



**ASX/MEDIA RELEASE  
30 May 2008**

## **CHAIRMANS ADDRESS – ANNUAL GENERAL MEETING**

As reported in our Annual Report, the Company had an extremely active 2007. We made steady progress towards achieving our first commercial gas production following our successful drilling and testing program in late 2005 and early 2006. In addition, we have added significantly to our portfolio of future exploration properties and options.

Our priority for the past year was to complete the steps necessary to bring our three successfully drilled gas fields – Sillaro, Castello and Sant' Alberto – into commercial production. Significant progress has been made on this front on matters within our control.

During the year we obtained preliminary award of the production concessions for Sillaro and Castello subject to environmental clearances. Agreement on the critical pipeline infrastructure connections was reached with SNAM (the national gas pipeline grid operator) and construction activity is now well underway. We awarded during the year the surface plant equipment construction contract for the Sillaro and Castello fields to SEMAT SpA, a Brescia based Italian contractor, to avoid delays to production and ordering long lead items once final regulatory approvals are granted. At this time the construction contract is about 50% completed and is on schedule and on budget.

Progress on steps outside our direct control – securing regulatory approvals – has, however, been slower than we hoped. In early 2008 we secured environmental clearance in support of our production plans for both Sillaro and Castello.

The Company is now progressing to secure final production development approvals necessary to begin site works to install production plant and pipeline connections.

In our market update in late March we stated that we hoped to achieve production approvals by May 2008 in the case of our Sillaro well and by July for Castello, but we foreshadowed that the target dates may be at risk due to the recent change of government in Italy and the newness of the approvals process as Po Valley was one of the first companies in a decade to be granted new gas production concessions in Italy. Whilst the company has worked in cooperation with the regulatory authorities to pioneer the procedures for approval under the new laws, the potential delays highlighted in March have been realised.

Our target remains to have final approvals by late September and our production plant installation completion has slipped towards the end of the first quarter 2009.

In 2007 we also progressed planning for the next phase of our drilling program. Plans to obtain regulatory approvals are now well advanced for our Bezzacca well and also for testing the deeper Miocene structure in the Sillaro field by drilling of a new well – Fantuzza 1. We also plan to drill a second development well – Sillaro 2 – to increase gas production from this field. Approval for these new wells remains on program.

The Company was successful in 2007 in securing the award of six new exploration licences in the Po River Valley region, now complementing the existing resource and reserve base with longer term growth options. The Company has submitted environmental clearance studies for all the additional areas and has also purchased seismic for several of them. Geological and geophysical studies are underway and initial reviews have identified ten gas prospects in our six new licence areas.

In addition, the new Ossola licence contains two significant oil/condensate targets which provide further potential exploration upside for the Company in future years. We are now in partnership with Edison, a subsidiary of EDF, in this licence area following commercial resolution with Edison of its court challenge to the Ossola licence granted to the Company in 2007. In exchange for a 50% interest in the Ossola licence area, the Company will regain full control of the San Vincenzo licence area and Sant' Alberto production field application.

We believe this is a good outcome for the Company because the Company can both accelerate exploration of the large-scale oil, condensate and gas targets in the Ossola area whilst also moving decisively as operator to bring the Sant' Alberto field into production.

Also during 2007 and early 2008 the Company applied for 4 new licence areas including a gas storage licence in joint venture with Star Energy Plc, our first offshore gas target, and a further onshore licence. The results of these applications should be known in mid-2008.

The Company's successful business model to date has been to pursue attractive opportunities based on:

- Identifying low risk exploration opportunities in well understood and proven hydrocarbon provinces;
- Seeking opportunities only in markets with low sovereign risk, with high domestic energy demand, well in excess of domestic production, and with readily accessible infrastructure;
- Having the necessary technical and 'in-country' expertise to ensure a high probability of identifying good targets; and
- Pursuing only opportunities where the scale of risk and return is commensurate with the Company's size and resources.

While to date the Company has successfully executed this strategy in Italy, the Company continues to evaluate similar opportunities outside the Po Valley hydrocarbon basin, both within and outside Italy. The Board's view is that such opportunities may be potentially attractive if approached in a technically and commercially disciplined way.

I am pleased to report that we have over recent months expanded our technical capability and team strength significantly with the appointment in March of Doug Colkin as our Chief Operating Officer. Doug brings 30 years of experience in our industry to us, including 10 years of exploration and oil and gas production experience in Italy. We have also added a geologist and geotechnical specialist to our team in Rome and we are expanding our in-house computer assisted geological analysis systems to improve the quality and efficiency of our analysis of prospects and planning for new wells.

During the year, the Company raised \$7.88 million by way of a private placement of 4,775,000 shares at a price of \$1.65 per share to institutional investors.

On your behalf, I wish to acknowledge Managing Director Michael Masterman's leadership and his management team's contribution as well as thanking Po Valley's employees and contractors for their efforts and contributions during 2007.

Again this year each of my fellow directors spent time on the ground in Italy providing technical and strategic input and I thank them for their contribution.

When we meet again next year, we expect that the company will be producing from at least two production wells and, we hope, have proven further gas reserves as a result of our 2008 drilling program. We also hope to report further significant expansion of our portfolio of gas and oil assets progressively between now and then.

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