coro energy
EXPLORATION & PRODUCTION PLC

Targeting Growth in South East Asia

Annual Report and Financial Statements
For the Year Ended 31 December 2018

Stock code: CORO

www.coroenergyplc.com

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

Contents

Strategic Report

Highlights	01
Statement from the Chairman and Chief Executive Officer	02
Why South East Asia?	04
Business Model	08
Strategy	09
Operational Review – South East Asia	10
An Interview with Dr. Pierre Eliet – Doing Business in SE Asia	14
Operational Review – Italy	16
Financial Review	18
Managing Risk	20

Governance

Corporate Governance Statement	23
Leadership	24
Our Corporate Executive Team	26
Corporate Governance Framework	27
Directors' Remuneration Report	31
Directors' Report	33
Statement of Directors' Responsibilities	34
Independent Auditors Report	35

Financial Statements

Consolidated Statement of Comprehensive Income	41
Consolidated Balance Sheet	42
Consolidated Statement of Changes in Equity	43
Consolidated Statement of Cash Flows	44
Company Balance Sheet	45
Company Statement of Changes in Equity	46
Company Statement of Cash Flows	47
Notes to the Financial Statements	48
Company Information	IBC

Visit Coro Energy plc online:

www.coroenergyplc.com
for the latest news, reports, presentations and videos

@CoroEnergy

Coro Energy plc

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

Statement from the Chairman and Chief Executive Officer

James Parsons
Non-Executive Chairman

James Menzies
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

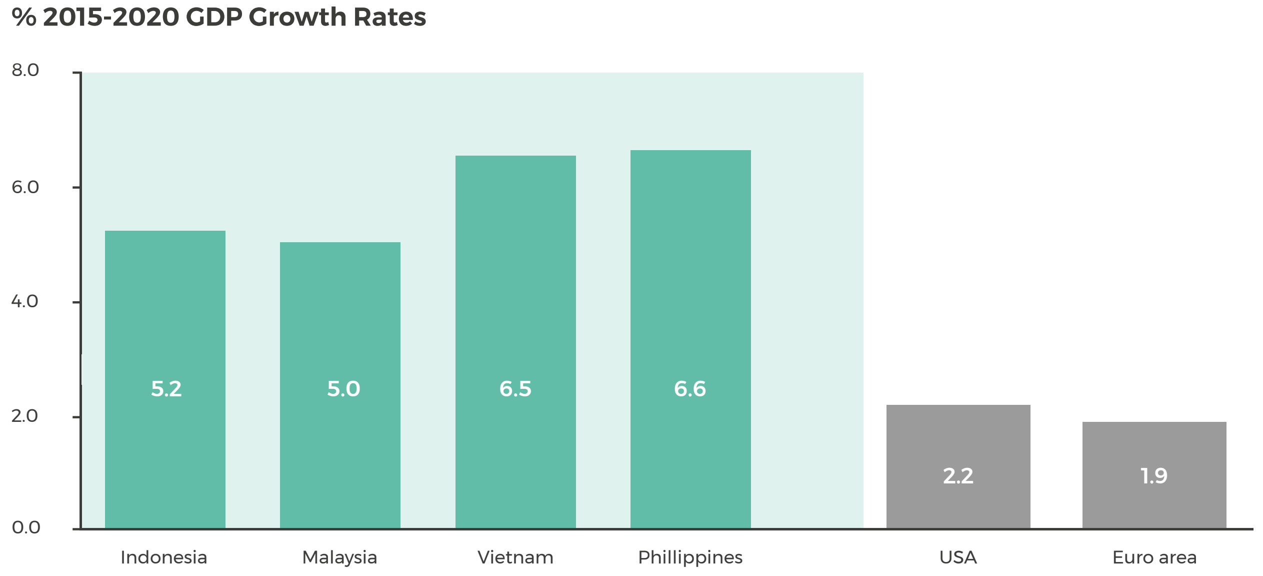
James Menzies
Chief Executive Officer

Why South East Asia?

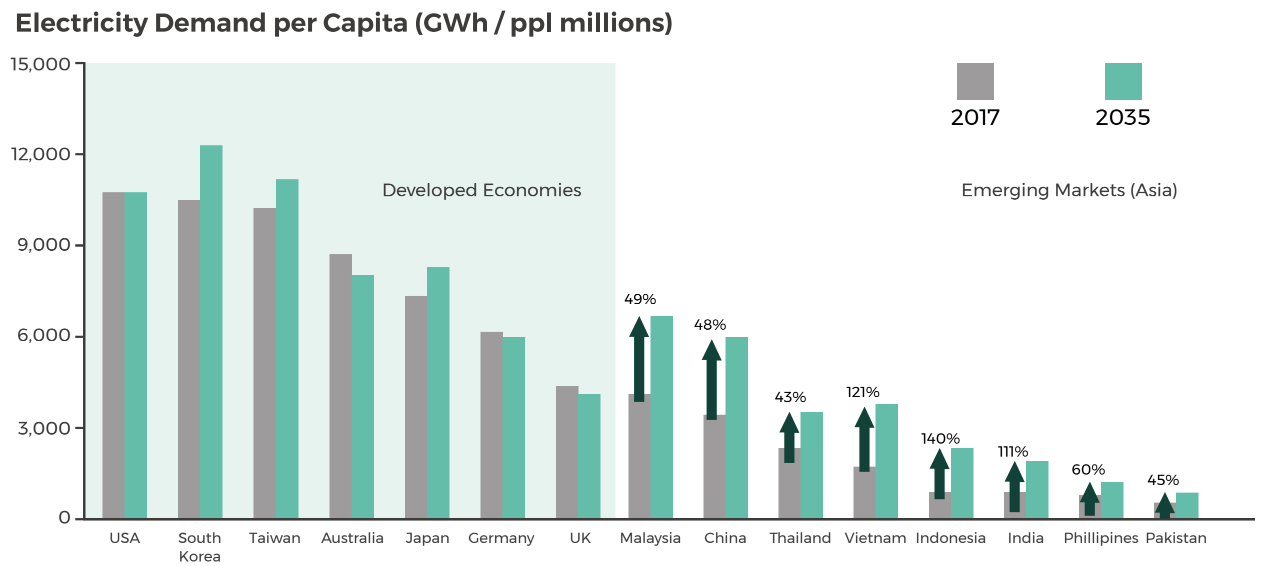
Market Review

Compelling Case For Oil & Gas Investment in South East Asia, Backed by Forecast Energy Demand

Increasing gas demand in South East Asia is widening the gas deficit. This, combined with the significant, undeveloped resources in the region make for a compelling investment proposition. Coro plans to leverage its local relationships, knowledge and network in South East Asia to build a portfolio of assets in the region.



Source: World Bank Global Prospects, January 2018

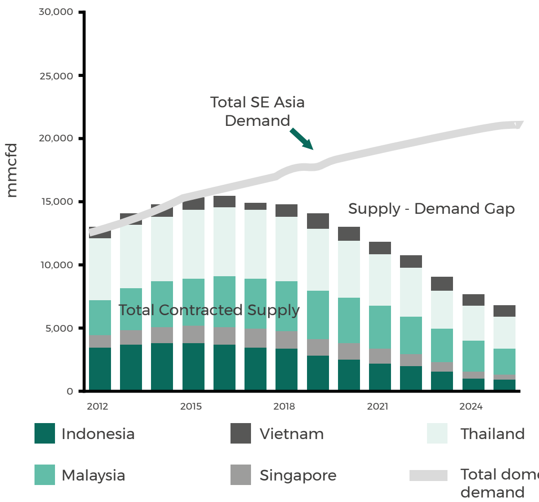


Source: World Bank Global Prospects, January 2018

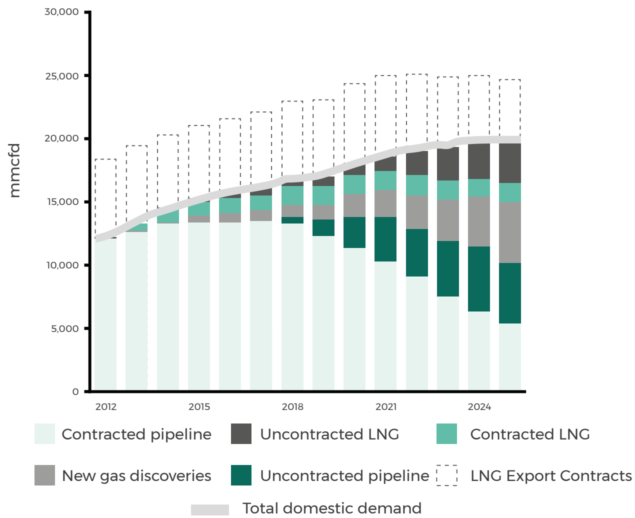
Demand Outstrips Supply in South East Asia

- Gas demand is expected to overtake production between 2020 and 2030.
- In Indonesia, natural gas production has been in decline since 2010 and consumption is also expected to grow rapidly. Indonesia is expected to become a net importer of gas by 2020.

Supply - Demand



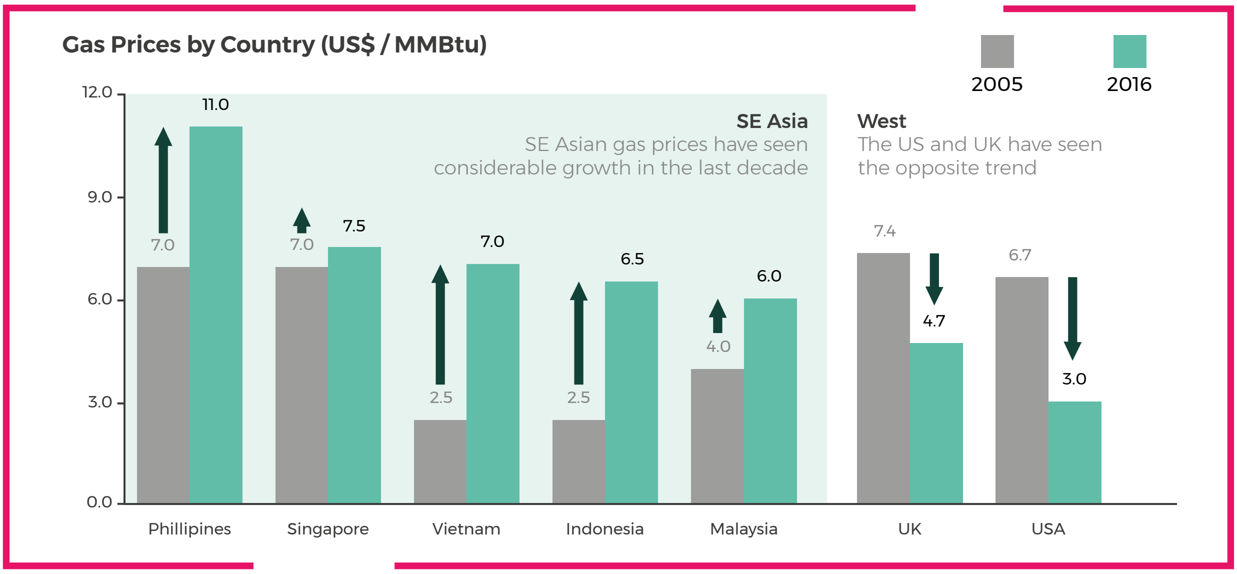
South East Asia Gas Balance



Source: Wood Mackenzie

Why South East Asia?

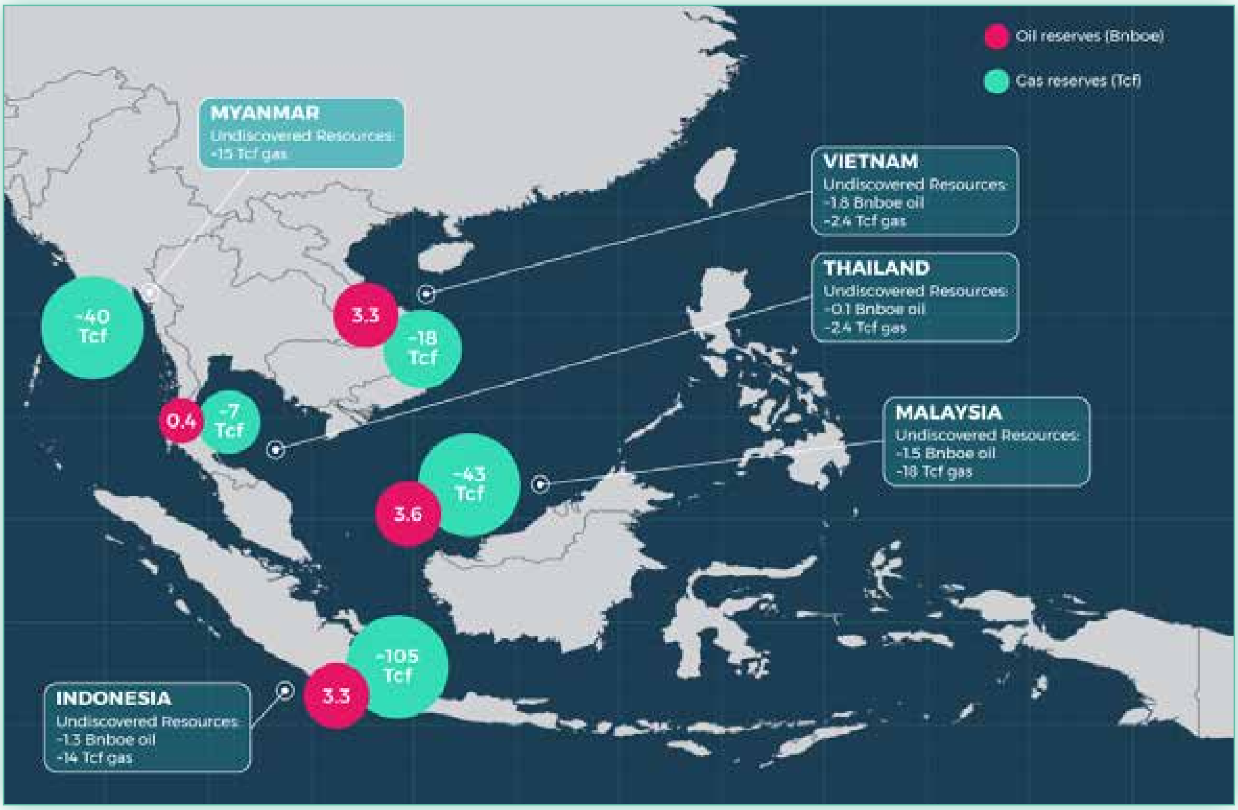
Strong Market Fundamentals Lead to Attractive Gas Prices



Source: Wood Mackenzie

Significant Undiscovered Volumes

- Opportunity to commercialise existing discoveries.
- Ready market for new discoveries.



Source: BP Statistical Review of Energy, Wood Mackenzie YTF Resource Estimates

What Are We Looking For?

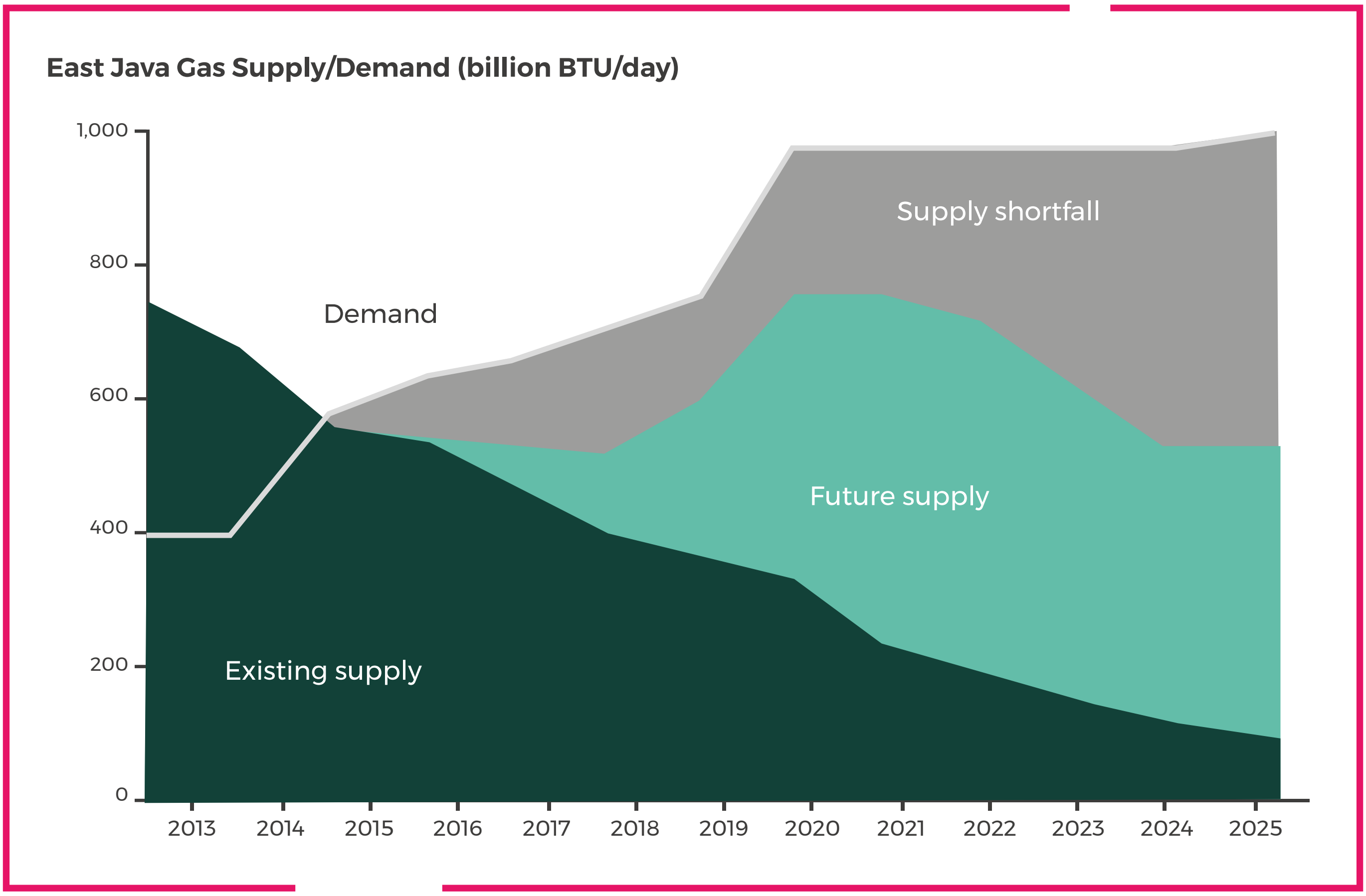
- High-graded countries: Indonesia, Malaysia, Vietnam
- Preference for gas over oil
- Exploration stage assets, where value can be added through technical de-risking and the drill bit
- Appraisal stage assets with low technical risks and smart, low-cost development options

Why East Java?

- East Java is a growing gas market
- Market is isolated, supplied by production from East Java alone
- Average market prices are in range of $5.50 - $8.00/MMBtu

Our acquisition of a 42.5% interest in the Bulu PSC (pending regulatory approval) exposes us to the East Java gas market, where existing contracted supply is declining, putting upward pressure on prices, as shown in the below graph.

Gas Consumption and Production Forecasts (BBTUD)

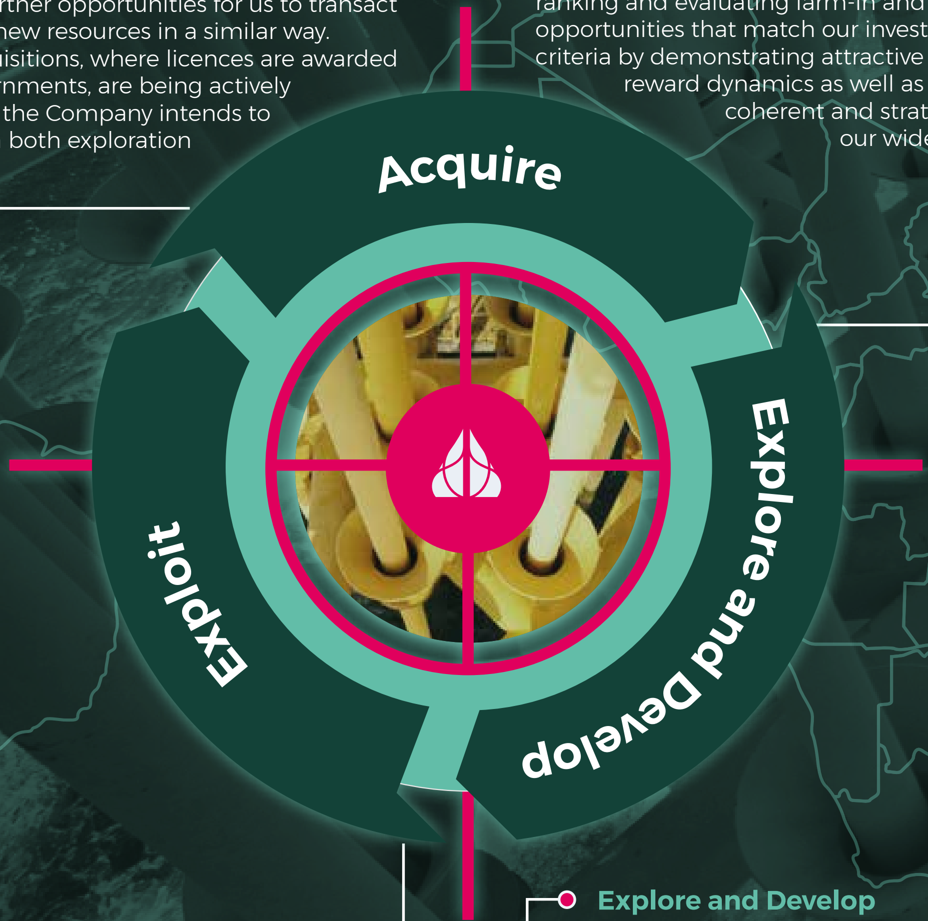


Source: Company estimates and SKK MIgas

Business Model

Acquire

Coro takes both an organic (Appraise and Develop) and inorganic (Mergers and Acquisitions) approach to building its portfolio of oil and gas interests. We have already demonstrated the ability to acquire gas resources at significant discounts to theoretical value and we continue to observe further opportunities for us to transact and acquire new resources in a similar way. Organic acquisitions, where licences are awarded by host governments, are being actively pursued and the Company intends to participate in both exploration and discovered resource bidding rounds, most notably in Indonesia and Malaysia. The joint technical study on Block 2A with national oil company Petronas is the first indication of success through this route of acquisition. Additionally, we are continuously screening, ranking and evaluating farm-in and acquisition opportunities that match our investment criteria by demonstrating attractive risk versus reward dynamics as well as being a coherent and strategic fit to our wider business interests.



Exploit

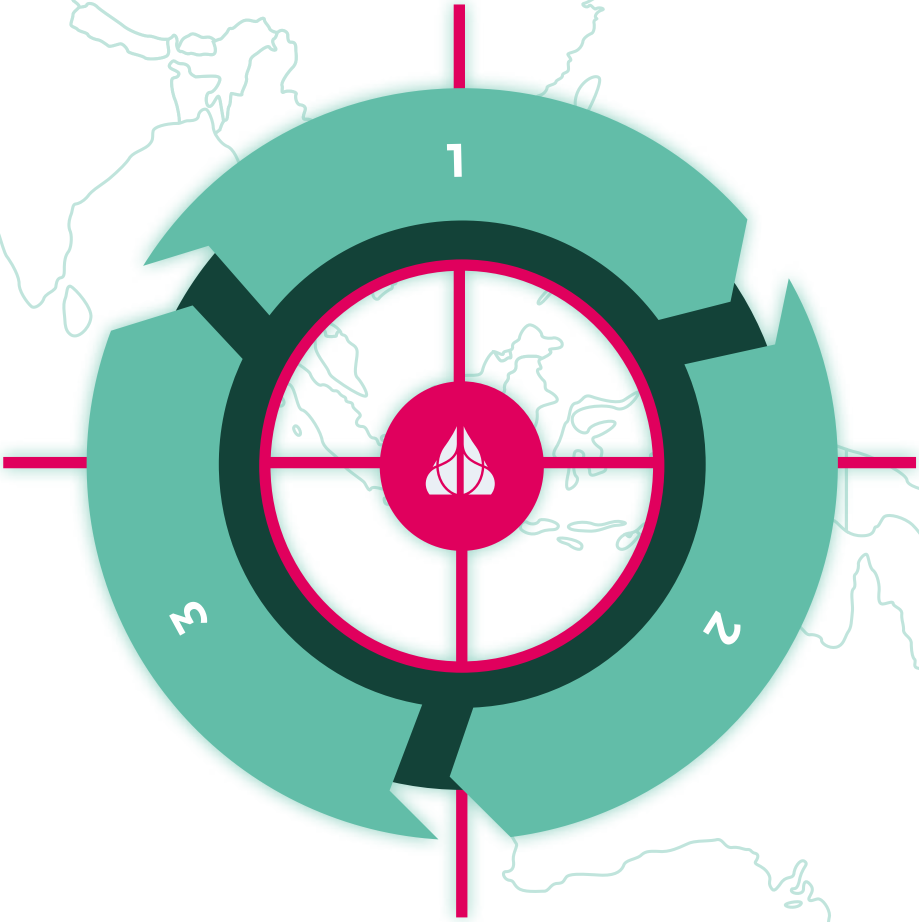
Coro intends to exploit all commercial resources within its portfolio in order to achieve a highly profitable future production plateau and financial profile that provides substantial free cash flows to the enlarged Group. These free cash flows from production will initially be used to reinvest in the asset pipeline in order to mature the wider asset base up the value curve and into commercial production, thereby enabling the Company to be well-positioned in order to continue to acquire, explore, develop and exploit for the future.

Explore and Develop

Coro is building a number of asset 'hubs' in South East Asia. These hubs are instigated by the acquisition of a discovered resource that we can commercialise and within which we can identify ways to enhance the development's value through either i) step-out exploration within the existing license; and/or ii) through the Company acquiring interests in the surrounding prospective acreage. This 'small e' exploration approach seeks to maximise coherence within our asset pool and take advantage of synergies between the geological knowledge and understandings gained through the evaluation of a discovered field and applying this to proximal prospects which could be tied back to the initial development.

Strategy

Coro's aim is to become a mid-tier South East Asia-focused exploration and production company.



1. Utilise the Coro platform

a. Operator Status: Coro is the operator of an existing European production portfolio which provides cash flow, is underpinned by reserves and resources, and credentialises Coro with host governments in new target geographies

b. Access to Capital: Coro is well funded and institutionally supported by key cornerstone institutional investors in addition to a wider supportive shareholder register

c. Proven Track Record: Board with a proven track record in creating exceptional shareholder value

2. Use our key competitive advantages in rapidly establishing a South East Asian portfolio

a. Network: Board and Executive management are well connected in the region with upstream players, service providers, governments, national oil companies and regulators

b. Capabilities: Team with a harmonious balance of technical, commercial and financial skills

c. Experience: Team with a track record of building and realising value from South East Asian E&P assets

3. Commercialise and monetise

a. Hub Strategy: Coherent strategy which underpins downside risk pursuant to already identified commercialisation of the initial discovered resource in place

b. Exploration: Where value is added through technical de-risking and the drill bit

c. Appraisal: Where low technical risks and smart, low-cost development options can be created

d. Production: Where it facilitates further exploration and appraisal as well as having financial synergies with wider asset portfolio

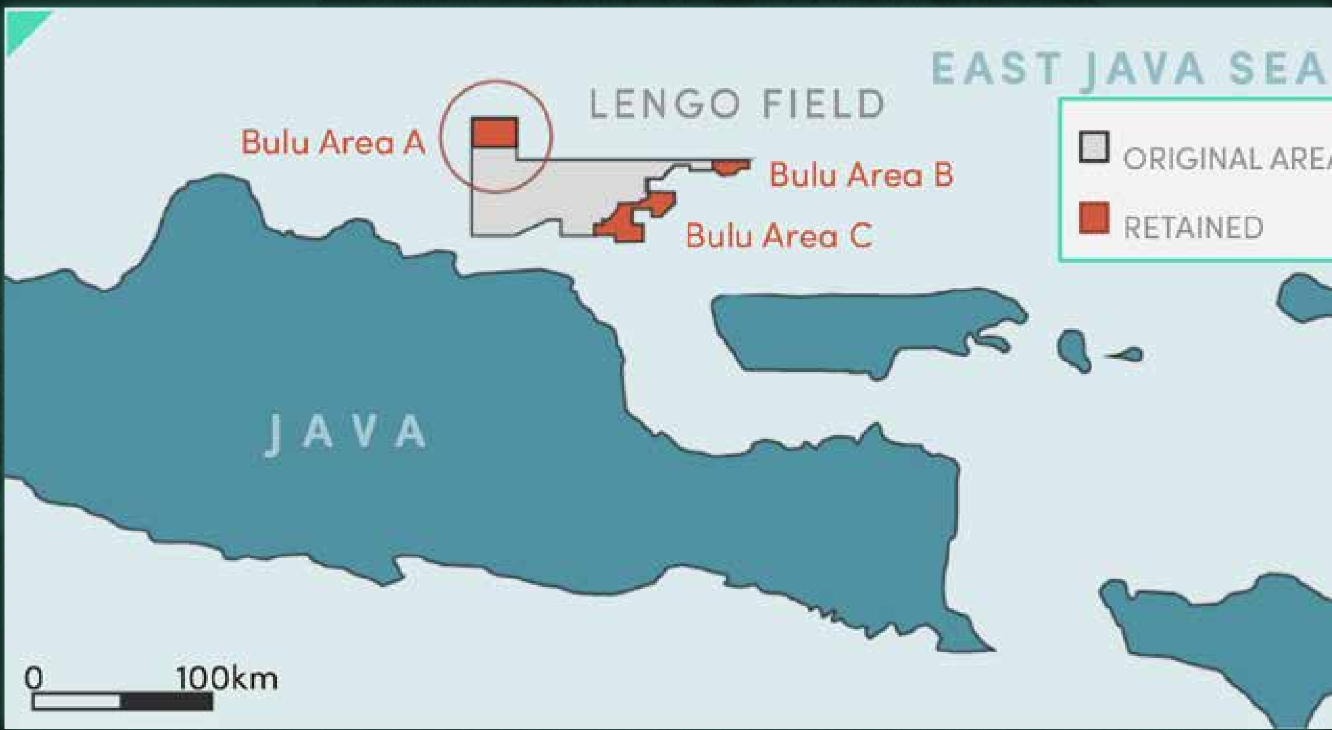
Operational Review – South East Asia

Bulu PSC

In September 2018, Coro announced its first acquisition in South East Asia, taking a 42.5% stake in the Bulu PSC in Indonesia, which contains the Lengo gas field. This transaction is transformational for the Group, adding 152 Bcf of 2C resource (net to Coro) with the potential to contribute incremental EBITDA of $30m to $40m per annum when on production (plateau production is expected to be reached in 2023).

The Lengo gas field is located offshore East Java in a proven hydrocarbon province close to industrial markets, and has significant discovered gas resources that have been independently certified by Netherland Sewell. It is a well-developed reservoir with over 80m column height and has been successfully appraised, flow tested and cored.

Gas (Bcf)	1C	2C	3C
In-place	470	531	599
Recoverable	308	359	420



LOCATION

Basin: Java Sea
Block area: 700 km²
Water depth: 60m

HISTORY

Issue date: Oct 2003
Discovery: Lengo-1, 2008
Lengo-2 (App), 2013

There is an approved Plan of Development in place and a Memorandum of Understanding has been signed with a gas buyer while marketing options continue to be worked. Completion of the Bulu PSC acquisition is pending regulatory approvals from the Indonesian government.

Production

Transportation

Gas Sales

Streamlined development utilising four wells drilled from a small unmanned platform. Forecast plateau rate 70 MMscf/d

20 inch carbon steel pipeline, 65 km to shore and 5 km to planned facility for gas processing

Multiple buyers in the Tuban / Gresik industrial zone, East Java

Petrochemicals

Power generation

Gas aggregation

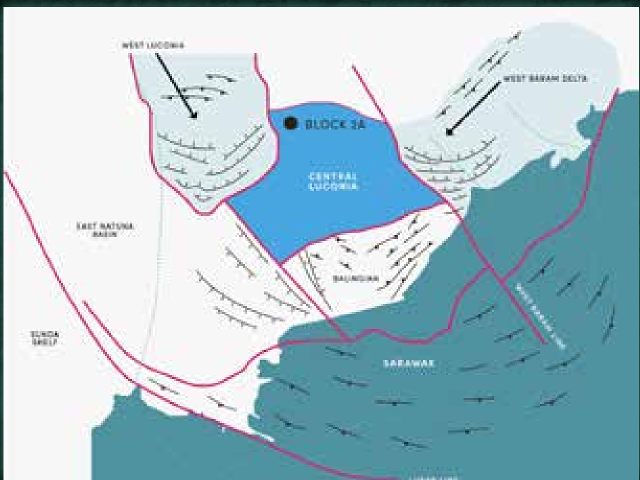
New refinery planned to be located next to the onshore receiving facilities

Operational Review – South East Asia continued

Malaysian Joint Study Agreement

In December 2018, Coro Energy signed a 12-month joint study agreement with Petronas for Block 2A offshore Sarawak in Eastern Malaysia. The block covers an area of 2,400 km^2 and is yet to be drilled. Coro will use recently acquired high-quality 3D seismic data as well as regional well data in order to assess the hydrocarbon potential of the acreage.

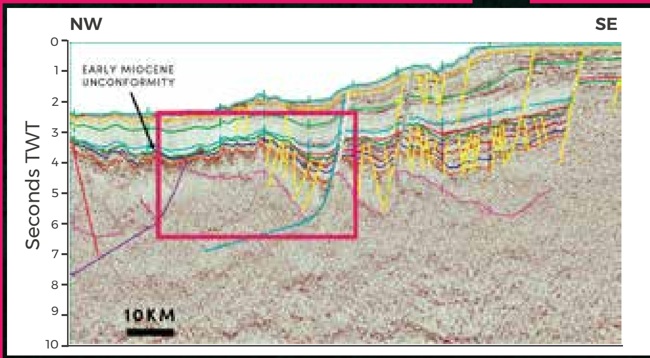
The study agreement is a great opportunity for an independent E&P operator as Malaysia holds over 170 open fields. Block 2A is located in the Central Luconia province – one of the eight geological regions in the Sarawak basin. Four of these sub-basins, including Central Luconia, are highly prolific. The main play is Miocene-age reefal carbonates. Shell's early gas discoveries in the province led to the Bintulu LNG plant being established onshore in the 1980s and Sapura E&P has had recent success finding over 4.5 Tcf in a series of deepwater discoveries.

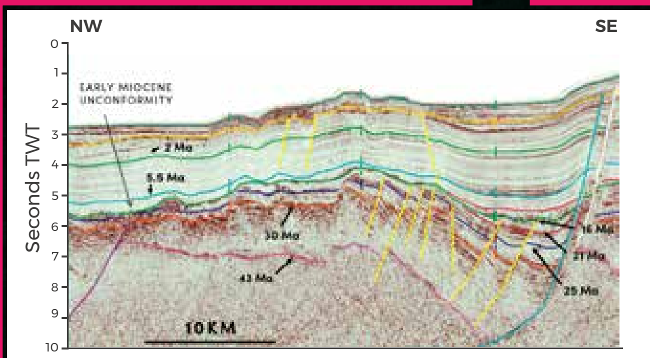


The region has a well-developed gas infrastructure and markets to commercialise the gas and there is local demand in addition to LNG needs. There are also extensive offshore pipeline networks.

> "Malaysian acreage has historically been dominated by Petronas, Exxon and Shell so we see the study agreement as a big vote of confidence in Coro and its technical team."

Block 2A acreage is covered by 2,900 km^2 of Broadseis 3D seismic data, 2016 vintage, which was processed using Pre-Stack Depth Migration. Several large structural closures are seen with multi-Tcf potential. The block is undrilled with the Talang gas discovery located 70 km to the East.





> "Block 2A is a prolific basin with well-developed infrastructure and ready markets."

Post Balance Sheet Events

In February 2019, Coro announced the signing of a binding agreement to acquire a 15% interest in the Duyung Production Sharing Contract ("PSC") in the West Natuna basin, offshore Indonesia which contains the Mako gas field. The consideration for the acquisition includes cash and shares consideration of $4.8m, as well as a contribution of $10.5m toward the 2019 drilling campaign.

To fund the cash component of the acquisition, the Company successfully completed a Eurobond issue in April 2019. The bonds were issued in two tranches of €11.25m each, raising proceeds of €17.6m (after transaction costs, for further details refer to note 29 of the financial statements). Following receipt of the Eurobond proceeds, the Duyung acquisition was completed on 15 April 2019.

Highlights

- Acquisition of a 15% direct interest in the Duyung PSC, West Natuna basin, offshore Indonesia, which contains the shallow water Mako gas field together with low-risk step-out exploration upside
- Independent review by Gaffney Cline & Associates ascribed gross 2C resources of 276 Bcf (48.78 MMboe) of recoverable dry gas in the Mako field with gross 3C resources of 392 Bcf (69.3 MMboe) representing additional field upside
- Total consideration of $4.8m, comprising $2.95m in cash and $1.85m in Coro shares, plus $10.5m in partial funding of the 2019 drilling programme for a 15% interest, representing an effective acquisition price of $0.34/MMBtu on a 2C basis
- Identified exploration targets, both above and beneath the field, include the Tambak prospect (scheduled for 2019 drilling) with mid-case prospective resource potential of approximately 250 Bcf and a chance of geological success ("CoS") of 45% and the Mako Shallow prospect with mid-case resource potential of 100 Bcf and a CoS of 75% (scheduled for 2019 drilling)
- The field development plan was approved by the Indonesian authorities in March 2019

Close to the West Natuna Transportation System ("WNTS")

Low risk step out exploration – can more than double recoverable resources, while appraising the main field

An Interview with Dr. Pierre Eliet – Doing Business in SE Asia

Dr. Pierre Eliet
Business Development

"Malaysia is a terrific country with wonderful people, but what is exciting for Coro is that it's a long-term oil and gas producer with lots of potential for companies like us. Malaysia has long been dominated by majors such as Shell and Exxon, but we believe there are opportunities for smaller, more nimble players like Coro."

What is it like and how is Coro Energy plc uniquely positioned?

Why did Coro choose to focus on SE Asia to do business?

SE Asia is a thriving part of the world with enviable GDP growth rates in excess of 5%. There are also very high 'yet to find' hydrocarbon resources across many jurisdictions in Asia, which potentially Coro is well placed to tap into. Our team has a long history of working in SE Asia and we balance very strong technical, financial and commercial capabilities to create and capture new opportunities. We have a Board with a proven track record in creating exceptional shareholder value and we have access to capital through a supportive shareholder base. We also believe that currently a lot of companies are re-evaluating their portfolios in Asia and that of course brings opportunity for companies like Coro. But perhaps most importantly we have long-standing, trusted networks and relationships in Asia that help us to access new growth opportunities in the region.

Focusing on Malaysia for a moment, what is it like to do business there?

Malaysia is a terrific country with wonderful people, but what is exciting for Coro is that it's a long-term oil and gas producer with lots of potential for companies like ours. Malaysia has long been dominated by the majors such as Shell and Exxon, but we believe there are opportunities for smaller, more nimble players. Petronas, the Malaysian state oil company, recognises the value smaller players can add and that is why we believe they have been so supportive of us and our projects, and in particular supportive of our recently awarded Joint Study Agreement on Block 2A.

Petronas also brings a level of ease, stability and regulation to doing business in Malaysia. The company is a combined regulator and partner across all activity in Malaysia, and one that operates absolutely to the highest international standards.

As an aside, if you've never been on holiday to Malaysia make sure you come over: the western islands of Penang and Langkawi are like a paradise in our northern hemisphere winter months. They are the perfect getaway given the consistently warm weather and amazing Malaysian food.

Has the change in leadership made it easier or more difficult to do business there?

The new government was elected last May and there is no doubt that there is a new sense of optimism in the country. Dr. Mahatir (or Tun M as he is affectionately known) is a much loved and revered leader in Malaysia and puts the country on a solid economic footing. Current levels of economic growth sit at about 5% so it's a thriving economy where oil and gas of course plays a very major part. A strong oil and gas economy with a high GDP growth rate makes it an ideal place for Coro Energy to invest and grow in the months and years ahead.

Moving now to Indonesia, describe how it is doing business there and how do you think Coro is positioned to maximise success there?

As companies regroup and refocus in the region we believe that there are opportunities for smaller market cap companies, like Coro Energy, to seek out and secure new opportunities. Our Bulu PSC transaction (Lengo field) is a case in point. We see value in Lengo and we have the energy and drive to see the project through to first gas in a particularly energy-hungry part of Indonesia. Smaller companies often bring a greater focus to such projects than larger companies and it's with this level of focus that we will create and realise value.

It is also encouraging to see Indonesia introduce more progressive terms, and the recent Gross Split PSC is a good example of this. This is a new oil and gas contract that tries to streamline bureaucracy and help investors, which is positive, although the Indonesian authorities still need to find a way to encourage exploration, which has been falling off over recent years.

What are the challenges of doing business in SE Asia and how is Coro able to counteract these?

Doing business in SE Asia is often viewed as being bureaucratic or slow but we find that through constant focus and engagement with the issues at hand we can counteract this. We often see that many companies which find Asia slow perhaps don't engage in the right way. Some companies approach Asian business partners with a top-down approach. But it is not only the top of an organisation that makes or facilitates any decision on a new asset-numerous managers and employees throughout the organisation are involved so it's worth engaging on many levels. In our view there can never really be enough engagement. Each engagement session we participate in lets us communicate more of what Coro Energy is about and what we hope to achieve.

How do you see the future of independent E&P companies like Coro in SE Asia and do you think more companies will enter the market following your lead?

It is an interesting space at the moment and we see a lot of mid-cap players reassessing their position and growth prospects in Asia. This potentially creates more opportunity for us as they retrench or regroup portfolios. There is also interesting M&A activity in Malaysia at the moment with OMV, the Austrian oil company, entering into a partnership with Sapura Energy of Malaysia in a $400m transaction. We believe there is also a lot of opportunity with Petronas for companies like Coro Energy who can leverage long-standing working relationships to be able to seek out and secure new opportunities.

To finish off, can you talk us through a typical working day for you, Pierre?

As the food is so good in Malaysia it's important to exercise and I often do communal circuits first thing in the morning. I like the social side to training in groups rather than alone. Then it's off to the first meeting of the day over breakfast with Nasi Lamak, which is the national dish of Malaysia, a flavoursome mix of rice and sambal (a spicy sauce) with peanuts. Malaysians, in fact most Asians, love socialising and doing informal business over food. It's their way of building trust. It's such an important part of the day and I've quite taken to it. All this informality in doing business means, of course, lots more coffee meetings etc. throughout the day to keep abreast of what is going on in the region and who's doing what. I also spend a lot of time with the consultancies we work with closely reviewing projects and especially the progress in our technical understanding of the high-impact opportunities on Block 2A.

Inevitably I am often travelling across the region with visits to Jakarta, Singapore or elsewhere to review opportunities as potential future assets for Coro. This involves working with a varied technical team as we assess opportunities for the Company. It's exciting to identify potential value in assets through applying Coro's technical skills where others perhaps haven't been able to do so. I like this collaborative approach to working as it always achieves a better result.

I've now been in Malaysia over six years and have perhaps developed a deep understanding of the country, its ways and customs. I've found the society to be very modern, tolerant and the mix of races brings a variety to life which I appreciate and like. The Malaysian's love of food is perhaps what will surprise any visitor the most. It is no wonder then that the business day often starts over breakfast and Nasi Lamak!

Operational Review – Italy

Production Assets

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

Total combined production for 2018 was 337 MMscf (9.5 MMscm) (2017: 247 MMscf) derived from four gas fields, namely Sillaro, Bezzecca, Rapagnano and Casa Tiberi. Coro's production entitlement for 2018 was 299 MMscf (8.5 MMscm), with the Rapagnano and Casa Tiberi fields acquired from Sound Energy plc effective 31 March 2018. Sant'Alberto, the portfolio's fifth production concession, continues to be in the development phase, with expected production start-up in the last quarter of 2019.

Production in the second half of 2018 was significantly lower than the first six months as two wells, Sillaro-2 and Bezzecca-1, were temporarily suspended due to extraordinary maintenance on the gas treatment plants. Production from those fields was suspended for approximately four months while the maintenance activity was carried out. The long duration of the production suspension was caused by the lead time to procure specified equipment which needed replacement. Production from all four fields recommenced in late November 2018 and has returned to the previous rates achieved during the first half of the year. Specifically, the 2018 exit daily production rate was 40,000 scm/day (1.4 MMscf/day).

Reserves – Italian portfolio

Asset	2P Reserves 31 December 2017[1] MMscm	Production 2018[2]	2P Reserves 31 December 2018 MMscm
Sillaro	61.5	(3.1)	58.4
Bezzecca	65.7	(2.6)	63.1
Sant'Alberto	58.9	-	58.9
Rapagnano	18.0	(2.9)	15.1
Casa Tiberi	1.0	(0.9)	0.1
	205.1	(9.5)	195.6

1 As certified by CGG Services (UK) Limited in February 2018.

2 Rapagnano production from April to December 2018 under Coro ownership was 2.0 MMscm. Casa Tiberi production over the same period was 0.7 MMScm.

Development Assets

The Sant'Alberto gas field is located in the Emilia Romagna region, a few kilometres from the Sillaro field. A production concession was granted in Q3 2017 and covers an area of 19.51 sq km.

It requires a simple development, involving the installation of a modular gas processing facility and its connection to the nearby Italian national grid. The Company currently intends to use the gas processing facility located at the Nervesa gas field, which is in the abandonment phase, leading to a considerable development cost-saving. The processing facility comprises a separation and dehydration system run by nitrogen generated on-site. Completion of this development is expected within 2019.

The Sant'Alberto production concession has certified 2P reserves of 2.0 Bcf (58.9 MMscm) and production capability is expected to start with limited rates due to the network constraints but will subsequently reach 30,000 scm/day after a de-bottlenecking operation is complete.

Exploration assets

On 12 February 2019, following a period of debate, the Italian government introduced certain changes to oil and gas 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.

This change in permitting impacts our key exploration licences including the Santa Maria Goretti and Laura prospects. This has led to impairments being recorded on these assets, as explained in the Financial Review and Note 2 of the financial statements.

Financial Review

Andrew Dennan
Chief Financial Officer

> **"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 approval). 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 €0.5m 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

Managing Risk

Our Approach to Risk Management

The Board of Directors recognises that an effective risk management framework is essential to safeguard the Group's assets and enable it to meet its strategic objectives. The Board takes overall responsibility for identification and mitigation of risks, while the Audit Committee has delegated responsibility for reviewing and monitoring the internal control and risk management systems on which the Group is reliant. In 2018, the Group's strategy evolved to a focus on opportunities in South East Asia, leading to changes in the Group's risk environment. In the Board's judgement, the following principal risks represent the biggest threat to the ability of the Group to deliver on its strategy.

Strategic Risks

Risk	Description and Impact	Mitigation
Failure to identify suitable M&A opportunities and/or failure to successfully execute M&A	The Group's strategy is to build an E&P business focused on the South East Asian market. To deliver on this strategy, the Group needs to identify and execute value-accretive acquisitions in the region, and has an active programme of evaluation of assets in the exploration, development and production stages. There is a risk that the Group fails to identify suitable acquisition targets, or that deals cannot be closed on assets deemed to be attractive. Failure to identify and/or close M&A opportunities could lead to a loss of confidence in the Group's management resulting in poor share price performance and tightening of funding availability, as well as depleting available cash balances through unsuccessful business development spend.	The Group mitigates this risk through employing appropriately skilled financial, technical and operational staff and consultants with experience in the sector in SE Asia and a well-established network. Potential opportunities are evaluated based on a range of criteria both financial and non-financial to ensure only value accretive assets suitable for the Coro business are acquired.
Availability of funding	In the future the Group will need to raise additional funds to implement its strategy. The ability of the Group to raise funds will depend on factors not wholly within the control of management, including general market sentiment around the oil and gas industry and junior exploration and production companies specifically. As a result, there can be no assurance that the required funding will be available on favourable terms, if at all. Failure to raise required funds could have a material adverse effect on the Group's business, operating results and financial condition, and may result in erosion of value for investors.	The Group seeks to mitigate this risk through prudent management of costs and rigorous evaluation of investment opportunities to ensure these will be attractive to investors in the debt and capital markets.
Commodity prices	The Group is exposed to risks arising from fluctuations in the demand for, and price of, hydrocarbons. Oil and gas prices have historically been volatile and are affected by numerous factors over which the Group does not have any control, including global supply, international economic trends, currency exchange fluctuations, inflation, speculative activity, consumption patterns and global or regional political events.	For assets in the production phase, the Group mitigates this risk through entering into fixed price sales agreements where appropriate. In terms of evaluating and sanctioning new investments, the Group adopts a conservative price forecast to ensure capital is allocated to projects with robust economics, even in lower commodity price environments.

Operational Risks

Risk	Description and Impact	Mitigation
Oil and gas exploration and production risks	The success of Coro will depend on its ability to find, develop, and produce oil and gas that is economically recoverable. Through this value chain, the business is exposed to a wide variety of risks, including failure to locate hydrocarbons, changes to reserve estimates or production volumes, variable quality of hydrocarbons, weather impacts, facility malfunctions, lack of access to appropriate skills or equipment and cost overruns. Failure to effectively manage these risks could lead to decreased cash generation, lower profitability and a deterioration in the financial position of the Group.	The Group has extensive experience operating its existing asset base in Italy, and also has the right mix of technical, financial and operational skills necessary to successfully find, develop and produce oil and gas safely and economically.
Health, Safety and Environmental matters	Exploration, development and production of oil and gas involves risks which may impact the health and safety of personnel, the community and the environment. Industry-wide operating risks include fire, explosions, blow outs, pipe failures, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases. Failure to manage these risks could result in injury or loss of life, damage or destruction of property and damage to the environment. Losses or liabilities arising from such incidents could significantly impact the Group's financial results.	The Group operates its Italian assets and mitigates these risks through a focus on responsible operation of these assets, ensuring close adherence to all regulatory standards in respect of HSE matters. This includes regular inspection and maintenance of all our gas production facilities. In future, we will seek to take an active role in joint venture management and operating committees on our non-operated assets such as Bulu and Duyung, and work with the operators to foster a culture of responsible asset stewardship.
Changes to law, regulations or government policy and emerging market risk	Changes in law, regulations and/or government policy may adversely affect Coro's business. Examples include changes to land access or the introduction of legislation that restricts or inhibits exploration, development and production of hydrocarbons. Similarly, changes to direct or indirect tax legislation may have an adverse impact on the Group's profitability, net assets and cash flow. Further, the Group has expanded its footprint in South East Asia including acquiring assets in Indonesia and Malaysia, which exhibit emerging market characteristics such as less established fiscal and monetary controls, laws, policies and regulatory processes. The Group is exposed to the resultant risk of being adversely affected by possible political or economic instability in its countries of operation including, inter alia, security risks, expropriation of assets, changes in mining or investment policies, inconsistent interpretation of laws and regulations including tax law, extreme fluctuations in currency exchange rates and high rates of inflation. All of these factors could materially adversely affect the Group's business, results of operations, financial condition or prospects.	To mitigate these risks, the Group employs staff and professional advisers with experience operating in all the Group's key territories and continuously monitors political, legal and economic developments in all its geographies.
Alignment with joint venture partners	Exploration and development of oil and gas assets is commonly undertaken with joint venture partners. Assuming completion of the Group's recently announced acquisitions, Coro will soon be party to multiple joint ventures as a non-operator. While Joint Operating Agreements provide for all partners to participate in the financial and operating decisions of the ventures, there is a risk that the priorities of our joint venture partners will not be aligned with our own. This could lead to delays in exploration and development of projects, resulting in variability in the Group's forecast cash flows and profitability. There are also risks associated with the continuing ability of joint venture partners to fund their share of expenditures.	The Group seeks to mitigate this risk through appropriate diligence on potential partners prior to investing in a venture, as well as through active participation in the key decisions of each project.
Dependence on key executives and personnel	The future performance of the Group will, to a significant extent, be dependent on its ability to retain the services and personal connections or contacts of key executives and to attract, recruit, motivate and retain other suitably skilled, qualified and industry experienced personnel to form a high calibre management team. Such key executives are expected to play an important role in the development and growth of the Group, in particular by maintaining good business relationships with regulatory and governmental departments and essential partners, contractors and suppliers. The loss of the services of any of the key executives, advisers or personnel may have a material adverse effect on the business, operations, relationships and/or prospects of the Group.	The Group seeks to mitigate this risk through structuring appropriate incentive packages for key executives and staff, as well as providing an enjoyable and challenging work environment.

This Strategic Report was approved by the Board on 30 April 2019 and signed on its behalf by:

James Menzies
Chief Executive Officer

Governance

Corporate Governance Statement	23
Our Board	24
Corporate Governance Framework	27
Directors' Remuneration Report	31
Directors' Report	33
Statement of Directors' Responsibilities	34
Independent Auditor's Report	35

Corporate Governance Statement

Chairman's Corporate Governance Statement

As Chairman of the Company, I firmly believe that strong corporate governance helps provide the building blocks that allow an organisation to be successful. The Board is committed to good governance across the business, at executive level and throughout its operations. Following the revisions to the AIM Rules for Companies in March 2018 pursuant to which all AIM companies are required to comply with a recognised corporate governance code, the decision has been made by the Company that it will adopt the QCA Code which is believed to be the most appropriate recognised governance code for Coro.

The Company is at the early stages of its journey as a public listed company and the Board is supportive of embracing the highest levels of corporate governance possible. As the directors work together to grow and develop the business there is an overall commitment to ensure that good governance is embedded within the culture of the Company, being consistent with the objectives it looks to deliver.

The Board not only sets expectations for the performance of the business but works towards ensuring that strong values are embedded across the organisation. The importance of engaging with our shareholders is key to the success of the business, and the Board strives to ensure that there are numerous opportunities for investors to engage with both the Board and executive team.

James Parsons
Non-Executive Chairman

QCA Code – Application, principles and disclosure requirements

The Board of Directors of the Company fully endorses the importance of corporate governance and applies the Quoted Companies Alliance Corporate Governance Code (2018) (the "QCA Code"), which we believe is the most appropriate recognised governance code for a company of its size with shares admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange. The QCA Code provides the Company with the framework to help ensure that a strong level of governance is maintained, enabling the Company to embed the governance culture that exists within the organisation as part of building a successful and sustainable business for all its stakeholders.

The QCA Code has ten principles of corporate governance that the Company has committed to apply within the foundations of the business, as summarised below. Further disclosures regarding the Company's application of the QCA Code can be found on the Company's website.

Principles

Principle	Coro response
Establish a strategy and business model which promote long-term value for shareholders	The Group's strategy and business model are outlined on page 08 and 09
Seek to understand and meet shareholder needs and expectations	The Group engages with shareholders regularly through its periodic online Question & Answer forums, Annual General Meeting and regular presentations at investor evenings.
Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Group seeks to be a responsible corporate citizen in all its territories of operation, and is committed to maintaining a high standard of corporate governance.
Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Group has an effective risk management framework, which is subject to oversight by the Audit Committee. See further details on page 20.
Maintain the Board as a well-functioning balanced team led by the Chair	Refer to further discussion of the Board structure, composition and processes on page 27.
Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	The complementary skills and experience of our Board and Executive Management team are included on pages 24 to 27.
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	Refer to a discussion of Board evaluation on page 29.
Promote a corporate culture that is based on ethical values and behaviours	The Group has a zero-tolerance approach to bribery and corruption and has an Anti-Bribery Policy in place to protect the Company, its employees and those third parties to which the business engages with. Employees are reminded of their obligations regularly.
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Refer to further discussion of the Group's governance structures, including matters reserved for the Board, on page 27.
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Group's financial and operational performance are summarised in the Annual Report and the Interim Report, with regular updates provided to stakeholders in other forums through the year, including press releases and regular updates to the Group's website.

Our Corporate Executive Team

Our Board

James Parsons
Non-Executive Chairman

James has held the role of Chief Executive Officer at Sound Energy plc since October 2012 and has matured the company into a mid-cap Moroccan gas explorer and developer. James started his career with the Royal Dutch Shell group in 1994 and spent 12 years with Shell working in Brazil, the Dominican Republic, Scandinavia, the Netherlands and London.

Leading up to 2006 (when he left Shell to join Inter Pipeline Fund), James held various positions in Shell's exploration and production business, latterly as Vice President Finance – New Business. He is a qualified accountant and has a BA Honours in Business Economics.

James is also the Non-Executive Chairman of Echo Energy plc.

James Menzies
Director/Chief Executive Officer

James is a qualified geologist with over 30 years' industry experience having held senior technical and commercial roles at Lasmo in the UK, Vietnam and Indonesia, before working for boutique M&A house Lambert Energy in London.

In 2005 James co-founded Salamander Energy, which was sold to Ophir Energy in 2015 for $850m.

James is currently a Non-Executive Director of Trinity Exploration and Production Plc.

Fiona Macaulay
Non-Executive Director

Fiona has over 30 years of experience in the oil and gas industry and is the Former Chief Operating Officer and Technical Director of Rockhopper Exploration Plc.

A Chartered Geologist, Fiona started her career with Mobil North Sea Limited in 1985 and has subsequently held senior roles in a number of leading oil and gas firms, including Amerada Hess and BG. She is European President of the American Association of Petroleum Geologists.

Fiona is also Non-Executive Chair of Independent Oil & Gas Plc and a Non-Executive Director of Echo Energy Plc.

Marco Fumagalli
Non-Executive Director

Marco Fumagalli is a Founding Partner at Continental Investment Partners SA, a Swiss-based fund and cornerstone shareholder in Sound Energy plc and Echo Energy Plc. Marco is a well-known Italian businessman who was a former Group Partner at 3i.

Marco is a qualified accountant and holds a degree in Business Administration from Bocconi University in Milan. He is a Non-Executive Director of Sound Energy Plc and Echo Energy Plc.

Andrew Dennan
Chief Financial Officer

Andrew has many years' experience unlocking growth across AIM-listed companies as a corporate financier and investment manager. Throughout his career he has been involved in stockbroking and asset management in prominent roles leading proprietary investment decisions, capital raising, risk oversight and portfolio management. He has worked closely for many years with key members of the Board.

Andrew brings a wealth of capital markets and corporate transaction experience to the team and is currently a Non-Executive Director of Alpha Growth plc.

Our Corporate Executive Team

Dr. Pierre Eliet
Business Development (South East Asia)

Dr. Eliet is an oil & gas executive with over 20 years of experience in the oil industry with a proven track record in organic and inorganic growth projects and business development. Dr Eliet has extensive experience in Asia having worked with Roc Oil and Lundin Petroleum in senior leadership roles based in Kuala Lumpur, Malaysia. At both Roc Oil and Lundin, Dr Eliet had oversight of subsurface projects and growth across both groups' Asian portfolio of assets. From June 2015 to December 2016 he served as Technical and Business Development Director, SE Asia for Lundin Petroleum and from September 2012 to May 2015 as GM – Exploration, Geoscience & Business Development for Roc Oil & Director ROC Oil Malaysia.

Dr Eliet has also worked at Total and Cairn Energy in the United Kingdom and India across a wide variety of assets including the North Sea and Atlantic margin as well as new venture projects. While at Cairn Energy he was closely associated with the Cairn Energy flagship and transformational oil discoveries of Mangala, Aishwaryia and Bhagyam in India.

Dr Eliet holds a BA in Earth Science from Trinity College in Dublin, Ireland and a PhD in Geology from Manchester University, U.K. Dr Eliet is a Fellow of the Geological Society, London ("FGS").

Leonardo Salvadori
Managing Director, Italy

Dr Salvadori has over 30 years of international exploration, business development and general management experience. He has worked in exploration in Libya and Norway, and in Italy with exploration and new ventures roles, with a specific focus on the Middle East, Africa, Asia and North Sea.

From 2001 to 2006 Dr Salvadori headed up large exploration departments operated by Eni in Indonesia and Egypt, where he was responsible for several significant successes, including new concessions acquisitions and several discoveries from onshore to deep water. In 2006, he left Eni to join Dana Gas Egypt, where he worked for nine years covering top managerial roles in exploration, business development and general management delivering outstanding results with 13 discoveries and the acquisition of three prolific new exploration blocks in combination with production records and world-class asset integrity management.

In November 2015, Dr Salvadori joined Sound Energy plc, and he was appointed Managing Director of Coro's enlarged Italian business following the acquisition of Sound Energy's Italian portfolio by Coro in 2018.

Giorgio Bertuzzi
Lead Explorationist

Dr Bertuzzi has over 30 years of international exploration management experience, both in Italy and abroad. From 1993 to 2001 Giorgio was Exploration Project Manager for Eni in the Po Valley area where the main activities were prospects selection and exploratory drilling aimed also at the evaluation of residual hydrocarbon potential in Exploitation Concessions (30 wells, several of them gas and oil discoveries).

Dr Bertuzzi led the 'Eni Exclusive Area Liberalization' project which consisted of a thorough evaluation of the general Po Valley basin which was carried out to select the acreage deemed potentially suitable for Eni's Exploration and Exploitation applications. The final results in 1998 was the awarding to Eni of 38 Exploration Permits and 49 Exploitation Concessions and the building of a considerable prospects portfolio.

Corporate Governance Framework

Role of the Board

The Group is still evolving and is looking to grow through acquisition, so it is critical that the Group's governance and control structure is robust, clearly defined and communicated. The Board of Directors is responsible for the overall management and performance of the Group and operates within a framework of prudent and effective controls which enables risk to be assessed and managed. It is also collectively responsible for the success of the Group and operates within a framework of reserved matters, delegations and assurance.

Governance Structure

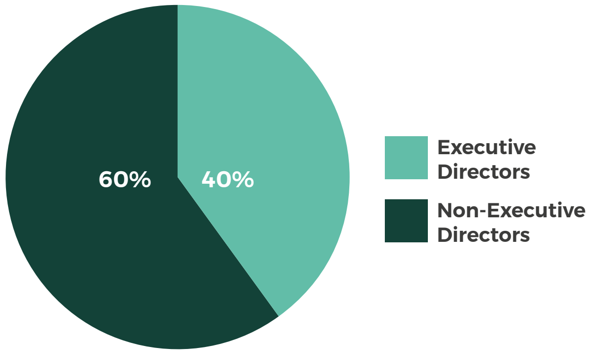
At the end of 2018, the Board comprised a Non-Executive Chairman, Chief Executive Officer and two Non-Executive Directors, after Sara Edmondson stepped down from the Board in October 2018. The Board has significant industry, financial, public markets and governance experience, possessing the necessary mix of experience, skills, personal qualities and capabilities to deliver on the Group's strategy for the benefit of shareholders over the medium to long-term.

The role of the Chairman and Chief Executive Officer are split in accordance with best practice. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities and is also responsible for facilitating full and constructive contributions from each member of the Board in determination of the Group's strategy and overall commercial objectives. The Chief Executive Officer leads the business and the executive team ensuring that strategic and commercial objectives are met. They are accountable to the Board for the operational and financial performance of the business. Fiona MacAulay was appointed to the Board in November 2017 and is currently the only Independent Non-Executive Director. The Board recognises the need to appoint a further independent director and will seek to find a suitable addition to the Board with a suitable skill set and the required independence.

Executive directors are expected to devote substantially all of their time to their duties with the Company. The CEO has one additional non-executive directorship which is not deemed to conflict with the business of the Group. Non-executives have a lesser time commitment, and it is anticipated that each of the non-executive directors including the Chairman will dedicate approximately 12 days a year to the Group.

The directors have varied experience and bring a breadth of capabilities to the Company. James Parsons, Non-Executive Chairman, is a specialist in restructuring and fundraising, and has strong public markets experience. James Menzies, Chief Executive Officer, has many years experience in developing an oil and gas business in South East Asia and brings the requisite experience to assist the Company in achieving its long term strategic goals. Andrew Dennan, Chief Financial Officer, brings a wealth of capital markets and corporate transaction experience. Fiona MacAulay, Non-Executive Director, has many years industry and corporate experience, enabling her to review and challenge opportunities present. Marco Fumagalli, Non-Executive Director, is a qualified accountant and has the experience required to challenge the Group's internal control and financial processes.

Board Composition – 2018



Matters Reserved for the Board

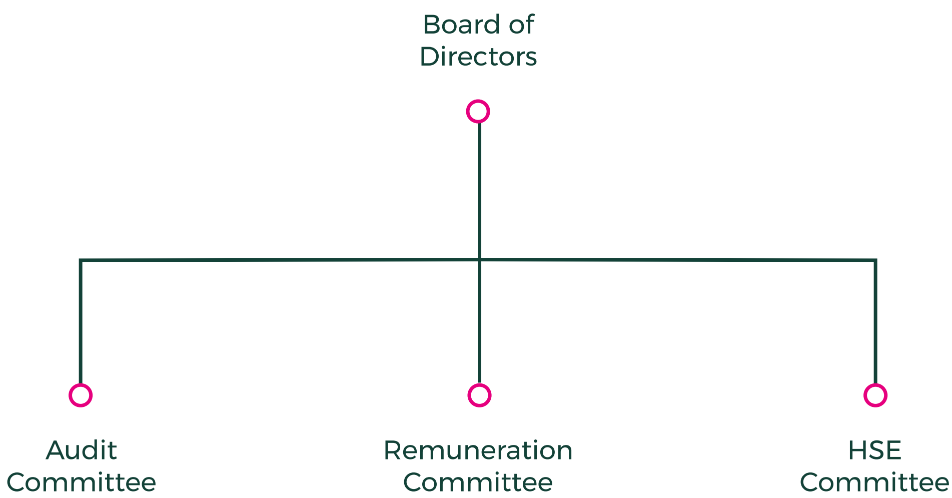
The Board retains full and effective control over the Group and is responsible for the Group's strategy and key financial and compliance issues. There are certain matters that are reserved for the Board which are reviewed on an annual basis, and they include but are not limited to:

- **Strategy and Management** (approval of strategic aims and objectives; approval of the Group's annual operating and capital expenditure budgets and changes; decision to cease to operate all or any material part of the Group's business);
- **Structure and Capital** (major changes to the Group's corporate structure; any change to the Company's listing);
- **Financial Reporting and Controls** (approval of: financial results; annual reports and accounts; dividend policy and declaration of any dividend; significant changes in accounting policies/practice; treasury policies);
- **Internal Controls** (ensuring maintenance of a sound system of internal control and management);
- **Contracts** (major capital contracts; contracts which are material or strategic; major investments or any acquisitions/disposals);
- **Communications** (approval or resolutions and documentation put forward to shareholders);
- **Board Membership and Other Appointments**;
- **Remuneration**: (determining the remuneration policy for directors, senior execs and non-executive directors, introduction of new share incentive plans, changes to existing plans);
- **Corporate Governance Matters** (review of the Group's overall corporate governance arrangements);
- **Policies** (approval of Group policies, including the share dealing code);
- **Other** (litigation involving £5m and over or otherwise material to the Group; approval of the appointment of professional advisers; and approval of overall levels of insurance for the Group).

Corporate Governance Framework

Board Committees

The Board has formed three sub-committees: namely the Audit Committee, the Remuneration Committee and the HSE Committee, with delegated responsibility to monitor their respective areas and to report back to the full Board. Board Committees operate under clearly defined terms of reference which are kept under review to ensure proper functioning of the Committees and effective application of best practice.



Audit Committee:

- **Marco Fumagalli**
  Chairman
- **Fiona MacAulay**
  Member

Remuneration Committee:

- **James Parsons**
  Chairman
- **Marco Fumagalli**
  Member
- **Fiona MacAulay**
  Member

HSE / Technical Committee

- **Fiona MacAulay**
  Chairman

Board Meeting Attendance

Year ended 31.12.2018

	Board (scheduled)	Board (ad hoc*)	Audit Committee	Remuneration Committee	HSE Committee
Number of meetings held	**6**	**5**	**2**	**1**	**2**
James Parsons	6	5	1	–	–
James Menzies[1]	4	3	–	–	–
Marco Fumagalli	6	3	2	1	
Sara Edmondson[2]	5	3	–	–	2
David Garland[3]	1	–	–	–	–
Fiona MacAulay	6	3	2	1	2
Ilham Habibie[4]	3	3	–	–	–

* Ad-hoc meetings are called for specific matters, generally of a more administrative nature not requiring full Board attendance.

[1] James Menzies was appointed to the Board on 1 May 2018.

[2] Sara Edmondson resigned from the Board on 22 October 2018.

[3] David Garland resigned from the Board on 9 April 2018.

[4] Ilham Habibie was appointed to the Board on 15 February 2018.

Board Evaluation

The directors consider seriously the effectiveness of the Board, its Committees and individual performance.

The Board generally meets formally five times a year with ad hoc Board meetings as the business demands. There is a strong flow of communication between the directors, and in particular between the CEO and Chairman. Board meeting agendas are set in consultation with both the CEO and Chairman, with consideration being given to both standing agenda items and the strategic and operational needs of the business. Comprehensive board papers are circulated well in advance of meetings, giving directors ample time to review the documentation and enabling an effective meeting. Resulting actions are tracked for appropriate delivery and follow up. The directors have a broad knowledge of the business and understand their responsibilities as directors of a UK company quoted on AIM and developing appropriate corporate governance procedures and looking forward to building further on the governance structure already in place.

The Company's Nomad provides annual boardroom training as well as initial training as part of a director's onboarding. The Company Secretary helps keep the Board up-to-date with developments in corporate governance and liaises with the Nomad on areas of AIM requirements. The Company Secretary has frequent communication with both the Chairman and CEO and is available to other members of the Board as required. The directors also have access to the Company's auditors and lawyers as and when required, and the directors are able, at the Company's expense, to obtain advice from other external advisers if required.

As a newly formed Board, it is too early to consider formally reviewing Board effectiveness, yet it is recognised that in order to meet the requirements of the QCA Code, a process needs to be considered in the short to medium term. In the meantime, the directors are committed to ongoing review of the functioning of the Board to ensure it is meeting its objectives.

Corporate Governance Framework

Board Reports

Audit Committee

The Audit Committee comprises Marco Fumagalli (Chairman) and Fiona MacAulay.

Scope and Responsibilities:

The Audit Committee is mainly responsible for the oversight of financial reporting in accordance with regulatory and statutory requirements and for the review and monitoring of the Group's internal financial control and risk management systems. The Committee meets a minimum of twice a year.

2018 Activities:

- Reviewed and approved the Group's 2017 Annual Report and 2018 Interim Report.
- Reviewed and approved the 2018 audit plan presented by the Group's auditor.
- Reviewed the independence and competence of the Group's auditor, PKF Littlejohn LLP and recommended their reappointment.

Remuneration Committee

The Remuneration Committee comprises the Non-Executive Directors, James Parsons (Chairman), Fiona MacAulay and Marco Fumagalli.

The Committee generally meets twice a year and is responsible for making recommendations to the Board of Directors, on senior executives' remuneration. At present, the Company does not have a Nomination Committee and the Remuneration Committee also carry out the functions of the Nomination Committee, as and when required.

2018 Activities:

- Review and approved the 2018 bonus awards to the CEO and senior management.
- Review of the Group's long-term share incentive structures.

HSE/Technical Committee

The HSE/Technical Committee comprises Fiona MacAulay (Chairman). Sara Edmondson was a member until she stepped down from the Board in October 2018.

Paramount to Coro Energy's ability to pursue its strategic priorities is a safe workplace and a culture of 'safety first'. The Company regards environmental awareness and sustainability as key strengths in planning and carrying out business activities.

Coro's daily operations are conducted in a way that adheres to these principles and management are committed to their continuous improvement. While growing from exploration roots, the Company has strived to continually improve underlying safety performance. The Company has adopted a Health, Safety and Environment Management System which provides for a series of procedures and routine checks (including periodical audits) to ensure compliance with all legal and regulatory requirements and best practices in this area.

In 2018, Coro maintained its outstanding occupational health, safety and environmental track record with no incidents or near misses to report. During 2018 the total man-hours amounted to 43,526 with zero LTIs recorded.

2018 Activities:

- Integration of the HSE Management Systems under the two Italian operating subsidiaries.
- Implemented new HSE training for staff;
- Extensive maintenance activities undertaken on the Vitalba and Sillaro gas plants.
- Managed routine HSE activities including audits and inspections in compliance with legal obligations.
- HSE Committee undertook a site visit to the Group's Italian operations in January 2019.

From 2019, the HSE Committee will meet at least five times a year, prior to each scheduled Board Meeting.

Directors' Remuneration Report

Remuneration Committee

The Remuneration Committee recognises the importance of attracting, retaining and motivating talent within the boardroom and the wider executive team to ensure the success of the Company.

The Remuneration Committee is responsible for reviewing and determining compensation arrangements for all directors and senior executives. The Remuneration Committee considers the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and senior executive team.

The Company's Board and Executive team was refreshed in late 2017 and early 2018 in conjunction with a fundraise, AIM readmission and the launch of a new strategy. As the business continues to grow and the Board and Executive team embeds within the business, the Remuneration Committee will work to ensure that the appropriate policies and framework are in place to reward staff for achievements and targets met, which in turn creates value for stakeholders.

Remuneration Package – Chief Executive Officer

The Company offers a fixed remuneration package of salary, pension and certain benefits. In addition, the CEO is eligible for a discretionary bonus award and grant of share options. The Company is considering the implementation of a Long-Term Incentive Plan for executives and senior management, which includes the CEO.

The quantum of the CEO's discretionary bonus for 2018 was presented to the Remuneration Committee for approval and was based on the CEO's and the Company's performance as a whole over the previous year. The CEO was also awarded Company share options on joining the Company as a signing incentive and to promote alignment with shareholder interests.

The Chief Executive Officer's scorecard, bonus award and options granted are agreed by the Remuneration Committee.

Chairman and Non-Executive Directors' Fees

The fees paid to the Chairman and Non-Executive Directors are set at a level both in line with the market and to appropriately reward and retain individuals of a high calibre and are reviewed and approved by the Remuneration Committee. The fees paid reflect the level of commitment and contribution to the Company. Fees are paid monthly in cash and are inclusive of all Committee roles and responsibilities. In addition, directors were awarded Company share options in 2018 with a three-year vesting period to align the interests of directors and shareholders.

Remuneration of Directors

The following remuneration table comprises directors' salaries and benefits in kind that were payable to directors who held office during the year ended 31 December 2018:

	Salary and cash benefits €'000	Bonus €'000	Benefits in kind €'000	Pensions €'000	Total 2018 €'000	Total 2017 €'000
Executive Directors						
James Menzies [1]	263	223	1	8	495	–
Sara Edmondson [2]	202	–	9	43	254	215
Michael Masterman [3]	–	–	–	–	–	67
Non-Executive Directors						
James Parsons [4]	68	–	–	–	68	2
Fiona MacAulay [5]	40	–	–	–	40	1
Marco Fumagalli [6]	40	–	–	–	40	1
Ilham Habibie [7]	35	–	–	–	35	–
Christopher Johannsen [8]	–	–	–	–	–	14
David Garland [9]	4	–	–	–	4	43
Kevin Bailey [10]	–	–	–	–	–	13

Directors' Remuneration Report

1. James Menzies was appointed as a director and Chief Executive Officer on 1 May 2018. Of the bonus paid to James Menzies, €158k was settled in shares in the Company.
2. Sara Edmondson resigned as a director on 22 October 2018.
3. Michael Masterman resigned as a director on 12 December 2017.
4. James Parsons was appointed as a director on 12 December 2017.
5. Fiona MacAulay was appointed as a director on 12 December 2017.
6. Marco Fumagalli was appointed as a director on 12 December 2017.
7. Ilham Habibie was appointed as a director on 15 February 2018.
8. Christopher Johannsen resigned as a director on 31 December 2017.
9. David Garland resigned as a director on 9 April 2018.
10. Kevin Bailey resigned as a director on 12 December 2017.

Share Based Payments

During the year share options were awarded to certain directors as set out in the table below. All options have an exercise price of 4.38p per share and vest on the third anniversary of grant date. The total share based payments expense recognised in respect of directors in 2018 was €367k. For further details refer to note 26 of the financial statements.

	Options held at 1 January 2018	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Options held at 31 December 2018
Executive Directors					
James Menzies	–	25,000,000	–	–	25,000,000
Sara Edmondson	–	10,000,000	–	–	10,000,000
Non-Executive Directors					
James Parsons	–	10,000,000	–	–	10,000,000
Fiona MacAulay	–	10,000,000	–	–	10,000,000
Marco Fumagalli	–	10,000,000	–	–	10,000,000
Ilham Habibie	–	10,000,000	–	–	10,000,000
David Garland	–	2,000,000	–	–	2,000,000

Directors' Interest in Shares

Directors and their connected persons had the following interests in shares of the Company at 31 December 2018:

Name of Director	No. of shares at 31 December 2018	No. of shares at 31 December 2017
James Menzies	1,712,576	–
James Parsons [1]	584,150	–
Fiona MacAulay	–	–
Marco Fumagalli [2]	–	–
Ilham Habibie	–	–

1. James Parsons, by virtue of his holding in Sound Energy plc, was awarded 584,150 Consideration Shares pursuant to the SEHIL acquisition.
2. Marco Fumagalli holds no Ordinary Shares directly. Mr Fumagalli holds a 25%, interest in Continental Investment Partners S.A ("Continental"), which has 12,336,561 Ordinary Shares. In addition, Mr Fumagalli is a director of and holds a 1.82% interest in CIP Merchant Capital Limited which owns 150,684,929 shares in the Company.

This Remuneration Report was approved by a duly authorised Committee of the Board of Directors on 30 April 2019 and signed on its behalf by:

James Parsons
Non-Executive Chairman
30 April 2019

Directors' Report

The directors present their Annual Report and the audited Group and Company financial statements of Coro Energy plc for the year ended 31 December 2018. The Company changed its name to Coro Energy plc on 9 April 2018.

Principal Activities

Coro Energy plc is an AIM-listed oil and gas exploration and production company. The Company, through its wholly owned subsidiaries, has an asset portfolio in Italy situated on the east coast and in the Po Valley region.

The Group has an ambitious growth strategy focused on the South East Asian market and acquired its first assets in the region during 2018 and post year-end, with the acquisition of interests in the Bulu and Duyung Production Sharing Contracts.

Results and Dividends

The Group made a net loss after tax of €9.9m (2017: €7.0m) after generating revenues of €1.8m (2017: €1.4m). The comparative period presented in the Statement of Comprehensive Income includes the results of the Company for 14 months from incorporation in November 2016 until 31 December 2017, as explained in note 3 of the financial statements. The directors have not recommended payment of a dividend (2017: nil).

Directors

The directors who served during the period and up to the date of this report were as follows:

- **James Menzies**
(appointed 1 May 2018)
- **James Parsons**
- **Fiona MacAulay**
- **Marco Fumagalli**
- **Sara Edmondson**
(resigned 22 October 2018)
- **Ilham Akbar Habibie**
(appointed 16 February 2018, resigned 28 February 2019)
- **David Garland**
(resigned 9 April 2018)
- **Andrew Dennan**
(appointed 22 March 2019)

Directors' and Officers' Indemnity Insurance

The Group has made qualifying third-party indemnity provisions for the benefit of its directors and officers. These were made during the previous year and renewed post year-end and remain in force at the date of this report.

Provision of Information to Auditor

So far as each of the directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Future Developments

Future developments are included in the Statement from the Chairman and Chief Executive Officer.

Information on Financial Instruments and Financial Risk Management

Information on the financial instruments of the Group and its approach to financial risk management is disclosed in note 24 to the financial statements.

Substantial Shareholdings

The directors were advised of the following significant direct and indirect interests in the issued share capital of the Company as at the date of this report:

Name of shareholder	Interest
Lombard Odier Asset Management (Europe) Limited	24.82%
CIP Merchant Capital Ltd	19.33%
Conrad Petroleum Ltd	7.03%
UBS (Zurich)	4.14%

Subsequent Events

The events after the reporting period are set out in note 29 to the financial statements.

Going Concern

As further discussed in the Financial Review and note 2 of the financial statements, 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.

This report was approved by the Board on 30 April 2019 and signed on its behalf:

James Menzies
Chief Executive Officer

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Parent Company and the Group as at the end of the financial year and of the profit or loss of the Group and the Parent Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Group is compliant with AIM Rule 26 regarding the Group's website.

This report was approved by the Board on 30 April 2019 and signed on its behalf:

James Menzies
Chief Executive Officer

Independent Auditor's Report

To the members of Coro Energy plc

Opinion

We have audited the financial statements of Coro Energy Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Conclusions relating to going concern

Group materiality 2018	Group materiality 2017	Basis for materiality
€250k	€74k	1% of gross assets

Our calculated level of materiality has increased from the previous year. This is predominantly due to the significant increase in assets as a result of the acquisition of Coro Europe Limited (formerly Sound Energy Holdings International Limited). We do not, however, consider the inherent risks to have increased and therefore consider materiality based on 1% of gross assets remains appropriate.

We consider gross assets to be the most significant determinant of the group's financial position and performance used by shareholders, with the key financial statement balances being oil and gas assets (included within PPE), exploration and evaluation assets, and cash and cash equivalents. The going concern of the group is dependent on its ability to fund operations going forward, as well as on the valuation of its assets, which represent the underlying value of the group.

Whilst materiality for the financial statements as a whole was set at €250k, each significant component of the group was audited to an overall materiality ranging between €50k - €250k with performance materiality set at 80%. We applied the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements.

We agreed with the audit committee that we would report to the committee all audit differences identified during the course of our audit in excess of €12.5k (2017: €12.5k). There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material.

Independent Auditor's Report

To the members of Coro Energy plc

An overview of the scope of our audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas requiring the directors to make subjective judgements, for example in respect of significant accounting estimates including the carrying value of assets and the consideration of future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

An audit was performed on the financial information of the group's operating components which for the year ended 31 December 2018 were located in the United Kingdom and Italy, with the group's accounting functions being based in these locations. There are a number of dormant UK companies within the group which have not been assessed as significant components and no detailed audit work has been performed other than verification of ownership.

The two Italian components, Apennine Energy SpA and Northsun Italia SpA, have been assessed as significant components of the group. Oil and gas assets and rehabilitation provisions, which are two of the three key audit matters, are held within these two components. Further details on the work performed to address these key audit matters and the interaction of our own work and that of the component auditors is detailed in the following section.

Both Italian components were audited by non-PKF network firms operating under our instruction. There was regular interaction with the component auditor during all stages of the audit, and we were responsible for the scope and direction of the audit process. We also visited Italy to review the audit file and work performed on the Italian component that was acquired during the year. This involved a review of the component auditor working papers relating to all material items and obtaining an understanding of the key balances and transactions in the component's financial statements. In relation to the other Italian component, we remotely reviewed the working papers and held discussions with the component auditor to understand the work performed and conclusions reached. The component auditors also provided their findings to us which were reviewed and challenged accordingly. This gave us sufficient appropriate evidence for our opinion on the group financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Acquisition of Coro Europe Limited (formerly Sound Energy Holdings Italy Limited)	
As reflected in Note 22, the company acquired the entire share capital of Coro Europe Limited (formerly Sound Energy Holdings Italy Limited ("SEHIL")) during the year for a purchase consideration of EUR 11.6 million. There is a risk that the acquisition has been incorrectly accounted for and that any goodwill and intangible assets arising on acquisition have been incorrectly valued and apportioned.	**We performed the following work on the acquisition of SEHIL:** • Obtained and reviewed the sale and purchase agreement in order to identify the key terms of the transaction; • Assessed the competency, capabilities and objectivity of the experts engaged by management to value the goodwill and separately identifiable intangible assets arising on acquisition and considered the suitability of the results as audit evidence for our assertions; • Considered the data included within management's expert report for completeness; • Examined the calculations performed by the experts for accuracy and reviewed and challenged all inputs used by the external valuers; • Obtained and reviewed management-prepared year-end impairment papers and challenged the information contained therein; and • Reviewed the disclosures in the financial statements.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Valuation of the rehabilitation provision	
The rehabilitation provision of EUR 7.6 million, as shown in Note 18, is the group's largest liability. Rehabilitation provisions are made for the following sites: Sillaro, Sant' Alberto, Bezecca (NSI) and Badile, San Lorenzo, Rapagnano, Casa Tonetto (APN). Management uses its judgement and experience to provide for and amortise the estimated costs for decommissioning and site rehabilitation over the life of the site. Note 2(e) details the key judgements made by management in arriving at this estimate. The ultimate costs of decommissioning and rehabilitation are uncertain and can vary significantly depending on the duration of the site life, the quantity of resources to be extracted from the site and regulatory requirements. There is a risk that the basis for the accounting estimate is unreasonable and therefore the rehabilitation provision has been incorrectly calculated and disclosed within the financial statements.	**We reviewed the work performed by the component auditors in respect of the rehabilitation provision which included the following:** • Obtaining management's calculations of the rehabilitation provision and understanding the key assumptions therein; • Corroborating key inputs to supporting documentation; • Challenging management in respect of the key assumptions used; • Verifying the mathematical accuracy of the calculations; • Ensuring all required rehabilitation obligations were included therein; • Vouching movements in the provision to the calculations prepared by management to ensure the accounting entries were appropriate; and • Reviewing disclosures in the financial statements.
Carrying value of oil and gas assets	
Producing oil and gas assets, as included in Note 14, totalled EUR 5.6 million as at 31 December 2018 and represented the key source of revenue and cash generation for the group. There is a risk that these assets are impaired and that the carrying value of these assets are overstated within the Statement of Financial position.	**Our work in this area included:** • Ensuring the Group holds good title to the assets held; • Discussing both the developments undertaken during the year and those planned in the future with management and considering the ability of the Group to perform any such development; • Reviewing the underlying economic models used for accuracy and challenging the inputs used therein and benchmarking them where appropriate; • Considering any potential indicators of impairment and challenging management thereon; and • Ensuring that the appropriate disclosures have been made within the financial statements.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report

To the members of Coro Energy plc

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: *http://www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London
E14 4HD

1 May 2019

Financial Statements

Consolidated Statement of Comprehensive Income	41
Consolidated Balance Sheet	42
Consolidated Statement of Changes in Equity	43
Consolidated Statement of Cash Flows	44
Company Balance Sheet	45
Company Statement of Changes in Equity	46
Company Statement of Cash Flows	47
Notes to the Financial Statements	48
Company Information	IBC

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.

As permitted by s408 of the Companies Act 2006, the Company has not presented its own income statement. The Company loss for the year was €18.8m (2017: loss for the 14-month period was €5.2m).

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.

The financial statements on pages 41 to 76 were authorised for issue by the Board of Directors on 30 April 2019 and were signed on its behalf.

James Menzies
Chief Executive Officer

Andrew Dennan
Chief Financial Officer

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
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.

Company Balance Sheet

As at 31 December 2018

	Note	31 December 2018 €'000	31 December 2017 €'000
Non-current assets			
Investment in subsidiaries	23	**3,432**	5,637
Loans to subsidiaries	13	**4,644**	3,124
Property, plant and equipment	14	**57**	–
Intangible assets	15	**21**	–
Total non-current assets		**8,154**	8,761
Current assets			
Cash and cash equivalents	24	**7,935**	262
Trade and other receivables	13	**1,109**	87
Other current assets		**127**	–
Total current assets		**9,171**	349
Total assets		**17,325**	9,110
Liabilities and equity			
Current liabilities			
Trade and other payables	17	**3,091**	383
Provisions		**11**	–
Total current liabilities		**3,102**	383
Total liabilities		**3,102**	383
Equity			
Share capital	19	**829**	217
Share premium	19	**36,950**	13,748
Other reserves	21	**468**	–
Accumulated losses		**(24,024)**	(5,238)
Total equity		**14,223**	8,727
Total equity and liabilities		**17,325**	9,110

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

The financial statements on pages 41 to 76 were authorised for issue by the Board of Directors on 30 April 2019 and were signed on its behalf.

James Menzies
Chief Executive Officer

Andrew Dennan
Chief Financial Officer

Company Statement of Changes in Equity

For the year ended 31 December 2018

	Share Capital €'000	Share Premium €'000	Other Reserves €'000	Accumulated Losses €'000	Total €'000
Balance at 10 November 2016	–	–	–	–	–
Total comprehensive loss for the period:					
Loss for the period	–	–	–	(5,238)	(5,238)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the period	–	–	–	(5,238)	(5,238)
Transactions with owners recorded directly in equity:					
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	–	(714)	–	–	(714)
Balance at 31 December 2017	217	13,748	–	(5,238)	8,727

	Share Capital €'000	**Share Premium €'000**	**Other Reserves €'000**	**Accumulated Losses €'000**	**Total €'000**
Balance at 1 January 2018	**217**	**13,748**	**–**	**(5,238)**	**8,727**
Total comprehensive loss for the period:					
Loss for the period	**–**	**–**	**–**	**(18,786)**	**(18,786)**
Other comprehensive income	**–**	**–**	**(526)**	**–**	**(526)**
Total comprehensive income for the period	**–**	**–**	**(526)**	**(18,786)**	**(19,312)**
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**	**468**	**(24,024)**	**14,223**

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

Company Statement of Cash Flows

For the year ended 31 December 2018

	31 December 2018 €'000	14 months ended 31 December 2017 €'000
Cash flows from operating activities		
Payments to suppliers and employees	**(3,830)**	(362)
Net cash used in operating activities	**(3,830)**	(362)
Cash flows from investing activities		
Payments for property, plant and equipment	**(61)**	–
Payments for intangible assets	**(5)**	–
Acquisition of subsidiaries	**(1,798)**	–
Net cash used in investing activities	**(1,864)**	–
Cash flows from financing activities		
Proceeds from issue of shares	**16,068**	4,326
Transaction costs relating to issue of shares	**(1,108)**	(578)
Loans to subsidiary undertakings	**(1,877)**	(3,124)
Net cash provided by financing activities	**13,083**	624
Net increase in cash and cash equivalents	**7,839**	262
Cash and cash equivalents brought forward	**262**	–
Effect of exchange rate changes on cash and cash equivalents	**284**	–
Cash and cash equivalents carried forward	**7,935**	262

The above Company 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.

Note 2: Basis Of Preparation continued

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 as shown in the Strategic Report.

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).

Notes to the Financial Statements

For the year ended 31 December 2018

Note 2: Basis Of Preparation continued

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.

Note 3: Significant Accounting Policies continued

(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.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 3: Significant Accounting Policies continued

(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.

Note 3: Significant Accounting Policies continued

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.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 3: Significant Accounting Policies continued

(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.

Note 3: Significant Accounting Policies continued

(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.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 3: Significant Accounting Policies continued

(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.

Note 3: Significant Accounting Policies continued

(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)

Notes to the Financial Statements

For the year ended 31 December 2018

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) as disclosed in the Directors' Remuneration Report.

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)

Notes to the Financial Statements

For the year ended 31 December 2018

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.

Notes to the Financial Statements

For the year ended 31 December 2018

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.

Note 14: Property, Plant and Equipment continued

	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).

Notes to the Financial Statements

For the year ended 31 December 2018

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.

Notes to the Financial Statements

For the year ended 31 December 2018

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

Notes to the Financial Statements

For the year ended 31 December 2018

Note 22: Business Combination continued

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 €'000	2017 €'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.

Notes to the Financial Statements

For the year ended 31 December 2018

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**

Note 24: Financial Instruments continued

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 subsidiariy, Apennine Energy S.p.A. The VAT receivable was repaid in full in February 2019.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 24: Financial Instruments continued

(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)

Note 24: Financial Instruments continued

(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.

Notes to the Financial Statements

For the year ended 31 December 2018

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	31 December 2018 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	31 December 2017 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.

Note 26: Share Based Payments continued

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).

Notes to the Financial Statements

For the year ended 31 December 2018

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.

Company Information

Directors

- **James Menzies**
  Chief Executive Officer (appointed 1 May 2018)
- **James Parsons**
  Non-Executive Chairman
- **Fiona MacAulay**
  Non-Executive Director
- **Marco Fumagalli**
  Non-Executive Director
- **Andrew Dennan**
  Chief Financial Officer (appointed 22 March 2019)

Secretary

AMBA Secretaries Limited

Registered Office

40 George Street
London
W1U 7DW

Registered Number

10472005 (England and Wales)

Nominated Adviser

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Joint Brokers

Turner Pope Investments (TPI) Ltd
6th Floor, Becket House
36 Old Jewry
London
EC2R 8DD

Mirabaud Securities Limited
10 Bressenden Place
London
SW1E 5DH

UK Legal Adviser

Watson Farley & Williams LLP
15 Appold Street
London
EC2A 2HB

Italian Legal Adviser

Studio Legale Associate a Watson Farley & Williams
49 Piazza Navona
2nd Floor int 2/3 00186
Rome
Italy

Auditor

PKF Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London
E14 4HD

Registrars

Link Market Services Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

40 George Street
Marylebone
London
W1U 7DW