



Quarterly Activities Report

For the September quarter and to the date of this report

Wednesday 27 October 2010

SEPTEMBER QUARTER 2010

ASX: PVE

COMPANY OVERVIEW

Capital Details (as at 30 Sep 10)

Po Valley Energy Limited (PVE) is a gas and oil production and development operating company with established gas production and an expanding portfolio of hydrocarbon assets in northern Italy.

Share Price	\$0.24
Shares on Issue	110.4m
Unlisted Options	3.2m
Market Capitalisation	\$26.5m
Cash at Bank	\$2.8m
Drawn Debt	\$9.9m
Enterprise Value	\$33.6m

HIGHLIGHTS – KEY DEVELOPMENTS

September 2010 Quarterly Production and Financial Highlights

- Quarterly gas production of 8.9 million cubic metres (315 million cubic feet), up 95% from the June 2010 quarter
- Total Company production exceeded 20 million cubic metres (706 million cubic feet) of gas in early October
- Gas prices remained steady at an average of €0.30 per cubic metre
- Revenue of EUR 2.4m (AUD3.4m) up 99% from the June 2010 quarter. Total YTD revenue at September 30th amounts to EUR 5.0m (AUD7.0m)

Sillaro (east of Bologna)

- First full quarter production from the 100% owned Sillaro gas production field
- Sillaro production for the quarter was 8.6 million cubic metres (303 million cubic feet)
- Sillaro averaged 94,500 cubic metres/day (3.3 million cubic feet/day) from its two production wells
- A new contractual thermal gas year with customers started in October. The related committed production for the December quarter is 82,000 cubic metres per day (2.9 million cubic feet/day)

Castello (east of Milan)

- Vitalba-1dir well within Castello still producing at a limited rate
- Authorisations and operational activities to drill the new deviated Vitalba-1dirA well from the Castello plant location are progressing according to plan
- Subject to successful drilling within the establish timeframe, production re-start is planned for the June quarter 2011

Bezzecca (near Castello)

- A phased 2 wells development plan is under preparation
- Submission of an application for Production Licence is planned for November 2010

Sant'Alberto

- 30 km of 2D seismic to be shot within 2010 calendar year
- Revised production concession application to be updated and submitted after evaluation of the new seismic data in conjunction with revised reservoir modeling

HIGHLIGHTS – KEY DEVELOPMENTS

New Projects

- Correggio gas field (Cadelbosco di Sopra) historic data from ENI was received and is under review
- Seismic data from ENI was selected and the purchase process is underway

Corporate

- New Chief Executive officer appointed
- Cash at bank at the end of the quarter was EUR2.0m
- Drawings on bank of Scotland facility EUR7.0m
- 90 days Bank of Scotland completion test was signed-off which resulted in a significant reduction in the interest margin over EURLIBOR

INTRODUCTION

During the September 2010 quarter, Po Valley achieved its first full quarter production from the 100%-owned Sillaro gas field. In October the Company exceeded its first 20 million cubic metres of gas production.

During the quarter, the Company also released the results of its Reserves & Resources review, related to Sillaro and Fantuzza. The results of the review studies for Castello and Bezzecca were announced in July of this year.

Another milestone achieved was the Bank of Scotland 90 days completion test sign-off for the Sillaro field. This result will bring a significant reduction in the interest margin applied to the loan facility .

September quarter production was 8.9 million cubic metres (mmcm) of gas, up 95% on the preceding June quarter, with the contribution of 8.6 mmcm from the Sillaro field and 0.33 mmcm from Castello.

Revenue for the quarter was approximately EUR2.4m, reflecting increased production.

SILLARO GAS FIELD (Sillaro Concession)

Sillaro production field (east of Bologna) is running smoothly, with stable plant and pressure performance.

During its first full quarter, the production achieved 8.6 million cubic metres, averaging 94,500 cubic metres/day from the two wells.

During the quarter, the Company presented the results of the Reserve & Resources assessment work, undertaken by Po Valley together with external independent experts, namely Dedicated Reservoir Engineering And Management (an offshoot of the University of Turin) and Studio Ingegneria Mineraria.

The results of the study indicate that the Sillaro field is comprised of 10 hydraulically separated gas-bearing levels. Interpretation of the seismic data and well logs prove that the reservoirs are continuous and extend over the whole field. Based on log and well test analysis, it was concluded that the levels are rather homogeneous with good or relatively good petro-physical characteristics, with the exception of one minor level.

Based on the new reconstruction of the reservoir geometry and on the position of the gas-water contacts (GWC) or gas down to (GDT), the Proven static GOIP (gas originally in place) of the field was estimated at 320 mmcm (11.3 Bcf). An additional gas volume of 75.7 mmcm (2.7 Bcf) was classified as Probable. Then from a calibrated dynamic model of the field, Proven gas reserves (1P) of 230 mmcm (8.1 Bcf) and Proven plus Probable reserves (2P) of 250 mmcm (8.8 Bcf) were derived.

FANTUZZA-1 (Crocetta permit)

In July 2010, the Company released the results of the Reserve & Resources assessment work, undertaken together with Sillaro.

The calibrated dynamic model was then used to forecast the field production and to estimate the recovery factor, resulting in estimates for Proven (1C) Contingent recoverable resources of 53 mmcm (1.9 Bcf) and Proven plus Probable (2C) Contingent recoverable resources of 163 mmcm (5.8 Bcf).

Major equipment items have been purchased and the preparation for drilling is underway. Drilling approvals are expected early in 2011 and options for farm out of the well continue to be explored.

CASTELLO GAS FIELD (Cascina Castello concession)

Castello (East of Milan) is still producing at a limited rate: preparation activities are progressing in order to drill a new well, Vitalba-1dirA, deviated from the current Castello plant location, then to be connected to the existing gas plant and to recommence production.

The Ministry has approved the well and the detailed drilling program will be submitted in the fourth quarter.

Subject to drilling success within the established timeframe, production is planned to recommence in the June 2011 quarter and is expected to produce at 50-70,000 cubic metres/day.

BEZZECA (Cascina San Pietro permit)

The Bezzeca gas project is progressing through the development process.

An application for a Production Licence is underway and will be shortly lodged with the Ministry. The phased development plan will see the installation of minimal required surface facilities for production on the existing Bezzeca-1 site, the connection of the site to the existing Castello plant, the commencement of gas flows from Bezzeca-1 and the subsequent drilling of Bezzeca-2d from the existing site.

SANT'ALBERTO (S. Vincenzo permit)

The grant for approval of seismic work is expected shortly. In line with our development schedule, 2D Seismic data (30km 2D) is expected by the end of 2010.

The next steps include incorporating revised seismic data into updated reservoir modelling and the submission of an updated production concession application.

CORREGGIO (Cadelbosco di Sopra, preliminary award)

Investment in the promising Correggio gas field continued in the September quarter. Recent preliminary seismic interpretation over the **Correggio** gas field near Parma confirmed its prospectivity within the Pliocene and Quaternary sand sequences (two prospects were already identified and named Canolo and Zini).

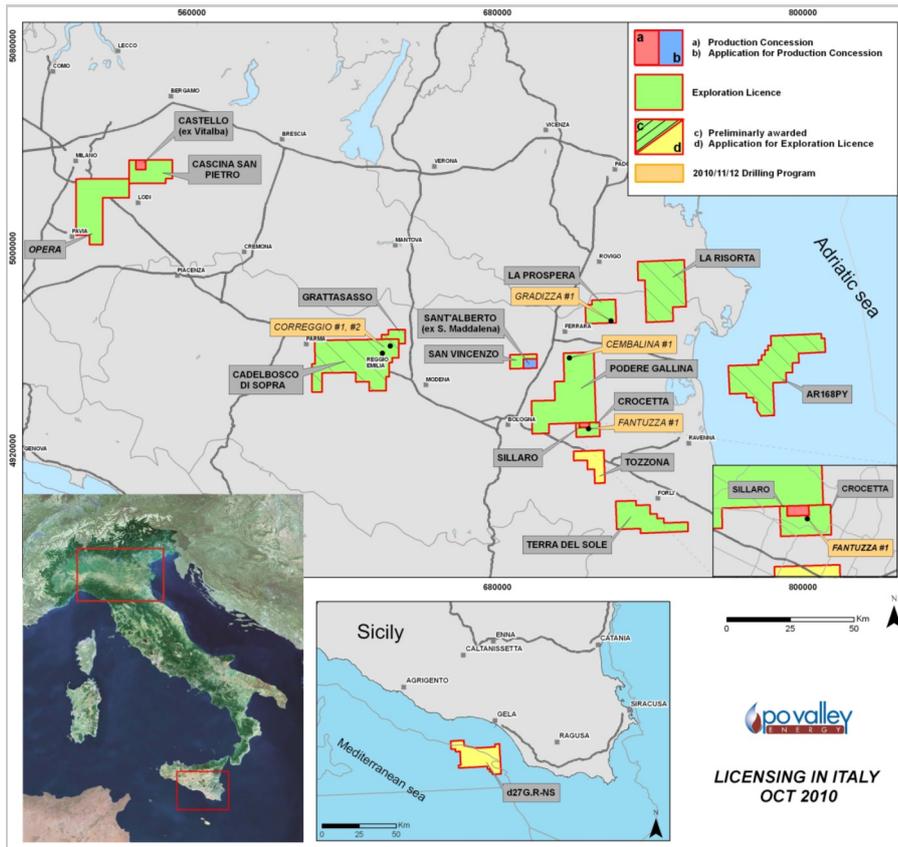
The purchase of ENI selected seismic lines (111km) is underway and reservoir modelling project started incorporating the production information from ENI's previous activity.

EXPLORATION

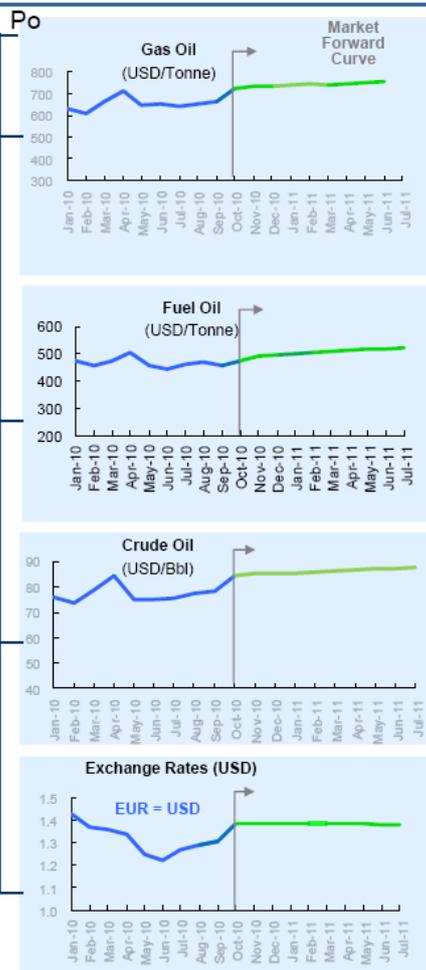
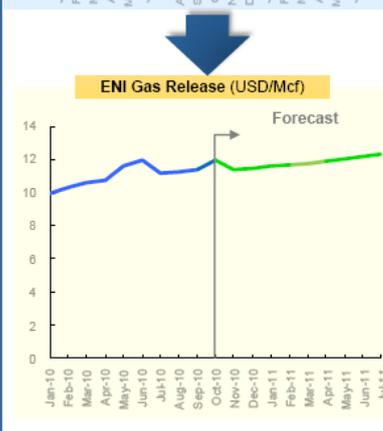
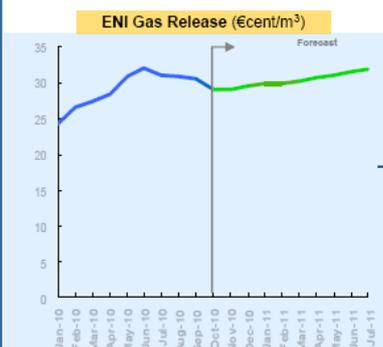
Preparation work continued on the **Gradizza** prospect, north of Bologna, with the exploration well set to spud in 2Q 2011.

On the **Cembalina** structure, new seismic data (15Km 2D) will be acquired in conjunction with the Sant' Alberto geophysical campaign.

PO VALLEY ENERGY LICENSING IN ITALY



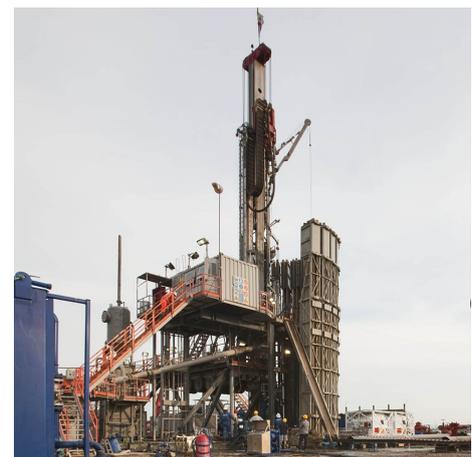
Summary	€cent/m ³	USD/Mcf	AUD/Mcf
Sept 10 Month	30.55	12.00	12.20
Oct 10 Forecast	29.01	11.40	11.75
2010 Average	29.21	11.91	12.42
2011 Cal	31.47	12.27	12.74



ITALIAN ENI GAS RELEASE PRICE: SEPTEMBER UPDATE

The ENI gas release price was €30.55 cents per cubic metre for the month of September 2010. Using market based forwards, gasoil, fuel oil and crude, ENI gas release prices are expected to be €29.01 cents for October 2010 and €31.07 cents for November 2010.

The price decrease is being driven by recent appreciation of the Euro against the USD partially offset by an increasing oil price trend.



CORPORATE

The Company appointed Mr Giovanni Catalano as Chief Executive Officer effective 11 October 2010. Mr Catalano succeeds Mr Michael Masterman, the founding CEO of Po Valley who will move to a non-executive role as Deputy Chairman. Mr Catalano - who joined the Po Valley team in July this year as Deputy Chief Executive Officer and Chief Operating Officer - holds a Masters degree in Geology and has 32 years in the upstream oil and gas industry. Prior to joining Po Valley, Mr Catalano was CEO of Mediterranean Oil & Gas Plc in the UK and Italy.

Mr Masterman remains a major shareholder and a valued non-executive Director on the Board of Po Valley Energy. The entire Board and Po Valley's team express their appreciation and thanks to Mr Masterman for his hard work during the Company's formative years.

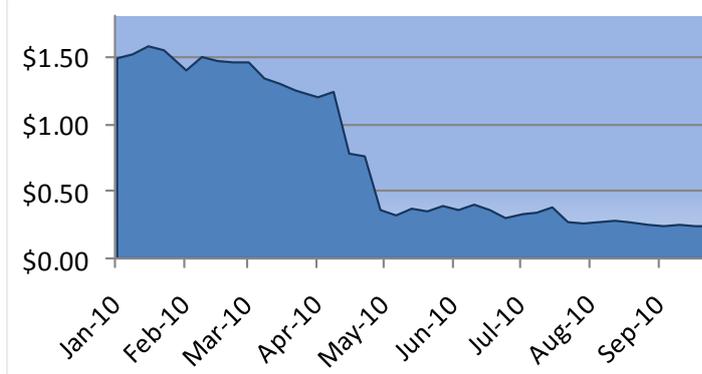
During the quarter, the Company also appointed Mr Greg Short as a non-executive Director of Po Valley Energy. Mr Short is a geologist who worked with Exxon in exploration, development and production geosciences and management for 33 years in Australia, Malaysia, USA, Europe and Angola. During his time in Europe, Mr Short was actively involved in Exxon's activities in the Netherlands and Germany and is a former Geoscience Director of Exxon's successful development of its Angola offshore operations.

Another milestone achieved is the final sign-off from Bank of Scotland of the 90 days completion test for Sillaro. As a result, the interest margin will drop significantly.

Po Valley concluded the September quarter with positive operating cash flow, cash at bank of €2.0 million (A\$2.8m) and conservative debt levels of €7.0 million (A\$9.9m).

Substantial Shareholders	Shares ('m) as at 30 Sept 2010	%
Michael Masterman	26.0	23.6%
Hunter Hall	13.2	12.1%
Beronia Investments	7.1	6.5%
Other	64.1	57.8%
TOTAL SHARES	110.4	
Market Capitalisation (at A\$0.24*)	(€18.8m) A\$26.5m	
Cash at Bank (Jun 10)	(€2.0m) A\$2.8m	
Drawn Debt	(€7.0m) A\$9.9m	
Enterprise Value	(€24.5m) A\$33.6m	

Share price chart: January to September 2010



1€=1.410Aud as at 30 Sept 2010

Competent Person's Statement

Information in this report that relates to Hydrocarbon Reserves and or Resources is based on information compiled by Mr Giovanni Catalano, CEO of Po Valley Energy who have consented to the inclusion of that information in the form and context in which it appears.

Mr Catalano has over over 32 years experience in Exploration and Development in the Oil and Gas Industry. He is member of SEAPEX and AAPG and holds a masters degree in Geology from the University of Ferrara.

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