
MARCH QUARTER 2008 — ACTIVITIES REPORT

For the March quarter and to the date of this report

HIGHLIGHTS — KEY DEVELOPMENTS

Sillaro and Castello (aka Vitalba); PVE 100%

- Environmental decree issued for Castello and Sillaro
- Surface plant equipment construction 38% complete
- Production concessions expected to be issued in June 2008 quarter
- Targeting 2008 year end gas production from at least one of the fields under development
- Marketing and off-take contracts expected mid year

Sant' Alberto (aka Santa Maddalena); PVE 50% increasing to 100%

- Agreement with Edison for PVE to become operator and 100% owner
- 2D seismic acquisition planned to re-energise production concession process

Ossola Licence: PVE 50% Edison 50%

- Joint Agreement signed with Italy's second largest energy company
- Exploration targeting large-scale oil and gas/condensate prospects
- 55 km of seismic data purchased
- Results of geological and geophysical studies expected 3rd quarter 2008

New licence applications – 10 gas and 2 oil targets

- La Prospera and Opera seismic interpretation advanced
- Podere Gallina seismic purchased, seismic interpretation to be completed 3rd quarter 2008

Gas Storage

- Tender for Bagnolo Mella storage field likely to be considered at mid year Hydrocarbon Commission meeting
- Other target gas storage fields under evaluation

Market Conditions

- Long-term Italian market gas prices climb strongly with rising oil price and refinery products

Corporate

- Completion of €20 million Bank of Scotland facility
- Funds to be used to bring Sillaro, Castello and Sant' Alberto into production and drill Bezzacca 1 and Fantuzza 1
- Drawdown on facility at 31 March 2008 A\$1.02 million
- Cash at Bank 31 March 2008 – A\$3.78 million
- Appointment of Chief Operating Officer and key personnel

March Quarter 2008 Activities Report

During the quarter, Po Valley closed a €20 million finance facility which will provide the base funds to drive Sillaro and Castello into production and drill the larger Bezzacca and Fantuzza prospects.

First gas production for Sillaro and Castello continued to progress during the quarter with the granting of the Environmental approvals and progress on surface plant construction and grid connections. The portfolio continues to grow and the Company remains very active in the new project generation and acquisition.

Sillaro and Castello Gasfields

Momentum on the final regulatory approvals for Sillaro and Castello, while slow, remains positive with only two hurdles left to gain site access and commence plant installation. Environmental approval for Sillaro was achieved in January and for Castello in March 2008. Initial meetings for the Sillaro final Production Concession grant have been held and Po Valley is targeting granting of both Production Concessions in the June quarter.

In parallel with the regulatory process, fabrication of the surface plant and associated skids is moving forward with the plant 38% complete at the end of March. Recent advice from the pipeline operator, SNAM Rete Gas, of grid connection timing, is expected to be in line with planned equipment installation timing.

Gas marketing activities have advanced significantly with the tender for Sillaro and Castello gas production issued in April following presentations and discussions with a large number of customers active in the Italian and European gas and energy markets. The Company expects to finalise marketing arrangements and associated off-take contracts by mid year.

Sant' Alberto Gasfield – north of Bologna

In a significant milestone for the Company, Po Valley Energy and Edison reached agreement for Po Valley to take over the long-term operatorship and ownership of the San Vincenzo Exploration licence and associated Sant' Alberto production concession application, in exchange for a royalty of 3.75% and as part of an overall agreement on the separate Ossola Exploration licence application.

Under our operatorship for the first time, the Company plans to use this event to refresh the application process and provide the additional required data to the regulatory authorities. This will include shooting some additional 2D seismic across Block 5 and completion of some additional reservoir evaluation and financial modelling work.

New Development Projects — Bezzecca 1 and Fantuzza 1

Environmental Approvals and drilling authorisations are advanced for both Bezzecca 1 and Fantuzza 1 and mid year authorisation is expected. All contracts are in place to commence drilling. Wellheads and casing are in stock.

A new contract has been put in place with Perazzoli Drilling to drill Sillaro 2, Bezzecca 1 and Fantuzza 1 - commencing in September/October 2008. The contract provides Po Valley with three additional rig slots (at the Company's option) to drill the planned 2009 wells in La Prospera, Opera and Podere Gallina licences.

Ossola Licence

During the quarter the Company reached agreement with Edison for a 50/50 participation in the licence area, where the company is targeting large-scale oil and gas/condensate targets.

Po Valley Energy has purchased 55 km of seismic and the interpretation of this and the results of the geological and geophysical studies are expected in 3rd quarter 2008.

The environmental clearance for the granting of the exploration licence has been completed.

New Licence Applications — Northern Italy

Following seismic acquisition and evaluation, geological studies are near complete on the La Prospera and Opera exploration licences. One clear target has been identified in Opera and two strong targets in La Prospera.

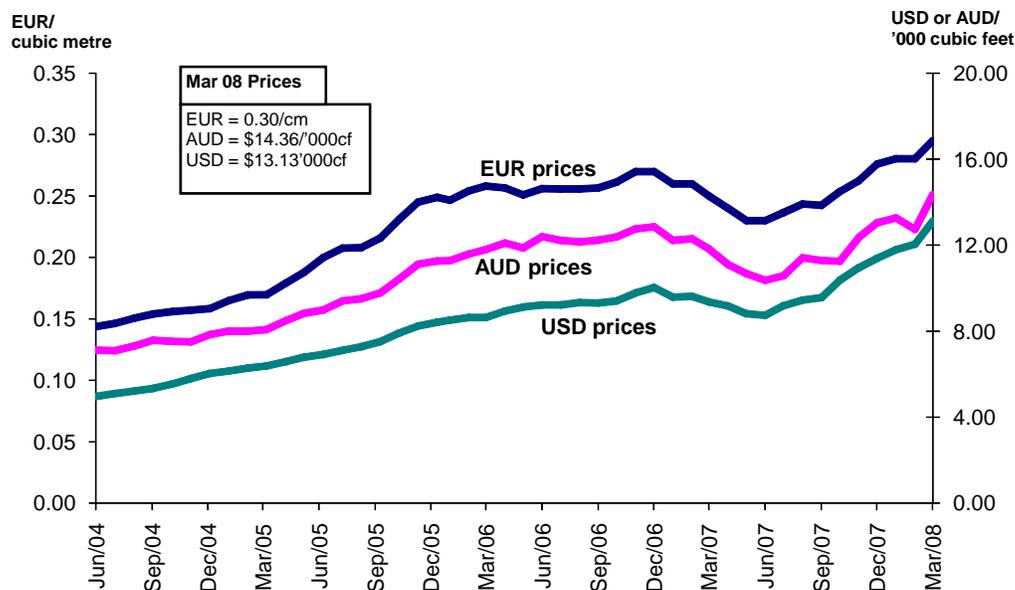
Evaluation of the third licence, Podere Gallina, is well underway and all three studies and proposed well locations will be finalised in the third quarter.

Gas Storage Joint Venture

Po Valley continues to await the June / July Hydrocarbon Committee meeting to decide the outcome of the Company's bid, with partner Star Energy, for the Bagnolo Mella gas storage development. During the quarter, Star Energy was acquired by the Petronas group for £360 million (US\$716 million). Star Energy remains committed to its storage JV with Po Valley Energy and together we are actively evaluating a number of other fields.

Italian Gas Market

Prices in the Italian gas market lifted during the quarter in line with the strongly rising oil and diesel prices. Current prices for the 2008 gas year, running from 1 October 2007 to 30 September 2008, were trading at a range of € 35.20 cents per cubic metre (USD15.65 per '000 cubic feet).



Source: ENI gas price release, European Central Bank and Reserve Bank of Australia average monthly exchange rates

Corporate

The financial strength of the Company was enhanced during the quarter with the execution and drawdown from a €20 million Bank of Scotland Facility. The facility provides the funds to put Sillaro and Castello into production and to drill the Fantuzza and Bezzecca 1 appraisal wells.

Cash at bank at the end of the March quarter was A\$3.78 million.

As Po Valley Energy gears up for first gas production from its Castello and Sillaro gas fields and expands the portfolio of projects under evaluation, it has made a number of key technical appointments.

The Company has appointed one of the region's most experienced petroleum geologists, Mr Doug Colkin, as its Chief Operating Officer, to be based in Rome and he commenced during April.

Mr Colkin was previously with one of Britain's largest independent energy groups, Enterprise Oil (acquired by Shell in 2002), where he spent 17 years managing international projects – notably at the technical helm of the Enterprise involvement in Val d'Agri, Europe's largest onshore oilfield.

His career spans more than 30 years experience in exploration and production of oil and natural gas in Europe, Africa and South East Asia.

In addition to Mr Colkin, the Company has also appointed Mr Gianluca De Rosa. Mr De Rosa is a geophysicist with over 10 years experience in the oil and gas industry.

Mr De Rosa joins the company from ENI where he worked in exploration and technical disciplines.

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