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Coro Energy PLC
01 May 2019

1 May 2019

Coro Energy Plc

("Coro" or the "Company")

Audited financial results for the twelve months ended 31 December 2018

Coro Energy plc (AIM: CORO), the pan Euro-Asian gas explorer, is pleased to announce its annual financial results for the year ended 31 December 2018.

Highlights
South East Asia

- Initiated South East Asia strategy targeting projects with discovered resources, with exploration and commercial upside
- Secured our maiden deal in the region, acquiring a 42.5% interest in the development-ready Bulu PSC, East Java, Indonesia (transaction completion is pending regulatory approvals)
- Successfully entered a second country in the region in Q4 2018, announcing a joint study agreement with Petronas on Block 2A, offshore Sarawak, Malaysia
- Post year under review, announced our second Indonesian acquisition, taking a 15% stake in the Duyung PSC, offshore West Natuna
- Continuing to evaluate a strong pipeline of business development opportunities

"*The Malaysian Joint Study agreement with Petronas is for 12 months and we see this as a big vote of confidence in Coro and its technical team.*"

Corporate

- Raised €16.1m new equity to kick-start our South East Asia growth strategy
- Introduced Lombard Odier Asset Management and CIP Merchant Capital as new cornerstone investors
- Appointed a new CEO with extensive experience in the South East Asia region, and a specialist capital markets CFO
- Post year under review, issued a €22.5m Eurobond, subscribed for by cornerstone investors Lombard Odier and CIP Merchant Capital, as well as other institutions

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

For further information please contact:

Coro Energy Plc
James Menzies, Chief Executive Officer — Tel: 44 (0)20 3965 7917
Andrew Dennan, Chief Financial Officer

Grant Thornton UK LLP (Financial and Nominated Adviser)
Colin Aaronson — Tel: 44 (0)20 7383 5100
Harrison J Clarke
Seamus Fricker

Vigo Communications - IR/PR Advisor
Patrick d'Ancona | Tel: 44 (0)20 7390 0230
Chris McMahon

Mirabaud Securities Ltd (Joint Broker)
Peter Krens | Tel: 44 (0)20 3167 7221
Ed Haig-Thomas

Turner Pope Investments (TPI) Ltd (Joint Broker)
Ben Turner | Tel: 44 (0)20 3621 4120
James Pope

Statement from the Chairman and Chief Executive Officer

"*With several transactions now signed in South East Asia, we are continuing to build momentum with a pipeline of accretive deals being developed to complement our initial asset acquisitions, which we will continue to work up the value curve.*"

2018 has been a hugely exciting and dramatically transformational year for Coro. We have seen senior personnel changes, corporate consolidation allowing us to achieve scale in our European business, a re-branding to become Coro Energy plc and the instigation and initial execution of our new South East Asian growth strategy directed at unlocking latent value in South East Asia. This new growth strategy was supported by an oversubscribed equity issue raising gross proceeds of €16.1m and with it the introduction of two new supportive cornerstone investors. This initiative yielded results with the announcement of our first transaction in the region, providing entry into the Indonesian upstream gas sector through the acquisition of a 42.5% interest in the Lengo gas field, offshore East Java (pending regulatory approval). Building on this momentum, the Company also announced entry into Malaysia through a joint technical study with national oil company Petroleum Nasional Berhad ("Petronas") over offshore Block 2A. Our initial evaluation work has identified a number of very large structural closures at prospective levels. And finally, post year-end, the Company announced its second transaction in Indonesia, with the acquisition of a 15% interest in the Mako gas field, offshore West Natuna.

The Group made a loss before tax of €11.3m for the period (2017: €7.0m), which was primarily driven by impairment of exploration assets in our Italian portfolio, costs associated with the acquisition of Sound Energy Holdings Italy Limited ("SEHIL"), business development activities in South East Asia and the AIM readmission process.

Execution of Strategy Leads to Debut Deals in South East Asia
The Company's new growth strategy is centred on developing a business focused on finding and commercialising oil and gas resources in South East Asia. We believe 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 rates, commensurate growth in energy demand and the increasing shortage of gas in the major markets, provides a compelling investment proposition for investors at this point in the cycle. This growth strategy is focused on high-graded countries, such as Indonesia, Malaysia and Vietnam where we see significant 'yet to find' hydrocarbon resources as well as numerous fallow discoveries which represent opportunities for commercialisation and development for independent players such as Coro. While we have a preference for gas over oil assets, we are continuing to evaluate asset opportunities for both products. We see shareholder value being created through:

- Exploration stage assets - where value can be added through technical de-risking and the drill bit;
- Appraisal stage assets - where we see low technical risk and potential for smart, low-cost development options; and
- Production stage assets - where it facilitates exploration and appraisal upside and has financial synergies with the wider business.

Lengo Gas Field, Bulu PSC, Indonesia - A transformational step for Coro
The Lengo field contains certified 2C resources of 359 Bcf (152 Bcf net to Coro) and is forecast to produce at a plateau rate of c. 70 MMscfd (c. 30 MMscfd net to Coro) when it

comes on-stream. The deal marks a highly significant step for the Company, with reserves and resources, production and cash flow potential showing step changes in magnitude. With a $12m outlay in cash and shares to be paid as consideration for the asset, Coro has acquired these resources at a price of $0.1/MMBtu, and with the East Java gas market pricing typically between $5.50 - $8/MMBtu, we see this deal as being both strongly value-accretive for shareholders as well as physically transformational for the Company. Completion of the Bulu PSC acquisition is pending regulatory approvals from the Indonesian government.

Mako Gas Field, Duyung PSC, Indonesia - High impact asset with exploration upside

The Mako field contains a certified 2C resource of 276 Bcf (41 Bcf net to Coro) and is forecast to produce at a plateau rate of c. 90 MMscfd (c. 13.5 MMscfd net to Coro) when it comes on-stream. This asset also has some exciting and relatively low-risk step-out exploration targets with an additional prospective resource of c. 347 Bcf (52 Bcf net to Coro) to be potentially unlocked via two targets, the first of which is a 100 Bcf prospective feature above the southern area of the Mako field, to which we have applied a geological 75% chance of success, and the second of which is a 250 Bcf prospective feature beneath the northern area of the Mako field which has a geological 45% chance of success. Being located close to the West Natuna Transport System enables the prospect of selling gas into the lucrative Singapore market where a heads of agreement with a gas buyer has already been signed. With a total consideration of $15.3m being paid in cash and shares, Coro has acquired these resources for exceptional value at $0.34/MMBtu on a 2C basis with the Singapore gas market pricing typically between $8 - 11/MMBtu.

Petronas Block 2A, Malaysia - First foray into prized territory

Coro are conducting an extensive joint technical study in collaboration with Petronas over Block 2A, offshore Sarawak. This block is yet to be drilled and is located in deep water in close proximity to large discoveries to the east of the block. The Central Luconia Province is one of the most prolific hydrocarbon basins offshore Malaysia and is home to numerous large oil and gas fields. The Province has been a standout exploration success story in South East Asia, having seen a string of successful exploration results from the deeper water, resulting in multi-Tcf volumes of commercial gas being discovered over the past five years. Work to date on the block has identified a number of very large structural closures at prospective levels, consistent with known regional plays in this prolific part of the basin.

Board and Management Team Restructured

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

European Business Consolidation Provides the Platform

The initial step in our transformation saw the expansion of our position in Italy through the acquisition of Sound Energy Holdings Italy Limited. Coro now has a portfolio of production and development assets in Italy and is currently operating six production concessions in the country. In addition to a wider asset footprint, this acquisition resulted in an enlarged operational and management team with extensive oil and gas experience in Italy and wider territories.

Outlook: Positioned to Build Further on SE Asia Position

The Company is now well-poised to accelerate growth in shareholder value having:

- Consolidated a gas production business in Italy with a strong balance sheet and access to capital supported by two cornerstone investors;
- Recruited the right people with an enviable track record of value creation and deep regional expertise;
- Identified a new market to grow into with strong and attractive fundamental drivers and where we believe we have advantages in experience, network and capability;
- Began transacting on a new growth strategy resulting in a 690% increase in net resources from 33 Bcf to 227 Bcf and an increase in forecast production plateau from 4 MMscf/d to a projected 45 MMscf/d.

With several transactions now signed in our new growth region, we are continuing to build momentum, with a pipeline of accretive deals being developed to complement the initial assets which we will continue work up the value curve to the benefit of our shareholders.

James Parsons
Non-Executive Chairman

James Menzies
Chief Executive Officer

Financial Review

"*The Group ended the year with a cash balance of €8.2m (2017: €0.4m) after a successful fundraise in April 2018. Post year end, we successfully completed a Eurobond issue which raised proceeds of €17.6m, which will be used to fund the acquisition of a 15% interest in the Duyung PSC as well as our share of Bulu joint venture costs for 2019 and general corporate expenditures.*"

2018 was a transformational year for Coro. The Company was relaunched under the Coro Energy banner in April 2018, which coincided with a successful fundraise, raising gross proceeds of €16.1m. The Company also completed the acquisition of Sound Energy plc's Italian portfolio in April, adding reserves and resources to the Group's balance sheet, as well as operational and technical expertise capable of supporting the Group's expansion into South East Asia.

The Group's new strategy of targeting growth in South East Asia delivered our first asset acquisition in September, where we agreed to purchase a 42.5% interest in the Bulu PSC, offshore Indonesia (pending regulatory approvals). This was followed by the announcement of a joint study with Petronas on Block 2A in Malaysia and, post year under review, we secured a second PSC interest offshore Indonesia through the acquisition of a 15% stake in the Duyung PSC.

2018 Results
Revenues from our Italian gas portfolio increased to €1.8m (2017: €1.4m) with the newly acquired Apennine assets contributing €0.6m revenues. Sales volumes also increased to 8.5 MMscm (2017: 7.0 MMscm). Revenue performance was impacted by an unplanned shutdown of the Sillaro-2 and Bezzecca-1 wells while extensive maintenance of the respective gas plants was carried out. The wells were shut-in for approximately four months but were successfully restarted in November and daily exit production for 2018 was 40,000 scm/day (1.4 MMscf/day) from our four producing fields. Average realised gas prices increased in 2018 to €0.22/scm (2017: €0.20/scm).

Gross margin on gas sales (excluding depreciation) decreased to 15% (2017: 20%) due mainly to volume penalties of €0.1m incurred under a long-term gas sales agreement following the unplanned shutdowns of Sillaro and Bezzecca.

General and administrative ("G&A") costs increased to €6.2m (2017: €2.0m). The increase is attributable to the relaunch of the Company, acquisition of Apennine Energy and readmission to AIM, business development expenditure in South East Asia and the hiring of a new management team in London and South East Asia to support the Group's expansion.

Management are focused on reducing G&A from our Italian operations in 2019 and beyond, as we integrate the Apennine business and realise efficiencies from merging our two Italian subsidiaries. Tangible steps have already been taken toward this goal with the closing of our Rome office, relocation of staff to Milan, and a reduction in headcount. At a corporate level, G&A will be driven by the level of business development expenditure incurred, and management continues to focus on disciplined capital allocation in this regard.

An impairment loss of €6.1m (2017: €4.8m) has been recorded on the Group's intangible exploration assets, due to changes in the Italian regulatory environment in early 2019 which froze permitting for exploration activity until at least August 2020. Importantly, the regulatory changes have no material impact on our existing production concessions, with a small increase in surface rental fees of approximately €50k per year the only negative outcome.

While management is hopeful of an improvement in the regulatory climate in future, we

have deemed it prudent to impair in full the carrying value of the Santa Maria Goretti field (€3.9m total). We also recorded a substantial impairment on the Laura field (€2.1m), writing this asset down to its historical cost carrying value. As well as being impacted by the new pause on exploration permitting, Laura was already suspended due to a moratorium on offshore drilling announced by the Italian government in December 2015. The Group is considering its options with regards to recovering costs incurred on this licence through legal action.

A net gain of €0.6m was recognised following updates to our economic assumptions used to value Italian environmental rehabilitation provisions. We increased our range of discount rates for these provisions to 2.0% - 2.5% (2017: 2.0%) while also reducing our Italian inflation expectation to 1.5% per annum (2017: 2.0%) based on the latest available economic data.

The Group's loss before tax was further reduced by a foreign exchange gain of €0.3m (2017: loss of €0.1m), arising mainly on cash retained by the Company in US Dollars, which strengthened against the British Pound Sterling in 2018.

Balance Sheet

The Group ended the year with a cash balance of €8.2m (2017: €0.4m) after a successful fundraise in April 2018. Post year end, we successfully completed a Eurobond issue which raised proceeds of €17.6m (net of fees and transaction costs), which was used to fund the acquisition of a 15% interest in the Duyung PSC, with remaining funds used to meet our share of Bulu joint venture costs for 2019 and general corporate expenditures.

The Group's oil and gas assets recorded within property, plant and equipment increased year-on-year following the acquisition of Sound Energy plc's Italian portfolio. Intangible exploration and evaluation assets also increased, although a substantial impairment was recorded on assets acquired from Sound Energy in April 2018 as discussed above. No indicators of impairment were noted for the Group's portfolio of producing oil and gas assets.

The carrying value of environmental rehabilitation provisions increased to €7.6m (current and non-current) following the Apennine acquisition. Approximately €0.9m of this relates to the Badile licence, for which Coro will be reimbursed all rehabilitation costs by Sound Energy.

Going Concern

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

As further discussed in note 29, the Company successfully completed a Eurobond issue in April 2019 which raised net proceeds of €17.6m. These proceeds were used to complete the acquisition of a 15% interest in the Duyung PSC, with the final payment of the Duyung cash consideration made in April 2019 (totaling $10.5m, or approximately €9.3m). The remaining proceeds of the Eurobond issue are available for completing the Bulu acquisition and general working capital purposes.

For further details refer to note 2 of the financial statements.

Andrew Dennan

Chief Financial Officer

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	**31 December 2018 €'000**	31 December 2017 €'000 Restated
Revenue	5	**1,842**	1,389
Operating costs		**(1,568)**	(1,117)
Depreciation and amortisation expense	14	**(420)**	(256)
Gross profit / (loss)		**(146)**	16
Other income		**26**	36
General and administrative expenses	6	**(6,219)**	(1,973)
Depreciation expense		**(51)**	(6)
Exploration costs expensed		**-**	(4)
Change in rehabilitation provisions		**539**	-
Release of contingent consideration	22	**504**	-
Impairment losses	8	**(6,137)**	(4,844)
Loss from operating activities		**(11,484)**	(6,775)
Finance income		**287**	-

Finance expense		**(147)**	(252)
Net finance income / (expense)	9	**140**	(252)
Loss before income tax expense		**(11,344)**	(7,027)
Income tax benefit / (expense)	10	**1,492**	-
Loss for the period		**(9,852)**	(7,027)
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		**(400)**	-
Total comprehensive loss for the period		**(10,252)**	(7,027)
Loss attributable to:			
Owners of the Company		**(9,852)**	(7,027)
Total comprehensive loss attributable to:			
Owners of the Company		**(10,252)**	(7,027)
Basic earnings per share (€)	11	**(0.017)**	(0.046)
Diluted earnings per share (€)	11	**(0.017)**	(0.046)

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

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

Consolidated Balance Sheet

As at 31 December 2018

	Note	**31 December 2018 €'000**	31 December 2017 €'000 Restated
Non-current assets			
Inventory	12	**283**	252
Other financial assets	24	**566**	-
Trade and other receivables	13	**105**	72
Deferred tax assets	10	**1,995**	1,995
Property, plant and equipment	14	**5,776**	2,307
Intangible assets	15	**6,525**	1,745
Total non-current assets		**15,250**	6,371
Current assets			
Cash and cash equivalents	24	**8,173**	365
Trade and other receivables	13	**3,586**	664
Other current assets		**127**	-
Non-current assets held for sale	16	**1,800**	-
Total current assets		**13,686**	1,029
Total assets		**28,936**	7,400
Liabilities and equity			
Current liabilities			
Trade and other payables	17	**5,353**	2,100
Provisions	18	**1,330**	38
Total current liabilities		**6,683**	2,138
Non-current liabilities			
Provisions	18	**7,237**	4,802
Total non-current liabilities		**7,237**	4,802
Total liabilities		**13,920**	6,940
Equity			
Share capital	19	**829**	217
Share premium	19	**36,950**	13,748
Merger reserve	20	**9,128**	9,128
Other reserves	21	**594**	-
Accumulated losses		**(32,485)**	(22,633)
Total equity		**15,016**	460
Total equity and liabilities		**28,936**	7,400

The above consolidated balance sheet should be read in conjunction with the accompanying notes and accounting policies.

Due to changes in the presentation of certain items during the year, the comparative consolidated balance sheet as at 31 December 2017 been restated to ensure comparability, as outlined in the notes to these financial statements. The presentational changes are not considered material.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to equity shareholders of the Parent					
	Share Capital €'000	Share Premium €'000	Merger Reserve €'000	Other Reserves €'000	Accumulated Losses €'000	Total €'000
Balance at 1 January 2017	19,128	-	-	-	(16,408)	2,720
Total comprehensive loss for the period:						
Loss for the period	-	-	-	-	(7,027)	(7,027)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(7,027)	(7,027)
Transactions with owners recorded directly in equity:						

Contributions by owners	-	-	-	-	802	802
Group reorganisation	(19,128)	-	9,128	-	-	(10,000)
Issue of share capital	212	14,212	-	-	-	14,424
Share based payments for services rendered (non-cash)	5	251	-	-	-	256
Transaction costs relating to issue of shares	-	(715)	-	-	-	(715)
Balance at 31 December 2017	217	13,748	9,128	-	(22,633)	460

	Attributable to equity shareholders of the Parent					
	Share Capital €'000	**Share Premium €'000**	**Merger Reserve €'000**	**Other Reserves €'000**	**Accumulated Losses €'000**	**Total €'000**
Balance at 1 January 2018	**217**	**13,748**	**9,128**	**-**	**(22,633)**	**460**
Total comprehensive loss for the period:						
Loss for the period	**-**	**-**	**-**	**-**	**(9,852)**	**(9,852)**
Other comprehensive income	**-**	**-**	**-**	**(400)**	**-**	**(400)**
Total comprehensive income for the period	**-**	**-**	**-**	**(400)**	**(9,852)**	**(10,252)**
Transactions with owners recorded directly in equity:						
Issue of share capital	**581**	**24,836**	**-**	**-**	**-**	**25,417**
Share based payments for services rendered (note 26)	**31**	**1,330**	**-**	**-**	**-**	**1,361**
Issue of options and warrants (note 26)	**-**	**-**	**-**	**994**	**-**	**994**
Transaction costs relating to issue of shares	**-**	**(2,964)**	**-**	**-**	**-**	**(2,964)**
Balance at 31 December 2018	**829**	**36,950**	**9,128**	**594**	**(32,485)**	**15,016**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	31 December 2018 €'000	31 December 2017 €'000
Cash flows from operating activities		
Receipts from customers	**1,481**	1,352
Payments to suppliers and employees	**(8,115)**	(3,191)
Interest received	**3**	-
Interest paid	**-**	(47)
Net cash used in operating activities	**(6,631)**	(1,886)
Cash flows from investing activities		
Payments for property, plant and equipment	**(930)**	(574)
Payments for intangible assets	**(164)**	(39)
Payments for rehabilitation costs	**(343)**	-
Cash acquired in business combination, net of cash consideration paid	**632**	-
Net cash used in investing activities	**(805)**	(613)
Cash flows from financing activities		
Proceeds from issue of shares	**16,068**	4,326
Share issue costs paid in cash	**(1,108)**	(578)
Proceeds from borrowings	**-**	678
Repayment of borrowings	**-**	(1,669)
Net cash provided by financing activities	**14,960**	2,757
Net increase in cash and cash equivalents	**7,524**	258
Cash and cash equivalents brought forward	**365**	107
Effect of exchange rate changes on cash and cash equivalents	**284**	-
Cash and cash equivalents carried forward	**8,173**	365

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 1: Corporate Information

Coro Energy plc (formerly Saffron Energy plc) ("the Company" and together with its subsidiaries, "the Group") is a company incorporated in England in November 2016 and listed on the Alternative Investment Market of the London Stock Exchange. The Company's registered address is 40 George Street, London W1U 7DW. The consolidated financial statements for the year ended 31 December 2018 comprises the Company and its interests in its 100% owned subsidiaries and jointly controlled operations (together referred to as "the Group").

Note 2: Basis Of Preparation

(a) Statement of Compliance

The financial statements are prepared in accordance with International Financial Reporting Standards and IFRS Interpretations Committee interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

(b) Basis Of Measurement

These financial statements have been prepared on the basis of historical cost apart from

non-current assets held for sale which are measured at fair value less costs of disposal and contingent consideration payable for business combinations which is measured at fair value.

(c) Going Concern

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

As further discussed in note 29, the Company successfully completed a Eurobond issue in April 2019 which raised net proceeds of €17.6m. These proceeds were used to complete the acquisition of a 15% interest in the Duyung PSC, with the final payment of the Duyung cash consideration made in April 2019 (totaling $10.5m, or approximately €9.3m). The remaining proceeds of the Eurobond issue are available for completing the Bulu acquisition and general working capital purposes.

To support the going concern conclusion, the Group has prepared a cash flow forecast for the period to 30 June 2020. This includes all discretionary general and administrative expenditure to meet requirements and the investment expenditures required to meet minimum committed amounts. Given the ability of management to limit these discretionary expenditures as required, the Directors have deemed it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

In the longer term, the Group expects to access the equity and/or debt markets to raise additional funds to ensure the Group can meet its strategic objectives.

(d) Functional and Presentation Currency

The consolidated financial statements are presented in Euros, rounded to the nearest €1,000 (€'000). Effective 1 January 2018, the directors have determined that the functional currency of the Company should be changed from Euro to British Pound Sterling. This is due to a number of factors including a significant fundraising which took place during the year where funds were raised in GBP, as well as the increasing amount of expenses incurred by the Company in GBP including the opening of a head office in London. All other trading entities in the Group have a Euro functional currency and Euro remains the Group's and Company's presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss as finance income or expense.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the date of transaction.

(e) Use of Estimates and Judgements

The preparation of the financial statements requires management to make judgements regarding the application of the Group's accounting policies, and to use accounting estimates which impact the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

This note sets out the estimates and judgements taken by management that are deemed to have a higher risk of causing a material adjustment to the reported carrying amounts of assets and liabilities in future years.

Reserve estimates

The remaining amount of the Group's oil and gas reserves impacts a number of accounting estimates in the financial statements including future cash flows used in asset impairment reviews, timing of rehabilitation spend used to calculate rehabilitation provisions and the calculation of units of production depreciation on oil and gas assets.

Estimation of recoverable quantities of Proved and Probable reserves is based on a number of factors including commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period.

The Group employs staff with the appropriate knowledge, skills and experience to estimate reserves quantities. Periodically, the Group's reserves calculations are also subject to independent third party certification by a competent person, as was the case in the prior year. There have been no material changes to the Group's reserves in 2018, other than adjustments for actual production.

Rehabilitation provisions (note 18)
Costs relating to rehabilitation of oil and gas fields will be incurred many years in the future and the precise requirements for these activities are uncertain. Technologies and costs are constantly changing, as well as political, environmental, safety and public expectations. A change in any, or a combination of, the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions and the future cash demands on the Group.

The carrying value of these provisions in the financial statements represents an estimate of the present value of the future costs expected to be incurred to rehabilitate each field, which are reviewed at least annually. Future costs are estimated by internal experts, with external specialists engaged periodically to assist management. These estimates are based on current price observations, taking into account developments in technology and changes to legal and contractual requirements. Expectations regarding cost inflation are also incorporated. Future cost estimates are discounted to present value using a rate that approximates the time value of money, which ranges between 2% and 2.5% depending on the expected year of rehabilitation spend. The discount rate is based on the yield on five and ten year Italian government bonds. Increases in these yields were observed in 2018 which resulted in an increase to the discount rates adopted compared to 2017 (2%).

Impairment of oil and gas assets (note 14) and exploration and evaluation assets (note 15)
Assets are impaired when there are events or changes in circumstances that indicate the carrying values of the assets are not recoverable. The ultimate recoupment of the value of the Group's oil and gas assets (both tangible and intangible) is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying properties, all of which are subject to numerous variables. The Group undertakes a comprehensive review for indicators of impairment of these assets at least semi-annually. Should an impairment indicator exist, the Cash Generating Unit ("CGU") to which the asset belongs is tested for impairment by comparing the recoverable value of the CGU with its carrying value.

The Group's producing oil and gas assets comprise the Sillaro, Bezzecca, Rapagnano and Casa Tiberi CGUs. No indicators of impairment were noted for any of these CGUs after considering internal and external factors as required by IAS 36. A small impairment loss was recorded on plant and equipment previously utilised on the Casa Tonetto field, which the Group plans to reuse for the Sant'Alberto field development. This impairment loss followed an updated external valuation of the assets undertaken by a competent third party. No indicators of impairment were noted in respect of office furniture and equipment, the Group's other class of property, plant and equipment.

Exploration and evaluation assets were also assessed for indicators of impairment under IFRS 6 *Exploration for, and evaluation of, mineral resources*.

The Group's main exploration assets in Italy are the Laura, Santa Maria Goretti ("SMG") and Sant'Alberto fields. On 12 February 2019, following a period of debate, the Italian government introduced certain changes to oil and gas and mining law through the Sustainable Energy Bill. These changes include, inter alia, an increase in surface fees as well as a temporary suspension in the permitting of activities for exploration licences such as the drilling of exploration wells.

The change in the regulatory climate impacts the SMG field. The existing SMG licence was due to expire in December 2019, but is now frozen until at least the end of the current moratorium in August 2020. It is unclear when the investment climate will improve in Italy and therefore if SMG can ever be monetised. Given the relatively early stage of activity on this licence, and the regulatory uncertainty, the directors have taken the decision to impair SMG assets to nil (an impairment of €3.9m).

The Laura field is located approximately 4km offshore Italy. The Laura-1 well, which was drilled by a previous operator, discovered a commercial gas accumulation and a plan of development was prepared. In 2015, an amendment to Italian legislation was enacted which

prohibits seabed drilling within 12 nautical miles of Italy's coastline. Since the Laura field lies within this exclusion zone, the field cannot be developed under current legislation, and the likelihood of improvement in the regulatory situation has reduced with these further restrictions introduced in early 2019. The directors have taken a decision to impair the fair value uplift recorded on acquisition of the field from Sound Energy plc in April 2018, reducing the book value of Laura assets to their historic cost of €0.8m (an impairment of €2.1m). The directors believe the Group has a reasonable claim for compensation for historic costs incurred from the Italian government under the Energy Charter Treaty, a bilateral investment treaty between the UK and Italy, and all legal options are being evaluated.

Costs incurred for permit applications made by the Group for exploration acreage in Italy have also been written off (€0.1m) given the uncertainty regarding whether these applications will be granted.

As previously announced in October 2017, a production concession was awarded for the Sant'Alberto field and as such this licence is unaffected by the changes to the law, which impact only exploration concessions. Under IFRS, Sant'Alberto is still considered an exploration asset until such time as a Final Investment Decision is taken to complete the field development. No indicators of impairment have been identified for this asset under IFRS 6, and a decision on proceeding with the field development is expected to be taken in the first half of 2019.

Business combinations (note 22)
On 9 April 2018, the Group completed the acquisition of Sound Energy Holdings Italy Limited from Sound Energy plc. The key estimates and judgements taken in accounting for this business combination under IFRS 3 are detailed in note 22.

Recoverability of deferred tax asset (note 10)
The recoverability of deferred tax assets recorded by our Italian subsidiaries is dependent on the availability of taxable profits in future years. The Group undertakes a forecasting exercise at each reporting date to assess its expected utilisation of these losses.

The key areas of estimation uncertainty in these forecasts are future gas prices, production rates, capital and operating costs, and overhead expenses, all of which could impact the generation of taxable profits by Italian subsidiaries.

To reduce estimation uncertainty, the amount of deferred tax assets recognised by the Group has been restricted to the amount recorded in prior years which are expected to be recovered in full.

Note 3: Significant Accounting Policies
The Group has consistently applied the accounting policies set out in the notes below to all periods presented in the financial statements.

All new and amended accounting standards and interpretations effective from 1 January 2018 for reporters under EU IFRS have been adopted.

(a) Principles of Consolidation
(i) Group reorganisation
In November 2016 a new parent company, Saffron Energy plc, was incorporated for the purposes of acquiring Northsun Italia S.p.A (the subsidiary) from the Group's ultimate controlling entity, Po Valley Energy Ltd. This parent entity was subsequently renamed Coro Energy plc on 9 April 2018.

The introduction of a new holding company constituted a Group reconstruction and was accounted for using merger accounting principles. Therefore, although the Group reconstruction became effective in January 2017, the consolidated financial statements of Coro Energy plc (formerly Saffron Energy plc) are presented as if Coro Energy plc had always been part of the same Group.

The comparative period for the parent company is the 14-month period from incorporation of the Company up to 31 December 2017.

The consolidated financial statements include the results of Coro Energy plc and its subsidiary undertakings made up to the same accounting date. All intra-group balances, transactions, income and expenses are eliminated in full on consolidation.

(ii) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is

exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Investments in subsidiaries are carried at cost less any accumulated impairment losses.

(iii) Joint arrangements
The Group classifies its interests in joint arrangements as either joint operations or joint ventures (see below) depending on the Group's rights to the assets and obligation for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

Joint operation - when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

The Group does not have any interests in joint ventures.

(iv) Transactions eliminated on consolidation
Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Taxation
Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the date of the statement of financial position, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the date of the statement of financial position.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Judgement is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgement is also required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, decommissioning costs, capital expenditure, dividends and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

(c) Property, Plant and Equipment
(i) Recognition and measurement

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

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

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

(iii) Depreciation

Oil and gas assets

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

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

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

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

- the effect of changes in commodity price assumptions; or
- unforeseen operational issues.

Other property, plant and equipment

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The depreciation will commence when the asset is installed ready for use.

The estimated useful lives of each class of asset fall within the following ranges:

Office furniture and equipment 3 - 5 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at each reporting date.

(iv) Impairment
The Group assesses at each reporting date whether there is an indication that an asset (or Cash Generating Unit - "CGU") may be impaired. For oil and gas assets, management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal ("FVLCD") and value in use ("VIU"). Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount.

The Group bases its impairment calculation on detailed budgets and forecasts, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecasts generally cover the forecasted life of the CGUs. VIU does not reflect future cash flows associated with improving or enhancing an asset's

performance.

For assets/CGUs, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's/CGU's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset/CGU does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset/CGU in prior years. Such a reversal is recognised in the statement of profit or loss and other comprehensive income.

(d) Intangible Assets

(i) Exploration and evaluation assets

Exploration and evaluation assets are carried at cost less accumulated impairment losses in the statement of financial position. Exploration and evaluation assets include the cost of oil and gas licences, and subsequent exploration and evaluation expenditure incurred in an area of interest.

Exploration and evaluation assets are not depreciated. When the commercial and technical feasibility of an area of interest is proved, capitalised costs in relation to that area of interest are transferred to property, plant and equipment (oil and gas assets) and depreciation commences in line with the depreciation policy outlined above.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying value amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- the term of the exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for an evaluation of mineral resources in the specific area is not budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specific area;
- or sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Areas of interest which no longer satisfy the above policy are considered to be impaired and are measured at their recoverable amount, with any subsequent impairment loss recognised in the profit and loss.

(ii) Software

Costs for acquisition of software, including directly attributable costs of implementation, are capitalised as intangible assets and amortised over their expected useful life (currently five years).

(iii) Goodwill

Goodwill arising from business combinations is included in intangible assets.

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(e) Inventory - Well Equipment

Inventory is comprised of well equipment expected to be utilised in future development of known wells with specific characteristics. Inventory is carried at the lower of cost and net

realisable value. Any impairment on value is taken to the income statement.

(f) Non-current Assets Held For Sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs of disposal, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

(g) Investments and Financial Assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and measurement

A financial asset is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date the Group commits itself to purchase or sell the asset.

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

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

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

(iii) Impairment

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

(iv) Investment in subsidiaries

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

(h) Provisions

(i) Rehabilitation provisions

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

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

of money.

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

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

(i) Trade and Other Payables
Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of invoice date. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(j) Share Capital
Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(k) Employee Benefits
(i) Wages, salaries, annual leave, sick leave and non-monetary benefits
Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(ii) Pensions
The Group contributes to defined contribution superannuation plans. Contributions are recognised as an expense as they are due.

(iii) Share based payments
Share based payments relate to transactions where the Group receives services from employees or service providers and the terms of the arrangements include payment of a part or whole of consideration by issuing equity instruments to the counterparty. The Group measures the services received from non-employees, and the corresponding increase in equity, at the fair value of the goods or services received. When the transactions are with employees, the fair value is measured by reference to the fair value of the shares issued. The expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

(l) Revenue
Under IFRS 15 Revenue from Contracts with Customers, there is a five-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group has one revenue stream, being the sale of gas. Gas is sold to wholesale customers under gas supply agreements, which have different volume and price specifications (both fixed and variable). Gas sales revenue is recognised when control of the gas passes at the delivery point into the local gas pipeline network, which is the only performance obligation. Revenue is presented net of value added tax ("VAT"), rebates and discounts and after eliminating intra-group sales.

(m) Business Combinations

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

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

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

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

(n) Changes to Accounting Policies, Disclosures, Standards and Interpretations

(i) New and amended standards adopted by the Group

IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* became applicable to the current reporting period with no material impact on the Group. The Group's accounting policies under the new accounting standards are disclosed above. There was minimal impact on the Group from transitioning to IFRS 9, with all financial assets continuing to be accounted for at amortised cost, being assets held solely for payments of principal and interest. There was no change to the accounting for the Group's financial liabilities. While the Group's accounting policy for revenue recognition has been updated to reflect transition to IFRS 15, there was no practical change to the amount or timing of revenue recognition.

(n) Changes to Accounting Policies, Disclosures, Standards and Interpretations continued

(ii) New standards not yet adopted

International Financial Reporting Standards and Interpretations issued but not effective for the reporting period ending 31 December 2018 which are relevant to the Group are outlined below:

Reference	Title	Summary	Application date of standard	Impact on financial statements	Application date of the Group
IFRS 16	Leases	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, since the distinction between operating and finance leases is removed. Under the new standard, an asset (that is, the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.	1 January 2019	The Group has reviewed all its leasing arrangements to determine the impact from transitioning to IFRS 16. The Group has three operating leases which are not deemed low-value or short-term leases, and therefore will be capitalised as a right-of-use asset on the Group balance sheet under IFRS 16 on 1 January 2019, with an associated lease liability recognised. The total value of the leased asset as at 1 January 2019 is estimated at €607k, and the lease liability which will be recognised is estimated at €579k. This represents management's best estimate at the time of preparing these financial statements and will be reassessed during the 2019 financial year, and subject to audit.	1 January 2019

Note 4: Segment Information

The Group's reportable segments as described below are the Group's strategic business units as reported to the Chief Operating Decision Maker, which is the Group's Chief Executive Officer. The strategic business units comprise two operational business units, classified by licence areas and the stage of development of these licence areas. The Exploration and Development and Production business units are wholly based in Italy. In addition, a Corporate business unit has been identified representing the Group's administrative function.

	Exploration	Development and Production	Corporate	Total

	31 December 2018 €'000	31 December 2017 €'000	31 December 2018 €'000	31 December 2017 €'000	31 December 2018 €'000	31 December 2017 €'000	31 December 2018 €'000	31 December 2017 €'000
External revenues	**-**	-	**1,842**	1,389	**-**	-	**1,842**	1,389
Segment loss before tax	**(5,608)**	(775)	**(1,879)**	(4,060)	**(3,857)**	(2,192)	**(11,344)**	(7,027)
Depreciation and amortisation	**-**	-	**(420)**	(256)	**(51)**	(6)	**(471)**	(262)
Impairment of assets	**(6,112)**	(768)	**(25)**	(4,076)	**-**	-	**(6,137)**	(4,844)
Reportable segment assets:								
Intangible assets	**2,686**	1,745	**-**	-	**3,839**	-	**6,525**	1,745
Property, plant and equipment	**-**	-	**5,720**	2,300	**57**	7	**5,776**	2,307
Receivables (current)	**-**	-	**2,513**	267	**1,073**	469	**3,586**	736
Inventory	**-**	-	**283**	252	**-**	-	**283**	252
Reportable segment liabilities	**-**	(1,156)	**(10,678)**	(4,897)	**(3,242)**	(887)	**(13,920)**	(6,940)

Note 5: Revenue

	Group	
	31 December 2018 €'000	31 December 2017 €'000
Sales revenue - gas	**1,842**	1,389

The Group's revenues are comprised entirely of sales of gas in Italy to three customers (2017: one). The Group's current Gas Supply Agreements ("GSA") expire in September 2019 with approximately 60% of gas volumes sold under a fixed price GSA, and the remainder subject to variable price formulas. Title passes to gas buyers at the point of metering into the Italian gas network, at which point revenue is recognised.

Note 6: General and Administrative Expenses

	Group	
	31 December 2018 €'000	31 December 2017 €'000
Employee benefits expense (note 7)	**2,710**	716
Share based payments (note 26)	**446**	58
Professional fees	**1,054**	679
Company administration and compliance	**730**	197
Rent and office costs	**504**	146
Travel and entertainment	**269**	75
Acquisition costs for business combination	**349**	-
Company launch costs	**83**	-
Other expenses	**74**	102
	6,219	1,973

Auditor's Remuneration

Services provided by the Group's auditor and its associates

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	31 December 2018 €'000	31 December 2017 €'000
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	**31**	15
Fees payable to the Company's auditor for other services:		
Audit of subsidiaries	**3**	-
Corporate finance services	**88**	-

Note 7: Staff Costs and Directors' Emoluments

	Group	
Staff costs	**31 December 2018 €'000**	31 December 2017 €'000
Wages and salaries	**1,432**	293
Pensions and other benefits	**69**	50
Social security costs	**193**	23
Share based payments (note 26)	**79**	-
Total employee benefits	**1,773**	366
Average number of employees (excluding non-executive directors)	**10**	5
Directors' emoluments		
Wages and salaries	**873**	289
Pensions and other benefits	**61**	23
Social security costs	**82**	38
Share based payments (note 26)	**367**	58
Total employee benefits	**1,383**	408

The highest paid director received aggregate emoluments of €495k (2017: €215k).

Note 8: Impairment Losses

	Group	
	31 December 2018 €'000	31 December 2017 €'000
Inventory written down	**-**	482
Intangible assets - exploration and evaluation assets (note 15)	**6,112**	768
Property, plant and equipment - oil and gas assets (note 14)	**25**	3,594
	6,137	4,844

Note 9: Net Finance Income / (Expense)

	Group	
	31 December 2018 €'000	31 December 2017 €'000
Interest income	**3**	-
Interest expense	**-**	(47)

Unwinding of discount on rehabilitation provision	**(147)**	(58)
Foreign exchange gains/(losses) (net)	**284**	(147)
Net finance income / (expense)	**140**	(252)

Note 10: Income Tax

10.1 Income Tax

	Group	
	31 December 2018 €'000	31 December 2017 €'000
Current tax		
Current tax on loss during the year	**-**	-
Total current tax	**-**	-
Deferred tax		
Deferred tax benefit	**1,492**	-
Total deferred tax	**1,492**	-
Total tax benefit	**1,492**	-

Numerical reconciliation of income tax benefit recognised in the statement of comprehensive income to tax benefit/expense calculated at the Group's statutory income tax rate is as follows:

	Group	
	31 December 2018 €'000	31 December 2017 €'000
Loss for the year before tax	**(11,344)**	(7,027)
Income tax benefit using the Group's blended tax rate of 24% (2017: 24%)	**2,777**	1,686
Non-deductible expenses	**(131)**	(919)
Non-taxable income	**141**	(154)
Prior year adjustment	**(103)**	-
Changes in temporary differences	**-**	(154)
Current year losses and temporary differences for which no deferred tax asset was recognised	**(1,192)**	(613)
Income tax benefit / (expense)	**1,492**	-

10.2 Deferred Tax Assets

The temporary differences which make up the closing deferred tax asset are summarised below:

	Group	
	31 December 2018 €'000	31 December 2017 €'000
Tax losses	**1,995**	1,995
Total deferred tax assets	**1,995**	1,995

Deferred tax assets have been recognised in respect of tax losses and temporary differences based on management assessment that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Note 11: Earnings Per Share

	31 December 2018	31 December 2017
Basic loss per share (€)	**(0.017)**	(0.046)
Diluted loss per share (€)	**(0.017)**	(0.046)

The calculation of basic loss per share was based on the loss attributable to shareholders of €9,852,000 (2017: €7,027,000) and a weighted average number of ordinary shares outstanding during the year of 578,376,890 (2017: 152,665,466). Diluted loss per share is equivalent to basic loss per share since the effect of all dilutive potential ordinary shares is anti-dilutive.

Note 12: Inventory

	Group	
	31 December 2018 €'000	31 December 2017 €'000
Well equipment and spares	**283**	252
	283	252

Inventory is expected to be utilised in future development activities, to be undertaken in 2020 and later.

Note 13: Trade and Other Receivables

	Group	
	31 December 2018 €'000	31 December 2017 €'000
Current:		
Trade receivables	**361**	126
Accrued revenue	**285**	159
Indirect taxes receivable	**1,896**	315
Prepayments	**46**	-
Other receivables	**998**	64
	3,586	664
Non-current:		
Other receivables	**105**	72
	105	72

Other receivables is mainly comprised of a receivable from Sound Energy plc for the expected cost for environmental rehabilitation of the Badile licence (€0.9m), as explained in note 22.

	Company 31 December 2018 €'000	31 December 2017 €'000
Current:		
Indirect taxes receivable	**38**	27
Prepayments	**46**	-
Other receivables	**1,025**	60
	1,109	87
Non-current:		
Loans to subsidiaries	**4,644**	3,124
	4,644	3,124

Loans to subsidiaries are unsecured and interest free, and are expected to be repaid more than 12 months from the balance sheet date.

Note 14: Property, Plant and Equipment

	Group 31 December 2018 €'000	31 December 2017 €'000 Restated
Office furniture and equipment	**206**	7
Oil and gas assets	**5,570**	2,300
	5,776	2,307
Reconciliations:		
Reconciliation of the carrying amounts for each class of plant and equipment are set out below:		
Office furniture and equipment:		
Carrying amount at beginning of period	**7**	11
Assets acquired in business combination (note 22)	**178**	-
Acquisition of assets	**72**	2
Depreciation expense	**(51)**	(6)
Carrying amount at end of period	**206**	7
Oil and gas assets:		
Carrying amount at beginning of period	**2,300**	2,924
Assets acquired in business combination (note 22)	**2,377**	-
Additions	**1,338**	788
Transferred from exploration and evaluation assets	**-**	2,524
Depreciation expense	**(420)**	(256)
Changes in estimates of rehabilitation costs	**-**	(86)
Impairment loss	**(25)**	(3,594)
Carrying amount at end of period	**5,570**	2,300
	5,776	2,307

Included in oil and gas assets are gas production field assets of €159,000 that were previously disclosed as resource property costs in the Annual Report of the Group for the year ended 31 December 2017. Fixed assets associated with producing oil and gas fields are now disclosed as one asset class within property, plant and equipment: oil and gas assets. This constitutes a change in presentation only, with no change to the Group's accounting policy for these assets. The comparative figures have been restated to reflect this new presentation.

During the year, an impairment loss was booked on plant and equipment held at Casa Tonetto following an updated external valuation. No other indicators of impairment of property, plant and equipment were identified as at 31 December 2018.

	Company 31 December 2018 €'000	31 December 2017 €'000
Office furniture and equipment	**57**	-
Reconciliations:		
Reconciliation of the carrying amounts for each class of plant and equipment are set out below:		
Office furniture and equipment:		
Carrying amount at beginning of period	**-**	-
Additions	**62**	-
Depreciation expense	**(5)**	-
Carrying amount at end of period	**57**	-

Note 15: Intangible Assets

	Group 31 December 2018 €'000	31 December 2017 €'000 Restated
Software	**32**	-
Exploration and evaluation assets	**2,686**	1,745
Goodwill (note 22)	**3,807**	-
	6,525	1,745

Capitalised software costs relate to the implementation of a new accounting system in London and Milan. Depreciation of these assets will commence on 1 January 2019 when the system is available for use. This includes €21k recorded by the Company.

Reconciliation of carrying amount of exploration and evaluation assets:

	Group 31 December 2018 €'000	31 December 2017 €'000

Carrying amount at beginning of period	**1,745**	5,003
Assets acquired in business combination (note 22)	**6,922**	-
Additions	**131**	165
Transfer to Production phase	**-**	(2,524)
Change in estimate of rehabilitation assets	**-**	(131)
Impairment losses	**(6,112)**	(768)
Carrying amount at end of period	**2,686**	1,745

Exploration and evaluation assets were reported as resource property costs in the Annual Report of the Group for the year ended 31 December 2017. Assets associated with oil and gas fields in the exploration and evaluation phase are now disclosed as one asset class within intangible assets: exploration and evaluation assets. This constitutes a change in presentation only, with no change to the Group's accounting policy for these assets. The comparative figures have been restated to reflect this new presentation.

As discussed further in note 2e, impairment charges were recorded on the Santa Maria Goretti (€3.9m) and Laura (€2.1m) fields, along with write-off of permit application costs incurred for several licence areas (€0.1m).

Note 16: Asset Held For Sale

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

As detailed in note 22, the Group acquired land on which the Badile licence is located as part of the acquisition of Sound Energy Holdings Italy Limited. The Company is actively marketing the land for sale as required by the terms of the SEHIL Sale & Purchase Agreement ("SPA"). Under the terms of the SPA, all proceeds from the sale of the Badile land will be remitted to the vendor, net of any transaction costs incurred by Coro. Accordingly, a €1.8m payable is recorded within trade and other payables representing the amount owing to the vendor. There are no separately identifiable income or expenditures associated with the Badile licence that should be presented as discontinued operations.

Note 17: Trade and Other Payables

	Group	
	31 December 2018 €'000	31 December 2017 €'000
Current:		
Trade payables	**4,160**	1,152
Payroll liabilities	**65**	40
Other payables	**266**	205
Accrued expenses	**862**	703
	5,353	2,100

	Company	
	31 December 2018 €'000	31 December 2017 €'000
Trade payables	**2,873**	138
Accrued expenses	**218**	245
	3,091	383

Note 18: Provisions

	Group	
	31 December 2018 €'000	31 December 2017 €'000
Current:		
Employee leave entitlements	**46**	38
Rehabilitation provisions	**1,008**	-
Other provisions	**276**	-
	1,330	38
Non-current:		
Rehabilitation provisions	**6,611**	4,802
Other provisions	**626**	-
	7,237	4,802
Reconciliation of non-current rehabilitation provision:		
Opening balance	**4,802**	4,962
Acquired in business combinations	**3,552**	-
Increase in provision from unwind of discount rate	**147**	57
Changes in provision due to revised estimates	**(539)**	(217)
Provision utilised during the period	**(343)**	-
Provision reclassified to current liabilities	**(1,008)**	-
Closing balance	**6,611**	4,802

Current rehabilitation provisions include costs to be incurred in decommissioning activities on the Casa Tonetto and Badile licences in the 12 months to 31 December 2019.

As explained in note 2e, the Group revised its macroeconomic assumptions used to value rehabilitation provisions based on the latest available external data in relation to Italy where the Group's rehabilitation obligations are located. Cost estimates have been inflated at 1.5% (2017: 2%) until the expected year of rehabilitation activity, and discounted to present value

using a discount rate in the range 2% to 2.5% (2017: 2%). As a result of these changes, the overall present value of provisions decreased, giving rise to a credit in the income statement.

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

Note 19: Share Capital and Share Premium

	31 December 2018 Number 000's	**Nominal value €'000**	**Share Premium €'000**	**31 December 2018 Total €'000**
As at 1 January 2018	**185,908**	**217**	**13,748**	**13,965**
Shares issued during the period:				
Issued for the acquisition of subsidiary (note 22)	**185,907**	**214**	**9,135**	**9,349**
Issued for cash consideration	**319,635**	**367**	**15,701**	**16,068**
Issued for services rendered	**27,072**	**31**	**1,330**	**1,361**
Share issue costs	**n/a**	**-**	**(2,964)**	**(2,964)**
Closing balance - 31 December 2018	**718,522**	**829**	**36,950**	**37,779**

	31 December 2017 Number 000's	Nominal value €'000	Share Premium €'000	31 December 2017 Total €'000
As at 1 January 2017	36,785	19,128	-	19,128
Issued on incorporation	50,000	60	-	60
Issued for the acquisition of subsidiary	50,000	58	9,942	10,000
Group restructure	(36,785)	(19,128)	-	(19,128)
Issued for services rendered	4,658	5	251	256
Issued for cash consideration	81,250	94	4,270	4,364
Share issue costs	-		(715)	(715)
Closing balance - 31 December 2017	185,908	217	13,748	13,965

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

No dividends were paid or declared during the current period (2017: nil).

Note 20: Merger Reserve

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

Note 21: Other Reserves

Share Based Payment Reserve

Included within share based payments reserve is the current period charge relating to options issued to directors and management of the Company, as well as the cost of warrants issued to certain shareholders as an incentive to subscribe for ordinary shares in the Company. The reserve totalled €994k at 31 December 2018 (2017: nil). Refer to note 26.

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 UK subsidiaries from GBP functional currency into the Group's Euro presentational currency. The total loss on foreign exchange recorded in Other reserves for 2018 was €400k for the Group and €526k for the Company (2017: nil for Group and Company).

Note 22: Business Combination

Summary of Acquisition

On 9 April 2018, the Company acquired the entire issued capital of Sound Energy Holdings Italy Limited ("SEHIL") and its wholly-owned subsidiary, Apennine Energy S.p.A ("Apennine"). While SEHIL does not trade, Apennine is engaged in the discovery and exploitation of hydrocarbons in Italy. The acquisition provided the Group with additional reserves through the acquisition of the operating Rapagnano and Casa Tiberi gas fields, as well as a portfolio of exploration assets. The Group also acquired experienced technical and operational staff with a proven ability to explore, appraise, develop and operate oil and gas assets, which will support the Group's expansion into South East Asia. 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
Purchase consideration:	
Ordinary shares issued	9,349
Contingent consideration	504
Payment for working capital	1,796
	11,649

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

The vendor is entitled to 5% of gross sales proceeds from the D.R 74.AP licence (the Laura field). In order to calculate the present value of this contingent consideration, the Company 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 due to the impairment of the Laura assets as discussed below and in note 15.

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

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	2,429
Trade and other receivables	3,179
Inventories	150
Intangible assets	6,922
Property, plant and equipment	2,555
Land	1,800
Trade and other payables	(4,149)
Rehabilitation provisions	(3,552)
Deferred tax liabilities	(1,492)
Net identifiable assets acquired	7,842
Add: goodwill	3,807
	11,649

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

The identifiable assets and liabilities stated above includes the following:

- Badile land (€1.8m): Under the terms of the Sale & Purchase Agreement ("SPA"), all proceeds from the sale of the Badile land will be remitted to the vendor, net of any transaction costs incurred by Coro. Accordingly, a €1.8m payable is recorded within the acquisition date fair value of trade and other payables above representing the amount owing to the vendor.
- Badile VAT receivable (€0.9m): 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 €0.9m 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.
- Badile rehabilitation provision (€1.0m): Under the terms of the SPA, any expenditures incurred by Apennine on rehabilitating the Badile licence will be reimbursed by the vendor. The acquisition date fair value of the rehabilitation provision for Badile was €1.0m. As such, a €1.0m receivable was included in the acquisition date fair values to reflect this amount which will be collected from the vendor. Payments totalling

€0.08m have been received from Sound Energy up to 31 December 2018.

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 relates to a gas plant and associated equipment used on the Casa Tonetto field, which were valued by an external valuer. As explained in note 14, an updated valuation undertaken later in 2018 led to a small impairment being recorded on the Casa Tonetto assets.
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 takes into account the comparatively early stage of exploration and appraisal of the licence. While management are confident the field contains commercial quantities of hydrocarbons, further appraisal of the licence is required to derisk any future development.

As discussed further in note 2e, due to a further worsening of the investment climate in Italy for exploration assets, the directors have taken the decision to impair the Santa Maria Goretti field to nil, while the Laura field has been impaired to its historic cost value. The total of these impairments, along with write-off of capitalised permit application costs incurred by Apennine, was €6.1m.

Revenue and Profit Contribution

The acquired business contributed revenues of €640,000 and a net loss of €720,000 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 €210k.

Note 23: Investments in Subsidiaries

	Company	
	2018	2017
	€'000	€'000
Cost		
At 1 January	**10,000**	-
Additions	**12,973**	10,000
At 31 December	**22,973**	10,000
Accumulated impairment		
At 1 January	**(4,363)**	-
Impairment	**(14,980)**	(4,363)
At 31 December	**(19,343)**	(4,363)
Impact of foreign exchange	**(198)**	-
Net book value		
At 31 December	**3,432**	5,637

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

Name	**Incorporated**	**Principal activity**	**Registered address**
Northsun Italia S.p.A*	Italy	Development and production company	Via XXV Aprile 5, San Donato Milanese, (MI) 2009, Italy

Apennine Energy S.p.A*	Italy	Exploration, development and production company	Via XXV Aprile 5, San Donato Milanese, (MI) 2009, Italy
Coro Europe Limited	England	Holding company	40 George St, London W1U 7DW, United Kingdom
Coro Asia Limited	England	Holding company	40 George St, London W1U 7DW, United Kingdom
Coro Energy Asia Limited*	England	Holding company	40 George St, London W1U 7DW, United Kingdom
Coro Energy Holdings Cell A Limited	England	Holding company	40 George St, London W1U 7DW, United Kingdom
Coro Energy (Singapore) Pte Ltd*	Singapore	Holding company	80 Robinson Road #02-00, Singapore 068898
Coro Energy Bulu (Singapore) Pte Ltd*	Singapore	Holding company	80 Robinson Road #02-00, Singapore 068898
Coro Energy Duyung (Singapore) Pte Ltd*	Singapore	Holding company	80 Robinson Road #02-00, Singapore 068898

*Indirectly held

The following subsidiaries are exempt from audit for the 2018 financial year under s479A of the Companies Act 2006: Coro Asia Limited, Coro Energy Asia Limited.

Note 24: Financial Instruments

Carrying Amount Versus Fair Values

The fair values of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position, are as follows.

31 December 2018

	Group Carrying amount €'000	**Fair value €'000**
Financial assets		
Other financial assets	**566**	**566**
Trade and other receivables (current and non-current)	**3,644**	**3,644**
Cash and cash equivalents	**8,173**	**8,173**
Financial liabilities		
Trade and other payables	**5,353**	**5,353**

31 December 2017

	Group Carrying amount €'000	Fair value €'000
Financial assets		
Trade and other receivables	664	664
Cash and cash equivalents	365	365
Financial liabilities		
Trade and other payables	2,100	2,100

31 December 2018

	Company Carrying amount €'000	**Fair value €'000**
Financial assets		
Trade and other receivables	**1,109**	**1,109**
Loans to subsidiaries	**4,644**	**4,644**
Cash and cash equivalents	**7,935**	**7,935**
Financial liabilities		
Trade and other payables	**3,091**	**3,091**

31 December 2017

	Company Carrying amount €'000	Fair value €'000
Financial assets		
Trade and other receivables	87	87
Loans to subsidiaries	3,124	3,124
Cash and cash equivalents	262	262
Financial liabilities		
Trade and other payables	382	382

Determination of fair values

All the Group's financial instruments are carried at amortised cost. The carrying value of other financial assets, cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair value.

Financial risk management

Exposure to credit, market and liquidity risks arise in the normal course of the Group's business.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk recognition and management are viewed as integral to the Group's objectives of creating and maintaining shareholder value, and the successful execution of the Group's strategies in oil and gas exploration and development. The Board as a whole is responsible

for oversight of the processes by which risk is considered for both ongoing operations and prospective actions. In specific areas, it is assisted by the Audit and Risk Committee.

Management is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

(i) Credit risk

The Group is exposed to credit risk on its cash and cash equivalents, trade and other receivables and other financial assets. The maximum exposure to credit risk is represented by the carrying amount of each financial asset as shown in the table above.

Credit risk with respect to cash is reduced through maintaining banking relationships with financial intermediaries with acceptable credit ratings. All banks with which the Group has a relationship have a stable outlook according to recognised credit rating agencies.

The Group has limited its credit risk in relation to its gas sales, with all sales made to three customers under long-term contracts. There has been no history of default by any of our customers, and the largest customer by volume and value is Shell Italia, which has an investment grade credit rating. The Group undertakes rigorous credit checks for all potential new customers prior to entering into a contractual relationship.

The Group also had a large VAT receivable from the Italian fiscal authority at 31 December 2018, the majority of which sat in the Group's wholly owned subsidiary, Apennine Energy S.p.A. The VAT receivable was repaid in full in February 2019.

(ii) Market risk

Interest rate risk

The Group is primarily exposed to interest rate risk arising from cash and cash equivalents that are interest-bearing. The Group has no interest-bearing debt.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. In 2017, the Group's primary currency risk exposure was to the British Pound Sterling ("GBP"). In 2018, following a change in the Company's functional currency to GBP, the Group's exposure to currency risk on Sterling has decreased, while additional currency risks have arisen in respect of US Dollars ("USD") and Euros ("EUR"). The Group's two operating subsidiaries in Italy have a EUR functional currency, and are mainly exposed to fluctuations in USD and GBP rates against the EUR.

The Group's and Company's exposure to foreign currency risk at the end of the reporting period is summarised below. All amounts are presented in Euro equivalent.

	Group			**Company**		
	2018 €'000 USD	**2018 €'000 EUR**	2017 €'000 GBP	**2018 €'000 USD**	**2018 €'000 EUR**	2017 €'000 GBP
Trade and other receivables (current and non-current)	**-**	**929**	262	**-**	**929**	262
Cash and cash equivalents	**7,733**	**-**	-	**7,733**	**-**	-
Trade and other payables (current and non-current)	**(41)**	**(2,679)**	(137)	**(41)**	**(2,821)**	(137)
Loans to subsidiaries	**-**	**-**	-	**-**	**4,644**	-
Net exposure	**7,692**	**(1,750)**	125	**7,692**	**2,752**	125

At 31 December 2018, other than cash held in USD shown above, €202k was held in GBP by the Group and Company, and a further €238k held in EUR by the Group.

Sensitivity analysis

As shown in the table above, the Group is primarily exposed to changes in the GBP:USD exchange rate through its cash balance held in USD by the Parent Company. Cash is primarily retained in USD as the cash consideration for the Group's acquisitions in South East Asia will be denominated in USD. The table below shows the impact in Euros on pre-tax profit and loss of a 10% increase/decrease in the GBP to USD exchange rate, holding all other variables constant. Also shown is the impact of a 10% increase/decrease in the GBP to EUR exchange rate, being the other primary currency exposure.

As noted above, the Company is mainly exposed to:

	Group €'000	**Company €'000**
31 December 2018		
USD:GBP exchange rate increases 10%	**769**	**769**
USD:GBP exchange rate decreases 10%	**(699)**	**(699)**
EUR:GBP exchange rate increases 10%	**(175)**	**275**
EUR:GBP exchange rate decreases 10%	**159**	**(250)**
31 December 2017		
GBP:EUR exchange rate increases 5%	6	6
GBP:EUR exchange rate decreases 5%	(6)	(6)

(iii) Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor confidence and to sustain future development of the business, safeguard the Group's ability to continue as a going concern and provide returns for shareholders. The Group currently does not hold

any debt instruments. Capital is maintained from issue of new shares (note 19).

The Group is not subject to externally imposed capital requirements.

(iv) Liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Refer to the Going Concern statement in note 2(c) for further commentary.

The Group's financial liabilities are all expected to fall due within six months of the balance sheet date, with the exception of €1.8m payable to Sound Energy for Badile land sale proceeds (note 22) which is expected to be payable in 6-12 months.

Note 25: Commitments and Contingencies

Capital Commitments

Italy

The Group has no remaining licence commitments in Italy.

South East Asia

Post year under review, the Group completed the acquisition of a 15% interest in the Duyung PSC, located offshore Indonesia. As part of the terms of the acquisition, the Group has paid $10.5m to fund the 2019 work programme. On top of this initial commitment of $10.5m, Coro expects to be cash called up to an additional $1.4m to complete the 2019 programme which includes drilling of the Tambak-1 exploration well and a Mako appraisal well.

As of the date of signing these financial statements, the acquisition of a 42.5% interest in the Bulu PSC has not yet been completed. No capital programme is planned on the Bulu PSC in 2019, as the joint venture focuses on securing a Gas Sales Agreement.

Operating lease commitments

The Group has the following commitments under operating leases:

	2018 €'000	2017 €'000
Within one year	**217**	-
Between one and five years	**456**	-
Later than five years	**-**	-
	673	-

Total lease payments recognised in general and administrative expenses during the year was €0.2m (2017: €0.04m).

Contingencies

The Group has no contingent assets or liabilities.

Note 26: Share Based Payments

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

	31 December 2018	
	No. of equity instruments '000s	**Value of service €'000**
Recognised in the consolidated statement of comprehensive income:		
Ordinary shares issued in lieu of directors' fees	**86**	**4**
Ordinary shares issued for professional services provided	**685**	**35**
Options issued to directors and management	**93,000**	**446**
Warrants issued in exchange for general services	**5,000**	**16**
Recognised as share issue costs in the consolidated statement of changes in equity:		
Ordinary shares issued in lieu of commissions on placement	**24,589**	**1,235**
Ordinary shares issued for professional services related to placement	**1,712**	**87**
Warrants issued on placement	**159,817**	**532**

	31 December 2017	
	No. of equity instruments '000s	Value of service €'000
Recognised in the consolidated statement of comprehensive income:		
Ordinary shares issued in lieu of directors' fees	1,000	57
Ordinary shares issued for professional services provided	1,720	98
Recognised as share issue costs in the consolidated statement of changes in equity:		
Ordinary shares issued in lieu of commissions on listing	1,000	57
Ordinary shares issued for professional services related to placements	938	42

Share Options and Warrants

The Company granted the following equity settled share based payments during the year:

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

1 May 2018	25,000	1 May 2023	As part of overall compensation to directors / management	5 years
9 July 2018	1,000	9 July 2023	As part of overall compensation to directors / management	5 years

The options vest after three years of continuous service with the Company. The fair value of services rendered in return for share options is based on the fair value of share options granted and measured using the Black-Scholes model.

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

	9 April 2018 5-year option	**1 May 2018 5-year option**	**9 July 2018 5-year option**
Fair value at grant date	1.86p	1.53p	1.20p
Share price at grant date	4.3p	3.83p	3.33p
Exercise price	4.38p	4.38p	4.38p
Expected volatility	50%	50%	50%
Option life	5 years	5 years	5 years
Risk-free interest rate (based on yield on five-year gilts)	1%	1%	1%
Expiry date	9 April 2023	1 May 2023	9 July 2023

p - British pence

The fair value of the options granted are spread over the vesting period. The amount recognised in the income statement for the year ended 31 December 2018 was €446k (2017: €58k).

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

The warrants granted during the period were as follows:

Date of grant	**No. of options '000s**	**Expiry date**	**Purpose**	**Contractual life of option**
9 April 2018	159,817	9 April 2019	Incentive to new shareholders to subscribe for shares in the Company at the April 2018 placing	1 year
9 April 2018	5,000	9 April 2019	Issued for professional services provided	1 year

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

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

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

p - British pence

The amount recognised in the income statement for the period to 31 December 2018 represents the amount of the fair value of warrants issued for services rendered of €16k (2017: nil).

The amount recognised in equity as a cost directly attributable to the issue of shares represents the amount of the fair value of warrants issued to new shareholders of €532k (2017: nil).

Note 27: Joint Operations

The Group's interests in joint arrangements at 31 December 2018 are as follows:

Joint Operation	**Manager**	**Group's Interest**	**Principal Activity (Exploration)**
Cascina Castello Production licence	Northsun Italia S.p.A	90% (Dec 2017: 90%)	Gas

Petrorep Italiana S.p.A ("Petrorep") entered into an agreement with Northsun Italia in 2014 to earn a 10% interest in the Cascina Castello Production licence through funding of part of the development costs of the Bezzecca field, which is located on this licence.

Note 28: Related Party Disclosures

Key Management Personnel Compensation

	2018 €'000	2017 €'000
Short-term benefits	**1,168**	357
Post-employment benefits	**57**	-
Share based payments	**382**	-

Key management personnel consists of the directors of the Company and the Chief Financial Officer.

Other Related Party Transactions

The Company had two directors in 2018 who were also directors of Sound Energy plc, and

three directors who were also directors of Echo Energy plc. All transactions between the companies are made on arm's length terms.

The acquisition of Sound Energy plc's Italian assets which was completed in April 2018 is discussed further in note 22.

During 2018, the Company assumed an office lease from Echo Energy plc on the same terms as those executed by Echo Energy plc when it originally entered into the lease with an unrelated third party landlord. During the year, the Company was recharged €7k of expenses by Echo, relating to travel costs paid by Echo on behalf of the Company. A further €3k was recharged by Echo in respect of IT infrastructure in place in the office premises acquired from Echo.

Note 29: Subsequent Events

Eurobond Issue

On 12 April 2019, the Company successfully completed a Eurobond issue, raising gross proceeds of €22.5m (net proceeds of €17.6m after transaction costs). The bonds are listed on the Euro MTF market of the Luxembourg Stock Exchange, and are comprised of Tranche A and Tranche B notes, each totalling €11.5m. A coupon of 5% is payable on the outstanding principal on each tranche, with coupon payments accrued and paid annually in arrears on Tranche A notes, and accrued and paid in cash on maturity on Tranche B notes. The notes will mature on 12 April 2022.

Bondholders were also granted 41,357,500 warrants to subscribe for ordinary shares in the Company. Each warrant entitles the holder to acquire 10 ordinary shares in the Company for a subscription price of 4p per share. The warrants are exercisable anytime from issue date to 12 April 2022.

Acquisition of a 15% Interest in the Duyung PSC

The Group completed the acquisition of a 15% beneficial interest in the Duyung PSC on 15 April 2019. The operator of the Duyung joint arrangement has now submitted all necessary documentation to the Indonesian authorities to facilitate the transfer of a 15% participating interest in the Duyung PSC to a wholly-owned subsidiary of Coro Energy plc. If the necessary approvals are not forthcoming, the Group will instead receive an interest of 15% in the ordinary share capital of West Natuna Exploration Limited, a company incorporated in the British Virgin Islands which holds a 100% participating interest in the Duyung PSC.

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