



**ASX / MEDIA RELEASE
16 February 2017**

Saffron Energy spin-out to list on London's AIM later this month

after A\$4.1m raising to drive new north Italy gas production

- **Australia's Po Valley firms up timeframes for Initial Public Offer (IPO) capital raising and London listing for new spinout - Saffron Energy Plc**
- **Saffron to now list on London's AIM late in February**
- **Po Valley to retain approximately 65% stake in Saffron**
- **IPO to raise A\$4.1/GBP2.5m to accelerate gas output from three fields**

Australia's Po Valley Energy Ltd (ASX: PVE), which has oil & gas exploration, development and production interests in northern Italy, has announced an updated timetable for the spin-out of its subsidiary, Saffron Energy Plc (*Saffron Energy*) and anticipated listing later this month on London's AIM market around 24 February

The listing of Saffron, which will own one gas production (Sillaro) and two near-term gas production fields (Bezzecca (90%) and Sant'Alberto) near Milan and Bologna previously owned by PVE, includes a A\$4 million IPO capital raising to primarily fund accelerated development of all three gas field assets.

Agreements have been reached with Grant Thornton UK LLP, nominated advisor to the float and Turner Pope Investments Ltd as broker to the float, to raise up to GBP2.5m/AUD4.1 based on a pre-money valuation of Saffron Energy of GBP5m/AUD8.2m. PVE held 100% of the shares of Saffron Energy prior to the IPO transaction and will have a majority shareholding of around 65% following listing.

The Board of Saffron Energy will be chaired by London-based barrister and former Dominion Petroleum executive Mr David Garland. PVE's Chairman, Mr Michael Masterman will act as Saffron's Chief Executive and an executive director. The



non-executive directors will be Mr Kevin Bailey, an Australian Prime Minister's Community Business Partnership member, Ms Sara Edmonson, former senior Ernst Young Transaction Advisory executive and PVE's CEO (currently on maternity leave) and experienced investment banking and resources executive Christopher Johannsen.

The net proceeds of the Saffron Energy IPO after transaction costs and admission fees are expected to be A\$3.9m. Funds will be used to complete the Bezzacca Gas field development, put the new Sant'Alberto gas field into production and refinance pre-IPO and Bezzacca development bridging finance.

Saffron CEO Michael Masterman - Rationale for the Saffron Energy Listing:

"The London equity markets are a much more natural market for listing Italian natural gas production assets. Saffron Energy's profile of production oriented gas generation assets is attractive to UK and European investors and there is strong primary and secondary demand for the business. The Saffron Board expects that in time, Saffron Energy's market valuation and liquidity will provide a strong market reference for the value of its high margin gas fields. Further details on the planned development work programmes for these assets are included in the AIM Admission Document which will be released on the ASX in due course."

Po Valley Energy following the Saffron Energy Listing

PVE will maintain a minimum 100m shareholding in Saffron Energy (currently representing 65% of the Saffron Energy shares) for at least 12 months from the date of the AIM listing, under required lock-in agreements. It is the Board's intention to consider an in-specie distribution of the shares in Saffron Energy to PVE shareholders after that time, subject to necessary approvals and legal and tax advice.

With the successful funding of majority-owned Saffron Energy, in addition to its focus on gas production from Saffron Energy's Sillaro, Bezzacca and Sant'Alberto



gas fields, Po Valley will continue to prioritise approvals and development preparation for 100% owned larger Teodorico and Selva gas fields and the Torre del Morro oil field, all in northern Italy.

Saffron Energy assets and work programs

Independent consultants have estimated the gas inventory within Saffron Energy's assets to total around 8.2 billion cubic feet of gas (BCF)¹. The maturing Sillaro field currently produces around 350 thousand cubic feet of gas per day (mcfpd). Drilling of a deviated development well is planned for next year to access the bulk of the field's P2 reserves in order to triple production. Work is near complete on a 7km pipeline tie-in in an existing production well at Bezzecca with the nearby Vitalba gas treatment plant. First volumes from that well are expected in March this year. Production is also planned to commence in the 2H of this year from an existing production well at Sant'Alberto with Saffron building a small processing plant on site, tied into the nearby Italian national gas grid. Saffron expects additional development wells to be drilled on each of its three fields from next year.

AIM listing procedures

The AIM has approved the Schedule 1 documents which are a precondition for listing and this was released Friday 10 February in London with the placing of the new shares confirmed on 15 February 2017 London. Listing on the AIM is expected on Friday 24 February 2017

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¹ Please refer to ASX Announcement dated 25 November 2016 "*Producing and Near-Production Field Reserves Revision*" which details the Company's reserves and resources for the three assets held by Saffron Energy and which contains all information required by ASX Chapter 5 listing rules applicable to the reporting of oil and gas activities and reserves and contingent resources.