



Chairman's Address

Po Valley 2013 AGM

Dear Shareholder,

I will now present the Company's performance in 2012 and important developments this year to date. Our CEO, Mr Catalano, will then present an update on our production and exploration assets and future prospects.

The past year has been one of steady progress to lay the foundation for development of our highest value prospects in the period ahead.

We maintained our positive net cashflows from operations in 2012, despite operational challenges at our major producing field Sillaro we reduced our debt and produced a maiden net profit after tax. We also secured our first offshore licence and, established direct gas sale operations in association with Italtrading which enables us to sell our gas directly into the Italian spot market. This gives us future flexibility to optimise the value of our gas production by selling either spot on the market or on longer term contracts.

Operating Results

In 2012, our third year of gas production, we produced 0.85 bcf of gas, bringing total gas production from our Sillaro and Castello fields over



the past three years to 2.8 bcf which generated cumulative revenue of over €24.0 million.

Following successful drilling of the Vitabla-1dirA well in late 2011, our Castello field has produced steadily at a prudent level throughout the year. Production at Sillaro was, however, temporarily reduced in order to avoid the risk of condensate production pending installation of condensate separation equipment which was installed this past month. We expect Sillaro to return to its previous production levels of around 75,000 scm per day sometime next month.

I am also pleased to report that we continue to operate safely throughout the year, with no reportable injuries or environmental incidents during the period.

Also, in mid-April Robertson CGG, a leading geological and petroleum reservoir company, finalised the preparation of a Competent Person Report on the Company's core assets portfolio. The CPR resulted in a slight increase of the Company's Reserves due to the inclusion of the Bezzacca field and a material increase in Contingent Resources. Specifically, in addition to our 2P gas reserves estimated at 12.3 bcf, our Contingent Resources best estimate 2C was 79.5 bcf, an 80 percent increase since our last review, plus a contingent 10 million barrels of oil.



Financial Results

Total revenues in 2012 were €8.21 million, down 10 percent on the prior year due to lower production. Gas prices were reasonably steady over the period. During 2012, however, operating efficiencies were achieved and this enabled the Company to achieve a slight increase in earnings before interest, tax, depreciation and amortisation to €4.51 million.

The Company's net profit after tax in 2012 was €2.37 million, compared to a loss in 2012 of €5.07 million in 2011, in large part due to the recognition of a deferred tax asset of €2.17 million. Excluding this item, the Company generated a small net profit after tax of €0.14 million. The Company declared no dividends for 2012.

Future Developments

One of our priorities in 2012 was to secure farm-in partners for certain of our future exploration wells. We secured two partners, Petrorep Italiana S.p.a. and Aleanna Resources, which have farmed into three of the wells that we hope to drill in the 2013/2014 period, the first of which is the Gradizza well which is scheduled for drilling next month.

Good progress was made in 2012 on our exploration and development projects. Following grant of our first offshore exploration permit (AR94PY) in the Adriatic Sea, we have progressed our



geoscience work and will also be seeking farm-in partners for this project in the period ahead.

Mr Catalano will comment further on our project pipeline shortly.

Funding

In December 2012 the Company raised A\$1.35 million (about €1.1 million) through a private placement with the proceeds used to fund the condensate separation equipment at Sillaro and for general working capital purposes. I thank our shareholders for their support.

As announced earlier this month, the Company has secured a new reservoir loan facility to replace the existing facility with Lloyds Bank. The new facility is with leading South African based NedBank and would, subject to the usual conditions, allow the Company to draw up to €20 million if required. Our initial drawdown was €5.0 million, including €4.0 million used to pay out the Lloyds facility. Securing this facility in the currently constrained European banking market was a real vote of confidence on the part of NedBank in the Company's prospects as well as our sound track record as a borrower. Our financing policy is to use borrowings only to fund production assets, not exploration to fund exploration largely through farm-ins, and to pay down debt as quickly as net cash generation allows.



Board Changes

In May 2012, David McEvoy retired as a Non-Executive Director after serving the Company since listing in 2004. I again express the Board's appreciation to David for his outstanding commitment to the Company during his nine years as a Director. I was also pleased to announce in June 2012 the appointment of Kevin Eley as a Non-Executive Director and CEO, Giovanni Catalano, as our Managing Director. Kevin has stepped in to the role as chairman of our Audit & Risk Committee with great application and skill.

Outlook

Looking ahead, we expect in 2013 to maintain solid cashflows, with increased production at Sillaro, and funding secured for production facilities at Bezzecca and Sant' Alberto when these prospects secure final approval. A major priority will be to find farm-in partners to help progress a number of our highly prospective assets towards development. I look forward to reporting further developments as the year progresses.

In closing, I would like to thank my board colleagues and our dedicated team in Rome for their commitment and hard work during the past year.

Graham Bradley

Chairman.