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Coro Energy PLC
05 September 2018

5 September 2018

Coro Energy Plc

("Coro" or the "Company")

Interim Results

Coro Energy plc (AIM: CORO), the pan Euro-Asian gas explorer, is pleased to announce its interim results for the six months ended 30 June 2018.

A copy of these interim financial statements is also available on the Company's website https://www.coroenergyplc.com/investors/

Highlights
South East Asia

- Recognised an industrial need & gap in the market for regional small - mid cap upstream players. Developed strategy for building a business focussed on SE Asian E&P
- Established Business Development team in the region
- Presented technical and operational credentials to relevant host government bodies
- Developed a strong pipeline of business development opportunities
- Post period of review, entered South East Asia E&P market with 42.5% interest in Bulu PSC, Indonesia
- Continuing data-room evaluation and commercial assessment of high-graded opportunities
- Coro well positioned in deal flow - for M&A as well as organic opportunities

Italy

- Following shareholder approval on 29 March, Coro Energy acquired Sound Energy Holdings Italy Limited ("SEHIL") significantly enhancing the company's Italian portfolio
- Coro Energy now has 5 production concessions, 4 exploration permits and 4 exploration permit applications in Italy
- Combined Production from all 4 fields for the first six months of the year was 203 MMscf resulting in an average of 1.3 MMscf/day
- Total revenue for the first 6 months was €1.1 MM
- Gas prices in Italy were strong averaging €6/Mcf for the period

Corporate

- Completed merger of SEHIL and Saffron Energy, integrating teams and assets under Coro Energy
- Raised €16.1 million in support of business build in SE Asia
- Reconfigured Board of Directors
- Appointed new CEO & CFO
- Opened London office

James Menzies, Chief Executive Officer, commented "With the first transaction now signed, we are continuing to build momentum, with a pipeline of accretive deals continuing to be developed ."

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

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CHAIRMAN'S STATEMENT

The first half of 2018 has been a busy and exciting time for Coro. We have seen senior personnel changes, corporate consolidation allowing us to achieve scale in our European business, and a re-branding to become Coro Energy plc. However, management's focus was dominated by the initiation of our new, ambitious strategy directed at unlocking latent value in South East Asia, a strategy which was supported by an oversubscribed equity issue raising gross proceeds of €16.1 million. This initiative yielded results in the post-period announcement of our first transaction, providing entry into the Indonesian upstream gas sector through the acquisition of a 42.5% interest in the Lengo gas field, offshore East Java.

The group made a loss before tax of €2.4m for the period (30 June 2017: €0.9m), which was primarily driven by costs associated with the acquisition of Sound Energy Holdings Italy Limited ("SEHIL") and the AIM readmission process.

Execution of Strategy Leads to Debut Deal in SE Asia

The Company's new growth strategy, around developing a business focused on finding and commercialising oil and gas resources in South East Asia was initiated during the period. We believe the region possesses some of the world's fastest developing economies where demand for gas currently significantly outstrips supply. This, combined with increasing GDP rates, commensurate growth in energy demand and the increasing shortage of gas in the major markets, provides a compelling investment proposition for investors.

This growth strategy is focused on high-graded countries, such as Indonesia, Malaysia and Vietnam where we see significant 'yet to find' hydrocarbon resources as well as numerous fallow discoveries which represent opportunities for commercialisation and development for independent players such as Coro. While we have a preference for gas over oil assets, we are continuing to evaluate asset opportunities for both products. We see shareholder value being created through: i) exploration stage assets - where value can be added through technical de-risking and the drill bit; ii) appraisal stage assets - where we see low technical risk and potential for smart, low cost development options; and iii) production stage assets - where it facilitates exploration and appraisal upside and has financial synergies with the wider business.

On 3 September 2018, we announced our maiden deal in the region: the acquisition of a 42.5% interest in the Bulu PSC, Indonesia, which contains the Lengo gas field.

Lengo Gas Field, Bulu PSC, Indonesia - A Transformational Step for Coro

The Lengo field contains certified 2C resources of 359 Bcf (152 Bcf net to Coro) and is forecast to produce at a plateau rate of c. 70 MMscfd (c. 30 MMscfd net to Coro) when it comes on-stream. The deal marks a highly significant step for the Company, with reserves and resources, production and cash flow potential showing step changes in magnitude.

With a $12 MM outlay in cash and shares to be paid in consideration for the asset, Coro has acquired these resources at a price of $0.1/MMbtu. And with the East Java gas market pricing typically between $5.50 - $8/MMbtu, we see this deal as being both strongly value accretive for shareholders as well as physically transformational for the Company.

Board & Management Team Re-Structured

In re-focussing its activities on South East Asia, the Board appointed a new CEO, James Menzies, with existing CEO Sara Edmonson taking up the position of Deputy-CEO. James is a geologist by training and a seasoned oil and gas executive who possesses extensive working knowledge of South East Asia having previously founded Salamander Energy before exiting in a trade sale to Ophir Energy in 2015. The Company also announced the appointment of a new CFO, Andrew Dennan, who has a background in investment management and corporate finance and brings with him a wealth of capital markets and corporate transaction experience.

European Business Consolidation Provides The Platform

The initial step in our transformation saw the expansion of our position in Italy through the acquisition of Sound Energy Holding Italy Limited, following shareholder approval on 29 March 2018. Coro now has a significant portfolio of production and development assets in Italy, operating five production concessions, four exploration permits and four exploration permit applications in the country. In addition to a wider asset footprint, this acquisition resulted in an enlarged operational and management team with extensive oil and gas experience in Italy and wider territories.

Outlook: Positioned to Build Further on SE Asian Position

The Company is now well poised to accelerate growth in shareholder value having: i) consolidated a gas production business in Italy with a strong balance sheet and access to capital, ii) recruited the right people with an enviable track record of value creation and deep regional expertise, and iii) identified a new market to grow into with strong and attractive fundamental drivers and where we believe we have advantages in experience, network and capability. With the first transaction now signed, we are continuing to build momentum, with a pipeline of accretive deals being developed.

Update post period end

As referred to above, Coro Energy has entered the South East Asian upstream sector with acquisition of 42.5% interest in Bulu PSC situated in the shallow waters of the East Java Sea, Indonesia. This is a transformational transaction which adds scale in terms of reserves, resources, production and cash generation capability for the Company, providing Coro with a strong initial platform on which to progress our South East Asia growth strategy;

- Bulu PSC contains the Lengo gas field with 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
- Transaction 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 3C gas resources
- Total acquisition cost of $12 million comprising consideration of $10.96 million ($6.96 million in cash and up to $4 million in Coro shares) plus cost re-imbursements of approximately $1.04 million
- Low acquisition price of $0.10/MMbtu
- 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
- Approved plan of development in place 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
- Bulu PSC has a term of 30 years, due to expire in October 2033 and is located 65 km offshore in shallow water depths of 60 metres

Condensed Consolidated Balance Sheet

As at 30 June 2018

	Note	**30 June 2018 €'000**	31 December 2017 Restated €'000
Non-Current Assets			
Inventory		**283**	252
Other financial assets		**566**	-
Trade and other receivables		**458**	72
Deferred tax assets		**1,995**	1,995
Property, plant & equipment	6	**5,158**	2,307

Intangible assets	7	**12,557**	1,745
Total non-current assets		**21,017**	6,371
Current Assets			
Cash and cash equivalents		**14,144**	365
Trade and other receivables		**3,765**	664
Asset held for sale	8	**1,800**	-
Total current assets		**19,709**	1,029
Total assets		**40,726**	7,400
Liability and equity			
Current Liabilities			
Trade and other payables		**7,255**	2,100
Provisions	9	**1,728**	38
Total current liabilities		**8,983**	2,138
Non-Current Liabilities			
Trade and other payables		**504**	-
Provisions	9	**7,416**	4,802
Deferred tax liabilities		**1,462**	-
Total non-current liabilities		**9,382**	4,802
Total Liabilities		**18,365**	6,940
Equity			
Share capital	10	**829**	217
Share premium	10	**36,950**	13,748
Merger reserve	11	**9,128**	9,128
Other reserves	12	**467**	-
Accumulated losses		**(25,013)**	(22,633)
Total equity		**22,361**	460
Total equity and liabilities		**40,726**	7,400

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes. Due to changes in the presentation of certain items during the period, the comparative condensed consolidated balance sheet as at 31 December 2017 been restated to ensure comparability, as outlined in the notes to these financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the Six Months Ended 30 June 2018

	Note	**30 June 2018 €'000**	30 June 2017 Restated €'000
Revenue		**1,120**	560
Operating costs		**(651)**	(307)
Depreciation and amortisation expense		**(166)**	(102)
Gross profit		**303**	151
Other income		**59**	7
General and administrative expenses	4	**(2,530)**	(952)
Depreciation expense		**(12)**	(4)
Exploration costs expensed		**-**	(4)
Rehabilitation costs expensed		**(96)**	-
Loss from operating activities		**(2,276)**	(802)
Finance income		**-**	-
Finance expense		**(115)**	(114)
Net finance expense		**(115)**	(114)
Loss before income tax expense		**(2,391)**	(916)
Income tax benefit / (expense)	4	**11**	
Loss for the period		**(2,380)**	(916)
Other comprehensive income / loss			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		**(213)**	-
Total comprehensive loss for the period		**(2,593)**	(916)
Loss attributable to:			
Owners of the company		**(2,593)**	(916)
Total comprehensive loss attributable to:			
Owners of the company		**(2,593)**	(916)
Basic loss per share (€)	5	**(0.0055)**	(0.0068)

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

Due to changes in the presentation of certain items during the period, the comparative condensed consolidated statement of comprehensive income has been restated to ensure comparability.

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2017

	Share capital €'000	**Share Premium €'000**	**Merger Reserve €'000**	**Other Reserves €'000**	**Accumulated Losses €'000**	**Total €'000**

Balance at 1 January 2017	**19,128**	**-**	**-**	**-**	**(16,408)**	**2,720**
Total comprehensive loss for the period:						
Loss for the period	-	-	-	-	(916)	(916)
Total comprehensive loss for the period	-	-	-	-	(916)	(916)
Transactions with owners recorded directly in equity:						
Contributions by owners	-	-	-	-	802	802
Group reorganisation	(19,128)	-	9,128	-	-	(10,000)
Issue of share capital	177	12,826	-	-	-	13,003
Share based payments for services rendered (non-cash)	4	210	-	-	-	214
Transaction costs relating to issue of shares	-	(639)	-	-	-	(639)
Balance at 30 June 2017	**181**	**12,397**	**9,128**	**-**	**(16,522)**	**5,184**

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2018

	Share capital €'000	Share Premium €'000	Merger Reserve €'000	Other Reserves €'000	Accumulated Losses €'000	Total €'000
Balance at 1 January 2018	**217**	**13,748**	**9,128**	**-**	**(22,633)**	**460**
Total comprehensive loss for the period:						
Loss for the period	-	-	-	-	(2,380)	(2,380)
Other comprehensive income	-	-	-	(213)	-	(213)
Total comprehensive loss for the period	-	-	-	(213)	(2,380)	(2,593)
Transactions with owners recorded directly in equity:						
Issue of share capital	581	24,836	-	-	-	25,417
Share based payments for services rendered (non-cash)	31	1,330	-	-	-	1,361
Issue of options and warrants	-	-	-	680	-	680
Transaction costs relating to issue of shares	-	(2,964)	-	-	-	(2,964)
Balance at 30 June 2018	**829**	**36,950**	**9,128**	**467**	**(25,013)**	**22,361**

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

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2018

	30 June 2018 €'000	30 June 2017 €'000
Cash flows from operating activities		
Receipts from customers	**921**	441
Payments to suppliers and employees	**(3,740)**	(1,574)
Interest paid	**-**	(12)
Net cash used in operating activities	**(2,819)**	(1,145)
Cash flows from investing activities		
Payments for property, plant and equipment	**(694)**	(186)
Payments for exploration and evaluation assets	**(130)**	(27)
Cash acquired in business combination	**2,429**	-
Net cash from/(used in) investing activities	**1,605**	(213)
Cash flows from financing activities		
Proceeds from issues of shares	**16,068**	2,944
Share issue costs paid in cash	**(1,075)**	(582)
Proceeds from borrowings	**-**	678
Repayment of borrowings	**-**	(1,267)
Net cash provided by financing activities	**14,993**	1,773
Net increase in cash and cash equivalents	**13,779**	415
Cash and cash equivalents brought forward	**365**	107
Cash and cash equivalents carried forward	**14,144**	522

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2018

Note 1: Basis of preparation of the interim financial statements

The condensed consolidated interim financial statements for the half-year reporting period ended 30 June 2018 have been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017, which was prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and any public announcements made by Coro Energy plc during the interim reporting period. The business is not subject to season variations.

The condensed consolidated interim financial statements have not been audited nor have they been reviewed under ISRE 2410 of the Auditing Practices Board. These condensed consolidated interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2017 prepared under IFRS have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498(2) of the Companies Act 2006.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

a) New and amended standards adopted by the group
IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers became applicable to the current reporting period. The adoption of these standards did not require any restatement of prior year comparatives as the application of these standards did not have a material impact on the financial report.

b) New accounting policies adopted by the group
During the period the group adopted the following new accounting policies:

Business combinations

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

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

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

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

Goodwill

Goodwill arising on acquisitions of subsidiaries 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.

Non-current assets held for sale

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 assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

c) Change in functional currency of Coro Energy plc
Effective 1 January 2018, the directors have determined that the functional currency of Coro Energy plc (the parent company) should be changed from Euros to United Kingdom pounds sterling ("GBP"). This is due to a number of factors including a significant fundraising which took place during the period, where funds were raised in GBP, as well as the increasing amount of expenses incurred by the company in GBP. The presentation currency of the Coro Energy plc group remains Euros.

Note 2: Significant Changes
The financial position and performance of the group was particularly affected by the following events and transactions during the six months to 30 June 2018:

- the acquisition of Sound Energy Holdings Italy Limited and its wholly owned subsidiary, Apennine Energy SpA (refer Note 13); and
- the completion of a significant capital raising through the issue of ordinary shares to institutional investors (refer note 10).

For further discussion of the group's performance and financial position refer to the Chairman and Chief Executive Officer's Statement on pages 10 to 13.

Note 3: Segment Information

The group's reportable segments as described below are the group's strategic business units. The strategic business units comprise two operational business units, classified by licence areas and the stage of development of these licence areas. The Exploration and Development and Production business units are wholly based in Italy. All revenues were generated from three customers (2017: one). In addition, a Corporate business unit has been identified representing the group's administrative function, including assets and liabilities not directly associated with oil & gas operations. For each strategic business unit, the CEO reviews internal management reports on a monthly basis.

	Exploration		**Development and Production**		**Corporate**		**Total**	
	30 June 2018 €'000	**30 June 2017 €'000**	**30 June 2018 €'000**	**30 June 2017 €'000**	**30 June 2018 €'000**	**30 June 2017 €'000**	**30 June 2018 €'000**	**30 June 2017 €'000**
External revenues	**-**	-	**1,120**	560	**-**	-	**1,120**	560
Segment loss before tax	**-**	(4)	**207**	121	**(2,598)**	(1,033)	**(2,391)**	(916)
Depreciation and amortisation	**-**	-	**(166)**	(102)	**(12)**	(4)	**(178)**	(106)

	30 June 2018 €'000	**31 December 2017 €'000**	**30 June 2018 €'000**	**31 December 2017 €'000**	**30 June 2018 €'000**	**31 December 2017 €'000**	**30 June 2018 €'000**	**31 December 2017 €'000**
Segment assets	**8,702**	1,745	**6,100**	2,819	**25,924**	2,836	**40,726**	7,400
Segment liabilities	**(995)**	(1,156)	**(8,834)**	(4,897)	**(8,536)**	(886)	**(18,365)**	(6,940)

Note 4: Profit and Loss Information

4 (a) Significant items

The Income Statement includes the following significant items of expenditure:

	30 June 2018 €'000	30 June 2017 €'000
Employee benefits expense	**936**	322
Professional fees	**615**	264
Rent and office costs	**123**	64
Share based payments (refer note 14)	**187**	58
Acquisition costs for business combination	**246**	-

4 (b) Income Tax

Income tax expense is recognised based on management's estimation of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months to 30 June 2018 is 24%, compared to 24% for the six months ended 30 June 2017.

A deferred tax asset has not been recognised in respect of tax losses for the first six months based on management's assessment of future taxable profit that will be available against which the group can utilise these losses.

Note 5: Loss per share

	30 June 2018	30 June 2017
Basic loss per share (€)	**(0.0055)**	(0.0068)
Diluted loss per share (€)	**(0.0055)**	(0.0068)

The calculation of basic loss per share was based on the loss attributable to shareholders of €2,380,000 (30 June 2017: €916,000) and a weighted average number of ordinary shares outstanding during the half year of 435,908,868 (30 June 2017: 134,165,967).

Dilutive loss per ordinary share equals basic loss per ordinary share as, due to the losses incurred in the six months to 30 June 2018, and six months to 30 June 2017 and the twelve months to 31 December 2017, there is no dilutive effect from the subsisting share options.

Note 6: Property, Plant & Equipment

	30 June 2018 €'000	31 December 2017 Restated €'000
Office Furniture & Equipment	**184**	7
Oil and Gas assets	**4,974**	2,300
	5,158	2,307

	30 June 2018 €'000	31 December 2017 Restated €'000
Reconciliations:		
Reconciliation of the carrying amounts for each class of Plant & equipment are set out below:		
Office Furniture & Equipment:		
Carrying amount at beginning of period	**7**	11
Assets acquired in business combination (refer note 13)	**178**	-
Additions	**11**	2
Depreciation expense	**(12)**	(6)
Carrying amount at end of period	**184**	7
Oil and Gas assets:		
Carrying amount at beginning of period	**2,300**	2,924
Assets acquired in business combination (refer note 13)	**2,377**	-
Additions	**463**	788
Depreciation expense	**(166)**	(256)
Transferred from exploration and evaluation assets	**-**	2,524
Changes in estimates of rehabilitation costs	**-**	(86)
Impairment losses	**-**	(3,594)
Carrying amount at end of period	**4,974**	2,300
	5,158	2,307

Included in Oil and Gas assets are gas production field assets of €159,000 that were previously disclosed as resource property costs in the annual report of the group for the year ended 31 December 2017. Fixed assets associated with producing oil and gas fields are now disclosed as one asset class within property, plant & equipment: Oil and Gas assets. This constitutes a change in presentation only, with no change to the group's accounting policy for these assets. No indicators of impairment of property, plant & equipment were identified as at 30 June 2018.

Note 7: Intangible Assets

	30 June 2018 €'000	31 December 2017 Restated €'000
Exploration and evaluation assets	**8,702**	1,745
Goodwill (refer note 13)	**3,855**	-
	12,557	1,745
Reconciliation of carrying amount of exploration and evaluation assets:		
Carrying amount at beginning of period	**1,745**	5,003
Assets acquired in business combination (refer note 13)	**6,922**	-
Additions	**35**	165
Transfer to Production phase	**-**	(2,524)
Change in estimate of rehabilitation costs	**-**	(131)
Exploration expenditure written off	**-**	(768)
Carrying amount at end of period	**8,702**	1,745

Exploration and evaluation assets were reported as resource property costs in the annual report of the group for the year ended 31 December 2017. Assets associated with oil & gas fields in the exploration and evaluation phase are now disclosed as one asset class within intangible assets: exploration and evaluation assets. This constitutes a change in presentation only, with no change to the group's accounting policy for these assets.

Exploration and evaluation assets represent projects in the exploration phase that have not yet reached a stage which permits a reasonable assessment of the existence of, or otherwise, economically recoverable reserves. The ultimate recoupment of exploration and evaluation assets is dependent upon the successful development and exploitation, or alternatively sale, of the respective areas of interest at an amount greater than or equal to the carrying value. The directors have not identified any indicators of impairment of exploration and evaluation assets as at 30 June 2018.

Note 8: Asset held for sale

	30 June 2018 €'000	31 December 2017 €'000
Land	**1,800**	-

As detailed in note 13, the group acquired land on which the Badile licence is located as part of a business combination during the interim period. The company is actively marketing the land for sale as required by the terms of the Sale & Purchase Agreement ("SPA") governing the acquisition of Sound Energy Holdings Italy Limited. Under the terms of the SPA, all proceeds from the sale of the Badile land will be remitted to the vendor, net of any transaction costs incurred by Coro. Accordingly a €1.8m payable is recorded within the acquisition date fair value of trade and other payables representing the amount owing to the vendor. There are no separately identifiable income or expenditures associated with the Badile licence that should be presented as discontinued operations.

Note 9: Provisions

	30 June 2018 €'000	31 December 2017 €'000
Current:		
Employee leave entitlements	**41**	38
Other provisions	**354**	-
Rehabilitation provisions	**1,333**	-
	1,728	38
Non-Current:		
Other provisions	**566**	-
Rehabilitation provisions	**6,850**	4,802
	7,416	4,802
Reconciliation of non-current rehabilitation provisions:		
Opening balance	**4,802**	4,962
Acquired in business combinations	**3,552**	-
Increase in provision from unwind of discount	**49**	57
Changes in provision due to revised estimates	**-**	(217)
Provision utilised during the period	**(220)**	-
Provision reclassified to current liabilities	**(1,333)**	-
Closing balance	**6,850**	4,802

Current rehabilitation provisions includes costs to be incurred in decommissioning activities on the Casa Tonetto and Badile licences in the 12 months to 30 June 2019. €687,000 of these costs relate to the Badile licence. As outlined in note 13, these costs are to be reimbursed to the group by the former owner of the licence, and as such a receivable for the same amount is included within trade and other receivables in the group balance sheet.

Included within other non-current provisions is an amount of €566,000 representing funds which will be used to undertake community development projects in the Municipality of San Giacomo, located in the Lombardy region of Italy. An equal amount is held as restricted deposits with a bank, and recorded as other financial assets in the group balance sheet.

Note 10: Share Capital and Share Premium

	30 June 2018 Number 000's	Nominal value €'000	Share Premium €'000	30 June 2018 Total €'000
As at 1 January 2018	**185,908**	**217**	**13,748**	**13,965**
Shares issued during the period:				
Issued for the acquisition of subsidiary	185,908	213	9,134	9,347
Issued for cash consideration	319,634	368	15,702	16,070
Issued for services rendered	27,072	31	1,330	1,361
Share issue costs	-	-	(2,964)	(2,964)
Closing balance - 30 June 2018	**718,522**	**829**	**36,950**	**37,779**

	31 December 2017 Number 000's	Nominal value €'000	Share Premium €'000	31 December 2017 Total €'000
As at 1 January 2017	**36,785**	**19,128**	**-**	**19,128**
Issued on incorporation	50,000	60	-	60
Issued for the acquisition of subsidiary	50,000	58	9,942	10,000
Group restructure	(36,785)	(19,128)	-	(19,128)
Issued for services rendered	4,658	5	252	257

Issued for cash consideration	81,250	94	4,268	4,362
Share issue costs	-		(714)	(714)
Closing balance - 31 December 2017	**185,908**	**217**	**13,748**	13,965

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

No dividends were paid or declared during the current period.

Note 11: Merger Reserve

The Merger reserve of €9,128,000 relates to the reorganisation of ownership of Northsun Italia S.p.A which occurred in the first half of 2017; being the difference between the value of shares issued and the nominal value of the subsidiary's shares received.

Note 12: Other Reserves

Share based payment reserve

Included within share based payments reserve is the current period charge relating to options issued to directors and management of the company, as well as the cost of warrants issued to certain shareholders as an incentive to subscribe for ordinary shares in the company. Refer to note 14.

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 from GBP functional currency into the group's Euro presentational currency.

Note 13: Business Combination

Summary of acquisition

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

Consideration for the acquisition

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

	€'000's
Purchase consideration:	
Ordinary shares issued	9,347
Contingent consideration	504
Payment for working capital	1,798
	11,649

The fair value of the 185,907,500 consideration shares issued to the shareholders of Sound Energy plc (€9.3m) was based on the published share price of the company on acquisition date of 4.38p per share.

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

A further cash payment of €1.8m was made to the vendor in July 2018 for the working capital in Apennine on acquisition date. This amount is recorded within trade and other payables in the 30 June 2018 balance sheet.

Fair value of assets and liabilities acquired

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

	Fair value €'000
Cash and cash equivalents	2,429
Trade and other receivables	3,179
Inventories	150
Intangible assets	6,922

Property plant & equipment	2,555
Land	1,800
Trade and other payables	(4,216)
Rehabilitation provisions	(3,552)
Deferred tax liabilities	(1,473)
Net identifiable assets acquired	7,794
Add: goodwill	3,855
	11,649

The goodwill is largely attributable to unrecognised tax losses in Apennine for which no deferred tax asset has been recognised at acquisition date. Apennine has gross carried forward tax losses of €45m however there is unlikely to be sufficient taxable profits generated from the group's current operations against which to utilise these losses. The ability of the group to utilise these tax losses depends on successful development of additional licence areas in Italy.

The identifiable assets and liabilities stated above includes the following:

- Badile land (€1.8m): Under the terms of the Sale & Purchase Agreement ("SPA"), all proceeds from the sale of the Badile land will be remitted to the vendor, net of any transaction costs incurred by Coro. Accordingly a €1.8m payable is recorded within the acquisition date fair value of trade and other payables above representing the amount owing to the vendor.
- Badile VAT receivable (€0.8m): Under the terms of the SPA, any VAT refunds received by Apennine in respect of a drilling campaign on the Badile licence will be remitted to the vendor. A €0.8m payable is recorded within the acquisition date fair value of trade and other payables to reflect this.
- Badile rehabilitation provision (€1.0m): Under the terms of the SPA, any expenditures incurred by Apennine on rehabilitating the Badile licence will be reimbursed by the vendor. The acquisition date fair value of the rehabilitation provision for Badile is €1.0m. As such a €1.0m receivable is included in the acquisition date fair values to reflect this amount which will be collected from the vendor.

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

1. Apennine has two producing gas fields, Rapagnano and Casa Tiberi, which were valued using a discounted cash flow ("DCF") model. Production and cost forecasts were based on a Competent Person's Report prepared by CGG Associates. Gas prices were assumed at €0.24/scm in 2018, and inflated at 2% per annum thereafter. A 10% increase in the annual gas price assumption would have resulted in an increase of €0.6m in the acquisition date fair value of property, plant & equipment. A 10% decrease in gas price would lower the fair value by €0.5m. A discount rate of 7% was applied to future cash flows, based on the group's weighted average cost of capital. A 1% increase in the discount rate adopted would have decreased the fair value of property, plant & equipment by €0.1m. A decrease of 1% in the discount rate would have increased fair value by €0.2m. The remaining oil & gas assets acquired primarily relates to a gas plant & associated equipment used on the Casa Tonetto field, which have been valued by an external valuer.
2. Two exploration assets were also valued using a DCF methodology, the Laura and Santa Maria Goretti fields. Key assumptions such as gas price and discount rate were consistent with those used for producing gas fields. Production estimates were prepared internally, and total production estimates are comparable to those reported in the most recent CPR. Cost estimates were determined internally, based on our knowledge of other similar fields developed by the group. The key estimate made by the company is the chance of success factors applied to the calculated net present values of the two fields:
    a. Laura (10% chance of success): In December 2015, a new Budget law was passed in Italy which prevents any exploitation of oil & gas licences within 12 nautical miles of the coast. The Laura field is approximately 4km offshore, and hence the licence is currently suspended pending a change to current regulation which would allow the field development to progress. Management estimate there is a 10% chance of regulatory change occurring.
    b. Santa Maria Goretti (40%): A chance of success of 40% has been applied to this field, which takes into account the comparatively early stage of exploration and appraisal of the licence. While management are confident the field contains commercial quantities of hydrocarbons, further appraisal of the licence is required to derisk any future development.

Revenue and profit contribution

The acquired business contributed revenues of €184,000 and a net loss of €321,000 to the group in the period from 1 April 2018 to 30 June 2018

Note 14: Share Based Payments

The company issued the following equity instruments in lieu of payments for services rendered:

	No of equity instruments '000s	Value of Service €'000
Recognised in the condensed consolidated statement of comprehensive income:		
Ordinary shares issued in lieu of directors' fees	86	4
Ordinary shares issued for professional services provided	685	35
Options issued to directors and management	92,000	131
Warrants issued in exchange for general services	5,000	17
Recognised as share issue costs in the condensed consolidated statement of changes in equity:		
Ordinary shares issued in lieu of commissions on placement	24,589	1,236
Ordinary shares issued for professional services related to placement	1,712	87
Warrants issued on placement	159,817	532

The company granted the following equity settled share based payments during the period:

Date of grant	No. of options '000s	Expiry date	Purpose	Contractual life of option
9 April 2018	67,000	9 April 2023	As part of overall compensation to directors / management	5 years
1 May 2018	25,000	1 May 2023	As part of overall compensation to directors / management	5 years

The fair value of services rendered in return for share options is based on the fair value of share options granted measured using the Black-Scholes model.

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

	9 April 2018 5-year option	1 May 2018 5-year option
Fair value at grant date	1.86 p	1.53p
Share price at grant date	4.3p	3.825p
Exercise price	4.38p	4.38p
Expected volatility	50%	50%
Option life	5 years	5 years
Risk-free interest rate (based on yield on 5-year gilts)	1%	1%
Expiry date	9 April 2023	1 May 2023

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 period to 30 June 2018, represents the amount of the fair value vested for this period and amounts to €131,000 (£115,000).

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

The warrants granted during the period were as follows:

Date of grant	No. of warrants '000s	Expiry date	Purpose	Contractual life of warrant
9 April 2018	159,817	9 April 2019	As an incentive to subscribe for new shares in the company	1 year
9 April 2018	5,000	9 April 2019	As compensation for services in lieu of cash	1 year

The fair value of the share warrants issued is measured using the Black-Scholes model.

The following inputs were used in the measurement of the fair values at grant date of the warrants granted.

Fair value at grant date	0.29p
Share price at grant date	4.3p
Exercise price	6.57p
Expected volatility	50%
Life of warrants	1 year
Risk-free interest rate (based on yield on 1-year gilts)	0.7%
Expiry date	9 April 2019

p - British pence

The amount recognised in the income statement for the period to 30 June 2018, represents the amount of the fair value of warrants issued for services rendered of €17,000 (£15,000)

The amount recognised in equity as a cost directly attributable to the issue of shares, represents the amount of the fair value of warrants issued to new shareholders of €532,000 (£463,000)

Note 15: Events after the reporting period
On 3 September 2018 the company announced its entry into the South East Asian upstream sector with the acquisition of a 42.5% interest in the Bulu Production Sharing Contract ("PSC") situated in the shallow waters of the East Java Sea, Indonesia. Completion of the transaction is conditional on, inter alia, joint venture partner pre-emption and regulatory government approvals. Further details are provided in the Chairman and Chief Executive Officer's Statement on page 10.

The interim financial statements have been prepared assuming the group will continue as a going concern after taking into account all available information for the foreseeable future, and in particular 12 months from the date of approval of the Interim Financial Statements. This includes management prepared cashflow projections, flexibility in respect of discretionary expenditures, and consideration of the funding options available to management. As at the date of approval of these interim financial statements the Directors are satisfied that the group has adequate resources to continue in operational existence and thus they continue to adopt the going concern basis of accounting in preparing the interim results.

END

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