

3rd September 2018

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

South East Asia: First Indonesian Acquisition

Coro Energy plc is delighted to announce the signing of binding conditional agreements for its first acquisition in Indonesia, which comprises a 42.5% interest in the Lengo gas field, offshore East Java.

Highlights

- Entry into Indonesia through the acquisition of a 42.5% interest in the shallow water Bulu Production Sharing Contract ("PSC"), offshore East Java which contains the Lengo gas field
- Independently certified gross 2C resources of 359 Bcf of recoverable dry gas with gross 3C resources of 420 Bcf representing additional upside
- The field development plan has been approved by the Indonesian authorities. Marketing efforts targeting the Tuban industrial complex in East Java are underway and an MOU was signed with a gas buyer earlier this year
- Deal results in Coro acquiring over 152 Bcf of discovered, appraised and certified net 2C gas resources, with an upside of over 26 Bcf of net additional gas resources
- Total consideration of \$10.96 million plus cost re-imbursements of approximately \$1.04 million
- Low acquisition price of \$0.10/MMbtu [\[1\]](#)
- Favourable regional gas prices currently in the range of \$5.50MMbtu - \$8MMbtu

- Attractive economics enhanced by an existing gross cost pool of approximately \$100 million, to be recovered from production revenues by the field partners
- Coro fully funded for the acquisition

James Menzies, Chief Executive Officer, commented

"This first Indonesian acquisition provides Coro with a strong initial platform on which to progress our South East Asian growth strategy; it has been crucial for us to find the right asset on which to build, and being an asset with solid, proved gas resource base together with substantial technical and commercial upside, I believe this transaction delivers that.

The Lengo gas discovery is the right scale and in the right address, with an approved development plan and direct access to high value markets. This asset is well suited to nimble, independent E&P players with ambitions to grow. We look forward to developing the full potential of the asset and the acreage around it as we build a regional portfolio."

The Transaction

Coro is stepping in to a deal that was originally agreed between AWE (Satria) NZ Ltd ("AWE"), a subsidiary of AWE Limited (the current asset holder) and HyOil (Bulu) Pte. Ltd ("HyOil"), a subsidiary of HyOil Pte. Ltd. (a private Singaporean company). This current transaction is being effected through both a tripartite agreement ("TA") between Coro, HyOil and AWE, (in which the original Sales & Purchase Agreement between HyOil and AWE is terminated); and a new SPA ("ASPA") between Coro and AWE.

Coro, AWE and HyOil will be working together and with relevant government authorities to close these new agreements. Under these agreements, Coro will pay HyOil up to \$4 million in Coro shares and will pay AWE a total of approximately \$8 million in cash to cover the purchase price, cost reimbursement and other working capital adjustments.

Specifically, Coro will pay to HyOil:

- \$2 million on closing of the transaction which will be satisfied by the issue of 42,434,465 new ordinary shares issued at 3.6255 pence each, calculated as the 30 day volume weighted average price of the Company's shares as of the signing date of the TA; and
- \$1 million in new Coro shares upon the signing of the first Gas Sales Agreement. The shares to be issued at a price equal to the last closing price of the Company's shares, as reported by the London Stock Exchange ("LSE"), on the date immediately following the date of signing the GSA; and
- \$1 million in new Coro shares following the start of commercial production from the field. The shares to be issued at the closing price of the shares as reported on LSE five months and three weeks from production start up.

Pursuant to the ASPA, Coro will pay to AWE a cash consideration of US\$6.96 million, plus back costs and other working capital adjustments estimated to be approximately US\$1.04 million. AWE will be liable to pay all transfer taxes that may fall due and payable on the transaction up to US\$640,000.

As a result of these transactions, Coro will become a direct 42.5% holder of the Bulu PSC. The remaining 57.5% participating interest in the Bulu PSC is held between sole operator Kris Energy 42.5% and two local partners, Satria Energindo 10% and Satria Wijaya Kusuma 5%.

Completion of the transactions is conditional on, *inter alia*, JV partner pre-emption and regulatory government approvals. Further announcements will be made as appropriate.

The Lengo Gas Field, Bulu PSC, Offshore Indonesia

The Bulu PSC has a term of 30 years and is due to expire in October 2033. The PSC is located in water depths of approximately 60 metres. The Lengo gas field was discovered in 2008 by the Lengo-1 well which tested at a rate of 12.9 MMscf/d and successfully appraised in 2013 by the crestally located Lengo-2 well which flow tested at over 21.2 MMscf/d, confirming a consistent gas-water contact and reservoir properties across the structure. A plan of development was submitted and approved in November 2014.

Past seismic and drilling in the block has, to date, resulted in a cost pool of approximately \$100 million. Coro will fully benefit from the recovery of these costs from production revenues, as a reimbursement to the field partners for the exploration and appraisal expenditures to date.

The Lengo field is located approximately 65 km from the coast of East Java. The reservoir is a Miocene-age carbonate build up at a depth of approximately 700 metres, with good porosity and permeability characteristics. The gas-water contact across the field is co-incident with a well-developed Direct Hydrocarbon Indicator on seismic data, giving a high degree of confidence in the areal extent of the accumulation. Following the successful appraisal of the field, an independent report on the field's potential was carried out by Netherland, Sewell & Associates in 2015, resulting in the following gross resource certification:

Category	Gas In-Place (Bcf)	Gas Recoverable (Bcf)
1C	470	308
2C	531	359
3C	599	420

The approved Lengo Plan of Development ('POD') includes an initial four wells from a small unmanned platform, with a pipeline back to an onshore receiving facility and processing plant. Production from the field is envisaged to plateau at circa 70 MMscf/d.

The East Java Gas Market

As is common in the East Java basin, the Lengo gas contains impurities including CO₂. The CO₂ content, at approximately 12%, is relatively low for the area and does not impact the marketability of the gas. Potential buyers for the Lengo gas include users who would take the gas both with or without the CO₂ content reduced. Uses include power generation; the petrochemical industry or other field operators who need gas supply to make up shortfall against their own delivery obligations.

An MOU was signed between the Lengo field partners and an established gas trading company in January 2018. The plan will be to use the gas to supply a local petrochemical plant as well as to supply other customers on the Central - East Java pipeline route. Gas prices in the East Java area have been healthy in recent years, and though final pricing will depend on the ultimate buyer and whether the CO₂ content is reduced prior to delivery or not, pricing in the range of \$5.50/MMbtu - \$8/MMbtu would be expected.

First Step in Establishing A Portfolio

The Company confirms that it is continuing to review and progress a number of other material opportunities in South East Asia, in line with its strategy of developing a business focussed on finding and commercialising oil & gas resources.

The information communicated within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

For further information please contact:

Coro Energy Plc

James Menzies, Chief Executive Officer j.menzies@coroenergyplc.com

Sara Edmonson, Deputy Chief Executive Officer s.edmonson@coroenergyplc.com

Grant Thornton UK LLP (Financial and Nominated Adviser)

Colin Aaronson Tel: +44 (0)20 383 5100
Jen Clarke
Harrison J Clarke
Seamus Fricker

Turner Pope Investments (TPI) Ltd (Broker)

Ben Turner Tel: +44 (0)20 3621 4120
James Pope info@turnerpope.com

Vigo Communications (PR Adviser)

Patrick D'Ancona Tel: +44 (0)20 7390 0230
Chris McMahon info@vigocomms.com

[1] Calculated on 2C Contingent Resources and consideration of \$10.96m

Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END

ACQUOVVRWBAKRRR

Anonymous (not verified)

South East Asia: First Indonesian Acquisition

27946665

A

Mon, 09/03/2018 - 07:00

LSE RNS

Mergers, Acquisitions and Disposals

CORO