



ABN 33 087 741 571

28 May 2014

The Manager
Company Announcements
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir / Madam,

2014 Annual General Meeting

We attach the Chairman's Address to be delivered at the Company's AGM today at 11.30 in Sydney. At the AGM a video presentation will also be shown by our Acting CEO. This video may be viewed on our website at www.povalley.com/s/AGM.asp

Yours faithfully

A handwritten signature in black ink, appearing to read "Lisa Jones".

Lisa Jones
Company Secretary

I will now present a short report on the Company's progress in 2013 and our priorities for 2014. Following my remarks we have a short video report from our Acting CEO, Sara Edmonson.

The past year has been a challenging one for the Company but substantial progress was made on a number of fronts.

Total gas production in 2013 was 24.0 million standard cubic metres, slightly below production in 2012 (24.7 Mscm). Our 2012 revenues were €6.7 million (AUD \$9.2 million) being €1.5 million (AUD \$1.0 million) lower than 2012 due principally to lower gas prices which averaged €0.28 cents per cubic metre compared to €0.33 cents achieved in 2012. As a result, our 2013 EBITDA was €2.2 million (AUD \$3.0 million) compared to €4.5 million (AUD \$5.6 million) in 2012.

The Company recorded a statutory loss of €5.8 million (AUD \$7.9 million) in 2013 largely due to the decision to significantly reduce production at our Vitalba well due to water encroachment. The Board subsequently decided to write down the value of this asset by €5.0 million. The Company declared no dividend in 2013.

As approved by the EGM in February 2013, the Company issued 3,850,000 new ordinary shares to raise AUD \$1.35 million in order to fund an upgrade to the Sillaro gas plant and for general working capital purposes. Further funds were received in December 2013 from a tax refund of VAT of €1.28 million.

In a challenging European banking market, in mid-2013 we were pleased to secure a new €20.0 million Reserve Based Lending (RBL) facility with the Nedbank Group. The new 5-year facility will allow us to fund the Company's growth opportunities over coming years, including two planned new production wells, Bezzacca and Sant' Alberto. Our initial drawing under the RBL facility was €5.0 million. By year-end, however, the Company had reduced the amount borrowed to €3.5 million after two repayments totalling €1.5 million.

Another highlight of the year was securing a new gas offtake agreement with Shell Italia Spa, a part of the Royal Dutch Shell Group. The contract is benchmarked to gas prices in Italy and commenced on 1 July 2013.

During the second half of the year, the Company initiated an internal restructure to reduce costs and reorganise the leadership team. Giovanni Catalano stepped down as CEO in August and our CFO, Sara Edmonson, was appointed as Acting CEO. I would like to thank Giovanni for his efforts during his three years with the Company. With the restructure now largely in place, the Company has reset its priorities and put in place cost saving initiatives. The Board believes we can move our key operations forward with a lower cost base.

Looking ahead, the Company's priorities are to focus on achieving the authorisations needed to bring our next group of development projects into production, and to move several high potential new projects closer to development, including our highly prospective Teodorico offshore field (2C reserves of 47.3 bcf) and our onshore Selva Stratigraphic field (2C contingent resources 17 bcf).

In all, the Company invested €2.2 million (AUD \$3.0 million) in exploration and development in 2013, including funds invested to drill the Gradizza-1 well with our farm-in partners.

In conclusion, I would like to thank our shareholders for their ongoing support, my board colleagues for their commitment and our hardworking team in Rome, ably led by our Acting CEO, Sara Edmonson, for their dedication during the past year.

I take this opportunity also to wish Sara all the best for the birth of her first child due next September after which she plans to take a short maternity leave.