

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

22 January 2018

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

**Pan Euro-Asian Gas Strategy**  
**Binding agreement for the acquisition of Sound Energy Holdings**  
**Italy Limited ("SEHIL")**  
**Binding agreement for the acquisition of Po Valley Operations**  
**Pty Limited ("PVO")**  
**Proposed placing and Open Offer**  
**Grant of**  
**Options to Directors**

Saffron (LON: SRON), the AIM quoted European gas company with interests in Northern Italy, is pleased, following the Board changes announced on 12 December 2017, to give further details of its future Pan Euro-Asian gas strategy.

The Company also announces that, further to the Heads of Terms announcement released on 5 October 2017, it has entered into binding conditional sale and purchase agreements with each of Sound Energy Plc ("Sound Energy") and Po Valley Energy Limited ("Po Valley Energy" or "PVE") under which it is proposed that Saffron acquires both Sound Energy's and Po Valley Energy's portfolio of Italian interests and permits.

As outlined in the Heads of Terms announcement, following the acquisitions and subject to shareholder approval, the enlarged group will seek re-admission to AIM under its proposed new name of Coro Energy plc. These acquisitions will be structured by way of an acquisition of Sound Energy Holdings Italy Limited ("SEHIL"), a company incorporated in England and Wales (the "Proposed SEHIL Transaction") and Po Valley Operations Pty Ltd ("PVO"), a company incorporated in Western Australia (the "Proposed PVO Transaction"), for both of which the principal business is the exploration for and production of liquid and gaseous hydrocarbons across Italy.

The proposed acquisition by Saffron of SEHIL's and PVO's natural gas and oil assets contemplated in the transaction adds significant larger assets to the Saffron portfolio, including the Selva onshore gas field, which

recently reported strong gas flows resulting from successful flow testing of the Podere Maiar 1dir exploration well which confirmed a net pay of 41 metres from two identified gas reservoirs, the Teodorico offshore Adriatic gasfield (47 bcf) development and the large Torre del Moro and Santa Maria Gorretti and Dalla gas exploration licences, plus two smaller gas production fields.

### **Pan Euro-Asian Gas Strategy**

Subject to the approval of shareholders of, and completion of, the acquisition of SEHIL and PVO, the Company will become the owner and operator of a significant portfolio of production and development assets in Italy with a strong board with substantial experience and expertise in the sector, coupled with a demonstrable track record of delivering value for shareholders.

The combined Italian portfolio will contain total 2P (Proved and Probable) gas reserves of approximately 1,239 MMscm (43.7 Bcf) and 2C (Contingent) gas resources of approximately 1,264 MMscm (44.6 Bcf) and total C2 oil resources of 2.4 MMbbls.

The Company will continue to develop its Italian assets after its re-admission to AIM following completion of the proposed acquisition SEHIL and PVO. In addition, the Company will look to acquire assets which enhance its portfolio and where there are operating and other synergies. The Saffron board believes that these assets will be located both in Europe and elsewhere, and believes that in particular there will be opportunities to acquire exploration licenses in South East Asia.

The Company is pleased therefore to announce that it intends to pursue a combined European and South East Asian regional exploration strategy focused on multi Tcf (trillion cubic feet), low cost, onshore gas piped to high value, growing markets.

The Company believes that South East Asia possesses some of the world's fastest developing economies where demand for gas currently significantly outstrips supply. This, combined with increasing growth across the region and the increasing shortage of gas in the major markets, provides a compelling investment proposition for investors at this specific point in the cycle.

The Company therefore plans to acquire a series of assets across the region, with an initial focus on Indonesia, leveraging existing infrastructure, relationships and processing capability which should enable new discoveries to be brought to market quickly. The Company intends to selectively bring in pre-identified strategic partners to the business to fund and technically de-risk such assets.

Investors are invited to immediately register their interest in Coro Energy plc and its new strategy on [www.coroenergyplc.com](http://www.coroenergyplc.com)

The Company will update the market further in the AIM admission document that it is in the process of preparing and as required in connection with the Proposed SEHIL Transaction and the Proposed PVO Transaction.

**Binding Agreement for the acquisition of SEHIL (the "SEHIL Agreement")**

The SEHIL Agreement constitutes the first part of the transaction envisaged by the Heads of Terms announced on 5 October 2017.

The SEHIL Agreement is conditional on (amongst other things): (i) completion of a firm and conditional placing; (ii) approval by the shareholders of Saffron and also on the shareholders of Sound Energy approving the Sound Capital Reduction (as defined below); and (iii) re-admission of the entire issued, and to be issued, share capital of Saffron to trading on the AIM market of the London Stock Exchange plc ("AIM"), which conditions are expected to be satisfied in the April 2018.

The Proposed SEHIL Transaction has been structured as a purchase of the entire issued share capital of Sound Energy's wholly owned subsidiary, SEHIL, free of any encumbrances. The acquisition of SEHIL ("SEHIL Acquisition") will result in the combination of the Italian oil and gas portfolios of Sound Energy and Saffron.

Under the SEHIL Agreement, and subject to shareholders of Saffron approving the issue of new shares by Saffron, the consideration for the acquisition of SEHIL will be fully satisfied through the issue of 185,907,500 new ordinary shares of £0.001 each in the capital of Saffron ("Ordinary Shares") (the "SEHIL Consideration Shares").

The SEHIL Consideration Shares are intended to be issued by Saffron directly to Sound Energy's shareholders pursuant to the terms of a deed poll (the "Deed Poll"). To enable a direct distribution of the SEHIL Consideration Shares to its shareholders, Sound Energy will propose a capital reduction (the "Sound Capital Reduction") to its shareholders. Subject to shareholder approval, the issuance of the SEHIL Consideration Shares to Sound Energy shareholders in consideration for the transfer by Sound Energy to the Company of the shares in SEHIL will constitute an indirect capital repayment by Sound Energy to its shareholders (which would not be possible without the Sound Capital Reduction having been made).

SEHIL holds all of Sound Energy's Italian oil and gas interests through its own wholly owned subsidiary, Apennine Energy SpA ("APN").

Under the terms of the SEHIL Agreement, Sound Energy will retain: (i) its economic rights to receive the proceeds of any future sale of the land comprising the Badile permit issued on 23 March 2010 and situated in the Piedmont Lombard Basin in northern Italy owned by SEHIL ("Badile")

(the "Badile Land"), which had an unaudited carrying value of £1.6 million as at 30 June 2017; and (ii) the benefit of expected SEHIL Italian VAT receivables totalling €4.0 million linked to Badile drilling costs (the "VAT"). Under the Proposed SEHIL Transaction, Saffron has undertaken to remit the net proceeds of the Badile Land sale and the VAT to Sound Energy on receipt by SEHIL.

Furthermore Saffron has agreed to grant Sound an overriding royalty of 5% on all revenue that may be derived from any wells drilled on the exploration license D.R.74 AP, colloquially referred to as Laura.

A more detailed summary of the terms of the SEHIL Agreement is set out below.

### **Binding Agreement for the acquisition of PVO (the "PVO Agreement")**

Also as set out in the Heads of Terms, Saffron is pleased to announce that it has entered into a binding conditional sale and purchase agreement with Po Valley Energy pursuant to which it is proposed that Saffron will acquire the entire issued share capital of PVO from Po Valley Energy (which is currently interested in 53.8 per cent of Saffron's issued Ordinary Shares), and thereby acquire Po Valley Energy's portfolio of Italian interests and permits.

Pursuant to the terms of the PVO Agreement, Saffron will acquire the entire issued share capital of PVO in consideration for the issue to Po Valley Energy of 200,000,000 Ordinary Shares, subject to the shareholders of Saffron approving the issue of new Ordinary Shares (the "PVO Consideration Shares"). This reflects the consideration for PVO of 185,907,500 Ordinary Shares envisaged in the Heads of terms, along with a working capital adjustment.

The PVO Agreement is conditional on (amongst other things): (i) completion of a firm and conditional placing; (ii) approval by the shareholders of Saffron and also on the shareholders of Po Valley Energy approving the Po Valley Capital Reduction (as defined below); (iii) re-admission of the entire issued, and to be issued, share capital of Saffron to trading on AIM, which conditions are expected to be satisfied in April 2018; (iv) Po Valley Energy providing evidence satisfactory to the Company that, on completion of the Proposed PVO Transaction, the indebtedness of PVO shall be limited to certain permitted indebtedness (being certain agreed interim debt (the "Interim Debt"), an amount equal to the expected sale proceeds of each of the licences known as Cadelbosco di Sopra and/or Grattasasso, an amount equal to an agreed VAT rebate to be paid by PVO to Po Valley Energy on completion) and amounts advanced by the Company to PVO (the "Permitted Indebtedness"); and (v) delivery by Po Valley Energy to Saffron of an amended and restated loan agreement between Po Valley Energy and PVO, in a form agreed by Saffron, dealing with (inter alia) the treatment of the Permitted Indebtedness following completion of the Proposed PVO

Transaction.

Whilst the Heads of Terms anticipated that the acquisition of PVO would be structured as an option agreement, the transaction has been structured as a conditional sale and purchase of the entire issued share capital of Po Valley Energy's wholly owned subsidiary, PVO, free of any encumbrances. The acquisition of PVO ("PVO Acquisition") will result in the combination of the Italian oil and gas portfolios of Po Valley Energy and Saffron.

Pursuant to the terms of the PVO Agreement, the PVO Consideration Shares are (subject to shareholder approval) to be issued by Saffron to Po Valley Energy, who shall immediately distribute the PVO Consideration Shares to its shareholders. To enable a distribution of the PVO Consideration Shares to its shareholders, Po Valley Energy will propose a capital reduction (the "Po Valley Capital Reduction") to its shareholders.

As announced by Po Valley Energy on 25 September 2017, Po Valley Energy has entered into a conditional sale agreement with a private oil and gas company, backed by a private equity fund based in London, for the sale of each of the licences held by PVO, known as Cadelbosco di Sopra (an 85% interest) and Grattasasso (100%) (the "Licence Sales" and each a "Licence Sale"). The Licence Sales remain subject to ministry approval, and so Po Valley Energy and Saffron have agreed a number of matters in the PVO Agreement as regards the Licence Sales (as summarised below).

Po Valley Energy and Saffron have undertaken pursuant to the PVO Agreement that on completion of the Proposed PVO Transaction, PVO and Po Valley Energy will enter into a royalty deed in a form to be agreed between Po Valley Energy and Saffron (the "Royalty Deed"), pursuant to which PVO would be required to procure that 5% of the total proceeds of natural gas sales relating to the gas field known as Podere Maiar-1 or any other well drilled on the Podere Gallina license shall be paid in arrears to Po Valley Energy. In addition, Po Valley Energy undertakes and agrees that Saffron shall be permitted to deduct, from any and all payments made under the Royalty Deed, an amount equal to any agreed claim brought by Saffron against Po Valley Energy which may be outstanding at the date any such royalty payment is due for payment in accordance with the terms of the Royalty Deed, in any event up to a maximum total amount of £750,000.

Following completion of the Proposed PVO Transaction, it is expected that Po Valley Energy will have effectively disposed of all of its non-cash assets. Po Valley Energy undertakes pursuant to the terms of the PVO Agreement not to take any steps to initiate any insolvency proceedings in respect of itself for a period of two years following completion of the Proposed PVO Transaction.

It is noted that the Proposed PVO Transaction constitutes a related party transaction for the purposes of Rule 13 of the AIM Rules. The independent directors of Saffron (being David Garland and Fiona MacAulay) are of the opinion that the Proposed PVO Transaction is fair and reasonable, having consulted with the Company's nominated adviser, Grant Thornton UK LLP, insofar as the Company's shareholders are concerned.

Further of details of the terms of the PVO Agreement are set out below.

### **Proposed Placing**

In order to fund the enlarged entity, and meet the placing condition under each of the SEHIL Agreement and the PVO Agreement, the Company intends to issue new equity to institutional and other qualified investors to raise up to £14 million. The Company currently has authority to issue 14,092,500 new Ordinary Shares for cash and therefore the granting of authorities to issue the majority of the new equity will be subject to shareholder approval. The Company intends to issue the shares at a price of 4.38 pence per Ordinary Share and investors will be granted warrants exercisable for one year to subscribe for additional Ordinary Shares at a price of 6.57 pence, being 150 per cent. of the placing price, on the basis of one warrant for every two Ordinary Shares subscribed. Under the terms of the placing, the Company will pay to certain placees, placing agents and/or introducers a total commission of 10% of funds raised . In certain circumstances, it is intended that the Company's obligation to pay this commission will be settled through the issue of new Ordinary Shares.

### **Grant of Options to Directors**

As provided for in the Heads of Terms and the SEHIL Agreement, subject to Saffron shareholder approval, Saffron will issue each of James Parsons and Sara Edmonson, and in addition will issue to each of Fiona MacAulay and Marco Fumagalli, options to subscribe for 10 million new Ordinary Shares, and options to subscribe for 2 million new Ordinary Shares to David Garland, in each case at a price of 4.38p share. The options will vest after 3 years and expire after 5 years.

### **Proposed Open Offer**

The Company also intends to offer existing shareholders the opportunity to participate in an open offer of new Ordinary Shares to raise approximately £2 million. The open offer shares will be priced at 4.38 pence per new Ordinary Share, being the placing price, enabling shareholders to subscribe at an identical price to the cornerstone and other investors (save that there will be no attaching warrants). The issue of such open offer shares will be subject to shareholder approval.

For practical reasons, the open offer will not take place until after the proposed re-admission to AIM. The Company looks forward to updating shareholders in this regard in due course.

### **Suspension of Ordinary Shares**

By virtue of their size, each of the Proposed SEHIL Transaction and Proposed PVO Transaction constitutes a reverse takeover under Rule 14 of the AIM Rules for Companies, and will require Saffron shareholder approval. Documents (including an AIM admission document) to convene

a general meeting of Saffron shareholders at which resolutions will be tabled, *inter alia*, to grant Directors the authorities to issue the relevant consideration and placing shares, are currently under preparation, and it is expected that such general meeting will be held in March 2018. The Company's Ordinary Shares will remain suspended from trading on AIM, pending publication of an AIM admission document.

### **Saffron's CEO Sara Edmonson said**

*"We are delighted to reveal our new strategy and confirm the signing of binding agreements with Sound Energy and Po Valley as we move forward on our exciting and transformational journey in the creation of Coro Energy plc."*

### **About Saffron Energy PLC**

Saffron is a natural gas producer with interests in Northern Italy. Its portfolio includes two producing gas fields: Sillaro (100% owned) and Bezzecca (90% owned) and a field currently under development called Sant'Alberto. All of Saffron's assets are held through its wholly owned subsidiary, Northsun Italia S.p.A, and are located between Milan and Bologna. Saffron commenced trading on AIM under the ticker of SRON on 24 February 2017.

#### **Saffron Energy plc / Coro Energy plc**

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*The information communicated 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.*

### **Summary of the SEHIL Agreement**

- (a) the consideration payable by the Company for the entire issued share capital of SEHIL (the "SEHIL Shares") is to be settled through the issue of the SEHIL Consideration Shares, which will be issued upon completion of the SEHIL Agreement ("Completion") to the Sound shareholders;

- (b) the SEHIL Agreement is conditional on certain conditions having been satisfied or waived on or prior to Completion, including the following: (i) Saffron shareholder approval; (ii) Sound Energy shareholder approval of the Sound Capital Reduction; (iii) Court approval of the Sound Capital Reduction; (iv) receipt of required regulatory approvals; and (v) there not having occurred (in relation to Saffron or Sound) between the date of the agreement and the date of the meeting to approve the Sound Capital Reduction, a breach of warranty which constitutes: (A) in the case of a Saffron breach of warranty, a Saffron material adverse change (meaning any event, matter, change or condition which occurs, or is announced, or becomes known to Saffron (whether or not becoming public) where that event, change or condition causes, or could reasonably be expected to cause, a reduction in the consolidated net assets of Saffron and its subsidiaries of more than £200,000, excluding certain global events) ("Saffron Material Adverse Change"); or (B) in the case of a Sound breach of warranty, a SEHIL material adverse change (meaning any event, matter, change or condition which occurs, or is announced, or becomes known to Sound Energy (whether or not becoming public) where that event, change or condition causes, or could reasonably be expected to cause, a reduction in the consolidated net assets of SEHIL and its subsidiaries of more than £200,000, excluding certain global events) (a "SEHIL Material Adverse Change");
- (c) The SEHIL Agreement may be terminated in certain circumstances:
- (i) by either party in the event that the conditions precedent and/or undertakings given for that party's benefit and standing to be satisfied on or before completion of the agreement are not met or waived;
  - (ii) by Sound Energy, in the event of a Saffron Material Adverse Change;
  - (iii) by Sound Energy at any time before at any time before 8.00 am on the second court date relating to the Sound Capital Reduction (the "Second Court Date") if any Saffron director or the board of directors of Saffron, excluding any Saffron directors excluded from recommending and voting thereon, publicly changes (including by attaching qualifications to) or withdraws (including by abstaining) their statement that they consider the Proposed Transaction and/or readmission of the Company's shares to trading on AIM to be in the best interests of the Saffron shareholders or their recommendation that the Saffron shareholders approve the Proposed Transaction and/or readmission, or publicly states an intention to change their voting intention in respect of any Ordinary Shares held by them;
  - (iv) by the Company, in the event of a SEHIL Material Adverse Change;



- (v) by the Company at any time before 8.00 am on the Second Court Date if any Sound Energy Director or the board of directors of Sound Energy, excluding any Sound Energy directors excluded from recommending and voting thereon, publicly changes (including by attaching qualifications to) or withdraws (including by abstaining) their statement that they consider the Capital Reduction and/or the Proposed Transaction to be in the best interests of the Sound Energy shareholders or their recommendation that the Sound Energy shareholders approve the Capital Reduction, or publicly states an intention to change their voting intention in respect of any Sound Energy shares held by them; and
  - (vi) by the Company, in the event that Sound Energy makes any disclosure against the Sound Energy warranties prior to Completion which causes or constitutes or is reasonably likely to cause or constitute a SEHIL Material Adverse Change;
- (d) Sound Energy has given various warranties to the Company concerning (among other things) its capacity to enter into the SEHIL Agreement and related documents, the share capital, business and assets of SEHIL and its subsidiary, APN, litigation and tax;
- (e) the Company has given certain warranties to Sound, for the benefit of the Sound shareholders, concerning (amongst other things) its capacity to enter into the SEHIL Agreement and related documents, its share capital, litigation and tax;
- (f) Sound Energy agrees to provide a restoration payment to the Company (or SEHIL or APN, as the Company may direct) in respect of Badile in a total aggregate amount of EUR 870,000 to cover remaining costs with respect to the site restoration of Badile (payments to made on a quarterly basis in instalments on the basis of estimates submitted by the Company to Sound Energy). If, at the end of the Badile site restoration process, the Company has not received the full EUR 870,000, Sound Energy agrees to make a balancing payment (the "Badile Site Restoration Payments");
- (g) In addition to providing the Badile Site Restoration Payments, Sound Energy also agrees to indemnify the Company, SEHIL and/or APN from and against any costs relating to the Badile site restoration which are incurred by the Company, SEHIL and/or APN above and beyond the Badile Site Restoration Payments which directly result from:
  - (i) the requirement of any regulatory authority (whether or not pursuant to applicable laws or regulations);
  - (ii) changes in any applicable laws or regulations following the date of the SEHIL Agreement;
  - (iii) changes following the date of the SEHIL

Agreement in either:

- (A) environmental laws applicable to the restoration of Badile; and/or
  - (B) the specific restoration requirements for Badile imposed by the relevant regulatory authority on the Company, SEHIL and/or Apennine (whether or not pursuant to applicable laws or regulations);
- (iv) any bid or tender for works comprised or forming part of the Badile site restoration costs expiring as a result of delays in receipt of approvals from any regulatory authority (whether or not pursuant to applicable laws or regulations) and any new or revised bid or tender for such works being for an increased cost;
- (v) a dispute regarding unpaid rent and unlawful occupation of land relating to the Badile Land;
- (h) In addition to the above, Sound Energy has provided certain indemnities in the SEHIL Agreement to the Company in respect of specific identified liabilities, including in respect of certain SEHIL/APN employees, expired search permits, plants in decommissioning, surface fees, unauthorised drilling and Sound shareholders receiving SEHIL Consideration Shares in breach of applicable laws or regulations. Sound Energy also undertakes to enter into a reasonably standard form tax covenant on completion of the agreement (the "SEHIL Tax Covenant");
- (i) Under the SEHIL Agreement, no warranty claim can be brought unless it is for an amount at least equal to £20,000, and until the party bringing the claim has a claim or basket of claims exceeding £200,000; and
- (j) The liability of each of Sound Energy and the Company under the SEHIL Agreement is limited as follows:
- (i) Sound Energy's total liability for all claims under the SEHIL Tax Covenant shall not exceed £8.6 million;
  - (ii) Sound Energy's total liability for all claims under the Sound Energy warranties and in respect of the indemnities given by Sound Energy is £2.5 million; and
  - (iii) The Company's total liability for all claims under the warranties given by it is £2 million,

it being noted that Sound Energy's total liability under (i) and (ii) shall not exceed £8.6 million, and that the financial limitations do not apply (in the case of Sound Energy and the Company) to certain fundamental warranties or in the case of fraud or misrepresentation.

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

## **Summary of the PVO Agreement**

- (a) the consideration payable by the Company for the entire issued share capital of PVO (the "PVO Shares") is to be settled through the issue of the PVO Consideration Shares, which will be issued upon completion of the PVO Agreement ("PVO Completion") to Po Valley Energy, for immediate distribution to its shareholders in accordance with the Po Valley Capital Reduction;
- (b) in addition to those stated above, the PVO Agreement is conditional on certain conditions and undertakings having been satisfied or waived on or prior to PVO Completion, including the following: (i) Saffron shareholder approval; (ii) Po Valley Energy's shareholder approval of the Po Valley Capital Reduction; (iii) receipt of required regulatory approvals; (iv) each of Michael Masterman, Kevin Bailey and Byron Pirola having entered into an orderly market agreement in a form agreed by the Company in respect of his shareholding in the Company; (v) Saffron receiving evidence satisfactory to it that there are no registered charges against PVO; (vi) Po Valley Energy being satisfied that on PVO Completion and re-admission, the PVO Consideration Shares, when taken together with Po Valley Energy's existing holding of Ordinary Shares and assuming no disposals are made by Po Valley after the date of the PVO Agreement, represent not less than 20 per cent. of the issued share capital of Saffron; (vii) delivery by PVE, no less than 10 business days prior to the intended date for PVO Completion, of a disclosure letter in a form accepted by Saffron (together with associated disclosure documents); and (viii) there not having occurred (in relation to Saffron or Po Valley Energy) between the date of the agreement and the date of the meeting to approve the Po Valley Energy Capital Reduction, a breach of warranty which constitutes: (A) in the case of a Saffron breach of warranty, a Saffron Material Adverse Change; or (B) in the case of a Po Valley breach of warranty, a PVO material adverse change (meaning any event, matter, change or condition which occurs, or is announced, or becomes known to Po Valley (whether or not becoming public) where that event, change or condition causes, or could reasonably be expected to cause, a reduction in the consolidated net assets of PVO of more than £200,000, excluding certain global events) (a "PVO Material Adverse Change");
- (c) the Company has undertaken to procure that: (i) the Interim Debt (ii) certain indebtedness incurred by PVO between the date of the PVO Agreement and PVO Completion relating to the licence known as Podere Maiar-1 and/or (iii) certain indebtedness incurred by PVO in relation to the licences known as Teodorico and Torre del Moro (each held by PVO), shall be paid to the respective creditor in cash on Completion (and the Company has agreed that it may be required to provide PVO with funding to enable PVO to make such payments);
- (d) With respect to the Licence Sales, inter alia, the PVO Agreement contains the following undertakings:
  - (i) to the extent that the Licence Sales complete in

accordance with their terms, the Company agrees to procure that the Licence Sale proceeds ("Licence Sale Proceeds") are paid to Po Valley by the Company or PVO as soon as reasonably practicable following receipt thereof;

- (ii) in the event that any Licence Sale does not complete in accordance with its terms, Po Valley Energy, or a subsidiary of Po Valley Energy will have an option to acquire the licences known as Cadelbosco di Sopra and Grattasasso (the "Po Valley Licence Sale") in consideration for the release of an amount equal to the anticipated Licence Sale Proceeds owing by PVO to Po Valley Energy following completion of the Proposed PVO Transaction. Such option will expire on the earlier of: (A) 18 months and (B) the licences are sold to a third party;
  - (iii) in the event that any Licence Sale does not complete in accordance with its terms, the Company undertakes to use reasonable efforts to undertake the sale of Cadelbosco di Sopra and Grattasasso to a third party and remit the proceeds to Po Valley Energy;
  - (iv) following completion of the Proposed PVO Transaction and until the earlier of the (i) the date of the Licence Sales; and (ii) the date on which any of Cadelbosco di Sopra and Grattasasso lapses or is withdrawn by the relevant authority, the Company undertakes to use reasonable efforts to take administrative steps reasonably required under applicable law to maintain the good standing of Cadelbosco di Sopra and Grattasasso with the Italian Ministry of Economic Development; and
  - (v) from the date of the PVO Agreement, Po Valley Energy agrees that neither the Company nor PVO shall be under any obligation to incur any expenditure in relation to, or otherwise carry out, any work programme in relation to Cadelbosco di Sopra and Grattasasso that may be required by applicable law in order to maintain the good standing of either or both of Cadelbosco di Sopra or Grattasasso, provided that the Company shall provide reasonable assistance to Po Valley Energy in the event that Po Valley Energy chooses to take such steps required to meet any such work programme (at the sole cost of Po Valley Energy). In the event that Po Valley Energy wishes to pursue any such work programme but fails to provide the required funds, neither the Company nor PVO shall have any liability or obligation to Po Valley Energy to undertake the relevant work.
- (e) the PVO Agreement may be terminated in certain circumstances:
- (i) by either party in the event that the conditions precedent and/or undertakings given for their benefit and standing to be satisfied on or before

completion of the agreement are not met or waived;

- (ii) by Po Valley Energy, in the event of a Saffron Material Adverse Change;
  - (iii) by Po Valley Energy at any time before at any time before 8.00 am on 26 March 2018 if any Saffron director or the board of directors of Saffron, excluding any Saffron directors excluded from recommending and voting thereon, publicly changes (including by attaching qualifications to) or withdraws (including by abstaining) their statement that they consider the Proposed PVO Transaction and/or readmission of the Company's shares to trading on AIM to be in the best interests of the Saffron shareholders or their recommendation that the Saffron shareholders approve the Proposed PVO Transaction and/or readmission, or publicly states an intention to change their voting intention in respect of any Ordinary Shares held by them;
  - (iv) by Po Valley Energy if a conditional placing is not completed by the Company through the allotment and issue of new Ordinary Shares to raise a minimum amount of £10 million by 30 April 2018;
  - (v) by the Company, in the event of a PVO Material Adverse Change;
  - (vi) by the Company at any time before 8.00 am on 26 March 2018 if any Po Valley Energy Director or the board of directors of Po Valley Energy, excluding any Po Valley Energy directors excluded from recommending and voting thereon, publicly changes (including by attaching qualifications to) or withdraws (including by abstaining) their statement that they consider the Po Valley Capital Reduction and/or the Proposed PVO Transaction to be in the best interests of the Po Valley Energy shareholders or their recommendation that the Po Valley Energy shareholders approve the Po Valley Capital Reduction, or publicly states an intention to change their voting intention in respect of any Po Valley Energy shares held by them; and
  - (vii) by the Company, in the event that Po Valley Energy makes any disclosure against the Po Valley Energy warranties prior to PVO Completion which causes or constitutes or is reasonably likely to cause or constitute a PVO Material Adverse Change;
- (f) Po Valley Energy has given various warranties to the Company concerning (among other things) its capacity to enter into the PVO Agreement and related documents, the share capital, business and assets of PVO, litigation and tax;
- (g) the Company has given certain warranties to Po Valley Energy, for the benefit of the Po Valley Energy

shareholders, concerning (amongst other things) its capacity to enter into the PVO Agreement and related documents, its share capital, litigation and tax;

- (h) Po Valley Energy has provided certain indemnities in the PVO Agreement to the Company in respect of specific identified liabilities, including in respect of plugging wells and rehabilitating related land. Po Valley Energy also undertakes to enter into a reasonably standard form tax covenant (the "PVO Tax Covenant") on PVO Completion;
- (i) under the PVO Agreement, no warranty claim can be brought unless it is for an amount at least equal to £15,000, and until the party bringing the claim has a claim or basket of claims exceeding £150,000; and
- (j) the liability of each of Po Valley Energy and the Company under the PVO Agreement, and (in the case of Po Valley Energy only) the PVO Tax Covenant, is limited to £1,500,000.

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

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Signing of Agreements and New Strategy  
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Company Announcement - General  
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