

THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if you are resident outside the United Kingdom, from another appropriately qualified financial adviser.

If you have sold or transferred all of your Ordinary Shares please forward this document together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

Subject, *inter alia*, to the Resolution being passed, application will be made by Saffron Energy plc (proposed to be renamed Coro Energy plc and thus referred to herein as “Coro”) to the London Stock Exchange for the Coro Consideration Shares to be admitted to trading on the AIM market of the London Stock Exchange. The Coro Consideration Shares will rank *pari passu* in all respects with the Existing Coro Ordinary Shares.



(Incorporated and registered in England and Wales with registered number 05344804)

Proposed Reduction of Capital to facilitate Divestment of Sound Italy Notice of General Meeting

Your attention is drawn to the letter from the Chairman of the Company set out in this document in which the Directors unanimously recommend that you VOTE IN FAVOUR of the Resolution to be proposed at the General Meeting.

A notice convening a General Meeting of the Company to be held at The Auditorium and Garden Room at The Belgravia Function Rooms, 14/15 Belgrave Square, London SW1X 8PS at 11.00 a.m. on 8 February 2018 is set out at the end of this document. A Form of Proxy for use at the General Meeting is enclosed.

Whether or not you intend to attend the General Meeting in person, please complete, sign and return the accompanying Form of Proxy in accordance with the instructions printed on it as soon as possible but, in any event, so as to be received by Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF no later than 11.00 a.m. on 6 February 2018, being 48 hours before the time appointed for the holding of the General Meeting (excluding any part of a day which is not a Business Day). Completion and posting of the Form of Proxy will not prevent you from attending and voting in person at the General Meeting if you wish to do so.

This document contains forward-looking statements which are subject to assumptions, risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by those forward-looking statements. Each forward-looking statement is correct only as of the date of the particular statement. The Company does not undertake any obligation publicly to update or revise any forward-looking statement as a result of new information, future events or other information, although such forward-looking statements will be publicly updated if required by the AIM Rules or by law.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has not been any change in the affairs of the Company or of Coro since the date of this document or that the information is correct as of any subsequent time.

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If you have any questions relating to this document, the General Meeting or the completion or return of the Form of Proxy, please telephone Link Asset Services ('Link') between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday (except UK public holidays) on 0871 664 0300 or, if calling from outside the United Kingdom, +44 371 664 0300. Calls to the Link 0871 664 03100 number are charged at 12p per minute (including VAT) plus any of your service provider's additional network charges. Calls to the Link +44 371 664 0300 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Link cannot provide advice on the merits of the Divestment or the proposed Reduction of Capital nor give any financial, legal or tax advice.

DIVESTMENT AND REDUCTION OF CAPITAL STATISTICS

Number of Ordinary Shares in Sound ¹	1,015,952,107
Amount credited to the Share Premium Account ¹	£277,669,959
Number of Coro Consideration Shares ²	approx. 185,907,500
Repayment of Capital Amount (equal to the value of Coro Consideration Shares)	£8,142,749
Amount credited to the distributable reserves following the Repayment of Capital	approx. £269,527,210
Coro Consideration Shares as a percentage of Existing Coro Shares ³	100 per cent.
Coro Consideration Shares as a percentage of enlarged Coro share capital on Completion ⁴	approx. 20.3 per cent.

Notes:

- (1) As at the close of business on 19 January 2018, being the last practicable Business Day prior to the publication of this document.
- (2) Final number of the Coro Consideration Shares is subject to rounding up or down to eliminate fractions.
- (3) Number of Saffron Energy plc ordinary shares in issue at the close of business on 22 January 2018 was 185,907,500.
- (4) Assumes the completion of the Coro Placings of up to 344,115,296 new Coro Shares (including fees in issued Coro Shares) and of the PVE Transaction, which will result in the issuance of 200,000,000 new Coro Shares to PVE.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS¹

Posting of this document and the Form of Proxy	23 January 2018
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 6 February 2018 ²
General Meeting	11.00 a.m. on 8 February 2018 ²
Directions Hearing	2 March 2018
Advertisement of proposed Reduction of Capital	5 March 2018
Final Court Hearing	13 March 2018
Final advertisement of Reduction of Capital	14 March 2018
Repayment Record Date	6.00 p.m. on 26 March 2018 ³
Expected Completion of Divestment (<i>incl. re-admission of Coro to AIM and issuance of Coro Consideration Shares</i>)	8.00 a.m. on 4 April 2018 ⁴

Notes:

- (1) Each of the dates in the above timetable is subject to change. Changes to the above timetable will be notified through a Regulatory Information Service and/or to Shareholders, as appropriate.
- (2) References to times in the document are to London, UK time (unless otherwise stated).
- (3) This is subject to the approval of the Court and if the Repayment Record Date is to change then the Company will set such other record date to be notified through a Regulatory Information Service and/or to Shareholders, as appropriate.
- (4) If the Completion of the Divestment is to change then the Company will agree a new Completion Date with Coro in accordance with the terms of the Share Purchase Implementation Agreement and notify the same through a Regulatory Information Service and/or to Shareholders, as appropriate.

LETTER FROM THE CHAIRMAN OF THE COMPANY

SOUND ENERGY PLC

(Incorporated and registered in England and Wales with registered number 05344804)

Directors:

Richard Liddell (*Non-Executive Chairman*)
James Parsons (*Chief Executive Officer*)
Brian Mitchener (*Executive Director*)
Marco Fumagalli (*Non-Executive Director*)

Registered office:

1st Floor
4 Pembroke Road
Sevenoaks
TN13 1XR

23 January 2018

Dear Shareholder

Proposed Reduction of Capital to facilitate Divestment of Sound Italy

Notice of General Meeting

1. Introduction

Sound Energy PLC (the “**Company**” or “**Sound**”) announced on 5 October 2017 that it had entered into heads of terms (the “**Heads**”) in relation to the creation of Coro Energy plc through the combination of the Company's Italian assets with those of Po Valley Energy Ltd (“**PVE**”) and Saffron Energy plc (referred to herein as “**Coro**”, given the proposed change of name of Saffron Energy plc to Coro Energy plc). On 22 January 2018, the Company announced that, in furtherance of the transaction described in the Heads, it had entered into a sale and purchase implementation agreement (the “**Share Purchase Implementation Agreement**”) with Coro for the sale of the entire issued share capital of Sound Energy Holdings Italy Limited (“**Sound Italy**”), a wholly-owned subsidiary of the Company, to Coro (the “**Divestment**”).

The announcement of 22 January 2018 (the “**Execution Announcement**”) also contained details of the final terms of the transaction entered into by Coro with PVE on the same day with respect to the purchase by Coro of the Italian assets of PVE in consideration for the issuance of 200,000,000 new Coro Shares to PVE (the “**PVE Transaction**”) and that Coro would undertake two placings of new Coro Shares and warrants in respect of Coro Shares to raise up to £14 million (the “**Coro Placings**”), to complete on or prior to the completion date of the Divestment (the “**Completion Date**”).

As consideration for the Divestment, Coro will issue 185,907,500 (subject to rounding of fractional entitlements) shares in the share capital of Coro (the “**Coro Consideration Shares**”) to the existing Shareholders of Sound (pro rata to their existing holdings in the Company, subject to rounding of fractional entitlements) on the register of members at 6.00 p.m. on 26 March 2018 or such other record date to be announced in advance to the market via Regulatory Information Services (the “**Repayment Record Date**”) once the conditions precedent to completion of the Share Purchase Implementation Agreement are satisfied (such Shareholders being the “**Repayment Record Date Shareholders**”).

The Completion Date for the Divestment is expected to be 4 April 2018 and on this date the Repayment Record Date Shareholders will be issued with the Coro Consideration Shares. It is also expected that the PVE Transaction and the Coro Placings will complete on the same date (in the case of the Coro Placings, to the extent not completed previously). Sound Shareholders should note, however, that the Divestment is not conditional on the PVE Transaction also completing on the same date.

The issuance of the Coro Consideration Shares to the Repayment Record Date Shareholders as consideration for the Divestment will constitute an indirect Repayment of Capital by the Company and will therefore require the Company to reduce its share capital (the “**Reduction of Capital**”). It is proposed that the Reduction of Capital will be effected by cancelling and extinguishing the share premium account of the Company in its entirety, which is subject to approval by the Court.

The Reduction of Capital will be the subject of a shareholder resolution (the “**Resolution**”) to be put to Shareholders for their approval at the General Meeting.

The purpose of this document is to provide Shareholders with information on the Divestment and the Reduction of Capital, and to convene the General Meeting at which the Resolution seeking Shareholder authority for the Reduction of Capital will be put to Shareholders.

The Directors consider that the Reduction of Capital is in the best interests of Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the Resolution, as the Directors intend to do in respect of their own beneficial holdings of Ordinary Shares, representing approximately 0.32 per cent. of the Company’s existing Ordinary Shares.

Marco Fumagalli is Founding Partner and 25 per cent. shareholder of Continental Investment Partners SA. Continental also intends to vote in favour of the Resolution in respect of the voting rights over Ordinary Shares which Continental is entitled to exercise (representing approximately 6.66 per cent. of the existing Ordinary Shares).

If the Resolution is not passed, the Company will be unable to implement the Reduction of Capital and the Company will not be able to proceed with the Divestment, nor will the Company’s Shareholders benefit from any of the transactions the subject of the Execution Announcement.

Further information about the Divestment, the Reduction of Capital and the General Meeting is set out below. Further information about the Company and its portfolio, financial information and constitutional documents can be found on the Company’s website at: www.soundenergyplc.com.

2. The Share Purchase Implementation Agreement

The Company announced on 5 October 2017 that it had entered into the Heads in relation to the creation of Coro Energy plc through the combination of the Company’s Italian assets with those of PVE and Saffron Energy plc (to be renamed Coro Energy plc) and on 22 January 2018 the Company announced further details of the transaction (the “**Proposed Transaction**”), including that it has entered into the Share Purchase Implementation Agreement with Coro for the conditional sale of Sound Italy to Coro.

The Share Purchase Implementation Agreement is conditional on, *inter alia*, the approval of shareholders of Coro and re-admission of the entire issued, and to be issued, share capital of Coro to trading on the AIM market of the London Stock Exchange plc (“**AIM**”), as well as the approval by Sound shareholders of the Reduction of Capital (as defined below). It is currently expected that these conditions will be satisfied by the end of April 2018.

Under the Share Purchase Implementation Agreement, and subject to Coro shareholders approving the issue of new shares by Coro, the consideration for the disposal of SEHIL will be fully satisfied through the issue of the 185,907,500 new ordinary shares of £0.001 each in the capital of Coro (the “**Coro Consideration Shares**”), subject to any rounding of fractional entitlements.

The Coro Consideration Shares are intended to be issued by Coro directly to Sound’s shareholders, pro rata to their holdings of Sound shares on a record date (the “**Repayment Record Date**”) expected to be set as 26 March 2018, with Coro being bound to issue the Coro Consideration Shares pursuant to the terms of a deed poll (the “**Deed Poll**”) to all Sound Energy shareholders on the record at the Repayment Record Date (the “**Repayment Record Date Shareholders**”). Because the issuance of the Coro Consideration Shares to Sound shareholders in consideration for the transfer by the Company of the shares in SEHIL to Coro will constitute an indirect capital repayment by Sound to its shareholders, Sound is proposing a capital reduction (the “**Reduction of Capital**”).

The issuance of the Coro Consideration Shares directly to Sound Energy’s shareholders will not be possible unless the Reduction of Capital receives Sound Energy shareholder approval of the same at the General Meeting to be held on 8 February 2018.

Under the terms of the Share Purchase Implementation Agreement, Sound will retain: (i) its economic rights to receive the proceeds of any future sale of the land comprising the Badile permit and situated in the Piedmont Lombard Basin in northern Italy owned by SEHIL (the “**Badile Land**”), which had an unaudited

carrying value of £1.6 million as at 30 June 2017; and (ii) the benefit of expected SEHIL Italian VAT receivables totalling £4.0 million linked to Badile drilling costs (the “**VAT**”). Under the Proposed Transaction, Coro has undertaken to remit the net proceeds of the Badile Land sale and the VAT to Sound on receipt by SEHIL.

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

As at 30 June 2017 Apennine Energy S.r.L (“**APN**”) had unaudited total assets of £11.0 million inclusive of the Badile Land and the VAT. APN generated revenues of £0.8 million and a loss before tax of £4.9 million in the year ended 31 December 2016 and unaudited revenues of £0.4 million and an unaudited loss before tax of £14.5 million in the six months ended 30 June 2017.

A more detailed summary of the terms of the Share Purchase Implementation Agreement is set out below.

Detailed Summary of Share Purchase Implementation Agreement

- (a) the consideration payable by Coro for the entire issued share capital of SEHIL is the issue of the Coro Consideration Shares upon completion of the Share Purchase Implementation Agreement (“**Completion**”) to Sound shareholders;
- (b) the Share Purchase Implementation Agreement is conditional on certain conditions having been satisfied or waived on or prior to Completion of the Reduction of Capital, including the following:
 - (i) completion of a firm and conditional placing of new Coro shares to raise up to £14 million (the “**Coro Placings**”);
 - (ii) Coro shareholder approval;
 - (iii) Sound shareholder approval of the Reduction of Capital;
 - (iv) Court approval of the Reduction of Capital;
 - (v) receipt of required regulatory approvals; and
 - (vi) Sound having obtained the consent from the requisite majority (being 75 per cent. of those voting with a minimum of 50 per cent. of the total having voted) of bondholders of Sound Energy under the applicable contractual arrangements for its EUR 28,800,000 5.0 per cent. Senior Secured Notes due 21 June 2021, which consent was obtained on 4 January 2018;
- (c) the Share Purchase Implementation Agreement may be terminated in certain circumstances:
 - (i) by Sound, in the event of a Coro material adverse change (meaning any event, matter, change or condition which occurs, or is announced, or becomes known to Coro (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 Coro and its subsidiaries of more than £200,000, excluding certain global events);
 - (ii) by Sound at any time before 8.00 a.m. on the second court date relating to the Reduction of Capital (the “**Final Court Hearing**”) if any Coro director or the board of directors of Coro, excluding any Coro directors excluded from recommending and voting thereon, publicly changes (including by attaching qualifications to) or withdraws (including by abstaining) their statement that they consider the Proposed Transaction and/or readmission of Coro’s shares to trading on AIM to be in the best interests of the Coro shareholders or their recommendation that the Coro shareholders approve the Proposed Transaction and/or readmission, or publicly states an intention to change their voting intention in respect of any Coro Shares held by them;
 - (iii) by Coro, in the event of 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**”);
 - (iv) by Coro at any time before 8.00 a.m. on the Final Court Hearing if any Sound Director or the board of directors of Sound, excluding any Sound 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 Reduction of Capital and/or the Proposed Transaction to be in the best interests of the Sound shareholders or their recommendation that the Sound shareholders approve the Reduction of Capital, or publicly states an intention to change their voting intention in respect of any Ordinary Shares held by them; and
- (v) by Coro, in the event that Sound makes any disclosure against the Sound warranties prior to Completion which causes or constitutes or is reasonably likely to cause or constitute a SEHIL Material Adverse Change;
- (d) Sound will give various warranties to Coro concerning (among other things) its capacity to enter into the Share Purchase Implementation Agreement and related documents, the share capital, business and assets of SEHIL and its subsidiary, APN, litigation and tax;
 - (e) Coro will be required to give certain warranties to Sound, for the benefit of the Repayment Record Date Shareholders, concerning (amongst other things) its capacity to enter into the Share Purchase Implementation Agreement and related documents, its share capital, litigation and tax;
 - (f) Sound agrees to provide a restoration payment to Coro (or SEHIL or APN, as Coro may direct) in respect of Badile in a total aggregate amount of EUR 870,000 to cover costs with respect to the site restoration of Badile (payments to be made on a quarterly basis in instalments on the basis of estimates submitted by Coro to Sound). If, at the end of the Badile site restoration process, Coro has not received the full EUR 870,000, Sound agrees to make a balancing payment (the **"Badile Site Restoration Payments"**);
 - (g) in addition to providing the Badile Site Restoration Payments, Sound also agrees to indemnify Coro, SEHIL and/or APN from and against any costs relating to the Badile site restoration which are incurred by Coro, 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 Share Purchase Implementation Agreement;
 - (iii) changes following the date of the Share Purchase Implementation 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 Coro, SEHIL and/or APN (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; or
 - (v) a dispute regarding unpaid rent and unlawful occupation of land relating to the Badile Land;
 - (h) in addition to the above, Sound provides certain indemnities in the Share Purchase Implementation Agreement to Coro 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 the Repayment Record Date Shareholders receiving Consideration Shares in breach of applicable laws or regulations. Sound will also give a reasonably standard form tax covenant (the **"SEHIL Tax Covenant"**);
 - (i) under the Share Purchase Implementation Agreement, no warranty claim can be brought unless it is for an amount at least equal to £20,000, and until the party bringing the claim has a claim or basket of claims exceeding £200,000; and
 - (j) the liability of each of Sound and Coro under the Share Purchase Implementation Agreement is limited as follows:
 - (i) Sound's total liability for all claims under the SEHIL Tax Covenant and certain of the Sound warranties in relation to licences held by APN shall not exceed £8.6 million;
 - (ii) Sound's total liability limit for all claims under the Sound warranties and in respect of the indemnities given by Sound is £2.5 million; and

(iii) Coro's total liability limit 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 Coro) to certain fundamental warranties or in the case of fraud or misrepresentation.

The entering into the Share Purchase Implementation Agreement was not, however, subject to the approval of Sound Shareholders.

3. Reduction of Capital and Repayment of Capital

Upon completion of the Share Purchase Implementation Agreement, the transfer of the shares in Sound Italy to Coro and the issuance of the Coro Consideration Shares to the Repayment Record Date Shareholders will result in an indirect repayment of capital to the Repayment Record Date Shareholders, constituting a return of non-cash assets to such Shareholders equal to the amount of £8.14 million, which is the value ascribed to Sound Italy (and therefore also to the Coro Consideration Shares) by the parties (the "**Repayment of Capital**").

Accordingly, the Repayment of Capital to the Repayment Record Date Shareholders in the form of the issuance of Coro Consideration Shares as consideration for the Divestment will require the Company to undergo the Reduction of Capital, which is subject to both the approval of Sound Shareholders (by passing the Resolution at the General Meeting) and the further approval by the Court. The primary purpose of the Reduction of Capital is to facilitate the completion of the transactions contemplated by the Share Purchase Implementation Agreement as summarised above.

It is proposed that the Reduction of Capital will be effected by cancelling and extinguishing the share premium account of the Company in its entirety, even though this will result in a reduction of more of the Company's capital than is required in connection with the Repayment of Capital. The balance of the share premium cancelled will be transferred to the Company's reserves as a realised profit (thereby creating distributable reserves).

If the Reduction of Capital is not approved by Sound Shareholders and also the Court, the neither the Repayment of Capital, nor the Divestment will proceed.

The Directors consider that the Reduction of Capital is in the best interests of Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the Resolution.

4. Information on Coro

Coro is a natural gas producer with interests in Northern Italy. Its portfolio includes two producing gas fields: Sillaro (100 per cent. owned) and Bezzacca (90 per cent. owned) and a field currently under development called Sant'Alberto. All of Saffron's assets are held through its wholly owned subsidiary, Northsun Italia S.p.A ("**NSI**") and are located between Milan and Bologna.

Coro is proposing to acquire both Sound Italy, pursuant to the Divestment, and Po Valley Operations Pty Ltd ("**PVO**"), a company incorporated in Australia, pursuant to the PVE Transaction, the principal business of both being the exploration for and production of liquid and gaseous hydrocarbons across Italy. PVO is a 100 per cent. owned subsidiary of Coro's largest shareholder, PVE, and will constitute a related party transaction under the AIM Rules. Coro has sought a derogation from AIM under Aim Rule 7 to approve this transaction.

Coro was incorporated under the name "Saffron Energy plc" on 10 November 2016 in order to acquire NSI, whose principal business is also 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.

Currently, Coro owns 100 per cent. of NSI, which, in turn, has a 100 per cent. interest in and is the operator of the Sillaro Production Licence and the Sant'Alberto Production Licence. It also has a 90 per cent. interest in and is the operator of the Cascina Castello Production Licence (together with the Sillaro

Production Licence and the Sant'Alberto Production Licence, the "**Coro Licences**"), where the Bezzecca Field is currently being operated. Sillaro, Bezzecca and Sant'Alberto are all located in the Po Valley region of Northern Italy. The Coro Licences cover a combined area of approximately 65.5km² and together provide 2P (Proved and Probable) reserves attributable to the Coro Group of 186.1 MMscm (6.6 Bcf). 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 second half of 2018.

PVO has a 100 per cent. interest in the AR94PY (Teodorico) Licence, located offshore in Northern Italy, and a 63 per cent. working interest the Podera Gallina Licence, which contains the Selva stratigraphic gas trap and the Cembalina, Fondo Perino and East Selva Prospects. It also has a 100 per cent. interest in the Torre Del Morro Licence (which contains a single and significant oil prospect). All of these assets are located in the Po Valley region of Northern Italy, and together they provide 2P (Proved and Probable) reserves attributable to the Group of 1,033.6 MMscm (36.5 Bcf) of gas.

Following the Divestment and the PVE Transaction, Coro will altogether own 2P (Proved and Probable) gas reserves of 1,238.7 MMscm (43.7 Bcf), 2C (Contingent) gas resources of 1,264.0 MMscm (44.6 Bcf), and prospective oil resources of 2.4 MMBbls.

Coro (at the time Saffron Energy plc) commenced trading on AIM under the ticker of SRON on 24 February 2017.

5. Information on Sound Italy

Sound Italy owns 100 per cent. of Apennine Energy S.r.L ("**APN**"), which has a 100 per cent. interest in and is the operator of the Rapagnano gas field. This field was first discovered in 1952 and has a cumulative historical production of 131.3 MMscm (as at 31 October 2017). APN also has: (i) a 75 per cent. interest in and is the operator of the San Lorenzo Licence; (ii) a 100 per cent. interest in the Carita Permit; (iii) the Laura Field, Fonte San Damiano; (iv) the Santa Maria Goretti Permit; (v) Licence D503-BR-CS (Dalla); (vi) the Costa Del Sole Permit; and (vii) the Badile Licence¹. All of APN's assets are situated along the east coast of Italy, except for the Costa Del Sole Permit, which is located on the South West coast of Sicily, Italy. Altogether, APN's assets provide 2P (Proved and Probable) reserves attributable to the Group of 20.6 MMscm (0.7 Bcf) and 2C (Contingent) resources attributable to the Group of 541.1 MMscm (19.1 Bcf) of gas and 2.4 MMBbls of oil.

7. Financial Information

Audited accounts for the Group for each of the three years ended 31 December 2016, 31 December 2015 and 31 December 2014 are available on the Company's website at www.soundenergypc.com, as are the unaudited interim accounts for the six months ended 30 June 2017.

8. General Meeting

The Reduction of Capital, is conditional upon, *inter alia*, the approval by Shareholders of the Resolution to be proposed at the General Meeting of the Company which has been convened for 11.00 a.m. on 8 February 2018. A notice convening the General Meeting is set out at the end of this document, at which the following Resolution will be proposed to enable the Reduction of Capital to be approved:

"THAT, subject to the confirmation of the court, the share premium account of the Company be cancelled and applied as follows:

- (a) first, in making a return of capital to the Shareholders of the Company by transferring non-cash assets of the Company pursuant to the terms of the Share Purchase Implementation Agreement (as described in the Notice of General Meeting and accompanying Circular) subject to and conditional upon satisfaction or waiver of the conditions precedent to the Share Purchase Implementation Agreement; and
- (b) as to the balance, in transferring the sum arising to the Company's reserves as a realised profit."

¹ Under the terms of the agreement with SEHIL, the Badile Licence has been carved out of the acquisition.

The Resolution will be proposed as a special resolution to authorise the Company to cancel and extinguish the share premium account of the Company and to make a repayment of paid up capital to the Repayment Record Date Shareholders by making a return of non-cash assets to its Shareholders in the amount not exceeding the value of cancelled share premium account of the Company, including pursuant to the terms of the Share Purchase Implementation Agreement, with such repayment of paid up capital to be subject to the satisfaction or waiver of the conditions precedent in the Share Purchase Implementation Agreement. The Resolution will be passed if those Shareholders who vote in favour represent more than 75 per cent. of the Shareholders as, being entitled to do so, vote in person or by proxy, at the General Meeting.

9. Action to be taken

You will find enclosed with this document a Form of Proxy for use by Shareholders at the General Meeting. Whether or not you intend to attend the General Meeting, you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon.

To be valid, completed Forms of Proxy must be received by Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF as soon as possible and in any event not later than 11.00 a.m. on 6 February 2018, being 48 hours (excluding non-Business Days) before the time appointed for holding the General Meeting. Completion of a Form of Proxy will not preclude you from attending the meeting and voting in person if you so choose.

10. Consequences of the Resolution Not Being Passed

If the Resolution put to the General Meeting is not passed, the Company will be unable to implement the Reduction of Capital and, as a consequence, the Company will not be able to proceed with the Divestment (which constitutes the Repayment of Capital), nor will the Company's Shareholders benefit from any of the transactions the subject of the Heads, as announced on 5 October 2017 and the Share Purchase Implementation Agreement, as announced on 22 January 2018.

Further, if the Divestment does not complete in accordance with the terms of the Share Purchase Implementation Agreement, Sound could in certain circumstances (which include the failure to complete because of the Resolution not being passed) be contractually obliged to cover certain of Coro's costs.

11. Recommendation and Voting Intentions

The Directors consider that the Reduction of Capital is in the best interests of Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the Resolution, as the Directors intend to do in respect of their own beneficial holdings of Ordinary Shares, representing approximately 0.32 per cent. of the Company's existing Ordinary Shares.

Marco Fumagalli is Founding Partner and 25 per cent. shareholder of Continental Investment Partners SA. Continental also intends to vote in favour of the Resolution in respect of the voting rights over Ordinary Shares which Continental is entitled to exercise (representing approximately 6.66 per cent. of the existing Ordinary Shares).

Yours faithfully

Richard Liddell

Non-Executive Chairman

DEFINITIONS

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

“AIM”	the market of that name operated by the London Stock Exchange;
“AIM Rules”	together the AIM Rules for Companies and the AIM Rules for Nominated Advisers governing the operation of AIM as published by the London Stock Exchange;
“Board” or “Directors”	the directors of the Company, whose names are set out on page 5;
“Business Day”	a day (other than a Saturday or Sunday) on which commercial banks are open for general business in London, England;
“Company” or “Sound Energy”	Sound Energy plc;
“Completion Date”	means the completion date for the Divestment, in accordance with the terms of the Share Purchase Implementation Agreement, expected to be 4 April 2018;
“Coro”	Saffron Energy plc (to be renamed Coro Energy Plc prior to re-admission to the AIM);
“Coro Consideration Shares”	185,907,500 new Coro Shares (subject to rounding of fractional entitlements);
“Coro Placings”	the two placings of Coro Shares to raise up to £14 million and to complete on or prior to the completion date of the Divestment;
“Coro Shares”	ordinary shares of £0.001 each in the capital of Coro;
“Court”	High Court of England & Wales;
“Deed Poll”	means the deed poll executed by Coro on the date of the Share Purchase Implementation Agreement in favour of the Repayment Record Date Shareholders;
“Divestment”	the sale of the entire issued share capital of Sound Italy to Coro pursuant to the Share Purchase Implementation Agreement;
“Execution Announcement”	the announcement of 22 January 2018 in relation to the Divestment, the PVO Transaction and the Coro Placings;
“Existing Coro Ordinary Shares”	the Coro Shares in issue at the date of this document;
“Form of Proxy”	the form of proxy relating to the General Meeting being sent to Shareholders with this document;
“General Meeting”	the General Meeting of the Company to be held at The Auditorium and Garden Room at The Belgravia Function Rooms, 14/15 Belgrave Square, London SW1X 8PS at 11.00 a.m. on 8 February 2018, notice of which is set out at the end of this document;
“Group”	the Company and its subsidiary undertakings;
“Heads”	the heads of terms in relation to the creation of Coro Energy plc through the combination of the Company’s Italian assets with those of Po Valley Energy Ltd and Coro Energy plc;

“Link”	Link Asset Services
“London Stock Exchange”	London Stock Exchange plc;
“Ordinary Shares” or “Shares”	ordinary shares of 1p each in the capital of the Company;
“PVE Transaction”	transaction entered into by Coro with PVE on 22 January 2018 with respect to the purchase by Coro of the Italian assets of PVE) in consideration for the issuance of 200,000,000 new Coro Shares;
“Reduction of Capital”	reduce its share capital by cancelling and extinguishing the share premium account of the Company in its entirety, which is subject to approval by the Court;
“Repayment of Capital”	indirect repayment of capital to the Repayment Record Date Shareholders, constituting a return of non-cash assets to such Shareholders equal to the amount of £8.14 million;
“Repayment Record Date”	6.00 p.m. on 26 March 2018 or such other record date to be announced in advance to the market via Regulatory Information Services;
“Repayment Record Date Shareholders”	the existing Shareholders on the register of members at 6.00 p.m. on 26 March 2018 or such other record date to be announced in advance to the market via Regulatory Information Services;
“Regulatory Information Services”	one of the regulatory information services authorised by the London Stock Exchange to receive, process and disseminate information in respect of AIM quoted companies;
“Resolution”	the shareholder resolution set out in the notice of General Meeting at the end of this document;
“Share Purchase Implementation Agreement”	the sale and purchase implementation agreement dated 22 January 2018 between the Company and Coro;
“Shareholders”	holders of the Ordinary Shares of the Company;
“Sound Italy”	Sound Energy Holdings Italy Limited, a wholly-owned subsidiary of the Company;
“Tax Covenant”	means the tax deed of covenant to be entered into by Sound and Coro on the Completion Date;
“UK”	the United Kingdom;
“£” or “Sterling”	pounds sterling, the lawful currency from time to time of the United Kingdom.

NOTICE OF GENERAL MEETING

SOUND ENERGY PLC

(Incorporated and registered in England and Wales with registered number 05344804)

NOTICE is hereby given that a General Meeting of Sound Energy plc (the "Company") will be held at The Auditorium and Garden Room at The Belgravia Function Rooms, 14/15 Belgrave Square, London SW1X 8PS at 11.00 a.m. on 8 February 2018 to consider and, if thought fit, pass the resolution set out below to be proposed as a special resolution.

The resolution is proposed in order to facilitate the indirect Repayment of Capital by the Company which will result from the issuance of 185,907,500 new ordinary shares in the capital of Saffron Energy plc (to be renamed Coro Energy plc prior to such issuance) to the existing Shareholders of the Company (on a pro rata basis, subject to rounding of fractional entitlements) in consideration for the transfer by the Company to Saffron Energy plc of the entire issued share capital of Sound Energy Holdings Italy Limited, a wholly-owned subsidiary of the Company, in accordance with the terms of the sale and purchase implementation agreement entered into between the Company and Saffron Energy plc on 22 January 2018 (the "**Share Purchase Implementation Agreement**").

SPECIAL RESOLUTION

THAT, subject to the confirmation of the court, the share premium account of the Company be cancelled and applied as follows:

- (a) first, in making a return of capital to the Shareholders of the Company by transferring non-cash assets of the Company pursuant to the terms of the Share Purchase Implementation Agreement (as described in the Notice of General Meeting and accompanying Circular) subject to and conditional upon satisfaction or waiver of the conditions precedent to the Share Purchase Implementation Agreement; and
- (b) as to the balance, in transferring the sum arising to the Company's reserves as a realised profit.

By order of the Board

Amanda Bateman
Company Secretary

Registered Office

1st Floor
4 Pembroke Road
Sevenoaks
TN13 1XR

23 January 2018

Notes:

- (1) As a holder of ordinary shares in the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. A proxy need not be a member of the Company.
- (2) In the case of joint holders, the vote of the person first named in the register of members tendering a vote will be accepted to the exclusion of the votes of the other joint holders.
- (3) In the case of a corporation, the form of proxy must be expressed to be executed by the corporation and must be executed under its common seal, or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
- (4) To be valid, the form of proxy and any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority must be deposited with Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF in accordance with the instructions printed thereon so as to be received not less than 48 hours (excluding any part of the day that is not a business day) before the time of the meeting or any adjournment thereof, alternatively you may submit your proxy electronically using The Share Portal service at www.signalshares.com, which must be received not less than 48 hours (excluding any part of the day that is not a business day) before the time of the meeting, or any adjournment thereof.
- (5) The completion and return of a proxy card will not affect the right of a member to attend, speak and vote in person at the meeting convened by this notice, however, if you have appointed a proxy and attend the meeting in person, your proxy will automatically be terminated.
- (6) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.

- (7) If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- (8) To direct your proxy how to vote on the Resolution mark the appropriate box with an "X". To abstain from voting on a resolution, select the relevant "withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
- (9) Pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, members will be entitled to attend and vote at the meeting if they are registered on the Company's register of members at close of business on the day 2 days (excluding any part of a day that is not a business day) before the time appointed for the meeting or any adjournment thereof. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (10) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required) for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting system provider(s) take(s) such action as shall be necessary to ensure that message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- (11) To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Asset Services.
- (12) In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Asset Services. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, the revocation notice must be received by Link Asset Services no later than 48 hours (excluding non-business days) prior to the Meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

