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Saffron Energy PLC
13 September 2017

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Saffron Energy Plc

("Saffron" or the "Company")

Interim Financial Statements

Saffron Energy plc (AIM: SRON), the natural gas producer with interests in northern Italy, is pleased to announce its Interim Financial Statements for the six months ended 30 June 2017.

A copy of these is also available on the Company's website https://saffronenergy.co.uk/investors/financial-reports/

About Saffron Energy PLC

Saffron Energy is a natural gas producer with interests in Northern Italy. Its portfolio includes two gas production fields (Sillaro and Bezzecca (90%)), and an application for a near-term gas production 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.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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CHIEF EXECUTIVE OFFICER'S STATEMENT

Total Production for the first six months of 2017 amounted to 2.6 million standard cubic metres of gas (circa 91 million standard cubic feet). Production in 2016 for the same period was 2.4 million standard cubic metres (circa 83 million standard cubic feet).

Production for the period was from the Company's Sillaro and Bezzecca gas fields. Sillaro which is currently producing from a single level - CO - was expected to stop production early in the year, however despite a slight decrease in the daily rate, production from this level continues strong averaging between 5,000 to 10,000 scm/day. As announced to the market in March, the development and tie in of the Bezzecca gas field was completed and commissioned in Q2 on time and on budget with first gas flows on 18 April and full commercial production commencing at a steady rate from the Level A interval in mid-May 2017. Over the first two weeks of July, the Company installed a downhole choke at Bezzecca and production from the field recommenced immediately afterwards from level, A and S. Production rates in Level A were adjusted in order to allow for increased aggregate production from both levels.

The Company continues to make good progress in its application for a full production concession for the gas field Sant'Alberto. The Company is currently awaiting the granting of an Intesa (agreement) from the Emilia Romagna regional government, following which the Ministry of Economic Development in Rome will issue the production concession. The Company had originally anticipated that the Intesa and the production concession would have been granted by the end of the first half of 2017. Saffron now anticipates that this will have been achieved by Q3 2017. Development of Sant'Alberto will follow the grant of the production concession and first gas is now expected in or around Q1 2018.

Finance

In February, the Company successfully listed on the AIM board of the London Stock Exchange following an oversubscribed £2.5m book build and capital raising.

The net loss of the Company after income tax amounted to €916k for the half-year ended 30 June 2017. The operating results for the first six months of the year reflect the fact that commercial production from Bezzecca was only captured in the last two months of the period and include some additional one-off IPO related costs. Consequently the half year results presented in this report are not indicative of the ongoing earnings potential of the Company.

Health and Safety

The Company places a high importance on its commitment to Health, Safety and the Environment (HS&E). Saffron ensures that the various stages of business activities from initial planning to carrying-out daily operational procedures are designed and performed with the implemented HS&E safety systems in mind. A total of 16,058 man- hours worked both on-site and within the administrative office with no incidents or near misses to report is testament to the importance and effectiveness the internal HS&E management systems. Saffron is committed to maintaining environmental sustainability and health and safety in the workplace as they are an integral part of our business strategy and corporate citizenship.

Outlook

During the period, Saffron has reached major milestones with mechanical completion of the tie-in development and commencement of commercial production from Bezzecca, whilst progressing the final stages of approval for its Sant'Alberto field which is intended to come on stream in the next 12 months. On behalf of the Board, I would like to thank our hardworking team in Italy and our valued shareholders for their support during the listing process. We look forward to prospering with the development work as we head towards production from Sant'Alberto in 2018 and prepare for the second phase of production ramp-up which will include a sidetrack well at Sillaro and a second development well at Bezzecca.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	NOTE	30 June 2017 €'000	31 December 2016 €'000
Non-Current Assets			
Inventory		733	-
Other assets		138	-
Deferred tax assets	**3**	1,995	-
Property, plant & equipment	**5**	2,294	-
Resource property costs	**6**	6,077	-
Total non-current assets		**11,237**	**-**
Current Assets			
Cash and cash equivalents		522	60
Trade and other receivables		698	-
Total current assets		**1,220**	**60**
Total assets		**12,457**	**60**

Liability and equity			
Current Liabilities			
Trade and other payables		1,836	-
Provisions	**7**	52	-
Interest bearing loans	**8**	393	-
Total current liabilities		**2,281**	**-**
Non-Current Liabilities			
Provisions	**7**	4,992	-
Total non-current liabilities		**4,992**	**-**
Total Liabilities		**7,273**	**-**
Equity			
Issued capital			
Nominal share capital	**9**	181	60
Share premium	**9**	2,455	-
Merger reserve	**9**	3,464	-
Accumulated losses		(916)	-
Total equity		**5,184**	**60**
Total equity and liabilities		**12,457**	**60**

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017

	NOTE	30 June 2017 €'000
Revenue**		560
Operating costs		(307)
Depreciation and amortisation expense		(132)
Gross profit		121
Other income		7
Technical & administrative employee benefits*		(442)
Depreciation expense		(4)
Corporate overheads (inc. IPO costs) *		(582)
Exploration costs expensed		(4)
Loss from operating activities		(904)

Finance income		-
Finance expense		(12)
Net finance expense		(12)
Loss before income tax expense		(916)
Income tax expense	**2**	-
Loss for the period		(916)
Other comprehensive income		-
Total comprehensive loss for the period		(916)
Loss attributable to:		
Owners of the Company		(916)
Non-controlling interests		-
Loss for the period		(916)
Total comprehensive loss attributable to:		
Owners of the Company		(916)
Non-controlling interests		-
Total comprehensive loss for the period		(916)
Basic and diluted loss per share (€)	**4**	**(0.0068)**

**Both these line items include one off costs associated with the restructuring and lead up to the IPO on 24 February 2017.*
*** The Bezzecca gas field started steady production in May 2017 and so revenue from this new production field is only for just over 2 months.*

No comparative information has been included in the consolidated income statement and other comprehensive income as trading commenced in 2017.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to equity holders of the Company				
	Share capital €'000	**Share Premium €'000**	**Merger Reserve €'000**	**Accumulated Losses €'000**	**Total €'000**

Balance at incorporation	-	-	-	-	-
Contributions by owners	60	-	-	-	60
Balance at 31 December 2016	**60**	**-**	**-**	**-**	**60**
Balance at 1 January 2017	**60**	**-**	**-**	**-**	**60**
Total comprehensive loss for the period:					
Loss for the period	-	-	-	(916)	(916)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(916)	(916)
Transactions with owners recorded directly in equity:					
Contributions by owners	59	2,884	-	-	2,943
Share based payments for services rendered (non-cash)	4	210	-	-	214
Share based payments for acquisition of subsidiary (non-cash)	58	-	9,942	-	10,000
Goodwill written off	-	-	(6,478)	-	(6,478)
Transaction costs relating to issue of shares	-	(639)	-	-	(639)
Balance at 30 June 2017	**181**	**2,455**	**3,464**	**(916)**	**5,184**

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	30 June 2017 €'000	31 December 2016 €'000
Cash flows from operating activities		
Receipts from customers	441	-
Payments to suppliers and employees	(1,634)	-
Interest paid	(12)	-
Income tax paid		
Net cash used in operating activities	(1,205)	-
Cash flows from investing activities		
Acquisition of cash balances	107	-
Receipts for resource property costs from joint operations partners	100	-
Payments for resource property costs and production plant and equipment	(313)	-
Net cash used in investing activities	(106)	-
Cash flows from financing activities		
Proceeds from issues of shares	2,944	60
Transaction costs relating to issue of shares	(582)	-
Proceeds from borrowings	678	-

Repayment of borrowings	(1,267)	-
Payment of borrowing costs other than interest	-	
Net cash provided by financing activities	1,773	60
Net increase in cash and cash equivalents	462	60
Cash and cash equivalents brought forward	60	-
Cash and cash equivalents carried forward	522	60

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

NOTE 2: INCOME TAX EXPENSE

Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expenses calculated per the statutory income tax rate

	30 June 2017 **€'000**
Loss for the year before tax	(916)
Income tax benefit using the Group tax rate of 24%	(220)
Current year losses and temporary differences for which no deferred tax asset was recognised	220
Changes in temporary differences	-
Other non-deductible expenses	
Income tax expense / (benefit)	-

Tax benefits have not been recognised in respect of tax losses and temporary differences for the first six months based on management's conservative assessment of future taxable profit that would be available against which the Group can utilise the benefits therefrom.

NOTE 3: DEFERRED TAX ASSETS

Deferred tax assets have been recognised in respect of tax losses and temporary differences based on management assessment that future taxable profit will be available against which the Group can utilise the benefits therefrom. Deferred tax assets amounting to €1,994,913 have been recognised in relation to the Italian subsidiary's available tax losses and temporary differences.

NOTE 4: LOSS PER SHARE

	30 June 2017
Basic loss per share (€)	(0.0068)
Diluted loss per share (€)	(0.0068)

The calculation of basic loss per share was based on the loss attributable to shareholders of €916,039 and a weighted average number of ordinary shares outstanding during the half year of 134,165,967.

NOTE 5: PROPERTY, PLANT & EQUIPMENT

	30 June 2017 €'000	31 December 2016 €'000
Office Furniture & Equipment:		
At cost	200	-
Accumulated depreciation	(193)	-
	7	-
Gas producing plant and equipment		
At cost	8,524	
Accumulated depreciation	(6,237)	-
	2,287	-
	2,294	-

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

NOTE 5: PROPERTY, PLANT & EQUIPMENT (Continued)

	30 June 2017 €'000	31 December 2016 €'000
Reconciliations:		
Reconciliation of the carrying amounts for each class of Plant & equipment are set out below:		
Office Furniture & Equipment:		
Carrying amount at beginning of period	-	
Acquisition of assets	11	
Depreciation expense	(4)	-
Carrying amount at end of period	7	-
Gas Producing plant and equipment:		
Carrying amount at beginning of period	-	-
Acquisition of assets	2,325	-
Additions	21	-
Depreciation expense	(60)	-
Carrying amount at end of period	2,286	-
	2,293	-

NOTE 6: RESOURCE PROPERTY COSTS

	30 June 2017 €'000	31 December 2016 €'000
Resource Property costs		
Exploration Phase	2,554	-
Production Phase	3,523	-
	6,077	-

Reconciliation of carrying amount of resource properties

Exploration Phase

Carrying amount at beginning of period	-	-
Acquisition of assets (refer note 10)	5,003	
Exploration expenditure	516	-
Transfer to Production phase	(2,965)	-
Exploration expenditure written off	-	-
Carrying amount at end of period	2,554	-

Resource property costs in the exploration and evaluation phase have not yet reached a stage which permits a reasonable assessment of the existence of, or otherwise, economically recoverable reserves. The ultimate recoupment of resource property costs in the exploration phase is dependent upon the successful development and exploitation, or alternatively sale, of the respective areas of interest at an amount greater than or equal to the carrying value.

During the period, the Group completed the development of the Bezzecca field. Accumulated costs relating to this field were transferred to production phase assets as production commenced in the second quarter of the year.

NOTE 6: RESOURCE PROPERTY COSTS (Continued)

	30 June 2017	**31 December 2016**
Production Phase	**€'000**	**€'000**
Carrying amount at beginning of period	-	-
Acquisition of assets (refer note 10)	599	
Additions	1	-
Transfer from exploration	2,965	
Change in estimate of rehabilitation assets	-	-
Amortisation of producing assets	(42)	-
Impairment loss		-
Carrying amount at end of period	3,523	-

NOTE 7: PROVISIONS

	30 June 2017 €'000	**31 December 2016 €'000**
Current:		
Employee leave entitlements	32	-
Other provisions	20	-
	52	-
Non-Current:		
Restoration provision	4,992	-
Reconciliation of restoration provision:		
Opening balance	4,962	-
Increase in provision from unwind of discount rate	30	-
Closing balance	4,992	-

NOTE 8: INTEREST BEARING LIABILITIES

	30 June 2017	**31 December 2016**
	€'000	**€'000**
Current liabilities		
Loans	393	-

				393		-	

Terms and debt repayment schedule:
Terms and conditions of outstanding loans were as follows:

				30 June 2017		31 December 2016	
	Currency	Nominal Interest rate	Year of maturity	Face value €'000	Carrying Amount €'000	Face value €'000	Carrying Amount €'000
Unsecured loans	AUD	10%	2018	393	393	-	-

NOTE 9: ISSUED CAPITAL

	30 June 2017 Number 000's	Nominal value €'000	Share Premium €'000	Merger Reserve €'000	30 June 2017 Total €'000
Issued Capital					
Opening balance - 1 January	50,000	60	-	-	60
Shares issued during the year:					
Issued for the acquisition of subsidiary	50,000	58	-	9,942	10,000
Goodwill on acquisition of subsidiary	-	-	-	(6,478)	(6,478)
Issued for services rendered	3,720	4	210	-	214
Issued for cash on subscription on AIM listing	50,000	59	2,884	-	2,943
Share issue costs	-		(639)	-	(639)
Closing balance - 30 June 2017	153,720	181	2,455	3,464	6,100

	31 December 2016 Number 000's	Nominal value €'000	Share Premium €'000	Merger Reserve €'000	31 December 2016 Total €'000
Opening balance					
1 share issued on incorporation	-	-	-	-	-
Issued for cash [(i)]	50,000	60	-	-	60
Closing balance - 31 December 2016	50,000	60	-	-	60

(i) 49,999 Shares were issued for cash on 10 November 2016 and on 9 December 2016, the total shares on issue were subdivided into 50,000,000 shares.

All ordinary shares are fully paid and carry one vote per share and the right to dividends. In the event of winding up the Company, ordinary shareholders rank after creditors. Ordinary shares have a par value of £0.001 per share.

No dividends were paid or declared during the current period.

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Interim Financial Statements
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Results and Trading Reports
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