



Annual Report

For the year ended 31 December 2023

PO VALLEY ENERGY LIMITED

ABN 33 087 741 571

CORPORATE DIRECTORY

Directors	Kevin Bailey AM Sara Edmonson Joseph Constable Katrina O'Leary	Chairman Non-Executive Director Non-Executive Director Non-Executive Director
Company Secretary	Kevin Hart	
Registered Office	Level 5, 191 St Georges Terrace, Perth WA 6000	
Rome Office	Via Isonzo 34, Rome 00198 Italy Tel: +39 06 42014968	
Share Register	Link Market Services Limited Level 12, 250 St Georges Terrace, Perth WA 6000 Tel: +61 8 9211 6670	
Auditor	HLB Mann Judd (WA Partnership) Level 4, 130 Stirling Street, Perth WA 6000	
Solicitors	Steinepreis Paganin Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000	
Stock Exchange Listing	Po Valley Energy Limited shares are listed on the Australian Securities Exchange (ASX) under the code PVE	
Website address	www.povalley.com	

PO VALLEY ENERGY LIMITED

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PO VALLEY ENERGY LIMITED
ABN 33 087 741 571
CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of the Board of Directors, we are pleased to present the Company's Annual Report.

2023 was a pivotal year for the Company. Maiden production from the Podere Maiar-1 (**PM-1**) field commenced in early July reaching a cumulative 9.8 million standard cubic metres (6.2 million standard cubic metres net) within year-end generating revenue of €2.3 million for the Group. This production coupled with our continued focus on operational discipline resulted in the first profit after tax in many years.

The well has continued to show strong results during the first few months of 2024. Post commissioning, the average daily production rate is in the order of 80,000 scm per day and gas prices are rising on the back of increased conflict in the Middle East.

At a macro level, Europe has boldly addressed its reliance on cheap Russian gas and consumption levels are at a record low. The Italian government, like many EU member states, has taken steps to strengthen its own energy security by maintaining high natural gas storage levels and, more recently, passing legislation to enable and accelerate domestic gas development. Gas continues to play an important role in Italy and Europe as a critical transition energy source with the potential to reduce the carbon footprint of key industries such as steel manufacturing by more than 50%.

2024 will mark the Company's 20th year on the Australian Stock Exchange and we are delighted that this milestone is met with an exciting new development phase including a 3D seismic campaign across the Selva Malvezzi production concession and a multiple well drilling program.

From a financial standpoint, the Company stands strong with no debt and a cash reserve at bank of €2.1 million (\$3.5 million AUD) for the first quarter of 2024. This continues to increase daily with free cash flow from the PM-1 well. Net of all costs and royalties at current prices we are adding on average of €220 thousand (\$365,000 AUD) every month to our cash balance. These revenues will be used to help fund our upcoming work program.

The focus of the Board and Management has been to position the company for optimal value in the medium term. The broader strategy is to increase production in the Selva Malvezzi concession with additional wells. This will substantially increase cash flow and support Italy as it strengthens its energy security and protects domestic industry. There are four other gas prospects in the Selva Malvezzi production concession, and we intend to apply to the Ministry for drilling approval this year. Due consideration is being given to how we will fund these additional wells. Options are being assessed with the aim to be least dilutive to existing shareholders.

We are also advancing the opportunity to realize value from our offshore Adriatic asset at Teodorico through either the sale of the asset to one of the major offshore operators or the farm in of a joint venture partner. Recent developments have been encouraging as the Italian Government explores ways to boost domestic production in this gas-rich basin. We hope to realise value from some of our smaller sites including Cadelbosco and Grattasasso and our condensate exploration license at Torro del Moro.

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Separately, we intend to begin evaluating both storage opportunities from existing assets and new geothermal opportunities with the aim to leverage the extensive expertise of our technical team while broadening our portfolio.

We share your disappointment in the current share price performance which has drifted down over the last twelve months as some shareholders have sold their positions. It has been said that in the short term, the share market is a voting machine but in the long term it is a weighing machine. This is particularly true in the junior resource space. The Board is confident however that the Company has the key ingredients to create significant mid-term value and is ideally positioned to deliver results.

After many years of hard work and building relationships in the Italian market, Po Valley Energy is at the right place at the right time. We look to the future with optimism and a commitment to delivering for the benefit of all shareholders.

Kevin Bailey AM

Chairman

PO VALLEY ENERGY LIMITED

DIRECTORS' REPORT

The Directors of Po Valley Energy Limited (“the Company” or “PVE”) present their report together with the financial report for the year ended 31 December 2023 of the Group, being the Company and its controlled entities (“the Group” or “Po Valley”).

1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

Kevin Bailey AM — Director since 22 April 2016

Non-Executive Chairman

DipFP, Age 63

Kevin was appointed as a director on 22 April 2016 and as Chairman on 2 May 2022. He has been a shareholder of PVE since April 2008 and brings significant business acumen and experience to the Board. Kevin is a highly successful businessman with a range of business interests, both local and overseas. He worked for 28 years as a Certified Financial Planner and was a founding director of Shadforth Financial Group Limited. He was a member of the Prime Minister’s Community Business Partnership and devotes considerable time to philanthropic interests. Kevin is currently Chairman of Parousia Media Pty Ltd and has served as director of various entities including the Investment Advisory Board of the Timor Leste Petroleum Fund, the \$17bn Sovereign Wealth Fund of Timor Leste, Outward Looking International Pty Ltd, Halftime Australia Pty Ltd, Alpha Australia, Empart Inc, and Dads4Kids Fatherhood Foundation. In the past three years, Kevin has not been a director of any other listed company.

Sara Edmonson — Director since 23 December 2019

Non-Executive Director

BSBA, MBA, Age 44

Sara was appointed as a director on 23 December 2019. Sara has extensive experience in natural gas, the critical transition fuel for a low carbon future. Sara is a former President at Associazione Energia Nazionale, an Italian association created to promote sustainable production, transportation and use of domestic energy and is fluent in Italian, having previously worked both in Italy and internationally for Ernst & Young Transaction Advisory Services. During her tenure at EY, Sara advised numerous blue-chip corporate clients on transactions in Russia, Romania, Turkey and the US including the US\$5 billion acquisition of DRS Technologies by Finmeccanica in 2008. She holds an MBA from St John’s University in New York City and a Masters in Sustainability Sciences from Harvard University. Sara led PVE as CEO from July 2010 to 2017 and served on the board of Coro Energy Plc from November 2017 to October 2018 and as executive until March 2019. Sara has spent the last several years focused on the energy transition leading large commercial-scale development of green hydrogen projects in Europe. She has been deeply involved in the policy shaping around decarbonisation and climate targets at EU and Member State level. In the past three years, Sara has not been a director of any other listed company.

Joseph Constable — Director since 30 November 2021

Non-Executive Director

BA(Hons) MPhil, Age 32

Joseph was appointed as a director on 30 November 2021. Joseph is an Executive Director of Hancock & Gore Limited (ASX: HNG), and portfolio manager at H&G Investment Management Limited and has been a long-time shareholder of PVE personally as well as professionally via H&G High Conviction Limited (ASX: HCF), of which

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he is an Executive Director. Joseph has a detailed understanding of the Company and its assets and brings his significant financial skills to the benefit of PVE and the board of directors. In the past three years, Joseph has not been a director of any other listed company.

Katrina O'Leary — Director since 2 May 2022

Non-Executive Director

BA LLB, LLM, Age 60

Katrina was appointed as a director on 2 May 2022. Katrina is an Intellectual Property (IP) and Information Technology lawyer with decades of experience in IP management, commercial and litigious matters. Katrina also advises on ESG compliance especially in the area of ethical sourcing. Her practice is international, and she has worked in Italy, the USA and Australia representing government and international organisations and major public companies. Katrina brings to the board her strength in legal compliance, governance, and risk management. In the past three years, Katrina has not been a director of any other listed company.

2. Company Secretary

Kevin Hart – Company Secretary, B.Comm, FCA

Kevin Hart is a Chartered Accountant and was appointed to the position of Company Secretary on 17 April 2018. He has over 30 years' experience in accounting, management and administration of public listed entities in the mining, mining services and exploration industry. Kevin is a Principal in the Company Secretarial and CFO divisions of the Automic Group which provides Company Secretarial, CFO support and corporate compliance advice to a number of ASX listed entities.

3. Directors' Meetings

The number of meetings of the Board of Directors held during the financial year and the number of meetings attended by each director are provided below:

Director	Attended	Held
Kevin Bailey AM	11	11
Sara Edmonson	9	11
Joseph Constable	10	11
Katrina O'Leary	11	11

Held: represents the number of meetings held during the time director held office.

The roles and responsibilities normally undertaken by the Audit and Risk Committee and the Remunerations and Nominations Committee have been dealt with by the full board as part of its duly convened meetings rather than through separate committees.

4. Principal Activities

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

- Production of gas at Podere-Maiar 1 in the Selva Malvezzi concession
- The exploration for gas and oil in the Po Valley region in Italy.
- Appraisal and development of gas and oil fields.

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5. Operating and financial review

Financial results for the year

This Group's focus for the 2023 year was the completion of the development of the Podere Maiar-1 well which commenced gas production in early July 2023. Production from commencement to 31 December 2023 was 9,838 Mcm of gas (gross, net to the Group of 63% or 6,198 Mcm) generating revenue of €2.34 million for the Group.

The profit after tax for the year from continuing operations was €586,657 (2022: Loss €983,714).

The Group's cash reserves as at 31 December 2023 were €1,252,717 (31 December 2022: €1,536,041).

A review of the operations and the results of those operations of the Group during the year is as follows:

Summary of results table:	2023	2022
	Mcm	Mcm
Production volume (net)	6,198	-
	€'000	€'000
Gas Sales	2,337	-
EBITDA ¹	1,157	(734)
Depreciation and amortisation – production	(189)	-
Depreciation	(27)	(9)
Unwind of discount of restoration provision	(108)	-
EBIT ¹	833	(743)
Finance costs other than restoration provision discounting	(32)	(253)
Taxation	(215)	12
Net profit / (loss) after tax attributable to shareholders	586	(984)

¹EBITDA (earnings before interest, tax, depreciation and depletion, exploration expensed and impairment losses) and EBIT (earnings before interest and tax) are non-IFRS measures that are presented to provide an understanding of the Group's operations. The non-IFRS measures are unaudited, however, the numbers have been extracted from the financial statements that have been subject to audit by the Company's auditor.

Share issues

The Company issued 5,000,000 shares on the exercise of options during the 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 year. The performance rights had a Nil exercise price.

Earnings per share

The basic and diluted earnings per share for the Group from continuing operations was 0.05 € cents (2022: loss of (0.09) € cents)

Operations

Selva Gas Field (63% PVO) - Selva Malvezzi Production concession

Selva is an onshore natural gas field located in the eastern part of the Po Plain, among the Ferrara and Bologna provinces, in the Emilia Romagna Region. The Selva Malvezzi Production Concession awarded in July 2022

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measures 80.68km² and includes the Podere Maiar Gas field (**PM-1**) (in production) and the gas prospects known as East Selva, Selva North and South, Riccardina and Fondo Perino. Previously these areas fell within the Podere Gallina Exploration Permit which the Company relinquished in September 2022 having secured the Production Concession over the prospective areas.

Po Valley Operations (100% subsidiary of the Company, "PVO") is the operator under a Joint Operating Agreement ("JOA") and holds a 63% interest in the Selva gas field with Prospex Oil and Gas Plc ("Prospex") holding 37% (includes 20% held by Prospex subsidiary UOG Italia S.r.l.).

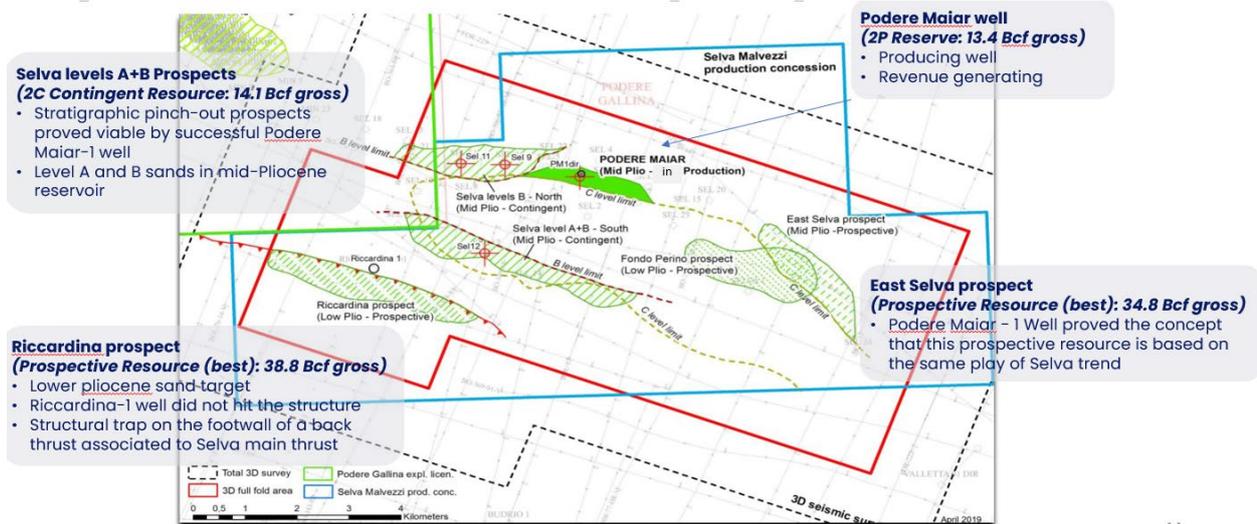


Figure 1: Selva Malvezzi Production Concession

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Podere Maiar-1 ("PM-1") gas facility and production:

The PM-1 gas facility construction and grid connection to the Italian national pipeline grid operated by SNAM (Società Nazionale Metanodotti / National Pipeline Company) was completed in May 2023 on schedule and within 3% of budget. The performance bond of €757,000 (63% to PVO €476,910) initially deposited with SNAM at the commencement of the PM-1 gas facility development was returned to the Group following the successful completion of the pipeline tie-in and having satisfied the condition of a Gas Sale Agreement being in place.

Production at PM-1 commenced on 4 July 2023 with a four-week ramp up and commissioning programme. Gas is sold under the gas sales agreement (GSA) with BP Gas Marketing Limited (BPGM). 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 the gas supply price in the contract which is linked to Italy's "Heren PSV day ahead mid" price. The option to renew contract is open 30 days prior to the end of the contract term (30 September 2024) (refer to ASX Announcement dated 14 February 2023).

PVO carried out several slick line operations over the production period to 31 December 2023 the first immediately after ramp-up concluded followed by programmes at end of August, September, November and in mid-December. The slick line work programs were based around delivering well certainty for the long term, monitoring bottom hole pressure and temperature and for any debris accumulation. Preliminary concerns around debris accumulation identified post ramp-up during August slick line operations were rectified and resolved as part of the September slick line work programme. Ongoing monitoring throughout the period ensured no accumulation issues were evident. Bottom hole pressure and temperature readings in static

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conditions were in line with expectations. PVO completed two further slick line operations in January 2024 with results confirming no debris accumulation and with the well performance in line with expectations. Choke levels have been set to produce at ~78,000 to 80,000 standard cubic meters ('scm') / day.

PM-1 production for the year is shown in the table below:

PM-1 Gas Production for the year to 31 December 2023			
	July to September 2023	October to December 2023	Total
PM-1 Production	(scm)	(scm)	(scm)
PM-1 – 100%	5,658,117	4,180,015	9,838,132
PM-1 – 63% (PVE share)	3,564,613	2,633,409	6,198,022
Revenue	€ ('000)	€ ('000)	€ ('000)
PM-1- 100%	1,937	1,773	3,710
PM-1 – 63% (PVE share)	1,220	1,117	2,337

Selva Malvezzi Prospects: Selva North and South, Selva East and Riccardina

The Selva Malvezzi Production Concession is the key area of focus for the Company with the next stages of development including development of drilling programmes at Selva North, South, East and Riccardina, a seismic survey over East Selva and Riccardina and planned Environmental Impact Studies for all four wells. Works have already commenced, and once environmental approval is received, detailed planning for drilling will follow. Approvals of these programs are expected in the second half of 2024. Initial discussions with landholders near the North / South and East drilling prospects have commenced and been very positive.

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.

In December 2023, the Italian government published a New Energy Decree in response to Italy's energy security needs which include measures to strengthen the production and security of domestic natural gas supply. An accelerate permitting regime is envisaged as an integral part of this decree. The decree was converted into law in February 2024. This law must now be operationalised, and the Italian Government has assigned this mandate to Gestore Servizi Energetici "GSE", an existing regulated body for energy in Italy. Po Valley is currently investigating the implications of this new law in consultation with its legal advisers and the relevant Ministry, MASE, to determine the full impact on Teodorico. Ultimately the law is promoting domestic production citing the Northern Adriatic as a key source of natural gas for the country therefore the impact on Teodorico is positive, however the details are still being worked through from an operational perspective.

The Company continues to assess how best to realise value from its 100%-owned Teodorico off-shore asset, either via a joint venture or 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.

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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.

Strategy

Po Valley remains a northern Italy-focused energy production, development and exploration company with a streamlined focus on the following assets:

- The onshore gas production and further development at Selva Malvezzi;
- Offshore Adriatic gas development at Teodorico;
- The large-scale gas prospect at Torre del Moro; and
- Canolo and Zini gas prospects in the Cadelbosco di Sopra exploration licence.

Po Valley's primary focus is gas production at the Podere Maiar-1 well in the Selva Malvezzi Production Concession and to advance development of the surrounding prospects at North, South and East Selva, with the goal of drilling these prospects in the next twelve to twenty-four months.

Teodorico is very leveraged to the current market conditions in Italy and Po Valley continues to explore options to introduce joint venture partners or divest this large offshore gas field.

Health, safety and environment

Paramount to Po Valley's ability to pursue its strategic priorities is a safe workplace and a culture of safety first. The Group regards environmental awareness and sustainability as key strengths in planning and carrying out business activities. Po Valley's daily operations are conducted in a way that adheres to these principles and management is committed to their continuous improvement. Whilst growing from exploration roots, the Group has strived to continually improve underlying safety performance. The Group has adopted an HSE Management System which provides for a series of procedures and routine checks (including periodical audits) to ensure compliance with all legal and regulatory requirements and best practices in this area. In 2023, the Group maintained its outstanding occupational health safety and environmental track record with no incidents or near misses to report.

Principal risks and uncertainties

Oil and gas exploration and appraisal involves significant risk. The future profitability of the Group and the value of the Company's shares are directly related to the results of exploration and appraisal activities. There are inherent risks in these activities. No assurances can be given that funds spent on exploration and appraisal will result in discoveries that will be commercially viable. Future exploration and appraisal activities, including drilling and seismic acquisition, may result in changes to current perceptions of individual prospects, leads and permits.

The Group identifies and assesses the potential consequences of strategic, safety, environmental, operational, legal, reputational and financial risks in accordance with the Group's risk management policy. Po Valley management continually monitors the effectiveness of the Group's risk management, internal compliance and control systems which includes insurance coverage over major operational activities, and reports to the Board on areas where there is scope for improvement. The Board as a whole is responsible for oversight of the Group's risk management and control system. The principal risks and uncertainties that could materially affect PVE's future performance are described below.

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External risks

Exposure to gas pricing	<p>Volatile gas prices make it difficult to predict future price movements with any certainty. Decline in gas prices could have an adverse effect on PVE. The Group does not currently hedge its exposures to gas price movements long term. The profitability of the Group's prospective gas assets will be determined by the future market for domestic gas. Gas prices can vary significantly depending on other European gas markets, worldwide supply and the terms under which long term take or pay arrangements are agreed.</p>
Changes to law, regulations or Government policy	<p>Changes in laws and regulations or government policy may adversely affect PVE's business. Examples include changes to land access or the introduction of legislation that restricts or inhibits exploration and production.</p> <p>Similarly changes to direct or indirect tax legislation may have an adverse impact on the Group's profitability, net assets and cash flow.</p>
Uncertainty of timing of regulatory approvals	<p>Delays in the regulatory process could hinder the Group's ability to pursue operational activities in a timely manner including drilling exploration and development wells, installing infrastructure, and to producing gas. In particular, oil and gas operations in Italy are subject to both Regional and Federal approvals.</p>

Operating risks

Exploration, development and production	<p>The future value of PVE will depend on its ability to find, develop, and produce gas that is economically recoverable. The ultimate success or otherwise of such ventures requires successful exploration, establishment of commercial reserves, establishment of and successful effective production from processing facilities, and transport and marketing of the end product. Through this process, the business is exposed to a wide variety of risks, including failure to locate hydrocarbons, changes to reserve estimates or production volumes, variable quality of hydrocarbons, weather impacts, facility malfunctions, lack of access to appropriate skills or equipment and cost overruns.</p>
Estimation of reserves	<p>The estimation of oil and natural gas reserves involves subjective judgments and determinations based on geological, technical, contractual and economic information. It is not an exact calculation. The estimate may change because of new information from production or drilling activities.</p>
Tenure security	<p>Exploration licences held by PVE are subject to the granting and approval by relevant government bodies. Government regulatory authorities generally require the holder of the licences to undertake certain proposed exploration commitments and failure to meet these obligations could result in forfeiture. Exploration licences are also subject to partial or full relinquishments after the stipulated period of tenure if no alternative licence application (e.g., production concession application) is made, resulting in a potential reduction in the Group's overall tenure position. In order for production to commence in relation to any successful oil or gas well, it is necessary for a production concession to be granted.</p>

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Health, safety and environmental matters	<p>Exploration, development and production of oil and gas involves risks which may impact the health and safety of personnel, the community and the environment. Industry operating risks include fire, explosions, blow outs, pipe failures, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases. Failure to manage these risks could result in injury or loss of life, damage or destruction of property and damage to the environment. Losses or liabilities arising from such incidents could significantly impact the Group's financial results.</p>
Climate Change	<p>PVE recognises climate-related risks and the need for these to be managed effectively particularly across the energy industry.</p> <p>Key climate-related risks and opportunities relevant to PVE's operations include:</p> <ul style="list-style-type: none"> • The transition to a low carbon economy through technological improvements and innovations that support a lower carbon energy efficient system with decreased demand and changing community sentiment for fossil fuels. In addition, there may be increased uncertainty, time and cost associated with regulatory bodies granting approvals or licences on fossil fuel intensive projects. Transition to a lower carbon economy may also give rise to opportunity for PVE's potential gas production assets. Natural gas is viewed as a key element to supporting a sustainable energy transition. Possibility to produce Blue H2 (with CCS/CCUS) and/or LNG from PVO gas fields (utilising access and support via EU or Italian research development funds). • Physical changes caused by climate change include increased severe weather events and chronic changes to weather patterns which may impact demand for energy and PVE's development and production assets and production capability. These events could have a financial impact on the Group through increased operating costs, maintenance costs, revenue generation and sustainability of production assets. • Policy changes by governments which may result in increasing regulation and costs which could have a material impact on PVE's operations. <p>PVE is committed to continually improve climate change related disclosures as processes and understanding of climate change related matters improve alongside its activities and operations.</p>

In addition to the external and operating risks described above, the Group's ability to successfully develop future projects including their infrastructure is contingent on the Group's ability to fund those projects through operating cash flows and affordable debt and equity raisings.

6. Dividends

No dividends have been paid or declared by the Company during the year ended 31 December 2023.

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7. Significant events after balance date

There were no events between the end of the financial year and the date of this report that, in the opinion of the Directors, will affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

8. Likely Developments

With strong production ongoing at the Podere Maiar-1 well, the Company will continue to invest in its current exploration portfolio through geological and geophysical studies and, subject to available finance, in its planned drilling program for high potential gas prospects. The Group may seek a suitable farm-out partner for selected assets.

9. Environmental Regulation

The Group's operations are subject to environmental regulations under both national and local municipality legislation in relation to its mining exploration and development activities in Italy. Group management monitors compliance with the relevant environmental legislation. The Directors are not aware of any breaches of legislation during the period covered by this report.

10. Remuneration Report - audited

The Remuneration Report outlines the remuneration arrangements which were in place during the year, and remain in place as at the date of this report, for the Directors and other Key Management Personnel of the Group.

Remuneration Policy

The Board is responsible for reviewing and recommending compensation arrangements for the Directors, the Chief Executive Officer and the senior executive team. The Board assesses the appropriateness of the size and structure of remuneration of those officers on a periodic basis, with reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The Group aims to ensure that the level and composition of remuneration of its Directors and executives is sufficient and reasonable in the context of the internationally competitive industry in which the Group operates.

For senior executives based in Rome, the Board will have regard to remuneration levels and benefit arrangements that prevail in the European oil and gas industry when setting remuneration which remains highly competitive.

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Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholders' wealth the Board has regard to the following indices in respect of the current and previous financial years.

Indices	2023	2022	2021	2020	2019
Production (Mcm) (net)	6,198	-	-	-	-
Average realised gas price (€ cents per cubic metre)	38	-	-	-	-
Profit / (Loss) attributable to owners of the Company (€'000s)	586	(984)	(596)	(1,036)	(1,504)
Earnings / (loss) per share (€ cents per share)	0.05	(0.09)	(0.07)	(0.16)	(0.24)
Share price at year end - AU\$	0.046	0.062	0.025	0.030	0.052

In establishing performance measures and benchmarks to ensure incentive plans are appropriately structured to align corporate behaviour with the long-term creation of shareholder wealth, the Board has regard for the stage of development of the Company's business and gives consideration to each of the indices outlined above and other operational and business development achievements of future benefit to the Company which are not reflected in the aforementioned financial measures.

Senior Management, Executives and Executive Directors

The remuneration of Po Valley's senior management and executives is based on a combination of fixed salary, short term incentive bonuses which are based on performance, and in some cases a long term incentive which may be payable in cash or shares. Other benefits may include employment insurances, accommodation and other benefits, and superannuation contributions. In determining bonus payments, the board assesses the performance and contribution of executives against a series of objectives defined at the beginning of the year. These objectives are a combination of strategic and operational company targets which are considered critical to shareholder value creation and objectives which are specific to the individual executive. More specifically, objectives mainly refer to operating performance from both a financial and technical standpoint and growth and development of the Group's asset base. The Board exercises its discretion when determining awards and exercises discretion having regard to the overall performance and achievements of the Group and of the relevant executive during the year. No remuneration consultants were used during the current or previous year.

Non-Executive Directors

The remuneration of Po Valley's Non-Executive Directors comprises cash fees. There is no current scheme to provide performance-based bonuses or retirement benefits to Non-Executive Directors. The Board of Directors and shareholders approved the maximum agreed remuneration pool for Non-Executive Directors at €250,000 per annum.

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Service contracts

The major provisions of the service contracts held with the directors, in addition to any performance related bonuses and/or options are as follows:

Kevin Bailey AM, Chairman

- Commencement Date: 3 May 2016
- Remuneration for the year ended 31 December 2023: €35,299 (A\$57,500)
- Annual remuneration at date of this report is A\$75,000 (Fees were increased at 1 April 2023 from A\$30,000 to A\$50,000 for all non-executive directors, with an additional increase to A\$75,000 for the Chairman effective 1 July 2023)
- No termination benefits

Sara Edmonson, Non-Executive Director

- Commencement Date: 23 December 2019
- Fixed remuneration for the year ended 31 December 2023: €27,515 (A\$45,000)
- Annual remuneration at date of this report is A\$50,000 (Fees were increased at 1 April 2023 from A\$30,000 to A\$50,000 for all non-executive directors)
- No termination benefits

Joseph Constable, Non-Executive Director

- Commencement Date: 30 November 2021
- Fixed remuneration for the year ended 31 December 2023: €27,533 (A\$45,000 p.a.)
- Annual remuneration at date of this report is A\$50,000 (Fees were increased at 1 April 2023 from A\$30,000 to A\$50,000 for all non-executive directors)
- No termination benefits

Katrina O'Leary, Non-Executive Director

- Commencement Date: 2 May 2022
- Fixed remuneration for the year ended 31 December 2023: €27,553 (A\$45,000 p.a.)
- Annual remuneration at date of this report is A\$50,000 (Fees were increased at 1 April 2023 from A\$30,000 to A\$50,000 for all non-executive directors)
- No termination benefits

The Non-Executive Directors are not appointed for any fixed term but rather are required to retire and stand for re-election in accordance with the Company's constitution and the ASX Listing Rules.

PO VALLEY ENERGY LIMITED
DIRECTORS' REPORT

Key Management Personnel remuneration outcomes

The remuneration details of each Key Management Personnel (KMP) (being the Directors) during the year is presented in the table below:

		Salary & fees €	Other €	Termination payments €	Total €
K Bailey AM <i>Non-Executive</i>	2023	35,299	-	-	35,299
	2022	14,968	-	-	14,968
S Edmonson <i>Non-Executive</i>	2023	27,515	-	-	27,515
	2022	19,980	-	-	19,980
J Constable <i>Non-Executive</i>	2023	27,533	-	-	27,533
	2022	20,023	-	-	20,023
K O'Leary <i>Non-Executive</i>	2023	27,553	-	-	27,553
	2022	13,327	-	-	13,327
Michael Masterman <i>Resigned 2 May 2022</i>	2022	-	-	5,171*	5,171*
Total for Directors	2023	117,900	-	-	117,900
	2022	68,298	-	5,171	73,469

*part of settlement deed on resignation in 2022

Analysis of bonuses included in remuneration

There was no short-term incentive bonuses awarded to KMP in the current year.

Options over equity instruments granted as compensation

No options were granted as compensation to KMP during the reporting period (2022: Nil). There are no options granted to KMP that vested during 2023. (2022: Nil)

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to KMP) have been altered or modified during the reporting period or the prior period.

Exercise and lapse of options granted as compensation

No options over ordinary shares in the Company were held by any KMP during 2023 and no options were exercised or lapsed during 2023.

PO VALLEY ENERGY LIMITED
DIRECTORS' REPORT

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of the Company, held directly and indirectly by KMP, including their personally related entities is as follows:

	Held at 31 Dec 2022	Acquired	Held at 31 Dec 2023	Acquired post 31 Dec 2023	Held at date of this report
Directors					
K Bailey AM	274,378,670	1,332,299	275,710,969	1,167,701	276,878,670
S. Edmonson	3,708,007	-	3,708,007	-	3,708,007
J Constable	402,575	-	402,575	250,000	652,575
K O'Leary	-	-	-	-	-
	278,489,252	1,332,299	279,821,551	1,417,701	281,239,252

	Held at 31 Dec 2021	Acquired	Disposals	Issued on conversion of Convertible notes	Held at 31 Dec 2022
Directors					
K Bailey AM	242,105,942	7,272,728	-	25,000,000	274,378,670
S. Edmonson	3,708,007	-	-	-	3,708,007
J Constable	45,433	-	-	357,142	402,575
K O'Leary ⁽ⁱ⁾	- ⁽ⁱ⁾	-	-	-	-
M Masterman ⁽ⁱⁱ⁾	218,014,515	-	-	10,714,286	228,728,801 ⁽ⁱⁱ⁾
	463,873,897	7,272,728	-	36,071,428	507,218,053

⁽ⁱ⁾Holding at date of appointment 2 May 2022

⁽ⁱⁱ⁾Holding at date of resignation 2 May 2022

Other transactions and balances with KMP and their related parties

Other balances owing to directors are as follows:

	Directors' remuneration outstanding at 31 Dec 2022 €	Fees for the year €	Amount paid €	Directors' remuneration outstanding at 31 Dec 2023 €
KMP (or their related parties)				
Kevin Bailey AM	62,034	35,299	(97,333)	-
Sara Edmonson	-	27,515	(27,515)	-
Joseph Constable	6,655	27,533	(34,188)	-
Katrina O'Leary	-	27,553	(27,553)	-
Total	68,689	117,900	(186,589)	-

PO VALLEY ENERGY LIMITED
DIRECTORS' REPORT

11. Directors' interests

At the date of this report, the direct and indirect interests of the current Directors in the shares of the Company, as notified by the Directors to the ASX in accordance with S205G (1) of the Corporations Act 2001, are as follows:

	Ordinary Shares
K Bailey AM	276,878,670
S Edmonson	3,708,007
J Constable	652,575
K O'Leary	-

12. Equity securities on issue

	31 December 2023	31 December 2022
Ordinary fully paid shares	1,158,961,620	1,150,961,620
Options over unissued shares	7,500,000	12,500,000
Performance rights	-	3,000,000

Unissued shares under option and performance rights

No options or performance rights were granted during the year. (2022: 7,500,000 unlisted options and 3,000,000 performance rights)

At the date of this report the unissued ordinary shares of the Company under option or performance rights are as follows:

Options

Date Granted	Expiry Date	Exercise Price	Number of options at 31 December 2023	Number of options at date of report
15 Aug 2022	30 June 2024	A\$0.10	7,500,000	7,500,000

Performance rights

There are no unissued ordinary shares of the Company under performance rights.

No options or performance rights were cancelled during or subsequent to the financial year.

Shares issued on exercise of options and performance rights

5,000,000 Unlisted options were exercised in the year by the option holders by payment of at AU\$0.05 per option for 5,000,000 ordinary shares.

3,000,000 Performance rights were converted into 3,000,000 ordinary shares in January 2023 upon achievement of the performance milestone.

Options granted to directors and executives of the Company

The Company has not granted any options over unissued ordinary shares in the Company to any directors or specified executive during or since the end of the financial year.

PO VALLEY ENERGY LIMITED
DIRECTORS' REPORT

13. Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Po Valley support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the ASX Corporate Governance Council and considers that Po Valley is in compliance with those guidelines which are of importance to the commercial operation of a junior listed resource company.

The Group has elected to publish its Statement of Corporate Governance Practices on its website www.povalley.com. In addition, each year the Key to Disclosures - Corporate Governance Council Principles and Recommendations will be available to shareholders at the same time that the Annual Report is released.

14. Indemnification and insurance of officers

The Group has agreed to indemnify current Directors against any liability or legal costs incurred by a Director as an officer of the Company or entities within the Group or in connection with any legal proceeding involving the Company or entities within the Group which is brought against the Director as a result of his capacity as an officer.

During the financial year the Group paid premiums to insure the Directors against certain liabilities arising out of the conduct while acting on behalf of the Group. Under the terms and conditions of the insurance contract, the nature of liabilities insured against and the premium paid cannot be disclosed.

15. Indemnification of auditors

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. The Group has not provided any insurance for an auditor of the Company.

16. Non audit services

During the year HLB Mann Judd, the Group's auditor, did not provide non-audit services. Refer to note 8 of the financial report for details of the auditor's remuneration.

17. Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

18. Lead Auditor's independence declaration

The lead auditor's independence declaration is set out on page 18 and forms part of the Directors' report for the financial year ended 31 December 2023.

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



Kevin Bailey AM
Chairman
28 March 2024

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Po Valley Energy Limited for the year ended 31 December 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
28 March 2024



L Di Giallonardo
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

PO VALLEY ENERGY LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	NOTES	CONSOLIDATED	
		2023 €	2022 €
Continuing Operations			
Revenue from contracts with customers	4	2,337,315	-
Cost of sales	5	(308,905)	-
Depreciation and amortisation expense - production	5	(189,969)	-
Gross profit		1,838,441	-
Other income		267,900	219,502
Employee benefit expenses	6	(565,441)	(388,623)
Depreciation expense		(27,348)	(8,559)
Corporate overheads	7	(572,154)	(503,520)
Share based payment expense	21	-	(61,225)
Profit / (loss) from operating activities		941,398	(742,425)
Finance income		8,221	2,705
Finance expense		(148,428)	(256,131)
Net finance expense	9	(140,207)	(253,426)
Profit / (loss) before tax		801,191	(995,851)
Income tax (expense) / benefit	10	(214,534)	12,137
Profit / (loss) for the year		586,657	(983,714)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		568,657	(983,714)
Basic and diluted earnings / (loss) per share (€) from continuing operations	11	0.05	(0.09)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

PO VALLEY ENERGY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

		CONSOLIDATED	
	NOTES	2023	2022
		€	€
Current Assets			
Cash and cash equivalents	12	1,252,717	1,536,041
Trade and other receivables	13	691,719	434,480
Other assets		-	476,910
Total Current Assets		1,944,436	2,447,431
Non-Current Assets			
Inventory – non-current		11,325	-
Other assets		4,678	13,178
Deferred tax assets	16	937,831	1,120,413
Property, plant & equipment	14	2,067,623	155,946
Resource property costs	15	9,975,367	11,398,598
Total Non-Current Assets		12,996,824	12,688,135
Total Assets		14,941,260	15,135,566
Current Liabilities			
Trade and other payables	17	296,251	741,384
Lease liabilities	19	24,851	22,112
Provisions	18	4,557	4,387
Total Current Liabilities		325,659	767,883
Non-Current Liabilities			
Provisions	18	974,991	1,450,828
Lease liabilities	19	100,086	117,412
Total Non-Current Liabilities		1,075,077	1,568,240
Total Liabilities		1,400,736	2,336,123
Net Assets		13,540,524	12,799,443
Equity			
Issued capital	20	56,847,751	56,632,102
Reserves	20	1,299,983	1,371,895
Accumulated losses		(44,607,210)	(45,204,554)
Total Equity		13,540,524	12,799,443

The above statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

PO VALLEY ENERGY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

Consolidated	Attributable to equity holders of the Company				Total €
	Issued capital €	Translation Reserve €	Share Based	Accumulated Losses €	
			Payment Reserve €		
Balance at 1 January 2022	52,719,884	1,192,269	10,687	(44,220,840)	9,702,000
Loss for the year	-	-	-	(983,714)	(983,714)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(983,714)	(983,714)
Issue of securities (net of costs)	3,912,218	-	-	-	3,912,218
Share based payments	-	-	168,939	-	168,939
Balance at 31 December 2022	56,632,102	1,192,269	179,626	(45,204,554)	12,799,443
Balance at 1 January 2023	56,632,102	1,192,269	179,626	(45,204,554)	12,799,443
Profit for the year	-	-	-	586,657	586,657
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	586,657	586,657
Issue of securities (net of costs)	154,424	-	-	-	154,424
Transfers within equity	61,225	-	(71,912)	10,687	-
Balance at 31 December 2023	56,847,751	1,192,269	107,714	(44,607,210)	13,540,524

The above statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

PO VALLEY ENERGY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	NOTES	CONSOLIDATED	
		2023	2022
		€	€
Operating activities			
Receipts from customers		1,985,315	-
Receipts from joint operation partners (operations)		283,831	209,544
Payments to suppliers and employees		(1,537,220)	(1,050,881)
Interest received		8,221	2,705
Interest paid		(741)	(37,931)
Net cash from / (used in) operating activities	12	739,406	(876,563)
Investing activities			
Payments for property plant and equipment		(36,194)	-
Payments for resource property costs (net of joint operation partner recoveries)		(1,556,500)	(1,800,590)
Refund of guarantee deposit for pipeline tie-in		476,910	-
Receipt from joint operation partner's share of guarantee deposit for pipeline tie-in		-	280,090
Payments for other assets		-	(16,601)
Net cash used in investing activities		(1,115,784)	(1,537,101)
Financing activities			
Proceeds from the issues of shares		155,710	3,071,153
Payment of share issue costs		(1,286)	(231,675)
Payments of lease liabilities		(27,868)	(6,900)
Net cash from financing activities		126,556	2,832,578
Net (decrease) / increase in cash and cash equivalents		(249,822)	418,914
Cash and cash equivalents at 1 January		1,536,041	1,262,151
Exchange difference on cash and cash equivalents		(33,502)	(145,024)
Cash and cash equivalents at 31 December	12	1,252,717	1,536,041

The above statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 REPORTING ENTITY

Po Valley Energy Limited (“the Company” or “PVE”) is a company domiciled in Australia. The address of the Company’s registered office is Level 5, 191 St Georges Terrace, Perth WA 6000.

The Consolidated Financial Statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as “the Group” and individually as “Group entities”) and the Group’s interest in associates and jointly controlled entities and operations.

The financial statements were approved by the Board of Directors on 28 March 2024.

The Group primarily is involved in the exploration, appraisal and 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 financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB’s) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group also complies with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).

(b) BASIS OF MEASUREMENT

These consolidated financial statements have been prepared on the basis of historical cost.

(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.

(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.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(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. Actual results may differ from these estimates.

Estimates and underlying assumptions 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 recoverability 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

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

sites are recognised in the statement of financial position by adjusting both the restoration and rehabilitation asset and provisions.

The Group reviewed the provision at reporting date for works completed during development and revised costs estimates for current prices and conditions to ensure provision is appropriate at the reporting date. This review resulted in a reduction of the cost base of \$544,679.

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.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1.3 SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies set out in notes 1.3 (a) to 1.3 (r) to all periods presented in the consolidated financial statements.

(a) PRINCIPLES OF CONSOLIDATION

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary, to align them with the policies adopted by the Group. Investments in subsidiaries are carried at cost less any impairment losses.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment losses.

(ii) Joint arrangements

The Group classifies its interests in joint arrangements as either joint operations or joint ventures (see below) depending on the Group's rights to the assets and obligation for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

Joint operation - when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

Joint venture – when the Group has rights only to the net assets of the arrangement, it accounts for its interest using the equity method adopted for associates.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) TAXATION

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Judgement is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgement is also required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, decommissioning costs, capital expenditure, dividends and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

(c) **IMPAIRMENT**

Non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset (or CGU) may be impaired. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

In calculating VIU, the estimated future cash flows are discounted to their present value using an after-tax discount rate (10%) that reflects current market assessments of the time value of money and the risks specific to the asset/CGU.

The Group bases its impairment calculation on detailed budgets and forecasts, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecasts generally cover the forecasted life of the CGUs. VIU does not reflect future cash flows associated with improving or enhancing an asset's performance.

Impairment losses of continuing operations, including impairment of inventories, are recognised in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets/CGUs, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's/CGU's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset/CGU does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset/CGU in prior years. Such a reversal is recognised in the statement of profit or loss and other comprehensive income.

(d) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Items of property, plant and equipment are recorded at cost less accumulated depreciation, accumulated impairment losses and pre-commissioning revenue and expenses.

The cost of plant and equipment used in the process of gas extraction are accounted for separately and are stated at cost less accumulated depreciation and impairment costs.

Cost includes expenditure that is directly attributable to acquisition of the asset.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within "other income" in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with expenditure will flow to the Group.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(iii) Depreciation

Gas producing assets

When the gas plant and equipment is installed ready for use, costs carried forward will be depreciated using the units-of-production method ("UOP") over the life of the economically recoverable reserve (Proved plus Probable (2P)) from date of commencement of production.

The depreciation rate of gas plant and equipment used in the period of each project in production is as follows:

	2023	2022
Podere Maiair -1	2.6%	-

The life of each item, is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation / amortisation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimate changes.

Other property, plant and equipment

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, unless a units of production method represents a more reasonable allocation of the assets depreciable value over its economic useful life. The depreciation will commence when the asset is installed ready for use.

The estimated useful lives of each class of asset fall within the following ranges:

	2023	2022
Office furniture & equipment	3 – 5 years	3 – 5 years
Right-of-use assets: buildings	6 years	6 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at each reporting date.

(e) FINANCIAL INSTRUMENTS

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable), except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted. Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement of financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

Classification and subsequent measurement of financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

Compound financial instruments

Compound instruments (convertible notes) issued by the Group are classified as either financial liabilities or equity in accordance with the substance of the arrangements. An option that is convertible and that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments will be classified as equity.

The fair value of the liability component is estimated on date of issue. This is done by using the prevailing market interest rate of the same kind of instrument. This amount is recognised using the effective interest method as a liability at amortised cost until conversion or the end of life of the

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

instrument. The equity portion is calculated by deducting the liability amount from the fair value of the instrument as a whole. The equity portion is not remeasured after initial recognition. Equity will remain as such until the option is exercised. When the option is exercised a corresponding amount will be transferred to share capital. If the option lapses without the option being exercised the balance in equity will be recognised in profit or loss.

Costs of the transaction of the issue of convertible instruments are proportionally allocated to the equity and liability. Transaction costs in regards to the liability are included in the carrying amount of the liability and are amortised over its life using the effective interest method. Transaction cost in equity is directly recognised in equity.

Impairment

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group considers the following approaches to impairment, as applicable under AASB 9: *Financial Instruments*:

- the general approach
- the simplified approach
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g., loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(f) INVENTORIES

Inventories are measured at the lower of cost and net realisable value and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price less selling expenses.

(g) RESOURCE PROPERTIES

Exploration properties

Exploration properties are carried at cost less accumulated impairment losses. Exploration properties include the cost of acquiring resource properties, mineral rights and exploration and evaluation expenditure incurred subsequent to acquisition of an area of interest.

Exploration properties are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying value amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of the exploration license in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for an evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specific area; or
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Areas of interest which no longer satisfy the above policy are considered to be impaired and are measured at their recoverable amount, with any subsequent impairment loss recognised in the profit and loss.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

Development properties

Development properties are carried at balance date at cost less accumulated impairment losses. Development properties represent the accumulation of all exploration, evaluation and acquisition costs in relation to areas where the technical feasibility and commercial viability of the extraction of gas resources in the area of interest are demonstrable and all key project permits, approvals and financing are in place.

When there is low likelihood of the development property being exploited, or the value of the exploitable development property has diminished below cost, the asset is written down to its recoverable amount.

Production properties

Production properties are carried at balance date at cost less accumulated amortisation and accumulated impairment losses. Production properties represent the accumulation of all exploration, evaluation and development and acquisition costs in relation to areas of interest in which production licences have been granted and the related project has moved to the production phase.

Depletion charges are calculated to amortise the depreciable value of carried forward exploration, evaluation and subsurface development expenditure of production properties over the life of the Proved plus Probable (2P) reserves for a hydrocarbon reserve, together with future subsurface costs necessary to develop the respective hydrocarbon reserve.

Amortisation of costs is provided on the unit-of-production basis (UOP), separate calculations being performed for each area of interest. The UOP base results in an amortisation charge proportional to the depletion of economically recoverable reserves. The amortisation rate used in the period for each project in the production phase is as follows:

	2023	2022
Podere Maiar -1	2.6%	-

Amortisation of resource properties commences from the date when commercial production commences. When the value of the exploitable production property has diminished below cost, the asset is written down to its recoverable amount.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Group reviews the recoverable amount of resource property costs at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated (refer Note 1.3 (c)).

(h) PROVISIONS

Restoration and rehabilitation costs

Long term environmental obligations are based on the Group's environmental and rehabilitation plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbances that have occurred up to the date of the statement of financial position in respect of the eventual abandonment of well sites in development or in production and production fields. Increases due to additional environmental disturbances relating to the development of an asset are capitalised and recorded in resource property costs, and amortised over the remaining useful lives of the areas of interest. The net present value is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

Annual increases in the provision relating to the unwinding of the discount rate are accounted for in the statement of profit or loss and other comprehensive income as finance expense.

The estimated costs of rehabilitation are reviewed annually and adjusted against the relevant rehabilitation asset, as appropriate for changes in legislation, technology or other circumstances including drilling activity and are accounted for on a prospective basis. Cost estimates are not reduced by potential proceeds from the sale of assets.

(i) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings or other payables and unwinding of the discount of provisions and changes in the fair value of financial assets through profit and loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported as net amounts.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(j) EMPLOYEE BENEFITS

(i) Long-term service benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including on-costs and expected settlement dates, and is discounted using the rates attached to the Government bonds at the balance date which have maturity dates approximating to the terms of the Group's obligations.

(ii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(iii) Superannuation

The Group contributes to defined contribution superannuation plans. Contributions are recognised as an expense as they are due.

(k) FOREIGN CURRENCY

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euro, which is Po Valley's functional and presentation currency (refer note 1.2 (d)).

(ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss as finance income or expense.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the date of transaction or the date fair value was determined, if these assets and liabilities are measured at fair value. Foreign currency differences arising on retranslation are recognised in profit and loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation are translated to Euro at foreign exchange rates ruling at the date of the statement of financial position. The revenues and expenses of foreign operations are translated to Euro at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Foreign exchange gains and losses arising from monetary items receivable from or payables to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the foreign currency translation reserve.

(l) EARNINGS/LOSS PER SHARE

Basic earnings/loss per share ("EPS") is calculated by dividing the net profit/loss attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the net profit attributable to members of the parent entity, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(m) OTHER INDIRECT TAXES

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) and value added tax (VAT) except where the amount of GST or VAT incurred is not recoverable from the taxation authority. In these circumstances, the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST or VAT included. The net amount of GST or VAT recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a net basis. The GST and VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant taxation authority are classified as operating cash flows.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(n) SEGMENT REPORTING

The Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and resource property costs.

(o) REVENUE

Revenue is measured at the fair value of the consideration received or receivable, net of the amount of value added tax ("VAT") payable to the taxation authority or similar taxes. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involved with the goods, and the amount of revenue can be measured reliably.

Revenue from contracts with customers – gas sales

Gas sales revenue is recognised based on volume sold under contract with customers at the point in time where performance obligations are considered met. Generally, for the sale of gas, the performance obligation will be met when control of the gas passes at the delivery point. Gas sales are based on market prices under contractual arrangement, at the time of the delivery, there is only minimal risk of change in transaction price to be allocated to the product sold. Accordingly, at the point of sale there is no significant risk of revenue reversal relative to the cumulative revenue recognised, there is no constraining of variable consideration.

During the year, 100% of the gas sales revenue were from one customer (2022:NIL).

Proceeds received in advance of control passing are recognised as contract liability for deferred revenue. Deferred revenue liabilities unwind as revenue from contracts with customers, upon satisfaction of the performance obligation.

(p) LEASES

The Group as a lessee

For any new contracts, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use.

The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been disclosed separately under current and non-current liabilities.

(q) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(r) CHANGES IN ACCOUNTING POLICIES, DISCLOSURES, STANDARDS AND INTERPRETATIONS

(i) New and revised Standards and Interpretations on issue not yet adopted

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 annual reporting period ended 31 December 2023. The Directors do not believe that these new and revised Standards and Interpretations will have a material effect on the Group.

(ii) New Standards and Interpretations applicable for the annual reporting period ended 31 December 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: FINANCIAL RISK MANAGEMENT

Exposure to credit, market and liquidity risks arise in the normal course of the Group's business.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

Risk recognition and management are viewed as integral to the Group's objectives of creating and maintaining shareholder value, and the successful execution of the Group's strategies in gas exploration and development. The Board as a whole is responsible for oversight of the processes by which risk is considered for both ongoing operations and prospective actions. Management is

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

(i) Credit risk

The Group invests in short term deposits and trades with recognised, creditworthy third parties.

Cash and short-term deposits are made with institutions that have a credit rating of at least A1 from Standard & Poor's and A from Moody's.

Management has a credit policy in place whereby credit evaluations are performed on all customers and parties the Group and its subsidiaries deal with. The group monitors receivable balances on an ongoing basis and as a result believes its exposure to bad debts is not significant.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(ii) Market Risk

Interest rate risk

The Group is primarily exposed to interest rate risk arising from its cash and cash equivalents and borrowings. The Group does not hedge its exposure to movements in market interest rates. The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in bank accounts earning interest. The Group's exposure to interest rate risk and sensitivity analysis is disclosed in note 22.

Currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the respective functional currencies of consolidated entities. The currency giving rise to this risk is primarily Australian dollars.

In respect to monetary assets held in currencies other than Euro, the Group ensures that the net exposure is kept to an acceptable level by minimising their holdings in the foreign currency where possible by buying or selling foreign currencies at spot rates where necessary to address short term imbalances. The Group's exposure to currency risk and sensitivity analysis is disclosed in note 22.

(iii) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of issued share capital plus accumulated losses/earnings. The Board monitors accumulated losses/earnings.

The Board seeks to encourage all employees of the Group to hold ordinary shares.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position from shareholders.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Group does not have a defined share buy-back plan and there were no changes in the Group's approach to capital management during the year. There are no externally imposed restrictions on capital management.

(iv) Liquidity Risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Management prepares regular cash flow forecasts taking into consideration debt facility obligations. Capital expenditures are planned around cash flow availability. The Group's contractual maturities of financial liabilities, including estimated interest payments are disclosed in Note 22.

(v) Climate change risk

Key climate-related risks and opportunities relevant to the Group's operations include:

- The transition to a low carbon economy through technological improvements and innovations that support a lower carbon energy efficient system with decreased demand and changing community sentiment for fossil fuels, increased uncertainty time and cost associated with regulatory bodies granting approvals or licences on fossil fuel intensive projects. Transition to lower carbon economy also gives rise to opportunity for the Group's gas production assets. Natural gas is viewed as a key element to supporting a sustainable energy transition.
- Physical changes caused by climate change include increased severe weather events and chronic changes to weather patterns which may impact demand for energy and the Group's production assets and production capability. These events could have a financial impact on the Group through increased operating costs, maintenance costs, revenue generation and sustainability of its production assets.
- Policy changes by governments which may result in increasing regulation and costs which could have a material impact on the Group's operations.

Due to the nature of the uncertainties relating to the above risks, the financial impact has not been quantified for the financial year.

The Group is committed to continually improve climate change related disclosures as processes and understanding of climate change related matters improve alongside the Group's activities and operations.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 3: FINANCIAL REPORTING BY SEGMENTS

The Group's 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	
	2023	2022	2023	2022	2023	2022	2023	2022
	€	€	€	€	€	€	€	€
External revenues	-	115,628	-	103,874	2,605,215	-	2,605,215	219,502
Segment profit / (loss) before tax	-	70,545	-	71,432	1,831,030	-	1,831,030	141,977
Depreciation and amortisation	-	-	-	-	(189,969)	-	(189,969)	-
Unwind of discount on site restoration provision	-	-	-	-	(108,302)	-	(108,302)	-
Reportable segment assets:								
Resource property costs	4,733,654	4,661,672	-	6,736,926	5,241,713	-	9,975,367	11,398,598
Property, plant and equipment	-	-	-	-	1,938,726	-	1,938,726	-
Receivables	-	-	-	211,437	421,461	-	421,461	211,437
Other assets	11,325	-	-	484,470	-	-	11,325	484,470
	<u>4,744,979</u>	<u>4,661,672</u>	<u>-</u>	<u>7,432,833</u>	<u>7,601,900</u>	<u>-</u>	<u>12,346,879</u>	<u>12,094,505</u>
Capital expenditure	71,984	430,021	1,191,140	1,371,203	37,805	-	1,300,929	1,801,224
Reportable segment liabilities:								
Rehabilitation and restoration provision	-	-	-	(1,450,828)	(974,991)	-	(974,991)	(1,450,828)
Other liabilities	-	-	-	(452,896)	(90,466)	-	(90,466)	(452,896)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,903,724)</u>	<u>(1,065,457)</u>	<u>-</u>	<u>(1,065,457)</u>	<u>(1,903,724)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 3: FINANCIAL REPORTING BY SEGMENTS (continued)

Reconciliation of reportable segment profit or loss, assets and liabilities	CONSOLIDATED	
	2023 €	2022 €
Profit or loss:		
Total profit / (loss) for reportable segments	1,831,030	141,977
<i>Unallocated amounts:</i>		
Net finance expense not allocated to reportable segments	(31,905)	(256,131)
Other expenses	(997,934)	(881,697)
Consolidated profit / (loss) before income tax	<u>801,191</u>	<u>(995,851)</u>
Assets:		
Total assets for reportable segments	12,346,879	12,094,505
Other assets	2,594,381	3,041,061
Consolidated total assets	<u>14,941,260</u>	<u>15,135,566</u>
Liabilities:		
Total liabilities for reportable segments	(1,065,457)	(1,903,724)
Other liabilities	(335,279)	(432,399)
Consolidated total liabilities	<u>(1,400,736)</u>	<u>(2,336,123)</u>

NOTE 4: REVENUE

Gas sales contract with customers	<u>2,337,315</u>	-
All gas sales are recorded as revenue at a point in time.		

NOTE 5: COST OF SALES

Production operating costs	280,783	-
Capacity and transportation costs	28,122	-
Cash costs of production	<u>308,905</u>	-
Depreciation of plant and equipment	50,278	-
Depletion of resource property costs	139,691	-
Depreciation and amortisation expense	<u>189,969</u>	-

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	CONSOLIDATED	
	2023	2022
	€	€
NOTE 6: EMPLOYEE BENEFIT EXPENSES		
Wages, salaries and fees	563,963	454,384
Contributions to defined contribution plans	113,016	83,963
Less: allocation to projects	(111,538)	(149,724)
	565,441	388,623
	565,441	388,623
 NOTE 7: CORPORATE OVERHEADS		
Corporate overheads comprise:		
Company administration and compliance	122,492	140,349
Professional fees	357,478	233,151
Office costs	31,982	55,443
Travel and entertainment	31,748	26,054
Other expenses	28,454	48,523
	572,154	503,520
	572,154	503,520
 NOTE 8: AUDITOR'S REMUNERATION		
Audit and review of the Group financial statements		
<i>Auditor of the Company: HLB Mann Judd</i>	74,271	38,807
	74,271	38,807
 NOTE 9: FINANCE INCOME AND EXPENSE		
Recognised in profit and loss:		
Interest income	8,221	2,705
Finance income	8,221	2,705
	8,221	2,705
	8,221	2,705
Interest expense	6,227	43,472
Unwind of discount on site restoration provision	108,302	-
Foreign exchange (gains) / losses (net)	33,899	212,659
Finance expense	148,428	256,131
	148,428	256,131
Net finance expense	(140,207)	(253,426)
	(140,207)	(253,426)

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

		CONSOLIDATED	
		2023	2022
		€	€
NOTE 10:	INCOME TAX EXPENSE / (BENEFIT)		
	Current tax		
	Current year	31,952	-
	Deferred tax		
	Deferred tax expense / (benefit)	182,582	(12,137)
	Total income tax expense / (benefit)	<u>214,534</u>	<u>(12,137)</u>
	Numerical reconciliation between tax expense and pre-tax accounting profit / (loss)		
	Profit / (loss) for the year before tax from continuing operations	801,191	(995,851)
	Income tax benefit expense using the Company's domestic tax rate of 30% (2022: 26%)	240,358	(258,921)
	Permanent differences	(196,961)	39,088
	Effect of tax rates in foreign jurisdictions	(81,851)	5,863
	Current year losses and temporary differences for which no deferred tax asset was recognised	287,114	185,194
	Changes in temporary differences	(66,078)	16,639
	Foreign regional taxes payable	31,952	-
	Income tax expense / (benefit)	<u>214,534</u>	<u>(12,137)</u>
NOTE 11:	EARNINGS PER SHARE		
	Basic and diluted earnings / (loss) per share (€ cents)	0.05	(0.09)

The calculation of basic and diluted earnings per share from continuing operations was based on the profit after tax for the year of €586,657 (2022: loss €983,714) and a weighted average number of ordinary shares outstanding during the year of 1,157,419,155 (2022: 1,076,661,499).

Diluted earnings per share is the same as basic earnings per share.

	No. of days	Weighted average no 2023	Weighted average no 2022
The number of weighted average shares is calculated as follows:			
Number of shares on issue at beginning of the year	365	1,150,961,620	1,006,643,439
Performance rights exercised	347	2,852,055	-
Conversion of unlisted options – tranche 1	314	860,274	-
Conversion of unlisted options – tranche 2	299	819,178	-
Conversion of unlisted options – tranche 3	263	720,548	-
Conversion of unlisted options – tranche 4	256	701,370	-
Conversion of unlisted options – tranche 4	184	504,110	-
Conversion of convertible notes	243	-	41,609,590
Placement – tranche 1	139	-	27,003,736
Placement – tranche 2	58	-	1,155,667
Placement – tranche 3	25	-	249,067
Weighted average number of shares on issue at end of the year		<u>1,157,419,155</u>	<u>1,076,661,499</u>

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	CONSOLIDATED	
	2023	2022
	€	€
NOTE 12: CASH AND CASH EQUIVALENTS		
(a) Cash and cash equivalents	1,252,717	1,536,041
(b) Reconciliation of cash flows from operating activities		
Profit / (loss) for the year	586,657	(983,714)
<u>Adjustment for non-cash items:</u>		
Depreciation and amortisation	217,317	8,559
Unrealised foreign exchange losses	33,502	205,308
Employee benefit costs capitalised	(111,538)	(149,724)
Share based payments	-	61,225
Interest on lease liabilities	5,487	5,541
Unwind of discount on site restoration provision	108,302	-
Plant and equipment written off	7,495	-
<u>Change in operating assets and liabilities:</u>		
Increase in receivables	(355,212)	(164,898)
Increase in trade and other payables	32,692	152,609
Increase in provisions	170	668
Increase in regional tax payable	31,952	-
Decrease / (increase) in deferred tax assets	182,582	(12,137)
Net cash inflow / (outflow) from operating activities	739,406	(876,563)

NOTE 13: TRADE AND OTHER RECEIVABLES

Current

Trade receivables	69,461	211,793
Sundry debtors	18,915	37,634
Indirect taxes receivable	251,343	185,053
Accrued revenue	352,000	-
	691,719	434,480

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 22.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

	CONSOLIDATED	
	2023	2022
	€	€
NOTE 14: PROPERTY PLANT & EQUIPMENT		
Land – gas producing well site	52,100	-
Gas producing plant and equipment		
<i>At Cost</i>	1,936,904	-
<i>Accumulated depreciation</i>	(50,278)	-
	<u>1,886,626</u>	<u>-</u>
Office Furniture & Equipment:		
<i>At cost</i>	29,666	39,707
<i>Accumulated depreciation</i>	(20,097)	(18,775)
	<u>9,569</u>	<u>20,932</u>
Right-of-use asset: Building (Note 19)		
<i>At Cost</i>	148,678	140,884
<i>Accumulated depreciation</i>	(29,350)	(5,870)
	<u>119,328</u>	<u>135,014</u>
Total property plant & equipment	<u>2,067,623</u>	<u>155,946</u>
Reconciliations:		
Reconciliation of the carrying amounts of each class property, plant & equipment are set out below:		
<i>Land – production well site</i>		
Carrying amount at beginning of period	-	-
Additions – reclassified from resource property costs	52,100	-
	<u>52,100</u>	<u>-</u>
<i>Gas production plant and equipment</i>		
Carrying amount at beginning of period	-	-
Additions – reclassified from resource property costs	1,900,710	-
Additions	36,194	-
Depreciation expense	(50,278)	-
	<u>1,886,626</u>	<u>-</u>
<i>Office furniture & equipment</i>		
Carrying amount at beginning of year	20,932	7,021
Additions office furniture & equipment	-	16,600
Written off	(7,495)	-
Depreciation expense	(3,868)	(2,689)
Carrying amount at end of year	<u>9,569</u>	<u>20,932</u>
<i>Right-of-use assets</i>		
Carrying amount at beginning of year	135,014	-
Additions right-of-use assets	-	140,884
Remeasurement of lease arrangements	7,794	-
Depreciation expense	(23,480)	(5,870)
Carrying amount at end of year	<u>119,328</u>	<u>135,014</u>
	<u>2,067,623</u>	<u>155,946</u>

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

	CONSOLIDATED	
	2023	2022
	€	€
NOTE 15: RESOURCE PROPERTY COSTS		
Resource Property costs		
Exploration and evaluation phase	4,733,654	4,661,672
Development phase	-	6,736,926
Production phase	5,241,713	-
	<u>9,975,367</u>	<u>11,398,598</u>
Reconciliation of carrying amount of resource properties		
<i>Exploration and Evaluation Phase</i>		
Carrying amount at beginning of year	4,661,672	8,146,546
Exploration expenditure	71,982	430,021
Transfer to development phase	-	(3,914,895)
Carrying amount at end of year	<u>4,733,654</u>	<u>4,661,672</u>
Development Phase		
Carrying amount at beginning of year	6,736,926	-
Transfer from exploration and evaluation phase	-	3,914,895
Development expenditure	1,191,140	1,371,203
Transfer to production phase	(7,928,066)	-
Restoration and rehabilitation asset	-	1,450,828
Carrying amount at end of year	<u>-</u>	<u>6,736,926</u>
Production Phase		
Carrying amount at beginning of period	-	-
Transfer from development phase	7,928,066	-
Additions	1,612	-
Reclassified to property, plant & equipment (Gas producing assets and well site land)	(1,952,810)	-
Reclassified as inventory	(11,325)	-
Impact of changes to rehabilitation and restoration provision	(584,139)	-
Amortisation	(139,691)	-
	<u>5,241,713</u>	<u>-</u>

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 15: RESOURCE PROPERTY COSTS (continued)

Resource property costs in the 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.

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.

The Group assessed each asset or cash generating unit (CGU) for any indication of impairment, reviewing the carrying value of these assets and in relation to significant projects in conjunction with reviewing the recoverable amount using a Value in Use CGU valuation.

The Group bases its calculation on detailed budgets and forecasts, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecasts generally cover the forecasted life of the CGUs. VIU does not reflect future cash flows associated with improving or enhancing an asset's performance.

The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). In calculating VIU, the estimated future cash flows are discounted to their present value using an after-tax discount rate (10%) that reflects current market assessments of the time value of money and the risks specific to the assets.

As a result of this assessment, with the recoverable amount exceeding the carrying value of these assets, no impairment was required on the carrying value of these material projects.

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 16: DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets

Deferred tax assets have been recognised in respect of the following items:

	CONSOLIDATED	
	2023	2022
	€	€
Tax losses (Italy)	910,822	1,093,161
Accrued expenses and liabilities	27,009	27,252
Recognised deferred tax assets	937,831	1,120,413

The tax losses in both Italy and Australia do not expire. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have been recognised in respect of these items because it is probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Tax losses (Australia)	3,826,380	3,035,105
Tax losses (Italy)	152,436	152,436
Deductible temporary differences	76,423	93,572
Unrecognised deferred tax assets	4,055,239	3,281,113

Deferred tax benefit will only be obtained if:

- (i) The relevant company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) The relevant company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) No changes in tax legislation adversely affect the relevant company in realising the benefit from the deductions for the losses.

Movement in recognised temporary differences during the year

	Balance 1		Equity	Balance 31		Equity	Balance 31
	January	Profit and		December	Profit and		December
Consolidated	2022	loss	€	2022	loss	€	2023
	€	€	€	€	€	€	€
Tax losses	1,041,718	51,443	-	1,093,161	(182,339)	-	910,822
Accrued expenses and liabilities	66,558	(39,306)	-	27,252	(243)	-	27,009
Total recognised deferred tax asset	1,108,276	12,137	-	1,120,413	(182,582)	-	937,831

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 17: TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2023	2022
	€	€
Trade payables and accruals	296,251	741,384
	296,251	741,384

The Group's exposure to currency and liquidity risks related to trade and other payables are disclosed in Note 22.

NOTE 18: PROVISIONS

Current:

Employee leave entitlements	4,557	4,387
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Non-current:

Rehabilitation and restoration provision	974,991	1,450,828
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Reconciliation of rehabilitation and restoration provision:

Opening balance	1,450,828	-
Provision for rehabilitation and restoration costs	-	1,450,828
Impact of changes to cost estimates	(544,679)	-
Impact of changes to assumptions	(39,460)	-
Unwind of discount	108,302	-
Closing balance	974,991	1,450,828

Provision has been made for the future removal and environmental restoration costs at the Podere Maiar-1 well site in the Selva Malvezzi production concession. The estimated future obligation includes the costs of removing facilities, abandoning well site, restoring the affected area and is the best estimate of the present value of the future expenditure required to settle the restoration obligation at the reporting date. 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.

The Group reviewed the provision at reporting date for works completed during development and revised costs estimates for current prices and conditions to ensure provision is appropriate at the reporting date. This review resulted in a reduction of the cost base of \$544,679.

The estimated net present value at 31 December 2023 is €974,991 (net 63% to the Group) (31 December 2022 €1,450,828) based on an undiscounted total future liability of €1,122,572 (net) (2022: €1,701,000 (net)) using a discount factor, being the risk-free interest rate, of 4.04% p.a. and inflation rate of 2.79% p.a. Payments of these costs are expected at the end of the life of the field in approximately 14 years.

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 19: 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

Right-of-use assets related to leased properties that do not meet the definition of investment property and are presented as property, plant & equipment (see Note 14).

	CONSOLIDATED	
	2023	2022
	€	€
Buildings		
Balance at 1 January	135,014	-
Additions to right-of-use assets (new leases)	-	140,884
Remeasurement of lease arrangements	7,794	
Depreciation	(23,480)	(5,870)
Total	119,328	135,014
 <i>Amounts recognised in profit and loss:</i>		
Interest on lease liabilities	5,488	5,541
 <i>Amounts recognised in statement of cash flows:</i>		
Payment of lease liabilities	27,870	6,900
 <i>Lease liabilities:</i>		
Lease liabilities are presented in the statement of financial position separately withing liabilities as follows:		
Lease liabilities – current	24,851	22,112
Lease liabilities – non-current	100,086	117,412
	124,937	139,524

Lease liabilities are for the main operation office in Rome Italy. Future minimum lease payments at 31 December were as follows:

	Within one year	One to five years	After 5 years	Total
Lease payments	28,680	107,550	-	136,230
Finance charges	(3,829)	(7,464)	-	(11,293)
Net Present values	24,851	100,086	-	124,937

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

20: CAPITAL AND RESERVES

	Issue price	Ordinary Shares		CONSOLIDATED	
		2023 Number	2022 Number	2023 €	2022 €
Share Capital					
Opening balance - 1 January		1,150,961,620	1,006,643,438	56,632,102	52,719,884
<u>Shares issued during the reporting period:</u>					
Exercise of performance rights	-	3,000,000	-	61,225	-
Conversion of options	A\$0.05	5,000,000	-	155,711	-
Conversion of convertible notes	A\$0.028	-	62,500,000	-	1,180,454
Placement	A\$0.055	-	81,818,182	-	3,071,153
Share issue costs		-	-	(1,287)	(339,389)
Closing balance – 31 December		1,158,961,620	1,150,961,620	56,847,751	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.

	CONSOLIDATED	
	2023 €	2022 €
Reserves		
Translation Reserve	1,192,269	1,192,269
Share based payment Reserve	107,714	179,626
	<u>1,299,983</u>	<u>1,371,895</u>

Translation Reserve

The translation reserve of €1,192,269 comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. The historical balance comprises of translation differences prior to change in functional currency of a foreign operation.

Share based payment Reserve

The share based payment reserve of €107,714 comprises the fair value of vested options and performance rights issued as consideration.

Share based payment reserve reconciliation for the period:

Opening balance	179,626	10,687
Options exercised during the period	(10,687)	-
Performance rights exercised during the period	(61,225)	-
Issue of options during the period (refer Note 21)	-	107,714
Vesting of performance rights during the period (refer Note 21)	-	61,225
Closing balance	<u>107,714</u>	<u>179,626</u>

Dividends

No dividends were paid or declared during the current year (2022: Nil).

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 21: 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:

	31 December 2023	31 December 2022
	No.	No.
Performance rights at the start of the year	3,000,000	-
Granted in the year	-	3,000,000
Exercised in the year	(3,000,000)	-
	<hr/>	<hr/>
Performance rights at the end of the year	-	3,000,000
	<hr/>	<hr/>

There were no performance rights outstanding over unissued ordinary shares at 31 December 2023 and there have been no rights granted subsequent to the year end.

Options:

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

During the year, 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 31 December 2023 (2022: Nil), and no options were issued or cancelled subsequent to the year end.

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

	31 December 2023		31 December 2022	
	No.	WAEP (€ cents)	No.	WAEP (€ cents)
Options outstanding at the start of the year	12,500,000	0.053	5,000,000	0.031
Granted in the year	-	-	7,500,000	0.068
Exercised in the year	(5,000,000)	0.031	-	-
		<hr/>		<hr/>
		0.068		0.053
Performance rights at the end of the year	7,500,000	(AU\$0.10)	12,500,000	(AU\$0.08)
	<hr/>	<hr/>	<hr/>	<hr/>

The weighted average contractual life for un-exercised options is 6 months.

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 21: SHARE BASED PAYMENTS (continued)

The number of options issued and outstanding over unissued ordinary shares at 31 December 2023 is as follows:

Grant date	Exercise price	Expiry date	Balance at 31 December 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 22: FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposures

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	CONSOLIDATED	
	2023	2022
	€	€
Variable rate instruments		
Financial assets	1,252,717	1,536,041
Financial liabilities	-	-
	<u>1,252,717</u>	<u>1,536,041</u>
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(124,937)	(139,524)
	<u>(124,937)</u>	<u>(139,524)</u>

Cash flow sensitivity analysis for variable rate instruments:

A strengthening of 50 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2022.

<i>Effect in €'s</i>	Profit or loss		Equity	
	2023	2022	2023	2022
31 December				
Variable rate instruments	6,264	7,680	-	-

(b) Credit Risk

Exposure to credit risk

The Group is not exposed to significant credit risk. Credit risk with respect to cash is held with recognised financial intermediaries with acceptable credit ratings.

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 22: FINANCIAL INSTRUMENTS (continued)

The Group is not exposed to significant credit risk. Credit risk with respect to cash is held with recognised financial institutions with acceptable credit ratings. The Group has limited its credit risk in relation to its gas sales in that all transactions fall within an offtake agreement with BP Gas Marketing Limited the initial term to 30 September 2024 with an option to extend.

The Group has a concentration of credit risk exposure to its one customer (BP Gas Marketing Limited). Settlement and payment terms are 20 days after month end, and the customer has an investment grade credit rating.

Receivables from joint operations partners fall under the Joint Operations Agreement for the development of the Selva project. Other receivables from Government agencies have limited credit risk as these are either offset against other indirect taxes or payroll taxes payable first with any remainder receivable within a 12-month period.

The carrying amount of the Group's financial assets represents the maximum credit exposure and is shown in the table below. No receivables are considered past due nor were any impairment losses recognised during the period.

	Note	CONSOLIDATED Carrying Amount	
		2023	2022
		€	€
Cash and cash equivalents	12	1,252,717	1,536,041
Receivables – current	13	691,719	434,480
Other assets		4,678	490,088
		1,949,114	2,460,609

(c) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

**Consolidated
31 December 2023
€**

	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 – 2 Years	2 – 5 Years
Trade and other payables	(296,251)	(296,251)	(296,251)	-	-	-
Lease liabilities	(124,937)	(136,230)	(14,340)	(14,340)	(57,360)	(50,190)
	(421,188)	(432,481)	(310,591)	(14,340)	(57,360)	(50,190)

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 22: FINANCIAL INSTRUMENTS (continued)

31 December 2022

€	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 – 2 Years	2 – 5 Years
Trade and other payables	(741,384)	(741,384)	(741,384)	-	-	-
Lease liabilities	(139,524)	(158,700)	(13,800)	(13,800)	(27,600)	(103,500)
	<u>(880,908)</u>	<u>(900,084)</u>	<u>(755,184)</u>	<u>(13,800)</u>	<u>(27,600)</u>	<u>(103,500)</u>

(d) Net Fair Values of financial assets and liabilities

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

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 & 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 not other financial assets and liabilities at fair value.

(e) Foreign Currency Risk

The Group is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than Euro. The currencies giving rise to this risk is primarily Australian Dollars.

	CONSOLIDATED	
	2023	2022
Amounts receivable/(payable) in foreign currency other than functional currency:	€	€
Cash	21,794	1,473,921
Current – payables	(50,941)	(17,484)
Net exposure	<u>(29,147)</u>	<u>1,456,437</u>

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 22: FINANCIAL INSTRUMENTS (continued)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
Australian Dollar (\$)	0.619	0.659	0.614	0.636
USA Dollar (US\$)	0.912	-	0.924	-

Sensitivity Analysis

A 5% strengthening of these currencies against the Euro (€) at 31 December would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis for 2022 was prepared using the same basis.

	CONSOLIDATED	
	Profit or loss	Equity
	€	€
31 December 2023		
Australian Dollar to Euro (€)	(1,008)	-
USA Dollar to Euro (€)	(449)	-
31 December 2022		
Australian Dollar to Euro (€)	72,822	-

A 5% weakening of these currencies against the Euro (€) at 31 December would have the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

NOTE 23: COMMITMENTS AND CONTINGENCIES

Contractual Commitments and contingencies

The table below summarises material commitments for the Group

	One to five		
	Within one year	years	After 5 years
Leases (refer Note 19)	28,680	107,550	-
	28,680	107,550	-

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 31 December 2023.

PO VALLEY ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 24: RELATED PARTIES

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation included in employee benefit expenses (see Note 6) is as follows:

	CONSOLIDATED	
	2023	2022
	€	€
Short-term employee benefits	117,900	68,298
Termination benefits	-	5,171
Other long term benefits	-	-
Post-employment benefits	-	-
	<hr/>	<hr/>
	117,900	73,469
	<hr/>	<hr/>

Other balances owing to directors are as follows:

Related Party	Directors' remuneration outstanding at 31 Dec 2022	Fees for the year	Amount paid	Directors' remuneration outstanding at 31 Dec 2023
	€	€	€	€
Kevin Bailey AM	62,034	35,299	(97,333)	-
Sara Edmonson	-	27,515	(27,515)	-
Joseph Constable	6,655	27,533	(34,188)	-
Katrina O'Leary	-	27,553	(27,553)	-
Total	<hr/>	<hr/>	<hr/>	<hr/>
	68,689	117,900	(186,589)	-
	<hr/>	<hr/>	<hr/>	<hr/>

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 25: PARENT ENTITY DISCLOSURES

	COMPANY	
	2023	2022
	€	€
<i>Financial Position</i>		
Assets		
Current assets	180,173	1,559,240
Non-current assets	12,688,233	11,443,468
Total assets	12,868,406	13,002,708
Liabilities		
Current liabilities	(83,990)	(203,265)
Non-current liabilities	-	-
Total liabilities	(83,990)	(203,265)
Net Assets	12,784,416	12,799,443
Equity		
Issued capital	56,847,752	56,632,102
Reserves	107,714	179,626
Accumulated losses	(44,171,050)	(44,012,285)
Total equity	12,784,416	12,799,443
<i>Financial Performance</i>		
Loss	(169,457)	(1,097,516)
Other comprehensive loss	-	-
Total comprehensive loss	(169,457)	(1,097,516)

NOTE 26: INTERESTS IN OTHER ENTITIES AND JOINT OPERATIONS

The Group's interest in joint arrangements at 31 December 2023 is as follows:

Joint Operation	Manager	Company's Interest	Principal Activity (Exploration)
Selva Malvezzi Field	Po Valley Operations	63%	Gas

The Group received the Selva Malvezzi Production concession in July 2022 and holds a 63% interest in the field together with Prospex Oil and Gas Plc ("Prospex") holding 37% (includes 20% held by Prospex subsidiary UOG Italia S.r.l). Po Valley Operations (100% subsidiary of the Company) is operator under a Joint Operations Agreement ("JOA").

PO VALLEY ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 26: INTERESTS IN OTHER ENTITIES AND JOINT OPERATIONS (continued)

Subsidiaries

The parent and ultimate controlling party of the Group is Po Valley Energy Limited. The investments held in controlled entities are included in the financial statements of the parent at cost less any impairment losses. Details of the subsidiary is tabled below:

Name:	Country of Incorporation	Class of Shares	2023 Investment €	2022 Investment €	Holding %
Po Valley Operations Pty Limited ("PVO")	Australia	Ordinary	4,043,419	4,043,419	100

NOTE 27: SUBSEQUENT EVENTS

There were no events between the end of the financial year and the date of this report that, in the opinion of the Directors, will affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

PO VALLEY ENERGY LIMITED

DIRECTORS' DECLARATION

1. In the opinion of the directors of Po Valley Energy Limited ("the Company"):
 - i) the financial statements and notes, as set out on pages 19 to 62, and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance, for the financial year ended on that date; and
 - b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - ii) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by 295A of the *Corporations Act 2001* for the financial year ended 31 December 2023.
3. The Directors draw attention to Note 1.2(a) to the Financial Statements which includes a statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of directors.



Kevin Bailey AM
Chairman
28 March 2024

INDEPENDENT AUDITOR'S REPORT

To the Members of Po Valley Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Po Valley Energy Limited (“the Company”) and its controlled entities (“the Group”), which comprises the consolidated statement of financial position as at 31 December 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 year then ended, notes to the financial statements, including material accounting policy information, and the directors’ declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group’s financial position as at 31 December 2023 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>Note 4 to the financial report</p>	<p>Our audit procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> - Obtaining an understanding of the Group's processes for revenue recognition and controls in place around gas sales; - Performing substantive tests of detail of all gas sales transactions during the year to supporting documentation and receipt of cash; - Assessing the Group's policies for recognition of revenue against the requirements of the accounting standards and ensuring these are applied correctly and adequately disclosed in the financial statements; and - Performing sales cut-off procedures focusing on sales around balance date, testing a sample of transactions to underlying documentation and assessing the period in which they were recognised.
<p>The Group generates revenue from gas sales. The Group recognised sales revenue of €2,337,315 for the year (2022: €nil).</p> <p>Revenue recognition is considered to be a key audit matter given the significance of revenue to the Group's results as well as the fraud risk around revenue recognition including:</p> <ul style="list-style-type: none"> - An overstatement of revenues through premature revenue recognition or recording of fictitious revenues; or. - Revenue not being recognised when control is transferred to the customer, resulting in it not being recognised in the correct accounting period. <p>Revenue is recognised when control is transferred to the buyer and the amount of revenue can be reliably determined. This occurs for the Group when the control of gas passes at the delivery point.</p>	
<p>Recoverability of exploration and evaluation phase assets</p> <p>Note 15 to the financial report</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> - Obtaining an understanding of the key processes associated with management's review of the carrying values of each area of interest; - Verifying a sample of amounts capitalised; - Considering management's assessment of potential indicators of impairment; - Obtaining evidence that the Group has current rights to tenure of its areas of interest; - Examining the exploration budget for the year ending 31 December 2024 and discussing with management the nature of planned activities; - Enquiring with management, reviewing ASX announcements and reviewing minutes of Directors' meetings to ensure that the Group had not resolved to discontinue exploration and evaluation at any of its areas of interest; and - Examining the disclosures made in the financial report.
<p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group's accounting policy is to capitalise exploration and evaluation expenditure. As at 31 December 2023 the Group had €4,733,654 of capitalised exploration and evaluation costs.</p> <p>Our audit focused on the Group's assessment of the carrying amount of the capitalised exploration and evaluation costs, as this is one of the most significant assets of the Group. We planned our work to address the audit risk that the capitalised expenditure may no longer meet the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of the exploration and evaluation costs may exceed their recoverable amounts.</p>	

Recoverability of gas producing plant and equipment and production phase assets

Notes 14 and 15 to the financial report

As at 31 December 2023 the Group had gas producing plant and equipment with a carrying value of €1,886,626 and production phase assets of €5,241,713.

Assessing the recoverability and carrying value of these balances was considered to be a key audit matter due to the judgements and estimations involved.

These estimations and judgements relate to two main areas, being impairment indicators and depreciation and amortisation associated with these assets.

Impairment indicators involve assessing future forecasts and judgement around recoverability of the assets.

Depreciation and amortisation involves using estimated reserves and resources in a units of production methodology.

Our audit procedures included but were not limited to the following:

- Obtaining an understanding of the processes and controls in place around management's assessment of the recoverability of the assets;
 - Testing for impairment indicators to determine whether any such indicators exist at balance date;
 - Reviewing future plans for the cash-generating units and ensuring that such plans support the recoverability of the related assets;
 - Ensuring items capitalised during the year were appropriate to capitalise;
 - Assessing the application of reserves and resources in the depreciation/amortisation models by comparing them to the latest published statement and underlying records;
 - Testing the mathematical accuracy of the depreciation/amortisation models; and
 - Assessing the adequacy of the Group's disclosures within the financial statements.
-

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Po Valley Energy Limited for the year ended 31 December 2023 complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 March 2024



L Di Giallonardo
Partner

PO VALLEY ENERGY LIMITED TECHNICAL SUMMARY

The following information is provided in order to comply with Chapter 5 of the ASX Listing Rules and include general requirements applicable to the public reporting of petroleum resources and specific information to be included in the oil and gas exploration:

1) TENEMENTS

Po Valley Energy Limited (the “Company, “Po Valley Energy” or “PVE”) holds 100% of Po Valley Operations Pty Ltd (“PVO”) together the Group. PVO holds the titles to all exploration permits fully awarded and / or preliminary awarded production concessions.

Its operations are located entirely in the north of Italy.

As at 31 December 2023, the Group’s core portfolio includes 1 awarded production concession (Selva Malvezzi), 1 preliminary awarded production concession with environmental approval granted (Teodorico), 3 onshore Exploration Permits and 1 offshore Exploration Permit as detailed in Table 1.

Total acreage position of the Group at 31 December 2023 is 733,73 km².

For an illustration of each asset’s location please refer to the map in Figure 1 and Table 1.

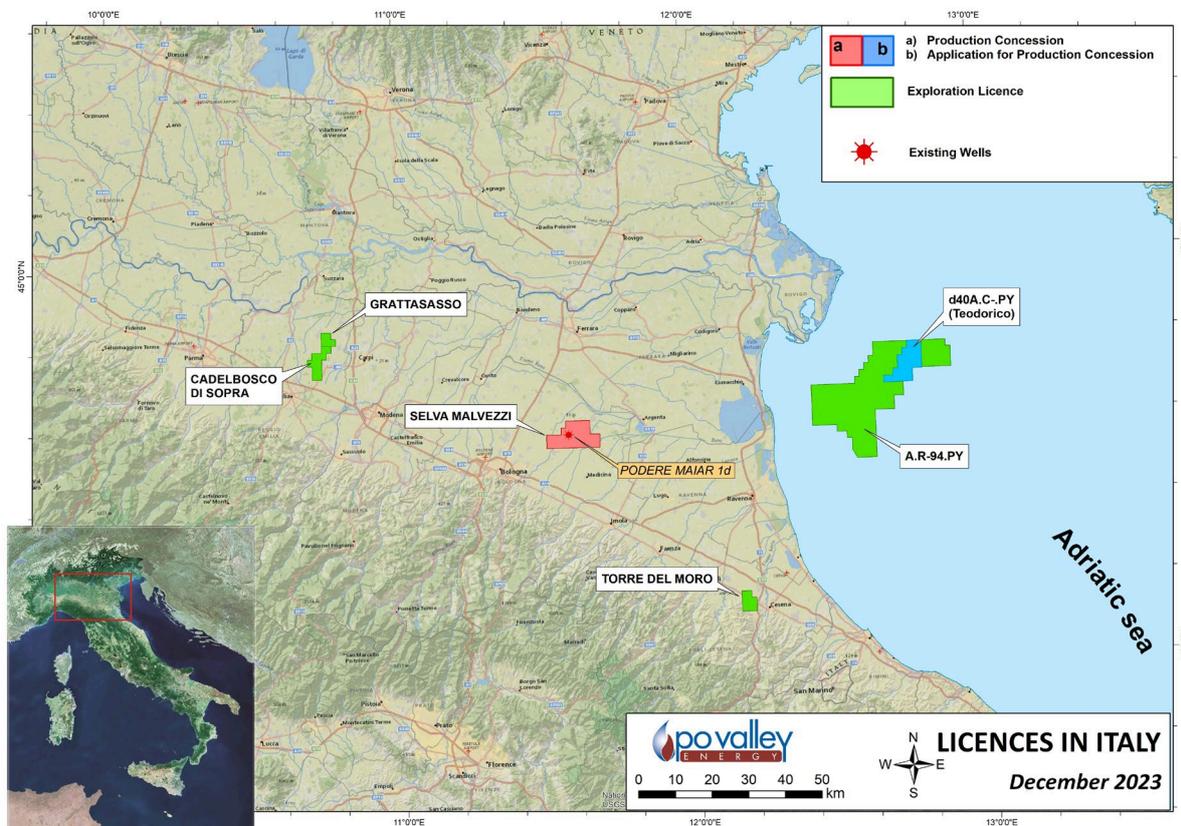


Figure 1: Licences map at 31 December 2023

PO VALLEY ENERGY LIMITED
TECHNICAL SUMMARY

Table 1 below summarises the ownership % held by the Group of each tenement as at 31 December 2023:

		Tenement	Location	Interest held
PRODUCTION CONCESSIONS	AWARDED	Selva Malvezzi ⁽¹⁾	Italy, Emilia Romagna	63% Po Valley ⁽¹⁾
	PREL. AWARDED	Teodorico (d.40.AC-PY)	Italy, Adriatic Offshore	100% Po Valley
EXPLORATION PERMITS	GRANTED	AR94PY	Italy, Adriatic Offshore	100% Po Valley
		Cadelbosco di Sopra	Italy, Emilia Romagna	100% Po Valley
		Grattasasso	Italy, Emilia Romagna	100% Po Valley
		Torre del Moro	Italy, Emilia Romagna	100% Po Valley

Table 1: Tenements at 31 December 2023

⁽¹⁾ Net to PVE is 63%, JV partners' 37% held by Prospex Group (Prospex Oil & Gas Plc 17% and UOG Italia S.r.l. 20%, UOG Italia S.r.l is a wholly owned subsidiary of Prospex Oil & Gas Plc. Notices of the quota transfers were submitted to Italian ministry in November 2022 and formally approved by MASE on 6th March 2024.)

2) RESERVES AND RESOURCES STATEMENT

The following tables summarise the status of the Group's Reserves & Resources as at 31 December 2023.

Group Reserves	Reserves as at		Reserves as at	
	31 December 2023		31 December 2022	
Gas, Italy (bcf)	1P	2P	1P	2P
Developed				
Selva Malvezzi (Podere Maiar) [net] ¹	2.38	8.18	2.60	8.40
Undeveloped				
Teodorico	27	37	27	37
Total Reserves	29.38	45.18	29.60	45.4

Table 2: Total Group Reserves (per CPR dated 25 July 2022 ASX announcement 26 July 2022 less depletion from production)

Reserves Reconciliation	Reserves as at	Reserves as at
Gas, Italy (bcf)	1P	2P
Reserves at 31 December 2022	29.60	45.40
Production at Selva Malvezzi [net]	0.22	0.22
Total Reserves	29.38	45.18

Table 3: Reconciliation of Reserves

PO VALLEY ENERGY LIMITED
TECHNICAL SUMMARY

The movement in reserves for the year is a result of the production of gas at the Podere Maiar-1 well in the Selva Malvezzi concession summarised in the table below:

Production well	Gross 100%	Net to PVE 63%
<i>Podere Maiar-1</i>	9,838,132 scm (0.35bcf)	6,198,022 scm (0.22 bcf)

Table 4: Production summary

The Group does not have unconventional petroleum resources in its portfolio.

Undeveloped reserves held for longer than 5 years since first reported:

Teodorico (37 bcf 2P Reserve) has been held for longer than 5 years since first reported. The Group received Environmental Impact assessment Decree in March 2021. During 2022, the impact of the Italy's Plan of Sustainable Energy Transition of Suitable Areas ("Pitesai") was being assessed which inhibit progression for development. A recent court ruling struck down the Pitesai which restricted domestic exploration activity. In December 2023, the Italian government published a New Energy Decree in response to Italy's energy security needs which include measures to strengthen the production and security of domestic natural gas supply. An accelerate permitting regime is envisaged as an integral part of this decree. The decree was converted into law in February 2024 and must be operationalised. The Italian Government has assigned this mandate to Gestore Servizi Energetici "GSE", an existing regulated body for energy in Italy. Po Valley is currently investigating the implications of this new law in consultation with its legal advisers and the relevant Ministry, MASE, to determine the full impact on Teodorico. Ultimately the law is promoting domestic production citing the Northern Adriatic as a key source of natural gas for the country therefore the impact on Teodorico is positive, however the details are still being worked through from an operational perspective.

The Company continues to assess how best to realise value from its 100%-owned Teodorico off-shore asset, either via a joint venture for development or sale.

Group Contingent Resources	Contingent Resources as at		Contingent Resources as at	
	31 December 2023		31 December 2022	
	1C	2C	1C	2C
Gas (bcf)	13.1	26.9	13.1	26.9

Table 5: Total Group Contingent Resources (as per CPR dated 25 July 2022 ASX announcement 26 July 2022)

There have been no changes in contingent resources since the prior year.

Where reported, aggregated reserves and contingent resources are aggregated by arithmetic summation by category.

PO VALLEY ENERGY LIMITED
TECHNICAL SUMMARY

Current estimates of contingent and prospective resources by licence are shown in Table 6 below.

Licence	Project	Reserves			Contingent Resources			Prospective Resources		
		Gas Bcf								
		1P	2P	3P	1C	2C	3C	Low	Best	High
Selva Malvezzi [Net]	Selva (Podere Maiar1)	2.38	8.18	18.58						
	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			
	Fondo Perino							6.4	9.2	12.9
	East Selva							18.3	21.9	25.6
	Riccardina							8.2	24.4	81.2
AR94PY	Teodorico	27	37	48						
	Teodorico				7.4	10.6	14.0			
	PL3-C							7.9	15.9	25.0
Cadelbosco di Sopra	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
Torre del Moro	Torre del Moro							420.7	502	596.1

Table 6: Gas Reserves and Resources by Field at 31 December 2023 (as per CPR dated 25 July 2022 ASX announcement 26 July 2022) less depletion from production for the year 2023.

Prospective Resources are the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons

In reference to the reserve and resources estimation process, the Group commits to a regular independent audit in order to obtain a certified update of its Reserves and Resources portfolio. The last review took place in July 2022 (refer Competent Persons Report dated 25 July 2022 ASX announcement 26 July 2022). The reserves and resources estimates of the gas fields Teodorico and Selva were independently evaluated by the geological and petroleum reservoir consultancy firm CGG (UK) Services Ltd in 2018 and 2019 and reviewed in July 2022 (ASX announcement 26 July 2022).

The currently is no new information or data that materially affects the information included in the July 2022 review of reserve and resource estimates and all material assumptions and technical parameters underpinning the estimates in that review continue to apply and have not materially changed. Where applicable, reserve estimates reported are updated for depletion form production during the year as summarised in Tables 3 and 4.

All figures have been determined using a deterministic method except Teodorico which was estimated using a probabilistic method.

PO VALLEY ENERGY LIMITED TECHNICAL SUMMARY

Estimates of the recoverable volumes for each field and a detailed explanation of how this review was carried out as required under the Chapter 5 ASX Listing Rules are provided in the ASX announcement 26 July 2022 “*Revised and updated Competent Persons report on PVE assets*” together with a Competent Persons Report issued by CGG(UK) Services Ltd dated 25 July 2022. All estimates are based on independent evaluations in accordance with the Petroleum Resource Management System PRMS (2007/2011) as published by the Society of Petroleum Engineers (SPE).

Qualified Petroleum Reserves and Resources Evaluator:

Statements in this Annual Report regarding estimates of petroleum Reserves and Contingent and Prospective Resources are based on the technical work carried out by Po Valley Technical Team validated/certified by the geological and petroleum reservoir consultancy firm CGG (UK) Services Ltd.

CGG (UK) Services Ltd has approved the Reserves statement as a whole and has consented to:

- (a) the inclusion of the estimated petroleum Reserves and Contingent and Prospective Resources and supporting information in this Annual Report in the form and context in which they are presented; and
- (b) the inclusion of the Reserves statement in this Annual Report in the form and context in which it appears.

The Group confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of oil and gas reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

The Reserves and Resources Statement is based on, and fairly represents, information and supporting documentation prepared by or under the supervision of Andrew Webb, Manager of Petroleum Reservoir and Economics of CGG Services (UK) Limited (“CGG”) Reference no. 8P512. CGG compiled these estimates to confirm with the definitions or the Petroleum Resources Management Systems (2007 and 2011) as published by the Society of Petroleum Engineers (SPE). These estimates were prepared as part of a CPR dated 25 July 2022 which was lodged with the ASX on 26 July 2022. Mr. Webb is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters in the form and context in which it appears.

RESERVES are those quantities of hydrocarbon anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.

Proved Reserves are those quantities of hydrocarbon, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations (1P).

PO VALLEY ENERGY LIMITED TECHNICAL SUMMARY

Probable Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P).

Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than probable reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of proved plus probable plus possible (3P) Reserves, which is equivalent to the high estimate scenario.

CONTINGENT RESOURCES are those quantities of hydrocarbon estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies.

PROSPECTIVE RESOURCES are those quantities of hydrocarbon that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. ***These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.***

For Contingent Resources, the general cumulative terms low/best/high estimates are denoted as 1C/2C/3C respectively. For Prospective Resources, the general cumulative terms low/best/high estimates still apply. No specific terms are defined for incremental quantities within contingent and Prospective Resources.

PO VALLEY ENERGY LIMITED
ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Requirements and not disclosed elsewhere in this report is set out below.

Information regarding share holdings is current as at 15 April 2024.

ORDINARY SHAREHOLDERS

1. TOP TWENTY SHAREHOLDERS

Details of the 20 largest shareholders of quoted fully paid ordinary shares by registered shareholding are:

	Name	Number	%
1	Mr Kevin Bailey & Mr Christopher Bailey <Bailey Family a/c>	135,879,916	11.72
2	Symmall Pty Ltd	127,633,636	11.01
3	Michael Masterman	87,525,732	7.55
4	Bond Street Custodians Limited	85,694,960	7.39
5	Lambert Blue Chip Investments Pty Ltd	56,523,436	4.88
6	Fuiloro Pty Ltd	55,281,743	4.77
7	H&G High Conviction Limited	48,815,048	4.21
8	Quo Vadis Pty Ltd <Veritas Superfund>	30,799,806	2.66
9	Kevin Bailey & Christopher Bailey <Bailey Family a/c>	25,000,000	2.16
10	HSBC Custody Nominees (Australia) Limited	24,664,317	2.13
11	P&N Platinum Investments Pty Ltd	24,136,805	2.08
12	Mr Kevin Christopher Bailey	19,645,646	1.70
13	J P Morgan Nominees Australia Pty Limited	16,978,535	1.46
14	Mr Laurie Mark Macri & Mrs Chirstine Simone Macri <Macri Super Fund>	15,674,624	1.35
15	Dr Ida Constable	14,071,429	1.21
16	Citicorp Nominees Pty Limited	12,529,435	1.00
17	Donus Australia Foundation Limited	12,400,000	1.07
19	Mr Laurie Mark Macri	12,000,000	1.04
19	Beronia Investments Pty Ltd <Duke a/c>	11,121,549	0.96
20	LDU Pty Ltd	10,404,362	0.90
	Total	826,780 979	71.33

2. SUBSTANTIAL SHAREHOLDERS

The following table shows holdings of 5% or more of voting rights as disclosed in substantial holding notices given to the Company or, in the case of directors, information available to the Company and disclosed to ASX in Directors Interest Notices:

Fully paid Ordinary Shares

Name	Number	%
Kevin Bailey AM	284,648,345	24.56
Michael Masterman	215,159,368	18.56
Beronia Investments Pty Ltd	119,490,777	10.31
Paul Kenneth Lambert	79,149,367	6.84

**PO VALLEY ENERGY LIMITED
ASX ADDITIONAL INFORMATION**

3. NUMBER OF SECURITY HOLDERS AND SECURITIES ON ISSUE

Total number of fully paid ordinary shares on issue is 1,158,961,620 held by 766 shareholders.

4. VOTING RIGHTS

The voting rights attached to ordinary shares are that on a show of hand, every member present, in person or proxy, has one vote and upon a poll, each share shall have one vote.

5. DISTRIBUTION OS SECURITY HOLDERS

Quoted Securities

Category	Holders	%	Fully paid Ordinary Share	%
1 to 1,000	91	11.88	8,695	0.00
1,001 to 5,000	21	2.87	60,045	0.01
5,001 to 10,000	47	6.14	377,162	0.03
10,001 to 100,000	310	40.86	13,654,550	1.18
100,000 and over	298	38.25	1,144,861,168	98.78
Total	767	100.00	1,158,961,620	100.00

6. UNMARKETABLE PARCEL OF SHARES

The number of shareholders holding less than a marketable parcel of ordinary shares is 189 shareholders with 799,597 ordinary shares, based on the Po Valley Energy Limited closing share price of AU\$0.037 on 15 April 2023.

7. ON MARKET BUY-BACK

There is no current on market buy-back.

8. UNQUOTED SECURITIES

Po Valley Energy Limited has the following unquoted securities on issue:

Category	Number	Number of holders
Unlisted Options exercise price AU\$0.10 expiry 30 Jun 2024	7,500,000	1