

JUNE QUARTER 2011

COMPANY OVERVIEW

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

The Company owns and operates two gas treatment plants, with more gas and oil developments to come.

HIGHLIGHTS – KEY DEVELOPMENTS

June Quarterly Highlights

- Gas production steady at 7.7 million cubic metres (273 mmcf)
- Revenue for the quarter €2.1m (AUD 2.8m)

Sillaro

- First year of production achieved with 33.4 million cubic metres (1.2 billion cubic feet)
- Sillaro production for the quarter steady at 7.4 million cubic metres (262 million cubic feet)
- Sillaro averaged 84,430 cubic metres/day (3.0 million cubic feet/day) from its two production wells
- Operating netback per unit of production averaged 90%
- The data from a 3-day shut down for pressure readings confirmed the previously certified reserves

Castello

- Vitalba-1dir well within the Cascina Castello licence continued to produce at a limited rate
- Plans advanced to proceed with a deviation of the well (Vitalba-1dirA) in order to re-start production
- Authorisations from the Ministry granted, all contracts executed, spud expected toward the end of September 2011

San Vincenzo / Sant'Alberto

- Data processing of the 30 km of 2D seismic lines acquired in February is almost complete with encouraging results
- A revised production concession application will be submitted to the Ministry of Development once the evaluation of the new seismic data, integrated with updated reservoir model, is completed

Bezzecca

- Bezzecca development project is progressing through the regulatory phase
- Preparation of the engineering and environmental impact assessment is nearly complete

Cadelbosco di Sopra/Grattasasso

- Progress made in respect of the interpretation of the 110 km of 2D seismic lines acquired from ENI
- Two prospects Canolo and Zini are ready for drilling program finalisation

New Projects

- The Gradizza-1 well has received Environmental Impact Assessment (EIA) formal approval, final drilling authorisation expected within the 3Q 2011
- The data processing of 15 km 2D seismic acquisition campaign in the Podere Gallina permit area is complete and incorporation of the new seismic results into the Cembalina prospect is near completion
- The perimeter of the AR168PY offshore exploration licence has been modified to reflect the 'no activity area' within the 12 nautical miles from the coast: final granting imminent
- The new application Tozzona was granted to PVE with a preliminary award but the Ministry's decision has been contested through court appeal by the unsuccessful bidder

Corporate

- Average Eni gas release price for the quarter firmed up to €/cent 32.92 per cubic metre
- Cash at bank at the end of the quarter was €1.6m (AUD 2.1m)
- Positive EBITDA margin which continues to improve compared to 3Q and 4Q 2010
- The Lloyds (Bank of Scotland) borrowing base limit semi-annual review is unchanged at €9.0m (AUD 12.2m) while current drawing on the facility is €6.0m (AUD 8.1m)
- Engaged US firm Moyes and Co. to progress a farmout package of selected opportunities

ASX: PVE

Capital Details (as at 30 June 11, AUD)

Share Price	\$0.20
Shares on Issue	111.1m
Market Capitalisation	\$22.2m
Cash at Bank	\$2.1m
Drawn Debt	\$8.1m
Enterprise Value	\$28.2 m

2011 Quarterly Gas Production and Revenue

	Full 2010	1st Q 2011	2nd Q 2011	1Q-2Q % Variation
Production mmcm				
- Castello	8.28	0.28	0.28	-
- Sillaro	18.50	7.50	7.43	-1%
Total Production mmcm	26.78	7.78	7.72	-1%
Total Production mmcf	946	275	273	-1%
Total Revenue €m	7.1	2.2	2.1	-5%

INTRODUCTION

During the quarter, the Company achieved the first full year production from Sillaro, an important milestone for the Company. A 3 day shut-down in May permitted to record the bottom hole pressure, a critical measurement to better understand and update the reservoir behaviour. The data from this operation showed good results, thereby confirming the previously certified reserves. Operating efficiencies allowed the Company to reach an average 90% operating netback per unit of production.

The Company is ready to begin the drilling activities of Vitalba-1dirA, having received all the required authorisations and completed all the necessary preliminary work. According to the rig schedule, that calls for one well in northern Italy prior to the Vitalba-1dirA, the spud date is expected toward the end of September.

June quarter production was 7.7 million cubic metres (273 million cubic feet), with the Sillaro field contributing 7.4 million cubic metres (262 million cubic feet) and the Castello field contributing 282 thousand cubic metres (10 million cubic feet).

Total revenue for the quarter was €2.1m (AUD 2.8m).

On the Corporate side, the Company is in the process of closing the half year 2011 accounts. The Company expects to report continued positive EBITDA and net profit for the half-year.

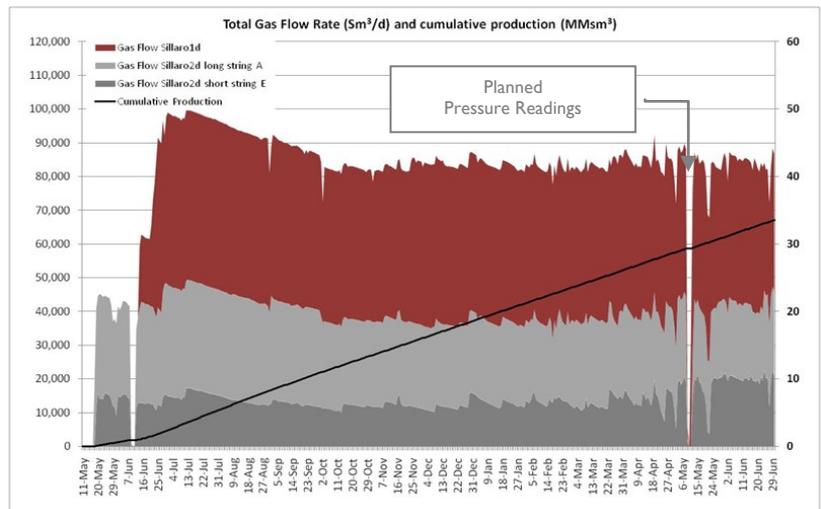
SILLARO GAS FIELD (Sillaro Concession)

During the quarter the Sillaro field was stopped for 3 days for the planned bottom hole pressure readings. The results are encouraging and confirm the previously certified 1P (Proven) reserves of 7.5 billion cubic feet and 2P (Proven+Probable) reserves of 8.2 billion cubic feet.

Additionally, despite the fact that it has already reached the total estimated recoverable volume, the short producing string E of Sillaro-2dir well, is still producing at operating rates.

Operating netback per unit of production averaged 90%.

To date, Sillaro gas production amounts to 33.4 million cubic metres (1.2 billion cubic feet), with a contribution in 2Q 2011 of 7.4 million cubic metres (262 million cubic feet).



CASTELLO GAS FIELD (Cascina Castello concession)

Vitalba gas field (East of Milan) is still producing at a limited rate. The Company's plan is to drill a new well, (Vitalba-1dirA), that will be deviated from the current plant location re-entering the Vitalba-1dir existing well, and connected to the existing gas treatment plant once production is re-established.

During the quarter, all contracts and service agreements have been executed. The Company has already been granted the authorisations to drill by the Ministry of Development and signed a drilling contract for the hydraulic rig HH200 of LP Drilling Srl. According to the rig schedule, that calls for one well in northern Italy prior to the Vitalba-1dirA well, the spud is predicted toward the end of September 2011.

Subject to drilling success, production is expected to recommence in 4Q 2011.

FANTUZZA-1 (Crocetta permit)

Final authorisation from the Ministry to drill Fantuzza-1 well is still under way; the delay is related to procedural complications and not to technical or environmental issues.

Fantuzza is one of the assets in the farmout package managed by US based Moyes and Co.

BEZZECA (Cascina San Pietro permit)

The Bezzeca gas project is progressing through the development phase. A meeting with the Technical Office of the Ministry in Bologna (UNMIG) was held during May and a list of additional technical/economical information and details is under preparation to be provided soon.

The Preparation of an Environmental Impact Assessment, together with an engineering study, is progressing and it will be lodged with the Ministry during 3Q 2011.

The phased 2-well development plan will require minimal investment in terms of new production facilities on the existing Bezzeca-1 site, and will call for about 7 kilometres of pipeline to connect the site to the existing gas treatment plant at Vitalba.

Production start-up from Bezzeca-1 is envisaged in 2013, while drilling of the second well (Bezzeca-2d) is expected to follow in the 2nd year of production.

SAN VINCENZO & PODERE GALLINA permits

The processing of the 30 km of 2D seismic data, acquired in February in the San Vincenzo permit, has been completed by Geotrace, the UK based company selected as seismic processing contractor. Interpretation results will be incorporated into an updated reservoir modeling study. The last step will be the submission to the Ministry of the updated production concession application to proceed with its final award.

On Podere Gallina, a detailed definition and evaluation of the Cembalina prospect has been carried out using newly acquired seismic data.

CADELBOSCO DI SOPRA & GRATTASASSO permits

Interpretation of the 110 km of 2D seismic recently purchased is under way in order to define Quaternary / Pliocene gas prospects. A geological and drilling program for the Canolo & Zini prospects is underway.

EXPLORATION

The Gradizza-1 well has received EIA formal approval, and the final drilling authorisation from UNMIG is expected within the 3Q 2011.

The award of AR168PY exploration permit is expected soon following a change of the license's perimeter to reflect the 'no activity area' within the 12 nautical miles from the coast.

Tozzona exploration permit application has been preliminarily awarded to the Company which was competing with Vittorito Petroleum. In spite of the fact that the Ministry awarded the permit to PVE, Vittorito has taken legal action at the TAR level (Regional Administrative Tribunal) to protest the Ministry's decision. We are actioning legal support to the Ministry as done in the past for the AR168PY permit.

CORPORATE

In 2Q 2011, with the production from the Castello and Sillaro gas fields, the Company generated €2.1m (AUD 2.8m) in revenues; the slight decrease compared to 1Q 2011 was due by the planned 3 day shut-down at the Sillaro field necessary to perform pressure readings and a seasonal discount agreed with our gas customers.

Moyes & Co, a global energy advisor with offices in US and UK, have been engaged to facilitate the farmout process of a selected number of assets. A farmout package is under preparation with Moyes with commercial details under finalisation.

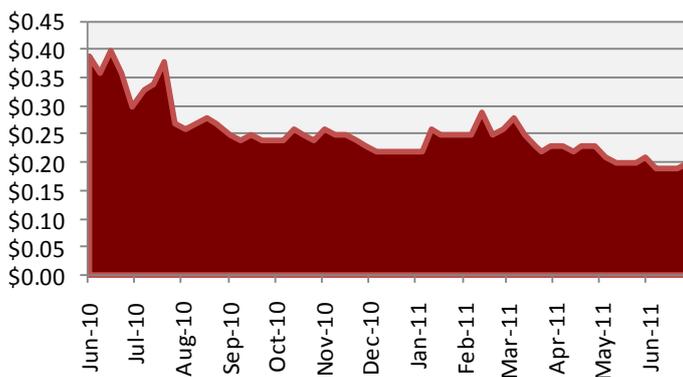
The Company is in the process of closing the half year accounts. The financial results are encouraging and demonstrate the notable cash generating ability of the operations. As explained in detail in the individual project summaries, the Company undertook significant investments in G&G studies during the first half of the year. G&G investments for 1H11 amount to c.a. €1m.

The Company continued to generated positive and increasing EBITDA and net operating cashflow during the 2Q of 2011, in line with 1Q 2011. These good results have been achieved through a strong revenue stream coupled with effective cost control and operating efficiencies.

Po Valley concluded the June quarter with cash at bank of €1.6m (AUD 2.1m) and debt levels of €6.0m (AUD 8.1m). Lloyds (Bank of Scotland) has recently completed its semi-annual review of the Company's borrowing facility.

The borrowing base limit for 2H11 has been confirmed at €9.0m (AUD 12.2m), in line with the second half of 2010.

Share price chart: June 2010 to June 2011



Substantial Shareholders	Shares ('m) as at 30 Jun 2011	%
Michael Masterman	26.7	24.0%
Hunter Hall	17.0	15.3%
Beronia Investments	7.2	6.5%
Other	60.2	54.2%
TOTAL SHARES	111.1	
Market Capitalisation (at A\$0.20)	A\$ 22.2m	(€16.3m)
Cash at Bank (June 11)	A\$ 2.1m	(€1.6m)
Drawn Debt	A\$ 8.1m	(€6.0m)
Enterprise Value	A\$ 28.2m	(€20.7m)

1€=1.357 Aud as at 30 Jun 2011 and Aud 1.355 for the period average (01/04/11 – 30/06/11)

PO VALLEY ENERGY - PORTFOLIO OF LICENCES IN ITALY

- 🔥 Overall 2,000 km²
- 🔥 7 Exploration permits
- 🔥 2 Production Concessions
- 🔥 2 Exploration permits in application
- 🔥 2 Production Concession applications

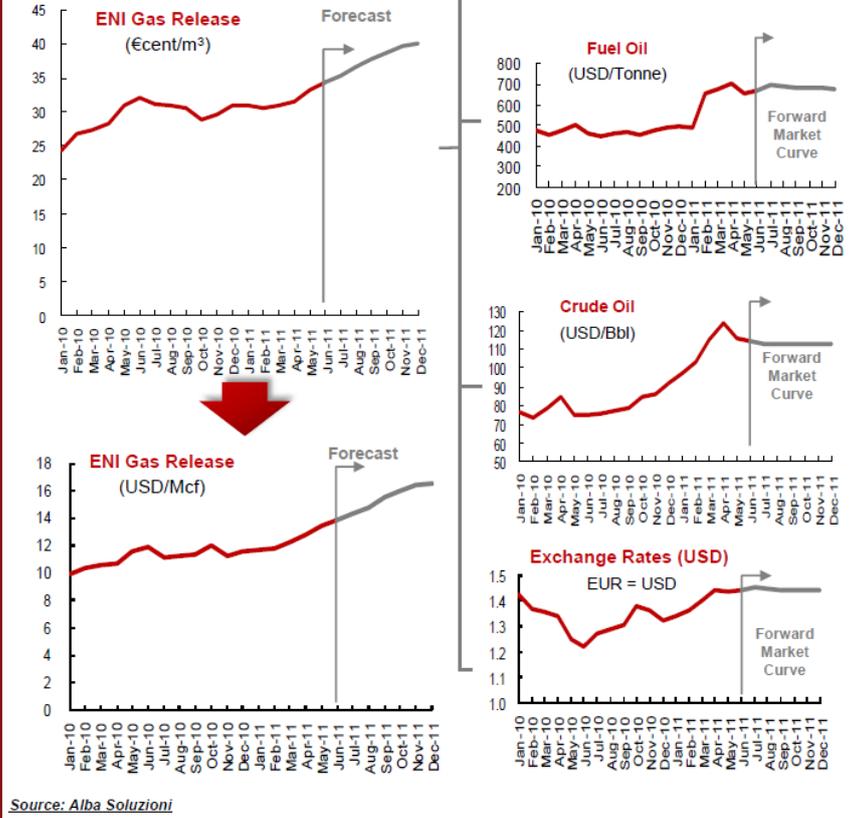
Summary	€cent/m ³	USD/Mcf	AUD/Mcf
June 11 Month	34.31	14.00	12.88
July 11 Forecast	35.33	14.53	13.25
2010 Average	29.35	10.92	11.88
2011 Cal	34.97	14.26	13.12
2012 Cal	40.40	16.47	15.15

ITALIAN ENI GAS RELEASE PRICE: JUNE UPDATE

The Eni gas release price was €34.31 cents per cubic meter for the month of June 2011.

Using market based forwards gasoil, fuel oil and crude, Eni gas release prices are expected to increase to €35.33 cents for July 2011 and €36.63 cents for August 2011.

The gas price is being driven by the recent growth in oil prices, specifically in respect of gasoil.



Source: Alba Soluzioni

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 has consented to the inclusion of this information in the form and context in which it appears.

Mr Catalano has 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.

CONTACTS

REGISTERED OFFICE

Level 28, 140 St George's Terrace
Perth WA 6000
TEL +61 8 9278 2533
FAX +61 8 9278 2525

ROME OFFICE

Via Boncompagni, 47
Rome Italy 00187
TEL +39 06 4201 4968
FAX +39 06 4239 1900

For further information please contact:

Giovanni Catalano
Chief Executive Officer
+39 06 4201 62 75

Michael Mullane
Cannings Corporate Communications
(02) 8284 9990

Or visit: www.povalley.com