



# Targeting Growth in South East Asia

---

Interim  
Report 2019

Stock code: CORO

[www.coroenergyplc.com](http://www.coroenergyplc.com)





**Coro Energy plc is an AIM listed, full-cycle, upstream oil and gas exploration and production company. Our focus is on South East Asia and we are targeting high-graded discoveries that require commercialisation with exploration upside, with a preference for gas over oil.**



## Contents

Our Strengths	01
Our Journey So Far	01
Highlights	02
Future Focus	03
Statement from the Chairman and Chief Executive Officer	04
Indonesia	08
Malaysia	11
Italy	12
Independent Review Report to Coro Energy	13
Condensed Consolidated Statement of Comprehensive Income	15
Condensed Consolidated Balance Sheet	16
Condensed Consolidated Statement of Changes in Equity	18
Condensed Consolidated Statement of Cash Flows	20
Notes to the Condensed Consolidated Financial Statements	21

**Visit Coro Energy plc online:**



**[www.coroenergyplc.com](http://www.coroenergyplc.com)**  
for the latest news, reports,  
presentations and videos



**@CoroEnergy**



**Coro Energy plc**

## Our Strengths

- **Regional gas and oil strategy backed by:**
  - Supply/demand imbalance
  - Strong local gas markets
  - Scarcity of credible small cap operators
- **Experienced and successful founder group**
  - Directors with experience in mid-cap E&P
  - Management with deep regional experience
- **Focused business development:**
  - 2 Production Sharing Contracts ("PSC") in Indonesia with discovered resource
  - Close to market for early monetisation
  - Large exploration upside in West Natuna and Malaysia
- **Production platform in Italy:**
  - Operating 4 production concessions generating cash flow at the asset level
  - Credentialed Coro as a gas developer and operator
  - Exceptional track record on health and safety

## Our Journey So Far

### September 2018

First deal in Indonesia  
42.5% interest in Bulu PSC  
Offshore East Java

### December 2018

Joint Technical Study on Block 2A,  
Malaysia

### February 2019

Second deal in Indonesia  
15% interest in Duyung PSC  
West Natuna Basin

### April 2019

Duyung drilling programme  
approved

### July 2019

Restructured Bulu PSC  
Acquisition



## Highlights

### South East Asia

- Continued execution of our South East Asia growth strategy targeting projects with existing discovered resource that we have identified to also exhibit exploration and/or commercial upside
- Secured our second transaction in Indonesia with the acquisition of a 15% working interest in the Duyung PSC, which contains the Mako gas field offshore West Natuna
- Plan of Development ('POD') approved for the Mako gas field, Duyung PSC
- Post period under review, announced the successful restructuring of the cash consideration payable in respect of our maiden deal in Indonesia – the acquisition of a 42.5% working interest in the Bulu PSC, which contains the Lengo gas field offshore East Java
- Continuing to evaluate a strong pipeline of business development opportunities including single assets and asset portfolios

### Corporate

- Issued a €22.5m Eurobond supported heavily by key cornerstone investors Lombard Odier and CIP Merchant Capital
- Strengthened institutional investor presence via appointment of additional corporate broker and new nominated advisor
- Commenced divestment of non-core Italian operations
- CFO Andrew Dennan appointed to the board



## Future Focus

### Q3-4 2019 Drilling Campaign for Duyung PSC

- Fully funded, back to back two well campaign to both appraise and explore the Duyung PSC including the Mako gas field
- Exploration:
  - Testing a 250 Bcf Prospect beneath the field in the Lower Gabus Formation with a 45% geological Chance of Success ("CoS")
  - The Tambak prospect is a three way dip closed inverted anticlinal structure
- Appraisal
  - Both the wells will appraise the Mako gas field; however, the Tambak-2 well will be the most southerly appraisal of the Mako field
  - Large step out, with Tambak-2 being over 13km away from the Mako South-1 well

### Q4 2019 GSA for Bulu PSC

- Operator targeting conversion of the current memorandums of understanding with potential gas buyers into a first Gas Sales Agreement ("GSA") with a gas buyer in Q4 2019
- Project already has an approved POD with the Indonesian authorities

### H1 2020 GSA and approaching FID for Duyung PSC

- Following evaluation of the 2019 drilling campaign results, the Duyung partners can progress towards maturing the Heads of Agreement with a Singaporean gas buyer into a GSA
- Once a GSA has been secured, the partners can advance the project towards a Final Investment Decision ("FID")

### H2 2020 FID and Field Development for Bulu PSC

- Following signature of GSAs, the Bulu PSC partners can progress towards a FID and commence Field Development work



## Statement from the Chairman and Chief Executive Officer



**James Parsons**  
Non-Executive Chairman



**James Menzies**  
Chief Executive Officer

**“Our South East Asia growth strategy is centred on developing a business with a pure regional focus, finding and commercialising oil and gas resources of a scale and style which suit the mid-cap independent E&P company.”**



During the first half of 2019 we have continued to take significant steps in building our business in South East Asia. We began the year with a major addition to our asset portfolio in Indonesia through the acquisition of a 15% interest in the Duyung Production Sharing Contract (“PSC”), supported by the issuance of an institutionally subscribed €22.5 million Eurobond. Elsewhere in Indonesia, we announced restructured terms for our Bulu deal post-period end, which extends the consideration payment schedule, improving the Group’s short-term liquidity. We continued with the technical evaluation of Block 2A in Malaysia, which is yielding exciting results and progressed our business development activities in South East Asia, examining a number of acquisition opportunities.

The Group made a loss before tax from continuing operations of \$4.7m for the period (2018: loss from continuing operations \$1.9m), which was driven by corporate costs including ongoing business development activities in South East Asia, as well as interest charges and foreign exchange losses relating to the Group’s Eurobond. The Company is firmly committed to its South East Asia strategy and, as a result, the Board has now decided to prioritise the divestment of the Group’s Italian business. Accordingly, our Italian business is now 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 \$7.7m (2018: \$1.0m), which was primarily attributable to non-cash impairments totalling \$5.2m (2018: \$nil) and a deferred tax expense of \$1.3m (2018: \$nil).

## Continued execution of South East Asia growth strategy

Our South East Asia growth strategy is centred on developing a business with a pure regional focus, finding and commercialising oil and gas resources of a scale and style which suit a mid-cap independent E&P company.

The region possesses some of the world's fastest developing economies where demand for gas currently significantly outstrips supply. This, combined with forecast increasing GDP, commensurate growth in energy demand and the increasing shortage of gas in the major markets, provides a compelling investment proposition for investors. This growth strategy is focused on high-graded countries, such as Indonesia, Malaysia and Vietnam where we see significant 'yet to find' hydrocarbon resources as well as numerous fallow discoveries which represent opportunities for commercialisation and development for independent players such as Coro. We see shareholder value being created through the commercialisation, development and exploitation of identified oil & gas accumulations, with associated step out exploration potential. The South East Asian region is home to numerous undeveloped discoveries and represents a rich opportunity set for regionally focused independents, which are relatively scarce in the region.

## Duyung PSC Catalysts: Mako field appraisal and Tambak exploration drilling

In February of 2019 we announced our second transaction in Indonesia with the acquisition of a 15% working interest in the Duyung PSC, offshore West Natuna

Indonesia, which contains the Mako gas field. The Mako gas field has been independently reviewed by Gaffney Cline & Associates who ascribed gross 2C resources of 276 Bcf (48.78 MMboe) of recoverable dry gas with gross 3C resources of 392 Bcf (69.3 MMboe) representing additional field upside. Our interest was acquired for total consideration of \$4.8m, comprising \$2.95m in cash and \$1.85m in Coro shares priced at 2.35 pence per new share (being the thirty day volume weighed average price of Coro shares prior to announcement of the transaction), plus \$10.5m which was paid into the PSC vehicle as partial funding for the upcoming 2019 drilling programme. In aggregate this represents an effective acquisition price of \$0.34/MMbtu on a 2C resource basis. Transfer of title of the 15% PSC interest to Coro's name is subject to customary Indonesian regulatory approval which is expected to follow, with a long stop date of 31 December 2019. Should regulatory approvals not be forthcoming, Coro has agreed to receive transfer of 15% of the shares of West Natuna Exploration Limited, the current owner of the Duyung PSC.

In March 2019, following the Duyung acquisition, we announced that the Indonesian Minister of Energy and Mineral Resources had approved the Plan of Development ("POD") for the Mako field, which is a key milestone towards monetising the Mako gas. In September of this year, the Duyung partners will be drilling two back to back wells: one exploration well which is designed to test the 250 Bcf Tambak prospect, which we see as being low risk, with a 45% chance of success and which lies beneath the central area of the Mako gas field; and one appraisal well which is a 13.5km step out from the South Mako-1 well



## Statement from the Chairman and Chief Executive Officer



and will primarily appraise the intra-Muda sandstone reservoir in what will be our most southerly data point on the Mako field. The Tambak-1 well will not only give us key appraisal data in relation to the Mako gas field but upon deepening of that well and testing the Tambak prospect we could see up to an approximate doubling of gas resources if the exploration is successful. Tambak-2 has the potential to move 3C resources to the 2C category and likewise 2C resources to the 1C category, which will further enhance the field's commercial metrics as well as help the gas marketing efforts which are underway with a Heads of Agreement having already been signed with a Singaporean gas buyer.

### Bulu PSC restructured terms

Post period under review, the Group announced a restructuring of the Bulu PSC acquisition terms, which most notably involved an amendment to the payment schedule of the cash consideration components to be paid to AWE Limited ("AWE"). Originally the Group had agreed to pay AWE a total sum of \$8m (\$1.04m in back costs and working capital adjustments and \$6.96m in cash consideration) upon closing of the transaction. The Group has now agreed with AWE to pay the same quantum of cash but now phased over four instalments with the first being a sum of \$2.5m payable on completion of the acquisition (which is pending, *inter alia*, approval for the transfer of the 42.5% working interest to Coro). The next instalment of \$1.5m will be payable to AWE on 1 September 2020, with a further \$2.5m payable on the earlier of:

i) the Bulu PSC partners agreeing a final investment decision to proceed with the financing, development and construction of the project pursuant to the approved plan of development; or ii) 1 July 2021. The final instalment of \$1.5m is payable on the sooner of: i) the date of commencement of commercial production from the Bulu PSC; or ii) 31 December 2022. Completion of the transaction remains conditional on, *inter alia*, JV partner pre-emption and regulatory government approvals prior to a long stop date of 2 December 2019. These amendments allow for additional time for regulatory approvals to be obtained as well as extending the payment schedule out to potentially first gas which strengthens the Group's balance sheet in the interim.

### Malaysia Block 2A

The Company continues to build relationships with Petroleum Nasional Berhad ("Petronas") and have been working collegiately with the Malaysian national oil company in our joint technical study on Block 2A, offshore Sarawak. Work to date has already proven fruitful with the identification of several multi-Tcf exploration prospects on the acreage which look very exciting. We continue to fulfil our joint technical study commitments and have a strong aspiration of converting our joint study agreement into a production sharing contract in the coming months. Moreover, Malaysia represents a great opportunity set for Coro with over 170 discovered fields currently lying in open acreage, and is a key focus for our business development effort.





### Institutionally funded

In April 2019, we announced the successful closing of our proposed issue of €22.5 million Eurobonds with warrants attached which raised net proceeds of €17.4m after transaction costs (approximately \$19.2m). This institutionally subscribed financing enabled us to fund the consideration owed in relation to the Duyung PSC acquisition as well as raising additional proceeds for corporate general and administrative purposes. The Eurobond issue was heavily supported by key existing institutional cornerstone investors Lombard Odier and CIP Merchant Capital who in aggregate own *circa* 75% of the issued debt and warrant instruments which trade on the Luxembourg Stock Exchange.

### Outlook

As a consequence of the above, the Group is well positioned to deliver growth in shareholder value having:

- Continued to execute on our South East Asia growth strategy through acquiring the Duyung interest which has increased the Group's resources further;
- Exposed shareholders to near-term exploration and appraisal drilling through the upcoming 2019 Duyung PSC drilling campaign;
- Further demonstrated access to capital while improving our liquidity position through the successful €22.5 million Eurobond issue.

**James Parsons**  
Non-Executive  
Chairman

**James Menzies**  
Chief Executive  
Officer



# Indonesia

## Duyung PSC



<b>Location</b>	West Natuna Basin, Indonesia
<b>Water depth</b>	100m
<b>Coro working interest</b>	15%
<b>2C recoverable resource*</b>	41.4 Bcf
<b>Acquisition price*</b>	\$0.34/MMbtu

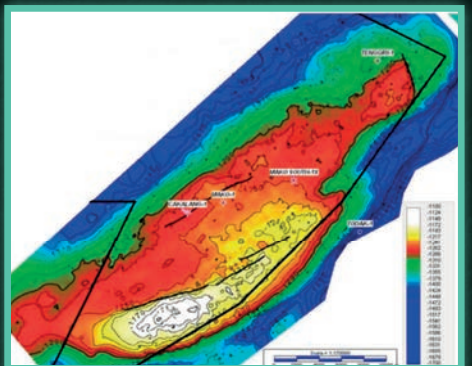
\*Based on 2C resource, net to Coro, certified by Gaffney, Cline and Associates (2018),

- Duyung PSC contains the Mako gas field, a shallow gas accumulation covering a huge areal extent
- Four wells have been drilled on the field
- Gas resource independently certified by Gaffney, Cline & Associates
- Contains dry gas, no H2S, minimal CO<sub>2</sub>, over 97% methane
- Field is located close to the open access West Natuna Transportation system which carries gas into the lucrative Singapore market
- Plan of Development for the Mako gas field was approved by the Indonesian authorities in March 2019
- Two well drilling programme commencing Q3 2019

### Proximity to markets:



### Existing well locations:

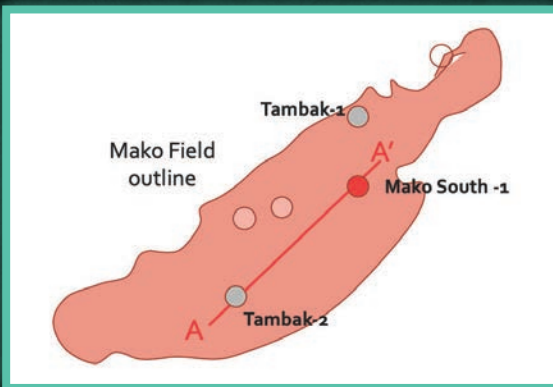


**THE MAKO ANTICLINE**  
 Huge structure 47 km long, 16 km wide  
 c. 350 sq km of areal closure above the CWC

### Duyung drilling - Q3 2019

Well	Objective	Program
Tambak-1	Explore and appraise	<ul style="list-style-type: none"> <li>○ Drill to a depth of 385m below sea level to appraise the central area of the Mako field</li> <li>○ Deepen well to a total depth of 1,370m sub-sea to test the Lower Gabus Tambak prospect, targeting estimated 250 Bcf gross prospective resource potential. Coro estimates a 45% geological chance of success</li> <li>○ Drilling time from spud to completion is <i>circa</i> 33 days including extensive testing programme in a success case</li> <li>○ Well to be plugged and abandoned at the end of the drilling programme.</li> </ul>
Tambak-2	Appraise	<ul style="list-style-type: none"> <li>○ Will be the most southerly test of the Mako field and represents a significant step-out from the Mako South-1 well (over 13.5km to the north east)</li> <li>○ Designed to evaluate the reservoir properties and deliverability of the intra-Muda sandstones in the southern area of the Mako field, and has the potential to move 3C resources to the 2C category, and 2C resources to the 1C category</li> </ul>

### Well locations





# Indonesia

## Bulu PSC



<b>Location</b>	East Java, Indonesia
<b>Water depth</b>	60m
<b>Coro working interest</b>	42.5%
<b>2C recoverable resource*</b>	152.6 Bcf
<b>Acquisition price*</b>	\$0.10/MMbtu

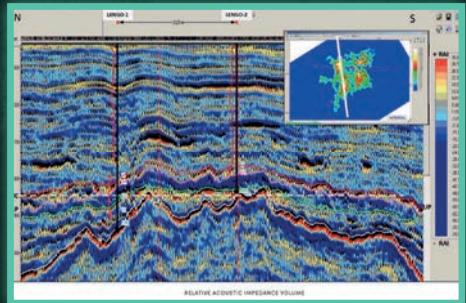
\*Based on estimated recoverable gas, net to Coro, independently certified as 2P reserves by Netherland, Sewell and Associates Inc (2015). The Group internally classifies these volumes as 2C resources prior to a GSA having been signed and a FID being taken on the project.

- Bulu PSC contains the Lengo gas field, located in shallow water off the coast of East Java, Indonesia
- Two wells drilled on the field were both successfully appraised, flow tested and cored. Lengo-1 tested at 12.9 MMscf/d and Lengo-2 at 21.2 MMscf/d
- Gas resource independently certified by Netherland, Sewell & Associates
- Field is close to industrial markets in East Java with ready buyers for Lengo gas
- Plan of Development has been approved by the Indonesian authorities
- Bulu partners are targeting signing of first Gas Sales Agreement in Q4 2019 and Final Investment Decision in 2020

### Proximity to markets:



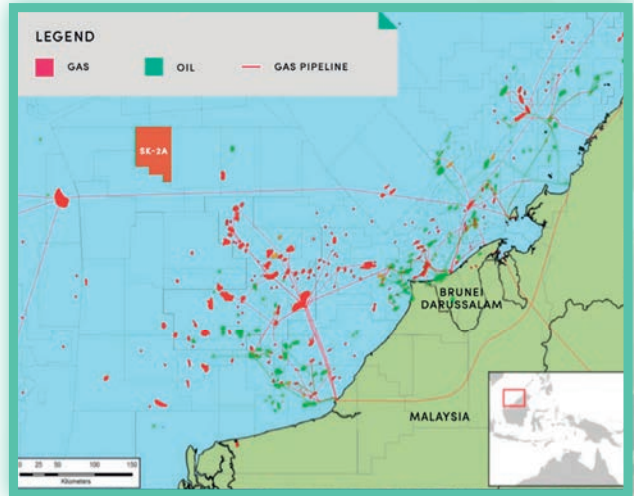
### Existing well locations:



# Malaysia

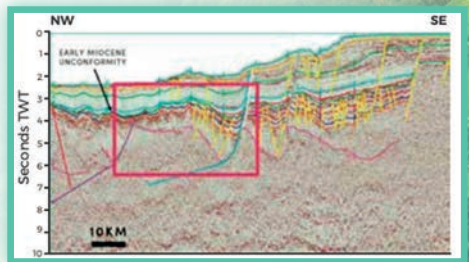
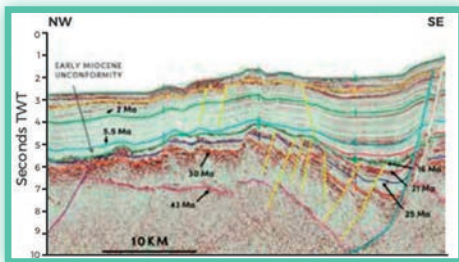
## Block 2A

In December 2018, Coro Energy signed a 12-month joint study agreement with Petronas for Block 2A, which is located offshore Sarawak in Eastern Malaysia. The block covers an area of 2,400 km<sup>2</sup> and is yet to be drilled. The block is located in the Central Luconia province - one of the eight geological regions in the Sarawak basin. Four of these sub-basins, including Central Luconia, are highly prolific. The region has a well-developed gas infrastructure, and Shell's early gas discoveries in the area led to the Bintulu LNG plant being established onshore, which currently has excess capacity due to a shortfall of feedgas expected to continue in the years ahead.



In 2019, together with Petronas, Coro has reviewed 2,900 km<sup>2</sup> of high quality 3D seismic data and identified a very large undrilled structure on the block with multi-Tcf potential across multiple plays.

We are now working with Petronas to convert the joint study agreement into an Exploration PSC in Q4 2019.



Source: "The Structure & Stratigraphy of Deepwater Sarawak, Malaysia." Mazlan, Madon et al. 2013



## Italy

Coro has a portfolio of development and production assets in Italy, operating six production concessions, four exploration permits and six exploration permit applications.

Total production for the period was 261 MMscf (7.4 MMscm) from our four operating gas fields, namely Sillaro, Bezzecca, Rapagnano and Casa Tiberi (2018: 189 MMscf or 5.4 MMscm net to Coro). The higher production compared to the comparative period was partly due to the inclusion of the Rapagnano and Casa Tiberi fields for the full six month period, compared to three months in the comparative period following the acquisition of Sound Energy Holdings Italy Limited on 9 April 2018. Production was also higher from the Sillaro and Bezzecca fields due to higher facilities uptime and optimisation of flow rates.

The average realised gas price for the six month period was €0.22/scm (2018: €0.21/scm), with higher prices prevailing in Q1 at €0.24/scm, before dropping to €0.20/scm in Q2.

As explained further in note 12 to the interim financial statements, the Board of Directors took the decision during the period to prioritise full divestment of our Italian business, to sharpen the Group's focus on its growth objectives in South East Asia. As a result, in accordance with IFRS

5, the assets and liabilities of the Italian business have been classified as a disposal group held for sale. The Italian business represents a separate geographical area of operation for the Group and has therefore also been treated as a discontinued operation in the income statement.

Management have opened a data room and discussions have been held with several interested parties. The divestment process is ongoing.

# Independent Review Report

## to Coro Energy plc

### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Issuers.

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

This report, including the conclusion, is made solely to the Company for the purpose of the AIM Rules for Issuers. We do not, in producing this report, accept or assume responsibility to anyone, other than the Company, for our work, for this report, or for the conclusion we have formed. This report may not be provided to third parties without our prior written consent.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



# Independent Review Report

to Coro Energy plc

---

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Issuers.

### **PKF Littlejohn LLP**

Statutory Auditor

1 Westferry Circus  
Canary Wharf  
London  
E14 4HD

12 September 2019



# Condensed Consolidated Statement of Comprehensive Income

For the Six Months Ended 30 June 2019

	Notes	30 June 2019 \$'000	30 June 2018 \$'000 Restated
<b>Continuing operations</b>			
General and administrative expenses	4	(2,930)	(1,822)
Depreciation expense		(63)	-
Impairment losses		(37)	-
<b>Loss from operating activities</b>		<b>(3,030)</b>	(1,822)
Finance expense	4	(1,709)	(81)
<b>Loss before income tax expense</b>		<b>(4,739)</b>	(1,903)
Income tax benefit/(expense)		-	-
<b>Loss for the period from continuing operations</b>		<b>(4,739)</b>	(1,903)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	12	(7,725)	(977)
<b>Total loss for the period</b>		<b>(12,464)</b>	(2,880)
<b>Other comprehensive income/loss</b>			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations		175	(1,715)
<b>Total comprehensive loss for the period</b>		<b>(12,289)</b>	(4,595)
<b>Loss attributable to:</b>			
Owners of the company		(12,464)	(2,880)
<b>Total comprehensive loss attributable to:</b>			
Owners of the company		(12,289)	(4,595)
Basic loss per share from continuing operations (\$)	5	(0.006)	(0.004)
Diluted loss per share from continuing operations (\$)	5	(0.006)	(0.004)

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

The Group has changed its presentation currency to United States dollars. The comparative period shown in the condensed consolidated statement of comprehensive income has been restated accordingly.

## Condensed Consolidated Balance Sheet

As at 30 June 2019

		30 June 2019	31 December 2018	1 January 2018
	Notes	\$'000	\$'000	\$'000
			Restated	Restated
<b>Non-current assets</b>				
Inventory		-	325	303
Other financial assets		-	648	-
Trade and other receivables		-	121	88
Deferred tax assets		-	2,285	2,391
Property, plant and equipment	6	56	6,615	2,766
Intangible assets	7	13,948	7,474	2,091
Right of use assets	1	299	-	-
<b>Total non-current assets</b>		<b>14,303</b>	17,468	7,639
<b>Current assets</b>				
Cash and cash equivalents		11,038	9,361	438
Trade and other receivables		1,772	4,102	791
Other current assets		-	145	-
Non-current assets held for sale		-	2,062	-
<b>Total current assets</b>		<b>12,810</b>	15,670	1,229
Assets of disposal group held for sale	12	15,320	-	-
<b>Total assets</b>		<b>42,433</b>	33,138	8,868
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Trade and other payables		397	6,131	2,518
Provisions	8	-	1,524	45
Lease liabilities	1	83	-	-
Borrowings	9	641	-	-
<b>Total current liabilities</b>		<b>1,121</b>	7,655	2,563
<b>Non-current liabilities</b>				
Provisions	8	13	8,289	5,757
Lease liabilities	1	198	-	-
Borrowings	9	17,813	-	-
<b>Total non-current liabilities</b>		<b>18,024</b>	8,289	5,757
Liabilities of disposal group held for sale	12	13,504	-	-
<b>Total liabilities</b>		<b>32,649</b>	15,944	8,320

	Notes	30 June 2019 \$'000	31 December	
			2018 \$'000 Restated	1 January 2018 \$'000 Restated
<b>Equity</b>				
Share capital	10	1,080	988	235
Share premium	10	45,679	43,619	15,056
Merger reserve	11	9,708	9,708	9,708
Other reserves	11	4,409	2,059	3,040
Accumulated losses		(51,092)	(39,180)	(27,491)
<b>Total equity</b>		<b>9,784</b>	17,194	548
<b>Total equity and liabilities</b>		<b>42,433</b>	33,138	8,868

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes. The Group has changed its presentation currency to United States dollars, with the cumulative impact of this change in accounting policy reflected in the opening balance sheet of the comparative period.



## Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2018

	Share capital \$'000	Share premium \$'000	Merger Reserve \$'000	Other Reserves \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 1 January 2018 (restated)	235	15,056	9,708	3,040	(27,491)	548
Total comprehensive loss for the period:						
Loss for the period	-	-	-	-	(2,880)	(2,880)
Other comprehensive income	-	-	-	(1,715)	-	(1,715)
Total comprehensive loss for the period	-	-	-	(1,715)	(2,880)	(4,595)
Transactions with owners recorded directly in equity:						
Issue of share capital	715	30,574	-	-	-	31,289
Share based payments for services rendered	38	1,637	-	-	-	1,675
Issue of options and warrants	-	-	-	837	-	837
Transaction costs relating to issue of shares	-	(3,648)	-	-	-	(3,648)
Balance at 30 June 2018 (restated)	988	43,619	9,708	2,162	(30,371)	26,106

## 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 31 December 2018 (restated)	988	43,619	9,708	2,059	(39,180)	17,194
Adjustment on adoption of IFRS 16	-	-	-	-	26	26
At 1 January 2019 (restated)	988	43,619	9,708	2,059	(39,154)	17,220
Total comprehensive loss for the period:						
Loss for the period	-	-	-	-	(12,464)	(12,464)
Other comprehensive income	-	-	-	175	-	175
Total comprehensive loss for the period	-	-	-	175	(12,464)	(12,289)
Transactions with owners recorded directly in equity:						
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

The Group has changed its presentation currency to United States dollars. The comparative period shown in the condensed consolidated statement of changes in equity has been restated accordingly.

Comparative figures as at 1 January 2019 have also been restated due to the Group's adoption of IFRS 16 Leases, as further outlined in note 1a.



# Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2019

	30 June 2019 \$'000	30 June 2018 \$'000 Restated
<b>Cash flows from operating activities</b>		
Receipts from customers	1,882	1,115
Payments to suppliers and employees	(5,925)	(4,526)
Interest received	12	-
Net cash used in operating activities	(4,031)	(3,411)
<b>Cash flow from investing activities</b>		
Payments for property, plant & equipment	(647)	(840)
Payments for exploration & evaluation assets	(12,092)	(158)
Cash acquired in business combination (net of cash consideration paid)	-	2,991
Net cash from/(used in) investing activities	(12,739)	1,993
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	-	19,784
Share issue costs paid in cash	-	(1,324)
Proceeds from borrowings	19,211	-
<b>Net cash provided by financing activities</b>	19,211	18,460
<b>Net increase in cash and cash equivalents</b>	2,441	17,042
<b>Cash and cash equivalents brought forward</b>	9,361	438
<b>Effects of exchange rate changes on cash and cash equivalents</b>	(363)	(967)
<b>Cash and cash equivalents carried forward</b>	11,439	16,513

The Group has changed its presentation currency to United States dollars. The comparative period shown in the condensed consolidated statement of cash flows has been restated accordingly.

Cash and cash equivalents carried forward at 30 June 2019 in the condensed consolidated statement of cash flows includes \$401k relating to discontinued operations. Refer to note 12.

# Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2019

## 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 2019 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 2018, 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 2018 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.

The condensed consolidated 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.

To support the going concern conclusion, the Group prepared a cash flow forecast for the period to 30 September 2020 which shows positive cash headroom is maintained, albeit cash reserves are predicted to be low at the end of the forecast period. The forecast assumes that the Group limits discretionary general and administrative expenditure, and restricts investment expenditures to minimum committed amounts. Given the ability of management to limit these discretionary expenditures as required, the Directors consider it appropriate to prepare the interim financial statements on the going concern basis. The interim financial statements do not include the adjustments that would be result if the Group was unable to continue as a going concern.

In the medium term, the Group expects to access the equity and/or debt markets to raise additional funds to ensure the Group can remain in operation beyond the forecast period.

### a) New and amended standards adopted by the group

IFRS 16 Leases became applicable to the current reporting period. The Group reviewed all its leasing arrangements and identified three contracts previously classified as operating leases which have been recognised as lease liabilities in the 1 January 2019 balance sheet. An associated right-of-use asset was recognised for each lease.



# Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2019

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate, which averaged 18% across the Group.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

On 1 January 2019, the Group recognised the following lease liabilities:

	\$'000
Current	176
Non-current	460
<b>Total</b>	<b>636</b>

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Right-of-use assets recognised on 1 January 2019 were:

	\$'000
Properties	654
Motor vehicles	14
<b>Total</b>	<b>668</b>

The net impact on accumulated losses at 1 January 2019 was a decrease of \$26k, representing initial direct costs of entering into property leases which were originally expensed.

Right-of-use assets totalling \$275k and lease liabilities totalling \$284k were reclassified to assets/liabilities of disposal group held for sale on 31 March 2019, as discussed in note 12.

During the period, depreciation of right-of-use assets recorded in the income statement was \$51k. A finance charge on unwind of lease liabilities of \$18k was recorded in finance expenses (note 4).



**Note 1: Basis of preparation of the interim financial statements** (continued)**b) New accounting policies adopted by the Group**

During the period the Group adopted the following new accounting policies:

**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.



# Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2019

Payments associated with short-term leases (term less than 12 months) and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise office equipment and furniture.

## *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.

## *Borrowings*

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

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

**Note 1: Basis of preparation of the interim financial statements** (continued)**c) Change in presentational currency of the Group**

From 1 January 2019, the Group has elected to present its financial information in United States dollars ("USD", previously euros). This brings the Group in line with the majority of other upstream oil and gas exploration and production companies operating in South East Asia. This change in accounting policy has been applied retrospectively, with the cumulative impact of the change in presentation currency reflected in the 1 January 2018 balance sheet.

**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 2019:

- Completion of a €22.5m Eurobond issue in April 2019, which raised net proceeds after fees, commission and other transaction costs of €17.4m (\$19.2m);
- Acquisition of a 15% interest in the Duyung Production Sharing Contract in the West Natuna sea, Indonesia for total consideration of \$15.3m. The Group is accounting for its interest in the Duyung PSC as a joint operation, as outlined in IFRS 11 Joint arrangements;
- Decision by the Board of Directors to prioritise disposal of the Group's Italian operations, which resulted in changes to the presentation of the loss from Italian operations, and the assets and liabilities of the disposal group (note 12);

For further discussion of the Group's performance and financial position refer to the Chairman and Chief Executive Officer's Statement on pages 4 to 7.

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



# Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2019

## 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 represents a change from the prior year, where the Italian segment was presented as two separate segments based on the stage of development of the Group's assets: Exploration and Development/Production. The aggregation of these two segments into a single Italian business unit reflects the way information is presented to the Chief Operating Decision Maker, which is the Group's Chief Executive Officer. Additionally, the Group now presents a South East Asian segment following the completion of the acquisition of a 15% interest in the Duyung Production Sharing Contract in Indonesia. During the period, a decision was taken to prioritise a disposal of the Group's Italian operations. Accordingly, the assets and liabilities of this segment at 30 June 2019 are excluded from the table below, and are disclosed in note 12.

	Italy		Asia		UK		Total	
	<b>30 June 2019</b>	30 June 2018	<b>30 June 2019</b>	30 June 2018	<b>30 June 2019</b>	30 June 2018	<b>30 June 2019</b>	30 June 2018
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
External revenues	-	-	-	-	-	-	-	-
Depreciation and amortisation	-	-	-	-	(63)	-	(63)	-
Segment loss before tax from continuing operations	-	-	(79)	-	(4,660)	(1,903)	(4,739)	(1,903)
Segment loss before tax from discontinued operations	(6,432)	(991)	-	-	-	-	(6,432)	(991)

**Note 3: Segment information (continued)**

	Italy		Asia		UK		Total	
	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	-	22,842	15,221	-	11,892	10,296	27,113	33,138
Segment liabilities	-	(12,068)	-	-	(19,145)	(3,876)	(19,145)	(15,944)

**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 2019 \$'000	30 June 2018 \$'000
Employee benefits expense	712	422
Business development	879	294
Corporate and compliance costs	291	183
Investor and public relations	198	264
G&A – non-operated joint operations	79	-
Other G&A	77	178
Share based payments (refer note 11)	694	183
Acquisition costs for business combination	-	298
	<b>2,930</b>	1,822



# Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2019

## b) Finance expense

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
Interest on borrowings	<b>701</b>	–
Finance charge on lease liabilities	<b>18</b>	–
Foreign exchange losses	<b>990</b>	81
	<b>1,709</b>	81

Foreign exchange losses primarily arose on the Group's Eurobond which is denominated in euros and held by the parent company. The parent company's functional currency is British pounds sterling, which weakened against the euro during the period.

## Note 5: Loss per share

	<b>30 June 2019</b>	30 June 2018
Basic loss per share from continuing operations (\$)	<b>(0.006)</b>	(0.004)
Diluted loss per share from continuing operations (\$)	<b>(0.006)</b>	(0.004)
Basic loss per share from discontinued operations (\$)	<b>(0.010)</b>	(0.002)
Diluted loss per share from discontinued operations (\$)	<b>(0.010)</b>	(0.002)

The calculation of basic loss per share from continuing operations was based on the loss attributable to shareholders of \$4.7m (30 June 2018: \$1.9m) and a weighted average number of ordinary shares outstanding during the half year of 747,462,899 (30 June 2018: 435,908,868).

Basic loss per share from discontinued operations was based on the loss attributable to shareholders from discontinued operations of \$7.7m (30 June 2018: \$977k).

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.

**Note 6: Property, plant and equipment**

	<b>30 June 2019 \$'000</b>	31 December 2018 \$'000
Office Furniture and Equipment	<b>56</b>	235
Oil and Gas assets	-	6,380
	<b>56</b>	6,615

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

Office Furniture and Equipment:		
Carrying amount at beginning of period	<b>235</b>	9
Acquired in business combination	-	219
Additions	<b>12</b>	85
Depreciation expense	<b>(20)</b>	(60)
Reclassification to assets of disposal group held for sale	<b>(170)</b>	-
Effect of foreign exchange	<b>(1)</b>	(18)
Carrying amount at end of period	<b>56</b>	235
Oil and Gas assets:		
Carrying amount at beginning of period	<b>6,380</b>	2,757
Acquired in business combination	-	2,927
Additions	<b>43</b>	1,580
Depreciation expense	<b>(275)</b>	(496)
Impairment losses	<b>(585)</b>	(30)
Reclassification to assets of disposal group held for sale	<b>(5,433)</b>	-
Effect of foreign exchange	<b>(130)</b>	(358)
Carrying amount at end of period	-	6,380

Prior to reclassification of the Group's Italian oil and gas assets to a disposal group held for sale, an impairment test was undertaken as required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Due mainly to a reduction in the Group's gas price forecast following a deterioration in market conditions in 2019, an impairment of \$191k was recorded on the Bezzecca cash generating unit ("CGU") and \$394k on the Rapagnano CGU.



# Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2019

## Note 7: Intangible assets

	<b>30 June 2019 \$'000</b>	31 December 2018 \$'000
Exploration and evaluation assets	<b>13,916</b>	3,076
Goodwill	-	4,360
Software	<b>32</b>	38
	<b>13,948</b>	7,474

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	<b>3,076</b>	2,092
Acquired in business combination	-	8,524
Additions	<b>13,922</b>	155
Impairment losses	-	(7,218)
Reclassification to assets of disposal group held for sale	<b>(3,005)</b>	-
Impact of foreign exchange	<b>(77)</b>	(477)
Carrying amount at end of period	<b>13,916</b>	3,076
Goodwill:		
Carrying amount at beginning of period	<b>4,360</b>	-
Acquired in business combination	-	4,688
Impairment	<b>(4,336)</b>	-
Impact of foreign exchange	<b>(24)</b>	(328)
Carrying amount at end of period	-	4,360

As required by IFRS 5, goodwill was tested for impairment when the Group's Italian business was designated as a disposal group held for sale. Due mainly to a reduction in the Group's gas price forecast following a deterioration in market conditions in 2019, goodwill was impaired in full. The Group's Italian exploration and evaluation assets were also tested for impairment prior to reclassification to a disposal group held for sale. No impairment was noted.

The remaining exploration and evaluation assets on the balance sheet relate to the Group's interest in the Duyung PSC acquired during the period. No indicators of impairment of these assets were noted.



**Note 8: Provisions**

	<b>30 June 2019 \$'000</b>	31 December 2018 \$'000
<b>Current:</b>		
Employee leave entitlements	-	52
Other provisions	-	317
Rehabilitation provisions	-	1,155
	-	1,524
<b>Non-current:</b>		
Other provisions	<b>13</b>	717
Rehabilitation provisions	-	7,572
	<b>13</b>	8,289

Reconciliation of the movement in rehabilitation provisions is set out below:

	<b>30 June 2019 \$'000</b>	31 December 2018 \$'000
<i>Rehabilitation provisions - current</i>		
Opening balance	<b>1,155</b>	-
Provision utilised during the period	<b>(18)</b>	-
Reclassified from non-current liabilities	-	1,155
Reclassified to liabilities of disposal group held for sale	<b>(1,117)</b>	-
Impact of foreign exchange	<b>(20)</b>	-
Closing balance	-	1,155
<i>Rehabilitation provisions - non-current</i>		
Opening balance	<b>7,572</b>	5,757
Acquired in business combinations	-	4,374
Increase in provision from unwind discount	<b>44</b>	174
Changes in provision due to revised estimates	-	(637)
Provision utilised during the period	-	(405)
Provision reclassified to current liabilities	-	(1,155)
Reclassified to liabilities of disposal group held for sale	<b>(7,463)</b>	-
Impact of foreign exchange	<b>(153)</b>	(536)
Closing balance	-	7,572

Other current provisions and employee leave entitlements totalling \$318k, and other non-current provisions of \$636k, were reclassified to liabilities of disposal group held for sale.



# Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2019

## Note 9: Borrowings

	<b>30 June 2019 \$'000</b>	31 December 2018 \$'000
<b>Current</b>		
Eurobond	<b>641</b>	-
	<b>641</b>	-
<b>Non-current</b>		
Eurobond	<b>17,813</b>	-
	<b>17,813</b>	-

On 12 April 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 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 proceeds of €17.8m (\$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, 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, based on the following inputs to the calculation:

- Share price on grant date: 2.1p
- Exercise price: 4.0p
- Expected volatility: 50%
- Life of warrants: 3 years
- Risk free rate: 1%

The total fair value of warrants (\$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 10: Share capital and share premium**

	30 June 2019 Number 000's	Nominal value \$'000	Share Premium \$'000	30 June 2019 Total \$'000
<b>As at 1 January 2019</b>	<b>718,522</b>	<b>988</b>	<b>43,619</b>	<b>44,607</b>
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
<b>Closing balance – 30 June 2019</b>	<b>789,586</b>	<b>1,080</b>	<b>45,679</b>	<b>46,759</b>
	31 December 2018 Number 000's	Nominal value \$'000	Share Premium \$'000	31 December 2018 Total \$'000
<b>As at 1 January 2018</b>	185,908	235	15,056	15,291
Issued for the acquisition of subsidiary	185,907	263	11,242	11,505
Issued for cash consideration	319,635	452	19,332	19,784
Issued for services rendered	27,072	38	1,637	1,675
Share issue costs			(3,648)	(3,648)
<b>Closing balance – 31 December 2018</b>	<b>718,522</b>	<b>988</b>	<b>43,619</b>	<b>44,607</b>



# Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2019

## Note 11: Reserves

### a) 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.

### b) Other reserves

#### Share based payments reserve

There were no new share options issued in the first half of 2019. The increase in share based payments reserve is partly attributable to the current period charge relating to options issued to directors and management of the company in 2018, which was \$694k (30 June 2018: \$837k). This included the accelerated vesting of options issued to two former directors who resigned 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 previously recognised for lapsed options has been recycled to accumulated losses in the condensed consolidated statement of changes in equity

The remaining increase in share based payments reserve of \$2.0m is attributable to warrants issued to subscribers of the company's Eurobonds, as further explained in note 9.

#### 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 \$175k (30 June 2018: \$1.7m loss).

## Note 12: Discontinued operations

During the period, the Group continued to execute its strategy of growth in South East Asia through the acquisition of a 15% interest in the Duyung PSC. Following this acquisition, the Bulu transaction previously announced in September 2018, and the Group's ongoing business development activities in the region, the Directors see further opportunities to capture value and scale in the region. The same opportunity does not exist for the Group in Italy, and as a result the Board of Directors took the decision during the period to prioritise full divestment of the Italian business. As a result, in accordance with IFRS 5, the assets and liabilities of the Italian business have been classified as a disposal group held for sale. The Italian business represents a separate geographical area of operation for the Group and has therefore also been treated as a discontinued operation.

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

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
Revenue	1,735	1,355
Operating costs	(977)	(787)
Depreciation and amortisation expense	(275)	(202)
Gross profit/(loss)	483	366
Other income	12	72
General and administrative expenses	(1,299)	(1,239)
Depreciation expense	(84)	(15)
Change in rehabilitation provisions	(263)	(116)
Impairment losses	(5,226)	-
Loss from operating activities	(6,377)	(932)
Finance income	-	-
Finance expense	(55)	(59)
Loss before tax	(6,432)	(991)
Income tax benefit/(expense)	(1,293)	14
<b>Loss for the period after tax</b>	<b>(7,725)</b>	<b>(977)</b>



# Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2019

The major classes of assets and liabilities of the Italian operations classified as held for sale as at 30 June 2019 are as follows:

	30 June 2019 \$'000
<b>Assets</b>	
Property, plant and equipment	5,250
Exploration and evaluation assets	2,927
Other intangible assets	10
Right of use assets	253
Land	2,050
Deferred tax assets	970
Inventories	311
Trade and other receivables	2,503
Other financial assets	645
Cash	401
<b>Total assets</b>	<b>15,320</b>
<b>Liabilities</b>	
Trade and other payables	3,287
Lease liabilities	265
Provisions	9,952
<b>Total liabilities</b>	<b>13,504</b>
<b>Net assets</b>	<b>1,816</b>

**Note 12: Discontinued operations** (continued)

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

	<b>30 June 2019 \$'000</b>	30 June 2018 \$'000
Net cash flow from operating activities	<b>(438)</b>	(971)
Net cash flow from investing activities	<b>(647)</b>	1,993
Net cash flow from financing activities	<b>1,213</b>	1,288
Net cash inflow/(outflow)	<b>128</b>	2,310

As further discussed in notes 6 and 7, impairment losses were recorded on the Rapagnano and Bezzecca CGUs. Goodwill, which arose from the acquisition of Sound Energy Holdings Italy Limited in April 2018 (see note 13), was written off in full in the period. After recording impairments on individual assets, the disposal group as a whole was tested for impairment as required by IFRS 5.

Management determined the fair value of the disposal group with reference to a corporate valuation model, prepared using a discounted cash flow methodology, as well as with reference to the underlying book values of the assets and liabilities of the disposal group. An additional impairment of \$335k was identified and allocated to non-current assets as required by IFRS 5. This is an estimate which may be subject to revision depending on the outcome of the ongoing divestment process.



# Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2019

## Note 13: Business combinations

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

### Consideration for the Acquisition

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

	\$'000
<b>Purchase consideration:</b>	
Ordinary shares issued	11,505
Contingent consideration	621
Payment for working capital	2,214
	14,340

The fair value of the 185,907,500 consideration shares issued to the shareholders of Sound Energy plc (\$11.5m) was based on the published share price of the Company on acquisition date of 4.38p per share.

The vendor is entitled to 5% of gross sales proceeds from the D.R 74.AP licence (the Laura field). In order to calculate the present value of this contingent consideration, the Company estimated gross future sales revenue from the Laura field and applied a 10% chance of success factor to this revenue to take into account the regulatory framework in Italy which currently prohibits the development of Laura, discussed further below. The resulting estimate of contingent consideration was discounted to present value at a rate of 2%, representing an approximation of the time value of money. The contingent consideration was recognised as a non-current payable in the Group balance sheet but was subsequently released to the income statement in 2018 due to the impairment of the Laura assets.

A further cash payment of €1.8m (\$2.2m) was made to the vendor in July 2018 for the working capital in Apennine on acquisition date.



**Note 13: Business combinations** (continued)**Fair value of assets and liabilities acquired**

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

	Fair value \$'000
Cash and cash equivalents	2,991
Trade and other receivables	3,914
Inventories	185
Intangible assets	8,524
Property, plant and equipment	3,147
Land	2,216
Trade and other payables	(5,109)
Rehabilitation provisions	(4,374)
Deferred tax liabilities	(1,837)
Net identifiable assets acquired	9,657
Add: goodwill	4,683
	14,340

The goodwill was attributable to gross unrecognised tax losses of €45m (approximately \$55m on acquisition date) in Apennine for which no deferred tax asset was recognised at the acquisition date. Goodwill was also attributable to operational synergies expected to be realised through merging the Group's two Italian subsidiaries, which management have estimated will save in excess of €0.5m per annum in overhead costs from 2020 (approximately \$0.6m using acquisition date exchange rate).

The identifiable assets and liabilities stated above include the following:

- Badile land (\$2.2m): Under the terms of the Sale & Purchase Agreement ("SPA"), all proceeds from the sale of the Badile land will be remitted to the vendor, net of any transaction costs incurred by Coro. Accordingly, a \$2.2m payable was recorded within the acquisition date fair value of trade and other payables above representing the amount owing to the vendor.
- Badile VAT receivable (\$1.1m): Under the terms of the SPA, any VAT refunds received by Apennine in respect of a drilling campaign on the Badile licence were to be remitted to the vendor. A \$1.1m payable was recorded within the acquisition date fair value of trade and other payables to reflect this. The Badile VAT refund was duly paid to Sound Energy plc in March 2019.



# Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2019

- Badile rehabilitation provision (\$1.1m): Under the terms of the SPA, any expenditures incurred by Apennine on rehabilitating the Badile licence will be reimbursed by the vendor. The acquisition date fair value of the rehabilitation provision for Badile was \$1.1m. As such, a \$1.1m receivable was included in the acquisition date fair values to reflect this amount which will be collected from the vendor. Payments totalling \$0.2m were received from Sound Energy up to 30 June 2019.

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

1. Apennine has two producing gas fields, Rapagnano and Casa Tiberi, which were valued using a discounted cash flow ("DCF") model. Production and cost forecasts were based on a Competent Person's Report prepared by CGG Associates. Gas prices were assumed at €0.24/scm in 2018, and inflated at 2% per annum thereafter. A discount rate of 7% was applied to future cash flows, based on the Group's weighted average cost of capital. The remaining oil and gas assets acquired primarily related to a gas plant and associated equipment used on the Casa Tonetto field, which were valued by an external valuer. A small impairment was subsequently recorded on Casa Tonetto assets in 2018.
2. Two exploration assets were also valued using a DCF methodology, the Laura and Santa Maria Goretti fields. Key assumptions such as gas price and discount rate were consistent with those used for producing gas fields. Production estimates were prepared internally, and total production estimates are comparable to those reported in the most recent CPR. Cost estimates were determined internally, based on our knowledge of other similar fields developed by the Group. The key estimate made by the Company was the chance of success factors applied to the calculated net present values of the two fields:
  - a. Laura (10% chance of success): In December 2015, a new Budget law was passed in Italy which prevents any exploitation of oil and gas licences within 12 nautical miles of the coast. The Laura field is approximately 4 km offshore, and hence the licence is currently suspended pending a change to current regulation which would allow the field development to progress. Management estimated there was a 10% chance of regulatory change occurring.
  - b. Santa Maria Goretti (40%): A chance of success of 40% was applied to this field, which took into account the comparatively early stage of exploration and appraisal of the licence.

### Note 13: Business combinations (continued)

As discussed in the 2018 Annual Report, due to a further worsening of the investment climate in Italy for exploration assets including an 18 month moratorium on exploration permitting, the directors took the decision to impair the Santa Maria Goretti field to nil, while the Laura field was impaired to its historic cost value. The total of these impairments, along with write-off of capitalised permit application costs incurred by Apennine, was \$6.8m.

#### Revenue and Profit Contribution

The acquired business contributed revenues of \$756k and a net loss of \$850k to the Group in the period from 1 April 2018 to 31 December 2018. If the business were acquired on 1 January 2018 the Group's loss before tax would have increased by \$248k.

#### Discontinued operation

As discussed further in note 12, the Group's entire Italian business has been classified as a disposal group held for sale and results from the Italian business are shown as discontinued operations.

### Note 14: Contingencies and commitments

#### Commitments

As part of the consideration paid to acquire a 15% interest in the Duyung PSC, the Group paid \$10.5m to partially fund the 2019 work programme on behalf of all participants. On top of this initial commitment, Coro expects to be cash called up to an additional \$1.4m to complete the 2019 programme, which includes the drilling of the Tambak-1 and Tambak-2 appraisal wells.

As further discussed in note 16, the Group has also entered into a binding agreement to acquire a 42.5% interest in the Bulu PSC for total cash consideration of \$8m, payable in tranches.

#### Contingencies

The Group has no contingent assets or liabilities.



# Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2019

## Note 15: Related party transactions

CIP Merchant Capital Ltd ("CIP") is considered a related party of the Group under IAS 24 Related party transactions by virtue of its 19.1% shareholding and representation on the Board (1 director).

During the period, 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 interim financial statements.

## Note 16: Subsequent events

Post balance sheet date, the Group announced restructured terms for the acquisition of a 42.5% interest in the Bulu PSC, offshore East Java, Indonesia, to be acquired from AWE Limited.

The total cash consideration payable by the Group remains unchanged, being \$6.96m cash consideration for the PSC interest and a further \$1.04m as a payment for past costs.

Under the revised acquisition terms, the total cash consideration of \$8m is payable in the following tranches:

- \$2.5m on completion of the transaction;
- \$1.5m on 1 September 2020;
- \$2.5m on the earlier of i) the Bulu PSC partners agreeing a final investment decision to proceed with the financing, development and construction of the project pursuant to the approved plan of development; or ii) 1 July 2021; and
- \$1.5 million payable on the earlier of i) the date of commencement of commercial production from the Bulu PSC; or ii) 31 December 2022.

Consistent with the original agreement, share consideration of value up to \$4m is payable to HyOil (Bulu) Pte Ltd through the issue of ordinary shares by Coro Energy plc in the following instalments:

- \$2.0m on completion of the transaction;
- \$1.0m on signature of a first gas sales agreement; and
- \$1.0m following the start of commercial production from the field.

Completion of the transaction remains conditional on, *inter alia*, JV partner pre-emption and regulatory government approvals prior to a long stop date of 2 December 2019.

# Shareholder notes

---







40 George Street  
Marylebone  
London  
W1U 7DW