

14 March 2017

Saffron Energy plc

("Saffron Energy", the "Company" or, together with its subsidiaries, the "Group")

**Northsun Italia S.p.A. ("Northsun") - subsidiary of Saffron Energy
- extends offtake agreement with Shell Energy Italia**

Natural gas developer and producer Saffron Energy (AIM:SRON) announces the extension of the natural gas offtake contract between its Italian subsidiary Northsun and Shell Energy Italia S.r.l. ("Shell Energy Italia")- a subsidiary of Shell- for energy commodity trading and marketing.

The contract has been extended to 1 October 2018, with an option to extend for a further year to 1 October 2019, and provides for offtake of gas supply for all of the Group's Italian gas fields. Gas produced from the Company's fields is transported directly into the Italian national grid, which is owned and operated by SNAM Rete Gas S.p.A.

Michael Masterman, CEO of Saffron Energy, commented: *"The contract signed with Shell Energy Italia is a key element for our business, as we continue to have a buyer in line for the gas produced from our future assets, a benefit for the Company's cash flow.*

Northsun Italia S.p.A., the Group's wholly-owned Italian subsidiary, has been supplying Shell Energy Italia with natural gas for a period of 4 years, with a contractual formula that allows the Company to mitigate the market risks. The Italian market is considered a premium pricing market compared with other international markets, with the spot price now trading at around EUR 19.44 cent per cubic metre.

The Italian gas market is robust and attractive due to the high-quality gas produced, an accessible low-cost transportation network, paired together with a pricing environment that has been stable and higher than other

comparable European countries: spot gas prices have risen significantly over the last 12 months from €14 cent per cubic metre to around € 20 cent per cubic metre.

Selling our gas on the Italian gas market allows us to take advantage of the premium prices of this market. Shell's networks supply gas throughout Italy."

Michele Petz, Country Lead & Commercial Manager of Shell Energy Italia, said: *"This extended agreement confirms the leading role of Shell Energy Italia as off-taker for independent gas producers in the Italian market."*

According to the SNAM Rete Gas ten-year network development plan 2015-2024, Italy consumed 2.2 tcf in gas in 2014, which is expected to grow at 2.1% per annum until 2024. Of this, only 231 bcf (0.2 tcf), or 11%, was produced domestically, with the remaining 2.0 tcf imported from countries in the Mediterranean area.

About Saffron Energy PLC

Saffron Energy is a natural gas producer with interests in Northern Italy. Its portfolio includes one gas production (Sillaro), one near-term gas production field (Bezzacca (90%) and an application for a near field (Sant'Alberto), all near Milan and Bologna. Saffron Energy commenced trading on the London AIM Market under the ticker of SRON on 24 February 2017.

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This information is provided by RNS
The company news service from the London Stock Exchange

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Extension offtake agreement with Shell
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Tue, 03/14/2017 - 07:00

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