

## JUNE QUARTER 2007 — ACTIVITIES REPORT

For the June quarter and to the date of this report

### HIGHLIGHTS — KEY DEVELOPMENTS

#### **Sillaro and Castello (aka Vitalba); PVE 100%**

- Progress towards production proceeding on schedule
- Public meetings for Environmental approvals complete
- Preliminary award of Surface plant contracts expected in August

#### **Sant' Alberto (aka Santa Maddalena); PVE 50%**

- Production concession application expected to be submitted at next Hydrocarbon Commission meeting

#### **New licence applications – 8 gas and 2 oil targets**

- Environmental clearances completed for Opera, Ossola, La Prospera, Podere Gallina and Terra del Sol
- Seismic acquisition on 6 of 8 priority gas prospects, and 1 oil prospect, underway
- Ossola licence likely to be resubmitted for consideration at the next Hydrocarbon Commission meeting

#### **Gas Storage**

- Italian storage Joint Venture agreed with Star Energy Plc
- Bid process for storage licences well advanced

#### **Market Conditions**

- Long term Italian market gas prices remain steady
- Warm winter depressed spot prices

#### **Finance**

- Capital raising of A\$7.8 million completed June/July 2007
- Cash at Bank 30 June 2007 – A\$8.1million

### June Quarter 2007 Activities Report

Progress towards bringing Sillaro and Castello into production remains on track, as does the progress on new gas and oil exploration projects.

#### **Sillaro and Castello Gasfields**

The Sillaro and Castello Production Concession applications were considered at the April 12 Hydrocarbon Commission. Formal notification of the outcome is expected during the next quarter.

Environmental approval procedures for Sillaro and Castello are moving steadily forward with key public meetings held successfully during the quarter. The environmental approval process is expected to be completed in September/October 2007.

Tenders for surface plant construction have been received and preliminary award is expected in early August.

Pipeline connections to the national grid have been agreed and the design process is underway. SNAM Rete Gas, the national pipeline operator is responsible for construction and finance of the pipeline connections. Po Valley Energy has lodged the required performance bonds.

### **Sant' Alberto Gasfield – north of Bologna**

Po Valley Energy's joint venture partner and operator, Edison, has submitted the production concession application and the company expects it to be considered at the next Hydrocarbon Commission meeting.

### **New Development Projects — Bezzecca 1 and Fantuzza 1**

All drilling equipment (piping, casing and wellheads) are in place for the drilling of Bezzecca 1 and Fantuzza 1.

Approvals for drilling of these wells are moving forward. Environmental approval for Bezzecca was submitted in April 2007.

### **New Licence Applications — Northern Italy**

Acquisition of seismic lines on the priority licences is underway and full reviews of the major targets are expected by year end.

Environmental clearance procedures on Ossola, Opera, Podere Gallina, and La Prospera have been completed and full grant of these licences are expected in the second half of 2007.

Judgement in the Ossola action was handed down. The court requested that the ministry provide more detailed written explanation on the basis for its preliminary award of the licence to Po Valley Energy. We expect this to occur at the next Hydrocarbon Commission meeting.

### **Gas Storage Joint Venture**

During the quarter Po Valley Energy entered a Joint Venture with Star Energy Plc to jointly bid for gas storage licences in Italy. Star Energy is a UK based (AIM listed) gas storage specialist (market cap of A\$492m) with operations in the UK.

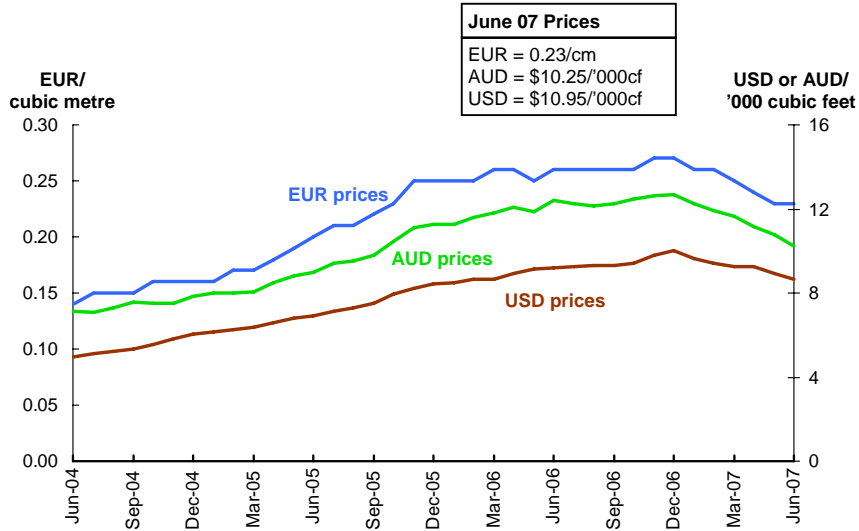
Technical and commercial work is well advance on storage concession bids

### **Italian Gas Market**

Prices in the Italian gas market remained steady during the quarter with the warmer winter conditions earlier in the year resulting in some spare capacity. The price though late in the quarter has started to rise as a result of the recent rally in the oil price, and an emerging storage issue within Italy. Pricing for the 2007 Italian Gas year (Oct 07 – Sep 08) is currently quoted at €0.29/cubic metre or US\$11/'000 cubic feet.

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**ITALIAN REFERENCE GAS PRICES**



Source: ENI gas price release (Pre Aug 2006), GeEO price series (post Aug 2006), European Central Bank and Australian Bureau of Statistics average monthly exchange rates

**Corporate**

Capital raising of \$A7.8 million was completed in July with a private placement of 4,775,000 to institutional investors. Cash at bank at the end of the June quarter was A\$8.14 million.

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