMENTS (continued)

Options:

No options were granted during the period (31 December 2022: 7,500,000).

During the period to 30 June 2023, 5,000,000 ordinary shares were issued on the exercise of options at an exercise price of AU$0.05 prior to their expiry date of 21 July 2023.

No options were cancelled, lapsed or expired in the period to 30 June 2023 (2022: Nil), and no options were issued or cancelled subsequent to the period end.

The table below summarises the movement in options for the period:

	30 June 2023		31 December 2022	
	No.	WAEP (€ cents)	No.	WAEP (€ cents)
Options outstanding at the start of the period	12,500,000	0.056	5,000,000	0.031
Granted in the period	-	-	7,500,000	0.068
Exercised in the period	(5,000,000)	0.031	-	-
Performance rights at the end of the period	7,500,000	0.068 (AU$0.10)	12,500,000	0.056 (AU$0.08)

The weighted average contractual life for un-exercised options is 12 months.

The number of options issued and outstanding over unissued ordinary shares at 30 June 2023 is as follows:

Grant date	Exercise price	Expiry date	Balance at 30 June 2023	Vested and Exercisable at 30 June 2023	Balance at 31 December 2022
15 Aug 2022	AU$0.10 (€0.068)	30 Jun 2024	7,500,000	7,500,000	7,500,000
21 Jul 2021	AU$0.05 (€0.031)	21 Jul 2023	-	-	5,000,000

NOTE 15: FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts of financial assets and liabilities as disclosed in the statement of financial position equate to their estimated net fair values.

	30 June 2023	31 December 2022
	€	€
Financial assets		
Cash and cash equivalents	938,279	1,536,041
Receivables – current	825,691	434,480
Other assets	12,238	490,088
Total financial assets	1,776,208	2,460,609
Financial liabilities		
Trade and other payables - current	(1,474,388)	(741,384)
Lease liabilities – current	(28,406)	(22,112)
Lease liabilities – non-current	(100,063)	(117,412)
	(1,602,857)	(880,908)

NOTE 15: FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Current receivables, current payables and cash and cash equivalents are not measured at fair value. Due to their short- term nature, the carrying amount of current receivables, current payables and cash and cash equivalents is assumed to approximate their fair value.

The are no other financial assets and liabilities at fair value.

NOTE 16: COMMITMENTS AND CONTINGENCIES

The table below summarises material commitments for the Group

	Within one year	One to five years	After 5 years
Leases (refer note 9)	27,600	103,500	-

Other than the above, there are no other material commitments or contingent liabilities not provided for in the financial statements of the Group as at 30 June 2023.

NOTE 17: SUBSEQUENT EVENTS

Subsequent to the balance date, production at Podere Maiar-1 commenced on 4th July 2023, with the 4-week ramp-up and commissioning period completed during the week ending 4th August 2023. The ramp-up and commissioning process progressed seamlessly concluding with a three-day shut down and removal of memory gauges from the C2 production zone. On the last day of the shut down period, a slick line rig attended site to complete the work programme and obtain pressure / temperature gradient data. Data analysis is currently underway and production recommenced. During the ramp-up period, approximately 1,800,000 standard cubic meters (scm) of gas was produced, all of which was sold to BP Gas Marketing Limited under the 18-month Gas Sales Agreement. Initial gas production cash flows were received before the end of August 2023.
Initial production, results of the data analysis and ongoing stable gas production will have a significant impact on the Group’s operations.

Other than matters above or as already disclosed in this report, there were no other events between the end of the financial period and the date of this report that, in the opinion of the Directors, affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in subsequent financial periods.

DIRECTORS' DECLARATION

In the opinion of the Directors of Po Valley Energy Limited ("the Company"):

1. the consolidated financial statements and notes, as set out on pages 5 to 22, are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the financial position of the Group as at 30 June 2023 and of its performance for the six-month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting", the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Kevin Bailey AM
Chairman
11 September 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Po Valley Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Po Valley Energy Limited ("the Company") which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Po Valley Energy Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
11 September 2023

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Partner