SEPTEMBER QUARTER 2005 — ACTIVITIES REPORT

For the September quarter and to the date of this report

HIGHLIGHTS

KEY DEVELOPMENTS – GAS PROJECTS – NORTHERN ITALY

Sillaro
- Deviation of Sillaro 1 to be drilled in mid-November
- Positive outcome from extensive and completed review of Sillaro 1 results and field

Vitalba
- Production test to commence following Sillaro deviation
- Ministerial approval on test schedule extension

Santa Maddalena
- Production concession to be submitted after confirmatory test
- Surface plant engineering and flow line design complete

Market Conditions
- Italian market gas prices continued to increase to AUD13.00 per thousand cubic feet
- Cash at Bank 30 September 2005 – AUD5.9 m

September Quarter 2005 Activities Report

Po Valley Energy ("PVE") focused on evaluating the results of the Sillaro and Vitalba drilling programs during the quarter and designing and preparing for the next phase of testing and drilling.

A deviation well will be drilled at Sillaro and a new round of testing of Vitalba will commence in the December quarter.

Sillaro

During the quarter, PVE completed an extensive review of the Sillaro field (east of Bologna) and the Sillaro 1 drilling and testing results. The review concluded that the Sillaro anticline structure dipped deeper towards the fault to the north than expected, resulting in Sillaro 1 intersecting with the Pliocene at a lower level than at the edge of the gas water contact. The review further concluded that the Pliocene and Minocene reserves remain large and an attractive Pliocene drilling target has been defined to the south of Sillaro 1.

On the basis of this review, PVE has decided to drill a deviation well 300m towards the locations of the ENI Budrio 2 and Budrio 3 wells. Both wells showed gas in the target Pliocene at a higher level to Sillaro 1 and a production test of Budrio 2 demonstrated commercial gas flows. The estimated cost of drilling the deviation is AUD1.3 million.

Prior to the drilling of the deviation, PVE will recover the completion materials from Sillaro 1 and plug and abandon this well at a cost of AUD1.1m (including rig mobilisation costs)

Vitalba

It was previously anticipated that production testing of the Vitalba 1 well (east of Milan) would be completed in September. However, the introduction of new anti-terrorist legislation covering the transportation of explosives, delayed the test program and the Ministry has granted the company a three month extension. PVE has re-scheduled the test so as not to interfere with the impending and higher priority drilling of the Sillaro field.

Santa Maddalena

The Production Concession application for Santa Maddalena (north of Bologna) was discussed with the Ministry during the quarter. The Ministry of Productive Activities requested a number of changes to the application and also that a confirmatory test be conducted. This 12 day test is scheduled to commence in October 2005

New Development Projects — Pandino

The environmental approval documentation for Pandino, southeast of Milan, has been prepared and will be submitted in November. Drilling is currently scheduled for the June quarter of 2006.

Italian Gas Market

Market conditions in the Italian gas market increased significantly in the September quarter, driven by continued tight capacity conditions, rising oil and diesel prices and a decline in the EURO against the USD.

Corporate

Cash at bank at the end of the June quarter was AUD5.9 m

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