



Quarterly Activities Report

For the December quarter and to the date of this report

Monday 31 January 2011

DECEMBER QUARTER 2010

ASX: PVE

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.

Capital Details (as at 31 Dec 10)

Share Price	\$0.21
Shares on Issue	110.6m
Unlisted Options	3.1m
Market Capitalisation	\$23.2m
Cash at Bank	\$1.3m
Drawn Debt	\$7.8m
Enterprise Value	\$29.8m

HIGHLIGHTS – KEY DEVELOPMENTS

December Quarterly Highlights

- Quarterly gas production of 7.9 million cubic metres (280 million cubic feet)
- Quarterly revenue €2.1m (AUD 2.7m)
- Start of new gas thermal year on 1 Oct 2010
- Average gas price for the quarter remained €0.30 per cubic metre

2010 Quarterly Gas Production and Revenue

	4th Quarter 2010*	1st Half 2010	2st Half 2010	Full 2010	% Variation 1H10 - 2H10
Production mmcm					
- Castello	0.28	7.67	0.61	8.28	-92%
- Sillaro	7.64	2.27	16.23	18.50	615%
Total Production mmcm	7.92	9.94	16.84	26.78	69%
Total Production mmcf	280	351	595	946	69%
Total Revenue €m	2.09	2.59	4.52	7.10	75%

* Gas Thermal Year Start: 1 October 2010

Sillaro

- Sillaro production for the quarter was 7.6 million cubic metres (270 million cubic feet)
- Sillaro averaged 83,000 cubic metres/day (2.9 million cubic feet/day) from its two production wells, in line with the contracted sale rate for the 2010-2011 gas thermal year

Castello

- Vitalba-1dir well within the Cascina Castello licence continued to produce at a limited rate
- Authorisations and procurement activities related to the drilling of the new deviated Vitalba-1dirA well are progressing
- Subject to successful drilling production re-start is planned for the third quarter 2011

San Vincenzo / Sant'Alberto

- 30 km of 2D seismic is planned in February 2011
- A revised Sant'Alberto production concession application to be submitted after evaluation of the new seismic data and revised reservoir modeling

Bezzecca

- A phased 2 well development plan has been lodged with the Ministry of Energy

New Projects

- Correggio gas field (Cadelbosco di Sopra) historic production data from ENI was received and is under review by Dedicated Reservoir Engineering And Management group (DREAM), an offshoot of the University of Turin
- Correggio seismic data from ENI was selected and the purchase process is being finalized

Corporate

- Cash at bank at the end of the quarter was €0.97m (AUD 1.3m)
- Bank of Scotland facility reduced from €7m (AUD 9.1m) to €6m (AUD 7.8m) in December 2010
- Borrowing limit increased by 14% to €9.1m (AUD 11.9m) for the first half 2011
- In 2010 achieved positive EBITDA and generated positive net cashflows from operating activities

INTRODUCTION

During the quarter, the Company achieved another important milestone, starting its first full gas thermal year as a gas producer on 1 October 2010, with an average daily gas production rate of 85,000 cubic metres/day. Po Valley continued to produce steadily from its fully owned Sillaro gas field, in line with its contracted production gas rates.

In accordance with the Company's gas sales agreements, daily gas production rates are established by Po Valley and communicated to its customers in advance. Prior to 1 October 2010, the Company was in a commissioning period under which daily production was not limited contractually under the gas sales agreement.

In the last six months, the Company boosted its gas production by 69%, achieving a total production for 2010 of 26.8 million cubic metres of gas (946 million cubic feet).

Total revenue for the 2010 year - €7.1m (AUD 9.2m) - reflects the improved production results. Total revenue for the second half of 2010 was €4.5m (AUD 5.9m), up 75% over the first half 2010.

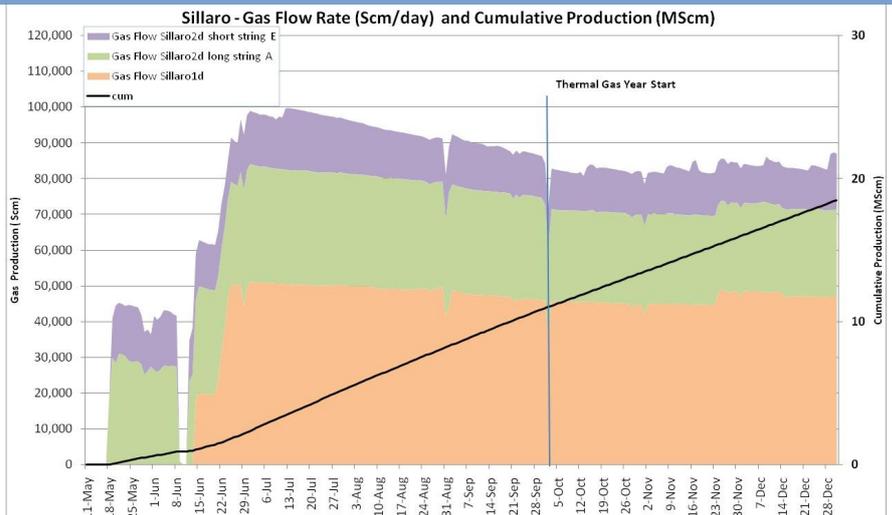
During the quarter, the Company progressed in its plans to re-start production from the Castello gas field, and progressed plans to identify a suitable partner for its planned new Fantuzza-1 well.

Po Valley further reduced by 15% its borrowings with Bank of Scotland (BoS), from €7m (AUD 9.1m) to €6m (AUD 7.8m), in December 2010.

SILLARO GAS FIELD (Sillaro Concession)

Sillaro production field (east of Bologna) is running smoothly, with stable plant and pressure performance, achieving total production for the year of 18.5 million cubic metres. Contribution for the December quarter was 7.6 million cubic metres (270 million cubic feet), with an average of 83,000 cubic metres/day (2.9 million cubic feet/day).

Over the past 8 months, the Company has improved its operating efficiency in running the production plant. Operating margins for the Sillaro production field averaged 89% during the second half of 2010.



FANTUZZA-1 (Crocetta permit)

Major equipment items have been purchased and the plans for drilling are underway.

Drilling approvals are expected early in 2011 and the Company has progressed its efforts to secure a partner for the planned appraisal well.

CASTELLO GAS FIELD (Cascina Castello concession)

Castello (East of Milan) is still producing at a limited rate. Preparation is well advanced to drill a new well, Vitalba-1dirA, deviated from the current plant location, to be connected to the existing gas plant once production recommences.

During the quarter, the Company lodged the drilling programme with the UNMIG in Bologna, started the procurement process and negotiations to secure a rig to drill the well are progressing.

Subject to drilling success, production is planned to recommence in the third quarter 2011.

BEZZECA (Cascina San Pietro permit)

The Bezzecca gas project is progressing through the development phase.

The necessary application for the production licence was lodged with the Ministry at the end of January. The phased 2-well development plan will require minimal new production facilities on the existing Bezzecca-1 site, but will require about 7 kilometres of pipeline to connect the site to the existing Castello plant.

Production start-up from Bezzecca-1 is envisaged in 2013, with Bezzecca-2d drilling to follow in the 2nd year of production.

SAN VINCENZO & PODERE GALLINA permits

Subject to availability of a seismic crew, a seismic acquisition in relation to San Vincenzo (30 km 2D) and Podere Gallina (15 km 2D) permit, is expected in February 2011. Negotiations with the seismic acquisition contractor are finalised.

The next planned activities on these permits include incorporating the new seismic data into an updated reservoir modeling study and submitting the updated production concession application to the Ministry for final award.

CADELBOSCO DI SOPRA & GRATTASASSO, preliminary award

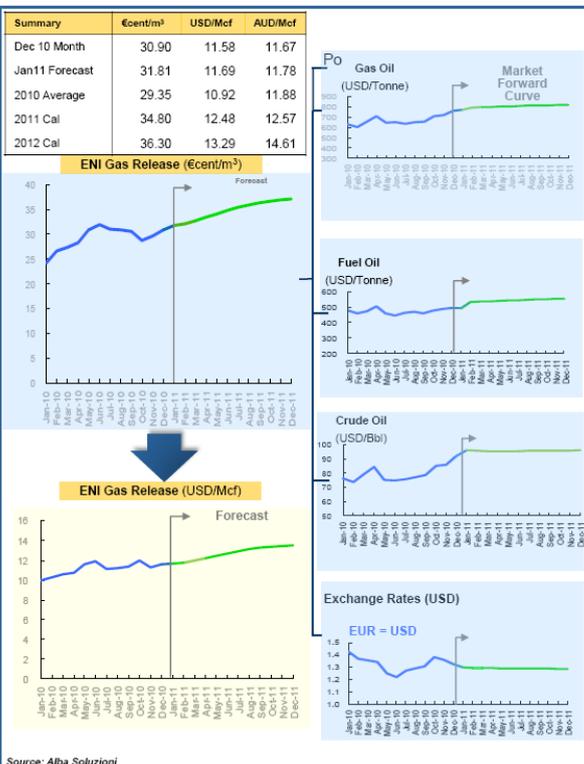
Both Cadelbosco di Sopra and Grattasasso licenses are expected to be awarded in early 2011.

Our DREAM consultants are progressing the evaluation of both Quaternary prospects (Canolo-1 and Zini-1) and Pliocene targets.

EXPLORATION

A comprehensive review of the Company's exploration portfolio is ongoing to enable ranking of priority exploration targets.

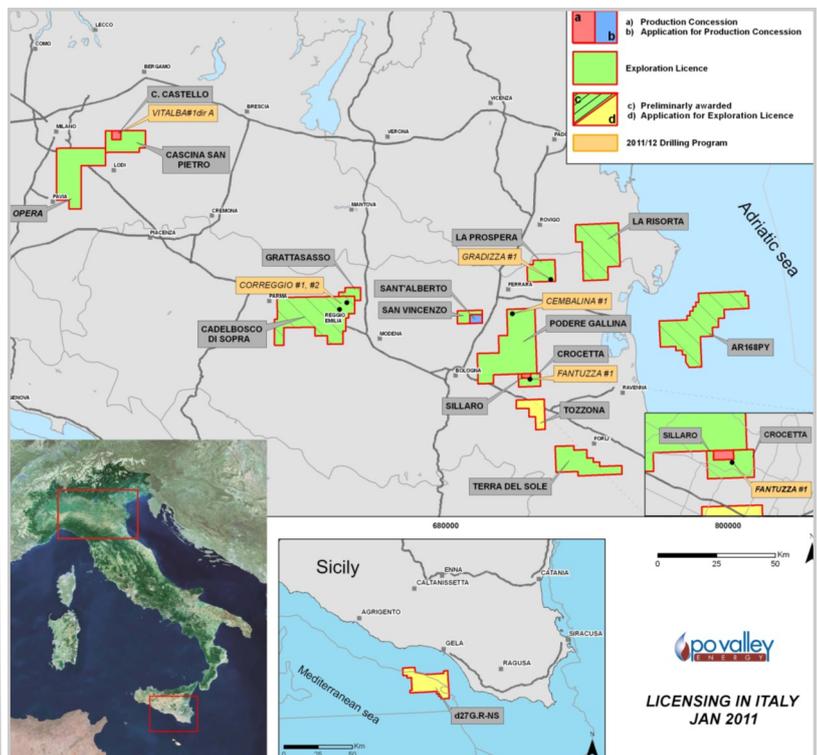
ITALIAN ENI GAS RELEASE PRICE: DECEMBER UPDATE



The ENI gas release price was €30.90 cents per cubic metre for the month of December 2010. Using market based forwards, gasoil, fuel oil and crude, ENI gas release prices are expected to be €31.81 cents for January 2011 and €34.80 cents for 2011 calendar.

The price increase has been driven by an expected boost of oil components of the gas release formulae.

PO VALLEY ENERGY: LICENSING IN ITALY



Assets

- Overall: 3,000km² = 741,300 Acres
- 2 Production concessions
- 7 Exploration permits
- 4 Preliminary awarded permits
- 2 Exploration licences in application

Projects

- 2 Appraisal/Development projects
- 5 Gas discoveries for appraisal
- 11 Gas exploration prospects
- 2 Oil opportunities

CORPORATE

In 2010, with the production from the Castello and Sillaro gas fields, the Company generated €7.1m (AUD9.2m) in operating revenues and achieved a positive EBITDA and net operating cash flow.

Operating efficiencies were also achieved and evidenced by the improvement in the operating margin during the last six months of the year.

Improved gas revenue also enabled Po Valley to further reduce its current debt with Bank of Scotland (BoS). During December, the borrowings with BoS were reduced 15%, from €7m to €6m, achieving a full 2010 year reduction in debt of €4.3m, from €10.3m (AUD 13.4m) to €6m (AUD 7.8m).

The stable gas production performance from Sillaro and the reserves review conducted by the Company and independent experts, resulted in BoS increasing the borrowing base limit for the first half of 2011 by 14%, to €9.1million (AUD 11.9m). The borrowing base limit is reviewed every six months.

Po Valley concluded the December quarter with positive operating cash flow, cash at bank of €0.97 million (AUD 1.3m) and debt levels of €6.0m (AUD 7.8m).

Substantial Shareholders	Shares ('m) as at 31 Dec 2010	%
Michael Masterman	26.2	23.7%
Hunter Hall	14.7	13.3%
Beronia Investments	7.1	6.5%
Other	62.6	56.6%
TOTAL SHARES	110.6	
Market Capitalisation (at A\$0.21*)	(€17.7m) A\$23.2m	
Cash at Bank (Dec 10)	(€0.97m) A\$1.3m	
Drawn Debt	(€6.0m) A\$7.8m	
Enterprise Value	(€22.7m) A\$29.8m	

Share price chart: January to December 2010



*1€=1.309 Aud as at 31 Dec 2010

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 that information in the form and context in which it appears.

Mr Catalano has over 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.

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