THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you should seek your own personal advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who specialises in advising on the acquisition of shares and other securities and is authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the UK, or, if you are not resident in the UK, from another appropriately authorised independent financial adviser in your own jurisdiction.

This document is an AIM admission document and has been drawn up in accordance with the AIM Rules for Companies. This document does not constitute a prospectus within the meaning of section 85 of FSMA, has not been drawn up in accordance with the Prospectus Rules and has not been approved by or filed with the Financial Conduct Authority. This document does not constitute an offer of transferable securities to the public within the meaning of FSMA or otherwise.

The Company and the Directors of the Company, whose names appear on page 9 of this document, accept responsibility, collectively and individually, for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Company and the Directors (having taken all reasonable care to ensure such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the Ordinary Shares to be admitted to trading on AIM, a market operated by the London Stock Exchange plc. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 9 April 2018.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange plc on Admission in the form set out in Schedule Two of the AIM Rules for Nominated Advisers. The London Stock Exchange plc has not itself examined or approved the contents of this document.

The whole of the text of this document should be read. You should be aware than an investment in the Company involves a high degree of risk. Your attention is drawn to the risk factors set out in Part 3 of this document.

Saffron Energy plc

(Incorporated and registered in England and Wales with registered number 10472005)

Proposed Acquisition of Sound Energy Holdings Italy Limited

Placing of 11,872,146 Ordinary Shares of 0.1 pence each at 4.38 pence per Ordinary Share
Subscription of 294,951,183 Ordinary Shares of 0.1 pence each at 4.38 pence per Ordinary Share
Issue of 23,307,902 Commission Shares at 4.38 pence per Ordinary Share
Issue of 684,931 TPI Fee Shares at 4.38 pence per Ordinary Share
Issue of 86,073 Director Fee Shares at 4.38 pence per Ordinary Share
Admission of the Enlarged Ordinary Share Capital to trading on AIM
Proposed change of the Company's name to Coro Energy plc

Grant Thornton UK LLP	**Turner Pope Investments (TPI) Ltd**
Nominated Adviser	*Broker*

Share capital immediately following Admission

716,809,735 Ordinary Shares of 0.1 pence each, issued and fully paid

---

Upon Admission, the Ordinary Shares being issued pursuant to the Placing and Subscription will rank pari passu in all respects with the Existing Ordinary Shares of the Company and will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company after Admission.

Grant Thornton UK LLP, which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for the Company and no one else in connection with the Placing, Subscription, Acquisition and Admission. It will not regard any other person (whether or not a recipient of this document) as a client in relation to the Placing, Subscription, Acquisition and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Grant Thornton UK LLP or for the Placing, Subscription, Acquisition and Admission or any transaction or arrangement referred to in this document. Grant Thornton UK LLP has not authorised the contents of any part of this document for the purposes of the Prospectus Rules. Grant Thornton UK LLP's responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person. No representation or warranty, express or implied, is made by Grant Thornton UK LLP as to, and no liability whatsoever is accepted by Grant Thornton UK LLP in respect of, any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

Turner Pope Investments (TPI) Ltd, which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for the Company and no-one else in connection with the Placing, Subscription and Admission. It will not regard any other person (whether or not a recipient of this document) as a client in relation to the Placing, Subscription, Acquisition and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Turner Pope Investments (TPI) Ltd or for the Placing, Subscription, Acquisition and Admission or any transaction or arrangement referred to in this document. Turner Pope Investments (TPI) Ltd has not authorised the contents of any part of this document for the purposes of the Prospectus Rules.

An investment in the Company involves a significant degree of risk and may not be suitable for all recipients of this document. A prospective investor should consider carefully whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him. Your attention is drawn to the section entitled 'Risk Factors' in Part 3 of this document.

Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or to make any representations other than as contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Directors, Grant Thornton UK LLP or Turner Pope Investments (TPI) Ltd.

IMPORTANT INFORMATION

General

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares in any jurisdiction in which such an offer or solicitation is unlawful and this document is not for distribution in or into any jurisdiction where action to that purpose is required. The Ordinary Shares have not nor will they be registered under the US Securities Act of 1933, as amended (the "**US Securities Act**") or with any securities regulatory authority or under the applicable securities laws of any state or other jurisdiction and, unless an exemption under such act or laws is available, may not be offered for sale or subscription or sold or subscribed directly or indirectly within any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations for the account or benefit of any national, resident or citizen of such jurisdictions. The distribution of this document may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

Investors should rely only on the information in this document. No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, Grant Thornton or Turner Pope. No representation or warranty, express or implied, is made by Grant Thornton, or Turner Pope or any selling agent as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by Grant Thornton or Turner Pope or any selling agent as to the past, present or future. Neither the delivery of this document nor any sale made in connection with this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company and/or its Subsidiary since the date hereof or that the information contained herein is correct as of any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information.

The Company does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person regarding the Placing, the Subscription, the SEHIL Acquisition, the Company and/or the Group. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

As required by the AIM Rules for Companies, the Company will update the information provided in this document by means of a supplement to it if a significant new factor that may affect the SEHIL Acquisition or the evaluation by prospective investors of the Placing or Subscription occurs prior to Admission or if it is noted that this document contains any mistake or substantial inaccuracy. This document and any supplement thereto will be made public in accordance with the AIM Rules for Companies.

The contents of this document are not to be construed as legal, financial, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial, business or tax advice in relation to any purchase or proposed purchase of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of an investment in Ordinary Shares for an indefinite period of time.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, Grant Thornton or Turner Pope

or any of their representatives that any recipient of this document should subscribe for or purchase any of the Placing Shares or the Subscription Shares.

Prior to making any decision as to whether to subscribe for or purchase any Ordinary Shares, prospective investors should read the entirety of this document and, in particular, the section headed "Risk Factors" in Part 3 of this document.

Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination (or the examination of the prospective investor's lawyers, financial advisers or tax advisers) of the Company and the terms of this document, including the risks involved. Any decision to purchase Ordinary Shares should be based solely on the prospective investor's (or such prospective investor's lawyers, financial advisers or tax advisers) own examination of the Company.

Investors who subscribe for or purchase Ordinary Shares in the Placing will be deemed to have acknowledged that: (i) they have not relied on Grant Thornton or Turner Pope or any person affiliated with them in connection with any investigation of the accuracy of any information contained in this document for their investment decision; and (ii) no person has been authorised to give any information or to make any representation concerning the Company or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by or on behalf of the Company, the Directors, Grant Thornton or Turner Pope.

None of the Company, the Directors, Grant Thornton or Turner Pope or any of their representatives is making any representation to any subscriber or purchaser of Ordinary Shares regarding the legality of an investment by such subscriber or purchaser.

In connection with the Placing, Grant Thornton or Turner Pope and any of their affiliates, acting as investors for their own accounts, may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Placing or otherwise.

Accordingly, references in this document to the Ordinary Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, Grant Thornton or Turner Pope and any of their affiliates acting as investors for their own accounts. Grant Thornton or Turner Pope do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Grant Thornton or Turner Pope and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Company, for which they would have received customary fees. Grant Thornton or Turner Pope and any of their respective affiliates may provide such services to the Company and any of its affiliates in the future.

Forward-looking statements

All statements, other than statements of historical facts, included in this document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance, achievements of or dividends paid by the Company to be materially different from actual results, performance or achievements, or dividend payments expressed or implied by such forward looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's net asset value, present and future business strategies and income flows and the environment in which the Company will operate in the future.

These forward-looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

Prospective investors should read the risk factors set out in Part 3 of this document for a more complete discussion of the risk factors that could affect the Company's future performance and the industry in which the Company operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

Selling Restrictions

The distribution of this document and the offering of Placing Shares and Subscription Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Placing Shares or Subscription Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Placing Shares and Subscription Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Placing Shares and Subscription Shares may be distributed or published in or from any country or jurisdiction, except in circumstances that will result in compliance with all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of Placing Shares and Subscription Shares contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or purchase any of the Placing Shares and Subscription Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Bases and sources

Various market data and forecasts used in this document have been obtained from independent industry sources. The Company has not verified the data, statistics, or information obtained from these sources and cannot give any guarantee of the accuracy or completeness of the data. Forecasts and other forward looking information obtained from these sources are subject to the same qualifications, risks and uncertainties as above. Various figures and percentages in tables in this document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly form the actual arithmetical totals of such data. All times referred to in this document are, unless otherwise stated, references to London time.

TABLE OF CONTENTS

PLACING, SUBSCRIPTION, ACQUISITION AND ADMISSION STATISTICS

Placing Price and Subscription Price per Placing Share and Subscription Share	4.38 pence
Estimated gross proceeds of the Placing and Subscription	£13.44 million
Estimated net proceeds of the Placing and Subscription receivable by the Company[1]	£12.16 million
Number of Existing Ordinary Shares	200,000,000
Number of Placing Shares	11,872,146
Number of Subscription Shares	294,951,183
Number of Commission Shares	23,307,902
Number of TPI Fee Shares	684,931
Number of Director Fee Shares	86,073
Number of Consideration Shares	185,907,500
Number of Ordinary Shares in issue immediately following Admission	716,809,735
Total number of Options and Warrants	236,817,341
Fully diluted Share Capital immediately following Admission	953,627,076
Market capitalisation of the Company at the Placing Price and Subscription Price immediately following Admission[2]	£31.40 million
Number of Placing Shares, Subscription Shares and Commission Shares as a percentage of the Enlarged Share Capital	46.06 per cent.
Current AIM Ticker	SRON
Ticker subject to Shareholder consent	CORO
ISIN	GB00BDCFP425
Website until Admission	www.saffronenergy.co.uk
Website post Admission[3]	www.coroenergyplc.com
Exchange rate of Pounds sterling to Euros (£:€)[4]	1.1185

Notes:

1 Net proceeds receivable by the Company are stated after deducting the total expenses of the Placing, Subscription, Acquisition and Admission of approximately £1.28 million.

2 The market capitalisation of the Company at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will equal or exceed the Placing and Subscription Price.

3 Subject to shareholder approval of the Resolutions.

4 For reference purposes only, the following exchange rates were prevailing on 2 March 2018 (being the latest practicable day prior to the publication of this document). For further information please refer to paragraph 23.26 of Part 6 of this document.

EXPECTED TIMETABLES OF PRINCIPAL EVENTS

Publication of this document	7 March 2018
General Meeting	29 March 2018
Admission becoming effective and commencement of dealings in the Enlarged Share Capital on AIM	9 April 2018
CREST accounts credited in respect of Placing Shares and Subscription Shares	9 April 2018
Despatch of definitive share certificates, where applicable	23 April 2018

EXPECTED TIMETABLE OF SOUND CAPITAL REDUCTION

Sound Energy shareholder meeting	8 February 2018
Final court hearing	13 March 2018

DIRECTORS, SECRETARY AND ADVISERS

Directors	James Parsons – *Non-executive Chairman* Sara Edmonson – *Chief Executive Officer* Marco Fumagalli – *Non-executive Director* Fiona MacAulay – *Independent Non-executive Director* Ilham Akbar Habibie – *Independent Non-executive Director* David Garland* – *Independent Non-executive Director* * To retire from the Board on Admission
Company Website	
Until Admission	www.saffronenergy.co.uk
Post Admission	www.coroenergyplc.com
Registered Office	The Junction Station Road Watford WD17 1EU
Head Office of the Company	Via Francesco Crispi 90 00187 Rome Italy
Company Secretary	AMBA Secretaries Limited 400 Thames Valley Park Drive Thames Valley Park Reading RG6 1PT United Kingdom
Nominated Adviser	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU United Kingdom
Broker	Turner Pope Investments (TPI) Ltd 6th Floor Becket House 36 Old Jewry London EC2R 8DD United Kingdom
Solicitors to the Company as to UK law	Watson Farley & Williams LLP 15 Appold Street London EC2A 2HB United Kingdom
Solicitors to the Company as to Italian law	Studio Legale Associato a Watson Farley & Williams 49 Piazza Navona 2nd floor int 2/3 00186 Rome Italy

Auditors	PKF Littlejohn LLP 1 Westferry Circus Canary Wharf London E14 4HD United Kingdom
Reporting Accountant	PKF Littlejohn LLP 1 Westferry Circus Canary Wharf London E14 4HD United Kingdom
Competent Person	CGG Services (UK) Limited Crompton Way Manor Royal Estate Crawley West Sussex RH10 9QN United Kingdom
Solicitors to the Nominated Adviser and Broker	Fieldfisher LLP Riverbank House 2 Swan Lane London EC4R 3TT United Kingdom
Financial PR	Sarah Dees Wood House Wealth Wood House Church Lane Chaldon Surrey Caterham CR3 5AL United Kingdom
Registrar	Share Registrars Limited 27-28 East Castle Street London W1W 8DH United Kingdom

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"**2006 Act**"	the Companies Act 2006, as amended;
"**Admission**"	Re-admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies;
"**Admission Document**"	the AIM admission document published by the Company on 16 February 2018;
"**AIM**"	AIM, a market operated by the London Stock Exchange;
"**AIM Rules**" or "**AIM Rules for Companies**"	the rules for companies whose securities are admitted to trading on AIM, as published by the London Stock Exchange from time to time;
"**AIM Rules for Nominated Advisers**"	the rules setting out the eligibility, on-going obligations and certain disciplinary matters in relation to nominated advisers, as published by the London Stock Exchange from time to time;
"**Annex I**"	Annex I of Regulation 809/2004 of the European Commission (referred to as the "PD Regulation" in the FCA Handbook), as reprinted in the Prospectus Rules (as may be amended from time to time);
"**Apennine**" or "**APN**"	Apennine Energy S.p.A. a company incorporated in Italy and owned by SEHIL;
"**Articles**"	the articles of association of the Company;
"**Audit Committee**"	the audit and risk committee of the Board, as constituted from time to time;
"**Board**" or "**Directors**"	the board of directors of the Company as at the date of this document whose names are set out on page 9 of this document;
"**CIP**"	CIP Merchant Capital Ltd, a company incorporated in Guernsey with registration number 64013 (via a subsidiary);
"**CIP Subscription Letter**"	the letter described at paragraph 15.17 of Part 6 of this document;
"**CIP Warrants**"	68,493,150 Warrants to be issued to CIP;
"**City Code**"	the UK City Code on Takeovers and Mergers;
"**Commission Shares**"	23,307,902 Ordinary Shares to be issued to certain Subscribers and the Broker in settlement of commissions payable in relation to the Placing and the Subscription, as further described in paragraphs 15.16, 15.17 and 15.20 of Part 6 of this document;
"**Company**" or "**Saffron**"	Saffron Energy Plc, a company incorporated in England and Wales under the laws of England and Wales with registered number 10472005;
"**Competent Person's Report**"	CGG Services (UK) Limited's report on the Licences, Permits, Concessions and Applications;

"**Concert Party**"	James Parsons, Marco Fumagalli, CIP, Continental Investment Partners S.A, Metano Capital S.A. and Greenberry S.A.
"**CREST**"	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland Limited;
"**CREST Regulations**"	the Uncertificated Securities Regulations 2001;
"**Deed Poll**"	has the meaning given to that term in paragraph 3 of Part 1 of this document;
"**Director Fee Shares**"	the 86,073 Ordinary Shares to be issued to David Garland on Admission and at the Placing and Subscription Price in connection with services performed by David Garland as a non-executive director in connection with the Transaction;
"**Director Options**"	has the meaning given to that term in paragraph 9 of Part 6 of this document;
"**Disclosure Guidance and Transparency Rules**"	the disclosure guidance and transparency rules made by the FCA in exercise of its functions as competent authority pursuant to Part VI of FSMA;
"**ENI**"	ENI S.p.A., a multinational oil and gas company registered in the Republic of Italy with its registered office at Piazzale Enrico Mattei, 1 00144, Rome, Italy;
"**Enlarged Share Capital**"	the 716,809,735 Ordinary Shares in issue on Admission;
"**Existing Ordinary Shares**"	the 200,000,000 Ordinary Shares in issue immediately prior to Admission;
"**FCA**"	the Financial Conduct Authority;
"**FSMA**"	Financial Services and Markets Act, 2000, as amended;
"**General Meeting**"	the general meeting of the Company to approve the Resolutions, a notice of meeting in respect of which was set out in Part 7 of the Admission Document;
"**Grant Thornton**" or "**Nominated Adviser**"	Grant Thornton UK LLP, nominated adviser to the Company;
"**Group**"	the Company and its subsidiary undertakings from time to time including NSI and, as from Admission, Apennine and SEHIL;
"**HMRC**"	HM Revenue & Customs;
"**HSE/technical Committee**"	the HSE/technical committee of the Company, as constituted from time to time;
"**Independent Directors**"	the independent directors of the Company being Sara Edmonson, David Garland, Fiona MacAulay and Ilham Habibie;
"**IPO Admission**"	the admission to trading on AIM of the Company's ordinary shares on 24 February 2017;
"**Italy**"	the Republic of Italy;

"**Licences, Permits, Concessions and Applications**"	the licences, permits, concessions and applications described on page 18 of this document;
"**Licence Sales**" and "**Licence Sale**"	each have the meaning given to those terms in paragraph 3 of Part 1 of this document;
"**Lock-in and Orderly Market Agreements**"	the agreements dated 15 February 2018 entered into between the Company, the Locked-in Shareholders, Grant Thornton and Turner Pope, details of which are set out in paragraph 15.15 of Part 6 of this document;
"**Locked-In Shareholders**"	being each of the Directors;
"**London Stock Exchange**"	London Stock Exchange plc;
"**Ministry**"	The Italian Ministry of Economic Development;
"**NSI**"	Northsun Italia S.p.A, a company incorporated under the laws of Italy and registered in Italy with registered number RM- 873714 and tax and VAT code No. 05296511008;
"**Nominations Committee**"	the nominations committee of the Company, as constituted from time to time;
"**Open Offer**"	the intended open offer of the Open Offer Shares at the Placing and Subscription Price intended to be launched by the Company in 2018, further details of which will be included in a separate circular to Shareholders;
"**Open Offer Shares**"	up to 45,662,100 new Ordinary Shares intended to be offered, allotted and issued at the Placing and Subscription Price by the Company under the Open Offer;
"**Ordinary Shares**"	ordinary shares of 0.1 pence each in the capital of the Company;
"**Panel**"	The Panel on Takeovers and Mergers;
"**Petrorep**"	Petrorep Italia SpA;
"**Placees**"	An investor to whom Placing Shares with Warrants attached are issued pursuant to the Placing;
"**Placees and Subscribers**"	Together the "Placees" and "Subscribers";
"**Placing**"	the conditional placing of the Placing Shares by Turner Pope, as agent for the Company, pursuant to the Placing Agreement;
"**Placing Agreement**"	the placing agreement dated 6 March 2018 and entered into between the Company, the Directors, Grant Thornton and Turner Pope (amending and restating the placing agreement entered into by the same parties and dated 15 February 2018), details of which are set out in paragraph 15.20 of Part 6 of this document;
"**Placing and Subscription Price**"	4.38 pence for each Placing and Subscription Share;
"**Placing Shares**"	the 11,872,146 new Ordinary Shares to be issued by the Company pursuant to the Placing;
"**Po Valley Energy**" or "**PVE**"	Po Valley Energy Limited, a company incorporated in Australia, under the laws of Western Australia with ACN Number 087 741 571;

"**Po Valley Energy Capital Reduction**"	means the capital reduction expected to be proposed by Po Valley Energy to its shareholders;
"**PVE Lock-in and Orderly Market Agreement**"	the lock in and orderly market agreement dated 1 March 2018 and entered into between the Company, PVE, Grant Thornton and Turner Pope, as summarised in paragraph 15.26 of Part 6 of this document;
"**PVE Shareholder Lock-in and Orderly Market Agreement**"	the lock-in and orderly market agreement dated 6 March 2018 and entered into between the Company, Grant Thornton, Turner Pope and each of Michael Masterman, Kevin Bailey and Byron Pirola, as referred to in paragraph 15.27 of Part 6 of this document;
"**PVO**"	Po Valley Operations Pty Ltd, a company incorporated in Australia, under laws of Western Australia with ACN Number 083354269;
"**PVO Acquisition Agreement**"	the conditional agreement between Po Valley Energy Limited and the Company dated 22 January 2018 relating to the proposed acquisition of PVO by the Company, as announced by the Company on 22 January 2018 and referred to in paragraph 15.14 of Part 6 of this document;
"**Remuneration Committee**"	the remuneration and nominations committee of the Company, as constituted from time to time;
"**Resolutions**"	the resolutions proposed to be approved at the General Meeting, notice of which is set out in Part 7 of the Admission Document;
"**QCA Guidelines**"	the Quoted Companies Alliance principles of good governance and code of best practice applicable to small and mid-sized quoted companies, including AIM Companies, as amended from time to time;
"**Saffron Material Adverse Change**"	has the meaning given to that term in paragraph 15.13 of Part 6 of this document;
"**SEHIL**"	Sound Energy Holdings Italy Limited, a company incorporated in England and Wales under the laws of England and Wales with registered number 05811564;
"**SEHIL Acquisition**" or the "**Acquisition**"	the proposed acquisition by Saffron Energy plc of the entire issued share capital of SEHIL on the terms of the SEHIL Acquisition Agreement;
"**SEHIL Acquisition Agreement**"	the conditional agreement between Sound Energy and the Company dated 22 January 2018 relating to the SEHIL Acquisition details of which are set out in paragraph 15.13 of Part 6 of this document;
"**SEHIL Consideration Shares**" or "**Consideration Shares**"	the 185,907,500 new Ordinary Shares to be issued by the Company pursuant to the SEHIL Acquisition;
"**SEHIL Material Adverse Change**"	has the meaning given to that term in paragraph 15.13 of Part 6 of this document;
"**Senior Managers**"	the individuals listed in paragraph 11 of Part 1 of this document;

"**Shareholder(s)**"	(a) person(s) who is/are registered as holder(s) of Ordinary Shares from time to time;
"**Share Dealing Code**"	the share dealing code adopted by the Company, with effect from Admission, which applies to any person discharging management responsibility, which will apply to all the Directors, any closely associated persons and applicable employees (as each is defined in that code);
"**Share Exchange Agreement**"	the share exchange agreement summarised in paragraph 15.5 of Part 6 of this document;
"**Share Option Scheme**"	the share option scheme adopted by the Company, details of which are set out in paragraph 13 of Part 6 of this document;
"**Sound Capital Reduction**"	means the capital reduction proposed by Sound Energy to its shareholders in connection with the SEHIL Acquisition (and approved by them, subject to court approval, on 8 February 2018);
"**Sound Energy**"	Sound Energy plc, a company incorporated in England and Wales under the laws of England and Wales with registered number 5344804;
"**Subscribers**"	An investor to whom Subscription Shares with Warrants attached are issued pursuant to the Subscription;
"**Subscription**"	the conditional subscription of the Subscription Shares pursuant to the Subscription Agreements;
"**Subscription Agreements**"	together the letter agreements dated on or around 22 January 2018 entered into between the Company and each Subscriber, details of which are set out in paragraph 15.16 of Part 6 of this document;
"**Subscription Shares**"	the 294,951,183 new Ordinary Shares to be issued by the Company pursuant to the Subscription;
"**Subsidiaries**"	any subsidiary as defined in the 2006 Act;
"**Supplementary Admission Document**" or "**this document**"	this document, which is dated 7 March 2018, and which supersedes the Admission Document (save as regards the notice of General Meeting given at Part 7 of the Admission Document);
"**TPI**" or "**Turner Pope**" or "**Broker**"	Turner Pope Investments (TPI) Ltd, acting as the Company's broker;
"**TPI Fee Shares**"	684,931 Ordinary Shares to be issued on Admission at the Placing and Subscription Price in settlement of the annual TPI retainer fee of £25,000 plus VAT;
"**Transaction**"	together, the SEHIL Acquisition, the Placing, the Subscription and Admission;
"**UK**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland;
"**US**" or "**United States**"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;

"**uncertificated**" or "**in uncertificated form**	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
"**Warrants**"	warrants to subscribe for Ordinary Shares, further details of which are set out in paragraph 15.18 of Part 6 of this document;
"**Warrant Exercise Price**"	means the price at which the Warrants are exercisable, being 6.57 pence per Ordinary Share;
"**£**" or "**Sterling**"	British pounds sterling; and
"**€**", "**EUR**", or "**Euro**"	the currency of the Eurozone which consists of 19 of the 28 member states of the European Union.

GLOSSARY

"**1C**"	low estimate scenario of contingent resources in accordance with SPE-PRMS;
"**1P**"	proved reserves in accordance with SPE-PRMS;
"**2C**"	best estimate scenario of contingent resources in accordance with SPE-PRMS;
"**2P**"	proved and probable reserves in accordance with SPE-PRMS;
"**3C**"	high estimate scenario of contingent resources in accordance with SPE-PRMS;
"**3P**"	proved reserves, probable reserves and possible reserves, measured in accordance with SPE-PRMS;
"**basin**" and "**sub-basin**"	a basin is a depression or low area in the earth's crust which has filled with sediments and a sub-basin is a smaller indentation which has formed within the overall depression;
"**contingent resources**"	those quantities of gas estimated, as at a given date, to be potentially recoverable from known accumulations but where the applicable project(s) are not yet considered mature enough for commercial development due to one or more contingencies;
"**CoS**"	Chance of success;
"**farm-in**" and "**farm-out**"	a contractual arrangement whereby a third party buys (farms-in) or sells (farms-out) an interest in an exploration licence or production sharing contract;
"**formation**"	a particular sequence of rocks of similar character recognisable over distance and an industry term used to describe a particular layer being tested for oil and gas;
"**hydrocarbon**"	any liquid or gas made up of an appreciable volume of combustible organic compounds;
"**Italian VAT**"	Italian Value Added Tax, set currently at 22 per cent. for all standard goods and services;
"**Mcf**"	thousand standard cubic feet;
"**MMcf**"	million standard cubic feet;
"**methane**"	the basic component of dry gas, generated by decaying organic matter, composed of one carbon atom and four hydrogen atoms (CH_4);
"**operator**"	the entity that runs the day-to-day operation of an exploration and production programme on behalf of the working interest holders in the project;
"**scm**"	standard cubic metre;
"**SPE-PRMS**"	the Petroleum Resources Management System as published by the Society of Petroleum Engineers; and
"**tcf**"	trillion standard cubic feet.

Please refer to Part 4 of this document (the Competent Person's Report) for further defined terms.

LICENCES, PERMITS, CONCESSIONS AND APPLICATIONS

"**Application**"	Any Application which has been submitted or which may be submitted to the Ministry of Economic Development with reference to the Licences set out below, including but not limited to the duration extension requests and/or the area extension requests;
"**Concession**"	Concession granted to the Search Permit holder who has detected liquid or gaseous hydrocarbons and is able to prove it has adequate economic and technical requisites allowing "good management" of the field;
"**Licence**"	The Cultivation Concessions and/or the Search Permits which are issued by the Ministry of Economic Development; and
"**Permit**"	Exclusive title permit, issued upon request of the applicant, based on submission of an intended search programme together with geological and geophysical studies supporting the choice of the area for the possible presence of liquid/gaseous hydrocarbons.

APN

"**Badile**"	Onshore Search Permit covering an area of 154.5 km² of the Lombardy Region and including one prospect, Zibido. Badile was issued on 23 March 2010 and expired on 13 August 2017. On 15 March 2017, Apennine submitted a request to the Ministry of Economic Development to extend it for 3 years;
"**Carità**"	Onshore Search Permit issued on 9 July 2010 over an area of 525.25 km² of the Veneto Region, which expired on 9 July 2016. Apennine submitted a request to extend the Search Permit by three years on 7 July 2016;
"**Casa Tonetto**"	Onshore Cultivation Concession granted on 14 July 2015 covering 4.5km² of the Carità Permit area and expiring on 14 July 2035;
"**Costa Del Sole**"	Application for a Search Permit covering Manfria discovery and Cielo prospect, covering a total area of 83.04 km²;
"**D503-BR-CS**"	Application for an offshore Search Permit including the Dalla prospect and covering 82.61 km²;
"**D.R74.AP**" or "**DR74-AP**" or "**DR74AP**"	Seabed Search Permit, which includes the Laura discovery, issued on 9 June 2014, covering 63.13 km² of the Ionian Sea. A new expiry date is to be determined;
"**Fonte San Damiano**"	Onshore Cultivation Concession issued on 18 July 1988 and expiring on 18 July 2018 with extension subject to restoration activities currently ongoing. Fonte San Damiano covers an area of 23.71 km² of the Basilicata Region and includes the Marciano Gas Discovery;
"**Rapagnano**"	Onshore Cultivation Concession issued on 28 November 2012 and expiring on 28 November 2022 covering 8.49 km² of the Marche Region;

"**San Lorenzo**"	Onshore Cultivation Concession issued on 10 March 2014 and expiring on 24 February 2022 covering 4.92 km² of the Marche Region; and
"**Santa Maria Goretti**"	Onshore Search Permit granted on 18 December 2013 covering an area of 101.3km² of the Marche Region.

NSI

"**Bezzecca**" or "**Bezzecca Field**"	Bezzecca gas field, originally known as the Pandino field and historically developed by ENI, located within the Cascina Castello Licence;
"**Cascina Castello Licence**"	Onshore Cultivation Concession granted on the 22 October 2008 over an area of 38.59 km² of the Lombardia Region and expiring on 22 October 2028;
"**Sant'Alberto**" or "**Santa Maddalena Field**"	Sant'Alberto gas field, originally known as San Pietro in Casale and historically developed by ENI, located within Sant' Alberto Licence area;
"**Sant' Alberto Licence**"	Onshore Cultivation Concession granted on 12 October 2017 over an area of 19.51 km² of the Emilia Romagna Region and expiring on 19 February 2032;
"**Sillaro**" or "**Sillaro Field**"	Sillaro gas field, consisting of the gas sequences located above the former Budrio Field that was historically developed by ENI, and located within the Sillaro Licence; and
"**Sillaro Licence**"	Onshore Cultivation Concession granted on 29 October 2008 over an area of 7.37 km² of the Emilia Romagna Region and expiring on 29 October 2028.

PART 1

LETTER FROM DAVID GARLAND, INDEPENDENT NON-EXECUTIVE DIRECTOR OF SAFFRON ENERGY PLC

The Junction, Station Road, Watford, WD17 1EU

(Incorporated and registered in England and Wales with registered number 10472005)

Directors

James Parsons – *Non-executive Chairman*
Sara Edmonson – *Chief Executive Officer*
Marco Fumagalli – *Non-executive Director*
Fiona MacAulay – *Independent Non-executive Director*
Ilham Habibie – *Independent Non-executive Director*
David Garland* – *Independent Non-executive Director*

* To retire from the Board on Admission

7 March 2018

Dear Shareholder

Proposed Acquisition of Sound Energy Holdings Italy Limited
Placing of 11,872,146 Ordinary Shares of 0.1 pence each at 4.38 pence per Ordinary Share
Subscription of 294,951,183 Ordinary Shares of 0.1 pence each at 4.38 pence per Ordinary Share
Issue of 23,307,902 Commission Shares at 4.38 pence per Ordinary Share
Issue of 684,931 TPI Fee Shares at 4.38 pence per Ordinary Share
Issue of 86,073 Director Fee Shares at 4.38 pence per Ordinary Share
Admission of the Enlarged Ordinary Share Capital to trading on AIM
Proposed change of Company's name to Coro Energy Plc

1. INTRODUCTION

On 5 October 2017, the Company announced that it had entered into non-binding heads of terms with each of Sound Energy and Po Valley Energy under which it was proposed that Saffron would acquire both Sound Energy's and Po Valley Energy's portfolio of Italian interests and permits and to seek re-admission to AIM under its proposed new name of Coro Energy plc. These acquisitions were intended to be structured by way of an acquisition of the entire issued share capital of each of SEHIL, a company incorporated in England and Wales, and PVO, a company incorporated in Western Australia, for both of which the principal business is the exploration for and production of liquid and gaseous hydrocarbons across Italy. As the proposed set of transactions represented a reverse takeover in contemplation, as required by the AIM Rules for Companies, trading in the Company's Ordinary Shares on AIM was suspended pending publication of an AIM admission document (being the Admission Document) which was published on 16 February 2018.

Subsequent to the suspension of trading in the Ordinary Shares on 5 October 2017, the Company announced on 22 January 2018 that it had entered into the SEHIL Acquisition Agreement with Sound Energy and the PVO Acquisition Agreement with Po Valley Energy, each of which gave effect to the proposals envisaged by the heads of terms.

On 22 January 2018, the Company also announced that it had raised £561,138 before expenses and, subject to shareholder approval of the Resolutions, an additional £13,438,862 through the proposed issue of Ordinary Shares to CIP and other investors. CIP is an AIM quoted closed-ended investment company, incorporated as a vehicle to exploit the expertise of Merchant Capital Manager Limited, an affiliate of Continental Investment Partners SA, to generate returns for its shareholders through investment in listed equity, other financial products and instruments using a private equity approach.

The Company also outlined its proposed new strategy for the Group following completion of these acquisitions and Admission, which is to develop the Group as a significant upstream operator in the oil and gas sector with a geographic focus on Europe and South East Asia.

Since then, the Company was informed by Po Valley Energy that it had received a report from an independent expert, as it was required to do under applicable legislation in Australia, who considered the terms of the proposed acquisition of PVO by the Company to be unfair and unreasonable insofar as PVE's shareholders are concerned and, accordingly, the PVE directors were unable to recommend the proposed acquisition of PVO by the Company. In light of the foregoing, the Company and PVE have agreed to terminate the PVO Acquisition Agreement by letter agreement, a summary of which is set out in paragraph 15.14 of Part 6 of this document.

The Board understands that Po Valley Energy currently intends to propose the Po Valley Energy Capital Reduction to its shareholders notwithstanding that the PVO Acquisition will not proceed.

Accordingly, as required by the AIM Rules, the Company is publishing this Supplementary Admission Document which describes the Transaction, as amended, and has details of the General Meeting, convened by the Admission Document, at which Shareholders will be asked to pass the Resolutions which will, *inter alia*, enable the Company to complete the proposed SEHIL Acquisitions and the Placing and Subscription announced on 22 January 2018.

The Company confirms that it is currently reviewing and negotiating a number of substantial and highly prospective opportunities in South East Asia. These opportunities are consistent with its multi Tcf exploration gas strategy. Further announcements in respect of any new asset acquisitions will be released as these various opportunities develop.

2. HISTORY OF THE GROUP AND BACKGROUND TO THE TRANSACTION

Historically, the current assets of the Company were owned and operated by Po Valley Energy, which was incorporated in Australia in 1999, and has been listed on the Australian Stock Exchange since 2004.

Po Valley Energy's principal business was the exploration for, and production of, liquid and gaseous hydrocarbons in Italy and specifically in the Lombardy and Emilia Romagna regions of the broader Po-Veneto plain within the territory of the Italian Republic. This onshore region, together with the offshore region of the Northern Adriatic, is Italy's most important gas province. Po Valley Energy completed its first successful drilling and testing of the Sillaro field in 2005, secured its first production concession in 2008 and achieved its first gas production in 2010. Until 24 February 2017, Po Valley Energy conducted its operations through its two principal subsidiaries, NSI, a company incorporated in Italy, and PVO.

In 2016, Po Valley Energy took the decision to separate its existing production and near-term production assets from its longer-term development assets, with the existing production and near-term production assets being transferred to the Group. In order to achieve this, in 2016, Po Valley Energy initiated a capital re-structuring that involved:

- transferring the total interest of PVO in the Sillaro Licence and the Sant' Alberto Licence into NSI which would become the operator of production and near-term production assets;
- retaining PVO as the vehicle through which it would operate its longer term development assets;
- incorporating the Company as Saffron Energy plc, with Po Valley Energy as its sole shareholder, to act as an intermediate holding company of NSI.

The Company was incorporated on 10 November 2016 to acquire NSI from Po Valley Energy.

On 24 February 2017, Saffron was admitted to trading on AIM having completed the acquisition of NSI and the raising of £2,500,000 through a placing and subscription. PVE remains the Company's largest shareholder, holding 50.00 per cent. of the Existing Ordinary Shares.

During 2017, the Saffron board had been in discussions with Sound Energy and PVE to combine their interests in Italy as a way to develop a materially larger and well-funded natural gas and oil company with critical mass through a balanced portfolio of high quality assets. As noted above, the Company will no longer acquire PVO from PVE, and so PVO's assets will no longer form part of the Group's assets on Admission. The assets of NSI and SEHIL are described below:

NSI

NSI, since 24 February 2017 the Company's wholly owned subsidiary, has a 100 per cent. interest in, and is the operator of, the Sillaro Licence and the Sant' Alberto Licence. It also has a 90 per cent. interest in and is the operator of the Cascina Castello Production Licence, where the Bezzecca Field is currently being operated. Sillaro, Bezzecca and Sant'Alberto are all located in the Po Valley region of Northern Italy. Sillaro, Bezzecca and Sant'Alberto cover a combined area of approximately 65.5km^2 and together provide 2P (Proved and Probable) reserves attributable to the Group of 186.1 MMscm and 2C (contingent) resources of 102.4 MMscm. The Sillaro Field has been producing gas since 2010 and has further development potential, the Bezzecca Field has been producing since April 2017 and the Sant'Alberto Field is expected to commence production in the first half of 2019. (Source: pages 13-14, 28, 32, 39 and 48-49 of the Competent Person's Report).

SEHIL

SEHIL owns 100 per cent. of APN, through which it holds its Italian assets. APN has a 100 per cent. interest in, and is the operator of, the Rapagnano gas field. This field was first discovered in 1952 and had a cumulative historical production of 124.2 MMscm (as at 31 October 2017). APN also has a 100 per cent. working interest and, subject to registration of a transfer to it of the remaining 25 per cent., a 100 per cent. legal interest in and is the operator of San Lorenzo. APN also has a 100 per cent. interest in Carità, D.R74.AP, Fonte San Damiano, Santa Maria Goretti, and Badile (which was considered to be non-commercial and is to be restored at Sound Energy's cost as further described in paragraph 15.13 of Part 6 of this document). SEHIL has also submitted applications in respect of D503-BR-CS (Dalla) and Costa Del Sole. All of APN's assets are situated along the east coast of Italy, other than Costa Del Sole, which is located on the South West coast of Sicily and Badile, which is located in North West Italy. Together, they provide 2P (proved and probable) reserves of 19.0 MMscm and 2C (contingent) gas resources attributable to SEHIL of 557.8 MMscm of gas and 2.4 MMbbls of oil. (Source: pages 15-18, 20, 53 and 57 of the Competent Person's Report).

Following the SEHIL Acquisition, in aggregate, the Company will own 2P (proved and probable) gas reserves of 205.10 MMscm, 2C (contingent) gas resources of 660.20 MMscm, and 2C oil resources of 2.40 MMbbls. (Source: page 16 of the Competent Person's Report).

Further information on the Company's Licences, Permits, Concessions and Applications is set out in paragraph 5 below and in Part 4 of this document.

The proposed SEHIL Acquisition will result in the Company becoming the owner and operator of a portfolio of producing wells and other properties 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 board and management of the Group are described in paragraph 11 of this Part 1.

3. PRINCIPAL TERMS OF THE ACQUISITION

As described in paragraph 2 above, the Company has entered into the SEHIL Acquisition Agreement.

The SEHIL Acquisition Agreement is conditional on (amongst other things): (i) completion of Placing and the Subscription; (ii) Shareholder approval of the Resolutions; (iii) approval by the shareholders of Sound Energy of the Sound Capital Reduction (which was obtained, subject to court approval, on 8 February 2018); and (iv) Admission.

The SEHIL Acquisition has been structured as a purchase of the entire issued share capital of SEHIL, free of any encumbrances.

Under the SEHIL Acquisition Agreement and subject to shareholder approval of the Resolutions, the consideration for the SEHIL Acquisition will be fully satisfied through the issue of 185,907,500 new Ordinary Shares, being the SEHIL Consideration Shares. The SEHIL Consideration Shares are intended to be issued by the Company 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 has proposed the Sound Capital Reduction to its shareholders for approval (which was obtained, subject to court approval, on 8 February 2018). Subject to shareholder approval of the Resolution and court approval of the Sound Capital Reduction, 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 taken place).

Under the terms of the SEHIL Acquisition Agreement, Sound Energy will retain: (i) its economic rights to receive the proceeds of any future sale of the land comprising 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. Under the Proposed SEHIL Transaction, the Company has undertaken to remit the net proceeds of the Badile Land sale and the VAT rebate to Sound Energy on receipt by SEHIL.

Also under the terms of the SEHIL Acquisition Agreement, Sound Energy is required to deliver to the Company, on completion of the SEHIL Acquisition Agreement, evidence in form and substance satisfactory to the Company that the indebtedness of SEHIL and Apennine as at the completion date is zero, or such other amount as may be agreed prior to the completion between the Company and Sound Energy. In addition, Sound Energy has agreed procure that all indebtedness between (i) SEHIL and APN; and (ii) the Sound Energy group or third parties is repaid and/or released (in a manner which ensures that no tax arises or becomes payable as a result of any such repayment or release by SEHIL or APN) such that, on completion of the SEHIL Acquisition Agreement, SEHIL and APN has no indebtedness (unless otherwise agreed in writing between Sound Energy and the Company). The SEHIL Acquisition Agreement includes a completion accounts mechanism to reconcile outstanding indebtedness and/or cash within SEHIL and/or APN identified following completion of the SEHIL Acquisition Agreement.

Furthermore the Company has agreed to grant Sound an overriding royalty of 5 per cent. on all revenue that may be derived from any wells drilled in D.R74.AP.

A more detailed summary of the terms of the SEHIL Acquisition Agreement is set out in paragraph 15.13 of Part 6 of this document.

4. GROUP STRUCTURE

Saffron Energy is currently owned 50.0 per cent. by PVE and Saffron Energy itself owns 100 per cent. of NSI. SEHIL is currently a 100 per cent. owned subsidiary of Sound Energy and SEHIL itself owns 100 per cent. of APN.

The current ownership structure is illustrated in the figure below:

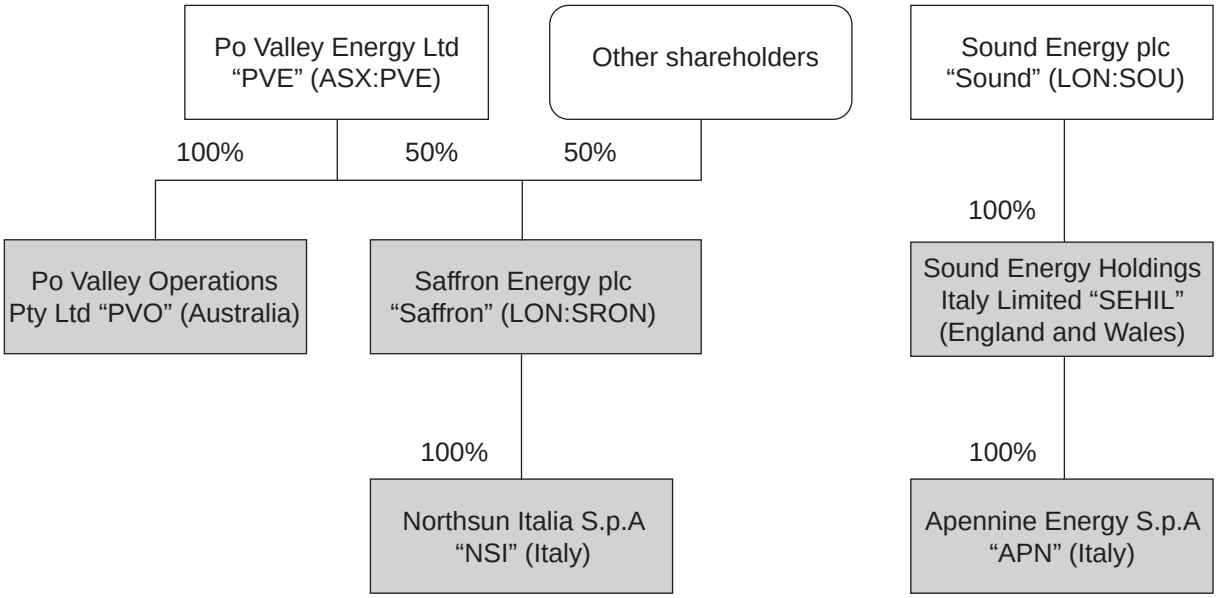


Figure 1 Current Ownership Structure of Saffron, PVO and SEHIL

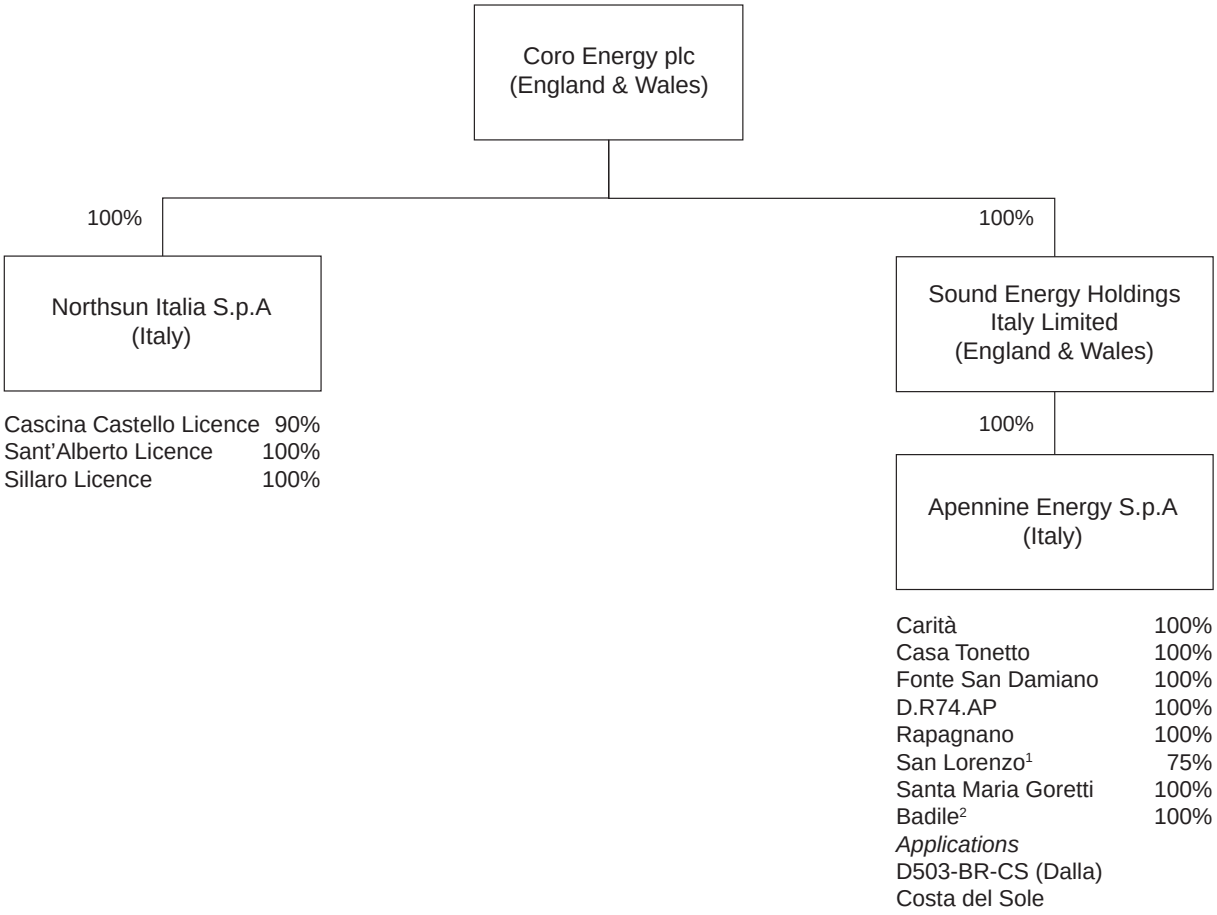
Following the completion of the Transaction, Saffron will become the 100 per cent. shareholder of SEHIL (and, through SEHIL, APN) in addition to its existing 100 per cent. ownership of NSI (see figure 2). As outlined in paragraph 3 above, in order to give effect to this revised group structure, the following share issues will take place:

(i) the Company will issue 185,907,500 Ordinary Shares (being the SEHIL Consideration Shares) in consideration for the SEHIL Acquisition to the shareholders of Sound Energy as part of the Sound Capital Reduction; and

(ii) in addition, on Admission, the Company will issue 330,902,235 Ordinary Shares pursuant (*inter alia*) to the Placing and Subscription (being the Placing Shares, the Subscription Shares, the TPI Fee Shares, the Director Fee Shares and the Commission Shares).

Although the Company will no longer acquire PVO, the Board understands that PVE still intends to propose the Po Valley Energy Capital Reduction to its shareholders in order to enable Po Valley Energy to distribute all, or a majority, of its existing holding of 100,000,000 Ordinary Shares to its shareholders.

As a result of the above share issues and capital reductions, neither PVE nor Sound will, following completion of the Transaction and approval of the capital reductions, be a shareholder of the Company. The resultant group structure and assets held therein, is depicted in Figure 2.



1. 75% legal interest held pending registration of transfer of legal interest; 100% working interest held
2. Badile is to be shut down at the cost of Sound

Figure 2 The proposed Group's corporate structure and assets held

5. THE GROUP'S ASSETS

After Admission, and through its three subsidiaries, the Company will altogether own 2P (proved and probable) gas reserves of 205.10 MMscm, 2C (contingent) gas resources of 660.20 MMscm, and 2C oil resources of 2.40 MMbbls.

For NSI, the Licences, Permits, Concessions and Applications are all situated within the Po Valley region. The Po Valley runs south east from Milan to the Adriatic coast at Venice. Oil and gas has been produced in the area for over 60 years. The region was under exclusive concession to ENI, the Italian state-owned petroleum authority, until 1998 when the area was opened up to free enterprise and competition. The basin opens into the Adriatic Sea to the East. (Source: page 24 of the Competent Person's Report).

For APN, the Licences, Permits, Concessions and Applications are situated mainly along the East coast of Italy, other than the Costa Del Sole oil discovery which is situated in Sicily and Badile, which is situated in North West Italy.

The locations of these Licences, Permits, Concessions and Applications are shown in Figure 3 and 4.

Figure 3 Location of Apennine Licences

(Source: page 20 of the Competent Person's Report)

Figure 4 Location Map of Combined Company's Licences

(Source: the Company)

NSI (owned by Saffron)

Field (Licence)	*Operator*	*Interest (%)*	*Status*	*Licence expiry date*	*Licence Area*	*Comments*
Sillaro (Sillaro)	Saffron	100%	Production	29/10/2028	7.37km^2	On production
Bezzecca (Cascina Castello)	Saffron	90%	Production	22/10/2028	38.59km^2	On production
Santa Maddalena (Sant'Alberto)	Saffron	100%	Development	19/2/2032	19.51km^2	Development about to commence

Table 1-1 – page 13 of the Competent Person's Report – Saffron – Summary of Licences/Fields

	Gross (MMscm)			*Net attributable (MMscm)*			*Operator*
Field	*Proved*	*Proved & Probable*	*Proved, Probable & Possible*	*Proved*	*Proved & Probable*	*Proved, Probable & Possible*	
Sillaro	0.3	61.5	74.8	0.3	61.5	74.8	Saffron
Bezzecca	37.6	73.0	104.3	33.9	65.7	93.9	Saffron
Sant' Alberto	46.7	58.9	78.9	46.7	58.9	78.9	Saffron

Table 1-2 – page 14 of the Competent Person's Report – Saffron – Summary of Reserves

	Gross (MMscm)			*Net attributable (MMscm)*				
Field	*1C*	*2C*	*3C*	*1C*	*2C*	*3C*	*Risk factor[1]*	*Operator*
Sillaro	16.2	31.3	42.7	16.2	31.3	42.7	60%	Saffron
Bezzecca	56.0	79.0	102.0	50.4	71.1	91.8	60%	Saffron

Table 1-3 – page 14 of the Competent Person's Report – Saffron – Summary of Contingent Resources

1. The risk factor for Contingent Resources means the estimated chance that the volumes will be commercially extracted

Sillaro Licence

The Sillaro Licence is located in the Emilia Romagna region, 30km east of Bologna, in northern Italy. (Source: page 26 of the Competent Person's Report).

NSI began development of the Sillaro Field in 2005, with production beginning in May 2010 from two wells (one dual completion, one single completion). The total production from the Sillaro Field as of 31 October 2017 was 121.6 MMscm. The current daily production of gas from the Sillaro Field is circa. 286 Mcf per day (8,100 scm/day). No further drilling is anticipated to produce the 1P reserves. (Source: pages 28 and 108 of the Competent Person's Report).

Historical production for the Sillaro Field in 2013 and 2014 ranged from 1,800 to 2,500 Mcf/day. This rate declined in December 2014 due to the depletion of some reservoirs and water incursion and associated sand production from some completions.

The Company has identified a number of initiatives to increase production from the Sillaro Field and these will be pursued through 2018. Gas production expansion initiatives include a planned development of the deeper Miocene levels through a new well or side track well in 2018. (Source: page 31 of the Competent Person's Report).

2P and 3P reserves will be accessed by re-drilling Sillaro-1 with a deviated well (Sillaro-3Dir) in 2018 at an expected cost of €3.4 million. In the 3P case, two further interventions at a cost of €115,000 each are required in 2018 and 2020. Production from the Sillaro Field is expected to increase from current minimal levels up to 1,708 Mcf/day. (Source: page 108 of the Competent Person's Report).

Cascina Castello Licence (Bezzecca)

NSI is 90 per cent. titleholder and operator of the Cascina Castello Licence and Petrorep is 10 per cent. titleholder. The onshore production concession named "Cascina Castello" is located in Lombardy Region (Provinces of Cremona, Lodi and Milan) and covers an area of 38.59 km^2.

The Bezzecca Field is located 35km east of Milan within the Cascina Castello Licence. The Bezzecca Field was awarded production concession status in July 2014 through the enlargement of the existing Cascina Castello Licence.

In December 2014, a farm-out agreement was executed by NSI with Petrorep, which permits Petrorep to earn a 10 per cent. interest in the Cascina Castello Licence (where the Bezzecca Field is located) including the existing Vitalba plant (excluding the Vitalba-1 well). In exchange for a 10 per cent. economic interest, Petrorep have committed to, and have spent, the first €600,000 plus VAT in capital expenditure for the development of the Bezzecca Field, including the 7km pipeline installation, exploration drilling expenditures for the development well Bezzecca-2 and reimbursement on past costs. NSI retained the residual economic interest and operatorship. As part of this farm-out agreement, Petrorep has also committed to a 3-for-2 promote (i.e. 15 per cent.) of total expenditure for the dual completion well in the north eastern (Bezzecca-2) (the "**Petrorep Farmout**"). A joint operating agreement was executed on October 22, 2014 between NSI and Petrorep in relation to the Cascina Castello Licence, pursuant to which Petrorep takes part in development costs of €600,000 and net revenues of 10 per cent.

One well (single completion) has already been drilled (Bezzecca-1) on the Bezzecca Field. At the start of 2017, the Bezzecca Field developed a 7km tieback to NSI's existing gas plant at Vitalba, which has spare capacity, and achieved first gas in April 2017. Further reserves are expected to be accessed from a dual-completion well in the north eastern block (Bezzecca-2) in December 2020 at an estimated cost of €4.04 million (of which the Company will pay 85 per cent. pursuant to the Petrorep Farm-out) and then from a second well in the south eastern block (Bezzecca-3) in December 2021, which is expected to cost €3.9 million (of which the Company will pay 90 per cent. pursuant to the Petrorep Farmout. (Source: page 107 of the Competent Person's Report).

The Vitalba gas processing facility is connected to the Italian national grid and NSI has gas offtake agreements in place with the international oil and gas company Shell Energy Italia s.r.l., through which all current and future gas production can be sold.

Bezzecca, which was producing approximately 13,000 scm per day during the first half of January 2018, has 2P net attributable reserves of circa 65.7 MMscm.

Sant' Alberto Licence

The Sant'Alberto field is located in the "San Vincenzo" permit in the Emilia-Romagna region. A production concession was awarded in October 2017. The current development plan is to have the first year's production delivered via a low-pressure connection at about 260m from the well head. The maximum production from Sant'Alberto, which has 2P reserves of circa 58.9 MMscm, will be subject to seasonal gas demand and is expected to peak at 9,600 scm/day during winter, with a lower rate during summer. (Source: pages 15, 54-55 and 143 of the Competent Person's Report).

A second well targeted for 2019, with a budgeted cost estimate of €2.5 million, will be required to deplete the 3P resources. (Source: pages 109 and 111 of the Competent Person's Report).

SEHIL (owned by Sound Energy as at the date of this document)

Field (Licence)	*Operator*	*Interest (%)*	*Status*	*Licence expiry date*	*Licence Area*	*Comments*
Rapagnano (Rapagnano)	Apennine	100%	Production	28/11/22	8.42km^2	On production
Casa Tiberi (San Lorenzo)	Apennine	100%*	Production	24/2/32	4.92 km^2	On production
Manfria (Costa del Sole)	Apennine	100%	Application for Exploration Permit	–	41.52 km^2	Discovery – pending further studies
Cielo (Costa del Sole)	Apennine	100%	Application for Exploration Permit	–	41.52 km^2	Prospect – pending further studies
Sant'Andrea (Casa Tonetto)	Apennine	100%	Concession	14/07/2035	4.50 km^2	Discovery with suspended production
Thin Beds and Level 1 (Santa Maria Goretti)	Apennine	100%	Exploration Permit	19/12/19	101.30 km^2	Prospects pending further studies
Laura (DR74-AP)	Apennine	100%	Exploration Permit	New expiry date to be determined	63.13 km^2	Discovery – pending further studies
Laura East (DR74-AP)	Apennine	100%	Exploration Permit	New expiry date to be determined	63.13 km^2	Prospect – pending further studies
Dalla (D503-BR-CS)	Apennine	100%	Application for Exploration Permit	–	82.61 km^2	Prospect pending further studies
Marciano (Fonte San Damiano)	Apennine	100%	Concession	18/07/2018	23.71 km^2	P&A complete, site restoration ongoing
Zibido (Badile)	Apennine	100%	Exploration Permit	1st extension requested	154.50 km^2	Prospect pending further studies

Table 1-5 – page 15 of the Competent Person's Report – Apennine – Summary of Licences/Fields

* after transfer to Apennine of SARP Spa 25% interest

	Gross (MMscm)			*Net attributable (MMscm)*			*Operator*
Name	*Proved*	*Proved & Probable*	*Proved, Probable & Possible*	*Proved*	*Proved & Probable*	*Proved, Probable & Possible*	
Rapagnano	13.2	18.0	25.0	13.2	18.0	25.0	Apennine
Casa Tiberi*	0.4	1.0	1.0	0.4	1.0	1.0	Apennine

Table 1-6 – page 16 of the Competent Person's Report – Apennine – Summary of Reserves (Gas)

* Casa Tiberi is categorised as reserves even though the economics are negative as producing the field has a less negative impact than abandoning the field sooner and incurring the abandonment costs

	Gross (MMscm)			*Net attributable (MMscm)*				
Name	*1C*	*2C*	*3C*	*1C*	*2C*	*3C*	*Risk factor[1]*	*Operator*
Sant Andrea[2]	45.4	54.7	68.0	45.4	54.7	68.0	90%	Apennine
Laura	348.3	401.6	606.1	348.3	401.6	606.1	40%	Apennine
Casa Tiberi	16.2	30.7	59.1	16.2	30.7	59.1	90%	Apennine
Marciano	–	70.8	–	–	70.8	–	65%	Apennine

Table 1-7 – page 16 of the Competent Person's Report – Apennine – Summary of Contingent Resources (Gas)

1. The risk factor for Contingent Resources means the estimated chance that the volumes will be commercially extracted
2. Sant Andrea Volumes are stated as 100%; CSTI have a 36.5% profit interest for the first 4 years of production

	Gross (MMbbl)			Net attributable (MMbbl)				
Name	*1C*	*2C*	*3C*	*1C*	*2C*	*3C*	*Risk factor[1]*	*Operator*
Costa del Sole (Manfria)[2]	2.2	2.4	2.7	2.2	2.4	2.7	50%	Apennine

Table 1-8 – page 16 of the Competent Person's Report – Apennine – Summary of Contingent Resources (Oil)

1. The risk factor for Contingent Resources means the estimated chance that the volumes will be commercially extracted
2. Application for exploration permit being made by Apennine

	Gross (MMscm)			Net attributable (MMscm)				
Name	*Low*	*Best*	*High*	*Low*	*Best*	*High*	*Risk factor[1]*	*Operator*
Laura East	17.4	82.9	118.3	17.4	82.9	118.3	56%	Apennine
Santa Maria Goretti: Thin Beds	265.8	927.7	1,886.3	265.8	927.7	1,886.3	68%	Apennine
Santa Maria Goretti: Level 1	8.6	19.3	30.2	8.6	19.3	30.2	34%	Apennine
D503-BR-CS (Dalla)[2]	252.1	696.7	1,430.2	252.1	696.7	1,430.2	56%	Apennine
Zibido (Gas Case)	–	3,689.0	–	–	3,689.0	–	14%	Apennine

Table 1-9 – page 17 of the Competent Person's Report – Apennine – Summary of Prospective Resources (Gas)

1. The risk factor for Prospective Resources means the estimated chance of discovering hydrocarbons in sufficient quantity for them to be tested to the surface
2. Application for exploration permit being made by Apennine

	Gross (MMscm)			Net attributable (MMbbl)				
Name	*Low*	*Best*	*High*	*Low*	*Best*	*High*	*Risk factor[1]*	*Operator*
Costa del Sole (Cielo)[2]	2.4	2.8	3.3	2.4	2.8	3.3	43%	Apennine
Zibido (Oil Case)	–	19.2	–	–	19.2	–	14%	Apennine

Table 1-10 – page 17 of the Competent Person's Report – Apennine – Summary of Prospective Resources (Oil)

1 The risk factor for Prospective Resources means the estimated chance of discovering hydrocarbons in sufficient quantity for them to be tested to the surface

2 Application for exploration permit being made by Apennine

Rapagnano

The Rapagnano gas field is located onshore Italy in the Fermo Province, in the Marche region. The field was first discovered by ENI in 1952 by means of well Rapagnano-1, which produced 108.54 MMscm dry gas until 1996, when the well was shut in because of a water and gas production imbalance. In 2000, during a work-over, ENI moved to a shallower completion interval that produced a total of 7.07 MMscm up to December 2001. In November 2012 the operatorship transferred to APN. The well was put back into production on 15th May 2013. The total historic production of S1 and S2, as at 31 October 2017, was 124.2 MMscm (4.4 bcf). Rapagnaro has remaining 2P reserves of 18 MMscm. (Source: pages 16, 53, and 59 of the Competent Person's Report).

San Lorenzo (Casa Tiberi)

This Licence contains the producing Casa Tiberi gas field, which lies in the Umbria-Marches Region, Province of Ancona. The permit covers 49.4 km^2 onshore and was originally identified as a prospect in 1988 by Total. Apennine drilled the Casa Tiberi-1 well in 2012 and performed a flow test in 2013. (Source: page 91 of the Competent Person's Report).

Remaining reserves are low, given current operating conditions, with remaining 2P reserves of 1.0 MMscm, San Lorenzo also has 2C contingent resources of 30.7 MMscm (Source: pages 16 and 96 of the Competent Person's Report).

Carità

Carità was awarded in July 2010, and was assigned to Apennine from its previous owners in November 2011. Apennine have a 100 per cent. working interest in Carità. The assets of interest included the Nervesa and adjacent S.Andrea-1d discovery. The Nervesa discovery, which was re-named Cascina Daga, was discovered by ENI in 1985 by means of the Nervesa-1 and Nervesa-1dir wells. Cumulative

gas production of 18.17 MMscm occurred between 1989 and 1991, before being shut in February 1991 as a result of water breakthrough. 99.6 per cent. of the gas produced was methane. (Source: page 61 of the Competent Person's Report).

Casa Tonetto

A new appraisal well (Sant'Andrea-1 Dir ST) was drilled in June and July 2013 and tested in late August and early September 2013. Since production started in 2016 the Sant'Andrea-1 Dir ST well produced 1.4 MMscm to 31 December 2016. The well was temporarily shut in 2017. S.Andrea-1d has 2C contingent resources of 54.7 MMscm. (Source: pages 62 and 66 of the Competent Person's Report).

D.R74.AP (Laura Discovery)

D.R74.AP was discovered by ENI/Agip in 1980 by the Laura-1 well. The field is located in 197m of Adriatic water, about 4km from the shore. The concession was kept by ENI from 1984 to 2005, when ENI relinquished it without implementing a development plan. In June 2014 the DR74-AP permit area was awarded to Apennine, who completed seismic data purchase and re-processing in November 2014. (Source: page 67 of the Competent Person's Report).

While the development of D.R74.AP is planned from onshore drilling, D.R74.AP lies within 12 nautical miles of the Italian coastline and so, currently, cannot be progressed to development. A change in legislation by the Italian Government would be required in order to lift the ban on developments within 12 nautical miles. (Source: page 67 of the Competent Person's Report).

Fonte San Damiano (Marciano Gas Discovery)

Fonte San Damiano is located in Basilicata in the south of Italy and covers an area of 23.71km^2. Geologically, it falls within the gas prolific Bradano basin – a foredeep trough of the Southern Apennines, well known for Plio-Pleistocene and Mesozoic gas plays. A small gas discovery was made in the concession in 1989 by Italmin Exploration Srl. Cumulative production to date amounts to 17 MMscm. It was drilled in 2007 and discovered two thin gas bearing sand intervals. Apennine's 2C contingent resources are estimated at 70.8 MMscm. (Source: page 100 of the Competent Person's Report).

6. THE GLOBAL AND THE ITALIAN GAS INDUSTRY

1) The global gas industry

According to the BP Energy Outlook, world energy demand is projected to grow by 1.3 per cent. per annum. from 2015 to 2035. Virtually all of this growth comes from emerging economies, with China and India accounting for over half the increase. Gas is expected to grow faster than coal and oil at 1.6 per cent. per annum, overtaking coal to become the second-largest global fuel source by 2035 when consumption is expected to reach 168 tcf. According to the International Energy Outlook 2016 ("**IEO2016**"), global consumption is expected to reach 203 tcf in 2040. Abundant natural gas resources and robust production contribute to the strong competitive position of natural gas among other resources.

Natural gas remains a key fuel in the electric power sector and in the industrial sector. In the power sector, natural gas is an attractive choice for new generating plants because of its fuel efficiency. Natural gas also burns cleaner than coal or petroleum products, and as more governments begin implementing national or regional plans to reduce carbon dioxide (CO2) emissions, they may encourage the use of natural gas to displace more carbon-intensive coal and liquid fuels.

World consumption of natural gas in the electric power sector by is expected to grow by 2.2 per cent. per year, from 2012 to 2040 according to the IEO2016. The industrial and electric power sectors together account for 73 per cent. of the total increase in world natural gas consumption, and they account for about 74 per cent. of total natural gas consumption through to 2040.

2) Overview of the Italian gas Industry

The gas industry in Italy developed after World War II around the vertically-integrated state-owned entity, ENI, when it found large quantities of gas in the Po Valley region. A pipeline network was created to connect the large factories in the northern part of the country which facilitated the expansion of local manufacturing industry in the 1950's and 1960's. The profits from natural gas sales were reinvested into exploration and production activities and in the expansion of the pipeline infrastructure. By 1960, Italy was the largest gas producer and consumer in Europe and the gas network continued to expand. With a rapid increase in gas consumption in the industrial, residential and commercial sectors, this growing demand began to outstrip domestic supply. The first imports into Italy started in 1971 when the liquefied natural gas (LNG) import terminal at Panigaglia began operations. Since the early 1990's the size of the Italian pipeline network has tripled, together with the demand for gas.

The liberalisation process started in 1998 with the EU gas directives, designed to create an internal market for gas. Vertically integrated national companies were broken up, allowing competitors to enter on the supply side and customer switching on the demand side. Although the gas industry has now been fully liberalised, the Directors believe that competition has yet to reach its full potential with a few players still dominating the upstream and wholesale sectors. Nevertheless, as with the rest of Europe, Italian gas markets are continuing to develop.

The Punto di Scambio Virtuale, ("**PSV**"), the virtual hub, was created in 2003 and a gas exchange with spot gas (day-ahead, intraday) and balancing gas platforms was launched in 2010 and 2011. Traded volumes are fast increasing and the PSV day-ahead process has started to track spot prices of North West European hubs since the end of 2012 thanks to governmental measures to improve liquidity and access to the market to new entrants.

According to the Snam Rete Gas Ten-year network development plan 2015-2024, Italy consumed 2.2 tcf in gas in 2014, and this is expected to grow at 2.1 per cent. per annum to 2024. Of this, only 231 bcf (0.2 tcf), or 11 per cent., was produced domestically, with the remaining 2.0 tcf imported from countries in the Mediterranean area.

7. STRATEGY OF THE GROUP AND ITS COMPETITIVE ADVANTAGES

On 22 January 2018, the Company announced its intention to follow a combined European and South East Asian regional exploration strategy focused on multi trillion cubic feet, low cost, onshore gas piped to high value, growing markets with a view to building a full-cycle exploration and production gas company.

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.

In order to implement its strategy, the Company will continue to develop its Italian assets after Admission and to acquire additional assets in Europe and South East Asia which enhance its portfolio and where there are operating and other synergies.

This strategy has two parts:

a. Italian consolidation and expansion

Through the Transaction, the Company is seeking to build and consolidate a portfolio of oil and gas assets located predominantly in the Po Valley region and the east coast of north central Italy. The SEHIL Acquisition will substantially increase the Company's hydrocarbon asset base and will create a balanced portfolio of production, development and exploration stage assets, along with the associated fixed plant infrastructure.

The combined Italian portfolio will contain total 2P (Proved and Probable) gas reserves of approximately 205.10 MMscm and 2C (Contingent) gas resources of approximately 660.20 MMscm and total 2C oil

resources of 2.40 MMbbls. The Company will operate its Italian assets as a full cycle exploration and production company.

Saffron intends to develop its portfolio with a work programme focused initially on expanding daily production volumes in order to increase the Company's earnings potential. Additionally Saffron plans to leverage the expertise and local knowledge of its management team to acquire and develop further potential exploration Licences, Permits, Concessions and Applications and new production concessions in the region so as to underpin long term and sustainable growth.

The Directors believe that Italy remains an attractive market with gas and oil of high quality, an accessible and low-cost transportation network and a pricing environment that has been stable and higher than other comparable European countries.

b. International expansion

Building upon the foundation of the Group's Italian assets as well as the skills and expertise of its Board and management team, Saffron intends to initiate an international growth strategy based on carefully targeted exploration in South East Asia.

The Directors believe that within South East Asia there are a number of highly favourable jurisdictions, within which they believe the Group will be able to acquire a number of multi trillion cubic feet onshore gas targets that can be piped to high value, growing markets.

South East Asia has some of the fastest developing economies in the world combined with increasing shortages of gas in the region exacerbated by underinvestment in exploration in recent years and an increasing trend toward stricter emission standards (in regard to which natural gas offers the cleanest viable source of large-scale baseload and peaking power).

Following Admission, the Company plans to implement this part of its growth strategy by seeking to acquire a range of assets across South East Asia, leveraging its management team's expertise and contacts and existing infrastructure and processing capability, to enable new discoveries that can be brought to market quickly.

Competitive advantages

The Directors believe that the Group has a number of competitive advantages including:

- a board with substantial experience and expertise in the sector and with a proven track record for delivering exceptional shareholder value;
- access to capital, arising from the Board's network of relationships;
- a technical team with decades of experience not only in the Italian region, but also in sourcing and developing international acquisitions in upstream gas;
- base business operations in Italy, a stable jurisdiction with a significant demand for gas that it is presently only able to meet through imports;
- significant existing gas reserves that underpin current and future production targets, thereby mitigating any exploration risk in future returns; and
- five production licences, secured in a challenging regulatory environment, within which the Board believes there is upside potential.

8. DETAILS OF THE PLACING AND SUBSCRIPTION

On 22 January 2018, the Company announced that it had agreed to issue, conditional on shareholder approval of the Resolutions, 319,634,703 Ordinary Shares to new institutional and other investors at the Placing and Subscription Price, which is equal to the closing mid-market price per Existing Ordinary

Share on 4 October 2017, being the date prior to when the Existing Ordinary Shares were suspended from trading on AIM pending publication of this document.

Under the Placing and Subscription, and subject to shareholder approval of the Resolutions, the Placees and Subscribers will be granted Warrants on the basis of one Warrant for every two Ordinary Shares placed and/or subscribed. The Warrants will be issued, subject to shareholder approval of the Resolutions, upon issue of the Ordinary Shares and are exercisable for one year from the date of issue at the Warrant Exercise Price, which is 150 per cent. of the Placing and Subscription Price. No application will be made for the Warrants to be admitted to trading on AIM or any other stock exchange. Further details of the Warrants are set out in paragraph 15.18 of Part 6 of this document.

The total fundraising includes a £6 million subscription by CIP. On 22 January 2018, CIP subscribed for 12,811,364 Ordinary Shares to raise gross proceeds of £561,138 under the Company's existing authorities, and also received 1,281,136 Ordinary Shares in settlement, at the Placing and Subscription Price, of a 10 per cent. cash commission payable to CIP in respect of that subscription. These Ordinary Shares were issued on 26 January 2018. CIP will subscribe for a further 124,174,936 Ordinary Shares, alongside other investors, pursuant to the Subscription, subject to approval by Shareholders and effective on Admission. CIP will also receive 12,417,493 Ordinary Shares upon shareholder approval, in settlement, at the Placing and Subscription Price, of a 10 per cent. cash commission payable to CIP in respect of such further subscription. In common with other investors, conditional on shareholder approval, CIP will receive 68,493,150 Warrants in respect of its subscriptions for Ordinary Shares.

The issue of the Ordinary Shares to CIP is conditional on various conditions as set out in paragraph 15.17 of Part 6 of this document.

The CIP Subscription Letter contains certain warranties given by the Company in favour of CIP, including as regards the Company's existence and capacity, the valid issue of the Ordinary Shares and Warrants to be issued to CIP (subject to approval of the Resolutions where relevant) free of encumbrances, and the accuracy of the announcement made by the Company on 22 January 2018 regarding the acquisition of each of PVO and SEHIL, subject to certain time and monetary limitations.

Further details of the Subscription Agreements and the CIP Subscription Letter are set out in paragraphs 15.16 and 15.17 respectively of Part 6 of this document.

Turner Pope has agreed, pursuant to the Placing Agreement, to place the Placing Shares on a reasonable endeavours basis. Further details of the Placing Agreement are set out in paragraph 15.20 of Part 6 of this document.

As the PVO Acquisition Agreement has now been terminated, and the acquisition of PVO will no longer proceed, the Company has contacted each of the Subscribers to reconfirm their respective commitments as regards the Subscription, and Turner Pope has contacted each Placee to reconfirm their respective commitments as regards the Placing. The Company is pleased to confirm that all Subscribers and Placees have reconfirmed their commitment as regards the Subscription or Placing (as applicable), save for some minor Placing commitments which have been substituted.

The Company believes that Admission to AIM will enable it to, *inter alia*:

- access investors and raise funds for the development of the Group, both at the time of Admission and thereafter;
- provide the flexibility to raise capital for future corporate acquisitions and to use its quoted securities as consideration for such acquisitions; and
- raise the profile of the Group among investors and give confidence to customers, suppliers and regulatory authorities.

No Warrants will be issued in respect of the Commission Shares.

9. USE OF PROCEEDS

While a proportion of the funds raised through the Placing and Subscription (including £561,138 received by the Company in respect of the Ordinary Shares subscribed for by CIP on 22 January 2015) will be used to fund the cost of the Transaction and to develop the Group's portfolio of Italian assets, the Company intends that the majority of the proceeds will principally be utilised to fund due diligence and acquisition costs associated with international expansion. Table 3 below sets out the expected excess cash after proposed expenditure for the further development of the Italian assets. This excess cash is intended to be used to fund the international expansion strategy.

Source and Uses	*€'000*	*£'000*
Gross Proceeds	15,658.20	14,000
Capital exploration costs	(4,515)	(4,036.86)
Transaction costs	(875.74)	(783)
Repayment of loan	(2,013)	(1,799.82)
Employee costs	(4,036)	(3,608.59)
Professional fees	(555.87)	(497)
Total uses	(11,995.61)	(10,725.27)
Surplus cash	3,662.60	3,274.73

The Placing, which is not underwritten, is conditional, *inter alia*, on Admission having occurred no later than 9 April 2018 (or such later date as Turner Pope, Grant Thornton and the Company may agree, but in any event no later than 30 April 2018). The estimated net proceeds of the Placing and Subscription are approximately £12.16 million, all of which will be payable to the Company.

10. FINANCIAL INFORMATION ON THE GROUP

Part 5 of this document contains historical financial information on SEHIL for the six month period ended 30 June 2017 and for three years ended 31 December 2014, 2015 and 2016, along with an unaudited pro forma statement of net assets of the Group.

In accordance with Rule 28 of the AIM Rules for Companies, the Company has not included in this document historical financial information in respect of itself as is normally required by section 20 of Annex I.

The Company's historic report and accounts can be accessed on the Company's website at www.saffronenergy.co.uk and, from Admission, at www.coroenergyplc.com.

Comment on trading and future prospects

The three companies that will constitute the Group's operating businesses following Admission, being NSI, SEHIL and APN, generated combined revenues of €1.0 million during the six months ended 30 June 2017, and a combined and comprehensive loss, including losses generated by the Company of €16.5 million.

The Directors believe that the Group, following completion of the SEHIL Acquisition, will have a portfolio of Italian assets with the capacity to generate turnover and operating profits substantially greater that at present. However, the Directors believe that assets located in South East Asia have the greatest potential to produce profits for the Group and will be focussing the majority of their efforts in identifying and securing such assets following Admission.

11. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The Board of the Company will be led by James Parsons as Non-executive Chairman and the Company's executive team will comprise Sara Edmonson as Chief Executive Officer, Andrew Dennan as Chief Financial Officer and Leonardo Salvadori as Managing Director, Italy.

The Board of Directors and a summary of their experience is set out below:

James Parsons, *Non-executive Chairman, aged 45*

James has over 20 years' experience in the fields of strategy, management, finance and corporate development in the energy industry. James has been the Chief Executive Officer of Sound Energy plc since October 2012, having joined as Chief Financial Officer in 2011. James started his career with the Royal Dutch Shell group in 1994 and spent 12 years with Shell working in Brazil, the Dominican Republic, Scandinavia, the Netherlands and London. Following his time at Shell, James worked in the European division of Inter Pipeline Fund, a Toronto-Listed resources business, where he held the position of Finance and Corporate Development Director of Inter Pipeline Europe. James is a qualified accountant and has a BA (Hons) in Business Economics.

Sara Melinda Edmonson, *CEO, aged 38*

Sara has been the Chief Executive Officer of Saffron since 31 October 2017 and prior to that was a Non-executive Director of Saffron following its IPO Admission in February 2017. Sara was previously Chief Executive Officer of Po Valley Energy having joined the company in July 2010 as Chief Financial Officer. She is fluent in Italian, having previously worked both in Italy and internationally for EY Transaction Advisory Services. During her tenure at EY, Sara advised numerous blue chip corporate clients on transactions in Russia, Romania, Turkey and the US including the US$5 billion acquisition of DRS Technologies by Finmeccanica in 2008. She holds an MBA from St John's University in New York City.

Marco Fumagalli, *Non-executive Director, aged 47*

Marco is a director and shareholder of CIP and is a founding partner at Continental Investment Partners SA, a cornerstone investor in AIM quoted Sound Energy plc where he also sits on the board as a Non-executive director. He is also a leading shareholder in Greenberry plc, which is a cornerstone shareholder in Echo Energy, for which he also acts as a Non-executive director. A chartered accountant, Marco has spent most of his career in the Private Equity sector, starting at 3i in 1995. He holds a degree in Business Administration from the University "Bocconi" of Milan.

Fiona Margaret Barkham (professional name: MacAulay, former names MacAulay and Oxley), *Independent Non-executive Director, aged 54*

Fiona has over 30 years' experience in the oil and gas industry, most recently as Chief Executive Officer of Echo Energy plc and prior to that as Chief Operating Officer and Technical Director of Rockhopper Exploration plc. Fiona, a Chartered Geologist, started her career with Mobil North Sea Limited in 1985 and has subsequently held senior roles in a number of leading oil and gas firms, including Amerada Hess and BG. She is European President of the American Association of Petroleum Geologists.

Ilham Akbar Habibie, *Independent Non-executive Director, aged 54*

Ilham is a qualified engineer and holds a PhD in aeronautical engineering from the Technical University of Munich and an MBA from the University of Chicago. Ilham has been the Chief Executive Officer and President of a number of aerospace and other companies which he founded and has served as a scientist and lecturer at the Technical University of Munich. Ilham has held senior positions at a number of Indonesian companies in the private sector, including Chief Executive Officer and President Director of PT. Ilthabi Rekatama and Commissioner of PT Citra Tubindo tbk. Ilham served as a Non-executive Director at Sound Oil Plc (now known as Sound Energy plc) and has been an Independent Commissioner of PT Intermedia Capital Tbk. Ilham has served as a Non-executive Director of Hichens, Harrison (Asia) Ltd and serves as a Member of Board of Commissioners at PT Malacca Trust Wuwungan Insurance and as Director of PT Ilthabi Bara Utama.

Information regarding key members of Senior Management to the Company and a summary of their experience is set out below:

Andrew Dennan, *aged 33*

Andrew has over 10 years' experience in capital markets including the fields of corporate finance, stock broking and investment management. Throughout his career he has been involved in leading proprietary investment decisions, capital raising, risk oversight and portfolio management. He holds a BSc (Hons) degree in Actuarial Science from City University, London and a CFA Investment Management Certificate.

Leonardo Salvadori, *aged 59*

Leonardo has over 30 years' oil and gas industry experience managing exploration, new ventures and asset teams in Indonesia, Egypt and Italy. Leonardo joined Sound Energy from Dana Gas Egypt in 2015 where he was Managing Director of its Egyptian operated business. As a geologist and geophysicist Leonardo's first 20 years' experience was with ENI working in several strategic roles across the Middle East, North Africa, Asia and Europe.

12. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

The Locked-in Shareholders who at Admission will hold in aggregate 1,584,203 Ordinary Shares (representing approximately 0.22 per cent. of the Enlarged Share Capital), have undertaken, save in limited circumstances, not to dispose of any of their interests in Ordinary Shares (including Ordinary Shares that they may acquire) at any time prior to the first anniversary of Admission.

In addition, in order to ensure an orderly market in the Ordinary Shares, the Locked-In Shareholders have further undertaken, in respect of themselves and each of their connected persons, that for a further period of 12 months thereafter they will not (subject to certain limited exceptions) deal or otherwise dispose of any such interests other than through Turner Pope (or such other broker appointed by the Company from time to time).

Further details of the Lock-in and Orderly Market Agreements are set out in paragraph 15.15 of Part 6 of this document.

In addition, Po Valley Energy, which holds 100,000,000 Ordinary Shares as at the date of this document, has entered into the PVE Lock-in and Orderly Market Agreement, pursuant to which Po Valley Energy has undertaken, save in limited circumstances, that in the event it holds 10 per cent. or more of the Enlarged Share Capital on Admission, it will not dispose of any of its interests in Ordinary Shares (including Ordinary Shares that it may acquire) at any time prior to the first anniversary of Admission (the "**PVE Lock-in Period**"), save where it distributes its shares in specie to its underlying shareholders, which the Company understand it intends to do shortly after Admission. Further information about the PVE Lock-in and Orderly Market Agreement is set out in paragraph 15.26 of Part 6 of this document.

In addition, in order to ensure an orderly market in the Ordinary Shares, Po Valley Energy has further undertaken that for a further period of 12 months after expiry of the PVE Lock-in Period (or, in the event that Po Valley Energy does not hold 10 per cent. or more of the Enlarged Share Capital on Admission, for a period of 12 months from Admission) Po Valley Energy will not (subject to certain limited exceptions) deal or otherwise dispose of any such interests other than through Turner Pope (or such other broker appointed by the Company from time to time).

Po Valley Energy is, as at the date of this document, subject to orderly market provisions regarding any disposal of its interests in Ordinary Shares pursuant to an agreement dated 20 February 2017 between the Company, Po Valley Energy, Grant Thornton and Turner Pope, as summarised in paragraph 15.9 of Part 6 of this document.

In addition, CIP has agreed to enter into an orderly market agreement with each of the Company, Grant Thornton and Turner Pope, prior to Admission pursuant to which CIP will undertake (in respect of itself and its associates) that, in order to ensure an orderly market in the Ordinary Shares, for a period of 12 months following Admission it will not, and will use reasonable endeavours to ensure that none of its associates will not (subject to certain limited exceptions) deal or otherwise dispose of any interest in Ordinary Shares other than through Turner Pope (or such other broker appointed by the Company from time to time). Please refer to paragraph 15.28 of Part 6 of this document.

Should Po Valley Energy propose the Po Valley Energy Capital Reduction to its shareholders (as is anticipated) and should the Po Valley Energy Capital Reduction complete, each of Michael Masterman, Kevin Bailey and Byron Pirola (who are all shareholders of Po Valley Energy) will hold Ordinary Shares. As such, each of Michael Masterman, Kevin Bailey and Byron Pirola has entered into the PVE Shareholder Lock-in and Orderly Market Agreement, pursuant to which each has undertaken, save in limited circumstances, that it will not dispose of any of its interests in Ordinary Shares (including Ordinary Shares that it may acquire) at any time for a period of four months following Admission (the "**PVE Shareholder Lock-in Period**"). In addition, in order to ensure an orderly market in the Ordinary Shares, each of Michael Masterman, Kevin Bailey and Byron Pirola has undertaken that, for a period of two months following the end of the PVE Shareholder Lock-in Period, except in certain limited circumstances, they will only dispose of any Ordinary Shares held by them (either as a result of the Po Valley Energy Capital Reduction or otherwise) through Turner Pope or such other broker appointed by the Company from time to time. Please refer to paragraph 15.27 of Part 6 of this document.

13. CORPORATE GOVERNANCE

The Board recognises its responsibility for the proper management of the Company and is committed to maintaining a high standard of corporate governance commensurate with the size and nature of the Company and the interests of its Shareholders. The UK Corporate Governance Code does not apply to companies admitted to trading on AIM and, while there is no formal alternative for AIM companies, the Quoted Companies Alliance has published the QCA Corporate Governance Code for Small and Mid-Sized Quoted Companies, which includes a standard of minimum practice for AIM companies, and recommendations for reporting corporate governance matters (the "**QCA Guidelines**"). The Company will seek to comply fully with the QCA Guidelines and with the UK Corporate Governance Code as far as possible, having regard for the size, stage of development and resources of the Group.

Following Admission, the Board will comprise of five directors including one executive Director and four non-executive Directors. The Board considers that James Parsons, Ilham Habibie and Fiona MacAulay are independent within the meaning of the UK Corporate Governance Code. Further information relating to the Directors is set out in paragraph 11 of this Part 1 and in Part 6 of this document.

James Parsons and Marco Fumagalli are not considered independent as regards matters involving Sound Energy (or, in the case of Marco Fumagalli, CIP) and will abstain from voting on any arrangement or contracts involving Sound Energy (or, in the case of Marco Fumagalli, CIP) at any Board meeting of the Company.

Sara Edmonson is not considered independent as regards matters involving Po Valley Energy and will abstain from voting on any arrangement or contracts involving Po Valley Energy at any Board meeting of the Company.

A description of the Company's proposed corporate governance practices is set out below:

The Board

The Board is responsible for the overall management the Group and will meet at least 6 times a year. Matters specifically reserved for the Board include matters relating to management structure and appointments, review of performance, corporate finance and approval of any major capital expenditure and the framework of internal controls.

The Board will be responsible for establishing and maintaining the Company's system of internal financial controls and, in this committee, importance is placed on maintaining a robust control environment. The key procedures which the Board has established with a view to providing effective internal financial control include the following:

- a monthly management reporting process to enable the Board to monitor the performance of the Company;
- a comprehensive process for preparing an annual budget for the Company for the Board to review. Monthly results will be examined against the budget and deviations will be closely monitored by the Board; and
- a procedure for identifying major business risks faced by the Company and for determining the appropriate courses of action to manage those risks.

The Board recognises, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss. The effectiveness of the system of internal financial control operated by the Company will therefore be subject to regular review by the Board in light of the future growth and development of the Company and adjusted accordingly.

The Board has established a Remuneration Committee, a Nominations Committee, an Audit Committee and a HSE/Technical Committee, each of which has formal terms of reference, and has adopted a Share Dealing Code, an Anti-bribery and Anti-corruption Policy, a Company Code of Conduct and a Hydrocarbon Reserves Policy, each of which is described below.

Remuneration Committee

The Board seeks to ensure that the Group adopts remuneration practices which will enable it to attract and retain high calibre and suitably qualified employees, executives and directors, whose interests are aligned with those of Shareholders.

The Remuneration Committee will comprise James Parsons, Marco Fumagalli and Fiona MacAulay, with James Parsons appointed as Chairman of the Remuneration Committee, and will:

- determine and agree with the Board the framework or broad policy for the remuneration of the Directors;
- determine the remuneration of non-executive Directors;
- determine targets for any performance-related pay schemes operated by the Company;
- ensure that contractual terms on termination and any payments made are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- determine the total individual remuneration package of each executive Director, including bonuses, incentive payments and share options;
- co-ordinate closely with the Nomination Committee in relation to the remuneration to be offered to any new executive Director;
- be aware of and advise on any major changes in employees benefit structures throughout the Group;
- ensure that provisions regarding disclosure on Directors' remuneration are done in accordance with the AIM Rules and other applicable law and regulation; and
- be exclusively responsible for selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee.

Nominations Committee

The Nominations Committee has responsibility for considering the future succession plans for Board members as well as to whether the Board has the skills required to effectively manage the Group.

The Nominations Committee will comprise James Parsons, Marco Fumagalli and Fiona MacAulay, with James Parsons appointed as Chairman of the Nominations Committee, and will:

- be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise, save that appointments as Chief Executive and Chairman should be matters for the whole Board;
- evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment;
- review annually the time required from the non-executive Directors and assess whether each non-executive Director is spending enough time to fulfil their duties;
- consider candidates from a wide range of backgrounds;
- give full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Group and the skills and expertise needed therefor on the Board, reporting to the Board regularly;
- regularly review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to changes;
- keep under review the leadership needs of the Group, both executive and non-executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace;
- make a statement in the annual report about its activities, the process used for Board appointments, explain whether external advice or open advertising has been used, the membership of the committee, number of committee meetings and attendance by committee members over the course of the year;
- ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings;
- consider and make recommendations to the Board about the re-appointment of any non-executive Director at the conclusion of their specified term of office or retiring in accordance with the Articles; and
- consider and make recommendations to the Board on any matter relating to the continuation in office of any Director at any time.

Audit Committee

The Audit Committee is responsible for ensuring the Group's financial performance is properly monitored, controlled and reported. It is responsible for the scope and effectiveness of the external audit and compliance by the Group with statutory and other regulatory requirements.

The Audit Committee will comprise Marco Fumagalli and Fiona MacAulay and will meet at least twice a year.

The Group will consider establishing an internal audit function in the future (once the Group's size and nature of transactions becomes sufficiently complex).

With respect to the Group's external auditor, the Audit Committee intends to:

- monitor, in discussion with the auditor, the integrity of the financial statements of the Group, any formal announcements relating to the Group's financial performance and review significant financial reporting judgments contained therein;
- review the Group's internal financial controls and review the Group's internal control and risk management systems;
- consider annually whether there is a need for an internal audit function and make a recommendation to the Board;
- make recommendations to the Board for it to be put to Shareholders for their approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant external guidance and regulation regarding the provision of non-audit services by the external audit firm; and
- report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

The Audit Committee will be provided with details of any proposed related party transactions in order to:

- consider and approve the terms and conditions of such transactions or to avoid breaches of the AIM Rules; and
- consult with the Company's nominated advisor for the purposes of the AIM Rules from time to time where the relevant percentage is breached (either in isolation or in aggregate).

The Audit Committee will also review arrangements by which the staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters with appropriate follow-up action.

Where necessary, the Audit Committee will obtain specialist external advice from appropriate advisers.

HSE/Technical Committee

The Company is dedicated to pursuing the highest health and safety standards in the workplace and regards environmental sustainability as an integral part of its business strategy and corporate citizenship.

The Company regards environmental awareness and sustainability as key considerations in planning and carrying out the Group's business activities. The Group conducts its activities in accordance with these principles.

In every instance, the Group seeks to employ the most advanced technology available and to apply the highest safety measures in each situation. Appropriate protection policies are an important selection criterion for contractors, whose activities are monitored for compliance.

The HSE/Technical Committee will comprise Fiona MacAulay and Sara Edmonson with Fiona MacAulay appointed as Chairperson of the HSE/Technical Committee, and will ensure objectives are met by:

- ensuring that the standards and procedures adopted for its operations will meet the requirements of both the laws of local jurisdictions and international standards of best oilfield practice;
- managing the Group's activities to prevent pollution and to minimise adverse effects on the environment;
- ensuring that in designing the Group's operations, health, safety and environmental hazards and environmental impacts have been fully assessed and appropriately mitigated;
- ensuring that all personnel, including contractors employed by the Group, are fully aware of their health, safety and environmental responsibilities and have been properly trained. The commitment to, and ability to adhere to, the above objectives will be a key factor in selecting and awarding contracts to third parties; and
- undertaking regular monitoring, audit and reporting of its operational activity to identify the necessary compliance with its health, safety and environmental policy and objectives and adopting targets to achieve continuous improvement in health, safety and environmental performances.

Share Dealing Code

The Share Dealing Code (the "**Code**") adopted by the Company, with effect from Admission, applies to any person discharging management responsibility, which will apply to all the Directors, any closely associated persons and applicable employees (as each is defined in the Code). The Code sets out their responsibilities under the AIM Rules, FSMA and the Market Abuse Regulation (EU) No. 596/2014 ("**MAR**") and other relevant legislation. The Code addresses the share dealing restrictions as required by the AIM Rules and where applicable MAR. The Code's purpose is to ensure that Directors and other relevant persons do not abuse, or place themselves under suspicion of abusing, inside information that they may have or be thought to have, especially in periods leading up to an announcement of results. The Code sets out a notification procedure which is required to be followed prior to any dealing in the Company's securities.

Anti-bribery and Anti-corruption Policy

It is the Company's policy, as set out in the Anti-bribery and Anti-corruption Policy, to conduct all of its business in an honest and ethical manner and to take a zero-tolerance approach to bribery and corruption. The Company is committed:

(a) to acting professionally, fairly and with integrity in all of its business dealings and relationships wherever it operates; and

(b) to implementing and enforcing effective systems to counter bribery and corruption, including the adoption of this Policy.

The purpose of the Policy is to set out the Company's responsibilities, and the responsibilities of those working for the Group, in observing and upholding its position on anti-bribery and anti-corruption and to provide information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues.

Company Code of Conduct

In order to promote ethical and responsible decision making, the Company has adopted a code of conduct pursuant to which Directors and employees are required to abide by all relevant laws and regulations, to respect confidentiality and the proper handling of information and act with the highest standards of honesty, integrity, objectivity and ethics in all dealings with each other, the Company, customers, suppliers and the community.

Hydrocarbon Reserves Policy

The Company has adopted a Hydrocarbon Reserves Policy in order to assist in the implementation of processes, standards and controls to ensure reliable hydrocarbon reserves estimates, consistent with industry best practice, in order to facilitate effective business management decision-making and accurate reporting of the Company's reserves. The Chief Executive is responsible for the implementation of the policy while the Board oversees and approves the policy and monitors its implementation.

14. DIVIDEND POLICY

The Company will consider paying dividends at such time as the Company is generating an operating profit. The declaration and payment by the Company of any future dividends, and the amount of such dividends, will depend upon the Company's financial position at the time, forecasts of future activity including capital expenditure, sustainability of earnings, the need to provide appropriate dividend cover and other factors deemed by the Board to be relevant at the time.

15. DISCLOSURE GUIDANCE AND TRANSPARENCY RULES

Shareholders are required to comply with DTR 5 of the Disclosure Guidance and Transparency Rules and to notify the Company when they acquire or dispose of voting rights of the Company (either as Shareholder or through their direct or indirect holding of certain financial instruments, or a combination of such holdings) such that their holding increases to above or falls below three per cent. of the issued share capital of the Company (and every one per cent. thereafter).

16. TAXATION

Potential investors are referred to paragraph 18 of Part 6 of this document for details of taxation of the Company and Shareholders in the UK. **If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately** if you are resident in the UK, or, if you are not resident in the UK, from another appropriately authorised independent financial adviser in your own jurisdiction.

17. ADMISSION, SETTLEMENT AND DEALINGS

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM at 8.00 a.m. (UK time) on 9 April 2018. These dates and times may change.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Existing Ordinary Shares are admitted to CREST and the Company has applied for the Enlarged Share Capital to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in all Ordinary Shares held in uncertificated form following Admission will take place within the CREST system.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

All Placing Shares and Subscription Shares will be issued payable in full at the Placing and Subscription Price. It is intended that, if applicable, definitive share certificates in respect of the Placing Shares and Subscription Shares will be distributed by 9 April 2018 or as soon as possible thereafter. No temporary documents of title will be issued.

18. PROPOSED OPEN OFFER

The Company is grateful for the support of all its Shareholders. The Company therefore intends to launch an open offer of up to 45,662,100 Open Offer Shares at the Placing and Subscription Price of

4.38 pence per Open Offer Share. Should the Offer be fully subscribed, the Offer Shares would amount to 5.99 per cent. of the enlarged share capital of the Company, assuming there are no other issues of Ordinary Shares in the meantime. A circular containing full details of the Open Offer is intended to be posted to Shareholders in due course. The Company does not intend to offer Warrants to subscribers for Ordinary Shares under the Open Offer.

19. THE CITY CODE ON TAKEOVERS AND MERGERS

As a company incorporated in England & Wales whose Ordinary Shares will be admitted to trading on AIM the City Code applies to the Company.

Under Rule 9 of the City Code ("**Rule 9**"), any person who acquires an interest in shares (as defined in the City Code), whether by a series of transactions over a period of time or not, which (taken together with any interest in shares held or acquired by persons acting in concert (as defined in the City Code) with him) in aggregate, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, that person is normally required by the Panel on Takeovers and Mergers (the "**Panel**") to make a general offer to all of the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person which increases the percentage of shares carrying voting rights in which he is interested.

An offer under Rule 9 must be in cash or be accompanied by a cash alternative and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Under the City Code, a concert party arises where persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company. "Control" means holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control. A person and each of its affiliated persons will be deemed to be acting in concert with each other.

The Company's new cornerstone investor, CIP, together with Continental Investment Partners S.A., Metano Capital S.A. and Greenberry S.A, Marco Fumagalli and James Parsons (together the "**Concert Party**"), are deemed to be acting in concert for the purposes of the City Code. The Concert Party currently holds an aggregate of 14,092,500 Ordinary Shares, representing 7.05 per cent. of the Ordinary Shares.

In addition, following completion of the Transaction (and assuming the Resolutions are approved by Shareholders) the Concert Party will hold 163,605,640 Ordinary Shares, representing 22.82 per cent. of the Ordinary Shares and will also hold in aggregate a further 88,493,150 Options and Warrants.

Assuming the exercise by the Concert Party of all of the Options and Warrants held by them and no exercise of Options and/or Warrants by any other party and no other issue of Ordinary Shares by the Company, the Concert Party would hold in aggregate 252,098,790 Ordinary Shares, representing 31.30 per cent. of the Enlarged Share Capital.

If the Concert Party was to increase the percentage of the aggregate voting rights it is interested in to 30 per cent. or more of the then issued share capital of the Company (by virtue of the exercise of options or otherwise), then they would be obliged, except with the consent of the Takeover Panel, to make a mandatory offer as referred to above.

20. SHARE OPTION SCHEME

On 12 February 2018 the Directors resolved to adopt a new share option scheme ("**Share Option Scheme**"). Under the terms of the Share Option Scheme, the Directors will have an absolute right to grant an option to acquire Ordinary Shares in the Company to any of the directors and employees of any member of the Group. Pursuant to the Share Option Scheme, the Directors will be entitled to specify such conditions as they see fit (subject to certain limitations) before such directors and employees are eligible to take up any options under the scheme. The Company is seeking (*inter alia*) authority to issue up to 20,000,000 new Ordinary Shares pursuant to the Resolutions to be proposed at the General Meeting. If approved, such Ordinary Shares will be issued in accordance with the terms of the Share Option Scheme.

In addition, on 12 February 2018, the Directors resolved to award up to 5,000,000 Warrants to consultants of the Group.

Further details of the Share Option Scheme are set out in paragraph 13 of Part 6 of this document.

21. GENERAL MEETING

A notice convening a General Meeting of the Company to be held at 11.00 a.m. (UK time) on 29 March 2018 at the offices of Grant Thornton UK LLP, 30 Finsbury Square, London, EC2P 2YU is set out at the end of the Admission Document. At that meeting, Resolutions will be proposed in order to seek shareholder approval for the following matters:

i. the SEHIL Acquisition be approved by the Shareholders as required by the AIM Rules;

ii. the Directors be generally and unconditionally authorised, for the purposes of Section 551 of the 2006 Act, to exercise all powers of the Company to allot equity securities (within the meaning of section 560 of the 2006 Act) in respect of the Consideration Shares, the Placing Shares, the Subscription Shares, the Commission Shares, the TPI Fee Shares, the Director Fee Shares, the Warrants, the Director Options, the issue of Ordinary Shares pursuant to the Share Option Scheme and Open Offer and, in addition, up to an aggregate nominal amount of £350,000;

iii. the Directors be generally and unconditionally empowered, for the purposes of Section 570 of the 2006 Act to exercise all powers of the Company to allot equity securities for cash pursuant to the authorisation conferred by (ii) above as if the statutory pre-emption provisions set out in section 561 of the 2006 Act did not apply to the allotment, provided that this power shall be limited to, the allotment in respect of the Consideration Shares, the Placing Shares, the Subscription Shares, the Commission Shares, the TPI Fee Shares, the Director Fee Shares, the Warrants, the Director Options, the issue of Ordinary Shares pursuant to the Share Option Scheme and Open Offer and the allotment of equity securities (within the meaning of section 560 of the 2006 Act) in connection with an offer by way of a rights issue to Shareholders and holders of other equity securities and, in addition, up to an aggregate nominal amount of £350,000;

iv. to approve the change of name of the Company to Coro Energy Plc.

Sound Energy has held a general meeting on 8 February 2018 at which the Sound Capital Reduction was approved, subject to court approval. Completion of the SEHIL Acquisition is, *inter alia*, subject to this approval. It is anticipated that PVE will be holding a general meeting to approve the Po Valley Energy Capital Reduction, which the Company understands it intends to complete shortly after Admission.

As the PVO Acquisition Agreement has been terminated, it is proposed that the chairman of the General Meeting will, with the agreement of the General Meeting, withdraw the proposal of resolution 2 in the notice of General Meeting regarding the PVO Acquisition Agreement. In addition, the effect of termination of the PVO Acquisition Agreement is that, assuming resolutions 3 and 4 set out in the notice of General Meeting are approved and notwithstanding such approval, the authority to issue the PVO Consideration Shares (as defined in such notice) will be redundant and not capable of being used for other purposes.

If you have sold or otherwise transferred all of your Ordinary Shares since the date of the Admission Document, please forward this document and Form of Proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom you have sold or transferred your shares for delivery to the purchaser or transferee. If you have acquired Ordinary Shares since the date of the Admission Document, please refer to the Notice of General Meeting contained in Part 7 of the Admission Document for details of the General Meeting and the Resolutions. If you require a Form of Proxy, please contact the Company's registrar, Share Registrars Limited, on +44 (0) 1252 821 390.

22. FURTHER INFORMATION

You should read the whole of this document and not just rely on the information contained in this Part 1. Your attention is drawn to the information set out in Parts 2 to 6 of this document which contains further information on or relevant to the Company. In particular, your attention is drawn to the risk factors set out in Part 3 of this document.

23. ACTION TO BE TAKEN

The Admission Document enclosed a Form of Proxy for use in connection with the General Meeting. Whether or not you intend to be present at the General Meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed on it so as to be received by the Company's registrars, Share Registrars Limited, as soon as possible but in any event not later than 10:00 a.m. on 27 March 2018. The completion and return of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you so wish.

24. RECOMMENDATION AND VOTING INTENTIONS

The Independent Directors, being Sara Edmonson, Fiona MacAulay, Ilham Habibie and myself, consider that the terms of the Transaction are fair and reasonable and in the best interests of the Shareholders and the Company as a whole. Accordingly, the Independent Directors unanimously recommend that you vote in favour of the Resolutions necessary to approve and implement the Transaction.

In addition, Po Valley Energy has irrevocably undertaken to vote in favour of the Resolutions in respect of the 100,000,000 Ordinary Shares (representing 50 per cent. of the Ordinary Shares) it currently holds. As at the date of this document, Po Valley Energy is not subject to any lock-in arrangements regarding disposals of its Ordinary Shares, and has not undertaken not to dispose of any of its Ordinary Shares prior to Admission. Po Valley Energy has, however, undertaken that, should the directors of Po Valley Energy become, at the time of the General Meeting, beneficial owners of any of the 100,000,000 Ordinary Shares currently held by Po Valley Energy, Po Valley Energy will procure that the directors of Po Valley Energy irrevocably undertake to vote in favour of the Resolutions.

As a result, and subject to any disposal of Ordinary Shares by Po Valley Energy, the Company has received irrevocable undertakings to vote in favour of the Resolutions in respect of a total of 100,000,000 Ordinary Shares, representing 50 per cent. of the Ordinary Shares.

Yours faithfully

David Garland
Independent Non-executive Director

PART 2

SUMMARY OF THE ITALIAN REGULATORY REGIME

Exploration Permits Overview

Application Process

The first time a company applies for an exploration permit or farms into an existing exploration permit, it must submit application documentation to the Ministry demonstrating technical and financial capability. The Ministry may ask for a bank guarantee from the company in respect of its financial capability.

On lodging an application with the Ministry, an announcement is published in the official bulletin of hydrocarbons which commences a 3-month competition period where other parties may lodge an application covering the same area. When reviewing applications for a Licence and Permit, the Ministry may:

1. approve an award;

2. propose a joint venture be formed; or

3. decline all applications.

Preliminary granting of an exploration permit is subject to the approval of an environmental impact assessment report. If the proposed Licence and Permit area contains protected areas, then a more detailed environmental study may be required. Onshore, the environmental impact assessment procedure is handled by the regional governments whose processes may differ from region to region ranging from closed meetings among local authorities to open meetings with local communities. For offshore Licences, Permits, Concessions and Applications, the environmental impact assessment report authorization is obtained from the Ministry of Environment. In any case, the public is always informed about any environmental impact assessment process. Upon approval of the environmental impact assessment report, the final granting of the Licence and Permit is made by the Ministry.

Exploration Permit Terms and Conditions

Exploration permits are granted for an initial six-year term, with up to two possible renewals of three years each. Of the initial area, 25 per cent. must be relinquished upon the first renewal and 25 per cent. must be relinquished upon the second renewal (if the initial area is larger than 300 km^2). The maximum area that can be awarded is 750 km^2 per permit. A company can withdraw from an exploration permit, but it is then unable to re-apply for the same area for the next four years.

Exploration permits are exclusive and assignable, and can be awarded to a single title holder or to a group of companies (who must appoint an operator).

Production Concession Overview

Application Process

When a discovery has been made, the operator has the exclusive right to proceed toward development through the award of a production concession. The award process is similar to that of the exploration permit process in that in includes preliminary granting, environmental impact assessment report approval, and final granting. The production concession process however differs from the exploration permit process in that it is an exclusive process available solely to the operator. The application process may take more than a year.

Production Concession Terms and Conditions

The initial duration of production concessions is 20 years. After 15 years the concession holder can apply for an extension of 10 years. Further extensions of five years are possible. The maximum area that can be awarded is 150 km^2 per concession.

Regional royalties are applicable:

- Mainland Italy – A royalty of 10 per cent. on all production in excess of 20,000 tonnes per year for liquids (146,000 bbls/yr or approximately 400 bbls/d) and 25 mmcm of gas per annum (882,866 mmscf/yr or approximately 2.4 mmscf/d). Below these production levels, no royalty is due;
- Offshore Italy – Zero per cent. royalty applies to production not exceeding 50,000 tonnes per year (365,000 bbls/yr or approximately 1,000 bbls/d) and 80 mmcm of gas per annum (3.825 Bcf/yr or approximately 77 mmscf/d). Above these production levels, royalty at 7 per cent. on liquids and 10 per cent. on gas is charged.

Taxation Regime

National corporate tax rate

Italian tax resident companies are subject to corporate income tax (the "**IRES**") on their worldwide income, while Italian branches (permanent establishments) of foreign companies are taxed only on their Italian-sourced income. A resident company is a company that has any of the following located in Italy for the majority of the tax year:

- its registered office.
- its administrative office (similar to the "place of effective management" concept);
- its principal activity; and
- in addition, a mine, an oil or gas well, a quarry or any other place of extraction of natural resources are also included in the term "permanent establishment."

The IRES rate is fixed at 24.0 per cent., and it is applied to the IRES taxable income (the IRES rate was recently reduced from 27.5 per cent. to 24.0 per cent. from FY2017 onwards).

To determine taxable income, profits disclosed in the financial statements are adjusted for exempt profits, non-deductible expenses, special deductions and losses carried forward.

The following general principles govern the deduction of expenses:

- expenses are deductible if and to the extent to which they relate to activities or assets that produce revenue or other receipts that are included in income;
- expenses are deductible in the tax year to which they relate (accruals basis). Exceptions are provided for specific items, such as compensation due to directors, which is deductible in the tax year in which it is paid; and
- write-offs of the value of Italian and foreign shareholdings may not be deducted.

Starting from FY 2016, companies have been able to deduct expenses incurred in transactions with enterprises and consultants resident in non EU tax jurisdictions, without any specific limitation.

Regional tax on productive activities

Resident and non-resident companies are subject to a regional tax on productive activities (the "***IRAP***") on their Italian-sourced income. The taxable basis of such tax is represented by the net value of production, which is calculated by subtracting the cost of production from the value of production and applying certain adjustments provided by law.

IRAP is fixed at 3.9 per cent., but each Italian region may vary such rate by up to 1 basis point. Companies generating income in more than one region are required in the IRAP tax return to allocate their taxable base for IRAP purposes among the various regions and to pay the applicable tax to the local tax authorities.

Certain deductions are not allowed for IRAP purposes, such as the following:

- certain extraordinary costs;
- credit losses;
- labour costs for short term contract employees; and
- Interest expenses.

VAT

In Italy, value-added tax (VAT) rates are currently:

- Standard rate – 22 per cent. The standard rate applies to all supplies of goods or services, unless a specific provision allows a reduced rate or exemption;
- Reduced rate – 10 per cent. This rate is applicable to certain services and products, such as certain food products, water, gas, electricity, admission to cultural services and the use of sports installations; and
- Reduced rate – 4 per cent. This rate is applicable to supplies of basic necessities and mass-market items, such as certain food products and pharmaceuticals.

For transactions relating to oil and gas activities, the standard rate of 22 per cent. is generally applicable, while a 10 per cent. rate is applicable in the following cases:

- gas, methane gas and liquefied petroleum gas to be directly put into the pipelines network in order to be delivered or to be supplied to enterprises using it to produce electricity;
- crude oil, combustible oil and aromatic extracts used to generate, directly or indirectly, electricity, as long as the power generated is not below 1kW; crude oil, combustible oil (except for fluid combustible oil for heating) and filter sands remnants from the processing of lubricant oil, where it contains more than 45 per cent. in weight of oil product, to be used directly as combustible in boilers and kilns; combustible oil used to produce directly tractor-strength fuel with engines fixed in industrial, agricultural-industrial plants, laboratories or building yards; and combustible oil other than the special ones to be converted into gas to be put in the civic grid system; and
- unrefined mineral oil arising from the primary distillation of raw natural oil or from the processing by plants that convert mineral oil into chemical products of a different nature, with a flash point lower than 55°C, where the distillate at 225°C is lower than 95 per cent. in volume and at 300°C is at least 90 per cent. in volume, to be converted to gas for delivery into the civic grid system.

PART 3

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risks set out below in addition to all of the other information set out in this document before investing in Ordinary Shares. The investment offered in this document may not be suitable for all of its recipients. Potential investors are accordingly advised to consult an appropriately qualified professional adviser who specialises in advising on the acquisition of shares and other securities before making any investment decision. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.

The Directors believe the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on the Company and the information set out below does not purport to be an exhaustive summary of the risks affecting the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements. If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his or her investment.

RISKS RELATING TO THE SEHIL ACQUISITION, PLACING, SUBSCRIPTION AND ACQUISITION STRATEGY

Risk that Admission does not become effective

Admission will only become effective following completion of the SEHIL Acquisition and the Sound Energy Capital Reduction and with the approval of the London Stock Exchange. If completion of the SEHIL Acquisition Agreement occurs but Admission does not, there is a risk that the Ordinary Shares will be suspended from trading on AIM until such time that the London Stock Exchange approves the restoration of the Ordinary Shares to trading. If restoration does not take place within 6 months of the suspension of trading, admission of the Ordinary Shares to AIM may be cancelled.

The SEHIL Acquisition is subject to various conditions and requirements which may not be satisfied or waived

Completion of the SEHIL Acquisition is conditional upon, amongst other things:

(a) the approval of the SEHIL Acquisition by Shareholders at the General Meeting (notice of which is set out at the end of the Admission Document);

(b) court approval of the Sound Energy Capital Reduction;

(c) various other standard conditions including receipt of any required regulatory approvals; and

(d) Admission occurring.

There can be no guarantee that all of these conditions will be satisfied, or that all other completion requirements will be met, and therefore no guarantee that the SEHIL Acquisition will complete. If the SEHIL Acquisition does not complete, the Company would nonetheless incur expenses, including advisory fees, in connection with the SEHIL Acquisition.

In addition, in the event that the SEHIL Acquisition does not proceed as envisaged in this document (such as in the event required approvals therefor or other conditions thereof are not satisfied), the

Company would expect or be required to seek confirmation from Subscribers (and Turner Pope would be required to seek confirmation from Placees) that they wish to maintain their respective commitments as regards the Subscription and the Placing (as relevant). There can be no assurance that such confirmation would be given by Placees and Subscribers in any such circumstance.

There may be unforeseen integration difficulties which may distract or overstretch management

The integration of SEHIL and APN will require significant time and effort on the part of the Group's management. If such integration difficulties are significant, this could adversely affect the business, financial condition, results of operations or prospects of the Group. The process of integrating operations could, amongst other things, divert management's attention away from the activities of one or more of the existing operations, as well as interrupt business momentum, and could result in a loss of key personnel. Although regulatory and operational decision making will often be undertaken by each of the businesses locally, coordinating its decision making across all of the businesses in the Group will present challenges within the Group's management team. There is a risk that the challenges associated with managing the Group will distract or overstretch the management team or that the integration of the underlying businesses is delayed or takes materially longer than management anticipate and that consequently the underlying businesses will not perform in line with management or Shareholder expectations.

Limited representations and warranties are being given in respect of the SEHIL Acquisition

In connection with the SEHIL Acquisition, Sound Energy has given limited representations and warranties to the Group in the SEHIL Acquisition Agreement. Such representations and warranties are subject to caps on liability. Accordingly, the Company will have limited, if any, rights of redress against the sellers should there prove to be any undisclosed liabilities or other matters adversely affecting SEHIL which the Company was not aware of at the time of entry into such agreements. Further details of this agreement are set out in paragraphs 15.13 of Part 6 of this document.

Material facts or circumstances may not be revealed in the due diligence process in relation to the SEHIL Acquisition

The Company has conducted such due diligence as it deems practicable and appropriate in the context of the SEHIL Acquisition. The objective of the due diligence process is to identify material issues which might affect the decision to proceed with the SEHIL Acquisition or the consideration payable for the SEHIL Acquisition. Whilst conducting due diligence and assessing the SEHIL Acquisition, the Company has relied on publicly available information and information provided by Sound Energy. There can be no assurance that the due diligence undertaken with respect to the SEHIL Acquisition has revealed all relevant facts that may be necessary to evaluate the SEHIL Acquisition, including the determination of the price the Company has agreed to pay, or to formulate a business strategy for the Group. Whilst due diligence has been conducted on SEHIL and APN, some of the documentation maintained by Sound Energy may be incomplete or inconclusive. As part of the due diligence process, the Company has also made subjective judgments regarding the results of operations, financial condition and prospects of SEHIL and APN. If the due diligence investigation has failed to identify correctly material issues and liabilities that may be present in SEHIL and APN, or if the Company has concluded such material risks are commercially acceptable relative to the opportunity, the Company may subsequently incur substantial impairment charges or other losses. In addition, following the SEHIL Acquisition, the Company may be subject to significant, previously undisclosed liabilities or technical difficulties of SEHIL and APN that were not identified during due diligence and which could have a material adverse effect on the Group's financial condition and results of operations

Risk that the desired synergy benefits may not be achieved by the Group

The value of an investment in the Group is dependent on the Group achieving its strategic aims. The Group is targeting significant synergies from the SEHIL Acquisition and the Group's financial planning and funding strategies are based in part on realising these synergies. There is a risk that synergy benefits from the SEHIL Acquisition may fail to materialise, may take longer than anticipated or may be

lower than have been estimated. In addition, the cost of funding these synergies may exceed expectations and such eventualities may have a material adverse effect on the financial position of the Group. As a result of taking some of the action required to achieve the desired synergies, some employees of the Group may choose to leave the Group. There is no guarantee that the Group will be able to replace these employees with sufficiently experienced and skilful staff.

Shareholders may experience dilution in their ownership of the Company

The Group will fund its working capital for the purposes of the SEHIL Acquisition and its international expansion strategy by way of the Placing and the Subscription which is expected to raise up to £13.44 million before expenses. Shareholders who do not participate in the Placing and the Subscription will experience a dilution to their interests in the Group. Further dilution will occur as and when any Warrants or Director Options are exercised which would result in dilution to their interests in the Group. An Open Offer is planned, but Shareholders who do not participate in it will experience further dilution.

The integration costs related to the SEHIL Acquisition may exceed the Board's expectations

The Group expects to incur a number of costs in relation to the SEHIL Acquisition, including integration and post completion costs in order to successfully combine the operations of SEHIL and APN. The actual costs of the integration process may exceed those estimated and there may be further additional and unforeseen expenses incurred in connection with the SEHIL Acquisition. In addition, the Company, SEHIL and APN will incur legal, accounting, transaction fees and other costs relating to the integration and implementation of the SEHIL Acquisition, some of which are payable regardless of whether or not the SEHIL Acquisition completes. Although the Directors believe that the integration and acquisition costs will be more than offset by the realisation of the synergies resulting from the SEHIL Acquisition, this net benefit may not be achieved in the short-term or at all, particularly if the SEHIL Acquisition is delayed or does not complete. These factors could adversely affect the Group's operations and/or financial condition.

Risks relating to the Placing and Subscription

The Placing and the Subscription may not proceed if the applicable conditions, including the required shareholder approvals, are not met. A significant proportion of the proceeds of the Placing and the Subscription is intended to be used to fund due diligence and acquisition costs associated with international expansion. Such costs may be wasted in part or in whole if any potential transactions are investigated or signed but do not proceed to completion.

Future acquisitions

An important part of the Group's longer-term business strategy involves expansion through the acquisition of exploration assets. There is a risk related to the Group's ability to accurately identify suitable targets and successfully execute transactions for such a strategy or that any business acquired may not develop or succeed as anticipated or at all. As consideration for such acquisitions, the Company may seek to issue Ordinary Shares. There can be no guarantee that sellers of target companies, businesses or assets will be prepared to accept shares traded on AIM as consideration, and this may limit the Group's ability to grow its activities and pursue its strategy. The difficulties involved in integrating any companies, businesses or assets acquired by the Enlarged Group may divert financial and management resources from the Group's core business, which could adversely affect the Group's business, financial condition, operating results and prospects.

RISKS RELATING TO THE GROUP'S ACTIVITIES

Risks relating to the Group's activities in the oil and gas industry

There are numerous factors which may affect the success of the Group's business which are beyond its control including local, national and international economic, legal and political conditions. The Group's business involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome.

Farm down of the Group's assets

In due course the Group may, subject to receipt of any necessary consents, farm down part of its Licence, Permit, Concession and Application interests to third parties, some of which may act as operator. Operating agreements with third party operators typically provide for a right of consultation or consent in relation to significant matters and generally impose standards and requirements in relation to the operator's activities. However, in the event that the Group does not act as operator in respect of certain of its Licence, Permit, Concession and Application interests, the Group will generally have limited control over the day-to-day management or operations of those assets and will therefore be dependent upon the third party operator. A third party operator's mismanagement of an asset may result in significant delays or materially increased costs to the Group. The Group's return on assets operated by others will therefore depend upon a number of factors that may be outside the Group's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices. Generally, a failure by any Licence, Permit, Concession and Application partner (whether the operator or otherwise) to fulfil its financial obligations may increase the Group's exposure related to the Licence, Permit, Concession and Application in question. Any significant increase in costs as a consequence of joint and several liabilities may materially adversely affect the financial condition of the Group.

Competition

The oil and gas and power generation industries are highly competitive. The Group competes with other industry participants in the search for and acquisition of oil and gas assets and Licences, Permits, Concessions and Applications. Competitors include companies with, in many cases, greater financial resources, local contacts, staff and facilities than those of the Group. Competition for exploration and production Licences, Permits, Concessions and Applications as well as other regional investment or acquisition opportunities may increase in the future. This may lead to increased costs in the carrying on of the Group's activities in the region, reduced available growth opportunities and may adversely affect the business, financial condition, results of operations and prospects of the Group.

Dependence on key executives and personnel

The future performance of the Group will to a significant extent be dependent on its ability to retain the services and personal connections or contacts of key executives and to attract, recruit, motivate and retain other suitably skilled, qualified and industry experienced personnel to form a high calibre management team. Such key executives are expected to play an important role in the development and growth of the Group, in particular by maintaining good business relationships with regulatory and governmental departments and essential partners, contractors and suppliers.

There is a risk that the Group will struggle to recruit the key personnel required to run an exploration and appraisal programme. Shortages of labour, or of skilled workers, may cause delays or other stoppages during exploration and appraisal activities. Many of the Group's competitors are larger, have greater financial and technical resources, as well as staff and facilities, and have been operating in a market-based competitive economic environment for much longer than the Group. There can be no assurance that the Group will retain the services of any key executives, advisers or personnel who have entered, or will subject to Admission enter, into service agreements or letters of appointment with the Group. The loss of the services of any of the key executives, advisers or personnel may have a material adverse effect on the business, operations, relationships and/or prospects of the Group.

The Group currently has no key-man insurance policy in place and, therefore, there is a risk that the unexpected departure or loss of a key individual could have a material adverse effect on the business, financial condition and results of operations of the Group and there can be no assurance that the Group will be able to attract or retain a suitable replacement.

Labour and health & safety

Developing oil and gas resources and reserves into commercial production involves a high degree of risk. The Group's exploration operations are subject to all the risks common in its industry. These hazards and risks include encountering unusual or unexpected rock formations or geological pressures, geological uncertainties, seismic shifts, blowouts, oil spills, uncontrollable flows of oil, natural gas or well fluids, explosions, fires, improper installation or operation of equipment and equipment damage or failure. If any of these types of events were to occur, they could result in loss of production, environmental damage, injury to persons and loss of life. They could also result in significant delays to drilling programmes, a partial or total shutdown of operations, significant damage to equipment owned or used by the Group and claims for personal injury, wrongful death or other losses being brought against the Group. These events could result in the Group being required to take corrective measures, incurring significant civil liability claims, significant fines or penalties as well as criminal sanctions potentially being enforced against the Group and/or its officers. The Group may also be required to curtail or cease operations on the occurrence of such events. Were any of the above to materialise, they could have a material adverse effect on the Group's business, prospects, financial condition or results of operations. While the Group intends to implement certain policies and procedures to identify and mitigate such hazards, develop appropriate work plans and approvals for high-risk activities and prevent accidents from occurring, these procedures may not be sufficiently robust or followed to a sufficient extent by the Group's staff or third-party contractors to prevent accidents.

Risks associated with the need to maintain an effective system of internal controls

The Group's future growth and prospects will depend on its ability to manage growth and to continue to maintain, expand and improve operational, financial and management information systems on a timely basis, whilst at the same time maintaining effective cost controls. Any damage to, failure of or inability to maintain, expand and upgrade effective operational, financial and management information systems and internal controls in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations.

Funding risks

The Group may in the future need to raise additional funds to implement its strategy. There can be no assurance that the required funding will be available at an acceptable price or at all. If the Company opts to raise finance through the issue of Ordinary Shares or other equity securities, Shareholders could suffer a dilution in their interest in the Company. Failure to raise the required funds could have a material adverse effect on the Group's business, operating results and financial condition.

Macroeconomic risk

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group's products and services. A more prolonged economic downturn may lead to an overall decline in the volume of the Group's sales, restricting the Group's ability to realise a profit. The markets in which the Enlarged Group offers its products and services are directly affected by many national and international factors that are beyond the Group's control.

Foreign subsidiaries

The Company conducts and expects to conduct its operations through various subsidiaries including SEHIL, APN and NSI. Therefore, the success of the Group in the near term will be dependent on distributions from such subsidiaries to the Group in order that it may meet its obligations. The ability of such subsidiaries to make payments to the Company may be constrained by, among other things, the level of taxation, particularly in relation to corporate profits and withholding taxes, and the introduction of exchange controls or repatriation restrictions or the availability of hard currency to be repatriated.

Tax risks

The Group is subject to taxation and in a number of jurisdictions the application of such taxes may change over time due to changes in laws, regulations or interpretations by the relevant tax authorities.

Any such changes may have a material adverse effect on the Group's financial condition and results of operations.

Market perception

Market perception of junior exploration and extraction companies, in particular those operating in energy markets, as well as all oil and gas companies in general, may change in a way which could impact adversely the value of investors' holdings and the ability of the Company or the Group to raise further funds through the issue of further Ordinary Shares or otherwise.

Insurance coverage and uninsured risks

While the Board will determine appropriate insurance coverage, it may elect not to have insurance for certain risks due to the high premium costs associated with insuring those risks or for other reasons, including an assessment in some cases that the risks are remote or that cover is not available. No assurance can be given that the Group will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it or the relevant operator obtains and proceeds of insurance will be adequate and available to cover any claims arising. The Group may become subject to liability for pollution, blow-outs or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible. The Group intends to exercise due care in the conduct of its business and obtain insurance prior to commencing operations in accordance with industry standards to cover certain of these risks and hazards. However, insurance is subject to limitations on liability and, as a result, may not be sufficient to cover all of the Group's losses. The occurrence of a significant event against which the Group is not fully insured, or the insolvency of the insurer of such event, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Any indemnities the Group may receive from such parties may be difficult to enforce including if such sub-contractors, operators or joint venture partners lack adequate resources. In the event that insurance coverage is not available or the Group's insurance is insufficient to fully cover any losses, claims and/or liabilities incurred, or indemnities are difficult to enforce, the Group's business and operations, financial results or financial position may be disrupted and adversely affected. Further, even where the Group is insured, its contractors may themselves be insufficiently insured, or uninsured, in respect of damage they may cause to the Group's property or operations. In such cases, the Group may be required to incur additional costs to extend its cover to its contractors, from whom it may be unsuccessful in recovering such costs in full or at all. The payment by the Group's insurers of any insurance claims may result in increases in the premiums payable by the Company for its insurance cover and adversely affect the Group's financial performance. In the future, some or all of the Group's insurance coverage may become unavailable or prohibitively expensive.

Future litigation

From time to time, the Group may be subject, directly or indirectly, to litigation arising out of its operations. Damages claimed under such litigation may be material or may be indeterminate, and the outcome of such litigation may materially impact the Group's business, results of operations or financial condition. While the Group assesses the merits of each lawsuit and defends itself accordingly, it may be required to incur significant expenses or devote significant resources to defending itself against such litigation. In addition, the adverse publicity surrounding such claims may have a material adverse effect on the Group's business.

RISKS RELATING TO GENERAL EXPLORATION, DEVELOPMENT AND PRODUCTION

Exploration, development and production risks

There can be no guarantee that the Group will discover any more hydrocarbons, or that hydrocarbons will be discovered in commercial quantities or developed to profitable production. Developing a hydrocarbon production field requires significant investment, generally over several years, to build the requisite operating facilities, drill production wells along with implementing advanced technologies for the extraction and exploitation of hydrocarbons with complex properties. The level of investment required to implement these technologies, normally under difficult conditions, can be subject to

uncertainties about the amount of investment necessary, operating costs and other expenses. If costs incurred exceed budget, it could negatively affect the business, prospects, financial condition and results of operations of the Group. In addition, hydrocarbon deposits assessed by the Group may not ultimately contain economically recoverable volumes of resources and, even if they do, delays in the construction and commissioning of production projects or other technical difficulties may result in any projected target dates for production being delayed or further capital expenditure being required. The operations and planned drilling activities of the Group and its partners may be disrupted, curtailed, delayed or cancelled by a variety of risks and hazards which are beyond the control of the Group, including unusual or unexpected geological formations, formation pressures, geotechnical and seismic factors, environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharge of toxic gases, industrial accidents, occupational and health hazards, technical failures, mechanical difficulties, equipment shortages, labour disputes, fires, power outages, compliance with governmental requirements and extended interruptions due to inclement or hazardous weather and ocean conditions, explosions, blow-outs, pipe failure and other acts of God. Any one of these risks and hazards could result in work stoppages, damage to, or destruction of, the Group's or its partners' facilities, personal injury or loss of life, severe damage to or destruction of property, environmental damage or pollution, clean-up responsibilities, regulatory investigation and penalties, business interruption, monetary losses and possible legal liability, any of which could have a material adverse impact on the business, operations and financial performance of the Group. Although precautions to minimise risk are taken, even a combination of careful evaluation, experience and knowledge may not eliminate all of the hazards and risks. In addition, not all of these risks are insurable.

Hydrocarbon resource and reserve estimates

No assurance can be given that hydrocarbon resources and reserves reported by the Group now or in the future are or will be present as estimated, will be recovered at the rates estimated or that they can be brought into profitable production. Hydrocarbon resource and reserve estimates may require revisions and/or changes (either up or down) based on actual production experience and in light of the prevailing market price of oil and gas. A decline in the market price for oil and gas could render reserves uneconomic to recover and may ultimately result in a reclassification of reserves as resources.

Unless stated otherwise, the hydrocarbon resources and reserves data contained in this document is taken from the Competent Person's Report and has been certified by the Competent Person unless stated otherwise. There are uncertainties inherent in estimating the quantity of resources and reserves and in projecting future rates of production, including factors beyond the Company's control. Estimating the amount of hydrocarbon resources and reserves is an interpretive process and results of drilling, testing and production subsequent to the date of an estimate may result in material revisions to original estimates. The hydrocarbon resources data contained in this document and in the Competent Person's Report are estimates only and should not be construed as representing exact quantities. The nature of resource quantification studies means that there can be no guarantee that estimates of quantities and quality of the resources disclosed will be available for extraction. Any resource estimates contained in this document are based on production data, prices, costs, ownership, geophysical, geological and engineering data, and other information assembled by the Group (which it may not necessarily have produced). The estimates may prove to be incorrect and potential investors should not place reliance on the forward looking statements contained in this document (including data included in the Competent Person's Report or taken from the Competent Person's Report and whether expressed to have been certified by the Competent Person or otherwise) concerning the Group's resources and reserves or production levels. If the assumptions upon which the estimates of the Group's hydrocarbon resources have been based prove to be incorrect, the Group (or the operator of an asset in which the Group has an interest) may be unable to recover and produce the estimated levels or quality of hydrocarbons set out in this document and the Group's business, prospects, financial condition or results of operations could be materially and adversely affected.

Capital expenditure estimates may not be accurate

Estimated capital expenditure requirements are estimates based on anticipated costs and are made on certain assumptions. Should the Group's capital expenditure requirements turn out to be higher than currently anticipated (for example, if there are unanticipated difficulties in drilling or connecting to infrastructure or if there are price rises) the Group or its partners may need to seek additional funds which it may not be able to secure on reasonable commercial terms to satisfy the increased capital expenditure requirements. If this happens, the Group's business, cash flow, financial condition and operations May be materially adversely affected.

Appraisal and development results may be unpredictable

Appraisal results for discoveries are also uncertain. Appraisal and development activities involving the drilling of wells across a field may be unpredictable and not result in the outcome planned, targeted or predicted, as only by extensive testing can the properties of the entire field be fully understood.

Production operations may produce unforeseen issues and drilling activities may not be successful

Any production operation involves risks common to the industry, including blowouts, oil spills, explosions, fires, equipment damage or failure, natural disasters, geological uncertainties, unusual or unexpected rock formations and abnormal geological pressures. In the event that any of these occur, environmental damage, injury to persons and loss of life, failure to produce oil or gas in commercial quantities or an inability to fully produce discovered reserves could result. Drilling activities may be unsuccessful and the actual costs incurred in drilling, operating wells and completing well workovers may exceed budget. There may be a requirement to curtail, delay or cancel any drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. The occurrence of any of these events could have a material adverse effect on the Group's business, prospects, financial condition and operations.

Increase in drilling costs and the availability of drilling equipment

The oil and gas industry historically has experienced periods of rapid cost increases. Increases in the cost of exploration and development would affect the Group's ability to invest directly or indirectly in prospects and to purchase or hire equipment, supplies and services. In addition, the availability of drilling rigs and other equipment and services is affected by the level and location of drilling activity around the world. An increase in drilling operations outside or in the Group's intended area of operations may reduce the availability of equipment and services to the Group and to the companies with which it operates. The reduced availability of equipment and services may delay the Group's ability, directly or indirectly, to exploit reserves and adversely affect the Group's operations and profitability.

Interruptions in availability of exploration, production or supply infrastructure

The Group may suffer, indirectly, from delays or interruptions due to lack of availability of drilling rigs or construction of infrastructure, including pipelines, storage tanks and other facilities, which may adversely impact the operations and could lead to fines, penalties, criminal sanctions against the Group and/or its officers or its current or future licences or interests being terminated. Delays in obtaining licences, permissions and approvals required by the Group or its partners in the pursuance of its business objectives could likewise have a material adverse impact on the Group's business and the results of its operations.

Decommissioning costs may be greater than initially estimated

The Group, through its licence interests, expects to assume certain obligations in respect of the decommissioning of its wells, fields and related infrastructure. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities and require the Group to make provisions for and/or underwrite the liabilities relating to such

decommissioning. It is difficult to forecast accurately the costs that the Group will incur in satisfying its decommissioning obligations. When its decommissioning liabilities crystallise, the Group will be liable either on its own or jointly and severally liable for them with any other former or current partners in the field. In the event that it is jointly and severally liable with other partners and such partners default on their obligations, the Group will remain liable and its decommissioning liabilities could be magnified significantly through such default. Any significant increase in the actual or estimated decommissioning costs that the Group incurs may adversely affect its financial condition.

Risk of loss of oil and gas rights

The Group's activities are dependent upon the grant, renewal and maintenance of appropriate leases, licences, concessions, permits and regulatory consents which may not be granted or may be withdrawn or made subject to qualifications. A block or authorisation may be revoked by the relevant regulatory authority if, *inter alia*, an interest holder is no longer deemed to be financially credible or defaults on its block obligations.

Natural disasters

Any interest held by the Group is subject to the impact of any natural disaster such as earthquakes, epidemics, fires and floods etc. No assurance can be given that the Group will not be affected by future natural disasters.

Environmental factors

The Company's operations are, and will be, subject to environmental regulation (with regular environmental impact assessments and evaluation of operations required before any permits are granted to it) in any regions in which the Group may operate. Environmental regulations may evolve in a manner that will require stricter standards and enforcement measures being implemented, increases in fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees. Compliance with environmental regulations could increase the Group's costs. Should the Group's operations not be able to comply with this mandate, financial penalties may be levied.

Environmental legislation can provide for restrictions and prohibitions on spills, releases of emissions of various substances produced in association with oil, condensate and natural gas operations. In addition, certain types of operations may require the submission and approval of environmental impact assessments. The Group's operations will be subject to such environmental policies and legislation. Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards of enforcement and in more stringent fines and penalties for noncompliance. Environmental assessments of existing and proposed projects may carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditure, and breaches of such regulations may result in the imposition of material fines and penalties. In an extreme case, such regulations may result in temporary or permanent suspension of production operations. There can be no assurance that these environmental costs or effects will not have a materially adverse effect on the Group's future financial condition or results of operations.

RISKS RELATING TO THE COUNTRIES IN WHICH THE COMPANY OPERATES AND MAY OPERATE IN THE FUTURE

Political, economic, legal, regulatory and social risk

The Group's strategy is to expand further into locations in South East Asia. These locations include Indonesia, a developing nation with a large number of ethnic and indigenous groups, whose fiscal and monetary controls, laws, policies and regulatory processes in many areas are less established than in developed nations, and where there is a wide range of policies, ideologies and attitudes between the numerous different political parties and candidates. Since the downfall of President Suharto in 1998,

there have been five Presidents. The current President, Joko Widode, has been in power since October 2014.

The Group is exposed to the resultant risk of being adversely affected by possible political or economic instability in Indonesia through civil war, war, terrorism, military repression, expropriation, changes in mining or investment policies, laws and regulations, extreme fluctuations in currency exchange rates and high rates of inflation.

The Group's operations are exposed to the political, economic, legal, regulatory and social risks of countries in which it operates or intends to operate. These risks potentially include expropriation (including "creeping" expropriation) and nationalisation of property, instability in political, economic or financial systems, uncertainty arising from undeveloped legal and regulatory systems, changes to legislation, corruption, civil strife or labour unrest, acts of war, armed conflict, terrorism, outbreaks of infectious diseases, prohibitions, limitations or price controls on hydrocarbon exports and limitations or the imposition of duties on imports of certain goods.

Some of the countries in which the Group may have opportunities to acquire exploration licences have transportation, telecommunications and financial services infrastructures that may present logistical challenges not associated with doing business in more developed locales. Furthermore, the Group may have difficulty ascertaining its legal obligations and enforcing any rights it may have. Certain governments in other countries have in the past expropriated or nationalised property of hydrocarbon production companies operating within their jurisdictions. Sovereign or regional governments could require the Group to grant to them larger shares of hydrocarbons or revenues than previously agreed to.

Once the Group has established hydrocarbon exploration and/or production operations in a particular country, it may be expensive and logistically burdensome to discontinue such operations should economic, political, physical, or other conditions subsequently deteriorate. All of these factors could materially adversely affect the Group's business, results of operations, financial condition or prospects.

Governmental involvement in the oil and gas industry

Certain governments (including Indonesia) have exercised and will continue to exercise significant influence over many aspects of its economy, including the oil and gas industry. Any government action concerning the economy, including the oil and gas industry (such as a change in oil or gas pricing policy or taxation rules or practice, or renegotiation or nullification of existing concession contracts), could have a material adverse effect on the Group.

Further, there is no assurance that governments will not postpone or review projects or will not make any changes to laws, rules, regulations or policies, in each case, which could adversely affect the Group's financial position, results of operations or prospects.

Licensing and other regulatory requirements

The Group's activities in the countries in which it operates or intends to operate are subject to Licences, Permits, Concessions and Applications, regulations and approvals of governmental authorities including those relating to the exploration, development, operation, production, marketing, pricing, transportation and storage of oil and gas, the generation of electricity, taxation and environmental and health and safety matters. This includes any relevant regulatory notification and/or approval requirements regarding the SEHIL Acquisition.

The Group has limited control over whether or not the necessary approvals of Licences, Permits, Concessions and Applications (or renewals thereof) or relating to the SEHIL Acquisition are granted, the timing of obtaining (or renewing) such Licences, Permits, Concessions and Applications or approvals, the terms on which they are granted or the tax regime to which it or assets in which it has interests will be subject. As a result, the Group may have limited control over the nature and timing of the SEHIL Acquisition and/or the development and exploration of oil and gas fields in which it has or seeks interests.

Upon the expiry of Licences, Permits, Concessions and Applications, contractors may be required, under the terms of relevant Licences, Permits, Concessions and Applications or local law, to dismantle and remove equipment, cap or seal wells and generally make good production sites. Subject to the terms of the Licence and Permit or contract the Group's accounts may make provision for this decommissioning and such funds may be delivered, together with the equipment, to the government or relevant counterparty at the conclusion of the relevant Licence and Permit or contract.

Indonesian and South East Asian regional energy demand

The performance of the Indonesian economy and the economies of the South East Asia region have been relatively volatile, and there can be no assurance that anticipated levels of growth of such economies or of their energy requirements will in fact materialise. Should such economies not grow or should one or more economies or the region generally be subject to recession, then demand for energy and accordingly for oil and gas may not continue to increase in accordance with projected growth rates or may decline, and the planned expansion of power generation facilities may be reduced or not take place. In such circumstances, the Group may need to find alternative markets for certain of its expected future oil and gas developments. Such markets may not be available or it may not be economic to access such alternative markets from the Group's oil and gas reserves or power generation operations. Should any of such factors occur and if no alternative markets for the Group's oil and gas or power generated are then available, the level of the Group's exploration and development activities on assets in which it has an interest may be reduced. Even if such markets are available, the costs of accessing such alternative markets may be greater. All or any such factors may have a material adverse effect on the results of operations, financial condition and prospects of the Group.

INVESTMENT RISKS

Share price volatility and liquidity

Although the Company is applying for the Enlarged Share Capital to be admitted to trading on AIM, there can be no assurance that an active or liquid trading market for the Ordinary Shares will develop or, if developed, that it will be maintained. AIM is a market designed primarily for emerging or smaller growing companies which carry a higher than normal financial risk and tend to experience lower levels of liquidity than larger companies. Accordingly, AIM may not provide the liquidity normally associated with the Official List or some other stock exchanges. The Ordinary Shares may therefore be difficult to sell compared to the shares of companies listed on the Official List and the share price may be subject to greater fluctuations than might be the case for companies listed on the Official List. An investment in shares traded on AIM carries a higher risk than those listed on the Official List. The Company is principally aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment. The share price of Ordinary Shares may be subject to substantial fluctuation on small volumes of shares traded, and thus the Ordinary Shares may be difficult to sell at a particular price. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. There can be no guarantee that the value of an investment in the Company will increase. Investors may therefore realise less than, or lose all of, their original investment. The share prices of publicly quoted companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Group and its operations. These factors include, without limitation, (i) the performance of the Group and the overall stock market, (ii) large purchases or sales of Ordinary Shares by other investors, (iii) results of exploration, development and appraisal programmes and production operations, (iv) changes in analysts' recommendations and any failure by the Group to meet the expectations of the research analysts, (v) changes in legislation or regulations and changes in general economic, political or regulatory conditions and (vi) other factors which are outside of the control of the Group. Sales of substantial amounts of Ordinary Shares following Admission and/or termination of the lock-in and/or orderly market arrangements (the terms of which are summarised in paragraphs 15.15, 15.26, 15.27 and 15.28 of Part 6 of this document), or the perception that such sales could occur, could materially adversely affect the market price of the Ordinary Shares.

Such sales may also make it more difficult for the Company to sell equity securities in the future at a time and price that is deemed appropriate. There can be no guarantee that the price of the Ordinary Shares will reflect their actual or potential market value or the underlying value of the Company's net assets and the price of the Ordinary Shares may decline below the Placing and Subscription Price.

Investment risk

An investment in the Company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time or to lose the whole of their investment. While various oil and gas investment opportunities are available, potential investors should consider the risks that pertain to oil and gas development projects in general.

Determination of Placing and Subscription Price

Placees and Subscribers will subscribe or have subscribed for the Ordinary Shares at the Placing and Subscription Price, which is a fixed price, prior to satisfaction of all conditions for the Ordinary Shares to be issued. The Placing and Subscription Price may not reflect the trading value of the Ordinary Shares when issued or, the actual value of the Ordinary Shares, the Company's potential earnings or results or any other recognized criteria of value.

Dilution

Shareholders not participating in future offerings may find that their interest in the Company is diluted and pre-emptive rights may not be available to Shareholders, including, but not limited to Shareholders resident in jurisdictions with restrictions having the effect that they will not be granted subscription rights in connection with, or be able to subscribe for new shares in, such offerings. Statutory pre-emptive rights are proposed to be waived pursuant to the Resolutions to be approved at the General Meeting, as stated in the notice of the General Meeting at Part 7 of the Admission Document. The Company may in the future issue warrants and/or options to subscribe for new Ordinary Shares, including (without limitation) to certain advisers, employees, directors, senior management and consultants. The exercise of such warrants and/or options would result in dilution of the shareholdings of other investors.

Dividends

There can be no assurance as to the level of future dividends. Subject to compliance with the 2006 Act and the Company's Articles, the declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Directors, and will depend on, *inter alia*, the Company's earnings, financial position, cash requirements and availability of profits. A dividend may never be paid and, at present, there is no intention to pay a dividend.

It should be noted that the risk factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Company is or may be exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions, political, judicial, and administrative factors and in legal, accounting, regulatory and tax requirements in the areas in which it operates and holds its major assets. There may be additional risks and uncertainties that the Directors do not currently consider to be material or of which they are currently unaware which may also have an adverse effect upon the Company.

If any of the risks referred to in this Part 3 crystallise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its Ordinary Shares could decline and investors may lose all or part of their investment.

Although the Directors will seek to minimise the impact of the risk factors listed above, investment in the Company should only be made by investors able to sustain a total loss of their investment.

PART 4

COMPETENT PERSON'S REPORT

CGG Services (UK) Limited

COMPETENT PERSONS REPORT
on the assets of :-

Saffron Energy plc
Apennine Energy S.p.A.

FOR

Saffron Energy plc
Grant Thornton UK LLP
Turner Pope Investments (TPI) Ltd

CGG Services (UK) Limited Reference No: BP512

CGG Services (UK) Limited
Crompton Way, Manor Royal Estate
Crawley, West Sussex RH10 9QN, UK
Tel: +44 012 9368 3000, Fax: +44 012 9368 3010

cgg.com

CGG GeoConsulting

DISCLAIMER AND CONDITIONS OF USAGE

Professional Qualifications

CGG Services (UK) Limited (CGG) is a geological and petroleum reservoir consultancy that provides a specialist service in field development and the assessment and valuation of upstream petroleum assets.

CGG has provided consultancy services to the oil and gas industry for over 50 years. The work for this report was carried out by CGG specialists having between five and 20 years of experience in the estimation, assessment and evaluation of hydrocarbon reserves.

Except for the provision of professional services provided on a fee basis and products on a license basis, CGG has no commercial arrangement or interest with Saffron Energy plc (Saffron) or the assets, which are the subject of the report or any other person or company involved in the interests.

Data and Valuation Basis

In estimating petroleum in place and recoverable, CGG have used the standard techniques of petroleum engineering. There is uncertainty inherent in the measurement and interpretation of basic geological and petroleum data. There is no guarantee that the ultimate volumes of petroleum in place or recovered from the field will fall within the ranges quoted in this report.

CGG have independently assessed the proposed development schemes and validated estimates of capital and operating costs, modifying these where CGG judges it appropriate. CGG have carried out economic modelling based on forecasts of costs and production. The capital and operating costs have been combined with production forecasts based on the reserves or resources at the P90 (Proved), P50 (Proved + Probable) and P10 (Proved + Probable + Possible) levels of confidence and the other economic assumptions outlined in this report in order to develop an economic assessment for these petroleum interests. CGG's valuations do not take into account any outstanding debt or accounting liabilities, nor future indirect corporate costs such as general and administrative costs.

CGG have valued the petroleum assets using the industry standard discounted cash flow technique. In estimating the future cash flows of the assets CGG have used extrapolated economic parameters based upon recent and current market trends. Estimates of these economic parameters, notably the future price of crude oil and natural gas, are uncertain and a range of values has been considered. There is no guarantee that the outturn economic parameters will be within the ranges considered.

In undertaking this valuation CGG have used data supplied by Saffron in the form of geoscience reports, seismic data, engineering reports and economics data. The supplied data has been supplemented by public domain regional information where necessary.

CGG has used the working interest percentages that Saffron will have in the Properties, as communicated by Saffron. CGG has not verified nor do CGG make any warrant as to Saffron's interest in the Properties.

Within this report, CGG makes no representation or warranty as to: (i) the amounts, quality or deliverability of reserves of oil, natural gas or other petroleum; (ii) any geological, geophysical, engineering, economic or other interpretations, forecasts or valuations; (iii) any forecast of expenditures, budgets or financial projections; (iv) any geological formation, drilling prospect or hydrocarbon reserve; (v) the state, condition or fitness for purpose of any of the physical assets, including but not limited to well, operations and facilities related to any oil and gas interests or (vi) any financial debt, liabilities or contingencies pertaining to Saffron.

CGG affirm that from 15th January (the date for final inclusion of data) to the date of issue of this report, 1st March 2018, 1) there are no material changes known to CGG that would require modifications to this report, and 2) CGG is not aware of any matter in relation to this report that it believes should and may not yet have been brought to the attention of Saffron.

In order to conform to the AIM Guidance Note for Mining, Oil & Gas Companies (June 2009), CGG has compiled this CPR to confirm with the guidelines and definitions of the Petroleum Resources Management Systems (2007) as published by the Society of Petroleum Engineers (SPE). Further details of these definitions are included in Appendix A of the CPR.

Conditions of Usage

The report was compiled using existing data during the period November 2017 to January 2018. However, if substantive new data or facts become available or known, then this report should be updated to incorporate all the relevant data.

CGG has made every reasonable effort to ensure that this report has been prepared in accordance with generally accepted industry practices and based upon the data and information supplied by Saffron for whom, and for whose exclusive and confidential use (save for where such use is for the Purpose), this report is made. Any use made of the report shall be solely based on Saffron's own judgement and CGG shall not be liable or responsible for any consequential loss or damages arising out of the use of the report.

The copyright of this CPR document remains the property of CGG. It has been provided to Saffron for the purpose of Admission and its inclusion in the related AIM Admission Document and disclosure on Saffron's website in accordance with the AIM Rules (these together being the "Purpose"). CGG agrees to disclose the enclosed CPR to Saffron for the Purpose. The recipient should also note that this document is being provided on the express terms that, other than for the Purpose, it is not to be copied in part or as a whole, used or disclosed in any manner or by any means unless as authorised in writing by CGG. Notwithstanding these general conditions, CGG additionally agrees to the publication of the CPR document, in full, on Saffron's website in accordance with AIM rules.

The accuracy of this report, data, interpretations, opinions and conclusions contained within, represents the best judgement of CGG, subject to the limitations of the supplied data and time constraints of the project. In order to fully understand the nature of the information and conclusions contained within the report it is strongly recommended that it should be read in its entirety.

CGG Services (UK) Limited Reference No: BP512				
Rev	**Date**	**Originator**	**Checked & Approved**	**Issue Purpose**
02	1st March 2018	Peter Wright / Arthur Satterley / Potcharaporn Pongthunya	Andrew Webb	Final Report

Date	**Originator**	**Checked & Approved**
Signed:		

Prepared for:	Prepared By:
Saffron Energy plc 27-28 East Castle Street London W1W 8DH United Kingdom	Andrew Webb CGG Services (UK) Limited Crompton Way, Manor Royal Estate Crawley, West Sussex RH10 9QN United Kingdom

TABLE OF CONTENTS

FIGURES

TABLES

1 EXECUTIVE SUMMARY

This Competent Persons Report (CPR), prepared by CGG, presents the results of an independent evaluation of the petroleum reserves and resources of Saffron Energy plc (Saffron), and Apennine Energy SpA (Apennine).

The petroleum reserves and resources definitions used in the CPR are those published by the Society of Petroleum Engineers (SPE) and World Petroleum Congress (WPC) in 1998, supplemented by the Petroleum Resource Management System (PRMS), published by the SPE/WPC in 2007.

The report evaluates the principal petroleum interests currently held by Saffron, and Apennine, as part of a proposed merger.

1.1 Saffron assets

The principal assets of Saffron are the Sillaro, Bezzecca and Sant'Alberto gas fields. They are all located in the Po Valley in northern Italy. The licences are held by Northsun Italia SpA (NSI), a wholly owned subsidiary of Saffron Energy plc.

Table 1-1 Saffron - Summary of Licences/ Fields

Field (Licence)	Operator	Interest (%)	Status	Licence expiry date	Licence Area	Comments
Sillaro (Sillaro)	Saffron	100%	Production	29/10/2028	7.37km^2	On production
Bezzecca (Cascina Castello)	Saffron	90%	Production	22/10/2028	38.59km^2	On production
Santa Maddalena (Sant'Alberto)	Saffron	100%	Development	19/2/2032	19.51km^2	Development about to commence

Reserves and resources associated with these fields have been evaluated in accordance with PRMS (2007) and are presented below in both gross and net terms. Full definitions of the categories are provided in Appendix A.

Table 1-2 Saffron - Summary of Reserves

Field	Gross (MMscm)			Net attributable (MMscm)			Operator
	Proved	Proved & Probable	Proved, Probable & Possible	Proved	Proved & Probable	Proved, Probable & Possible	
Sillaro	0.3	61.5	74.8	0.3	61.5	74.8	Saffron
Bezzecca	37.6	73.0	104.3	33.9	65.7	93.9	Saffron
Sant' Alberto	46.7	58.9	78.9	46.7	58.9	78.9	Saffron

Table 1-3 Saffron - Summary of Contingent Resources

Field	Gross (MMscm)			Net attributable (MMscm)				
	1C	2C	3C	1C	2C	3C	Risk factor[1]	Operator
Sillaro	16.2	31.3	42.7	16.2	31.3	42.7	60%	Saffron
Bezzecca	56.0	79.0	102.0	50.4	71.1	91.8	60%	Saffron

1. *The risk factor for Contingent Resources means the estimated chance that the volumes will be commercially extracted*

The NPVs of the cash flows (net to Saffron) derived from exploiting the reserves are presented below for each uncertainty level and for base, low and high gas prices. The base gas price is based on the forward curve for Italian spot gas, with a 2018 price of Euro 0.213/m^3. Low and high price cases assume sensitivities to the base case of +/-15% for two years, and then +/- 20% thereafter.

Table 1-4 NPVs of Reserves (net Saffron)

Field	Gas price	NPV_{10} € MM		
		Proved	Proved & Probable	Proved, Probable & Possible
Sillaro	Base	-1.8	2.0	3.3
	Low	-1.8	0.9	2.0
	High	-1.8	3.1	4.6
Bezzecca	Base	-3.2	0.3	2.5
	Low	-4.1	-1.2	0.8
	High	-2.2	1.6	4.2
Sant'Alberto	Base	1.1	1.7	1.4
	Low	0.2	0.6	0.1
	High	2.1	2.7	2.8

1.2 Apennine assets

The principal assets of Apennine are the producing Rapagnano and Casa Tiberi onshore gas fields, together with the Sant'Andrea, Laura, Marciano and Manfria discoveries.

Table 1-5 Apennine – Summary of Licences / Fields

Field (Licence)	Operator	Interest (%)	Status	Licence expiry date	Licence Area	Comments
Rapagnano (Rapagnano)	Apennine	100%	Production	28/11/22	8.42km^2	On production
Casa Tiberi (San Lorenzo)	Apennine	100%*	Production	24/2/32	4.92 km^2	On production
Manfria (Costa del Sole)	Apennine	100%	Application for Exploration Permit	-	41.52 km^2	Discovery – pending further studies
Cielo (Costa del Sole)	Apennine	100%	Application for Exploration Permit	-	41.52 km^2	Prospect – pending further studies
Sant'Andrea (Casa Tonetto)	Apennine	100%	Concession	14/07/2035	4.50 km^2	Discovery with suspended production
Thin Beds and Level1 (Santa Maria Goretti)	Apennine	100%	Exploration Permit	19/12/19	101.30 km^2	Prospects pending further studies
Laura (DR74-AP)	Apennine	100%	Exploration Permit	New expiry date to be determined	63.13 km^2	Discovery – pending further studies
Laura East (DR74-AP)	Apennine	100%	Exploration Permit	New expiry date to be determined	63.13 km^2	Prospect - pending further studies
Dalla (D503-BR-CS)	Apennine	100%	Application for Exploration Permit	-	82.61 km^2	Prospect pending further studies
Marciano (Fonte San Damiano)	Apennine	100%	Concession	18/07/2018	23.71 km^2	P&A complete, site restoration ongoing
Zibido (Badile)	Apennine	100%	Exploration Permit	1st extension requested	154.50 km^2	Prospect pending further studies

** after transfer to Apennine of SARP Spa 25% interest*

Reserves and resources associated with these assets have been evaluated in accordance with PRMS (2007) and are presented below in both gross and net terms. Full definitions of the categories are provided in Appendix A.

Table 1-6 Apennine - Summary of Reserves (Gas)

	Gross (MMscm)			Net attributable (MMscm)			Operator
Name	Proved	Proved & Probable	Proved, Probable & Possible	Proved	Proved & Probable	Proved, Probable & Possible	
Rapagnano	13.2	18.0	25.0	13.2	18.0	25.0	Apennine
Casa Tiberi*	0.4	1.0	1.0	0.4	1.0	1.0	Apennine

** Casa Tiberi is categorised as reserves even though the economics are negative as producing the field has a less negative impact than abandoning the field sooner and incurring the abandonment costs*

Table 1-7 Apennine - Summary of Contingent Resources (Gas)

	Gross (MMscm)			Net attributable (MMscm)				
Name	1C	2C	3C	1C	2C	3C	Risk factor[1]	Operator
Sant Andrea [2]	45.4	54.7	68.0	45.4	54.7	68.0	90%	Apennine
Laura	348.3	401.6	606.1	348.3	401.6	606.1	40%	Apennine
Casa Tiberi	16.2	30.7	59.1	16.2	30.7	59.1	90%	Apennine
Marciano	-	70.8	-	-	70.8	-	65%	Apennine

1. *The risk factor for Contingent Resources means the estimated chance that the volumes will be commercially extracted*
2. *Sant Andrea Volumes are stated as 100%; CSTI have a 36.5% profit interest for the first 4 years of production*

Table 1-8 Apennine - Summary of Contingent Resources (Oil)

	Gross (MMbbl)			Net attributable (MMbbl)				
Name	1C	2C	3C	1C	2C	3C	Risk factor[1]	Operator
Costa del Sole (Manfria)[2]	2.2	2.4	2.7	2.2	2.4	2.7	50%	Apennine

1. *The risk factor for Contingent Resources means the estimated chance that the volumes will be commercially extracted*
2. *Application for exploration permit being made by Apennine*

Table 1-9 Apennine - Summary of Prospective Resources (Gas)

	Gross (MMscm)			Net attributable (MMscm)				
Name	Low	Best	High	Low	Best	High	Risk factor[1]	Operator
Laura East	17.4	82.9	118.3	17.4	82.9	118.3	56%	Apennine
Santa Maria Goretti:Thin Beds	265.8	927.7	1,886.3	265.8	927.7	1,886.3	68%	Apennine
Santa Maria Goretti:Level 1	8.6	19.3	30.2	8.6	19.3	30.2	34%	Apennine
D503-BR-CS (Dalla)[2]	252.1	696.7	1,430.2	252.1	696.7	1,430.2	56%	Apennine
Zibido (Gas Case	-	3,689.0	-	-	3,689.0	-	14%	Apennine

1. *The risk factor for Prospective Resources means the estimated chance of discovering hydrocarbons in sufficient quantity for them to be tested to the surface*
2. *Application for exploration permit being made by Apennine*

Table 1-10 Apennine - Summary of Prospective Resources (Oil)

	Gross (MMscm)			Net attributable (MMbbl)				
Name	Low	Best	High	Low	Best	High	Risk factor[1]	Operator
Costa del Sole (Cielo)[2]	2.4	2.8	3.3	2.4	2.8	3.3	43%	Apennine
Zibido (Oil Case)	-	19.2	-	-	19.2	-	14%	Apennine

1. *The risk factor for Prospective Resources means the estimated chance of discovering hydrocarbons in sufficient quantity for them to be tested to the surface*
2. *Application for exploration permit being made by Apennine*

The NPVs of the cash flows (net to Apennine) derived from exploiting the reserves are presented below for each uncertainty level and for base, low and high gas prices. The base gas price is based on the forward curve for Italian spot gas, with a 2018 price of Euro 0.213/m^3. Low and high price cases assume sensitivities to the base case of +/-15% for two years, and then +/- 20% thereafter.

Table 1-11 Estimated NPVs for Reserves (net Apennine)

Field	Gas price	NPV_{10} € MM		
		1P	2P	3P
Rapagnano	Base	0.4	0.7	0.8
	Low	0.1	0.3	0.3
	High	0.7	1.0	1.3
Casa Tiberi	Base	-0.6	-0.5	-0.5
	Low	-0.7	-0.6	-0.6
	High	-0.6	-0.5	-0.5

2 INTRODUCTION

This independent Competent Person's Report (CPR) was prepared by CGG (UK) Services Ltd (CGG) during the period from November 2017 to January 2018. The report evaluates the principal petroleum interests currently held by Saffron Energy plc (Saffron) and Apennine Energy SpA (Apennine). The two companies are part of a proposed merger.

2.1 Details and location of assets

2.1.1 Saffron

The principal assets and licences of Saffron that have been evaluated in this report are:

- The Sillaro Production licence containing the producing Sillaro gas field
- The Cascina Castello production licence containing the producing Bezzecca gas field
- The Sant'Alberto production licence containing the Santa Maddalena gas field

The licences are all located in the Po Valley in northern Italy. The location of the assets is shown in the map below. The licences are held by Northsun Italia SpA (NSI), a wholly owned subsidiary of Saffron Energy plc.

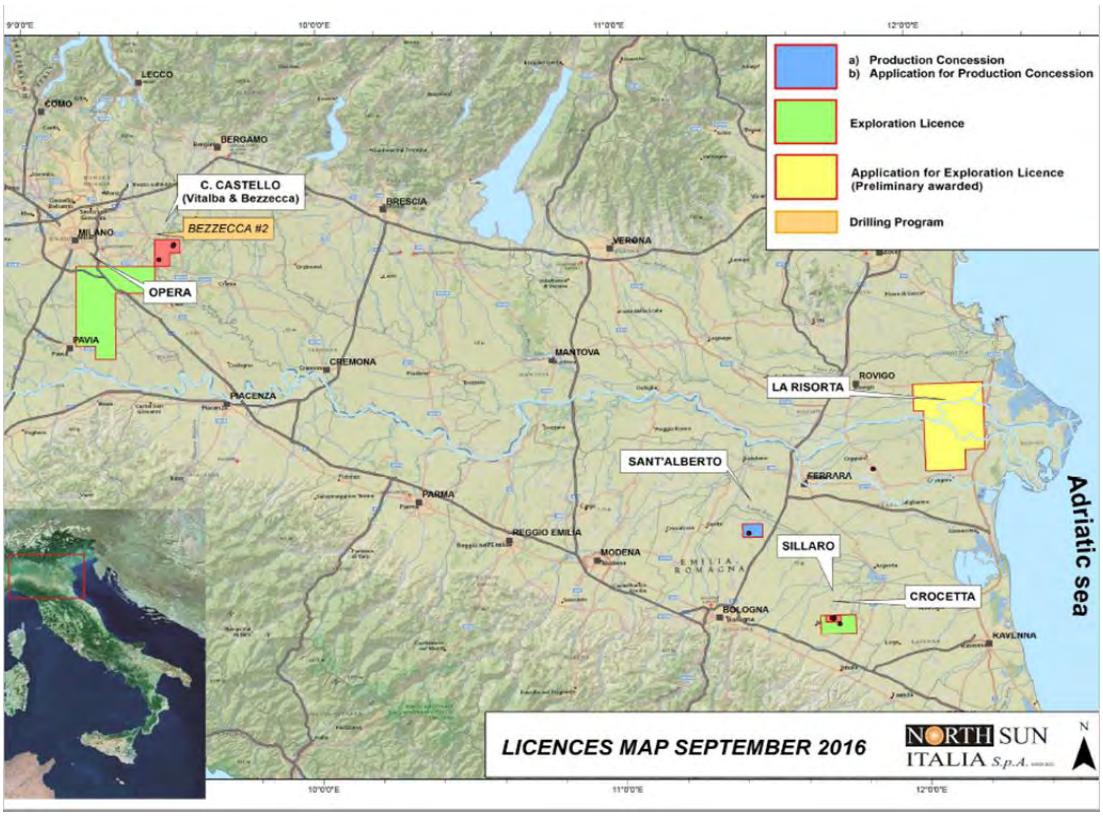


Figure 2-1 Location of Saffron licences

2.1.2 Apennine

The principal assets and licences of Apennine that have been evaluated in this report are:

- The Rapagnano licence containing the producing Rapagnano gas field
- The San Lorenzo licence containing the Casa Tiberi gas field
- The Costa del Sole licence, located onshore Sicily, containing the Manfria oil discovery and Cielo oil prospect (licence application submitted)
- The Casa Tonetto concession containing the Sant'Andrea gas discovery
- The Santa Maria Goretti permit Thin Beds and Level 1 gas prospects
- The DR74-AP permit, located offshore southern Italy, containing the Laura gas discovery and the Laura East prospect
- The D503-BR-CS licence containing the Dalla offshore gas prospect (licence application submitted)
- The Fonte San Damiano licence containing the Marciano gas discovery
- The Badile licence containing the Zibido prospect (oil or gas)

The location of the licences are shown in the map below.

Figure 2-2 Location of Apennine licences

2.2 Sources of Information

In completing this evaluation, CGG have reviewed information and interpretations provided by Saffron, as well as utilising complementary information from the public domain.

Data utilised by CGG in the preparation of this CPR included:-

- Location maps
- Geological and reservoir reports
- Well logs of drilled wells
- Seismic workstation projects and associated interpretations
- Historical production and pressure data
- AFE's and budgets

CGG have drafted the following CPRs and letters over the last five years on the assets, and as a result are familiar with the geology and production history of the fields. This previous work has been drawn upon and included where appropriate in this report.

- December 2012 – CPR (Sillaro, Sant'Alberto)
- December 2013 – CPR (Sillaro, Sant'Alberto, Bezzecca)
- December 2014 – CPR (Sillaro, Bezzecca)
- April 2015 – CPR for Apennine (Italian assets)
- February 2017 - CPR for Saffron (Sillaro, Sant'Alberto, Bezzecca)

In conducting the evaluation, CGG have accepted the accuracy and completeness of information supplied by Saffron, and have not performed any new interpretations, simulations or studies.

A site visit to the following assets was conducted by Mr Peter Wright of CGG on the 7th and 8th November 2017:

- Bezzecca
- Nervesa
- Sillaro
- Casa Tiberi
- Rapagnano

A visual inspection was made at all the sites, and the well site equipment and processing plant was found to be in good general condition and had the appearance of being well maintained.

2.3 Evaluation Methodology

In estimating the resource volumes, CGG has used the standard techniques of geological estimation to develop the technical sections of this CPR. Resource ranges (low, mid and high cases) have been determined using deterministic methods.

Saffron staff demonstrated and reviewed the seismic workstation interpretations during CGG visits to the company in 2013 and 2016, conducted as part of the previous CPRs. At the same time, maps and geological issues were discussed face to face with senior Saffron staff. The seismic picks, reservoir structure and gross rock volume, according to these interpretations, was demonstrated to CGG. Saffron interpretations have not changed since that time. Estimates of reservoir properties have been checked by CGG, and these are thought to be reasonable.

CGG has independently constructed development profiles, and validated estimates of capital and operating costs provided by Saffron. CGG has carried out economic modelling based on these forecasts of costs and production.

CGG has valued the petroleum assets using the industry standard discounted cash flow technique. In estimating the future cash flows of the assets CGG has extrapolated economic parameters based upon recent and current market trends. Estimates of these economic parameters (notably the future price of gas) are uncertain, and low and high price sensitivities derived from the base case have been considered. There is no guarantee that the outturn economic parameters will be within the ranges considered.

The report contains descriptions of the assets, and evaluates the range of petroleum (gas and oil) volumes that could be produced from the assets. For those assets that have been categorised as reserves, the NPV of the cash flows derived from exploiting those reserves has been calculated. For prospective resources the associated chance of geological success (GCoS) has been estimated.

2.4 Principal Contributors

CGG employees and consultants involved technically in the drafting of this CPR have between five and 20 years of experience in the estimation, assessment and evaluation of hydrocarbon reserves.

CGG confirms that itself and the authors of this report are independent of the Saffron, its directors, employees and advisers, and has no interest in the assets that are the subject of this report.

The following personnel were involved in the drafting of the CPR.

Andrew Webb

Mr Andrew Webb has supervised the preparation of this CPR. He is the Manager of the Petroleum Reservoir & Economics Group at CGG, having joined the company as Economics Manager in 2006. He graduated with a degree in Chemical Engineering and now has over 29 years' experience in the upstream oil and gas industry.

He has worked predominantly for US independent companies, being involved with projects in Europe and North Africa. He has extensive experience in evaluating acquisition and disposals of asset packages across the world. He has also been responsible for the booking and audit of reserves both in oil and gas companies, but also as an external auditor. He is a member of the Society of Petroleum Engineers and an associate of the Institute of Chemical Engineers.

Dr. Arthur Satterley

Has a BSc 1st Class in Geology, University College of Wales and a PhD from the University of Birmingham on Upper Triassic reef limestones and a post-doctoral research experience on platform carbonate margins. He has 20 years' experience of petroleum geological evaluations and resource assessments for both oil and gas fields throughout the exploration and development life cycle. He has experience of carbonate and clastic reservoirs in most major petroleum provinces including onshore northern and southern Italy.

Dr. Potcharaporn Pongthunya

Has an MSc in Petroleum Engineering from Texas A&M University and a PhD in Petroleum Engineering from Imperial College London. She has 14 years' work experience in the upstream oil and gas industry, and over 9 years' experience in reserves and resources assessment for a variety of field types both as a resources evaluator and as an external resource auditor. Her career has included working for operating and consulting companies in both production and reservoir engineering roles in the Far East, North America and Europe. She is a member of the Society of Petroleum Engineers.

Mr. Peter Wright

Has an MA in Engineering from Cambridge University and an MBA from Cranfield University. He has over 20 years' experience in the economic evaluation of upstream oil and gas assets including exploration prospects, development projects and producing assets. His career has included working as a director of specialist economics focussed consulting companies, and has covered a variety of asset types both onshore and offshore in Europe and the rest of the world. He also regularly delivers training courses on petroleum economics and risk analysis at various centres around the world. He is a member of the Society of Petroleum Engineers.

3 COUNTRY AND REGIONAL BACKGROUND

3.1 Market overview

Italy is one of the major gas producers in southern Europe, although in global terms represents only a small percentage of total gas production. Gas is produced from onshore fields predominantly in the north of Italy (Po Valley) and offshore fields in the Adriatic Sea, with some production from Sicily. Gas has been produced in the Po Valley since the Second World War, initially exclusively by ENI.

The gas markets were liberalized in 1998, which saw the end of the ENI monopoly over production, and the opening up of licences to independent oil and gas companies. Gas production is currently about 6.2 billion cubic metres per year, which satisfies about 10% of domestic demand. The remaining demand is met by imports from Russia, Algeria, Norway, Qatar and Libya. Italy is the third largest gas consumer in Europe after Germany and the UK.

The mainland of Italy is extensively served by national and local gas pipeline networks, facilitating the export and sale of production. A sophisticated market has also developed within the country for all aspects of servicing exploration and production activities, including well drilling and logging, process plant design and fabrication, and maintenance/operations.

3.2 Geological overview

The Po Basin is a major hydrocarbon province which was estimated by the US Geological Survey to have approximately 16 TCF of ultimately recoverable gas (Lindquist, USGS, 1999, on-line review paper). The basin occurs on the margins of the Alpine mountain chain to the North and the Apennine chain to the South. The basin opens into the Adriatic Sea to the East. Compression associated with the building of these mountain belts created a large deep basin (or “foredeep”) into which large thicknesses of sediment were shed from the surrounding uplands. As the basin deepened, turbidite sands were created and the high sediment supply began to fill the basin. Many of these turbidite sands are now gas-bearing, including long-established reservoirs discovered and developed by ENI, as well as thin-bedded reservoirs that are becoming new targets at the present time. Pliocene reservoirs include marine sands of significant lateral extent, which are folded over faulted structures that were formed during the compressional phases. At least 6km of Pliocene sediments were deposited in the foredeep, and as this was filled, the Po River drainage system became established, depositing marine sands in a delta-front environment. These may be overlain by fluvial sands as subsidence slowed and the basin filled.

The source of the gas is the Miocene and Pliocene shales that are interbedded with the turbidites and other sediments; the gas is predominantly biogenic rather than associated with deep burial of the shales. Biogenic gas may be generated at shallower depths than is required for the generation of gas by burial, and is related to the activity of bacteria acting on organic matter buried with the shales. However, the deepest known bacterial gas generation is recorded in the Po Basin at a depth of 4,500 metres. As such, the process can generate large gas volumes throughout a basin, and the source may continue to be active at the present time. These aspects

have led directly to the hydrocarbon richness of the Po Basin. Many structures and many reservoirs have proven to be gas-bearing, which explains the 263 developed fields in the Po Basin. Much potential for new discoveries remains, as do many opportunities for field re-development (missed pays and remaining gas in old fields).

The assets under consideration here include Miocene and Pliocene reservoir sands, stacked vertically, and including both thick, good quality gas sands and thin-bedded gas reservoirs. Reservoir sands are interbedded with shaley and marly fine-grained sediments. In many cases, the sands are pressure isolated from each other and may be drained in succession according to well designs and completion strategies employed.

4 SILLARO

4.1 Geology and Geophysics

The Sillaro gas field is located in the Emilia Romagna region, east of Bologna, in northern Italy. Sillaro is the new name given to the Pliocene gas sequences above the former Budrio Field (Miocene production), one of ENI's old assets. Gas was discovered in April 1955 with the drilling of well Budrio-2. The field was abandoned in 1982.

Saffron identified an undrained series of sands and has successfully put these on-stream by means of well Sillaro-1dir. Well logs confirm the clear presence of gas bearing sands and each of three production tests flowed at peak gas rates in excess of 100,000 scm/d.

The Sillaro Field consists of seven vertically stacked, gas-charged Pliocene sands above the Top Miocene reflector of the Budrio Field. Depth structure maps at Top PL2-A, B1, C0, C1, C2, C3 and E1 reservoirs suggest four-way dip closed traps up to 0.9 sq. km in size.

As shown on Figure 4-1, the available 2D seismic lines do not provide adequate coverage of the structure. However, the depths of the different reservoir zones are known from the old Budrio wells in addition to the Sillaro wells. Regional knowledge supports the definition of a simple closure as presented in Figure 4-2 but there is a significant level of uncertainty regarding Gross Rock Volume (GRV) at Sillaro. The lack of high resolution seismic data over the asset is a serious limitation on the understanding of reservoir connectivity field-wide.

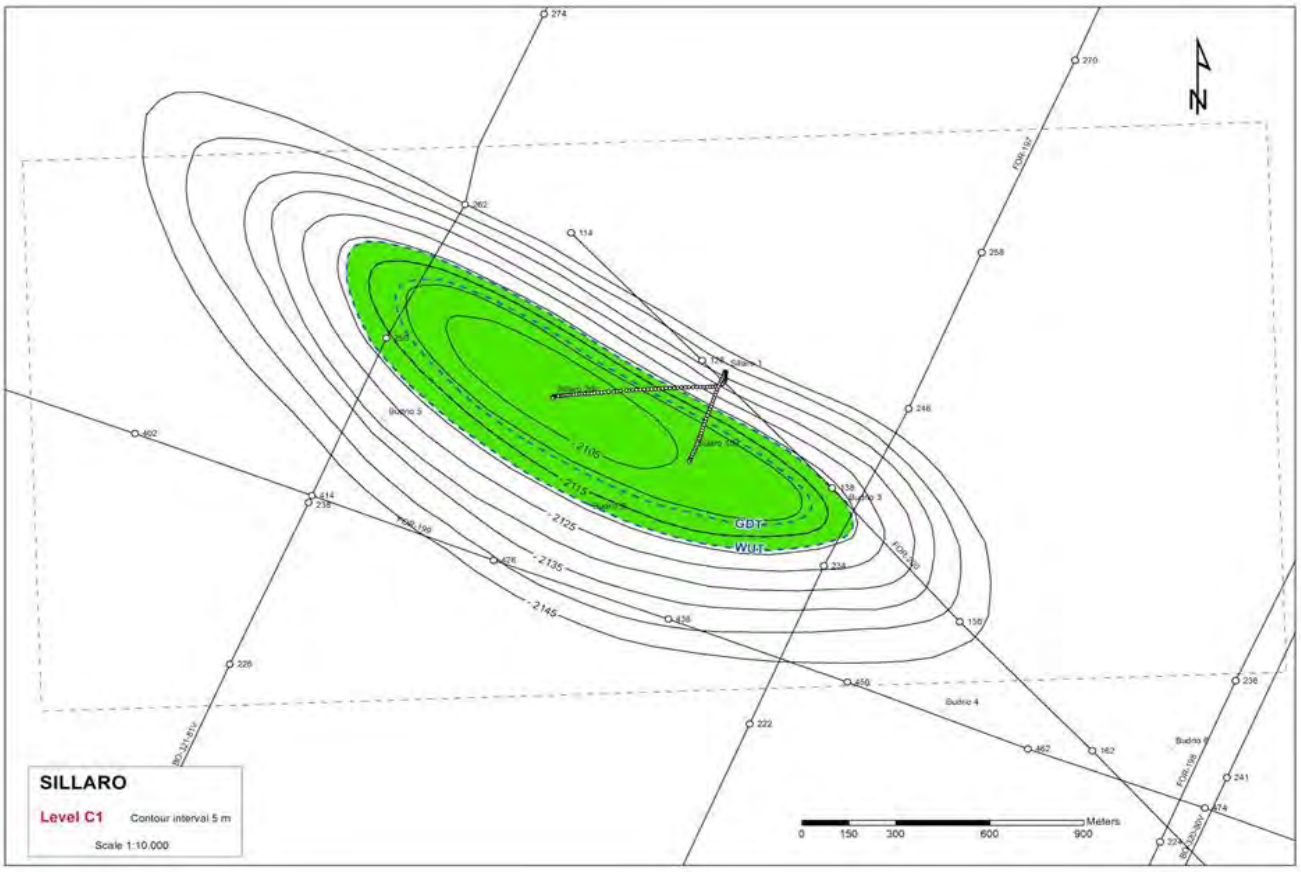


Figure 4-1 Example Depth Structure Map at Top Pliocene Level C1, Sillaro Field

The underlying Miocene has sandy reservoir formations, which are rather silty and thin-bedded. A modern log suite is not available over the section. Permeability of the target Miocene reservoir ranges from much less than 0.1mD to a few millidarcies. The old logs include SP (Spontaneous Potential), sonic and resistivity only, so identification of reservoir beds is problematic.

Mapping and petrophysical analysis provided the following in-place estimates for the Miocene reservoirs of Sillaro (ref. Table 4.1):

Table 4-1 Estimated Gas in Place, Miocene Reservoirs, Sillaro Field

Reservoir Horizon	Gross Bulk Volume (GBV) - MMscm	Original Gas In-place (OGIP) - MMscm
Mid Miocene	34.5	145.7
Deep Miocene	3.4	33.6

The above Gas Initially In-place (GIIP) values appear reasonable considering the available dataset for the evaluation. However, they are subject to significant uncertainty arising from:

- poor seismic coverage (Gross Rock Volume definition and ability to assess compartmentalization risk)

- limited wireline log data availability (limits determination of reservoir properties)

4.2 Reservoir Engineering

The development of the Sillaro gas field was begun by Saffron in 2005, when the well Sillaro-1-Dir was drilled (the well Sillaro-1 was dry). Three hydraulically separated gas bearing levels: A, B1, and C1+C2 were successfully tested and the well was completed with a single selective string. The Sillaro-2 Dir well was drilled in 2009. This well has a dual selective completion (Short and Long strings) and has successfully tested five different gas levels (namely, A, C0, C2+C3 and E1). All these different gas bearing levels are hydraulically separated and there is no pressure communication between them. Figure 4.2 is a schematic of the reservoir levels and also a cross sectional diagram of the well completions. The C0 level is the only currently producing layer in the Sillaro field as shown in the green box. The suspended production levels are shown in the grey boxes.

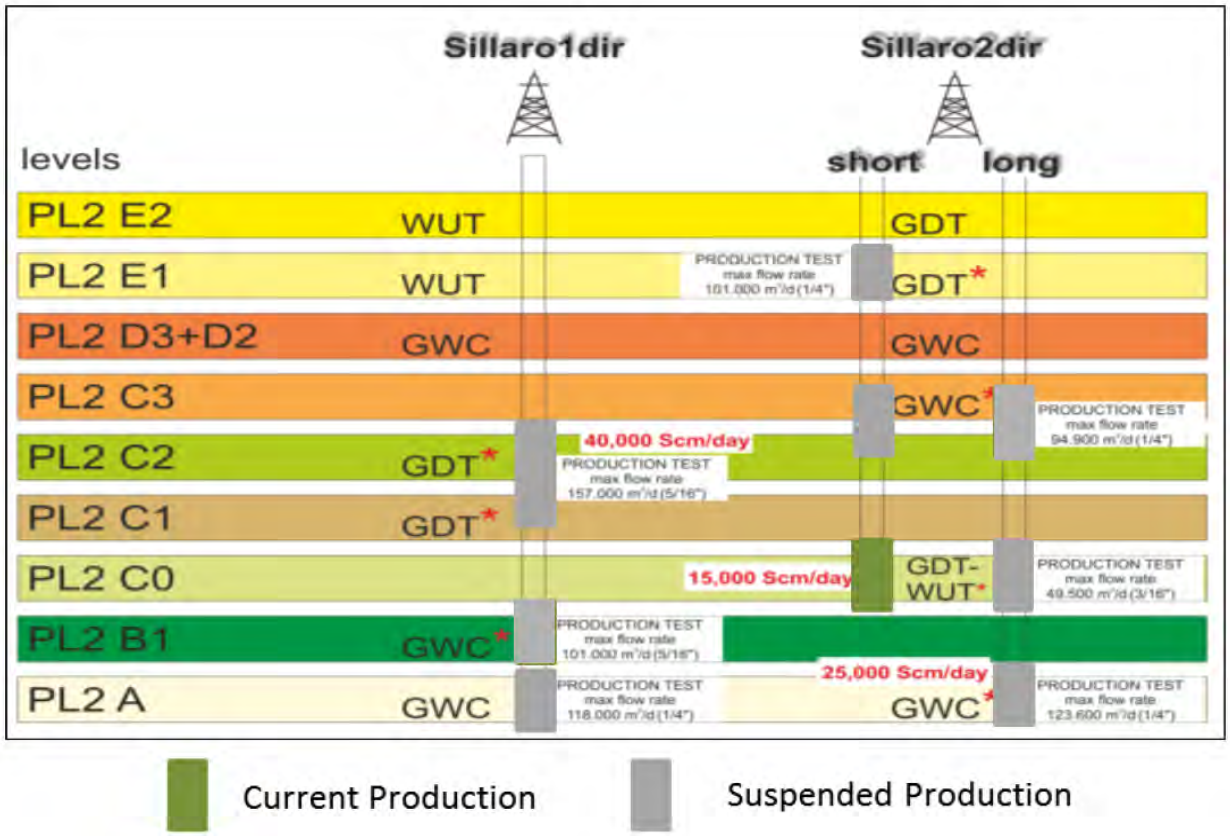


Figure 4-2 Sillaro Field Producing Levels and Well Completions (as of 31st October 2017)

Key:- WUT = Water Up To, GWC = Gas Water Contact, GDT = Gas Down To

Production from the Sillaro field started in May 2010 from 3 different reservoir levels; the field is currently producing from C0 in Sillaro-2dir (Short String). The Sillaro production data have been provided as at 31st October 2017. The total production of the Sillaro field as of 31st October 2017 is 121.62 MMscm. The current

producing level and the production from the suspended levels are tabulated in Table 4.2. Figure 4.3 shows the daily gas production of each level in Sillaro.

Level E1 was producing from Sillaro-2Dir (Short String), and was suspended in August 2011 due to excessive water breakthrough.

C2+C3 levels were put on production in July 2013 via Sillaro-2dir (Short String). The C2+C3 levels were switched to produce via Sillaro-2dir (Long String) in November 2014 before it was suspended due to water load up. Attempts were made in 2016 to bring the levels back online but were unsuccessful.

C1+C2 levels started production from Sillaro-1Dir in June 2010 producing at fairly good gas production rates until January 2012, when the flow was stopped due to the facilities being unable to handle associated condensate. The facilities have been upgraded to resolve the issue, and the level C1+C2 resumed production in July 2013. In 2014, there was a significant increase of the water production in Sillaro-1dir from the level C1+C2. Consequently, the C1+C2 levels were suspended in April 2014. During 2015-2016, Saffron has attempted but failed to shut off water from C2 and to bring C1 online in Sillaro-1Dir and Sillaro-2Dir (Long String). The operations have blocked future access to the B1 and A levels.

Level C0 is thin bedded and below log resolution. Notwithstanding the fact that it cannot be defined by logs, as at 31st October 2017 level C0 has produced 17.74 MMscm of gas. This demonstrates additional potential in thin bedded zones. Level C0 was the only level on production as of 31st October 2017. Decline curve analysis has been performed to estimate remaining reserves.

Level B1 was put on production via Sillaro-1Dir in 2012. B1 was shut-in during 2013-2014 while the Sillaro-1Dir was producing from C1+C2. B1 was online again in June 2014. There was a significant increase in water production in 2015. B1 was shut-in in November 2015 for intervention on C1+C2 level in Sillaro-1Dir. The interventions in both Sillaro-1Dir and Sillaro-2Dir (Long String) prevent future access to level B1 from the existing wells.

Level A has been produced from Sillaro-2Dir (Long String) between 2010 and 2014 before watering-out. The interventions in both Sillaro-1Dir and Sillaro-2Dir (Long String) prevent future access to level A from the existing wells.

Studies of historic production and pressure have judged that there had been a misallocation of production between C1, C2, and A levels due to leakage. In addition level C1 has produced 1 MMscm of gas when comingled with C2 (i.e. at 31st October 2017, level C1, C2, and A have produced 1 MMscm, 51 MMscm, and 16 MMscm, respectively). Therefore, there is the potential of undrained gas volumes in C1 hence the intervention attempts during 2015-2016.

Level E1 has produced 5.91 MMscm of gas as at 31st October 2017and has been suspended due to water.

Table 4-2 Sillaro Production Levels and Cumulative Production as of 31st October 2017

Level	Status	Well(String)	Cumulative Production (as of 31st October 2017)
E1	Suspended due to high water	Sillaro-2-Dir(SS)	5.91 MMscm
C2+C3	Suspended due to high water	Sillaro-2Dir(SS)	11.90 MMscm
C2+C3	Suspended due to high water	Sillaro-2Dir(LS)	0.28 MMscm
C1+C2	Suspended due to high water	Sillaro-1Dir	30.91 MMscm
C0	Current producing level	Sillaro-2Dir(SS)	17.74 MMscm
B1	Suspended due to high water/inaccessible	Sillaro-1Dir	16.44 MMscm
A	Suspended due to high water	Sillaro-2Dir(LS)	38.44 MMscm

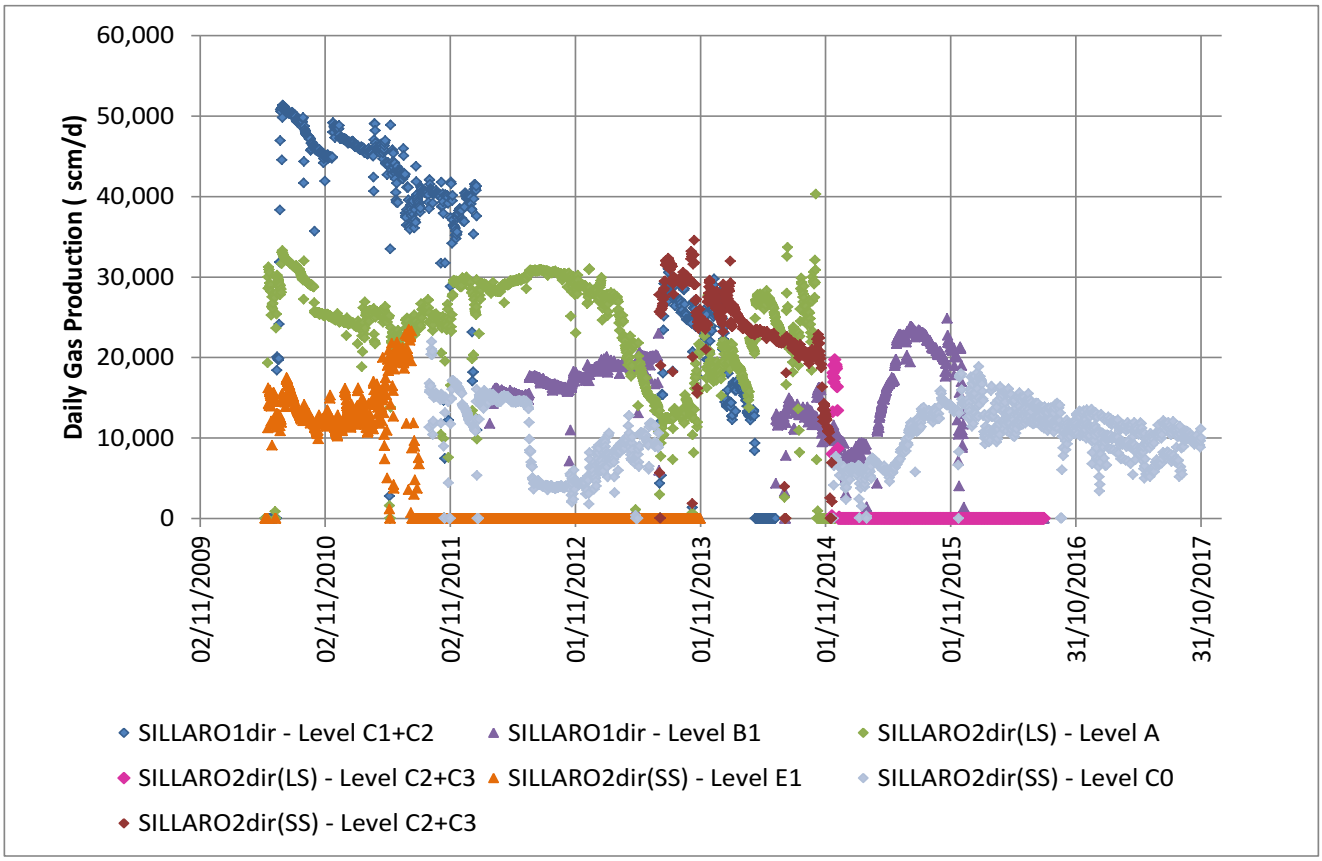


Figure 4-3 Daily Gas Production of Each Level in Sillaro

CGG has classified petroleum resources using the SPE Petroleum Resource Management System (2007). The reserves and contingent resources reported are as at 1st January 2018. Table 4.3 is the summary of the remaining reserves and contingent resources in the Sillaro field.

Table 4-3 Sillaro Remaining Reserves and Contingent Resources by Layer as of 1st January 2018

Remaining technical reserves and resources as of 1st January 2018 (100%)						
Layer	Reserves, MMscm (1)			Contingent Resources, MMscm (1)		
	1P	2P	3P	1C	2C	3C
E1						
E0 (2)	-	-	2.9			
D (2)	-	-	7.9			
C2						
C1 (3)				16.2	27.5	38.8
C0	0.3	0.8	3.5			
B1 (3)				-	3.8	3.8
A						
Miocene Medium (3)	-	47.8	47.8			
Miocene Deep (3)	-	13.4	13.4			
Total (4)	**0.3**	**62.0**	**75.4**	**16.2**	**31.3**	**42.7**

(1) MMscm is Million standard cubic metres.
(2) E0 and D layers are assumed to be recovered from one string of Sillaro-3 (dual string, side-tracked from Sillaro-1) well drilled in Q2 2018. The reserves and resources are subjected to final board approval and funding.
(3) C1, B1, Miocene Medium, and Miocene Deep are assumed to be recovered from the other string of Sillaro-3 (dual string, side-tracked from Sillaro-1) well drilled in Q2 2018. The reserves and resources are subjected to final board approval and funding.
(4) Total remaining volumes are arithmetically summation of all layers and may not add due to rounding error.

The C0 reserves have been assessed using decline curves. The additional reserves and contingent resources are estimated based on the current development plan of drilling Sillaro-3Dir by sidetracking from Sillaro-1. Saffron has informed CGG that the Sillaro-3Dir development plan has been approved and funded. The Miocene sequence is split into Miocene Medium and Miocene Deep. The Miocene Medium was previously produced in the 1960s as the Fantuzza field from Budrio-2 and Budiro-3Dir wells. Total gas production was 10.6 MMScm, but the historical daily production has not been made available for review. The 2P reserves of Miocene Medium and Miocene Deep are estimated by applying 40% recovery factor to the gas-initially-in-place. The C1 and B1 levels have been classified as contingent resources. In order for C1 and B1 to be re-classified as reserves, the Sillaro-3Dir must be drilled, logged, and tested. It should be noted that disappointing evaluation results for Sillaro-3Dir could lead to reclassification/reduction of resources.

The Sillaro-3Dir well is planned as a dual string completion. One of the strings is for Miocence production targeted in July 2018. The D and E0 levels are assumed to be recovered by the other string of Sillaro-3Dir with production targeted in July 2018 and November 2020 respectively. There are no remaining reserves in the E1, C2, and A levels.

The production profiles for 1P, 2P and 3P reserves are graphically shown in Figure 4.4. Table 4.4 shows the annual production and cumulative production.

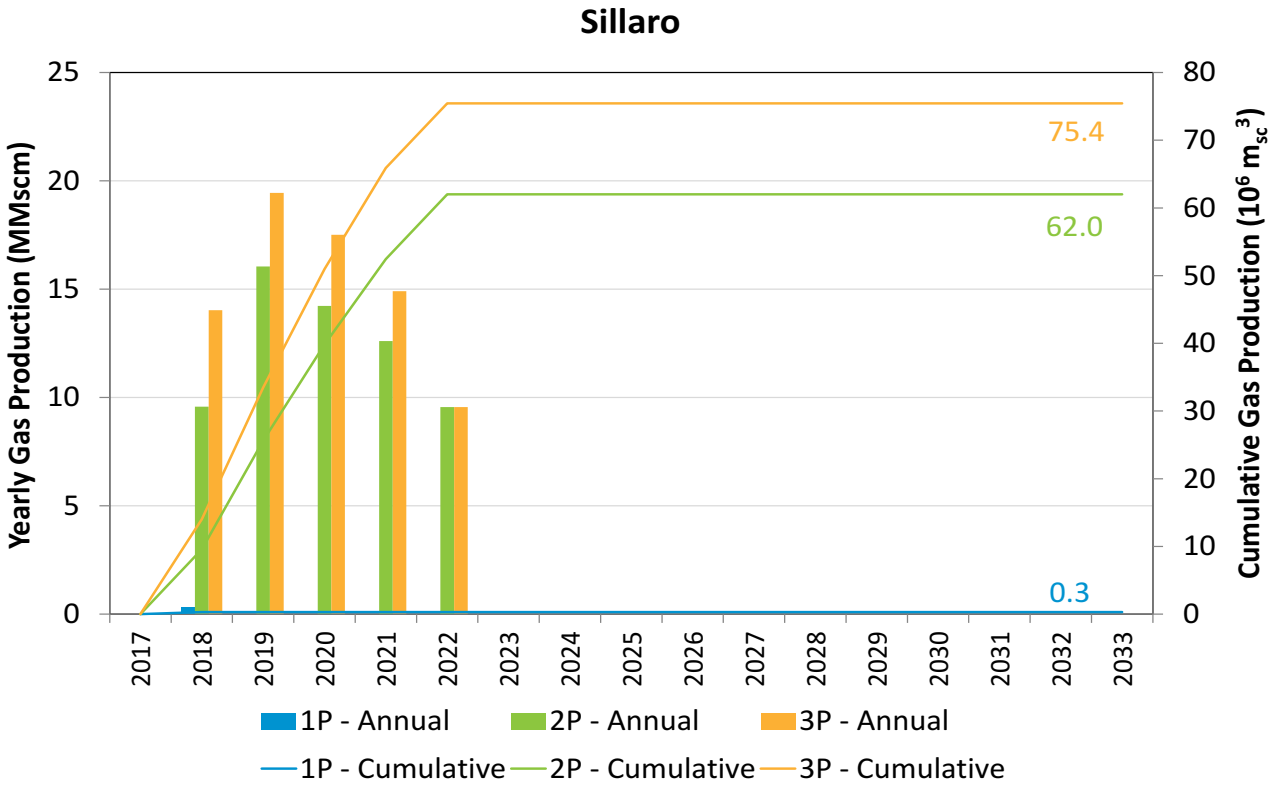


Figure 4-4 Technical Production Profiles of Sillaro 1P, 2P and 3P (before Economic Cut-off)

Table 4-4 Annual Production and Cumulative Production of Sillaro (before Economic Cut-off)

Year	1P		2P		3P	
	Annual Production (MMscm)	Cumulative Production (MMscm)	Annual Production (MMscm)	Cumulative Production (MMscm)	Annual Production (MMscm)	Cumulative Production (MMscm)
2018	0.32	0.32	9.58	9.58	14.03	14.03
2019	0.00	0.32	16.04	25.62	19.45	33.47
2020	0.00	0.32	14.22	39.85	17.51	50.98
2021	0.00	0.32	12.60	52.45	14.91	65.89
2022	0.00	0.32	9.56	62.00	9.56	75.45

5 BEZZECCA

5.1 Geology and Geophysics

CGG has reviewed the methods, interpretations and results of new geological interpretations carried out by Saffron for the Bezzecca Field. During the last 18-24 months, new structural maps have been generated from re-processed 2D seismic lines. Saffron's seismic project and interpretation has been reviewed on workstations by CGG.

The distribution of 2D lines over the area of interest is shown in Figure 5.1 below:

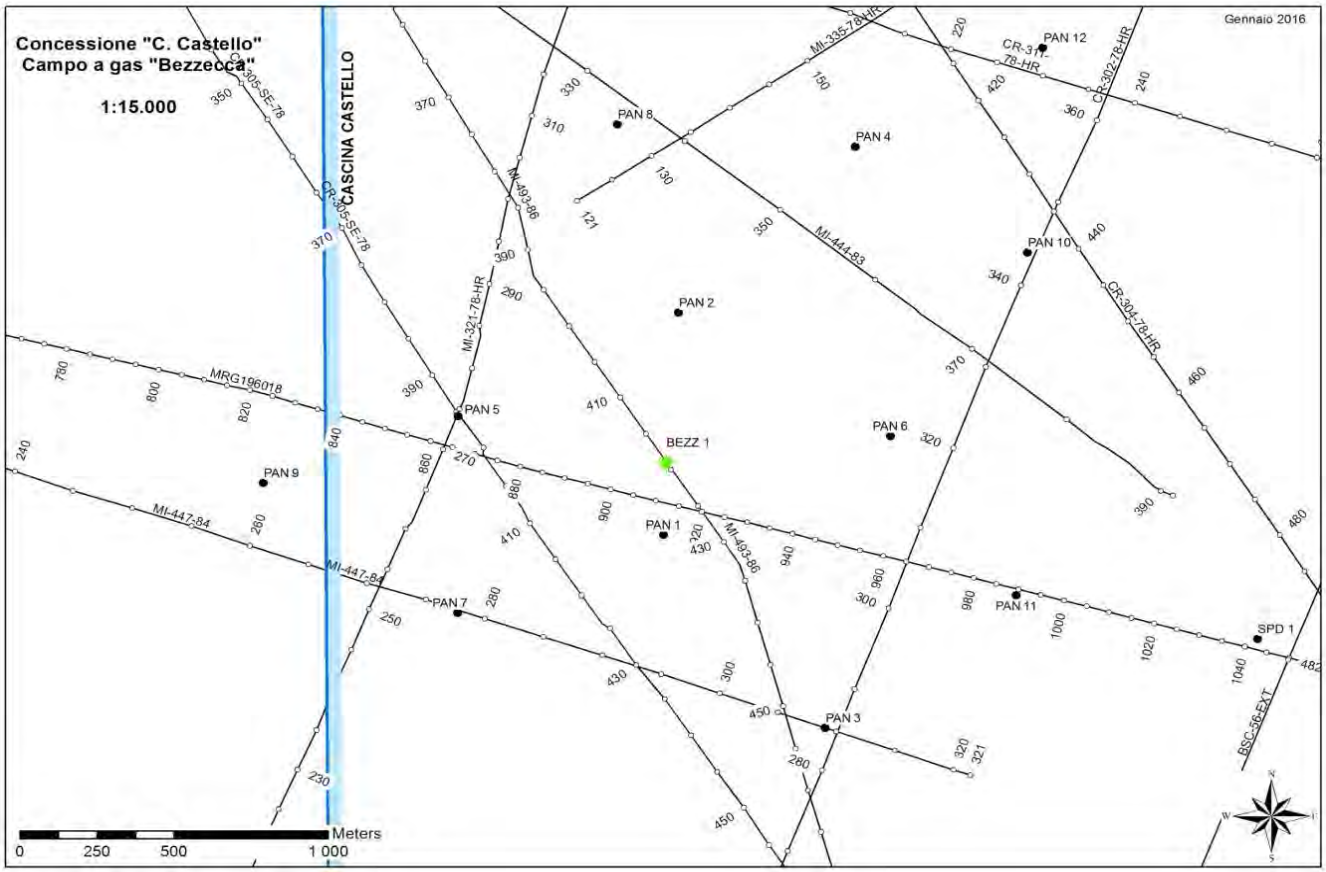


Figure 5-1 Seismic Base Map and Location of Wells, Bezzecca Field

Whereas the seismic coverage is adequate for a general view of the structure, the interpretation of faults and fault-bounded blocks is subject to uncertainty. The old Pandino wells provide accurate depth markers at top reservoir and intra-reservoir levels in between 2D lines.

The re-processing has resulted in improved imaging of reservoir and faults, and as a result of the re-interpretation, the future development plan has been modified.

The main result of the re-mapping has been the identification of four isolated structural blocks, each having different fluid contacts as shown in Figure 5.2 below:

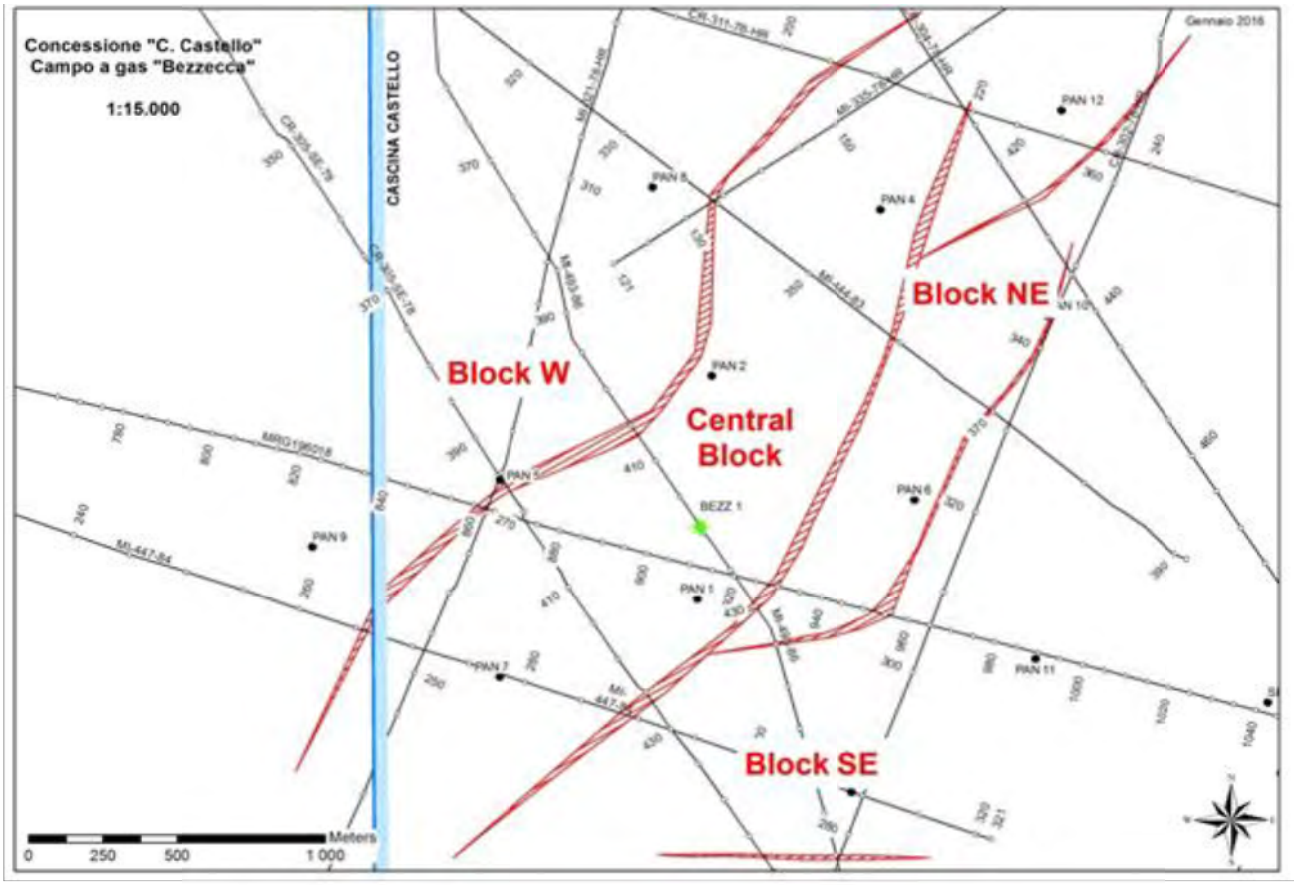


Figure 5-2 Identified Fault Blocks, Bezzecca Field

In the Bezzecca Field, there are six target reservoirs, three in the Pliocene (PL1C, PL1B and PL1A) and three more in the underlying Miocene (MI3-T, MI3-S and MI3-R).

Reservoir correlations (between wells) have been reviewed and revised as necessary. Whilst the correlations appear to be sound, there is always scope for mis-correlation between wells in the absence of 3D seismic. It is assumed that reservoir sands are laterally continuous, and whereas experience suggests that this is normally the case in the area, and is geologically the most reasonable, only long-term production will reveal just how laterally connected the sands are. They are thin enough that a small (unmapped) fault could conceivably compartmentalize the reservoir, for example.

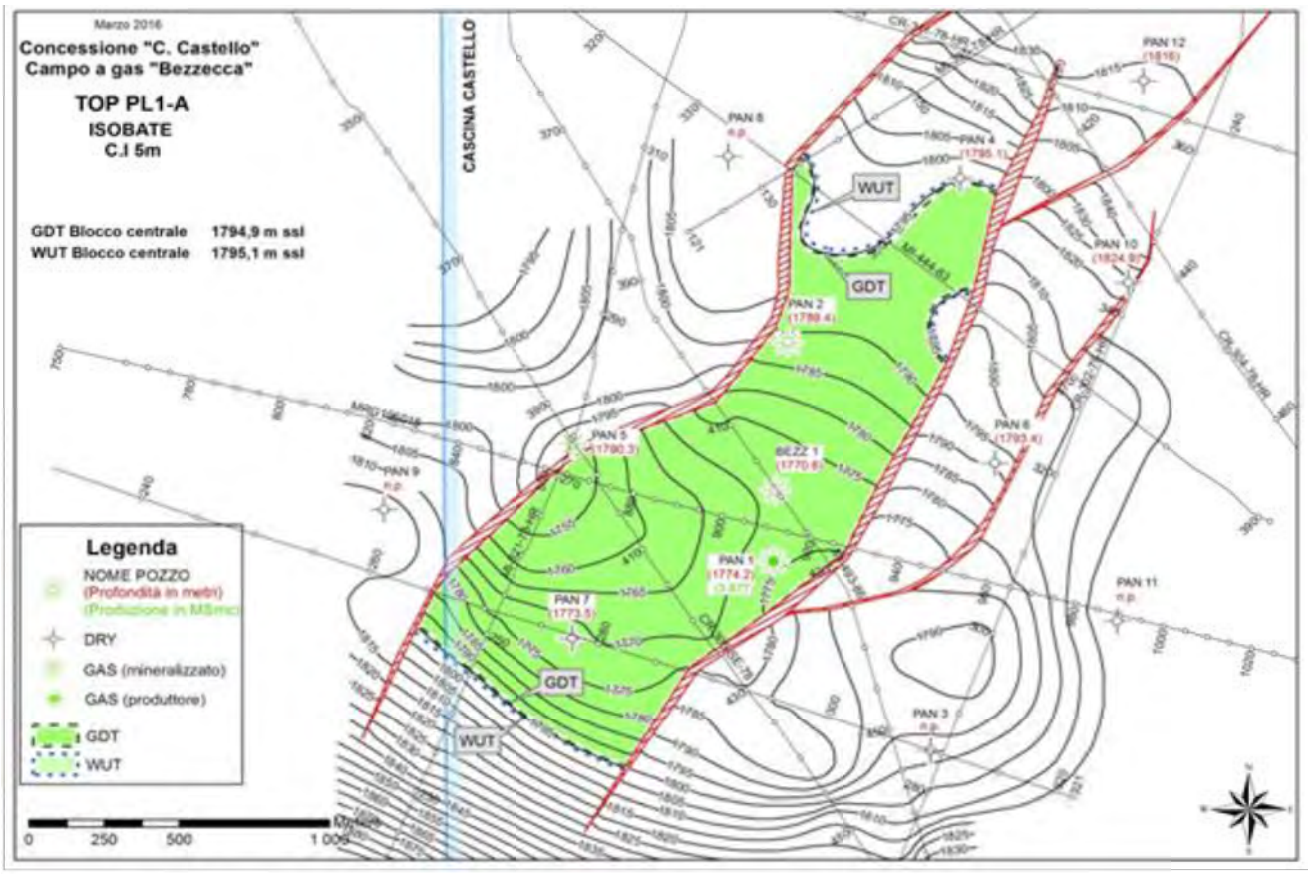


Figure 5-3 Pliocene Reservoir Level PL-1A Depth Structure, Bezzecca Field

In addition to a revision of the structural and stratigraphic interpretation, a full and detailed review of the rock properties has been undertaken by a petrophysicist with experience in the region. The wireline log data underlying the petrophysical interpretations is dominated by older log suites in the old Pandino wells, but also includes the latest Bezzecca suite of logs. There remains some uncertainty in the input parameters and output results, but this is not as significant as the uncertainty in Gross Rock Volume that derives from the 2D seismic coverage.

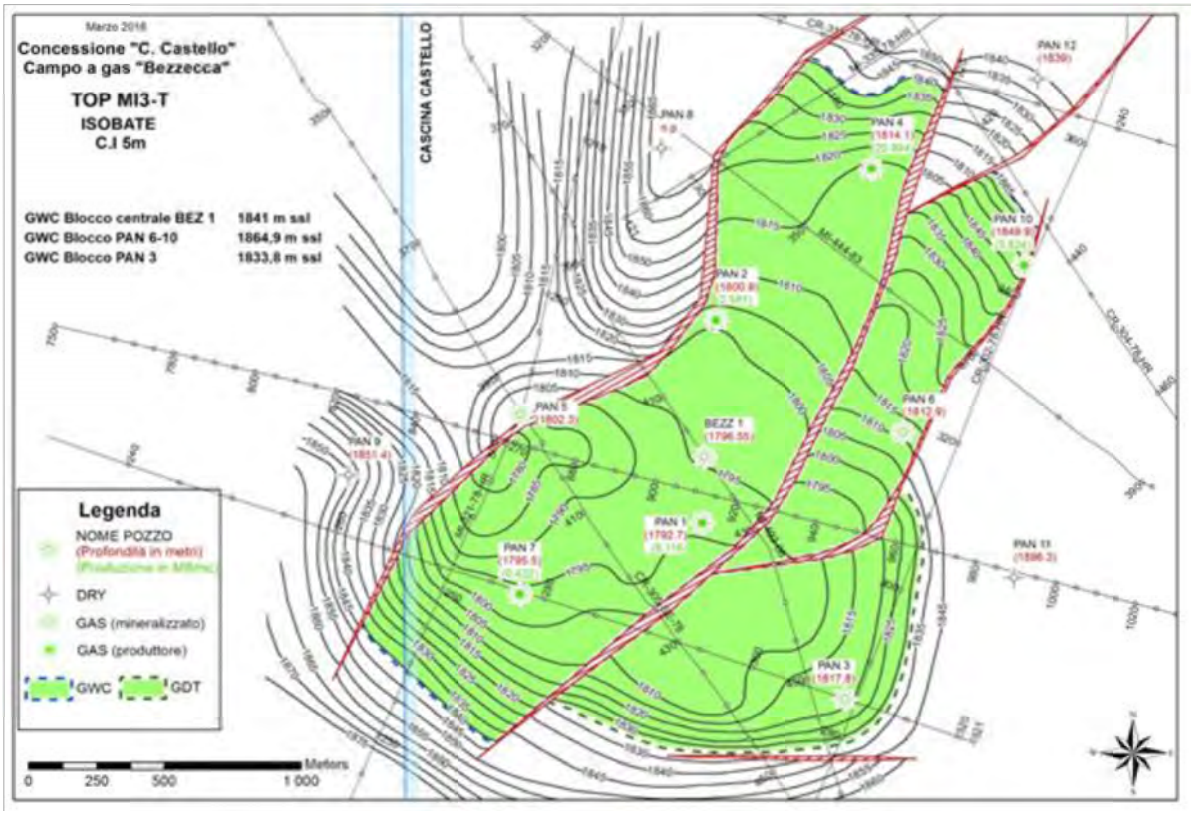


Figure 5-4 Miocene Reservoir Level MI3-T Depth Structure, Bezzecca Field

Reservoir properties for the different gas-bearing target layers are provided in the table below:

Table 5-1 Reservoir Properties in Bezzecca Reservoir Zones, Bezzecca Field

LEVELS	Net/Gross (fraction)	PHIE (fraction)	Sw (fraction)	1-Sw (fraction)	Bg (fraction)	1/Bg (fraction)
PL1-C	0.6	0.18	0.30	**0.70**	0.005176	**193.19**
PL1-B	0.9	0.18	0.30	**0.70**	0.005156	**193.94**
PL1-A	**0.75**	**0.15**	**0.40**	**0.60**	**0.005135**	**194.73**
MI3-T	0.341	0.11	0.55	0.45	0.005088	**196.55**
MI3-S	0.439	0.13	0.40	**0.60**	0.005049	**198.07**
MI3-R	0.387	0.11	0.55	0.45	0.005022	**199.12**

The calculation of GIIP proceeded by means of standard and reliable industry methods, including the use of the depth structure maps, initial gas-water contacts (in each fault block) and the reservoir and fluid properties as tabulated above. GIIP is reproduced in the three tables below. Significant uncertainties in the Gross Rock

Volume and field-wide average reservoir properties, as well as the presence of undetected structural or stratigraphic discontinuities, could have an impact on the reserves that are estimated from these GIIP numbers.

Table 5-2 Original Gas-in-Place, Central Fault Block, Bezzecca Field

Levels	GIIP of Central Fault Block NNE-SSW (wells Pandino 1,2,4,7 & Bezzecca 1)					
	GRV	Phi	NtG	Sg	1/Bg	GIIP
	MMscm	(frac)	(frac)	(frac)		MMscm
PL1-B	1.26	0.18	0.9	0.7	193.94	27.71
PL1-A	4.17	0.15	0.75	0.6	194.73	54.81
MI3-T	33.8	0.11	0.341	0.45	196.55	112.14
MI3-S	8.9	0.13	0.439	0.6	198.07	60.36
MI3-R	37.1	0.11	0.387	0.45	199.12	141.52
Total						**396.54**

Table 5-3 Original Gas-in-Place, North East Fault Block, Bezzecca Field

Levels	GIIP of NE Fault Block (wells Pandino 6 & 10)					
	GRV	Phi	NtG	Sg	1/Bg	GIIP
	MMscm	(frac)	(frac)	(frac)		MMscm
PL1-B $_{GDT-WUT}$	1.2	0.18	0.9	0.7	193.94	26.39
MI3-T	11.4	0.11	0.341	0.45	196.55	37.82
MI3-R	10.7	0.11	0.387	0.45	199.12	40.81
Total						**105.03**

Table 5-4 Original Gas-in-Place, South East Fault Block, Bezzecca Field

Levels	GIIP of SE Fault Block (wells Pandino 3 & 11)					
	GRV	Phi	NtG	Sg	1/Bg	GIIP
	MMscm	(frac)	(frac)	(frac)		MMscm
PL1-C	9.49	0.18	0.6	0.7	193.19	138.60
MI3-T	9.42	0.11	0.341	0.45	196.55	31.25
MI3-S	5.56	0.13	0.439	0.6	198.07	37.71
Total						**207.57**

Historical production from the Pandino Field has been subtracted to arrive at the remaining GIIP, and the current position of the gas-water contact (GWC) has been estimated using standard techniques.

Generally speaking, the aquifer in the region is an active one. Some gas wells have watered out, or coned water. Saffron's stated approach is to attempt to limit this risk by producing at sustainable rates, thus helping to avoid water coning into the production perforations.

5.2 Reservoir Engineering

The field "Bezzecca" (formerly ENI's Pandino field) is located in the "Cascina S.Pietro" Permit, in the Northern part of the Po Valley between Cremona, Lodi, Bergamo and Milano Provinces. The Pandino gas field was discovered by ENI in 1955 through drilling of the well PAN-1. In total thirteen wells were drilled in the structure until 1964; eight of them were producers as PAN-1, PAN-2, PAN-3, PAN-4, PAN-5, PAN-6, PAN-7, and PAN-10. Production started from the two main Miocene zones in 1956 and ceased in January 1964. The field's cumulative gas production is reported as 144.4 MMscm from all producing levels in all blocks. All historical producers are currently plugged and abandoned.

Saffron drilled a new well Bezzecca-1 in March 2009, and tested gas from the Miocene and Pliocene reservoirs. Well test interpretation indicates a permeability range of 1.3 - 37.9 mD in different producing layers.

During 2015-2016, with the interpretation of a new seismic line and petrophysics, Saffron has reassigned the gas produced. There is uncertainty on which levels were on production and how much gas had been produced from such levels due to commingled production and thinly bedded layers (i.e. some production was assigned to PL1-A then re-assigned to PL1-B after new petrophysics interpretation). Table 5.5 is the summary of Bezzecca GIIP and cumulative production before Bezzecca-1 production. CGG has taken cumulative production to be 152.47 MMscm. It should be noted that this is higher than the reported figure of 144.4 MMscm.

Table 5-5 Bezzecca GIIP and Cumulative Production before Bezzecca-1 Production

Layer	GIIP, MMscm (1)	Cumulative Gas Production before Bezzecca-1 Production, MMscm (1)
Central Block		
PL1-B	27.71	1.62
PL1-A	54.81	22.11
MI3-T	112	39.41
MI3-S	60.36	23.53
MI3-R	141.51	32.70
North-East Block		
PL1-B (2)	13.00 (GDT) 26.39 (WUT)	1.68
MI3-T	37.82	3.92
MI3-R	40.81	9.86
South-East Block		
MI3-T	31.25	0.00
MI3-S	37.71	0.00
PL1-C (3)	138.02 (original) 21.52 (current)	14.35
West Block		
MI3-S	0.68	0.29
MI3-R	9.69	3.00

(1) MMscm is Million standard cubic meters.
(2) For PL1-B-NE, GIIP of GDT, Avg(GDT, WUT), WUT are used to calculate 1P, 2P, 3P, respectively.
(3) For PL1-C-SE, the current GIP is used to calculate 1C, 2C, 3C.

5.2.1 Bezzecca-1 Production and Remaining Reserves by Well

The Bezzecca-1 well was on production in April 2017 and has been produced from 3 different reservoir levels: PL1-A, MI3-S, and MI3-R (reference Figure 5.5). Initially, MI3-S opened for 16 days, then PL1-A for seven days, then MI3-R for two days, then back to PL1-A from May 2017 to July 2017. The production has been comingled from MI3-S and PL1-A since July 2017 (reference Figure 5.6).

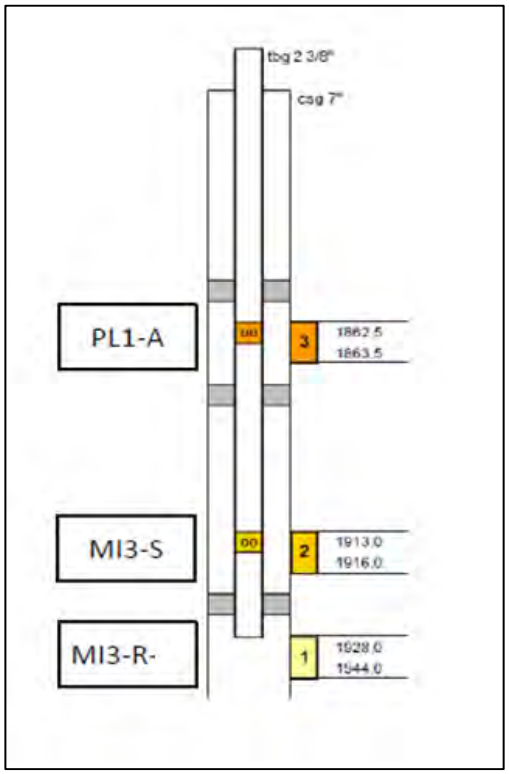


Figure 5-5 Bezzecca-1 Well Schematic

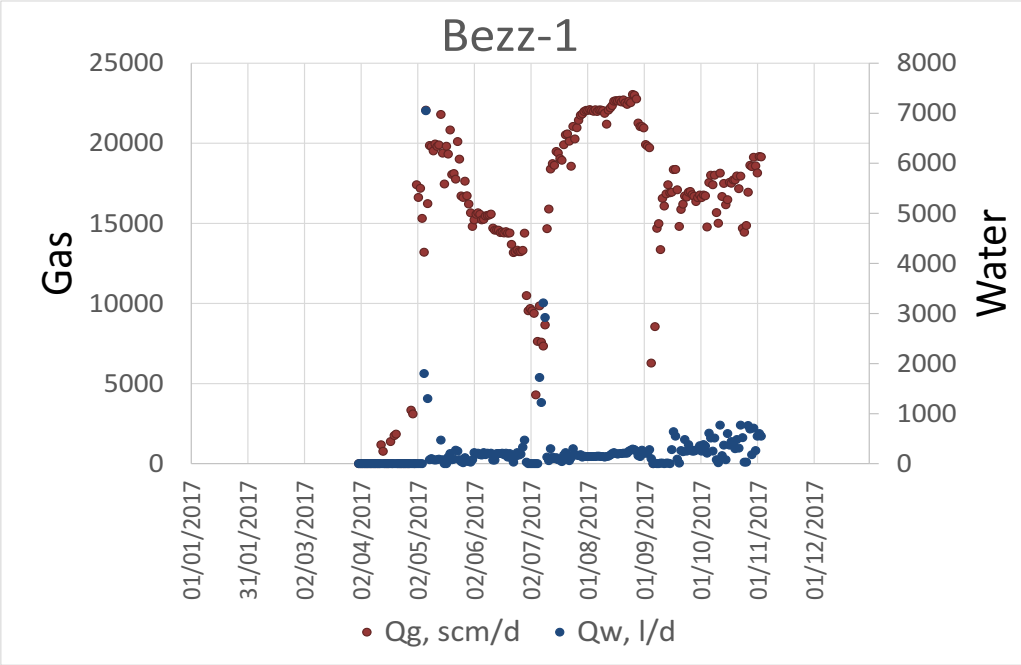


Figure 5-6 Daily Gas and Water Production in Bezzecca-1

As the MI3-S and PL1-A levels have been on comingled production since July 2017, CGG evaluated their performance and estimated reserves together using decline curve analysis.

There was an attempt to open MI3-R in July for four days with the total production of 6,150 litres of water and 3,239 scm of gas. CGG therefore has not booked any remaining reserves for MI3-R in Bezzecca-1.

Table 5-6 Bezzecca-1 Remaining Reserves as of 1st January 2018

BEZZECCA-1 (MI3-S + PL1-A) CENTRAL BLOCK			
	1P	**2P**	**3P**
Recoverable Volumes, MMscm	4.5	5.0	6.0
Cumulative Production as of 31st October 2017, MMscm	3.20		
Estimated Production in Nov-Dec 2017, MMscm	1.10		
Remaining Reserves as of 1st January 2018, MMscm	**0.20**	**0.70**	**1.70**

The production from Bezzecca-1 well has fallen below expectations. One of the reasons could be its location, which is in the middle of the central block. Saffron identifies updip gas volumes and has proposed to drill a new well (Bezzecca-2) into the updip location to recover the updip gas. In addition, Saffron has proposed to drill another well, Bezzecca-3, into the North-East block. Saffron has informed CGG that the proposed Bezzecca-2 and Bezzecca-3 development plan has been approved by the board of directors and has received approvals from the relevant Italian authorities.

CGG has estimated the volume of updip gas that could be recovered by Bezzecca-2 as tabulated in Table 5.7.

In MI3-S and PL1-A levels in the central block, the volumes recovered by Bezzecca-2 is estimated at 1.40, 12.42, 22.94 MMscm for 1P, 2P, 3P, respectively. The total recovery factors of MI3-S-Central are 0.4, 0.5, and 0.6 for 1P, 2P, 3P, respectively. The total recovery factors of PL1-A-Central are 0.5, 0.6, and 0.7 for 1P, 2P, 3P, respectively.

In MI3-R level in the central block, the volume recovered by Bezzecca-1 is almost zero with high water production. It is suspected that the current gas-water contact (GWC) is higher than expected. However, there is uncertainty of the current gas-water contact (GWC) depth as MI3-R level consists of four sands.

CGG has estimated MI3-R reserves that could potentially be recovered by Bezzecca-2 by using three GWC assumptions:

- Bezzecca-2 MI3-R 1P case: GWC estimated at top of current perforations (1928m MD), results in GIP of 27.8 MMscm, assumed recovery factor of 50%; giving 1P reserves of 13.88 MMscm. In this case, we assume gas coning (downwards) is responsible for observed gas flow.

- Bezzecca-2 MI3-R 2P case: GWC estimated at half way up current perforations (1936m MD), results in GIP of 49.7 MMscm, assumed recovery factor of 50%, giving 2P reserves of 24.83 MMscm
- Bezzecca-2 MI3-R 3P case: GWC estimated to cover only the deepest perforation (water up to 1942m MD), results in GIP of 60.7 MMscm, assumed recovery factor of 50%, giving 3P reserves of 30.37 MMscm

CGG has been informed that Saffron is working on bringing the MI3-R in Bezzecca-1 back on production during November – December 2017 by isolating the bottom layers. The outcome of the water shutoff operation is expected to be concluded in Q1 2018. At this stage, CGG has booked no reserves for MI3-R in Bezzecca-1 and booked reserves for MI3-R in Bezzecca-2 using the methods mentioned above.

Table 5-7 Bezzecca-2 Remaining Reserves as of 1st January 2018

BEZZECCA-2 (MI3-S + PL1-A + MI3-R) CENTRAL BLOCK			
	1P	**2P**	**3P**
MI3-S + PL1-A, MMscm	1.40	12.42	22.94
MI3-R, MMscm	13.88	24.83	30.37
Remaining Reserves as of 1st January 2018, MMscm	**15.28**	**37.25**	**53.31**

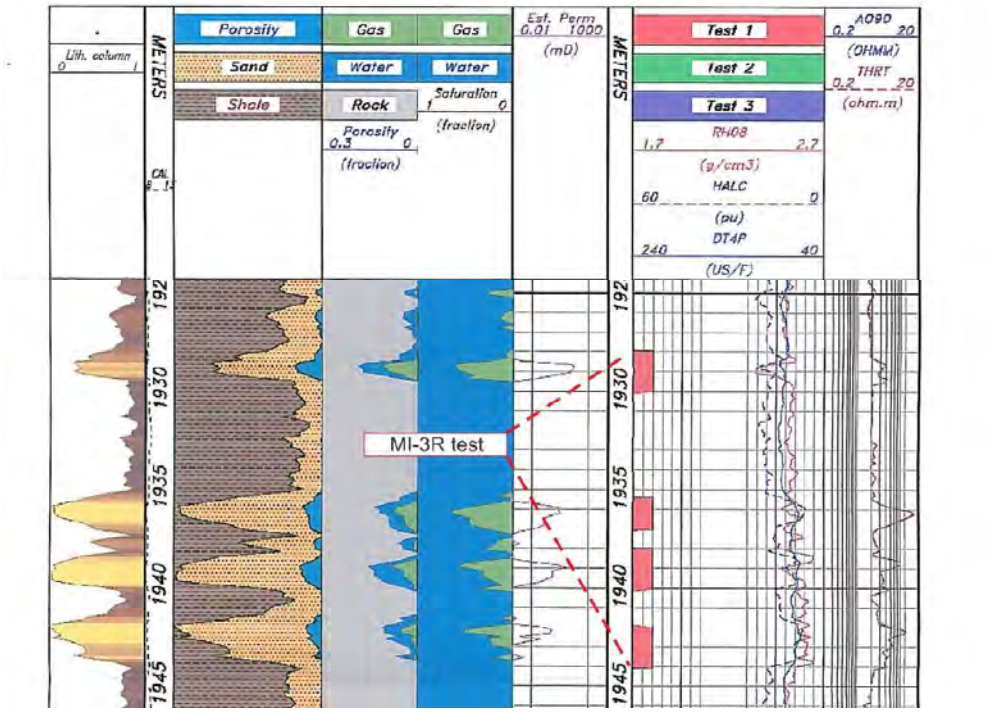


Figure 5-7 Bezzecca-1 Well Log of MI3-R

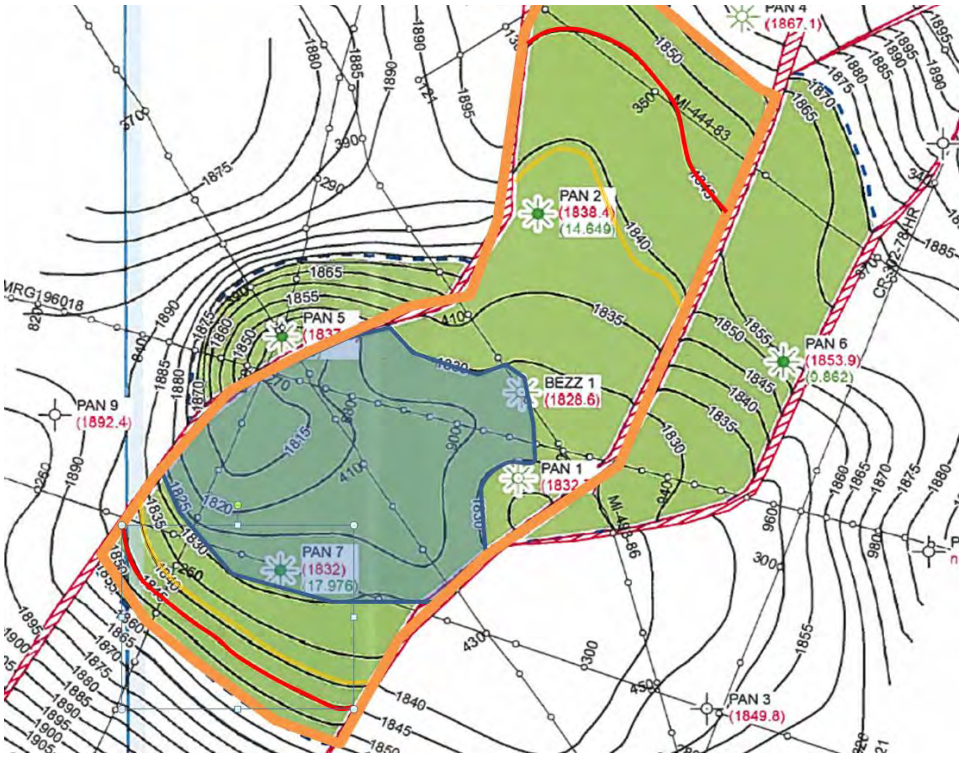


Figure 5-8 MI3-R Structure Map for Bezzecca-2 Volume Estimation

KEY: Blue – GWC for 1P, Yellow – GWC for 2P, Red – GWC for 3P, Orange – Assumed GWC before opening MI3-R zone for flow testing/production

CGG has estimated the volume of gas in the North-East block that could be recovered by Bezzecca-3 as tabulated in Table 5.8.

Table 5-8 Bezzecca-3 Remaining Reserves as of 1st January 2018

BEZZECCA-3 (PL1-B + MI3-T + MI3-R) NORTH EAST BLOCK			
	1P	**2P**	**3P**
PL1-B, MMscm	4.82	10.14	16.80
MI3-T, MMscm	11.21	14.99	18.77
MI3-R, MMscm	6.46	10.54	14.63
Remaining Reserves as of 1st January 2018, MMscm	**22.49**	**35.67**	**50.20**

Bezzecca-2 and Bezzecca-3 are planned as a dual completion. Bezzecca-2 is planned to produce from MI3-R in one string and MI3-S + PL1-A in the other string with the first production targeted in March 2020. Bezzecca-3 is planned to produce from MI3-R in one string and MI3-T in the other string with the first production targeted in January 2022. In Bezzecca-3, PL1-B is expected to produce after MI3-T in 2025 (1P, 2P cases) and in 2027 (3P case). The production profiles for 1P, 2P and 3P reserves are graphically shown in Figure 5.9. Table 5.9 shows the annual production and cumulative production.

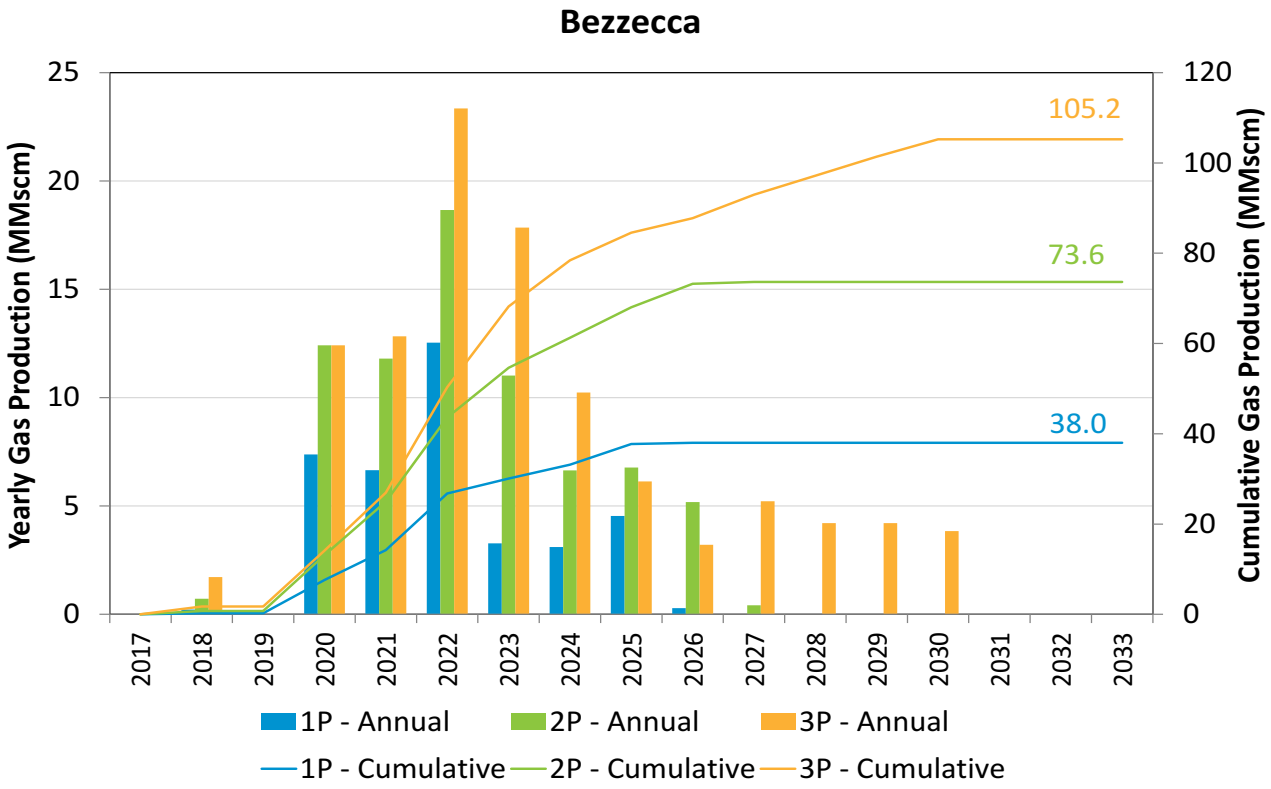


Figure 5-9 Technical Production Profiles of Bezzecca 1P, 2P and 3P (before Economic Cut-off)

Table 5-9 Annual Production and Cumulative Production of Bezzecca (before Economic Cut-off)

Year	1P		2P		3P	
	Annual Production (MMscm)	Cumulative Production (MMscm)	Annual Production (MMscm)	Cumulative Production (MMscm)	Annual Production (MMscm)	Cumulative Production (MMscm)
2018	0.22	0.22	0.72	0.72	1.72	1.72
2019	0.00	0.22	0.00	0.72	0.00	1.72
2020	7.38	7.60	12.42	13.14	12.42	14.14
2021	6.65	14.25	11.80	24.94	12.83	26.97
2022	12.54	26.78	18.66	43.60	23.35	50.33
2023	3.28	30.06	11.02	54.62	17.85	68.18
2024	3.11	33.17	6.65	61.26	10.23	78.41
2025	4.54	37.71	6.77	68.04	6.13	84.54
2026	0.28	37.99	5.18	73.22	3.21	87.75
2027	0.00	37.99	0.42	73.64	5.22	92.97
2028	0.00	37.99	0.00	73.64	4.21	97.18
2029	0.00	37.99	0.00	73.64	4.21	101.39
2030	0.00	37.99	0.00	73.64	3.84	105.23

5.2.2 Remaining Reserves and Resources by Layer

CGG has classified petroleum resources using the SPE Petroleum Resource Management System (2007). The reserves and contingent resources reported are as at 1st January 2018. Table 5.10 summarises the remaining reserves and contingent resources in the Bezzecca field.

The range of recovery factors have been applied to the gas initially in-place volumes to calculate a range of recoverable volumes. The cumulative production is then subtracted to obtain remaining recoverable volumes. In the PL1-C-SE layer, the supposed current GWC has been used to calculated the gas currently in-place. There is, therefore, no need to subtract the cumulative production.

- For Pliocene levels, recovery factors of 50%, 60%, and 70% are applied for low, best, and high estimates.
- For Miocene levels, recovery factors of 40%, 50%, and 60% are applied for low, best, and high estimates.

MI3-T-SE and MI3-S-SE have been classified as contingent resources pending future development. These two layers could be reclassified as reserves in the future when an additional well is planned and approved in the South-East block.

The other three layers: PL1-B-Central, MI3-T-Central, and PL1-C-SE have been classified as contingent resources. In order for them to be reclassified, the following "decision gates" must be met:

PL1-B-Central:

- Pressure tests – there is uncertainty on which layers have been produced. Therefore this is contingent on a physical pressure test of the layer which provides evidence of commercially producible gas.

MI3-T-Central:

- Bezzecca-1 well performance and timing – the layer is contingent on production data and layer performance so that intervention timing can be optimised in order to maximise overall recovery (Reserves + Contingent Resources). If the MI3-T-Central layer volumes accessed via an intervention, once the timing and intervention plan are established, are shown to be commercially producible then these may be moved to reserves.

PL1-C-SE:

- Drilling and successful logging – once a new well is drilled, it may be possible to access this layer so it is contingent on a successful logging operation which establishes commercially producible gas.

Table 5-10 Bezzecca Remaining Reserves and Contingent Resources by Layer as of 1st January 2018

Remaining technical reserves and resources as of 1st January 2018 (100%)						
Layer	Reserves, MMscm (1)			Contingent Resources, MMscm (1)		
	1P	2P	3P	1C	2C	3C
Central Block (recovered by existing Bezz-1 well and Bezz-2 new well)						
PL1-B				12.24	15.01	17.78
MI3-T				5.39	16.59	27.79
MI3-S + PL1-A	1.60	13.12	24.64			
MI3-R	13.88	24.83	30.37			
Total in Central Block	**15.48**	**37.95**	**55.01**	**17.63**	**31.60**	**45.57**
North-East Block (recovered by Bezz-3 well - approved well)						
PL1-B	4.82	10.14	16.80			
MI3-T	11.21	14.99	18.77			
MI3-R	6.46	10.54	14.63			
Total in North-East Block	**22.49**	**35.67**	**50.20**			
South-East Block (recovered by 1 well - not approved)						
MI3-T				12.50	15.63	18.75
MI3-S				15.08	18.86	22.63
PL1-C				10.76	12.91	15.07
Total in South-East Block				**38.34**	**47.40**	**56.45**
West Block						
Total in West Block						
Summary of all Blocks (recovered by 3 development wells)						
PL1-B	4.82	10.14	16.80	12.24	15.01	17.78
MI3-S + PL1-A	1.60	13.12	24.64	0.00	0.00	0.00
MI3-T	11.21	14.99	18.77	17.89	32.22	46.54
MI3-S	0.00	0.00	0.00	15.08	18.86	22.63
MI3-R	20.34	35.37	45.00	0.00	0.00	0.00
PL1-C	0.00	0.00	0.00	10.76	12.91	15.07
Total in All Blocks (2)	**37.97**	**73.62**	**105.21**	**55.97**	**79.00**	**102.02**

(1) MMscm is Million standard cubic meters.

(2) Total remaining volumes are arithmetically summation of all layers and may not add due to rounding error.

6 SANT'ALBERTO

6.1 Geology and Geophysics

Saffron has submitted a licence application, named Sant'Alberto, to the Italian authorities which would allow them to carry out this gas field redevelopment project. The old field (S.Pietro in Casale) was divided into blocks by faults; it is incompletely drained with updip gas remaining in Block number 5.

This Block is an eastern extension of the old field and has been drilled by the Santa Maddalena-1dir well. In addition, Saffron acquired seven new seismic lines in 2011 (41 km). Seismic line spacing is 0.6km to 1.9km over the structure, which is therefore well defined. The Sant'Alberto – Santa Maddalena structure is a well-defined WNW-ESE oriented hanging-wall anticline at Pliocene level with associated back-thrust and several NNE-SSW oriented tear faults. The seismic shows several hydrocarbon indicators: a bright/flat spot and amplitude inversion at PL1-H level. The prospect polygon is sub-elliptical and lies between seismic lines 02 and 05 acquired by Saffron in 2011.

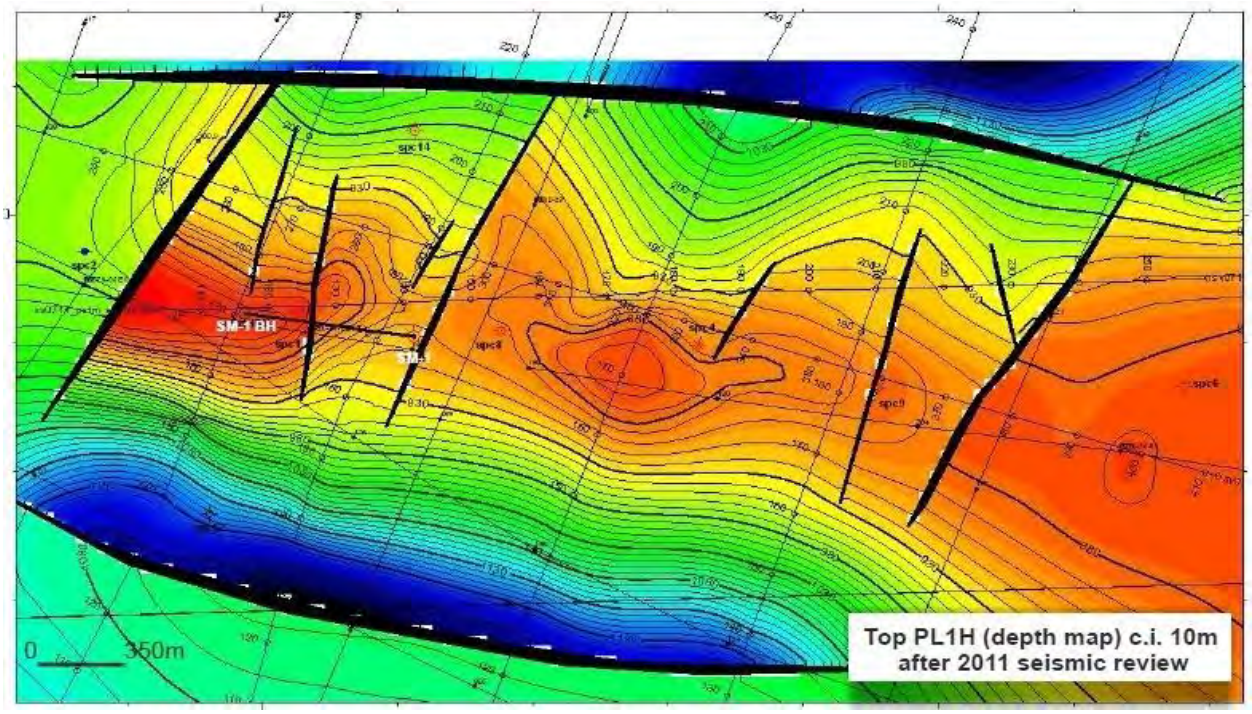


Figure 6-1 Depth Structure Map of the Sant'Alberto Field at Pliocene level

The prospect area (Zone A and Zone B) is comprised between two NNE-SSW oriented tear faults, with Zone A closed against the western boundary fault and Zone B to the east showing a four way dip closure. Gas is trapped in Middle and Lower Pliocene sands, with some possible additional undeveloped gas in the Quaternary.

6.2 Reservoir Engineering

The Sant' Alberto field, formerly the San Pietro in Casale (SPC) field, is located in the "San Vincenzo" Permit, in the Emilia-Romagna region. The field was historically developed by AGIP through four producers: SPC-1, SPC-4, SPC-8 and SPC-9 from two culminations, known as Zone A and Zone B. The target of the field development was level PL1-H and PL2-C, belonging to the Porto Corsini and Porto Garibaldi formations respectively. Production started from level PL1-H in September 1960 and ceased in January 1976 with a cumulative gas production of 178.4 MMscm. Level PL2-C was opened in April 1976 and production was ceased in August 1985 with cumulative gas production of 23.5 MMscm. All historical producers are currently plugged and abandoned.

EDISON (former operator and partner) drilled a new well SM-1 in 2004, which encountered PL1-H below the gas-water contact (GWC). The well was side-tracked and encountered gas in the main level of the field (PL1-H). The well was completed as a single selective completion by installing three Sliding Side Doors (SSDs). In July 2004, separate production tests were carried out for units PL1-H1 and PL1-H2. A commingled production test of these two units was also carried out in November 2005. The well was not able to produce from PL2-C; therefore CGG has considered PL1-H as the main target for future development.

CGG has reviewed the reports for evaluating the predicted production performance of the existing well and future development wells. The reported estimated remaining gas-in-place (GIP) of Zone A and Zone-B based on new seismic interpretation and mapping is tabulated in Table 6.1.

Table 6-1 Zone-A and Zone-B remaining Gas in Place

Level	Remaining gas-in-place, MMscm
Zone A	93.44
Zone B	31.15
Total	**124.59**

The "Santa Maddalena Field Static and dynamic reservoir study" is a dynamic simulation model study, wherein the model was calibrated with historical production data. The study concluded that the two culminations are currently separated by an aquifer, which invaded a relevant portion of the porous volume as a consequence of the historical production. The presence of a strong water drive has been confirmed. The calibrated simulation model was used to predict the remaining recoverable resources from the existing well and an additional well.

CGG has classified petroleum resources using the SPE Petroleum Resource Management System (2007). The reserves and contingent resources reported are as at 1st January 2018. Table 6.2 summarises the remaining reserves and contingent resources in the Sant'Alberto field.

1P reserves are based on the production from PL1-H level through the existing well - SM-1d. According to the simulation study, the well is capable of producing 50.6 MMscm. 1P reserves are from Zone A culmination only. Production is targeted for Q4 2018.

2P reserves are based on production from PL1-H level through the existing well SM-1d with better recovery based on simulation results. The well is capable of producing 59.5 MMscm. 2P reserves are from Zone A culmination only. Production is targeted for Q4 2018.

3P reserves are based on production from PL1-H level through the existing well SM-1d (as 2P reserves). The additional 3P reserves are from Zone B. An additional well is required to recover from the Zone B culmination. The additional well is capable of producing 20.1 MMscm from Zone B. The 65% recovery factor has been taken from the simulation results of the Zone-B culmination. The additional well is targeted for drilling in Q3 2019 with one month field shut down during that time. First production from the additional well is targeted to be in Q4 2019.

It should be noted that disappointing evaluation results from SM-1d could lead to reclassification/reduction of resources.

The production profiles for 1P, 2P and 3P reserves are graphically shown in Figure 6.2. Table 6.3 shows the annual production and cumulative production.

The current development plan is to have the first year production exported via a low pressure connection at about 260 m from the well head. The max production will be subjected to seasonal gas demand and would have a peak at 9.600 scm/d during winter time, with very low rate during summer time. From the second year, Sant'Alberto is planned to connect to a high pressure connection (70 bar) at about 3.5 Km from the well head.

Table 6-2 Sant' Alberto Remaining Reserves and Contingent Resources by Layer as of 1st January 2018

Remaining reserves and resources as of 1st January 2018 (100%)						
Layer	Reserves, MMscm (1)			Contingent Resources, MMscm (1)		
	1P	2P	3P	1C	2C	3C
Zone A	50.6	59.5	59.5			
Zone B	-	-	20.1			
Total (2)	**50.6**	**59.5**	**79.6**			

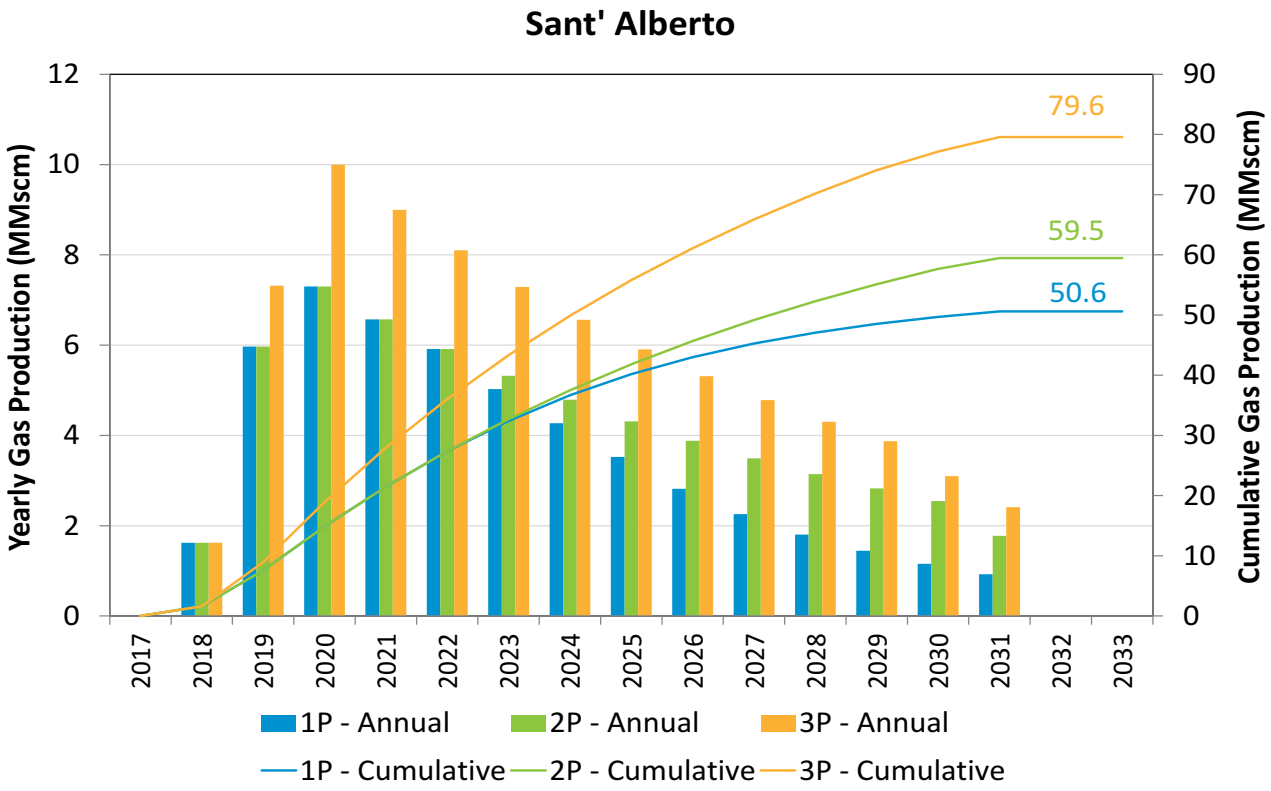


Figure 6-2 Technical Production Profiles of Sant' Alberto 1P, 2P and 3P (before Economic Cut-off)

Table 6-3 Annual Production and Cumulative Production of Sant' Alberto (before Economic Cut-off)

Year	1P		2P		3P	
	Annual Production (MMscm)	Cumulative Production (MMscm)	Annual Production (MMscm)	Cumulative Production (MMscm)	Annual Production (MMscm)	Cumulative Production (MMscm)
2018	1.62	1.62	1.62	1.62	1.62	1.62
2019	5.97	7.59	5.97	7.59	7.32	8.94
2020	7.30	14.89	7.30	14.89	10.00	18.94
2021	6.57	21.46	6.57	21.46	9.00	27.94
2022	5.91	27.37	5.91	27.37	8.10	36.04
2023	5.03	32.40	5.32	32.69	7.29	43.33
2024	4.27	36.67	4.79	37.48	6.56	49.89
2025	3.52	40.20	4.31	41.79	5.90	55.80
2026	2.82	43.02	3.88	45.67	5.31	61.11
2027	2.26	45.27	3.49	49.17	4.78	65.89
2028	1.80	47.08	3.14	52.31	4.30	70.20
2029	1.44	48.52	2.83	55.14	3.87	74.07
2030	1.15	49.67	2.55	57.68	3.10	77.17
2031	0.92	50.60	1.78	59.46	2.41	79.58

7 WEST VITALBA

Saffron obtained a 9 sq. km portion of the Settala 3D seismic survey acquired within C.Castello production licence. The 3D survey, which was acquired for STOGIT in 2006/2007, is intersected by 2D seismic line MI-498 within the Cascina Castello Production License. Using the new 3D data Saffron has mapped two new prospects: West Vitalba and "Up West".

The West Vitalba prospect occurs as the western extent of Early Pliocene San-A1 and San–A2 reservoirs intersected in the Agnadello-1 well. Each reservoir exists as a pinch-out trap which onlaps a lower sequence boundary. Reservoir quality has been proven by nearby Agnadello field production. Two areal prospect closure cases are defined:

1) the limit of the structural closure from the lap-out edge to the spill point of each pinch-out (San-A1 and –A2)

2) the limits of an amplitude anomaly located immediately east of case 1.

The amplitude anomalies are restricted to single peak reflection events and are interpreted as hydrocarbon indications of gas charged sands based on similar seismic expression of the San-A1 and –A2 reservoirs in the nearby Agnadello Field.

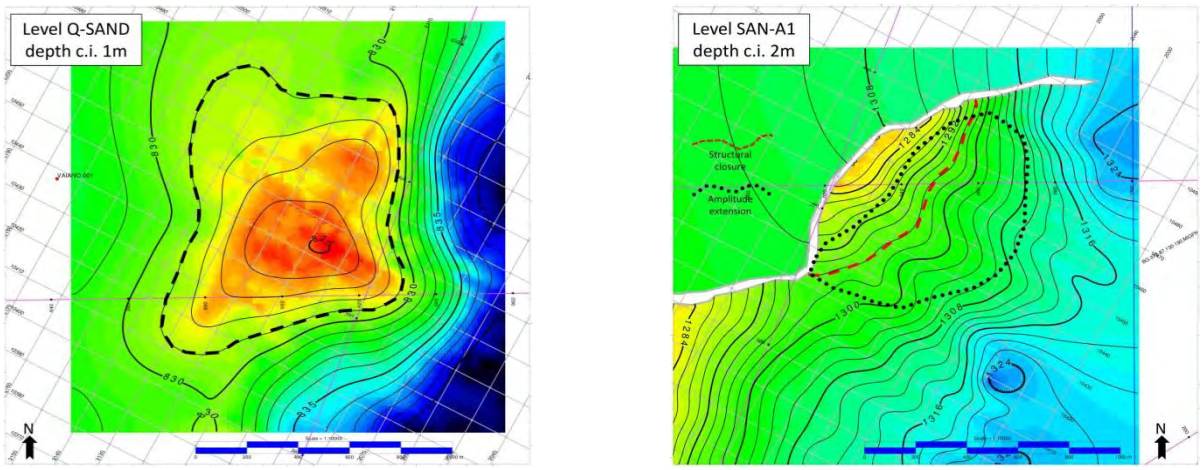
The "Up West" Prospect is defined by a number of amplitude anomalies located above and to the west of the Early Pliocene prospects, with similarly restricted to single peak reflection events at probable Pleistocene level of between 900-1000 msec. As for the West Vitalba prospect, the amplitude anomalies are interpreted as hydrocarbon indications of gas charged sands. As the amplitude anomalies are restricted to single peak reflections they could be considered as a series of stacked reservoirs separated by probable silty intervals in the seismic troughs. The largest of these amplitude anomalies has been mapped as a four-way dip closed and named Up West Prospect. In order to account for the possibility of stacked reservoirs above and below the mapped event, a range of reservoir thicknesses have been used in the probabilistic resource assessment.

The prospective resource estimates for West Vitalba and "Up West Vitalba" are given below in Table 7.1.

Table 7-1 Prospective Resource Estimates for West Vitalba and "Up West" Prospects

Prospect	Prospective Resources (MMscm)			
	CoS	Low	Best	High
West Vitalba	54%	44.7	69.1	90.9
"Up West"	13%	39.6	62.3	87.8

The Agnadello-1 well, drilled in 1978, is a good analogue to estimate the production potential of Up West Vitalba and West Vitalba prospective resources. The well Agnadello-1 encountered two gas bearing zones separated by a shale interval. These two intervals had been tested with gas rates between 90,000 scm/d and 150,000 scm/d.



(A) Up-west Q-sand depth map **(B) West Vitalba San-1 and San-2 time structure map**

Figure 7-1 West Vitalba structures

For the Up West Vitalba gas prospective resources, one deviated well is required to develop this prospect which will also target the West Vitalba prospect. If successful, a 2 km gas pipeline will connect the well to the existing Vitalba gas plant for first gas during 2020.

8 RAPAGNANO

8.1 Introduction

The Rapagnano gas field is located onshore Italy in the Fermo Province, in Marche region. It is represented by a Plio-Quaternary piggy-back basin lying in the central Apennine inner foredeep, filled with thick turbidite sequences with alternating shale and sand layers, which constitute interbedded combinations of sources and reservoirs to several biogenic gas fields of this area. The field was first discovered by ENI in 1952 by means of well Rapagnano-1, which produced 108.54 MMscm dry gas from the Pliocene Carassai Fm "Sabbie" reservoir (top at 1527.4 m SSL, composed by S1 and S2 sand bodies) until 1996, when the well was shut in because of a water and gas production imbalance due to the high delivery pressure (70 bar) requirement at the time. In 2000, during a work-over, the well was recompleted with a 2 3/8" tubing and after a cement squeeze the perforation interval was extended from 1652.5 mRT to 1658 mRT (5.5 m interval) into the S1 sand body only. The Sabbie reservoir (S1+S2) was tested after the workover with unsatisfactory results. ENI therefore decided to abandon the Sabbie reservoir and move to the shallower completion interval A2 (top at 1290 mBSL). This produced a total of 7.07 MMscm up to December 2001, when it was once again shut in due to water production (final water gas ratio of 67 bbl/MMscf for 0.14 MMscf/d produced, Figure 8-1).

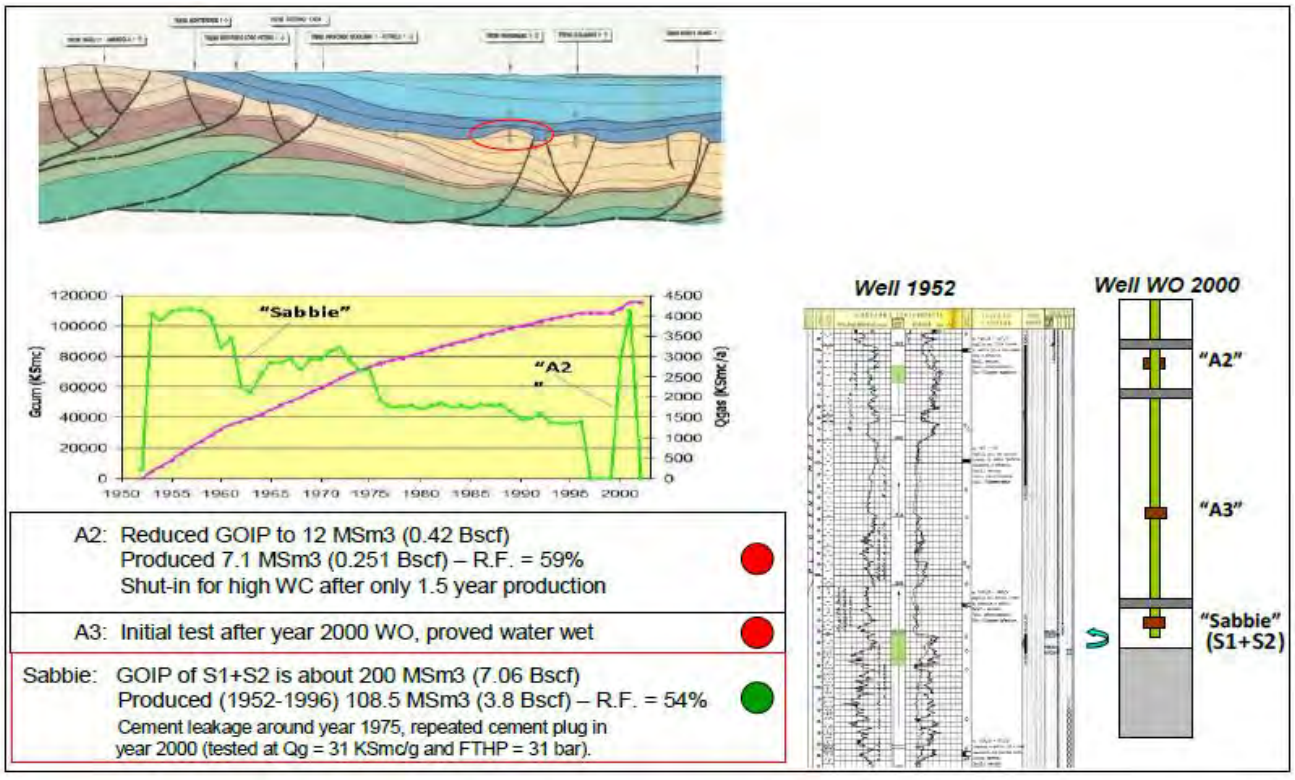


Figure 8-1 Rapagnano-1 well main reservoir levels (source: Apennine)

In November 2012 the operatorship transferred to Apennine, who isolated sand A2 and removed the plug isolating the Sabbie reservoir with a coiled tubing operation. The well was put into production on 15th May 2013 and exported via low delivery pressure (5 bar). A stabilized static profile was recorded in May 2014 and based

on new SBHP measurements in May 2013 and May 2014 a revised P/z plot was produced, suggesting a minimum amount of remaining gas volume of about 37 MMscm. In the light of this, Apennine revised the static GIIP creating a 3D static model of the reservoir, using the top of the Sabbie reservoir structural map. Petrophysics and GWC depth for the Sabbie reservoir (S1+S2) have been updated and included in the model, provided to CGG for review.

8.2 Geology

Apennine conducted a petrophysical interpretation which has been reviewed by CGG. Pay zones have been identified and average parameters are 70% net-to-gross (NtG), 20% porosity and 40% water saturation. The GWC depth chosen by Apennine for the 3D static model (-1545 m TVDSS) represents the observed gas-down-to (GDT) in the Rapagnano-1 well. The 3D static model generated by Apennine is quite simple and reflects the results of Apennine's petrophysical interpretation of the Sabbie reservoir. The Top Sabbie map, shown in Figure 8-2, has been used as a reference surface for generating the other horizons in the model.

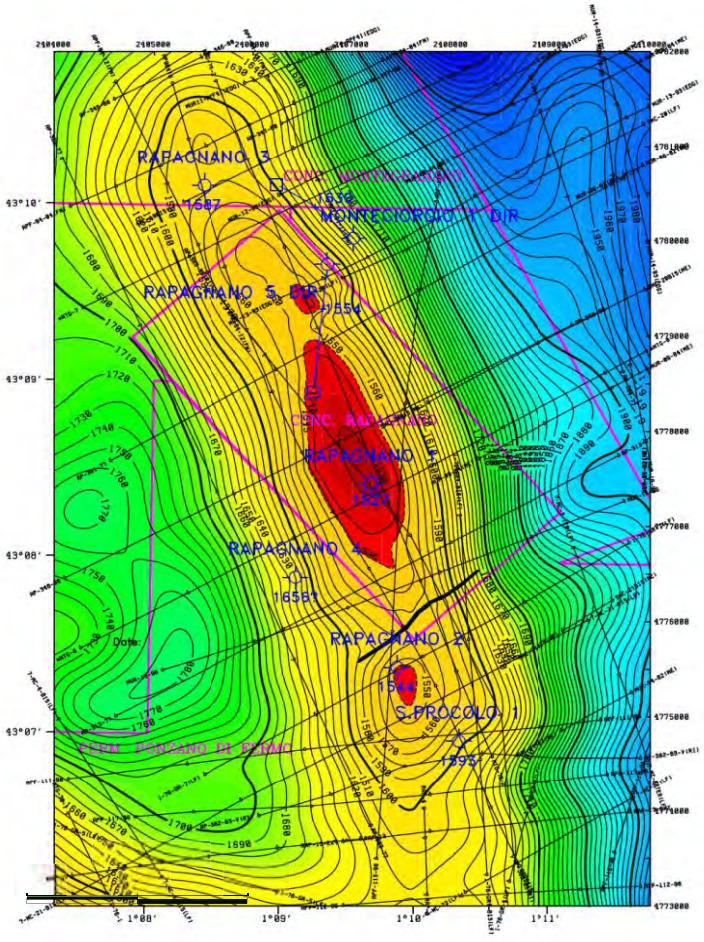


Figure 8-2 Depth map at Top Sabbie Formation, Rapagnano Gas Field (source: Apennine).

The reservoir interval is divided into 5 zones, among which the productive zones are S1 and S2, the two sand bodies constituting the Sabbie reservoir, which are separated by a shale interval. Gas in-place volumes for the

Sabbie reservoir in the Rapagnano field were calculated only with regard to the main structural closure, drilled by well Rapagnano-1 (Figure 8-3 and Figure 8-4).

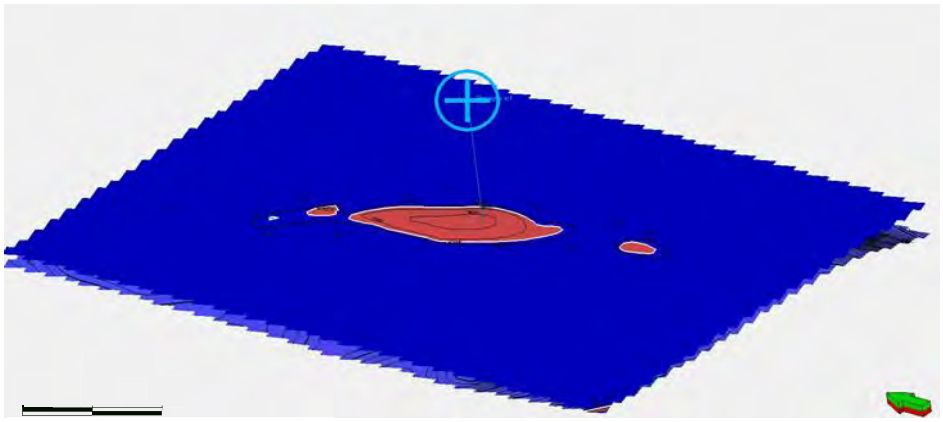


Figure 8-3 Top S1 reservoir structure above contact (red). Only the main structure penetrated by Rapagnano-1 well was considered for gas in-place volumes.

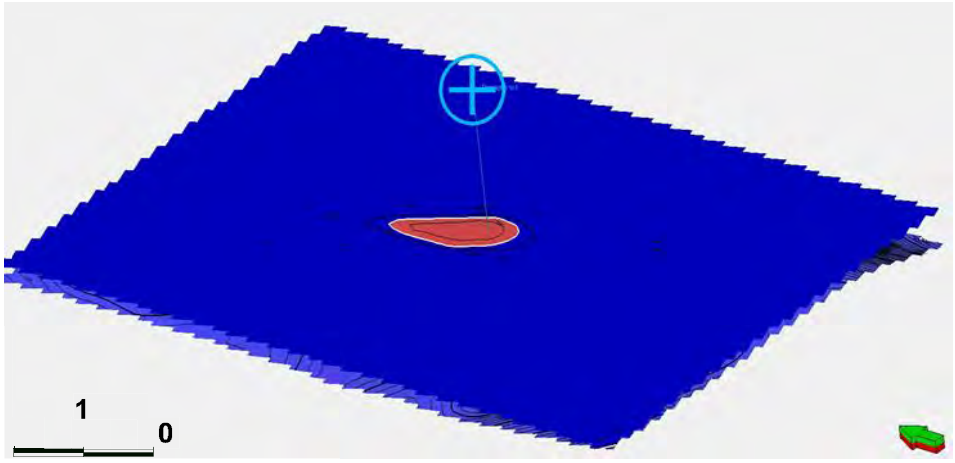


Figure 8-4 Top S2 reservoir structure above contact (red) around Rapagnano-1 well.

In general terms, CGG accepts Apennine's approach regarding the petrophysics, 3D static model building and gas in-place volume calculation for the Rapagnano field and agrees with Apennine's most recent GIIP estimate, amounting to 177 MMscm GIIP for the Sabbie reservoir (122 MMscm for S1and 55 MMscm for S2). The gas in-place volume for S1 (122 MMscm) is in line with the p/z plot reported in Figure 8-5 (red line through 1970 pressure point).

The petrophysical inputs and resulting in-place volumes are shown in Table 8-1.

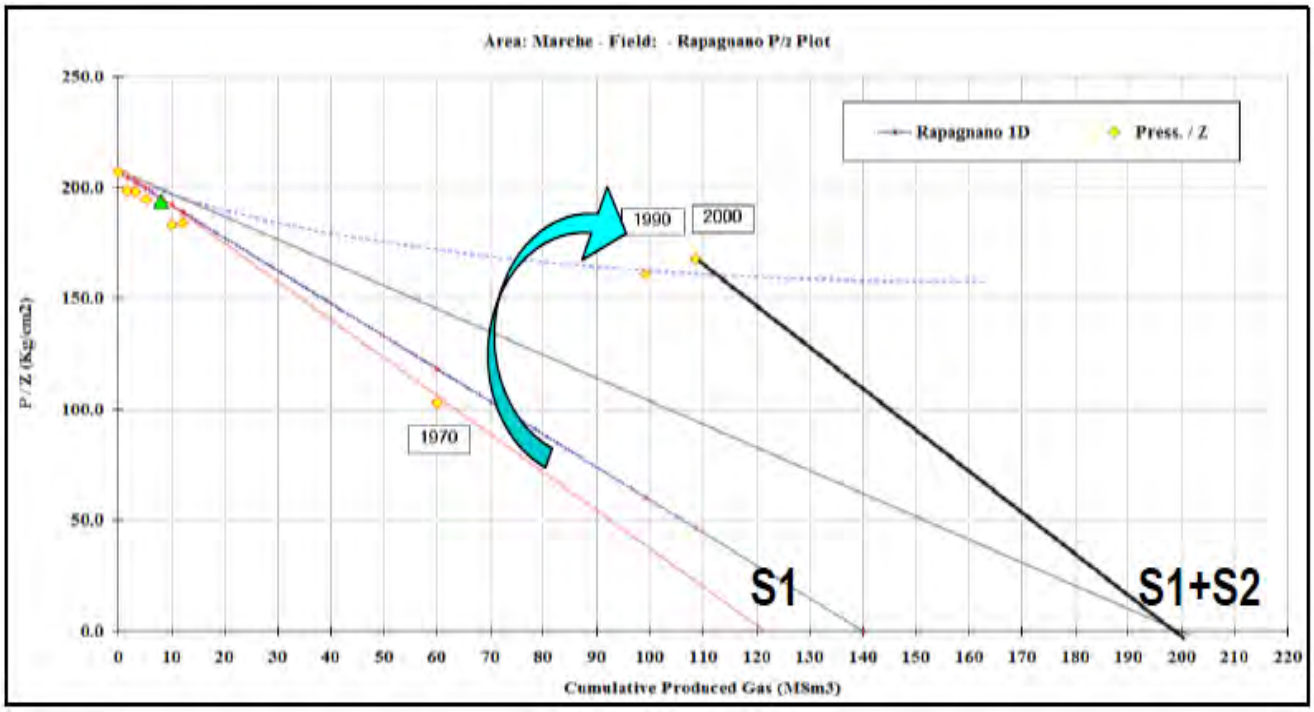


Figure 8-5 P/Z plot; pressure increase recorded in 1990 by a SBHP survey (source Apennine 2014).

Table 8-1 Apennine evaluation made in May 2012 for A2 reservoir in Rapagnano field

RAPAGNANO – A2				
Parameters	**Unit**	**Low**	**Mid**	**High**
Area	**km^2**	0.80	0.90	1.00
Gross pay	**m**	10	13	15
Net To Gross	**%**	25	30	35
Porosity	**%**	18	20	22
Water Saturation	**%**	48	50	52
Formation Volume Factor (1/Bg)	**-**	125	130	135
Recovery Factor in 2001	**%**	-	22	-
In Place Volumes				
			P50	
Gas	**MMscm**		12.0	
Produced Volumes till 1996				
			P50	
Gas	**MMscm**		7.1	

8.3 Reservoir Engineering

CGG has reviewed the reservoir engineering data provided by Apennine. The well consists of three production levels as shown in Table 8-2.

Table 8-2 Rapagnano Production Levels and Cumulative Production

Level	Status	Cumulative Production (as of 31st October 2017)	Recovery Factor (as of 31st October 2017)
A2	Suspended due to high water	7.1 MMscm	59%
A3	Watered Out	Not available	Not available
S1+S2	Current producing level	124.2 MMscm	70%

The remaining recoverable volumes proposed by Apennine are in the Sabbie reservoir only (S1+S2). The S1+S2 were previously produced by ENI between 1952-2002 with cumulative production of 108.5 MMscm. The well was worked over and production resumed in May 2013. The daily gas and water production are shown in Figure 8-6.

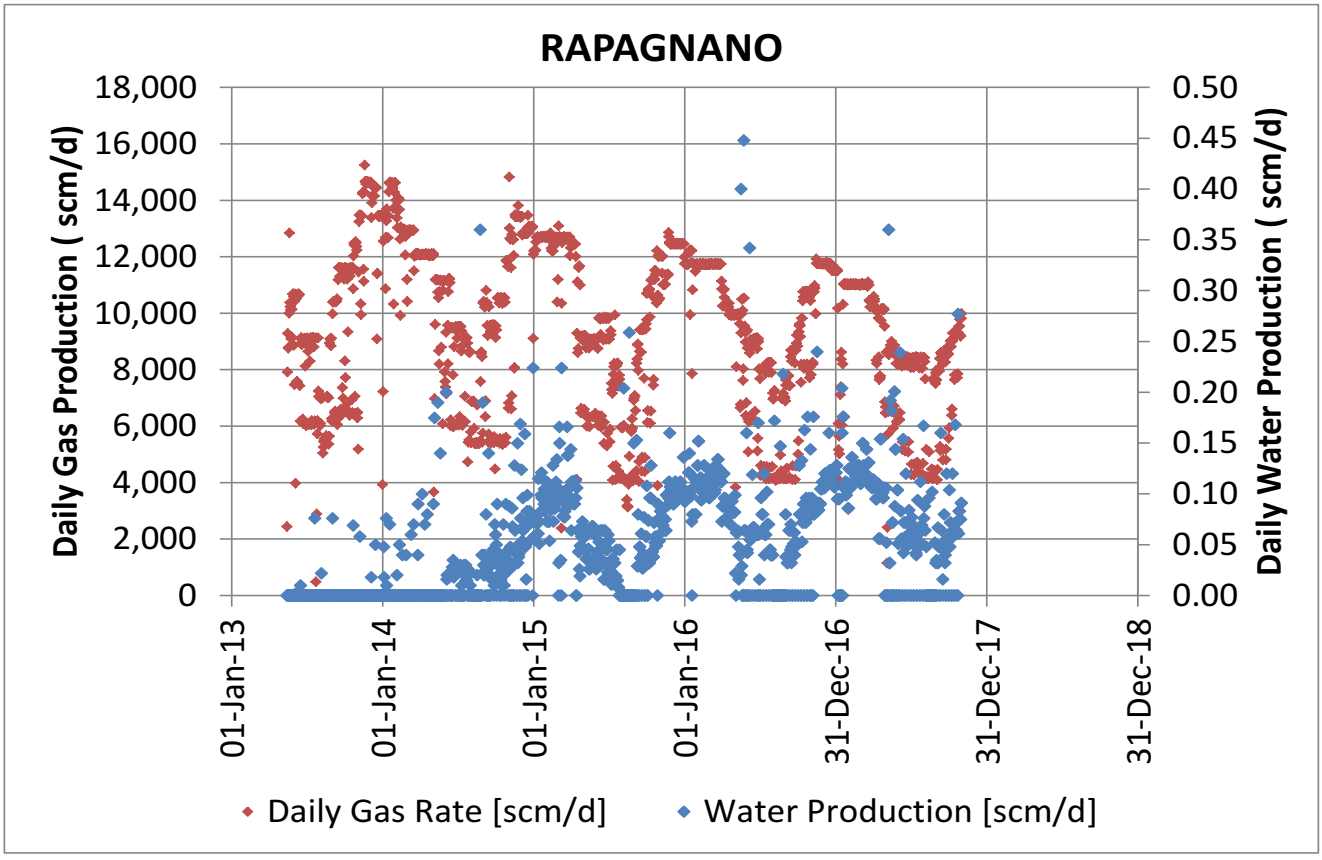


Figure 8-6 Rapagnano Production History from May 2013 to October 2017

CGG has conducted P/Z material balance analysis (Figure 8-7). It indicates water drive, which can potentially reduce the remaining recoverable volumes. CGG has estimated 1P, 2P, and 3P recoverable volumes using Decline Curve Analysis (Rate vs Cumulative) plot (Figure 8-8). The 1P case assumes strong water causes early water breakthrough. In the 2P case, the decline follows the observed trend. The 3P case assumes weak water influx. The remaining recoverable volumes for these cases are tabulated in Table 8-3.

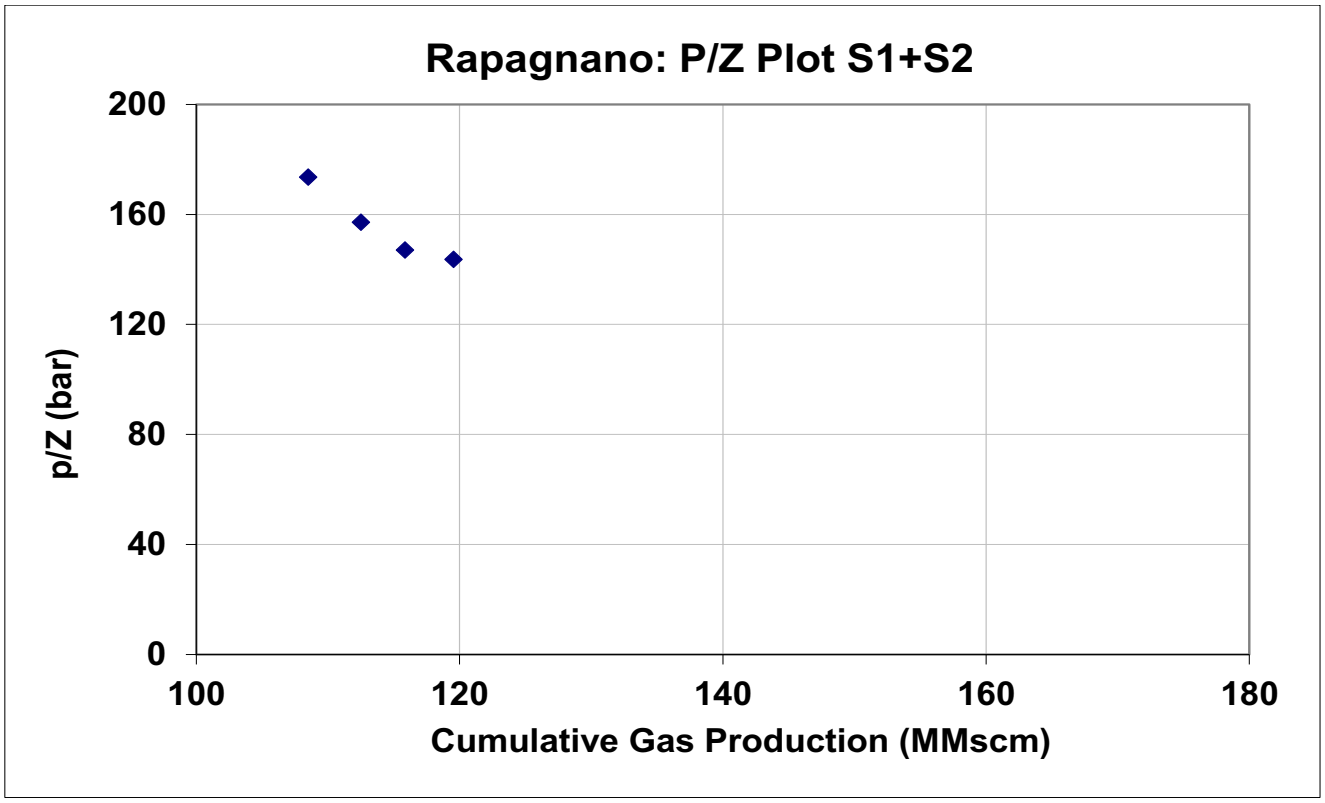


Figure 8-7 Rapagnano P/Z Plot

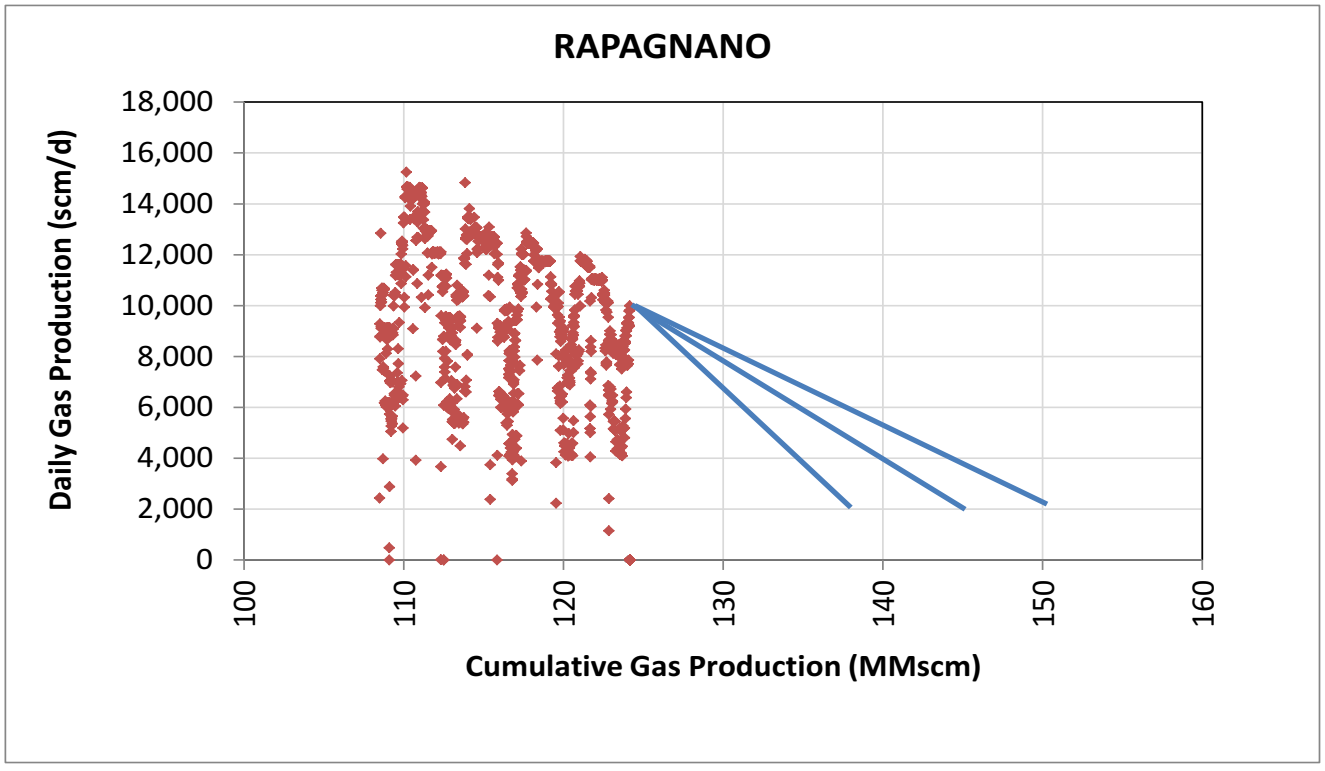


Figure 8-8 Rapagnano Gas Production vs Cumulative Gas

Table 8-3 Gas Recoverable Volumes in Rapagnano

RAPAGNANO			
	1P	2P	3P
In Place Volumes, MMscm	176.9		
Recoverable Volumes, MMscm	138.1	144.2	150.3
Cumulative Production as of 31st October 2017, MMscm	124.2		
Estimated Production in Nov-Dec 2017, MMscm	0.7		
Remaining Reserves as of 1st January 2018, MMscm	13.2	19.3	25.4
Total Recovery Factor	0.78	0.82	0.85

The production profiles for 1P, 2P and 3P cases are graphically shown in Figure 8-9. Table 8-4 shows the annual production and cumulative production.

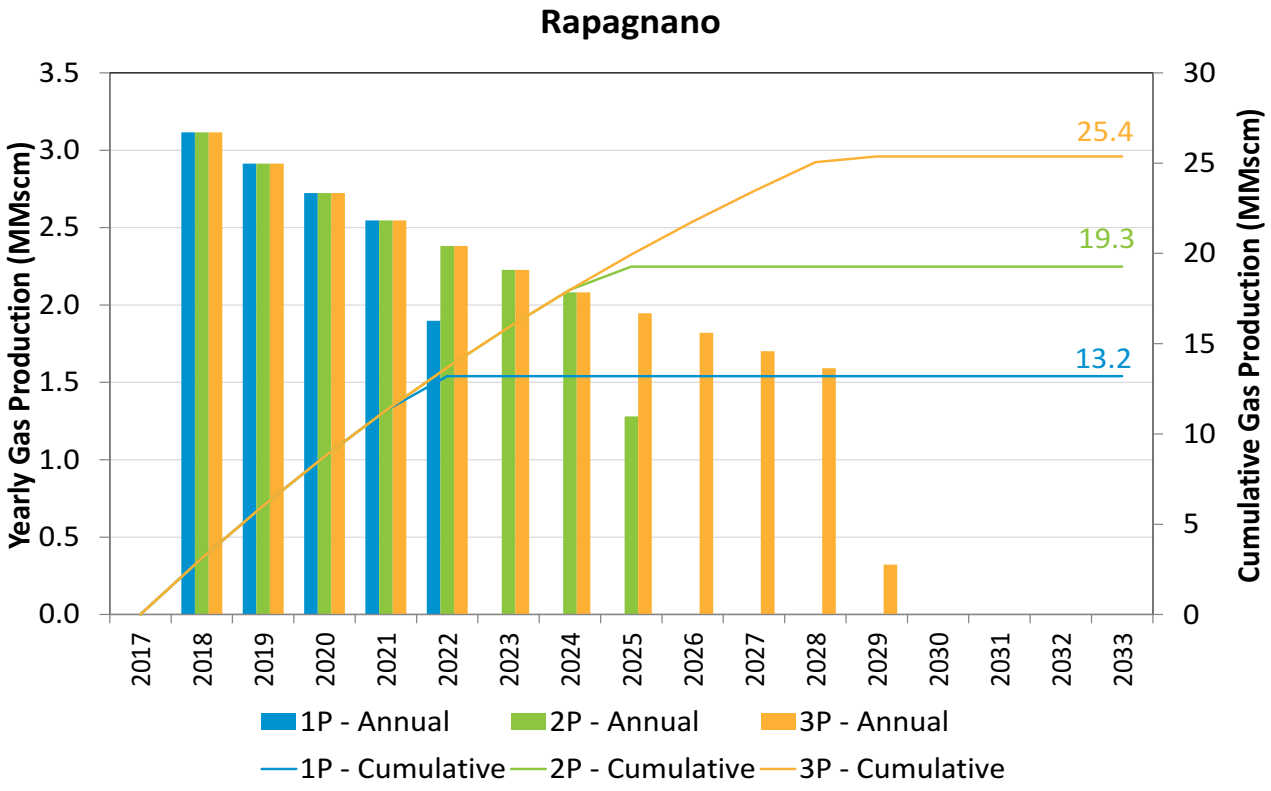


Figure 8-9 Technical Production Profiles of Rapagnano 1P, 2P and 3P (before Economic Cut-off)

Table 8-4 Annual Production and Cumulative Production of Rapagnano (before Economic Cut-off)

Year	1P		2P		3P	
	Annual Production (MMscm)	Cumulative Production (MMscm)	Annual Production (MMscm)	Cumulative Production (MMscm)	Annual Production (MMscm)	Cumulative Production (MMscm)
2018	3.12	3.12	3.12	3.12	3.12	3.12
2019	2.91	6.03	2.91	6.03	2.91	6.03
2020	2.72	8.75	2.72	8.75	2.72	8.75
2021	2.55	11.30	2.55	11.30	2.55	11.30
2022	1.90	13.20	2.38	13.68	2.38	13.68
2023	0.00	13.20	2.23	15.91	2.23	15.91
2024	0.00	13.20	2.08	17.99	2.08	17.99
2025	0.00	13.20	1.28	19.27	1.95	19.94
2026	0.00	13.20	0.00	19.27	1.82	21.76
2027	0.00	13.20	0.00	19.27	1.70	23.46
2028	0.00	13.20	0.00	19.27	1.59	25.05
2029	0.00	13.20	0.00	19.27	0.32	25.37

9 SANT'ANDREA

9.1 Introduction

The Caritá Permit was awarded in July 2010, and was assigned to Apennine from previous owners in November 2011. Apennine have a 100% working interest in the Caritá permit. The assets of interest included the Nervesa and adjacent Sant'Andrea gas discoveries. The Nervesa discovery was re-named Cascina Daga.

The Nervesa gas field is an anticlinal structure in an area of complex tectonic history (Figure 9-1). Data reviewed includes new petrophysical interpretations, a new static model and new estimates of in-place and recoverable volumes. Approximately 1km to the North of Nervesa lies the Sant'Andrea culmination, which is part of the same structure but they are separated by a fault.

The Nervesa field was discovered by ENI in 1985 by means of the Nervesa-1 and Nervesa-1dir wells. The wells encountered 13 gas-bearing Miocene sand intervals within the Tortonian (Miocene) marls and shales of the Marne di San Doná Formation. Of these, interval 9a was completed and put on production between 1989 and 1991. Cumulative gas production of 18.17 MMscm occurred from Level 9a before being shut in during February of 1991 as a result of water breakthrough. Produced gas was 99.6% methane. The well was later plugged and abandoned, the wellsite being removed.

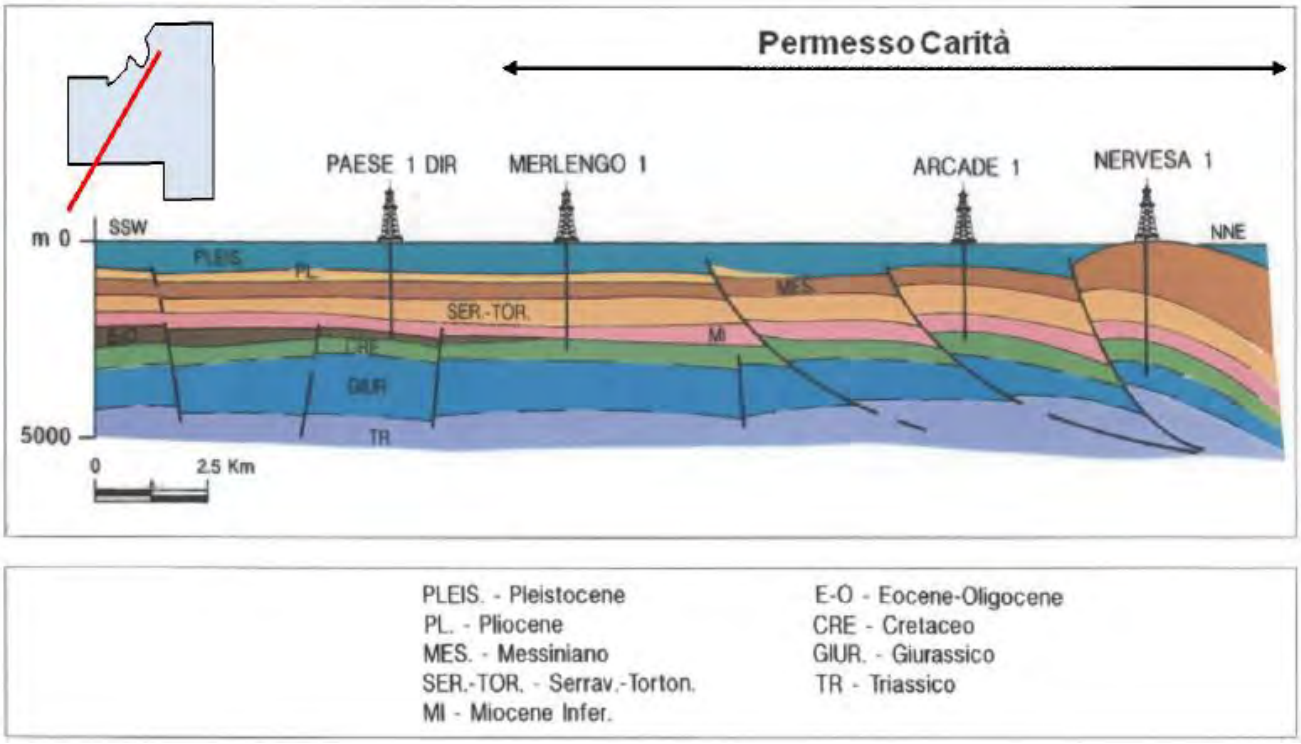


Figure 9-1 Schematic Cross-Section through the Carita Permit Area

Source: Sound Presentation (2014)

9.2 The Sant'Andrea-1 Dir (ST) Well

During June and July 2013, a new appraisal well (Sant'Andrea-1 Dir ST) was drilled on the northern culmination of the structure and encountered gas in the same Miocene sands that had produced in the Nervesa well. However, the gas was present in deeper sands than in the main Nervesa culmination, implying the presence of a greater gas column and sealing faults.

The well was tested between 27th August and 2nd September 2013. It is a dual string completion, with Short String perforations in Level 14A and Level 14B (flowed 30,400 scm/d) and Long String perfs in Levels 5, 6D and 6C (flowed 47,000 scm/d from Level 5). In both tests, the radius of investigation was small; 50 metres or less, and pressure decline was observed on test.

Since the production start-up in 2016, the Sant'Andrea-1 Dir ST well has been put on continuous production from three layers (5+6D+6C) and suffered rapid pressure and rate decline as shown in Figure 9-2. The cumulative gas as of 31st December 2016 was 1.4 MMscm. The well has been temporarily shut-in during 2017 as a result and periodically flowed to surface for brief periods.

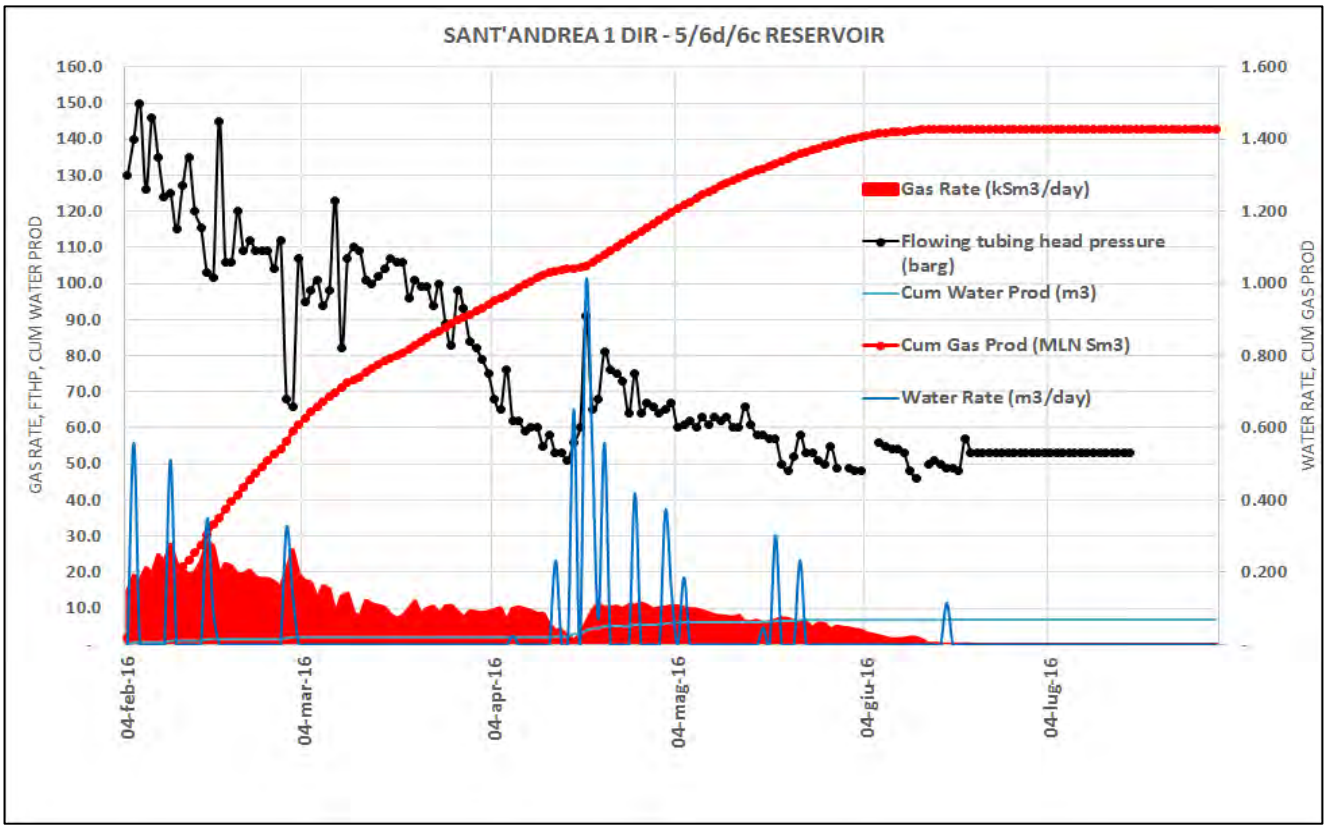


Figure 9-2 Sant'Andrea-1 DirST Production History

Source: Appenine Presentation (2017)

Appenine reviewed gas in-place connected to Sant'Andrea-1 Dir ST and believed that the well unluckily entered a small fault compartment. Appenine has updated the structure map following the disappointing production performance of Sant'Andrea-1 Dir ST (Figure 9-3).

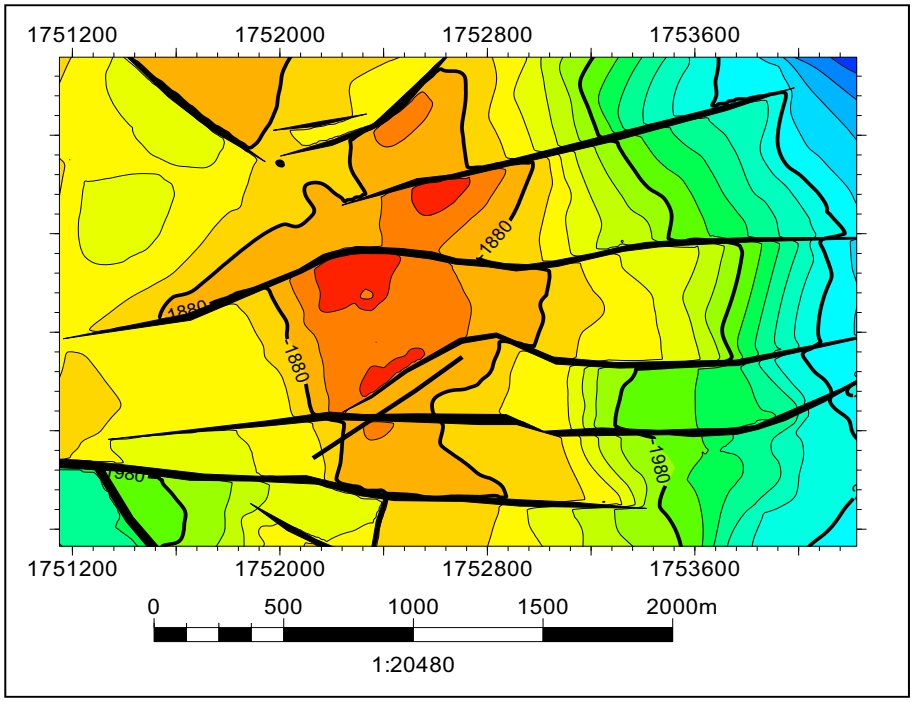


Figure 9-3 Depth Structure Map, 2017; Sant'Andrea-1 DirST Encounters small, fault-bounded compartment

Source: Appenine Presentation (2017)

9.3 Petrophysical Interpretation

A range of different petrophysical techniques has been applied to the interpretation of the well logs arising from the Nervesa-1dir and Sant'Andrea-1dir ST1 wells. Whereas the interpretation of the older Nervesa log suite has been limited to a classical petrophysical analysis, the CMI tool run in the Sant'Andrea well allowed a "Thin-Layer Analysis" to be carried out using the tool's micro-conductivity capability. Whilst thin-beds can be recognized better using this tool (and therefore the definition of Net-to-Gross ratio), there remain difficulties in assigning PhiE and Sw to the succession.

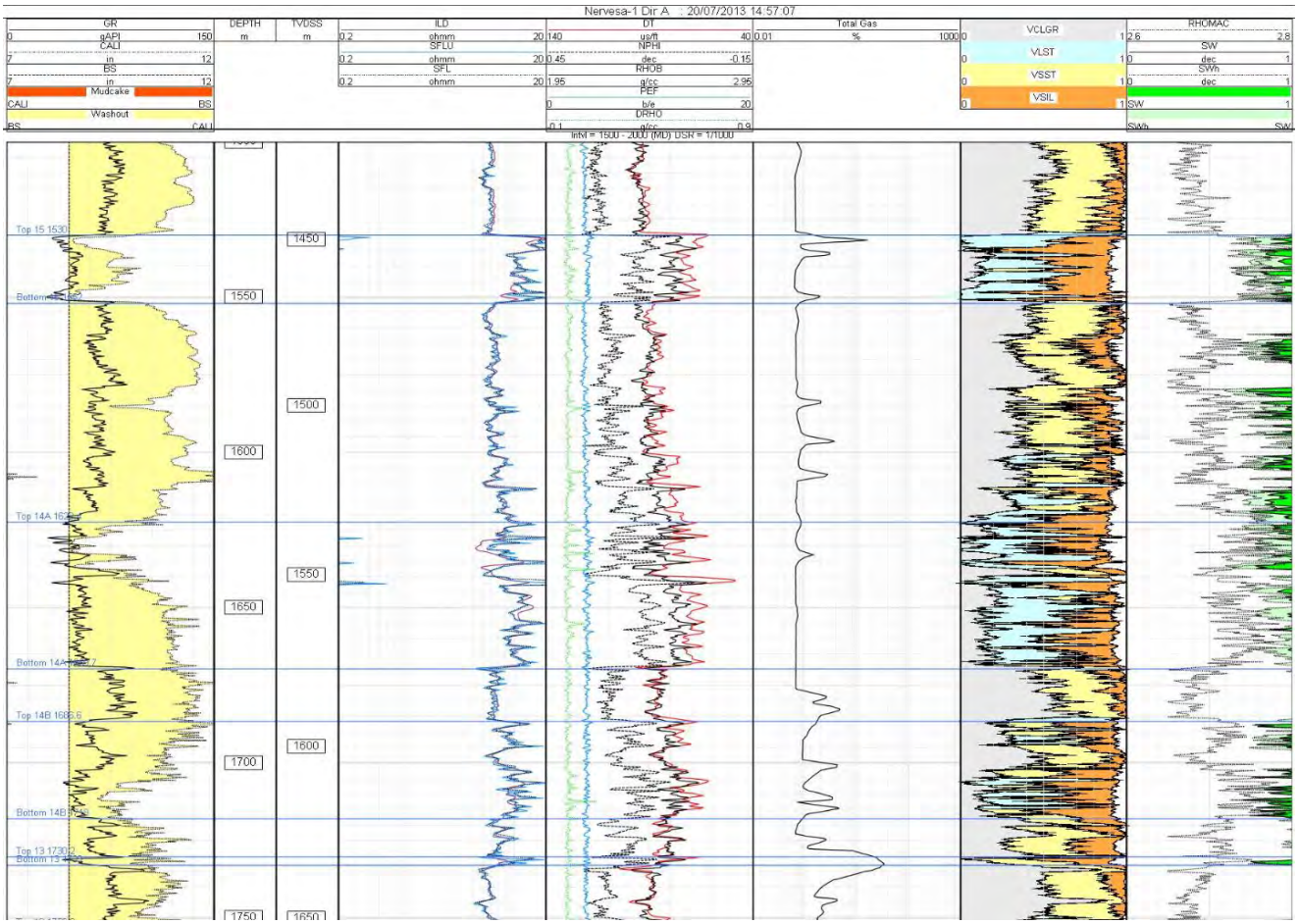


Figure 9-4 Nervesa-1 dir A Interpreted Log Example: Levels 15 to 13

Source: Apennine Petrophysical Evaluation (dated August 2013)

The Thin Layer Analysis (TLA) carried out by Apennine on the Sant'Andrea-1dir ST1 well data has given confidence to the net-to-gross estimations for the field overall. The TLA provides results that are, overall, lower in net-to-gross, higher in average porosity and lower water saturation than the classical petrophysical analysis.

The petrophysical estimations are considered fit for purpose, even if gas saturations might be under-estimated as a result of thin-bed effects on the logging tools.

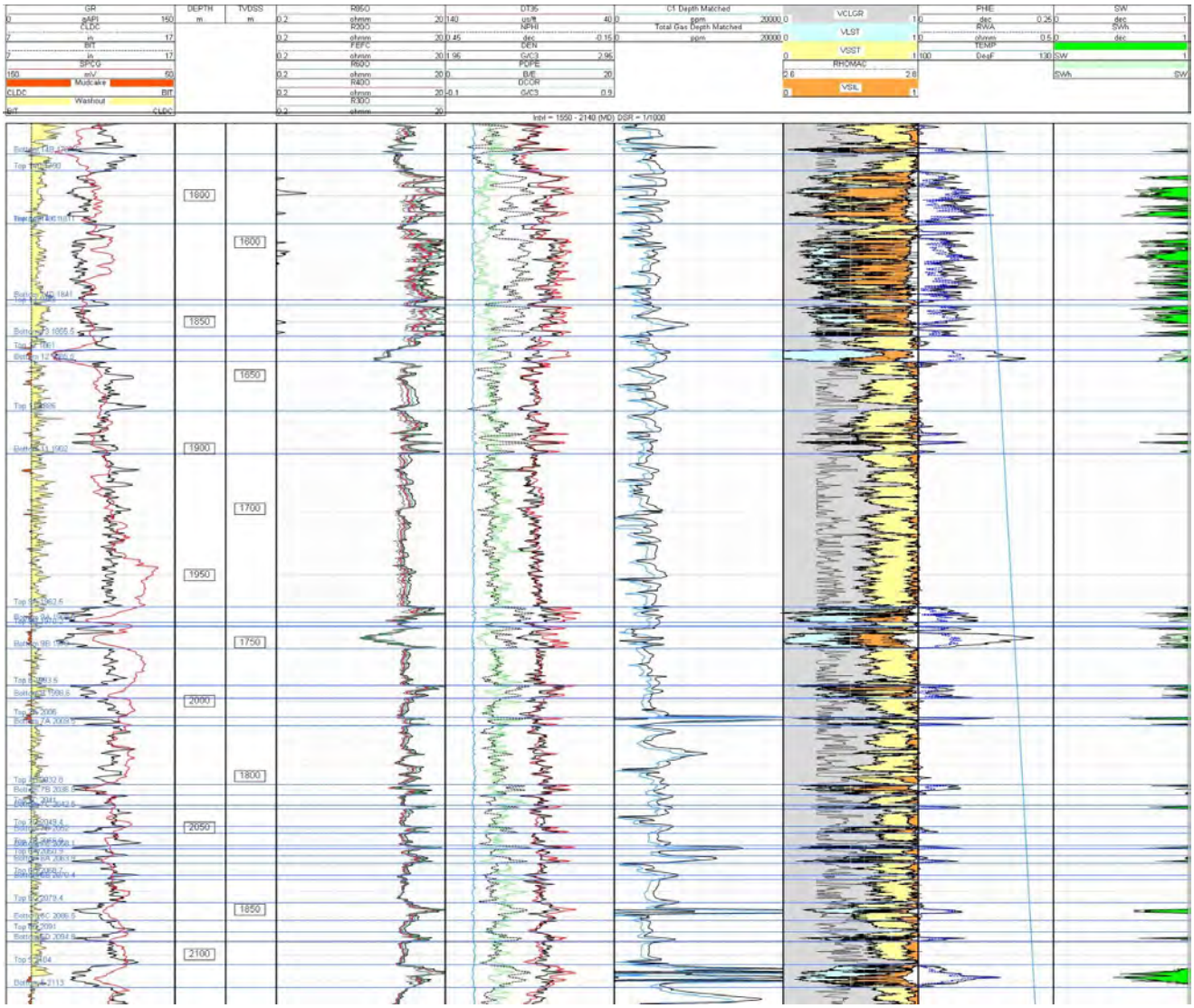


Figure 9-5 Sant'Andrea-1dir ST1 Interpreted Log: Levels 13 to 5

Source: Apennine Petrophysical Evaluation (dated August 2013)

9.4 Volumetric Estimations

Considering the negative result and current status of the Sant'Andrea-1 Dir (ST), CGG assigns no reserves to Sant'Andrea. However, given the updated structure map (Figure 9-3), it appears that the well unluckily entered a small fault compartment, confirmed the presence of producible gas and that the structure and concept remain robust and prospective. Should a sidetrack be drilled, it could access gas resource volumes in the updip fault block as shown in Table 9-1.

In working up these contingent resource volumes CGG has used Gross Rock Volumes from a 3D static model and layer average reservoir properties for each of the considered reservoir zones. The reservoir zones selected are the best of those encountered by the Sant'Andrea well. The zones chosen were either flowed during production (6C, 6D, 5) or tested gas to surface (14A, 14B), and CGG takes the cautious view that other zones

would not necessarily contribute to gas production in any future sidetrack. The resultant contingent resource is given in Table 9-1.

Table 9-1 Contingent Resource Summary for Sant'Andrea, as verified by CGG

Case	Sand	2017 GRV	NtG	Phi	Sg	Gas FVF	GIIP	Total GIIP MMscm	RF %	Contingent Resource MMscm
1C	14A	9.59	0.50	0.13	0.33	175	35.0	100.8	45%	45.4
	14B	7.98	0.51	0.14	0.41	175	40.0			
	6C	2.03	0.49	0.11	0.36	175	7.2			
	6D	0.94	0.50	0.13	0.33	175	3.4			
	5	3.03	0.51	0.14	0.41	175	15.2			
2C	14A	9.59	0.83	0.12	0.32	180	52.2	99.5	55%	54.7
	14B	7.98	0.49	0.10	0.28	180	19.6			
	6C	2.03	0.49	0.11	0.39	180	7.9			
	6D	0.94	0.50	0.12	0.38	180	3.7			
	5	3.03	0.51	0.14	0.42	180	16.1			
3C	14A	9.59	0.83	0.12	0.32	190	55.1	104.6	65%	68.0
	14B	7.98	0.49	0.10	0.28	190	20.6			
	6C	2.03	0.49	0.11	0.38	190	8.2			
	6D	0.94	0.50	0.12	0.37	190	3.8			
	5	3.03	0.51	0.14	0.42	190	16.8			

10 LAURA DISCOVERY

10.1 Introduction

The Laura Field was discovered by ENI/Agip in 1980 by the Laura-1 well. The field is located in 197m of Adriatic water, about 4km from the shore (Figure 10-1). From a geological point of view, Laura field is located in the Sibari basin, developed in the Neogene as a series of Mio-Pliocene post-orogenic sediment units overlapping the crystalline basement westwards and the Liguride flysh eastwards. The trap is a NW-SE trending faulted anticline, formed under compressive stress regimes in the Pleistocene. The reservoir consists of sands and conglomerates of the San Mauro Formation (late Pliocene). The cap and source rock is shale of the Argille di Crotone Formation. The concession was kept by ENI from 1984 to 2005, when ENI relinquished it without implementing the development plan. In June 2014 the DR74-AP permit area was awarded to Apennine, who completed seismic data purchase and re-processing in November 2014.

Laura-1 well discovered a commercial gas accumulation in two sand intervals at a depth of 1305 m to 1343 m in the San Mauro Formation (Levels A1 and A2) and at the depth of 1450 m to 1480 m in the Gessoso Solfifera Formation (Level B). Both intervals were tested separately: Level A proved an excellent deliverability (320,000 scm/d), while Level B showed worse behaviour. Due to inferior performance during well tests on Laura-1, Level B has not been considered by Apennine in the current development plan, but development cannot be excluded in future. It is Apennine interest to drill and develop contingent resources for Laura Main block with Liuba-1 ERW horizontal well (Phase-1) and to subsequently side-track Liuba-1 well to develop prospective resources in the undrilled East block (Phase-2). The presence of the San Mauro reservoir in the East block is thought to be confirmed by seismic and amplitude data.

While the development of Laura is planned from onshore drilling, the Laura field lies within 12 nautical miles of the Italian coastline and so, currently, cannot be progressed to development. Legislation change by the Italian Government would be required in order to lift the ban on developments within 12 nautical miles.

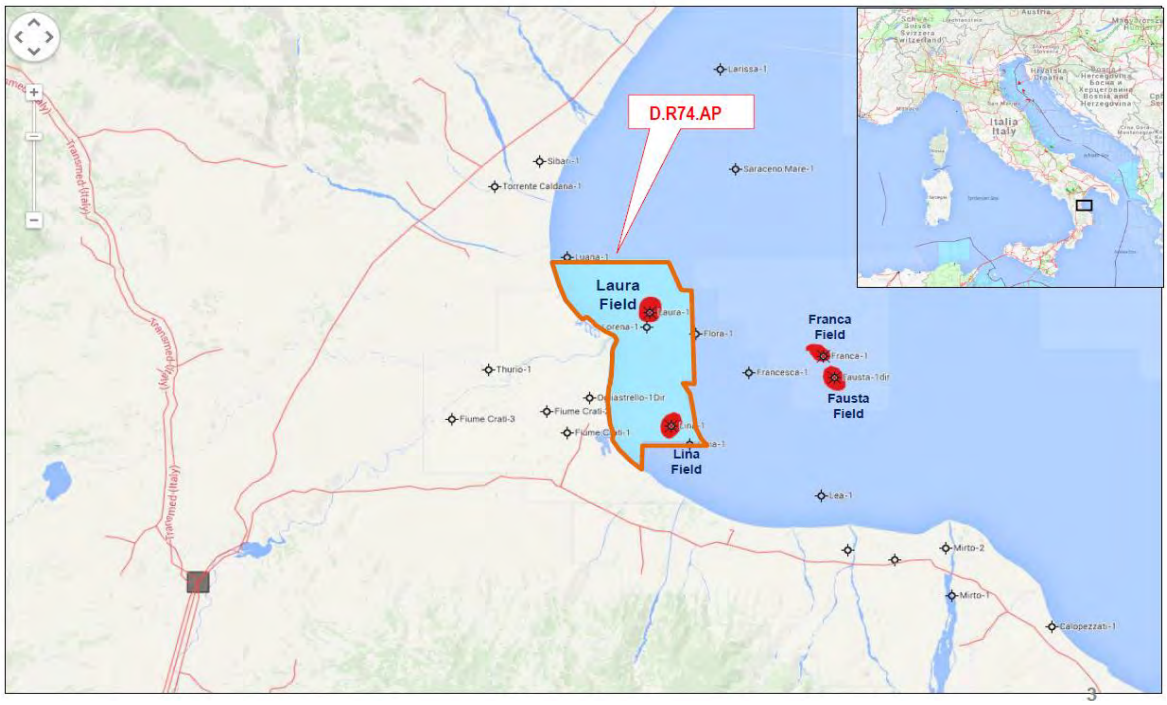


Figure 10-1 Laura field location (source: Apennine)

10.2 Reservoir Model

Apennine has worked up a reservoir model based on their own analysis on both Laura Main and Laura East blocks. Reservoir properties have been determined by means of petrophysical analysis carried out on available well logs for the gas bearing intervals 1307-1317.5 m (A1) and 1321.5-1343.9 m (A2). Apennine also performed a seismic re-interpretation of ten 2D seismic lines (D85-154, D85-155, D85-158, DF80-31, DF-3021-77, DR77-005, FR314-78, DR3024-77, DF80-29, D85-156), with direct mapping of the top and bottom of the A reservoir. Time maps were depth-converted using a velocity model developed for Laura-1 well. Three main faults have been identified on the seismic lines: a main thrust, a back thrust and a normal fault, as shown in Figure 10-2 and Figure 10-3.

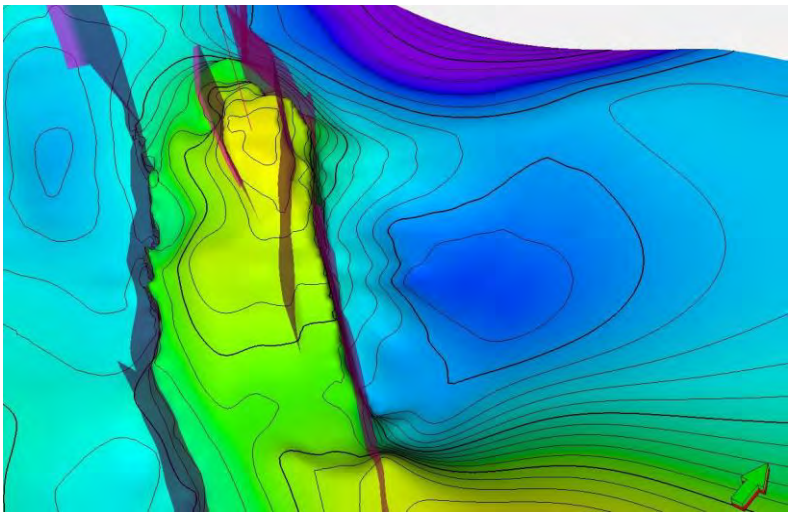


Figure 10-2 Structural map of the San Mauro Fm. Top and interpreted faults in Sound static reservoir model.

The results of the petrophysical and seismic analysis represent the input for the static model built in Petrel and were used to calculate gas in-place volumes. Apennine's static model comprises both Laura Main and East blocks. Faults interpreted on seismic have been modelled vertically, apart from the two major NW-SE faults which cross the entire grid of the model, and were used to define the trends of the static model grid.

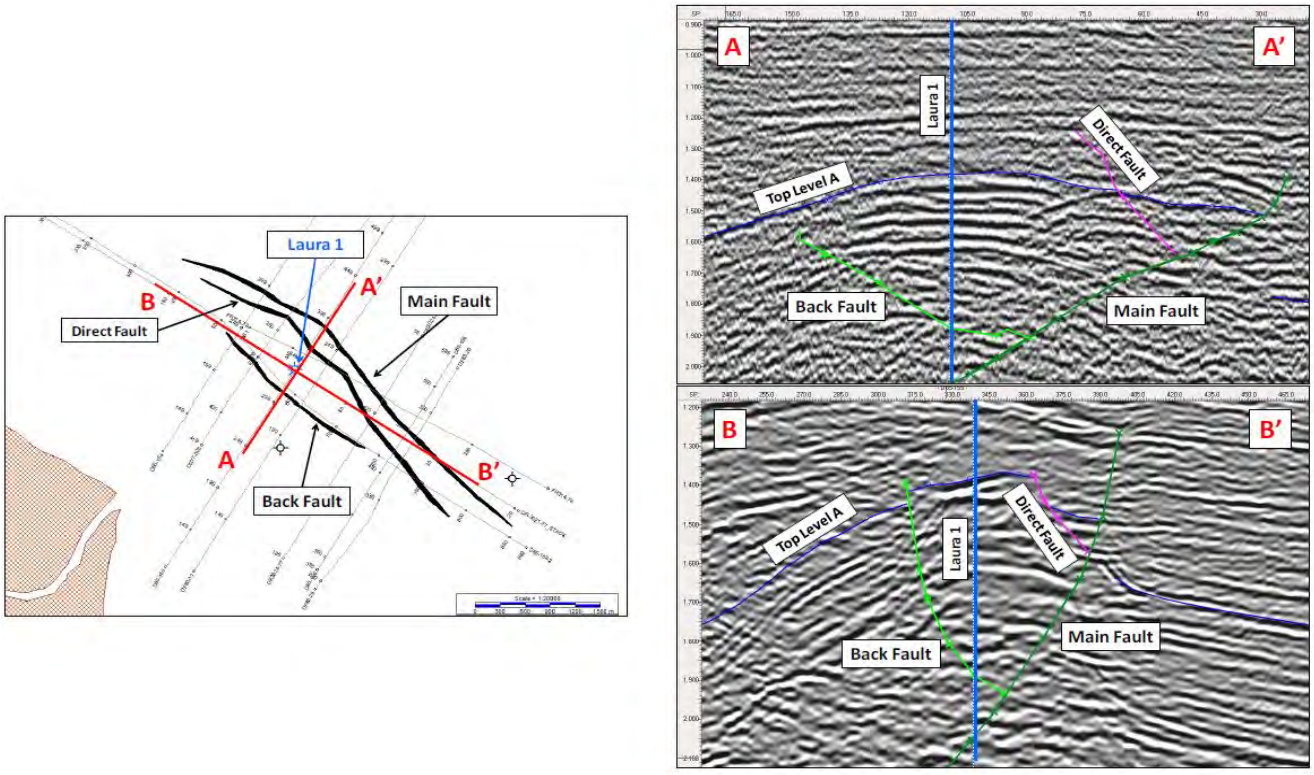


Figure 10-3 Interpreted faults (on the left) and seismic lines through Laura-1 well (on the right).

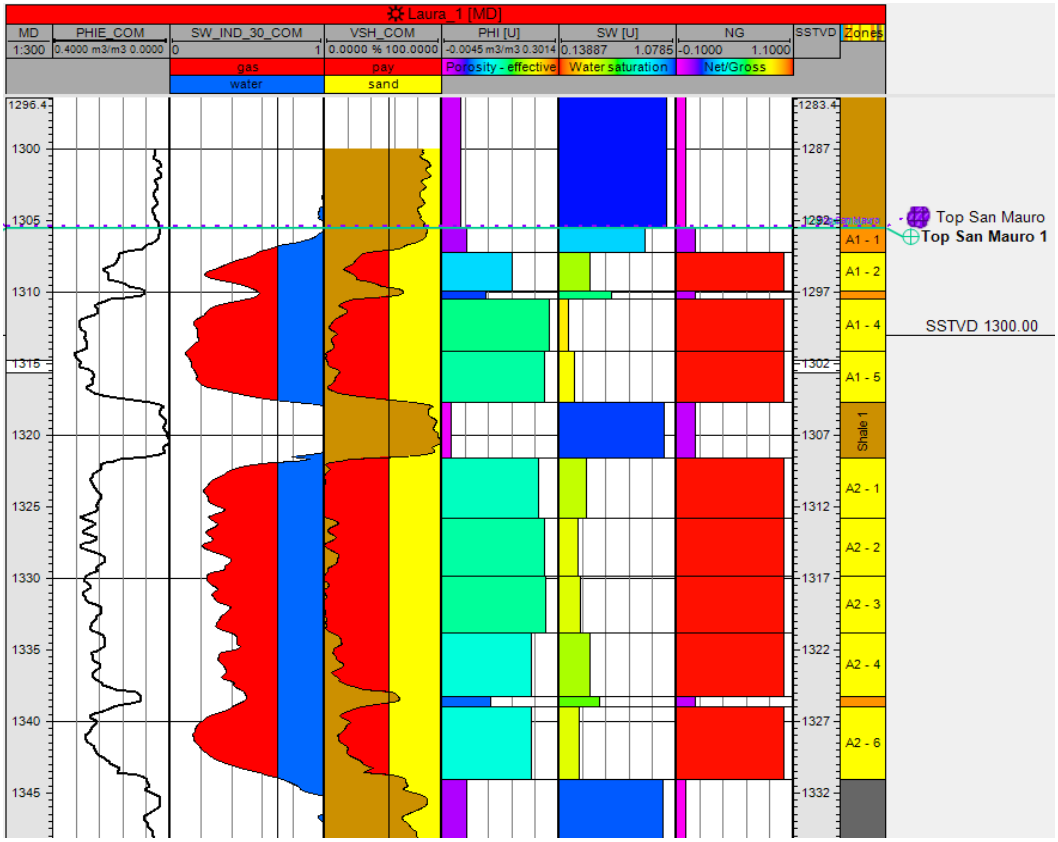


Figure 10-4 Well logs and properties for Laura static model

10.3 Reservoir Properties

The reservoir levels A1 and A2 (San Mauro Fm.) have been further subdivided into minor sub-levels as detailed in Figure 10-4. Sub-levels A-1-1, A-1-3 and A-2-5 can be described as silty sands, while the remaining intervals represent clean sands. A 4.4 m thick shale level (Shale 1) divides A1 from A2 levels. Apennine attributed a net-to-gross of 100% to clean sand intervals, while a 10% value was chosen for the interlayered silty sands (A-1-1, A-1-3 and A-2-5) and for the shale interval (Shale 1). Porosity and water saturation values have been derived from the porosity and water saturation curves produced in the petrophysical study. The mean volume weighted values for A1 and A2 levels are around 92% NtG, 23% Phi and 35% Sw.

Three cases, which Apennine term Min, Base and Max, were defined for both Laura Main and East blocks. The base case uses petrophysics directly determined from Apennine's well log interpretation. In the minimum case porosity was lowered by 1% and water saturation increased by 1%, based on the assumption that the presumed RHOgas (0.12 g/cc) could be higher. The Max case instead is based on the petrophysical analysis conducted by an ENI study on Laura field dated 1981.

10.4 Fluid Contact Definition

The GWC for all three cases in Laura Main block was fixed at -1337 m TVDSS, value firstly suggested by ENI in 2004 and successively confirmed by Apennine based pressure data analysis for the Laura-1 well. In the East block the GWC was fixed at -1424 m TVDSS for both base and maximum cases, determined considering the

same pressure analysis and the same thickness for the reservoir zone as in the Main block. The minimum case for the East block, however, assumes a GWC of -1405 m TVDSS.

10.5 Seismic Mapping

CGG's review of seismic and amplitude data, provided in a Kingdom project, for both Laura Main and East blocks led to the following conclusions:

- The horizon interpretation appears reasonable, despite at times resulting in the cross-cut of seismic reflectors.
- Faults have been correctly interpreted. The back thrust could also be positioned slightly down-dip from the present interpreted location and the normal fault is difficult to interpret on available seismic.
- In most recent structural interpretations, Apennine have not mapped two NNE-SSW faults which connect to the normal and back thrust faults, rendering the Laura-1 gas accumulation completely fault-bounded (ENI 2004 study).

CGG recognises the presence of these two additional faults on seismic data, even if it is not possible to define their extension and eventual connection with other faults. We have verified that the presence or absence of these two minor NNE-SSW faults does not affect in any way the extent of the gas accumulation defined in the static model by Apennine (Figure 10-5 and Figure 10-6).

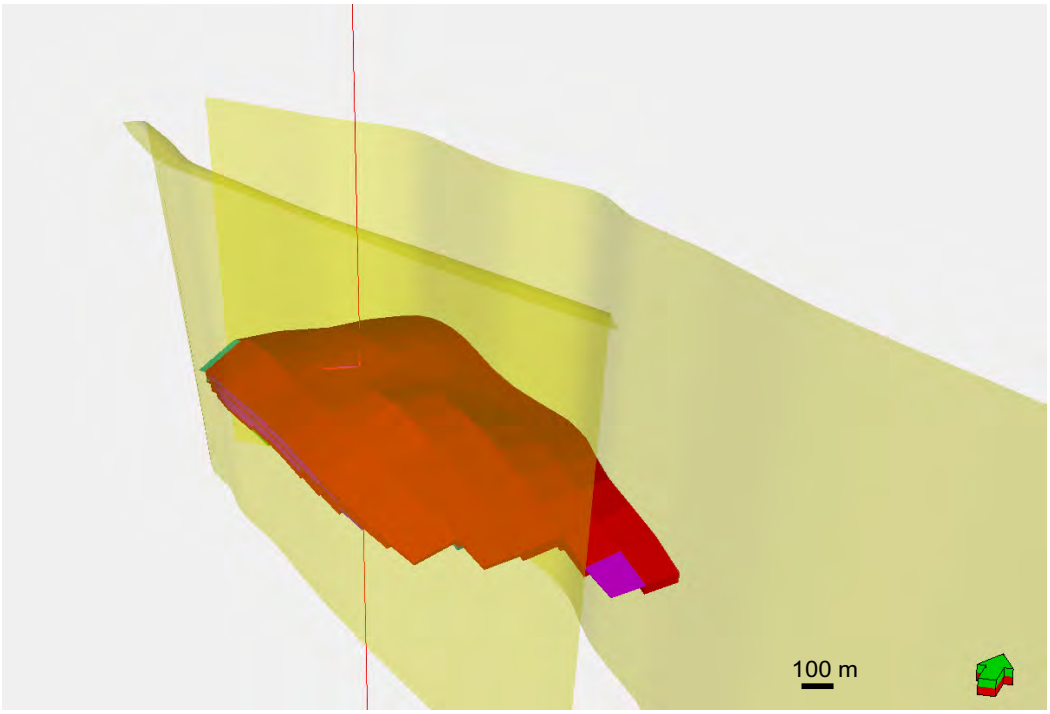


Figure 10-5 Gas accumulation in Laura Main block in Sound static model

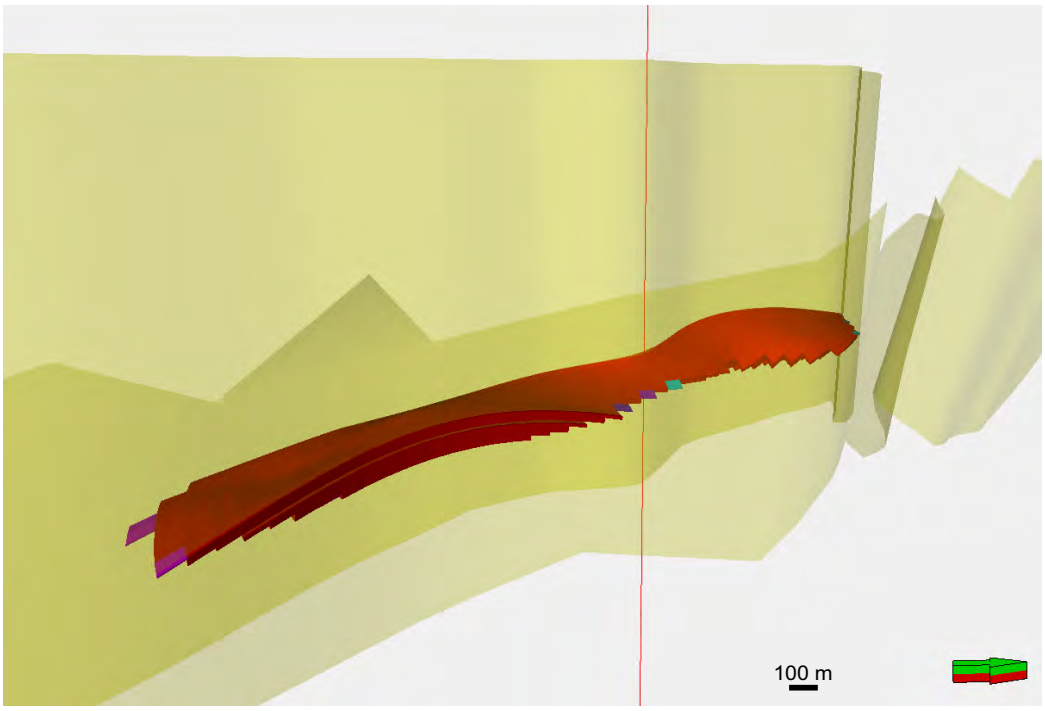


Figure 10-6 Gas accumulation in Laura East block in Sound static model

10.6 Amplitude Anomaly

CGG was able to reproduce the general features of the amplitude map created for Apennine by Ecopetrol S.r.l. The available digital seismic lines show a considerable bright spot identified at reservoir depth where well Laura-1 was drilled. This bright spot has been proven by drilling to contain gas.

Whether there is also gas in the East Block remains more uncertain, because although there is a bright spot in the East Block at reservoir depth (DR-3021-77 seismic line), it is against the fault, is considerably smaller than the drilled anomaly (approximately a quarter of the size), and has a lower amplitude. Possible migration effects close to the fault, in addition, demand caution when interpreting this bright spot as a DHI. With the data currently available to CGG, and with all the above considerations, CGG believes that it is quite difficult to assess gas presence in Laura East block based on the amplitude data alone, although the prognosis is certainly positive (gas presence in the Laura well at this depth).

10.7 Volumetric Estimations

Our review of the Laura Field static model indicates that Apennine's approach to estimating petrophysical parameters and calculating gas in-place volumes for both the Main and East blocks in Laura field is a reasonable one. Volumetric estimates are reported in Table 10-1 and Table 10-2.

Table 10-1 Gas in-place volumes for Laura Main block

Main Block	Case	GRV [10*6 sm3]	N/G (%)	Net Vol [10*6 sm3]	Phi (%)	Pore Vol [10*6 sm3]	Sw (%)	HCPV gas [10*6 sm3]	CGG GIIP [10*6 sm3]	APN GIIP [10*6 sm3]
	Min	24.23	81	19.68	23	4.5	32	3.07	**500.27**	**501.3**
	Base	24.23	81	19.68	24	4.76	31	3.29	**536.27**	**535.8**
	Max	24.23	85	20.62	28	5.82	22	4.53	**737.34**	**732.6**

Table 10-2 Gas in-place volumes for Laura East block

East Block	Case	BV [10*6 sm3]	N/G (%)	NV [10*6 sm3]	Phi (%)	PV [10*6 sm3]	Sw (%)	HPVC gas [10*6 sm3]	CGG GIIP [10*6 sm3]	APN GIIP [10*6 sm3]
	Min	2.86	73	2.1	22	0.46	30	0.32	**52.35**	**58.7**
	Base	8.63	79	6.81	24	1.64	30	1.14	**186.31**	**190.2**
	Max	8.63	84	7.26	28	2.03	22	1.58	**256.68**	**260.0**

Apennine estimated a geological chance of success of 56% for the Laura East block prospect, based on partial risk factors of 1 for source, 0.7 for reservoir, 0.8 for trap and 1 for seal. CGG is in agreement with this estimate.

CGG has reviewed the Laura field development plan provided by Apennine. One extended reach well (4 km long) is proposed to develop the Laura main field. The well will be sidetracked to the Laura East block. Three feasibility studies have been conducted by three service companies. CGG has not reviewed the proposed well design. Eclipse reservoir simulation models used for production forecasting have been reviewed by CGG, and we find that the methodology is acceptable based on the limited information on reservoir properties e.g. only one global permeability obtained from well testing was used.

For the Laura Main field, Apennine uses recovery factors of 80%, 80%, and 82% for Low, Best and High estimates. CGG takes the view that there are several uncertainties that could affect the well deliverability and recoverable volumes including reservoir heterogeneity (early water breakthrough), aquifer size and strength (early water breakthrough), drilling and completion efficiency (lower well deliverability), well may not be in the proposed/optimum location, etc. CGG applies confidence factors to the Apennine's recoverable volumes and calculates the recoverable volumes as tabulated in Table 10-3.

Table 10-3 Contingent gas resources in Laura Main

LAURA MAIN			
	1C	**2C**	**3C**
Recovery Factor	0.70	0.75	0.82
Contingent Gas Resources, MMscm	348.3	401.6	606.1
(1) Numbers have been rounded up or down and may not sum precisely.			

Apennine proposed to develop the Laura East prospect by sidetracking the well from Laura Main area. The Laura East fault block is untested by drilling. The static properties used for the Eclipse simulation model are the same as used in the main field. Recovery factors from the simulation results are 30%, 44%, and 46% in Low, Best, and High estimates. We found that these estimations are acceptable because it is a very small accumulation, potentially closer to the water. This results in lower recovery factors as compared to the main Laura accumulation. Table 10-4 shows the estimated recoverable volumes in each case.

Table 10-4 Prospective gas resource in Laura East

LAURA EAST			
	Low Estimate	**Best Estimate**	**High Estimate**
Recovery Factor	0.30	0.44	0.46
Prospective Gas Resource, MMscm	17.4	82.1	118.9
(1) Numbers have been rounded up or down and may not sum precisely.			

11 LICENSE D503-BR-CS (DALLA)

11.1 Dalla Prospect

Apennine started to evaluate the Dalla prospect in January 2015 using the available structural map in time, which depth converted using an average velocity calculated from the top of the reservoir (using data from the nearby Dora-1 well). No 3D static model has been created for the Dalla prospect but the available map was loaded into Petrel and used to constrain the reservoir GRVs for a Min, Base and Max case, respectively defined by three different gas-water contacts: -1396, -1430 and -1468 m TVDSS (Figure 11-1). These contact depths were defined considering the same pay zone thickness observed in the Dora field for the Min, Base and Max cases and the evidence that the reservoir is 20 m deeper in the Dalla prospect than in the Dora field. CGG has checked the interpretations and assumptions and has found them to be based on standard technical practice and generating very reasonable interpretations and results.

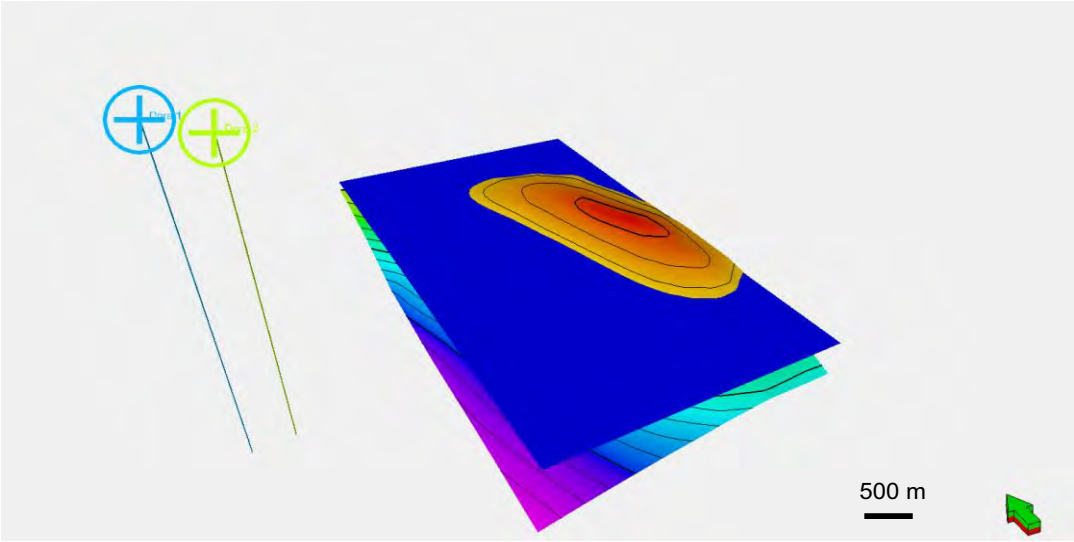


Figure 11-1 Depth map for Dalla prospect in static model

CGG reviewed Apennine's GRVs and related gas in-place volumes and found them reasonable. A comment can be made regarding the GRV value used to define the Max case, which considers a GWC at -1468 m TVDSS, clearly below the structural spill point for Dalla structure, located about -1445 m TVDSS. The GRV in the case that Dalla structure is filled until the spill point is around 378 MMscm, against the 537 MMscm proposed by Apennine, resulting in a GWC at about 1437 metres. Given that the structure is defined by a few 2D seismic lines, there is significant structural uncertainty, especially concerning the depth of that spill point. As an indication of upside potential, Apennine's larger in-place is reasonable. GRVs and gas-in place volumes for Min, Base and Max cases are presented in Table 11-1.

Table 11-1 CGG and Apennine gas in-place volumes for Dalla prospect

	MINIMUM	MEAN	MAXIMUM
Dalla prospect GWC (TVDSS)	-1396	-1430	-1468
Gross rock volumes (10*6 sm^3)	**95**	**262**	**537**
Pay zone thickness (m)	56	90	148
Net-to-Gross (%)	30	30	30
Porosity (%)	15	15	15
Water Saturation (%)	50	50	50
1/Bg	169	169	169
GIIP [MMscm]	**360**	**996**	**2041**

CGG independently estimates an overall chance of success of 56%, based on individual risk factors of 0.7 for reservoir and 0.8 for trap.

In assessing potentially recoverable volumes, a recovery factor of 70%, the same as Dora, has been applied. Table 11-2 shows the in-place volumes and the recoverable volumes in low, best, and high estimates.

Table 11-2 Recoverable volumes in block D503 B.R. CS (Dalla Prospect)

DALLA			
	Low Estimate	Best Estimate	High Estimate
Recovery Factor	0.7	0.7	0.7
Prospective Gas Resource, MMscm	252.1	696.7	1430.2

12 SANTA MARIA GORETTI

12.1 Introduction

The Santa Maria Goretti Permit (SMG) area is operated by Apennine in East Central Italy. The permit is located in the Marche region, near Ascoli-Piceno, in the Pliocene Apennine foredeep. The structuring of this geological domain is quite complex and began during the early Jurassic, when an extensional phase associated with the spreading of the 'Ligure-Piemontese Ocean' resulted in the partition of the sea floor in horst and grabens. The onset of the Apennine orogenic cycle generated several overlaps within the succession, mainly composed of limestone and basinal sequences, along thrusts which re-activated pre-existent extensional features with reverse movements. During Pliocene and Quaternary, the foredeep associated with the Apennine chain was filled with huge quantities of detrital sediments (up to 7000 m in the Pescara Basin).

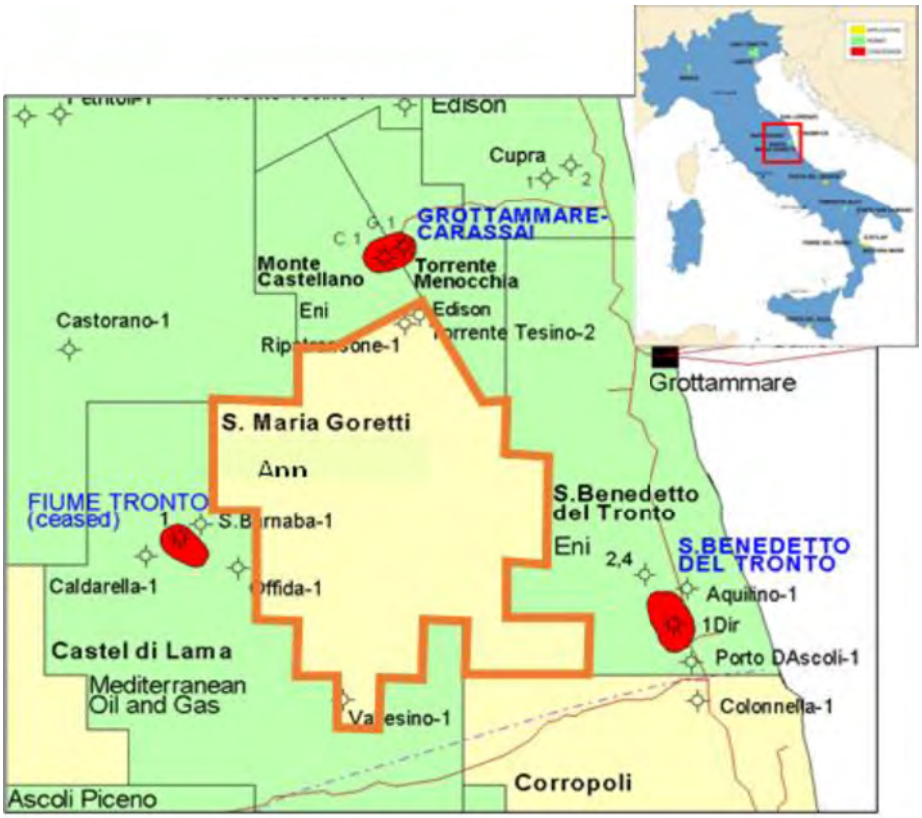


Figure 12-1 Location of the Santa Maria Goretti permit

The main wells located within the SMG permit area are Torrente Tesino-1 (TT1), Torrente Tesino-2 (TT2) and Ripatransone-1, drilled by Total/Fina in the southern flank of an anticline. The crest of this anticline was successfully drilled by ENI and EDISON in the late 1970s and is currently producing gas at commercial rates from the Carassai and Grottammare fields. The Valtesino-1 well, located in the south-westernmost part of the SMG permit is on the other hand dry (P&A).

The main reservoir unit for the area is the Lower Pliocene Cellino Fm. The seal is provided by widespread claystones interbedded with Pliocene sands and the trap mechanism for the area is mainly structural. Based on well data, four reservoir units were historically distinguished within the Cellino Fm. (from bottom to top): Level-IV, Level-III, Level-II and Level-I. These levels can be extensively correlated along the SMG permit area and Grottammare-Carassai fields. Only Level-I and Level-IV have historically been produced outside the SMG permit area. DSTs carried out in Level-I in Torrente Tesino-1 well (drilled in 1969) resulted in water production and gas traces, while Level-IV showed no evidence of gas presence. No DSTs were run in Torrente-Tesino-2 well, which only passes through Level-I, as only gas shows were detected while drilling a thin bed above Level-I. Ripatransone-1 well DSTs produced water from both Level-IV and Level-I. All these wells are currently P&A.

Following data review, petrophysical and reservoir studies, Apennine has identified a 150m thick sequence consisting of "thin layers" – turbidites – also more commonly referred to as the Thin Beds (TB), lying above the Level-I producing reservoir. The Thin Beds are believed to represent an undeveloped new reservoir, capable of being produced at commercial rates. Apennine has proposed the drilling of the appraisal Brancuna-1Dir and development Brancuna-2Dir wells, located about 150m north of TT2 well and about 1.35 km far from Grottammare-2dir well (Grottammare producing field). The main target of these appraisal wells will be the Thin Beds, while Level-I (IA and IB) would be a secondary objective.

12.2 Structure and Stratigraphy

There are two main structural trends in the SMG permit area: the Eastern and the Western trends (Figure 12-2 and Figure 12-3). The Eastern Trend (also referred to as the External Trend) is a SSE-NNW oriented anticline, on the top of which the Grottammare and Carassai fields lie. These fields have supported a steady production from 4000-5000 metre deep Pliocene sands over the last 33 years. The Western Trend (also referred to as the Internal Trend) is a complex turbidite of Pliocene-Miocene age, parallel to the Eastern Trend and located in the western area of the SMG permit, near the abandoned Fiume Tronto field. Seismic data suggest the lack of evident structures in the Western Trend which could allow effective gas trapping.

Quality of the available seismic lines is not high, but faulted structures can be identified (Figure 12-2, Figure 12-4).

The stratigraphic succession in the area mainly consists of (from bottom to top):

- the Cellino Formation (main reservoir) of Lower Pliocene age, mainly composed of interbedded marly-silty argillites and quartz sandstones;
- the Mutignano Formation of Middle-Upper Miocene age, mainly composed of argillites and marly argillites with modest sand levels and a few conglomeratic intercalations at the top;
- the Quaternary succession, represented by sandy claystones passing to sands and pebbles towards the shallower part.

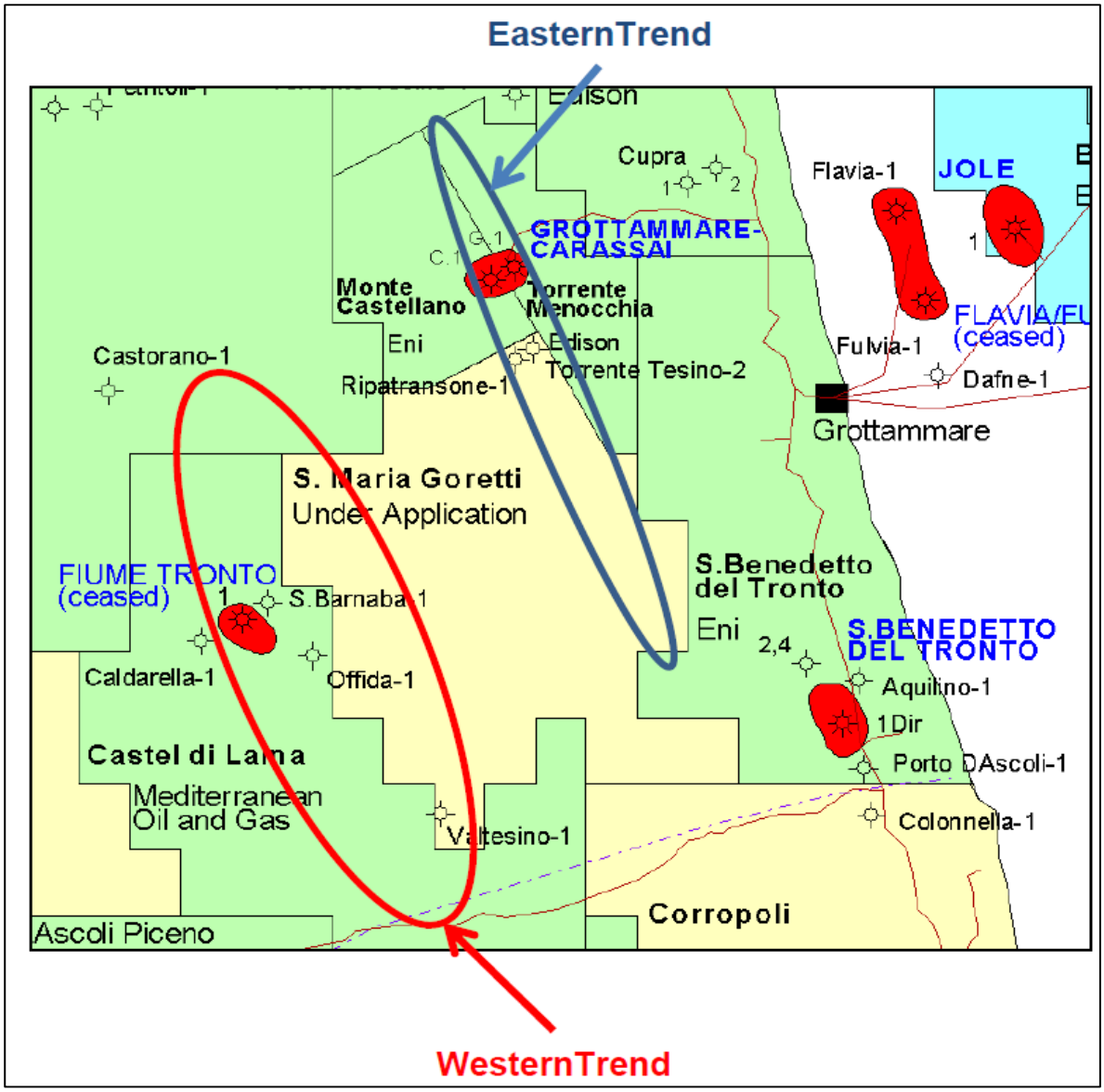


Figure 12-2 Location of the Eastern and Western trends in the SMG permit area (source Apennine)

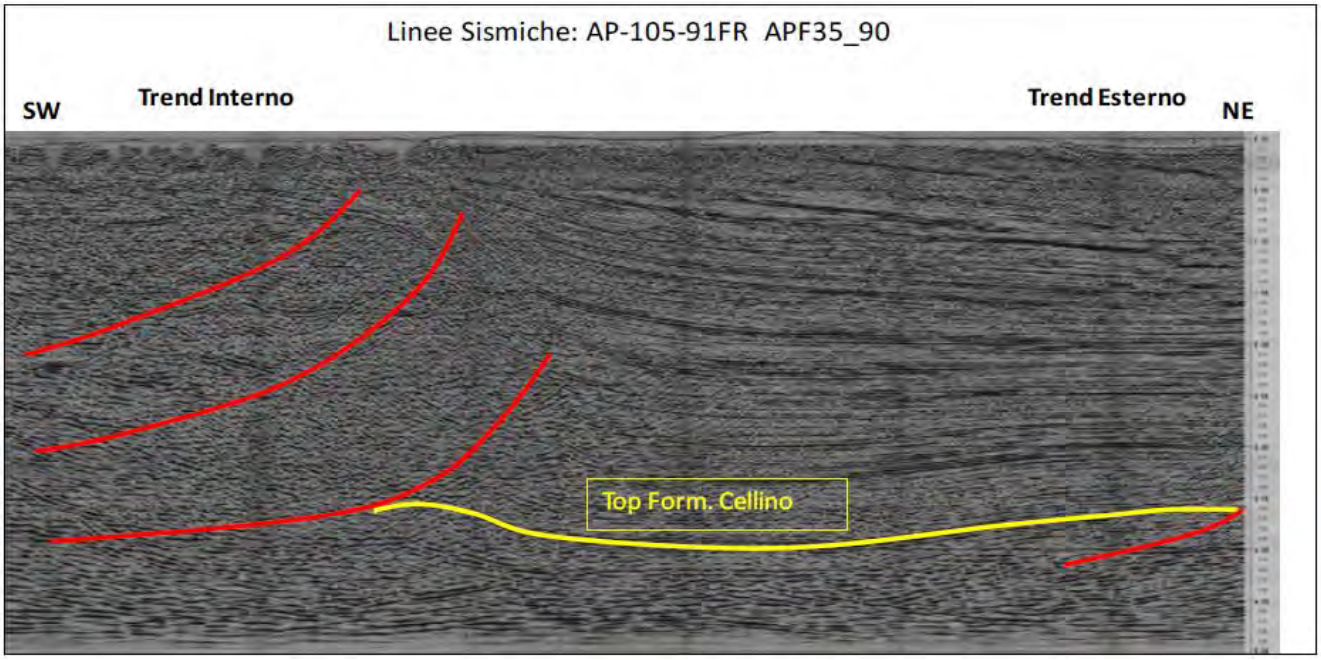


Figure 12-3 Seismic interpretation of the Internal (Western) and External (Eastern) trends (source Apennine)

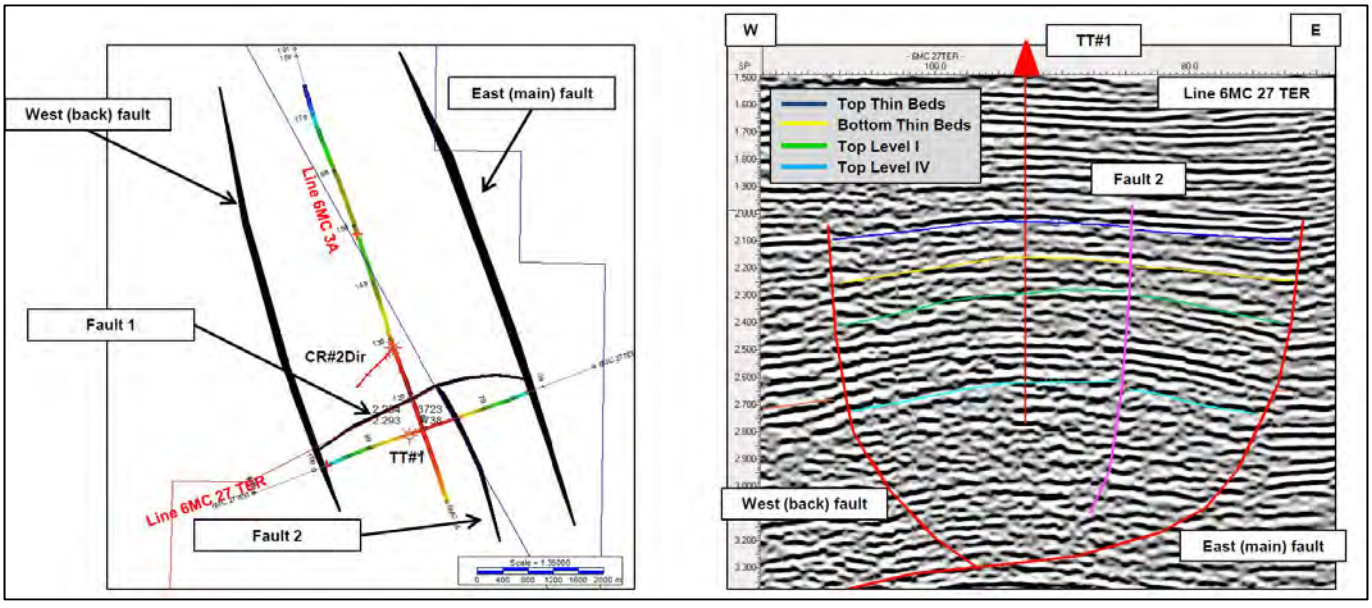


Figure 12-4 Schematic cross section (on the left) and seismic line (on the right) showing Fault-2

12.3 Source Rocks and Hydrocarbon Migration

Biogenic gas produced in the Grottammare and Carassai fields was generated within Miocene to Pliocene clay sequences. Migration occurred into Lower Pliocene reservoirs where intra-formational seals have proved to be effective in the Grottammare and Carassai anticline structure. In the down-dip part of this large structure lies the SMG permit area.

12.4 Reservoirs

The Lower Pliocene Cellino Formation represents a syn-orogenic basinal turbidite sequence having shaly, thin-bedded and thick-bedded turbidite intervals. Lateral continuity of individual beds is thought to be quite good, with the thickest, "mega-turbidite" beds having continuity over several kilometres. Regional palaeo-geographic studies for the "Marchigiano-Abruzzese" foredeep indicate a quite high lateral continuity and uniformity in thickness for the Cellino Formation. Palaeo-current analysis demonstrates a main North-South or NNW-SSE transportation trend for these turbidites.

12.5 Petrophysics

Apennine performed a petrophysical study based on available log data for Torrente Tesino-2 (TT2) and Ripatransone-1 wells.

12.5.1 Thin Beds

Well log data in the SMG area suggest that the Thin Beds sequence is characterized by thin turbidites with a general fining-upwards tendency. Gas shows were recorded while drilling the Thin Beds in TT2 (up to 10% gas) and TT1 well (2-10% gas). Apennine reported that reduced gas shows in Ripatransone-1 well (around 0.5%) was due to drilling mud density.

The Thin Beds were mainly analyzed in the Torrente Tesino-2 well where better well log availability allows a more complete evaluation of the section. In thin-bedded intervals, the ability of the wireline and particularly the resistivity logs to accurately differentiate gas-bearing sands from thin shales may be reduced, leading to an over-estimation of water in thin gas-bearing sands when a standard log analysis is employed. In such cases SCAL work can be useful in defining a saturation-height function for the sand beds within the thin-bedded section. It has not been possible to do such work in the absence of SCAL data.

Apennine performed petrophysical work in-house which has been reviewed by CGG. The interpretation of gas presence was based on an increase in resistivity and a parallel decrease in sonic. This implies a crossover between the Rdeep and DT curves that, when positive, suggests the presence of a gas bearing level. The curve named G_FLAG is used to highlight the net gas levels on Sound plots. The sum of all net gas levels indicates a global net-to-gross ratio of 44% and this has been used in the Apennine 3D static geomodel for volumetric calculation purposes. Regarding porosity, the resolution of the acoustic tool is around 80-100 cm, implying a reliable determination of porosity only for layers of comparable thickness. Porosity values directly measured from well logs in the centre of gas bearing levels is around 11-15%, while the average of all analyzed levels within the G_FLAG curve is 17%. The former (11-15%) was used in Apennine's 3D static geomodel, while the last was considered too high for effective porosity but reasonable as a measure of total porosity. No water saturation values could be inferred from the available data and therefore the range used by Apennine in the 3D static geomodel derives from regional knowledge of thin layer turbidite reservoirs in central Italy.

Figure 12-5 displays the most promising gas bearing zone for the Thin Beds sequence in Torrente Tesino 2 well.

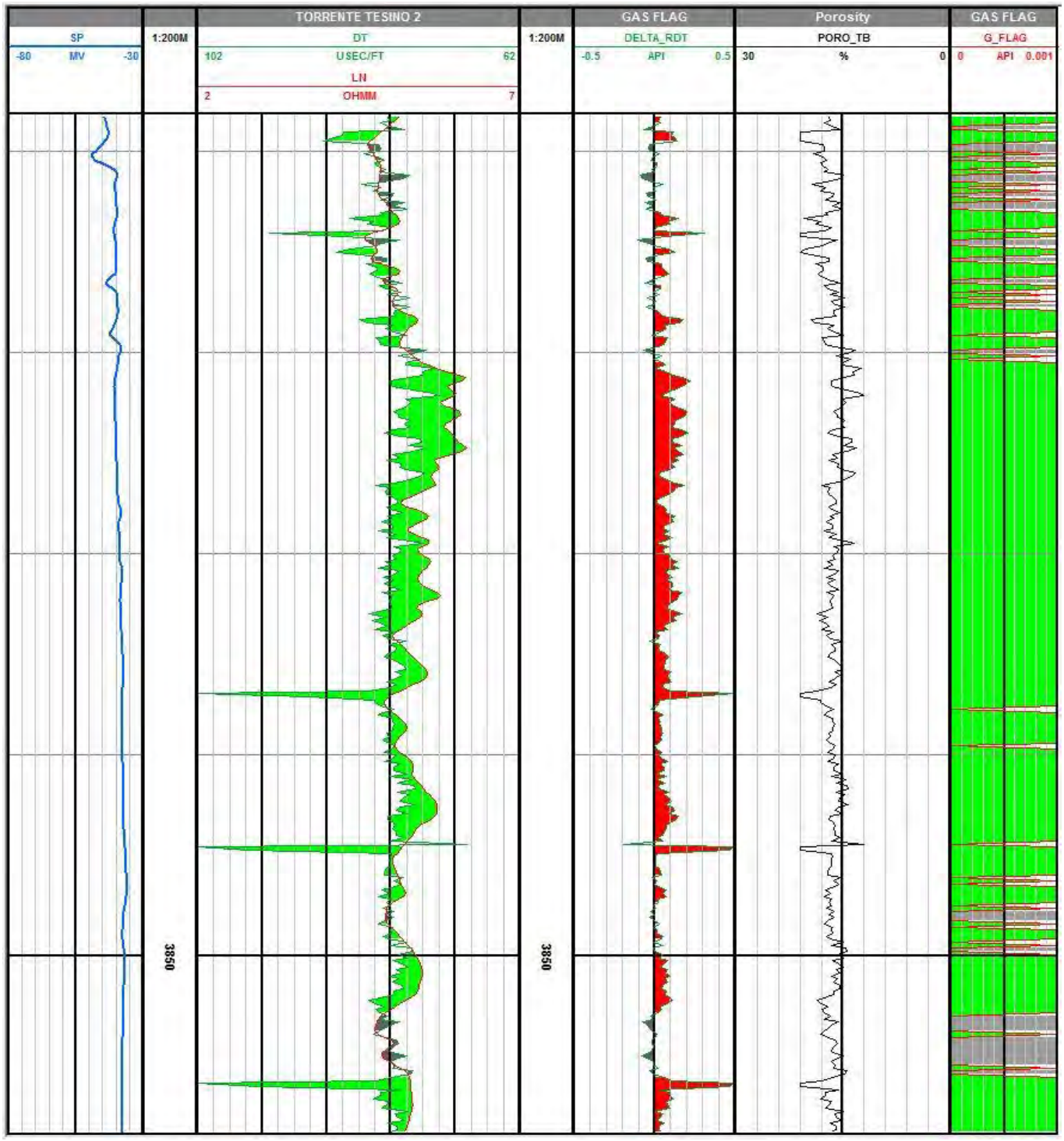


Figure 12-5 Thin Beds reservoir most promising gas bearing zone in Torrente Tesino 2 well (source Apennine)

The Thin Beds sequence is found in all wells within the SMG permit area as well as in the Grottammare/Carassai nearby field. However it has never been tested.

Following the revision of Apennine's petrophysical study, CGG agrees with Level-I petrophysical interpretation, where evidence of residual hydrocarbon saturation in the SMG wells are quite clear, as well as the considerable probability of Level-I to be water bearing in the SMG permit area.

A more detailed review was performed on the Thin Beds, which represent the main target for the appraisal well Brancuna-1Dir and development well Brancuna-2Dir. CGG mainly focused on assessing the gas charge potential of these thin turbidite levels.

Gas in thin bedded formations is well known and documented in Italy, hence the possibility in SMG area is solidly based on regional knowledge. This region of the country is known for thin turbidite sandstones containing gas, and a number of papers have been published on the topic. The data is not optimal to analyse in detail these Thin Beds, however the techniques employed by Apennine give a fair indication for the presence of gas. Moreover, net-to-gross (44%), porosity (11-15%) and water saturation (40-50%) parameters computed by Apennine appear reasonable.

The presence of gas shows is a good indication of the consistency of Apennine petrophysical analysis. Moreover, a highly comparable resistivity signature is seen in all three wells (TT2, TT1 and Ripatransone-1). In the Thin Beds section, the resistivity increases and the shallow and deep curves show separation. In combination with strong gas shows, this evidence tends to confirm the spatial continuity and the high gas bearing potential of the Thin Beds in the SMG permit area. Attention should be paid to the possible presence of free water, which is currently impossible to define given the available data sets.

12.5.2 Level-I

Level-I was analysed in both TT2 and Ripatransone-1 wells. Here it displays a low average effective porosity (from 9 to 14%) and quite constantly high water saturations (70 to 100%). Moreover, in the most porous and permeable intervals, where Vshale is quite low, water saturation reaches 100%, suggesting gas migration away from this level. In the shaly and less permeable sand layers some residual gas remains.

Figure 12-6 shows the water bearing character of the Ripatransone-1 well and the residual hydrocarbon enrichment at the top of the deeper level in a low permeability and shaly section.

Level-I has been drilled all along the anticline structure falling into the Grottammare/Carassai and SMG permit areas. In Torrente Tesino-1 and 2 wells, Level-I forms part of the main producing reservoir section of the Grottammare/Carassai producing gas field. Even if produced in the neighboring fields, Level-I appeared to be water bearing in wells TT1 and Ripatransone-1, which both produced formation water with some gas traces during well tests. The TT2 well instead stopped inside Level-I (TD 4210 m) and did not test it, leaving some uncertainty about fluid content (if gas and undrained by production depletion from the main field, then it could represent a drilling target). On the other hand, it is known that gas has been found below the Grottammare/Carassai GWC in Level-I (about -3740 m TVDSS), suggesting the possibility of some gas potential in well TT2 and in the up-dip region, where the Brancuna wells are planned. For these reasons, Level-I remains a potential secondary target for the Brancuna wells.

Well log data in both the SMG and Grottammare/Carassai areas suggest that Level-I is composed of a sequence of arenaceous mega-turbidites, alternating with shales and pelitic facies, several tens of meters thick.

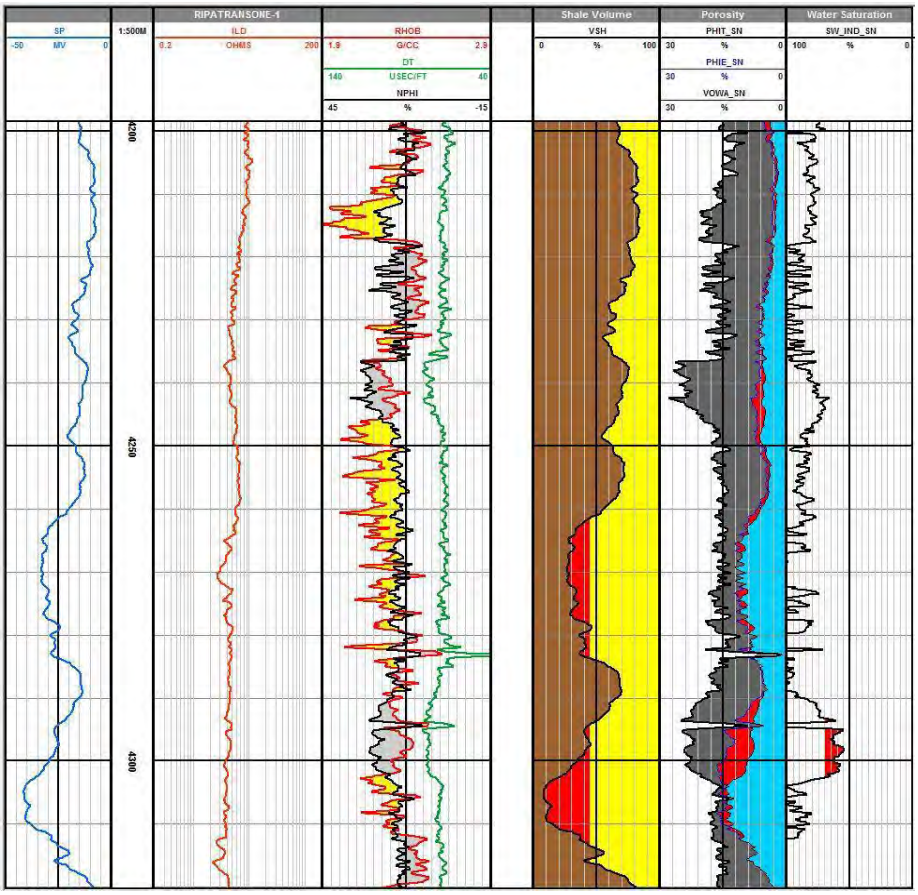


Figure 12-6 Level-I reservoir log in Ripatransone-1 well (source Apennine)

12.6 Static Reservoir Model

CGG has carefully reviewed the inputs, assumptions and results of the geological static model that is used to estimate gas volumes.

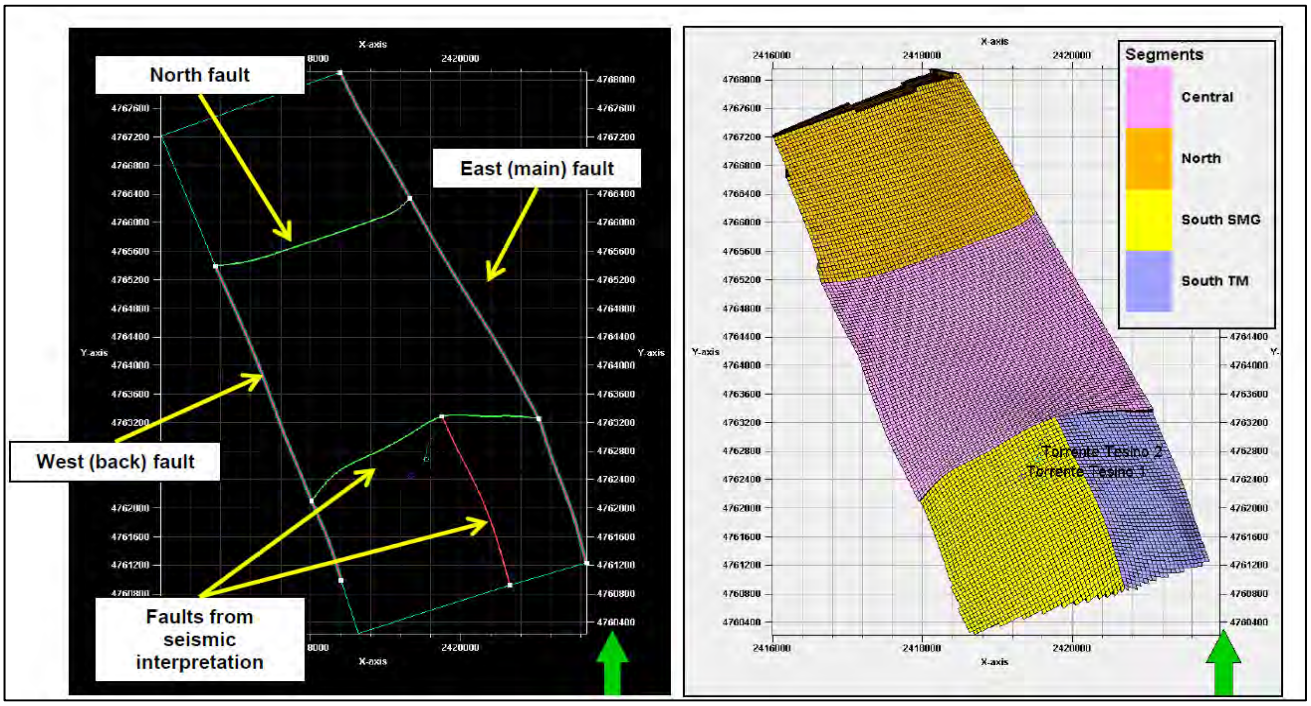


Figure 12-7 Grid and segments in the Apennine 3D static geo-model (source Apennine)

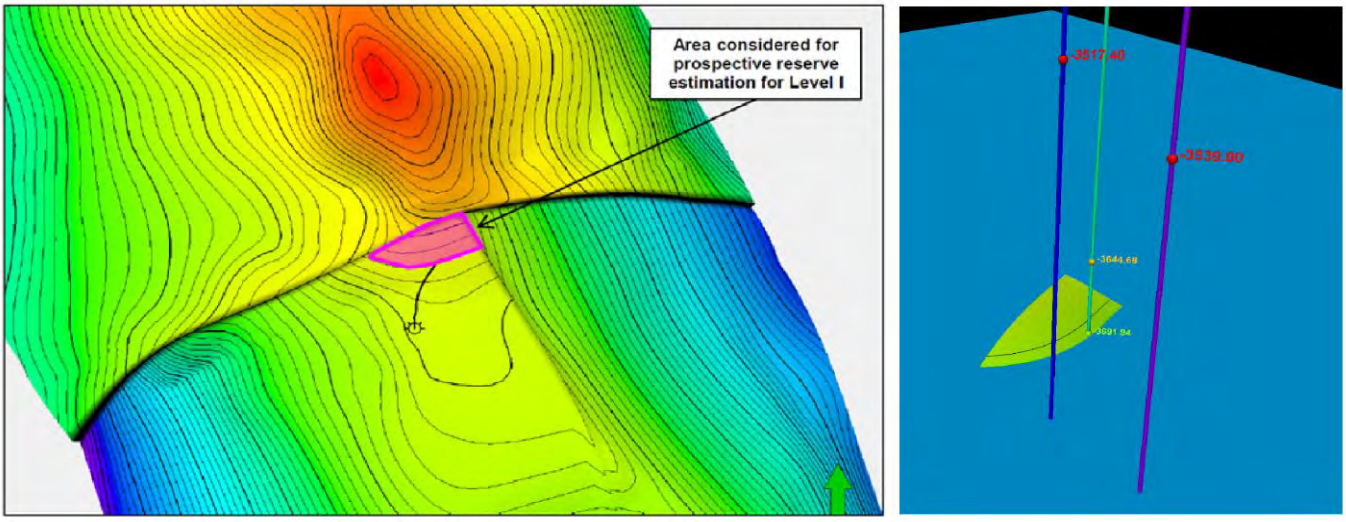


Figure 12-8 Boundary polygon (on the left) and related gross-rock-volume (on the right) used for Level-I GIIP estimate

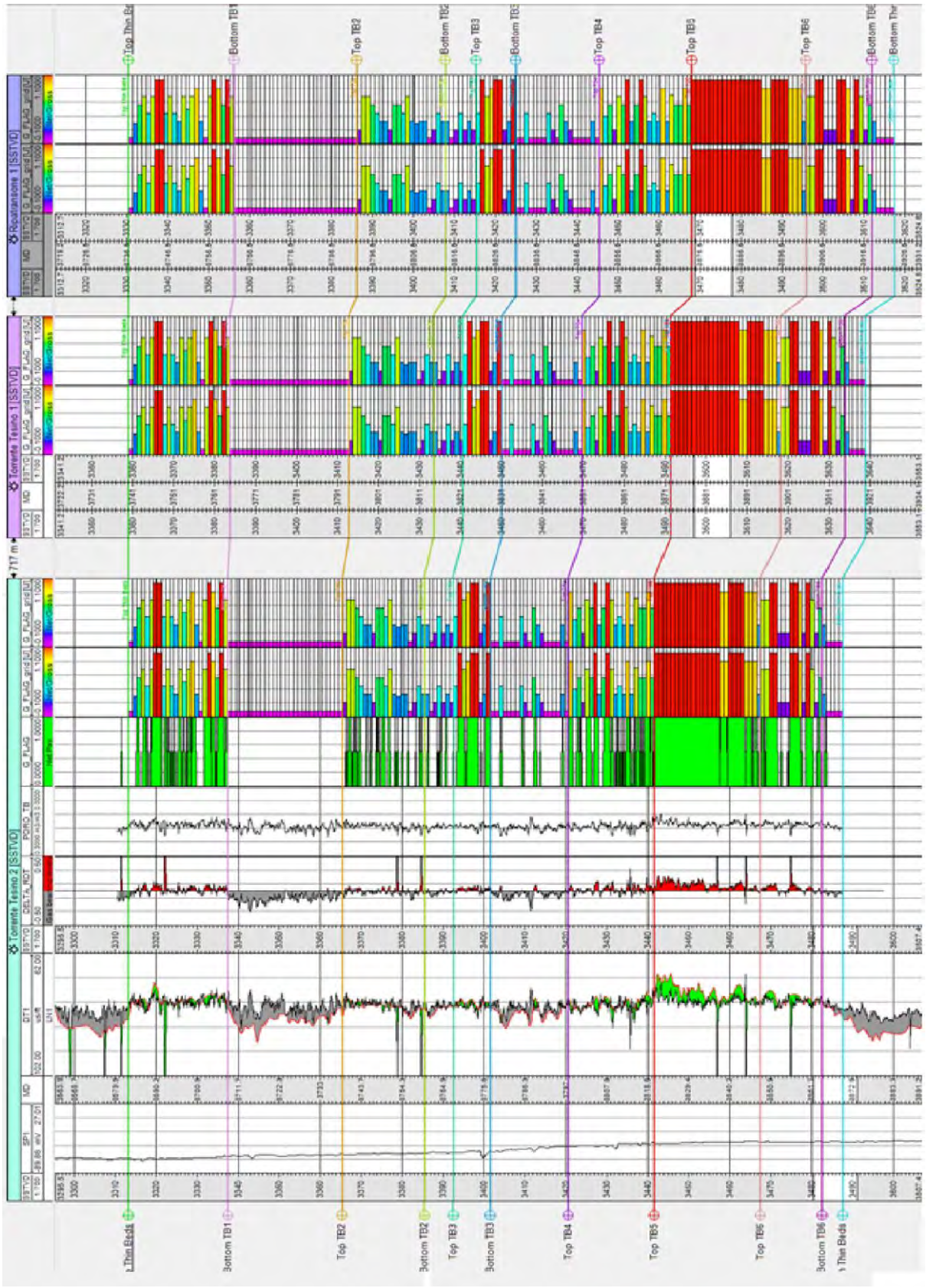


Figure 12-9 Calculated logs (G_FLAG and G_FLAG grid) and well logs correlation for TT1, TT2 and Ripatransone-1 wells

All petrophysical properties and calculated logs used in the Apennine 3D static model for the Thin Beds come from the petrophysical study results: for P90, P50 and P10 a fixed 44% net-to-gross was used, 11-13-15% porosity (P90, P50 and P10) and 50-45-40% water saturation (P90, P50 and P10). On the contrary, petrophysics used for Level-I GIIP calculation was inferred from the analysis of the Grottammare field well logs (indicative net-to-gross 70%, porosity 12-19%, water saturation 25-40%). The reason for this choice lies in the fact that the location of the Brancuna wells is up-dip from the TT1, TT2, and Ripatransone-1 wells, providing Apennine with the expectation of better petrophysical parameters with respect to the SMG permit area, possibly closer to those of the Grottammare producing field. Accordingly, the above mentioned reservoir property ranges for P90, P50 and P10 GIIP cases were developed for the Thin Beds, while only a P50 case was computed for Level-I.

CGG has reviewed the 3D static model for Santa Maria Goretti permit area built by Apennine and considers that the static model is a reasonable basis for estimating volumes of gas, and that good procedures have been followed in its construction. The subdivision of the Thin Beds into 6 sub-sequences (TB1 to TB6) based on the G_FLAG curve is considered a reasonable approach to the identification of gas reservoir intervals. The range of petrophysical parameters used for each volumetric case (Low Estimate, Best Estimate and High Estimate) is reasonable, in both Level-I and Thin Beds reservoirs.

For Level-I the boundary polygon choice and associated resulting GIIP values are sensible and based on well data. In spite of this, CGG revised Level-I GIIP estimating a wider range of petrophysical values (Low Estimate, Best Estimate and High Estimate) from well log data. This was done to better represent the levels of uncertainty present in the definition of gas volumes in this section.
For the Thin Beds the choice of modelling separate GWCs for each Thin Beds sub-sequence is based on regional knowledge of thinly bedded turbidite reservoirs in central Italy and in the Adriatic region and is therefore considered fair. However, CGG's review of the implementation the GWC by Apennine led CGG to adopt a different method.

Values for the Low Estimate, Best Estimate and High Estimate GIIP cases for both Level-I and Thin Beds are discussed in the following paragraphs. In both reservoirs, the approach used for GIIP estimate is probabilistic and the software used is Crystal Ball.

12.7 Volumetric Estimations

In this report we follow Apennine's nomenclature for GIIP classification when referring to Apennine estimates. When presenting CGG estimates, we follow the Low, Best and High Estimate nomenclature for prospective resources in conformance with SPE PRMS (2007) guidelines.

CGG has reviewed Apennine assumptions for Low, Best and High Estimate GIIP cases and has found it necessary to modify some of them to better reflect the Santa Maria Goretti permit area gas potential and risks.

12.7.1 Thin Beds

CGG has defined Low Estimate, Best Estimate and High Estimate cases based on industry standard geological assumptions and by discarding Apennine's contact approach. CGG also believes that the Apennine GIIP range

does not fully reflect the level of uncertainty present in the available data, which is inconclusive on a number of critical points.

Given these considerations, CGG's assumptions were defined as follows for the High Estimate, Low Estimate and Best Estimate cases:

- The High Estimate case considers a single gas-down-to (GDT) corresponding to the bottom of the Thin Beds sequence in well TT2 (-3487 m TVDSS). No boundary polygons were used, and so the gas accumulation has broad extent reflecting upside potential. However, we acknowledge that the gas-down-to could be deeper if the resistivity signature and gas shows are considered, but at this stage of appraisal, we do not consider those indications sufficiently reliable in TT1 and Ripatransone-1 wells because of data limitations in those wells.
- The Low Estimate considers multiple GWCs inferred from the gas-down-to depths observed at the bottom of each Thin Beds sub-sequence (TB1 to TB6) in TT2 well. No boundary polygons were used.
- The Best Estimate case was not fixed by means of explicit assumptions was but obtained from a probabilistic distribution.

For each case the gross-rock-volume was calculated in Petrel, while the range of petrophysical parameters was set as following: 11-13-15% porosity (respectively as Low Estimate-Best Estimate-High Estimate); 34-44-54% (Low Estimate-Best Estimate-High Estimate) net-to-gross and 70-50-40% (Low Estimate-Best Estimate-High Estimate) water saturation.

The assumptions for CGG's Low Estimate, Best Estimate and High Estimate GIIP cases are essentially based on TT2 well data, as the confidence regarding data quality and interpretation is high for this well. On the other hand, CGG is aware that Thin Beds display similar gas shows of around 2-10% in the TT1 well, as well as an analogue trend of resistivity log track with respect to the TT2 well. Anyway, given the available data, CGG is not able to assess if the additional hydrocarbon volumes related to the TT1 well are movable or not. CGG therefore recognizes the potential to have a considerable 'Upside Volume', which takes into account TT1 well hydrocarbon volumes as well as the possibility that the structure in SMG permit area is full of hydrocarbons until the spill point, which unfortunately can't be verified at this stage of appraisal.

Results show that CGG's Best Estimate GIIP case (1881.84 MMscm) is similar to Apennine P50 case (1801 MMscm), while the Low Estimate case (544.27 MMscm) is lower than the correspondent Apennine value (1385 MMscm) and the High Estimate case (3720.40 MMscm) is higher than Apennine (2267 MMscm). The larger range of CGG's GIIP (544.27 - 3720.40 MMscm) better reflects the SMG permit area gas potential and better takes into account the uncertainty associated with the structure, GWC position and petrophysics. Recoverable volumes for Thin Beds statistically calculated by CGG using Crystal Ball™ with a 40-50-60% range of recovery factors are tabulated in Table 12-1.

Chance of Success (CoS) for the Thin Beds has been estimated by CGG based on information available for the SMG permit area and public domain data for the nearby Carassai/Grottammare gas fields. Given the fact that

the SMG permit area lies in the down-dip faulted side of the main 4-way dip anticline which hosts Grottammare and Carassai gas producing fields, a score of 1 was assigned to source presence, source effectiveness and reservoir presence. Reservoir effectiveness or quality (0.75) is indicative of a quite high probability to find gas as indicated by well logs and gas shows during drilling. Trap presence is quite well defined by 2D seismic lines and well data (0.95) and trap effectiveness is quite high (0.95), due to the presence of the Grottammare and Carassai nearby producing fields in the same structure. The overall COS proposed by CGG is 68%.

Table 12-1 GIIP and Recoverable Volumes for the Santa Maria Goretti Thin Beds

SANTA MARIA GORETTI: THIN BEDS			
	Low Estimate	**Best Estimate**	**High Estimate**
In Place Volumes, MMscm	544.27	1881.84	3720.4
Prospective Gas Resource, MMscm	265.82	927.65	1886.31

12.7.2 Level-I

Apennine distinguished just one case for Level-I (P50, 74 MMscm), using petrophysics from Grottammare field. This choice was based on the evidence that the location of the Brancuna appraisal well is much up-dip with respect to TT1, TT2, and Ripatransone-1 wells, and this allows to expect better petrophysical parameters compared to the SMG permit area, possibly more similar to the Grottammare producing field. CGG revised Level-I GIIP considering the same boundary polygon used by Apennine (inferred using a -3692m GWC from TT2 well log). However CGG defined the minimum and maximum GIIP cases, on the base of which the Low Estimate, Best Estimate and High Estimate cases were accordingly calculated. The assumptions were defined as following:

- The maximum case considers the same gross-rock-volume and the same GWC of Apennine 3D static geomodel. Petrophysical parameters were inferred by Grottammare well logs (indicatively 70% net-to-gross, 17% porosity and 35% water saturation).
- The minimum case on the contrary assumes a null gross-rock-volume, representative of a GWC which lies above the top of the structure. Slightly worse petrophysical parameters (indicatively 60% net-to-gross, 13% porosity and 45% water saturation), inferred from TT1 and TT2 wells and representative of the SMG permit area, were applied.

Results for the Low Estimate, Best Estimate and High Estimate cases are shown in Table 12-2. A lower GIIP is proposed by CGG for the Best Estimate Case (32.1 MMscm) with respect to Apennine (74 MMscm). Recoverable volumes for Level-I were calculated by CGG considering a 60% recovery factor, which is in agreement with Apennine overall recovery factor.

Table 12-2 GIIP and Recoverable Volumes for the Santa Maria Goretti Level-I

SANTA MARIA GORETTI: LEVEL-I			
	Low Estimate	**Best Estimate**	**High Estimate**
In Place Volumes, MMscm	14.3	32.1	50.4
Prospective Gas Resource, MMscm	8.58	19.26	30.24

As for the Thin Beds, COS for Level-I uses the same values for source presence (1), source effectiveness (1), reservoir presence (1), reservoir effectiveness or quality (0.75), as well as trap presence (0.95) and trap effectiveness (0.95). An additional risk factor, the fluid type, was introduced for the Level-I reservoir. A value of 0.5 takes into account the risk that an appraisal well might encounter water, the gas having been already produced by the Grottammare-Carassai fields (currently producing from Level-I). The overall COS proposed by CGG is 34%, slightly lower but still consistent with the 40% COS proposed by Apennine.

13 SAN LORENZO LICENCE

13.1 Casa Tiberi Gas Field

This Licence contains the producing Casa Tiberi gas field, which lies in the Umbria-Marches Region, Province of Ancona. The permit covers 49.4 km^2 onshore. Identified as a prospect in 1988 by Total, the Casa Tiberi gas field lies on the same structural trend as the Castellaro and Cassiano gas fields in the North-West, Sette Finestre in the South-East, and the structural culmination of Montegallo farther South-East (Figure 13-1).

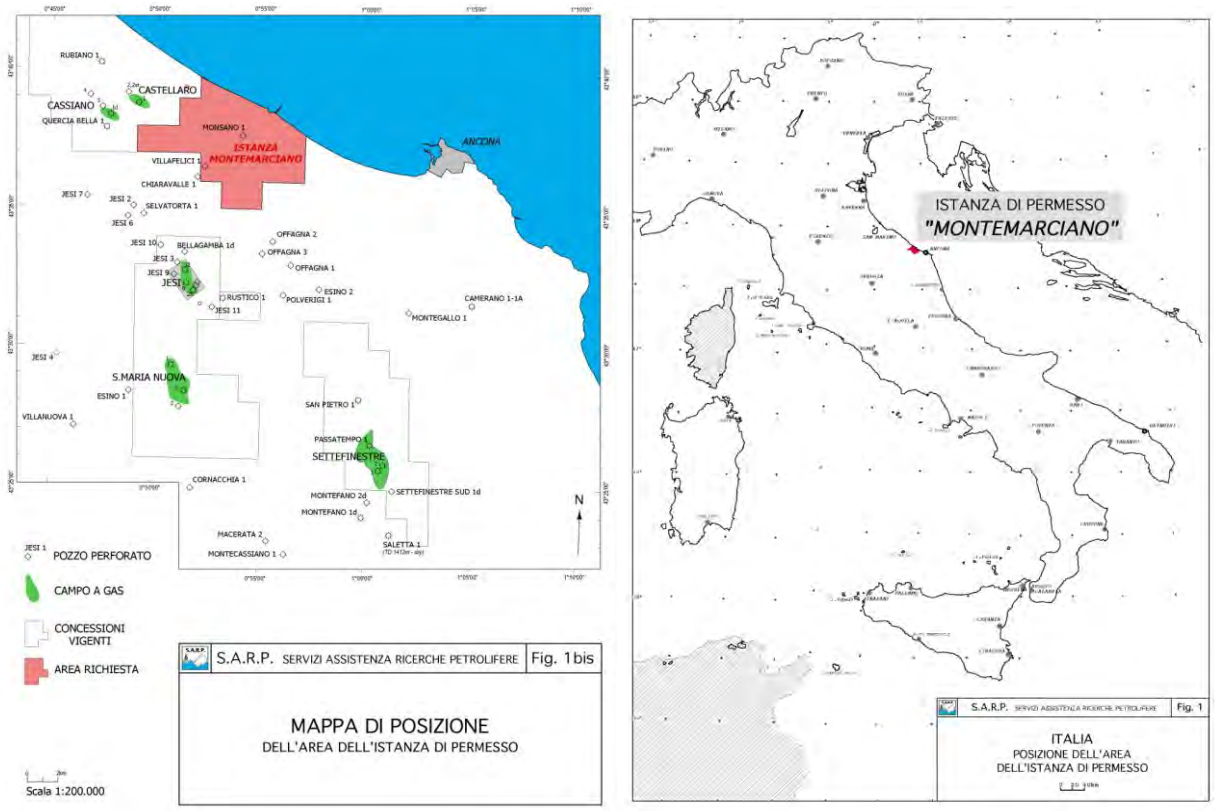


Figure 13-1 Location maps of San Lorenzo Licence, onshore Italy

The structure is a faulted thrust fold and the reservoir is found in the turbidite filling of the peri-Adriatic fore-deep that constitutes the Cellino Formation. They were recognised in well Monsano-1 (drilled in 1972) with sand layers varying in thickness from 1 to over 10 metres. Porosity in these sands is generally around 25%, with good permeability to gas. Seals are provided by the intercalated clays within the Cellino Formation itself as well as by the main topseal formed by Lower and Mid-Pliocene plays.

Apennine drilled Casa Tiberi-1 in 2012 and performed a flow test in 2013. Bedding dips at 45 degrees to the horizontal, a steep dip and liable to result in early water breakthrough. The well penetrated the reservoir down dip from the structural crest (Figure 13-2 to Figure 13-4); its position was not optimal with respect to the aquifer.

Historical production and tubing head pressure (THP) data is shown in Figure 13-5. Production started in 2014 and THP began to fall, indicating a restricted connected gas volume. Stabilisation of the THP occurred as the

aquifer started to move. Water production has increased, incurring transport costs, and sand production indicates instability of the reservoir formation.

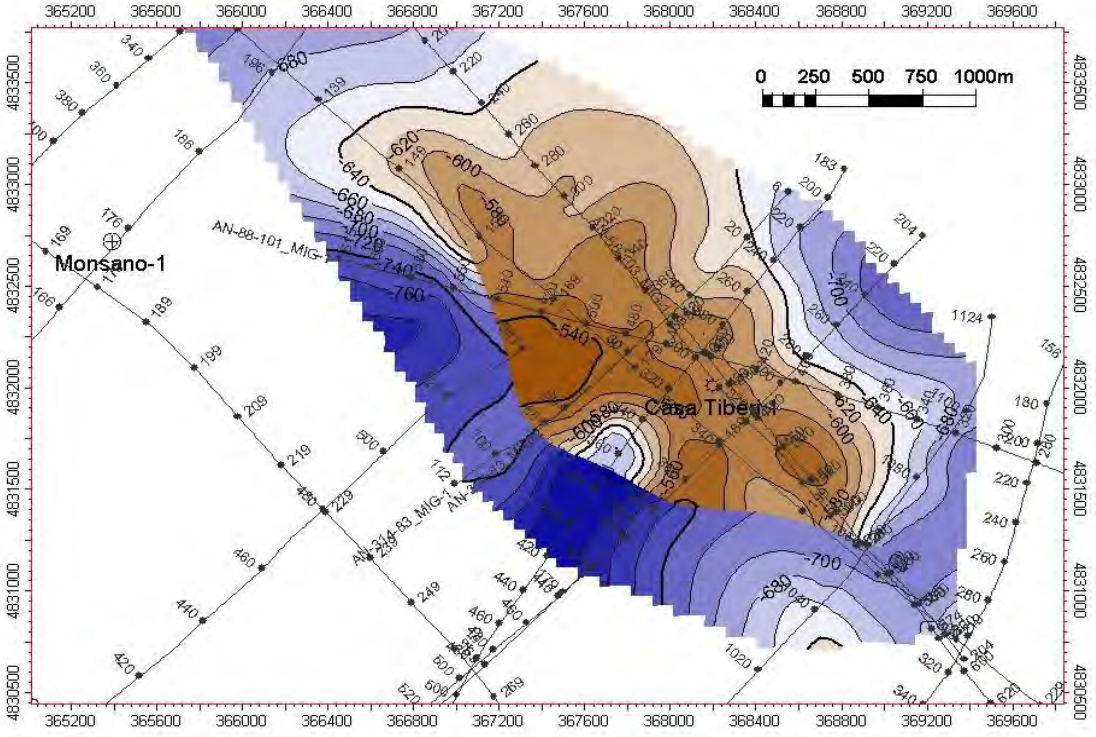


Figure 13-2 Time Structure Map with Seismic Lines, Casa Tiberi Gas Field, onshore Italy

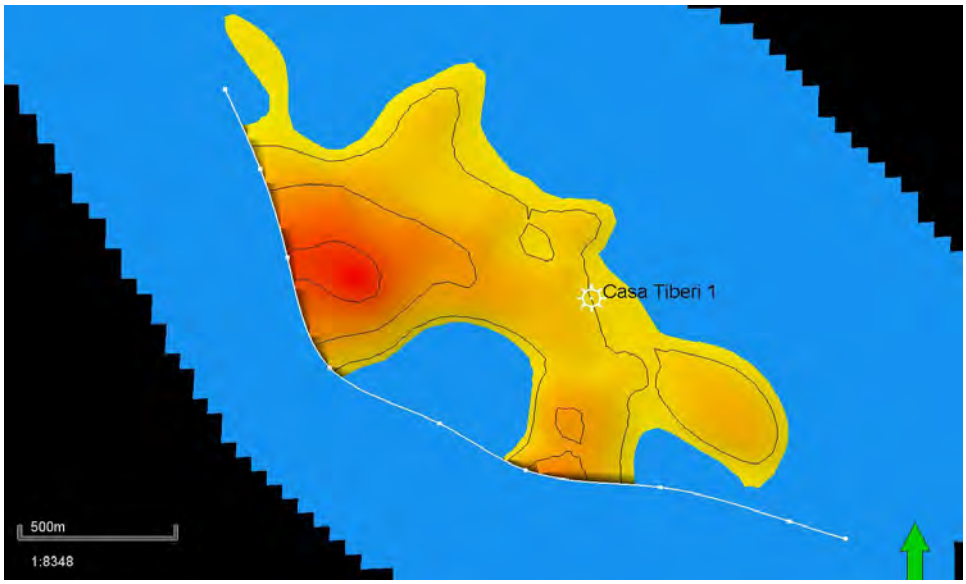


Figure 13-3 Location of Casa Tiberi-1 well, relative to Depth Structure and Aquifer at end 2017

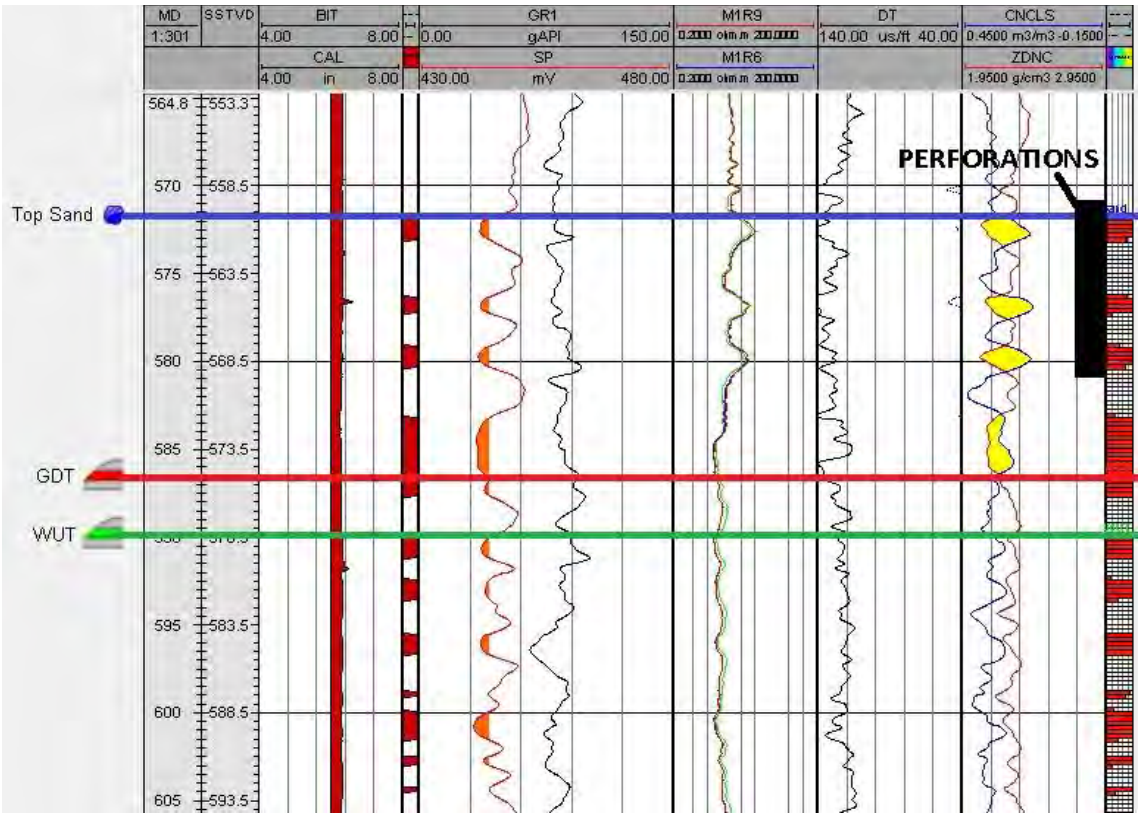


Figure 13-4 Casa Tiberi-1 Well Logs; Note Gas-Down-To (red line) and Water-Up-To (green line)

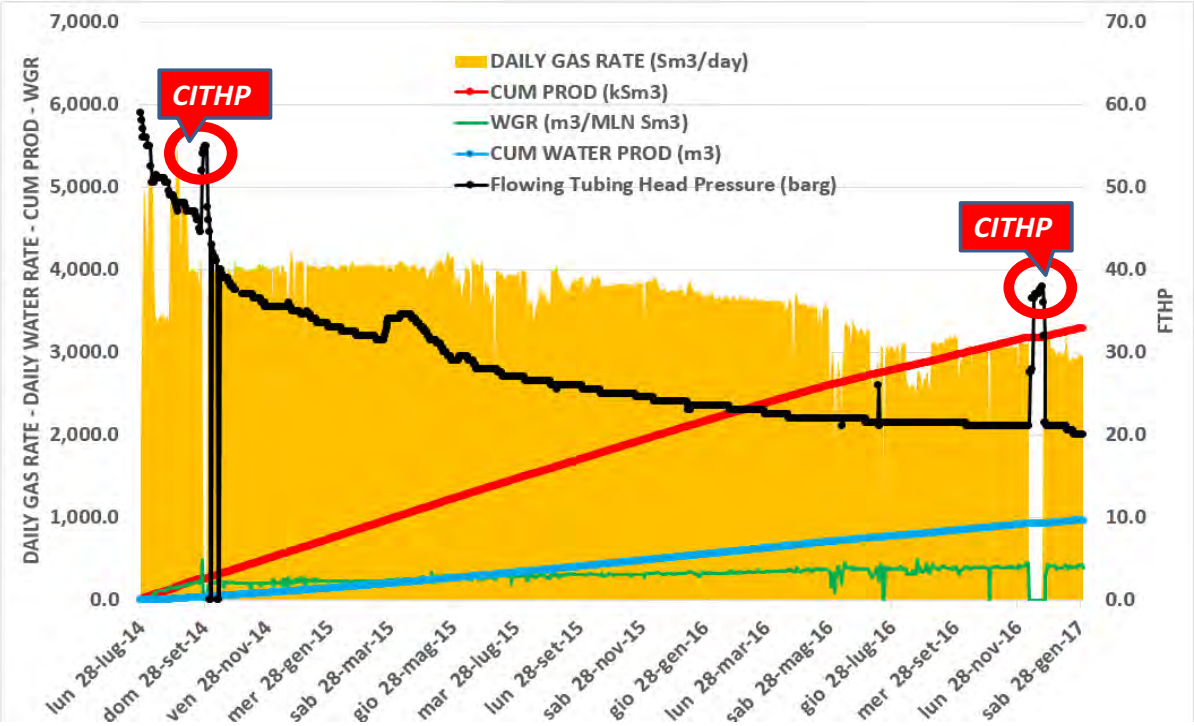


Figure 13-5 Casa Tiberi Production History from July 2014 to January 2017

Source: Appenine Presentation (2017)

CGG has conducted P/Z material balance analysis (Figure 13-6). It indicates water drive, which can potentially reduce the remaining recoverable volumes. CGG has estimated low, best, and high recoverable volumes using Decline Curve Analysis (Rate vs Cumulative) plot (Figure 13-7). In the low case, it assumes strong water influx that could cause early water breakthrough. In the best case, the decline follows the steep trend observed between 2 MMscm and 3 MMscm cumulative gas production. The high estimate is assumed weak water influx. The decline follows the gentle trend observed between 3 MMscm and 4 MMscm cumulative gas production. Estimated remaining reserves from the existing well are provided in Table 13-1.

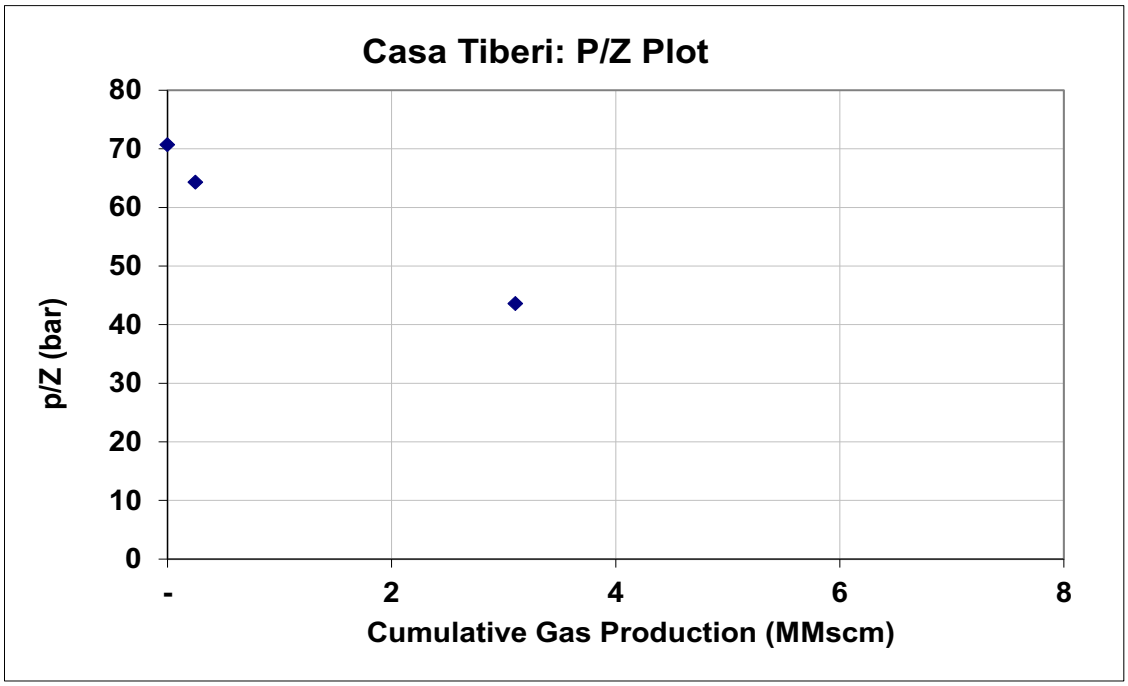


Figure 13-6 Casa Tiberi P/Z Plot

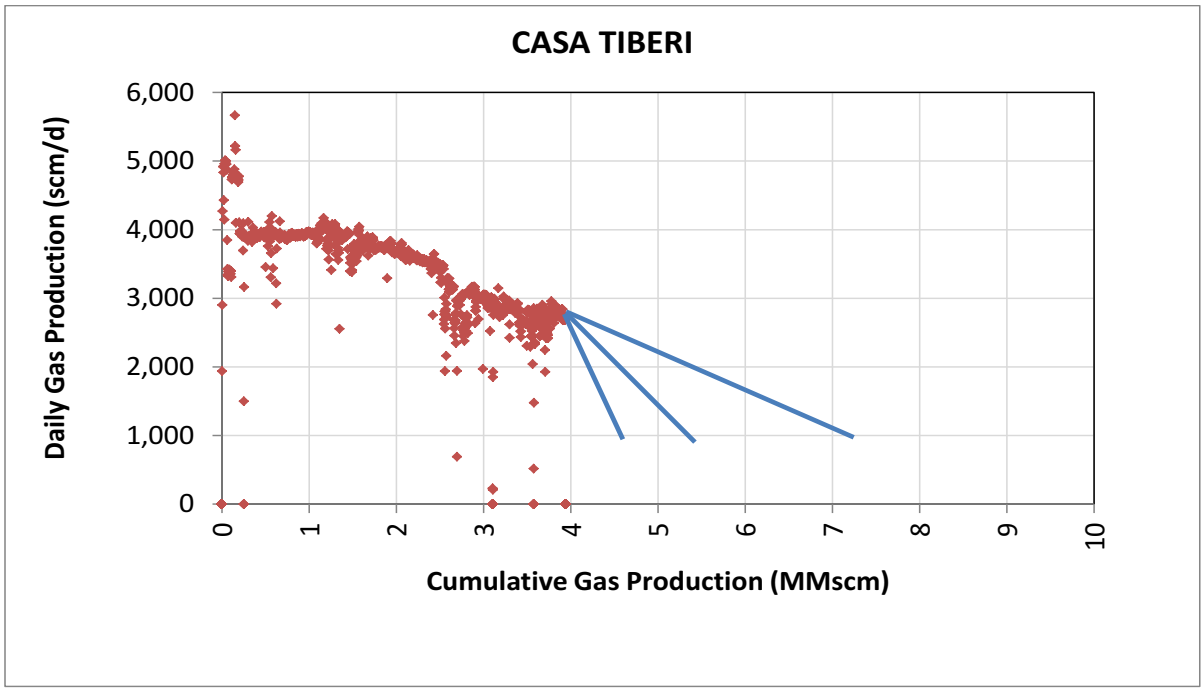


Figure 13-7 Casa Tiberi Gas Production vs Cumulative Gas

Table 13-1 Remaining Reserves in Casa Tiberi (Existing Well – No Sidetrack)

CASA TIBERI (EXISTING WELL – NO SLDETRACK)			
Reserves as of 1st January 2018	**1P**	**2P**	**3P**
Recoverable Volumes from Existing Well, MMscm	4.5	5.4	7.2
Cumulative Production as of 31st October 2017, MMscm	3.94		
Estimated Production in Nov-Dec 2017, MMscm	0.16		
Remaining Reserves from Existing Well as of 1st January 2018, MMscm	0.4	1.3	3.1

The production profiles for 1P, 2P and 3P cases are graphically shown in Figure 13-8. Table 13-2 shows the annual production and cumulative production.

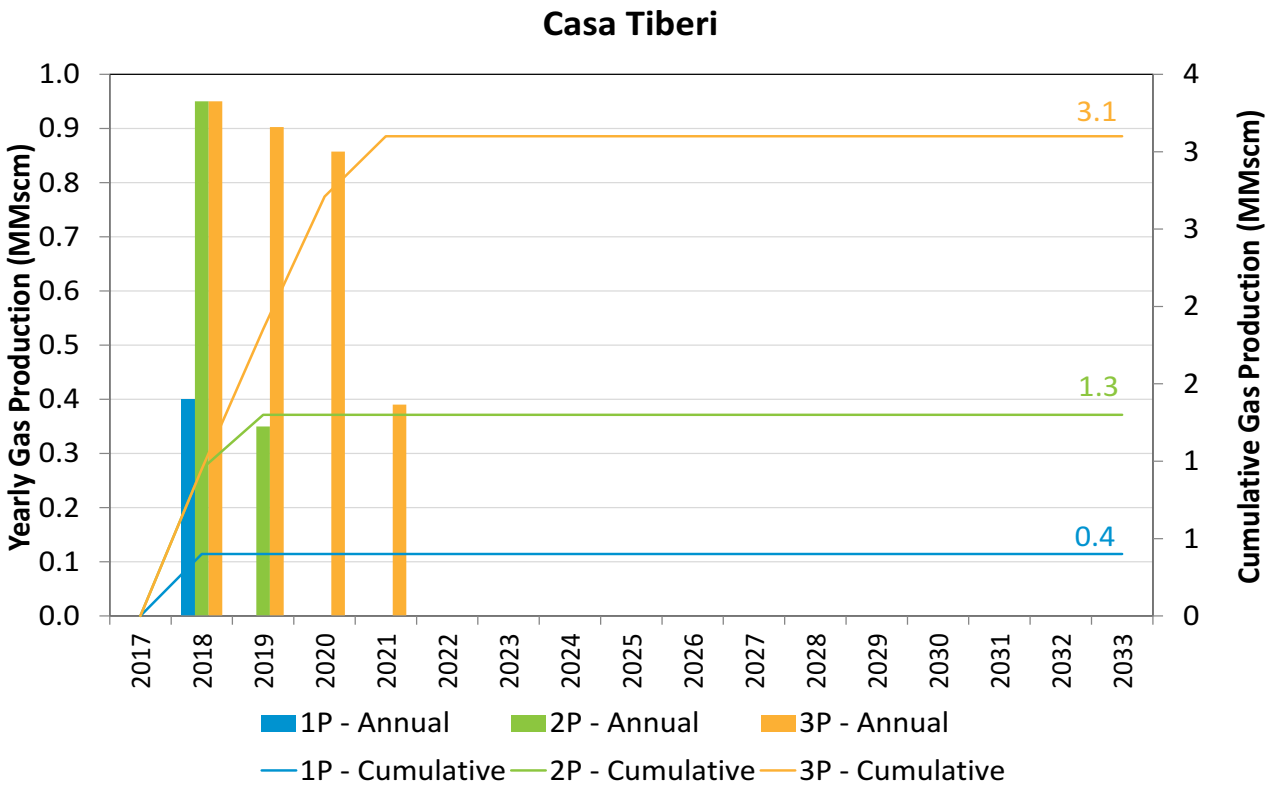


Figure 13-8 Technical Production Profiles of Casa Tiberi 1P, 2P and 3P (Existing Well, before Economic Cut-off)

Table 13-2 Annual Production and Cumulative Production of Casa Tiberi – Reserves Recovered by Existing Well (before Economic Cut-off)

Year	1P		2P		3P	
	Annual Production (MMscm)	Cumulative Production (MMscm)	Annual Production (MMscm)	Cumulative Production (MMscm)	Annual Production (MMscm)	Cumulative Production (MMscm)
2018	0.40	0.40	0.95	0.95	0.95	0.95
2019	0.00	0.40	0.35	1.30	0.90	1.85
2020	0.00	0.40	0.00	1.30	0.86	2.71
2021	0.00	0.40	0.00	1.30	0.39	3.10

Although gas production is ongoing at Casa Tiberi, concurrent water production is problematic and limits the value of the field. Remaining reserves from the existing well are low, given current operating conditions. However, the well was drilled off-crest, and could potentially be sidetracked to penetrate reservoir at the crest. Apennine state that the updip gas volume cannot be drained with the current well. CGG agree because currently, aquifer strength is such that the updip gas may not be able to expand during ongoing production. CGG has therefore estimated the volume of updip gas that could be contacted by means of a sidetrack.

Apennine has provided CGG with an AFE to confirm its plan and allocated budget to sidetrack the existing well in order to recover the updip gas with the first production targeted in January 2020. CGG has conducted economic evaluation of the development of the updip gas and have found that the project could potentially be developed economically only at higher gas prices. Therefore we assign the updip gas to the contingent resources category. This updip gas volume can be re-classified as reserves once the project is economic to develop.

For the updip gas, the GIIP has been estimated at 32.4, 51.1, 84.4 MMscm (1C, 2C, 3C cases, respectively) by means of a 3D geological model. CGG has reviewed the seismic data, the mapping of the structure and the calculation of gas initially in place (GIIP). The results are based on assumptions that are supported by the available data. CGG has also independently checked a recent revision to the mapping projection systems being used and confirm that those used by Apennine are correct.

The reservoir properties utilised by CGG to generate the resource estimates derive from Apennine technical work, but represent our independent judgement and estimations (Table 13-3). In the 1C case, only the gas sands in Casa-Tiberi-1 are considered with no allowance for deeper, water-bearing sands rising (updip) into the gas zone. In the 3C case, a 3D net-to-gross array was created in Apennine's static model of the field using kriging. A variable Bg value reflects uncertainty in the degree of pressure depletion in the gas cap caused by CT-1 production combined with active aquifer influx (pressure support).

Table 13-3 Reservoir Properties assigned for Contingent Resources Assessment, Casa Tiberi, Updip Gas

Case	NtG	Porosity	Sw	Bg	RF (%)
1C	Fixed, 27%	Fixed, 25%	Fixed, 0.4	0.025	0.5
2C	Fixed, 35%	Fixed, 22.5%	Fixed, 0.35	0.02	0.6
3C	3D array, avge 46%	Fixed, 20%	Fixed, 0.3	0.015	0.7

CGG has used low Recovery Factors to account for uncertainty in sand connectivity and minor structural compartmentalisation risks. For the same reason, CGG uses the structure map provided by Apennine, although the significant depression SE of the CT-1 well does not appear to be geologically plausible. If not present, the GRV would be larger, however the relevant seismic line (AN-87-08 MIG) suggests it is present.

Estimated contingent resources for the updip portion of gas remaining at Casa Tiberi are given in Table 13-4 below:

Table 13-4 Updip Gas Contingent Resources Estimate, Casa Tiberi

		Updip Gas Reserves (MMscm)		
Licence	**Field**	**1C**	**2C**	**3C**
San Lorenzo	Casa Tiberi	16.2	30.7	59.1

The production profiles for 1C, 2C and 3C cases are graphically shown in Figure 13-9. Table 13-5 shows the annual production and cumulative production.

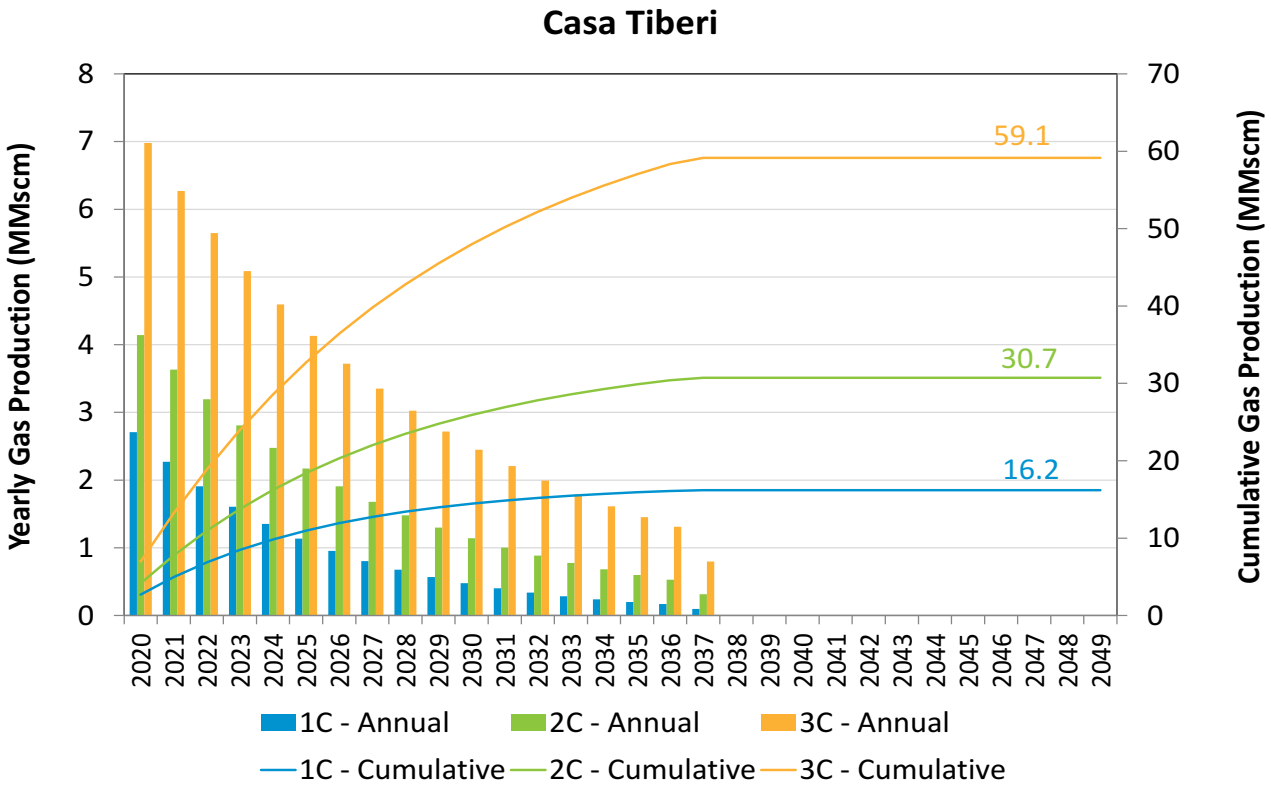


Figure 13-9 Technical Production Profiles of Casa Tiberi 1C, 2C and 3C (Sidetrack Well, before Economic Cut-off)

Table 13-5 Annual Production and Cumulative Production of Casa Tiberi – Contingent Resources Recovered by a Sidetrack Well (before Economic Cut-off)

Year	1C		2C		3C	
	Annual Production (MMscm)	Cumulative Production (MMscm)	Annual Production (MMscm)	Cumulative Production (MMscm)	Annual Production (MMscm)	Cumulative Production (MMscm)
2020	2.71	2.71	4.14	4.14	6.98	6.98
2021	2.27	4.98	3.63	7.77	6.27	13.25
2022	1.91	6.89	3.19	10.97	5.65	18.90
2023	1.61	8.49	2.81	13.78	5.09	23.99
2024	1.35	9.85	2.48	16.25	4.60	28.58
2025	1.14	10.98	2.17	18.42	4.13	32.71
2026	0.95	11.94	1.91	20.33	3.72	36.43
2027	0.80	12.74	1.68	22.01	3.35	39.78
2028	0.68	13.42	1.48	23.49	3.03	42.81
2029	0.57	13.98	1.30	24.79	2.72	45.53
2030	0.48	14.46	1.14	25.93	2.45	47.97
2031	0.40	14.86	1.00	26.93	2.21	50.18
2032	0.34	15.20	0.88	27.81	1.99	52.17
2033	0.28	15.48	0.78	28.59	1.79	53.96
2034	0.24	15.72	0.68	29.27	1.61	55.58
2035	0.20	15.92	0.60	29.87	1.45	57.03
2036	0.17	16.09	0.53	30.40	1.31	58.34
2037	0.10	16.19	0.32	30.71	0.80	59.14

14 FONTE SAN DAMIANO

14.1 Marciano Gas Discovery

Fonte San Damiano is located in Basilicata in the south of Italy and covers an area of 23.71km^2. Geologically, it falls within the gas prolific Bradano basin – a foredeep trough of the Southern Apennines, well known for Plio-Pleistocene and Mesozoic gas plays.

Figure 14-1 Location of the Fonte San Damiano licence

A small gas discovery was made in the concession in 1989 by Italmin. The well, Marciano 1, was drilled to test Pliocene turbidites mapped on 2D seismic. It encountered gas in a number of Pleistocene sand levels, two of which (MAR-2 and MAR-3) proved commercial accumulations and were completed. Cumulative production to date amounts to 17 MMscm. Marciano-1ST well was drilled in 2007 and discovered two thin gas bearing sand intervals, MAR-4 at 1063m and MAR-5 at 1286.5m and 1326m. Apennine's estimated 2C contingent resources of 70.8 MMscm have been reviewed by CGG and are considered a reasonable expectation.

15 BADILE LICENCE

15.1 Zibido Prospect

Two prospects were originally identified in the Badile Licence area; Badile and Zibido. The Badile prospect was drilled in 2017 and discovered non-commercial volumes of gas. Hydrocarbons of this play originate from Triassic source rocks; the marly Meride limestones and the Riva di Solto shale, both deposited in anoxic troughs in an extensional regime. The Zibido prospect is a relatively low relief, elongated, fault-bounded structure (see Figure 15-2) covering an area of about 4.4 km^2. The reservoir targets are Triassic dolomites of the Dolomia San Giorgio and Dolomia Conchodon at a depth of 5450 m. The Meride marl overlies and seals the dolomites.

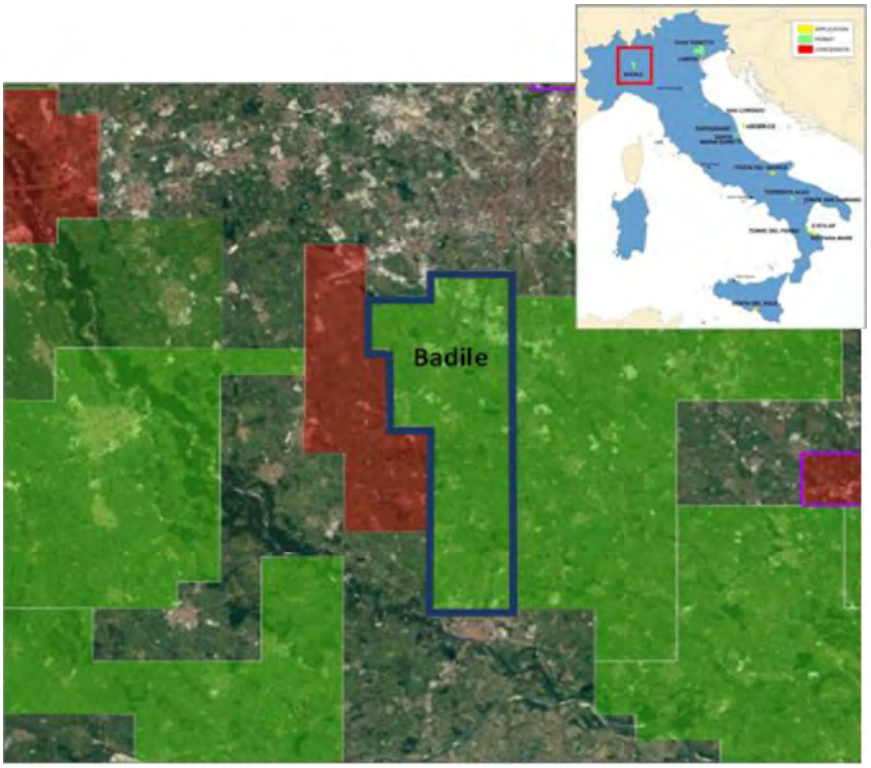


Figure 15-1 Location of the Badile licence

Hydrocarbon charging is anticipated to be by lateral up-dip migration and vertical migration along faults. The Zibido Prospect lies in an "oil province" and close to the Gaggiano oil field. Given the gas discovery at Badile, it is possible that Zibido is a gas prospect, however the Badile structure was on the other side of a major fault that separates the oil province from the gas province in this area of Northern Italy.

CGG has estimated the potential oil-in-place as well as the potential gas-in-place. Estimated prospective resources are shown in Table 15-1 for both oil and gas cases. Oil having API gravity of 38-40° is considered likely, and we assume a Recovery Factor of 25%.

The chance of success for the Zibido prospect is considered to be 14%, with the major risks being reservoir quality, trap and seal reliability and charge risk.

Table 15-1 Zibido Prospect Original Gas In-Place and Prospective Resources

		Best Estimates (Oil Case)	Best Estimates (Gas Case)
Gross Rock Volume	MMm^3	565	565
N/G	fraction	0.65	0.65
Porosity	fraction	0.05	0.05
Gas Saturation	fraction	0.7	0.7
Oil/Gas FVF	rb/stb/(rcf/scf)	1.3	410
Recovery Factor	fraction	0.25	0.7
Prospective Resource	**MMbbl/MMscm**	**19.2**	**3,689**

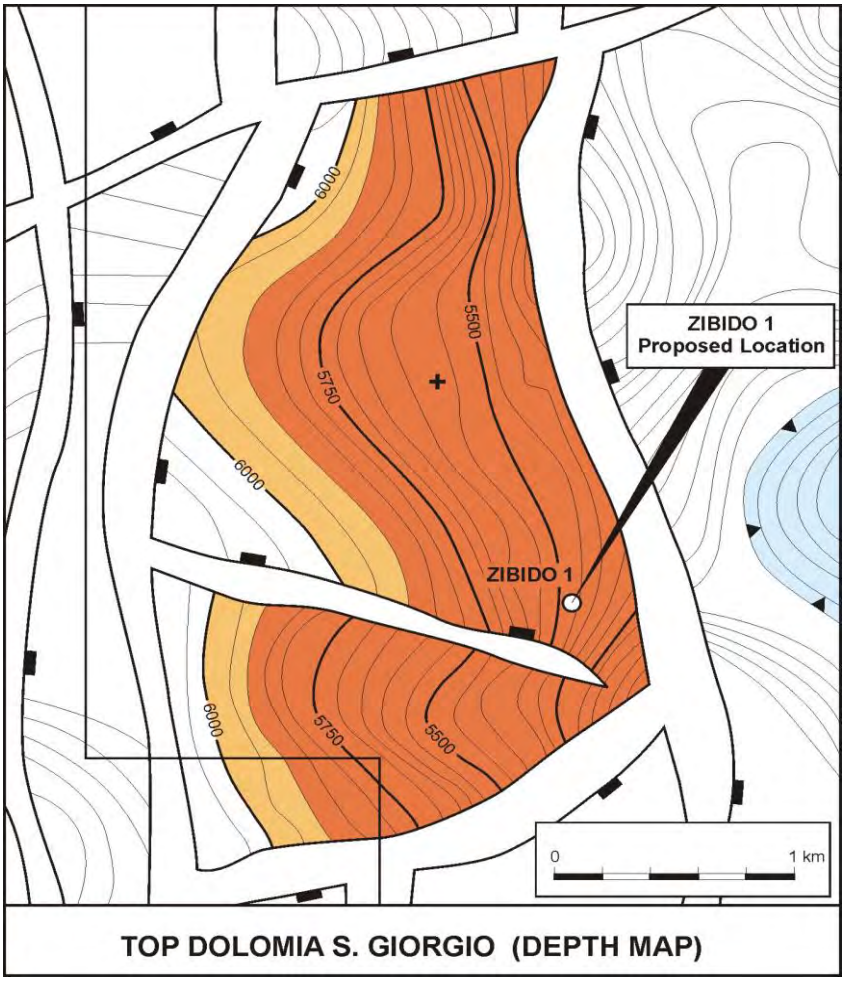


Figure 15-2 Zibido Prospect Top Dol. San Giorgio in Depth

Source: Consul (after BGI)

16 COSTA DEL SOLE (MANFRIA / CIELO)

Costa Del Sole is located onshore southern Sicily, close to Gela (Figure 16-1). Within this block, the Manfria discovery and Cielo prospect were delineated in a horst-graben system during ENI's exploration of the area from 1984. Following an extensional phase in Mesozoic, Plio-Pleistocene wrenching phenomena induced compressive tectonics in the area, resulting in a series of NE-SW reverse and normal faults, as well as strike slip faults. The Manfria area is stratigraphically characterized by Neogene sequences overlying a Mesozoic carbonate platform (Hyblean plateau).

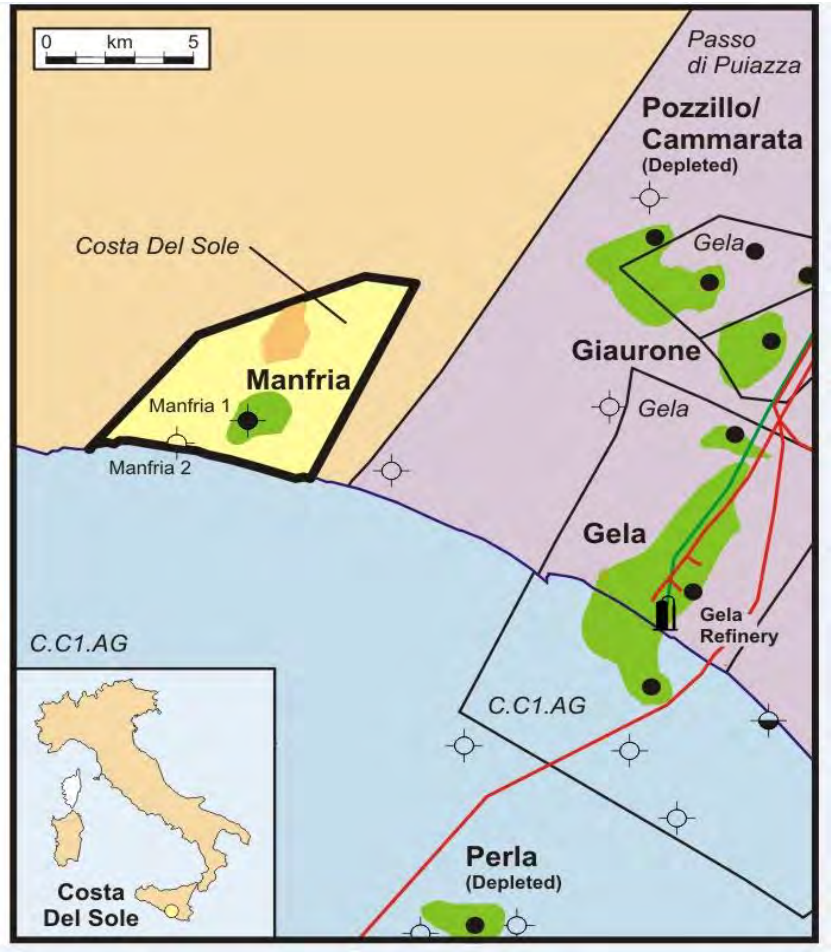


Figure 16-1 Costa del Sole field location, onshore Sicily (source Apennine).

The main reservoir for the Manfria area is the Siracusa Fm. (Lower-Middle Lias), representing a carbonate platform mainly composed by grainstones/packstones, locally dolomitic, fractured and vacuolar. It constitutes a NE-SW elongated gentle structure which is delimited to the W by reverse faults and in the inner part by NE-SW normal faults, which combined together cause the down-throwing of this Lias carbonate platform. On the S and E the structure is delimited by a strike-slip fault which separates Rabbito from Manfria (Figure 19-3). Reverse faults close the Cielo prospect structure, lying NE from Manfria (Figure 16-2) and separated from it by a NE-SW oriented graben. The source rock is represented by the Streppenosa black shale basin and the Noto dolomite sequences to the east.

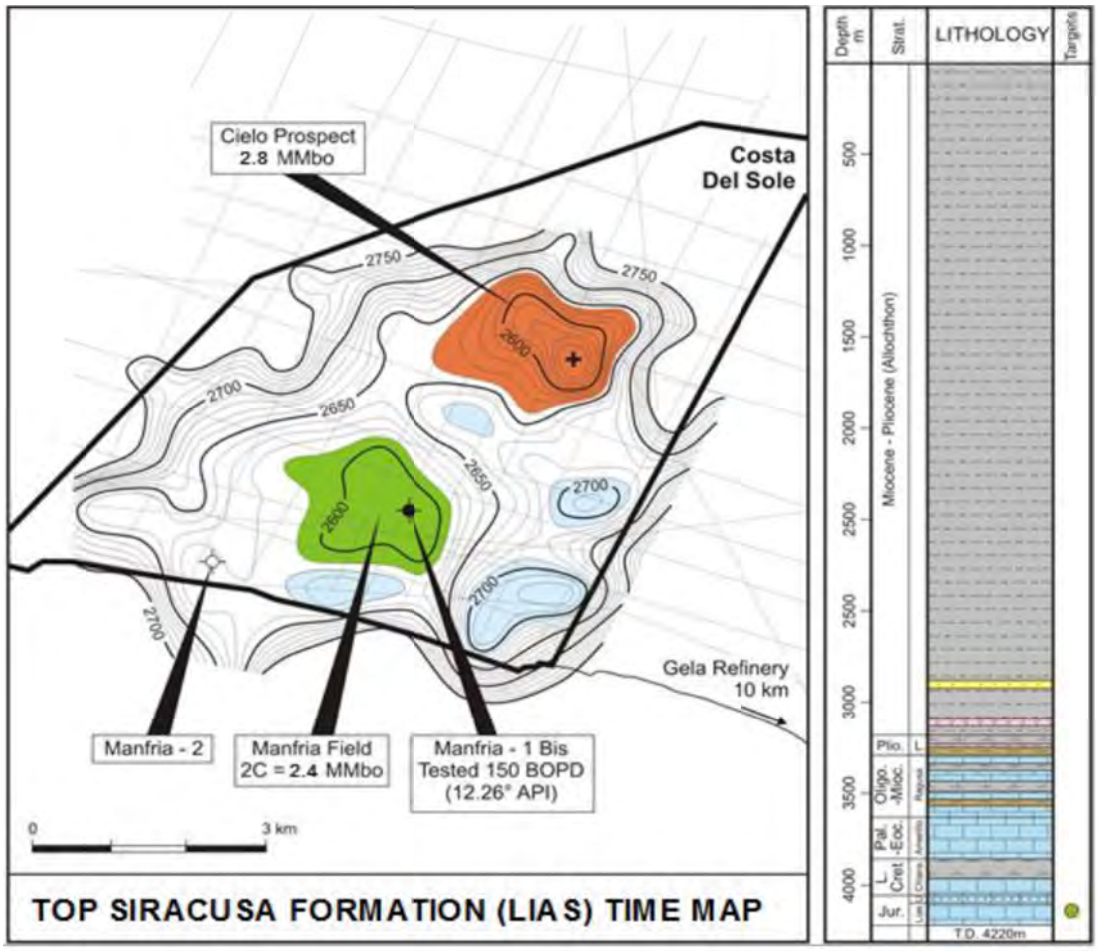


Figure 16-2 Time map of the top Siracusa Formation (reservoir) with location of discovery Manfria and lead Cielo, and litho-stratigraphic column in well Manfria-1 Bis (source Apennine 2011).

Well Manfria-1 was drilled to a TD of 4559 m and found oil shows in the Liassic limestone platform of the Siracusa Formation, between 4113 and 4164 m. However, the well had to be abandoned before any test. Well Manfria-1 Bis followed and was drilled in December 1985, 50 m south of Manfria-1, to a TD of 4220 m. It tested 12.3 º API oil with 7.6% sulphur and a very low GOR within the interval from 4108 to 4163.5 m RT. It flowed with rates of 150 BOPD with 44.5% of diesel injected at the bottom of the well and a sucker rod pump, but suffered from a high skin (13.5 to 22.4). Well Manfria-2 was drilled in 1987 as step-out on an up-dip structure to the south as interpreted on seismic profiles. Unfortunately, the Siracusa Formation was encountered deep at 4300 m RT and dry.

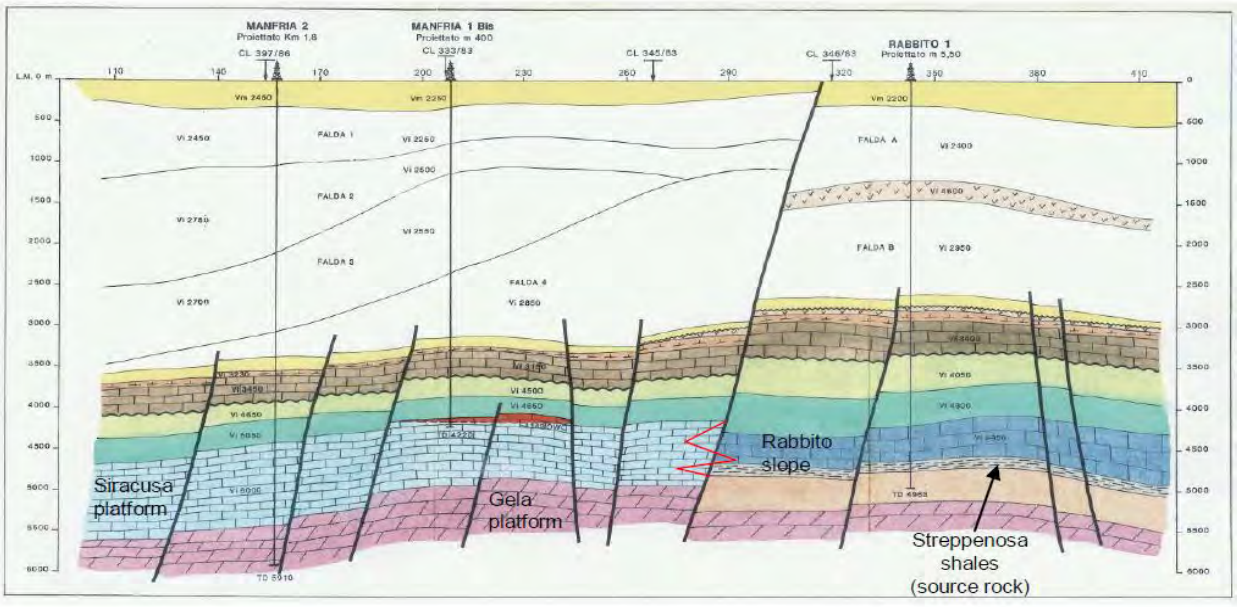


Figure 16-3 Sketch of Manfria wells (source ENI/AGIP, 1989)

In the Manfria discovery, two zones within the Siracusa reservoir having different petrophysical properties were observed: the Upper Interval between 4108 and 4240 m and the Transition Interval between 4240 and 4255 m. As the produced fluid is heavy oil and reservoir permeability is high (up to 9 D), it is expected to be recovered with a base case recovery factor of 10%. CGG's estimation is provided in Table 16-1. There is appraisal risk of 50% associated with the Manfria discovery pending further studies.

Table 16-1 Summary of input parameters for volume calculations in Manfria (Contingent Resources)

MANFRIA - Upper Interval				
Parameters	**Unit**	**Low**	**Mid**	**High**
Area	**km^2**	3.0	3.0	3.0
Gross	**m**	125	130	132
Net To Gross	**%**	80	85	90
Porosity	**%**	4.0	4.5	5.0
Water Saturation	**%**	35	35	35
Oil Volume Factor	**Bbl/stb**	1.05	1.05	1.05
Recovery Factor	**%**	7	10	12
MANFRIA - Transition Interval				
Area	**km^2**	3.0	3.0	3.0
Gross	**m**	10	12	15
Net To Gross	**%**	45	48	50
Porosity	**%**	3.0	3.0	3.0
Water Saturation	**%**	60	60	60
Oil Volume Factor	**Bbl/stb**	1.05	1.05	1.05
Recovery Factor	**%**	7	10	12
Total In Place Volumes				
		P90	**P50**	**P10**
Heavy oil	**MMBbls**	22.6	24.2	25.8
Total Recoverable Volumes				
		P90	**P50**	**P10**
Heavy oil	**MMbbls**	2.2	2.4	2.7

Prospect Cielo was observed on seismic profiles about 3 km to the North-East of Manfria with an estimated area of 3.8 km^2. Potential reservoirs are thought to be the Siracusa limestones-dolomites and the Rabbito slope limestones (Lias) at 3980 m with OIIP estimates of 28.3 MMbbls and recoverable resources of 2.8 MMbbls with a 10% recovery factor (Table 16-2).

Table 16-2 Summary of input parameters for volume calculations in Cielo (Prospective Resources)

CIELO				
Parameters	**Unit**	**Low**	**Mid**	**High**
Area	**km^2**	2.85	2.85	2.85
Gross pay	**m**	250	260	275
Net To Gross	**%**	40	50	60
Porosity	**%**	4.0	4.5	5.0
Water Saturation	**%**	35	35	35
Oil Volume Factor	**Bbl/stb**	1.05	1.05	1.05
Recovery Factor	**%**	7	10	12
In Place Volumes				
		P90	**P50**	**P10**
Heavy oil	**MMbbls**	25.0	28.1	31.6
Recoverable Volumes				
		P90	**P50**	**P10**
Heavy oil	**MMbbls**	2.4	2.8	3.3

The main risk associated with this lead comes from the difficult seismic time-depth conversion, due to the presence of chaotic allochthonous folds at the surface. Other parameters (seal, reservoir and charge) are less uncertain as the accumulation is closer to the source rock to the east and is within the migration path toward Manfria. An overall CoS is estimated at 43% for the Cielo Prospect.

17 DEVELOPMENT FACILITIES

This section describes the development facilities in place at the fields in production, and those under development. It also contains estimates of operating and abandonment costs, and remaining development costs were appropriate.

17.1 Bezzecca (Saffron)

The Bezzecca field, from which first gas was achieved in April 2017, has been developed as a single well 7km tieback to the company's existing Vitalba gas plant. The gas plant was built in 2009 to service the company's now suspended Vitalba field. It is a standard two-phase separation plant, with the gas first processed through a separator for removal of free water, which is collected and disposed offsite. Water vapour is then removed from the gas stream using absorption in liquid triethylene glycol (TEG). The processed gas is then metered and exported to the Italian national grid, which is located within about 200 metres of the plant.

Figure 17-1 Vitalba gas processing plant (source CGG)

Further reserves will be accessed from a dual completion well in the NE Block (Bezzecca-2) in December 2020, and then from a second well in the SE Block (Bezzecca-3) in December 2021.

Bezzecca-2 is part of a work programme that has been approved at Ministry level (production concession) and Regional level (Environmental Impact Assessment). This work programme has also been signed off by Saffron's board.

Petrorep, as part of their original farm-in arrangement, pay a promote on the Bezzecca- 2 well. The gross well is estimated to cost €4.04MM of which Saffron will pay 85%. The Bezzecca- 3 well is estimated to cost €3.9MM of which Saffron will pay their full 90% share.

The operating costs for the field were assumed to be €0.164MM per year based on forecasts provided by PVO. These were deemed to be reasonable.

Site decommissioning and well abandonment costs are estimated to be €2.10MM.

17.2 Sillaro (Saffron)

The Sillaro gas field, commenced production from two wells (one dual completion, one single completion) in May 2010. Currently only one well is on production. The wells are located within the gas plant compound.

The gas plant was built in 2010 and consists of a standard two-phase separation plant. Gas is first processed through a separator for removal of free water, which is collected and disposed offsite. Water vapour is then removed from the gas stream using absorption in liquid triethylene glycol (TEG). The processed gas is then metered and exported to the Italian national grid, which is located in close proximity to the plant.

Figure 17-2 Sillaro gas processing plant (source CGG)

At the beginning of 2012 low levels of condensate production were detected. In order to meet export specifications, condensate processing equipment has been installed.

No further drilling is anticipated for the Sillaro 1P case. The 2P and 3P reserves will be accessed by re-drilling Sillaro-1 with a deviated well (Sillaro-3Dir) in 2018 at an estimated cost of €3.4MM. In addition for the 3P case, two interventions at an estimated cost of €0.115MM each will be performed in 2018 and 2020 to access the D and E0 intervals respectively.

The operating costs for the field were assumed to be €0.380MM per year based on forecasts provided by PVO. These were deemed to be reasonable.

Site decommissioning and well abandonment costs are estimated to be €2.32MM including the Sillaro-3 well.

17.3 Sant' Alberto (Saffron)

Environmental Impact Assessment (EIA) approval has been granted for the development of the Sant'Alberto field, and a Production Concession was awarded by the Italian authorities in October 2017.

The current development plan is to re-enter the existing well, and commence production in mid-2018, using the redundant gas processing plant from the Sant'Andrea field. Gas export would initially be to the low pressure local grid located 260 metres from the site. The estimated cost of this first phase is €0.855MM. In 2019 it is planned to install a compressor and construct a 3.5km pipeline to the high pressure grid, and increase the export rate. The estimated cost of the compressor and pipeline is €0.930MM.

A second well in 2019 (estimated cost €2.5MM) is required to deplete the 3P resources.

Figure 17-3 Sant' Alberto wellhead (source CGG)

The operating costs for the field were assumed to be €0.288MM per year based on forecasts provided by PVO. These were deemed to be reasonable.

Site decommissioning and well abandonment costs are estimated to be €1.3MM for the 1P and 2P cases, and €2.0MM for the 3P case.

17.4 Rapagnano (Apennine)

The Rapagnano field was originally operated by ENI from 1952 and shut in during 2001. Production again commenced during 2013, from the original well.

The gas processing facilities for the Rampagnano field are located adjacent the Ramapgano well. The plant consists of a separator, two dehydration columns and commercial/fiscal meters. Mercaptan is also injected to odourise the gas prior to export to the nearby low pressure local gas grid. The plant was originally constructed by ENI, but extensively refurbished by Apennine, when they became the operator. The plant capacity is

approximately 20,000 sM3/day. The tie-in point to the local gas grid is adjacent to the site. Operating costs have been assumed as Euro 0.250MM per year. No further development capex is expected on the field.

Figure 17-4 Rapagnano gas processing facilities (Source CGG)

Site decommissioning and well abandonment costs are estimated to be Euro 0.625MM.

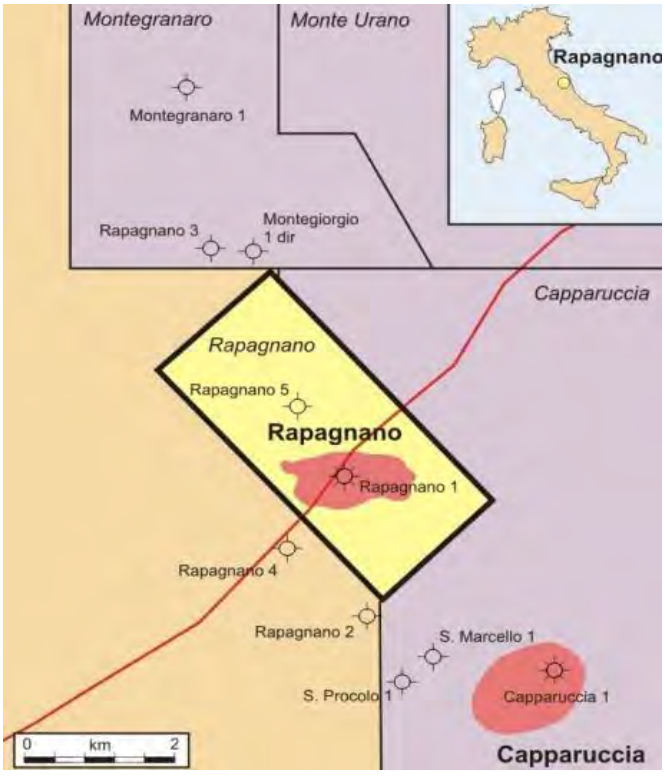


Figure 17-5 Rapagnano Concession Location

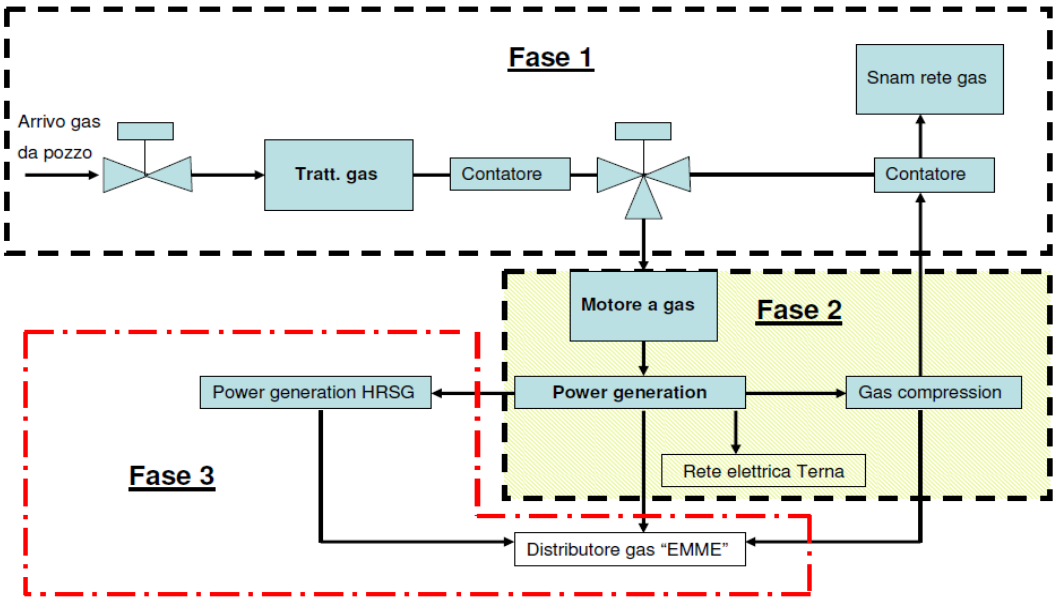


Figure 17-6 Rapagnano Facilities

17.5 Casa Tiberi (Apennine)

The gas processing facilities for the Casa Tiberi field are located adjacent the Casa Tiberi well. The plant consists of a separator, two dehydration columns and commercial/fiscal meters. Nitrogen recovered from the atmosphere is used to re-generate the dehydration columns and to provide instrument air. Mercaptan is also injected to odourise the gas prior to export to the low pressure local gas grid. The plant was commissioned in 2014. The plant capacity is approximately 8,000 sM^3/day, The tie-in point to the local gas grid is adjacent to the site. Operating costs have been assumed as Euro 0.244MM per year. No further development capex is assumed for the reserves cases..

Figure 17-7 Casa Tiberi gas processing facilities (source CGG)

Site decommissioning and well abandonment costs are estimated to be Euro 0.543MM.

18 ECONOMIC ANALYSIS

18.1 Methodology

Net Present Values (NPVs) have been calculated for all assets with reserves using industry standard discounted cash flow analysis. CGG have created an after-tax economic model in Excel™ for this purpose. The production profiles and costs described in the previous sections have then been used to calculate NPVs for each of the reserve categories.

The cash flow benefit of any historic (i.e. pre effective date) tax losses and/or brought forward undepreciated capex has not been included in the valuations. Corporate overhead costs not specifically allocated to the operating costs of each asset have also not been included.

18.2 Assumptions

18.2.1 Gas prices

Unless there is a specifically agreed price, it is assumed that future gas production is sold at the Italian spot gas price – the Punto di Scambio Virtuale (PSV) price. CGG's PSV price assumption is based on the PSV forward curve for 2018 and 2019, and is thereafter escalated at 2% per year.

In order to capture gas price uncertainty, low and high price decks have been taken as +/- 15% for 2018 and 2019, and +/-20% for 2020 onwards. The narrower near-term range reflects the greater certainty of near-term pricing.

Table 18-1 PSV Gas Price Assumptions

	Gas Price Forecast (nominal)		
	Base €/m3	Low €/m3	High €/m3
2018	0.213	0.181	0.245
2019	0.206	0.175	0.237
2020	0.210	0.168	0.252
2021	0.214	0.171	0.257
2022	0.219	0.175	0.262
2023	0.223	0.178	0.267
2024	0.227	0.182	0.273
2025	+2%	+2%	+2%

The calorific value of gas from the fields is assumed to be 38MJ/m3.

Specific gas sales contract details are as follows:-

i) Sillaro and Bezzecca. Gas is currently sold to Shell Energy Italia Srl under a short-term contract that expires on October 1st 2018. The gas price paid by Shell at the delivery point is

21.3 Euro/mWh for the first 432 GJ per day (approx.11,000 Mm^3/day), and thereafter 21.3 Euro/mWh. After expiry of the contract, all gas is assumed to be sold at the PSV price.

ii) Rapagnano. Gas is currently sold under a short-term contract to Steca Energia Srl, a local utility. The contract expires on 30th September 2018. The gas price is based on the Dutch TTF (Title Transfer Facility) virtual hub price plus a Eurocents 1.5/ m^3 premium.

iii) Casa Tiberi . Gas is currently sold under short-term contract to Prometeo SpA, a local utility. The contract expires on 30th September 2018. The gas price is based on the TTF virtual hub price plus a Eurocents 2.0/ m^3 premium.

The PSV spot price typically trades at a Euro cents 2.0/ m^3 premium to the TTF price.

18.2.2 Fiscal System

Italy's upstream oil and gas industry operates under a concessionary royalty and taxation system. Concessions are granted by the state through the National Office of Mining, Hydrocarbons and Geothermal Resources (UNMIG).

Royalty is paid on the wellhead value of production, with certain volumes exempt depending on the region and type of development. The table below presents details of the royalty system.

Table 18-2 Government Royalty

Production	Location of Concession	Annual Production Exemption	Royalty Rate Applicable
Oil	Onshore	20 Thousand Tonnes	10%
Oil	Offshore	50 Thousand Tonnes	4%
Gas	Onshore	25 Million Cubic Meters	10%
Gas	Offshore	80 Million Cubic Meters	7%
Oil and Gas	Onshore Sicily	None	10%

Profits from licences are subject to standard Italian corporate income tax (IRES), for which the current rate is 27.5%. Tax losses can be carried forward indefinitely, and allowances are as follows:

- Exploration and Appraisal costs at 100 percent as incurred.
- Non-Well Capital costs depreciated at 15 percent, on a straight line basis (10% in the 7th year).
- Well Capital costs depreciated on a unit of production basis.
- Abandonment expenditure depreciated on a unit of production basis.
- Operating expenditure at 100 percent as incurred.
- Royalty payments at 100 percent as incurred.

In addition to IRES, companies with onshore production are also subject to a regional income tax (IRAP). The IRAP rate is assumed to be 3.9%.

18.2.3 Other assumptions

The following assumptions have also been used by CGG.

Table 18-3 Economic Parameters

Parameter	Value
Discount Factor	10%
Discount Methodology	Mid-Year
Cost /Price Inflation	2% per annum
Discount Date	1st January 2018

18.3 Results

NPVs are presented in the sections below for each asset with reserves, grouped by company. Results are presented for the Proven, Proven plus Probable, and Proven, Probable and Possible cases.

It should be noted that the NPVs presented in the sections below are not deemed to be the market value of the assets, and that the values may be subject to significant variation with time due to changes in the underlying input assumptions. Risk factors may also need to be applied to the values as future developments may not proceed as planned due to commercial and/or other reasons.

18.3.1 Saffron

NPVs net to Saffron at the base, low and high gas price are tabulated below for Sillaro, Bezzecca and Sant'Allberto..

Table 18-4 NPVs at Base Gas Price (net Saffron)

Field	Gas price	NPV10 € MM		
		Proved	Proved & Probable	Proved, Probable & Possible
Sillaro	Base	-1.8	2.0	3.3
	Low	-1.8	0.9	2.0
	High	-1.8	3.1	4.6
Bezzecca	Base	-3.2	0.3	2.5
	Low	-4.1	-1.2	0.8
	High	-2.2	1.6	4.2
Sant'Alberto	Base	1.1	1.7	1.4
	Low	0.2	0.6	0.1
	High	2.1	2.7	2.8

Capital and operating cost sensitivities to NPV have been performed on the Proven and Probable case at the base gas price and are presented in the table below.

Table 18-5 NPVs cost sensitivities (net Saffron)

Field	Gas price	NPV10 € MM		
		Proved	Proved & Probable	Proved, Probable & Possible
Sillaro	Base	-1.8	2.0	3.3
(WI 100%)	Capex +25%	-1.8	1.2	2.4
	Capex -15%	-1.8	2.5	3.8
	Opex +25%	-1.9	1.5	2.8
	Opex -15%	-1.8	2.2	3.6
Bezzecca	Base	-3.2	0.3	2.5
(WI 90%)	Capex +25%	-4.6	-1.1	1.1
	Capex -15%	-2.3	1.2	3.3
	Opex +25%	-3.5	0.0	2.1
	Opex -15%	-3.0	0.5	2.7
Sant'Alberto	Base	1.1	1.7	1.4
(WI 100%)	Capex +25%	0.7	1.3	0.5
	Capex -15%	1.4	2.0	2.0
	Opex +25%	0.6	1.1	0.8
	Opex -15%	1.5	2.0	1.8

18.3.2 Apennine

NPVs net to Apennine at the base, low and high gas price are tabulated below for Rapagnano and Casa Tiberi.

Table 18-6 NPVs at Base Gas Price (net Apennine)

Field	Gas price	NPV10 € MM		
		Proved	Proved & Probable	Proved, Probable & Possible
Rapagnano	Base	0.4	0.7	0.8
(WI 100%)	Low	0.1	0.3	0.3
	High	0.7	1.0	1.3
Casa Tiberi	Base	-0.6	-0.5	-0.5
(WI 100%)	Low	-0.7	-0.6	-0.6
	High	-0.6	-0.5	-0.5

Capital and operating cost sensitivities to NPV have been performed on the Proven and Probable case at the base gas price and are presented in the table below.

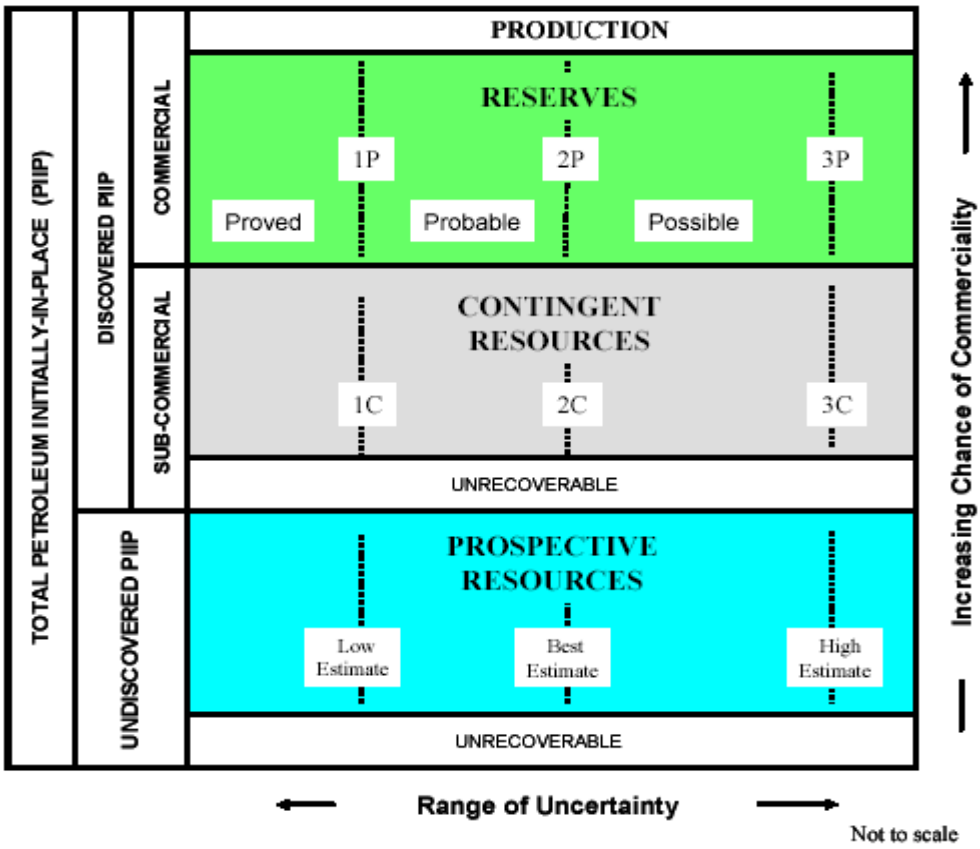
Table 18-7 NPVs cost sensitivities (net Apennine)

Field	Gas price	NPV10 € MM		
		Proved	Proved & Probable	Proved, Probable & Possible
Rapagnano	Base	0.4	0.7	0.8
	Capex +25%	0.4	0.7	0.8
	Capex -15%	0.4	0.7	0.8
	Opex +25%	0.2	0.4	0.4
	Opex -15%	0.6	0.9	1.1
Casa Tiberi	Base	-0.6	-0.5	-0.5
	Capex +25%	-0.6	-0.5	-0.5
	Capex -15%	-0.6	-0.5	-0.5
	Opex +25%	-0.7	-0.6	-0.6
	Opex -15%	-0.6	-0.5	-0.5

19 APPENDIX A: DEFINITIONS

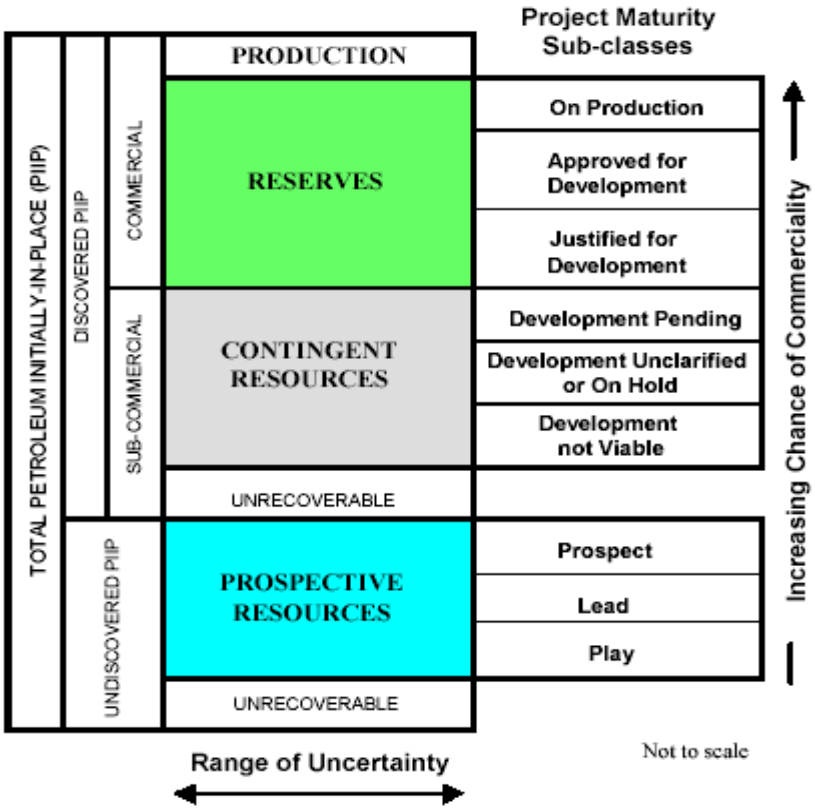
19.1 Definitions

The petroleum reserves and resources definitions used in this report are those published by the Society of Petroleum Engineers and World Petroleum Congress in 1998, supplemented with guidelines for their evaluation, published by the Society of Petroleum Engineers in 2001 and 2007. The main definitions and extracts from the SPE Petroleum Resources Management System (2007) are presented below.



Source: SPE Petroleum Resources Management System 2007

Figure 19-1 Resources Classification Framework



Source: SPE Petroleum Resources Management System 2007

Figure 19-2 Resources Classification Framework: Sub-classes based on Project Maturity

19.1.1 Total Petroleum Initially-In-Place

Total Petroleum Initially-In-Place is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered (equivalent to “total resources”).

19.1.2 Discovered Petroleum Initially-In-Place

Discovered Petroleum Initially-In-Place is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.

19.1.3 Undiscovered Petroleum Initially-In-Place

Undiscovered Petroleum Initially-In-Place is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.

19.2 Production

Production is the cumulative quantity of petroleum that has been recovered at a given date. Production is measured in terms of the sales product specifications and raw production (sales plus non-sales) quantities required to support engineering analyses based on reservoir voidage.

19.3 Reserves

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations, from a given date forward, under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by development and production status.

The following outlines what is necessary for the definition of Reserve to be applied.

- A project must be sufficiently defined to establish its commercial viability
- There must be a reasonable expectation that all required internal and external approvals will be forthcoming
- There is evidence of firm intention to proceed with development within a reasonable time frame
- A reasonable timetable for development must be in evidence
- There should be a development plan in sufficient detail to support the assessment of commerciality
- A reasonable assessment of the future economics of such development projects meeting defined investment and operating criteria must have been undertaken
- There must be a reasonable expectation that there will be a market for all, or at least the expected sales quantities, of production required to justify development
- Evidence that the necessary production and transportation facilities are available or can be made available
- Evidence that legal, contractual, environmental and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated

The “decision gate” whereby a Contingent Resource moves to the Reserves class is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.

A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While five years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives.

19.3.1 Developed Producing Reserves

Developed Producing Reserves are expected quantities to be recovered from existing wells and facilities. Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

19.3.2 Developed Non-Producing Reserves

Developed Non-producing Reserves include shut-in and behind-pipe reserves.

Shut-in reserves are expected to be recovered from:

- Completion intervals that are open at the time of the estimate but that have not yet started producing
- Wells that were shut-in for market conditions or pipeline connections, or
- Wells not capable of production for mechanical reasons.

Behind-pipe reserves are expected to be recovered from zones in existing wells that will require additional completion work or future recompletion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

19.3.3 Undeveloped Reserves

Undeveloped Reserves are quantities expected to be recovered through future investments such as

- From new wells on undrilled acreage in known accumulations
- From deepening existing wells to a different (but known) reservoir
- From infill wells that will increase recovery, or
- Where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to:
    - Recomplete an existing well or
    - Install production or transportation facilities for primary or improved recovery projects

Incremental recoveries through improved recovery methods that have yet to be established through routine, commercially successful applications are included as Reserves only after a favourable production response from the subject reservoir from either (a) a representative pilot or (b) an installed program, where the response provides support for the analysis on which the project is based.

Where reserves remain undeveloped beyond a reasonable timeframe, or have remained undeveloped due to repeated postponements, evaluations should be critically reviewed to document reasons for the delay in initiating development and justify retaining these quantities within the Reserves class. While there are specific circumstances where a longer delay is justified, a reasonable time frame is generally considered to be less than five years.

19.3.4 Proved Reserves

Proved Reserves are those quantities of petroleum that, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

19.3.5 Probable Reserves

Probable Reserves are those additional reserves that analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved + Probable Reserves (2P).

When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

19.3.6 Possible Reserves

Possible Reserves are those additional reserves that analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved + Probable + Possible (3P), which is equivalent to the high estimate scenario.

When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

19.4 Contingent Resources

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality.

The term accumulation is used to identify an individual body of moveable petroleum. The key requirement in determining whether an accumulation is known (and hence contains Reserves or Contingent Resources) is that each accumulation/reservoir must have been penetrated by a well. In general, the well must have clearly demonstrated the existence of moveable petroleum in that reservoir by flow to surface, or at least some recovery of a sample of petroleum from the well. However, where log and/or core data exist, this may suffice provided there is a good analogy to a nearby, geologically comparable, known accumulation.

Estimated recoverable quantities within such discovered (known) accumulation(s) shall initially be classified as Contingent Resources pending definition of projects with sufficient chance of commercial development to reclassify all, or a portion, as Reserves.

For Contingent Resources, the general cumulative terms low/best/high estimates are denoted as 1C/2C/3C respectively.

1C denotes low estimate scenario of Contingent Resources
2C denotes best estimate scenario of Contingent Resources
3C denotes high estimate scenario of Contingent Resources

Contingent Resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status.

19.4.1 Contingent Resources: Development Pending

Contingent Resources (Development Pending) are a discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future. The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g. drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are expected to be resolved within a reasonable time frame.

19.4.2 Contingent Resources: Development Un-Clarified/On Hold

Contingent Resources (Development Un-Clarified/On Hold) are a discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay. The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project, or substantial further appraisal/evaluation activities are required to clarify the potential for eventual commercial development.

19.4.3 Contingent Resources: Development Not Viable

Contingent Resources (Development Not Viable) are a discovered accumulation for which there are no current plans to develop or to acquire additional data at the time due to limited production potential. The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically

recoverable quantities are recorded so that the potential opportunity will be recognised in the event of a major change in technology or commercial conditions.

19.5 Prospective Resources

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. They are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

19.5.1 Prospect

A Prospect is classified as a potential accumulation that is sufficiently well defined to represent a viable drilling target.

19.5.2 Lead

A Lead is classified as a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.

19.5.3 Play

A Play is classified as a prospective trend of potential prospects that requires more data acquisition and/or evaluation in order to define specific Leads or Prospects.

19.6 Unrecoverable Resources

Unrecoverable Resources are that portion of Discovered or Undiscovered Petroleum Initially-in-Place quantities that are estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

20 APPENDIX B: NOMENCLATURE

acre	43,560 square feet	et al.	and others
AOF	absolute open flow	EUR	estimated ultimately recoverable
API	American Petroleum Institute		(reserves)
	(ºAPI for oil gravity, API units for gamma	FPSO	Floating production storage unit
	ray measurement)	ft/s	feet per second
av.	Average	G & A	general & administration
AVO	Amplitude vs. Off-Set	G & G	geological & geophysical
BBO	billion (10^9) barrels of oil	g/cm^3	grams per cubic centimetre
bbl, bbls	barrel, barrels	Ga	billion (10^9) years
BCF	billion cubic feet	GIIP	gas initially in place
bcm	billion cubic metres	GIS	Geographical Information Systems
BCPD	barrels of condensate per day	GOC	gas-oil contact
BHT	bottom hole temperature	GOR	gas to oil ratio
BHP	bottom hole pressure	GR	gamma ray (log)
BOE	barrel of oil equivalent, with gas	GWC	gas-water contact
	converted at 1 BOE = 6,000 scf	H_2S	hydrogen sulphide
BOPD	barrels of oil per day	ha	hectare(s)
BPD	barrels per day	HI	hydrogen index
Btu	British thermal units	HP	high pressure
BV	bulk volume	Hz	hertz
c.	circa	IDC	intangible drilling costs
CCA	conventional core analysis	IOR	improved oil recovery
CD-ROM	compact disc with read only memory	IRR	internal rate of return
cgm	computer graphics meta file	J & A	junked & abandoned
CNG	compressed natural gas	km	kilometres (1,000 metres)
CO_2	carbon dioxide	km^2	square kilometres
COE	crude oil equivalent	kWh	kilowatt-hours
1-D, 2-D, 3-D	1-, 2-, 3-dimensions	LoF	life of field
DHI	direct hydrocarbon indicators	LP	low pressure
DHC	dry hole cost	LST	lowstand systems tract
DPT	deeper pool test	LVL	low-velocity layer
DROI	discounted return on investment	M & A	mergers & acquisitions
DST	drill-stem test	m	metres
DWT	deadweight tonnage	M	thousands
E	East	MM	million
E & P	exploration & production	m^3/day	cubic metres per day
EAEG	European Association of Exploration	Ma	million years (before present)
	Geophysicists	mbdf	metres below derrick floor
e.g.	for example	mbsl	metres below sea level
EOR	enhanced oil recovery	MBOPD	thousand bbls of oil per day
ESP	Electrical Submersible Pump	MCFD	thousand cubic feet per day

MCFGD	thousand cubic feet of gas per day	por.	porosity
mD	millidarcies	poroperm	porosity-permeability
MD	measured depth	ppm	parts per million
mdst.	mudstone	PRMS	Petroleum Resource Management
MFS	maximum flooding surface		System (SPE)
mg/gTOC	units for hydrogen index	psi	pounds per square inch
mGal	milligals	RF	recovery factor
MHz	megahertz	RFT	repeat formation test
Mscm	thousand standard cubic metres	ROI	return on investment
MMscm	million standard cubic metres	ROP	rate of penetration
ml	millilitres	RT	rotary table
mls	miles	S	South
MMBO	million bbls of oil	SCAL	special core analysis
MMBOE	million bbls of oil equivalent	SCF	standard cubic feet, measured at 14.7
MMBOPD	million bbls of oil per day		pounds per square inch and 60 degrees
MMCFD	million cubic feet per day		Fahrenheit
MMTOE	million tons of oil equivalent	SCF/STB	standard cubic feet per stock tank barrel
mmsl	metres below mean sea level	SPE	Society of Petroleum Engineers
mN/m	interfacial tension measured unit	SS	sub-sea
MPa	megapascals	ST	sidetrack (well)
mSS	metres subsea	STB	stock tank barrels
m/s	metres per second	std. dev.	standard deviation
msec	millisecond(s)	STOIIP	stock tank oil initially in place
MSL	mean sea level	Sw	water saturation
N	north	TCF	trillion (10^{12}) cubic feet
NaCl	sodium chloride	TD	total depth
NFW	new field wildcat	TDC	tangible drilling costs
NGL	natural gas liquids	Therm	105 Btu
NPV	net present value	TVD	true vertical depth
no.	number (not #)	TVDSS	true vertical depth subsea
OAE	oceanic anoxic event	TWT	two-way time
OI	oxygen index	US$	US dollar, the currency of the United
OWC	oil-water contact		States of America
P90 or 1P	proved	UV	ultra-violet
P50 or 2P	proved + probable	VDR	virtual dataroom
P10 or 3P	proved + probable + possible	W	West
P & A	plugged & abandoned	WHFP	wellhead flowing pressure
pbu	pressure build-up	WHSP	wellhead shut-in pressure
perm.	permeability	WD	water depth
pH	-log H ion concentration	wt%	percent by weight
phi	unit grain size measurement	XRD	X-ray diffraction (analysis)
Ø	porosity		
plc	public limited company		

PART 5

HISTORICAL FINANCIAL INFORMATION

PART 5 SECTION A: HISTORICAL FINANCIAL INFORMATION ON SAFFRON ENERGY plc

In accordance with rule 28 of the AIM Rules, this document does not contain historical financial information on the Company which would otherwise be required by Section 20 of Annex I of the Prospectus Rules.

The Company has not issued any audited annual report and accounts. The Company was incorporated on 10 November 2016 and its first accounting period ended on 31 December 2017.

The Company's unaudited half-yearly report for the six months to 30 June 2017 was prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' and was released on 13 September 2017. The half-yearly report to 30 June 2017 is available on the Company's website: https://saffronenergy.co.uk (on the Annual Reports page of the Investor section).

The published financial information on Northsun Italia S.p.A. (the subsidiary of Saffron Energy plc) for the financial periods ended 31 December 2014, 31 December 2015 and 31 December 2016 covering the periods prior to the SEHIL Acquisition by Saffron Energy plc is available on the Company's website: https://saffronenergy.co.uk (on the AIM Rule 26 page of the Investor section).

Recipients of this document may request a hard copy of the above information from the Company Secretary by writing to: The Company Secretary, Saffron Energy plc, The Junction, Station Road, Watford, WD17 1EU.

PART 5 SECTION B: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF SOUND ENERGY HOLDINGS ITALY LIMITED

PKF Littlejohn LLP

Accountants &
business advisers

The Directors
Saffron Energy Plc
The Junction
Station Road
Watford WD17 1EU

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Turner Pope Investments (TPI) Ltd
Beckett House,
36 Old Jewry,
London EC2R 8DD

7 March 2018

Dear Sirs

Sound Energy Holdings Italy Limited

Introduction

We report on the financial information of Sound Energy Holdings Italy Limited set out in section C of Part 5 below (the "Financial Information Table"). The Financial Information Table has been prepared for inclusion in the supplementary admission document dated 7 March 2018 (the "Supplementary Admission Document") of Saffron Energy plc on the basis of the accounting policies set out in note 1 to the Financial Information Table. This report is required by Schedule Two of the AIM rules for Companies published by the London Stock Exchange plc (the "AIM Rules") and is given for the purpose of complying with that Schedule and for no other purpose. We have not audited or reviewed the financial information as at, and for, the six months ended 30 June 2017, and accordingly do not express an opinion thereon.

Responsibility

The Directors of Saffron Energy plc are responsible for preparing the Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Financial Information Table gives a true and fair view, for the purposes of the Supplementary Admission Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Supplementary Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the circumstances of Sound Energy Holdings Italy Limited, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information Table gives, for the purposes of the Supplementary Admission Document dated 7 March 2018, a true and fair view of the state of affairs of Sound Energy Holdings Italy Limited as at 31 December 2014, 31 December 2015 and 31 December 2016 and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Supplementary Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Supplementary Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

PKF Littlejohn LLP
Chartered Accountants

PART 5 SECTION C: HISTORICAL FINANCIAL INFORMATION ON SOUND ENERGY HOLDINGS ITALY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In this Section C of Part 5, the "Company" means Sound Energy Holdings Italy Limited.

	Notes	*Audited Year ended 31 December 2014 €'000s*	*Audited Year ended 31 December 2015 €'000s*	*Audited Year ended 31 December 2016 €'000s*	*Unaudited Period ended 30 June 2017 €'000s*
Revenue		1,218	1,183	1,020	451
Operating costs		(838)	(745)	(1,359)	(362)
Impairment of producing assets	6	(895)	(8,656)	(4,048)	–
Exploration costs	7	(68)	(8,129)	(1,322)	(16,531)
Gross loss		(583)	(16,347)	(5,709)	(16,442)
Administrative expenses		(856)	(1,368)	(1,948)	(1,124)
Group operating loss from continuing operations		(1,439)	(17,715)	(7,657)	(17,566)
Finance revenue	4	4	8	2,536	748
Foreign exchange gain/(loss)		(306)	(64)	115	4
External interest costs		(635)	131	(1,054)	(31)
Loss for the year/period before taxation		(2,376)	(17,640)	(6,060)	(16,845)
Tax credit/(expense)	5	–	–	49	–
Loss for the year/period after taxation		(2,376)	(17,640)	(6,011)	(16,845)
Foreign currency translation		(631)	(1,060)	5,040	1,221
Total comprehensive loss for the year/period		(3,007)	(18,700)	(971)	(15,624)
Loss for the year/period attributable to:					
Owners of the Company		(3,007)	(18,700)	(971)	(15,624)
Non-controlling interests		–	–	–	–

CONSOLIDATED BALANCE SHEET

	Notes	*Audited As at 31 December 2014 €'000s*	*Audited As at 31 December 2015 €'000s*	*Audited As at 31 December 2016 €'000s*	*Unaudited As at 30 June 2017 €'000s*
Non-current assets					
Property, plant and equipment	6	13,905	4,796	1,622	1,574
Intangible assets	7	3,150	3,599	5,400	1,462
Land and buildings		1,800	1,800	1,800	1,800
		18,855	10,195	8,822	4,836
Current assets					
Inventories		–	–	–	400
Other receivables	8	2,752	3,078	3,054	3,238
Prepayments		65	69	262	24
Cash and short-term deposits	9	875	1,460	1,164	2,858
		3,692	4,607	4,480	6,520
Total assets		22,547	14,802	13,302	11,356
Current liabilities					
Trade and other payables	10	942	1,064	1,771	4,111
Payable to group companies	11	27,039	38,707	44,417	54,422
Loans repayable in under one year	18	–	7,804	–	–
Provisions	12	–	–	–	1,600
		27,981	47,575	46,188	60,133
Non-current liabilities					
Loans due in over one year	18	8,722	–	–	–
Provisions	12	1,462	1,545	2,403	2,136
		10,184	1,545	2,403	2,136
Total liabilities		38,165	49,120	48,591	62,269
Net liabilities		(15,618)	(34,318)	(35,289)	(50,913)
Capital and reserves					
Share capital	13	33	33	33	33
Share premium		4,399	4,399	4,399	4,399
Foreign currency reserve		(117)	(1,177)	3,863	5,084
Accumulated deficit		(19,933)	(37,573)	(43,584)	(60,429)
Total equity		(15,618)	(34,318)	(35,289)	(50,913)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital €'000s	*Share premium €'000s*	*Accumulated deficit €'000s*	*Foreign currency reserves €'000s*	*Total €'000s*
Balance At 1 January 2014	33	4,399	(17,557)	514	(12,611)
Total loss for the year	–	–	(2,376)	–	(2,376)
Other comprehensive income	–	–	–	(631)	(631)
Total comprehensive loss	–	–	(2,376)	(631)	(3,007)
Balance at 31 December 2014 (Audited)	33	4,399	(19,933)	(117)	(15,618)
Balance at 1 January 2015	33	4,399	(19,933)	(117)	(15,618)
Total loss for the year	–	–	(17,640)	–	(17,640)
Other comprehensive income	–	–	–	(1,060)	(1,060)
Total comprehensive loss	–	–	(17,640)	(1,060)	(18,700)
Balance at 31 December 2015 (Audited)	33	4,399	(37,573)	(1,177)	(34,318)
Balance at 1 January 2016	33	4,399	(37,573)	(1,177)	(34,318)
Total loss for the year	–	–	(6,011)	–	(6,011)
Other comprehensive income	–	–	–	5,040	5,040
Total comprehensive loss	–	–	(6,011)	5,040	(971)
Balance at 31 December 2016 (Audited)	33	4,399	(43,584)	3,863	(35,289)
Balance at 1 January 2017	33	4,399	(43,584)	3,863	(35,289)
Total loss for the year	–	–	(16,845)	–	(16,845)
Other comprehensive income	–	–	–	1,221	1,221
Total comprehensive loss	–	–	(16,845)	1,221	(15,624)
Balance at 30 June 2017 (Unaudited)	33	4,399	(60,429)	5,084	(50,913)

CONSOLIDATED CASH FLOW STATEMENT

	Notes	*Audited Year ended December 31 2014 €'000s*	*Audited Year ended December 31 2015 €'000s*	*Audited Year ended December 31 2016 €'000s*	*Unaudited Period ended 30 June 2017 €'000s*
Cash flow from operating activities					
Cash flow from operations		(2,484)	(911)	(1,469)	1,040
Interest received		4	8	17	19
Net cash flow from operating activities		(2,480)	(903)	(1,452)	1,059
Cash flow from investing activities					
Capital expenditure and disposals		(2,838)	(468)	(426)	(281)
Exploration and development expenditure		(1,369)	(7,398)	(2,459)	(10,687)
Net cash flow from investing activities		(4,207)	(7,866)	(2,885)	(10,968)
CSTI funding contract		(300)	(161)	(31)	–
Net proceeds from debt		5,457	–	–	–
Funding from group companies		2,372	10,035	7,771	11,603
Repayment of debt		–	–	(3,500)	–
Interest payments		(118)	(520)	(199)	–
Net cash flow from financing activities		7,411	9,354	4,041	11,603
Net increase in cash and cash equivalents		724	585	(296)	1,694
Cash and cash equivalents at the beginning of the year		151	875	1,460	1,164
Cash and cash equivalents at the end of the year/period	9	875	1,460	1,164	2,858

NOTES TO CASH FLOW

	Year ended December 31 2014 €'000s	*Year ended December 31 2015 €'000s*	*Year ended December 31 2016 €'000s*	*Period ended 30 June 2017 €'000s*
Cash flow from operating activities reconciliation				
Loss before tax	(2,376)	(17,640)	(6,060)	(16,845)
Finance revenue	(4)	(8)	(2,536)	(748)
Exploration expenditure written off and impairment of producing assets	963	16,785	5,370	16,531
(Decrease)/increase in trade and other payables	(1,871)	122	707	2,340
(Decrease)/increase in inventories	–	–	–	(400)
Depreciation	280	227	280	81
Finance costs and exchange adjustments	941	(67)	939	27
(Increase)/decrease in other receivables and prepayments	(417)	(330)	(169)	54
Cash flow from operations	(2,484)	(911)	(1,469)	1,040

During 2016, a guarantee of €0.8 million was provided for the first well at the Badile licence in Italy and is included in cash and cash equivalents as it is expected to be released as soon as the work commitment is fulfilled. During the period ended 30 June 2017, 830,565 shares were issued by the ultimate parent Company as part settlement of the drilling services at the Badile licence.

NOTES TO THE FINANCIAL INFORMATION

1. Reporting entity

Sound Energy Holdings Italy Limited ("SEHIL") is a Company incorporated in England and Wales with registration number 05811564. The financial information for the year ended 31 December 2014, 2015 and 2016 and for the period ended 30 June 2017 are consolidated and comprises the Company and its wholly owned subsidiary, Apennine Energy SpA ("APN") domiciled in Italy (together "the Group").

1.1 ***Basis of preparation***

a) *Statement of compliance*

This financial information of the Group is special purpose financial information and has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRSs, as adopted by the European Union), IFRIC Interpretations.

b) *Basis of measurement*

The consolidated financial information has been prepared under the historical cost convention, except to the extent that the following policies require fair value adjustments.

c) *Functional and presentation currency*

SEHIL's functional currency is Sterling and APN's functional currency is Euro. The Group financial information are presented in Euro (€) and all values are rounded to the nearest thousand (€'000) except when otherwise indicated.

d) *Going concern*

The consolidated financial information has been prepared on a going concern basis, which assumes that the Group will be able to meet its financial obligations as they fall due. The Group will form part of an enlarged Group on completion of admission to AIM and its financial obligations included as part of the enlarged group financial projections. The financial information do not include any adjustments that would result if the Group was unable to continue as a going concern.

e) *Use of estimates and key sources of estimation uncertainty*

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the impairment of intangible exploration and evaluation ("E&E").

The Group determines whether E&E assets are impaired in cost pools when facts and circumstances suggest that the carrying amount of a cost pool may exceed its recoverable amount. As recoverable amounts are determined based upon risked potential, or where relevant, discovered oil and gas reserves, this involves estimations and the selection of a suitable discount rate. The capitalisation and any write-off of E&E assets necessarily involve certain judgements with regard to whether the asset will ultimately prove to be recoverable.

In determining the treatment of E&E assets and investments the Directors are required to make estimates and assumptions as to future events and circumstances. There are uncertainties inherent in making such assumptions, especially with regard to oil and gas reserves and the life of, and title to, an asset; recovery rates; production costs; commodity prices; and exchange rates. Assumptions that are valid at the time of estimation may change significantly as new information becomes available and changes in these assumptions may alter the economic status of an E&E asset and result in resources or reserves being restated. The estimation of recoverable amounts, based on risked potential

and the application of value in use calculations, are dependent upon finance being available to fund the development of the E&E assets (note 7).

The Group considers the latest available information on the performance of producing licences compared to expected targets and where there are indications that the production is below expectations, the Group's reservoir engineers conduct an evaluation to identify the technical reasons and where necessary seek opinion from external engineers in determining whether an impairment charge should be recorded (note 6).

The provision for decommissioning Badile well site is based on the estimated cost of third party services necessary to restore the site on completion of drilling activities.

1.2 ***Significant accounting policies***

a) *Foreign currency*

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

The assets and liabilities of foreign operations are translated into euro at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year, unless this is not a reasonable approximation of the rates on the transaction dates. The resulting exchange differences are recognised in other comprehensive income and held in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that foreign operation is recognised in the income statement.

b) *Oil and gas assets*

The Group's capitalised oil and gas costs principally relate to properties that are in the exploration and evaluation stage.

As allowed under IFRS 6 the Group has continued to apply its existing accounting policy to exploration and evaluation activity, subject to the specific requirements of the standard.

The Group will continue to monitor the application of these policies in the light of expected future guidance on accounting for oil and gas activities.

The Group applies the successful efforts method of accounting for E&E costs.

Exploration and evaluation assets

Under the successful efforts method of accounting, all licence Acquisition, exploration and appraisal costs are initially capitalised in well, field or specific exploration cost centres as appropriate, pending determination.

Expenditure incurred during the various exploration and appraisal phases is then written off unless commercial reserves have been established or the determination process has not been completed.

Exploration and evaluation costs

Costs are initially capitalised as E&E assets. Payments to acquire the legal right to explore, costs of technical services and studies, seismic Acquisition, exploratory drilling and testing are capitalised as exploration and evaluation assets.

Treatment of exploration and evaluation expenditure at the end of appraisal activities

Intangible E&E assets relating to each exploration licence/prospect are carried forward, until the existence (or otherwise) of commercial reserves has been determined subject to certain limitations including review for indications of impairment. If, however, commercial reserves have been discovered and development has been approved, the carrying value, after any impairment loss, of the relevant E&E assets is then reclassified as development and production assets. If, however, commercial reserves have not been found, the capitalised costs are charged to expense after conclusion of appraisal activities.

Development and production assets

Development and production assets are accumulated generally on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined in the accounting policy above.

The cost of development and production assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised, and the cost of recognising provisions for future restoration and decommissioning. Producing assets are currently expected to be in production up to 2026 and are depreciated on the unit of production method.

Impairment of development and production assets

An impairment test is performed whenever events and circumstances arising during the development or production phase indicate that the carrying value of a development or production asset may exceed its recoverable amount.

The carrying value is compared with the expected recoverable amount of the asset, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. The cash generating unit applied for impairment test purposes is generally the field, except that a number of field interests may be grouped as a single income generating unit where the cash flows of each field are interdependent.

Acquisitions, asset purchases and disposals

Acquisitions of oil and gas properties are accounted for under the purchase method where the transaction meets the definition of a business combination or joint venture.

Transactions involving the purchase of an individual field interest, or a group of field interests, that do not qualify as a business combination are treated as asset purchases, irrespective of whether the specific transactions involve the transfer of the field interests directly, or the transfer of an incorporated entity. Accordingly, no goodwill arises, and the consideration is allocated to the assets and liabilities purchased on an appropriate basis.

c) *Property, plant and equipment and land and buildings*

The Group's capitalised oil and gas costs principally relate to properties that are in the exploration and evaluation stage.

Fixtures, fittings and equipment are recorded at cost as tangible assets.

The straight-line method of depreciation is used to depreciate the cost of these assets over their estimated useful lives, which is estimated to be four years. Land and buildings relate to land which is not depreciated.

d) *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

e) *Income tax*

Current tax

The current tax expense is based on the taxable results for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, including any adjustments in respect of prior years.

Amounts are charged or credited to the Income Statement or equity as appropriate.

Deferred tax

Deferred tax is provided on unremitted earnings of subsidiaries to the extent that the temporary difference created is expected to reverse in the foreseeable future.

Deferred tax is recognised in the Income Statement except when it relates to items recognised directly in the Statement of Changes in Equity in which case it is credited or charged directly to Retained Earnings through the Statement of Changes in Equity.

f) *Cash and cash equivalents*

Cash and cash equivalents include cash in hand and deposits held at call with banks. Cash and cash equivalents also includes restricted cash that has been placed as guarantees for work commitments on licences.

g) *Financial instruments*

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. Trade and other receivables are initially measured at fair value and are subsequently reassessed at the end of each accounting period. Cash and cash equivalents comprise cash on hand and demand deposits, restricted cash and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below. Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Shares issued are recorded at their fair value on issue and are not subsequently remeasured.

h) *Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group*

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases, have not yet been adopted by the EU. The most significant new standards are as follows:

IFRS 9 'Financial Instruments' covers classification and measurements of financial assets and financial liabilities, impairment methodology and hedge accounting and is effective for accounting periods beginning on or after 1 January 2018;

IFRS 15 'Revenue from Contracts with Customers' provides a single model for accounting for revenue arising from contracts with customers and is effective for accounting periods beginning on or after 1 January 2018;

IFRS 16 'Leases' provides a new model for lease accounting in which all leases, other than short-term, will be accounted for by recognition in the balance sheet of a right-to-use asset and a lease liability and the subsequent amortisation of right-to-use asset over the lease term. IFRS 16 is effective for accounting periods beginning on or after 1 January 2019.

With exception of IFRS 16, the Directors do not expect that the adoption of these standards will have a material impact on the financial information of the Company in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. IFRS 16 will require that the operating leases disclosed on Note 17 be recognised in the balance sheet. At this point it is not practicable for the Directors to provide a reasonable estimate of the effect of these standards as their detailed review of these standards is still ongoing.

i) *Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

j) *Revenue Recognition*

Revenue associated with production sales of natural gas is recorded when title passes to the customer on delivery to the customer pipeline.

2. Segment information

The Group categorises its operations into three business segments based on corporate, exploration and appraisal and development and production.

In the years ended 31 December 2014, 2015 and 2016 and for the period ended 30 June 2017, the Group's exploration and appraisal activities were carried out in Italy.

The Group's reportable segments are based on internal reports about components of the Group which are regularly reviewed and used by the Board of Directors, being the Chief Operating Decision Maker ("CODM"), for strategic decision making and resource allocation, in order to allocate resources to the segment and to assess its performance.

Details regarding each of the operations of each reportable segment is included in the following tables.

Segment results for the period ended 31 December 2014

	Corporate €'000s	*Development & Production €'000s*	*Exploration & Appraisal €'000s*	*Total €'000s*
Sales and other operating revenues	–	1,218	–	1,218
Operating costs	–	(838)	–	(838)
Exploration costs	–	–	(68)	(68)
Impairment of producing assets	–	(895)	–	(895)
Administration expenses	(856)	–	–	(856)
Operating loss segment result	(856)	(515)	(68)	(1,439)
Finance revenue	4	–	–	4
Finance costs and exchange gains	(941)	–	–	(941)
Loss for the period before taxation	(1,793)	(515)	(68)	(2,376)

Segment revenue reported above represents revenue generated from external customers. All the revenue arose from operations in Italy.

The segments assets and liabilities at 31 December 2014 were as follows:

	Corporate €'000s	*Development & Production €'000s*	*Exploration & Appraisal €'000s*	*Total €'000s*
Non-current assets	35	13,870	4,950	18,855
Current assets	1,177	33	2,482	3,692
Total liabilities	(35,761)	(1,462)	(942)	(38,165)

The non-current assets are located in Italy.

Segment results for the year ended 31 December 2015 were as follows:

	Corporate €'000s	*Development & Production €'000s*	*Exploration & Appraisal €'000s*	*Total €'000s*
Sales and other operating revenues	–	1,183	–	1,183
Operating costs	–	(745)	–	(745)
Exploration costs	–	–	(8,129)	(8,129)
Impairment of producing assets	–	(8,656)	–	(8,656)
Administration expenses	(1,368)	–	–	(1,368)
Operating loss segment result	(1,368)	(8,218)	(8,129)	(17,715)
Finance revenue	8	–	–	8
Finance costs recovery and exchange losses	67	–	–	67
Loss for the period before taxation	(1,293)	(8,218)	(8,129)	(17,640)

The segments assets and liabilities at 31 December 2015 are as follows:

	Corporate €'000s	*Development & Production €'000s*	*Exploration & Appraisal €'000s*	*Total €'000s*
Non-current assets	126	4,670	5,399	10,195
Current assets	1,684	32	2,891	4,607
Total liabilities	(46,511)	(1,545)	(1,064)	(49,120)

The non-current assets were all located in Italy.

Segment results for the year ended 31 December 2016 were as follows:

	Corporate €'000s	*Development & Production €'000s*	*Exploration & Appraisal €'000s*	*Total €'000s*
Sales and other operating revenues	–	1,020	–	1,020
Operating costs	–	(1,359)	–	(1,359)
Exploration costs	–	–	(1,322)	(1,322)
Impairment of producing assets	–	(4,048)	–	(4,048)
Administration expenses	(1,948)	–	–	(1,948)
Operating loss segment result	(1,948)	(4,387)	(1,322)	(7,657)
Finance revenue	2,536	–	–	2,536
Finance costs and exchange gain	(939)	–	–	(939)
Loss for the period before taxation	(351)	(4,387)	(1,322)	(6,060)

The segments assets and liabilities at 31 December 2016 are as follows:

	Corporate €'000s	*Development & Production €'000s*	*Exploration & Appraisal €'000s*	*Total €'000s*
Non-current assets	199	1,423	7,200	8,822
Current assets	1,578	25	2,877	4,480
Total liabilities	(44,417)	(2,403)	(1,771)	(48,591)

The non-current assets were all located in Italy.

Segment results for the period ended 30 June 2017 were as follows:

	Corporate €'000s	*Development & Production €'000s*	*Exploration & Appraisal €'000s*	*Total €'000s*
Sales and other operating revenues	–	451	–	451
Operating costs	–	(362)	–	(362)
Exploration costs	–	–	(16,531)	(16,531)
Administration expenses	(1,124)	–	–	(1,124)
Operating loss segment result	(1,124)	89	(16,531)	(17,566)
Finance revenue	748	–	–	748
Finance costs and exchange gain	(27)	–	–	(27)
Loss for the period before taxation	(403)	89	(16,531)	(16,845)

The segments assets and liabilities at 30 June 2017 are as follows:

	Corporate €'000s	*Development & Production €'000s*	*Exploration & Appraisal €'000s*	*Total €'000s*
Non-current assets	209	1,365	3,262	4,836
Current assets	3,476	34	3,010	6,520
Total liabilities	(54,422)	(2,136)	(5,711)	(62,269)

The non-current assets were all located in Italy.

3. Employee Costs

	Year ended December 31 2014 €'000s	*Year ended December 31 2015 €'000s*	*Year ended December 31 2016 €'000s*	*Period ended 30 June 2017 €'000s*
Staff costs, including Executive Directors				
Wages and salaries	902	1,131	1,761	817
Social security costs	218	458	411	189
Employee benefits	33	61	58	40
	1,153	1,650	2,230	1,046

	Year ended December 31 2014	*Year ended December 31 2015*	*Year ended December 31 2016*	*Period ended 30 June 2017*
Number of employees (including executive directors) at the end of the year/period				
Technical and operations	7	6	5	5
Management and administration	4	6	3	4
	11	12	8	9

4. Finance Revenue

	Year ended December 31 2014 €'000s	*Year ended December 31 2015 €'000s*	*Year ended December 31 2016 €'000s*	*Period ended 30 June 2017 €'000s*
CSTI obligation released	–	–	1,506	–
RBL discount received net of settlement costs	–	–	1,013	–
Group company payable waived	–	–	–	729
Interest on cash at bank and short-term deposits	4	8	17	19
	4	8	2,536	748

5. Taxation

(a) ***Analysis of the tax charge for the year:***

	Year ended December 31 2014 €'000s	*Year ended December 31 2015 €'000s*	*Year ended December 31 2016 €'000s*	*Period ended 30 June 2017 €'000s*
Current tax				
UK corporation tax (charge)/credit	–	–	–	–
Adjustment to tax expense in respect of prior years	–	–	–	–
Overseas tax	–	–	–	–
Total current tax (charge)/credit	–	–	–	–
Deferred tax credit arising in the current year/period	–	–	49	–
Total tax (charge)/credit	–	–	49	–

(b) ***Reconciliation of tax charge***

	Year ended December 31 2014 €'000s	*Year ended December 31 2015 €'000s*	*Year ended December 31 2016 €'000s*	*Period ended 30 June 2017 €'000s*
Loss before tax	(2,376)	(17,640)	(6,060)	(16,845)
Tax (charge)/credit charged at UK corporation tax rate of 21% in 2014 and 20% thereafter	499	3,528	1,212	3,369
Tax effect of:				
Expenses not deductible for tax purposes	(59)	(45)	(56)	(16)
Temporary differences not recognised	(286)	(2,160)	(713)	(2,258)
Differences in overseas tax rates	(154)	(1,323)	(394)	(1,095)
Total current tax (charge)/credit	–	–	49	–
Unrecognised deferred tax assets	2,091	5,590	6,784	10,101

Deferred tax assets have not been recognised in respect of estimated tax losses available due to uncertainty of utilisation of those assets.

6. Property, plant and equipment

	As at 31 December 2014 €'000s	*As at 31 December 2015 €'000s*	*As at 31 December 2016 €'000s*	*As at 30 June 2017 €'000s*
Development and production assets				
Cost				
At start of the year/period	1,863	15,191	14,797	15,837
Additions	2,026	353	1,040	–
Transfers	11,302	–	–	–
Reversal of capitalised interest	–	(747)	–	–
At end of the year/period	15,191	14,797	15,837	15,837
Depreciation				
At start of the year/period	196	1,321	10,127	14,414
Impairment of assets	895	8,656	4,048	–
Charge for the year/period	230	150	239	58
At end of the year/period	1,321	10,127	14,414	14,472
Net book amount	13,870	4,670	1,423	1,365
Fixtures, fittings and office equipment				
Cost				
At start of the year/period	108	119	234	345
Additions	11	115	111	281
At end of the year/period	119	234	345	626
Depreciation				
At start of the year/period	65	84	108	146
Impairment of equipment	–	–	–	250
Charge for the year/period	19	24	38	21
At end of the year/period	84	108	146	417
Net book amount	35	126	199	209
Total net book amount	13,905	4,796	1,622	1,574

In 2014, the impairment costs related entirely to San Lorenzo due to revisions on the remaining life of production from the field. In 2015 and 2016, impairment costs related to the Casa Tonetto licence following the reservoir performance being below expectations upon commencement of production at the beginning of 2016. Reversal of capitalised interest arose on completion of the accounting for the CSTI funding contract. Equipment impairment related to write-down of the Badile electric transformer to recoverable amount.

7. Intangibles

	As at 31 December 2014 €'000s	*As at 31 December 2015 €'000s*	*As at 31 December 2016 €'000s*	*As at 30 June 2017 €'000s*
Cost				
At start of the year/period	14,995	5,062	13,444	15,903
Additions	1,369	8,516	2,459	11,463
Transfers	(11,302)	–	–	–
Disposals	–	(134)	–	–
At end of the year/period	5,062	13,444	15,903	27,366
Impairment and amortisation				
At start of the year/period	1,881	1,912	9,845	10,503
Charge for the year/period	31	7,965	658	15,401
Disposals	–	(32)	–	–
At end of the year/period	1,912	9,845	10,503	25,904
Net book amount	3,150	3,599	5,400	1,462

Exploration and Evaluation Assets

All the E&E assets are located in Italy.

The Directors assess for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. In making this assessment the Directors have regard to the facts and circumstances noted in IFRS 6 paragraph 20. In performing their assessment of each of these factors at 31 December 2014, 2015 and 2016 and as at 30 June 2017, the Directors have;

a) reviewed the time period that the Group has the right to explore the area and noted no instances of expiration, or licences that are expected to expire in the near future;

b) determined that further exploration or evaluation expenditure is either budgeted or planned for all licences (with the exception as noted below) and;

c) not decided (with the exception as noted below), to discontinue exploration activity due to there being a lack of quantifiable mineral resource;

d) not identified any instances where sufficient data exists to indicate that there are licences where the E&E spend is unlikely to be recovered from successful development or sale.

Transfer in 2014 related to the Casa Tonetto licence expenditure reclassified from intangible assets on determination of commercial reserves. During 2015 impairment charge primarily related to the Carita licence upon determination of no commercial reserves. In 2016, the impairment charge primarily related to Strombone licence where current and forecast operational expenditure had significantly decreased due to an application for a time extension on the licence being rejected. During the period ended 30 June 2017, the Badile licence well costs were impaired following sub-commercial well results. The impairment charge is included within exploration costs in the consolidated statement of comprehensive income.

8. Other Receivables

	As at 31 December 2014 €'000s	*As at 31 December 2015 €'000s*	*As at 31 December 2016 €'000s*	*As at 30 June 2017 €'000s*
Italian VAT	2,482	2,883	2,868	2,936
Other receivables	270	195	186	302
	2,752	3,078	3,054	3,238

All the receivable balances were denominated in Euro.

9. Cash and Cash Equivalents

	As at 31 December 2014 €'000s	*As at 31 December 2015 €'000s*	*As at 31 December 2016 €'000s*	*As at 30 June 2017 €'000s*
Cash at bank and in hand	875	1,460	364	2,058
Cash equivalents:				
Short term deposits	–	–	800	800
Carrying amount 31 December/30 June	875	1,460	1,164	2,858

All the cash and cash equivalents balances were denominated in Euro.

10. Trade & Other Payables

	As at 31 December 2014 €'000s	*As at 31 December 2015 €'000s*	*As at 31 December 2016 €'000s*	*As at 30 June 2017 €'000s*
Trade payable	556	648	599	2,094
Payroll taxes and social security	114	139	160	194
Accruals	272	277	1,012	1,823
	942	1,064	1,771	4,111

All the trade and other payables were denominated in Euro.

11. Payables to group companies

	As at 31 December 2014 €'000s	*As at 31 December 2015 €'000s*	*As at 31 December 2016 €'000s*	*As at 30 June 2017 €'000s*
Payable to group companies	27,039	38,707	44,417	54,422
Currency analysis				
GBP	13,750	37,110	41,370	40,149
EUR	13,289	1,597	3,047	14,273
	27,039	38,707	44,417	54,422

Payables to group companies are due on demand and do not bear interest. Group payables are primarily due to Sound Energy plc.

12. Provisions for abandonment

	As at 31 December 2014 €'000s	*As at 31 December 2015 €'000s*	*As at 31 December 2016 €'000s*	*As at 30 June 2017 €'000s*
At 1 January	1,398	1,462	1,545	2,403
Discount unwind	147	43	157	31
Additions	–	215	921	1,600
Released during the year/period	(83)	(175)	(220)	(298)
At 31 December/30 June	1,462	1,545	2,403	3,736
Reported within:				
Current liabilities	–	–	–	1,600
Non-current liabilities	1,462	1,545	2,403	2,136
	1,462	1,545	2,403	3,736

The provision relates to the following licences:

	As at 31 December 2014 €'000s	*As at 31 December 2015 €'000s*	*As at 31 December 2016 €'000s*	*As at 30 June 2017 €'000s*
Badile	–	–	–	1,600
Rapagnano	174	156	218	228
Casa Tiberi	320	291	383	366
Marciano	320	355	250	251
Carita	648	743	1,552	1,291
At 31 December/30 June	1,462	1,545	2,403	3,736

Decommissioning is likely to occur between 2018 and 2025. Expected abandonment costs are capitalised and depreciated on a unit of production basis once gas sales commence.

13. Share capital and earning per share

Allotted, called up and fully paid	*As at 31 December 2014 €'000s*	*As at 31 December 2015 €'000s*	*As at 31 December 2016 €'000s*	*As at 30 June 2017 €'000s*
27,619,050 Ordinary shares of £0.001 each	33	33	33	33

SEHIL has 27,619,050 shares in issue at each reporting period end. It is not considered meaningful to present earnings per share figure based on the share capital of the Company at each balance sheet date as the share capital of the enlarged group will be materially different. The share capital of the enlarged group post transaction has not yet been finalised, accordingly, pro forma earnings per share has not been presented.

14. Related Party Disclosures

The financial information includes the financial statements of SEHIL (the parent) and its subsidiary, APN.

Terms and conditions of transactions with related parties

There were no sales or purchases to or from related parties for the year ended 31 December 2014, 2015 and 2016 and for the period ended 30 June 2017. Net advances from group companies are disclosed on note 11. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2014, 2015 and 2016 and for the period ended 30 June 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties and is not owed or owes amounts to/from any related parties.

Key Management

As at 31 December 2014, 2015 and 2016 there were two management personnel other than Directors of the Company and during the period ended 30 June 2017, there was one key management personnel other than Directors of the Company.

	As at 31 December 2014 €'000s	*As at 31 December 2015 €'000s*	*As at 31 December 2016 €'000s*	*As at 30 June 2017 €'000s*
Salaries and employee benefits	719	825	819	188

15. Financial Instruments risk management objectives and policies

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group's financial instruments comprise trade and other payables, payables to group companies, loans and borrowing, receivables, cash and short-term deposits. The main purpose of the financial instruments is to finance the Group's operations. The fair value of the financial instruments is their carrying value, with the carrying value amounts included in the Group Balance Sheet with further analysis in note 8 (other receivables), note 9 (cash and cash equivalents), note 10 (trade and other payables), note 11 (payables to group companies) and Note 18 (loans and borrowings).

The table below set out the Group's accounting classification of its financial assets and liabilities.

	As at 31 December 2014 €'000s	*As at 31 December 2015 €'000s*	*As at 31 December 2016 €'000s*	*As at 30 June 2017 €'000s*
Financial assets				
Cash and short-term deposits	875	1,460	1,164	2,858
Other receivables	2,752	3,078	3,054	3,238
	3,627	4,538	4,218	6,096
Financial liabilities				
Trade and other payables	942	1,064	1,771	4,111
Payables to group companies	27,039	38,707	44,417	54,422
Loans and borrowings held at amortised costs	8,722	7,804	–	–
	36,703	47,575	46,188	58,533

The Company classifies the fair value of the financial instruments according to the following hierarchy, based on the amount of observable inputs used to value the instrument. The three levels of the fair value hierarchy are as follows:

- Level 1 – inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology are derived from quoted prices for identical assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – inputs to the valuation methodology are not based on observable market data.

The main risks arising from the Group's financial instruments are interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's deposit accounts and short-term debt instruments.

The Group's policy is to manage this exposure by investing in short term, low risk bank deposits.

Market risk

The Group continues its exploration and production activities and selective acquisitions to increase shareholder value through capital growth.

Capital Management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern. The Group reviews its expenditure commitments on a regular basis to ensure that funding is available to meet its commitments.

16. Foreign Currency and other risks

The Group doesn't have material transactions that are denominated in currencies other than euro and funding from group companies is repayable in euro. As a result, the foreign currency risk is not material.

Credit risk

The Group currently has a limited customer base. The maximum credit exposure at the reporting date of each category of financial assets is the carrying value as detailed in the relevant notes. The Group's management considers that the financial assets that are not impaired for each of the reporting dates are of good credit quality. Payment terms are limited to one month's gas sales at any one time and cash calls to partners are paid within one month and therefore the credit risk is considered negligible.

Liquidity Risk

The Group ensures that sufficient funds are available to enable it to fund its operations and settle its obligations as they fall due.

Financial Instruments

(i) ***Cash and short-term deposits***

	As at 31 December 2014 €'000s	*As at 31 December 2015 €'000s*	*As at 31 December 2016 €'000s*	*As at 30 June 2017 €'000s*
Euro	875	1,460	1,164	2,858
Weighted average interest rate	0.602%	0.011%	0.550%	0.224%

17. Commitment and guarantees

At 31 December 2014, 2015 and 2016 and as at 30 June 2017, the Group had commitments for decommissioning (note 12). As at 31 December 2016 and 30 June 2017, the Group had capital expenditure of approximately €13.9 million and €4.0 million respectively and provided a guarantee of €0.8 million, primarily for drilling of the first well at the Badile licence in Italy. The Group had no material capital commitments or operating leases as at 31 December 2014 and 2015.

As at 31 December 2016, the Group had the following operating leases:

	Premises €'000s	*Total €'000s*
Due within one year	79	79
After one year but within two years	91	91
After two years but within five years	95	95
After five years	–	–
	265	265

As at 30 June 2017, the Group had the following operating leases:

	Premises €'000s	*Land rent €'000s*	*Total €'000s*
Due within one year	85	93	178
After one year but within two years	98	80	178
After two years but within five years	91	99	190
After five years	–	3	3
	274	275	549

18. Loans and Borrowings

	As at 31 December 2014 €'000s	*As at 31 December 2015 €'000s*	*As at 31 December 2016 €'000s*	*As at 30 June 2017 €'000s*
Current liabilities				
Other loans	–	7,804	–	–
Non-current liabilities				
Other loans	8,722	–	–	–

The primary borrowings for the Group included a Reserve Based Lending facility ("RBL") by Greenberry S.A. of €7.0 million for 24 months at par with a 5% coupon to fund development of the Carita licence entered into in 2014 and funding contract, with a third party, ("CSTI funding contractor") relating to the Nervesa project for a gross amount of €1.5 million. During 2016, the RBL facility was settled at a discount of 50% which after taking account of settlement and unamortised finance costs resulted in a finance revenue of €1.0 million (Note 4). The CSTI funding contract was terminated.

19. Auditors

The financial statements presented to the members of the Company as prepared under UK General Accepted Accounting Principles in respect of the years ended 31 December 2014, 2015 and 2016 were audited by Crowe Clark Whitehill LLP and carried an unqualified audit report. Crowe Clark Whitehill LLP address is St Bride's House, 10 Salisbury Square, London EC4Y 8EH. Crowe Clark Whitehill LLP are registered auditors in the UK and are members of The Institute of Chartered Accountants in England and Wales.

20. Subsequent Events

As further explained in Part 6, paragraph 15.13, of the Supplementary Admission Document Saffron Energy plc will acquire the Company's entire share capital free of any encumbrance. As part of the SEHIL Acquisition the Company has agreed, amongst other matters, that Saffron Energy plc shall receive the proceeds of any future sale of land comprising Badile (unaudited carrying value at 30 June 2017 of €1.6 million) and the benefit of expected Italian VAT recoverable linked to the Badile drilling costs.

PART 5 SECTION D: ACCOUNTANT'S REPORT ON THE PRO FORMA STATEMENT OF NET ASSETS OF SAFFRON ENERGY plc

PKF Littlejohn LLP

Accountants &
business advisers

The Directors
Saffron Energy plc
27-28 East Castle Street
London W1W 8DH

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Turner Pope Investments (TPI) Ltd
Beckett House,
36 Old Jewry,
London EC2R 8DD

7 March 2018

Dear Sirs

Report on the unaudited pro forma statement of net assets

We report on the unaudited pro forma statement net assets (the "Statement of Pro forma Net Assets") set out in Section E of Part 5, of the Supplementary Admission Document dated on 7 March 2018, which has been prepared on the basis described in notes 1 to 8, for illustrative purposes only, to provide information about how the Proposed Acquisition of Sound Energy Holdings Italy Limited, Placing of 11,872,146 Ordinary Shares of 0.1p each at 4.38 pence per Ordinary Share and the Subscription of 294,951,183 Ordinary Shares of 0.1p each at 4.38 pence per Ordinary Share might have affected the financial information presented on the basis of the accounting policies adopted by Saffron Energy plc.

This report is required by guidance issued by the London Stock Exchange with respect to AIM and is given for the purpose of complying with the guidance issued by the London Stock Exchange and for no other purpose.

Responsibilities

It is the responsibility solely of the Directors of Saffron Energy plc to prepare the Statement of Pro forma Net Assets.

It is our responsibility to form an opinion as to the proper compilation of the Statement of Pro forma Net Assets and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purposes of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source

documents, considering evidence supporting the adjustments and discussing the Statement of Pro forma Net Assets with the Directors of Saffron Energy plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Statement of Pro forma Net Assets has been properly compiled on the basis stated and as such is consistent with the accounting policies of Saffron energy plc.

Opinion

In our opinion:

- The Statement of Pro forma Net Assets has been properly compiled on the basis set out therein;
- Such bases are consistent with the accounting policies of Saffron Energy plc; and
- The adjustments are appropriate for the purposes of the Statement of Pro forma Net Assets as disclosed.

Declaration

For the purposes of guidance issued by the London Stock Exchange we are responsible for this report as part of the Supplementary Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included within the Supplementary Admission Document in compliance with guidance issued by the London Stock Exchange.

Yours faithfully

PKF Littlejohn LLP
Chartered Accountants

PART 5 SECTION E: PRO FORMA NET ASSETS

Set out below is an unaudited pro forma statement of net assets of Saffron Energy plc ("the Company") together with Sound Energy Holdings Italy Limited ("SEHIL") (together "the Enlarged Group") which has been prepared for illustrative purposes only to show the effect of the SEHIL Acquisition, Placing, Subscription and Admission of the Company to AIM as if it had occurred on 30 June 2017. The pro forma statement of net assets has been prepared for illustrative purposes only, and because of its nature, it may not give a true reflection of the Enlarged Group's financial position or results.

	The Company Net Assets as at 30 June 2017 (Note 1) €'000	*SEHIL Net assets as at 30 June 2017 (Note 2)* €'000	*The Placing and the Subscription (Note 3)* €'000	*Acquisition (Note 4 & 5)* €'000	*Pro forma net assets at 30 June 2017* €'000
Assets					
Non-current assets					
Inventory	835	–	–	–	835
Other assets	157	–	–	–	157
Deferred tax asset	2,272	–	–	–	2,272
Property, plant and equipment	2,613	1,574	–	–	4,187
Intangible assets		1,462	–	–	1,462
Land and buildings	6,922	1,800	–	(1,800)	6,922
Goodwill	–	–	–	8,375	8,375
	12,799	4,836	–	6,575	24,210
Current assets					
Inventories	–	400		(400)	–
Trade and other receivables	795	3,262		(3,262)	795
Cash and cash equivalents	595	2,858	13,849	(2,858)	14,444
	1,390	6,520	13,849	(6,520)	15,239
Total assets	14,189	11,356	13,849	55	39,449
Liabilities					
Current liabilities					
Trade and other payables	2,091	4,111	–	(4,111)	2,091
Payable to group companies		54,422	–	(54,422)	–
Loans payable < 1 yr	448	–	–	–	448
Provisions	59	1,600	–	(1,600)	59
	2,598	60,133	–	(60,133)	2,598
Non-Current liabilities					
Loans payable > 1 yr		–	–		–
Provisions	5,686	2,136	–	–	7,822
	5,686	2,136	–	–	7,822
Total liabilities	8,284	62,269	–	(60,133)	10,420
Total assets less total liabilities	5,905	(50,913)	13,849	60,188	29,029

Notes

The pro forma statement of net assets has been prepared on the following basis:

1. The un-audited net assets of the Company as at 30 June 2017 have been extracted without adjustment from the financial information, a hyperlink of which is set out in Section A of Part 5 of this document, converted into € at the rate of £1/€1.139.

2. The un-audited net assets of Sound Energy Holdings Italy Limited as at 30 June 2017 have been extracted without adjustment from the Historic Financial Information included in Section C of Part 5 of this document.

3. An adjustment has been made to reflect the proceeds of 11,872,146 Placing Shares issued at 4.38 pence each and 294,951,183 Subscription Shares issued at 4.38 pence each net of an adjustment of £1.28 million in respect of admission costs paid in cash, inclusive of any irrecoverable VAT.

4. A pro forma adjustment has been made to reflect the initial accounting for the acquisition of Sound Energy Holdings Italy Limited by the Company, being the elimination of the investment in Sound Energy Holdings Italy Limited against the non-monetary assets acquired and recognition of goodwill. The Company will need to determine the fair value of the net assets acquired pursuant to the SEHIL Acquisition within 12 months of the SEHIL Acquisition date in accordance with IFRS 3. This process, known as a Purchase Price Allocation exercise, may result in reduction of goodwill which may be material. The Purchase Price Allocation process will require a valuation of identifiable intangible assets acquired. The approach adopted by the Directors of the Company is permissible and appropriate.

5. An adjustment has been made to reflect the financial impact of the SEHIL Acquisition Agreement, as further detailed in Part 6 paragraph 15.13 of the Supplementary Admission Document, as if this had taken place on 30 June 2017.

6. No adjustments have been made to reflect the trading or other transactions, other than described above of:

   i. the Company since 30 June 2017; and

   ii. Sound Energy Holdings Italy Limited since 30 June 2017.

7. Amounts denominated in Pound Sterling have been converted into Euros at €1.139 to 1 Pound Sterling being the Bank of England closing rate as at 30 June 2017. The rate on the close of business on 2 March 2018, being the latest practical date before the publication of the Supplementary Admission Document, was €1.1185 to 1 Pound Sterling.

8. The pro forma statement of net assets does not constitute financial statements.

PART 6

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Directors, whose names appear on page 9 of this document accept full responsibility for the information contained in this document including, individually and collectively, responsibility for the Company's compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import thereof.

2. THE COMPANY

i. The Company was incorporated and registered on 10 November 2016 in England and Wales under the 2006 Act as a public company limited by shares with the name Saffron Energy Plc and with registered number 10472005. On 7 December 2016, the Registrar of Companies issued the Company with a certificate to commence business and borrow pursuant to the 2006 Act.

ii. The Company's legal and commercial name at the date of this document is Saffron Energy Plc. The Company is domiciled in England and Wales. The Company has not changed its name since its incorporation.

iii. The Company's registered office is The Junction, Station Road, Watford, WD17 1EU. The Company's principal place of business is Via Francesco Crispi 90, 00187, Roma, Italy where its telephone number is +39 06 4201 4968 and its facsimile number +39 06 4890 5824.

iv. Saffron is not currently registered for VAT and the Company has historically had minimal UK expenditure. This is under review and the position may change in the future.

v. The liability of the members of the Company is limited to the amount paid up on their shares.

vi. The Company is governed by its Articles and the principal legislation under which the Company operates is the 2006 Act and the regulations made thereunder.

vii. The Group's auditors are PKF Littlejohn LLP, 1 Westferry Circus, Canary Wharf, London, E14 4HD.

viii. The accounting reference date of the Company is 31 December.

ix. The ISIN for the Ordinary Shares is GB00BDCFP425.

x. AMBA Secretaries Limited was appointed as the Company Secretary on 12 December 2017.

xi. The Company's current website is www.saffronenergy.co.uk and from Admission will be www.coroenergyplc.com.

3. THE GROUP'S PRINCIPAL ACTIVITIES

i. The principal activity of the Company is to act as a holding company. It acts as the holding company of the Group, whose principal activity, as more fully described in paragraphs 1 to 5 of Part 1 of this document, is the exploration for and production of, oil and gas.

4. DETAILS OF SUBSIDIARIES

i. As at the date of this document, the Company is the holding company of Northsun Italia S.p.A which is a wholly owned subsidiary of the Company.

Name of company	*Country of incorporation*	*Holding*	*Percentage of issued capital held*	*Principal activity*
Northsun Italia S.p.A.	Italy	Ordinary shares (fully paid)	100 per cent.	Oil and Gas exploration and production

ii. Subject to approval of the Resolutions at the General Meeting and completion of the SEHIL Acquisition, on completion of the SEHIL Acquisition, the Company will be the holding company of the following companies, each of which shall be a subsidiary of the Company.

Name of company	*Country of incorporation*	*Holding*	*Percentage of issued capital held*	*Principal activity*
Northsun Italia S.p.A.	Italy	Ordinary shares (fully paid)	100 per cent.	Oil and Gas exploration and production
Sound Energy Holdings Italy Limited	United Kingdom	Ordinary shares (fully paid)	100 per cent.	Oil and Gas exploration and production (intermediate holding company)
Apennine Energy S.p.A.	Italy	Ordinary Shares (fully paid)	100 per cent., through Sound Energy Holdings Italy Limited	Oil and Gas exploration and production

5. SHARE CAPITAL OF THE COMPANY

i. The share capital of the Company as at the date of this document and Admission is as set out below. All the issued share capital of the Company has been, or will at Admission be, fully paid up.

i. at the date of this document:

£	*Number*	
200,000	200,000,000	Ordinary Shares of 0.1 pence each

ii. at Admission:

£	*Number*	
716,809.735*	716,809,735*	Ordinary Shares of 0.1 pence each

* Assumes that each of the SEHIL Acquisition, the Placing and the Subscription completes in accordance with its terms and that the Commission Shares, TPI Fee Shares and Director Fee Shares are issued in full.

ii. The Company was incorporated with a share capital of £1.00 represented by one ordinary share of £1.00, which was issued to Cargil Management Services Limited, as the subscriber to the memorandum of association. The following changes in the issued share capital of the Company have taken place since incorporation:

i. the subscriber share was transferred to Po Valley Energy on 10 November 2016;

ii. on 10 November 2016, Po Valley Energy subscribed for 49,999 ordinary shares of £1.00 each;

iii. on 9 December 2016, Po Valley Energy as sole shareholder resolved to sub-divide the 50,000 ordinary shares of £1 each into 50,000,000 ordinary shares of 0.1 pence each;

iv. on 25 January 2017, 50,000,000 Ordinary Shares were issued to Po Valley Energy pursuant to the Share Exchange Agreement as described in paragraph 15.5 of this Part 6;

v. on 20 February 2017, 3,720,000 Ordinary Shares were issued as follows:

(1) 1,000,000 to Turner Pope;

(2) 1,000,000 to Sara Edmonson;

(3) 1,000,000 to Spencer John Davey; and

(4) 720,000 to Cassiopeia Services Limited.

vi. On 24 February 2017, 50,000,000 Ordinary Shares were issued pursuant to the Company's admission to AIM.

vii. on 2 October 2017, 32,187,500 Ordinary Shares were issued to various parties pursuant to a placing as described in paragraph 15.12 of this Part 6; and

viii. on 26 January 2018, 14,092,500 Ordinary Shares were issued to CIP as described in paragraph 15.17 of this Part 6, following which the share capital of the Company was £200,000 divided into 200,000,000 Ordinary Shares with a nominal value of 0.1 pence each.

iii. Save as described above, the Company has made no allotments of Ordinary Shares since the date of incorporation.

iv. As at the date of this document, the Company does not have authority to issue Ordinary Shares (generally or free of statutory pre-emption rights). Accordingly, the following resolutions, *inter alia*, are being proposed at the General Meeting:

i. the SEHIL Acquisition be approved by the Shareholders of the Company as required by the AIM Rules;

ii. the Directors be generally and unconditionally authorised, for the purposes of Section 551 of the 2006 Act, to exercise all powers of the Company to allot equity securities (within the meaning of section 560 of the 2006 Act):

(1) up to an aggregate nominal amount of £385,907.50 in respect of the Consideration Shares and the Ordinary Shares that were to be (but will no longer be) issued pursuant to the PVO Acquisition Agreement;

(2) up to an aggregate nominal amount of £306,823.329 in respect of the Placing Shares and the Subscription Shares;

(3) up to an aggregate nominal amount of £23,307.902 in respect of the Commission Shares;

(4) up to an aggregate nominal amount of £164,817.341 in respect of the Warrants;

(5) up to an aggregate nominal amount of £52,000.00 in respect of the Director Options;

(6) up to an aggregate nominal amount of £20,000 in respect of Ordinary Shares to be issued pursuant to the Share Option Scheme (as referred to in paragraph 13 of this Part 6);

(7) up to an aggregate nominal amount of £45,662.10 in respect of Ordinary Shares to be issued pursuant to the Open Offer;

(8) up to an aggregate nominal amount of £684.931 in respect of the TPI Fee Shares;

(9) up to an aggregate nominal amount of £86.073 in respect of the Director Fee Shares;

(10) otherwise than pursuant to (1) to (9) above, up to an aggregate nominal amount of £350,000.00,

such authorisation expiring at the conclusion of the next Annual General Meeting.

iii. the Directors be generally and unconditionally empowered, for the purposes of Section 570 of the 2006 Act to exercise all powers of the Company to allot equity securities for cash pursuant to the authorisation conferred by 5.4(b) above as if the statutory pre-emption provisions set out in section 561 of the 2006 Act did not apply to the allotment, provided that this power shall be limited to:

(1) the allotment of up to an aggregate nominal amount of £385,907.50 in respect of the Consideration Shares and the Ordinary Shares that were to be (but will no longer be) issued pursuant to the PVO Acquisition Agreement;

(2) the allotment of up to an aggregate nominal amount of £306,823.329 in respect of the Placing Shares and the Subscription Shares;

(3) the allotment of up to an aggregate nominal amount of £23,307.902 in respect of the Commission Shares;

(4) the allotment of up to an aggregate nominal amount of £164,817.341 in respect of the Warrants;

(5) the allotment of up to an aggregate nominal amount of £52,000.00 in respect of the Director Options;

(6) the allotment of up to an aggregate nominal amount of £20,000 in respect of Ordinary Shares to be issued pursuant to the Share Option Scheme (as referred to in paragraph 13 of this Part 6);

(7) the allotment of up to an aggregate nominal amount of £45,662.10 in respect of Ordinary Shares to be issued pursuant to the Open Offer;

(8) up to an aggregate nominal amount of £684.931 in respect of the TPI Fee Shares;

(9) up to an aggregate nominal amount of £86.073 in respect of the Director Fee Shares;

(10) the allotment of equity securities (within the meaning of section 560 of the 2006 Act) in connection with an offer by way of a rights issue to Shareholders and holders of other equity securities; and

(11) otherwise than pursuant to (1) to (10) above the allotment of further equity securities up to an aggregate nominal amount of £350,000.00,

such power expiring at the conclusion of the next Annual General Meeting.

As the PVO Acquisition Agreement has been terminated, it is proposed that the chairman of the General Meeting will, with the agreement of the General Meeting, withdraw the proposal of resolution 2 in the notice of General Meeting regarding the PVO Acquisition Agreement. In addition, the effect of termination of the PVO Acquisition Agreement is that, assuming resolutions 3 and 4 set out in the notice of General Meeting are approved and notwithstanding such approval, the authority to issue the PVO Consideration Shares (as defined in such notice) will be redundant and not capable of being used for other purposes.

If you have sold or otherwise transferred all of your Ordinary Shares since the date of the Admission Document, please forward this document and Form of Proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom you have sold or transferred your shares for delivery to the purchaser or transferee. If you have acquired Ordinary Shares since the date of the Admission Document, please refer to the Notice of General Meeting contained in Part 7 of the Admission Document for details of the

General Meeting and the Resolutions. If you require a Form of Proxy, please contact the Company's registrar, Share Registrars Limited, on +44 (0) 1252 821 390.

v. The number of Existing Ordinary Shares is 200,000,000. On Admission, the Company will:

i. pursuant to the SEHIL Acquisition (and subject to completion thereof in accordance with the terms of the SEHIL Acquisition Agreement) allot the Consideration Shares;

ii. pursuant to the Placing and Subscription, and subject to shareholder approval of the Resolutions, allot the Placing Shares, the Subscription Shares and the Commission Shares at the Placing and Subscription Price; and

iii. issue the TPI Fee Shares and Director Fee Shares,

and accordingly, on Admission, the Enlarged Share Capital will be £716,809.735, divided into 716,809,735 Ordinary Shares.

vi. The Consideration Shares, Placing Shares, Subscription Shares, Commission Shares, TPI Fee Shares and Director Fee Shares will, following allotment, rank pari passu in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions hereafter declared, paid or made on the share capital of the Company.

vii. The holders of Existing Ordinary Shares will be diluted by the issue of the Consideration Shares, Placing Shares, Subscription Shares, Commission Shares, TPI Fee Shares and Director Fee Shares. The effect of the issue of the Consideration Shares, Placing Shares, Subscription Shares, Commission Shares, TPI Fee Shares and Director Fee Shares (assuming that they are issued in full to parties who are not holders of Existing Ordinary Shares) will be that holders of Existing Ordinary Shares at the date of this document will own 27.90 per cent. of the Enlarged Share Capital following Admission. Further dilution will occur as and when any Warrants or Director Options are exercised. An Open Offer is planned, but Shareholders who do not participate in it will experience further dilution.

viii. As at 2 March 2018 (being the latest practicable date prior to publication of this document), there are no convertible securities, exchangeable securities or securities with warrants outstanding over Ordinary Shares.

ix. Save as outlined in paragraph 9 of this Part 6, as at the date of this document, no options have been granted by the Company or by any other member of the Group to subscribe for Ordinary Shares or any share capital of any member of the Group.

x. No Ordinary Shares are currently held in treasury by the Company or held by any other person on its behalf and no Ordinary Shares are currently held by any subsidiary of the Company.

xi. The Company does not have in issue any shares which do not represent capital.

xii. There is no class of shares in issue other than Ordinary Shares.

xiii. Save as disclosed in this document, there are no acquisition rights or obligations over the authorised and unissued share capital of the Company and no undertakings to increase the share capital.

xiv. Save as disclosed in this document, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any shares in the capital of the Company.

6. MEMORANDUM AND ARTICLES OF ASSOCIATION

6.1 In accordance with section 8 of the 2006 Act, the Memorandum of Association of the Company consists of a simple statement that the subscribers wish to form a company and subscribe for at least one share. Pursuant to the 2006 Act, unless a company's articles provide otherwise, a company's objects are unrestricted. The Company's objects are not restricted by its Articles.

6.2 The Articles of Association exclude the model articles and include the following provisions:

i. ***Directors***

(1) Subject to the Articles, the Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company. Subject to the Articles, the Directors may delegate any of their powers to such persons or committees and on such terms and conditions as they think fit.

(2) If a Directors' meeting or part of a Directors meeting, is concerned with an actual or proposed transaction or arrangement with the Company in which a Director is interested, that Director is not to be counted as participating in that meeting or part of a meeting for quorum or voting purposes; provided that, a Director who is interested in an actual or proposed transaction or arrangement with the Company is to be counted as participating in a decision at a Directors' meeting, or part of a Director's meeting, relating to it for quorum and voting purposes if the following apply:

(a) the Company by ordinary resolution disapplies the provision of the Articles which would otherwise prevent a director from being counted as participating in, or voting at, a Directors' meeting;

(b) the Director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or

(c) the Director's conflict of interest arises from a permitted cause, which is defined as:

(i) a guarantee given, or to be given, by or to a Director in respect of an obligation incurred by or on behalf of the Company or any of its Subsidiaries;

(ii) subscription, or an agreement to subscribe, for shares or other securities of the Company or any of its Subsidiaries, or to underwrite, sub-underwrite or guarantee subscription for any such shares or securities; and

(iii) arrangements pursuant to which benefits are made available to Directors, employees or former employees of the Company or any of its Subsidiaries, which do not provide specific benefits for Directors or former Directors.

(3) Subject as provided below, if a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to any Director other than the chairman is final and conclusive.

(4) If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the Directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes. A poll on a resolution may be demanded in advance of the general meeting where it is to put to the vote or at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

(5) Directors may undertake any services for the Company that the Board decides. Directors are entitled to such remuneration as the Directors determine for their services to the Company as Directors and for any other services which they undertake for the Company. Directors' remuneration may take any form and include any arrangements in connection with the payment of a pension allowance or gratuity or any death, sickness or disability benefits, to or in respect of that Director.

(6) The Company may pay any reasonable expenses which the Directors properly incur in connection with their attendance at meetings of directors or committees of directors,

general meetings or separate meetings of the holders of any class of shares or of debentures of the Company, or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

(7) At the first annual general meeting all the Directors must retire from office. At every subsequent annual general meeting any directors:

(a) who have been appointed by the Directors since the last annual general meeting; or

(b) who were not appointed or reappointed at one of the preceding two annual general meetings,

must retire from office and may offer themselves for reappointment by the members.

ii. ***General meetings and voting***

(1) The Directors may call an extraordinary general meeting whenever they think fit and shall call an extraordinary general meeting upon requisition in accordance with the Articles. In addition, if the Company has fewer than two Directors and the Director (if any) is unable or unwilling to appoint sufficient Directors to make up a quorum or to call a general meeting to do so, then two or more members may call a general meeting (or instruct the Company to do so) for the purpose of appointing one or more Directors.

(2) If a special resolution or any resolution to appoint a director is to be put before a general meeting then at least 21 clear days' notice of the general meeting will be given to all Shareholders entitled to attend and vote at the general meeting. At least 14 days' clear notice will be given for all other general meetings.

(3) A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the Articles.

(4) No voting rights attached to a share may be exercised at any general meeting or at any adjournment of it, or on any poll called at or in relation to it, unless all amounts payable to the Company in respect of that share have been paid.

(5) Proxies may only validly be appointed by a notice in writing which states:

(a) the name and address of the Shareholder appointing the proxy, and the number of shares to be voted;

(b) identifies the person appointed to be that Shareholder's proxy and the general meeting in relation to which that person is appointed;

(c) is signed by or on behalf of the Shareholder;

(d) is delivered to the Company in accordance with the Articles and any instructions contained in the notice of the general meeting to which they relate.

iii. ***Rights of Shares***

(1) The Company may issue shares with such rights or restrictions as may be determined by ordinary resolution. The Company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder, and the Directors may determine the terms and conditions and manner of redemption of any such shares.

(2) The Company has a lien over every share which is partly paid, of that share's nominal value and any premium at which it was issued, which has not been paid to the Company and which is payable immediately or at some time in the future, whether or not a call notice has been sent in respect of it. The Company has the right of enforcement in respect of a share if the member has failed to comply with the enforcement notice in accordance with the Articles.

iv. ***CREST***

The Articles are consistent with the provisions regulating CREST, a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument and, *inter alia*, allow for the holding and transfer of shares in uncertificated form in accordance with the provisions of the Uncertified Securities Regulations 2001.

v. ***Transferability***

(1) Certificated shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors which is executed by or on behalf of the transferor and (if any share is partly paid) the transferee. No fee may be charged for registering any transfer. The Directors may refuse to register the transfer of a certificated share if:

(a) the share is not fully paid;

(b) the transfer is not lodged at the Company's registered office or such other place as the Directors have appointed;

(c) the transfer is not accompanied by the certificate for the shares to which it relates;

(d) the transfer is in respect of more than one class of share; or

(e) the transfer is in favour of more than four transferees.

(2) The transfer of an uncertificated share must not be registered if it is in favour of more than four transferees.

vi. ***Dividends***

(1) Subject to the Statutes (being the 2006 Act, the CREST regulations and every other statute or statutory instrument for the time being in force concerning companies and affecting the Company), the Company may by ordinary resolution declare dividends, and the Directors may decide to pay interim dividends. A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such dividend must not exceed the amount recommended by the Directors. Unless the members' resolution to declare or the Directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each member's holding of shares on the date of the resolution or decision to declare or pay it. Except as otherwise provided by the Articles or the rights attached to shares, all dividends must be declared and paid according to the amounts paid up on the shares on which the dividend is paid and apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend unclaimed after a period of 12 years from the date it became due for payment shall be forfeited and shall revert to the Company.

vii. ***Pre-emption Rights***

(1) There are no rights of pre-emption under the Articles in respect of transfers of Ordinary Shares. In certain circumstances the Company's shareholders may have statutory pre-emption rights under the 2006 Act in respect of the issue of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

viii. ***Changes in capital***

(1) The Company may by ordinary resolution increase its share capital, consolidate and divide its share capital into shares of a larger amount, sub-divide its share capital into shares of

a smaller amount (subject to the provisions of the Statutes) and cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled.

(2) Subject to the provisions of the Statutes, the Company may reduce share capital, any capital redemption reserve and any share premium account in any manner.

ix. ***Untraced shareholders***

(1) Subject to the Statutes, if the Company sends two consecutive documents to a member over a period of at least 12 months and each of those documents is returned undelivered, or the Company receives notification that it has not been delivered, that member ceases to be entitled to receive notices from the Company. A member who has ceased to be entitled to receive notices from the Company becomes entitled to receive such notices again by sending the Company a new address.

x. ***General***

(1) There is nothing contained in the Articles which would have an effect of delaying, deferring or preventing a change in control of the Company.

7. OTHER REGULATORY MATTERS

i. ***Disclosure of interests in shares***

A shareholder in a public company incorporated in the UK whose shares are admitted to trading on AIM is required pursuant to Rule 5 of the Disclosure Guidance and Transparency Rules to notify the Company of the percentage of his voting rights if the percentage of voting rights which he holds as a shareholder or through his direct or indirect holding of financial instruments reaches, exceeds or falls below certain thresholds. In addition, AIM Rule 17 requires notification without delay of any changes to the holding of a significant shareholder (as defined in the AIM Rules) above 3 per cent. which increase or decrease such holding through any single percentage point. Schedule 5 to the AIM Rules specifies what information must be disclosed. A Director is required to notify the Company without delay of any change to his or her holding.

Pursuant to Part 22 of the 2006 Act, the Company is empowered by notice in writing to require any person whom the Company knows, or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, interested in the Company's shares, within a reasonable time to disclose to the Company particulars of any interests, rights, agreements or arrangements affecting any of the shares held by that person or in which such other person as aforesaid is interested.

ii. ***Takeovers***

The City Code applies to the Company. The Panel has statutory powers to enforce the City Code in respect of companies whose shares are admitted to trading on AIM.

Under Rule 9 of the City Code a person who acquires, whether by a single transaction or by a series of transactions over a period of time, shares which (taken with shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company, is normally required to make a cash offer for all the outstanding shares of that company at not less than the highest price paid by him or them or any persons acting in concert during the offer period and in the 12 months prior to its commencement. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the company if the effect of such acquisition were to increase that person's percentage of the voting rights.

Pursuant to sections 979 to 982 of the 2006 Act, where the offeror has by way of a takeover offer as defined in section 974 of the 2006 Act acquired or unconditionally contracted to acquire not less

than 90 per cent. in value of the shares to which an offer relates and where the shares to which the offer relates represent not less than 90 per cent. of the voting rights in the company to which the offer relates, the offeror may give a compulsory acquisition notice to the holder of any shares to which the offer relates which the offeror has not acquired or unconditionally contracted to acquire, and which he wishes to acquire, to acquire those shares on the same terms as the general offer.

Pursuant to sections 983 to 985 of the 2006 Act, where an offeror makes a takeover offer as defined by section 974 of the 2006 Act and, by virtue of acceptances of the offer and any other acquisitions holds or has agreed to acquire not less than 90 per cent. of the shares in the target (or if the offer relates to a class of shares 90 per cent. of the shares in that class) and which carry not less than 90 per cent. of the voting rights in the target, then a minority shareholder who has not accepted the offer may require the offeror to acquire his shares in the target on the same terms as the general offer.

Please refer to paragraph 19 of Part 1 of this document for further information regarding the Concert Party.

8. DIRECTORS' SHAREHOLDINGS AND OTHER INTERESTS

i. As at the date of this document and immediately following Admission, the interests of the Directors and their families (within the meaning set out in the AIM Rules) in the issued share capital of the Company, all of which are beneficial, and the existence of which is known or could, with reasonable diligence, be ascertained by that Director, are as follows:

	At the date of this document		*On Admission*		
Directors' interests	*Number of Ordinary Shares*	*Percentage*	*Number of Ordinary Shares*	*Percentage*	*Notes*
James Parsons	–	0.00%	584,150	0.08%	1
Sara Edmonson	1,000,000	0.50%	1,000,000	0.14%	2
Marco Fumagalli	–	0.00%	0	0.00%	3
Ilham Habibie	–	0.00%	0	0.00%	
Fiona MacAulay	–	0.00%	0	0.00%	
David Garland	–	0.00%	86,073	0.01%	4

1. James Parsons is interested in 3,192,283 shares in Sound Energy plc, representing a 0.31 per cent. interest in that company. On Admission, he will be issued 584,150 Consideration Shares pursuant to the SEHIL Acquisition Agreement.
2. Sara Edmonson is interested in 2,966,406 shares in Po Valley Energy Limited, representing a 0.50% interest in that company. If the Po Valley Energy Capital Reduction is proposed by PVE to its shareholders and completes (with Po Valley Energy distributing its entire holding of Ordinary Shares to its shareholders, Sara Edmonson will receive 500,018 Ordinary Shares, resulting in a total holding of 1,500,018 Ordinary Shares. The figures in the table above do not seek to reflect the results of the Po Valley Energy Capital Reduction.
3. Marco Fumagalli holds no Ordinary Shares directly. Mr Fumagalli holds a 25 per cent, interest in Continental Investment Partners S.A, which has a 6.64 per cent. interest in Sound Energy plc and will hold 12,336,561 Ordinary Shares representing a 1.35 per cent. interest in the Company on Admission. In addition, Mr Fumagalli is a director of and holds a 1.82 per cent interest in CIP Merchant Capital Limited. CIP is interested in 14,092,500 Ordinary Shares representing 7.05 per cent of the Existing Ordinary Shares. Following Admission, CIP will be interested in 150,684,929 Ordinary Shares, representing 21.02 per cent. of the Enlarged Share Capital. Information about the interests of the Concert Party, of which Mr Fumagalli is deemed a member, is set out in paragraph 19 of Part 1 of this document.
4. David Garland will be issued the Director Fee Shares on Admission.

ii. Save as disclosed in this paragraph 8, none of the Directors nor any person connected with them is or, immediately following Admission will be interested in any share capital of the Company.

iii. None of the Directors or any person connected with them is interested in any related financial product referenced to the Ordinary Shares (being a financial product whose value is, in whole or in part, determined directly or indirectly by reference to the price of the Ordinary Shares including a contract for difference or fixed odds bet).

iv. Save as disclosed in paragraph 8.1 of this Part 6, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group taken as a whole and which was effected by the Group during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

9. OPTIONS IN THE COMPANY

As at the date of this document:

i. the Company has not, save as set out in paragraph 9(ii) to (iv) below, issued, or agreed to issue any options or warrants to subscribe for Ordinary Shares, nor any other equity securities convertible into Ordinary Shares;

ii. subject to shareholder approval of the Resolutions, the Company has agreed to issue:

(1) on Admission, 159,817,341 Warrants pursuant to the Placing and Subscription as more fully described in paragraph 15.18 of this Part 6; and

(2) the following options to subscribe for Ordinary Shares to the following Directors (the "**Director Options**"):

Director	*Number of Options*
Sara Edmonson	10,000,000
David Garland	2,000,000
James Parsons	10,000,000
Fiona MacAulay	10,000,000
Marco Fumagalli	10,000,000
Ilham Habibie	10,000,000

iii. The terms on which the Company has agreed to issue the Director Options (subject to shareholder approval of the Resolutions) are set out in paragraph 15.23 of this Part 6.

iv. The Company is seeking authority, pursuant to the Resolutions, to issue Warrants up to 5,000,000 Ordinary Shares to certain consultants of the Group.

10. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

10.1 The Company has entered into the agreements described below:

i. a letter of appointment with Sara Edmonson dated 17 January 2017 pursuant to which she was appointed as a non-executive Director to provide entrepreneurial leadership for the Company within a framework of prudent and effective controls and subject to the Company's policies. The appointment was for an initial period ending on the earlier of 30 May 2018 and the date of the first AGM held by the Company (unless otherwise terminated by either party giving the other not less than 3 months' notice of termination). It was anticipated that the role would require a commitment of 2 days per month which would include attendance at board meeting, general meetings and other meetings with institutional investors and/or Shareholders. In consideration for her services, the Company agreed to pay an annual fee of €14,000, payable monthly in arrears. At a meeting of the then directors of the Company held on 16 October 2017, it was agreed that Sara Edmonson would cease to act as chief executive officer of Po Valley Energy, but would be appointed chief executive officer of the Company with effect from 1 November 2017, with an annual salary of €156,000. On 12 December 2017, the Chairman confirmed that Sara Edmonson's salary would increase to €250,000 per annum. Sara Edmonson is treated as being employed by the Group on the basis of her existing contract with NSI, as summarised in paragraph 10.2 of this Part 6, below and the Master Services Agreement summarised in paragraph 15.6 of this Part 6. These arrangements are under review and

Sara Edmonson's employment may, in the future, be governed by a direct executive director service agreement with the Company.

ii. a letter of appointment with David Garland dated 17 January 2017 pursuant to which he is appointed as a non-executive Director to provide entrepreneurial leadership for the Company within a framework of prudent and effective controls and subject to the Company's policies. The appointment is for an initial period ending on the earlier of 30 May 2018 and the date of the first AGM held by the Company (unless otherwise terminated by either party giving the other not less than 3 months' notice of termination). It is anticipated that the role will require a commitment of 2 days per month which will include attendance at board meeting, general meetings and other meetings with institutional investors and/or Shareholders. In consideration for his services, the Company will pay an annual fee of €14,000, payable monthly in arrears. On 16 October 2017, the then board of directors of the Company resolved that, in light of the expected increased work to be carried out by David Garland in connection with the Transaction, David Garland would be awarded additional director fees at a rate of £200 per hour for work carried outside of his normal duties as a non-executive Director, from 1 October 2017, as follows: (i) up to a maximum of £5,000 in cash (25 hours) per month, such sums to be paid monthly in arrears against timesheets detailing the hours worked and detailing the work done; and (ii) in excess of 25 hours per month, at the hourly rate stated above to be settled through the issue of Ordinary Shares at Admission at the Placing and Subscription Price. In accordance with these provisions, on Admission (and subject to shareholder approval of the Resolutions) the Director Fee Shares will be issued to David Garland.

iii. a letter of appointment with James Parsons executed on 11 December 2017 pursuant to which he is appointed as a non-executive Director and chairman of the Board to provide entrepreneurial leadership for the Company within a framework of prudent and effective controls and subject to the Company's policies. The appointment is on an ongoing basis unless otherwise terminated by either party giving the other not less than 3 months' notice of termination. It is anticipated that the role will require a commitment of at least 1 day per month which will include attendance at board meetings, general meetings and other meetings with institutional investors and/or Shareholders. In consideration for his services, the Company will pay an annual fee of £60,000 payable monthly in arrears.

iv. a letter of appointment with Fiona MacAulay executed on 11 December 2017 pursuant to which she is appointed as a non-executive Director to provide entrepreneurial leadership for the Company within a framework of prudent and effective controls and subject to the Company's policies. The appointment is on an ongoing basis unless otherwise terminated by either party giving the other not less than 1 months' written notice of termination. It is anticipated that the role will require a commitment of at least 1 day per month which will include attendance at board meetings, general meetings and other meetings with institutional investors and/or Shareholders. In consideration for her services, the Company will pay an annual fee of £35,000 payable monthly in arrears.

v. a letter of appointment with Marco Fumagalli executed on 11 December 2017 pursuant to which he is appointed as a non-executive director of the Company to provide entrepreneurial leadership for the Company within a framework of prudent and effective controls and subject to the Company's policies. The appointment is on an ongoing basis unless otherwise terminated by either party giving the other not less than 1 months' written notice of termination. It is anticipated that the role will require a commitment of at least 1 day per month which will include attendance at board meetings, general meetings and other meetings with institutional investors and/or Shareholders. In consideration for his services, the Company will pay an annual fee of £35,000 payable monthly in arrears.

vi. a letter of appointment with Ilham Habibie executed on 15 February 2018 pursuant to which he is appointed as a non-executive director of the Company to provide

entrepreneurial leadership for the Company within a framework of prudent and effective controls and subject to the Company's policies. The appointment is on an ongoing basis unless otherwise terminated by either party giving the other not less than 1 months' written notice of termination. It is anticipated that the role will require a commitment of at least 1 day per month which will include attendance at board meetings, general meetings and other meetings with institutional investors and/or Shareholders. In consideration for his services, the Company will pay an annual fee of £35,000 payable monthly in arrears.

10.2 NSI entered into an employment contract with Sara Edmonson dated 30 June 2010. Starting from 1 September 2012 Sara Edmonson was promoted to chief financial officer of NSI. Ms Edmonson is qualified as a director in accordance with the National Collective Contract for Industry Directors. Pursuant to the employment contract, Ms. Edmonson agrees to provide high level services as an employee to NSI and cooperate with NSI in providing leadership and to coordinate NSI's business activities. Ms Edmonson's role is to: cooperate with the board to reach objectives; control the company finances; direct the administrative and finance departments; manage relations with external entities; and ensure tax, accounting, budget and corporate compliance. Her salary is stated as €120,000 per annum plus an annual premium of 40 per cent. of the base salary based on the performance of NSI and on targets to be set by NSI yearly. Ms Edmonson also receives benefits including a health policy and the use of mobile phone and laptop computer. The employment contract can be terminated by giving the requisite notice periods provided under the national collective contract. In any case one year of salary is due as a penalty. Ms Edmonson served as Chief Executive Officer of Po Valley Energy from August 2013 to 1 November 2017, and also had executive responsibility for PVO. She provided these services to PVO under the Master Services Agreement, as set out in paragraph 15.6 of this Part 6, and the majority of her annual salary has historically been recharged to PVO. Sara Edmonson resigned from the board of PVO on 12 February 2018 with immediate effect.

10.3 Other than the agreements set out in paragraphs 10.1 and 10.2 above, the Group has not entered into any service contract with any Director.

11. ADDITIONAL INFORMATION ON THE DIRECTORS

i. Aside from a directorship held with the Company, the Directors hold or have held the following directorships or been a partner in the following partnerships within the five years prior to the date of this document:

Director	*Current Directorship*	*Previous Directorship*
Sara Edmonson	Northsun Italia SpA	Northsun Italia SpA Po Valley Operations Pty Ltd*
David Garland	Atacama Metals Holdings Limited David Garland Services Limited Hague and London Oil B.V. HALO SC54 B.V. Maghreb Exploration Limited Maghreb Offshore Limited Vermeer Exploration B.V. W Resources plc Wessex Hydrocarbons Limited	Dominion Kenya Holdings Limited Dominion Petroleum Administrative Services Limited Dominion Petroleum Limited
James Parsons	Apennine Energy SPA Echo Energy plc Mitra Energia Citarum Limited Sound Energy Holdings Italy Limited	Apennine Oil & Gas S.R.L. Echo Energy Bolivia (Hold Co 1) UK Ltd Echo Energy Bolivia (Hold Co 2) UK Ltd

* Sara Edmonson resigned from the board of PVO on 12 February 2018 with immediate effect.

Director	*Current Directorship*	*Previous Directorship*
James Parsons *(continued)*	Sound Energy Meridja Limited Sound Energy Morocco East Limited Sound Energy Morocco South Limited Sound Energy plc Sound Oil International Limited Sound Oil Limited Sound Oilk (Asia) Limited	Echo Energy Bolivia (Op Co 1) UK Ltd Echo Energy Bolivia (Op Co 2) UK Ltd Echo Energy Holdings (UK) Ltd
Fiona MacAulay	Echo Energy Argentina Holdings Limited Echo Energy Bolivia (Hold Co 1) UK Ltd Echo Energy Bolivia (Hold Co 2) UK Ltd Echo Energy Bolivia (Op Co 1) UK Ltd Echo Energy Bolivia (Op Co 2) UK Ltd Echo Energy C D and LLC Ltd Echo Energy Holdings (UK) Ltd Echo Energy plc Echo Energy Tapi Aike Ltd ECO Energy CDL OP Ltd ECO Energy TA OP LTD Independent Resources (Ksar Hadada) Limited Independent Resources (Sahara) Limited Independent Resources (Tunisia) Limited	Desire Petroleum Limited Falkland Oil and Gas Limited Malta Oil Pty. Ltd Melita Exploration Company Limited Rockhopper Civita Limited Rockhopper Croatia Limited Rockhopper Egypt Pty Limited Rockhopper Exploration (Hydrocarbons) Limited Rockhopper Exploration (Oil) Limited Rockhopper Exploration (Oil) Limited* Rockhopper Exploration (Petrochemicals) Limited Rockhopper Exploration plc Rockhopper Italia SpA Rockhopper Mediterranean Limited Rockhopper Resources Limited
Marco Fumagalli	CIP Management SA Corin Group plc Corin Orthopaedic Holdings Limited Echo Energy plc Ecommerce Outsourcing SRL (Italy) Ivy Merchant Capital Limited Merchant Capital GP Limited Merchant Capital Manager Limited Ministerium Capital SA P101 Societá Di Gestione Del Risparmio S.P.A. Gestore Euveca Programma 101 Societá Di investimento A Capitale Fisso S.P.A Protea Capital SA Sherwood Holdings Limited Sound Energy plc	CIP Merchant Capital Limited Continental Investment Partners SA Corin Italia SRL Deribas Capital SCA Goldfinch SA Greenberry SA Metano Capital SA No Paper Jam Srl P101 Srl Programme 101 Spa Terashop Srl

Director	*Current Directorship*	*Previous Directorship*
Ilham Habibie	Bandung Smart City Council, Working Team Board of Trustees IULI Foundation CREATE Foundation, Centre for Research on Education, Arts, Technology & Entrepreneurship Edutech Digital Utama ICC Indonesia Ikatan Cendekiawan Muslim Indonesia (ICMI) Indonesian Philharmonic Orchestra Foundation Indonesian Volley Ball Association (PBVSI) International Islamic Education Centre of Indonesia KADIN Telematics, Broadcasting, Research and Technology KADIN, Committee for Germany Mitra Eneria Ltd. Pollux Habibie Internasional PT .Inter Media Capital Tbk PT. Ilthabi Aerospace Group PT. Ilthabi Digital Edukasi PT. Ilthabi Energia PT. Ilthabi Mandiri Technik PT. Ilthabi Mandiri Tekhnik PT. Ilthabi Rekaama PT. Ilthabi Sentra Herbal PT. Industri Mineral Indonesia PT. Malacca Trust Wuwungan Insurance, Tbk PT. Metinca Prima Industrial Work PT. Orbit Ventura Indonesia PT. Regio Aviasi Industri The Habibie Center, Institute for the Democratization of Science and Technology (IDST) The Habibie Foundation, Human Resource Development in Science and Technology Division The International Islamic Forum for Science, Technology and Human Resources Development (IIFTIHAR) The Islamic Chamber of Commerce and Industry (Ikatan Saudagar Muslim Indonesia – ISMI) WanTikNas, The National Information and Communication Technology Council	Business Action for Support of Information Society (BASIS), ICC, Paris, France Digital Economy, International Chamber of Commerce (ICC), Jakarta Indonesia Indonesian Technology Innovation Foundation (Yayasan Inovasi Teknologi Indonesia- INOTEK) Indonesian Volley Ball Association (PBVSI) KADIN, Committee for Germany, Austria and Switzerland KADIN, Committee for Research and Technology KADIN, Research and Technology Perhimpunan Alumni Jerman (PAJ), Association of German Alumni PT. Citra Tubindo, Tbk PT. DHL Excel Supply Chain Indonesia

ii. No Director has:

i. any unspent convictions in relation to indictable offences;

ii. had any bankruptcy order made against him/her or entered into any voluntary arrangements;

iii. been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he/she was a director of that company or within the 12 months after he/she ceased to be a director of that company;

iv. been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he/she was a partner in that partnership or within the 12 months after he/she ceased to be a partner in that partnership;

v. been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he/she as a partner in that partnership or within the 12 months after he/she ceased to be a partner in that partnership;

vi. been publicly criticised by any statutory or regulatory authority (including designated professional bodies);

vii. been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company; or

viii. save as disclosed in this document, had a name other than his/her existing name.

12. EMPLOYEES

i. The Group will have 13 employees as at Admission (including those referred to in paragraph 12(iii) below) who are employed on a full time, part time or fixed term contract basis. The Group has one temporary employee, covering an employee on maternity leave. The employees are all located in Italy, save for one employee who is located in the UK.

ii. Save as disclosed in this Part 6, none of the employment contracts relating to the key management referred to in paragraph 10 of this Part 6, contains a right to benefits (other than those due during the notice period under the contract) upon termination.

iii. The Directors have identified, and post completion of the Transaction, expect to employ approximately 7 employees of SEHIL and APN comprising operational employees and administrative employees located in Italy, (including the one temporary employee referred to in paragraph 12(i) above who is covering for an employee on maternity leave).

13. SHARE OPTION SCHEME

i. On 12 February 2018 the Directors resolved to adopt the Share Option Scheme. Under the terms of the Share Option Scheme, the Directors will have an absolute right to grant an option to acquire Ordinary Shares in the Company to any of the directors and employees of any member of the Group. Pursuant to the Share Option Scheme, the Directors will be entitled to specify such conditions as they see fit (subject to certain limitations) before such directors and employees are eligible to take up any options under the scheme.

ii. The Share Option Scheme will permit the issuance of (i) Ordinary Shares in qualification of Chapter 8 of Part 7 of and Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 ("**ITEPA**") and Part 3 of Schedule 7D to the Taxation of Chargeable Gains Act 1992 ("**TCGA**") and (ii) Ordinary Shares which are not intended to qualify within the meanings of Schedule 4 to the ITEPA and Schedule 7D to the TCGA and are intended for the grant of options to acquire Ordinary Shares in excess of the statutory financial limit currently stated in Schedule 4 to ITEPA.

iii. The Company is seeking (*inter alia*) authority to issue up to 20,000,000 new Ordinary Shares pursuant to the Resolutions to be proposed at the General Meeting. If approved, such Ordinary Shares will be issued in accordance with the terms of the Share Option Scheme.

In addition, on 12 February 2018, the Directors resolved to award up to 5,000,000 Warrants to consultants of the Group.

14. MAJOR INTERESTS IN ORDINARY SHARES

i. Save as disclosed in this paragraph 14, the Directors are not aware of any person who, directly or indirectly, jointly or severally at the date of this document and at Admission is or will be interested in 3 per cent. or more of the issued ordinary share capital or the Enlarged Issued Share Capital of the Company:

	As at the date of this document	
Shareholder	*Number of Ordinary Shares*	*Percentage of issued ordinary share capital*
Po Valley Energy Limited	100,000,000	50.00 per cent.
CIP Merchant Capital Ltd	14,092,500	7.05 per cent.

	At Admission	
Shareholder	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
CIP Merchant Capital Ltd	150,684,929	21.02 per cent.
Po Valley Energy Limited*	100,000,000	13.95 per cent.
Lombard Odier Asset Management (USA) – 1798 Volatis Fund Limited	50,110,403	6.99 per cent.
Cazadores Investments Ltd.	34,246,575	4.78 per cent.
Lombard Odier Asset Management (USA) – LMAP EPSILON Limited	31,569,553	4.40 per cent.

*Assuming that Po Valley Energy Limited does not distribute its shares by way of capital reduction. Should Po Valley Energy proceed with the Po Valley Energy Capital Reduction, which the Company understands it intends to do shortly after Admission and assuming Po Valley Energy distributes the Ordinary Shares it currently holds in full, Michael Masterman would hold 26,412,190 Ordinary Shares (representing 3.68 per cent. of the Enlarged Share Capital) and Kevin Bailey would hold 22,372,676 Ordinary Shares (representing 3.12 per cent. of the Enlarged Share Capital), in each case assuming no issue of Ordinary Shares between the date of Admission and the date of completion of the Po Valley Energy Capital Reduction.

ii. The Ordinary Shares held by the Shareholders set out in paragraph 14.1(i) above rank pari passu with all other existing Ordinary Shares and, in particular, have no different voting rights than other existing Shareholders. Neither the Directors nor any major Shareholders have or will have different voting rights to other Shareholders.

iii. Save as disclosed in this document and so far as the Directors are aware, the Company is not directly or indirectly controlled by any person and there are no other rights with respect to the share capital of the Company.

iv. Save as disclosed in this document and so far as the Company is aware, there are no arrangements the operation of which may at a subsequent date result in a change of control of the Company.

15. MATERIAL CONTRACTS

This section contains summaries of the principal terms of material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two

years immediately preceding the date of this document and any other contracts (not being contracts entered in to the ordinary course of business) entered into by any member of the Group which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document, or are material subsisting agreements which relate to, the assets and liabilities of the Group as at the date of this document (and which have not been summarised in Part 1 of this document):

15.1 ***APE Services Agreement***

On 13 December 2013 NSI and PVO entered into a services contract with Assistenza Produzione Energia – A.P.E. S.r.l. ("**APE**"), as amended on 15 April 2015 (the "**APE Services Agreement**"). The term of the contract will end on 28 February 2018, although NSI and PVO intend to further extend or renew the contract on materially similar terms until 31 December 2018. Pursuant to the APE Services Agreement APE provides all management, supervision, personnel, materials and equipment that are required to provide operating and maintenance services in respect of the Licences and Applications and the wells and operations under such Licences and Applications. The contract may be terminated at any time by NSI/PVO by giving APE not less than 30 days prior notice. The contract sets out monthly payment rates for each Licence and Application, which charges depend on whether or not the relevant well is in production and the volume of production. The APE Services Agreement is governed by Italian law.

15.2 ***Services agreement for the execution of the works related to the Bezzecca connection to Vitalba***

NSI and TESI S.r.l. ("**TESI**") entered into a services agreement on 9 September 2016. The purpose of the services agreement is the execution by TESI of mechanical installation works and installation of the pipeline connecting the Bezzecca-1 well to the Vitalba gas processing facility.

The total value of the services is €2,179,000 plus VAT. This is payable as follows: (1) down payment euro 530,000 plus VAT to be paid in five tranches according to the following deadlines: (i) first tranche of €176,229,50 plus VAT within 10 days of signing the agreement; (ii) second tranche of €132,172 plus VAT within 30 days after the deadline for payment of the first tranche; (iii) the third tranche of €132,172 plus VAT within 30 days after the deadline for payment of the second tranche; (iv) the fourth tranche of €44,057 plus VAT within 30 days after the deadline for payment of the third tranche; (v) the fifth tranche of €45,369,50 plus VAT within 30 days after the deadline for payment of the fourth tranche; (2) the remaining amount of €1,649,000 plus VAT will be paid in 24 equal monthly instalments of €68.700 plus VAT.

It is intended that NSI will pay the amounts owed under this agreement using the production revenue of wells. If during a specific month the percentage of production is lower than the estimated level monthly, NSI will pay to TESI a reduced amount. In any case without prejudice to the right of TESI to obtain the payment of the total amount of services. In order to secure the payments, NSI has procured a cash backed bank guarantee from Banca UBI in an amount of €134,000 in favour of TESI.

15.3 ***Rapagnano Gas Supply Agreement***

On 30 September 2017, APN entered into an agreement for gas supply (the "**Rapagnano Supply Agreement**") with Steca Energia S.r.l. ("**Steca Energia**").

According to the Rapagnano Supply Agreement, APN shall supply to Steca Energia 100 per cent. of its natural gas production deriving from the Rapagnano onshore cultivation concession and Steca Energia undertakes to purchase the totality of natural gas delivered by APN at the delivery point and pay in full the relevant price.

Steca Energia shall pay to APN a price equal to the quarterly average price of natural gas on the Netherlands Title Transfer Facility ("**TTF**") as assessed by S&P Global Platts, plus a spread of 1.50 c€/smc. The price is therefore based on the formula P = Pfor + S, where: "Pfor" means the

arithmetic average, expressed in c€/smc, of the applicable quarterly forward OTC prices on the TTF as assessed by Platts; "S" means a spread equal to 1.50 c€/smc (and c€ meaning Euro cents).

Additionally, APN shall pay Steca Energia, as compensation for the sudden interruptions of well production in the winter months, an annual amount of Euro 11,858.85, to be applied as a discount to the 12 invoices from October 2017 to September 2018.

The duration of the agreement commenced on 1 October 2017 and will end on 30 September 2018. The parties shall negotiate in good faith the terms and conditions of a possible renewal of the agreement prior to its expiry.

Neither party may withdraw from the agreement at will, however, APN undertakes to renegotiate the terms of the agreement in the event that, for any reason other than Steca Energia default, the latter's capacity to manage the gas volumes supplied by APN is adversely affected by termination of Steca Energia's supply agreements with its final customers.

The agreement is governed by Italian law.

15.4 ***Broker Agreement***

The Company and Turner Pope entered into an engagement letter with respect to the appointment by the Company of Turner Pope as Broker on 22 November 2016, as amended by a letter dated 9 February 2018 (the "**Broker Agreement**"). Pursuant to the Broker Agreement, Turner Pope agrees to act as Broker to the Company and to promote trading in the shares of the Company by carrying out the duties and responsibilities as set out in the Broker Agreement. In consideration of the services to be provided by Turner Pope, the Company (a) paid a fee in respect of the first year to 24 February 2018 of £50,000 (plus VAT) by the issue to the Broker (or its nominee) of 1,000,000 Ordinary Shares and (b) has agreed to pay a fee of £25,000 (plus VAT) by the issue to the Broker (or its nominee) of 684,931 Ordinary Shares at the Placing and Subscription Price in respect of the second year to 24 February 2019. Thereafter the Company has agreed to pay an annual retainer fee of £25,000 per annum (plus VAT), payable quarterly in advance. The Broker Agreement may be terminated by either the Company or the Broker on giving not less than 3 months' prior written notice; provided such notice may not be given during the 21 month period from the date of the Broker Agreement.

15.5 ***Share Exchange Agreement***

The Company and Po Valley Energy entered into a Share Exchange Agreement dated 25 January 2017, pursuant to which the Company acquired the entire issued share capital of NSI in consideration of the issue to Po Valley Energy of 50,000,000 Ordinary Shares at 17.5 pence per share. Po Valley Energy gave certain limited warranties with respect to its ownership and title to the NSI shares.

15.6 ***Master Services Agreement***

NSI and PVO entered into a Master Services Agreement dated 1 February 2017 (the "**MSA**") pursuant to which each company agreed to provide the other with services on an 'on-call' basis. Both PVO and NSI agreed to provide one another with personnel and administrative support for oil and gas exploration and development technical services. In addition, the companies continued to share an office in Rome and certain administrative services.

If either party wishes the other to provide services, it shall issue a Work Order. The MSA provides that for a minimum of 18 months from the date of execution of the MSA, PVO and NSI shall provide the respective technical and administrative services as set out in the Work Order attached to the MSA. All rates chargeable by each company to the other for the provision of the relevant services shall be set out and agreed in each Work Order. The rates which were fixed for the first 12 months may be changed by agreement of the parties. Monthly timesheets will be kept by both companies and signed off by the relevant executive chairman or CEO. Each party

provides the other with indemnities in respect of the services provided. The MSA may be terminated by agreement and shall be terminated on breach, subject to notice periods.

15.7 ***2017 Subscription Agreements***

The Company and certain investors entered into letter agreements dated on or around 11 February 2017 pursuant to which each investor irrevocably subscribed for a stated number of Ordinary Shares at a price of 5 pence per Ordinary Share. The Company gave warranties as of the date of IPO Admission in substantially the same terms as provided in the 2017 Placing Agreement. The investors undertook to provide payment for the Ordinary Shares by telegraphic transfer to the Company on the date of IPO Admission.

15.8 ***2017 Placing Agreement***

The Company entered into a placing agreement (for the purposes of this paragraph 15.8 of this Part 6, the "**2017 Placing Agreement**") with Grant Thornton, Turner Pope and the Directors (as at the date of the IPO admission document being David Garland, Michael Masterman, Kevin Bailey, Sara Edmonson and Christopher Johannsen) dated 20 February 2017. Under the 2017 Placing Agreement, Turner Pope conditionally agreed, as agent of the Company, to use its reasonable endeavours to procure subscribers for Ordinary Shares at a placing price of 5 pence per Ordinary Share.

The 2017 Placing Agreement contained indemnities from the Company and warranties from the Company and the Directors in favour of Turner Pope and Grant Thornton, together with provisions which enabled Turner Pope and Grant Thornton to terminate the 2017 Placing Agreement in certain circumstances before IPO Admission, including circumstances where any of the warranties were found not to be true or accurate in any material respect. The liability of the Directors for breach of warranty is limited.

A commission of 5 per cent. of the aggregate value of the Ordinary Shares placed by Turner Pope at 5 pence per Ordinary Share was payable to Turner Pope on IPO Admission.

15.9 ***Relationship, Lock-in and Orderly Market Deed***

Pursuant to an agreement dated 20 February 2017 between the Company, Po Valley Energy, Grant Thornton and Turner Pope, Po Valley Energy agreed with the Company, Turner Pope and Grant Thornton not to dispose of any interest it holds in Ordinary Shares for a period of 12 months from IPO Admission, except in certain limited circumstances. Po Valley Energy also agreed (subject to certain exceptions) that, during the 12-month period following the lock-in period, it will only dispose of its Ordinary Shares through Turner Pope (subject to certain limited exceptions) in order to maintain an orderly market, unless otherwise agreed in writing with Turner Pope.

In addition, Po Valley Energy, as a controlling Shareholder of the Company, agrees that for as long as it holds 20 per cent. or more of the Company's Ordinary Shares it will not seek to utilise its voting rights to vote in favour of any resolution, or take any action or prevent the Company from carrying on its business in a way which would be contrary to the principle of independence of the Company from Po Valley Energy (or its associated companies). Po Valley Energy gave further undertakings in relation to corporate governance and conflicts of interest. The Company undertook to provide certain information and copies of press releases to Po Valley Energy.

15.10 ***Sara Edmonson Lock-In Agreement***

Sara Edmonson has undertaken by letter dated 20 February 2017 to the Company, Turner Pope and Grant Thornton that she will not sell or dispose of any of her interests in Ordinary Shares except in certain limited circumstances (as permitted by the AIM Rules) at any time before the first anniversary of IPO Admission and, for 12 months immediately following such lock-in period, will effect a sale only through the Company's broker for the time being with a view to maintaining an orderly market in the Ordinary Shares.

15.11 ***Natural Gas Supply Contract***

NSI as the "Producer" and Shell Energy Italia S.r.l. as the "Purchaser" entered into a Natural Gas Supply Contract ("**Gas Supply Agreement**") on 9 September 2015. The agreement expired on 30 September 2017, but was renewed on 14 March 2017 until 1 October 2018. The Purchaser has an option to extend the Gas Supply Agreement for a further year on the same terms. The agreement is governed by Italian law.

The Gas Supply Agreement governs the supply by the Producer to the Purchaser of its entire share of production (and for that share of production for which it has a mandate to commercialize natural gas) from Cascina Castello, Bezzecca, Sillaro and Sant'Alberto. The Producer shall sell all the amounts of natural gas from the concessions, exclusively to the Purchaser. The contract provides for a daily amount to be delivered, (at an agreed price) which the Producer can elect to increase (subject to the payment of an amount equal to the penalties provided by the Network Code that Snam Rete Gas has applied).

Failure of the Producer to comply with its obligations with respect to the Quantities of Natural Gas, shall lead to the termination of the contract following prior notification on part of the Purchaser of a written request of fulfilment within 15 days in accordance to Article 14548 of the Italian Civil Code.

The contract is effective from the execution date and the supply of natural gas shall end at 6.00am of October 1, 2018; the purchaser shall have the right to extend the contract for one additional gas year (i.e. from 6.00am of October 1, 2018 to 6.00am of October 1, 2019) at the same price and on the same contractual terms and conditions. The Purchaser is obliged to communicate to the producer its decision to extend the contract no later than April 1, 2018.

15.12 ***September 2017 Placing***

The Company entered into a placing agreement with Turner Pope dated on 25 September 2017. Under the agreement, Turner Pope conditionally agreed, as agent of the Company, to use its reasonable endeavours to procure subscribers for Ordinary Shares at a placing price of 4 pence per Ordinary Share to raise £1,250,000.

The agreement contained warranties and indemnities from the Company in favour of Turner Pope, together with provisions which enabled Turner Pope to terminate the agreement in certain circumstances before admission of the Ordinary Shares issued in connection with the agreement to trading on AIM, including circumstances where any of the warranties were found not to be true or accurate in any material respect. The liability of the Company for breach of warranty is limited.

Turner Pope received a commission equal to 6.0 per cent. of the gross proceeds of the placing, payable as to 50 per cent. in cash and 50 per cent. in Ordinary Shares issued at the placing price of 4 pence, plus a corporate finance fee of £5,000 (plus VAT).

15.13 ***SEHIL Acquisition Agreement***

On 22 January 2018 the Company and Sound entered into the SEHIL Acquisition Agreement, pursuant to which the Company agreed to acquire the entire issued share capital of SEHIL from Sound Energy.

In addition to the terms summarised in paragraph 3 of Part 1 of this document, the SEHIL Acquisition Agreement contains the terms set out below.

The SEHIL Acquisition Agreement is conditional on certain conditions having been satisfied or waived on or prior to completion of the SEHIL Acquisition Agreement, including the following:

i. shareholder approval of the Resolutions;

ii. Sound Energy shareholder approval of the Sound Capital Reduction (which was obtained, subject to court approval, on 8 February 2018);

iii. court approval of the Sound Capital Reduction;

iv. receipt of required regulatory approvals; and

v. there not having occurred (in relation to the Company or Sound Energy) 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 Company 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 Energy 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 (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**").

The SEHIL Acquisition 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 (for the purposes of this paragraph 15.13 of this Part 6, the "**Second Court Date**") if any Director or the Board, excluding any 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 SEHIL Acquisition and/or Admission to be in the best interests of the Shareholders or their recommendation that Shareholders approve the SEHIL Acquisition and/or Admission, 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 Sound Capital Reduction and/or the SEHIL Acquisition to be in the best interests of the Sound Energy shareholders or their recommendation that the Sound Energy shareholders approve the Sound 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 contained in the SEHIL Acquisition Agreement prior to completion thereof which causes or constitutes or is reasonably likely to cause or constitute a SEHIL Material Adverse Change.

Sound Energy has given various warranties to the Company concerning (among other things) its capacity to enter into the SEHIL Acquisition Agreement and related documents, the share capital, business and assets of SEHIL and its subsidiary, APN, litigation and tax.

The Company has given certain warranties to Sound Energy, for the benefit of the Sound Energy shareholders, concerning (amongst other things) its capacity to enter into the SEHIL Acquisition Agreement and related documents, its share capital, litigation and tax.

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 (for the purposes of this paragraph 15.13 of this Part 6, the "**Badile Site Restoration Payments**").

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 Acquisition Agreement;

iii. changes following the date of the SEHIL Acquisition 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 Badile.

In addition to the above, Sound Energy has provided certain indemnities in the SEHIL Acquisition 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 Energy shareholders receiving SEHIL Consideration Shares in breach of applicable laws or regulations.

Also under the terms of the SEHIL Acquisition Agreement, Sound Energy is required to deliver to the Company, on completion of the SEHIL Acquisition Agreement, evidence in form and substance satisfactory to the Company that the indebtedness of SEHIL and Apennine as at the completion date is zero, or such other amount as may be agreed prior to the completion between the Company and Sound Energy. In addition, Sound Energy has agreed procure that all indebtedness between (i) SEHIL and APN; and (ii) the Sound Energy group or third parties is repaid and/or released (in a manner which ensures that no tax arises or becomes payable as a result of any such repayment or release by SEHIL or APN) such that, on completion of the SEHIL Acquisition Agreement, SEHIL and APN has no indebtedness (unless otherwise agreed in writing between Sound Energy and the Company). The SEHIL Acquisition Agreement includes a completion accounts mechanism to reconcile outstanding indebtedness and/or cash within SEHIL and/or APN identified following completion of the SEHIL Acquisition Agreement.

Sound Energy also undertakes to enter into a reasonably standard form tax covenant on completion of the SEHIL Acquisition Agreement (for the purposes of this paragraph 15.13 of this Part 6, the "**SEHIL Tax Covenant**").

Pursuant to the agreed form SEHIL Tax Covenant, Sound Energy indemnifies the Company for any tax risks arising to 31 December 2017 and non-ordinary course tax risks to completion of the SEHIL Acquisition Agreement (non-ordinary course tax risks including any tax arising as a result of transfer pricing arrangements, the release or write off of any loan or debt and/or relating to any debt between Sound Energy and SEHIL or APN).

Under the SEHIL Acquisition Agreement, no individual warranty claim can be brought by either party 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.

The liability of each of Sound Energy and the Company under the SEHIL Acquisition 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.

The SEHIL Acquisition Agreement is governed by the laws of England and Wales.

15.14 ***PVO Acquisition Agreement***

On 22 January 2018, the Company and Po Valley Energy entered into the PVO Acquisition Agreement, pursuant to which the Company conditionally agreed to purchase the entire issued capital of PVO from Po Valley Energy.

On 28 February 2018, the PVO Acquisition Agreement was terminated with immediate effect by a letter agreement entered into between the Company and Po Valley Energy (with each party releasing the other from any claims under the PVO Acquisition Agreement).

15.15 ***Lock-in and Orderly Market Agreements***

Pursuant to agreements dated 15 February 2018 between the Company, the Locked-In Shareholders, Grant Thornton and Turner Pope, each the Locked-In Shareholders agreed with the Company, Turner Pope and Grant Thornton (a) not to dispose of any interest it holds in Ordinary Shares for a period of 12 months from IPO Admission, except in certain limited circumstances and (b) (subject to certain exceptions) that, during the 12-month period following the lock-in period, it will only dispose of its Ordinary Shares through Turner Pope or such other broker as the Company may appoint from time to time in order to maintain an orderly market, unless otherwise agreed in writing with Turner Pope.

15.16 ***Subscription Agreements***

The Company and various Subscribers entered into letter agreements (being the Subscription Agreements) dated on or around 22 January 2018 as part of a private subscription of the Subscription Shares at a price of 4.38 pence per share, with every two Ordinary Shares subscribed having an attaching Warrant.

Pursuant to the Subscription Agreement, each Subscriber, excluding CIP (as set out in paragraph 15.17 below), irrevocably subscribed for a stated number of Subscription Shares at the Placing and Subscription Price.

The issue of the Subscription Shares is conditional on:

i. settlement of the consideration payable for the Subscription Shares in accordance with the Subscription Agreements;

ii. approval by the Shareholders of the Resolutions;

iii. restoration to trading on AIM of the Company's entire issued share capital; and

iv. Admission.

The Company has agreed to pay a cash commission of 10 per cent. of the aggregate value of the Subscription Shares at the Placing and Subscription Price in respect of each Subscriber's participation. The Company will, in certain cases, and subject to Shareholders approving the Resolutions, satisfy its obligation to pay such cash commission by the issue of the Commission Shares. No Warrants will be issued in respect of Commission Shares.

The Subscribers undertake to provide payment for their Subscription Shares to the Company by no later than noon on the third trading day on AIM prior to Admission of the Subscription Shares, such notice to be provided by the Company.

15.17 ***CIP Subscription Letter***

CIP, acting through a subsidiary (Merchant Capital GP Limited (in its capacity as general partner of Merchant Capital L.P.)), entered into the CIP Subscription Letter dated 22 January 2018 pursuant to which it irrevocably subscribed, at the Placing and Subscription Price, for 12,811,364 firm Ordinary Shares, which (subject to shareholder approval of the Resolutions) will have 6,405,682 attaching Warrants. CIP was also issued with 1,281,136 Commission Shares in respect of its firm placing shares. CIP has also agreed to subscribe, at the Placing and Subscription Price, for 124,174,936 Subscription Shares, which (subject to shareholder approval of the Resolutions) will have an additional 62,087,468 attaching Warrants to give a total of 68,493,150 Warrants (the "**CIP Warrants**"). CIP will, subject to shareholder approval, be issued with 12,417,493 Commission Shares in respect of its Subscription Shares.

The firm Ordinary Shares were issued on 26 January 2018.

The issue of the Subscription Shares to CIP is conditional (*inter alia*) on:

i. restoration to trading occurring by no later than 30 April 2018 (or such later date as agreed between the parties);

ii. the Company having complied with all of its obligations under the CIP Subscription Letter which fall to be performed or satisfied on or prior to the issue of the relevant Subscription Shares, Warrants and Commission Shares to CIP;

iii. the warranties in the CIP Subscription Letter being true, accurate and not misleading;

iv. publication of this document by no later than 31 March 2018 (or such later date as agreed between the parties);

v. approval of the Resolutions by the Shareholders;

vi. allotment and issue of the relevant Subscription Shares, Commission Shares and Warrants to CIP by no later than 30 April 2018 (or such later date as agreed between the parties); and

vii. Admission by no later than 30 April 2018 (or such later date as agreed between the parties).

The CIP Subscription Letter contains warranties from the Company in favour of CIP. The same terms regarding commission apply as for the other Subscribers. CIP has elected to receive its commission in the form of Commission Shares.

CIP undertakes to provide payment for its Subscription Shares, either by delivery versus payment through CREST if requested by CIP or by noon on the third trading day on AIM prior to Admission of the Subscription Shares (such notice to be provided by the Company at least five trading days on AIM prior to such proposed Admission).

15.18 ***Warrant Instrument***

Subject to shareholder approval of the relevant Resolutions, the Company will enter into a warrant instrument constituting 164,817,400 Warrants entitling the holders of such Warrants to subscribe for Ordinary Shares at the Warrant Exercise Price. The Warrants are exercisable for a period of 1 year from Admission, are freely transferable and contain certain provisions for adjustment to prevent dilution. No application will be made for the Warrants to be admitted to trading on AIM or any other stock exchange. The Warrants are to be held in certificated form unless the Board resolves otherwise. The Warrant Instrument is governed by English law.

15.19 ***Broker Engagement Letter***

The Company and Turner Pope entered into an engagement letter, dated 2 January 2018, with respect to the appointment by the Company of Turner Pope as Broker for the purposes of the Placing. This letter of engagement supplements the Broker Agreement summarised in paragraph 15.4 of this Part 6. Pursuant to the engagement letter, Turner Pope agrees to act as Broker to the Company for the purposes of the Placing, and in consideration of the services to be provided by Turner Pope, the Company shall pay sales commission of 10 per cent. of the gross aggregate value of funds sourced by Turner Pope under the Placing and a handling commission of 0.5 per cent of the gross aggregate value of funds not sourced by Turner Pope but where Turner Pope handles settlement of the placements under the Placing. The engagement of Turner Pope as placing agent for the purposes of the Placing terminates on Admission (or, if earlier, 31 March 2018).

The Company undertakes, subject to completion of the Placing and Admission, that it will not give notice to terminate Turner Pope's appointment under the Broker Agreement before the date being 9 months after Admission.

The appointment is governed by English law.

15.20 ***2018 Placing Agreement***

The Company entered into the Placing Agreement with Grant Thornton, Turner Pope and the Directors dated 6 March 2018 which terminated and replaced the placing agreement entered into between the same parties on 15 February 2018. Under the Placing Agreement, Turner Pope conditionally agreed, as agent of the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing and Subscription Price.

The Placing Agreement contains indemnities from the Company and warranties from the Company and the Directors in favour of Turner Pope and Grant Thornton, together with provisions which enable Turner Pope and Grant Thornton to terminate the Placing Agreement in certain circumstances before Admission, including circumstances where any of the warranties are found not to be true or accurate in any material respect. The liability of the Directors for breach of warranty is limited.

A commission of 10 per cent. of the aggregate value of the Placing Shares placed by Turner Pope at the Placing and Subscription Price is payable to Turner Pope on Admission, to be settled by the issue of 1,187,214 Commission Shares to Turner Pope at the Placing and Subscription Price.

15.21 ***Introducer Agreements***

The Company has entered into certain separate introducer agreements (the "**Introducer Agreements**") with (1) Baron Lux LLP, (2) Cassiopeia Services Ltd. and (3) Holly Financial Trading Limited (individually, an "**Introducer**" and together, the "**Introducers**"). Pursuant to each Introducer Agreement, the Company has appointed the Introducer to identify and introduce to the Company certain investors who can lawfully be introduced (the "**Introduction**").

Consideration is payable to each of the Introducers under the respective Introducer Agreements in respect of Introductions each Introducer makes which leads to an investment in the equity of the Company ("**Investment**") by way of a fee equal to:

i. 10 per cent. of the gross proceeds the Company actually receives from the Investment following an Introduction; or

ii. 9.5 per cent. of the gross proceeds it receives from an Investment following an Introduction but whose investment is processed by Saffron's broker from time to time (for the avoidance of doubt, if the Company's broker processing fee exceeds 0.5 per cent., the fee paid to the Introducer shall be reduced so that the aggregate of the processing fee and the Introducer fee does not exceed 10 per cent.).

Under the Introducer Agreements, the Introducer provides various warranties to the Company including that it has complied with all laws and regulations.

The fees payable to the Introducers at Admission will be £274,955.81 to Baron Lux LLP, £18,044.16 to Cassiopeia Services Ltd and £30,000.00 to Holly Financial Trading Limited.

15.22 ***Nomad Agreement***

The Company and Grant Thornton entered into a nominated adviser agreement dated 15 February 2018 pursuant to which Grant Thornton has agreed to act as the nominated adviser for the Company and the appointment shall continue until terminated. This agreement terminates and replaced the previous agreement put in place between Grant Thornton and the Company for IPO Admission.

15.23 ***Director Option Terms***

Subject to shareholder approval of the relevant Resolutions, the Company will enter into a deed of option grant with each of the Directors in respect of the Director Options ("**Option Deeds**"). The purpose of such Director Options is to, *inter alia*, incentivise each Director to continue in such capacity with the Company. Each Director will be granted the number of Director Options as specified in paragraph 9 of this Part 6 at a price of 4.38 pence per Ordinary Share, payable in full upon exercise. The Options are exercisable for a period from the third anniversary from the grant of the Options, until the fifth anniversary of the date of such grant. Each of the Option Deeds is governed by English law.

15.24 ***Investor Relations and Public Relations Consultancy Agreement***

On 4 January 2018, the Company entered into an Investor Relations and Public Relations Consultancy Agreement with Cassiopeia Services Ltd pursuant to which Cassiopeia Services Ltd agreed to provide investor relations services for a fixed term of 9 months. The Company has agreed to pay a cash fee of £45,000 for the term of the agreement, payable in monthly instalments of £5,000, and to grant Warrants to Cassiopeia Services Ltd on terms to be agreed. The agreement is governed by English law.

15.25 ***Wood House Wealth Letter of Engagement***

On 4 January 2018, the Company entered into an agreement with Sarah Dees of Wood House Wealth as a consultant, pursuant to which the consultant agreed to provide certain investor relations services. The consultancy period shall begin on 4 January 2018 for no fixed or minimum

term; either party may terminate the appointment by giving no less than one month's prior written notice. The Company has agreed to pay remuneration at a day rate of £550/day, it being understood that the consultant shall claim for a maximum of 1 day per working week. For the first 12 months of the appointment (without guaranteeing a minimum term) the consultant will be entitled to invoice for a minimum of £2,200 per calendar month, to be submitted with supporting timesheets authorised by the management of the Company.

15.26 ***PVE Lock-in and Orderly Market Agreement***

On 1 March 2018, Po Valley Energy, which holds 100,000,000 Ordinary Shares as at the date of this document, entered into the PVE Lock-in and Orderly Market Agreement, pursuant to which Po Valley Energy has undertaken, save in limited circumstances, that in the event it holds 10 per cent. or more of the Enlarged Share Capital on Admission, it will not dispose of any of its interests in Ordinary Shares (including Ordinary Shares that it may acquire) at any time prior to the first anniversary of Admission, save where it distributes its shares in specie to its underlying shareholders.

In addition, in order to ensure an orderly market in the Ordinary Shares, Po Valley Energy has further undertaken that for a further period of 12 months after expiry of the PVE Lock-in Period (or, in the event that Po Valley Energy does not hold 10 per cent. or more of the Enlarged Share Capital on Admission, for a period of 12 months from Admission) Po Valley Energy will not (subject to certain limited exceptions) deal or otherwise dispose of any such interests other than through Turner Pope (or such other broker appointed by the Company from time to time).

The agreement is governed by English law.

15.27 ***PVE Shareholder Lock-in and Orderly Market Agreement***

On 6 March 2018, each of Michael Masterman, Kevin Bailey and Byron Pirola entered into the PVE Shareholder Lock-in and Orderly Market Agreement with the Company, Grant Thornton and Turner Pope, pursuant to which, each has undertaken, save in limited circumstances, that it will not dispose of any of its interests in Ordinary Shares (including Ordinary Shares that it may acquire) at any time for a period of four months following Admission (being the PVE Shareholder Lock-in Period). In addition, in order to ensure an orderly market in the Ordinary Shares, each of Michael Masterman, Kevin Bailey and Byron Pirola has undertaken that, for a period of two months following the end of the PVE Shareholder Lock-in Period, except in certain limited circumstances, they will only dispose of any Ordinary Shares held by them (either as a result of the Po Valley Energy Capital Reduction or otherwise) through Turner Pope or such other broker appointed by the Company from time to time.

15.28 ***CIP Orderly Market Agreement***

On 6 March 2018, CIP entered into an orderly market agreement with each of the Company, Grant Thornton and Turner Pope pursuant to which CIP undertakes (in respect of itself and its associates persons) that, in order to ensure an orderly market in the Ordinary Shares, for a period of 12 months following Admission it will not, and will use reasonable endeavours to ensure that none of its associates will not (subject to certain limited exceptions) deal or otherwise dispose of any interest in Ordinary Shares other than through Turner Pope (or such other broker appointed by the Company from time to time).

16. AGREEMENTS WITH RELATED PARTIES

(a) Since the date of incorporation, being the first date covered by the historical financial information contained in this document, the Company has entered into the following related party transactions:

i. on 25 January 2017, pursuant to the Share Exchange Agreement, the Company acquired the entire issued share capital of NSI from Po Valley Energy. Details of this acquisition are set out in paragraph 15.5 of this Part 6;

ii. on 20 February 2017, the Company and Po Valley Energy, *inter alia*, entered into a Relationship, Lock-in and Orderly Market Deed, pursuant to which Po Valley Energy, as a controlling shareholder of the Company, gave certain undertakings to the Company. Details of this agreement are set out in paragraph 15.9 of this Part 6;

iii. on 20 February 2017, Sara Edmonson provided undertakings pursuant to a Lock-In Agreement as set out in paragraph 15.10 of this Part 6;

iv. on 22 January 2018, the Company entered into the PVO Acquisition Agreement (referred to in paragraph 15.14 of this Part 6;

v. on 15 February 2018, the Company entered into the Lock-in and Orderly Market Agreements referred to in paragraph 15.15 of this Part 6; and

vi. on 1 March 2018, the Company entered into the PVE Lock-in and Orderly Market Agreement referred to in paragraph 15.26 of this Part 6.

(b) The directors of the Company and the periods they served from are outlined below:

Name of Director	*Date Appointed*	*Date Resigned*
Michael George Masterman	10 November 2016	12 December 2017
Kevin Christopher Bailey	17 January 2017	12 December 2017
Sara Melinda Edmonson	10 November 2016	N/A
David Robertson Garland	17 January 2017	N/A
Christopher Johannsen	17 January 2017	31 December 2017
James Parsons	12 December 2017	N/A
Marco Fumagalli	12 December 2017	N/A
Fiona MacAulay	12 December 2017	N/A
Philippa Anne Keith	10 November 2016	10 November 2016
Lea Yeat Limited	10 November 2016	10 November 2016

i. It has been agreed that David Garland will resign from his position as a Director with effect from Admission.

ii. Save as set out below, no director received any remuneration during the last financial year of the Company:

	Salary (£)	*Benefits in kind (£)*	*Bonus payments (£)*
Sara Edmonson	128,268.21	–	–
David Garland	11,483.87	3,770.00	15,575.00
James Parsons	2,000.00	–	–
Fiona MacAulay	1,160.00	–	–
Marco Fumagalli	1,160.00	–	–
Michael Masterman	41,588.51	–	–
Kevin Bailey	11,483.87	–	–
Christopher Johanssen	11,483.87	–	1,300.00
Total	208,628.33	3,770.00	16,875.00

Notes:

1. David Garland	*Benefits (£)*	*Bonus (£)*
Oct	650	5,000
Nov	2,900	5,000
Dec	220	5,000
Jan		575
Total	3,770	15,575

2. Sara Edmonson received EUR143,468 in 2017 (note Sara Edmonson was on maternity leave at the start of 2017).
3. All Directors fees were paid and denominated in GBP, except for Michael Masterman and Sara Edmonson.
4. Michael Masterman's remuneration was denominated in Euros, but paid in GBP over the course of the year at an average exchange rate of GBP1:EUR1.13.
5. Sara Edmonson's remuneration is denominated and paid in Euros, and has been translated into GBP at a rate of GBP1:EUR1.1185 (source: The Bank of England).

17. LITIGATION

(a) Save as set out below, no member of the Group is, or has been, involved in any governmental, legal or arbitration proceedings which may have or have had in the 12 months preceding the date of this document a significant effect on the Company's financial position or profitability or the financial position or profitability of the Group as a whole and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company or any member of the Group.

(b) Certain employment related claims have been made against SEHIL and/or APN by former employees. Sound Energy has given an indemnity in favour of the Company pursuant to the terms of the SEHIL Acquisition Agreement in respect of these claims. In addition, there is a dispute regarding unpaid rent and unlawful occupation of land relating to Badile (which is owned by APN). As noted in paragraph 15.13 of this Part 6, Sound Energy has agreed 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 (*inter alia*) the dispute regarding unpaid rent and unlawful occupation of land relating to Badile. Please refer to paragraph 15.13 of this Part 6 for more information in this regard. In addition, the Company disputes amounts that a former professional advisor is claiming are due for payment. The Company does not consider this potential dispute to be material.

18. TAXATION

The comments in this section are intended as a general guide for UK resident Shareholders as to their tax position under UK law and HMRC practice as at the date of this document. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The comments apply to Shareholders who are resident and domiciled for tax purposes in the UK, who will hold Ordinary Shares as an investment and will be the absolute beneficial owners of them.

Non-UK resident and non-UK domiciled Shareholders should consult their own tax advisers. The position of Shareholders who are officers or employees of the Company is not considered in this Section. Such Shareholders may be subject to an alternative tax regime and should therefore seek tax advice specific to their individual circumstances. The position of UK resident, but non- domiciled, individuals is not considered in this section.

The tax position of certain Shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered in this section. **Any shareholder who is in doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional tax adviser without delay.**

i. *Taxation of chargeable gains*

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a pursuant to a placing or subscription is regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a Shareholder acquires Ordinary Shares allotted to him or her, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional. The amount paid for the Ordinary

Shares will constitute the base cost of a Shareholder's holding. A disposal of all or any of the Ordinary Shares may, depending on the circumstances of the relevant shareholder, give rise to a liability to UK taxation on chargeable gains.

Individuals

Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£11,300 for 2017/18) and after taking account of any capital losses available to the individual.

For individuals, capital gains tax will be charged at 10 per cent. where the individual's taxable income and gains are less than the upper limit of the income tax basic rate band (£33,500 for 2017/18). To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 20 per cent.

Where a Shareholder disposes of the Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains. In certain circumstances the loss may be available to offset against taxable income in the current year (depending upon, *inter alia*, the circumstances of the Company and the Shareholder).

Companies

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company (up to 19 per cent. for the financial year 1 April 2017 to 31 March 2018). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss. In the Autumn 2017 budget it was announced that the Indexation Allowance will no longer arise to UK corporate shareholders. Subject to the 2018 Finance Act receiving Royal assent, indexation will no longer accrue from 1 January 2018.

ii. ***Taxation of dividends***

Under current UK legislation, no UK tax is required to be withheld from dividend payments by the Company.

Individuals

An individual Shareholder receiving a dividend from the Company whose total income from dividends in the relevant financial year does not exceed £5,000 (the "**Tax Free Dividend Allowance**") will not pay any income tax on such dividend. This allowance reduces to £2,000 per year, effective 6 April 2018.

Based on current law at the date of this Supplementary Admission Document, an individual Shareholder receiving a dividend from the Company whose total income from dividends in the relevant tax year does exceed £5,000 will be taxed as follows:

(a) the individual Shareholders will not pay income tax on the first £5,000 of dividend income in any tax year;

(b) to the extent that the individual's Total Income (as defined below) exceeds the personal allowance but does not exceed the basic rate tax band for that tax year, the individual will be liable to income tax on the Excess Dividend (as defined below) at the rate of 7.5 per cent.;

(c) to the extent that the individual's Total Income (as defined below) exceeds the basic rate band but does not exceed the higher rate tax band for that tax year, the individual will be liable to income tax on the Excess Dividend (as defined below) at the rate of 32.5 per cent.;

(d) to the extent that the individual's Total Income (as defined below) falls within the additional rate band for that tax year, the individual will be liable to income tax on the Excess Dividend (as defined below) at the rate of 38.1 per cent.;

(e) "Total Income" means the total of the individual's dividend income and other taxable income for a tax year; and

(f) "Excess Dividend" means the total of that individual's dividend income in that tax year less £5,000.

For the year 2017/18 in England and Wales, the basic rate band is the first £33,500 of income in excess of any personal allowance, the higher rate band is income between £33,500 and £150,000 in excess of any available personal allowance and the additional rate band applies to income in excess of £150,000 (these bands differ slightly in Scotland).

Where an individual's taxable income exceeds £100,000, their personal allowance is abated by £1 for every £2 of income such that individuals with income in excess of £123,000 will have no personal allowance.

Trustees of interest in possession trusts and representatives of deceased persons receiving dividends from shares are also liable to account for income tax at a rate of 7.5 per cent., unless the dividends are mandated directly to beneficiaries, in which case only the beneficiaries need to account for the income. In either case, the beneficiaries will be taxable at the rates detailed above. Trustees and personal representatives do not qualify for the £5,000 dividend allowance available to individuals.

Companies

Shareholders within the charge to UK corporation tax which are "small companies" (for the purposes of UK taxation of dividends) will not generally expect to be subject to UK tax on dividends from the Company. Other Shareholders within the charge to UK corporation tax will not be subject to UK tax on dividends (including dividends from the Company) so long as the dividends fall within an exempt class and certain conditions are met. In general, dividends paid on shares that are "ordinary share capital" for UK tax purposes and are not redeemable, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital) are examples of dividends that fall within an exempt class.

iii. ***Stamp duty and stamp duty reserve tax ("SDRT")***

An exemption from stamp duty and SDRT came into effect on 28 April 2014 in respect of securities admitted to trading on certain recognised growth markets (presently including AIM) and which are not listed on a Recognised Stock Exchange. The Company anticipates that this exemption will apply to dealings in the Ordinary Shares such that from Admission, no liability to stamp duty or SDRT should arise in respect of any transfer on sale of the Ordinary Shares.

Absent an exemption from stamp duty and SDRT, transfers of existing UK shares (being shares of a company that is incorporated in the UK or which maintains its share register here) will normally be subject to stamp duty or SDRT as described below.

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5, if necessary) of the amount or value of the consideration given by the purchaser is generally payable on an instrument transferring UK shares. However, an exemption from stamp duty is available on an instrument transferring UK shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction, or series of transactions, in respect of which the aggregate amount or value of the consideration exceeds £1,000.

An unconditional agreement to transfer UK shares will normally give rise to a charge to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration payable by the purchasers

for such shares, but such liability will be cancelled, or any SDRT paid refunded, if the agreement is completed by a duly stamped (or exempt) instrument of transfer within six years of the date of the agreement or, if the agreement was conditional, the date on which the agreement became unconditional. Both stamp duty and SDRT will normally be the liability of the purchaser or transferee of the UK shares.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of shares into the system, unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of consideration given. Transfers of shares within CREST are generally liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected and accounted for to HMRC by CREST.

The above statements are intended to be a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it. Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements.

iv. ***Inheritance tax***

Individual and trustee investors domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax ("**IHT**") on the value of any Ordinary Shares held by them. IHT may also apply to individual shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position.

Under current law, the chief occasions on which IHT is charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder, and on certain lifetime transfers, including transfers to trusts or appointments out of trusts to beneficiaries, save in very limited and exceptional circumstances.

However, a relief from IHT known as business property relief ("**BPR**") may apply to Ordinary Shares in trading companies once these have been held for two years. This relief applies notwithstanding that the Company's shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). BPR operates by reducing the value of shares by 100 per cent. for IHT purposes.

19. NO SIGNIFICANT CHANGE

Pursuant to the requirements of the AIM Rules there has been no significant change in the trading or financial position of the Group since 30 June 2017, being the date of the last published financial information.

20. EXPERTS' MATERIAL INTERESTS

CGG Services (UK) Limited has no material interests in the Company.

21. CONSENTS AND OTHER INFORMATION

i. Each of CGG Services (UK) Limited and PKF Littlejohn LLP has given and not withdrawn its consent to the inclusion in this document of its reports set out in Parts 4 and 5, respectively, of this document in the form and context in which they are included.

ii. Each of PKF Littlejohn LLP and CGG Services (UK) Limited has given and not withdrawn its consent to the issue of this document with inclusion herein of references to its opinion and name in the form and context in which they are included.

iii. Grant Thornton has given and not withdrawn its consent to the issue of this document with inclusion herein of references to its name in the form and context in which it is included.

iv. Turner Pope has given and not withdrawn its consent to the issue of this document with inclusion herein of references to its name in the form and context in which it is included.

v. Grant Thornton is registered in England and Wales as a limited liability partnership under the Limited Liability Partnerships Act 2000 of Great Britain with registered number OC307742 and is regulated by the FCA. Its registered office is at 30 Finsbury Square, London, England, EC2P 2YU.

vi. Turner Pope is registered in England and Wales as a private limited company under the 2006 Act with number OC340133 and is regulated by the FCA. Its registered office is at 550 Ley Street, Ilford, Essex, England, IG2 7DB.

22. WORKING CAPITAL

In the opinion of the Directors, having made due and careful enquiry and taking into account the net proceeds of the Placing and Subscription, the working capital available to the Group is sufficient for its present requirements, that is for at least 12 months from the date of Admission.

23. OTHER GENERAL INFORMATION

23.1 There are no specific dates on which entitlement to dividends or interest thereon on Ordinary Shares arises and there are no arrangements in force for the waiver of future dividends.

23.2 The gross proceeds of the Placing and Subscription are expected to be £13.44 million. The total costs and expenses (including the Commission, professional fees, printing and advertising costs and the amounts payable pursuant to the Placing Agreement) payable by the Company in relation to the Placing and the Subscription and the application for Admission are estimated to amount to approximately £1.28 million (inclusive of irrecoverable VAT) and are payable by the Company. The estimated total net amount of the proceeds of the Placing and Subscription are approximately £12.16 million.

23.3 The registrar of the Company is Share Registrars Limited and will, in relation to the Ordinary Shares in certificated form, be responsible for keeping the Company's share records.

23.4 The accounts of the Company for the period covered by the historical financial information of Northsun Italia S.p.A contained in this document have been audited by EY S.p.A. of Via Po, 32, 00198, Rome, Italy. EY S.p.A. is a member firm of the Institute of Chartered Accountants in Italy.

23.5 Except as disclosed in this document, and as far as the Directors are aware, there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets.

23.6 Each of the following persons being consultants and contractors to the Group has received those fees detailed below from the Company within the 12 months prior to the date of this document.

Name	*Fees paid by the Company*
Southsea Consulting Limited	£44,496.19

23.7 The Company has paid commission to participants in the Placing and Subscription, and certain introducers pursuant to the Introducer Agreements referred to in paragraph 15.21 totalling £1,343,886.11 (the "**Commission**"). The Company will, subject to Shareholder approval of the Resolutions, satisfy its obligation to pay the Commission in part by the issue of the Commission Shares. Of the Commission, and subject to Shareholder approval of the Resolutions, an amount equal to: (i) £199,530.51 of Commission due to Lombard Odier Asset Management (USA) – 1798 Volatis Fund Limited will be settled by the issue of 4,555,491 Commission Shares; (ii) £125,704.20 of Commission due to Lombard Odier Asset Management (USA) – LMAP EPSILON Limited will be settled by the issue of 2,869,959 Commission Shares; and

(iii) £99,765.23 of Commission due to Lombard Odier Asset Management (USA) – 1798 UK Small Cap Best Ideas Fund Ltd will be settled by the issue of 2,277,745 Commission Shares.

23.8 Save as disclosed in this document, no person (excluding professional advisers referred to in this document or trade suppliers) has received directly or indirectly from the Group within the 12 months preceding the date of this document and no persons have entered into contractual arrangements to receive directly or indirectly from the Group on or after Admission:

i. fees totalling £10,000 or more;

ii. securities in the Company with a value of £10,000 or more; or

iii. any other benefit with a value of £10,000 or more at the date of Admission.

23.9 Payments in aggregate of £1,666 (€1,875) have been made by or on behalf of the Company to the Ministry and other governmental, regulatory authorities or similar bodies with respect to the acquisition of, or maintenance of, its assets in 2017.

23.10 The Directors will comply with Rule 21 of the AIM Rules and Article 19 of the Market Abuse Regulation relating to Directors' and applicable employees' dealings in Ordinary Shares and to this end, the Company has adopted an appropriate share dealing code.

23.11 Save as disclosed in this document, the Company does not hold a proportion of the capital of any undertaking likely to have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.

23.12 Save as disclosed in this document, the Company has no principal investments for the period covered by the historic financial information contained in this document and has no principal investments in progress and no principal future investments in relation to which it has made a firm financial commitment.

23.13 Save as disclosed in this document, the Directors are not aware of any exceptional factors that have influenced the Company's activities.

23.14 Save as disclosed in this document, there are no patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.

23.15 Save as disclosed in this document, the Directors are unaware of:

i. any significant trends in production, sales and inventory and costs and selling prices from 31 December 2016 (being the date to which the financial information set out in Part 5 of this document was prepared) to the date of this document;

ii. any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year; or

iii. any exceptional factors which have influenced the Company's activities.

23.16 The Company has made statements regarding its competitive position on the basis of its knowledge of the oil and gas industry in the regions in which it operates.

23.17 Where information and statements have been sourced from a third party, this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

23.18 Save as otherwise disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business or profitability.

23.19 Save as otherwise disclosed in this document, there have been no significant authorised or contracted capital commitments of the Group at the date of publication of this document.

23.20 No environmental issues have arisen in the past 12 months which would have had a significant effect on the Company's financial position or profitability. Save as disclosed in this document, the Company is not aware of any material environmental issues or risks affecting the utilisation of the Group's tangible fixed assets or its operations.

23.21 No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

23.22 The financial information concerning the Group contained in this document does not constitute statutory accounts within the meaning of section 240 of the 2006 Act. No statutory accounts have been prepared for the Group since incorporation of the Company.

23.23 The Ordinary Shares are issued and allotted in registered form under the laws of England and Wales and their currency is Pounds Sterling. No admission to listing or trading of the Ordinary Shares is being sought on any stock exchange other than AIM.

23.24 It is expected that CREST accounts will be credited as applicable on the date of Admission. Share certificates in respect of Placing Shares and Subscription Shares (where applicable) will be dispatched by first class post within 14 days of the date of Admission.

23.25 Certain figures included in this document have been subject to rounding adjustments.

23.26 Unless otherwise stated, where amounts referred to in this document have been translated from £ to €, an exchange rate of 1.1185 has been used, as at 2 March 2018 (being the latest date practicable prior to the publication of this document) and as sourced from The Bank of England on 5 March 2018.

24. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Grant Thornton at 30 Finsbury Square, London, EC2P 2YU from the date of this document during normal business of any weekday, Saturdays and public holidays excepted, for one month from the date of this document:

a. the memorandum and the articles of association of the Company;

b. the reports of PFK Littlejohn LLP and CGG Services (UK) Limited set out in Parts 4 and 5 of this document;

c. the directors' letters of engagement and service contracts referred to in paragraph 10 of this Part 6; and

d. the written consents referred to in paragraph 21 of this Part 6.

25. COPIES OF THIS DOCUMENT

Copies of this document will be available, free of charge, at the offices of the offices of Grant Thornton at 30 Finsbury Square, London, EC2P 2YU from the date of this document during normal business of any weekday, Saturdays and public holidays excepted, for one month from the date of this document.

Dated: 7 March 2018