



RNS Number : 2859U
Coro Energy PLC
27 March 2023

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Coro Energy Plc
("Coro" or the "Company")

Italian Disposal, Notice of General Meeting and Directorate Change

Coro Energy Plc, the Southeast Asian energy company with a natural gas and clean energy portfolio is pleased to announce that the Company has now signed the Sale and Purchase Agreement ("SPA") for the disposal of its Italian natural gas assets (the "Italian Portfolio") to Zodiac Energy plc ("Zodiac" or the "buyer") by way of the sale of the entire issued share capital of Coro Europe Limited. Zodiac Energy plc is a UK based holding company for an Italian subsidiary company Pengas Italiana Srl, which extracts crude petroleum and natural gas in Italy.

The disposal is fully in line with the Company's strategic objectives, enabling Coro to focus exclusively on Southeast Asia where demand for energy and the opportunity for material expansion remain very strong.

Highlights:

- SPA signed for a total consideration of up to EUR 7.5M, including contingent payments of up to an aggregate of EUR 1.5M through a 10% net profit interest ("NPI") in the Italian Portfolio over the three years from the date of completion of any disposal of the Italian Portfolio.
- An initial cash payment of EUR 1.5M will be made by Zodiac within 7 business days of signing the SPA.
- The proposed disposal of the Italian Portfolio under the SPA will be subject to Coro shareholder approval pursuant to Rule 15 of the AIM Rules for Companies and regulatory approval in Italy.

A circular containing detailed information about the disposal of the Italian Portfolio will shortly be published and available from the Company's website at www.coroenergyplc.com.

Background to and reasons for the disposal

Following structural increases in global gas prices in 2022, the Company relaunched its Italian gas asset portfolio (the "Italian Portfolio") earlier in that year. The Italian Portfolio has since delivered significant free cash flows for the Coro Group. The previously reported 2022 unaudited revenues of the Italian Portfolio were EUR 6.0 m and is expected to be profitable once Coro's audited accounts are published. The reported loss in 2021 was US\$1.5 m. Current production is around 24,000 scm/day (2022: 13,979 scm/day) with an average realised gas prices of around EUR 0.65/scm to the end of February 2023 compared to an average realised price in 2022 of EUR 1.17/scm.

However, the Company remains primarily focused on Southeast Asia and the significant growth and investment opportunities the region provides. In expectation of near term and long awaited developments on the Duyung PSC and the Company's renewable portfolio in Southeast Asia and with a view to capturing the value inherent in the Italian Portfolio following gas price rises, the SPA was concluded with Zodiac, with the consideration then being available to deploy in line with the stated strategy.

The funds received will therefore be used to meet Duyung PSC expenditure; potential further solar projects in Vietnam (of which a likely acquisition was announced on 25th November 2022); to continue to progress Philippines solar and wind projects to achieve ready to build status; and for working capital whilst being mindful that the Eurobond due date is in April 2024.

The Board believes that incremental capital expenditure in Southeast Asia is a more value accretive use of Coro's resources and ultimately has a greater possibility of generating greater returns for Shareholders than allocating additional capital to the development of the Italian Portfolio.

Details of the Disposal

Further to the Heads of Terms announced on 24 August 2022, the Company has now signed the SPA with Zodiac to sell 100% of the issued share capital of Coro Europe Limited ("**Coro Europe**"), the Company's wholly owned subsidiary which in turn holds 100% of the issued share capital of Apennine Energy S.p.A, the Group entity holding the Company's interests in the Italian Portfolio for up to EUR 7.5m.

Of the total maximum consideration of EUR 7.5m, EUR 0.3m was paid as a non-refundable deposit upon signature of the Heads of Terms, an additional EUR 1.5m is payable within 7 business days of SPA signature and a further EUR 2.2m will be paid upon completion of the disposal. As soon as practicable following completion of the SPA, Zodiac shall make a further payment of EUR 2m less a sum equal to any amount

owed to Apennine by the Company on the intercompany loan account as of the date of completion.

The SPA contains a standard working capital adjustment mechanism which is expected to yield a positive and significant adjustment to Coro if the intercompany loan account is settled by completion. Any positive adjustment will be settled by Zodiac in cash within ten business days or, as is expected and agreed in the SPA, from the assignment to Coro of 70% of Apennine distributable annual profits until such time as the balance is paid in full. If the balance is not paid in full by 31 December 2027, the remaining balance will be immediately due to Coro by Zodiac irrespective of the distributable profits of Apennine.

The EUR 1.5 m payment to be received by Coro with 7 business days of signing the SPA will be repayable together with a 10% per annum coupon in the event that the transaction does not complete, and is secured over the Apennine bank account and gas sales.

Any proceeds from the Bezzecca legal claim which was detailed in an announcement dated the 14th February 2023, and the cash flows from the business prior to completion, accrue to Coro and are in addition to the consideration of up to EUR 7.5m.

In addition to the approval of Coro shareholders, completion of the disposal ("Completion") is also conditional on, amongst other things, regulatory approval by the Italian authorities. Whilst the Company retains full ownership and cash flows from the Italian Portfolio prior to Completion, the Company has agreed not to withdraw further cash from Coro Europe and its subsidiary. The accumulated cash in the business, alongside any inter-company loans and the 2022 Italian tax payments (including the extraordinary windfall tax introduced recently) will be adjustments to the final consideration using an industry standard net cash/debt adjustment at Completion.

Background to Zodiac

Zodiac Energy plc (company number 11052464) is a UK based holding company for an Italian subsidiary company Pengas Italiana Srl, which extracts crude petroleum and natural gas in Italy.

General Meeting

The disposal of the Italian Portfolio is subject to Coro shareholder approval pursuant to Rule 15 of the AIM Rules for Companies. A circular containing detailed information about the disposal of the Italian Portfolio will shortly be published and available from the Company's website at www.coroenergyplc.com. A notice convening the General Meeting, which is to be held at 2 p.m. at the offices of Link Group at 6th Floor, Gresham Street, London EC2V 7NQ on 25 April 2023, is set out at the end of the

Circular.

Recommendation and Voting Intentions

The Directors consider the transaction to be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that the Shareholders vote in favour of the Resolution to be proposed at the General Meeting, as the Directors intend to do in respect of their own beneficial holdings of Ordinary Shares, representing approximately 0.2 per cent. of the Company's existing Ordinary Shares.

Directorate Change

Further to the intended non-executive Board appointment announced on 6th March 2023, Mark Hood has agreed to step down as a Non Executive Director of the Company to ensure the Company maintains a balanced and cost effective Board.

For further information please contact:

Coro Energy plc

James Parsons, Executive
Chairman

Ewen Ainsworth, Chief Financial
Officer

Via Vigo Consulting Ltd

Cenkos Securities plc (Nominated Adviser)

Adrian Hadden
Ben Jeynes
Katy Birkin

Tel: 44 (0)20 7397 8900

Vigo Consulting (IR/PR Advisor)

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WH Ireland (Broker)

Harry Ansell
Katy Mitchell

Tel: 44 (0)20 7220 1670 / 44 (0)113
946 618

Summary of SPA Terms

Summary of the SPA Terms

Parties

The SPA was entered into on 26 March 2023 (the "**Exchange Date**" between Coro Energy Holdings Cell A Limited (the "**Seller**"), Zodiac and the Company (as guarantor of all obligations and liabilities of the Seller under the SPA) for the sale and purchase of the entire issued share capital of Coro Europe.

Consideration

Initial Consideration

Zodiac has agreed to purchase the shares in Coro Europe for a total initial value of €6,000,000 (the "**Initial Consideration**").

Pursuant to an option agreement between Zodiac, the Seller and the Company dated 23 August 2022, Zodiac paid an option fee of €300,000 to the Seller (the "**Option Fee**"), which is non-refundable except in the event of the Seller or the Company suffering an insolvency event prior to Completion, or shareholder approval of the resolution (the "**Resolution**") authorising the sale of Coro Europe is not obtained by the date falling six months from the Exchange Date, or such later date as the Seller and Zodiac may agree (the "**Long Stop Date**").

On the Exchange Date, Zodiac paid a further fee of €1,500,000 to the Seller (the "**Advance Payment**"). In the event that the SPA is terminated and Completion does not occur, the Advance Payment is refundable and subject to an interest rate of 10% per annum. The Advance Payment is secured by means of an account pledge over Apennine's bank account and an assignment of receivables in respect of receivables due to Apennine under a gas supply agreement.

On Completion, Zodiac shall make a further payment of €2.2 million to the Company (the "**Completion Payment**").

As soon as practicable following Completion, Zodiac shall make a further payment of €2 million to the Company (the "**Deferred Payment**").

The Option Fee, Advance Payment, Completion Payment and Deferred Payment each form part of the Initial Consideration.

Adjustment Mechanism

The Disposal will be subject to a standard completion accounts mechanism and, if

required, adjusted in accordance with the valuation provided in the final completion accounts (which assumes Coro Europe and Apennine will be sold on a cash-free, debt-free basis).

In the event that Coro Europe and Apennine are determined to have a net positive cash position following the agreement or determination of the completion accounts, Zodiac shall:

- pay to the Company a sum equivalent to that net positive cash position within 10 Business Days of the agreement or determination of the completion accounts; or
- if Zodiac so elects, it will assign to the Company 70% of Apennine's distributable annual profits for the Apennine accounting period ending on 31 December 2023, and any subsequent Apennine accounting periods thereafter until:
 - o such time as Zodiac has paid the Company a sum equivalent to the net positive cash position under the completion accounts (together with any interest accrued at a rate of 10% per annum); or
 - o 31 December 2027, after which any outstanding balance due to the Company is payable in full by Zodiac on the Company's demand.

In the event that Coro Europe and Apennine are determined to have a net negative cash position following the agreement or determination of the completion accounts, the Company shall pay to Zodiac a sum equivalent to the net negative cash position under the completion accounts within 10 Business Days of the agreement or determination of the completion accounts.

Interest shall accrue at a rate of 10% per annum on any sum determined to be payable pursuant to the completion accounts mechanism.

Contingent Consideration

For a period of three years following Completion, the Seller shall be entitled to receive a 10% share of the Apennine's net profit (the "**Net Profit Interest**"). The Net Profit Interest is calculated on a yearly basis, with the first year commencing on Completion, and the second and third years commencing on the subsequent anniversaries of Completion.

The Net Profit Interest is entirely contingent on the net profit of Apennine and there is no guarantee that a net profit will be generated. The total amount payable under the Net Profit Interest consideration mechanism is €1,500,000 (which is in addition to, and not set off against, the Initial Consideration).

Claim Proceeds

After Completion, Company is also entitled to receive from Apennine an amount equivalent to the proceeds of sale of in respect of land in the Piedmont Lombard Basin in Northern Italy (less any applicable taxes, deductions or withholdings required by law).

Conditions to Completion

Completion of the SPA is conditional upon:

- the passing of the Resolution by the Shareholders;
- obtaining all regulatory approvals required by the Italian Ministry of Environment and of Energy Security (*Ministero dell'Ambiente e della Sicurezza Energetica*) to implement the transaction, and such approvals having not been withdrawn, cancelled or revoked prior to Completion; and
- no Material Breach of the Seller's warranties in the SPA having occurred (the "**Warranty Condition**") (or, if such a breach has occurred, Zodiac notifying the Seller in writing that it has waived the Warranty Condition).

(each a "**Condition**" and, together, the "**Conditions**").

If the Conditions are not satisfied by Long Stop Date, or such later date as the Seller and Zodiac may agree, the SPA will lapse and the transaction shall not proceed.

Warranties and Limitations on Liability

The Seller has given warranties to Zodiac which are customary for a transaction of this nature including, amongst other things: its capacity to enter into the SPA, its solvency, its title to the shares in Coro Europe, accounts, litigation, tax, licences, insurance, intellectual property, employment, contracts and compliance with laws.

The Seller's liability for claims brought under the SPA is limited to 50% of the aggregate consideration paid by Zodiac, except in respect of fraudulent concealment or fraudulent misrepresentation, or a breach of the fundamental warranties regarding title and capacity to enter into the SPA. The liability in respect of claims under the fundamental warranties is uncapped.

Aside from claims in respect of alleged breaches of tax or employment warranties, claims raised more than 18 months following the date of Completion will be time barred. Claims for breaches of tax or employment warranties must be raised within the five years following the date of Completion.

Pre-Completion Arrangements

The SPA contains customary provisions governing the conduct of Coro Europe and Apennine in the period between the Exchange Date and Completion. The SPA also grants rights to Zodiac to access information in the same period and monitor the activities of Coro Europe and Apennine. These information rights are reciprocal, and the Seller shall be entitled to the same access following Completion to monitor the activities of Coro Europe and Apennine and, specifically, the net profit of Apennine.

Termination

The SPA will terminate if the Conditions are not fulfilled by the Long Stop Date, or such other date as Zodiac and the Seller may agree. Where there is an act, failure to act, event or occurrence which will prevent the Conditions being satisfied by the Long Stop Date and is not remedied to the reasonable satisfaction of the parties within 60 days of such act, failure to act, event or occurrence, Zodiac or the Seller may also immediately terminate the SPA, provided that the failure to satisfy the Conditions or the act, failure to act, event or occurrence (as applicable) is not the direct result of a breach by the party seeking to terminate its obligations under the SPA.

Miscellaneous

The SPA contains other customary provisions, such as confidentiality obligations.

The SPA is governed by English law.

General Meeting

The transaction constitutes a fundamental change of the Company's business for the purposes of Rule 15 of the AIM Rules for Companies and is therefore subject to the approval of the Shareholders at the General Meeting.

Set out at the end of this document is a Notice of General Meeting to be held at Link Group, 6th Floor, Gresham Street, London EC2V 7NQ at 2:00p.m. on Tuesday, 25 April 2023 at which the Resolution will be proposed.

The Resolution is being proposed as an ordinary resolution and will require approval by a simple majority of those votes cast (by persons present in person or by proxy) at the General Meeting for the Resolution to be passed.

Completion of the transaction is conditional, *inter alia*, on the Shareholders passing the Resolution being proposed at the General Meeting. If the Shareholders do not pass the Resolution, Completion of the transaction will not proceed.

Action to be Taken

Shareholders will not receive a hard copy form of proxy for the General Meeting in the post. Shareholders may appoint a proxy electronically by accessing the shareholder portal at www.signalshares.com, logging in and selecting the "Vote Online Now" link. If you have forgotten your username or password you can request a reminder via the shareholder portal. If you have not previously registered to use the portal you will require your investor code ("**IVC**") which can be found on your share certificate. Proxy votes should be submitted as early as possible and in any event, by no later than 2:00p.m. on Friday, 21 April 2023.

You may request a hard copy proxy form directly from the Registrars, Link Group by emailing shareholderenquiries@linkgroup.co.uk or by post at Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL. To be valid, any hard copy proxy form must be received by post or (during normal business hours only) by hand at Link Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL by no later than 2:00p.m. on Friday, 21 April 2023.

For a proxy appointment to be valid, your appointment must be received not later than 2:00p.m. on Friday, 21 April 2023, being 48 hours (excluding non-Business Days) before the time appointed for holding the General Meeting. Submission of an electronic proxy appointment or completion of a form of proxy will not preclude you from attending the meeting and voting in person if you so choose.

If you have any queries in relation to the appointment of a proxy you may call the Shareholder helpline on 0371 664 0300 (for calls from within the United Kingdom) and +44 (0) 371 664 0300 (for calls from outside the United Kingdom) between 9.00 a.m. and 5.30 p.m. (GMT) Monday to Friday (excluding public holidays in England and Wales). Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Please note that calls to these numbers may be monitored or recorded. Please note that the Shareholder helpline will not provide advice on the merits of the Resolution to be proposed at the General Meeting, or give any personal, legal,

financial or tax advice.

If you hold your Ordinary Shares in uncertificated form in CREST, you may vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual. Further details are also set out in the notes accompanying the Notice of General Meeting at the end of this document. Proxies submitted by CREST must also be received as soon as possible and in any event not later than 2:00p.m. on Friday, 21 April 2023, being 48 hours (excluding non-Business Days) before the time appointed for holding the General Meeting.

Recommendation and Voting Intentions

The Directors consider the transaction to be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that the Shareholders vote in favour of the Resolution to be proposed at the General Meeting, as the Directors intend to do in respect of their own beneficial holdings of Ordinary Shares, representing approximately 0.2 per cent. of the Company's existing Ordinary Shares.

Yours faithfully

James Parsons
Executive Chairman

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Italian Disposal, GM Notice and Directorate Change
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Company Announcement - General
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