



ALIGN
RESEARCH

Coro Energy

6th January 2022

Highly compelling regional energy play focused on renewables and gas benefitting from the rapidly growing SE Asian economies

Coro Energy is the old Saffron Energy, which joined AIM in February 2017 with onshore gas producing interests in Italy. Within 12 months a new management team had taken over, led by James Parsons as Chairman, bringing a brand-new strategy for expansion and transformational growth focused on South East Asia. Early 2019 saw Coro acquire a 15% interest in the Duyung PSC in a deal which involved helping to fund highly successful appraisal drilling which saw 2C resources grow by 79% to 495BCF (gross). In 2021, Coro acquired GEPL and 20% of ion Ventures, the vehicles being used to further the company's renewables strategy in South East Asia.

Booming electricity demand in South East Asia fueled by GDP growth

Growth in electricity demand in SE Asia is amongst the fastest in the world due to the rapidly rising population, rising incomes, industrialisation and urbanisation. Coro see enviable opportunities to supply this market with gas and renewable energy as coal generation still dominates.

Positioned to supply gas to Singapore where premium prices are paid

Duyung PSC's Mako Gas Field is one of the largest gas fields ever discovered in the West Natuna Basin, offshore Indonesia. It is a shallow single tank deposit that is technically low risk. Gas production could start as early as 2024.

Now rapidly rolling out 150MW of rooftop solar projects in Vietnam

Coro has agreed a joint venture in Vietnam with local engineering firm VPE and is rolling out 150MW of projects with the initial 5MW expected to be up and running in Q1 2022. Alongside the Vietnamese portfolio, GEPL came with 2GW of renewable energy projects in the Philippines in onshore wind & solar.

Upside of 500% plus largely based on Duyung PSC & Vietnam solar rollout

Our highly conservative valuation shows the potential. We update coverage of Coro Energy with a **target price of 1.62p** and **Conviction buy** stance.

Table: Financial overview. Source: Company accounts & Align Research

Year to end Dec	2019A	2020A	2021E	2022E
Revenue (US\$'000)	-	-	-	3,350
PTP (US\$'000)	(7,862)	(7,969)	(6,550)	(7,080)
EPS (\$)	(0.010)	(0.010)	(0.003)	(0.003)

This investment may not be suitable for your personal circumstances. If you are in any doubt as to its suitability you should seek professional advice. This note does not constitute advice and your capital is at risk. This is a marketing communication and cannot be considered independent research.

CONVICTION BUY
- Target price 1.62p



Key data

EPIC	CORO
Share price	0.33p
52 week high/low	0.8p/0.22p
Listing	AIM
Shares in issue	2,124m
Market Cap	£7m
Sector	Energy

12 month share price chart



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IMPORTANT: Coro Energy is a research client of Align Research. Align Research own shares in Coro Energy. For full disclaimer & risk warning information please refer to the last page of this document.

Business overview

Coro Energy Operations

Coro Energy PLC is an established AIM-listed South East Asian energy company with a growth strategy focused on low carbon energy investments supported by an existing platform of transitional gas assets.

- **Natural gas – offshore Indonesia** – The company has a 15% interest in the offshore Duyung PSC containing the Mako Gas Field - a shallow gas accumulation that covers a large expanse and boasts attractive commercial metrics even at low commodity prices. The Mako Gas Field represents a strong gas asset which is set to provide a platform for regional growth. In all, six wells have been drilled on the field which includes two appraisal wells that were drilled in 2019 and resulted in a significant increase in the gas resource to 495Bcf of 2C resources. The field contains dry sweet gas with minimal CO₂, over 97% methane and so minimal treatment is required. The Duyung partners are targeting a Final Investment Decision (FID) in 2022 which could see production beginning as early as 2024.

- **Clean energy – Wind and Solar Power** - In February 2021, Coro acquired Global Energy Partnership Limited (GEPL), an originator and developer of renewable energy projects in South East Asia. Since GEPL's inception, its team has screened over 25GW of renewable energy projects and identified a short list of priority pipeline projects for investment across the Philippines, Vietnam and Indonesia, with an initial focus on the Philippines. October 2021 saw the company being able to announce the proposed acquisition of the rights over a portfolio of 150MW of rooftop solar projects in Vietnam. This represented a low-cost entry for Coro into the fast-growing Vietnamese energy sector as an independent power producer.

- **Clean energy – Energy Storage** - In November 2020, Coro acquired a 20.3% stake in ion Ventures Limited, a South East Asia and UK focused developer of clean energy projects, which is primarily involved in energy storage. ion Ventures has a pipeline of energy storage projects including 50MW of projects across the South East Asia region including Thailand, the Philippines and Indonesia, along with more than 200MW of at or near shovel-ready projects in the UK/Ireland. Coro has been granted first right of refusal to invest in each of ion Venture's South East Asian projects. Through its £500,000 investment, Coro has become ion's joint largest shareholder with a seat on its board.

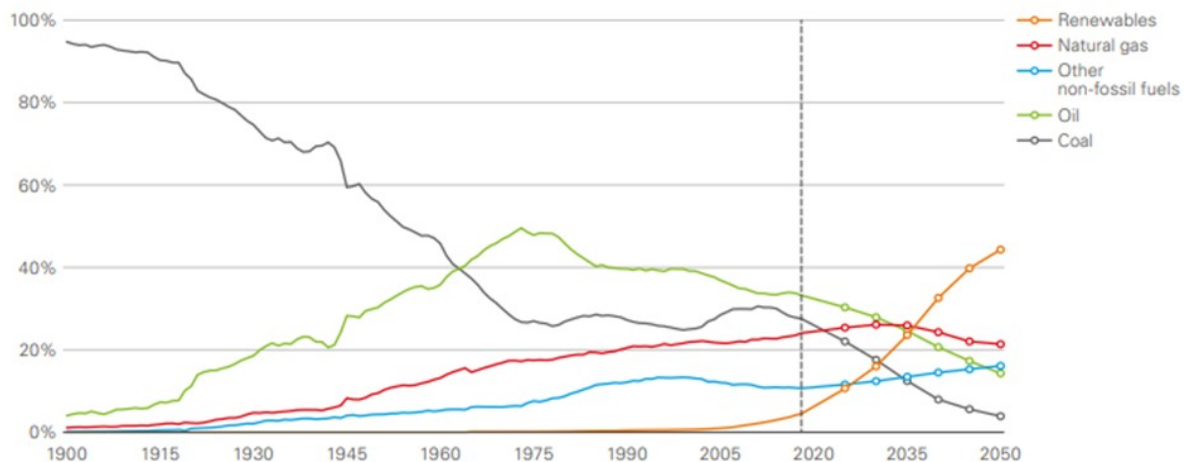


Successful appraisal drilling campaign on the Mako Gas Field in 2019

Source: Company

Transition to low carbon world

The global transition to a low carbon world is urgent, inevitable and probably happening quicker than many had ever envisaged. Moving forward, renewable energy is set to play an increasingly important role in meeting the planet's energy needs and already the transition to a low carbon world has begun in earnest. Oil and gas will of course be needed for decades to come, but their use is likely to be increasingly challenged by a society that is looking to seriously reduce its reliance on fossil fuels.



*Low carbon transition – shares of primary energy in BP's rapid scenario.
Source: BP Energy Outlook 2020*

Energy Research & Consultancy group Wood Mackenzie reckons that by 2032, renewables will overtake conventional power sources, making them the fastest growing energy source globally. There is no doubt that the electrification of transport, homes and industry will require substantial investment into electricity generation for many years to come. Impressive advances in technology have resulted in the cost of developing renewables falling significantly. Truth is that renewables like wind and solar are becoming cheaper sources of electricity compared to fossil fuels in most parts of the world. However, in order to be a viable and stable source of energy, they need storage.

Energy storage

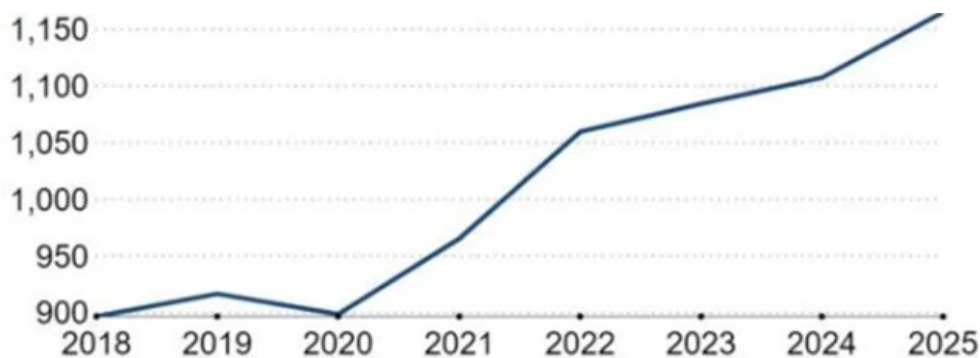
The global energy transition is centred on decarbonisation, decentralisation and digitisation, with renewables intermittency serving to increase the volatility of supply. Electrification is going to lead to increased and varied demand, which needs the flexibility of secondary supply to ensure security. The switch to renewables and changing demand habits is rapidly resulting in energy storage being seen as the next major frontier in electrification.

Battery storage can effectively integrate high shares of solar and wind renewables in power systems around the world. Storage batteries offer a viable solution for storing intermittent energy supplies associated with renewable energy and so it is little surprise to see that the global energy storage market is growing fast. Respected market researcher Global Market Insights believes that the stationary battery storage market was worth US\$23 billion in 2020 and is projected to grow at a CAGR of 25.1% from 2021 to 2039. The researcher has pointed out that soaring investment into sustainable energy sources will drive the demand for an efficient energy storage system.

Booming energy demand in South East Asia

Growth in electricity demand in South East Asia is amongst the fastest in the world. This is due to the rapidly rising population, incomes, industrialisation and urbanisation. Populations of many South East Asian countries are growing at a faster rate than elsewhere in the world like the US and China, which is combined with rapidly growing energy use per capita. The region is now home to one-in-ten of the world's people following a 23% increase in the size of its population from 2000 to 2017 to reach something like 700 million. Commentators have suggested that level of growth is likely to continue, with an expected 20% further increase in the population by 2050.

Over the last twenty years, demand for electricity has increased by 80% as millions of new customers gain access to electricity. By 2050, it has been forecast that electricity consumption in this region could grow by 152% which is put down to rising incomes and higher temperatures (leading to increased use of air conditioning, for example). Over the next twenty years the OECD is forecasting that GDP growth in SE Asia will be 4-6% per annum (pa) compared to 0 - 1.5% in Europe, whilst energy demand is forecast to rise by 4% p.a. in SE Asia against a reduction of 0.3% p.a. in Europe.



Electricity demand (in terawatt-hours per year) in South East Asia.

Source: Roland Berger via Nikkei Asia

The scaling up of the use of renewable energy is the biggest element in South East Asia's transition as the region's national governments were initially slow to adopt policies favourable towards renewables. Today, coal still dominates and renewables penetration is low.

Country	Renewables as share of primary energy supplied	Coal as share of primary energy supplied
UK	17.4%	2.8%
Vietnam	1.9%	51.3%
Thailand	5.5%	14.3%
Philippines	8.2%	40.1%
Malaysia	1.0%	28.0%
Indonesia	4.8%	42.7%

Primary energy consumption for 2019. Source: BP Statistical Review of World Energy 2021

The Association of Southeast Asian Nations (ASEAN), a body which includes 10 nations such as Singapore, Thailand and Indonesia, has set an ambitious target of 25% of its primary energy from renewable sources by 2025. This is a bold move as energy demand in the region is expected to grow by 50%. At the same time the requirement for many governments is energy security, with many focusing on delivering a large proportion from renewables. In this region's transition to a low carbon economy, there would look to be a tremendous opportunity to provide investment funds for the development of renewable energy projects for many years to come.

Background

Saffron Energy commenced trading on AIM in February 2017 as an onshore natural gas producer with interests in northern Italy. Ahead of the listing, the company had raised £2.5 million at 5p per share which gave Saffron an initial market capitalisation of £7.69 million.

December 2017 saw the appointment of a new team in the boardroom led by James Parsons who assumed the role of Chairman. With the new board came a new strategy for expansion and transformational growth in South East Asia. Under the new name Coro Energy, the company was admitted to trading on AIM in April 2018. This move followed the acquisition of Sound Energy Holdings Italy and a £14 million institutional fund raising. On admission, Coro had an initial market capitalisation of £30 million at an opening price of 4.10p.

The first acquisition of the new strategy was seen in September 2018 with the planned acquisition of a 42.5% interest in the shallow water Bulu Production Sharing Contract (PSC) in offshore East Java which contained the Lengo Gas Field. The team spent 12 months on this acquisition but following the operator going into receivership and concerns about new requirements being introduced in satisfying the Plan of Development, Coro allowed this deal to lapse.

A Joint Technical Study with PETRONAS over Block 2A, offshore Sarawak, Malaysia was announced in December 2018. Under the terms of this study, having conducted an extensive technical analysis on this acreage, Coro had the option to apply for a PSC. Block 2A represented a deep water, somewhat frontier play, which has not been able to be advanced further. Given an ongoing tussle between the Indonesia government and Sarawak over oil royalties, Coro turned its attention elsewhere.

The next stage in building its portfolio in SE Asia, came in February 2019 with the acquisition of a 15% interest in Duyung PSC, offshore Indonesia, which contains the shallow water Mako Gas Field together with low risk step out exploration upside. A month later, the Duyung partners confirmed the Plan of Development (POD) for the Mako Gas Field had been approved by the Minister of Energy and Mineral Resources. Drilling of the Tambak-2 well in Duyung PSC commenced in October 2019, which was followed by the drilling of the Tambak-1 well. This work led to the successful appraisal of the Mako Gas Field which has been demonstrated to be a very valuable gas resource.

In April 2020, the resource upgrade of Mako Gas Field at Duyung PSC was announced. The gross (full field) 2C (Contingent) Resource estimate rose to 493 Bcf of recoverable raw gas, which represented a 79% increase on the pre-appraisal estimate. In May 2020, all the necessary Indonesian regulatory approvals were in place to allow the transfer to take place, so Coro's Duyung PSC acquisition was legally completed. This was followed by a CPR released by Gaffney Cline, which confirmed this significant upgrade in resources.

The board revised the SE Asian strategy in November 2020 to include renewables/other low carbon energy sources and energy storage assets. At this time, Coro announced the acquisition of a 20.3% stake in Ion Ventures Holdings Limited, a SE Asia and UK focused developer of clean energy projects, including renewables and battery storage, for £500,000.

In February 2021, Coro was able to announce the acquisition of GEPL, a development which was accompanied by a £3 million placing at 0.4p per share. GEPL is an originator and developer of renewable energy projects in South East Asia and this move saw GEPL's Mark Hood and Michael Carrington become CEO and COO respectively of Coro. A couple of months later, May 2021, saw the disposal of the Italian portfolio, creating a more focused vehicle.

Operations

Coro Energy is a South East Asian energy company with a growth strategy focused on low carbon energy investments supported by an existing platform of gas assets. The company is being positioning to benefit from this region's transition to a low carbon economy. Recently, Coro's strategy has been broadened to include renewables and enabling technologies such as battery storage.

Indonesia - Gas

Mako Gas Field, Duyung PSC, Indonesia

The company's flagship asset is a 15% interest in the Mako Gas Field, Duyung Production Sharing Agreement (PSC) offshore Indonesia where the sea is about 100m deep. The Mako Gas Field represents a large single biogenic gas accumulation that lies in the prolific West Natuna Basin. The actual Mako Anticline represents a vast structure which is roughly 47km long and 16km giving rise to 350km² area lying above the gas-water contact (GWC).



Location of the Duyung PSC. Source: Company

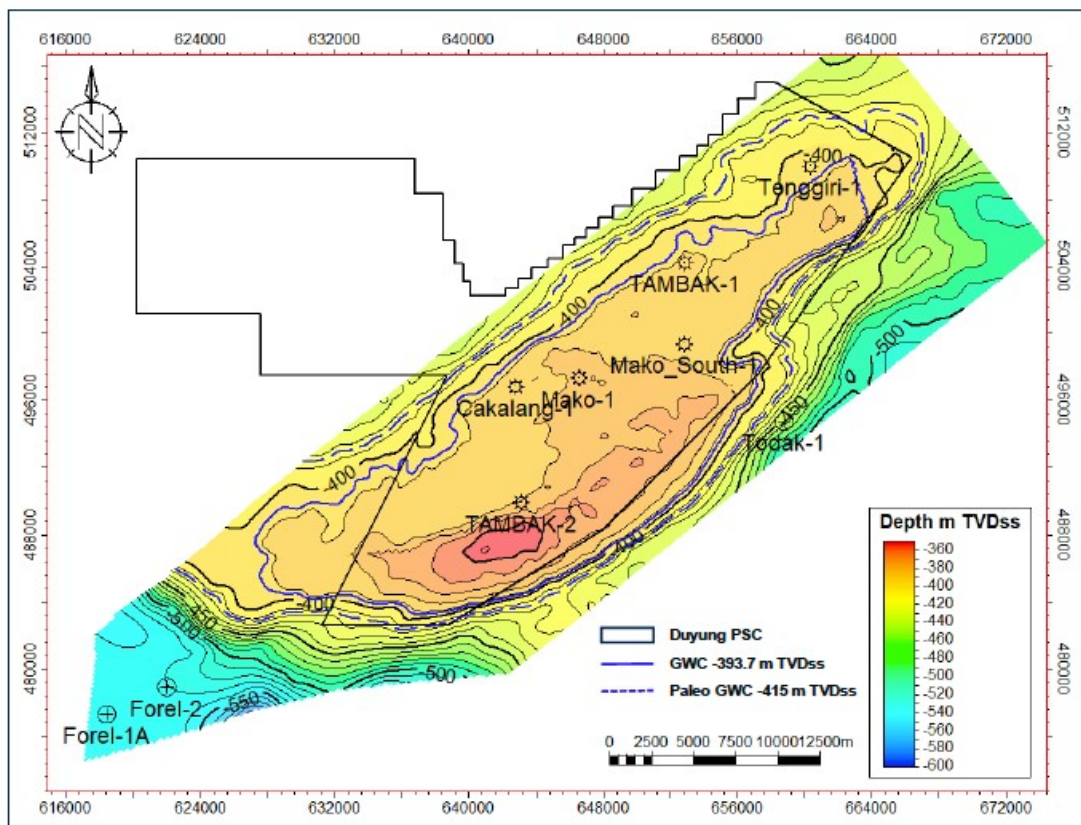
The structure is a Pliocene-age Intra-Muda sandstone reservoir with GWC at around a 391m true vertical depth (TVD). The Mako Gas Field is an extensive high-quality reservoir which is well-defined with low risk but also provides high value step out exploration potential near the main field. This project represents a strong platform for future growth in the region.

This 15% interest was acquired in April 2019 for a total consideration of US\$2.95 million in cash and US\$1.85 million in Coro shares along with contributing US\$10.5 million towards the 2019 exploration and appraisal drilling campaign on the PSC.

The Duyung PSC was originally awarded in 2007. Early 2019 saw the Duyung partners enter into a revised Duyung Gross Split contract with the Government of Indonesia which expires in 2037. The partners in the Duyung PSC are Conrad Petroleum (76.5%), Coro (15%) and Empyrean Energy (8.5%) which have a joint operating agreement. Coro has a seat on the technical committee and along with Empyrean can veto certain key matters should they wish. These two smaller partners apparently had a large say in the appraisal drilling programme.

Commercial viability

The Mako Gas Field has been penetrated by a total of six wells. In addition, there is excellent seismic definition with strong amplitude signature and good resolution which really serves to define the architecture of this reservoir. Three wells were drilled on the main Mako structure before the 2007 award of the PSC to Conrad Petroleum. The field had not been tested by prior operators of the acreage and the commercial viability had not demonstrated until the Mako South-1 well drilled was in 2017. This well was drilled to core to test the Mako reservoir, which reassuringly flowed up to 10.8 MMscf/d of dry gas on test. Results from this well clearly demonstrated that there was good porosity at 20%, along with multi-Darcy permeability. Importantly, this is dry gas at over 97% methane with no H₂S and only minimal CO₂.



Large areal extent of the field, showing all the wells drilled on the structure.

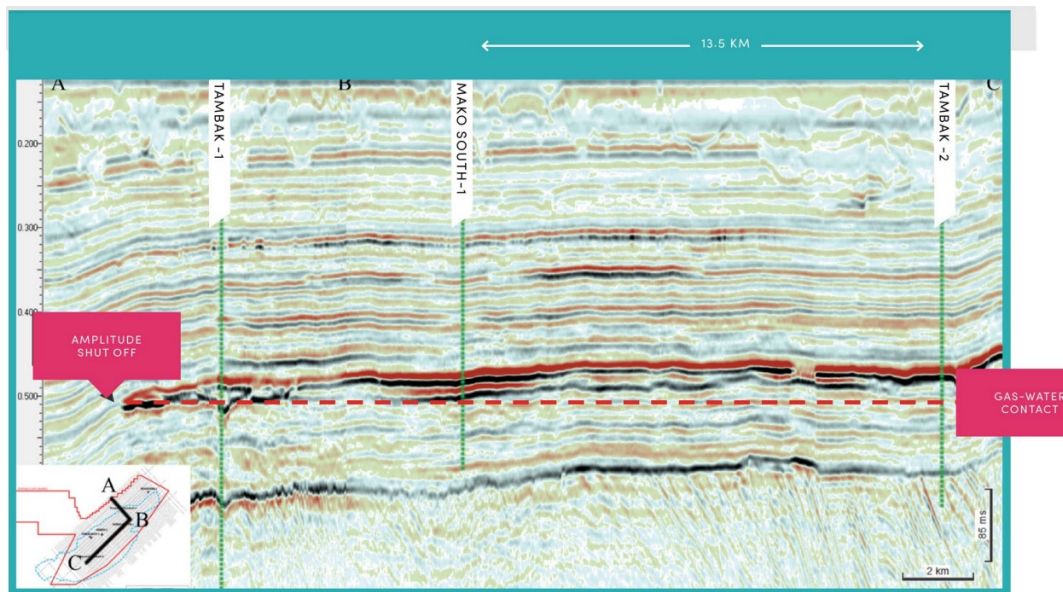
Source: Company

Gaffney Cline and Associates (GCA) prepared a resource assessment in 2018 with 2C gross (full field) recoverable reserves of 276BCF. At the stage, GCA modelled a POD which involved an initial four well development with a small platform to house compression facilities. The plateau production rate was planned to be 90MMscf/d, which was proposed to be maintained by the drilling of an additional four wells in a second phase later in the life of the field. The Mako POD was approved by the Indonesian authorities in February 2019.

Successful appraisal campaign

A two well appraisal drilling programme was undertaken in Q4 2019. The Tambak-1 well was planned to test the Tambak exploration prospect and appraise the central area of the Mako gas field. The Tambak-2 well was designed to evaluate the reservoir properties and deliverability of the intra-Muda sandstones in the southern area of the Mako field. Tambak-2 represented a large step out, with this exploratory well drilled 13km outside of the reservoir in the search for an extension of the reservoir.

This proved to be a highly successful drilling campaign which saw both the Tambak-1 and Tambak-2 wells highlight the presence of well-developed, high-quality reservoir sandstones with a common gas water contact across the Mako structure. The Tambak-1 well intersected a 24m intra-Muda sandstone section with a well-defined GWC at 393m True Vertical Depth SubSea (TVDS), which similar to the other wells drilled on the structure. The Tambak-1 well flowed 11.4MMscf/d on test.



Appraisals wells Tambak-1 and Tambak-2 along with the Mako South-1 well drilled by Conrad in 2017. Source: Company

Following this successful appraisal campaign, Gaffney Cline and Associates (GCA) was commissioned to update its view of the Mako field which saw the resource estimates significantly upgraded, with Gaffney Cline also recognising significant 3C upside to the field.

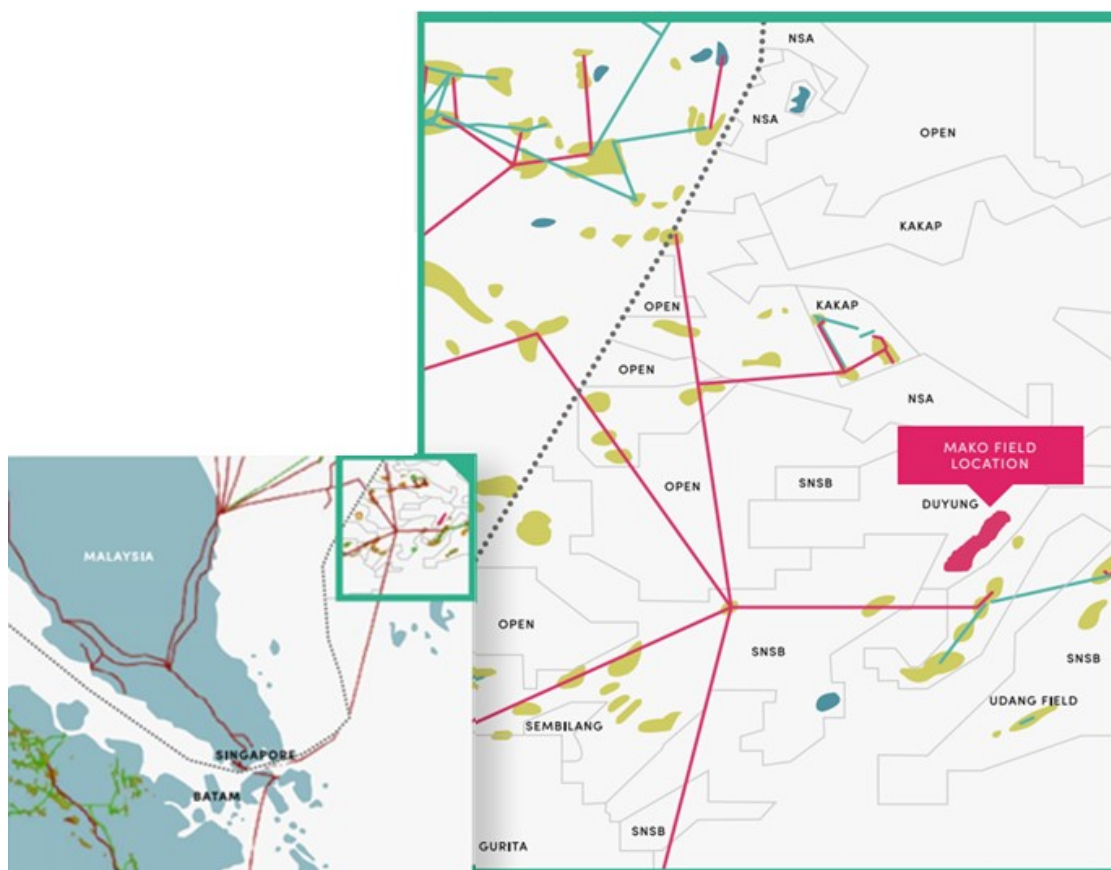
	1C Bcf	2C Bcf	3C Bcf
January 2019 GCA Audit - pre-drill	184	276	392
May 2020 GCA Audit - post-drill	287	495	817
Increase	+56%	+79%	+108%

Contingent Resource Estimates (full field) of the Mako gas field.

Source: GCA Independent Resource Audit May 2020.

Access to Singapore gas market

Importantly, the field lies close to the West Natuna Transportation (WNTS) with the project being located just 16km from the Kerisi platform, which is operated by PT Medco Energi Internasional Tbk, a publicly listed Indonesian oil and gas company. The WNTS provides the potential to sell gas into the Singapore market, which offers favourable gas pricing as gas piped from West Natuna competes with Liquefied Natural Gas (LNG) imports. Higher gas prices have historically been available in Singapore as the country is a trading hub which lack its own gas production and so has remained heavily reliant on energy imports.



Location of the Mako Field and its access to the Singapore gas market via the WNTS gas pipeline. Source: Company

The WNTS is operated by ConocoPhillips on behalf of the basin operator groups including Medco, Premier and Star. This pipeline has spare capacity and already the partners in the Duyung PSC have signed Heads of Agreement with Singapore buyers and negotiations concerning a Gas Sales Agreement are in progress.

Development

At the moment the partners in Duyung PSC are focused on the commercial workstream, namely POD revision and finalisation of GSA negotiations. Although the POD was approved by the Indonesian authorities, since that time, given the significantly larger resource numbers that have been estimated by GCA, revisions to the plan are expected to be required. Currently, the operator's field development plan involves an initial six well development scheme (5 producers and 1 back up) along with a small platform housing the compression facilities which would be tied into the WNTS pipeline. Beyond that, a second phase is planned which would involve two or three additional wells which would be drilled later on in the life of the field to maintain plateau production rate which is planned to be up to 150MMscf/d.

The operator's preferred scenario seems to be for the processing facilities to be leased which would serve to substantially reduce the capex taking the total down from US\$395 million to US\$265 million. Phase 1 drilling is estimated to cost US\$115 million and Phase 2 drilling US\$30 million. Based on using leasing, the compression and processing facilities plus the pipelines are estimated come in at US\$120 million.

Further upside potential exists at the southern end of the field, over the structure's crest, where the Mako Shallow prospect lies. Seismic coverage of this area also shows very strong direct hydrocarbon indicators along with closure provided by the shallow Muda sandstones. The Mako Shallow prospect has been estimated to have a mid-case resource potential of around 100Bcf and chances of success of 75%. In addition, there are also deeper stratigraphic exploration prospects that have been mapped on 3D seismic data elsewhere in the PSC, which are in the process of being matured to a drillable status.

Renewables

Coro has an ambitious regional growth strategy in South East Asia, a region which is forecast to see 150% growth in energy demand by 2040. The management team has been evaluating a number of opportunities in the clean energy sector within this region. In September 2020, the board announced a broadening of the strategy to include renewables. The move away from coal towards electrification across this region will require a significant investment in renewables. This in turn is set to increase demand for battery storage to support grid imbalances as well as the growth in renewables.

Wind and Solar Power

Coro acquired Global Energy Partnership Limited (GEPL), in March 2021 for £570,000 in paper at 0.4p per share. GEPL is an originator and developer of renewable energy projects in South East Asia. Since GEPL's inception, its team has screened over 25 GW of renewable energy projects and identified a short list of priority pipeline projects for investment across the Philippines, Vietnam and Indonesia, with an initial focus on the Philippines.

October 2021 saw the company being able to announce the proposed acquisition of the rights over a portfolio of 150MW of rooftop solar projects in Vietnam. This represented a low-cost entry for Coro into the fast-growing Vietnamese energy sector as an independent power producer. The company has been able to negotiate the acquisition of an 85% stake in a newly formed joint venture to be named Coro Renewables Vietnam (the JV) for providing the initial US\$500,000 of funding to pay for immediate development of a 5MW pilot rooftop project through to 'Ready to Build' status.

The JV partner is VPE, a highly regarded local Engineering, Procurement and Construction (EPC) contractor. VPE will be transferring its existing 150MW project portfolio into the JV and providing management services in exchange for a 15% carried interest in the JV. VPE can be seen to be a leading Vietnamese Solar asset owner and EPC contractor, with an experienced team of over 90 operations staff and an extensive experience in deploying solar PV systems in Vietnam. VPE has the workforce capability to install 20MW of rooftop solar a month.



Rooftop solar PV scheme. Source: Company

Coro's US\$500,000 will be used to cover planning and permitting costs to de-risk a 5MW pilot project which is planned to achieve 'Ready to Build' status during 2022. Then, Coro will have the right to fund the construction of the 5MW pilot project at an expected US\$3.5 million. The end result is that Coro could be on the receiving end of near-term cash flows of roughly US\$0.6 million per annum unlevered (unlevered cash flow is the gross free cash flow generated by a company before accounting for its financial obligations). On top of this, Coro will have the option to fund the entire 150MW portfolio held by the JV, which is most likely would be achieved through project finance.

Rooftop Solar PV schemes are now forming a major part of the energy mix in Vietnam via simple "take or pay" commercial agreements between the Independent Power Producers (IPP) and the commercial users under the roof. Examples of clients from prior projects undertaken by VPE include steel company LTD Viet Vinh, TNHH MTV Company Long Manh, IMAX Technology Solutions JSC and INOX water processing facility. Roof space is issued free of cost by the off taker with right of access.

Commercial PPA looks good. Terms include monthly billing and metering performed by Coro as the IPP with a late payments deposit escrow account available 4 days after late payment. Prices range from US\$8.5 cents – 10.5 cents per kilowatt hour. The duration of these Power Purchase Agreements (PPAs) are 20-25 years, with system title transferred to the consumer at the end of term.

Over the last two decades, Vietnam's GDP has grown by more than 5% per annum which underlines the significant growth in the demand for power. To meet such demand, Vietnam is now planning 15-20% additional renewables capacity by 2030, which equates to something like 35GW. Importantly, all rooftop projects in Vietnam benefit from attractive economics and are underpinned by these long term "take or pay" PPAs with creditworthy industrial customers and US dollar denominated pricing. The 5MW pilot project will be supplying solar power to four different companies with the installation covering approximately 75,000m² of multiple roofs across an industrial area. Management is talking about the initial project being planned to be in operation in Q1 2022.

Energy Storage

The company's first clean energy investment was the acquisition of a 20.3% stake in ion Ventures, announced in November 2020 for an investment of £500,000. ion is a modern utility and energy storage infrastructure specialist, developing clean energy projects in the UK and South East Asia. Energy storage assets are vital flexibility tools for managing volatility by balancing periods of peak supply and demand. Additionally, batteries can also be used to support off-grid power systems in rural areas and across the myriad of islands in South East Asia.



Example of an energy storage project. Source: Business Wire

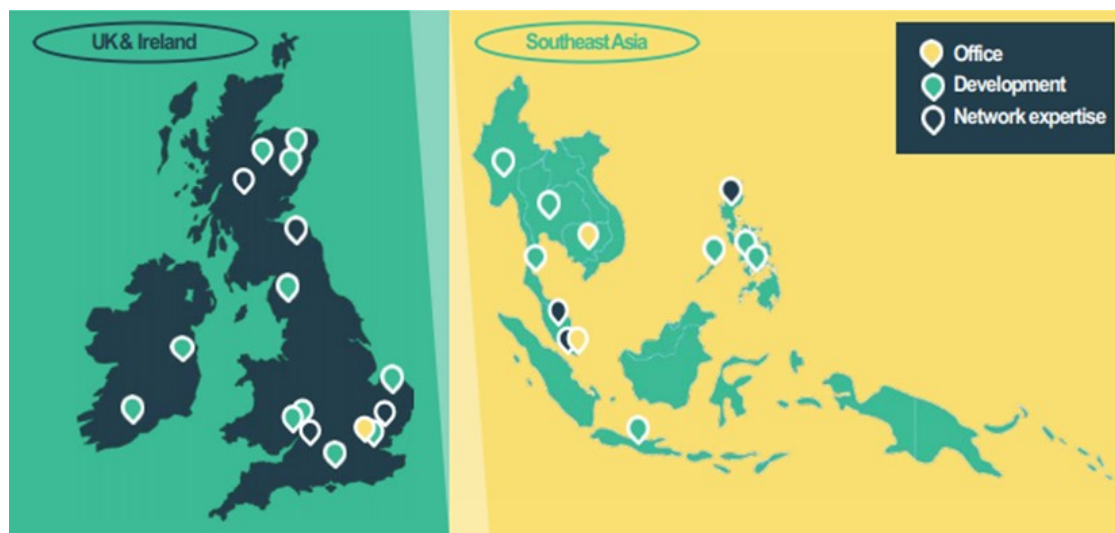
The company was founded in 2018 by two principals who between them have been responsible for a gigawatt of developments. ion has grown rapidly to now have a total pipeline of battery storage projects which are being financed ahead of project execution. The pipeline totals more than 250MW, which consists of some twenty projects (grid-connected and off-grid solutions) totalling 50MW across the South East Asian region, along with 200MW of at or near shovel-ready grid connected storage asset projects in the UK/Ireland.

Importantly, in this move Coro has immediately gained access to a pipeline of more than twenty high quality clean energy projects across South East Asia, along with the first right of refusal to invest in each of ion Ventures' projects across the ASEAN region.

Energy storage bears all the hallmarks of being the next major frontier in electrification. ion is involved in originating such projects and acts as developer taking on the early development risk. The team looks after the planning and development processes and so will deal with planning authorities, local stakeholders, utility connection and finding a suitable location to site the project.

UK/Ireland

The projects that the team is working on in the UK/Ireland tend to be grid scale projects that are located on their own, so not collocated with a wind or solar farm. These are standalone operations consisting of a series of shipping containers which house standard equipment along with racks of lithium-ion batteries. These have a 10-15 year life but are repowered as necessary based on degradation profile and use.



UK: 200MW of developed opportunities

South East Asia: 50MW of grid connected and off-grid solutions

ion's project pipeline. Source: Company

Energy storage projects can generate revenue from the arbitrage of electricity and through participation in various other power or energy markets. Power is drawn from the grid at times of high supply and low prices, and then discharged at a time of higher wholesale pricing. Power markets can see large price swings over the course of a day, where power can, at times, be purchased at a negative price and sold for in excess of £100/MWh.

In the UK, ion has in excess of 200MW of sites in the region which are either shovel ready or in the latter stages of development. There is a ready market for the sale of such shovel ready projects, however ion's objective is to secure financing for construction while retaining a carried interest in the project and continuing to benefit from managing the assets through their life cycle, earning management fees and Operations and Maintenance (O&M) fees in the process.

South East Asia

ion is working with a series of local partners to develop such projects in Indonesia, Cambodia, Philippines, and Thailand. In South East Asia, ion benefits from an early mover advantage and the plan is to grow substantially in this region which has a vast and growing market for power, with a need for energy storage solutions to support increasing renewable energy generation, intermittency of grid supplies, and enhancement of existing off grid schemes.

With a sandbox project in Thailand, ion sees an opportunity with their local partner to reduce reliance on imported fuel and diesel-powered electricity generators – an expensive air quality issue in an otherwise idyllic location. Together with a local utility, it is planned to put in place a 20 MWh battery system on the edge of the island which will require an investment of £6 million. This will support security of supply on interconnected island systems, as well as a reduction in use of diesel fuel locally.

The archipelago of South Asia does look like a tremendous place to grow an energy storage business providing the sort of off-grid power systems used in rural areas elsewhere in the world. It is estimated that 50GW of new storage is required in South East Asia by 2040 to support increasing renewable investment. Across this region there is strong governmental support. In 2018, ASEAN gave a commitment to meeting some 23% of its primary energy needs from renewables by 2025.

Business model bears fruit

ion's business model involves originating and developing energy storage projects. It deals with early-stage development including negotiation with landowners and securing grid connections. Once these key development milestones are achieved, external investment is sought at financial close, with the construction financier taking an equity position in the project. ion generates earnings through yield from its carried interest in projects and management fees earned through its continuing role as asset manager.

Coro's £500,000 investment is being invested to allow ion to mature its pipeline of energy storage projects to financial close. Mature projects are expected to be cash generative within 12 months of financial close, reflecting a short development cycle.

In July 2021, ion Ventures announced a new partnership with GLIL Infrastructure Fund LLP (GLIL) concerning ion's portfolio of grid scale energy storage projects in the UK. This partnership saw GLIL committing up to £150 million of capital into a newly incorporated vehicle called Flexion Energy Holdings UK Ltd. ion will be transferring its existing portfolio of UK grid scale energy storage projects into Flexion, along with all of its future business associated with the development of UK grid scale energy storage assets.

There is no doubt that GLIL is a big infrastructure player as the investment fund has c.£2.5 billion of funds under management, backed by the likes of Local Pensions Partnership and Northern LGPS. GLIL acquired an initial interest in Flexion of 95%, with ion Ventures holding a 5% interest on a fully carried basis. If certain milestones are met, ion will have the opportunity to increase its fully carried interest to 7.5% ion and receive up-front cash of £0.1 million from Flexion. On top of this, ion Ventures has been engaged by Flexion to provide ongoing development, operational and asset management services.

Strategy for growth

Coro is sharply focused on South East Asia with a blended renewables and gas portfolio which is well underpinned by regional energy demand. Alongside the Duyung PSC which is a strong development stage gas asset that is a platform for growth is the rapidly growing clean energy portfolio which has been created by the acquisition of GEPL and Ion Ventures.

Duyung is a tremendous gas asset which is reasonably close to Singapore and linked by a transport system which all makes for it being a highly marketable asset. On a 2C resource basis, the Mako Gas Field has been shown to be one of the largest gas fields ever discovered in the West Natuna Basin. This is a shallow single tank deposit that is not only well understood and technically low risk but also boasts step out prospectivity of some 100BCF which could be drilled in future. The highly successful appraisal drilling programme at Duyung dramatically increased the gas resource which has led to the Mako plan of development needing to be upgraded which also ushers in thought of better returns. The operator's preference seems to be for leasing the processing facilities which could allow the capex to be reduced by US\$130 million to US\$265 million. In fact, there is an even cheaper alternative, of piping the gas to an existing Medco-owned platform which has compression and under-utilised capacity which would allow the gas to be compressed on a tariff basis. Under either scenario there would still be a 45 cents per Mcf cost to use the WNTS pipeline. With some other projects in the area in decline, Duyung would be able to use the spare capacity in this pipeline. Obviously, the gas price is the key, but this is a very bankable project even at relatively low gas prices.

Undoubtedly, the flagship Duyung PSC is an impressive gas asset which moving ahead looks as though it will serve to act as a platform for this regional growth. The last twenty four months have seen some big changes at Coro which has adapted rapidly to a world of lower oil prices and now can be seen as a very lean organisation. Certainly Coro is now primed to make the most of opportunities that benefit from the strong growth in energy demand along with the urgent need to de-carbonise South East Asia which currently is heavily dependent on coal.

There are many ways Coro could fund its share of the development of the Duyung PSC. James Parsons and Andrew Dinnan have plenty of confidence in funding with their proven institutional connections. Operator Conrad Petroleum's current 76.5% holding might be a larger stake than they would want to finance in the development of the project, which could well result in a farm out deal with another E&P company. In such a farm out Coro might well tag along and perhaps get a development carry if they liked the valuation. Or the company might raise fresh capital at the stage and perhaps restructure its debt. If there was a farmout, if Coro tagged along and if the development was project financed on a 40% equity and 60% debt basis, the sort of investment required by company would most likely be in the region of US\$10 – 15 million and not US\$20 – 40 million.

Duyung was relatively quiet in 2021. However, Conrad is reported to be doing a good job on keeping the project moving although COVID does stop face to face meetings. Conrad has been advancing the project forward with its work updating the development plan. It looks as though 2022 will firmly see Duyung back on investor's radar. Hopefully there will soon be news on the Gas Sales Agreement (GSA) which has been the subject of many rumours, already there is in place Heads of Agreement with gas buyers in Singapore. This does need a better understanding of the volumes so the revised PoD needs to come first, as there may be some domestic production obligation and then the partners will have a proper understanding of the gas volumes that can be exported. With FID mostly likely expected in 2022 and after a 2-year development, gas production could begin as early as 2024. The GEPL acquisition came with a portfolio of pre-development assets which the GEPL management team had been working on for around four years. These assets consisted of a large portfolio of 2GW

onshore wind and solar in the Philippines along with a large portfolio in Vietnam. All these projects were at a very early stage but came into Coro where the management has a proven track record of raising the sorts of sums required to finance the development of such portfolios. The immediate action will be in Vietnam as the roll out of 150MW of roof top solar can progress quite quickly as the permitting process is very lean, focused on building safety and engineering. In the Philippines, GEPL has large utility scale wind and solar projects which need extended permitting and lots of land. Wind projects also have to collect 12 months of wind data which will be undertaken in tandem with permitting but there is a longer lead time. Realistically, the first solar project in the Philippines could be expected in 2023 and a wind project probably the year after. But it has to be pointed out that COVID has hit travel, both international and domestically and slowed the management team down, although progress is expected to be demonstrated shortly.

So all eyes will be on Vietnam where Coro has secured access to a significant portfolio which should see cash generative projects with short development cycles. There is a highly compelling strategic rationale behind the move in Vietnam. Not only will Coro accelerate its recognition as a strategic builder, owner, operator developer of assets in South East Asia, but also, the bitesize entry into Vietnam through a small scale 5MW pilot project allows the company to demonstrate proof of concept. It is a shrewd move to partner up with local engineering firm VPE that allows Coro to gain market access without deploying a large local resource team. It is doing this by establishing a presence in-country and by recognition as IPP. Coro should be able to unveil itself of opportunities that become available, with the opening up of future utility scale projects expected in the deregulated marketplace.

Bullishly, management are talking about the initial project being planned to be in operation in Q1 2022. This will provide proof of concept to reassure management, investors and partners alike. The plan is that the initial 5MW project will act as a cookie cutter on which to base the roll out of further solar projects that make up the 150MW portfolio. All this might sound quite rapid, but we mentioned earlier on that CEO Mark Hood and COO Michael Carrington had been working on these renewable projects in South East Asia for a number of years before they joined Coro. As far as funding the rollout is concerned, Coro has contracted a leading financial advisor in renewable energy projects, Green Giraffe, which is out in the market developing multiple solutions for the company. Basically, there are probably two possibilities. Firstly, a framework agreement where Coro can draw down when they want. Secondly, alternatively funding in 20MW chunks, which represents a convenient size to off load in the future.

One thing that seems assured is that Vietnam remains one of the highest growth markets at the forefront of the regional transition to clean energy. Coro continues to rapidly build its clean energy portfolio alongside the progress that the company is making on its utility scale projects in the Philippines, where early planning and permitting work is ongoing. In addition, the team is keeping a good eye on Indonesia where the government has aspirations to become an industry leader in renewables. The big advantage of developing alternative energy projects in South East Asia is that the return is almost double that which could be achieved on a similar European deal.

Meanwhile, Ion Ventures, outside of focusing on the Flexion deal in the UK, is looking at a lot of projects in South East Asia. The news now is that this outfit is planning on closing a deal in South East Asia in Q1 2022, which means acquiring land rights and a PPA agreement etc. But all eyes will be on GEPL's rollout of the roof top solar in Vietnam, which could happen quite quickly in our view. Based on what has been revealed about the 5MW earnings stream, the read across for the full 150MW portfolio suggests that the company will benefit from 30 x US\$0.6 million per annum unlevered, or US\$18 million per annum. It has to be said that these renewable projects are worth something like US\$1 million per 1MW when they are up and running. All of the numbers mentioned above do suggest a far larger company is in the making (compared to the current market cap of c.£5 million) and that is just based on the rooftop solar in Vietnam, from one single joint venture.

Financials & current trading

Since its IPO, under its old guise as Saffron Energy, the company benefited from gas production in Italy ahead of being shut in so that capital and management attention could be focused on the opportunities in the South East Asia.

Y/E 31 December US\$'000s	2016A ¹	2017A ¹	2018A	2019A	2020A
Revenue	701	1,389	-	-	-
Pre-tax profit/loss	-6,472	-7,027	-4,485*	-7,862*	-7,969
Net profit/loss	-5,996	-7,027	-13,897**	-17,192**	-11,007

¹ €'000

*From continuing operations - Italian operations have been classified as discontinued in the group income statement since 2018, due to the ongoing divestment process

**Includes loss from discontinued operations (Italy)

Coro Energy five-year trading history. Source: Company accounts

2020 results

The year to 31st December 2020 saw the company announce an audited resource upgrade for the Mako gas field, Duyung PSC, which represented a 79% increase in 2C (contingent) recoverable resources to 495 Bcf (gross, full field). It also initiated a revised South East Asian strategy to include renewables and other low-carbon energy sources and related technologies to support the transition from fossil fuels. General and administrative costs for the year were substantially reduced to US\$2.942 million, resulting in a loss from operating activities of US\$3.091 million. After US\$4.878 million of net finance expenses the loss before and after tax came out at US\$7.969 million as there was no tax paid. The total loss for the year was US\$10.167 million after US\$2.198 million of losses from discontinued operations. Exchange differences on translation of foreign operations gave rise to a loss US\$0.840 million, resulting in a total comprehensive loss for the period of US\$11.007 million. The basic and diluted loss per share from continuing operations was US\$0.010.

2021 interim results

Results for the six months to 30th June 2021 covered a period when Coro acquired GEPL. During this period, continued progress was made towards commercialising the Mako gas field, with the operator focused on key commercial workstreams including preparation of an updated Plan of Development and continuing Gas Sales Agreement negotiations. General and administrative costs were reduced to US\$1.686 million, which resulted in a loss from operating activities of US\$1.760 million. After US\$2.218 million of net finance expenses, the loss before and after tax came out at US\$2.755 million as no tax was payable. The total loss for the period came out at US\$3.211 million after US\$0.456 million of losses from discontinued operations. Exchange differences on translation of foreign operations resulted in a loss of US\$0.412 million resulting in a total comprehensive loss for the period of US\$3.623million. The basic and diluted loss per share from continuing operations came out at US\$0.0018.

Recent developments

In November 2020, Coro entered into binding joint venture agreements in respect of the Vietnamese solar acquisition. The company is acquiring an 85% equity interest in a newly formed joint venture to be named Coro Renewables Vietnam in exchange for initial funding by Coro of US\$500,000 to immediately develop the 5MW pilot rooftop project through to 'Ready to Build' status. JV partner VPE, reported to be a highly regarded local EPC contractor, will transfer its existing 150MW project portfolio into the JV and provide management services in exchange for a 15% carried interest in the JV. Coro has the option fund the 5MW pilot project and the broader portfolio.

Risks

Geological risks

There are a series of technical risk factors concerning the amount of understanding of the geology of the project areas, the reservoirs being targeted and the distribution and magnitude of the indicators that have been identified in exploration work.

Political risk

There are political risks involved in companies operating in Indonesia and other countries in South East Asia. The oil and gas industry, along with the whole energy market, is arguably the most susceptible sector of the market to political risks largely due to its importance to the host country's economy.

Gas price risks

Oil and gas prices are highly cyclical and changes in the gas price could have a negative or positive impact on the valuation of the company's projects and revenue from the sales of hydrocarbons.

Exchange rate risks

Movements in the value of currencies will have an effect on the company's accounts on translation from Indonesia rupiah, Vietnamese dong and other local currencies in South East Asia into US dollars. Fluctuations in the value of such currencies against the pound may have an effect on the valuation Coro is awarded by the UK stock market.

Future funds

The market for raising funds for small cap companies look to have had improved from the worse conditions a couple of years ago, however the global spread of COVID-19 has meant that equity markets have become extremely difficult. This is especially so for small cap resources companies where there have been many examples where share prices have been undermined by incoming investors demanding substantial discounts to provide the necessary growth capital.

Board of Directors

James Parsons – Non-Executive Chairman

James is currently Executive Chairman of Corcel Plc and Ascent Resources Plc, and Non-Executive Chairman at Echo Energy Plc. James has over 20 years' experience in the fields of strategy, management, finance and corporate development in the energy industry. He started his career with the Royal Dutch Shell Group where he spent 12 years working in Brazil, the Dominican Republic, Scandinavia, the Netherlands and London. James was previously Chief Executive at Sound Energy Plc for 8 years, is a qualified accountant and has a BA Honours in Business Economics.

Mark Hood – Chief Executive Officer

Prior to joining Coro, Mark co-founded Global Energy Partnership Ltd. He has over 20 years' experience in utility scale energy projects at all stages of development and asset transition. Mark has delivered projects for BP and Cairn Energy in locations including Bangladesh, Rajasthan, Greenland and Algeria. He is a qualified Project Manager with PMP and a MSc in Project management

Andrew Dennan – Non-Executive Director

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 Coro's board and brings a wealth of capital markets and corporate transaction experience to the team. Andrew is currently a Non-Executive Director of Nu Oil & Gas plc and Chief Executive Officer of Ascent Resources plc.

Marco Fumagalli – Non-Executive Director

Marco is Managing Partner at Continental Investment Partners SA, a Swiss-based fund and cornerstone shareholder in Sound Energy and Echo Energy. Marco is a well-known Italian businessman who was previously a 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 at Sound Energy and Echo Energy.

Fiona Macaulay – Independent Non-Executive Director

Fiona has over 30 years of experience in the oil and gas industry, she was the former Chief Operating Officer & Technical Director of Rockhopper Exploration PLC. A Chartered Geologist Fiona started her career with Mobil North Sea in 1985 and has subsequently held senior roles in a number of leading oil and gas firms including Amerada Hess and BG. She has held the position of European President of the American Association of Petroleum Geologist and sits on the Geological Society Investment Committee. Fiona is also Chair of Independent Oil and Gas plc and a Non-Executive Director of Ferrexpo plc, Chemring Group plc, and EPI Group Ltd.

Michael Carrington – Chief Operating Officer (non-board)

Michael co-founded Global Energy Partnership Ltd and has over 30 years' experience of energy efficiency and clean tech generation in the built environment, including strategic management, acquisition integration, research & development commercialisation, project origination, due diligence, and project pre-development across Europe, UK and ASEAN countries.

Forecasts

We update coverage of Coro with forecasts for the years ending 31st December 2021 and 2022. In 2021, we expect general and administrative expenses of US\$3.200 million following the expansion of activities, which is forecast to result in a loss from operations of US\$3.350 million. The loss before income tax is expected to be US\$6.550 million after US\$4.500 million of finance expenses, largely the interest payable on the €22.5 million Eurobond issued in April 2019. The loss per share from continuing operations for the year came out US\$0.003.

In 2022, with the initial 5MW rooftop solar project expected to come on stream in Q1, followed by the rollout of a total of 150MW of similar projects in Vietnam, we expect revenues of US\$3.350 million. After US\$0.500 million of cost of sales, largely made up of operational and management costs, we expect a gross profit of US\$2.850 million. In this year, we expect that the final investment decision will be made at the Duyung PSC. General and administrative expenses are expected remain at US\$3.200 million and result in a loss from operating activities totalling US\$0.650 million.

The €22.5 million Eurobond issued in April 2019 has a three-year life and so will be maturing in April 2022. This has been a useful facility which was backed by key institutions who are big supporters of the company. We expect that the board might restructure borrowings at this time and perhaps look at a bigger facility. In the current very low interest rate environment, it is anticipated that a larger facility may provide a lower cost of borrowing and we have assumed financing expenses for the period of US\$5.900 million. This marks an increase from 2021 which is due to funding the capex required for the roll out in Vietnam. On this basis, with no tax payable, the loss before and after income tax is expected to be US\$6.550 million. With no losses on discontinued operations, the total loss for the period would come out at US\$7.080 million. The loss per share from continuing operations for the year came out US\$0.003. The number of shares on a fully diluted basis is forecast to fall in 2022 due to the 473,575,000 options at 4p expiring in April 2022 unexercised.

Year End 31 December (\$'000s)	FY 2019a	FY 2020a	FY 2021e	FY 2022e
Continuing operations				
Revenue	-	-	-	3,350
Cost of sales	-	-	-	(500)
Gross profit/ (loss)	-	-	-	2,850
General and administrative expenses	(5,102)	(2,942)	(3,200)	(3,200)
Depreciation expense	(125)	(114)	(150)	(150)
Impairment losses	(37)	-	-	-
Other losses	-	(19)	-	-
Share of loss of associates	-	(16)	(130)	(150)
Loss from operating activities	(5,264)	(3,091)	(3,350)	(650)
Finance income	54	28	1,300	50
Finance expense	(2,652)	(4,906)	(4,500)	(5,900)
Net finance (expense)/income	(2,598)	(4,878)	(3,200)	(5,850)
Minorities	-	-	-	(430)
Loss before income tax	(7,862)	(7,969)	(6,550)	(7,080)
Income tax benefit/(expense)	-	-	-	-
Loss for the period from continuing operations	(7,862)	(7,969)	(6,550)	(7,080)
Discontinued operations				
Loss for the period from discontinued operations	(8,773)	(2,198)	(1,000)	-
Total loss for the period	(16,635)	(10,167)	(7,550)	(7,080)
Other comprehensive income/loss				
<i>Items that may be reclassified to profit/loss</i>				
Exchange differences on translation of foreign operations	(557)	(840)	(850)	(650)
Total comprehensive loss for the period	(17,192)	(11,007)	(8,400)	(7,730)
Loss attributable to:				
Owners of the company	(16,635)	(10,167)	(7,550)	(7,080)
Total comprehensive loss attributable to:				
Owners of the Company	(17,192)	(11,007)	(8,400)	(7,730)
Basic loss per share from continuing operations (\$)	(0.010)	(0.010)	(0.003)	(0.003)
Weighted average number	768,697,359	793,502,096	1,939,572,538	2,124,035,967
Total shares plus options and warrants	1,263,161,000	1,338,483,000	2,655,610,967	2,182,035,967

Source: Company/Align Research

Valuation

We have set out to determine a meaningful valuation for Coro to set a realistic target price which makes sense in today's equity market. A lot of value has been created at the company over the last couple of years, which, in our opinion, seems to not yet be at all reflected in the share price.

Early 2019 saw the company acquire a 15% interest in the Duyung PSC which has become the flagship asset and looks as though it will provide a strong platform on which to embark on a significant investment in alternative energy and energy storage across the energy hungry South East Asia archipelago. In our analysis, we have sought to place a credible valuation on these gas interests, along with the rapidly growing renewables arm.

Indonesia - Gas

Valuing Coro's stake in the Duyung PSC has been based on the cash flow derived from the company's 15% interest in this project. Our model has been conservatively formulated based on studying management's plans, the cash flow forecast based on Coro's most recent outlook for the project and a discussion with management. Below we have outlined some of the key assumptions that have been made in the creation of this financial model.

Resources – We use the updated resource following the successful appraisal drilling campaign in 2019, which was audited by GCA as the basis of the model.

	1C Bcf	2C Bcf	3C Bcf
May 2020 GCA Audit	287	495	817

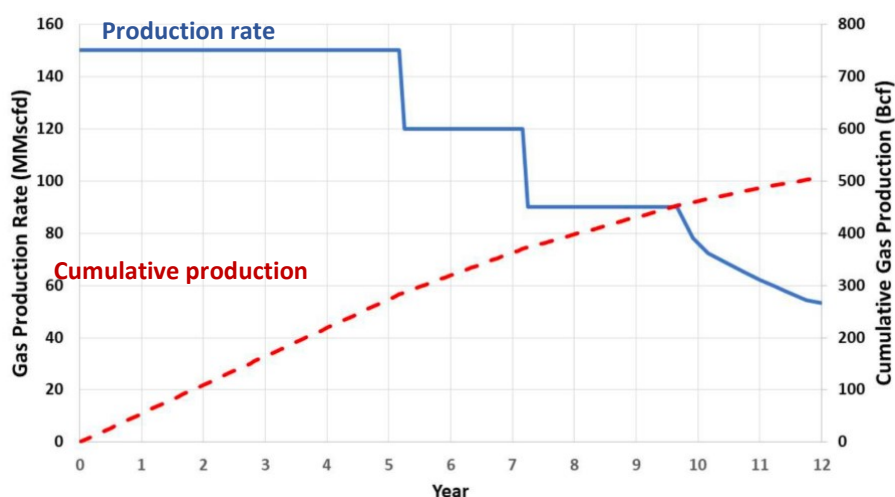
Gross full field recoverable resources for the Mako gas field.

Source: GCA Independent Resource Audit May 2020.

Development plan – We have modelled the development plan that had been discussed on page 10, where a total of 6 wells are planned to be drilled initially (2022 – 2023) with produced gas being piped to a small platform housing providing in-field processing and compression facilities that would be tied into the WNTS via a new 100km pipeline. The WNTS would transport the gas directly to Singapore. Plateau production is planned at 150MMscf/d, with 2-3 additional wells being drilled in a second phase (2027) with production modelled for the period until the Duyung Gross Split contract with the Government of Indonesia expires in 2037.

Capex – The leasing route for the processing facilities was selected as it dramatically lowers capex. On this basis, capex for the facilities and pipeline was assumed to be US\$120 million. Phase 1 drilling was estimated at US\$115 million and Phase 2 drilling at US\$30 million, which all adds up to US\$265 million for the total development.

Production – Based on the FID being taken by the end of 2021, first gas production has been assumed at the beginning of 2024 with the production profile shown below.



Production forecast for the Mako Gas Field. Source: Company

Gas price – The domestic market obligation (DMO) was assumed to be 25% with the remainder of the gas being exported to Singapore. For both the DMO volume and the gas destined for Singapore, a long-term flat price of US\$7/mmbtu has been used in this analysis. There is already Heads of Agreement (HOA) in place with Sembcorp which has a pricing formula related to Brent and US\$7 gas, reflecting a long-term Brent price of US\$50/bbl.

Operating costs – Fixed annual operating costs were assumed to be US\$32.1 million along with a US\$0.45 per Mscf WNTS tariff charge for transporting the gas to Singapore.

Item	US\$ million
Leased processing and compression facility	14.6
Offshore (Manning US\$2 million, maintenance US\$2 million, Chemicals & fuel US\$0.4 million, compressor US\$1.9 million and other US\$0.5 million)	6.8
On shore support	2.5
Logistical base	0.5
Share helicopter	3.6
Shared vessel	2.6
Well workover allowance	1.5
Total	32.1

Breakdown of fixed annual operating costs

Decommissioning costs – A figure of 20% of the development cost was used in the analysis as this seems to be in line with other similar projects.

Taxes – An effective tax rate of 40% was assumed which represented corporate income tax rate (25%) on taxable income followed by the branch profits tax (20%) on the resultant income after corporate taxes.

We determined the Net Present Value using a 10% and 12% discount factor, which gives figures of US\$48.5 million and US\$40.8 million respectively. In our analysis we chose to use the NPV determined with a 12% discount factor rather than the more commonly applied 10%, 8% or even 5%. This was in order to more heavily risk the project as we wished to remain conservative. This figure was carried through into the SOTP calculation.

Discount rate	Net Present Value US\$ million
10%	48.5
12%	40.8

Duyung PSC's Net Present Value. Source: Align Research

As mentioned earlier, there is now a fast-emerging alternative to the partners having to fund compression facilities which could have the scope to significantly lower operating costs in the leasing scenario which we have used in our analysis. The leasing of processing and compression facility represents some 45% of operating costs. The move to using an existing facility with payment on a tariff basis would meaningfully boost annual earnings and the project's NPV and so underlines the conservative nature of this analysis.

Renewables

This new arm of Coro first saw the light of day in September 2020 with the sensible broadening of the corporate strategy in the core South East Asian market to include the rapidly growing renewable energy sector. The pace of energy growth in this region is something like double the global average. That, combined with region's serious renewables target and the dominance on coal for electricity generation, is providing a highly compelling investment opportunity.

Wind and Solar Power

In seeking to value the business of GEPL, we have focused on projects where there is good visibility of them being developed in the short term and so our attention has been on developments on Vietnam. In this country, Coro has an 85% interest in a joint venture with VPE which is rapidly moving towards rolling out 150MW of rooftop solar projects. A financial model has been prepared which investigates the rollout of the 150MW which is expected to begin with the initial 5MW project in Q1 2022 followed by 20MW by the end of Q2 and then 20MW installed on a bi-monthly basis.

Our assumptions of costs and returns are based on discussions with management and information that has been revealed about the initial 5MW project. It was assumed that the capex was funded by debt at currently commercially available rates over the 20-year life of the projects. A rule of thumb in the industry is that 1MW up and running is worth roughly US\$1 million and so we see substantial value being created here. In our analysis we have assumed that the lending facility would be available to Coro without any need to raise funds through equity issues.

Discount rate	Net Present Value US\$ million
10%	71.83
12%	57.33

NPV for Coro's 85% interest in 150MW Vietnam roof top solar projects. Source: Align Research

Given the stage of development of the various projects in the 150MW portfolio, we have sought to further risk this valuation beyond using a 12% discount factor (rather than the more commonly applied 10%, 8% or even 5%) in a similar way in which we risk all resources projects. The 5MW initial project is fully permitted and can be funded from internal resources and so we would risk this at 40%. The remaining 145MW of projects are at a stage akin to a PFS and are risked at 65% - 70%. This gives an overall figure of 66.68% which we have used to risk the US\$57.33 million figure, giving US\$24.00 million.

Energy Storage

Coro benefits from ion Venture's strong pipeline of high-quality clean energy projects across South East Asia. ion's business strategy has evolved to taking equity positions in such projects (and in this region they are estimated at between 7-40%), in which Coro will share moving forward. Earnings from a growing portfolio of renewable projects spread across this archipelago look destined to create a growing long-term stream of quality earnings.

We have sought to value Coro's stake in ion Ventures solely based on the partnership agreed with GLIL Infrastructure Fund LLP (GLIL) in summer 2021 which concerns ions' portfolio of grid scale energy storage projects in the UK. This partnership sees GLIL committing up to £150 million of capital into a newly incorporated vehicle called Flexion Energy Holdings UK Ltd into which ion has transferred its existing portfolio of UK grid scale energy storage projects, along with all of its future business associated with the development of UK grid scale energy storage assets.

GLIL will acquire an initial interest in Flexion of 95%, with ion Ventures holding a 5% interest on a fully carried basis. If certain milestones are met, ion will have the opportunity to increase its fully carried interest to 7.5% ion and receive up-front cash of £0.1 million from Flexion. On top of this, ion Ventures has been engaged by Flexion to provide ongoing development, operational and asset management services.

The implied valuation range based on the £150 million commitment and the two scenarios (ion retains 5% = low case, ion retains 7.5% = high case) give a valuation range of £7.9 - £12.2 million for ion (pre-money), with Coro's 20.3% stake being valued at £1.6 – 2.8 million. We have selected a mid-range figure of £2.2 million to put into our SOTP table. It has to be pointed out that these figures exclude the value attributable to the SE Asian portfolio, which remains in ion and will be the focus for future expansion.

Total

Our SOTP valuation totals US\$45.37 million or £34.37 million. Based on the number of shares currently in issue (2,124,035,967) the per share valuation would come out at 1.62p. Looking on a fully diluted basis (2,655,610,967), we have added the funds that would result from the options being exercised of £21.48 million. This gives a total of £55.85 million, equating to 2.10p per share.

Asset	U\$ million
Duyung PSC NPV(12)	40.8
Wind and solar projects (GEPL)	24.0
Energy storage (Ion Ventures)	2.2
Debt €22.5 million using current FX rate 1.17	(26.33)
Cash	4.70
Sub-total	US\$45.37 million
At current FX rate 1.32	£34.37 million
Per share	
Based on the number of shares in issue (2,124,035,967)	1.62p
Fully diluted basis	
Funds coming from options being exercised	£21.48 million
Total	£55.85 million
Based on the number of shares on a fully diluted basis (2,655,610,967)	2.10p

Sum-of-the-parts valuation. Source: Align Research

Normally we would choose the fully diluted number as our target price. However, in the case of Coro, the total of 473.575 million options that were issued to bondholders at 4p are well underwater and need to be exercised by April 2022. On that basis we have chosen to use a target price of 1.62p.

Conclusion

Coro offers a highly impressive play on strong growth in energy demand in South East Asia along with the region's necessity to move to a low-carbon environment. There is no doubt that the world's transition to low energy systems is well and truly underway. This important region, that is home to 10% of the world's population, might currently lag behind but it has big ambitions for de-carbonisation. The fundamentals for growth in renewables are hugely compelling due to the sheer scale of investment in electricity generation and battery storage required to allow the electrification of transport, homes and industry globally. There are tremendous opportunities out here that need financing – which the board is awfully good at.

There seems to be a lot of money chasing renewable energy generation projects and we believe there are no other companies on AIM majoring on this. The only peer comparisons are not quoted. We do see big similarities with the renewables project developer Mainstream. In 2021 Aker Horizons acquired a 75% interest in Mainstream to accelerate its global expansion ambitions ahead of a planned IPO. This acquisition valued 100% of Mainstream as being worth €900 million (£769 million) and came with a portfolio of projects in operation of 200MW and under construction of about 1.4GW, a project development pipeline of about 10GW and a further 10GW of identified project opportunities. Ok, Mainstream is much larger, chunkier and with a larger workforce but Coro through GEPL and Ion Ventures has a decent size project portfolio which is planned to be developed rapidly.

Such renewable projects provide an enviable opportunity to generate a long-term stream of growing and reliable earnings stretching many years into the future. These sorts of earnings are deemed to be high quality earnings which investors are prepared to pay a premium for. Early signs are that the acquisition of GEPL along with the tie up with Ion could generate a bumper newsflow, with myriad projects which all need financing. It is not hard to see dramatic growth in Coro's renewables arm rapidly leading to a highly balanced company with the value spread more evenly between the two prongs of the corporate strategy based on the growth of energy demand in South East Asia.

This ambition is no pipe dream as the company's 15% interest in the Duyung PSC is well positioned to provide the solid foundation on which Coro can develop into a well-balanced regional energy company. We are confident in the development of this low-risk gas project with its large gas resource and relatively low costs by industry standards. It looks well-positioned to supply the Singapore market, which historically has paid premium prices due to its lack of domestic production. At the same time, importantly, the other partners seem to have good access to capital. Conrad Petroleum is a well-backed private company, while Emphyrean Energy is LSE-listed with oil and gas with interests in China, Indonesia and the US and has raised money and also appears well-backed.

Moving into 2022, investors look like they will be rewarded with a rapidly improving newsflow which should allow the stock to once again attract attention. We look forward to being given the chance to update our valuation going forward as the move into renewables really begins to take shape. **We update coverage of Coro Energy with a Conviction Buy stance and a share price target of 1.62p.**

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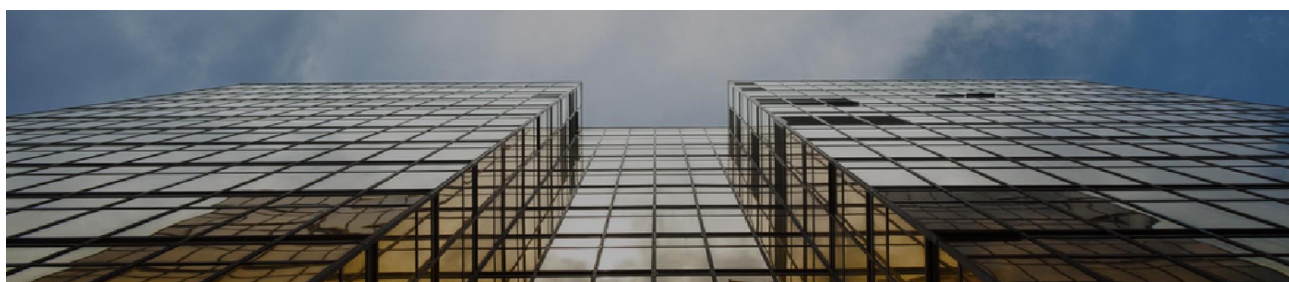
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