Annual Report and Financial Statements
For the Year Ended 31 December 2020

Stock code: CORO

CORO IS A SOUTH EAST ASIAN ENERGY COMPANY SUPPORTING THE REGIONAL TRANSITION TO A LOW-CARBON ECONOMY.

We are investing in a balanced portfolio of energy assets to satisfy increasing regional demand.

INVESTMENT CASE

Focused on growth markets

South East Asia includes some of the fastest growing economies globally

Electricity demand forecast to increase 152% by 2050

Read more in **Our Markets** on pages 6 to 7

Duyung PSC

A strong gas asset acting as a platform for regional growth (15% interest with gross discovered 2C resource of 495 Bcf and attractive commercial metrics at low commodity prices)

Read more in **Operational Review** on page 10

Recently revised strategy, including renewables and energy storage

Increased demand will require significant investment in renewables

Increase in demand for battery storage also to support grid imbalances and renewables growth

Read more in **Our Strategy** on page 5

Building a clean energy portfolio

Post year-end, acquired Global Energy Partnership Ltd, building on ion Ventures investment made in November 2020

Read more in **Operational Review** on pages 8 to 9

HIGHLIGHTS

SOUTH EAST ASIA

- Announced resource upgrade for Mako gas field, Duyung PSC – 79% increase in 2C resources to 495 Bcf (gross)
- Increased Mako resource estimates accepted by Indonesian regulator; updated Plan of Development being prepared
- Acquired 20.3% interest in ion Ventures, including a right of first refusal to invest directly in ion's South East Asian projects

CORPORATE

- Implemented significant cost-saving measures in response to COVID-19 pandemic and challenging market conditions
- Continued to explore divestment options for non-core Italian portfolio after previous agreement lapsed

POST-BALANCE SHEET EVENTS

- Acquired a portfolio of early stage operated renewable energy projects in South East Asia through the acquisition of Global Energy Partnership Ltd
- Raised net proceeds of £3.9m through share placing and open offer with new and existing investors
- Strengthened Board and Executive team with appointment of CEO with highly relevant experience and regional knowledge

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Read more online at **coroenergyplc.com**

STATEMENT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

“The Company is positioned for an exciting 2021, with a broad opportunity set of clean energy investment and a high-quality gas asset.”

MARK HOOD
Chief Executive Officer

The beginning of 2020 will go down as one of the most challenging periods for junior exploration and production companies, with the COVID-19 pandemic and other factors causing a significant and rapid fall in oil prices and a resulting deterioration in investor sentiment. In response, the Board acted quickly and decisively to reduce overheads and preserve cash, including reducing executive staffing, with Andrew Dennan stepping aside as the Company's CFO but remaining as a Non-Executive Director and the Company's former CEO leaving the Company. This action led to a material $2.2m reduction in operating cash outflows compared to the prior year.

Despite this challenging backdrop, 2020 was an important transition year for the Company. We were pleased to report a significant resource upgrade for our foundation gas asset, the Duyung PSC, alongside the launch of our new, low carbon energy strategy and the first strategic investment in ion Ventures Holdings Ltd ("ion Ventures"), a South East Asia and UK focused developer. We continued the momentum post year-end, with the acquisition of Global Energy Partnership Ltd ("GEPL"), alongside a strategic fundraise. This latest acquisition delivered both a portfolio of operated renewable energy projects across South East Asia and a renewables-experienced Chief Executive Officer.

After this period of transition, the Company is now positioned for an exciting 2021, with a broad opportunity set of clean energy investments and an underpinning high-quality gas asset.

DUYUNG PSC – SIGNIFICANT RESOURCE UPGRADE

The Company's 15% interest in the Duyung PSC (operated by Conrad Petroleum Ltd), which contains the Mako gas field, remains a key pillar within our portfolio, with gas set to play a major role in the energy transition as a lower-carbon alternative to coal and benefiting from a strong regional market. Following the successful appraisal drilling campaign undertaken in Q4 2019, Gaffney Cline & Associates ("GCA") were engaged by the PSC operator to prepare an updated resource audit. This audit was completed in May 2020, with GCA confirming a significant increase in 2C resources (gross, full field) to 495 Bcf compared to their previous estimate of 276 Bcf. This demonstrates the significant potential scale of the Mako gas field, with further upside potential contained in the certified 817 Bcf of 3C resources, a 108% increase on the previous 3C estimate of 392 Bcf. The operator's focus has now turned to the commercial milestones including submission of an updated Plan of Development and signature of a gas sales agreement. Achievement of these milestones will be key to upgrading contingent resources to reserves, and ultimately to enabling the partners to take a Final Investment Decision ("FID").

BUILDING A CLEAN ENERGY PORTFOLIO – ION VENTURES INVESTMENT

In September 2020, we announced a revised South East Asian strategy to include a specific focus on renewable energy assets and related technologies, including battery storage. Shortly after, in November 2020, we completed the acquisition of a 20.3% shareholding in ion Ventures, a developer of flexible energy assets including battery storage, with a pipeline of opportunities across South East Asia and a mature UK portfolio. This deal accelerated our evolution into a low-carbon energy company and aligned us with a team of clean energy experts with the same regional focus. Another key

component of the deal was the acquisition of a right of first refusal to invest in ion's pipeline of South East Asian projects, and our rigorous screening of these opportunities continues.

CONTINUING THE MOMENTUM – GEPL ACQUISITION AND STRATEGIC FUNDRAISE

After year-end, in March 2021, we completed the acquisition of GEPL, an originator and developer of renewable energy projects in South East Asia. This represents an important next step in our strategic objective of building a regionally focused, low-carbon energy company. With this acquisition, we secured a pipeline of operated renewable energy projects across the region, with an initial focus on the Philippines. We also welcomed Mark Hood, co-founder of GEPL, to the Board of Directors, with Mark to serve as the Company's CEO, thus securing an experienced clean energy executive to lead the Company through the next stage of its strategic journey. Mark also has oil and gas industry experience, which will support Coro's continuing work on Duyung. The GEPL acquisition also complements our ion Ventures investment, with potential opportunities for co-development in South East Asia in future.

Alongside the GEPL deal, we successfully raised net proceeds of £3.9m ($5.3m at year-end exchange rates) through a share placing and open offer with new and existing investors. These funds come at a critical time for the Company, and will enable us to continue to fund our share of Duyung costs through to FID, as well as investing in our pipeline of renewable energy projects in the region. The fundraise also provides the Group with sufficient working capital runway to achieve its near term corporate goals including evolving its capital structure ahead of the Eurobond redemption date in April 2022.

DISPOSAL OF ITALIAN PORTFOLIO

Divestment of our non-core Italian portfolio remains a priority for the Board, and we remain in discussions with multiple parties regarding sale of the portfolio. The Board is confident a disposal can be successfully concluded.

OUTLOOK

Coro not only managed to successfully weather the storm in 2020, we progressed to an inflection point in our transition to becoming a regionally focused, low-carbon energy company. We have an exciting, blended portfolio of energy assets, with our operated renewable energy portfolio sitting alongside our investments in the non-operated Duyung PSC and ion Ventures. Having raised new capital early in 2021, and with a strengthened Executive team, we are excited about the potential to add value for shareholders in the next 12 months and beyond.

We wish all shareholders a safe and prosperous 2021.

JAMES PARSONS
Non-Executive Chairman

MARK HOOD
Chief Executive Officer

BUSINESS MODEL

OUR STRENGTHS

- **Entrepreneurial team, low-cost base:**
Small, entrepreneurial management team and a lean cost structure
- **Network and presence in region:**
Board and management are well connected in the region
- **Access to capital:**
Supported by key cornerstone institutional investors and a Board with a track record financing energy investments
- **Creating shareholder value:**
Board who are experienced at creating shareholder value, including through M&A

OUR MARKET – SOUTH EAST ASIA

Refer to page 6

Develop existing assets:

- **Duyung:** Refer to page 10
- **ion Ventures:** Refer to page 8

Grow asset portfolio:

- Acquisition of GEPL announced post year-end (refer to page 9)
- Mature existing project pipeline and continue deal origination

VALUE CREATION

- Reinvest earnings to create a self-sustaining, mid-tier energy company
- Create value for shareholders

OUR STRATEGY

Coro's vision is to build a mid-tier South East Asian energy company, leading the regional transition to a low-carbon economy.

STRATEGIC PRIORITIES

1. USE THE DUYUNG PSC AS A PLATFORM FOR REGIONAL GROWTH

Coro has a 15% interest in the non-operated Duyung PSC, which contains the Mako gas field, an independently certified 2C gas resource of 495 Bcf (gross, full field). The Mako field is one of the largest gas fields to be discovered in the prolific West Natuna basin, and its proximity to infrastructure and markets underpins the value of Coro's investment in the asset.

2. INVEST IN ASSETS THAT SUPPLY SOUTH EAST ASIA'S INCREASING ENERGY DEMAND, WHILE SUPPORTING THE ENERGY TRANSITION

GDP in the ASEAN region is forecast to more than double to $20 trillion by 2040, resulting in increasing energy demand. To meet emissions targets and boost energy independence and security, significant investment in renewable energy and energy storage is planned in South East Asia – up to $500 billion by 2040. Further investment in gas is also required to replace coal, which emits twice as much carbon dioxide as cleaner burning natural gas and currently remains a major source of energy generation in South East Asia. Coro plans to invest in assets and businesses that are supporting the energy transition in the region. Given the role of gas in the energy transition, we will remain open to opportunities in this sector where there is compelling commercial logic, as well as continuing to pursue monetisation of the Mako gas field.

3. MONETISE INVESTMENTS TO DELIVER VALUE FOR CORO SHAREHOLDERS

Capital will only be allocated to those investments where there is a clear path to monetisation for Coro shareholders. We envisage reinvesting earnings to achieve our vision of building a mid-tier South East Asian energy company.

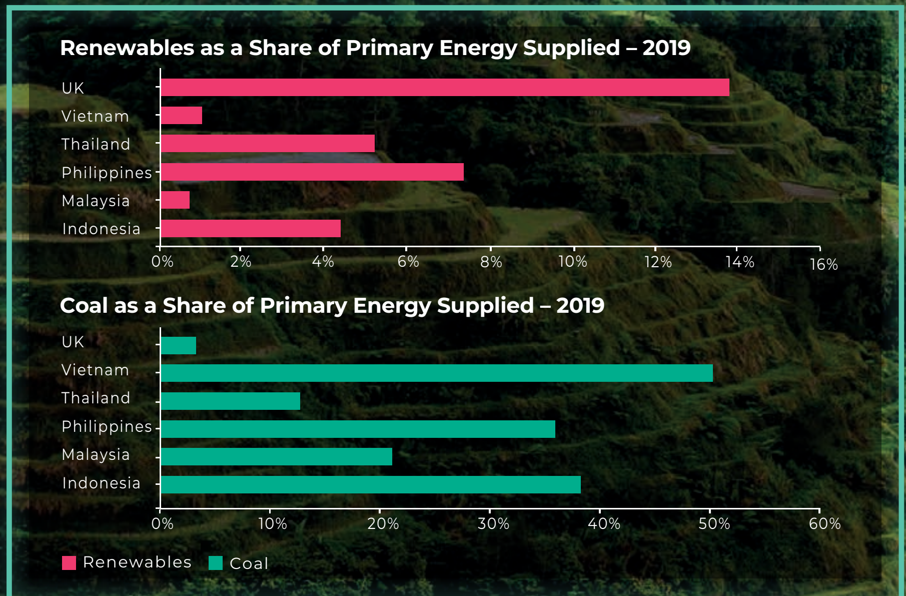
OUR MARKETS

SOUTH EAST ASIA

Electricity demand forecast to rise driven by increasing population and growing wealth.

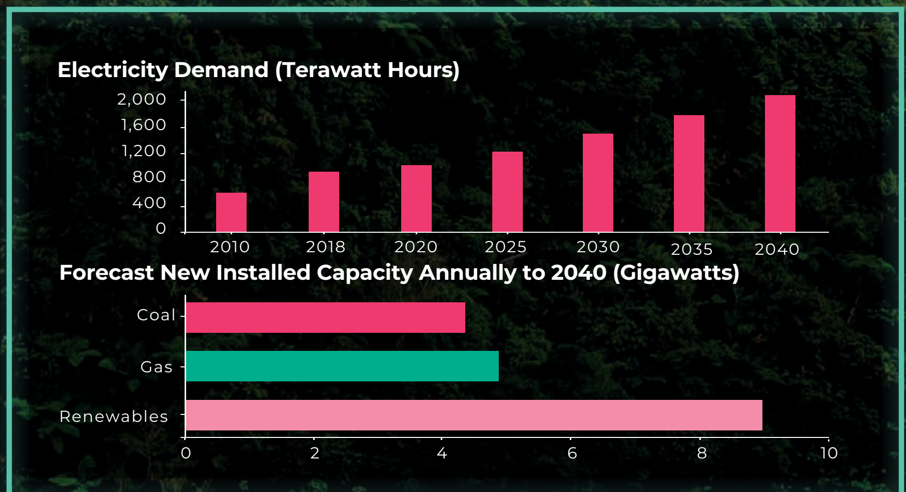
Source: ASEAN Centre for Energy

Coal still dominant and renewables penetration low.



Source: BP Statistical Review Of World Energy 2020

Significant new annual investment in renewables is forecast to 2040 to meet growing demand.

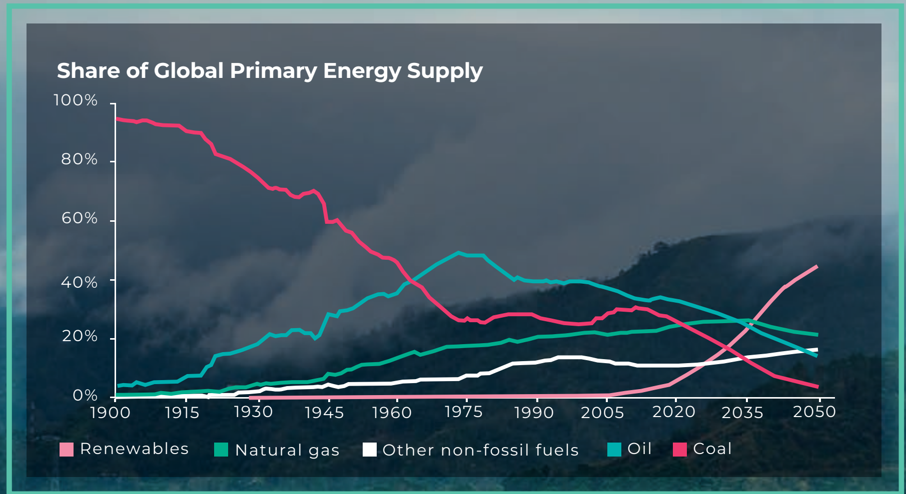


Source: IEA 2019

RENEWABLES AND ENERGY STORAGE

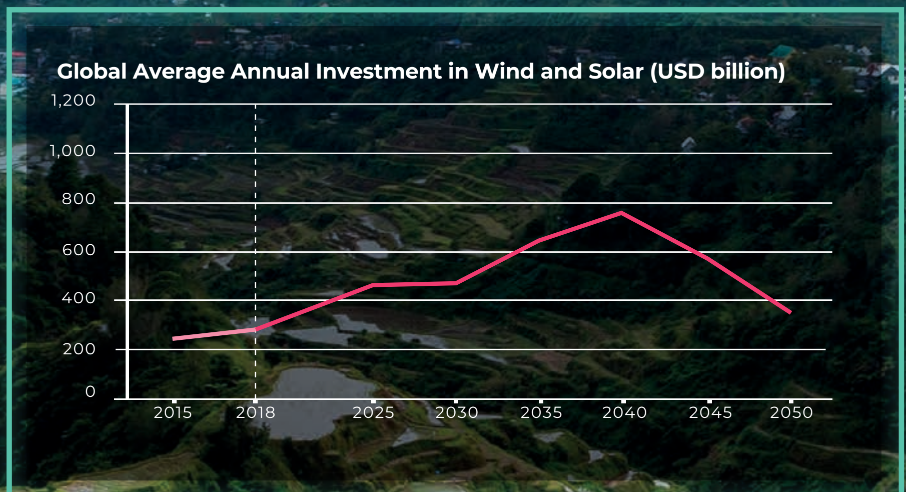
Global transition to low-carbon energy system well underway.

Source: BP World Energy Outlook 2020



Electrification of transport, residential homes and industry will require new investment in electricity generation and battery storage.

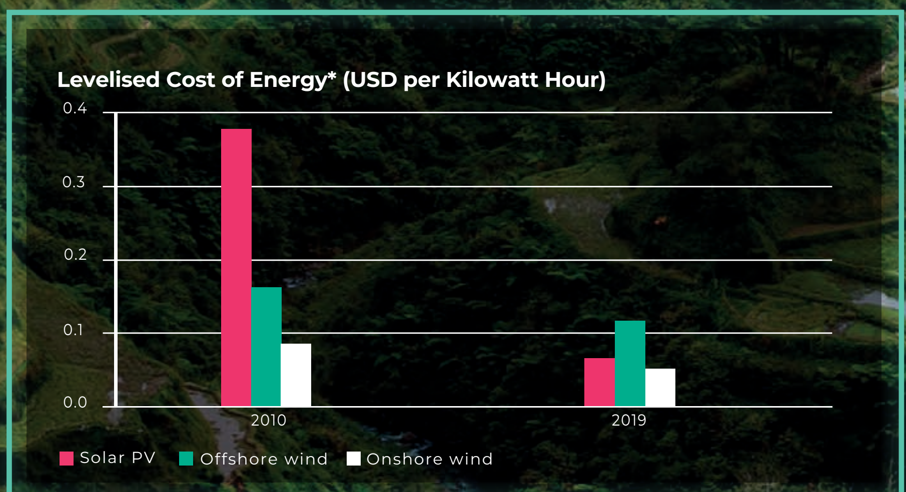
Source: BP World Energy Outlook 2020



Cost of deploying renewables has fallen significantly due to improvements in technology.

Source: Irena Renewable Cost Database

* LCOE: average cost of building and operating an asset per unit of total electricity produced



BUILDING A CLEAN ENERGY PORTFOLIO

We are investing in assets that supply South East Asia's increasing energy demand, while supporting the energy transition.

INVESTMENT IN ION VENTURES

Background to the investment

In November 2020, the Company completed its maiden clean energy investment, the acquisition of a 20.3% shareholding in ion Ventures Holdings Limited ("ion Ventures"). ion Ventures is a South East Asian and UK-focused developer of flexible power infrastructure such as battery storage, renewable generation assets and clean electrification schemes.

The investment in ion Ventures delivers a number of benefits to Coro and its shareholders:

- Alignment with a team of industry experts with a depth of knowledge in the clean energy space and a growth focus in South East Asia; and
- A right of first refusal to invest directly in ion's projects in South East Asia, which includes opportunities in Thailand, Indonesia and the Philippines.

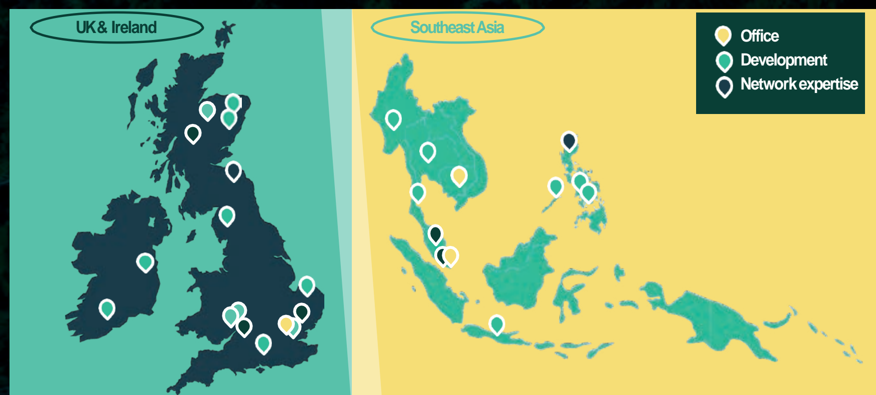
Focus on energy storage

Energy storage and other flexible energy solutions underpin the global transition to a low-carbon energy system. The ongoing rapid deployment of intermittent electricity generation assets such as wind and solar increases the volatility of electricity supply. In addition, the electrification of heating, cooling and transportation will increase electricity demand and create new and varied demand profiles. These trends point to an even greater role for flexible energy solutions in order to maintain a stable grid and ensure security of supply. For example, in the UK, National Grid forecasts up to 10 GW of additional energy storage is required by 2030, compared to 1 GW of capacity currently installed.

Energy storage, in the form of grid connected battery systems, is one such solution. Battery systems can draw electricity from the grid at times of high supply and discharge at periods of peak demand. This allows battery owners to benefit from price arbitrage in wholesale energy markets by purchasing electricity at very low prices during peak supply hours and selling back to the grid at much higher prices during periods of peak demand and/or low supply.

ion Ventures is a developer of these utility scale battery systems, as well as other flexible energy solutions suitable for smaller, off-grid and rural locations.

The market for flexible energy assets is growing exponentially, with Bloomberg New Energy Finance forecasting global spend of $840 billion on energy storage assets by 2050.



ACQUISITION OF GLOBAL ENERGY PARTNERSHIP LIMITED

In March 2021 (post year-end), we completed the acquisition of Global Energy Partnership Limited ("GEPL"). GEPL was founded in 2019 and is an originator and developer of renewable energy projects in South East Asia. Since inception, GEPL has screened over 25 GW of renewable energy projects and has identified a short list of priority pipeline projects for investment across the Philippines, Vietnam and Indonesia, with an initial focus on the Philippines.

The acquisition is the next step toward the Company's strategic objective of building a regionally focused, low-carbon energy company through the acquisition of a focused originator and developer of early-stage renewable energy projects. The acquisition delivers the following benefits for Coro shareholders:

- Acquisition of a pipeline of operated renewable energy projects in South East Asia, with the ability to unlock latent value from these projects with relatively little capital outlay;
- An Executive team with a proven record of originating and executing energy projects, with GEPL co-founder, Mark Hood, joining the Coro Board as Chief Executive Officer on completion of the acquisition; and
- A complementary acquisition for the Company's ion Ventures investment, with opportunities for co-development and ability to leverage regional networks and knowledge.

Alongside the acquisition, the Company raised net proceeds of £3.9m ($5.3m at year-end exchange rates) through a share placing and open offer with new and existing investors. This provides us with growth capital to continue with planning and permitting of our high-priority projects in the Philippines, which includes a 100 MW solar and 100 MW onshore wind project located in the Visayas region, as well as maturing the wider South East Asian pipeline.

GEPL co-founders, Mark Hood and Michael Carrington, have joined Coro as Chief Executive Officer and Chief Operating Officer respectively, ensuring the Group is sufficiently resourced to deliver on our expanded clean energy opportunity set.

Refer to further details on the acquisition in note 26 to the financial statements.

Priority Pipeline	
100 MW (extendable) onshore wind, Visayas, Philippines	Priority 1
100 MW solar, Visayas, Philippines	
300 MW solar, Luzon, Philippines	
100 MW onshore wind, Visayas, Philippines	Priority 2
100 MW solar, Visayas, Philippines	
2x50 MW solar, Quang Tri, Vietnam	
200 MW solar, Dak Lak, Vietnam	
30 MW solar, remote island initiative, Philippines	
100 MW onshore wind, Visayas, Philippines	Priority 3
100 MW solar, Visayas, Philippines	
50 MW solar, Cirata, Indonesia	
6 MW solar, Molowahu, Indonesia	

OPERATIONAL REVIEW

DUYUNG PSC

Summary

- Located in the prolific West Natuna basin, Indonesia
- Operated by Conrad Petroleum Ltd
- Contains the Mako gas field, a shallow gas accumulation covering a large areal extent
- Six wells have been drilled on the field including a two well programme in 2019
- 79% upgrade in audited 2C resource announced in 2020, following 2019 drilling program
- Mako contains dry gas, no H_2S, minimal CO_2, over 97% methane
- Potential for early commercialisation due to proximity to existing infrastructure

Despite the obvious challenges posed by the COVID-19 pandemic in 2020, the Duyung partners were able to continue the positive momentum generated by the successful, two well appraisal drilling program undertaken in Q4 2019.

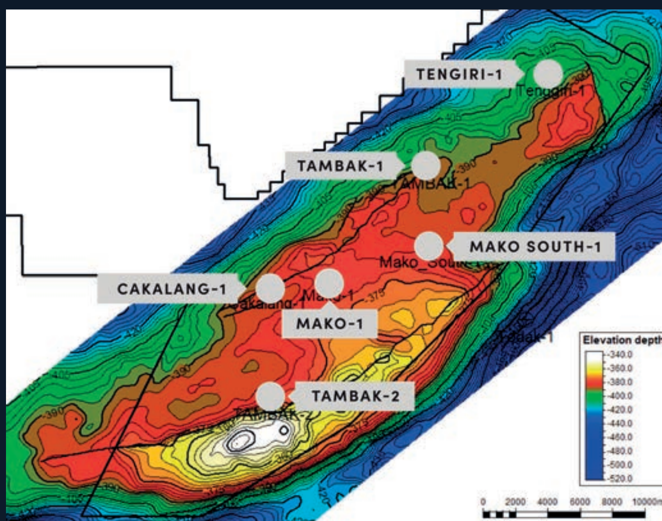
Gaffney, Cline and Associates ("GCA") were engaged to prepare an updated resource audit, taking into account the extensive data gathered during 2019's drilling program including the flow test conducted on the Tambak-1 well. GCA completed their audit in May 2020 and confirmed a significant resource upgrade for the Mako gas field compared to their previous resource assessment released in January 2019, as shown in the table below.

Contingent Resource Estimates	January 2019 GCA Audit	May 2020 GCA Audit	Increase %
1C (low case)	184	287	56
2C (mid case)	276	495	79
3C (high case)	392	817	108

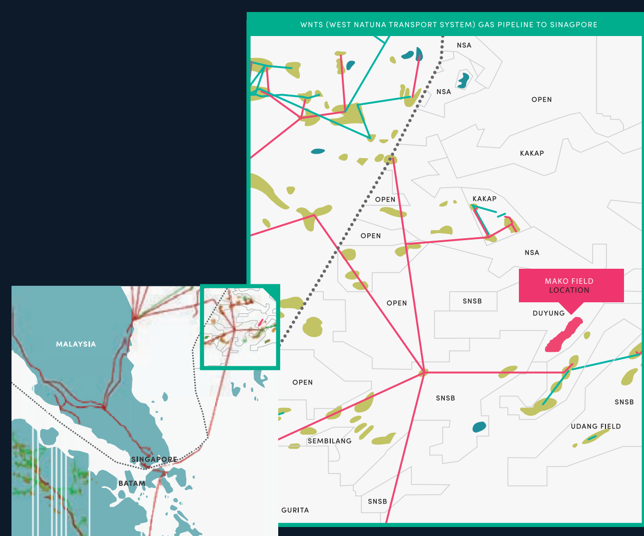
With the confirmation of the resource upgrade, the Mako gas field has, on a 2C resource basis, been shown to be one of the largest gas fields ever discovered in the West Natuna Basin.

The operator has now turned their focus to key commercial objectives, which are necessary to advance the Duyung project to a Final Investment Decision. This includes the submission of an updated Plan of Development ("PoD") to the Indonesian authorities – a necessary step given the significant resource upgrade since the original PoD was approved in early 2019. Gas Sales Agreement negotiations are also continuing, with the operator targeting signature of a Gas Sales Agreement by the end of 2021. These negotiations are taking place against a positive backdrop of stabilising commodity markets and an improving macroeconomic picture.

MAKO GAS FIELD



ACCESS TO SINGAPORE GAS MARKET



ITALY

In December 2019, we announced that we entered into a binding conditional SPA with Zenith Energy Ltd ("Zenith") to dispose of our Italian business through the sale of our wholly owned subsidiary, Coro Europe Limited. Due to delays in obtaining regulatory approvals for the transaction, both parties agreed that the likelihood of successfully completing the disposal prior to a long stop date of 31 October 2020 were low, and the SPA was terminated by mutual agreement between the parties in July 2020.

The Company continues to prioritise the divestment of its non-core Italian operations. Accordingly, our Italian business continues to be 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 after tax from discontinued operations for the year was $2.2m (2019: loss $8.8m).

Operationally, gas prices in Italy in 2020 were significantly lower on average than 2019, due largely to the impact of COVID-19, which resulted in a significant and sudden fall in demand in March 2020. As a result, the Company took the decision in early April 2020 to temporarily suspend production on its Sillaro, Bezzecca and Casa Tiberi fields. This resulted in lower revenues for the year of $803k (2019: $2.7m), with production totalling 5.5 MMscm, compared to 12.8 MMscm in 2019.

Due to delays in receiving Ministerial approval for the repurchase of 10% of the Bezzecca field from Petrorep Italian Srl, the economic effective date for the transaction has been revised to 1 February 2021. Coro's production entitlement for 2020, therefore, was 5.4 MMscm.

The suspension of production and other cost mitigating actions undertaken in response to the pandemic had a positive impact on the cost base in Italy, reducing the net cash outflow from operating activities from our Italian business from $1.5m in 2019 to $533k in 2020. We continue to maintain the fields to facilitate the resumption of production when external conditions improve.

The accounting loss for the year of $2.2m was particularly impacted by a non-cash deferred tax charge of $923k due to a write-down of deferred tax assets, as well as non-cash impairments of $910k. The deferred tax assets write-down reflects lower forecast future profitability due to a lower gas price outlook. The impairments arose largely because non-current assets are not depreciated under IFRS 5.

Asset	2P Reserves 31 December 2019 (MMscm)	Production 2020 (MMscm)	Revisions 2020 (MMscm)	2P Reserves 31 December 2020 (MMscm)
Sillaro	63.3	(1.4)	–	61.9
Bezzecca	66.0	(1.2)	–	64.8
Sant'Alberto	58.9	–	–	58.9
Rapagnano	25.8	(2.6)	–	23.2
Casa Tiberi	2.5	(0.3)	–	2.2
	216.5	(5.5)	–	211.0

FINANCIAL REVIEW

2020 was certainly a challenging year for our industry, where we saw significant commodity price volatility caused primarily by the pandemic and its impact on global demand. We did not stand still, taking decisive action to reduce our cash burn across all areas of the business. This enabled us to navigate the worst months of the pandemic and see us through a strategic fundraise, which was completed in March 2021, positioning the Company well for future growth as we look to continue our transition to a low-carbon energy company.

2020 RESULTS

As we announced last year, the Board continues to view our portfolio of Italian gas assets as non-core to the Group's wider strategy, and as a result we continue to market that portfolio for sale. We were disappointed that the potential disposal of Coro Europe Ltd to Zenith Energy Ltd did not complete in 2020 as planned; however, management remain confident we will conclude a disposal in the next 12 months. 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 continue to be classified as a disposal group held for sale. The Italian business represents a separate geographical area of operation for the Group so remains as a discontinued operation in the statement of comprehensive income.

The 2020 loss before tax from continuing operations was $8.0m (2019: loss $7.9m). The overall loss before tax was comparable to the prior year, with reductions in general and administrative ("G&A") expenses offset by higher finance costs. Finance costs increased by $2.3m due to a full year of amortisation of the Group's Eurobond issued in April 2019, which totalled $3.8m (2019: $2.3m). Losses on foreign exchange increased by $854k to $1.1m (2019: $285k) primarily due to depreciation of the British Pound Sterling ("GBP") against the Euro during the year, resulting in unrealised losses in the Parent Company on retranslation of the Eurobond, which arose due to the Parent Company using GBP as its functional currency.

As noted above, we took decisive action in 2020 to reduce our overhead cost base in response to the COVID-19 pandemic. This resulted in total G&A expenses for the year decreasing by $2.2m to $2.9m (2019: $5.1m). These cost savings are sustainable, and we expect a recurring overhead cost base in the range of $1.7m to $1.9m in 2021 inclusive of new CEO and COO salaries (but excluding share-based payments and our share of Duyung venture G&A).

The 2020 loss before tax from discontinued operations was $1.3m (2019: $8.8m). As noted in the Italy Operational Review, there was a significant fall in Italian gas prices at the end of Q1 2020 due to the COVID-19 pandemic, which mirrored commodity price falls globally. Prevailing prices were lower than our break even cost of operation at Sillaro, Bezzecca and Casa Tiberi and, as a result, production was suspended from those fields from early April. Production continued at Rapagnano for the full year, which remains profitable even at low prices. The production suspension led to a significant fall in Coro's production entitlement for the year, which was 5.4 MMscm compared to 12.7 MMscm in 2019. Gas was sold at an average price of €0.14/scm (2019: €0.19/scm) resulting in a 70% reduction in revenues year-on-year.

Against this challenging backdrop, we focused heavily on minimising costs, building on the actions taken in 2019, which included merging our Italian subsidiaries, closing our Rome office and reducing headcount. As a result of those initiatives, along with our further cost focus in 2020, we achieved a reduction in Italian G&A expenses of 63%. As a result, as shown in note 19 of the financial statements, operating cash outflows for the Italian business unit were 63% lower than the prior year despite the reduced revenue figure.

The accounting loss from discontinued operations was impacted by an IFRS 5 impairment charge recorded against non-current assets totalling $910k, and a deferred tax expense of $923k due to a write-down of deferred tax assets. Partly offsetting these one-off charges was a gain of $523k, due to a reduction in rehabilitation provisions following re-estimate of these liabilities at year-end.

2020 FINANCIAL POSITION

As discussed further on page 8, the Group acquired a 20.3% interest in ion Ventures in 2020. We have concluded that we exercise significant influence over ion, and accordingly our investment is classified as an investment in associate on the Group balance sheet. Our share of ion losses for the two months from acquisition date (1 November 2020) to balance sheet date was $16k.

Intangible exploration and evaluation assets relating to our 15% interest in the Duyung PSC remain consistent with the prior year, with the venture's capital expenditure for 2020 largely offset by the impact of the operator reversing some over accrued drilling expenses from the 2019 drilling campaign.

We saw an increase in the closing Eurobond liability to $25.0m across current and non-current liabilities (2019: $19.8m). This was partly due to amortisation of the bonds totalling $3.8m, but was also the result of significant strengthening of the Euro compared to the prior year.

Net assets of the Italian business, treated as a disposal group held for sale, totalled $496k at year-end (2019: $2.0m), with the reduction due to the write-downs discussed above.

The Group ended the year with net liabilities of $4.9m (2019: net assets $5.2m).

GOING CONCERN

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

The Group ended 2020 with a cash balance of $1.7m (excluding cash held in the disposal group). Post year-end, in March 2021, the Company successfully completed a placing and open offer of new ordinary shares to new and existing investors, which raised net proceeds of £3.9m ($5.3m at year-end exchange rates).

The Group's €22.5m Eurobond is scheduled to mature in April 2022, within the going concern forecast period. The Directors have a reasonable expectation that the Group can restructure its balance sheet, which may include a restructuring of its bond obligations in part or in full, to enable the Group and Company to remain in operation for at least 12 months from the date of signing these financial statements. However, the ability of the Group to successfully manage its capital structure is not guaranteed, and this represents a material uncertainty regarding the ability of the Group and Company to continue as a going concern. The Auditors' Report includes an emphasis of matter that references this material uncertainty.

PETER CHRISTIE
Chief Financial Officer

MANAGING RISK

OUR APPROACH TO RISK MANAGEMENT

The Board of Directors recognises that an effective risk management framework is essential to safeguard the Group's assets and enable it to meet its strategic objectives. The Board takes overall responsibility for identification and mitigation of risks, while the Audit Committee has delegated responsibility for reviewing and monitoring the internal control and risk management systems on which the Group is reliant. In the Board's judgement, the following principal risks represent the biggest threat to the ability of the Group to deliver on its strategy.

RISK	DESCRIPTION AND IMPACT	MITIGATION
Strategic risks		
Availability of funding	Coro's asset portfolio does not yet generate the cash necessary to sustain its business and the Group will need to raise additional funds to implement its strategy. The ability of the Group to raise funds will depend on factors not wholly within the control of management, including general market sentiment and attitudes toward small-cap energy companies. As a result, there can be no assurance that the required funding will be available on favourable terms, if at all. Failure to raise required funds could have a material adverse effect on the Group's business, operating results and financial condition, and may result in erosion of value for investors.	The Group's strategic focus on acquiring and developing an asset portfolio, which is aligned with the ongoing energy transition, partly mitigates the risk posed by negative sentiment towards the future prospects for the hydrocarbon industry. Management also seeks to mitigate this risk through prudent management of costs and rigorous evaluation of investment opportunities to ensure these will be attractive to investors in the debt and capital markets. Ultimately, the Group is targeting self-sustaining cash flow from its asset portfolio.
Failure to identify suitable M&A opportunities and/or failure to successfully execute M&A	The Group's strategy is to build an energy business focused on the South East Asian market. To deliver on this strategy, the Group needs to identify and execute value-accretive acquisitions in the region and is actively engaged in evaluation of individual assets as well as asset portfolios. There is a risk that the Group fails to identify suitable acquisition targets, or that deals cannot be closed on assets deemed to be attractive. Failure to identify and/or close M&A opportunities could lead to a loss of confidence in the Group's management, resulting in poor share price performance and tightening of funding availability, as well as depleting available cash balances through unsuccessful business development spend.	The Group mitigates this risk through employing appropriately skilled financial, technical and operational staff/consultants with experience across upstream oil and gas and low-carbon energy assets in South East Asia. Potential opportunities are evaluated based on a range of criteria both financial and non-financial to ensure only value-accretive assets suitable for the Coro business are acquired.
Commodity prices	The Group is exposed to risks arising from fluctuations in the demand for, and price of, hydrocarbons. Oil and gas prices depend on numerous factors over which the Group does not have any control, including global supply, international economic trends (such as the economic downturn caused by COVID-19), currency exchange fluctuations, inflation, consumption patterns and global or regional political events. This risk impacts revenues from the Group's existing asset portfolio in Italy (prior to disposal) and the valuation of Coro's interest in the Duyung PSC. Through its investment in ion Ventures, the Group is indirectly exposed to the risk of fluctuation in wholesale electricity prices, which impact the value of ion's energy storage assets.	For assets in the production phase, the Group mitigates this risk through entering into fixed price gas sales agreements where commercially acceptable. In terms of evaluating and sanctioning new hydrocarbon or low-carbon investments, the Group adopts a conservative price forecast to ensure capital is allocated to projects with robust economics, even in lower commodity price environments.

RISK	DESCRIPTION AND IMPACT	MITIGATION
Operational risks		
Oil and gas exploration and production risks	Coro remains the operator of a portfolio of gas assets in Italy. Through this portfolio, and our non-operated interested in the Duyung PSC, Coro is exposed to a wide variety of risks, including failure to locate hydrocarbons, changes to reserve estimates or production volumes, variable quality of hydrocarbons, weather impacts, facility malfunctions, lack of access to appropriate skills or equipment and cost overruns. Failure to effectively manage these risks could lead to decreased cash generation, lower profitability and a deterioration in the financial position of the Group.	The Group has extensive experience operating its existing asset base in Italy, as well as assets in South East Asia, and has the right mix of technical, financial and operational skills necessary to successfully develop and produce oil and gas safely and economically. In non-operated joint ventures such as Duyung, the Group seeks to be an active participant in the key activities of the venture, to the extent possible under joint operating agreements.
Health, safety and environmental matters	Development and production of oil and gas involves risks that may impact the health and safety of personnel, the community and the environment. Industry-wide operating risks include fire, explosions, blow outs, pipe failures, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases. Failure to manage these risks could result in injury or loss of life, damage or destruction of property, and damage to the environment. Losses or liabilities arising from such incidents could significantly impact the Group's financial results.	The Group operates its Italian assets and mitigates these risks through a focus on responsible operation, ensuring close adherence to all regulatory standards in respect of HSE matters. This includes regular inspection and maintenance of all our gas production facilities. All HSE activities are overseen by a dedicated Board committee. Where we are not the operator of a venture, we seek to take an active role in joint venture management and operating committees, and work with the operators to foster a culture of responsible asset stewardship.
Changes to law, regulations or government policy and emerging market risk	Changes in law, regulations and/or government policy may adversely affect Coro's business. Examples include changes to land access, the introduction of legislation that restricts or inhibits exploration, development and production of hydrocarbons, and unexpected changes to subsidy regimes for low-carbon energy assets. Similarly, changes to direct or indirect tax legislation may have an adverse impact on the Group's profitability, net assets and cash flow. Further, the Group has expanded its footprint in South East Asia where countries generally exhibit emerging market characteristics such as less established fiscal and monetary controls, laws, policies and regulatory processes. The Group is exposed to the resultant risk of being adversely affected by possible political or economic instability in its countries of operation including, inter alia, security risks, expropriation of assets, changes in mining or investment policies, inconsistent interpretation of laws and regulations including tax law, extreme fluctuations in currency exchange rates and high rates of inflation. All of these factors could materially adversely affect the Group's business, results of operations, financial condition or prospects.	To mitigate these risks, the Group employs staff and professional advisers with experience operating in all the Group's key territories and continuously monitors political, legal and economic developments in all its geographies. Active dialogue is maintained with local regulatory authorities in the Group's areas of operation.

MANAGING RISK

RISK	DESCRIPTION AND IMPACT	MITIGATION
Alignment with joint venture partners	Development of energy assets is commonly undertaken with partners in order to spread risk and reduce up-front capital commitments for each party. Coro is currently party to a Joint Operating Agreement on the Duyung PSC and a Shareholder Agreement for its investment in ion Ventures. While these agreements are designed to establish the rights and obligations of all parties, and clarify governance arrangements for investees, there is a risk that the priorities of our partners will not be aligned with our own. This could lead to conflict between partners and delays in development of projects, resulting in variability in the Group's forecast cash flows and profitability. There are also risks associated with the continuing ability of partners to fund their share of expenditures where this is applicable, as it is on the Duyung venture.	The Group seeks to mitigate this risk through appropriate diligence on potential partners prior to investing in a venture, as well as through active participation in the key decisions of each project to the extent permitted by joint operating/shareholder agreements.
Dependence on key personnel	The future performance of the Group will, to a significant extent, be dependent on its ability to retain the services and personal connections or contacts of key personnel and to attract, recruit, motivate and retain other suitably skilled, qualified and industry experienced candidates to form a high-calibre management team. Such key personnel are expected to play an important role in the development and growth of the Group, in particular by maintaining good business relationships with regulatory and governmental departments and essential partners, contractors and suppliers. The loss of the services of any key personnel may have a material adverse effect on the business, operations, relationships and/or prospects of the Group.	The Group seeks to mitigate this risk through structuring appropriate incentive packages for key executives and staff, as well as providing a challenging and enjoyable work environment. The Group's key initiatives are also managed internally by teams, which mitigates the risk posed by the loss of any key management personnel.

s172 STATEMENT

Section 172 (1) of the Companies Act 2006 obliges the Directors to promote the success of the Company for the benefit of the Company's members as a whole.

This section specifies that the Directors must act in good faith when promoting the success of the Company and in doing so have regard (amongst other things) to:

a. the likely consequences of any decision in the long term;
b. the interests of the Company's employees;
c. the need to foster the Company's business relationship with suppliers, customers and others;
d. the impact of the Company's operations on the community and environment;
e. the desirability of the Company maintaining a reputation for high standards of business conduct; and
f. the need to act fairly as between members of the Company.

The Board of Directors is collectively responsible for formulating and delivering on the Company's strategy. When faced with significant challenges in 2020, brought on by the COVID-19 pandemic, and after consulting key stakeholders including the Company's major shareholders, the Board acted decisively to enable the Company to withstand the impacts of the pandemic, turbulence in commodity markets, and a prolonged economic downturn.

Some of the key decisions taken by the Board in 2020, which we believe served to promote the success of the Company for the benefit of all stakeholders, included:

- Changes to Executive staffing and other cost reductions: In March 2020, as the full global impact of the COVID-19 pandemic was becoming clear, the Board recognised that the Company's ability to execute its strategy of growth in South East Asia, primarily an acquisition-led strategy, was likely to be severely constrained by volatility in commodity markets and a wider economic downturn. Accordingly, after consultation with major shareholders, the Board took immediate actions to materially reduce the Group's overhead costs in order to preserve cash. This included reducing the Group's Executive staffing, minimising business development activities, and suspending production from three of its Italian gas fields, in order to reduce operating costs. This yielded a reduction of $1.9m in cash General and Administrative costs in 2020 compared to 2019 (excluding non-cash share-based payments and Coro's share of G&A from the Duyung joint venture). As well as exiting 2020 with $1.7m of cash remaining, the Group was able to fund the value-accretive ion Ventures acquisition from available cash. Further detail is provided in the Financial Review on pages 12 to 13.
- Broadening of our South East Asian energy strategy: The Directors continue to strongly believe in the potential of South East Asian energy markets, where primary energy demand is forecast to continue increasing and where coal remains the primary source of electricity generation. The expected reduction in coal's share of the energy mix in these growth markets, to be replaced by gas and cleaner renewable sources, remains a key driver of the Company's strategy. Against this backdrop of growth in primary energy demand/a transition to cleaner energy, and the prevailing market conditions limiting the Company's ability to pursue a purely hydrocarbon-focused South East Asian energy strategy in the near term, the Board approved a broadening of the Group's focus beyond solely hydrocarbons to specifically include alternative, low-carbon energy sources and related technologies. This positions the Group to continue to pursue investment opportunities that satisfy growing energy demand in South East Asia while supporting the regional transition to a low-carbon economy. We took an important first step toward delivery of this new strategy with the ion Ventures investment, and continued the momentum post year-end with the GEPL acquisition, discussed further on page 9.

The Board places equal importance on all shareholders and strives for transparent and effective external communications, within the regulatory confines of an AIM-listed company. The primary communication tool for regulatory matters and matters of material substance is through the Regulatory News Service, ("RNS"). The Company's website is also updated regularly, and provides further details on the business, as well as links to helpful content such as our latest investor presentations. We also hold investor events, which are open to all shareholders and provide a forum on our website for investors to communicate any questions or concerns to the Company.

Our employees are one of the primary assets of our business and will be critical to the future success of the Company. First and foremost, the Directors strive to ensure a safe working environment for all its staff and contractors, and we are proud of our safety achievements in 2020. We also seek to reward employees with remuneration packages, which align the interests of the Company and its shareholders with those of employees. We believe we have achieved this through the award of share options with a three-year vesting period, which values medium to long-term performance over short-term achievements. Employees are also provided with challenging work and external training opportunities to ensure their continual development.

For more details on **how our Board operates**, and **the way it reaches decisions** please see page 24 of the **Corporate Governance Report**

CONCLUSION

The Directors believe they have acted in the way they consider most likely to promote the success of the Company for the benefit of its members as a whole, as required by Section 172 (1) of the Companies Act 2006.

This Strategic Report was approved by the Board on 22 April 2021 and signed on its behalf by:

MARK HOOD
Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

As Chairman of the Company, it is my responsibility to work with my fellow Board members to ensure that the Company embraces the highest standards of corporate governance and to manage the Board in the best interests of our many stakeholders. The Board shares my belief that practising good corporate governance is essential for building a successful and sustainable business, and our commitment to good corporate governance has allowed us to build a healthy corporate culture throughout the organisation.

The Company adopts the Quoted Companies Alliance Corporate Governance Code (2018) (the "QCA Code"), which it still believes to be the most appropriate governance code for Coro. We report our compliance with the QCA Code on the Company's website and in this Annual Report.

The Company is still in the early stages of execution of its growth strategy in South East Asia, but reiterates its commitment to responsible and ethical business practices when we make any business decisions, at both Board and operational levels. This is particularly important to us as an acquisitive business, and our culture is something that we maintain and closely monitor.

2020 was a particularly challenging year with the COVID-19 pandemic and the downturn in global oil prices. The Board recognised that the prevailing global events would likely cause delays in both the completion of the disposal of its Italian assets and the ability to execute material transactions in South East Asia. As a result, the Company made the decision in the first half of 2020 to implement a cost-reduction programme, including the decision to reduce the executive staffing costs within the business. James Menzies, Chief Executive Officer, left the Company in April 2020, and Andrew Dennan, Chief Financial Officer, moved to the position of Non-Executive Director. Through the remainder of 2020, the Board provided additional support to the Company's executive management functions, where required and appropriate to do so. We filled the CFO position through internal promotion in October 2020, and were pleased to welcome our new CEO Mark Hood, who joined the Board on 17 March 2021, ensuring we are now well resourced for 2021.

The importance of engaging with our shareholders continues, and the Board strives to ensure that there are numerous opportunities for investors to engage with both the Board and Executive team.

JAMES PARSONS
Non-Executive Chairman

QCA CODE – APPLICATION, PRINCIPLES AND DISCLOSURE REQUIREMENTS

The Board of Directors of the Company recognises the importance of corporate governance and applies the QCA Code, which we believe is the most appropriate governance code for a company of our size with shares admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange. The QCA Code provides the Company with the framework to help ensure that a strong level of governance is maintained, enabling the Company to embed the governance culture that exists within the organisation as part of building a successful and sustainable business for all its stakeholders.

The QCA Code has ten principles of corporate governance that the Company has committed to apply within the foundations of the business, as summarised below. Further disclosures regarding the Company's application of the QCA Code can be found on the Company's website.

PRINCIPLES	CORO RESPONSE
Establish a strategy and business model that promotes long-term value for shareholders	The Group's strategy and business model are outlined on page 4 to 5.
Seek to understand and meet shareholder needs and expectations	While opportunities for in-person engagement with shareholders have been curtailed by the COVID-19 pandemic, the Group seeks to engage with shareholders regularly through its Regulatory News Flow, periodic online Question & Answer forums and preparation of investor presentations, which are updated quarterly and available on the Group's website.
Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Group seeks to be a responsible corporate citizen in all its territories of operation and has an "open door" policy internally where employees can raise opinions and concerns to management. We are committed to operating our business according to the highest international safety and environmental standards. We strive to deliver lasting benefit to the communities and environments where we work as well as our shareholders, contractors and employees.
Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Group has an effective risk management framework, which is subject to oversight by the Audit Committee. See further details on page 14.
Maintain the Board as a well-functioning balanced team led by the Chair	Refer to further discussion of the Board structure, composition and processes on page 24.
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	The complementary skills and experience of our Board and management team are included on pages 22 to 23.
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	Refer to a discussion of Board evaluation on pages 25 to 26.
Promote a corporate culture that is based on ethical values and behaviours	The Group's employees are bound by a Code of Conduct, which sets forth the standards expected by the Company. This includes a zero-tolerance approach to bribery and corruption, and a commitment on the part of all employees to a high level of honesty, care, fair dealing and integrity in the conduct of Coro's business activities. A Whistleblower Policy is in place to provide a framework for employees to call out unethical or illegal behaviour.
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Refer to further discussion of the Group's governance structures, including matters reserved for the Board, on page 24.
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Group's financial and operational performance are summarised in the Annual Report and the Interim Report, with regular updates provided to stakeholders in other forums through the year, including press releases, investor events and regular updates to the Group's website.

BOARD OF DIRECTORS AND MANAGEMENT

JAMES PARSONS
Non-Executive Chairman

James has over 20 years' experience in the fields of strategy, management, finance and corporate development. Leading up to 2006 (when he left Shell to join Inter Pipeline Fund), James held various positions in Shell's exploration and production business, latterly as Vice President Finance – New Business. He also held the position of CEO of Sound Energy plc from 2012 to 2019. He is a qualified accountant and has a BA Honours in Business Economics.

James is also the Non-Executive Chairman of Echo Energy plc, and Executive Chairman of both Ascent Resources plc and Corcel plc.

MARK HOOD
Chief Executive Officer

Mark is the co-founder of Global Energy Partnership Ltd.

He has over 20 years' experience in utility scale energy projects at all stages of development and asset transition, having delivered projects for BP and Cairn Energy in locations including Bangladesh, Rajasthan, Greenland and Algeria.

Mark has extensive experience rejuvenating off-track organisations and projects, and expertise understanding business objectives and key stakeholders to ensure delivery of projects and portfolios to increase value.

Mark is a qualified Project Manager with PMP and a MSc in Project Management.

FIONA MACAULAY
Independent Non-Executive Director

Fiona has over 30 years of experience in the oil and gas industry and is the Former Chief Operating Officer and Technical Director of Rockhopper Exploration Plc and former CEO of Echo Energy plc.

A Chartered Geologist, Fiona started her career with Mobil North Sea Limited in 1985 and has subsequently held senior roles in a number of leading oil and gas firms, including Amerada Hess and BG. She has held the position of European President of the American Association of Petroleum Geologist and sits on the Geological Society Investment Committee.

Fiona is also Non-Executive Chair of Independent Oil & Gas PLC and a Non-Executive Director of Ferrexpo PLC and Chemring Group plc.

MARCO FUMAGALLI
Non-Executive Director

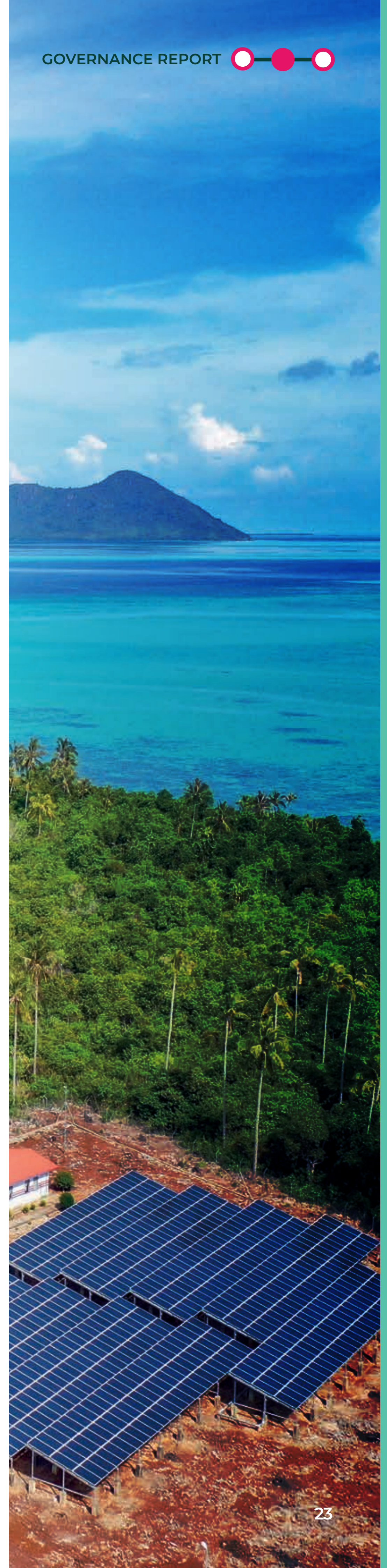
Marco is a Founding Partner at Continental Investment Partners SA, a Swiss-based fund and cornerstone shareholder in Sound Energy plc and Echo Energy plc. Marco is a well-known Italian businessman who was a former Group Partner at 3i. He is a qualified accountant and holds a degree in Business Administration from Bocconi University in Milan.

Marco is also a Non-Executive Director of both Sound Energy plc and Echo Energy plc.

ANDREW DENNAN
Non-Executive Director

Andrew has many years' experience unlocking growth across AIM-listed companies as a corporate financier and investment manager. Throughout his career, he has been involved in stockbroking and asset management in prominent roles leading proprietary investment decisions, capital raising, risk oversight and portfolio management. He has worked closely for many years with key members of the Board and brings a wealth of capital markets and corporate transaction experience to the team.

Andrew is also a Non-Executive Director of Nu Oil & Gas plc and Chief Executive Officer of Ascent Resources plc.



CORPORATE GOVERNANCE FRAMEWORK

ROLE OF THE BOARD

The Group continues to evolve and aspires to grow initially through acquisition, so it is critical that the Group's governance and control structure is robust, clearly defined and communicated. The Board of Directors is responsible for the overall management and performance of the Group and operates within a framework of prudent and effective controls, which enables risk to be assessed and managed. It is also collectively responsible for the success of the Group and operates within a framework of reserved matters, delegations and assurance.

GOVERNANCE STRUCTURE

For most of 2020, the Board was comprised of a Non-Executive Chairman and three Non-Executive Directors, following the departure of former CEO James Menzies on 2 April 2020 and Andrew Dennan's resignation as CFO and acceptance of a Non-Executive Director role on the same date.

Following these changes, and for the remainder of 2020, the Board consisted of James Parsons, Andrew Dennan, Marco Fumagalli and Fiona MacAulay in the roles of Non-Executive Chairman, Non-Executive Director, Non-Executive Director and Independent Non-Executive Director respectively. The composition of the Company's Audit and Remuneration Committees remained unchanged.

Peter Christie was appointed as Interim CFO in April 2020 following the resignation of Andrew Dennan, and this appointment was made full-time from 1 October 2020. Peter has responsibility for the commercial and financial management of the Group, reporting to the CEO. Leonardo Salvadori, Managing Director of Italy, remains responsible for Italian operations and assists with the Group's wider South East Asian activities as required, reporting to the CEO. The position of Chief Executive Officer was filled in March 2021 with the appointment of Mark Hood. Prior to Mark's appointment, the Group's Non-Executive Directors provided additional assistance to the Executive team as required to ensure continuity of operations.

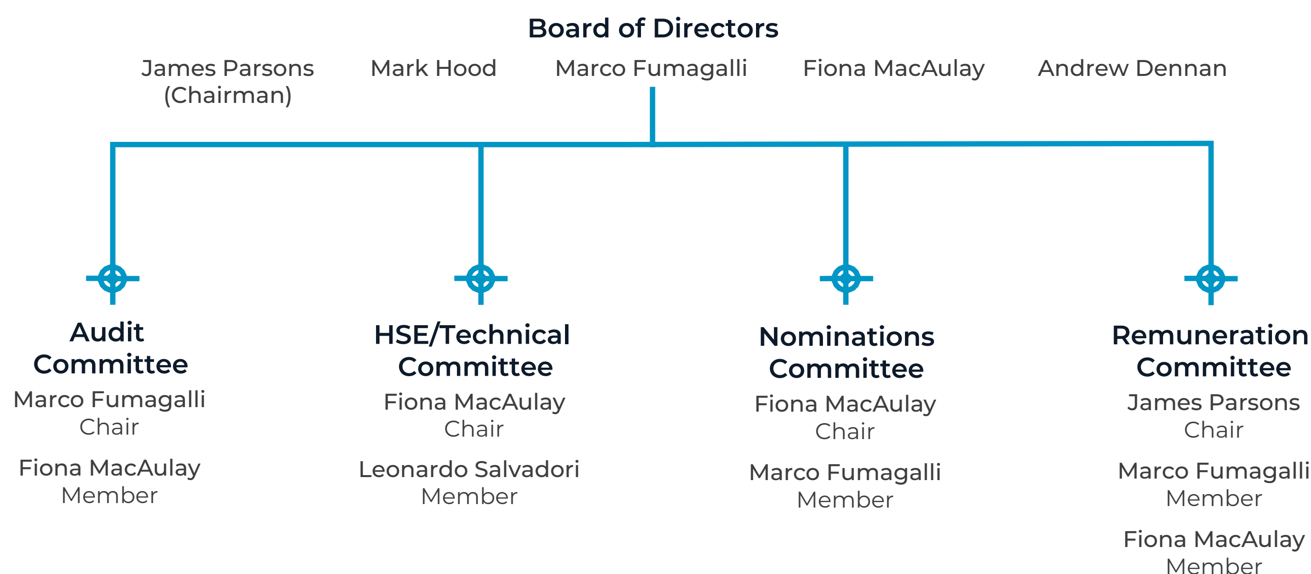
MATTERS RESERVED FOR THE BOARD

The Board retains full and effective control over the Group and is responsible for the Group's strategy and key financial and compliance issues. There are certain matters that are reserved for the Board, which are reviewed on an annual basis, and they include:

- **Strategy and management**
  (approval of strategic aims and objectives; approval of the Group's annual operating and capital expenditure budgets and changes; decision to cease to operate all or any material part of the Group's business);
- **Structure and capital**
  (major changes to the Group's corporate structure; any change to the Company's listing);
- **Financial reporting and controls**
  (approval of: financial results; annual reports and accounts; dividend policy and declaration of any dividend; significant changes in accounting policies/practice; treasury policies);
- **Internal controls**
  (ensuring maintenance of a sound system of internal control and management);
- **Contracts**
  (major capital contracts; contracts that are material or strategic; major investments or any acquisitions/disposals);
- **Communications**
  (approval or resolutions and documentation put forward to shareholders);
- **Board membership and other appointments;**
- **Remuneration**
  (determining the remuneration policy for Directors, senior Executives and Non-Executive Directors, introduction of new share incentive plans, changes to existing plans);
- **Corporate governance matters**
  (review of the Group's overall corporate governance arrangements);
- **Policies**
  (approval of Group policies, including the share dealing code);
- **Other**
  (litigation involving £5m and over or otherwise material to the Group; approval of the appointment of professional advisers; and approval of overall levels of insurance for the Group).

BOARD COMMITTEES

The Board has formed four committees: the Audit Committee, the HSE/Technical Committee, the Nominations Committee and the Remuneration Committee, with delegated responsibility to monitor their respective areas and to report back to the full Board. The Committees operate under clearly defined terms of reference, which are kept under review, to ensure proper functioning of the committees and effective application of best practice. The Directors appointed to each Committee are outlined below, with the HSE/Technical Committee supported by additional employees with the appropriate skills and experience.



BOARD MEETING ATTENDANCE

Year ended 31 December 2020	Board (scheduled)	Board (ad hoc*)	Audit Committee	Remuneration Committee	HSE Committee	Nominations Committee
Number of meetings held	**5**	**9**	**4**	**4**	**5**	**5**
James Parsons	5	9	–	2**	–	–
James Menzies[1]	2	–	–	–	–	–
Andrew Dennan	5	7	–	–	–	–
Marco Fumagalli	5	9	4	4	–	5
Fiona MacAulay	5	9	4	4	5	5
Nick Cooper[2]	1	–	–	–	–	–

* Ad hoc meetings are called for specific matters, generally of a more administrative nature not requiring full Board attendance.

** Excused from discussions due to conflict of interests.

1. James Menzies resigned from the Board on 2 April 2020.
2. Nick Cooper was appointed to the Board on 15 January 2020 and resigned on 2 April 2020.

Note: Mark Hood was appointed to the Board on 17 March 2021.

BOARD EVALUATION

The Directors consider seriously the effectiveness of the Board, its Committees and individual performance.

The Board generally meets formally five times a year with ad hoc Board meetings as the business demands. There is a regular flow of communication between the Directors and the Executive management team.

Board meeting agendas are set in consultation with the management team and the Chairman, with consideration being given to both standing agenda items and the strategic and operational needs of the business. Comprehensive Board papers are circulated well in advance of meetings, giving Directors ample time to review the documentation and enabling an effective meeting. Resulting actions are tracked for appropriate delivery and follow up. The Directors have a broad knowledge of the business and understand their responsibilities as directors of a UK company quoted on AIM.

The Company's Nomad provides annual boardroom training as well as initial training as part of a Director's onboarding. The Company Secretary, assisted by the Group's solicitors, helps keep the Board up-to-date with developments in corporate governance and liaise with the Nomad on areas of AIM requirements. The Company Secretary has frequent communication with both the Chairman and management team and is available to other members of the Board as required. The Directors also have access to the Company's auditors and lawyers as and when required, and the Directors are able, at the Company's expense, to obtain advice from other external advisers if required.

CORPORATE GOVERNANCE FRAMEWORK

The Board recognises that, in order to meet the requirements of the QCA Code, a Board effectiveness process needs to be considered in the short to medium term. To date, a formal Board effectiveness review has not been undertaken given recent Board changes; however, a formal review will be considered when the Board is settled. In the meantime, the Directors are committed to ongoing, informal review of the functioning of the Board to ensure it is meeting its objectives, as evidenced by the Board changes announced at the end of Q1 2020.

AUDITOR ROTATION

The Company's policy is to undertake an audit tender at least every ten years and to change auditors at least every 20 years. The incumbent auditor, PKF Littlejohn LLP, has been the Company's auditor since its first financial period, which ended 31 December 2017, meaning this is their fourth year as the Company's auditors. The Company does not have any plans to retender the audit in the next 12 months.

BOARD REPORTS

Audit Committee

The Audit Committee comprises Marco Fumagalli (Chairman) and Fiona MacAulay.

Scope and responsibilities:

The Audit Committee is mainly responsible for the oversight of financial reporting in accordance with regulatory and statutory requirements, and for the review and monitoring of the Group's internal financial control and risk management systems. The Committee meets a minimum of twice a year.

2020 activities:

- Reviewed the 2019 audit plan and approved auditor's remuneration.
- Reviewed and approved the Group's 2019 Annual Report and 2020 Interim Report.
- Reviewed the independence and competence of the Group's auditor, PKF Littlejohn LLP ("PKF") and recommended their reappointment.
- Reviewed the Group's risk register.

Remuneration Committee

The Remuneration Committee comprises Non-Executive Directors James Parsons (Chairman), Fiona MacAulay and Marco Fumagalli.

The Committee generally meets twice a year and is responsible for making recommendations to the Board of Directors on senior Executives' remuneration. The Committee reviews the overall Remuneration policy of the Company, the Executive Directors scorecard, and bonus awards related to the achievements of the targets set.

2020 activities:

- Reviewed and approved the 2019 bonus awards to Executives and management.
- Discussed and debated the changes to the Executive management team.
- Reviewed the Group's long-term incentive structures.

Nominations Committee

The Nominations Committee comprises of Non-Executive Directors Fiona MacAulay (Chair) and Marco Fumagalli.

The Committee was established during 2020, with matters pertaining to Nominations previously dealt with by the Remuneration Committee. The role of the Committee is to consider Board composition and succession planning, to identify candidates for NED positions and to make recommendations to the Board.

HSE/Technical Committee

The HSE/Technical Committee comprises Fiona MacAulay (Chair) and Leonardo Salvadori.

Paramount to Coro Energy's ability to pursue its strategic priorities is a safe workplace and a culture of "safety first". The Company regards environmental awareness and sustainability as key strengths in planning and carrying out business activities.

Coro's daily operations are conducted in a way that adheres to these principles and management is committed to their continuous improvement. While growing from exploration roots, the Company has strived to continually improve underlying safety performance. The Company has adopted a Health, Safety and Environment Management System, which provides for a series of procedures and routine checks (including periodical audits) to ensure compliance with all legal and regulatory requirements and best practices in this area.

In 2020, Coro maintained its outstanding occupational health, safety and environmental track record and only one near miss to report. During 2020, the total man-hours amounted to 19,327 (2019: 47,110) with zero LTIs recorded (2019: nil).

The 2020 HSE Report is provided on page 27.

HSE REPORT

From January to March 2020, the Group continued to operate four producing gas fields in Italy – Sillaro, Bezzecca, Rapagnano and Casa Tiberi. As noted above, production was suspended on all fields except Rapagnano, due to the significant fall in gas prices observed in Q2 2020. Our operational team reacted swiftly and diligently to the challenges presented by the COVID-19 pandemic, and we were able to maintain regular activities at all sites throughout the year.

Key activities undertaken in 2020 included:

- Implementation of all governmental COVID-19 measures including adoption of a health protocol for safe operational management and the procedures to be implemented upon production resumption.
- Updated Company Risk Assessment Document, including various procedures to counteract COVID-19 at the production sites and the office, in accordance with the Italian regulations.
- Investigation of an accident at the Bezzecca well site, where a newly installed pipeline dielectric joint ruptured, causing a small gas leak. There was no injuries and minimal environmental damage. A Root Cause Analysis investigation has commenced, led by an independent company, which will recommend actions to prevent accident reoccurrence.
- Completed the two-year maintenance activity at Casa Tonetto.
- Carried out the annual maintenance activity of the dehydration processing equipment at Rapagnano.
- Monthly HSE visits have continued to be conducted on all sites, including those where production is suspended.

The total man-hours worked in 2020 were 19,327 with key HSE statistics recorded in the following four main categories:

1) MAN-HOURS WORKED

	2020	2019
Company	**9,967**	26,067
Contractors	**9,360**	21,043
Total man-hours	**19,327**	47,110

2) LAGGING INDICATORS

	2020	2019
Fatality	**0**	0
Lost Time Injury (LTI)	**0**	0
Restricted Work Case (RWC)	**0**	0
Medical Treatment Case (MTC)	**0**	0
First Aid Case (FAC)	**0**	0
Property damage	**1**	0
Environmental incident	**2**	3
Road Traffic Accident (RTA)	**0**	0
Near miss	**1**	1
HiPo (high potential incidents)	**1**	1
Lost workdays	**0**	0

3) LEADING INDICATORS

	2020	2019
HSE inspections	**293**	294
HSE audits	**13**	12
HSE meetings	**2**	20
HSE inductions	**408**	692
Emergency drills	**1**	7
TBTs	**0**	20
Training hours	**220**	358
SHOC cards	**0**	2
JSAs	**0**	19
Management tours	**0**	19

4) ENVIRONMENTAL DATA

	2020	2019
Diesel consumed (mc)	**16**	24
Water consumed (mc)	**80**	222
Mud cuttings (mc)	**0**	0
Non-hazardous waste (tonne)	**1,249**	4,592
Hazardous waste (tonne)	**0**	3
Instrumentation gas (mc)	**4,800**	8,180
Electrical energy (MWh)	**60**	123

Coro is proud of its HSE achievements, with zero LTIs placing us ahead of industry averages. However, the instance of one near miss and one HiPo relating to the Bezzecca joint rupture indicate the need to avoid becoming complacent.

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE

The Remuneration Committee recognises the importance of attracting, retaining and motivating talent within the Boardroom and the wider Executive team to ensure the success of the Company.

The Remuneration Committee is responsible for reviewing and determining compensation arrangements for all Directors and senior Executives. The Committee considers the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and senior Executive team.

The Company's Board and Executive team was refreshed in late 2017 and early 2018 in conjunction with a fundraise, AIM readmission and the launch of a new strategy. Further changes were made in early 2020 due to the acute challenges posed by the COVID-19 pandemic, which saw the Group operate with a leaner management structure, with Non-Executive Directors supporting management as appropriate. Recognising a greater time commitment for the Chairman, the Committee approved a temporary increase in the Chairman's fees from September 2020 which will remain in place during the transition period for the incoming Executives. The Committee will continue to work to ensure that the appropriate policies and framework are in place to reward the new Executive team for achievements and targets met, which, in turn, creates value for stakeholders.

REMUNERATION PACKAGE – EXECUTIVE DIRECTORS

The Company offers a fixed remuneration package of salary, pension and certain benefits. In addition, Executive Directors are eligible for a discretionary bonus award. Award of bonuses depends on performance against a balanced scorecard, which is agreed by the Committee. There were no discretionary bonuses awarded for the 2020 performance year. Post year-end, the Committee approved a new Long-Term Incentive Plan in which all Executives are entitled to participate. Under the plan, options may be granted to Executives annually, at the discretion of the Committee, and will generally vest in three years subject to performance vesting conditions determined by the Committee.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS' FEES

The fees paid to the Chairman and Non-Executive Directors are set at a level both in line with the market and to appropriately reward and retain individuals of a high calibre and are reviewed and approved by the Remuneration Committee. The fees paid reflect the level of commitment and contribution to the Company. Fees are paid monthly in cash and are inclusive of all Committee roles and responsibilities. In addition, Directors were awarded Company share options in 2018 with a three-year vesting period to align the interests of Directors and shareholders.

REMUNERATION OF DIRECTORS

The following remuneration table comprises Directors' salaries and benefits in kind that were payable to Directors who held office during the year ended 31 December 2020:

	Salary and cash benefits $'000	Bonus $'000	Benefits in kind $'000	Pensions $'000	Total 2020 $'000	Total 2019 $'000
Executive Directors						
James Menzies[1]	274	–	3	4	**281**	558
Non-Executive Directors						
James Parsons[2]	115	–	–	–	**115**	83
Andrew Dennan[3]	96	–	1	2	**99**	224
Fiona MacAulay	51	–	–	–	**51**	51
Marco Fumagalli	51	–	–	–	**51**	51
Nick Cooper[4]	11	–	–	–	**11**	–
Ilham Habibie[5]	–	–	–	–	**–**	9

1. James Menzies resigned as a Director on 2 April 2020.
2. Salary includes $32k of additional fees in respect of temporary increase discussed further above
3. Andrew Dennan stepped down from an Executive to Non-Executive role on 1 April 2020.
4. Nick Cooper was appointed on 15 January 2020 and resigned on 2 April 2020.
5. Ilham Habibie resigned as a Director on 28 February 2019.

SHARE-BASED PAYMENTS

Nick Cooper was granted 10m new share options when he was appointed to the Board in January 2020. There were no other new share options granted. The table below shows all outstanding share awards to the Directors. All options have an exercise price of 4.38p per share and vest on the third anniversary of grant date. The total share-based payments expense recognised in respect of Directors in 2020 was $597k (2019: $616k). For further details, refer to note 22 of the financial statements.

The number of share options held by the Directors in the current and prior year is set out below:

	Options held at 1 January 2020	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Options held at 31 December 2020
Executive Directors					
James Menzies†	25,000,000	–	–	(25,000,000)	**–**
Non-Executive Directors					
James Parsons	10,000,000	–	–	–	**10,000,000**
Andrew Dennan	15,000,000	–	–	–	**15,000,000**
Fiona MacAulay	10,000,000	–	–	–	**10,000,000**
Marco Fumagalli	10,000,000	–	–	–	**10,000,000**
Nick Cooper†	–	10,000,000	–	(10,000,000)	**–**
David Garland*	2,000,000	–	–	–	**2,000,000**

* Resigned in 2018.

† Resigned in 2020.

DIRECTORS' INTEREST IN SHARES

Directors and their connected persons had the following interests in shares of the Company at 31 December 2020:

Name of Director	No. of shares at 31 December 2020	No. of shares at 31 December 2019
Andrew Dennan	**4,280,194**	3,123,830
James Parsons	**1,729,226**	1,729,226
Marco Fumagalli[1]	**–**	–

1. Marco Fumagalli holds no Ordinary Shares directly. M Fumagalli holds a 25% interest in Continental Investment Partners S.A ("Continental"), which has 3,817,065 Ordinary Shares. In addition, M Fumagalli is a director of and holds a 3.57% interest in CIP Merchant Capital Limited, which owns 150,684,929 shares in the Company.

This Remuneration Report was approved by the Board of Directors on 22 April 2021 and signed on its behalf by:

JAMES PARSONS
Non-Executive Chairman

DIRECTORS' REPORT

The Directors present their Annual Report and the audited Group and Company financial statements of Coro Energy plc for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

Coro Energy plc is an AIM-listed South East Asian energy company supporting the regional transition to a low-carbon economy, with a strategy centred on low-carbon energy investments, supported by an existing platform of gas assets.

The Company has a legacy portfolio of gas assets in Italy, which have been prioritised for divestment and, as a result, the Italian business has been classified as a disposal group held for sale and presented as a discontinued operation in the financial statements.

RESULTS AND DIVIDENDS

The Group made a net loss after tax of $10.2m (2019: loss $16.6m), which comprised a loss after tax from continuing operations of $8.0m (2019: loss from continuing operations $7.9m).

The Directors have not recommended payment of a dividend (2019: nil).

DIRECTORS

The Directors who served during the period, and up to the date of this report, were as follows:

- James Parsons
- Andrew Dennan
- Marco Fumagalli
- Fiona MacAulay
- James Menzies (resigned 2 April 2020)
- Nick Cooper (appointed 15 January 2020; resigned 2 April 2020)
- Mark Hood (appointed 17 March 2021)

DIRECTORS' AND OFFICERS' INDEMNITY INSURANCE

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors and officers. These were made during the previous year and renewed post year-end, and remain in force at the date of this report.

PROVISION OF INFORMATION TO AUDITOR

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

FUTURE DEVELOPMENTS

Future developments are included in the Statement from the Chairman.

Information on the financial instruments of the Group and its approach to financial risk management is disclosed in note 21 to the financial statements.

SUBSTANTIAL SHAREHOLDINGS

The Directors were advised of the following significant direct and indirect interests in the issued share capital of the Company above 5% as at the date of this report:

Name of shareholder	Interest
Lombard Odier Asset Management (Europe) Limited	14.1%
CIP Merchant Capital Ltd	7.1%
G.P (Jersey) Limited	5.3%

SUBSEQUENT EVENTS

The events after the reporting period are set out in note 26 to the financial statements.

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.

Post year-end, the Group increased its available cash resources through a share placing and open offer, which raised net proceeds of $5.3m. As a result, we forecast the Group will retain sufficient cash headroom up to the redemption date of the Group's Eurobond. The bonds are scheduled to mature in April 2022 when principal of €22.5m ($27.6m at year-end exchange rates) will become repayable in full, along with accrued interest totalling €2.3m ($2.9m). The Directors have a reasonable expectation that the Group can restructure its balance sheet, which may include restructuring its bond obligations in part or in full, to enable the Group and Company to remain in operation for at least 12 months from approving these financial statements. Further discussion on the Directors' assumptions and their conclusions are included in note 2c to the financial statements. The auditors have drawn attention to going concern within their audit report by way of material uncertainty.

This Directors' Report was approved by the Board on 22 April 2021 and signed on its behalf by:

MARK HOOD
Chief Executive Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group and Company Financial Statements in accordance with International Financial Reporting Standards ("IFRSs"), in conformity with the requirements of the Companies Act 2006.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group and the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the applicable IFRSs have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Group is compliant with AIM Rule 26 regarding the Group's website.

This report was approved by the Board on 22 April 2021 and signed on its behalf:

MARK HOOD
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Coro Energy Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2c in the financial statements, which indicates conditions that may cast significant doubt on the ability of the group and parent company to continue as a going concern. The group incurred a net loss of $10.2m during the year ended 31 December 2020, and has net liabilities of $4.9 million. Further funds will need to be raised within the next 12 months in order for the group to continue in operation and meet its commitments as they fall due, unless the group can successfully restructure its balance sheet in order to meet its Eurobond obligations falling due in April 2022. As stated in note 2c, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included reviewing of the cashflow forecast and budgets up to 30 June 2022 and the corresponding assumptions used, discussion with management regarding future plans, availability of funding, expected finalisation of disposal of the Italian operations and other plans in the pipeline for the group. Based on the assessment, the group has the ability to report under the going concern assumption for 12 months. However, the uncertainty lies with the repayment of the Eurobond that is due to mature In April 2022. This would require the group to settle USD$27.6 million and USD$2.9 million, of principal and interest, respectively. The group will need to successfully manage its capital structure, which may include restructuring its bond obligations. The outcome of the group's activities in this respect are not yet known, and therefore uncertain as of the date of signing the audit report.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

Materiality	Group materiality 2020	Group materiality 2019	Basis for materiality
Overall Materiality	US$246k	US$156k	5% net assets (2019: 3% net assets)
Performance Materiality	US$172k	US$109k	Performance materiality set at 70% of overall materiality

As in the prior year, we considered net assets to be the most significant determinant of the group's financial position and performance used by shareholders. This is because the key balances, as reflected in the Balance Sheet, are: exploration and evaluation assets; assets of the Italian disposal group; cash and cash equivalents; Eurobond borrowings; and liabilities of the Italian disposal group. The going concern of the group is dependent on its ability to fund operations going forward, including financing costs and repayment of the Eurobond, as well as on the valuation of its assets, which represent the underlying value of the group. The percentage threshold applied in determining materiality based on net assets increased from the prior year due to lower complexity of transactions that arose during the current year.

Whilst materiality for the financial statements as a whole was set at US$246k, each significant component of the group was audited to an overall materiality ranging between US$244k-US$55k with performance materiality set at 70%. The benchmark of 70% has been selected as many of the balances representing risk areas, including the Disposal Group, impairment of exploration assets, and Carrying value of investments in subsidiaries, will be tested 100%. Therefore, we conclude this will provide sufficient coverage of significant and residual risks. We applied the concept of materiality both in planning and performing our audit, and in evaluating the impact of misstatements.

We agreed with the audit committee that we would report to them all audit differences identified during the course of our audit in excess of US$12.3k (2019: US$7.8k). There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material.

Our approach to the audit

In designing our audit approach, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we assessed the areas requiring the directors to make subjective judgements, for example in respect of significant accounting estimates including the carrying value of evaluation and exploration assets and investments in subsidiaries and the consideration of future events that are inherently uncertain.

An audit was performed on the financial information of the group's material operating components which, for the year ended 31 December 2020, were located in the United Kingdom, Italy and Asia. There are a number of dormant and holding companies within the group which were not assessed as material components. Consequently, the audit work performed on these components consisted of analytical procedures at group level.

The Italian component, Apennine Energy SpA, has been assessed as a significant component of the group. As at 31 December 2020, the Italian operations, headed by group subsidiary Coro Europe Limited, are recorded as a disposal group and accounted for under IFRS 5. The held for sale assets and liabilities are included as line items on the Consolidated Balance Sheet, and the loss for the period from discontinued operations is included as a line item on the consolidated statement of comprehensive income. The key balances held within the disposal group are exploration & evaluation assets, oil & gas assets and rehabilitation provisions.

In addition, we engaged another audit firm to perform agreed upon procedures in relation to the Duyung PSC. These procedures were limited to specified procedures surrounding risk areas, focused on costs capitalised during the year within the Group and compliance with local laws and regulations. This work was significant in addressing our key audit matter in respect of capitalised exploration costs as the group's exploration costs (other than those within the Italian disposal group) are wholly relating to their interest in the Duyung PSC. The assessment of the carrying value of the evaluation and exploration assets were performed on the group level and such the group auditor have performed this assessment.

The work performed by component auditors on the significant components located in Italy and Asia was directed by us as group auditor. We ensured that there was regular interaction with the component auditors during all stages of the audit and reviewed their working papers to gain sufficient appropriate evidence for our opinion on the group financial statements.

INDEPENDENT AUDITOR'S REPORT

CONTINUED

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
Carrying value of investments in subsidiaries (Note 20)	
As at 31 December 2020, the parent company balance sheet reported investments in subsidiary undertakings of US$18.687m, being the most significant asset on the company's balance sheet. The recoverability of the parent company's investments in its subsidiaries is dependent on management's assumptions regarding their future performance which is in turn dependent on the successful recoverability of resources from exploration and other assets held by its investments, relating to the Duyung PSC and the Italian portfolio, the latter being classified as a disposal group in the financial statements. There is the risk that these investments may be impaired due to the judgements required in assessing the ability of the underlying assets to generate future value for shareholders.	We performed the following procedures: • Confirmed the ownership of the investments in the subsidiaries; • Reviewed management's impairment assessment for the subsidiaries, challenging the data, assumptions and method applied therein. We have reviewed management's internal valuation modelling in respect of the Duyung project and Italian portfolio. This included challenging the key assumptions, data, method and the sensitivity applied to reasonably possible changes in the inputs used in the sensitivity analysis and expected future cash flow.

Key Audit Matter	How our scope addressed this matter
Carrying value of exploration and evaluation assets (Note 13)	
As at 31 December 2020, the total exploration and evaluation assets reported in the group Balance Sheet was US$17.251m. These assets represent capitalised exploration costs in respect of the Duyung PSC and are the most significant balance reported for the group. It is from these assets that the group seeks to deliver future value to its shareholders. There is the risk that these amounts are impaired, and the capitalised amounts do not meet the recognition criteria of IFRS 6. This is due to the significant judgement and estimate regarding the ability of the asset to be able to generate future value for the shareholders.	We performed the following procedures: • Confirmed that the parties to the Duyung Joint Operations Agreement hold good title to the PSC license area as one of the key items in determining the valuation of the exploration and evaluation assets as required by IFRS 6; • Reviewed the work performed by the component auditor in respect of capitalised costs relating to the Duyung project. This included considerations in respect of the recognition criteria within IFRS 6; and • Reviewed management's considerations of impairment in respect of the Duyung project. This included challenging the key assumptions, data, method and the sensitivity applied to reasonably possible changes in the inputs used in the sensitivity analysis. We obtained and reviewed the corresponding third party report regarding the resource estimate, as well as management's forecast/budget, and relevant documentation and correspondence with parties to the agreement in order to determine whether any impairment indicators exists in accordance with IFRS 6.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITOR'S REPORT

CONTINUED

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through, discussions with management, industry research, application of cumulative audit knowledge and experience of the sector etc. This is evidenced by discussion of laws and regulations with the management, reviewing minutes of meetings of those charged with governance, internal audit reports and RNSs and review of legal or professional expenditures. As for the parent company's subsidiaries, corresponding instructions have been issued to the component auditors to assess the compliance of the components to the applicable laws and regulations.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from Companies Act 2006, AIM rules, and local laws and regulations in Italy and Indonesia relating to exploration and production.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
  - Discussion with management regarding potential non-compliance;
  - Review of the component auditor's work on compliance with laws and regulations;
  - Review of legal and professional fees to understand the nature of the costs and the existence of any non-compliance with laws and regulations;
  - Review of minutes of meetings of those charged with governance and RNS announcements.
- We also identified the risks of material misstatement of the financial statements due to fraud. Aside from the non-rebuttable presumption of a risk of fraud arising from management override of controls, we did not identify any significant fraud risks.

- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates, judgements and assumptions for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business and review of the bank statements during the year to identify any large and unusual transactions where the business rationale is not clear.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

JOSEPH ARCHER
(Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
15 Westferry Circus
Canary Wharf
London
E14 4HD

22 April 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	31 December 2020 $'000	31 December 2019 $'000
Continuing operations			
General and administrative expenses	5	**(2,942)**	(5,102)
Depreciation expense		**(114)**	(125)
Impairment losses		**–**	(37)
Other losses		**(19)**	–
Share of loss of associates		**(16)**	–
Loss from operating activities		**(3,091)**	(5,264)
Finance income	7	**28**	54
Finance expense	7	**(4,906)**	(2,652)
Net finance (expense)/income		**(4,878)**	(2,598)
Loss before income tax		**(7,969)**	(7,862)
Income tax benefit/(expense)	8	**–**	–
Loss for the period from continuing operations		**(7,969)**	(7,862)
Discontinued operations			
Loss for the period from discontinued operations	19	**(2,198)**	(8,773)
Total loss for the period		**(10,167)**	(16,635)
Other comprehensive income/loss			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		**(840)**	(557)
Total comprehensive loss for the period		**(11,007)**	(17,192)
Loss attributable to:			
Owners of the Company		**(10,167)**	(16,635)
Total comprehensive loss attributable to:			
Owners of the Company		**(11,007)**	(17,192)
Basic loss per share from continuing operations ($)	9	**(0.010)**	(0.010)
Diluted loss per share from continuing operations ($)	9	**(0.010)**	(0.010)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Notes	31 December 2020 $'000	31 December 2019 $'000
Non-current assets			
Trade and other receivables	11	**–**	150
Property, plant and equipment	12	**16**	50
Intangible assets	13	**17,274**	17,277
Right-of-use assets	16	**–**	259
Investment in associates	23	**666**	–
Total non-current assets		**17,956**	17,736
Current assets			
Cash and cash equivalents	21	**1,706**	6,374
Trade and other receivables	11	**118**	226
Inventory	10	**37**	–
Derivative financial instruments	21	**10**	15
Total current assets		**1,871**	6,615
Assets of disposal group held for sale	19	**11,417**	14,313
Total assets		**31,244**	38,664
Liabilities and equity			
Current liabilities			
Trade and other payables	14	**209**	1,046
Lease liabilities	16	**–**	90
Borrowings	15	**689**	632
Total current liabilities		**898**	1,768
Non-current liabilities			
Provisions		**–**	13
Lease liabilities	16	**–**	158
Borrowings	15	**24,360**	19,211
Total non-current liabilities		**24,360**	19,382
Liabilities of disposal group held for sale	19	**10,921**	12,332
Total liabilities		**36,179**	33,482
Equity			
Share capital	17	**1,103**	1,080
Share premium	17	**45,786**	45,679
Merger reserve	18	**9,708**	9,708
Other reserves	18	**3,305**	3,978
Accumulated losses		**(64,837)**	(55,263)
Total equity		**(4,935)**	5,182
Total equity and liabilities		**31,244**	38,664

The consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 38 to 78 were authorised for issue by the Board of Directors on 22 April 2021 and were signed on its behalf by:

JAMES PARSONS
Non-Executive Chairman

MARK HOOD
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	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 2019	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

	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 2020	**1,080**	**45,679**	**9,708**	**3,978**	**(55,263)**	**5,182**
Total comprehensive loss for the period:						
Loss for the period	**–**	**–**	**–**	**–**	**(10,167)**	**(10,167)**
Other comprehensive income	**–**	**–**	**–**	**(840)**	**–**	**(840)**
Total comprehensive loss for the period	**–**	**–**	**–**	**(840)**	**(10,167)**	**(11,007)**
Transactions with owners recorded directly in equity:						
Issue of share capital	**23**	**107**	**–**	**–**	**–**	**130**
Share-based payments for services rendered	**–**	**–**	**–**	**760**	**–**	**760**
Lapsed share options	**–**	**–**	**–**	**(593)**	**593**	**–**
Total transactions with owners recorded directly in equity:	**23**	**107**	**–**	**167**	**593**	**890**
Balance at 31 December 2020	**1,103**	**45,786**	**9,708**	**3,305**	**(64,837)**	**(4,935)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	**31 December 2020 $'000**	31 December 2019 $'000 Restated
Cash flows from operating activities			
Receipts from customers		**1,138**	2,856
Payments to suppliers and employees		**(3,837)**	(8,291)
Interest paid	7	**(632)**	(64)
Interest received	7	**32**	48
Net cash used in operating activities		**(3,299)**	(5,451)
Cash flow from investing activities			
Payments for property, plant and equipment	12	**–**	(1,058)
Payments for intangible assets	13	**(486)**	(15,106)
(Payments)/reimbursements for rehabilitation costs	19	**–**	33
Investment in equity accounted associates	26	**(682)**	–
Net cash used in investing activities		**(1,168)**	(16,131)
Cash flows from financing activities			
Proceeds from borrowings	15	**–**	19,211
Principal elements of lease payments	16	**(207)**	(174)
Net cash (used in)/provided by financing activities		**(207)**	19,037
Net decrease in cash and cash equivalents		**(4,674)**	(2,545)
Cash and cash equivalents brought forward		**6,526**	9,361
Effects of exchange rate changes on cash and cash equivalents		**(91)**	(290)
Cash and cash equivalents carried forward		**1,761**	6,526

The consolidated statement of cash flows should be read in conjunction with the accompanying notes, including the net debt reconciliation in note 15.

Cash and cash equivalents carried forward at 31 December 2020 includes $55k relating to discontinued operations (2019: $152k). Refer to note 21.

COMPANY BALANCE SHEET

As at 31 December 2020

	Notes	31 December 2020 $'000	31 December 2019 $'000
Non-current assets			
Investment in subsidiaries	20	**18,687**	19,767
Property, plant and equipment	12	**16**	50
Intangible assets	13	**23**	30
Trade and other receivables	11	**–**	150
Right-of-use assets	16	**–**	259
Investment in associates	23	**682**	–
Total non-current assets		**19,408**	20,256
Current assets			
Cash and cash equivalents	21	**1,480**	5,324
Trade and other receivables	11	**463**	1,403
Loans to subsidiaries	20	**341**	169
Derivative financial instruments	21	**10**	15
Total current assets		**2,294**	6,911
Total assets		**21,702**	27,167
Liabilities and equity			
Current liabilities			
Trade and other payables	14	**861**	2,451
Lease liabilities	16	**–**	91
Borrowings	15	**689**	632
Total current liabilities		**1,550**	3,174
Non-current liabilities			
Provisions		**–**	13
Lease liabilities	16	**–**	158
Borrowings	15	**24,360**	19,211
Total non-current liabilities		**24,360**	19,382
Total liabilities		**25,910**	22,556
Equity			
Share capital	17	**1,103**	1,080
Share premium	17	**45,786**	45,679
Other reserves	18	**1,733**	2,014
Accumulated losses		**(52,830)**	(44,162)
Total equity		**(4,208)**	4,611
Total equity and liabilities		**21,702**	27,167

The Company balance sheet should be read in conjunction with the accompanying notes.

As permitted by s408 of the Companies Act 2006, the Company has not presented its own income statement. The Company loss for the year was $9.3m (2019: loss $16.4m).

The financial statements on pages to 38 to 78 were authorised for issue by the Board of Directors on 22 April 2021 and were signed on its behalf by:

JAMES PARSONS
Non-Executive Chairman

MARK HOOD
Chief Executive Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital $'000	Share premium $'000	Merger reserve $'000	Other reserves $'000	Accumulated losses $'000	Total $'000
Balance at 1 January 2019	988	43,619	–	(448)	(28,333)	15,826
Total comprehensive loss for the period:						
Loss for the period	–	–	–	–	(16,355)	(16,355)
Other comprehensive income	–	–	–	(14)	–	(14)
Total comprehensive loss for the period	–	–	–	(14)	(16,355)	(16,369)
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	–	2,014	(44,162)	4,611

	Share capital $'000	**Share premium $'000**	**Merger reserve $'000**	**Other reserves $'000**	**Accumulated losses $'000**	**Total $'000**
At 1 January 2020	**1,080**	**45,679**	**–**	**2,014**	**(44,162)**	**4,611**
Total comprehensive loss for the period:						
Loss for the period	**–**	**–**	**–**	**–**	**(9,261)**	**(9,261)**
Other comprehensive income	**–**	**–**	**–**	**(448)**	**–**	**(448)**
Total comprehensive loss for the period	**–**	**–**	**–**	**(448)**	**(9,261)**	**(9,709)**
Transactions with owners recorded directly in equity:						
Issue of share capital	**23**	**107**	**–**	**–**	**–**	**130**
Share-based payments for services rendered	**–**	**–**	**–**	**760**	**–**	**760**
Lapsed share options	**–**	**–**	**–**	**(593)**	**593**	**–**
Total transactions with owners recorded directly in equity	**23**	**107**	**–**	**167**	**593**	**890**
Balance at 31 December 2020	**1,103**	**45,786**	**–**	**1,733**	**(52,830)**	**(4,208)**

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

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	31 December 2020 $'000	31 December 2019 $'000
Cash flows from operating activities			
Receipts from customers		**150**	–
Payments to suppliers and employees		**(1,932)**	(4,085)
Interest paid	7	**(624)**	(32)
Interest received	7	**28**	39
Net cash used in operating activities		**(2,378)**	(4,078)
Cash flow from investing activities			
Payments for property, plant and equipment	12	**–**	(3)
Payments for intangible assets	13	**–**	(31)
Acquisition of subsidiaries	20	**–**	(16,000)
Investment in equity accounted associates	26	**(682)**	–
Net cash used in investing activities		**(682)**	(16,034)
Cash flows from financing activities			
Proceeds from borrowings	15	**–**	19,211
Loans to subsidiaries	20	**(599)**	(2,497)
Principal elements of lease payments	16	**(88)**	(84)
Net cash provided by financing activities		**(687)**	16,630
Net decrease in cash and cash equivalents		**(3,747)**	(3,482)
Cash and cash equivalents brought forward		**5,324**	9,088
Effects of exchange rate changes on cash and cash equivalents		**(97)**	(282)
Cash and cash equivalents carried forward		**1,480**	5,324

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 1: CORPORATE INFORMATION

Coro Energy plc (the "Company" and, together with its subsidiaries, the "Group") is a company incorporated in England and listed on the Alternative Investment Market of the London Stock Exchange. The Company's registered address is c/o Watson Farley & Williams LLP, 15 Appold Street, London EC2A 2HB, UK. The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its interests in its 100% owned subsidiaries, investments in associates 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 ("IFRS") in conformity with the requirements of the Companies Act 2006.

(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 2020, the Group had cash reserves of $1.7m (excluding cash recorded within assets of the Italian disposal group held for sale). Post year-end, the Group increased its available cash resources through a share placing and open offer, which raised net proceeds of £3.9m ($5.3m at year-end exchange rates). Management have prepared a consolidated cash flow forecast for the period to 30 June 2022, which shows that the Group has sufficient cash headroom to meet its obligations up to the redemption date for the Group's Eurobond. The bonds are scheduled to mature in April 2022 when principal of €22.5m ($27.6m at year-end exchange rates) will become repayable in full, along with accrued interest totalling €2.3m ($2.8m at year-end exchange rates). The Directors have a reasonable expectation that the Group can restructure its balance sheet, which may include a restructuring of its bond obligations in part or in full, to enable the Group and Company to remain in operation for at least 12 months from the date of signing these financial statements.

The ability of the Group to successfully manage its capital structure over the next 12 months is not guaranteed. However, based on the above, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the Group and Company financial statements for the year ended 31 December 2020. 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 that 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

The consolidated financial statements of the Group are presented in United States Dollars ("USD"), rounded to the nearest $1,000.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 2: BASIS OF PREPARATION continued

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 that 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.

(i) Key accounting judgements

Accounting for investment in ion Ventures Holdings Limited

In November 2020, the Group acquired a 20.3% shareholding in ion Ventures Holdings Limited ("IVHL") in exchange for cash consideration of £500k ($682k). IVHL was founded in the UK in 2018 to exploit opportunities to exploit opportunities that arise from the increasing complexity of energy systems, the shift to distributed generation and more localised networks, and the need for flexible and responsive solutions.

Under IFRS, the accounting for an interest in another entity depends on the level of influence held over the investee by the investor. Management have concluded that IVHL is an associate of the Group, due to Coro exercising "significant influence" over IVHL. With reference to the factors outlined in IAS 28 Investments in associates and joint ventures, we concluded that significant influence arises as a result of:

- 20.3% shareholding in IVHL, which is above the 20% threshold at which significant influence is presumed to exist under IFRS (though this presumption can be rebutted);
- Right to appoint one director (of five) to the Board of Directors of IVHL; and
- Ability to exercise reserved powers under a Shareholder Agreement to participate in the key strategic and operational decisions of the investee, such as approval of annual budgets.

Associates are accounted for using the equity method, which is described further in note 3a.

(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 and timing of rehabilitation spend used to calculate rehabilitation provisions.

In respect of the Group's Italian assets that 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 22 May 2020

Gas reserves and resources are disclosed in the Strategic Report.

NOTE 2: BASIS OF PREPARATION continued

Measurement of non-current assets (and disposal groups) classified as held for sale (note 19)

The Group classifies the assets and liabilities of its Italian business as a disposal group held for sale following a decision by the Board of Directors to prioritise full divestment of the Group's Italian operations in the first half of 2019. Given the Italian business represents a separate geographical area of operation for the Group, the Italian results have also been treated as a discontinued operation. In December 2019, the Group entered into a binding, conditional sale and purchase agreement ("SPA") with Zenith Energy Ltd to dispose of the Group's interest in its wholly owned subsidiary, Coro Europe Limited, which, in turn, owns the entire issued capital of Apennine Energy SpA, the subsidiary holding the Group's portfolio of gas assets in Italy. The necessary Italian regulatory approvals for the disposal were not obtained prior to a long stop date of 31 July 2020 and, as such, the disposal was mutually terminated by the parties. The Board remains committed to divestment of our Italian portfolio and discussions continue with other interested parties. The Board remains committed to a sale and are confident a disposal can be achieved in the next 12 months and accordingly there is no change to the classification of the Italian business as a disposal group held for sale.

Non-current assets were tested for impairment in line with IFRS requirements. While a significant fall in gas prices was observed in the second quarter of 2020 caused by a reduction in gas demand due to COVID-19 lockdowns and the wider economic impact, prices had recovered a significant proportion of those losses by the end of the year, and the medium-term price outlook is similar to the outlook at the end of 2019. Accordingly, while impairment testing at the half-year saw us identify an impairment on the Bezzecca Cash Generating Unit ("CGU") of $341k, the conditions that led to this impairment, namely the sudden fall in gas prices, had reversed by the year-end and so the impairment has been reversed. So, while the gas price outlook has deteriorated since the prior year, this was not significant enough to result in impairments of the Bezzecca CGU or other oil and gas assets. Under IFRS 5, non-current assets are not depreciated once they are designated as held for sale. As a result, impairments of $171k were recorded on other PPE (office furniture and equipment) and right-of-use assets, representing the amount that would have otherwise been depreciated if IFRS 5 accounting was not applied.

A deferred tax expense of $923k arose due to a write down of the deferred tax asset recorded by the Italian segment, as discussed below.

As required by IFRS 5, the entire Italian business has been fair valued at the balance sheet date to determine if any further write-downs are required in addition to the impairments discussed above. Management determined the fair value of the disposal group with reference to indicative, non-binding offers discussed with several counterparties since the Zenith Energy deal was terminated. This led to an impairment of $739k, which has been allocated across non-current assets on a pro-rata basis.

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.

Following completion of the drilling programme, the operator of the Duyung venture engaged Gaffney, Cline and Associates ("GCA") to complete an independent resource audit for the Mako gas field.

GCA completed their audit in May 2020 and confirmed a significant resource upgrade for the Mako gas field compared to their previous resource assessment released in January 2019 (the "2019 GCA Audit"). 2C (contingent) recoverable resource estimates were increased to 495 Bcf (gross), an increase of approximately 79% compared with the 2019 GCA Audit. In the upside case, the 3C (contingent) resources increased by approximately 108% compared with the 2019 GCA Audit, to 817 Bcf (gross).

As a result of the resource upgrade, which was incorporated into our own updated economic modelling for Duyung, no impairment indicators were noted.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 2: BASIS OF PREPARATION continued

Rehabilitation provisions (note 19)

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 1.25% and 1.75% (2019: 1.50% to 2.00%) 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 (note 19)

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, but with the inclusion of corporate overheads and other non-asset specific costs. The DTA was partially written down in 2018. Given this lack of headroom, and the lower gas price outlook compared to the prior year, a further DTA write-down has been recorded in 2020 totalling $923k.

Assessment of indicators of impairment of investment in associates (note 23)

The Company acquired a 20.3% interest in ion Ventures in November 2020, as discussed above. No indicators of impairment arose in the short period between investment date and year-end.

Company only – impairment assessment for investment in subsidiaries (note 20)

The Company is required to assess its investments in subsidiaries for impairment at each reporting date. The Company's main assets are its Italian gas portfolio, held by Apennine Energy SpA ("Apennine"), and its interest in the Duyung PSC, held by Coro Energy Duyung (Singapore) Pte Ltd ("CEDSPL"). As such, the recoverability of investments in subsidiaries depends on the Company's assessment of indicators of impairment of the underlying assets recorded within its subsidiaries. As explained further above, an impairment of the Italian disposal group was recorded due to a reduction in estimated consideration expected to be received on disposal compared to the prior year. This resulted in an impairment of investment in subsidiaries of $1.1m to write down the Company's investment in Apennine (held indirectly) to its recoverable amount. As noted above, the Company identified no indicators of impairment for its 15% interest in the Duyung PSC and, accordingly, the Company's investment in CEDSPL (held indirectly) is deemed to be recoverable in full.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

(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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES continued

(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.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method of accounting, the investments are initially recognised at cost, including any directly attributable transaction costs, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss. The Group's share of movements in other comprehensive income of the investee are recognised in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment at least annually.

Other investments

In a situation where the Group has direct contractual 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 those assets, liabilities, revenues and expenses in accordance with the accounting standards applicable to the underlying line item. This is analogous to the "joint operator" method of accounting outlined in IFRS 11 Joint arrangements.

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES continued

(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 that 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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES continued

(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 that 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES continued

(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

Inventory is comprised of drilling equipment and spares and 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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES continued

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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES continued

(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 that 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 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) 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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES continued

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.

(p) Changes to accounting policies, disclosures, standards and interpretations

(i) New and amended standards adopted by the Group

There were no new International Financial Reporting Standards that were applicable for the current reporting period that materially impacted the Group.

(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 2020 that will materially impact the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 reflects the way information is presented to the Group's Chief Operating Decision Maker, which was the Board of Directors during 2020, following the departure of the Chief Executive Officer early in the year. Results from the Group's Italian business are classified as a discontinued operation in the income statement, and reflected as such in the table below. Refer to further disclosure in note 19.

	Italy		Asia		UK		Total	
	31 December 2020 $'000	31 December 2019 $'000	**31 December 2020 $'000**	31 December 2019 $'000	**31 December 2020 $'000**	31 December 2019 $'000	**31 December 2020 $'000**	31 December 2019 $'000
Depreciation and amortisation	**–**	–	**–**	–	**(114)**	(125)	**(114)**	(125)
Impairment losses	**–**	–	**–**	–	**–**	(37)	**–**	(37)
Interest expense	**–**	–	**–**	–	**(3,755)**	(2,335)	**(3,755)**	(2,335)
Share of loss of associates	**–**	–	**–**	–	**(16)**	–	**(16)**	–
Segment loss before tax from continuing operations	**–**	–	**(223)**	(370)	**(7,746)**	(7,492)	**(7,969)**	(7,862)
Segment loss before tax from discontinued operations	**(1,275)**	(8,773)	**–**	–	**–**	–	**(1,275)**	(8,773)

	Italy		Asia		UK		Total	
	31 December 2020 $'000	31 December 2019 $'000	**31 December 2020 $'000**	31 December 2019 $'000	**31 December 2020 $'000**	31 December 2019 $'000	**31 December 2020 $'000**	31 December 2019 $'000
Segment assets	**11,417**	14,313	**17,511**	18,297	**2,316**	6,054	**31,244**	38,664
Segment liabilities	**(10,921)**	(12,332)	**(9)**	(579)	**(25,249)**	(20,571)	**(36,179)**	(33,482)

NOTE 5: GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2020 $'000	31 December 2019 $'000
Employee benefits expense (note 6)	**861**	1,425
Business development	**347**	1,458
Corporate and compliance costs	**501**	635
Investor and public relations	**215**	329
G&A – Duyung venture	**179**	192
Other G&A	**141**	164
Share-based payments (note 22)	**698**	899
	2,942	5,102

NOTE 5: GENERAL AND ADMINISTRATIVE EXPENSES continued

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 2020 $'000	31 December 2019 $'000
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	**40**	37
Fees payable to the Company's auditor for other services:		
Audit of subsidiaries	**3**	3
Audit-related assurance services	**–**	15
Corporate finance services	**–**	10

NOTE 6: STAFF COSTS AND DIRECTORS' EMOLUMENTS

	Group	
Staff costs	**31 December 2020 $'000**	31 December 2019 $'000
Wages and salaries	**169**	242
Pensions and other benefits	**9**	10
Social security costs	**17**	22
Share-based payments (note 22)	**101**	283
Total employee benefits	**296**	557
Average number of employees from continuing operations (excluding Non-Executive Directors)	**2**	4

	Group	
Directors' emoluments	**31 December 2020 $'000**	31 December 2019 $'000
Wages and salaries	**592**	992
Pensions and other benefits	**11**	32
Social security costs	**63**	127
Share-based payments (note 22)	**597**	616
Total employee benefits	**1,263**	1,767

The highest paid Director received aggregate emoluments of $281k (2019: $558k) as disclosed in the Directors' Remuneration Report on page 28.

NOTE 7: FINANCE INCOME/EXPENSE

	Group	
Finance income	**31 December 2020 $'000**	31 December 2019 $'000
Interest income	**28**	39
Unrealised gain on foreign exchange forward contracts	**–**	15
Total finance income	**28**	54

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 7: FINANCE INCOME/EXPENSE continued

	Group	
Finance expense	**31 December 2020 $'000**	31 December 2019 $'000
Interest on borrowings	**3,755**	2,335
Finance charge on lease liabilities	**6**	32
Unrealised loss on foreign exchange forward contracts	**6**	–
Foreign exchange loss	**1,139**	285
Total finance expense	**4,906**	2,652

NOTE 8: INCOME TAX

Income tax

	Group	
	31 December 2020 $'000	31 December 2019 $'000
Current tax	**–**	–
Total current tax	**–**	–
Deferred tax	**(923)**	–
Total deferred tax	**(923)**	–
Total tax expense	**(923)**	–
Income tax expense is attributable to:		
Loss from continuing operations	**–**	–
Loss from discontinued operations	**(923)**	–
	(923)	–

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 2020 $'000	31 December 2019 $'000
Loss from continuing operations before tax	**(7,969)**	(7,862)
Loss from discontinued operations before tax	**(1,275)**	(8,773)
Total loss before tax	**(9,244)**	(16,635)
Income tax benefit using the Group's blended tax rate of 20% (2019: 22%)	**1,815**	3,593
Non-deductible expenses	**(60)**	(1,167)
Non-taxable income	**–**	–
Prior year adjustment	**(139)**	(25)
Write-down of deferred tax assets	**(923)**	–
Current year losses and temporary differences for which no deferred tax asset was recognised	**(1,616)**	(2,401)
Income tax benefit/(expense)	**(923)**	–

NOTE 8: INCOME TAX continued

Deferred tax

Deferred tax assets totalling $1.5m (2019: $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 Italian 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 unrecognised losses (gross) in respect of continuing operations are $13.1m (2019: $11.1m). Unrecognised losses (gross) relating to discontinued operations total $99.2m (2019: $86.2m).

NOTE 9: LOSS PER SHARE

	31 December 2020 $'000	31 December 2019 $'000
Basic loss per share from continuing operations ($)	**(0.010)**	(0.010)
Diluted loss per share from continuing operations ($)	**(0.010)**	(0.010)
Basic loss per share from discontinued operations ($)	**(0.003)**	(0.011)
Diluted loss per share from discontinued operations ($)	**(0.003)**	(0.011)

The calculation of basic loss per share from continuing operations was based on the loss attributable to shareholders of $8.0m (2019: $7.9m) and a weighted average number of Ordinary Shares outstanding during the year of 793,502,096 (2019: 768,697,359).

Basic loss per share from discontinued operations was based on the loss attributable to shareholders from discontinued operations of $2.2m (2019: $8.8m).

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 15) and options issued to Directors and management (note 22).

NOTE 10: INVENTORY

	Group	
	31 December 2020 $'000	31 December 2019 $'000
Inventory – Duyung PSC	**37**	–
	37	–

Inventory represents the Group's share of inventory held by the Duyung PSC, which is mainly comprised of drilling spares.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 11: TRADE AND OTHER RECEIVABLES

	Group	
	31 December 2020 $'000	31 December 2019 $'000
Current:		
Indirect taxes receivable	**44**	73
Prepayments	**74**	149
Other receivables	**–**	4
	118	226
Non-current:		
Other receivables	**–**	150
	–	150

	Company	
	31 December 2020 $'000	31 December 2019 $'000
Current:		
Indirect taxes receivable	**44**	73
Prepayments	**64**	148
Other receivables	**–**	894
Intercompany receivables	**355**	288
	463	1,403
Non-current:		
Other receivables	**–**	150
	–	150

In the prior year, the Company had a receivable of $894k from Sound Energy plc ("Sound") in respect of Badile rehabilitation obligations, which were to be paid by Sound under an agreement entered into in 2018. As explained further in note 14, the receivable from Sound, and the payable from Coro to Sound, have both been reduced reflecting a land sale contract entered into by Apennine Energy SpA and Immobilandia Srl.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	Group	
	31 December 2020 $'000	31 December 2019 $'000
Office furniture and equipment	**16**	50
	16	50

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

	Group	
	31 December 2020 $'000	31 December 2019 $'000
Office furniture and equipment:		
Carrying amount at beginning of period	**50**	235
Additions	**–**	12
Depreciation expense	**(13)**	(29)
Reclassification to assets of disposal group held for sale	**–**	(170)
Disposals	**(20)**	–
Effect of foreign exchange	**(1)**	2
Carrying amount at end of period	**16**	50

	Company	
	31 December 2020 $'000	31 December 2019 $'000
Office furniture and equipment	**16**	50
	16	50

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

	Company	
	31 December 2020 $'000	31 December 2019 $'000
Office furniture and equipment:		
Carrying amount at beginning of period	**50**	65
Additions	**–**	1
Depreciation expense	**(13)**	(18)
Disposals	**(20)**	–
Effect of foreign exchange	**(1)**	2
Carrying amount at end of period	**16**	50

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 13: INTANGIBLE ASSETS

	Group	
	31 December 2020 $'000	31 December 2019 $'000
Exploration and evaluation assets	**17,251**	17,247
Software	**23**	30
	17,274	17,277

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

	Group	
	31 December 2020 $'000	31 December 2019 $'000
Exploration and evaluation assets:		
Carrying amount at beginning of period	**17,247**	3,076
Additions	**4**	17,253
Reclassification to assets of disposal group held for sale	**–**	(3,005)
Impact of foreign exchange	**–**	(77)
Carrying amount at end of period	**17,251**	17,247

Exploration and evaluation assets relate to the Group's interest in the Duyung PSC. No indicators of impairment of these assets were noted; see note 2e.

	Company	
	31 December 2020 $'000	31 December 2019 $'000
Software	**23**	30
	23	30

NOTE 14: TRADE AND OTHER PAYABLES

	Group	
	31 December 2020 $'000	31 December 2019 $'000
Current:		
Trade payables	**105**	184
Other payables	**61**	–
Accrued expenses	**43**	315
Payables to Duyung venture	**–**	547
	209	1,046

	Company	
	31 December 2020 $'000	31 December 2019 $'000
Current:		
Trade payables	**827**	2,162
Accrued expenses	**34**	285
Intercompany payables	**–**	4
	861	2,451

Included within trade payables of the Company is a payable of $737k (2019: $2.0m) due to Sound Energy plc ("Sound") for the expected sales proceeds to be received for the sale of the Badile land, which are due to Sound under an agreement entered into by the two companies in 2018. Apennine Energy SpA, the Company's subsidiary, entered into an agreement with Immobilandia Srl to dispose of the Badile land in two parcels, Area 1 and Area 2. The sale of Area 1 was completed on 12 February 2021 for proceeds of €250k ($307k at year-end exchange rates), which were remitted to Sound net of costs incurred by Apennine. Under the terms of sale of Area 2, Immobilandia will first have to complete all rehabilitation works relating to the Badile licence and Moirago-1 well at its own expense prior to completing the acquisition of the land. Subject to satisfactory completion of the rehabilitation works, Immobilandia will acquire Area 2 for €350k ($430k at year-end exchange rates). The Company has therefore recognised the net payable to Sound of $737k above. The receivable from Sound for Badile rehabilitation costs in note 11 has been reduced to nil reflecting the contract with Immobilandia.

NOTE 15: BORROWINGS

	31 December 2020 $'000	31 December 2019 $'000
Current		
Eurobond	**689**	**632**
	689	**632**
Non-current		
Eurobond	**24,360**	**19,211**
	24,360	**19,211**

In 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 a 5% cash coupon annually in arrears, and Tranche B accruing interest at 5% per annum payable on redemption.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 15: BORROWINGS continued

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, with the total fair value of warrants ($2.0m) treated as a transaction cost and 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%.

Net debt reconciliation

An analysis of net debt and the movements in net debt for each of the periods presented is shown below:

	Group	
	31 December 2020 $'000	31 December 2019 $'000
Cash and cash equivalents	**1,706**	6,374
Borrowings	**(25,049)**	(19,843)
Lease liabilities	**–**	(248)
Net debt	**(23,343)**	(13,717)

	Cash and cash equivalents $'000	Borrowings $'000	Lease liabilities $'000	Total $'000
Net debt as at 1 January 2019	9,361	–	–	9,361
Cash flows	(2,545)	(19,211)	174	(21,582)
New leases	–	–	(636)	(636)
Eurobond amortisation	–	(2,335)	–	(2,335)
Transaction costs on borrowings		2,007	–	2,007
Reclassification to disposal group	(152)	–	284	132
Effects of foreign exchange	(290)	(304)	(70)	(664)
Net debt as at 31 December 2019	6,374	(19,843)	(248)	(13,717)
Cash flows	**(4,563)**	**618**	**88**	**(3,857)**
Eurobond amortisation	**–**	**(3,755)**	**–**	**(3,755)**
Lease terminations	**–**	**–**	**158**	**158**
Effects of foreign exchange	**(105)**	**(2,069)**	**2**	**(2,172)**
Net debt as at 31 December 2020	**1,706**	**(25,049)**	**–**	**(23,343)**

NOTE 16: LEASES

Lease assets and liabilities in the prior year related to the Company's London head office. The lease was terminated in 2020 resulting in nil assets/liabilities at 31 December 2020.

	31 December 2020 $'000	31 December 2019 $'000
Right-of-use assets		
Properties	–	259
Lease liabilities		
Current	–	90
Non-current	–	158

The total finance charge recorded on lease liabilities was $6k (2019: $32k).

The total cash outflow for leases was $220k (2019: $238k), of which $207k (2019: $174k) is shown in the cash flow statement as repayment of principal, being $88k relating to continuing operations (2019: $84k relating to continuing operations). The remaining cash flow of $13k (2019: $64k) is related to the implicit finance charge, of which $5k relates to continuing operations (2019: $32k relating to continuing operations).

A maturity analysis of lease liabilities is included in note 21.

Right-of-use assets

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

	Group	
	31 December 2020 $'000	31 December 2019 $'000
Properties:		
Opening balance	**259**	654
Depreciation	**(94)**	(125)
Reclassification to assets of disposal group held for sale	–	(275)
Adjustment for change to lease term	**(158)**	–
Impact of foreign exchange	**(7)**	5
	–	259

NOTE 17: SHARE CAPITAL AND SHARE PREMIUM

	31 December 2020 Number 000s	**Nominal value $'000**	**Share premium $'000**	**31 December 2020 Total $'000**
As at 1 January 2020	**789,586**	**1,080**	**45,679**	**46,759**
Shares issued during the period:				
Issued for services rendered	**17,322**	**23**	**107**	**130**
Closing balance at 31 December 2020	**806,908**	**1,103**	**45,786**	**46,889**

NOTE 17: SHARE CAPITAL AND SHARE PREMIUM continued

	31 December 2019 Number 000's	Nominal value $'000	Share premium $'000	31 December 2019 Total $'000
As at 1 January 2019	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 at 31 December 2019	789,586	1,080	45,679	46,759

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. As at the date of these financial statements the Company has unused authority to issue up to 728,934,000 new Ordinary Shares.

No dividends were paid or declared during the current period (2019: nil).

NOTE 18: RESERVES

Merger reserve

The Merger reserve of $9.7m relates to the reorganisation of ownership of Northsun Italia SpA, 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 attributable to the current period charge relating to options issued to Directors and management of the Company, which was $760k (2019: $899k). This increase was partially offset by lapsed share options during the year, which were recycled to accumulated losses ($593k).

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 $840k (2019: $557k loss).

NOTE 19: DISCONTINUED OPERATIONS

The Group classifies the assets and liabilities of its Italian business as a disposal group held for sale following a decision by the Board of Directors to prioritise full divestment of the Group's Italian operations in the first half of 2019. Given the Italian business represents a separate geographical area of operation for the Group, the Italian results have also been treated as a discontinued operation. In December 2019, the Group entered into a binding, conditional sale and purchase agreement ("SPA") with Zenith Energy Ltd to dispose of the Group's interest in its wholly owned subsidiary, Coro Europe Limited, which, in turn, owns the entire issued capital of Apennine Energy SpA, the subsidiary holding the Group's portfolio of gas assets in Italy. The necessary Italian regulatory approvals for the disposal were not obtained prior to a long stop date of 31 July 2020 and, as such, the disposal was mutually terminated by the parties. The Board remains committed to divestment of our Italian portfolio and discussions have been held with other interested parties. The Board remains confident a disposal can be achieved in the next 12 months and, accordingly, there is no change to the classification of the Italian business as a disposal group held for sale.

NOTE 19: DISCONTINUED OPERATIONS continued

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

	31 December 2020 $'000	31 December 2019 $'000
Revenue	**803**	2,692
Operating costs	**(1,010)**	(2,661)
Depreciation and amortisation expense	**–**	(283)
Gross profit/(loss)	**(207)**	(252)
Other income	**41**	44
General and administrative expenses	**(661)**	(1,794)
Depreciation expense	**–**	(42)
Change in rehabilitation provisions	**523**	206
Impairment losses	**(910)**	(6,571)
Loss from operating activities	**(1,214)**	(8,409)
Finance income	**21**	10
Finance expense	**(82)**	(374)
Loss before tax	**(1,275)**	(8,773)
Income tax benefit/(expense)	**(923)**	–
Loss for the period after tax	**(2,198)**	(8,773)

The major classes of assets and liabilities of the Italian operations classified as held for sale as at 31 December 2020 are as follows:

	31 December 2020 $'000	31 December 2019 $'000
Assets		
Property, plant and equipment	**4,622**	4,759
Exploration and evaluation assets	**1,992**	1,978
Right-of-use assets	**108**	175
Land	**1,927**	2,021
Deferred tax assets	**1,455**	2,240
Inventories	**300**	306
Trade and other receivables	**958**	2,210
Other financial assets	**–**	472
Cash	**55**	152
Total assets	**11,417**	14,313
Liabilities		
Trade and other payables	**1,702**	2,990
Lease liabilities	**62**	125
Provisions	**9,157**	9,217
Total liabilities	**10,921**	12,332
Net assets	**496**	1,981

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For the year ended 31 December 2020

NOTE 19: DISCONTINUED OPERATIONS continued

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

	31 December 2020 $'000	31 December 2019 $'000
Net cash flow from operating activities	**(533)**	(1,451)
Net cash flow from investing activities	**(58)**	(1,222)
Net cash flow from financing activities	**480**	2,558
Net cash inflow/(outflow)	**(111)**	(115)

As explained in note 2e, there were no specific impairments recorded in 2020 to oil and gas assets (producing assets within PPE and development assets within intangible assets). An impairment of $171k was recorded on other PPE (office furniture and equipment) and right-of-use assets, representing the amount that would have otherwise been depreciated if IFRS 5 accounting was not applied. The disposal group as a whole was tested for impairment as required by IFRS 5. This resulted in an impairment of $739k, which was allocated across non-current assets pro-rata.

Refer to note 14 for further discussion on the presentation of balances owing to and from Sound Energy, which relate to the disposal group.

NOTE 20: INVESTMENT IN, AND LOANS TO, SUBSIDIARIES

	Company	
	2020 $'000	2019 $'000
Cost		
At 1 January	**51,812**	27,142
Additions	**–**	24,670
Other adjustments	**(557)**	–
At 31 December	**51,255**	51,812
Accumulated impairment		
At 1 January	**(32,222)**	(22,848)
Impairment	**(1,076)**	(9,374)
At 31 December	**(33,298)**	(32,222)
Impact of foreign exchange	**730**	177
Net book value		
At 31 December	**18,687**	19,767

An impairment of $1.1m was recorded on the value of the Company's investment in Apennine Energy SpA, which is held indirectly through intermediate holding companies. This reflects lower total consideration expected on disposal compared to the prior year, as discussed in note 2e.

NOTE 20: INVESTMENT IN, AND LOANS TO, SUBSIDIARIES continued

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 SpA*	Italy	Exploration, development and production company	Via XXV Aprile 5, San Donato Milanese, (MI) 2009, Italy
Coro Europe Limited*	England	Holding company	c/o Watson Farley & Williams, 15 Appold Street, London EC2A 2HB, United Kingdom
Coro Asia Limited*	England	Holding company	c/o Watson Farley & Williams, 15 Appold Street, London EC2A 2HB, United Kingdom
Coro Energy Asia Limited*	England	Holding company	c/o Watson Farley & Williams, 15 Appold Street, London EC2A 2HB, United Kingdom
Coro Energy Holdings Cell A Limited	England	Holding company	c/o Watson Farley & Williams, 15 Appold Street, London EC2A 2HB, 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
Global Energy Partnership Limited†	Scotland	Holding company	12 Traill Drive, Montrose DD10 8SW, Scotland

* Indirectly held.
† Acquisition completed on 17 March 2021.

The following subsidiaries are exempt from audit for the 2020 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	
	2020 $'000	2019 $'000
Current		
Loans to subsidiaries	**341**	169
At 31 December	**341**	169

Loans to subsidiaries are unsecured, interest free and are repayable on demand. Loans are stated after an impairment of $428k recorded in 2020 on loans to Apennine.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 21: 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 2020

	Group	
	Carrying amount $'000	**Fair value $'000**
Financial assets		
Trade and other receivables (current and non-current)	**43**	**43**
Derivative financial instruments	**10**	**10**
Cash and cash equivalents	**1,706**	**1,706**
Financial liabilities		
Trade and other payables	**209**	**209**
Borrowings (current and non-current)	**25,049**	**25,049**

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 2020

	Company	
	Carrying amount $'000	**Fair value $'000**
Financial assets		
Trade and other receivables (current and non-current)	**402**	**402**
Loans to subsidiaries	**341**	**341**
Derivative financial instruments	**10**	**10**
Cash and cash equivalents	**1,480**	**1,480**
Financial liabilities		
Trade and other payables	**861**	**861**
Borrowings (current and non-current)	**25,049**	**25,049**

NOTE 21: FINANCIAL INSTRUMENTS continued

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

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 strategy. 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 Committee.

Management is responsible for establishing procedures that 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 19.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 21: FINANCIAL INSTRUMENTS continued

(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 predominantly 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			
	2020 $'000 USD	**2020 $'000 EUR**	2019 $'000 USD	2019 $'000 EUR
Cash and cash equivalents	**1,299**	**172**	4,983	235
Trade and other payables	**(4)**	**(4)**	(41)	–
Borrowings (current and non-current)	**–**	**(25,049)**	–	(19,843)
Net exposure	**1,295**	**(24,881)**	4,942	(19,608)

	Company			
	2020 $'000 USD	**2020 $'000 EUR**	2019 $'000 USD	2019 $'000 EUR
Trade and other receivables (current and non-current)	**204**	**–**	278	–
Cash and cash equivalents	**1,299**	**159**	4,983	235
Loans to subsidiaries	**–**	**341**	–	168
Trade and other payables	**(4)**	**(742)**	(41)	(1,979)
Borrowings (current and non-current)	**–**	**(25,049)**	–	(19,843)
Net exposure	**1,499**	**(25,291)**	5,220	(21,419)

NOTE 21: FINANCIAL INSTRUMENTS continued

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 2020		
USD:GBP exchange rate increases 10%	**122**	**141**
USD:GBP exchange rate decreases 10%	**(111)**	**(128)**
EUR:GBP exchange rate increases 10%	**(2,340)**	**(2,267)**
EUR:GBP exchange rate decreases 10%	**2,127**	**2,061**
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

(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. As explained further in note 26 and note 2c, post year-end the Company successfully raised net proceeds of £3.9m, equivalent to $5.3m at year-end exchange rates, through the issue of new shares to new and existing investors. The Group's Eurobond matures in April 2022. The Eurobond was issued with 47,357,500 attaching warrants that 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 would substantially cover the Eurobond repayment due on 12 April 2022 and recapitalise the Group. However, given the warrants are significantly out of the money, management is expecting to look at alternative options to optimise the Group's capital structure to ensure bond obligations are met.

(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.

	Group				
31 December 2020	**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	**209**	**–**	**–**	**–**	**209**
Borrowings	**689**	**–**	**24,360**	**–**	**25,049**
Total	**898**	**–**	**24,360**	**–**	**25,258**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 21: FINANCIAL INSTRUMENTS continued

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 2020	**Company**				
	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	**123**	**738**	**–**	**–**	**861**
Borrowings	**689**	**–**	**24,360**	**–**	**25,049**
Total	**812**	**738**	**24,360**	**–**	**25,910**

31 December 2019	Company				
	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

NOTE 22: SHARE-BASED PAYMENTS

Ordinary Shares

During 2020, the Company issued 13,584,906 new Ordinary Shares to Align Research Services in lieu of cash compensation for services provided. The cost of the shares will be expensed over the 12-month contract life. 3,737,031 new shares were issued to Directors and management in lieu of cash bonuses for the 2019 performance year. The associated expense was accrued in 2019.

Share options and warrants

The following equity settled share-based awards have been made under the Company's discretionary share option plan:

	31 December 2020		31 December 2019	
	Average exercise price per option (pence)	**Number of options**	Average exercise price per option (pence)	Number of options
As at 1 January	**4.38**	**83,000,000**	4.38	73,000,000
Granted during the year	**4.38**	**10,000,000**	4.38	10,000,000
Exercised during the year	**–**	**–**	–	–
Forfeited during the year	**4.38**	**(35,000,000)**	–	–
As at 31 December	**4.38**	**58,000,000**	4.38	83,000,000
Vested and exercisable at 31 December	**–**	**–**	–	–

All 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 inputs used in the measurement of the options granted during the year are summarised in the table below, with the volatility estimate of 50% based on the Company's historical volatility:

	15 January 2020 five-year option
Fair value at grant date	0.40p
Share price at grant date	1.88p
Exercise price	4.38p
Expected volatility	50%
Option life	5 years
Risk-free interest rate (based on yield on five-year gilts)	1%
Expiry date	15 Jan 25

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 2020 was $698k (2019: $899k).

This 2020 charge included the accelerated vesting of options issued to two former directors who left the Company 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 of $593k has been recycled to accumulated losses (2019: $526k).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTE 23: INTERESTS IN OTHER ENTITIES

ion Ventures

As explained further in note 2e, the Company acquired a 20.3% interest in ion Ventures Holdings Limited ("ion Ventures") during the year. This investment is accounted for as an associate using the equity method.

ion Ventures, incorporated and domiciled in the UK, is a South East Asian and UK focused developer of clean energy projects, primarily energy storage.

Summarised financial information for ion Ventures, which has a financial year-end date of 31 December, is included below:

Summarised balance sheet	31 Dec 2020 $'000
Current assets	642
Non-current assets	2,869
Current liabilities	(118)
Non-current liabilities	(112)
Net assets	3,281
Group's share in %	20.3%
Group's share in $	666

Summarised statement of comprehensive income	Two months ended 31 Dec 2020 $'000
Revenue	2
Loss from continuing operations	(81)
Other comprehensive income	–
Total comprehensive income	(81)

As required by IAS 28 Investment in associates, the excess between the fair value of ion Ventures' net assets on acquisition date and the consideration paid for Coro's investment has been recorded as notional goodwill and is included within non-current assets in the table above.

Duyung PSC

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. Through the JOA, the Group has a direct right to the assets of the venture, and direct obligation for its liabilities. Accordingly, Coro 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.

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.

NOTE 24: CONTINGENCIES AND COMMITMENTS

Commitments

Coro's share of the 2021 Duyung Work Program and Budget is estimated at $916k, which will be allocated between items of capital expenditure and joint venture G&A.

Contingencies

The Group has no contingent liabilities.

NOTE 25: RELATED PARTY TRANSACTIONS

Key management personnel compensation

	2020 $'000	2019 $'000
Short-term benefits	**596**	1,026
Post-employment benefits	**7**	32
Share-based payments	**597**	616

Key management personnel consists of the Directors of the Company.

Other related party transactions

Echo Energy plc is considered a related party because two of the Company's Directors, James Parsons and Marco Fumagalli, were also directors of Echo Energy plc during 2020. All transactions entered into between the companies are made on arm's length terms. There were no transactions with Echo Energy in 2020. In 2019, Echo recharged the Company $4k in respect of broadband internet for the Company's head office.

CIP Merchant Capital Ltd ("CIP") is considered a related party of the Group under IAS 24 Related party transactions by virtue of its 18.7% shareholding and representation on the Board (one Director). There were no transactions with CIP during the year. In 2019, 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. Post-year end, CIP's shareholding was reduced by dilution to 7.1%.

ion Ventures Holdings Limited is a new related party due to the Company's 20.3% shareholding and ability to appoint one director to the Board of Directors of ion. There were no transactions between the two companies in 2020 with the exception of Coro's initial £500k investment in ion.

Sound Energy plc is no longer considered a related party, with only Marco Fumagalli as a director in common between the two companies.

NOTE 26: SUBSEQUENT EVENTS

Acquisition of Global Energy Partnership Limited

On 17 March 2021, the Company completed the acquisition of 100% of the issued capital of Global Energy Partnership Limited ("GEPL") in exchange for 142.5 million new ordinary shares in the Company. GEPL is incorporated in the United Kingdom and involved in the origination and development of renewable energy projects in South East Asia. On the same date, GEPL co-founders Mark Hood and Michael Carrington joined the Company in the roles of CEO and COO respectively, with Mark Hood also appointed as a director of the Company.

Background to the acquisition

Since inception, GEPL has screened over 25 GW of renewable energy projects and has identified a short list of priority pipeline projects for investment across the Philippines, Vietnam and Indonesia, with an initial focus on the Philippines.

For the financial period ended 31 January 2021, GEPL generated no revenues, incurred a trivial net loss and had net liabilities of £3k (approx. $4k).

The acquisition meets a number of key strategic objectives for the Group, including:

- Acquiring GEPL's pipeline of early-stage renewable energy projects in South East Asia, with an initial focus on the Philippines;
- Securing an experienced executive team with a proven record of originating and executing energy projects; and
- Building on the Company's investment in ion Ventures in 2020, acquiring a complementary business with opportunities for project co-development in future.

Consideration for the acquisition

In exchange for acquiring 100% of the issued capital of GEPL, the Company issued 142.5 million new ordinary shares to the former GEPL shareholders. Based on the mid-market price of the Company's shares on the date of the completion of the acquisition, the consideration given is valued at £520k ($727k).

Fair value of assets and liabilities acquired

GEPL's projects are at an early stage, with the initial focus being on two high graded opportunities in the Philippines: a 100 MW solar project and 100 MW onshore wind project. Work done on the projects to date has mainly comprised GEPL management's time including pre-feasibility studies, understanding of relevant laws/ regulations, site visits, community engagement, liaising with potential engineering contractors and financiers, and building networks and partnerships locally. The Directors believe there is significant latent value which can be unlocked by investing in these Filipino opportunities however, at the date of acquisition, there were no contractual rights associated with the projects and accordingly, our preliminary assessment is that there were no identifiable assets under IFRS. Similarly, GEPL had no liabilities, with all creditors extinguished prior to acquisition completion.

Accordingly, we expect the full purchase consideration to be allocated to goodwill. While GEPL has identified opportunities in Vietnam and Indonesia, we view the principal value in the company as being its Philippines project pipeline and associated intellectual property and we expect the goodwill to be allocated accordingly.

Fundraise

Alongside the GEPL acquisition, the Company also completed a fundraise through the issue of 1,162,214,632 new Ordinary Shares at 0.4p per share to new and existing investors, raising gross proceeds of £4.6m ($6.3m at year-end exchange rates). Net proceeds were £3.9m ($5.3m) after deducting directly attributable financing costs.

COMPANY INFORMATION

DIRECTORS

- James Parsons
  (Non-Executive Chairman)
- Mark Hood
  (Chief Executive Officer)
- Fiona MacAulay
  (Independent Non-Executive Director)
- Marco Fumagalli
  (Non-Executive Director)
- Andrew Dennan
  (Non-Executive Director)

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