

5 October 2017

Saffron Energy Plc
("Saffron Energy" or the "Company")

**Heads of Terms for the combination of Saffron Energy Plc with
Po Valley Operations
and Sound Energy Italy
Enlarged group to be renamed Coro Energy Plc**

Saffron Energy (LON: SRON) the AIM quoted European natural gas company with interests in Northern Italy, is pleased to announce that it has entered into non-binding conditional heads of terms (the "Heads of Terms") with Sound Energy Plc ("Sound Energy") and Po Valley Energy Limited ("Po Valley") under which it is proposed that Saffron Energy acquires both Sound Energy's and Po Valley Energy's portfolio of Italian interests and permits.

The proposed acquisition by Saffron of Sound Energy's and Po Valley's Italian natural gas and oil assets as contemplated in the transaction adds significant larger assets to the Saffron portfolio including the Selva onshore gas field (2C 17bcf), the Teodorico offshore Adriatic gasfield (47bcf) development and the large Torre del Morro and Santa Maria Gorretti and Dalla gas exploration licences plus two smaller gas production fields.

The enlarged company would be re-named Coro Energy Plc ("Coro") and, in addition to managing the enlarged Italian portfolio of assets, is positioning itself as a mid-cap regional gas producer and explorer. Key local executive staff from each of Sound Energy Italy, Po Valley Operations and the Company would be retained by Coro.

The following Board appointments are intended as part of this transaction:

- James Parsons, Sound Energy's Chief Executive Officer, would be appointed as a Non-Executive Chairman
- Sara Edmonson, Po Valley's Chief Executive and currently a Non-Executive Director of Saffron Energy, would assume the role of Chief Executive Officer.
- Fiona MacAulay, Echo Energy Plc's Chief Executive Officer would be appointed as a Non-Executive Director

The transaction is expected to be structured as a purchase of Sound Energy's wholly owned subsidiary Sound Energy Holdings Italy Limited ("SEHIL") and Po Valley's wholly owned subsidiary Po Valley Operations Pty Limited ("Po Valley Operations"). The acquisition of SEHIL ("Acquisition"), together with the grant by ASX listed Po Valley to Saffron Energy of a call option to acquire all of the issued share capital of Po Valley's wholly owned subsidiary Po Valley Operations Limited (the "PVO Option"), which is expected to be exercised immediately following completion of the acquisition of SEHIL, will result in the combination of the Italian oil and gas portfolios of Sound Energy, Saffron Energy and Po Valley (the "Proposed Transaction"). Po Valley is currently interested in 53.8 per cent. of Saffron Energy's issued ordinary share capital.

Under the Heads of Terms, the consideration for the acquisition of SEHIL and the PVO Option, which remain subject to, *inter alia*, due diligence, contract and shareholder consent, in each case, would be fully satisfied through the issue of 185,907,500 new ordinary shares in Saffron Energy ("Ordinary Shares"). The consideration shares pursuant to the Acquisition is intended to be distributed directly to Sound Energy shareholders through a scheme of arrangement.

Under the terms of the Acquisition, Sound Energy would agree to sell 100 per cent of the issued ordinary share capital of SEHIL, Sound Energy's wholly owned subsidiary which holds all of Sound Energy's Italian Interests through its own wholly owned subsidiary, Appenine Energy SpA ("APN"), but would retain its economic rights to receive the proceeds of any future sale of Badile land owned by APN (the "Badile Land"), which had an unaudited carrying value of £1.6 million as at 30 June 2017, and the benefit of expected APN Italian VAT receivables to the end of 2017 totalling EUR4.0 million linked to Badile drilling costs (the "VAT"). Under the Proposed Transaction, Saffron Energy would undertake to remit the net proceeds of the Badile Land and the VAT to Sound Energy on receipt by SEHIL.

Under the terms of the PVO Option, Po Valley Energy would agree to sell 100 per cent of the issued ordinary share capital of Po Valley Operations Limited, the company's wholly owned subsidiary which holds 3 Italian exploration licenses including a drill ready gas play south east of Bologna and a large offshore gas discovery. Po Valley Energy would retain the economic rights to receive the proceeds of the recent sale of its interests in Cadelbosco di Sopra and Grattasasso, amounting to €1.13 million, which is awaiting Ministry approval.

Under the Proposed Transaction, Saffron Energy would also issue each of James Parsons and Sara Edmonson, warrants to subscribe for 10 million new Ordinary Shares in Saffron Energy at a price of 4.38p per Saffron Energy share, being the closing mid-price of Saffron Energy's shares on 4 October 2017.

The Proposed Transaction is expected to require Saffron Energy and Po

Valley shareholder approval and entry by all Parties into binding agreements to effect the Acquisition and the PVO Option. The Proposed Transaction would amount to a related party transaction for Saffron Energy under Rule 13 of the AIM Rules for Companies.

Whilst the Heads of Terms are conditional and subject to contract, Sound Energy has agreed under the Heads of Terms to pay 50 per cent. of Saffron Energy's costs relating to the Proposed Transaction in the event that the Proposed Transaction does not proceed for any reason.

Suspension of Ordinary Shares

By virtue of its size, the Proposed Transaction would constitute a reverse takeover under Rule 14 of the AIM Rules for Companies. Accordingly, the Company's Ordinary Shares will be suspended from trading on AIM with effect from 07.30 today, pending publication of an AIM admission document and circular to shareholders to approve the Proposed Transaction or announcement that the Proposed Transaction has been terminated.

Further announcements will be made, as appropriate, in due course

Saffron Energy's CEO Michael Masterman said

"From day one, this transaction will transform Saffron into a materially larger funded natural gas and oil company with critical mass through an exceptional balanced portfolio of high quality assets. Larger scale gas development assets including onshore Selva and offshore Adriatic Teodorio and exploration assets including Torre del Morro, Maria Goretti, and Dalla are added to the existing gas production portfolio. This transaction pools Saffron, Po Valley and Sound Italy's natural gas fields and gas and oil exploration licences with a very a talented team of individuals at both Board and management level. The proposed addition of James Parson (CEO of Sound Energy Plc) as Chairman and Fiona MacAulay (former COO Rockhopper) to Board will greatly enhance the Company's financial and technical depth. The newly enlarged Saffron will be well equipped to quickly deliver on its growth ambitions and I am confident that they will result in significant value accretion to our Saffron shareholders."

This announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

About Saffron Energy PLC

Saffron Energy is a natural gas producer with interests in Northern Italy. Its portfolio includes two producing gas fields; Sillaro (100%) and Bezzecca (90%) and an application for a near development gas field called Sant'Alberto. All of Saffron Energy's assets are located between Milan and Bologna. Saffron Energy commenced trading on the London AIM Market under the ticker of SRON on 24 February 2017.

For more information, please visit www.saffronenergy.co.uk or contact the following:

Saffron Energy plc
Michael Masterman, CEO

+44 (0) 7791288381
info@saffronenergy.co.uk

Grant Thornton UK LLP (Financial & Nominated Adviser)
Colin Aaronson
Richard Tonthat
Harrison J Clarke

+44 (0) 207 383 5100

Turner Pope Investments (TPI) Ltd (Broker)
Andy Thacker

+44 (0)2036214120
info@turnerpope.com

Cassiopeia Services (PR/IR)
Stefania Barbaglio

+44 (0) 7949690338
Stefania@cassiopeia-ltd.com

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