

DECEMBER QUARTER 2012

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 follow.

ASX: PVE

Capital Details (as at 31 Dec 12, AUD)

Share Price	\$0.12
Shares on Issue	118.5m
Market Capitalisation	\$14.2m
Cash at Bank	\$1.5m
Drawn Debt	\$5.0m
Enterprise Value	\$17.7m

HIGHLIGHTS – KEY DEVELOPMENTS

Combined Gas production for the quarter, from both Castello and Sillaro gas fields was 6.1 million cubic metres (0.21 bcf)

Castello and Sillaro fields are currently producing at a combined daily rate of circa 66,000 cubic metres (2.3 million cubic feet) per day

Total gas production from Sillaro and Castello for 2012 was circa 25 million standard cubic metres (0.85 billion cubic feet)

Revenue for the December quarter was € 1.7 million (AUD 2.1 million)

Revenue for 2012 was € 8.2 million (AUD 10.1 million)

AR94PY (formerly AR168PY) Exploration Permit: 3D seismic, well and core data purchased from ENI and currently under review by PVE technical team

Bezzecca: Environmental Impact Assessment (EIA) approval under review by the Lombardia Region

Gradizza-1 well: final drilling approval awarded by the Ministry

The EIA for the Tozzona exploration permit was cleared by the Emilia Romagna Region; Torre del Moro and La Risorta EIA's are still under review by the Emilia Romagna and Veneto Regions

Debt was reduced by € 2 million (AUD 2.5 million) during the quarter to a balance of € 4 million (AUD 5 million). Work is underway to refinance the Lloyds facility which has a current maturity of November 2013

Cash at bank and cash equivalents at the quarter end was € 1.2 million (AUD 1.5 million)

2012 vs 2011 Gas Production and Revenue

	4th Q 2012	3rd Q 2012	Full 2012	Full 2011
Production mmcm				
- Castello	1.56	1.55	5.33	0.72
- Sillaro	4.53	4.72	19.34	28.27
Total Production mmcm	6.09	6.27	24.67	28.99
Total Production bcf	0.21	0.22	0.85	1.02
Total Revenue €m	1.7	2.1	8.2	9.1

PRODUCTION

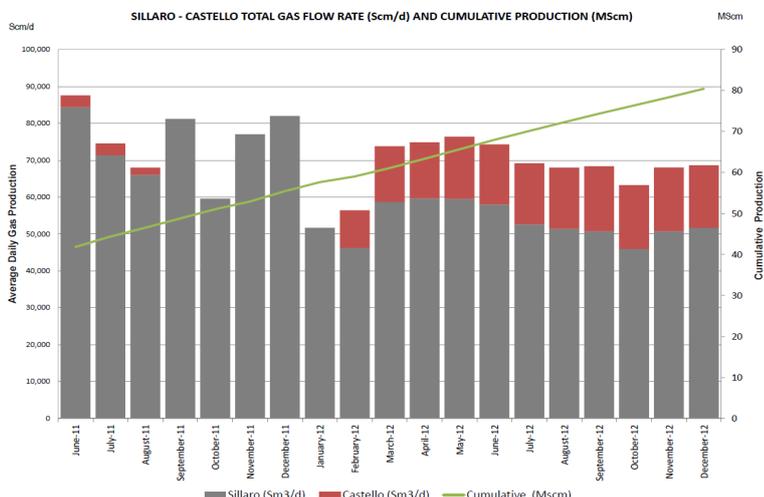
Overall production for 2012 was 24.7 million standard cubic metres (0.85 billion cubic feet). Production increases from Vitalba were offset by a reduction in the production from Sillaro. As previously announced, the temporary suspension of the main producing level (PL2 C1+C2) at Sillaro was due to a slight increase in condensate production which must be separated before gas release in the national pipeline.

Sillaro continues to produce on a restricted basis, pending installation of a condensate separator which is currently under construction. Civil works necessary to install the separator are complete and the mechanical work and related activities have started off-site. Once the condensate separator equipment has been assembled it will be brought on site for tie-in.

The Company expects the project to be completed in the month of February.

Sillaro production for the quarter was 4.5 million cubic metres (160 million cubic feet) an average of around 50,000 standard cubic metres per day (1.7 million cubic feet per day). Total 2012 production from the Sillaro field was 19.3 million cubic metres (681 million cubic feet).

After starting production from the sidetracked Vitalba-1dirA well in February 2012, the Vitalba field produced steadily throughout the year. During the 4th quarter 2012, Vitalba produced 1.6 million cubic metres (55 million cubic feet) at an average of 17,000 standard cubic metres per day (0.6 million cubic feet per day), with the total production in 2012 amounting to 5.3 million cubic metres (187 million cubic feet).



DEVELOPMENT

After the receipt of the full award for its first offshore exploration permit, **AR94PY**, the Company visited the ENI dataroom and selected 3D seismic and well dataset for purchase. During the December quarter the Company finalised the purchase contract. The data is currently under review by the PVE technical team.

The AR94PY licence contains two previously drilled and tested gas discoveries, Carola and Irma: resource evaluations of the combined two gas fields have a low estimate Contingent Resources (1C) of 22 bcf and best estimate Contingent Resources (2C) of 24.8 bcf. These resource estimates were independently audited by Fugro Robertson Limited in April 2012. The Company is currently working on a preliminary development plan which may lead to an application for a production concession.

PVE received the preliminary production concession for the **Bezzocca** gas field which subsequently accelerated the EIA process. During the December quarter the first hearing was held and the local authorities visited the site at the beginning of December. No particular concerns were raised and the process is running smoothly.

DEVELOPMENT - CONT'D

The development plan for the **Sant'Alberto** gas field in the San Vincenzo permit is currently under review by the Ministry. The final concession award is subject to the EIA clearance from the Region.

The drilling programs and the related EIA for the Zini 1, Canolo 1d and Canolo 2d wells are under review by the Ministry and the Region. The 3 wells are located in the **Cadelbosco di Sopra** area, and were recently farmed out with promote to Petrorep Italiana SpA for a 15% working interest in the up-coming work programme.

EXPLORATION & NEW VENTURES

In January the Company was awarded the final approval for the drilling of the exploration **Gradizza-1** well, in the **La Prospera** licence, located in the Ferrara province (north of Bologna). The well has a Quaternary sands target at a depth of 1,000 metres with prospective best estimate gas Resources of 265 million standard cubic metres (9.3 bcf).

During the Quarter the Company received the approval from the Emilia Romagna Region for the EIA related to **Tozzona application** (100%). The Company is now awaiting the final grant of the exploration licence to be issued by the Ministry.

After the Company received the preliminary award for its 100% owned **Torre del Moro** exploration permit, during the December quarter submitted the EIA to the Ministry. The first EIA hearing was held in January and the Company is waiting for the final award from the Ministry.

La Risorta (100%) application for the exploration licence is ongoing. The Company submitted the EIA study to the Emilia Romagna and Veneto Regions and in January the first public hearing to present the project was held in the Veneto Region in accordance with regional law.

CORPORATE

In the December quarter the Company generated revenues of € 1.7 million (AUD 2.1 million). Cash at bank at year-end amounted to € 1.2 million (AUD 1.5 million). During the month of December the Company reduced its debt by € 2 million. Current borrowings on the Lloyds facility amount to € 4 million. The Company has initiated work to refinance the existing facility. The Loyds facility will expire in November 2013.

During the quarter the Company raised AUD 1.35 million through a private share placement. The Company allotted 7,416,667 shares at an issue price of AUD 0.12 to several Australian institutional and sophisticated investors. The Company was pleased to receive the support of several of its non-executive directors in the placement.

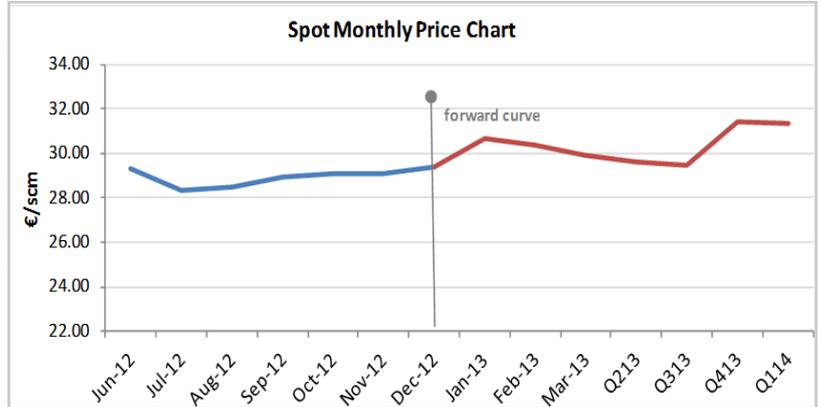
As the participation of the Company's non-executive directors in the placement is subject to shareholder approval, the 2nd tranche of the placement of 3,850,000 shares (for an additional AUD 462,000) will be issued if resolutions 1-5 are passed at the extraordinary general meeting of shareholders scheduled 15 February 2013. The proceeds will be used to upgrade the gas plant at Sillaro in order to enable higher production rates and for general working capital.

CORPORATE CONT'D

As stated in the last Quarterly Activities Report, PVE formed InTrading Srl, a joint venture with the Italian gas wholesale distributor Italtrading Spa.

The focus of the joint venture is to commercialise the Company's gas production on the Italian spot gas market. The average spot price for the December quarter was 29.20 Euro cents per cubic metre (10.32 AUD/mscf).

As at 31 December 2012 the average forward spot price for January and February was equal to 30.67 and 30.36 Euro cents per cubic metre respectively.



Share price chart: Jan — Dec 2012



€1=AUS\$1.274 as at 31 Dec 2012 1€= 1.253 for December average

€1= AU\$1.249 for the Dec quarter

Source: oanda.com

Substantial Shareholders	Shares ('m) as at 31 Dec 2012	%
Michael Masterman	29.8	25.2%
Hunter Hall	22.2	18.8%
Beronia Investments	7.1	6.0%
Other	59.3	50.1%
TOTAL SHARES	118.5	100%
Market Capitalisation (at A\$0.12)	A\$ 14.2m	(€11.1m)
Cash at Bank (Dec 12)	A\$ 1.5m	(€1.2m)
Drawn Debt	A\$ 5m	(€4.0m)
Enterprise Value	A\$ 17.7m	(€13.8m)

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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, MD & 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.