



MARCH QUARTER 2007 — ACTIVITIES REPORT

For the March quarter and to the date of this report

HIGHLIGHTS

KEY DEVELOPMENTS – EMERGING GAS PRODUCTION PROJECTS NORTHERN ITALY

Sillaro and Castello (aka Vitalba)

- Production concession applications considered at April 12 Hydrocarbon Commission meeting
- Environmental approval documentation submitted
- Pipeline grid connection agreed and underway
- Surface plant tenders issued

Sant' Alberto (aka Santa Maddalena)

- Production concession application expected to be submitted to July Hydrocarbon Commission meeting
- New development well planning underway

Bezzecca 1 and Fantuzza 1

- Seismic acquisitions and reviews complete
- Seismic confirms size of structures and well locations
- Clear structural high, with interpreted gas water contact. Fantuzza 1 well located on top of the structure.
- Bezzecca seismic confirms well located on top of structure
- EUR 1.8m of Casing, Tubing and Wellheads purchased

New licence applications

- 8 attractive onshore gas prospects identified from initial seismic review
- 2 large onshore oil/condensate structures identified
- Environmental clearances completed for Opera, Ossola, La Prospera and Podere Gallina
- Seismic acquisition, geophysical and geological study planning advanced
- Legal hearing on Ossola licence held on 18 April, decision pending

Market Conditions

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

Finance

- Discussions advancing for reservoir finance facilities
- Cash at Bank 31 March 2007 – AUD3.76m

March Quarter 2007 Activities Report

Po Valley Energy ("PVE") moved forward with its three successfully drilled projects – Sillaro, Castello, and Sant' Alberto during the Quarter. Sillaro and Castello were considered at the hydrocarbon commission and following the meeting Po Valley has submitted environmental approval documentation for both gasfield developments.

The company has moved quickly forward with initial geological and geophysical studies on the 5 applications for which it received preliminary award in October 2006. Initial seismic reviews have highlighted 8 priority gasfield prospects ranging in size from 10 to

80 bcf each which are now the subject of detailed review. In addition two large oil/condensate prospects have been identified and are also under review.

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 documentation for Sillaro and Castello were submitted in April following extensive consultation and input from the regional regulatory authorities. On a regional level the Sillaro concession in Emilia Romagna has a 4 month statutory review period and Castello in the Lombardia region has a 5 month statutory review period.

Tender requests for surface plant construction have been issued and pricing is expected to be received in June 2007 with a view to award in late July 2007.

National Grid pipeline connections have been agreed and the approval and design process is underway. SNAM, the national pipeline operator is responsible for construction and finance of the pipeline connections.

Sant' Alberto – north of Bologna

Po Valley'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 mid year.

New Development Projects — Bezzecca 1 and Fantuzza 1

An extensive seismic study was completed on the Bezzecca structure following the acquisition of 50km of seismic lines. The study confirmed the estimated size of the Bezzecca structure and the target well location.

Similarly an extensive seismic study of the Sillaro and deeper Fantuzza structure at 2500m confirmed the size of the proposed appraisal target and the well location. The well location for Fantuzza 1 is estimated to be at a higher level than the miocene structure immediately below the Sillaro pliocene structure and a target gross pay of 50 to 100 metres has been identified.

Planning for drilling the Bezzecca 1 and Fantuzza 1 appraisal wells is advanced. Casing, tubing and well heads have been procured at a cost of EUR1.8m and a drill rig has been contracted.

New Licence Applications — Northern Italy

Work has progressed rapidly on the new licence applications - La Prospera, La Risorta and Podere Gallina near Bologna, and Opera and Ossola near Milan. Initial seismic and regional reviews have shortlisted 8 priority targets with estimated resources ranging from 10 to 80 bcf each. In addition two large oil/condensate structures have been identified and are under intensive review.

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 are nearing completion and full grant of these licences are expected in the second half of 2007.

A legal hearing on the EDF Group subsidiary Edison's challenge to the preliminary award by the Italian Ministry of the Ossola application to Po Valley occurred on the 18 April. The Italian Ministry and Po Valley have lodged strong defences with regard to the preliminary award process. The company is waiting the decision of the hearing held on the 18 April 2007, which is expected in the next 60 days, and based on legal advice Po Valley is confident that the Edison claim will be rejected.

Italian Gas Market

Prices in the Italian gas market eased during the quarter with the pull back in oil prices and the warm winter conditions. Although there was a pullback in the key spot price indices, the gas price is still above €0.20 per cubic metre.

Corporate

Discussions are underway with major European Oil and Gas lending banks to establish a reservoir finance facility to fund surface plant equipment and inventory.

Cash at bank at the end of the March quarter was AUD3.76m

MICHAEL MASTERMAN
Chief Executive Officer

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For further information contact:

Michael Masterman
President & CEO
Po Valley Energy
+39 33 31961061

Kevin Skinner
Field Public Relations
(08) 8234 9555 / 0414 822 631

Or visit: www.povalley.com