



ASX / MEDIA RELEASE
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**Po Valley Energy advances towards maiden
Italian gas production with key regulatory approval**

ASX-listed Po Valley Energy has taken a key step towards maiden gas production from its northern Italy fields, with the announcement today of official government approval for the installation of a commercial plant at the Castello project, east of Milan.

The go-ahead for the Castello plant installation is the final regulatory approval required to allow Po Valley (ASX: "PVE") to:

1. Commence civil works and surface plant installation at Castello. This is now planned to commence on 29 June 2009.
2. Begin drilling the Sillaro 2 production well. The rig will be mobilized to Sillaro this week and the well is expected to spud early in July.
3. Drawdown on the Senior facility of the Company's Bank of Scotland finance facility. Bank of Scotland has confirmed that all conditions precedent for access to the Senior facility have been satisfied and that the procedures for the drawdown are under way.

"Castello installation approval is a milestone "go" decision for production development on both our Castello and Sillaro gas fields, and for access to the Senior facility of project finance. It is the one we have been waiting for" Po Valley's Chief Executive Officer, Mr Michael Masterman, said today.

"Castello civil works and plant installation are due to commence on Monday next week, with a target four-month schedule for completion in October 2009. The equipment is built, tested and in storage awaiting installation," Mr Masterman said.

"The rig to drill Sillaro 2 is scheduled to move to the well site this week and the well is expected to spud in the first week of July. Drilling and well completion is estimated to take about two months at which time we can then begin to also install the production plant at Sillaro," he said.

"Significantly, access to senior facility funding under our Bank of Scotland facility will substantially strengthen our balance sheet.

"It provides funding for future projects, and will convert our A\$8.7 million (€5 million) current liability to a four-year funding line, expiring in 2013 and at a lower interest rate," Mr Masterman said.



The latest Po Valley developments follow the announcement earlier this year by the Rome -based company that it had secured sales contracts with two Italian gas distributors, Eletrogas and Italtrading SpA, for all of the first three years of gas produced at the Castello and Sillaro fields. These contracts are expected to generate up to \$A150 million in sales revenue through to September 2012, subject to future gas prices.

Castello has an estimated economic reserve life of around 10-12 years, while the production profile for Sillaro extends between 15-20 years on known reserves.

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