



RNS Number : 8031V  
Coro Energy PLC  
19 April 2021

19 April 2021

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

**Final Results**

Coro Energy, the South East Asian energy company focused on leading the regional transition to a low-carbon economy, announces its final results for the year ended 31 December 2020.

**Highlights:**

**South East Asia**

- Announced audited resource upgrade in May 2020 for the Mako gas field, Duyung PSC - 79% increase in 2C (contingent) recoverable resources to 495 Bcf (gross, full field)
- Increased Mako resource estimates accepted by Indonesian regulator, updated Plan of Development being prepared by the Operator
- Initiated revised South East Asian strategy in September 2020 to include renewables and other low-carbon energy sources and related technologies which support the energy transition
- Expanded our clean energy portfolio with acquisition of 20.3% interest in ion Ventures in November 2020, a developer of clean, flexible energy assets including energy storage.

**Corporate**

- Implemented significant cost saving measures in response to COVID-19 pandemic and challenging market conditions, reducing cash outflow from operations by \$2.2m compared to 2019
- Continued divestment activities exploring options for non-core Italian portfolio, subsequent to previous disposal agreement with Zenith Energy Ltd having lapsed

**Post Balance Sheet Events**

- Acquisition of a portfolio of early stage, operated renewable energy projects in South East Asia through the acquisition of Global Energy Partnership Limited in March 2021
- Simultaneously, Board and executive team strengthened with appointment of CEO with highly relevant experience and regional knowledge
- Raised net proceeds of \$5.3m (£3.9m) in March 2021 through share placing and open offer to fund transition energy strategy in South East Asia

*Certain of the information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the UK version of the EU Market Abuse Regulation (2014/596) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time.*

**For further information please contact:**

**Coro Energy plc**  
Mark Hood

Via Vigo Communications Ltd

**Cenkos Securities plc** (Nominated Adviser)  
Ben Jeynes  
Katy Birkin

Tel: 44 (0)20 7397 8900

**STATEMENT FROM THE CHAIRMAN AND 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 Dennen 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 fund raise. This latest acquisition delivered both a portfolio of operated renewable energy projects across South East Asia and the hiring of 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 79% 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 contained in the certified 817 Bcf of 3C (contingent) 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, in due course. 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.

## **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 \$855k 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, Bezzacca 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 below, 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 financial statements have been prepared under the going concern assumption. This presumes that the Group will be able to meet its 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 Company'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 Company can restructure its balance sheet, which may include a restructuring of its bond obligations in part or in full, to enable the Group to remain in operation for at least 12 months from the date of signing these financial statements. However, the ability of the Company to successfully manage its capital structure is not guaranteed and this represents a material uncertainty regarding the ability of the Group to continue as a going concern. The Auditors' Report in the 2020 Annual Report & Accounts includes an emphasis of matter that references this material uncertainty.

## JAMES PARSONS

Non-Executive Chairman

## MARK HOOD

Chief Executive Officer

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2020

	Notes	31 December 2020 \$'000	31 December 2019 \$'000
<b>Continuing operations</b>			
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)	-
<b>Loss from operating activities</b>		<b>(3,091)</b>	<b>(5,264)</b>
Finance income	7	28	54
Finance expense	7	(4,906)	(2,652)
Net finance (expense)/income		(4,878)	(2,598)
<b>Loss before income tax</b>		<b>(7,969)</b>	<b>(7,862)</b>
Income tax benefit/(expense)	8	-	-
<b>Loss for the period from continuing operations</b>		<b>(7,969)</b>	<b>(7,862)</b>
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	19	(2,198)	(8,773)
<b>Total loss for the period</b>		<b>(10,167)</b>	<b>(16,635)</b>
<b>Other comprehensive income/loss</b>			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations		(840)	(557)
<b>Total comprehensive loss for the period</b>		<b>(11,007)</b>	<b>(17,192)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(10,167)	(16,635)
<b>Total comprehensive loss attributable to:</b>			
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
<b>Non-current assets</b>			
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	-
<b>Total non-current assets</b>		<b>17,956</b>	<b>17,736</b>
<b>Current assets</b>			
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		<b>1,871</b>	6,615
Assets of disposal group held for sale	19	<b>11,417</b>	14,313
<b>Total assets</b>		<b>31,244</b>	38,664
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	14	<b>209</b>	1,046
Lease liabilities	16	-	90
Borrowings	15	<b>689</b>	632
Total current liabilities		<b>898</b>	1,768
<b>Non-current liabilities</b>			
Provisions		-	13
Lease liabilities	16	-	158
Borrowings	15	<b>24,360</b>	19,211
Total non-current liabilities		<b>24,360</b>	19,382
Liabilities of disposal group held for sale	19	<b>10,921</b>	12,332
<b>Total liabilities</b>		<b>36,179</b>	33,482
<b>Equity</b>			
Share capital	17	<b>1,103</b>	1,080
Share premium	17	<b>45,786</b>	45,679
Merger reserve	18	<b>9,708</b>	9,708
Other reserves	18	<b>3,305</b>	3,978
Accumulated losses		<b>(64,837)</b>	(55,263)
<b>Total equity</b>		<b>(4,935)</b>	5,182
<b>Total equity and liabilities</b>		<b>31,244</b>	38,664

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

## 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
<b>Total comprehensive loss for the period:</b>						
Loss for the period	-	-	-	-	(16,635)	(16,635)
Other comprehensive income	-	-	-	(557)	-	(557)
Total comprehensive loss for the period	-	-	-	(557)	(16,635)	(17,192)
<b>Transactions with owners recorded directly in equity:</b>						
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
<b>Balance at 31 December 2019</b>	<b>1,080</b>	<b>45,679</b>	<b>9,708</b>	<b>3,978</b>	<b>(55,263)</b>	<b>5,182</b>

	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
<b>Total comprehensive loss for the period:</b>						
Loss for the period	-	-	-	-	(10,167)	(10,167)
Other comprehensive income	-	-	-	(840)	-	(840)
Total comprehensive loss for the period	-	-	-	(840)	(10,167)	(11,007)
<b>Transactions with owners recorded directly in equity:</b>						
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
<b>Balance at 31 December 2020</b>	<b>1,103</b>	<b>45,786</b>	<b>9,708</b>	<b>3,305</b>	<b>(64,837)</b>	<b>(4,935)</b>

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

		31 December 2019 \$'000	31 December 2020 \$'000
	Notes		
<b>Cash flows from operating activities</b>			
Receipts from customers		2,856	1,138

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

## 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 quoted on the AIM Market of the London Stock Exchange. The Company's registered address is c/o Watson Farley & Williams LLP, 15 Appold Street, London, England EC2A 2HB. 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 Company can restructure its balance sheet, which may include a restructuring of its bond obligations in part or in full, to enable the Group to remain in operation for at least 12 months from the date of signing these financial statements.

The ability of the Company 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.

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 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 in the Company's 2020 Annual Report & Accounts.

#### **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. Therefore, 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.

### **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.

## **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.

#### **(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 tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **(c) Property, plant and equipment**

#### **(i) Recognition and measurement**

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

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

#### **(ii) Subsequent expenditure**

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

#### **(iii) Depreciation**

##### **Oil and gas assets**

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

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

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

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

- The effect of changes in commodity price assumptions; or
- Unforeseen operational issues 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.

#### **(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.

##### **(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.

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

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

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

### **(iii) Impairment**

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

### **(iv) Investment in subsidiaries**

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

## **(h) Derivatives**

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

### **(i) Provisions**

#### **(i) Rehabilitation provision**

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

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

interest that is deemed to approximate the time value of money.

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

#### **(ii) Other provisions**

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

#### **(j) Borrowings**

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

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

#### **(k) Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year 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.

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.

#### **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.

	<b>Italy 31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>	<b>Asia 31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>	<b>UK 31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>	<b>Total 31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>
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)
	<b>Italy 31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>	<b>Asia 31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>	<b>UK 31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>	<b>Total 31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>
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**

	<b>31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>
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
	<b>2,942</b>	5,102

### 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
<i>Fees payable to the Company's auditor for other services:</i>		
Audit of subsidiaries	3	3
Audit-related assurance services	-	15
Corporate finance services	-	10

### NOTE 6: STAFF COSTS AND DIRECTORS' EMOLUMENTS

	Group 31 December 2020 \$'000	31 December 2019 \$'000
<b>Staff costs</b>		
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 31 December 2020 \$'000	31 December 2019 \$'000
<b>Directors' emoluments</b>		
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).

### NOTE 7: FINANCE INCOME/EXPENSE

	Group 31 December 2020 \$'000	31 December 2019 \$'000
<b>Finance income</b>		
Interest income	28	39
Unrealised gain on foreign exchange forward contracts	-	15
Total finance income	28	54

	Group 31 December 2020 \$'000	31 December 2019 \$'000
<b>Finance expense</b>		
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)	-
<i>Income tax expense is attributable to:</i>		
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

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

#### 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

	<b>31 December 2020 \$'000</b>	31 December 2019 \$'000
Basic loss per share from continuing operations (\$)	<b>(0.010)</b>	(0.010)
Diluted loss per share from continuing operations (\$)	<b>(0.010)</b>	(0.010)
Basic loss per share from discontinued operations (\$)	<b>(0.003)</b>	(0.011)
Diluted loss per share from discontinued operations (\$)	<b>(0.003)</b>	(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

	<b>Group 31 December 2020 \$'000</b>	31 December 2019 \$'000
Inventory - Duyung PSC	<b>37</b>	-
	<b>37</b>	-

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

#### NOTE 11: TRADE AND OTHER RECEIVABLES

	<b>Group 31 December 2020 \$'000</b>	31 December 2019 \$'000
<i>Current:</i>		
Indirect taxes receivable	<b>44</b>	73
Prepayments	<b>74</b>	149
Other receivables	-	4
	<b>118</b>	226
<i>Non-current:</i>		
Other receivables	-	150
	-	150

#### NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	<b>Group 31 December 2020 \$'000</b>	31 December 2019 \$'000
Office furniture and equipment	<b>16</b>	50
	<b>16</b>	50

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

**Group**



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

### NOTE 13: INTANGIBLE ASSETS

	<b>Group 31 December 2020 \$'000</b>	31 December 2019 \$'000
Exploration and evaluation assets	<b>17,251</b>	17,247
Software	<b>23</b>	30
	<b>17,274</b>	17,277

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

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

### NOTE 14: TRADE AND OTHER PAYABLES

	<b>Group 31 December 2020 \$'000</b>	31 December 2019 \$'000
<i>Current:</i>		
Trade payables	<b>105</b>	184
Other payables	<b>61</b>	-
Accrued expenses	<b>43</b>	315
Payables to Duyung venture	-	547
	<b>209</b>	1,046

### NOTE 15: BORROWINGS

	<b>31 December 2020 \$'000</b>	31 December 2019 \$'000
<i>Current</i>		
Eurobond	<b>689</b>	<b>632</b>
	<b>689</b>	<b>632</b>
<i>Non-current</i>		
Eurobond	<b>24,360</b>	<b>19,211</b>
	<b>24,360</b>	<b>19,211</b>

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.

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**

	<b>31 December 2020 \$'000</b>	31 December 2019 \$'000
Cash and cash equivalents	<b>1,706</b>	6,374
Borrowings	<b>(25,049)</b>	(19,843)
Lease liabilities	-	(248)
Net debt	<b>(23,343)</b>	(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	<b>(4,563)</b>	<b>618</b>	<b>88</b>	<b>(3,857)</b>
Eurobond amortisation	-	<b>(3,755)</b>	-	<b>(3,755)</b>
Lease terminations	-	-	<b>158</b>	<b>158</b>
Effects of foreign exchange	<b>(105)</b>	<b>(2,069)</b>	<b>2</b>	<b>(2,172)</b>
Net debt as at 31 December 2020	<b>1,706</b>	<b>(25,049)</b>	-	<b>(23,343)</b>

## 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.

	<b>31 December 2020 \$'000</b>	31 December 2019 \$'000
<i>Right-of-use assets</i>		
Properties	-	259
<i>Lease liabilities</i>		
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:

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

## NOTE 17: SHARE CAPITAL AND SHARE PREMIUM

	<b>31 December 2020 Number 000's</b>	<b>Nominal value \$'000</b>	<b>Share premium \$'000</b>	<b>31 December 2020 Total \$'000</b>
<b>As at 1 January 2020</b>	<b>789,586</b>	<b>1,080</b>	<b>45,679</b>	<b>46,759</b>
<i>Shares issued during the period:</i>				
Issued for services rendered	<b>17,322</b>	<b>23</b>	<b>107</b>	<b>130</b>
<b>Closing balance at 31 December 2020</b>	<b>806,908</b>	<b>1,103</b>	<b>45,786</b>	<b>46,889</b>
	<b>31 December 2019 Number 000's</b>	<b>Nominal value \$'000</b>	<b>Share premium \$'000</b>	<b>31 December 2019 Total \$'000</b>
<b>As at 1 January 2019</b>	<b>718,522</b>	<b>988</b>	<b>43,619</b>	<b>44,607</b>
<i>Shares issued during the period:</i>				
Issued to Duyung PSC vendors	60,905	79	1,771	1,850
Issued for services rendered	10,159	13	289	302
<b>Closing balance at 31 December 2019</b>	<b>789,586</b>	<b>1,080</b>	<b>45,679</b>	<b>46,759</b>

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 S.p.A, which occurred in the first half of 2017; being the difference between the value of shares issued and the nominal value of the subsidiary's shares received.

### **Other reserves**

#### **Share-based payments reserve**

The increase in share-based payments reserve is 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.

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

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

	<b>31 December 2020</b>	31 December 2019
	<b>\$'000</b>	\$'000
<b>Assets</b>		
Property, plant and equipment	<b>4,622</b>	4,759
Exploration and evaluation assets	<b>1,992</b>	1,978
Right-of-use assets	<b>108</b>	175
Land	<b>1,927</b>	2,021
Deferred tax assets	<b>1,455</b>	2,240
Inventories	<b>300</b>	306
Trade and other receivables	<b>958</b>	2,210
Other financial assets	-	472

Cash	<b>55</b>	152
Total assets	<b>11,417</b>	14,313
<i>Liabilities</i>		
Trade and other payables	<b>1,702</b>	2,990
Lease liabilities	<b>62</b>	125
Provisions	<b>9,157</b>	9,217
Total liabilities	<b>10,921</b>	12,332
Net assets	<b>496</b>	1,981

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

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

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

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

<b>Name</b>	<b>Incorporated</b>	<b>Principal activity</b>	<b>Registered address</b>
Apennine Energy S.p.A*	Italy	Exploration, development and production company	Via XXV Aprile 5, San Donato Milanese, (MI) 2009, Italy
Coro Europe Limited*	England	Holding company	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.

## 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
<i>Financial assets</i>		
Trade and other receivables (current and non-current)	43	43
Derivative financial instruments	10	10
Cash and cash equivalents	1,706	1,706
<i>Financial liabilities</i>		
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
<i>Financial assets</i>		
Trade and other receivables (current and non-current)	227	227
Derivative financial instruments	15	15
Cash and cash equivalents	6,374	6,374
<i>Financial liabilities</i>		
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

### 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.

#### (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.

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

### 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.

	<b>Group \$'000</b>
31 December 2020	
USD:GBP exchange rate increases 10%	<b>122</b>
USD:GBP exchange rate decreases 10%	<b>(111)</b>
EUR:GBP exchange rate increases 10%	<b>(2,340)</b>
EUR:GBP exchange rate decreases 10%	<b>2,127</b>
31 December 2019	
USD:GBP exchange rate increases 10%	494
USD:GBP exchange rate decreases 10%	(449)
EUR:GBP exchange rate increases 10%	(1,961)
EUR:GBP exchange rate decreases 10%	1,782

### (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.

### (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.

	<b>Group</b>				<b>Total contractual cash flows \$'000</b>
	<b>Less than 6 months \$'000</b>	<b>6 to 12 months \$'000</b>	<b>Between 1 and 2 years \$'000</b>	<b>Between 2 and 5 years \$'000</b>	
<b>31 December 2020</b>					
Trade and other payables	<b>209</b>	-	-	-	<b>209</b>
Borrowings	<b>689</b>	-	<b>24,360</b>	-	<b>25,049</b>
<b>Total</b>	<b>898</b>	-	<b>24,360</b>	-	<b>25,258</b>
	<b>Group</b>				
	<b>Less than 6 months \$'000</b>	<b>6 to 12 months \$'000</b>	<b>Between 1 and 2 years \$'000</b>	<b>Between 2 and 5 years \$'000</b>	<b>Total contractual cash flows \$'000</b>
31 December 2019					
Trade and other payables	1,046	-	-	-	1,046
Lease liabilities	57	57	114	60	288
Borrowings	632	-	632	27,886	29,150
<b>Total</b>	<b>1,735</b>	<b>57</b>	<b>746</b>	<b>27,946</b>	<b>30,484</b>

## 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).

### 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:

	31 Dec 2020
<b>Summarised balance sheet</b>	\$'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

	Two months ended 31 Dec 2020
<b>Summarised statement of comprehensive income</b>	\$'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.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the 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](mailto:rns@lseg.com) or visit [www.rns.com](http://www.rns.com).

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

FR GPUBGCUPGUBM

Anonymous (not verified)

Final Results

31783068

A

Mon, 04/19/2021 - 07:00

LSE RNS

Results and Trading Reports

CORO