



ABN 33 087 741 571

## ASX/MEDIA RELEASE

6 October 2017

### **Po Valley in proposed major re-organisation of Italian oil and gas assets into larger AIM-listed play with renowned UK energy executive as new Chair**

A major re-organisation and asset ownership structure has been announced by Australian gas producer, **Po Valley Energy**, (ASX: "PVE") for all of its Italian oil and gas exploration and production interests. The move will give PVE shareholders a stake in a much enlarged and more liquid operator to be chaired by renowned UK energy executive, Mr James Parsons.

The centrepiece of the proposed restructure will see UK-AIM listed and 54%-owned Po Valley subsidiary, **Saffron Energy** (LON: SRON) become the three way host vehicle for its own existing Italian energy assets as well as three new Italian assets owned by PVE, and three gas exploration and two gas production assets owned by AIM-listed Sound Energy. Sound was awarded "Best Performing Company" on the AIM in 2016.

Po Valley will emerge with a 51% stake in the enlarged Saffron, which itself under the proposed transaction will now be chaired by Sound Energy Chief Executive, Mr James Parsons. In five years at the Sound helm, Mr Parsons grew that Company's market capitalisation from less than £50m to over £550 million.

The proposed re-organisation is currently non binding subject to a range of regulatory and shareholder approvals involving all stakeholders. If it proceeds, the transaction is expected to complete early next year. Saffron will remain suspended from the AIM while the transaction process proceeds.

The following Board changes are intended as part of the proposed transaction:

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

### **Asset changes**

Saffron, as a current Po Valley subsidiary, already owns 100% interest in the Sillaro and Sant' Alberto gas projects and 90% in the Bezzecca gas production field. The reconfiguration will see Po Valley inject its remaining 80% Selva and 100%-owned Teodorico and Torre Del Moro gas exploration projects into the enlarged entity. Sound will contribute its Maria Goretti, Laura, and Dalla gas exploration projects and two Italian gas production fields, Rapagnano, and San Lorenzo, into the equation.



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The current status of each of the pooled assets is as follows:

**Production and development:** Selva onshore gas field (2C 17 Bcf), Teodorico offshore Adriatic gas field development (2C 47 Bcf), Sillaro (2P+C 3.3 Bcf ), Bezzecca (2P+C 6.0 Bcf), Sant' Alberto (2P 2 Bcf), San Lorenzo (2P 0.1 Bcf), Rapagnano (2P 1.0 Bcf) and **Exploration:** Torre Del Moro, Laura (most likely 17.1 Bcf), Dalla (most likely 24.6 Bcf) and Maria Goretti (most likely 32.8 Bcf).

**On transaction completion prior to any new capital raising, Po Valley on a proforma basis will have a 51% interest in the enlarged Saffron, Saffron AIM shareholders will have a 16% stake and Sound Energy a 33% holding.**

It is proposed to eventually rename Saffron as Coro Energy Plc ("Coro").

Po Valley Energy will retain outside of the deal, proceeds from the recent sale of its interests in the Cadelbosco di Sopra and Grattasasso oil permits in northern Italy, amounting to €1.13 million (A\$1.7 million). That transaction is awaiting Ministry approval<sup>1</sup>.

**Po Valley Chairman, Mr Michael Masterman**, said today the proposed acquisition by Saffron of Sound Energy's and Po Valley's remaining Italian natural gas and oil assets as contemplated in the transaction, added significant larger assets to the Saffron portfolio.

"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. The expanded company will own and manage a significantly larger Italian portfolio of natural gas fields and oil and gas exploration assets, 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 Saffron will be retained.

"The proposed addition of James Parson (CEO of Sound Energy Plc as Chairman and Fiona MacAulay (former COO Rockhopper) to the Board will greatly enhance Saffron'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 PVE and Saffron shareholders alike."

### Transaction terms

Under the terms of the proposed transaction, Saffron Energy (LON: SRON) has entered into non-binding conditional heads of terms (the "Heads of Terms") with Sound Energy Plc ("Sound Energy") and PVE under which it is proposed that Saffron Energy acquires both Sound Energy's and Po Valley Energy's portfolio of Italian interests and permits.

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<sup>1</sup> Refer to ASX media release "A\$1.7m sale of two Italian oil licences by Australia's Po Valley" dated 25 September 2017 for more details



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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 Energy to Saffron Energy of a call option to acquire all of the issued share capital of Po Valley Operations Limited (the "PVO Option"), and which is expected to be exercised contemporaneously with the 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 Energy (the "Proposed Transaction") within the AIM-listed Saffron Energy.

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 are intended to be distributed directly to Sound Energy shareholders through a Scheme of Arrangement.

Under the terms of the PVO Option, Po Valley Energy would agree to sell 100% of the issued ordinary share capital of Po Valley Operations Limited, the Company's wholly owned subsidiary, which holds three Italian exploration licenses; Selva, Teodorico, and Torre del Moro.

The proposed transaction is expected to require Saffron Energy and Po Valley Energy shareholder approval and entry by all Parties into binding agreements to effect the Acquisition and the PVO Option.

### **Suspension of Saffron Energy's Ordinary Shares**

By virtue of its size, the Proposed Transaction constitutes a reverse takeover under Rule 14 of the AIM Rules for Companies. Accordingly, Saffron Energy's Ordinary Shares have been suspended overnight from trading on AIM, 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.

Subject to shareholder approvals, upon completion, Po Valley Energy will hold 285,907,500 ordinary shares in Saffron Energy. It remains the intention, as previously stated, to make an in-species distribution of all Saffron Energy shares held by Po Valley Energy to its shareholders at the appropriate time.

### **SEHIL Assets**

Under the terms of the Acquisition, Sound Energy agrees to sell 100% of the issued ordinary share capital of SEHIL, the Company'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 SEHIL (the "Badile Land").



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Further announcements will be made, as appropriate, in due course. For more details please click [here](#) to refer to the full Saffron Energy release dated 5 October 2017.

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**About Po Valley Energy:**

*Po Valley Energy (ASX: PVE) is an oil and gas production and exploration company listed on the Australian Stock Exchange. It has an expanding portfolio of hydrocarbon assets in northern Italy. Po Valley now holds 7 license areas, encompassing 1,300 km<sup>2</sup> and owns and operates two gas treatment plants. The Po Valley region is the main gas production zone in Italy. The Company's web site is <http://www.povalley.com>*