



## SEPTEMBER QUARTER 2006 — ACTIVITIES REPORT

For the September quarter and to the date of this report

### HIGHLIGHTS

#### KEY DEVELOPMENTS – EMERGING GAS PRODUCTION PROJECTS – NORTHERN ITALY

##### **Sillaro**

- Production concession application submitted, progressing through technical review
- Environmental approval documentation ready for submission
- Pipeline grid connection and surface plant engineering progressing
- 51km of seismic acquired to assess the larger deeper Miocene target at 2,500m

##### **Castello (aka Vitalba) & Bezzecca**

- Production concession application submitted
- Initial technical reviews with Ministry complete
- Environmental approval documentation under preparation
- Pipeline grid connection discussions underway
- 54km of seismic acquired to assess production options for Bezzecca and Castello

##### **Sant' Alberto (aka Santa Maddalena)**

- Production concession application submitted and progressing
- Joint Venture conducting seismic review to identify new development wells

##### **New licence applications**

- Hydrocarbon commission grants Po Valley exclusive right to proceed forward with 5 applications
- One remaining application, Mazzalasio, expected to be reviewed in Dec 06/ Jan / 2007
- Preparation of environmental clearance studies underway
- Geological and Geophysical studies underway

##### **Market Conditions**

- Italian market gas prices steady

##### **Corporate**

- Capital issue to raise AUD5.85m (30 October, 2006)
- Cash at Bank 30 September 2006 – AUD1.1m

## September Quarter 2006 Activities Report

Po Valley Energy ("PVE") moved forward with its three successfully drilled projects – Sillaro, Vitalba and Santa Maddalena during the Quarter. All three production concession applications have been submitted and are under Italian Ministry technical review.

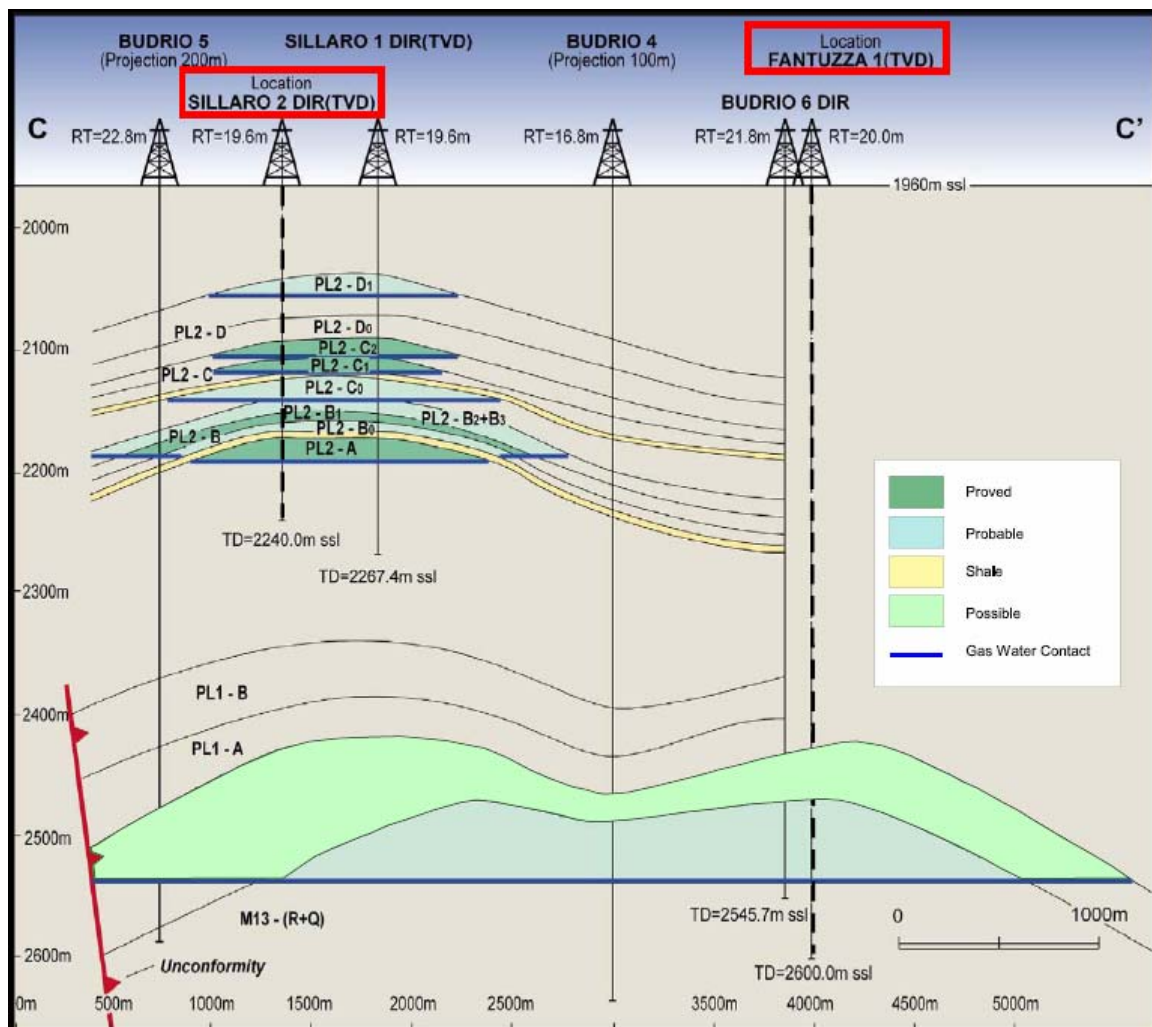
As part of the application process the Ministry required Vitalba to be renamed Castello, and Santa Maddalena to be renamed Sant' Alberto. From this point onwards in this report we will use the new names with the former name in brackets.

The prospective gas and oil portfolio has been greatly expanded and deepened with the formal approval to proceed forward on an exclusive basis with 5 new licence applications. An additional licence application (Mazzalasio) is expected to be received in the 1<sup>st</sup> Quarter of 2007.

## Sillaro - east of Bologna

The approval process for Sillaro is proceeding forward through Ministry technical review. Work on the pipeline grid connection and surface plant engineering is progressing.

Approvals are proceeding forward for further in-field work, including the drilling of the Sillaro 2 development well into the Sillaro Pliocene reservoir, and the Fantuzza 1 appraisal well into the deeper Sillaro Miocene reserves.



**Castello (aka Vitalba) – east of Milan**

The Castello (aka Vitalba) production concession application is complete and was submitted in August 2006. Initial technical reviews have been held with the Ministry and environmental approval documentation is underway.

**Sant' Alberto (aka Santa Maddalena) – north of Bologna**

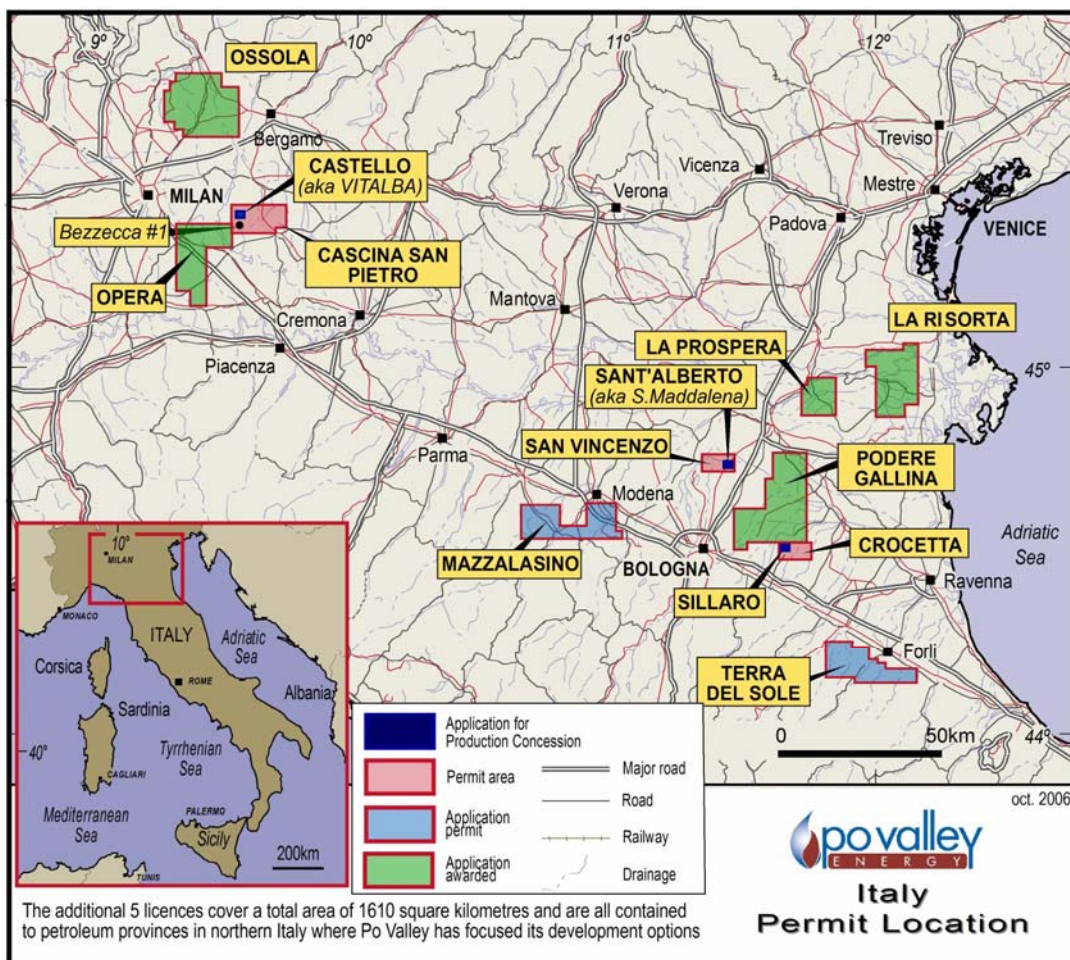
Po Valley's Joint Venture partner and operator, Edison Gas, has submitted the production concession application. Geological and geophysical studies are underway incorporating newly sourced seismic data to evaluate options to expand field development.

**New Development Projects — Bezzecca 1 (aka Pandino) – southeast of Milan**

Bezzecca approvals are proceeding forward. 54 km of seismic has been acquired and this is being analysed to assess field development options.

**New Licence Applications — Northern Italy**

Major progress was made during the quarter with the confirmation from the Ministry of the right of Po Valley to proceed forward on an exclusive basis with an additional 5 new gas and oil exploration licence applications – La Prospera, La Risorta and Podere Gallina near Bologna, and Opera and Ossolla near Milan.



The additional licences cover a total area of 1,610 square kilometres and are all contained within the petroleum provinces in northern Italy where the company has focused its development activities.

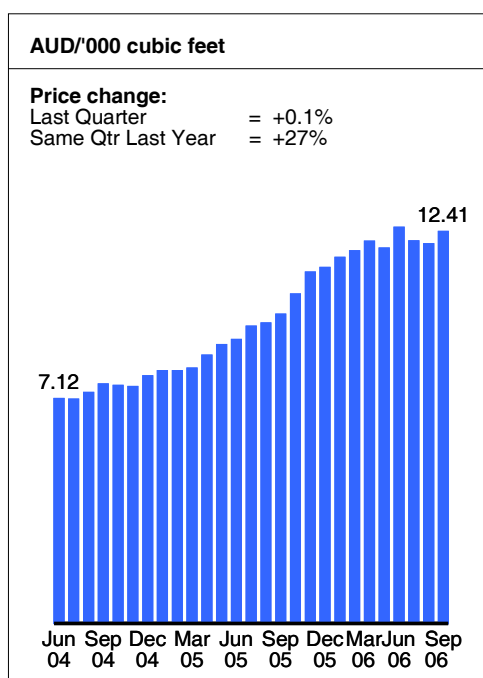
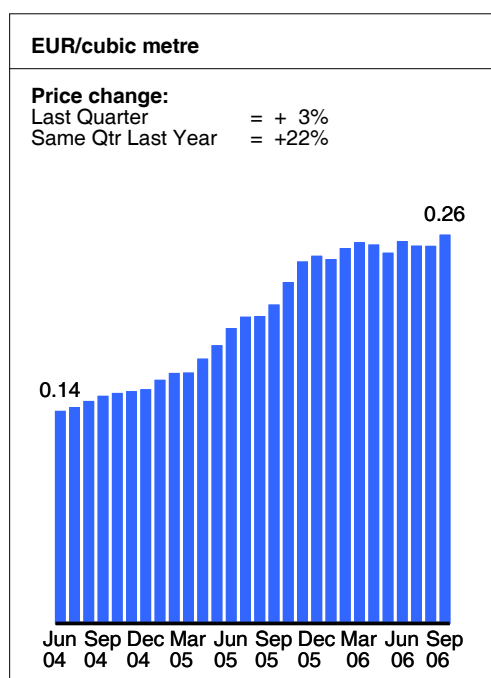
Based on the work initiated by Po Valley to date, the areas contain 8 new gas prospects and 2 new oil/gas field exploration targets.

Preparation of environmental clearance studies is underway.

## Italian Gas Market

Prices in the Italian gas market steadied during the quarter.

### ITALIAN REFERENCE GAS PRICES



Source: ENI gas price release, European and Aust. Govt. Central Bank average monthly exchange rates

## Corporate

A share placement to raise A\$5.85 million was agreed (30 October, 2006) to issue three million shares at A\$1.95 per share to US investor Harbinger Management Corporation and Australian investor Hunter Hall Investment Management which are 17.2% and 14.1% shareholders respectively in the Company.

The proceeds will be used to progress existing projects to production and evaluate and progress the recently announced five new additional exclusive licence applications.

The capital raising takes to 85.5 million, the number of ordinary Po Valley shares issued, capitalising the emerging gas producer at A\$145 million, based on the closing share price of A\$1.70 on 30<sup>th</sup> October.

Cash at bank at the end of the September quarter was AUD1.1m

**MICHAEL MASTERMAN**

Chief Executive Officer

ENDS

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](http://www.povalley.com)