

CORO ENERGY PLC

INTERIM REPORT 2020

Stock code: CORO

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STATEMENT FROM THE CHAIRMAN: Revised Strategy to include Renewables and other Low Carbon Energy Sources

The first half of 2020 saw unprecedented challenges for junior exploration & production companies, with the COVID-19 pandemic and other factors causing a significant and rapid fall in oil prices. 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. I am pleased to report that as a consequence the Company now runs on an annualised corporate overhead cost budget of \$1.3m, a fraction of its 2019 level of \$4.0m.

While commodity prices have partially rebounded from the lows seen in April 2020, headwinds remain and the Company is not immune from the challenges that continue to be felt across the sector and the overarching macroeconomic picture. Notwithstanding those challenges, the Company has a 15% interest in the now proven Duyung PSC, which contains the Mako gas field, and provides an excellent platform for renewed growth in South East Asia now that at least the initial phase of the pandemic is behind us.

The Company made good progress on the Duyung PSC during the first half of 2020, including reporting a significant resource upgrade following an updated resource audit performed by Gaffney, Cline and Associates ("GCA"). 2C (contingent) recoverable resource estimates increased to 495 Bcf (gross, full field), an increase of approximately 79% compared with the previous audit undertaken by GCA in 2019. In the upside case, the 3C (contingent) resources increased by approximately 108% to 817 Bcf compared with the previous audited figures. With GCA's confirmation of the latest upgrade, the Mako Gas Field has, on a 2C (contingent) resource basis, been shown to be one of the largest gas fields ever discovered in the West Natuna Basin and is, so the Company believes, currently the largest confirmed undeveloped resource in the surrounding area. The Board is still confident that opportunities in the oil and gas sector remain in the longer term, albeit they may well be confined to special situations, including the strong regional gas markets in Asia. Notwithstanding this strong progress at Duyung and belief in the long term opportunity set, the Company has not seen a recent material improvement in the market conditions required to finance the acquisition of the additional producing oil and gas assets needed to build a balanced, cash generative upstream E&P company.

The Directors continue to strongly believe in the potential of Southeast Asian energy markets where primary energy demand is forecast to continue increasing and where coal remains the primary source of electricity generation. The expected reduction in coal's share of the energy mix in these growth markets, to be replaced by gas and cleaner renewable sources, remains a key driver of the Company's strategy.

Against this backdrop of growth in primary energy demand/a transition to cleaner energy and the prevailing market conditions limiting the Company's ability to pursue a purely hydrocarbon-focussed Southeast Asian energy strategy in the near term, the Company has decided to broaden its strategic focus beyond solely hydrocarbons. The Board, given its extensive regional energy industry network, sees the potential for significant growth opportunities through also seeking to pursue the acquisition and development of alternative, low carbon energy sources and related technologies alongside gas opportunities as part of a wider Southeast Asian energy growth strategy which will now explicitly include renewables and potentially other sectors.

The Company is already reviewing select low carbon opportunities in Southeast Asia as part of its growth strategy. To support this strategic development and related ongoing activity, the Company has also engaged a renewables expert consultancy team to assist the Company with its review of opportunities in the clean energy sector in the region. This will complement the Board's extensive experience in the energy, M&A and fundraising space.

As we look to broaden our reach within the energy sector, we continue to focus on and believe in our 15% interest in the now proven Duyung PSC where we remain an active participant as the project moves toward a Final Investment Decision. In addition, the Company will continue to prioritise the divestment of its non-core Italian operations. Our new strategic approach will look to build on the platform provided by these activities.

We wish our shareholders, stakeholders and their families a safe journey through what continue to be turbulent times.

James Parsons
Chairman

FINANCIAL REVIEW

Results from continuing operations

The Group made a loss after tax from continuing operations of \$4.9m for the period (H1 2019: \$4.7m). The increased loss compared to the comparative period was due to a \$1.3m increase in finance expenses. This is primarily due to a full 6 months amortisation charge on the Group's €22.5m Eurobond, with the bonds issued part-way through the comparative period, in April 2019. Consistent with the comparative period, we also saw another large unrealised foreign exchange loss on the Eurobond due to appreciation of the Euro against the British Pound Sterling ("GBP") during the period, resulting in an unrealised loss in the parent company, which uses GBP as its functional currency. G&A expenses from continuing operations were \$1.0m lower in the period compared to H1 2019, which largely offset the increased finance expenses. This follows a significant cost cutting exercise undertaken in Q2 2020 which has seen reductions in corporate overhead costs in the region of \$2.7m on an annualised basis. G&A for the second half of 2020, excluding non-cash share based payments and G&A from the non-operated Duyung venture is estimated at approximately \$650k.

Following the successful Q4 2019 drilling campaign by the Duyung venture, the first half of 2020 saw the Duyung venture focus on key commercial workstreams including negotiations for a definitive Gas Sales Agreement and preparation of a revised Plan of Development which will take into account the significant resource upgrade announced in May 2020. As a result, there was minimal capital expenditure in the period, with Exploration and Evaluation assets on the balance sheet decreasing slightly due to the reversal of overaccrued capex relating to the 2019 drilling campaign. The Group's share of non-operated Duyung G&A costs for the period was \$92k (H1 2019: \$79k).

Results from discontinued operations

In December 2019, we announced that we entered into a binding conditional SPA with Zenith Energy Ltd ("Zenith") to dispose of our Italian business through the sale of our wholly owned subsidiary, Coro Europe Limited. Completion of the transaction was conditional on, inter alia, regulatory approvals from the Italian authorities by a long stop date of 31 July 2020. The SPA allowed for a possible extension of the long stop date to 31 October 2020 upon written request by Zenith and supported by reasonable documentation or other reasonable evidence demonstrating that Zenith had promptly throughout filed all necessary applications and related supporting documents and taken all other actions necessary to obtain all necessary approvals. Both parties agreed that the likelihood of successfully completing the Disposal prior to 31 October 2020 was low, and the SPA was terminated by mutual agreement between the parties.

The Company continues to prioritise the divestment of its non-core Italian operations and has had discussions with several interested parties since the termination of the Zenith SPA. Accordingly, our Italian business continues to be classified as a disposal group held for sale on the balance sheet and the losses attributable to this disposal group are classified as discontinued in the income statement. The loss from discontinued operations for the period was \$1.8m (H1 2019: loss \$7.7m).

Operationally, gas prices in Italy in H1 2020 were significantly lower than the corresponding period in 2019 due largely to the impact of COVID-19. As a result, the Company took the decision in early April 2020 to temporarily suspend production on its Sillaro, Bezzacca and Casa Tiberi fields. This resulted in lower revenues for the period of \$623k (H1 2019: \$1.7m). However, the suspension of production and other cost mitigating actions undertaken had a positive impact on our Italian cost base and reduced the net cash outflow from operating activities from our Italian business from \$438k in H1 2019 to \$278k in H1 2020. We continue to maintain the fields to allow the swift resumption of production when external conditions improve.

The accounting loss for the period of \$1.8m was particularly impacted by a deferred tax charge of \$848k due to a write-down of deferred tax assets, as well as non-cash impairments of \$517k. The deferred tax assets write-down reflects lower forecast future profitability due to a lower gas price outlook. The impairments arose largely because non-current assets are not depreciated under IFRS 5.

Going concern

The Group ended the period with cash of \$3.3m (excluding cash recorded within assets of the Italian disposal group held for sale). As explained further in the notes below, whilst the Board considers that its existing cash resources will provide sufficient working capital to meet the Group's requirements until April 2021, when the second annual coupon payment becomes due on Tranche A of the Company's €22.5m Eurobond, the Group will likely need to raise additional funds thereafter, during the going concern forecast period, in order to remain a going concern. The directors have a reasonable expectation that additional funding will be available in the equity markets when required and therefore the financial statements have been prepared on the going concern basis.

FINANCIAL REVIEW (CONTINUED)

Going concern (continued)

The ability of the Group to secure additional funding is not guaranteed and significant uncertainty has been created by the ongoing COVID-19 pandemic which could impact market conditions for longer than the Directors' currently expect. However, based on the above, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the interim financial statements for the six period ended 30 June 2020, while acknowledging a material uncertainty concerning the success of future fundraising activities. Should the Group be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for further liabilities which might arise and to classify fixed assets as current.

Peter Christie
Interim CFO

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Six Months Ended 30 June 2020

	Notes	30 June 2020 \$'000	30 June 2019 \$'000
Continuing operations			
General and administrative expenses	4	(1,903)	(2,930)
Depreciation expense		(73)	(63)
Impairment losses		–	(37)
Loss from operating activities		(1,976)	(3,030)
Finance income		25	–
Finance expense	4	(2,966)	(1,709)
Net finance expense		(2,941)	(1,709)
Loss before income tax expense		(4,917)	(4,739)
Income tax benefit/(expense)		–	–
Loss for the period from continuing operations		(4,917)	(4,739)
Discontinued operations			
Loss for the period from discontinued operations	11	(1,795)	(7,725)
Total loss for the period		(6,712)	(12,464)
Other comprehensive income/loss			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations		1,042	175
Total comprehensive loss for the period		(5,670)	(12,289)
Loss attributable to:			
Owners of the company		(6,712)	(12,464)
Total comprehensive loss attributable to:			
Owners of the company		(5,670)	(12,289)
Basic loss per share from continuing operations (\$)	5	(0.006)	(0.006)
Diluted loss per share from continuing operations (\$)	5	(0.006)	(0.006)

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

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2020

	Notes	30 June 2020 \$'000	31 December 2019 \$'000
Non-current assets			
Inventory		35	–
Trade and other receivables		–	150
Property, plant and equipment	6	38	50
Intangible assets	7	17,191	17,277
Right of use assets		31	259
Total non-current assets		17,295	17,736
Current assets			
Cash and cash equivalents		3,250	6,374
Trade and other receivables		374	226
Derivative financial instruments		–	15
Total current assets		3,624	6,615
Assets of disposal group held for sale	11	12,447	14,313
Total assets		33,366	38,664
Liabilities and equity			
Current liabilities			
Trade and other payables		367	1,046
Derivative financial instruments		8	–
Provisions		12	–
Lease liabilities		27	90
Borrowings	8	630	632
Total current liabilities		1,044	1,768
Non-current liabilities			
Provisions		–	13
Lease liabilities		–	158
Borrowings	8	20,387	19,211
Total non-current liabilities		20,387	19,382
Liabilities of disposal group held for sale	11	11,812	12,332
Total liabilities		33,243	33,482
Equity			
Share capital	9	1,085	1,080
Share premium	9	45,755	45,679
Merger reserve		9,708	9,708
Other reserves	10	4,957	3,978
Accumulated losses		(61,382)	(55,263)
Total equity		123	5,182
Total equity and liabilities		33,366	38,664

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 30 June 2019

	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
<i>Total comprehensive loss for the period:</i>						
Loss for the period	–	–	–	–	(12,464)	(12,464)
Other comprehensive income	–	–	–	175	–	175
Total comprehensive loss for the period	–	–	–	175	(12,464)	(12,289)
<i>Transactions with owners recorded directly in equity:</i>						
Issue of share capital	79	1,771	–	–	–	1,850
Share based payments for services rendered	13	289	–	694	–	996
Lapsed share options	–	–	–	(526)	526	–
Issue of warrants	–	–	–	2,007	–	2,007
Balance at 30 June 2019	1,080	45,679	9,708	4,409	(51,092)	9,784

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 30 June 2020

	Share capital \$'000	Share premium \$'000	Merger Reserve \$'000	Other Reserves \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 1 January 2020	1,080	45,679	9,708	3,978	(55,263)	5,182
<i>Total comprehensive loss for the period:</i>						
Loss for the period	–	–	–	–	(6,712)	(6,712)
Other comprehensive income	–	–	–	1,042	–	1,042
Total comprehensive loss for the period	–	–	–	1,042	(6,712)	(5,670)
<i>Transactions with owners recorded directly in equity:</i>						
Issue of share capital	5	76	–	–	–	81
Share based payments for services rendered	–	–	–	530	–	530
Lapsed share options	–	–	–	(593)	593	–
Balance at 30 June 2020	1,085	45,755	9,708	4,957	(61,382)	123

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Six Months Ended 30 June 2020

	30 June 2020 \$'000	30 June 2019 \$'000
Cash flows from operating activities		
Receipts from customers	756	1,882
Payments to suppliers and employees	(3,265)	(5,925)
Interest received	28	12
Interest paid	(622)	–
Net cash used in operating activities	(3,103)	(4,031)
Cash flow from investing activities		
Payments for property, plant & equipment	–	(647)
Payments for exploration & evaluation assets	(16)	(12,092)
Payments for rehabilitation costs	(43)	–
Net cash used in investing activities	(59)	(12,739)
Cash flows from financing activities		
Proceeds from borrowings	–	19,211
Principal element of lease payments	(120)	–
Net cash (used in) / provided by financing activities	(120)	19,211
Net (decrease) / increase in cash and cash equivalents	(3,282)	2,441
Cash and cash equivalents brought forward	6,526	9,361
Effects of exchange rate changes on cash and cash equivalents	195	(363)
Cash and cash equivalents carried forward	3,439	11,439

Cash and cash equivalents carried forward at 30 June 2020 in the condensed consolidated statement of cash flows includes \$190k relating to discontinued operations (30 June 2019: \$401k). Refer to note 11.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended 30 June 2020

Note 1: Basis of preparation of the interim financial statements

The condensed consolidated interim financial statements of Coro Energy plc (the “Group”) for the six month period ended 30 June 2020 have been prepared in accordance with Accounting Standard IAS 34 *Interim Financial Reporting*.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019, which was prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and any public announcements made by Coro Energy plc during the interim reporting period.

These condensed consolidated interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group’s statutory financial statements for the year ended 31 December 2019 prepared under IFRS have been filed with the Registrar of Companies. The auditor’s report on those financial statements was unqualified and did not contain a statement under Section 498(2) of the Companies Act 2006. These condensed consolidated interim financial statements have not been audited.

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

Basis of preparation – going concern

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

At 30 June 2020 the Group had cash reserves of \$3.3m (excluding cash recorded within assets of the Italian disposal group held for sale). While the Group has significantly reduced UK overheads to an annualised cost of approximately \$1.2m, additional cash outflows will be realised in relation to the Duyung project and the next Eurobond coupon, which is due in April 2021. Management have prepared a consolidated cash flow forecast for the period to 31 October 2021 which shows that the Group is likely to face a cash deficit in mid-2021, within the going concern forecast period. Accordingly, the Group will need to raise additional funds during the forecast period in order to remain a going concern. The directors have a reasonable expectation that additional funding will be available in the equity markets when required and therefore the financial statements have been prepared on the going concern basis.

The ability of the Group to secure additional funding is not guaranteed and significant uncertainty has been created by the ongoing COVID-19 pandemic which could impact market conditions for longer than the Directors’ currently expect. However, based on the above, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the interim financial statements for the period ended 30 June 2020, while acknowledging a material uncertainty concerning the success of future fundraising activities. Should the Group be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for further liabilities which might arise and to classify fixed assets as current.

a) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period. These new/amended standards do not have a material impact on the Group, and the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

b) New accounting policies adopted by the Group

There were no new accounting policies adopted by the Group during the period, nor any amendments to existing accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2020

Note 2: Significant changes

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 30 June 2020:

- Suspension of production at the beginning of April from the Sillaro, Bezzecca and Casa Tiberi fields in Italy, due to a significant fall in domestic gas prices following the COVID-19 pandemic and its associated economic damage. This resulted in lower revenues from our Italian operations (presented as discontinued in the income statement). The reduction in revenue was largely offset by the resultant reduction in variable operating costs;
- Large foreign exchange loss on the Group's €22.5m Eurobond due to appreciation of the Euro against the British Pound Sterling ("GBP") during the period, resulting in an unrealised loss of \$1.3m in the parent company, which uses GBP as its functional currency. This was partly offset by foreign exchange gains due to the appreciation of the United States Dollar ("USD") against GBP, resulting in unrealised gains on cash held in USD by the parent company when translated into its GBP functional currency;

For further discussion of the Group's performance and financial position refer to the Chairman's Statement.

The Group's results are not materially impacted by seasonality.

Note 3: 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 is currently the Board of Directors, following the departure of the Chief Executive Officer during the period. 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 11.

	Italy		Asia		UK		Total	
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Depreciation and amortisation	-	-	-	-	(73)	(63)	(73)	(63)
Impairment losses	-	-	-	-	-	(37)	-	(37)
Interest expense	-	-	-	-	(1,798)	(701)	(1,798)	(701)
Segment loss before tax from continuing operations	-	-	(169)	(79)	(4,748)	(4,660)	(4,917)	(4,739)
Segment loss before tax from discontinued operations	1,795	(6,432)	-	-	-	-	(1,795)	(6,432)

	Italy		Asia		UK		Total	
	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec
	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	12,447	14,313	17,598	18,297	3,321	6,054	33,366	38,664
Segment liabilities	(11,812)	(12,332)	(7)	(579)	(21,424)	(20,571)	(33,243)	(33,482)

Assets and liabilities of the Italian segment are classified as a disposal group held for sale in the Group balance sheet

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended 30 June 2020

Note 4: Profit and loss information**a) General and administrative expenses**

General and administrative expenses in the income statement includes the following significant items of expenditure:

	30 June 2020 \$'000	30 June 2019 \$'000
Employee benefits expense	577	712
Business development	182	879
Corporate and compliance costs	303	291
Investor and public relations	169	198
Other G&A	96	77
G&A – non-operated joint operations	92	79
Share based payments (refer note 11)	484	694
	1,903	2,930

b) Finance expense

	30 June 2020 \$'000	30 June 2019 \$'000
Interest on borrowings	1,798	701
Finance charge on lease liabilities	5	18
Foreign exchange losses	1,139	990
Unrealised loss on foreign exchange forward contracts	24	–
	2,966	1,709

Note 5: Loss per share

	30 June 2020	30 June 2019
Basic loss per share from continuing operations (\$)	(0.006)	(0.006)
Diluted loss per share from continuing operations (\$)	(0.006)	(0.006)
Basic loss per share from discontinued operations (\$)	(0.002)	(0.010)
Diluted loss per share from discontinued operations (\$)	(0.002)	(0.010)

The calculation of basic loss per share from continuing operations was based on the loss attributable to shareholders of \$4.9m (30 June 2019: \$4.7m) and a weighted average number of ordinary shares outstanding during the half year of 792,641,298 (30 June 2019: 747,462,899).

Basic loss per share from discontinued operations was based on the loss attributable to shareholders from discontinued operations of \$1.8m (30 June 2019: \$7.7m).

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended 30 June 2020

Note 6: Property, plant and equipment

	30 June	31 December
	2020	2019
	\$'000	\$'000
Office Furniture and Equipment	38	50

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

Office Furniture and Equipment:

Carrying amount at beginning of period	50	235
Additions	–	12
Depreciation expense	(9)	(29)
Reclassification to assets of disposal group held for sale	–	(170)
Effect of foreign exchange	(3)	2
Carrying amount at end of period	38	50

Note 7: Intangible assets

	30 June	31 December
	2020	2019
	\$'000	\$'000
Exploration and evaluation assets	17,167	17,247
Software	24	30
	17,191	17,277

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

Exploration and evaluation assets:

Carrying amount at beginning of period	17,247	3,076
Additions	(80)	17,253
Impairment losses	–	–
Reclassification to assets of disposal group held for sale	–	(3,005)
Impact of foreign exchange	–	(77)
Carrying amount at end of period	17,167	17,247

Exploration and evaluation assets relates to the Group's 15% interest in the Duyung PSC. Negative additions arose in the period due to reversal of overaccrued capital expenditures relating to the Duyung drilling campaign undertaken in Q4 2019.

Following this highly successful drilling campaign, Conrad Petroleum Ltd (the "Operator"), engaged Gaffney Cline and Associates ("GCA") to complete an independent resource audit for the Mako Gas Field.

Following completion of their audit, GCA 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended 30 June 2020

Note 8: Borrowings

	30 June 2020 \$'000	31 December 2019 \$'000
Current		
Eurobond	630	632
	630	632
Non-current		
Eurobond	20,387	19,211
	20,387	19,211

Borrowings relates to €22.5m three year Eurobonds with attached warrants which were issued to key institutional investors. The bonds were issued in two equal tranches A and B, ranking *pari passu*, with Tranche A paying an annual 5% cash coupon and Tranche B accruing interest at 5% payable on redemption.

The issue price was 85% of par value, with a 7% commission paid on this subscription price, resulting in net cash proceeds of €17.6m (\$19.7m) before other transaction costs of €0.4m (\$0.5m).

The bonds mature on 12 April 2022 at 100% of par value plus any accrued and unpaid coupon. Bond subscribers and underwriters were issued with a total of 47,357,500 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. The total fair value of warrants on grant date (\$2.0m) was treated as a transaction cost and will be amortised over the life of the bonds. The bonds were initially recognised at fair value and subsequently at amortised cost, with an average effective interest rate of 18.10%.

Note 9: Share capital and share premium

	30 June 2020 Number 000's	Nominal value \$'000	Share Premium \$'000	30 June 2020 Total \$'000
As at 1 January 2020	789,586	1,080	45,679	46,759
Shares issued during the period:				
Issued for services rendered	3,737	5	76	81
Closing balance – 30 June 2020	793,323	1,085	45,755	46,840

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended 30 June 2020

Note 10: Reserves

a) Other reserves

Share based payments reserve

Dr Nick Cooper was awarded 10,000,000 options when he joined the Board in January 2020 with an exercise price of 4.38p, vesting on the third anniversary of grant date. The options were valued at 0.40p per share under the Black Scholes method. The movement in share based payments reserve in the period included \$530k in relation to options granted in 2020 and prior periods (30 June 2018: \$694k). This was impacted by the accelerated vesting of options issued to two former directors who resigned during the period, Dr Cooper and James Menzies. According to Dr Cooper's option deed, his options became immediately exercisable at their original exercise price of 4.38p per share for a period of three months following his resignation on 1 April 2020. The options were not exercised and therefore have lapsed. James Menzies' options were cancelled after he left the Company during the period. This full vest of Dr Cooper's options, and cancellation of Mr Menzies options, resulted in the remaining grant date fair value of both former directors' options being expensed in the income statement in the period. The total amount expensed for Dr Cooper and Mr Menzies' options in the current and prior periods (\$593k) was then recycled to accumulated losses.

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 gain on foreign exchange recorded in other reserves for the period was \$1.04m (30 June 2019: \$175k gain).

Note 11: 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended 30 June 2020

Note 11: Discontinued operations (continued)

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

	30 June 2020 \$'000	30 June 2019 \$'000
Revenue	623	1,735
Operating costs	(597)	(977)
Depreciation and amortisation expense	–	(275)
Gross profit/(loss)	26	483
Other income	79	12
General and administrative expenses	(505)	(1,299)
Depreciation expense	–	(84)
Change in rehabilitation provisions	27	(263)
Impairment losses	(517)	(5,226)
Loss from operating activities	(890)	(6,377)
Finance income	21	–
Finance expense	(78)	(55)
Loss before tax	(947)	(6,432)
Income tax benefit/(expense)	(848)	(1,293)
Loss for the period after tax	(1,795)	(7,725)

The major classes of assets and liabilities of the Italian operations classified as held for sale as at 30 June 2020 are as follows:

	30 June 2020 \$'000	31 December 2019 \$'000
Assets		
Property, plant and equipment	4,322	4,759
Exploration and evaluation assets	1,970	1,978
Right of use assets	59	175
Land	1,642	2,021
Deferred tax assets	1,366	2,240
Inventories	332	306
Trade and other receivables	2,566	2,210
Other financial assets	–	472
Cash	190	152
Total assets	12,447	14,313
Liabilities		
Trade and other payables	2,675	2,990
Lease liabilities	66	125
Provisions	9,071	9,217
Total liabilities	11,812	12,332
Net assets	635	1,981

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended 30 June 2020

Note 11: Discontinued operations (continued)

Due to the significant fall in gas prices during the period resulting from the COVID-19 pandemic and associated economic damage, an impairment of \$341k was recorded on Oil and Gas assets (within Property, plant and equipment “PPE”), which relate to the Bezzecca Cash Generating Unit (“CGU”). No other impairments were noted on 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 \$176k 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 \$848k arose due to a write down of the Deferred Tax Asset recorded by the Italian segment. This is due to reductions in future forecast taxable profits caused by falling gas prices.

As required by IFRS 5, the entire Italian business has been fair valued at the balance sheet date to determine if any further writedowns are required in addition to the impairments discussed above. Management determined the fair value of the disposal group with reference to a corporate valuation model, prepared using a discounted cash flow methodology, which takes into account the reduction in gas prices since the deal was signed with Zenith Energy in December 2019. This showed a small amount of headroom when comparing the fair value of the Italian business with the carrying value of its net assets.

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

	30 June 2020 \$'000	30 June 2019 \$'000
Net cash flow from operating activities	(278)	(438)
Net cash flow from investing activities	(59)	(647)
Net cash flow from financing activities	374	1,213
Net cash inflow/(outflow)	37	128

Note 12: Interests in other entities

Asia

The Group’s wholly owned subsidiary, Coro Energy Duyung (Singapore) Pte Ltd, is the owner of a 15% interest in the Duyung Production Sharing Contract (“PSC”), which contains the Mako gas field. The operator of the Duyung 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.

The Duyung PSC partners have entered into a Joint Operating Agreement (“JOA”) which governs the arrangement. The Group accounts for its share of assets, liabilities and expenses of the venture in accordance with the IFRSs applicable to the particular assets, liabilities and expenses.

Italy

In June 2019, the Group entered into an agreement with Petrorep Italiana SpA to acquire its 10% interest in the Cascina Castello production licence, which contains the Bezzecca field and the West Vitalba prospect. The deal had an economic effective date of 1 May 2019, however the necessary regulatory approvals for the acquisition were not obtained before the long stop date of the transaction passed. As a result, Petrorep continues to own 10% of the licence and has retrospectively contributed to its share of Bezzecca’s losses from 1 May 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended 30 June 2020

Note 13: Contingencies and commitments

Commitments

The remaining 2020 work program for the Duyung PSC is estimated at \$260k net to the Group, of which approximately \$180k is capital in nature. The Group has no other capital commitments.

Contingencies

The Group has no contingent assets or liabilities.

Note 14: Related party transactions

During the period, the Company agreed a settlement with former CEO James Menzies. Mr Menzies received a termination/notice payment (inclusive of legal fees) of £132K (\$168k). This expense is recorded within employee benefits expense in note 4.

Note 15: Subsequent events

As further outlined in note 11, the SPA entered into 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, was terminated by mutual agreement in July 2020.

There are no other material subsequent events.