po valley ENERGY

Annual Report

For the year ended 31 December 2022

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

Dear Shareholder,

Welcome to the 2022 Annual Report for Po Valley Energy (PVE or the Company), as we close in on our maiden gas production in Italy, and reflect on the achievements of our Company over the past 12 months.

The past year has marked a significant milestone for Po Valley, as we secured final approval for gas production, began construction at our Podere Maiar-1 facility, and signed a gas offtake agreement with BP. Construction of the Podere Maiar plant and pipeline at our 63%-owned at the Selva Malvezzi concession is fully funded and is on track for completion and commissioning in the coming weeks.

Our top priority in 2022 has been to advance the gas production at the Podere Maiar-1 well. Meanwhile, we have been working in the background to plan how to allocate some of the revenue generated from the production to fund our other projects. We intend to conduct geology and geoscience (G & G) studies on the North, South, and East Selva prospects within the Selva Malvezzi concession, with the goal of drilling these prospects in 2024-25. We are actively looking at ways to realise value from our Tedorico our large off-shore asset, whether it be a JV or sale.

European gas prices began rising in 2021 and skyrocketed to unprecedented levels in 2022 following Russia's invasion of Ukraine. This prompted numerous European nations to seek alternative or domestic gas sources in order to bolster their supplies. Although the prices have now stabilised, they remain considerably higher than originally estimated for project profitability. Italy and several other European countries are actively reducing their dependence on other nations for gas as concerns of supply issues are far from over. This has contributed to a continued improvement in Po Valley's operating environment.

In August 2022, we received strong support from existing and new shareholders for a $4.5 million capital raise. I would like to extend my thanks to these shareholders for their support, which has enabled us to achieve our first gas production without incurring debt.

Finally, I would like to take the opportunity to express my appreciation of the Company's dedicated and expert team in Italy, led by Giorgio Bertuzzi, Diego Balistreri, Gianluca De Rosa, Pierpaolo Poncia, and Daria Fortunati, as well as our Non-Executive Directors, Sara Edmonson, Katrina O'Leary, Joseph Constable, and Consultant Brent Bonadeo. Together, they have provided invaluable guidance and leadership throughout this transformative year. The Board and I acknowledge Michael Masterman who retired from the Board in May 2022. Michael was the founding Chairman and Director of Po Valley Energy and was instrumental in the early development of the company and its resourcing from over 20 years ago as well as its original listing on the ASX in 2004.

We are working on another busy and productive year in 2023 and look forward to keeping you updated on our progress over the months to come.

Kevin Bailey AM

Chairman

PO VALLEY ENERGY LIMITED
ABN 33 087 741 571
CORPORATE DIRECTORY

Directors	Kevin Bailey AM	Chairman
	Sara Edmonson	Non-Executive Director
	Joseph Constable	Non-Executive Director
	Katrina O'Leary	Non-Executive Director
Company Secretary	Kevin Hart	
Registered Office	Suite 8, 7 The Esplanade, Mt. Pleasant WA 6153 Australia Tel: +61 8 9316 9100	
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 Australia	
Bank	Bankwest 108 St Georges Terrace, Perth WA 6000, Australia	
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	

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 2022 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 (appointed 2 May 2022)

DipFP, Age 62

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 43

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, having led Po Valley as CEO from July 2010 to 2017. Until recently, Sara was the 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 is completing a Masters in Sustainability Sciences at Harvard University. Sara served on the board of Coro Energy Plc from November 2017 to October 2018 and as executive until March 2019. 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 31

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 Po Valley personally as well as professionally via the H&G High Conviction Limited (ASX: HCF), of which he is an Executive Director. Joseph has a detailed understanding of the Company and its assets and brings his significant financial skills will be beneficial to Po Valley and the board of directors. In the past three years, Joseph has not been a director of any other listed company.

Katrina O'Leary — Appointed 2 May 2022

Non-Executive Director

BA LLB, LLM, Age 59

Katrina was appointed as a director on 2 May 2022. Katrina is an Intellectual Property and Information Technology lawyer with experience in both commercial and litigious matters. Katrina is a strategic adviser with international experience, and has significant experience in governance roles including for CSIRO's Science and Industry Endowment Fund and serving as non-executive board director on several boards. Katrina brings to the board her strength in compliance, governance, and risk management. In the past three years, Katrina has not been a director of any other listed company.

Michael Masterman — Resigned 2 May 2022

Chairman

BEcHons, Age 60

Michael co-founded Po Valley in 2002 and was a director, CEO and Chairman during his tenure until 2 May 2022. He remains a major shareholder. During his time at Po Valley the Company successfully discovered five gas fields in Italy and brought three into production. Selva, which was successfully drilled in 2016, is expected to come on stream in 2023. Michael led the IPO of Po Valley and ASX listing in 2004 and the spin-off of Saffron Energy on the AIM in 2016 and distribution to shareholders. During this time Po Valley has had a strong safety record and is one of the most experienced and successful new entrants into the Italian market following its liberalisation in early 2000. In the past three years, Michael 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 more than 30 years' experience in accounting and the management and administration of public listed entities in the mining and exploration industry. He is currently a Director in an advisory firm, Endeavour Corporate, which specialises in the provision of company secretarial and accounting services to 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	13	13
Sara Edmonson	11	13
Joseph Constable	13	13
Katrina O'Leary (appointed 2 May 2022)	10	11
Michael Masterman (resigned 2 May 2022)	2	2

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:

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

5. Earnings per share

The basic and diluted loss per share for the Group from continuing operations was (0.09) € cents (2021: (0.07) € cents)

6. Operating and financial review

The loss for the year from continuing operations was €983,714 (2021: €595,733).

On 2 May 2022, Non-executive Director Kevin Bailey AM was elected the new Chairman of Po Valley Energy, replacing Founder and outgoing Chairman Michael Masterman who retired after serving more than 20 years with the Company.

Katrina O'Leary, an Intellectual Property and Information Technology lawyer, was appointed a new independent non-executive director.

Brent Bonadeo, an experienced oil & gas and finance executive, was appointed as consultant to Po Valley. Under the terms of engagement, the Company issued 3,000,000 performance rights to Mr. Bonadeo (refer Note 20 to the financial statements).

During the year Po Valley issued 62,500,000 ordinary fully paid shares on the conversion of 1,750,000 Convertible Notes, representing a total value of A$1,750,000 (€1,180,000) at a conversion price of A$0.028.

The Company completed a capital raise of A$4,500,000 (before costs) by way of a share placement of 81,818,182 ordinary shares at an issue price of A$0.055 (approximately €3,071,000). In addition to the ordinary shares issued, Po Valley also issued to the lead manager of the placement, 7,500,000 unlisted options with a strike price of A$0.10 expiring in June 2024 (refer Note 20 to the financial statements).

Po Valley is using funds from the capital raising to:

- Complete construction of the gas plant and pipeline which will facilitate first gas at the Podere Maiar-1 facility (further details provided in the Selva Malvezzi Production concession disclosure below);
- Progress geology and geoscience ("G&G") work programmes on Selva North, South and East;
- Explore mechanisms to realise value at Teodorico via joint-venture or asset sales; and
- Progress planning for a 3D seismic programme on the greater Selva Malvezzi concession.

Cash and cash equivalents of the Group at 31 December 2022 amounted to €1,536,041 (2021: €1,262,151).

Strategy

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

- The onshore gas 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.

The Russian/Ukraine conflict has had significant impact on European gas supplies resulting in prices skyrocketing during the year before stabilising well above long-term average prices. This prompted the Italian government to take action to bolster its domestic production and reduce reliance on imports from other nations for gas. The result of this energy shortage and price hikes has been the creation of a much more favourable regulatory, government and pricing environment. Po Valley is well positioned in these market conditions with its development-ready gas fields and experienced team.

Po Valley's primary focus is to advance gas production at the Podere Maiar-1 well in the Selva Malvezzi Production Concession. Construction and commissioning at the Podere Maiar-1 well is near completion with production scheduled to commence in the second quarter of 2023, with a gas sales offtake agreement already in place. Po Valley intends to conduct G & G studies on the North, South, and East Selva prospects, within the Selva Malvezzi concession, 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.

Selva Gas Field (63% PVO)

Selva Malvezzi Production concession

Selva is an onshore natural gas field in the eastern part of the Po Plain, among the Ferrara and Bologna provinces, in the Emilia Romagna Region of Italy.

The Selva Malvezzi Production Concession granted to Po Valley's wholly owned subsidiary, Po Valley Operations Pty Ltd ("PVO") in July 2022, contains the Podere Maiar-1 onshore natural gas well and the gas prospects at Selva B North, Selva B South, East Selva, Fonda Perino and Riccardina.

The licence measures 80.68 sq. km and was originally included in the Podere Gallina Permit. Exploration acreage in the Podere Gallina Permit which was deemed an unsuitable area was revoked by MiTE further to Po Valley's request. The Selva Malvezzi production concession replaces Po Valley's right of tenure of the gas well and prospects as listed above.

Po Valley holds an economic interest of 63% in the Selva gas field together with joint venture partners Prospex Oil & Gas Plc ("Prospex") of 37% (2021: PVO 63% Prospex 17% United Oil & Gas Plc ("United") 20%). During 2022, Prospex acquired United's 20% economic interest by virtue of the 100% acquisition of United's Italian subsidiary UOG Italia S.r.l. Prospex now has 37% interest through its 100% ownership of UOG Italia and its pre-existing 17% interest. Formal notices for the transfer of the 37% quota to the joint venture partners was submitted to the Italian Ministry in November 2022.

The Production Concession granted enabled the development of the Podere Maiar-1 well facilities to commence. Po Valley has made significant progress on the gas plant and pipeline construction at Podere Maiar-1. Activities undertaken include, but are not limited to:

- completion of civil works for Podere Maiar-1 well site (concrete slabs, exit tunnel)
- completion of steel frame for the water disposal tank
- completion of excavation, welding, and pipe laying for 4-inch pipes
- advanced works on electrical system and lightning protection for the well
- completion of first phase of backfilling
- completion of piping procurement, near completion of equipment procurement
- advanced works on skids and equipment prefabrication
- Commencement of works to prepare tie-in to SNAM gas grid network

The cost of constructing the gas treatment plant and pipeline totals €3.45 million (~A$5 million) (net to Po Valley: €2.2 million; ~A$3.2 million). Once installed, the gas plant capacity will be ~150,000 standard cubic metres (scm) per day and pipeline capacity will be ~300,000 scm per day. Construction is scheduled for completion in the second quarter of CY23.

Seismic and subsidence monitoring as prescribed by the Technical Committee of the Italian Ministry of Ecological Transition is ongoing.

Teodorico Offshore Gas field development (100% PVO)

The Teodorico gas field is located in shallow east coast waters (30m) of 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 Environmental Impact Assessment ("EIA") decree for Teodorico was granted in March 2021 which has paved the way for the grant of a full production concession.

The Group was informed that some environmental groups and local municipalities have filed a law suit against the Ministry of Environment regarding the Teodorico Gas Field on the basis that they believe there was an error in the environmental impact assessment process. The Group has sought legal advice on this matter and may provide technical or procedural evidence in support of the Italian Ministry in its legal defence of this claim. The Group is not a party to these claims and there are no claims against the Group.

Po Valley has sought further guidance from the Italian Ministry regarding the impact of Italy's Plan of Sustainable Energy Transition of Suitable Areas ("Pitesai") on Teodorico due to the recent institution of environmental protected areas in proximity of the license particularly as:

- the preliminary production concession was requested before the Pitesai process started in February 2019;
- Po Valley received environmental approval in 2020; and
- the gas field reserves (2P 36.5bcf) are in excess of the threshold for continuation (5.3bcf).

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

Torre del Moro Oil/Gas Condensate exploration (100% PVO)

Following the publication of Italy's Pitesai Po Valley Energy has retained the licences at Torre del Moro. Activities were halted during the Pitesai process, but now may resume in these areas. Po Valley is seeking clarification on how the gas condensate exploration and targeted gas cap may be treated under the current Pitesai.

Cadelbosco di Sopra and Grattasasso Permits

Gas - Canolo and Zini (100% PVO)

Following the publication of Italy's Pitesai, activities have resumed on the gas prospects of Canolo and Zini in the Cadelbosco di Sopra permit.

Health and safety

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 2022, 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 its 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 future performance are described below.

External risks

Exposure to gas pricing	Volatile oil and gas prices make it difficult to predict future price movements with any certainty. Decline in oil or 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, oil and refined oil product prices, worldwide supply and the terms under which long term take or pay arrangements are agreed.
Changes to law, regulations or Government policy	Changes in law 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. Similarly changes to direct or indirect tax legislation may have an adverse impact on the Group's profitability, net assets and cash flow.
Uncertainty of timing of regulatory approvals	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, to install infrastructure, and to produce oil or gas. In particular, oil and gas operations in Italy are subject to both Regional and Federal approvals.

Operating risks

Exploration, development and production	The future value of PVE will depend on its ability to find, develop, and produce oil and gas that is economically recoverable. The ultimate success or otherwise of such ventures requires successful exploration, establishment of commercial reserves, establishment and successful effective production and processing facilities, 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.
Estimation of reserves	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.
Tenure security	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.
Health, safety and environmental matters	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.
Climate Change	PVE recognises climate-related risks and the need for these to be managed effectively particularly across the energy industry. Key climate-related risks and opportunities relevant to PVE'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. In addition, increased uncertainty, time and cost associated with regulatory bodies granting approvals or licences on fossil fuel intensive projects. Transition to 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 Next Generation EU 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 the 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 the PVE's operations.

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.

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.

7. Dividends

No dividends have been paid or declared by the Company during the year ended 31 December 2022.

8. Significant events after balance date

On 14 February 2023, Po Valley's wholly owned subsidiary Po Valley Operations Pty Limited (PVO) signed a gas sales agreement (GSA) with BP Gas Marketing Limited (BPGM), an indirect, wholly owned subsidiary of BP International Limited (BPI). The GSA between PVO and BPGM relates to forecast gas production from the soon to be completed Podere Maiar – 1 facility in the Selva Malvezzi production concession located in the Po Valley Region of Italy. The contract term is 18-months to commence in April 2023, for the supply of an estimated 37,000,000 standard cubic metres of gas. The gas supply price will be linked to Italy's "Heren PSV day ahead mid" price (ASX announcement 14 February 2023).

Po Valley issued 2,000,000 shares subsequent to balance date on the exercise of 2,000,000 options by payment of AU$0.05 per share or AU$100,000 (€63,000) (ASX announcements 20 February 2023 and 7 March 2023). The Company also issued 3,000,000 shares on exercise of the performance rights subsequent to balance date (ASX announcement 18 January 2023).

Other than the above, 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.

9. Likely Developments

The Group plans to continue its development of the Selva gas field to bring the Podere Maiar-1 well to production in the second quarter of 2023 and continue to invest in its current exploration portfolio through geological and geophysical studies and, subject to available finances, in its planned drilling program for high potential gas prospects. The Group may seek a suitable farm-out partner for selected assets.

10. 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 monitor compliance with the relevant environmental legislation. The Directors are not aware of any breaches of legislation during the period covered by this report.

11. 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.

All senior executives except the company secretary are based in Rome and when setting their remuneration, the Board must have regard to remuneration levels and benefit arrangements that prevail in the European oil and gas industry which remains highly competitive.

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	2022	2021	2020	2019	2018	2017
Production (scm'000)	-	-	-	-	2,799*	7,155
Average realised gas price (€ cents per cubic metre)	-	-	-	-	21*	19
Profit / (Loss) attributable to owners of the Company (€'000s)	(1,103)	(596)	(1,036)	(1,504)	2,780	(1,087)
Loss per share (€ cents per share)	(0.09)	(0.07)	(0.16)	(0.24)	(0.43)	(0.19)
Share price at year end - AU$	0.062	0.025	0.030	0.052	0.038	0.041

** production and gas prices for 2018 relates to the period prior to restructuring of the Group and deconsolidation of Coro Energy Plc (formally Saffron Energy Plc). PVE currently does not have any producing assets.*

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 Executives and Executive Directors

The remuneration of Po Valley's senior 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 payable in cash or shares. Other benefits include employment insurances, accommodation and other benefits, and superannuation contributions. In relation to the payment of annual bonuses, 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.

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 2022: €14,968 (A$22,500 pro rata of A$30,000 p.a.)
- Remuneration for Kevin Bailey was suspended from 1 July 2020 and re-instated from 1 April 2022 at A$30,000 p.a.
- No termination benefits

Sara Edmonson, Non-Executive Director

- Commencement Date: 23 December 2019
- Fixed remuneration for the year ended 31 December 2022: €19,980 (A$30,000 p.a.)
- No termination benefits

Joseph Constable, Non-Executive Director

- Commencement Date: 30 November 2021
- Fixed remuneration for the year ended 31 December 2022: €20,023 (A$30,000 p.a.)
- No termination benefits

Katrina O'Leary, Non-Executive Director

- Commencement Date: 2 May 2022
- Fixed remuneration for the year ended 31 December 2022: €13,327 (A$20,000 Pro rata of A$30,000 p.a.)
- 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.

Key Management Personnel remuneration outcomes (including link to performance)

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 *Non-Executive*	**2022**	**14,968**	**-**	**-**	**14,968**
	2021	-	-	-	-
S Edmonson *Non-Executive*	**2022**	**19,980**	**-**	**-**	**19,980**
	2021	15,682	-	-	15,682
J Constable *Non-Executive*	**2022**	**20,023**	**-**	**-**	**20,023**
	2021	1,601	-	-	1,601
K O'Leary *Non-Executive (appointed 2 May 2022)*	**2022**	**13,327**	**-**	**-**	**13,327**
	2021	-	-	-	
M Masterman *Chairman (resigned 2 May 2022)*	**2022**	**5,171***	**-**	**-**	**5,171**
	2021	-	-	-	-
Total for Directors	**2022**	**73,469**	**-**	**-**	**73,469**
	2021	17,283	-	-	17,283

**part of settlement deed on resignation*

Analysis of bonuses included in remuneration

There was no short-term incentive bonus awarded in remuneration in the current year.

Options over equity instruments granted as compensation

No options were granted as compensation to KMP during the reporting period (2021: Nil). There are no options granted to KMP that vested during 2022. (2021: 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 2022 and no options were exercised or lapsed during 2022.

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 2021	Acquired	Issued on conversion of Convertible notes	Disposals	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

	Held at 31 Dec 2020	Acquired	Issued for Settlement of loans and interest	Disposals	Held at 31 Dec 2021
Directors					
M Masterman	167,971,782	23,928,571	26,114,162	-	218,014,515
K Bailey AM	150,635,225	38,015,332	53,455,385	-	242,105,942
S. Edmonson	2,966,406	741,601	-	-	3,708,007
J Constable (i)	-	45,433 (i)	-	-	45,433
	321,573,413	62,730,937	79,569,547	-	463,873,897

(i)Holding at date of appointment 30 November 2021

Other transactions and balances with KMP and their related parties

KMP and their related parties held convertible notes during the period as follows:

KMP (or their related parties)	31 Dec 2021	Movement for the year	31 Dec 2022	No of shares issued
K & C Bailey as trustee for The Bailey Family Trust	A$700,000	(A$700,000)	-	25,000,000
Symmall Pty Ltd	A$300,000	(A$300,000)	-	10,714,286
Joseph Constable	A$10,000	(A$10,000)	-	357,142

The convertible notes were converted into fully paid ordinary shares of the Company at a conversion price of A$0.028 per share, following approval on variation of terms at the Annual General Meeting, on 29 April 2022. The conversion was completed by the issue of 36,071,428 shares to the related parties on 5 May 2022 with interest paid on the principal amount at a rate of 8% per annum (refer note 18).

Interest paid on convertible notes with KMP and their related parties was as follows:

KMP (or their related parties)	Interest accrued at 31 Dec 2021	Interest for period	Interest paid in cash	Interest accrued at 31 Dec 2022
K & C Bailey as trustee for The Bailey Family Trust	-	A$18,258	A$18,258	-
Symmall Pty Ltd	-	A$7,824	A$7,824	-
Joseph Constable	-	A$261	A$261	-
Total	-	A$26,343 €17,418	A$26,343 €17,418	-

No KMP have entered into a material contract, other than disclosed above, with any company in the Group.

Other balances owing to directors are as follows:

KMP (or their related parties)	Directors' remuneration outstanding at 31 Dec 2021 €	Fees for the year €	Interest €	Amount paid €	Directors' remuneration outstanding at 31 Dec 2022 €
Kevin Bailey AM	62,034	14,968	-	(14,968)	62,034
Sara Edmonson	31,053	19,980	-	(51,033)	-
Joseph Constable	1,600	20,023	-	(14,968)	6,655
Katrina O'Leary	-	13,327	-	(13,327)	-
Michael Masterman*	206,079	5,171	6,024	(217,274)	-
Total	300,766	73,469	6,024	(311,570)	68,689

**resigned 2 May 2022*

12. 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	274,378,670
S Edmonson	3,708,007
J Constable	402,575
K O'Leary	-

13. Equity securities on issue

	31 December 2022	31 December 2021
Ordinary fully paid shares	1,150,961,620	1,006,643,438
Options over unissued shares	12,500,000	5,000,000
Performance rights	3,000,000	-

Unissued shares under option and performance rights

During the year, 7,500,000 unlisted options with exercise price of A$0.10 expiring 30 June 2024 were issued to a broker. Details relating to the valuation of these options are set out in Note 20 to the financial report.

Po Valley granted 3,000,000 performance rights during the year expiring 31 January 2023 as consideration for services provided by a consultant. Details of the valuation of these performance rights are set out in Note 20 to the financial report.

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 2022	Number of options at date of report
21 July 2021	21 July 2023	A$0.05	5,000,000	3,000,000
15 Aug 2022	30 June 2024	A$0.10	7,500,000	7,500,000

Subsequent to the year end, 2,000,000 options with an exercise price at AU$0.05 and expiry of 21 July 2023 were exercised by the holder by payment of A$100,000 (€63,000) for 2,000,000 ordinary shares.

Performance rights

Date Granted	Expiry Date	Exercise Price	Number of rights at 31 December 2022	Number of rights at date of report
22 June 2022	31 January 2023	Nil	3,000,000	-

The performance rights noted above were converted into 3,000,000 ordinary shares subsequent to balance date upon achievement of the performance milestone.

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

Shares issued on exercise of options

The Company did not issue any shares as a result of the exercise of options during the financial year.

Subsequent to the year end 2,000,000 options with an exercise price at AU$0.05 and expiry of 21 July 2023 were exercised by the holder by payment of A$100,000 (€63,000). 2,000,000 ordinary shares were issued on exercise of these options.

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.

14. 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.

15. 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.

16. 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.

17. Non audit services

During the year HLB Mann Judd, the Group's auditor, did not provide non-audit services. Refer to note 5 of the financial report for details of the auditor's remuneration.

18. 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.

19. Lead Auditor's independence declaration

The lead auditor's independence declaration is set out on page 19 and forms part of the Directors' report for the financial year ended 31 December 2022.

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

Kevin Bailey AM
Chairman
31 March 2023

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 2022, 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	**L Di Giallonardo**
31 March 2023	**Partner**

hlb.com.au

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PO VALLEY ENERGY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	NOTES	CONSOLIDATED 2022 €	2021 €
Current Assets			
Cash and cash equivalents	**9**	1,536,041	1,262,151
Trade and other receivables	**10**	434,480	185,369
Other assets	**11**	476,910	-
Total Current Assets		2,447,431	1,447,520
Non-Current Assets			
Other assets	**11**	13,178	759,078
Deferred tax assets	**14**	1,120,413	1,108,276
Property, plant & equipment	**12**	155,946	7,021
Resource property costs	**13**	11,398,598	8,146,546
Total Non-Current Assets		12,688,135	10,020,921
Total Assets		**15,135,566**	**11,468,441**
Liability			
Current Liabilities			
Trade and other payables	**15**	741,384	642,552
Lease liabilities	**17**	22,112	-
Provisions	**16**	4,387	3,719
Convertible notes	**18**	-	1,120,170
Total Current Liabilities		767,883	1,766,441
Non-Current Liabilities			
Provisions	**16**	1,450,828	-
Lease liabilities – non-current	**17**	117,412	-
		1,568,240	**-**
Total Liabilities		**2,336,123**	**1,766,441**
Net Assets		**12,799,443**	**9,702,000**
Equity			
Issued capital	**19**	56,632,102	52,719,884
Reserves	**19**	1,371,895	1,202,956
Accumulated losses		(45,204,554)	(44,220,840)
Total Equity		**12,799,443**	**9,702,000**

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	CONSOLIDATED 2022 €	CONSOLIDATED 2021 €
Continuing Operations			
Other income		219,502	65,792
Employee benefit expenses	**3**	(388,623)	(265,688)
Depreciation expense		(8,559)	(4,808)
Corporate overheads	**4**	(503,520)	(250,114)
Share based payment expense	**20**	(61,225)	-
Exploration costs expensed		-	(30,071)
Loss from operating activities		(742,425)	(484,889)
Finance income		2,705	157
Finance expenses		(256,131)	(272,096)
Net finance expenses	**6**	(253,426)	(271,939)
Loss before tax		(995,851)	(756,828)
Income tax benefit	**7**	12,137	161,095
Loss for the year		(983,714)	(595,733)
Other comprehensive income		-	-
Total comprehensive loss for the year		(983,714)	(595,733)
Basic and diluted loss per share (€) from continuing operations	**8**	(0.09)	(0.07)

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to equity holders of the Company				
Consolidated	**Issued capital**	**Translation Reserve**	**Share Based Payment Reserve**	**Accumulated Losses**	**Total**
	€	**€**	**€**	**€**	**€**
Balance at 1 January 2021	**46,641,745**	**1,192,269**	**-**	**(43,625,107)**	**4,208,907**
Loss for the year	**-**	**-**		(595,733)	**(595,733)**
Other comprehensive income	**-**	**-**		-	**-**
Total comprehensive loss	**-**	**-**	-	(595,733)	**(595,733)**
Issue of securities (net of costs)	6,078,139	-	-	-	6,078,139
Share based payments	-	-	10,687	-	10,687
Balance at 31 December 2021	**52,719,884**	**1,192,269**	**10,687**	**(44,220,840)**	**9,702,000**
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**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	CONSOLIDATED 2022 €	2021 €
Operating activities			
Receipts from joint operation partners (operations)		209,544	-
Payments to suppliers and employees		(1,050,881)	(832,955)
Interest received		2,705	157
Interest paid		(37,931)	(68,900)
Net cash used in operating activities	**9**	(876,563)	(901,698)
Investing activities			
Payments for resource property costs (net of joint operation partner recoveries)		(1,800,590)	(142,398)
Receipt from joint operation partners' share of guarantee deposit for pipeline tie-in		280,090	-
Payment of guarantee deposit for pipeline tie-in		-	(757,000)
Payments for other assets		(16,601)	(631)
Net cash used in investing activities		(1,537,101)	(900,029)
Financing activities			
Proceeds from the issues of shares		3,071,153	3,597,076
Payment of share issue costs		(231,675)	(288,233)
Proceeds from borrowings		-	286,340
Repayment of borrowings		-	(81,812)
Repayment of convertible notes		-	(476,594)
Payments of lease liabilities		(6,900)	-
Net cash from financing activities		2,832,578	3,036,777
Net increase in cash and cash equivalents		418,914	1,235,050
Cash and cash equivalents at 1 January		1,262,151	44,107
Exchange difference on cash and cash equivalents		(145,024)	(17,006)
Cash and cash equivalents at 31 December	**9**	1,536,041	1,262,151

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

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 Suite 8, 7 The Esplanade Mt Pleasant WA 6153.

The Consolidated Financial Statements for the year ended 31 December 2022 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 31 March 2023.

The Group primarily is involved in the exploration, appraisal and development of 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.

For the year ended 31 December 2022, Po Valley has recorded a loss after tax from continuing operations of €983,714 (31 December 2021: €595,733) and at 31 December 2022 had a cash balance of €1,536,041 (31 December 2021 €1,262,151), net current assets of €1,202,638 (31 December 2021 net liabilities of €318,921) and had net cash outflows from continuing operations of €876,563 (31 December 2021 €901,698).

The Group completed a capital raise in 2022 of A$4,500,000 (before costs) (approximately €3,015,000). Po Valley is using these funds to:

- Complete construction of the gas plant and pipeline which will facilitate first gas at the Podere Maiar-1 facility
- Progress geology and geoscience ("G&G") work programmes on Selva North, South and East
- Explore mechanisms to realise value at Teodorico via joint-venture or asset sales
- Progress planning for a 3D seismic programme on the greater Selva Malvezzi concession

Subsequent to the year end, the Group entered into a Gas Sales Agreement (GSA) with BP Gas Marketing Limited (BPGM), an indirect, wholly owned subsidiary of BP International Limited (BPI). The GSA between Po Valley's wholly owned subsidiary PVO and BPGM relates to forecast gas production from the soon to be completed Podere Maiar – 1 facility in the Selva Malvezzi production concession located in the Po Valley Region of Italy. The contract term is 18-months to commence in April 2023, for the supply of an estimated 37,000,000 standard cubic metres of gas. The gas supply price will be linked to Italy's "Heren PSV day ahead mid" price.

The Group has prepared a cash flow forecast for the next twelve months from the date of signing the financial report which demonstrates that the Group will have sufficient cash to continue as a going concern, with the following assumptions:

- the successful completion of development of facilities the Podere Maiar-1 well site; and
- the profitable and cash flow positive operation of its interest in the Selva gas field.

Critical to the forecast cash flows is the Group's ability to achieve forecast levels of gas production at forecast market prices and gross profit margins.

The Directors have a reasonable expectation that the Selva operation will achieve its forecast positive cash flows, however, should the Group not achieve its cashflow forecasts as planned, the Directors are confident that the Group will be able to secure additional funding through either the issue of new equity, convertible debt, other funding instruments or a combination of these as required to fund ongoing planned activities and for working capital. For these reasons the Directors have reasonable grounds to believe that the Group is a going concern and will be able to realise its assets and discharge its liabilities in the ordinary course of business.

Should the Selva operation not generate sufficient cash flow as forecast and, if required, the Directors are unsuccessful in raising equity or other funding, then there would be a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets and liabilities that might be necessary if the Group does not continue as a going concern.

(d) FUNCTIONAL AND PRESENTATION CURRENCY

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

(e) USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 sites are recognised in the statement of financial position by adjusting both the restoration and rehabilitation asset and provisions.

Reserve estimates

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

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

Recognition of deferred tax assets

The recoupment of deferred tax assets is dependent on the availability of profits in future years. The Group undertakes a forecasting exercise at each reporting date to assess its expected utilisation of these losses.

The key areas of estimation involved in determining the forecasts include:

- Future production rates
- Economic factors such as the gas price and current and anticipated operating costs in the industry
- Capital expenditure expected to be incurred in the future

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

1.3 SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

(iii) Depreciation

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. 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:

	2022	2021
Office furniture & equipment	3 – 5 years	3 – 5 years
Right-of-use assets: buildings	6 years	4 – 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).

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.

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 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 uses 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.

(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 balance date 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 technically 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.

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.

Amortisation of costs is provided on the unit-of-production basis, separate calculations being performed for each area of interest. The unit-of-production base results in an amortisation charge proportional to the depletion of economically recoverable reserves.

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.

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.

(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.

(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.

(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. 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.

Sale of gas

Gas sales revenue is recognised when control of the gas passes at the delivery point. Proceeds received in advance of control passing are recognised as unearned revenue.

(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 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 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 2022. 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 2022

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 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.

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.

	CONSOLIDATED	
	2022	2021
	€	€
NOTE 3: EMPLOYEE BENEFIT EXPENSES		
Wages, salaries and fees	454,384	311,605
Contributions to defined contribution plans	83,963	62,949
Less: allocation to projects	(149,724)	(108,866)
	388,623	265,688
NOTE 4: CORPORATE OVERHEADS		
Corporate overheads comprise:		
Company administration and compliance	140,349	84,597
Professional fees	233,151	117,698
Office costs	55,443	60,070
Travel and entertainment	26,054	3,833
Other expenses	48,523	(16,084)
	503,520	250,114
NOTE 5: AUDITOR'S REMUNERATION		
Audit and review of the Group financial statements		
Auditor of the Company: HLB Mann Judd	38,807	29,808
NOTE 6: FINANCE INCOME AND EXPENSE		
Recognised in profit and loss:		
Interest income	2,705	157
Finance income	2,705	157
Interest expense	43,472	226,626
Foreign exchange (gains) / losses (net)	212,659	45,470
Finance expense	256,131	272,096
Net finance expense	(253,426)	(271,939)

	CONSOLIDATED	
	2022	2021
	€	€

NOTE 7: INCOME TAX (BENEFIT) / EXPENSE

	2022 €	2021 €
Current tax		
Current year	-	-
Deferred tax		
Deferred tax benefit	(12,137)	(161,095)
Total income tax benefit	(12,137)	(161,095)

Numerical reconciliation between tax expense and pre-tax accounting profit loss

	2022 €	2021 €
Loss for the year before tax from continuing operations	(995,851)	(756,828)
Income tax benefit expense using the Company's domestic tax rate of 26% (2021: 26%)	(258,921)	(196,775)
Permanent differences	39,088	5,308
Effect of tax rates in foreign jurisdictions	5,863	6,342
Current year losses and temporary differences for which no deferred tax asset was recognised	185,194	216,276
Prior year losses for which deferred tax asset was recognised	-	(139,082)
Changes in temporary differences	16,639	(53,164)
Income tax benefit	(12,137)	(161,095)

NOTE 8: EARNINGS PER SHARE

	2022	2021
Basic and diluted loss per share (€ cents)	(0.09)	(0.07)

The calculation of basic and diluted loss per share from continuing operations was based on the loss for the year of €983,714 (2021: €595,733) and a weighted average number of ordinary shares outstanding during the year of 1,076,661,499 (2021: 829,960,780).

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

The number of weighted average shares is calculated as follows:

	No. of days	Weighted average no 2022.	Weighted average no 2021.
Number of shares on issue at beginning of the year	365	1,006,643,439	647,286,102
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	-
Placement	191	-	18,688,846
Institutional offer of ANREO	191	-	121,228,871
Retail offer of ANREO	170	-	29,091,873
Shortfall on retail offer of ANREO	169	-	13,665,088
Weighted average number of shares on issue at end of the year		1,076,661,499	829,960,780

NOTE 9: CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2022 €	2021 €
(a) Cash and cash equivalents	1,536,041	1,262,151
(b) Reconciliation of cash flows from operating activities		
Loss for the year	(983,714)	(595,733)
Adjustment for non-cash items:		
Depreciation and amortisation	8,559	4,808
Unrealised foreign exchange losses related to financing activities	205,308	64,948
Employee benefit costs capitalised	(149,724)	(108,866)
Share based payments	61,225	-
Exploration costs written off	-	30,071
Interest expense settled by equity	-	166,138
Interest on lease liabilities	5,541	-
Change in operating assets and liabilities:		
Decrease/(increase) in receivables	(164,898)	(39,935)
(Decrease)/Increase in trade and other payables	152,609	(254,543)
(Decrease) / Increase in interest accrual net of settlement by equity	-	(8,413)
Increase in provisions	668	922
Increase in deferred tax assets	(12,137)	(161,095)
Net cash outflow from operating activities	(876,563)	(901,698)
(c) Reconciliation of financing cash flows to liabilities		
Proceeds from loans advanced	-	286,340
Loans repaid in cash	-	(81,812)
Repayment of convertible notes in cash	-	(476,594)
(d) Non-cash financing activities		
Convertible notes converted to equity by issue of 62,500,000 shares	1,180,454	-
Loans settled by issue of shares	-	2,291,215
Interest on loans settled by issue of shares	-	168,178
Interest on convertible notes by issue of shares	-	320,591

	CONSOLIDATED	
	2022	2021
	€	€

NOTE 10: TRADE AND OTHER RECEIVABLES

	2022 €	2021 €
Current		
Trade receivables	211,793	86,042
Sundry debtors	37,634	53,199
Indirect taxes receivable	185,053	3,039
Other deposits receivable	-	43,089
	434,480	185,369

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

NOTE 11: OTHER NON-CURRENT ASSETS

	2022 €	2021 €
Current		
Bank Guarantee deposit (i)	476,910	-
Non-current		
Bank Guarantee deposit (i)	-	757,000
Other	13,178	2,078
	490,088	759,078

(i) A bank guarantee deposit of €757,000 has been issued to Snam Rete Gas S.p.A ("SNAM") for the construction of the tie-in point to the Italian National Gas Grid for the Selva gas plant and pipeline construction. The Group's share of this deposit is 63% or €476,910. The joint operations partners have reimbursed the Group for their share of the deposit during this period as the Group had advanced 100% of the deposit in the prior year. The deposit is refundable upon commencement of first gas flow, which is expected in the second quarter of the 2023 financial year.

NOTE 12: PROPERTY PLANT & EQUIPMENT

	2022 €	2021 €
Office Furniture & Equipment:		
At cost	39,707	23,108
Accumulated depreciation	(18,775)	(16,087)
	20,932	7,021
Right-of-use asset: Building (Note 17)		
At Cost	140,884	83,317
Accumulated depreciation	(5,870)	(83,317)
	135,014	-
Total property plant & equipment	155,946	7,021

NOTE 12: PROPERTY PLANT & EQUIPMENT (continued)

	CONSOLIDATED 2022 €	2021 €
Reconciliations:		
Reconciliation of the carrying amounts of each class property, plant & equipment are set out below:		
Office furniture & equipment		
Carrying amount at beginning of year	7,021	7,775
Additions office furniture & equipment	16,600	630
Depreciation expense	(2,689)	(1,384)
Carrying amount at end of year	20,932	7,021
Right-of-use assets		
Carrying amount at beginning of year	-	3,424
Additions right-of-use assets	140,884	-
Depreciation expense	(5,870)	(3,424)
Carrying amount at end of year	135,014	-
	155,946	7,021

NOTE 13: RESOURCE PROPERTY COSTS

	2022 €	2021 €
Resource Property costs		
Exploration and evaluation phase	4,661,672	8,146,546
Development phase	6,736,926	-
	11,398,598	8,146,546

Reconciliation of carrying amount of resource properties

	2022 €	2021 €
Exploration and Evaluation Phase		
Carrying amount at beginning of year	8,146,546	7,990,040
Exploration expenditure	430,021	186,577
Exploration written off	-	(30,071)
Transfer to development phase	(3,914,895)	-
Carrying amount at end of year	4,661,672	8,146,546

	CONSOLIDATED	
	2022	2021
	€	€
NOTE 13: RESOURCE PROPERTY COSTS (continued)		
Development Phase		
Carrying amount at beginning of year	-	-
Transfer from exploration and evaluation phase	3,914,895	-
Development expenditure	1,371,203	-
Restoration and rehabilitation asset	1,450,828	-
Carrying amount at end of year	6,736,926	-

Resource property costs in the exploration and evaluation phase have not yet reached a stage which permits a reasonable assessment of the existence of or otherwise of economically recoverable reserves. The ultimate recoupment of resource property costs in the exploration phase 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 exploration permits have expired or not renewed, the costs previously capitalised are expensed to the statement of profit and loss.
Resource property costs in the development phase have reached the stage of reasonable assessment of economically recoverable reserves and have attained required permits and approvals to develop into a producing field. Development of gas plant, pipeline and required infrastructure have commenced and in progress.

The Group reviewed the carrying value of its assets and cash generating units using a Value in Use CGU valuation. In particular, the valuations of the Selva and Teodorico projects are considered to determine the recoverable amount of each of these fields. The valuation of the Selva project was also carried out upon the reclassification of that project from its exploration and evaluation phase to the development phase during the year.

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.

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.

Independent valuations were performed for the purposes of estimating the reserves of these projects by CGG Services (UK) Limited ("CGG"). Valuations performed by CGG were based on the gas prices with reference to

NOTE 13: RESOURCE PROPERTY COSTS (continued)

the Dutch TTF forward curve. (The Dutch TTF is considered a suitable proxy for the spot gas price in Italy), discount factor of 10% and cost/price inflation of 7% in 2022 reducing to 2% over the next three years.

The recoverable amount determined by the CGG report of Selva and Teodorico was €32.7 million (Net to PVE)) and €57.4 million respectively (refer the CGG report of 26 July 2022).

The carrying value of these assets for the Selva and Teodorico projects at 31 December 2022 were €6.7 million and €2.99 million respectively. 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.

NOTE 14: DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets

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

	CONSOLIDATED	
	2022	**2021**
	€	**€**
Tax losses (Italy)	1,093,161	1,041,718
Accrued expenses and liabilities	27,252	66,558
Recognised deferred tax assets	1,120,413	1,108,276

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)	3,187,541	3,005,368
Deductible temporary differences	93,572	63,891
Unrecognised deferred tax assets	3,281,113	3,069,259

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.

NOTE 14: DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movement in recognised temporary differences during the year

Consolidated	Balance 1 January 2021 €	Profit and loss €	Equity €	Balance 31 December 2021 €	Profit and loss €	Equity €	Balance 31 December 2022 €
Tax losses	848,694	193,024	-	1,041,718	51,443	-	1,093,161
Accrued expenses and liabilities	98,487	(31,929)	-	66,558	(39,306)	-	27,252
Total recognised deferred tax asset	947,181	161,095	-	1,108,276	12,137	-	1,120,413

NOTE 15: TRADE AND OTHER PAYABLES

	CONSOLIDATED 2022 €	2021 €
Trade payables and accruals	741,384	622,756
Other payables	-	19,796
	741,384	642,552

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

NOTE 16: PROVISIONS

	CONSOLIDATED 2022 €	2021 €
Current:		
Employee leave entitlements	4,387	3,719
Non-current:		
Rehabilitation and restoration provision	1,450,828	-
Reconciliation of rehabilitation and restoration provision:		
Opening balance	-	-
Provision for rehabilitation and restoration costs	1,450,828	-
Closing balance	1,450,828	-

NOTE 16: PROVISIONS (continued)

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

NOTE 17: 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 12).

	CONSOLIDATED	
	2022	**2021**
	€	**€**
Buildings		
Balance at 1 January	-	3,424
Additions to right-of-use assets (new leases)	140,884	-
Depreciation	(5,870)	(3,424)
Total	135,014	-
Amounts recognised in profit and loss:		
Interest on lease liabilities	5,541	-
Amounts recognised in statement of cash flows:		
Payment of lease liabilities	6,900	-

Lease liabilities:

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

Lease liabilities – current	22,112	-
Lease liabilities – non-current	117,412	-
	139,524	-

NOTE 17: LEASES (continued)

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	27,600	110,400	20,700	158,700
Finance charges	(5,488)	(12,904)	(784)	(19,176)
Net Present values	22,112	97,496	19,916	139,524

Lease payments not recognised as a liability

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

NOTE 18: CONVERTIBLE NOTES

The Company issued convertible notes equivalent to A$2,500,000 in 2018. A$750,000 was repaid in 2021, the balance of A$1,750,000 was converted into fully paid ordinary shares in the current year at a conversion price A$0.028 per share. The conversion price variation was approved at the Annual General Meeting on 29 April 2022, and the note holders elected to convert on the maturity date. 62,500,000 shares were issued to note holders on conversion. Interest on the principal amount at a rate of 8% per annum was paid up to redemption date.

A reconciliation of the movement in convertible notes for the year is as follows:

	CONSOLIDATED	
	2022	2021
	€	€
Convertible Notes		
Balance at beginning of the year	1,120,170	1,571,070
Shares issued on conversion at A$0.028 per share	(1,180,454)	-
Repayment	-	(476,594)
Effect of exchange rate	60,284	25,694
Balance at end of the year	-	1,120,170

NOTE 19: CAPITAL AND RESERVES

	Ordinary Shares		CONSOLIDATED	
	2022 Number	2021 Number	2022 €	2021 €
Share Capital				
Opening balance - 1 January	1,006,643,438	647,286,103	52,719,884	46,641,745
Shares issued during the reporting period:				
Conversion of convertible notes	62,500,000	-	1,180,454	-
Placement at A$0.055	81,818,182	-	3,071,153	-
Placement at A$0.028	-	35,714,285	-	635,126
Institutional offer of ANREO at A$0.028	-	231,667,735	-	4,119,684
Retail offer of ANREO at A$0.028	-	62,461,961	-	1,101,689
Shortfall on retail offer of ANREO at A$0.028	-	29,513,354	-	520,560
Share issue costs	-	-	(339,389)	(298,920)
Closing balance – 31 December	1,150,961,620	1,006,643,438	56,632,102	52,719,884

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	
	2022	2021
Reserves	€	€
Translation Reserve	1,192,269	1,192,269
Share based payment Reserve	179,626	10,687
	1,371,895	1,202,956

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 €179,626 comprises the fair value of vested options and performance rights issued as consideration.

Share based payment reserve reconciliation for the period:		
Opening balance	10,687	-
Issue of options during the period (refer Note 20)	107,714	10,687
Vesting of performance rights during the period (refer Note 20)	61,225	-
Closing balance	179,626	10,687

Dividends

No dividends were paid or declared during the current year (2021: Nil).

NOTE 20: SHARE BASED PAYMENTS

Performance rights:

During the year, the Group granted 3,000,000 performance rights (2021: nil) as consideration for services provided by a consultant.

The performance rights vest on 31 December 2022 and expire on 31 January 2023. The performance rights are subject to a performance milestone of the Company achieving a volume weighted average share price over 30 consecutive days of at least A$0.06 by 31 December 2022 or earlier.

The fair value of the performance rights of $0.0309 per right is calculated at the date of grant using the Parisian Barrier1 valuation Model and allocated to the reporting period over the period from grant date to vesting date. The following valuation assumptions have been used:

Issue price at grant date	A$0.055
Exercise price	Nil
Expiry	31 Jan 2023
Volatility	76%
Risk-free rate	2.6%
Dividend yield	Nil

An expense of €61,225 has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year in respect of performance rights vested.

Performance rights on issue at balance date
The number of performance rights issued and outstanding over unissued ordinary shares at 31 December 2022 is as follows:

Grant date	Exercise price	Expiry date	Balance at 31 December 2022	Vested and Exercisable at 31 December 2022	31 December 2021
22 June 22	Nil	31 Jan 2023	3,000,000	3,000,000	-

Performance rights subsequent to balance date
Subsequent to balance date no performance rights were issued or cancelled.

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

Options granted during the year:

During the year, the Group granted 7,500,000 options (2021: 5,000,000) as consideration for services provided by broker. The options have been valued as follows using the Black-Scholes valuation model and included in the financial statements as share issue costs.

Grant date	Options issued	Exercise price	Expiry date	Volatility[1]	Interest rate	Value €
15 Aug 2022	7,500,000	AU$0.10 (€0.068)	30 Jun 2024	89.07%	2.78%	107,714

[1] Historical volatility has been used as the basis for determining expected share price volatility.

NOTE 20: SHARE BASED PAYMENTS (continued)

The value of €107,714 in respect of these options are recognised as a share issue cost associated with broker fees for the placement completed in the year.

Options exercised during the year:
During the year the Company issued no shares (2021: nil) on the exercise of unlisted options.

Options cancelled during the year:
During the year no unlisted options (2021: nil) were cancelled upon termination of employment, or on the expiry of the exercise period.

Options on issue at balance date
The number of options issued and outstanding over unissued ordinary shares at 31 December 2022 is as follows:

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

Options subsequent to balance date
Subsequent to balance date no unlisted options were issued or cancelled.

2,000,000 options with exercise price at AU$0.05 and expiry of 21 July 2023 were exercised by the holder by payment of A$100,000. 2,000,000 ordinary shares were issued on exercise of these options.

Reconciliation of movement of options
Set out below is a summary of options granted:

	2022		2021	
	No.	WAEP (€ cents)	No.	WAEP (€ cents)
Options outstanding at the start of the year	5,000,000	0.031	-	-
Options granted during the year	7,500,000	0.068	5,000,000	0.031
Options outstanding at the end of the year	12,500,000	0.053 (AU$0.08)	5,000,000	0.031 (AU$0.05)

Weighted average contractual life
The weighted average contractual life for un-exercised options is 13 months.

NOTE 21: FINANCIAL REPORTING BY SEGMENTS

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

	Exploration and evaluation		Development		Total	
	2022	2021	2022	2021	2022	2021
					€	€
External revenues	115,628	49,660	103,874	-	219,502	49,660
Segment loss before tax	70,545	(130,402)	71,432	-	141,977	(130,402)
Reportable segment assets:						
Resource property costs	4,661,672	8,146,546	6,736,926	-	11,398,598	8,146,546
Receivables	-	86,042	211,437	-	211,437	86,042
Other assets	-	759,000	484,470	-	484,470	759,000
	4,661,672	8,991,588	7,432,833	-	12,094,505	8,991,588
Capital expenditure	430,021	186,577	1,371,203	-	1,801,224	186,577
Reportable segment liabilities:						
Rehabilitation and restoration provis	-	-	(1,450,828)	-	(1,450,828)	-
Other liabilities	-	(191,178)	(452,896)	-	(452,896)	(191,178)
	-	(191,178)	(1,903,724)	-	(1,903,724)	(191,178)

NOTE 21: FINANCIAL REPORTING BY SEGMENTS (continued)

Reconciliation of reportable segment profit or loss, assets and liabilities	CONSOLIDATED 2022 €	2021 €
Profit or loss:		
Total profit loss for reportable segments	141,977	(130,402)
Unallocated amounts:		
Net finance expense	(256,131)	(271,939)
Other corporate expenses	(881,697)	(354,487)
Consolidated loss before income tax	(995,851)	(756,828)
Assets:		
Total assets for reportable segments	12,094,505	8,991,588
Other assets	3,041,061	2,476,853
Consolidated total assets	15,135,566	11,468,441
Liabilities:		
Total liabilities for reportable segments	(1,903,724)	(191,178)
Other liabilities	(432,399)	(1,575,263)
Consolidated total liabilities	(2,336,123)	(1,766,441)

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 2022 €	2021 €
Variable rate instruments		
Financial assets	1,536,041	1,262,151
Financial liabilities	-	-
	1,536,041	1,262,151
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	(1,120,170)
	-	(1,120,170)

NOTE 22: FINANCIAL INSTRUMENTS (continued)

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 2021.

	Profit or loss		Equity	
Effect in €'s	**2022**	**2021**	**2022**	**2021**
31 December				
Variable rate instruments	7,680	6,311	-	-

(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.

The Group has limited its credit risk in relation to its receivables. 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.

		CONSOLIDATED Carrying Amount	
	Note	**2022**	**2021**
		€	**€**
Cash and cash equivalents	9	1,536,041	1,262,151
Receivables – current	10	434,480	185,369
Other assets		490,088	759,078
		2,460,609	2,206,598

NOTE 22: FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

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

Consolidated
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)
	(880,908)	(900,084)	(755,184)	(13,800)	(27,600)	(103,500)

31 December 2021

€	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 – 2 Years	2 – 5 Years
Trade and other payables	(642,552)	(642,552)	(642,552)	-	-	-
Lease liabilities	-	-	-	-	-	-
Convertible notes	(1,120,170)	(1,120,170)	(1,120,170)	-	-	-
	(1,762,722)	(1,762,722)	(1,762,722)	-	-	-

(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).

NOTE 22: FINANCIAL INSTRUMENTS (continued)

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	
Amounts receivable/(payable) in foreign currency other than functional currency:	**2022** **€**	**2021** **€**
Cash	1,473,921	1,195,116
Current – payables	(17,484)	(28,866)
Current – convertible notes	-	(1,120,170)
Net exposure	1,456,437	46,080

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2022	**2021**	**2022**	**2021**
Australian Dollar ($)	0.659	0.635	0.636	0.640

Sensitivity Analysis

A 5% strengthening of the Australian dollar 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 2021 was prepared using the same basis.

	CONSOLIDATED	
	Profit or loss	**Equity**
31 December 2022	**€**	**€**
Australian Dollar to Euro (€)	72,822	-
31 December 2021		
Australian Dollar to Euro (€)	2,304	-

A 5% weakening of the Australian dollar 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

	Within one year	One to five years	After 5 years
Construction of gas plant and pipeline – Podere Maiar 1 – PVE 63% share	978,075	-	-
Leases (refer note 17)	27,600	110,400	20,700
	1,005,675	110,400	20,700

The Group entered into an agreement for the construction of gas plant and pipeline for the Podere Maiar -1 well. The contract is at a fixed price of €3,450,000 (100%). Po Valley has an 63% economic interest in the development. The commitment shown in the table above is Po Valley's 63% share. Under the payment terms of the contract, €1,035,000 of the total costs (100%) (63% to Po Valley of €652,050) will be payable after the commencement of production which is anticipated in the second quarter of 2023.

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 2022.

NOTE 24: RELATED PARTIES

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation included in employee benefit expenses (see note 3) is as follows:

	CONSOLIDATED	
	2022	2021
	€	€
Short-term employee benefits	73,469	17,283
Termination benefits	-	-
Other long term benefits	-	-
Post-employment benefits	-	-
	73,469	17,283

CONVERTIBLE NOTES

The table below summarises the Convertible notes held by related parties during the year. The convertible notes were held by directors Michael Masterman, Kevin Bailey and Joseph Constable or their associated entities. The convertible notes were converted to fully paid ordinary shares on maturity following shareholder approval on 29 April 2022 of the variation of the conversion price from AU$0.042 to AU$0.028

NOTE 24: RELATED PARTIES (continued)

	CONSOLIDATED 2022	2021
K & C Bailey as trustee for The Bailey Family Trust	-	A$700,000
Symmall Pty Ltd	-	A$300,000
Joseph Constable	-	A$10,000
Ida Constable *	-	A$240,000*
	-	A$1,250,000

* A Related party by virtue of being a parent of Joseph Constable

Related Party	Convertible Notes at 31 Dec 2021	Converted to Equity	Convertible Notes at 31 Dec 2022
K & C Bailey as trustee for The Bailey Family Trust	A$700,000	A$700,000	-
Symmall Pty Ltd	A$300,000	A$300,000	-
Joseph Constable	A$10,000	A$10,000	-
Ida Constable*	A$240,000	A$240,000	-
	A$1,250,000	A$1,250,000	
	€800,121	€800,121	-

* A Related party by virtue of being a parent of Joseph Constable

A summary of the interest on convertible notes is as follows:

Related Party	Interest accrued at 31 Dec 2021 €	Interest for year €	Interest paid in cash €	Interest accrued at 31 Dec 2022 €
K & C Bailey as trustee for The Bailey Family Trust	-	12,072	(12,072)	-
Symmall Pty Ltd	-	5,174	(5,174)	-
Joseph Constable	-	172	(172)	-
Ida Constable*	-	4,139	(4,139)	-
Total	-	21,557	(21,557)	-

* A Related party by virtue of being a parent of Joseph Constable

NOTE 24: RELATED PARTIES (continued)
OTHER

Other balances owing to directors are as follows:

Related Party	Directors' remuneration outstanding at 31 Dec 2021 €	Fees for the year €	Interest €	Amount paid €	Directors' remuneration outstanding at 31 Dec 2022 €
Kevin Bailey AM	62,034	14,968	-	(14,968)	62,034
Sara Edmonson	31,053	19,980	-	(51,033)	-
Joseph Constable	1,600	20,023	-	(14,968)	6,655
Katrina O'Leary	-	13,327	-	(13,327)	-
Michael Masterman	206,079	5,171	6,024	(217,274)	-
Total	300,766	73,469	6,024	(311,570)	68,689

NOTE 25: PARENT ENTITY DISCLOSURES

	COMPANY 2022 €	COMPANY 2021 €
Financial Position		
Assets		
Current assets	1,559,240	1,245,438
Non-current assets	11,443,468	9,976,252
Total assets	13,002,708	11,221,690
Liabilities		
Current liabilities	203,265	1,405,888
Non-current liabilities	-	-
Total liabilities	203,265	1,405,888
Net Assets	12,799,443	9,815,802
Equity		
Issued capital	56,632,102	52,719,884
Reserves	179,626	10,687
Accumulated losses	(44,012,285)	(42,914,769)
Total equity	12,799,443	9,815,802
Financial Performance		
Loss	(1,097,516)	(439,444)
Other comprehensive loss	-	-
Total comprehensive loss	(1,097,516)	(439,444)

NOTE 26: INTERESTS IN OTHER ENTITIES AND JOINT OPERATIONS

The Group's interest in joint arrangements at 31 December 2022 are 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.

The farm-out agreement and Joint Operations Agreement ("JOA") provided United Oil and Gas Plc ("United") a 20% economic interest and Prospex Oil and Gas Plc ("Prospex") a 17% economic interest. In exchange for their respective interests United and Prospex covered 74% of the completed Podere Maiar-1 well drilling costs. During the year, Prospex acquired the interest held by United through the acquisition of the wholly owned United Italian subsidiary (UOG Italia S.r.l) that holds the 20% interest in this field. Prospex now has a 37% interest in the Selva Gas field through its 100% ownership of UOG Italia and its pre-existing 17% interest.

*The Group as operator has 100% title to the Production concession moving to 63% with the notices to transfer the joint operation partner title quotas sent to the Italian Ministry in November 2022. Development of gas plant and pipeline commenced in the year has been under taken under the terms of the JOA with 37% contribution being made by the JOA partners.

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. Set out below is a list of the significant subsidiaries of the Group.

Name:	Country of Incorporation	Class of Shares	2022 Investment €	2021 Investment €	Holding %
Po Valley Operations Pty Limited ("PVO")	Australia	Ordinary	3,843,419	3,843,419	**100**

NOTE 27: SUBSEQUENT EVENTS

On 14 February 2023, Po Valley's wholly owned subsidiary Po Valley Operations Pty Limited (PVO) signed a gas sales agreement (GSA) with BP Gas Marketing Limited (BPGM), an indirect, wholly owned subsidiary of BP International Limited (BPI). The GSA between PVO and BPGM relates to forecast gas production from the soon to be completed Podere Maiar – 1 facility in the Selva Malvezzi production concession located in the Po Valley Region of Italy. The contract term is 18-months to commence in April 2023, for the supply of an estimated 37,000,000 standard cubic metres of gas. The gas supply price will be linked to Italy's "Heren PSV day ahead mid" price.

Po Valley issued 2,000,000 shares subsequent to balance date on the exercise of 2,000,000 options by payment of AU$0.05 per share or AU$100,000 (€63,000). The Company also issued 3,000,000 shares on exercise of the performance rights subsequent to balance date.

Other than the above, 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.

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 20 to 65, 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 2022 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) subject to the matters disclosed in Note 1.2(c), 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 2022.

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
31 March 2023

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 2022, 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, and notes to the financial statements, including a summary of significant accounting policies, 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 2022 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* ("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.

Material uncertainty related to going concern

We draw attention to Note 1.2 (c) in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material uncertainty related to going concern* section, 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
Reclassification of Podere Maiar-1 exploration expenditure to development asset Refer to Note 13	
During the year, the Group made the decision to transition the Podere Maiar-1 natural gas project from the exploration phase to the development phase. As such, the Group reclassified €3.9 million from exploration and evaluation assets to development assets. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, when an exploration and evaluation asset transitions to the development phase, there is a requirement to test the balance for recoverability. The evaluation of the recoverable amount on transition is considered a key audit matter as it was based upon a value-in-use model ('the model') which required significant judgement and estimation. In addition, the balance is material to the users of the financial statements and the matter involved the most communication with management.	Our audit procedures included but were not limited to the following: • Critically evaluating management's methodology used in the model and the basis for key assumptions. • Reviewing the mathematical accuracy of the model. • Performing sensitivity analyses around the key inputs used in the model such as operating costs, construction costs, production estimates and selling prices. • Considering the appropriateness of the discount rate used. • Comparing the net present value of the future cashflows to the exploration expenditure transferred to development assets. • Assessing the appropriateness of the disclosures included in the relevant notes to the financial report. • Ensuring that development expenditure incurred subsequent to the date of transition was appropriately capitalised, including testing a sample of those additions.
Recoverability of capitalised exploration expenditure Refer to Note 13	
In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group's accounting policy is to capitalise exploration and evaluation expenditure. As at 31 December 2022 the Group had $4.66 million of capitalised exploration and evaluation costs. Our audit focused on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, 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 assets may exceed their recoverable amounts.	Our procedures included but were not limited to the following: • We obtained an understanding of the key processes associated with management's review of the carrying values of each area of interest. • We verified a sample of amounts capitalised. • We considered management's assessment of potential indicators of impairment. • We obtained evidence that the Group has current rights to tenure of its areas of interest. • We examined the exploration budget for the year ending 31 December 2023 and discussed with management the nature of planned activities. • We enquired with management, reviewed ASX announcements and reviewed minutes of Directors' meetings to ensure that the

	Group had not resolved to discontinue exploration and evaluation at any of its areas of interest. • We examined the disclosures made in the financial report.

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 2022, 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, related safeguards.

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 2022.

In our opinion, the Remuneration Report of Po Valley Energy Limited for the year ended 31 December 2022 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

L Di Giallonardo
Partner

Perth, Western Australia
31 March 2023

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 and preliminary awarded production concessions and its operations are located entirely in the north of Italy.

As at 31 December 2022, 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 2022 is 733,73 km^2.

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

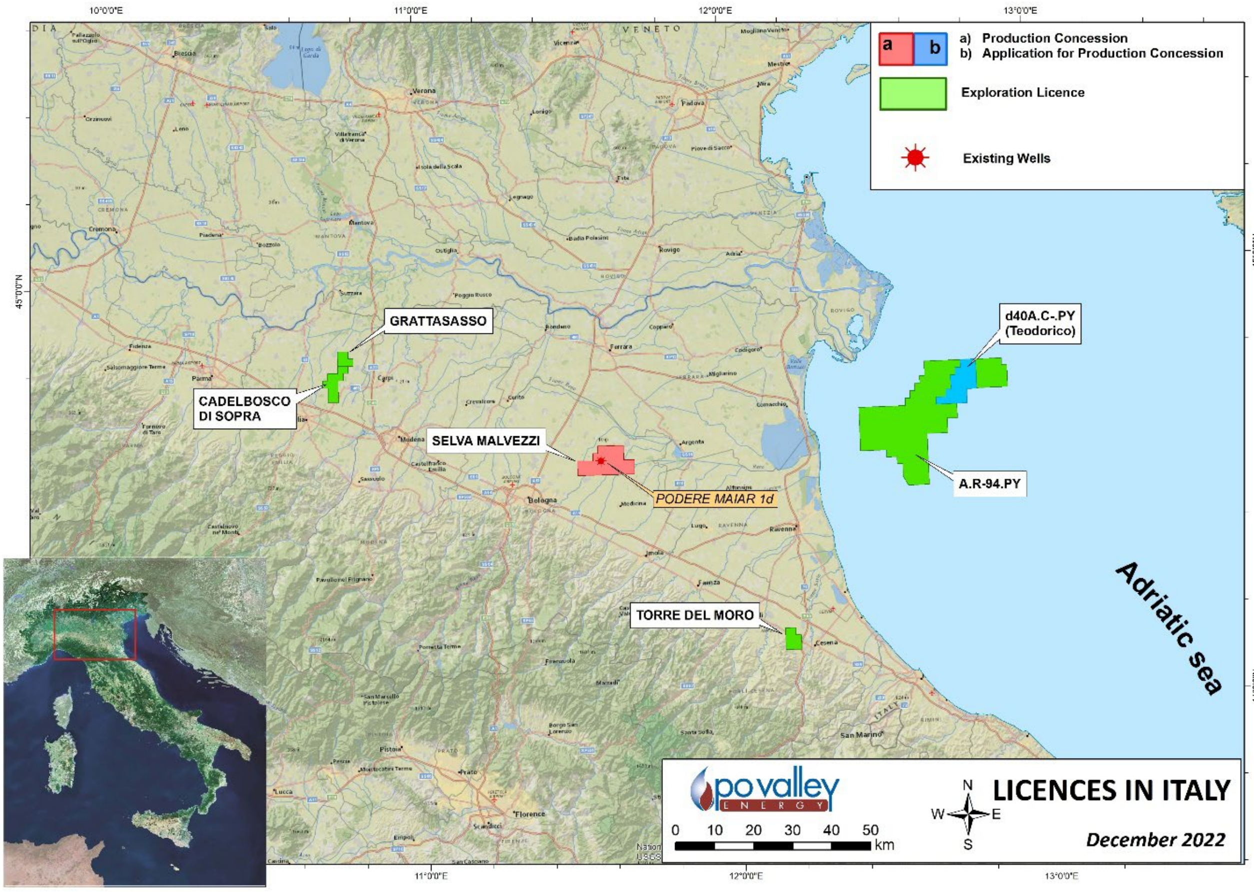

Figure 1: Licences map at 31 December 2022

PO VALLEY ENERGY LIMITED
TECHNICAL SUMMARY

		Tenement	Location	Interest held
PRODUCTION CONCESSIONS	AWARDED	***Selva Malvezzi*** [(1)]	Italy, Emilia Romagna	100% Po Valley[(1)]
	PREL. AWARDED	***Teodorico (d.40.AC-PY)***	Italy, Adriatic Offshore	100% Po Valley

EXPLORATION PERMITS[(2)]	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 2022

(1) Net to PVE is 63%, transfer request of JV partners' 37% quotas in Selva Malvezzi submitted in November 2022.
(2) Following application of Pitesai legislation relating to areas deemed unsuitable for exploration, the Podere Gallina exploration permit containing such areas was revoked in September 2022. Areas deemed suitable that were previously held under the Podere Gallina Permit are now held under the Selva Malvezzi Production Concession.

As at 31 December 2022 all tenements are 100% owned. PVO currently holds 100% of the title in the Selva Malvezzi production concession but has a 63% economic interest together with joint venture partners Prospex Oil & Gas Plc ("Prospex") of 37% (2021: PVO 63% Prospex 17% United Oil & Gas Plc ("United") 20%). During 2022, Prospex acquired United's 20% economic interest by virtue of the 100% acquisition of United's Italian subsidiary UOG Italia S.r.l. Prospex now has 37% interest through its 100% ownership of UOG Italia and its pre-existing 17% interest. Formal notices for the transfer of the 37% quota to the joint venture partners was submitted to the Italian Ministry in November 2022.

2) RESERVES AND RESOURCES STATEMENT

The following tables summarise the status of the Group's Reserves & Resources as at 31 December 2022.

Group Reserves	**Reserves as at 31 December 2022**		**Reserves as at 31 December 2021**	
Gas, Italy (bcf)	**1P**	**2P**	**1P**	**2P**
Developed				
Selva Malvezzi (Podere Maiar) [net][1]	2.60	8.40	-	-
Undeveloped				
Teodorico	27[2]	37[2]	26.7	36.5
Selva Malvezzi (Podere Maiar) [net]	-	-	2.60	8.40
Total Reserves	**29.60**	**45.4**	**29.30**	**44.90**

Table 2: Total Group Reserves (as per CPR dated 25 July 2022 ASX announcement 26 July 2022)

1. Development of Selva Malvezzi commenced in 2022 and is due to be completed in the second quarter of 2023.
2. Reserve estimate for Teodorico in 2022 are rounded up from 26.7bcf and 36.5bcf as reported in 2021. There has not been a material change in the Reserve estimate.

The Group does not have unconventional petroleum resources in its portfolio. The Group does not have any material concentration of undeveloped reserves in oil & gas projects that remained undeveloped for more than 5 years from the date they were initially reported.

Group Contingent Resources	**Contingent Resources as at 31 December 2022**		**Contingent Resources as at 31 December 2021**	
	1C	**2C**	**1C**	**2C**
Gas (bcf)	13.1	26.9	13.1	26.9

Table 3: 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.

Table 4 of this technical summary shows detailed estimates of reserves and resources for each field.

Following Italian legislative changes under the Pitesai, contingent and prospective resources relating to Oil prospects are no longer reported on the reserve and resource statement. This adjustment was already reported in the 2021 Reserve and Resource table of estimates.

Areas previously held under Podere Gallina exploration licence which are deemed suitable for exploration (under the Pitesai) are now held under the Selva Malvezzi production concession, these include the contingent and prospective resources at Selva North, Selva South, East Selva, Fonda Perino and Riccardina. Areas in the remaining acreage in the Podere Gallina licence were deemed unsuitable for exploration and at the Group's request the remainder of the Podere Gallina exploration licence was revoked by the Italian Ministry on 29 September 2022.

Current estimates of contingent and prospective resources by licence are shown in Table 4. Any gas prospective resources for areas that were deemed unsuitable under the Pitesai are no longer included in the table of estimates. These changes were not material to the Group's Resource position. There were no changes to contingent resources

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

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).

Licence	Project	Reserves			Contingent Resources			Prospective Resources		
		Gas Bcf								
		1P	2P	3P	1C	2C	3C	Low	Best	High
AR94PY	Teodorico	27	37	48						
	Teodorico				7.4	10.6	14.0			
	PL3-C							7.9	15.9	25.0
Selva Malvezzi [Net]	Selva (Podere Maiar1)	2.6	8.4	18.8						
	Selva level A South				0.7	1.1	2.3			
	Selva level B North				2.2	5.6	11.2			
	Selva level B South				0.6	2.2	5.9			
	Fondo Perino							6.4	9.2	12.9
	East Selva							18.3	21.9	25.6
	Riccardina							8.2	24.4	81.2
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 4: Gas Reserves and Resources by Field at 31 December 2022 (as per CPR dated 25 July 2022 ASX announcement 26 July 2022)

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

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).

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 28 March 2023.

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	11.75
2	Symmall Pty Ltd	132,964,794	11.50
3	Michael Masterman	86,234,079	7.46
4	Bond Street Custodians Limited	85,694,960	7.41
5	Fuiloro Pty Ltd	55,281,743	4.78
6	Lambert Blue Chip Investments Pty Ltd	54,150,000	4.68
7	H&G High Conviction Limited	48,815,048	4.22
8	Citicorp Nominees Pty Limited	36,673,986	3.17
9	HSBC Custody Nominees (Australia) Limited	36,126,556	3.13
10	Quo Vadis Pty Ltd <Veritas Superfund>	30,799,806	2.66
11	Kevin Bailey & Christopher Bailey <Bailey Family a/c>	25,000,000	2.16
12	P&N Platinum Investments Pty Ltd	24,129,460	2.09
13	J P Morgan Nominees Australia Pty Limited	22,648,931	1.96
14	Mr Kevin Christopher Bailey	19,645,646	1.70
15	Mr Laurie Mark Macri	16,772,270	1.45
16	Mr Laurie Mark Macri & Mrs Chirstine Simone Macri <Macri Super Fund>	14,674,624	1.27
17	Dr Ida Constable	14,071,429	1.22
18	Donus Australia Foundation Limited	12,400,000	1.07
19	Beronia Investments Pty Ltd <Duke a/c>	10,359,110	0.90
20	Beronia Investments Pty Ltd	10,121,549	0.88
	Total	**872,443,907**	**75.46**

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	274,378,670	23.84
Michael Masterman	228,728,801	19.87
Beronia Investments Pty Ltd	118,990,777	11.82

3. NUMBER OF SECURITY HOLDERS AND SECURITIES ON ISSUE

Total number of fully paid ordinary shares on issue is 1,155,961,620 held by 740 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 Shares	%
1 to 1,000	95	12.84	8,937	0.00
1,001 to 5,000	21	2.83	60,556	0.01
5,001 to 10,000	56	7.57	452,266	0.04
10,001 to 100,000	308	41.62	13,718,721	1.19
100,000 and over	260	35.14	1,141,721,140	98.76
Total	**740**	**100.00**	**1,155,961,620**	**100.00**

6. UNMARKETABLE PARCEL OF SHARES

The number of shareholders holding less than a marketable parcel of ordinary shares is 152 based on the Po Valley Energy Limited closing share price of AU$0.072 on 28 March 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$0.05 expiry 21 Jul 2023	3,000,000	1
Unlisted Options exercise price AU$0.10 expiry 30 Jun 2024	7,500,000	1