
JUNE QUARTER 2008 — ACTIVITIES REPORT

For the June quarter and to the date of this report

HIGHLIGHTS — KEY DEVELOPMENTS

Sillaro and Castello: PVE 100%

- Final mandatory meeting on Sillaro production concession scheduled for 12 September
- Castello production concession moving forward; first mandatory hearing held on 23rd July
- Majority of skid mounted surface plant equipment is complete and ready for testing
- Surface plant contract 63% complete June 2008 and on track
- Targeting Q1 2009 for installation of surface plant at both Sillaro and Castello
- SNAM has confirmed pipeline connection is on schedule
- Strong bids received for off-take contracts

SUMMARY: Equipment and connections on schedule, gas prices high, company awaits concession grants (October)

Sant' Alberto: PVE 50% increasing to 100%

- Formal transfer of Edison interest in San Vincenzo / Sant' Alberto expected in October 2008
- 2D seismic acquisition planned for first quarter 2009

Ossola Licence: PVE 50% Edison 50%

- Initial results of geological and geophysical studies expected 3rd quarter 2008

New licence applications

- Preliminary award of AR 168 PY– “Azzurra” – expansion into Adriatic offshore
- Preliminary award of Cadelbosco di Sopra – increase in depth and quality of exploration portfolio
- La Prospera and Opera seismic interpretation complete
- Podere Gallina seismic interpretation to be completed 3rd quarter 2008
- In total, some 18 gas targets and 4 oil targets identified over all licence areas

Gas Storage

- Bagnola Mella storage concession application remains pending

Market Conditions

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

Corporate

- Drawdown on \$33m bank facility at 30 June 2008 A\$3.94 million
- Cash at Bank 30 June 2008 – A\$3.96 million

June Quarter 2008 Activities Report

The highlights since last quarterly report were the preliminary award to Po Valley Energy, subject to environmental clearance, two new important licences – the offshore licence area AR 168 PY (“Azzurra”) in the northern Adriatic and Cadelbosco di Sopra in the onshore Po Valley. Both these licences were competitive bids and the Italian Hydrocarbon Commission chose Po Valley to proceed forward on an exclusive basis.

The offshore Azzurra licence is a major new growth initiative and contains at least three drilled and tested prospects. The Cadelbosco di Sopra preliminary licence adds significant further growth potential to the Company’s core onshore Po Valley portfolio.

Sillaro and Castello Gasfields

On the production front, we have substantially advanced preparation for gas production with the completion of a number of the equipment skids for Sillaro and Castello. Surface plant and associated skids were 63% complete at the end of June 2008 and on-site inspections of the major equipment will be completed during the quarter.

The main restraint on commencing gas production remains the slow progress through the Italian regulatory process. Working closely with the Ministry and with strong support of the Regions and relevant Italian local government authorities, we are now at the stage where Sillaro and Castello should require just one more intergovernmental meeting prior to the Ministerial Grant which is now likely in October 2008. This slow process, taking in the case of Sillaro 9 months after environmental approval was granted, has moved the most likely date for gas production start up to the second quarter 2009.

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 in the 3rd quarter.

Sant' Alberto Gasfield – north of Bologna

Edison has formalised the transfer of operatorship and ownership of 50% of San Vincenzo / San Alberto to Po Valley. The Ministry is currently processing the transfer and we expect to become the official operator and owner of 100% of the licence and production concession application by October 2008.

New Appraisal Projects — Bezzecca 1 and Fantuzza 1

Environmental approval is in place for Bezzecca-1 and is expected for Fantuzza-1 during October 2008.

The drilling rig and other critical drilling support contracts are in place. Civil works for Bezzecca-1 is expected to commence in September 2008 with the expected spud of the Bezzecca-1 in November 2008.

Ossola Licence

Geological and Geophysical studies are well advanced for the Ossola licence. A key meeting with 86 Comune was held in Rome on 22 July.

New Licence Applications — Northern Italy

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

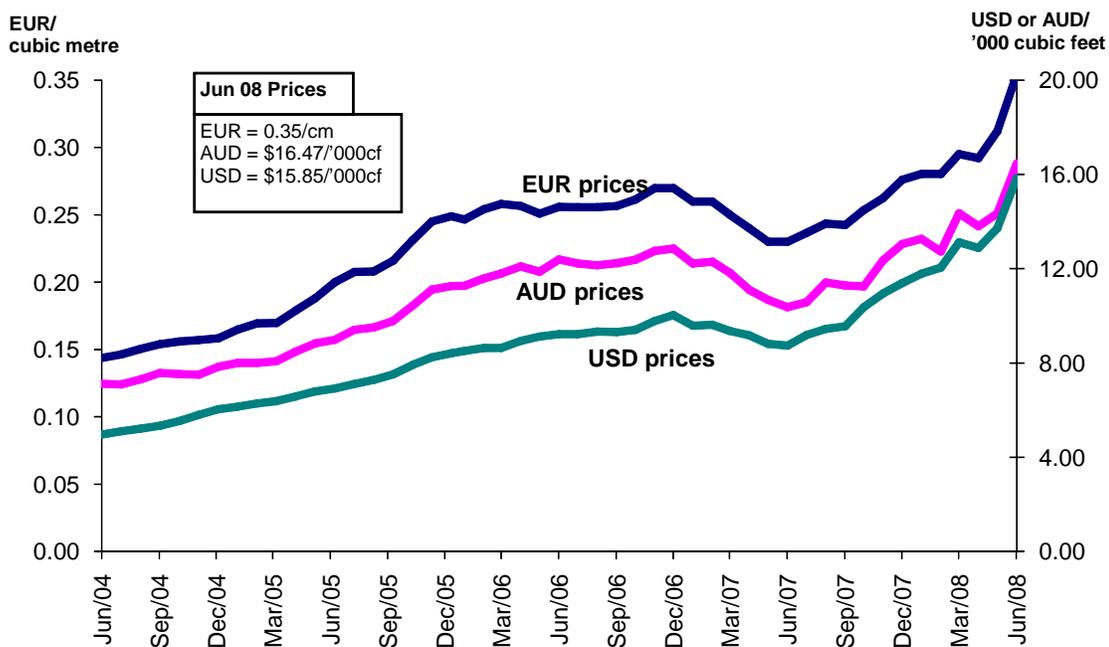
Evaluation of the third licence, Podere Gallina, is also well underway and together evaluation of all three study areas will be finalised in the next few months, with the task to promote all or part of the targets to drillable prospects.

Gas Storage Joint Venture

Our Bagnolo Mella gas storage development licence application is now expected to be determined in September 2008.

Italian Gas Market

Prices in the Italian gas market climbed during the quarter in line with the strong rally in oil and diesel prices. Current prices for the 2008 gas year, running from 1 October 2008 to 30 September 2009, was trading at a range of € 44.10 cents per cubic metre (USD19.82 per '000 cubic feet)².



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

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

Corporate

The €20 million (A\$33 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 €2.4 million (A\$3.96 million).

During the quarter 1.2 million executive options were exercised into ordinary shares raising \$1,500,000.

Cash at bank at the end of the June quarter was A\$3.96 million.

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