**Chairman's Address to Shareholders**

**Annual General Meeting**

**May 28, 2012**

I am pleased to present a short report on the Company's 2011 results and our progress in 2012 to date.

During 2011 the Company achieved several important milestones including increased operating revenues, substantially increased earnings before interest, tax, depreciation and amortisation (EBITDA) and in the December quarter the successful drilling of our new Vitalba well.

The Company's Sillaro field produced steadily during 2011 at an average of 80,000 cubic metres per day for a total production of 28 million cubic metres (0.9 bcf). Our Castello field operated at a low level during the year, but production increased in February 2012 after completion of the Vitalba 1dirA well.

The Company's operating revenues for the year were €9.1 million (AUD 12.2 million) compared to €7.1 million in 2010. EBITDA in 2011 was €4.4 million (€2.2 million in 2010).

The Company made an after tax loss of €5.0 million (AUD 6.7 million) in 2011, due primarily to the Directors' decision that it was prudent, notwithstanding its return to production, to write-down the carrying value of our Castello field by €5.8 million (AUD 7.8 million). But for this conservative write-down, the Company would have achieved a full-year after tax profit of around €0.8 million (AUD 1.1 million).

Improved revenues and returns were assisted by a rise in the Italian benchmark gas price over the year and by operating cost efficiencies achieved by our management team. The Company's realised gas price rose 22%, a price that is far higher than gas commands in other European countries.

The Board declared no dividend for 2011 and will continue to reinvest free cashflow in exploiting the Company's development opportunities.

The Company continued to grow its exploration licence portfolio in 2011 with the grant of Cadelbosco di Sopra and Grattasasso in February and the preliminary award of Tozzona (Forlì province). In addition, we moved closer to final approval to drill wells in our fields at Gradizza and Fantuzza.

Our major challenge is now to fund the development of our pipeline of quality exploration prospects.

The Directors share the disappointment of all shareholders at the Company's current low share price which, in the view of the Directors, does not reflect the full value of the Company's operating assets of our extensive portfolio of prospects or of the operational capabilities of our team in Rome.

The Company has commissioned independent verification of our reserves and contingent resources from well-regarded experts, Fugro Robertson, which has confirmed the prospectivity of our exploration assets and of our producing assets. Although our 2P reserves were reduced by 17 percent from prior estimates, in part reflecting the production achieved from Sillaro, our 2C contingent resources doubled, reflecting additions to our portfolio and our ongoing geological analysis which has also added valuable knowledge about our exploration prospects.

Accordingly, the Board is very confident of the value embedded in the Company. Our challenge is to unlock this value and see this reflected fully in our share price by accelerating our development pipeline more quickly than our internal cashflow will allow. To this end the Board has been actively seeking strategic partnerships or farm-in partners. Some farm-in discussions are currently at an advanced stage of negotiation. In addition, we are also working on a range of options to raise fresh capital. We will report on these initiatives as appropriate during the balance of the year.

Turning to our progress in 2012 to date, we have continued to produce profitably from our Sillaro and Castello wells although combined production is running at slightly below our second-half 2011 run rate. This slight reduction is due to our decision to restrain the production level at Castello in order to forestall any risk of water intrusion and to reduce the risk of condensate production pending installation of separation equipment at our Sillaro plant planned for the second-half 2012.

Accordingly, assuming continued steady production, we expect our first half EBITDA to be over €2.0 million. This will facilitate a reduction in debt in the second half and continued geological investigation of the better new prospects in our portfolio. Priority will be given to purchase or acquire new seismic data to mature to drill-readiness these attractive "high-impact" prospects.

There is no doubt that the European debt crisis and investor concerns about the Eurozone have weighed upon Po Valley's attractiveness to investors and upon our share price.

I would like to note that recent changes on the general Italian business environment introduced by Mr. Monti's new government hold out the prospect of improvements in the business and regulatory environment that may be advantageous to our Company. Mr Catalano will provide further details on these developments in his address.

In closing, I would like to thank our Chief Executive, Giovanni Catalano, and his team on their management of the many operating, regulatory and development challenges which the Company faced during the past year. The Board believes the Company is well-served by its management and technical team in Rome and we thank them for their extra efforts over the past year.

I also thank my board colleagues for the continued dedication and commitment. I would like to say a special thank you on behalf of all shareholders to David McEvoy who retires from the Board at this AGM after serving with distinction since the Company's ASX-listing in late 2004. David has provided highly valuable advice and technical expertise and contributed enormously to the Company during its formative years.