RNS Number : 1131K
Coro Energy PLC
20 April 2020

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Coro Energy plc
("Coro", or the "Company")

Final Results

Coro Energy, the Southeast Asian focused upstream oil and gas company, announces its audited final results for the year ended 31 December 2019.

Highlights:

South East Asia

- Secured 15% interest in the Duyung Production Sharing Contract, Indonesia
- Participated in the drilling of two successful appraisal wells on the Duyung PSC, increasing gross (full field) 2C resources by 217 Bcf based on estimates by the operator
- Continued the technical evaluation of Block 2A in Malaysia
- Acquisition agreement for the Bulu PSC allowed to lapse post year-end due to increasing uncertainty surrounding operating partner

Corporate

- Issued a €22.5m Eurobond
- Signed binding, conditional agreement to dispose of our non-core Italian business
- Strengthened institutional investor presence via appointment of additional corporate broker and new nominated advisor
- Implemented significant cost saving measures post year-end in light of the COVID-19 pandemic and challenging market conditions

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STATEMENT FROM THE CHAIRMAN

2019 was a busy year for the Group as we secured a 15% interest in the Duyung Production Sharing Contract ("PSC"), issued a €22.5m Eurobond and participated in the drilling of two successful appraisal wells on the Duyung PSC which has unlocked significant additional volumes. We also continued both with the technical evaluation of Block 2A in Malaysia and to progress our business development activities in South East Asia, targeting a bold production-led acquisition.

The Group made a loss before tax from continuing operations of $7.9m for the period (2018: loss before tax from continuing operations $4.5m), which was driven by corporate costs including ongoing business development activities in South East Asia, as well as interest charges relating to the Group's Eurobond. The Company is firmly committed to its South East Asia strategy and, as a result of this commitment coupled with regulatory changes introduced in Italy which included an increase in surface fees as well as a suspension in the permitting of activities for exploration licences, the Board decided to prioritise the divestment of the Group's Italian business. Subsequently, we announced the conditional sale of our Italian business to Zenith Energy Ltd in December 2019 (which remains subject to the approval of the Italian Ministry of Economic Development). Accordingly, our Italian business is now classified as a disposal group held for sale on the balance sheet and the losses attributable to this disposal group are classified as discontinued in the income statement. The loss from discontinued operations for the period was $8.8m (2018: $7.2m), which was primarily attributable to non-cash impairments totalling $6.6m (2018: $7.2m).

Post year-end, the COVID-19 pandemic has resulted in a sudden and significant worsening in the investment climate and the wider economy. The situation in oil and gas markets was further worsened by a dispute between Russia and Saudi Arabia over planned production cuts aimed at supporting the oil price, which led to an increase in supply just as demand was falling due to the economic impact of the pandemic, causing an oil price crash. These events have only made the task tougher for E&P companies, but the Board continues to believe in Coro's long term prospects and the now proven quality of its Mako asset, as well as its ability to add further opportunities to the portfolio when macro conditions improve.

Positioning the Company for the future

Whilst the Company is not currently an oil producer and expects that depressed global oil prices will ultimately give rise to additional potential business development opportunities, the Board considers that prevailing global events are likely to result in delays both in the completion of the disposal of our Italian portfolio, and in the Company's ability to execute further material acquisition(s) in South East Asia.

As at 31 March 2020 the Company had unaudited cash balances of approximately $4.5 million. Despite this strong cash position, the Company considered it to be commercially prudent to significantly reduce its cost base given it is not possible to predict how long current difficult market conditions will last.

As part of this exercise, and as announced by the Company on 2 April 2020, the Board decided to immediately reduce its executive staffing. Following consultation with cornerstone investors and in line with current practices in other companies, the Company's Nominations and Remuneration Committee offered the executive directors the options of: (a) taking an unpaid sabbatical; (b) receiving 3 months' notice (subject to conditions), payable in new ordinary shares in the Company, for the termination of their employments; and/or (c) stepping into a NED role. In putting these options to the executive directors, the Company made the difficult but robust decision to not offer cash payments to outgoing executives. Andrew Dennan, previously the Company's CFO, elected to become a Non-Executive Director of the Company with immediate effect. James Menzies, the Company's former CEO, did not accept any of the options offered to him and, in light of this and, inter alia, the need for the Company to cut costs to conserve cash resources in the current environment, the Board took the decision to terminate his employment with immediate effect and without payment (notwithstanding any notice provisions in his service agreement).

Reflecting the lack of near term operational activity in South East Asia, and with each of the Non-Executive Directors providing support to the Company's executive management functions where required and appropriate to do so, Peter Christie, the Company's existing Group Financial Controller, now reports directly to the Coro Board having taken on the additional executive duties as Interim CFO. Leonardo Salvadori, Managing Director of Italy, will continue to report directly to the Coro Board and has also take on additional executive duties across South East Asia.

With the reduction in executive headcount, along with wider staff reductions and cuts to all non-essential expenditures, the Group expects to reduce annualised General and Administrative ("G&A") costs by $2.3m. Of this, $1.9m in cost reductions relates to continuing operations while $0.4m relates to discontinued operations.

In Italy, prevailing gas prices in 2020 have been significantly lower than the corresponding period last year and these low prices are expected to continue through the summer. As a result, and in the light of Italy's early and widespread exposure to COVID-19, the Company took the decision in early April 2020 to temporarily suspend production on its Sillaro, Bezzecca and Casa Tiberi fields. The fields will continue to be maintained to allow the swift resumption of production when external conditions improve. The production suspension is expected to save $0.1 million and also allows the Company to delay 10-year maintenance activities on Sillaro, conserving a further $0.3 million. Production at Rapagnano continues.

These significant cost saving measures will ensure the Group will have sufficient working capital to meet its requirements until April 2021, when the second annual coupon payment becomes due on Tranche A of the Company's EUR 22.5m 2022 Eurobond.

Duyung PSC: New acquisition and successful Mako field appraisal

In February 2019 we announced the acquisition of a 15% working interest in the Duyung PSC, offshore West Natuna, Indonesia, which contains the Mako gas field.

On acquisition, the Mako gas field had gross 2C resources of 276 Bcf (48.78 MMboe) of recoverable dry gas with gross 3C resources of 392 Bcf (69.3 MMboe), as independently certified by Gaffney, Cline and Associates ("GCA"). Our interest was acquired for total consideration of $4.8m, comprising $2.95m in cash and $1.85m in Coro shares priced at 2.35 pence per new share (being the 30-day volume weighed average price of Coro shares prior to announcement of the transaction), plus $10.5m which was paid into the PSC vehicle as partial funding for the 2019 drilling programme. In aggregate this represented an effective acquisition price of $0.34/MMbtu on a 2C resource basis. In March 2019, following the Duyung acquisition, we announced that the Indonesian Minister of Energy and Mineral Resources had approved the Plan of Development ("POD") for the Mako field, which is a key milestone towards monetising the Mako gas.

In September 2019, the Duyung partners announced the start of a drilling campaign comprising two back-to-back wells designed to further appraise the Mako gas field, with a secondary objective to explore the Tambak exploration prospect located below the main Mako field in the Lower Gabus formation.

The first well, Tambak-2, was a 13.5 km step out from Mako South-1 discovery well and was a successful appraisal of the Mako gas field. Both pressure data and the gas-water contact confirmed the well as being located in the same system as Mako South-1, demonstrating that the field covers a very large areal extent, with a well developed sandstone reservoir with exceptionally good porosity and permeability.

The second well, Tambak-1, was located approximately 4.5 km from Mako South-1 and was another successful appraisal of the Mako field. The same, well developed reservoir section was encountered on prognosis, though somewhat thicker than predicted. A drill stem test ("DST") was conducted across the intra-Muda reservoir and flowed dry gas at a maximum rate of 11.4 MMscf/d which confirms the deliverability of the Mako reservoir. Gas samples recovered from the reservoir also confirmed the same gas composition as seen in Mako South-1.

Following this appraisal success, the Tambak-1 well was deepened to test the underlying 250 Bcf Tambak prospect. Although encouraging gas shows were observed while drilling through thick potential stacked reservoirs, a petrophysical evaluation determined the reservoirs to be tight and the well to be sub-commercial. Encouragingly, the results provide clear evidence of an active petroleum system underlying the base Muda unconformity, which could provide opportunities for future exploration within the Duyung PSC.

As a result of the successful drilling campaign, the operator of the Duyung PSC estimates that the gross recoverable 2C resource of the Mako field has increased to 493 Bcf, an increase of 79% since the acquisition by Coro. Gaffney Cline and Associates ("GCA") are in the process of conducting a new independent reserves audit for the Mako field and the Company looks forward to updating shareholders on the results of the audit, which are now expected to be published in late Q2 2020.

Bulu PSC: Changing Landscape

In July 2019, the Group announced a restructuring of the Bulu PSC acquisition terms, which most notably involved an amendment to the payment schedule of the cash consideration components to be paid by Coro to AWE Limited ("AWE"). The amended terms also delayed the transaction long stop date to 2 December 2019. Subsequently, delays to Ministerial approvals saw the transaction pass through the revised long stop date and, despite the parties being in the process of negotiating a further six-month extension, a decision was taken by the Board to terminate the acquisition given a) the more attractive investment opportunity in our Duyung asset, b) a growing number of sizeable M&A opportunities emerging in the region and c) increased risks associated with Bulu PSC and the development of the Lengo gas field.

These latter concerns were based on the uncertainty of the future of the operating partner, Kris Energy, the potential changes to the composition of the Bulu PSC partnership group and the possibility of the introduction of new requirements being introduced to satisfy the Plan of Development of the Lengo field. Overall, the Board viewed the risks associated with the acquisition had significantly increased and consequently the acquisition agreement was allowed to lapse in accordance with its terms.

MALAYSIA BLOCK 2A

The Company continues to build relationships with Petroleum Nasional Berhad ("PETRONAS") and has been working collegiately with the Malaysian national oil company in our joint technical study on Block 2A, offshore Sarawak. Work to date has proven fruitful with the identification of several multi-Tcf exploration prospects on the acreage. We have now fulfilled our joint technical study commitments, and remain in active dialogue with PETRONAS regarding the next stage of the project.

DISPOSAL OF ITALIAN BUSINESS

In December 2019, we entered into a binding conditional SPA with Zenith Energy Ltd to dispose of our Italian business through the sale of our wholly owned subsidiary, Coro Europe Limited. Consideration for the disposal includes an initial payment of £400,000 to be satisfied in Zenith shares priced at £0.06 per share. We will receive further consideration of £3.5m subject to the portfolio producing an average of 100,000 scm of gas per day for a period of four consecutive months. This deferred consideration will also be satisfied in Zenith shares priced at an effective issue price equal to a 40% premium to the then prevailing Zenith share price at the time of issue. Completion of the transaction is conditional on, inter alia, regulatory approvals from the Italian authorities. Given the current situation in Italy in relation to COVID-19, the Company anticipates ongoing delays in the receipt of Italian ministerial approvals for the Disposal.

INSTITUTIONALLY FUNDED

In April 2019, we announced the successful closing of our proposed issue of €22.5m Eurobonds with warrants attached which raised net proceeds of €17.4m after transaction costs (approximately $19.2m). This institutionally subscribed financing enabled us to fund the consideration owed in relation to the Duyung PSC acquisition as well as raising additional proceeds for corporate general and administrative purposes. The Eurobond issue was heavily supported by key existing institutional cornerstone investors Lombard Odier and CIP Merchant Capital, who in aggregate own circa 75% of the issued debt and warrant instruments which trade on the Luxembourg Stock Exchange.

OUTLOOK

As a consequence of the above actions, the Group is well positioned to weather the difficult period the industry currently faces, and in the medium term deliver growth in shareholder value having:

- Significantly reduced our cost base;
- Further demonstrated access to capital while improving our liquidity position through the successful Eurobond issue;
- Increased the Group's resources through the successful Duyung 2019 drilling campaign while also de-risking the project; and
- Withdrawn from the Bulu acquisition, freeing up liquidity to further progress the Duyung project and evaluate other acquisition opportunities when economic conditions improve.

We believe that excellent opportunities in the oil and gas sector remain, particularly in strong regional gas markets like Asia; and the Board remains confident we have the appropriate strategy to succeed. Whilst in the near term we have moved decisively to protect our cash resources, when capital markets reopen and the environment for M&A improves, the Company will be well positioned to take advantage of the opportunities that will undoubtedly arise. In the meantime, we thank shareholders for their patience and wish them safe passage through this turbulent period.

2019 RESULTS

The financial statements and comparatives are now presented in USD to bring Coro in line with the majority of upstream oil and gas companies operating in South East Asia. Following a period of strategic deliberation, the

Board took the decision in Q1 2019 to divest our Italian business. As a result, in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the assets and liabilities of the Italian business have been classified as a disposal group held for sale. The Italian business represents a separate geographical area of operation for the Group and has therefore also been treated as a discontinued operation in the statement of comprehensive income. The Group's results for 2019 are therefore segmented between continuing and discontinued operations.

The 2019 loss before tax from continuing operations was $7.9m (2018: $4.5m). The increased loss was largely driven by an increase in net finance costs of $2.9m due to finance charges on the Group's Eurobond ($2.3m), which was issued in April 2019, as well as foreign exchange losses ($285k) on cash held in United States dollars ("USD"), which depreciated against the British Pound Sterling ("GBP") during the year, resulting in unrealised losses recorded in the parent company which uses GBP as its functional currency.

General and administrative expenses remained comparable year-on-year. Within G&A costs, business development expenditures increased by $188k as a result of the Duyung acquisition, renegotiation of the acquisition terms for the Bulu PSC, and the Italian disposal. We also continued to evaluate numerous acquisition opportunities in South East Asia which were progressed to varying stages. Corporate and compliance costs also increased ($268k), reflecting a full year of operation at our London head office and an increased footprint in South East Asia. Non-cash share based payments increased $348k due to the resignation of two Directors which triggered a full and immediate vesting of their options which accelerated the recognition of the associated income statement charge. The options were not exercised and have now lapsed. Offsetting these increases was the non-recurrence of acquisition costs relating to business combinations ($413k) and company launch costs ($97k) which were incurred in the prior year.

The 2019 loss before tax from discontinued operations was $8.8m (2018: loss before tax $9.0m). Coro's production entitlement increased approximately 50% year-on-year from 8.5 MMscm to 12.7 MMscm. This was due to the inclusion of the Rapagnano and Casa Tiberi fields for a full year, following acquisition of these fields from Sound Energy plc in April 2018. We also had higher facilities uptime in 2019, following unplanned shutdowns in 2018 on the Sillaro and Bezzecca fields. This resulted in an increase in revenues of 30% in Euro terms, with the benefit of increased production partly offset by a reduction in the average realised gas price in 2019 of €0.19/scm, compared to €0.22/scm in 2018. After accounting for changes in the EUR:USD exchange rate, revenue in USD increased 24% year-on-year. Gross margin (excluding deprecation) was breakeven for the year (2018: gross profit 15%). This was due to the reduction in gas prices mentioned above, higher maintenance costs due to the scheduled 10-year maintenance of the Vitalba gas plant ($240k) and unexpected pipeline repairs at Bezzecca ($189k).

G&A costs from discontinued operations were impacted by tangible steps we took to reduce costs which resulted in one-off charges in 2019. This included closing our Rome office, reducing our full-time equivalent headcount by 33% and merging our two Italian subsidiaries to reduce compliance costs. The impact of these actions was to increase G&A costs in 2019 by approximately $350k reflecting severance packages paid to departing employees and professional fees associated with the Group reorganisation and merger. From 2020 onwards, the cost savings are estimated at $500k per annum.

The loss from discontinued operations was also impacted by impairment losses of $6.6m. This included impairments of goodwill ($4.3m) and tangible oil and gas assets ($579k) following an impairment test on 31 March 2019, the date the Italian business was designated as a disposal group held for sale. Additional specific impairments of oil and gas assets were recorded at year-end ($83k). We also impaired the remaining carrying value of the Laura field ($853k), after the Italian authorities rejected our Environmental Impact Assessment in October 2019 due to ecological and archaeological concerns. The Group has decided not to appeal this decision, which has a low chance of success. There also remains a ban on drilling within 12 miles of the coastline which impacts Laura. The Group was previously considering its options for legal remedy from the Italian government under the Energy Charter Treaty due to the imposition of this drilling ban in 2015. However, an inability to get environmental approval for the project greatly reduces the Group's chances of success in any legal action since a positive decision by the Ministry of Environment would have been a requirement to proceed with the field development, regardless of the separate drilling ban. Refer to further discussion in note 2e of the financial statements. Finally, further IFRS 5 impairments totalling $767k were recorded when the carrying value of the disposal group was compared to its fair value, calculated with reference to expected sale proceeds to be received on disposal.

2019 FINANCIAL POSITION

We completed the acquisition of a 15% interest in the Duyung PSC in April 2019 for total consideration of

$13.7m, comprising $2.95m in cash and $1.85m in Coro shares priced at 2.35 pence per new share, plus $10.5m which was paid into the PSC vehicle as partial funding for the 2019 drilling programme (of which $8.9m represented Coro's carry of the other partners). The initial consideration paid was recorded within intangible exploration and evaluation ("E&E") assets in the Group's balance sheet. Coro's share of subsequent expenditures of the Duyung venture are capitalised as intangible E&E assets where the criteria for capitalisation are met, or are otherwise expensed as G&A costs in the income statement. A payable of $547k is recorded in the closing balance sheet reflecting Coro's share of 2019 expenditures not yet paid to the venture.

In April 2019, the Group successfully completed the issue of €22.5m three year Eurobonds with attached warrants to key institutional investors. The bonds were issued in two equal tranches A and B, ranking pari passu, with Tranche A paying an annual 5% cash coupon and Tranche B accruing interest at 5% per annum payable on redemption. The bonds were issued at 85% of par value, with a 7% commission paid on this subscription price, resulting in net proceeds of €17.6m ($19.7m) before other transaction costs of €0.4m ($0.5m).

Net assets of the Italian business, treated as a disposal group held for sale, totalled $2.0m at year-end following large write-downs recorded in 2019, as discussed above.

GOING CONCERN

The Group ended 2019 with a cash balance of $6.4m (excluding cash held in the disposal group), and the Group and Company financial statements have been prepared under the going concern assumption.

As outlined in the Chairman's Statement, the Board have taken significant steps in 2020 to reduce the Group's cost base to help us navigate the COVID-19 pandemic and associated impacts on the macro economic environment. While significant cost savings have been identified and implemented, additional funds will still need to be raised to enable the Group to remain in operation for the foreseeable future. At the date of preparing these financial statements, this funding has not been secured. This represents a material uncertainty regarding the ability of the Group to continue as a going concern, and the Auditors' Report includes an Emphasis of Matter which references this. Refer to note 2c of the financial statements.

James Parsons
Non-Executive Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**31 December 2019 $'000**	31 December 2018 $'000 Restated
Continuing operations			
General and administrative expenses	5	**(5,102)**	(4,815)
Depreciation expense		**(125)**	(6)
Impairment losses		**(37)**	-
Loss from operating activities		**(5,264)**	(4,821)
Finance income	7	**54**	336
Finance expense	7	**(2,652)**	-
Net finance (expense)/income		**(2,598)**	336
Loss before income tax		**(7,862)**	(4,485)
Income tax benefit/(expense)	8	**-**	-
Loss for the period from continuing operations		**(7,862)**	(4,485)
Discontinued operations			
Loss for the period from discontinued operations	21	**(8,773)**	(7,204)
Total loss for the period		**(16,635)**	(11,689)
Other comprehensive income/loss			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		**(557)**	(2,208)
Total comprehensive loss for the period		**(17,192)**	(13,897)
Loss attributable to:			
Owners of the Company		**(16,635)**	(11,689)
Total comprehensive loss attributable to:			
Owners of the Company		**(17,192)**	(13,897)
Basic loss per share from continuing operations ($)	9	**(0.010)**	(0.008)
Diluted loss per share from continuing operations ($)	9	**(0.010)**	(0.008)

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

The Group has changed its presentation currency to United States dollars. The comparative period shown in the consolidated statement of comprehensive income has been restated accordingly.

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Notes	**31 December 2019 $'000**	31 December 2018 $'000 Restated	1 January 2018 $'000 Restated
Non-current assets				
Inventory	10	**-**	325	303
Other financial assets	24	**-**	648	-
Trade and other receivables	11	**150**	266	88
Deferred tax assets	8	**-**	2,285	2,391
Property, plant and equipment	12	**50**	6,615	2,766
Intangible assets	13	**17,277**	7,474	2,091
Right of use assets	18	**259**	-	-
Total non-current assets		**17,736**	17,613	7,639
Current assets				
Cash and cash equivalents	24	**6,374**	9,361	438
Trade and other receivables	11	**226**	4,102	791
Derivative financial instruments	24	**15**	-	-
Non-current assets held for sale	14	**-**	2,062	-
Total current assets		**6,615**	15,525	1,229
Assets of disposal group held for sale	21	**14,313**	-	-
Total assets		**38,664**	33,138	8,868
Liabilities and equity				
Current liabilities				
Trade and other payables	15	**1,046**	6,131	2,518
Provisions	16	**-**	1,524	45
Lease liabilities	18	**90**	-	-
Borrowings	17	**632**	-	-
Total current liabilities		**1,768**	7,655	2,563
Non-current liabilities				
Provisions	16	**13**	8,289	5,757
Lease liabilities	18	**158**	-	-
Borrowings	17	**19,211**	-	-
Total non-current liabilities		**19,382**	8,289	5,757
Liabilities of disposal group held for sale	21	**12,332**	-	-
Total liabilities		**33,482**	15,944	8,320
Equity				
Share capital	19	**1,080**	988	235
Share premium	19	**45,679**	43,619	15,056
Merger reserve	20	**9,708**	9,708	9,708
Other reserves	20	**3,978**	2,059	3,040
Accumulated losses		**(55,263)**	(39,180)	(27,491)
Total equity		**5,182**	17,194	548
Total equity and liabilities		**38,664**	33,138	8,868

The consolidated balance sheet should be read in conjunction with the accompanying notes. The Group has changed its presentation currency to United States dollars, with the cumulative impact of this change in accounting policy reflected in the opening balance sheet of the comparative period.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity shareholders of the Company					
	Share capital $'000	Share premium $'000	Merger reserve $'000	Other reserves $'000	Accumulated losses $'000	Total $'000
At 1 January 2018 (restated)	235	15,056	9,708	3,040	(27,491)	548
Total comprehensive loss for the period:						
Loss for the period	-	-	-	-	(11,689)	(11,689)
Other comprehensive income	-	-	-	(2,208)	-	(2,208)
Total comprehensive loss for the period	-	-	-	(2,208)	(11,689)	(13,897)
Transactions with owners recorded directly in equity:						
Issue of share capital	715	30,574	-	-	-	31,289

Share based payments for services rendered	38	1,637	-	-	-	1,675
Issue of options and warrants	-	-	-	1,227	-	1,227
Transaction costs relating to issue of shares	-	(3,648)	-	-	-	(3,648)
Total transactions with owners recorded directly in equity:	753	28,563	-	1,227	-	30,543
Balance at 31 December 2018 (restated)	988	43,619	9,708	2,059	(39,180)	17,194

	Attributable to equity shareholders of the Company					
	Share capital $'000	**Share premium $'000**	**Merger reserve $'000**	**Other reserves $'000**	**Accumulated losses $'000**	**Total $'000**
At 31 December 2018 (restated)	**988**	**43,619**	**9,708**	**2,059**	**(39,180)**	**17,194**
Adjustment on adoption of IFRS 16	**-**	**-**	**-**	**-**	**26**	**26**
At 1 January 2019 (restated)	**988**	**43,619**	**9,708**	**2,059**	**(39,154)**	**17,220**
Total comprehensive loss for the period:						
Loss for the period	**-**	**-**	**-**	**-**	**(16,635)**	**(16,635)**
Other comprehensive income	**-**	**-**	**-**	**(557)**	**-**	**(557)**
Total comprehensive loss for the period	**-**	**-**	**-**	**(557)**	**(16,635)**	**(17,192)**
Transactions with owners recorded directly in equity:						
Issue of share capital	**79**	**1,771**	**-**	**-**	**-**	**1,850**
Share based payments for services rendered	**13**	**289**	**-**	**995**	**-**	**1,297**
Lapsed share options	**-**	**-**	**-**	**(526)**	**526**	**-**
Issue of warrants	**-**	**-**	**-**	**2,007**	**-**	**2,007**
Total transactions with owners recorded directly in equity:	**92**	**2,060**	-	**2,476**	**526**	**5,154**
Balance at 31 December 2019	**1,080**	**45,679**	**9,708**	**3,978**	**(55,263)**	**5,182**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

The Group has changed its presentation currency to United States dollars. The comparative period shown in the consolidated statement of changes in equity has been restated accordingly.

Opening figures as at 1 January 2019 have also been restated due to the Group's adoption of IFRS 16 *Leases*, as explained in note 3q.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	**31 December 2019 $'000**	31 December 2018 $'000 Restated
Cash flows from operating activities			
Receipts from customers		**2,856**	1,749
Payments to suppliers and employees		**(8,291)**	(9,583)
Interest paid	7	**(64)**	-
Interest received	7	**48**	3
Net cash used in operating activities		**(5,451)**	(7,831)
Cash flow from investing activities			
Payments for property, plant and equipment	12	**(1,058)**	(1,098)
Payments for intangible assets	13	**(15,106)**	(194)
(Payments)/reimbursements for rehabilitation costs	16	**33**	(405)
Cash acquired in business combination (net of cash consideration paid)	22	**-**	778
Net cash used in investing activities		**(16,131)**	(919)
Cash flows from financing activities			
Proceeds from issues of shares		**-**	19,784
Share issue costs paid in cash		**-**	(1,324)
Proceeds from borrowings	17	**19,211**	-
Principal elements of lease payments	18	**(174)**	-
Net cash provided by financing activities		**19,037**	18,460
Net (decrease)/increase in cash and cash equivalents		**(2,545)**	9,710
Cash and cash equivalents brought forward		**9,361**	438
Effects of exchange rate changes on cash and cash equivalents		**(290)**	(787)
Cash and cash equivalents carried forward		**6,526**	9,361

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

The Group has changed its presentation currency to United States dollars. The comparative period shown in the consolidated statement of cash flows has been restated accordingly.

Cash and cash equivalents carried forward at 31 December 2019 includes $152k relating to discontinued operations (2018: $273k). Refer to note 21.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

NOTE 1: CORPORATE INFORMATION

Coro Energy plc ("the Company" and together with its subsidiaries, "the Group") is a company incorporated in England in November 2016 and listed on the Alternative Investment Market of the London Stock Exchange. The Company's registered address is 40 George Street, London W1U 7DW. The consolidated financial statements for the year ended 31 December 2019 comprises the Company and its interests in its 100% owned subsidiaries and jointly controlled operations (together referred to as "the Group").

NOTE 2: BASIS OF PREPARATION

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards and IFRS Interpretations Committee interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

(b) Basis of measurement

These financial statements have been prepared on the basis of historical cost apart from non-current assets (or disposal groups) held for sale which are measured at fair value less costs of disposal and derivative financial instruments recorded at fair value through profit and loss.

(c) Going concern

The Group and Company financial statements have been prepared under the going concern assumption, which presumes that the Group and Company will be able to meet their obligations as they fall due for the foreseeable future.

At 31 December 2019 the Group had cash reserves of $6.4m (excluding cash held by the Italian disposal group held for sale). Management have prepared a cash flow forecast for the period to 30 June 2021 which includes significant cost cutting measures implemented by the Group from Q2 2020 in response to the COVID-19 pandemic and depressed oil prices. While a cash surplus is expected at the end of Q1 2021, the Group and Company will face a cash deficit in Q2 2021, within the going concern forecast period. Accordingly, the Group and Company will need to raise additional funds during the forecast period in order to remain a going concern. The Directors believe that the current turbulent market conditions will be short term in nature, and they have a reasonable expectation that additional funding will be available in the equity markets when required. Therefore, the financial statements have been prepared on the going concern basis.

The ability of the Group and Company to secure additional funding is not guaranteed, and significant uncertainty has been created by the ongoing COVID-19 pandemic which could impact market conditions for longer than the Directors' currently expect. However, based on the above, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the annual financial statements for the year ended 31 December 2019. Should the Group and Company be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for further liabilities which might arise and to classify fixed assets as current. The auditors make reference to a material uncertainty in relation to going concern within their audit report.

(d) Foreign currency transactions

Effective from 1 January 2019, the consolidated financial statements of the Group are presented in United States dollars ("USD"), rounded to the nearest $1,000 (2018: presentation in Euros). This change in presentation currency brings the Group in line with the majority of other upstream oil and gas exploration and production companies operating in South East Asia. As a result, the opening balance sheet of the comparative period, as well as the comparative financial statements, have been retranslated to USD in line with the translation rules outlined below. The net impact of this retranslation was recognised in the functional currency translation reserve at 1 January 2018 and 31 December 2018.

The functional currency of the Company and all UK domiciled subsidiaries is British Pounds Sterling ("GBP"). The Group's subsidiaries domiciled in Singapore have a functional currency of USD. Apennine Energy SpA, the Group's Italian subsidiary, included within the disposal group held for sale, has a functional currency of Euros.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss as finance income or expense. Non-monetary assets and liabilities denominated in foreign currencies are translated at the date of transaction and not retranslated.

The results and financial position of Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate;
- Income and expenses are translated at average rates; and
- Equity balances are not retranslated. All resulting exchange differences are recognised in other comprehensive income.

(e) Use of estimates and judgements

The preparation of the financial statements requires management to make judgments regarding the application of the Group's accounting policies, and to use accounting estimates which impact the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

This note sets out the estimates and judgements taken by management that are deemed to have a higher risk of causing a material adjustment to the reported carrying amounts of assets and liabilities in future years.

(ii) Key accounting judgements

Accounting for investment in Duyung Production Sharing Contract ("PSC")

In April 2019, the Group completed its acquisition of a 15% interest in the Duyung PSC, located in the West Natuna Sea, Indonesia. Regulatory approvals for the transfer of the 15% PSC interest to the Group's wholly owned subsidiary, Coro Energy Duyung (Singapore) Pte Ltd are expected to be received in Q2 2020. After reviewing the rights and obligations of the Group under the Joint Operating Agreement entered into by the Duyung venture participants, management has concluded that the Group does not jointly control the Duyung venture but exercises significant influence. Significant influence exists via the Group's 15% equity stake and active representation on the Operating Committee, the key decision- making body of the arrangement. There are also certain decisions of the venture which require unanimous approval from all parties.

While the Group does not have joint control over the arrangement, management has concluded that the Group's interest in the Duyung PSC should be accounted for under the same provisions as a joint operation outlined in IFRS 11. This is due to the fact the Group has a direct right to the output of the venture, and direct obligation to meet its share of venture liabilities as they fall due. Under IFRS 11, a joint operator recognises:

- Its share of assets and liabilities held jointly by the joint operation;
- Revenue from the sale of its share of the output arising from the joint operation; and
- Its share of expenses incurred by the joint operation.

The cost to acquire the Group's 15% interest has been recognised in intangible assets (exploration and evaluation assets). The Group's share of subsequent expenditures incurred by the joint operation have been capitalised as intangible assets (exploration and evaluation assets, note 13) or recognised as expenses (within general and administrative expenses, note 5), depending on the underlying nature of the expenditure.

The accounting treatment adopted by the Group assumes that the Indonesian authorities will authorise the transfer of the PSC interest to Coro. As at the date of signing these financial statements, the transfer has not been approved, but is expected to be granted in Q2 2020. If the transfer is not approved for any reason, Coro will instead receive a 15% equity shareholding in West Natuna Exploration Ltd, a company which currently owns 100% of the PSC interest. In this scenario, the accounting for Coro's economic interest would need to be re-evaluated in light of the change in facts and circumstances.

(ii) Key accounting estimates

Estimate of gas reserves and resources

The disclosed amount of the Group's gas reserves and resources impacts a number of accounting estimates in the financial statements including future cash flows used in asset impairment reviews, timing of rehabilitation spend used to calculate rehabilitation provisions and the calculation of units of production depreciation on Italian gas assets (prior to reclassification of these assets as a disposal group held for sale, after which the assets are not depreciated).

In respect of the Group's Italian assets which are held for sale, estimation of recoverable quantities of Proved and Probable reserves is based on a number of factors including expected commodity prices, discount rates, future capital expenditure and operating costs impacting future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period.

The Group employs staff with the appropriate knowledge, skills and experience to estimate reserves quantities. Periodically, the Group's reserves calculations are also subject to independent third party certification by a competent person. The date of the last Competent Person's Report issued in respect of the

Group's disclosed gas reserves and resources was as follows:

- Italian assets (Sillaro and Rapagnano fields): effective date 31 December 2019
- Italian assets (other fields): effective date 31 December 2017
- Duyung PSC: effective date 31 December 2017

Gas reserves and resources are disclosed in the Strategic Report.

Measurement of non-current assets (and disposal groups) classified as held for sale (note 21)
In 2019, the Group continued to execute its strategy of growth in South East Asia through the acquisition of a 15% interest in the Duyung PSC. Following this acquisition and the Group's ongoing business development activities in the region, the Directors see further opportunities to capture value and scale in the region. The same opportunity does not exist for the Group in Italy, and as a result the Board of Directors took the decision during the first half of 2019 to prioritise full divestment of the Italian business. Subsequently, the Group entered into a binding conditional Share Purchase Agreement with Zenith Energy Ltd ("Zenith") to sell the entire issued capital of the Group's wholly owned subsidiary, Coro Europe Limited, which in turn owns the Group's Italian subsidiary Apennine Energy SpA. As at balance sheet date, the acquisition has not completed due to certain conditions precedent not having been met, principally in relation to outstanding regulatory approvals. In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities of the Italian business have been classified as a disposal group held for sale. The Italian business represents a separate geographical area of operation for the Group and has therefore also been treated as a discontinued operation.

As required by IFRS 5, immediately prior to classification as a disposal group held for sale, the Italian assets were tested for impairment. Discounted cash flow models were prepared for each Cash Generating Unit ("CGU"), with the resulting net present value compared to the CGU carrying value. This resulted in impairment losses being recorded on the Bezzecca CGU ($191k), and on the Rapagnano CGU ($394k). These impairment losses arose due to a reduction in the Group's long-term gas price forecast following a deterioration in market conditions in the first half of 2019. Similarly, goodwill which arose on the acquisition of Sound Energy Holdings Italy Limited in April 2018 was impaired in full due to a reduction in the overall value of the Italian asset portfolio caused by the downward revision in gas prices.

After recording individual impairments described above, the entire disposal group was tested for impairment by comparing the net assets of the disposal group with its fair value less costs of disposal ("FVLCD"). FVLCD was determined with reference to a corporate valuation model, prepared using a discounted cash flow methodology, as well as with reference to the underlying book values of the assets and liabilities of the disposal group. This resulted in an additional impairment of $335k which was allocated to non-current assets on a pro-rata basis as required by IFRS 5.

Non-current assets held for sale are not depreciated. Accordingly, each CGU was tested again for impairment at 31 December 2019 by comparing carrying value with fair value less costs of disposal, calculated using a DCF model. The fair value of the Casa Tiberi CGU was determined to be less than zero following preparation of an updated DCF model, so this CGU was impaired in full ($37k). The carrying value of gas plant and equipment previously in use on the Casa Tonetto licence was impaired following receipt of an updated valuation of these assets, resulting in a write down of $47k. And finally, an impairment of $853k was noted on the Laura concession. In October 2019, the Italian Ministry of Environment declined to provide the necessary environmental approvals to proceed with the project. The Group could appeal this decision but considers the chance of success to be remote, and in any case the ban on drilling within 12 miles of the coastline is still in force. Following the imposition of this drilling ban, the Group was considering its options for legal remedy from the Italian Government under the Energy Charter Treaty. However, the inability to get environmental approval greatly reduces the Group's chances of success in any legal action since a positive decision by the Ministry of Environment would have been a requirement to proceed with the field development. As a result the carrying value of Laura assets has been impaired to nil.

After testing individual CGUs for impairment, the fair value of the disposal group was again remeasured and compared to the net carrying value of the assets and liabilities in the disposal group. At 31 December 2019, the fair value has been estimated by management based on the consideration agreed with Zenith. The initial consideration payable on closing is 6.7 million Zenith shares. Further deferred consideration of £3.5 million is payable, subject to the Italian Portfolio being disposed of achieving average daily production of 100,000 scm over a period of four successive months. The deferred consideration will be satisfied through the issue of Zenith shares at a 40% premium to the closing price on the day before the production condition is satisfied. The resulting estimate of fair value is $1.8m, which is based on the following assumptions:

- Initial consideration valued at the Zenith closing share price on 31 December 2019, translated to USD at the closing rate; and

- Deferred consideration discounted by 50%, which is deemed to be the probability of the production condition being met.

The calculated fair value was lower than the carrying value of net assets of the disposal group, resulting in an additional impairment of $391k which was allocated pro-rata to non-current assets within the measurement scope of IFRS 5.

Assessment of indicators of impairment of intangible exploration and evaluation assets (note 13)
The Group's exploration and evaluation assets, comprising assets related to the Duyung PSC (and excluding Italian exploration and evaluation assets held in disposal group), are assessed for indicators of impairment under IFRS 6 *Exploration for, and evaluation of, mineral resources*. The Group acquired its 15% interest in the Duyung PSC in April 2019. In Q4 2019, the operator of the Duyung venture undertook a two-well campaign designed primarily to appraise the Mako gas field, with a secondary objective to test the lower Gabus exploration prospect. Both appraisal wells were successful, confirming the excellent reservoir characteristics of the Mako gas field across a large areal extent. The Gabus prospect was deemed to have low gas saturation and permeabilities and will not be developed further. Following completion of the drilling programme, the operator of the Duyung venture updated its volumetric model and has increased its estimate of gross 2C resources to 493 Bcf (74 Bcf net to Coro), an increase of 217 Bcf compared to the 2C resource previously certified by Gaffney, Cline and Associates ("GCA"). The revised operator estimates will be subject to a resource audit by GCA with the results expected in Q2 2020. Given the increased resource, and in the absence of any other negative indicators, no triggers for impairment under IFRS 6 were identified.

Impairment testing of exploration and evaluation assets recorded as assets of a disposal group held for sale is discussed above.

Rehabilitation provisions
Costs relating to rehabilitation of oil and gas fields recorded within liabilities of a disposal group held for sale will be incurred many years in the future and the precise requirements for these activities are uncertain. Technologies and costs are constantly changing, as well as political, environmental, safety and public expectations. A change in the key assumptions used to calculate rehabilitation provisions could have a material impact on the carrying value of the provisions. Currently the Group's rehabilitation provisions relate solely to oil and gas fields in Italy, and are recorded within liabilities of a disposal group held for sale.

The carrying value of these provisions in the financial statements represents an estimate of the present value of the future costs expected to be incurred to rehabilitate each field, which are reviewed at least annually. Future costs are estimated by internal experts, with external specialists engaged periodically to assist management. These estimates are based on current price observations, taking into account developments in technology and changes to legal and contractual requirements. Expectations regarding cost inflation are also incorporated. Future cost estimates are discounted to present value using a rate that approximates the time value of money, which ranges between 1.5% and 2.0% depending on the expected year of rehabilitation spend. The discount rate is based on the average yield on Italian Government bonds of a duration that matches the expected year of expenditures, incorporating a risk premium appropriate to the nature of the liabilities.

Recoverability of deferred tax assets
The recoverability of deferred tax assets recorded within assets of a disposal group held for sale is dependent on the availability of taxable profits in future years. The Group undertakes a forecasting exercise at each reporting date to assess its expected utilisation of these losses. The key areas of estimation uncertainty in these forecasts are future gas prices, production rates, capital and operating costs, and overhead expenses, all of which could impact the generation of taxable profits by Italian subsidiaries. The model used to calculate expected utilisation of tax losses is prepared on a consistent basis to the DCF models used to test for impairment. The closing DTA has not materially changed from 31 December 2018.

(f) Correction of error
In the prior year, there was an error in the presentation of trade and other payables in the statement of financial position of the Company, and the disclosed loss after tax of the Company. Both were understated by €281k, or approximately $322k. This arose due to a late adjustment which was not correctly reflected in the Company numbers. The consolidated Group statement of financial position and statement of comprehensive income statement were correctly presented and disclosed. As a result, the Company statement of financial position has been restated to reflect the correct trade and other payables figure (and is also presented in US dollars due to the change in presentation currency). Similarly, the disclosed Company loss for 2018 has also been restated. The impact is summarised below:

Line item - Company balance sheet	2018 - as presented €'000	2018 - as restated €'000	2018 - as restated $'000
Trade and other payables	3,091	3,372	3,901
Accumulated losses	(24,024)	(24,305)	(28,359)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies set out in the notes below to all periods presented in the financial statements.

(a) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements include the results of Coro Energy plc and its subsidiary undertakings made up to the same accounting date. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. All intra-group balances, transactions, income and expenses are eliminated in full on consolidation.

(ii) Interests in other entities

The Group classifies its interests in other entities based on the level of control exercised by the Group over the entity. In a situation where the Group has rights to the assets, and obligations for the liabilities, of an entity but does not share joint control, the Group accounts for its interest in the same manner as a joint operator.

A joint operator accounts for its share of each of the venture's assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation. In respect of the Duyung investment, we provide further detail in note 2e.

(b) Taxation

Income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the date of the statement of financial position, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the date of the statement of financial position.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(c) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment comprises the Group's tangible oil and gas assets together with office furniture and equipment. Items of property, plant and equipment are recorded at cost less accumulated depreciation, accumulated impairment losses and pre-commissioning revenue and expenses. Cost includes expenditure that is directly attributable to acquisition of the asset.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within "other income" in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with expenditure will flow to the Group.

(iii) Depreciation

Oil and gas assets

Oil and gas assets includes gas production facilities and the accumulation of all exploration, evaluation, development and acquisition costs in relation to areas of interest in which production licences have been granted and the related project has moved to the production phase.

Amortisation of oil and gas assets is calculated on the units-of-production ("UOP") basis, and is based on Proved and Probable reserves. The use of the UOP method results in an amortisation charge proportional to the depletion of economically recoverable reserves. Amortisation commences when commercial levels of production are achieved from a field or licence area.

The useful life of oil and gas assets, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates change.

Changes to recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect of changes in commodity price assumptions; or
- Unforeseen operational issues which impact expected recovery of hydrocarbons.

Assets designated as held for sale, or included in a disposal group held for sale, are not depreciated.

Other property, plant and equipment
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The depreciation will commence when the asset is installed ready for use.

The estimated useful lives of each class of asset fall within the following ranges:

Office furniture and equipment 3-5 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at each reporting date.

(iv) Impairment
The Group assesses at each reporting date whether there is an indication that an asset (or Cash Generating Unit - "CGU") may be impaired. For oil and gas assets, management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal ("FVLCD") and value in use ("VIU"). Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount.

The Group bases its impairment calculation on detailed budgets and forecasts, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecasts generally cover the forecasted life of the CGUs. VIU does not reflect future cash flows associated with improving or enhancing an asset's performance.

For assets/CGUs, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's/CGU's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset/CGU does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset/CGU in prior years. Such a reversal is recognised in the income statement.

(d) Intangible assets
(i) Exploration and evaluation assets
Exploration and evaluation assets are carried at cost less accumulated impairment losses in the statement of financial position. Exploration and evaluation assets include the cost of oil and gas licences, and subsequent exploration and evaluation expenditure incurred in an area of interest.

Exploration and evaluation assets are not depreciated. When the commercial and technical feasibility of an area of interest is proved, capitalised costs in relation to that area of interest are transferred to property, plant and equipment (oil and gas assets) and depreciation commences in line with the depreciation policy outlined above.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying value amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- the term of the exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for an evaluation of mineral resources in the specific area is not budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specific area; or
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Areas of interest which no longer satisfy the above policy are considered to be impaired and are measured at their recoverable amount, with any subsequent impairment loss recognised in the profit and loss.

(ii) Software
Costs for acquisition of software, including directly attributable costs of implementation, are capitalised as intangible assets and amortised over their expected useful life (currently five years).

(iii) Goodwill
Goodwill arising from business combinations is included in intangible assets.

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(e) Inventory - Well Equipment
Inventory is comprised of well equipment expected to be utilised in future development of known wells with specific characteristics. Inventory is carried at the lower of cost and net realisable value. Any impairment on value is taken to the income statement.

(f) Non-current assets (or disposal groups) held for sale and discontinued operations
Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for certain assets such as deferred tax assets, which are specifically exempt from this requirement. An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

(g) Investments and financial assets

(i) Classification
The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and measurement
A financial asset is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date the Group commits itself to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Currently, the Group's financial assets are all held for collection of contractual cash flows, which are solely payments of principal and interest. Accordingly, the Group's financial assets are measured subsequent to initial recognition at amortised cost.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iii) Impairment
On a forward-looking basis, the Group estimates the expected credit losses associated with its receivables and other financial assets carried at amortised cost, and records a loss allowance for these expected losses.

(iv) Investment in subsidiaries
In the Company balance sheet, investments in subsidiaries are carried at cost less accumulated impairment.

(h) Derivatives
Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

(i) Provisions
(i) Rehabilitation provision
Rehabilitation obligations arise when the Group disturbs the natural environment where its oil and gas assets are located and is required by local laws/regulations to restore these sites.

Full provision for these obligations is made based on the present value of the estimated costs to be incurred in dismantling infrastructure, plugging and abandoning wells and restoring sites to their original condition. Changes to future cost estimates are capitalised and recorded in property, plant and equipment (oil and gas assets) as rehabilitation assets, unless the carrying value of these assets is not supportable, in which case changes to rehabilitation provisions are recorded directly in the income statement. Future cost estimates are inflated to the expected year of rehabilitation activity and discounted to present value using a market rate of interest that is deemed to approximate the time value of money.

The estimated costs of rehabilitation are reviewed annually and adjusted against the relevant rehabilitation asset or in the income statement, as appropriate. Annual increases in the provision relating to the unwind of the discount rate are accounted for in the income statement as a finance expense.

(ii) Other provisions
Other provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provisions are discounted to present value using a market rate of interest that is deemed to approximate the time value of money. The increase in the provision due to the passage of time is recognised as interest expense.

(j) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Loan fees

paid on the establishment of loan facilities are recognised as transaction costs of the loan and amortised over the life of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(k) Trade and other payables
Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of invoice date. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(l) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(m) Share based payments
Share based payments relate to transactions where the Group receives services from employees or service providers and the terms of the arrangements include payment of a part or whole of consideration by issuing equity instruments to the counterparty. The Group measures the services received from non-employees, and the corresponding increase in equity, at the fair value of the goods or services received. When the transactions are with employees, the fair value is measured by reference to the fair value of the shares issued. The expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

(n) Revenue
Under IFRS 15 *Revenue from Contracts with Customers*, there is a five-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group has one revenue stream, being the sale of gas (recorded within loss from discontinued operations). Gas is sold to wholesale customers under gas supply agreements, which have different volume and price specifications (both fixed and variable). Gas sales revenue is recognised when control of the gas passes at the delivery point into the local gas pipeline network, which is the only performance obligation. Revenue is presented net of value added tax ("VAT"), rebates and discounts and after eliminating intra-group sales.

(o) Business combinations
Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair value of assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity instruments issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest and fair value of pre-existing equity interest over the fair value of net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets acquired, the difference is recognised immediately in profit or loss as a gain on bargain purchase.

(p) Leases
Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period.

Right-of-use assets are measured at cost which comprises the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases (term less than 12 months) and all leases of low-value assets (generally less than $5k) are recognised on a straight-line basis as an expense in profit or loss.

(q) Changes to accounting policies, disclosures, standards and interpretations
(i) New and amended standards adopted by the Group
IFRS 16 *Leases* became applicable to the current reporting period, replacing IAS 17 *Leases*. The key change under IFRS 16 is that most leases designated as "operating leases" under IAS 17 now qualify for balance sheet recognition, subject to certain exceptions. The Group reviewed all its leasing arrangements and identified three contracts previously classified as operating leases which have been recognised as lease liabilities in the 1 January 2019 balance sheet. An associated right-of-use asset was recognised for each lease.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate, which averaged 18% across the Group.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

On 1 January 2019, the Group recognised the following lease liabilities:

	$'000
Current	176
Non-current	460
Total	636

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Right-of-use assets recognised on 1 January 2019 were:

	$'000
Properties	654
Motor vehicles	14
Total	668

The net impact on accumulated losses at 1 January 2019 was a decrease of $26k, representing initial direct costs of entering into property leases which were originally expensed.

(ii) New standards not yet adopted

There are no new International Financial Reporting Standards and Interpretations issued but not effective for the reporting period ending 31 December 2019 that will materially impact the Group.

NOTE 4: SEGMENT INFORMATION

The Group's reportable segments as described below are based on the Group's geographic business units. This includes the Group's upstream gas operations in Italy and South East Asia, along with the corporate head office in the United Kingdom. This represents a change from the prior year, where the Italian segment was presented as two separate segments based on the stage of development of the Group's assets: Exploration and Development/Production. The aggregation of these two segments into a single Italian business unit reflects the way information is presented to the Chief Operating Decision Maker, which is the Group's Chief Executive Officer. Additionally, the Group now presents a South East Asian segment following the completion of the acquisition of a 15% interest in the Duyung Production Sharing Contract in Indonesia. During the period, a decision was taken to prioritise a disposal of the Group's Italian operations. Accordingly, the assets and liabilities of this segment at 31 December 2019 are excluded from the table below, and are disclosed in note 21.

	Italy		**Asia**		**UK**		**Total**	
	31 December 2019 $'000	31 December 2018 $'000 (restated)	**31 December 2019 $'000**	31 December 2018 $'000 (restated)	**31 December 2019 $'000**	31 December 2018 $'000 (restated)	**31 December 2019 $'000**	31 December 2018 $'000 (restated)
Depreciation and amortisation	**-**	-	**-**	-	**(125)**	(6)	**(125)**	(6)
Impairment losses	**-**	-	**-**	-	**(37)**	-	**(37)**	-
Interest expense	**-**	-	**-**	-	**(2,335)**	-	**(2,335)**	-
Segment loss before tax from continuing operations	**-**	-	**(370)**	-	**(7,492)**	(4,485)	**(7,862)**	(4,485)
Segment loss before tax from discontinued operations	**(8,773)**	(8,967)	**-**	-	**-**	-	**(8,773)**	(8,967)

	Italy		**Asia**		**UK**		**Total**	
	31 December 2019 $'000	31 December 2018 $'000 (restated)	**31 December 2019 $'000**	31 December 2018 $'000 (restated)	**31 December 2019 $'000**	31 December 2018 $'000 (restated)	**31 December 2019 $'000**	31 December 2018 $'000 (restated)
Segment assets	**14,313**	22,842	**18,297**	-	**6,054**	10,296	**38,664**	33,138
Segment liabilities	**(12,332)**	(12,068)	**(579)**	-	**(20,571)**	(3,876)	**(33,482)**	(15,944)

NOTE 5: GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2019 $'000	31 December 2018 $'000 (restated)
Employee benefits expense (note 6)	**1,425**	1,434
Business development	**1,458**	1,270
Corporate and compliance costs	**635**	367
Investor and public relations	**329**	397
G&A - Duyung venture	**192**	-
Other G&A	**164**	286
Share based payments (note 25)	**899**	551
Company launch costs	**-**	97
Acquisition costs for business combination (note 22)	**-**	413
	5,102	4,815

Auditor's remuneration

Services provided by the Group's auditor and its associates

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	31 December 2019 $'000	31 December 2018 $'000 (restated)
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	**37**	41
Fees payable to the Company's auditor for other services:		
Audit of subsidiaries	**3**	4
Audit-related assurance services	**15**	-
Corporate finance services	**10**	117

NOTE 6: STAFF COSTS AND DIRECTORS' EMOLUMENTS

	Group 31 December 2019 $'000	31 December 2018 $'000 (restated)
Staff costs		
Wages and salaries	**242**	484
Pensions and other benefits	**10**	13
Social security costs	**22**	85
Share based payments (note 26)	**283**	111
Total employee benefits	**557**	693
Average number of employees from continuing operations (excluding Non-Executive Directors)	**4**	3

	Group 31 December 2019 $'000	31 December 2018 $'000 (restated)
Directors' emoluments		
Wages and salaries	**992**	791
Pensions and other benefits	**32**	10
Social security costs	**127**	51
Share based payments (note 26)	**616**	440
Total employee benefits	**1,767**	1,292

The highest paid Director received aggregate emoluments of $558k (2018: $584k).

NOTE 7: FINANCE INCOME/EXPENSE

	Group 31 December 2019 $'000	31 December 2018 $'000 (restated)
Finance income		
Interest income	**39**	-
Unrealised gain on foreign exchange forward contracts	**15**	-
Foreign exchange gain	**-**	336
Total finance income	**54**	336

	Group 31 December 2019 $'000	31 December 2018 $'000 (restated)
Finance expense		
Interest on borrowings	**2,335**	-
Finance charge on lease liabilities	**32**	-
Foreign exchange loss	**285**	-
Total finance expense	**2,652**	-

NOTE 8: INCOME TAX

Income tax

	Group 31 December 2019 $'000	31 December 2018 $'000 (restated)
Current tax		
Current tax	**-**	-
Total current tax	**-**	-
Deferred tax		
Deferred tax	**-**	1,762
Total deferred tax	**-**	1,762
Total tax benefit	**-**	1,762
Income tax benefit is attributable to:		
Loss from continuing operations	**-**	-
Loss from discontinued operations	**-**	1,762
	-	1,762

Numerical reconciliation of income tax result recognised in the statement of comprehensive income to tax benefit/expense calculated at the Group's statutory income tax rate is as follows:

	Group 31 December 2019 $'000	31 December 2018 $000 (restated)
Loss from continuing operations before tax	**(7,862)**	(4,485)
Loss from discontinued operations before tax	**(8,773)**	(8,966)
Total loss before tax	**(16,635)**	(13,451)
Income tax benefit using the Group's blended tax rate of 22% (2018: 24%)	**3,593**	3,280
Non-deductible expenses	**(1,167)**	(155)
Non-taxable income	**-**	167
Prior year adjustment	**(25)**	(122)
Current year losses and temporary differences for which no deferred tax asset was recognised	**(2,401)**	(1,408)
Income tax benefit/(expense)	**-**	1,762

Deferred tax

The temporary differences which make up the closing deferred tax asset are summarised below:

	Group 31 December 2019 $'000	31 December 2018 $000 (restated)
Tax losses	**-**	2,285
Total deferred tax assets	**-**	2,285

Deferred tax assets totalling $2.2m are recorded within assets of the disposal group, and have been recognised in respect of tax losses and temporary differences based on management assessment that future taxable profit will be available against which the subsidiary company can utilise the benefits. No DTA in respect of carried forward tax losses has been recognised in respect of any UK or Singapore domiciled Group company due to doubt about the availability of future profits in these companies. Total gross unrecognised losses for the Group are $23.1m.

Note 9: Loss per share

	31 December 2019	31 December 2018 (restated)
Basic loss per share from continuing operations ($)	**(0.010)**	(0.008)
Diluted loss per share from continuing operations ($)	**(0.010)**	(0.008)
Basic loss per share from discontinued operations ($)	**(0.011)**	(0.012)
Diluted loss per share from discontinued operations ($)	**(0.011)**	(0.012)

The calculation of basic loss per share from continuing operations was based on the loss attributable to shareholders of $7.9m (2018: $4.5m) and a weighted average number of ordinary shares outstanding during the year of 768,697,359 (2018: 578,376,890).

Basic loss per share from discontinued operations was based on the loss attributable to shareholders from discontinued operations of $8.8m (2018: $7.2m).

Diluted loss per share from continuing and discontinued operations for the current and comparative periods is equivalent to basic loss per share since the effect of all dilutive potential ordinary shares is anti-dilutive. The potential dilutive shares includes warrants issued to Eurobond holders (note 17) and options issued to Directors and management (note 25).

NOTE 10: INVENTORY

	Group 31 December 2019 $'000	31 December 2018 $'000 (restated)
Well equipment and spares	**-**	325
	-	325

Well equipment and spares inventory has been reclassified to assets of a disposal group held for sale (note 21).

NOTE 11: TRADE AND OTHER RECEIVABLES

	Group 31 December 2019 $'000	31 December 2018 $'000 (restated)
Current:		
Trade receivables	**-**	412
Accrued revenue	**-**	325
Indirect taxes receivable	**73**	2,170
Prepayments	**149**	52
Other receivables	**4**	1,142
	226	4,102
Non-current:		
Other receivables	**150**	266
	150	266

	Company 31 December 2019 $'000	31 December 2018 $'000 (restated)
Current:		
Indirect taxes receivable	**73**	44
Prepayments	**148**	53
Other receivables	**894**	1,169
Intercompany receivables	**288**	-
	1,403	1,265
Non-current:		
Other receivables	**150**	146
	150	146

Included within other receivables of the Company is a receivable of $889k (2018: $1.1m) from Sound Energy plc for the expected cost of environmental rehabilitation of the Badile licence as explained in note 22. If the disposal of our Italian business to Zenith Energy Ltd completes as expected, this receivable will be novated to Zenith and accordingly is included within assets of a disposal group held for sale in the Group balance sheet.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	Group 31 December 2019 $'000	31 December 2018 $'000 (restated)
Office furniture and equipment	**50**	235
Oil and gas assets	**-**	6,380
	50	6,615

Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:

	Group 31 December 2019 $'000	31 December 2018 $'000 (restated)
Office furniture and equipment:		
Carrying amount at beginning of period	**235**	9
Acquired in business combination	**-**	219
Additions	**12**	85
Depreciation expense	**(29)**	(60)
Reclassification to assets of disposal group held for sale	**(170)**	-
Effect of foreign exchange	**2**	(18)
Carrying amount at end of period	**50**	235
Oil and gas assets:		
Carrying amount at beginning of period	**6,380**	2,757
Acquired in business combination	**-**	2,927
Additions	**43**	1,580
Depreciation expense	**(275)**	(496)
Impairment losses	**(585)**	(30)
Reclassification to assets of disposal group held for sale	**(5,433)**	-
Effect of foreign exchange	**(130)**	(358)
Carrying amount at end of period	**-**	6,380

Prior to reclassification of the Group's Italian oil and gas assets to a disposal group held for sale, an impairment test was undertaken as required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Due mainly to a reduction in the Group's gas price forecast following a deterioration in market conditions in 2019, an impairment of $191k was recorded on the Bezzecca cash-generating unit ("CGU") and $394k on the Rapagnano CGU.

	Company 31 December 2019 $'000	31 December 2018 $'000 (restated)
Office furniture and equipment	**50**	65
	50	65

Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:

	Company 31 December 2019 $'000	31 December 2018 $'000 (restated)
Office furniture and equipment:		
Carrying amount at beginning of period	**65**	-
Additions	**1**	73
Depreciation expense	**(18)**	(6)
Effect of foreign exchange	**2**	(2)
Carrying amount at end of period	**50**	65

NOTE 13: INTANGIBLE ASSETS

	Group 31 December 2019 $'000	31 December 2018 $'000 (restated)
Exploration and evaluation assets	**17,247**	3,076
Goodwill	**-**	4,360
Software	**30**	38
	17,277	7,474

Reconciliation of the carrying amounts for each material class of intangible assets are set out below:

	Group 31 December 2019 $'000	31 December 2018 $'000 (restated)

Exploration and evaluation assets:		
Carrying amount at beginning of period	**3,076**	2,092
Acquired in business combination	**-**	8,524
Additions	**17,253**	155
Impairment losses	**-**	(7,218)
Reclassification to assets of disposal group held for sale	**(3,005)**	-
Impact of foreign exchange	**(77)**	(477)
Carrying amount at end of period	**17,247**	3,076
Goodwill:		
Carrying amount at beginning of period	**4,360**	-
Acquired in business combination	**-**	4,688
Impairment	**(4,336)**	-
Impact of foreign exchange	**(24)**	(328)
Carrying amount at end of period	**-**	4,360

As required by IFRS 5, goodwill was tested for impairment when the Group's Italian business was designated as a disposal group held for sale. Due mainly to a reduction in the Group's gas price forecast following a deterioration in market conditions in 2019, goodwill was impaired in full. The Group's Italian exploration and evaluation assets were also tested for impairment prior to reclassification to a disposal group held for sale. No impairment was noted.

The remaining exploration and evaluation assets relate to the Group's interest in the Duyung PSC acquired during the period. No indicators of impairment of these assets were noted, see note 2e.

	Company **31 December 2019** **$'000**	31 December 2018 $'000 (restated)
Software	**30**	24
	30	24

NOTE 14: ASSET HELD FOR SALE

	Group **31 December 2019** **$'000**	31 December 2018 $'000 (restated)
Land	**-**	2,062

As detailed in note 22, the Group acquired land on which the Badile licence is located as part of the acquisition of Sound Energy Holdings Italy Limited in the prior year. The Group is actively marketing the land for sale as required by the terms of the SEHIL Sale & Purchase Agreement ("SPA"). Under the terms of the SPA, all proceeds from the sale of the Badile land will be remitted to the vendor, net of any transaction costs incurred by Coro. Accordingly, a $2.3m payable was recorded within trade and other payables in the prior year representing the amount owing to the vendor. In 2019, the Badile land asset and the payable to Sound Energy have been included within assets and liabilities of a disposal group held for sale (note 21).

NOTE 15: TRADE AND OTHER PAYABLES

	Group **31 December 2019** **$'000**	31 December 2018 $'000 (restated)
Current:		
Trade payables	**184**	4,765
Payroll liabilities	**-**	74
Other payables	**-**	305
Accrued expenses	**315**	987
Payables to Duyung venture	**547**	-
	1,046	6,131

	Company **31 December 2019** **$'000**	31 December 2018 $'000 (restated)
Current:		
Trade payables	**2,162**	3,291
Accrued expenses	**285**	610
Intercompany payables	**4**	-
	2,451	3,901

Included within trade payables of the Company is a payable of $2.0m (2018: $2.1m) to Sound Energy plc for the expected sales proceeds of the Badile land as explained in note 22. If the disposal of our Italian business to Zenith Energy Ltd completes as expected, this payable will be novated to Zenith and accordingly is included within liabilities of a disposal group held for sale in the Group balance sheet.

NOTE 16: PROVISIONS

Group

	31 December 2019 $'000	31 December 2018 $'000 (restated)
Current:		
Employee leave entitlements	**-**	52
Other provisions	**-**	317
Rehabilitation provisions	**-**	1,155
	-	1,524
Non-current:		
Other provisions	**13**	717
Rehabilitation provisions	**-**	7,572
	13	8,289

Reconciliation of the movement in rehabilitation provisions is set out below:

	Group 31 December 2019 $'000	31 December 2018 $'000 (restated)
Rehabilitation provisions - current		
Opening balance	**1,155**	-
Provision utilised during the period	**(18)**	-
Reclassified from non-current liabilities	**-**	1,155
Reclassified to liabilities of disposal group held for sale	**(1,117)**	-
Impact of foreign exchange	**(20)**	-
Closing balance	**-**	1,155
Rehabilitation provisions - non current		
Opening balance	**7,572**	5,757
Acquired in business combinations	**-**	4,374
Increase in provision from unwind discount	**44**	174
Changes in provision due to revised estimates	**-**	(637)
Provision utilised during the period	**-**	(405)
Provision reclassified to current liabilities	**-**	(1,155)
Reclassified to liabilities of disposal group held for sale	**(7,463)**	-
Impact of foreign exchange	**(153)**	(536)
Closing balance	**-**	7,572

As well as rehabilitation provisions indicated in the movement table above, other current provisions and employee leave entitlements totalling $318k, and other non-current provisions of $636k, were reclassified to liabilities of disposal group held for sale.

NOTE 17: BORROWINGS

	31 December 2019 $'000	31 December 2018 $'000 (restated)
Current		
Eurobond	**632**	-
	632	-
Non-current		
Eurobond	**19,211**	-
	19,211	-

On 12 April 2019, the Group successfully completed the issue of €22.5m three-year Eurobonds with attached warrants to key institutional investors. The bonds were issued in two equal tranches A and B, ranking pari passu, with Tranche A paying an annual 5% cash coupon (first coupon payment April 2020) and Tranche B accruing interest at 5% per annum payable on redemption. The bonds were issued at 85% of par value, with a 7% commission paid on this subscription price, resulting in net cash proceeds of €17.6m ($19.7m) before other transaction costs of €0.4m ($0.5m).

The Eurobonds mature on 12 April 2022 at 100% of par value plus any accrued and unpaid coupon, and may be repaid earlier by the Company at its option at 100% of par plus any accrued and unpaid coupon. Bond subscribers were issued with 41,357,500 warrants to subscribe for ten new ordinary shares in the Company at an exercise price of 4p per share at any time over the three-year term of the bonds. An additional 6,000,000 warrants were issued to the firm subscriber Lombard Odier Asset Management (Europe) Limited and underwriter Pegasus Alternative Fund Ltd.

The warrants were valued on grant date at 3.3p per warrant using the Black Scholes method, based on the following inputs to the calculation:

- Share price on grant date: 2.10p
- Exercise price: 4p
- Expected volatility: 50%
- Life of warrants: 3 years

- Risk free rate: 1%

The total fair value of warrants ($2.0m) was treated as a transaction cost and will be amortised over the life of the bonds.

The bonds were initially recognised at fair value and subsequently are recorded at amortised cost, with an average effective interest rate of 18.10%. The finance charge included in the profit and loss for 2019 was $2.3m (note 7).

NOTE 18: LEASES

The Group had the following lease assets and liabilities at 31 December 2019:

	31 December 2019 $'000	31 December 2018 $'000 (restated)
Right-of-use assets		
Properties	**259**	-
Lease liabilities		
Current	**90**	-
Non-current	**158**	-

The total finance charge recorded on lease liabilities was $32k (note 7).

The total cash outflow for leases was $238k, of which $174k is shown in the cash flow statement as repayment of principal and the remaining $64k as related to the implicit finance charge.

A maturity analysis of lease liabilities is included in note 24.

Right-of-use assets

A reconciliation of the carrying amount of each class of right-of-use asset is as follows:

	31 December 2019 $'000
Properties	
Opening balance on adoption of IFRS 16	**654**
Depreciation	**(125)**
Reclassification to assets of disposal group held for sale	**(275)**
Impact of foreign exchange	**5**
	259
Motor vehicles	
Opening balance on adoption of IFRS 16	**14**
Depreciation	**(1)**
Reclassification to assets of disposal group held for sale	**(13)**
Impact of foreign exchange	**-**
	-

NOTE 19: SHARE CAPITAL AND SHARE PREMIUM

	31 December 2019 Number 000's	**Nominal value $'000**	**Share premium $'000**	**31 December 2019 Total $'000**
As at 1 January 2019 (restated)	**718,522**	**988**	**43,619**	**44,607**
Shares issued during the period:				
Issued to Duyung PSC vendors	**60,905**	**79**	**1,771**	**1,850**
Issued for services rendered	**10,159**	**13**	**289**	**302**
Closing balance - 31 December 2019	**789,586**	**1,080**	**45,679**	**46,759**

	31 December 2018 Number 000's	Nominal value $'000	Share premium $'000	31 December 2018 Total $'000
As at 1 January 2018 (restated)	185,908	235	15,056	15,291
Shares issued during the period:				
Issued for the acquisition of subsidiary	185,907	263	11,242	11,505
Issued for cash consideration	319,635	452	19,332	19,784
Issued for services rendered	27,072	38	1,637	1,675
Share issue costs	n/a	n/a	(3,648)	(3,648)
Closing balance - 31 December 2018 (restated)	718,522	988	43,619	44,607

All ordinary shares are fully paid and carry one vote per share and the right to dividends. In the event of winding up the Company, ordinary shareholders rank after creditors. Ordinary shares have a par value of £0.001 per share. Share premium represents the issue price of shares issued above their nominal value.

No dividends were paid or declared during the current period (2018: nil).

NOTE 20: RESERVES

Merger reserve

The Merger reserve of $9.7m relates to the reorganisation of ownership of Northsun Italia S.p.A which occurred in the first half of 2017; being the difference between the value of shares issued and the nominal value of the subsidiary's shares received.

Other reserves

Share based payments reserve

The increase in share based payments reserve is partly attributable to the current period charge relating to options issued to Directors and management of the Company in 2018, which was $899k (2018: $455k). The remaining increase in share based payments reserve of $2.0m is attributable to warrants issued to subscribers of the Company's Eurobonds, as further explained in note 17.

Functional currency translation reserve

The translation reserve comprises all foreign currency differences arising from translation of the financial position and performance of the parent company and certain subsidiaries which have a functional currency different to the Group's presentation currency of USD. The total loss on foreign exchange recorded in other reserves for the period was $557k (2018: $2.2m loss).

NOTE 21: DISCONTINUED OPERATIONS

During the period, the Group continued to execute its strategy of growth in South East Asia through the acquisition of a 15% interest in the Duyung PSC. Following this acquisition, the Bulu transaction previously announced in September 2018, and the Group's ongoing business development activities in the region, the Directors see further opportunities to capture value and scale in the region. The same opportunity does not exist for the Group in Italy, and as a result the Board of Directors took the decision during the period to prioritise full divestment of the Italian business. As a result, in accordance with IFRS 5, the assets and liabilities of the Italian business have been classified as a disposal group held for sale. The Italian business represents a separate geographical area of operation for the Group and has therefore also been treated as a discontinued operation.

The results of the Italian operations for the period are presented below:

	31 December 2019 $'000	31 December 2018 $'000 (restated)
Revenue	**2,692**	2,176
Operating costs	**(2,661)**	(1,852)
Depreciation and amortisation expense	**(283)**	(496)
Gross profit/(loss)	**(252)**	(172)
Other income	**44**	34
General and administrative expenses	**(1,794)**	(2,585)
Depreciation expense	**(42)**	(54)
Change in rehabilitation provisions	**206**	637
Release of contingent consideration payable	**-**	596
Impairment losses	**(6,571)**	(7,248)
Loss from operating activities	**(8,409)**	(8,792)
Finance income	**10**	-
Finance expense	**(374)**	(174)
Loss before tax	**(8,773)**	(8,966)
Income tax benefit/(expense)	**-**	1,762
Loss for the period after tax	**(8,773)**	(7,204)

The major classes of assets and liabilities of the Italian operations classified as held for sale as at 31 December 2019 are as follows:

	31 December 2019 $'000
Assets	
Property, plant and equipment	**4,759**
Exploration and evaluation assets	**1,978**
Right-of-use assets	**175**
Land	**2,021**
Deferred tax assets	**2,240**
Inventories	**306**
Trade and other receivables	**2,210**
Other financial assets	**472**
Cash	**152**
Total assets	**14,313**
Liabilities	
Trade and other payables	**2,990**
Lease liabilities	**125**
Provisions	**9,217**
Total liabilities	**12,332**
Net assets	**1,981**

The net cash flows of the Italian operations were as follows:

	31 December 2019 $'000	31 December 2018 $'000 (restated)
Net cash flow from operating activities	**(1,451)**	(3,140)
Net cash flow from investing activities	**(1,222)**	1,295
Net cash flow from financing activities	**2,558**	1,994
Net cash inflow/(outflow)	**(115)**	149

Impairment losses were recorded on the Rapagnano, Bezzecca, Casa Tiberi, Casa Tonetto and Laura CGUs. Goodwill, which arose from the acquisition of Sound Energy Holdings Italy Limited in April 2018 (note 22), was also written off in full in the period. After recording impairments on individual CGU's and goodwill, the disposal group as a whole was tested for impairment as required by IFRS 5. This resulted in an additional impairment of $335k on initial classification of the Italian business as a disposal group held for sale, and an additional impairment of $391k when the impairment test was performed again at year-end. Refer to note 2e for further detail.

Included within trade and other receivables is a receivable of $889k from Sound Energy plc ("Sound") for future costs of rehabilitating the Badile licence which will be reimbursed by Sound, as outlined in note 22. Trade and other payables includes a payable to Sound totalling $2.0m which is the expected proceeds to be received on sale of the Badile land, which will be remitted to Sound.

NOTE 22: BUSINESS COMBINATIONS

On 9 April 2018, the Company acquired the entire issued capital of Sound Energy Holdings Italy Limited ("SEHIL") and its wholly-owned subsidiary, Apennine Energy S.p.A ("Apennine"). While SEHIL does not trade, Apennine is engaged in the discovery and exploitation of hydrocarbons in Italy. The acquisition provided the Group with additional reserves through the acquisition of the operating Rapagnano and Casa Tiberi gas fields, as well as a portfolio of exploration assets. The Group also acquired experienced technical and operational staff with a proven ability to explore, appraise, develop and operate oil and gas assets. An effective date for accounting purposes of 31 March 2018 was used for the acquisition, given the level of transactions between this date and the legal acquisition date of 9 April 2018 were immaterial.

Consideration for the Acquisition

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	$'000
Purchase consideration:	
Ordinary shares issued	11,505
Contingent consideration	621
Payment for working capital	2,214
	14,340

The fair value of the 185,907,500 consideration shares issued to the shareholders of Sound Energy plc ($11.5m) was based on the published share price of the Company on acquisition date of 4.38p per share.

The vendor is entitled to 5% of gross sales proceeds from the D.R 74.AP licence (the Laura field). In order to calculate the present value of this contingent consideration, the Company estimated gross future sales revenue from the Laura field and applied a 10% chance of success factor to this revenue to take into account the regulatory framework in Italy which currently prohibits the development of Laura, discussed further below. The resulting estimate of contingent consideration was discounted to present value at a rate of 2%, representing an approximation of the time value of money. The contingent consideration was recognised as a non-current payable in the Group balance sheet but was subsequently released to the income statement in 2018 due to the impairment of the Laura assets.

A further cash payment of €1.8m ($2.2m) was made to the vendor in July 2018 for the working capital in Apennine on acquisition date.

Fair value of assets and liabilities acquired

The assets and liabilities of Apennine recognised as a result of the acquisition were as follows:

	Fair value $'000
Cash and cash equivalents	2,991
Trade and other receivables	3,914
Inventories	185
Intangible assets	8,524
Property, plant and equipment	3,147
Land	2,216
Trade and other payables	(5,109)
Rehabilitation provisions	(4,374)
Deferred tax liabilities	(1,837)
Net identifiable assets acquired	9,657
Add: goodwill	4,683
	14,340

The goodwill was attributable to gross unrecognised tax losses of €45m (approximately $55m on acquisition date) in Apennine for which no deferred tax asset was recognised at the acquisition date. Goodwill was also attributable to operational synergies expected to be realised through merging the Group's two Italian subsidiaries, which management has estimated will save in excess of €0.5m per annum in overhead costs from 2020 (approximately $0.6m using the acquisition date exchange rate).

The identifiable assets and liabilities stated above includes the following:

- Badile land ($2.2m): Under the terms of the Sale & Purchase Agreement ("SPA"), all proceeds from the sale of the Badile land will be remitted to the vendor, net of any transaction costs incurred by Coro. Accordingly, a $2.2m payable was recorded within the acquisition date fair value of trade and other payables above representing the amount owing to the vendor.
- Badile VAT receivable ($1.1m): Under the terms of the SPA, any VAT refunds received by Apennine in respect of a drilling campaign on the Badile licence were to be remitted to the vendor. A $1.1m payable was recorded within the acquisition date fair value of trade and other payables to reflect this. The Badile VAT refund was duly paid to Sound Energy plc in March 2019.
- Badile rehabilitation provision ($1.1m): Under the terms of the SPA, any expenditures incurred by Apennine on rehabilitating the Badile licence will be reimbursed by the vendor. The acquisition date fair value of the rehabilitation provision for Badile was $1.1m. As such, a $1.1m receivable was included in the acquisition date fair values to reflect this amount which will be collected from the vendor. Payments totalling $0.2m were received from Sound Energy up to 30 June 2019.

The significant estimates and judgements relevant to the valuation of Apennine's assets were as follows:

1. Apennine has two producing gas fields, Rapagnano and Casa Tiberi, which were valued using a discounted cash flow ("DCF") model. Production and cost forecasts were based on a Competent Person's Report prepared by CGG Associates. Gas prices were assumed at €0.24/scm in 2018, and inflated at 2% per annum thereafter. A discount rate of 7% was applied to future cash flows, based on the Group's weighted average cost of capital. The remaining oil and gas assets acquired primarily related to a gas plant and associated equipment used on the Casa Tonetto field, which were valued by an external valuer. A small impairment was subsequently recorded on Casa Tonetto assets in 2018.
2. Two exploration assets were also valued using a DCF methodology, the Laura and Santa Maria Goretti fields. Key assumptions such as gas price and discount rate were consistent with those used for producing gas fields. Production estimates were prepared internally, and total production estimates are comparable to those reported in the most recent CPR. Cost estimates were determined internally, based on our knowledge of other similar fields developed by the Group. The key estimate made by the Company was the chance of success factors applied to the calculated net present values of the two fields:
    a. Laura (10% chance of success): In December 2015, a new Budget law was passed in Italy which prevents any exploitation of oil and gas licences within 12 nautical miles of the coast. The Laura field is approximately 4 km offshore, and hence the licence is currently suspended pending a change to current regulation which would allow the field development to progress. Management estimated there was a 10% chance of regulatory change occurring.
    b. Santa Maria Goretti (40%): A chance of success of 40% was applied to this field, which took into account the comparatively early stage of exploration and appraisal of the licence.

As discussed in the 2018 Annual Report, due to a further worsening of the investment climate in Italy for exploration assets including an 18-month moratorium on exploration permitting, the Directors took the decision to impair the Santa Maria Goretti field to nil, while the Laura field was impaired to its historic cost value. The total of these impairments, along with write-off of capitalised permit application costs incurred by Apennine, was $6.8m.

Revenue and profit contribution
The acquired business contributed revenues of $756k and a net loss of $850k to the Group in the period from 1 April 2018 to 31 December 2018. If the business were acquired on 1 January 2018 the Group's loss before tax would have increased by $248k.

Discontinued operation
As discussed further in note 21, the Group's entire Italian business has been classified as a disposal group held for sale and results from the Italian business are shown as discontinued operations.

NOTE 23: INVESTMENT IN, AND LOANS TO, SUBSIDIARIES

	Company	
	2019 **$'000**	2018 $'000 (restated)
Cost		
At 1 January	**27,142**	11,822

Additions	**24,670**	15,320
At 31 December	**51,812**	27,142
Accumulated impairment		
At 1 January	**(22,848)**	(5,158)
Impairment	**(9,374)**	(17,690)
At 31 December	**(32,222)**	(22,848)
Impact of foreign exchange	**177**	(486)
Net book value		
At 31 December	**19,767**	3,808

The Company's subsidiary undertakings at the date of issue of these financial statements, which are all 100% owned, are set out below:

Name	**Incorporated**	**Principal activity**	**Registered address**
Apennine Energy S.p.A*	Italy	Exploration, development and production company	Via XXV Aprile 5, San Donato Milanese, (MI) 2009, Italy
Coro Europe Limited*	England	Holding company	40 George St, London, W1U 7DW, United Kingdom
Coro Asia Limited*	England	Holding company	40 George St, London, W1U 7DW, United Kingdom
Coro Energy Asia Limited*	England	Holding company	40 George St, London, W1U 7DW, United Kingdom
Coro Energy Holdings Cell A Limited	England	Holding company	40 George St, London, W1U 7DW, United Kingdom
Coro Energy (Singapore) Pte Ltd*	Singapore	Holding company	80 Robinson Road #02-00, Singapore 068898
Coro Energy Bulu (Singapore) Pte Ltd*	Singapore	Holding company	80 Robinson Road #02-00, Singapore 068898
Coro Energy Duyung (Singapore) Pte Ltd*	Singapore	Exploration and development company	80 Robinson Road #02-00, Singapore 068898

* Indirectly held

As part of a Group reorganisation undertaken in March 2019, the Company sold its interest in Northsun Italia S.p.A ("Northsun") to its subsidiary, Apennine Energy S.p.A ("Apennine"). Northsun was subsequently merged with Apennine in September 2019.

The following subsidiaries are exempt from audit for the 2019 financial year under s479A of the Companies Act 2006: Coro Asia Limited, Coro Energy Asia Limited, Coro Energy Holdings Cell A Limited.

Loans to subsidiaries

	Company 2019 $'000	2018 $'000 (restated)
Current		
Loans to subsidiaries	**169**	-
At 31 December	**169**	-
Non-current		
Loans to subsidiaries	**-**	5,318
At 31 December	**-**	5,318

Loans to subsidiaries are unsecured, interest free and are repayable on demand.

NOTE 24: FINANCIAL INSTRUMENTS

Carrying amount versus fair value

The fair values of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position, are as follows.

31 December 2019

	Group Carrying amount $'000	**Fair value $'000**
Financial assets		
Trade and other receivables (current and non-current)	**227**	**227**
Derivative financial instruments	**15**	**15**
Cash and cash equivalents	**6,374**	**6,374**
Financial liabilities		
Trade and other payables	**1,046**	**1,046**
Lease liabilities (current and non-current)	**248**	**248**
Borrowings (current and non-current)	**19,843**	**19,843**

31 December 2018 (restated)

	Group Carrying amount $'000	Fair value $'000
Financial assets		
Other financial assets	648	648
Trade and other receivables (current and non-current)	4,319	4,319
Cash and cash equivalents	9,361	9,361
Financial liabilities		
Trade and other payables	6,131	6,131

31 December 2019

Company

	Carrying amount $'000	Fair value $'000
Financial assets		
Trade and other receivables (current and non-current)	**1,405**	**1,405**
Loans to subsidiaries	**169**	**169**
Derivative financial instruments	**15**	**15**
Cash and cash equivalents	**5,324**	**5,324**
Financial liabilities		
Trade and other payables	**2,451**	**2,451**
Lease liabilities (current and non-current)	**248**	**248**
Borrowings (current and non-current)	**19,843**	**19,843**

31 December 2018 (restated)

	Company Carrying amount $'000	Fair value $'000
Financial assets		
Trade and other receivables	1,363	1,363
Loans to subsidiaries	5,318	5,318
Cash and cash equivalents	9,088	9,088
Financial liabilities		
Trade and other payables	3,901	3,901

Determination of fair values

All the Group's financial instruments are carried at amortised cost with the exception of derivative financial instruments which are recorded at fair value through profit and loss. The carrying value of trade and other receivables, cash and cash equivalents and trade and other payables approximates their fair value. Borrowings comprises the Group's Eurobond, which is listed on the Luxembourg Stock Exchange. To date no bonds have been traded so carrying value is deemed to approximate fair value at the balance sheet date.

Financial risk management

Exposure to credit, market and liquidity risks arise in the normal course of the Group's business.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk recognition and management are viewed as integral to the Group's objectives of creating and maintaining shareholder value, and the successful execution of the Group's strategies in oil and gas exploration and development. The Board as a whole is responsible for oversight of the processes by which risk is considered for both ongoing operations and prospective actions. In specific areas, it is assisted by the Audit and Risk Committee.

Management is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

(i) Credit risk

The Group is exposed to credit risk on its cash and cash equivalents, trade and other receivables and derivative financial instruments. The maximum exposure to credit risk is represented by the carrying amount of each financial asset as shown in the table above and in note 21.

Credit risk with respect to cash is reduced through maintaining banking relationships with financial intermediaries with acceptable credit ratings. All banks with which the Group has a relationship have an investment grade credit rating and a stable outlook according to recognised credit rating agencies.

The Group undertakes credit checks for all material new counterparties prior to entering into a contractual relationship.

(ii) Market risk

Interest rate risk

The Group is primarily exposed to interest rate risk arising from cash and cash equivalents that are interest-bearing. The Group's Eurobond bears interest at a fixed rate. Interest rate risk is currently not material for the Group.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. The Group's primary currency exposure is to Euros, which is the denomination of the Eurobond. The Group is also exposed to changes in the Sterling exchange rate against the US dollar. The Group holds a majority of its cash in US dollars, which is the currency in which the Group's investment expenditures in South East Asia are denominated. This gives rise to Sterling exposure due to a largely Sterling cost base in the UK. The Group's policy is to hedge up to 40% of Sterling exposure through simple forward contracts which are recorded as derivative financial instruments in the balance sheet.

The Group's and Company's exposure to foreign currency risk at the end of the reporting period is summarised below. All amounts are presented in US dollar equivalent.

	Group 2019 $'000 USD	**2019 $'000 EUR**	2018 $'000 USD (restated)	2018 $'000 EUR (restated)
Trade and other receivables (current and non-current)	**-**	**-**	-	1,064
Cash and cash equivalents	**4,983**	**235**	8,856	-
Trade and other payables	**(41)**	**-**	(46)	(3,068)
Borrowings (current and non-current)	**-**	**(19,843)**	-	-
Net exposure	**4,942**	**(19,608)**	8,810	(2,004)

	Company 2019 $'000 USD	**2019 $'000 EUR**	2018 $'000 USD (restated)	2018 $'000 EUR (restated)
Trade and other receivables (current and non-current)	**278**	**-**	-	1,064
Cash and cash equivalents	**4,983**	**235**	8,856	-
Loans to subsidiaries	**-**	**168**	-	5,319
Trade and other payables	**(41)**	**(1,979)**	(46)	(3,231)
Borrowings (current and non-current)	**-**	**(19,843)**	-	-
Net exposure	**5,220**	**(21,419)**	8,810	3,152

Sensitivity analysis

As shown in the table above, the Group is primarily exposed to changes in the GBP:USD exchange rate through its cash balance held in USD by the Company, and to changes in the GBP:EUR exchange rate due to the Eurobond denominated in EUR. The table below shows the impact in USD on pre-tax profit and loss of a 10% increase/decrease in the GBP to USD exchange rate, holding all other variables constant. Also shown is the impact of a 10% increase/decrease in the GBP to EUR exchange rate, being the other primary currency exposure.

	Group $'000	**Company $'000**
31 December 2019		
USD:GBP exchange rate increases 10%	**494**	**522**
USD:GBP exchange rate decreases 10%	**(449)**	**(474)**
EUR:GBP exchange rate increases 10%	**(1,961)**	**(2,145)**
EUR:GBP exchange rate decreases 10%	**1,782**	**1,950**
31 December 2018 (restated)		
USD:GBP exchange rate increases 10%	881	881
USD:GBP exchange rate decreases 10%	(801)	(801)
EUR:GBP exchange rate increases 10%	(200)	315
EUR:GBP exchange rate decreases 10%	182	(286)

(iii) Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor confidence and to sustain future development of the business, safeguard the Group's ability to continue as a going concern and provide returns for shareholders. The Group's Eurobond was issued with 47,357,500 attaching warrants which entitle warrant holders to subscribe for ten new ordinary shares in the Company at an exercise price of 4p per share at any time over the three-year term of the bonds. Should the warrants be exercised, the exercise proceeds will substantially cover the Eurobond repayment due on 12 April 2022 and recapitalise the Group.

While the Group does not have any set capital ratios it observes, management recognises that it will be necessary to recapitalise the Group through the issue of new equity in the nearer term in order to meet its strategic objectives.

(iv) Liquidity risk

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due. Refer to the Going Concern statement in note 2c for further commentary.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts presented are the contractual undiscounted cash flows.

31 December 2019	**Group Less than 6 months $'000**	**6 to 12 months $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Total contractual cash flows $'000**
Trade and other payables	**1,046**	**-**	**-**	**-**	**1,046**
Lease liabilities	**57**	**57**	**114**	**60**	**288**
Borrowings	**632**	**-**	**632**	**27,886**	**29,150**
Total	**1,735**	**57**	**746**	**27,946**	**30,484**

31 December 2018 (restated)	Group Less than 6 months $'000	6 to 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Total contractual cash flows $'000
Trade and other payables	4,069	2,062	-	-	6,131

Total	4,069	2,062	-	-	6,131

	Company				
31 December 2019	**Less than 6 months $'000**	**6 to 12 months $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Total contractual cash flows $'000**
Trade and other payables	**472**	**1,979**	**-**	**-**	**2,451**
Lease liabilities	**57**	**57**	**114**	**60**	**289**
Borrowings	**632**	**-**	**632**	**27,886**	**29,149**
Total	**1,161**	**2,036**	**746**	**27,946**	**31,889**

	Company				
31 December 2018 (restated)	Less than 6 months $'000	6 to 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Total contractual cash flows $'000
Trade and other payables	4,069	2,062	-	-	6,131
Total	4,069	2,062	-	-	6,131

Included within payables due in 6 to 12 months by the Company is a balance of $2.0m (2018: $2.1m) owing to Sound Energy plc from the expected sales proceeds of the Badile land as explained in note 22. If the disposal of our Italian business to Zenith Energy Ltd completes as expected, this payable will be novated to Zenith and accordingly is included within liabilities of a disposal group held for sale in the Group balance sheet.

NOTE 25: SHARE BASED PAYMENTS

The Company issued the following equity instruments during the year in exchange for goods and services:

	31 December 2019	
	No. of equity instruments '000s	**Value of service $'000**
Recognised in the consolidated statement of comprehensive income:		
Ordinary shares issued for professional services provided*	**1,787**	**31**
Options issued to director	**10,000**	**10**
Recognised in the consolidated statement of financial position		
Shares issued to Duyung vendors	**60,905**	**1,850**
Recognised directly in equity:		
Warrants issued to Eurobond subscribers	**473,575**	**2,007**

* Additional ordinary shares were issued in 2019 in respect of bonuses granted to executives and management for the 2018 performance year. The expense associated with bonus shares was recognised in 2018 so they are not reflected here.

	31 December 2018	
	No. of equity instruments '000s	Value of service $'000 (restated)
Recognised in the consolidated statement of comprehensive income:		
Ordinary shares issued in lieu of Directors' fees	86	5
Ordinary shares issued for professional services provided	685	43
Options issued to Directors and management	93,000	551
Warrants issued in exchange for general services	5,000	19
Recognised as share issue costs in the consolidated statement of changes in equity:		
Ordinary shares issued in lieu of commissions on placement	24,589	1,521
Ordinary shares issued for professional services related to placement	1,712	107
Warrants issued on placement	159,817	655

Share options and warrants

The following equity settled share based awards were made in the current and prior year:

Date of grant	No. of options '000s	Expiry date	Purpose	Contractual life of option
09-Apr-18	67,000	09-Apr-23	As part of overall compensation to directors/management	5 years
01-May-18	25,000	01-May-23	As part of overall compensation to directors/management	5 years
09-Jul-18	1,000	09-Jul-23	As part of overall compensation to directors/management	5 years
04-Oct-19	10,000	04-Oct-24	As part of overall compensation to directors/management	5 years

The options vest after three years of continuous service with the Company. The fair value of services rendered in return for share options is based on the fair value of share options granted and was measured using the Black-Scholes model.

The following inputs were used in the measurement of the fair values at grant date of the options granted:

	9 April 2018 5-year option	**1 May 2018 5-year option**	**9 July 2018 5-year option**	**4 October 2019 5-year option**
Fair value at grant date	1.86p	1.53p	1.20p	0.94p
Share price at grant date	4.30p	3.83p	3.33p	2.92p
Exercise price	4.38p	4.38p	4.38p	4.38p
Expected volatility	50%	50%	50%	50%
Option life	5 years	5 years	5 years	5 years

Risk-free interest rate (based on yield on five-year gilts)	1%	1%	1%	1%
Expiry date	09-Apr-23	01-May-23	09-Jul-23	04-Oct-24

p - British pence

The fair value of the options granted are spread over the vesting period. The amount recognised in the income statement for the year ended 31 December 2019 was $899k (2018: $551k).

This 2019 charge included the accelerated vesting of options issued to two former directors who resigned during the period. According to their respective option deeds, the options became immediately exercisable at their original exercise price of 4.38p per share for a period of three months following resignation. The options were not exercised and have lapsed. The cumulative expense recognised for lapsed options has been recycled to accumulated losses.

The Company issued new warrants to Eurobond subscribers in 2019. Further detail is provided in note 17.

In the prior year, the Company issued 159m warrants to new shareholders as an incentive to subscribe for new shares in the Company. A further 5m warrants were granted to service providers in lieu of cash compensation.

Date of grant	No. of options '000s	Expiry date	Purpose	Contractual life of option
09-Apr-18	159,817	09-Apr-19	Incentive to new shareholders to subscribe for shares in the Company at the April 2018 placing	1 year
09-Apr-18	5,000	09-Apr-19	Issued for professional services provided	1 year

The amount recognised in the income statement in the prior year represents the amount of the fair value of warrants issued for services rendered of $19k.

The amount recognised in equity as a cost directly attributable to the issue of shares represents the amount of the fair value of warrants issued to new shareholders of $655k.

The warrants were not exercised and expired on 9 April 2019.

NOTE 26: INTERESTS IN OTHER ENTITIES

Asia

The Group's wholly owned subsidiary, Coro Energy Duyung (Singapore) Pte Ltd is the owner of a 15% interest in the Duyung Production Sharing Contract ("PSC").

The Duyung PSC partners have entered into a Joint Operating Agreement ("JOA") which governs the arrangement. As described in note 2e, Coro has determined that it has significant influence over the arrangement by virtue of its 15% equity stake and representation on the Operating Committee, the key decision-making body of the arrangement. The Group accounts for its share of assets, liabilities and expenses of the venture in accordance with the IFRSs applicable to the particular assets, liabilities and expenses.

At 31 December, a payable of $547k is recorded in note 15 which represents the Group's share of 2019 expenditures not yet paid to the venture. The operator of the venture is West Natuna Exploration Ltd ("WNEL"). WNEL is a company incorporated in the British Virgin Islands and its principal place of business is Indonesia.

Italy

In June 2019, the Group entered into an agreement with Petrorep Italiana SpA to acquire its 10% interest in the Cascina Castello production licence, which contains the Bezzecca field. The deal has an economic effective date of 1 May 2019, but has not yet completed due to outstanding approvals from the Italian Ministry for Economic Development. On completion, Petrorep will pay the Group €100k ($112k), representing their share of rehabilitation costs to be incurred in future on the licence. Post-completion, the Group will own 100% of the licence (prior to completion of the disposal of Coro Europe).

NOTE 27: CONTINGENCIES AND COMMITMENTS

Commitments

Coro's share of the approved 2020 Duyung Work Program and Budget is estimated at $615k.

Total lease commitments under non-cancellable operating leases are $114k (within one year) and $174k (later than one year but within five years)

Contingencies

As outlined further in note 21, there is contingent consideration receivable from Zenith Energy Ltd in respect of the disposal of Coro Europe, which is subject to certain production milestones being met. As of the date of publication of these financial statements, the disposal of Coro Europe has not yet completed due to outstanding approvals from the Italian Ministry for Economic Development.

The Group has no contingent liabilities.

Note 28: Related party transactions

Key management personnel compensation

	2019 $'000	2018 $'000 (restated)
Short-term benefits	**1,026**	1,379
Post-employment benefits	**32**	67
Share based payments	**616**	472

Key management personnel consists of the Directors of the Company (2018: Directors of the Company plus the Chief Financial Officer)

Other related party transactions

Sound Energy plc and Echo Energy plc

The Company had two Directors in 2019 who were also Directors of Sound Energy plc and three Directors who were also directors of Echo Energy plc until Fiona MacAulay's resignation as a director of Echo on 31 May 2019. All transactions entered into between the companies are made on arm's length terms.

In 2019, Echo recharged the Company $4k in respect of broadband internet for the Company's head office. $152k of Badile rehabilitation costs were recharged to Sound by the Company during 2019 under the terms of the SPA entered into with Sound in 2018 in respect of the purchase of Sound Energy Holdings Italy Ltd. The Company also repaid $1.1m to Sound in respect of the Badile VAT rebate as provided in the SPA. See note 22.

CIP Merchant Capital Ltd

CIP Merchant Capital Ltd ("CIP") is considered a related party of the Group under IAS 24 Related party transactions by virtue of its 19.1% shareholding and representation on the Board (1 Director). During the period, CIP subscribed for €4.05m Tranche A Eurobonds with 7,444,305 Warrants attached and continues to hold these instruments as at the date of publication of these financial statements.

NOTE 29: SUBSEQUENT EVENTS

Withdrawal from Bulu acquisition

On 31 January 2020, the decision was taken not to proceed with the acquisition of a 42.5% interest in the Bulu PSC, offshore Indonesia.

Following the successful drilling campaign on the Duyung PSC in Q4 2019, together with the growing number of M&A opportunities in the region, Coro can be selective about the assets it chooses to bring into its portfolio. In that context, with government regulatory approvals still outstanding and concerns around the future of the operating partner, the potential changes to the composition of the Bulu partnership group and the possibility of new requirements being introduced in satisfying the Plan of Development at Bulu, the Board viewed the risks associated with the Bulu acquisition from Coro's perspective had significantly increased.

The long stop date for completion of the acquisition was 2 December 2019. Accordingly, we elected to let the acquisition lapse in accordance with the terms of the acquisition agreement.

Board changes

As discussed further in the Chairman's Statement, James Menzies was terminated as CEO of the Company effective 1 April 2020. Nick Cooper, appointed as a Director on 15 January 2020, resigned effective 1 April 2020. Andrew Dennan stepped down as CFO on the same date but remains a Non-Executive Director.

COVID-19

As outlined in the Chairman's Statement and Strategic Report, COVID-19 has had limited direct impact on Coro's assets in South East Asia but the disposal of the Group's Italian assets is anticipated to be delayed due to delays in obtaining the necessary governmental approvals. Production operations in Italy have been unaffected to date, with the assets being managed through a combination of on-site working within social distancing guidelines or remote oversight, with all appropriate safety procedures remaining in place to protect staff and local communities. While our operational capability is largely unaffected, we have taken the decision to temporarily suspend production on unprofitable fields. The fields will continue to be maintained to allow the swift resumption of production when external conditions improve.

END

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Final Results
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Results and Trading Reports
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