

SEPTEMBER QUARTER 2008 — ACTIVITIES REPORT

For the September quarter and to the date of this report

HIGHLIGHTS — KEY DEVELOPMENTS

Sillaro and Castello: PVE 100%

- Sillaro and Castello Production Concession decrees due imminently
- Surface plant equipment complete on skids awaiting site installation approval
- Site construction of Sillaro pipeline and connection to national grid operator SNAM under way
- Targeting Q2 2009 for installation of surface plant at both Sillaro and Castello
- Gas Sales contract award expected in the December Quarter

Sant' Alberto: PVE 100%

- Formal transfer of Edison interest in San Vincenzo / Sant' Alberto completed and lodged with Ministry. PVE moves from 50% to 100% ownership and becomes operator

Appraisal Wells: Bezzecca, Fantuzza

- Civil works have commenced for Bezzecca 1
- Bezzecca 1 now expected to spud first quarter 2009
- Rig contracted and availability for Bezzecca 1 and Fantuzza 1 confirmed

New licence applications

- La Prospera and Opera initial geological and geophysical studies complete

Gas Storage

- Outcome of Bagnola Mella storage concession application expected 4th Quarter

Market Conditions

- Italian market gas Euro-denominated prices increased from €0.33 per cubic metre in early July to €0.45 at 30 October.

Corporate

- Drawdown on €20m bank facility at 30 September 2008 was €4.3m
- Cash at Bank 30 September 2008 – A\$4.2 million
- A\$3.6m raised from exercise of Executive and Director Options to 30 October

September Quarter 2008 Activities Report

The priority objective of the company is getting the Sillaro and Castello fields into production.

Significant milestones were achieved against this objective with the completion of the construction of the main surface equipment for the facilities and the commencement of pipeline construction activities at Sillaro. The regulatory approvals have progressed and we believe that the grant of the Sillaro and Castello Production Concessions is imminent.

Sillaro and Castello Gasfields

All major surface plant equipment necessary for the Sillaro and Castello field developments is now complete on skids at our EPCM contractor SEMAT warehouses in Italy, ready for transportation and installation to site.

Pipeline grid connections have significantly advanced. The construction of 300m connection from Sillaro to the national SNAM grid is underway and should be completed during November. We expect the Castello pipeline grid connection to commence site construction in December with completion early in the first quarter of 2009.

What then remains to move to gas production is site installation approval to both fields to allow civil works to be completed and the surface plant equipment to be installed. This can commence once the Production Concessions are issued and is expected to take 3 to 6 months.

The company is in the final stages of awarding a gas sales contract for 3 years of production and it is expected that the company will announce the successful bidder(s) early in the 4th Quarter.

Sant' Alberto Gasfield – north of Bologna

The transfer to the company of Edison's 50% quota in the San Vincenzo licence area including the Sant' Alberto field is complete. Now that we have assumed operatorship it is planned to expedite progress of this drilled and tested field towards production.

New Appraisal Projects — Bezzecca 1 and Fantuzza 1

Civil works have commenced at the Bezzecca well site and drilling is planned now for mid January 2009.

We expect Fantuzza environmental approval in the December quarter.

New Licence Applications — Northern Italy

Initial geological and geophysical studies are now complete on La Prospera, Opera and Podere Gallina and the results will clarify exploration priorities and plans will be announced during the current quarter.

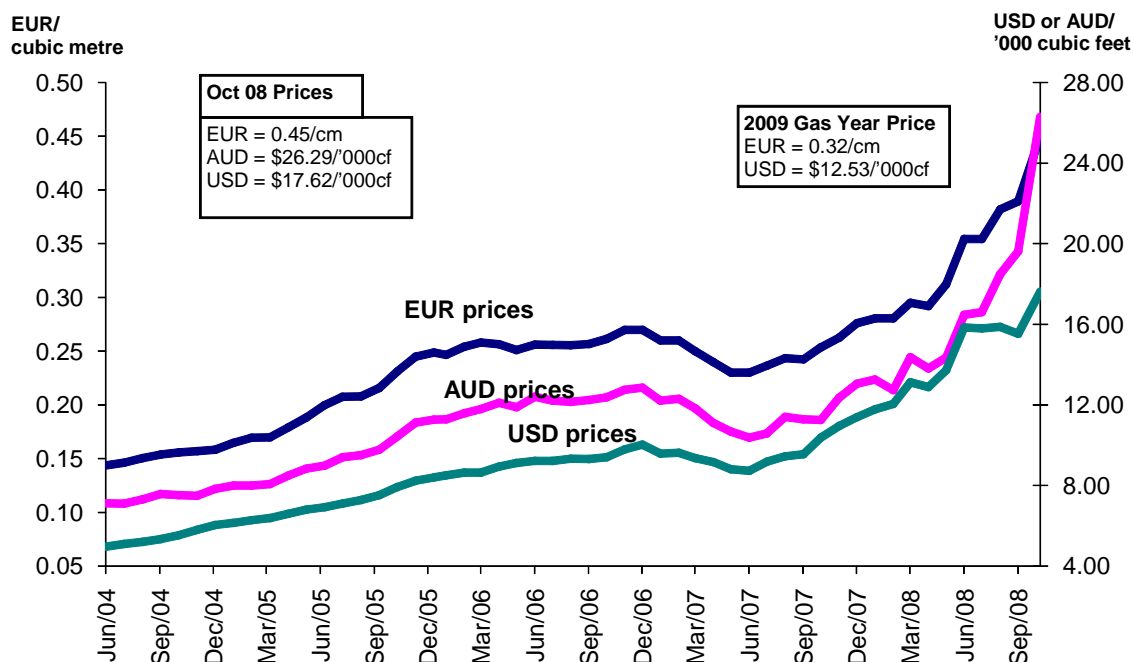
Gas Storage Joint Venture

Our Bagnolo Mella gas storage development licence application in joint venture with Star Energy / Petronas is now expected to be determined the 4th Quarter 2008.

Italian Gas Market

Prices in the Italian gas market climbed during the quarter with the rally in oil and diesel prices during this period. Spot prices in the Euro based benchmark Gas Release have risen €0.33 per cubic metre in early July to €0.45 at 30 October. Prices for the 2009 Gas Year, running from 1 October 2008 to 30 September 2009, are currently trading at a range of €0.32 per cubic metre (USD12.53 per '000 cubic feet)².

² Source: GeEO – Italian Gas & Power published by Alba Soluzioni



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

Corporate

The €20 million (A\$35 million) Bank of Scotland finance facility was utilised during the quarter to fund Sillaro and Castello production surface plant and associated costs and was drawn to €4.3 million (A\$7.6 million).

A total of A\$3.6m has been raised through the exercise of 3.04 million Executive and Director Options issued at the time of the 2004 IPO and expiring 31 October 2008.

Cash at bank at the end of the September quarter was A\$4.2 million.

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