Coro Energy plc

In Q4 2019, Coro will participate in a two well drilling programme on the Duyung PSC located in the West Natuna Basin offshore Indonesia (Coro: 15% non-operated interest). The operator will focus on the central and southern regions of the Mako gas field appraising 2C contingent resources of at least 276 BCF and targeting an additional 200-300 BCF of prospective resources in a deeper gas exploration play. Mobilisation of the Singapore-based Asian Endeavour 1 jack-up rig is scheduled for late September and the back-to-back drilling programme is then expected to last until the end of November/early December 2019.

The first well, Tambak-1, has two objectives. Primarily, the well will appraise the central region of the Mako gas field and evaluate the shallow intra-Muda sandstone reservoir at a depth of c.385 metres. Four wells have previously penetrated this interval although Tambak-1 will probe a region of the structure not targeted by earlier drilling activity.

Tambak-1 will then be deepened to test the Lower Gabus Tambak prospect at an approximate depth of 1,370 metres. The operator has ascribed a 45% chance of technical success (CoS) to this portion of the well and estimates mid-case prospective resources of c.250 BCF of gas within the structure where a successful result could nearly double the existing 2C contingent resource base of the Mako field. Drilling is expected to take 33 days from spud and the well will be plugged and abandoned after completion.

The second well in the programme, Tambak-2, will appraise the intra-Muda in the southern region of the field to a planned TD of 595 metres. Coro expects that the well will also take approximately 33 days to drill, log and evaluate. Existing 2C resource estimates for the Mako field are 276 BCF of recoverable gas and Coro notes that Tambak-2 has the potential to move a large proportion of 3C resources of 392 BCF into the 2C category increasing the commercial viability of the field.

We have ascribed an unrisked pre-drill NPV-based valuation of US$32.6m net to Coro's 15% interest in the Mako field. This indicative value, which is likely to be subject to change after the results of the outlined programme are known, includes Coro's US$10.5m fully funded contribution to the cost of the drilling programme (expected to be US$15.5m - US$19.0m on a gross basis) under the terms of Coro's acquisition of its interest.

With regard to Coro's interest in the Bulu PSC which contains the Lengo gas field, the company successfully renegotiated the terms of the acquisition of a 42.5% interest extending the payment terms to first commercial gas in July 2019. We believe that this has de-risked the company's investment significantly by allowing more time for regulatory approvals and also conserving cash for nearer term objectives and also future acquisitions.

Our unrisked indicative valuation for Coro's interest in Lengo is US$52.4m based on a development of 359 BCF of gas with gross gas production reaching 80 mmcfpd in 2023 and remaining on plateau for several years. The value of Lengo is enhanced by a substantial unrecovered historical cost pool in excess of US$100m. However, we note that Coro is currently unfunded for its share of a development programme at this stage as the group focuses near term activity on the Duyung PSC.

We believe that the upcoming drilling programme on the Mako field has the potential to establish the Duyung PSC as the primary pillar in Coro's South East Asian gas business with further upside from the Bulu PSC (Lengo field) to follow when the transaction is completed. With the formal process to divest the group's Italian asset portfolio now underway and additional exposure to offshore Malaysia, which has the potential to add a longer term business unit to the group, we also believe that Coro's progress to build a mid-tier South East Asian gas exploration company is accelerating.

Stock Data

Share Price:	3.17p
Market Cap.:	£25.0m
Shares in issue:	789.6m

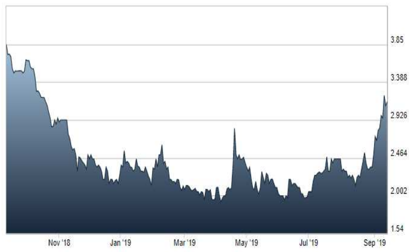
Company Profile

Sector:	Oil & Gas
Ticker:	CORO
Exchanges:	AIM

Activities

Coro has outlined an ambitious South East Asian growth strategy focused on the appraisal and development of oil and gas assets in Indonesia coupled with a longer term strategy to identify exciting exploration upside in Malaysia.

Share price performance



Source: LSE

Past performance is not an indication of future performance.

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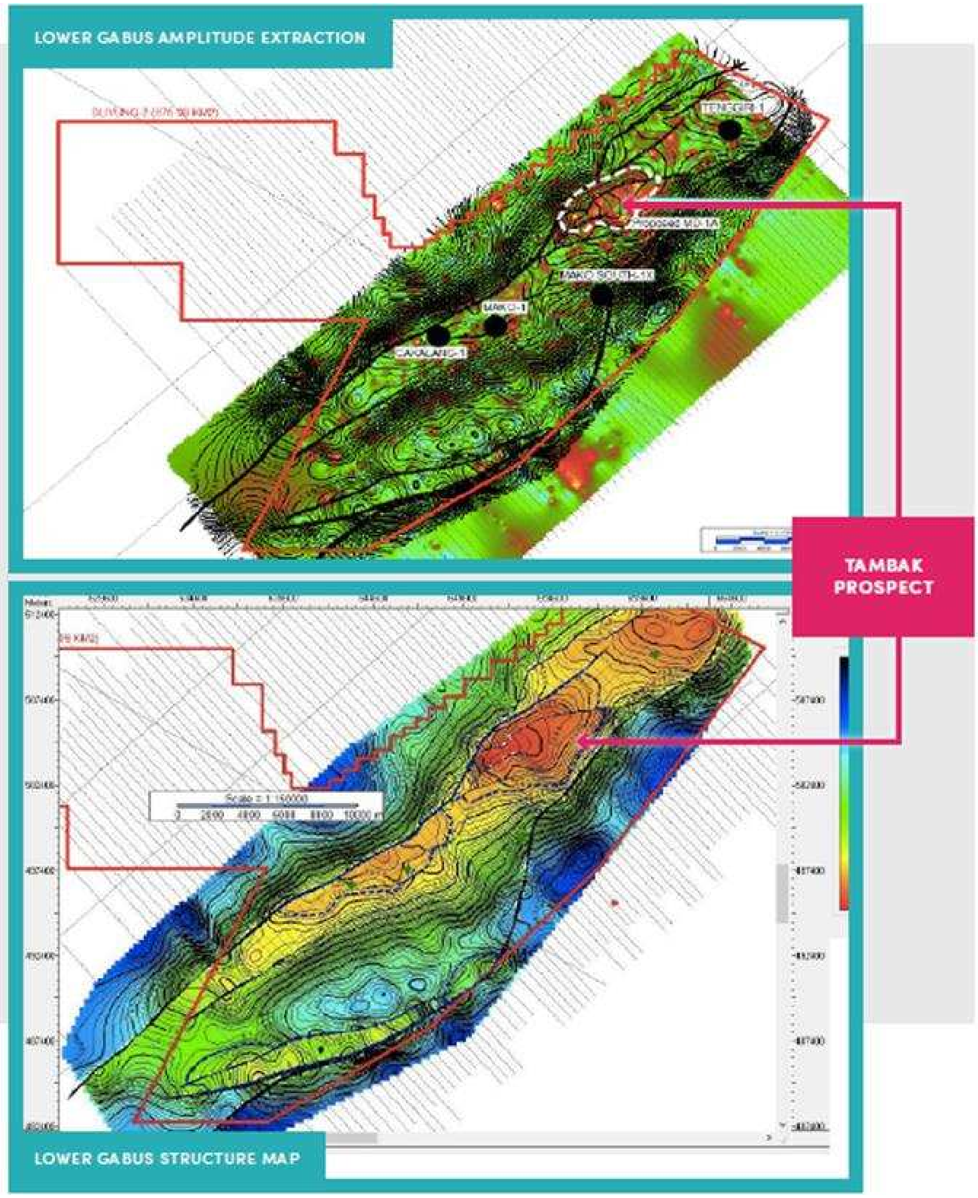
Duyung PSC – the Mako drilling programme

In August 2019, Coro outlined its plans to participate in a two well drilling programme on the Duyung PSC located in the West Natuna Basin offshore Indonesia (Coro: 15% non-operated interest) in Q4 2019. The PSC partners will focus activity on the central and southern regions of the Mako gas field and have contracted the Singapore-based Asian Endeavour 1 jack-up rig for the campaign. Mobilisation is expected in late September and the back-to-back drilling programme is then expected to last until the end of November/early December 2019.

The upcoming drilling programme will comprise two wells, named Tambak-1 and Tambak-2. Tambak-1 will appraise the central region of the Mako gas field as outlined on the map below. It is expected to evaluate two primary objectives which are the shallow intra-Muda sandstone and the deeper Lower Gabus Tambak prospect. It is notable from the map on below that the location of Tambak-1 will appraise an area of the Mako structure that has not been probed by previous drilling activity.

Tambak-1 – Exploration and appraisal targets



Source: Coro Energy (July 2019)

The Tambak-1 exploration/appraisal well

We believe that Tambak-1 represents relatively low risk exploration for Coro. The well has two objectives, the initial target being to appraise the shallow intra-Muda sandstone interval which has already been penetrated by four wells to date and tested gas in the Mako South-1 well located south west of the planned Tambak-1 well location. Tambak-1 is expected to target the intra-Muda at a depth of 385 metres.

After the partners run a full suite of wireline logs within the intra-Muda interval, the well will be deepened to test the Lower Gabus Tambak prospect located beneath the Muda unconformity. This well will be drilled to a target depth (TD) of approximately 1,370 metres sub-sea targeting a large three way dip closed inverted anticlinal structure of c.15 km^2 areal extent. There are several nearby analogous fields represented by similar structures located in the West Natuna Basin, including Kerisi, Anoa Forel and KF.

Earlier analysis of the Lower Gabus Tambak prospect has de-risked the structure to an appreciable extent and the operator has ascribed a 45% chance of technical success (CoS) and mid-case prospective resources of c.250 BCF of gas in the 200-300 BCF range. Success in this case would nearly double the existing 2C contingent resource base of the Mako field. Drilling is expected to take 33 days from spud and the well will be plugged and abandoned after completion.

Tambak-2 appraisal well

The second well in the programme, Tambak-2, will appraise the intra-Muda sandstones in the southern region of the Mako field. Similar to Tambak-1, this interval is located at a depth of 380 metres and the well is planned to a TD of 595 metres. Coro expects that the well will also take approximately 33 days to drill, log and evaluate.

Tambak-2 represents a significant 13.5 km step out to the southwest of the Mako South-1 well, (the location of which depicted on the previous map). Existing 2C resource estimates for the Mako field are 276 BCF of recoverable gas and Coro notes that Tambak-2 has the potential to move a large proportion of 3C resources of 392 BCF into the 2C category increasing the commercial viability of the field and improving the marketing potential of discovered gas.

This two well programme is expected to cost the PSC partners c.US$15.5m on a dry hole basis and up to US$19.0m on a fully tested basis including rig mobilisation and de-mobilisation for which Coro is fully funded for its share. With the rig expected on location at the end of September 2019, we anticipate a significant acceleration of news flow in Q4 as the drilling programme commences.

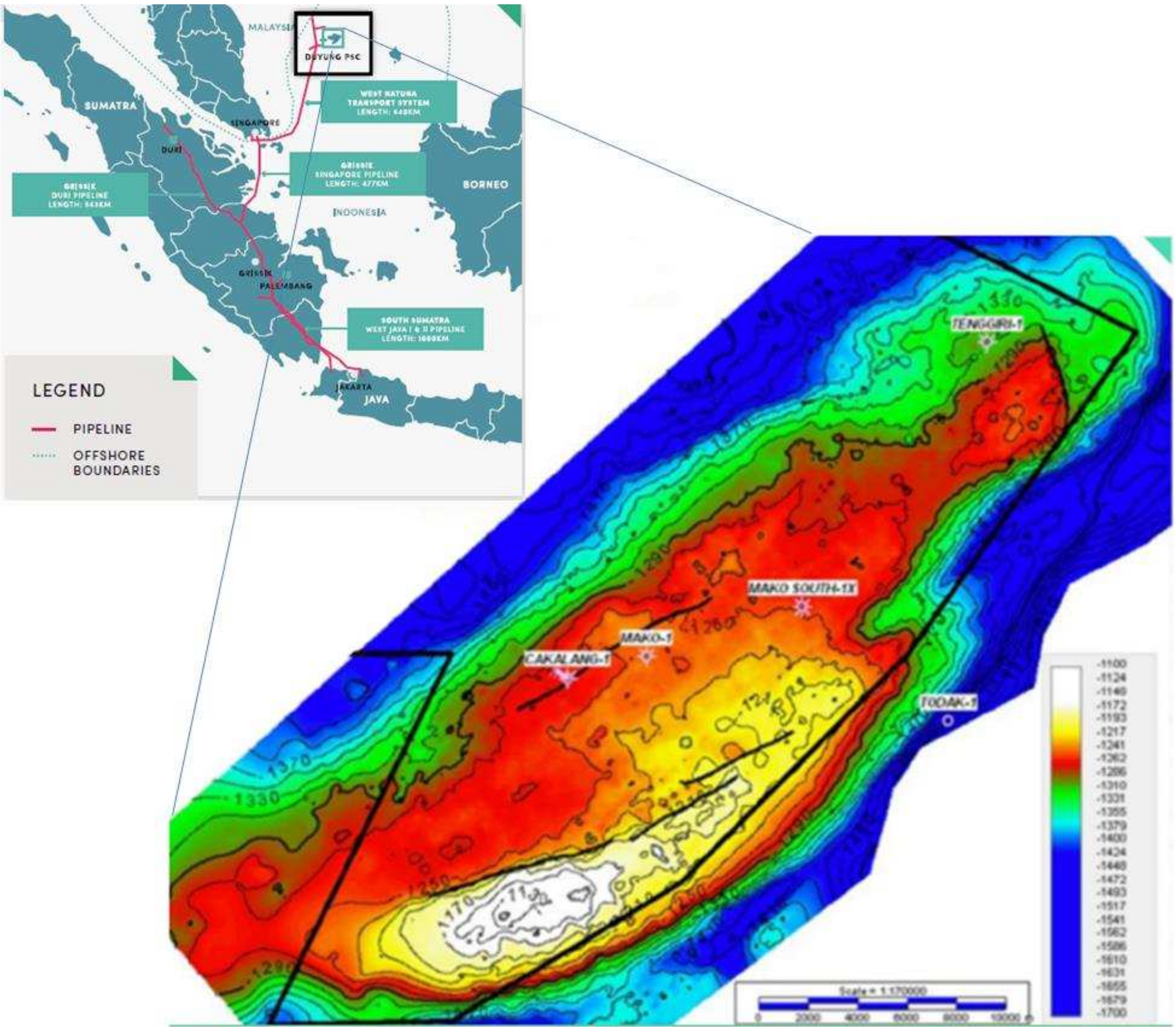
The Duyung PSC background summary

The Duyung PSC is located offshore Indonesia in the West Natuna Basin and contains the large Mako gas field, which is a shallow structural closure with an areal extent of over 350 km^2. The field was discovered by Shell/NAM in the 1980s and the target reservoirs of Pliocene age sandstone are located at relatively shallow depths of 350 - 750 metres.

The commercial viability of the Mako field has been demonstrated by the Mako South-1 well drilled by the operator WNEL (West Natuna Exploration Limited) in June 2017. This well tested at flow rates of up to 10.8 mmcfpd of dry gas with minimal H_2S and CO_2 and to date, four wells in total have penetrated the Mako reservoir. Although the reservoir distribution within the Mako field is reasonably well understood, further appraisal drilling, as outlined in this report, is planned given its large areal extent.

In a report published by independent competent persons Gaffney Cline in early 2018, Mako is estimated to contain 2C recoverable gas resources of 276 BCF. At the lower end of estimates, Gaffney Cline estimates that 1C resources are approximately 184 BCF, with 3C contingent resource upside of 392 BCF.

The Mako structure (Duyung PSC, Indonesia)



Source: Coro Energy (July 2019)

Coro's financial contribution to the Duyung programme

As noted previously, Coro is fully funded to participate in the Duyung drilling programme in Q4. The company completed the cash and share payments to acquire its 15% non-operated interest in the Duyung PSC in April 2019 with the payment of US$2.95m in cash and US$1.85m in shares to the existing owner of the PSC, West Natuna Exploration Limited (WNEL).

Transfer of title of the 15% working interest is subject to Indonesian regulatory approval which is expected to follow with a long stop date of 31 December 2019. Should regulatory approval not be forthcoming within this time, Coro has agreed to receive transfer of 15% of the shares of WNEL instead.

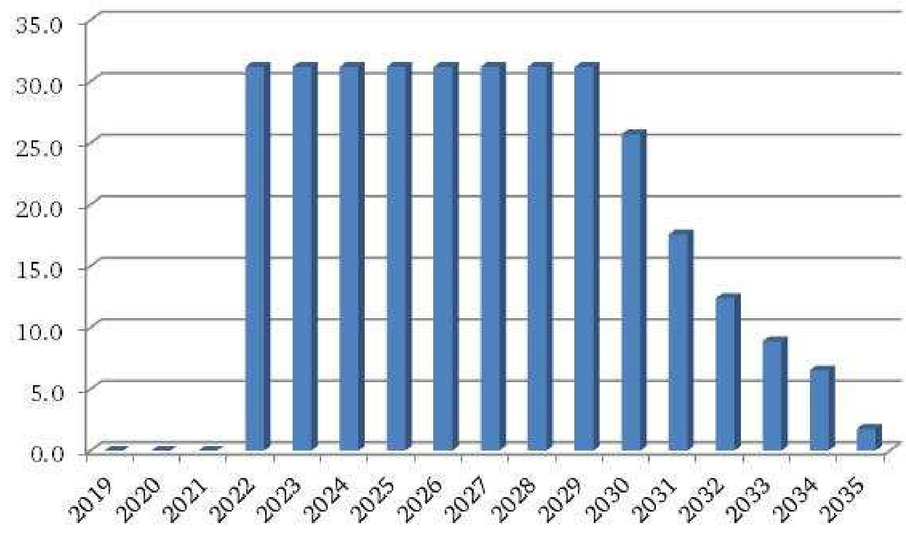
As part of the acquisition, Coro also agreed to provide a further US$10.5m contribution to the operator's 2019 drilling programme as outlined in this report. On a gross basis, this is expected to cost between US$15.5m and US$19.0m, the higher estimate being representative of a programme entailing full testing activities, rig mobilisation and de-mobilisation. Since the completion of a €22.5m three-year Eurobond finance package earlier this year, Coro is fully financed to participate in the Duyung PSC drilling programme in 2019.

Potential value of Mako to Coro

Given that the two well drilling programme on Mako has yet to commence we note that our valuation assumptions for the field represent unrisked analysis at this stage. Nevertheless, our aim is to establish an indicative success based valuation based on a range of indicators as outlined in this section of the report.

Primarily, we have assumed that a full field development of Mako exploits approximately 323 BCF of gas over the production profile outlined below. We acknowledge that this volume is in excess of the current 2C contingent resources estimate for the field and this resource estimate implies that the upcoming drilling programme is successful and the prescribed gas volumes for the field are increased. In the event that the programme is a success, our resources estimate is likely to be conservative and we believe that actual total gas resources could exceed 500 BCF.

Estimated production profile for the Mako field (gross volumes, mcfpd)



Source: Turner Pope Investments' estimates, Coro Energy

Significant economic variables

Duyung's proximity to Singapore exposes Mako gas production to premium pricing. We note that Singapore gas pricing contracts tend to be in the range of US$8.00 – US$11.00 per mmbtu compared to East Java pricing which is typically realised in the US$5.50 – US$8.00 range. As such, we have applied a commencing gas price of US$8.25 for Mako gas escalating by 3% per annum to reflect the terms of a typical contract in the region. We note that gas marketing efforts are underway and a Heads of Agreement has already been signed with a Singaporean gas buyer for Mako gas production.

We note that the Duyung PSC is based on the more recent Gross Split terms which the Indonesian government introduced in 2017 to replace the conventional PSC terms, including the cost recovery mechanism, for new licences. With this in mind, we acknowledge that elements of the new fiscal system could be subject to adjustments and our assumptions in regard to Duyung may change.

Nevertheless, after guidance from the company, we have assumed that after the application of a 48% base split between the government and the contractor and the application of variable components, the contractor share of revenue is 78%. Out of this, the partners must fund the estimated capex of US$320m and opex for the field which we have assumed as approximately US$45m per annum at peak production.

Following the application of corporate tax and branch profits tax, we arrive at a gross field NPV of approximately US$272m. We note that the NPV attributable to Coro's 15% interest is approximately US$32.6m which also factors in the impact of the company's initial US$10.5m contribution to the operator's drilling programme in Q4 2019.

The Bulu PSC – the Lengo gas field

Coro gained entry to Indonesia in September 2018 with the acquisition of a 42.5% interest in the shallow water Bulu PSC located offshore East Java, a licence that contains the Lengo gas field. Lengo has been attributed gross 2C contingent recoverable resources of 359 BCF of gas and 3C upside amounting to 420 BCF.

Acquisition terms renegotiated

In July 2019, Coro renegotiated the original terms of the proposed acquisition of the Bulu PSC. Under the original terms announced in September 2018, Coro agreed to pay a cash consideration totalling US$8.0m to one of the vendors, AWE Limited, upon the closing of the deal. This consisted of US$6.96m (the cash consideration) in addition to back costs and working capital adjustments of US$1.04m (the reimbursement amount). Simultaneously, Coro also agreed to pay up to US$4.0m (the equity consideration) in new Coro shares to another vendor, HyOil (Bulu) Pte Ltd upon closing of the acquisition.

Under the revised terms of the acquisition, the cash elements of the agreement have now been restructured such that the amount payable will now be disbursed to AWE in four tranches. Coro will now pay US$2.5m upon completion of the acquisition. This amount also includes the US$1.04m reimbursement amount as stated above. A further US$1.5m will be paid on 1 September 2020 and an additional US$2.5m will be payable upon the sooner of the Bulu PSC partners agreeing a final investment decision (FID) to proceed with the project development or 1 July 2021. The final tranche of US$1.5m will be satisfied on the sooner of the date of commencement of commercial production from Lengo or 31 December 2022.

All other terms of the acquisition remain as originally announced in September 2018 including the payment of the equity consideration to HyOil in three tranches. In this regard, US$2.0m will be satisfied by the issue of approximately 42.4 million new Coro shares at 3.6255p upon completion of the acquisition. A further US$1.0m in shares will be issued by Coro upon the signature of a first gas sales agreement (GSA) The price of the shares will be determined as that reported by the LSE on the date immediately following the signing of the GSA. The final US$1.0m will be issued following the start of commercial production from Lengo. These shares will be issued at a closing price as reported by the LSE on the date falling five months and three weeks from production start-up.

Completion of the transaction remains conditional upon joint venture partner pre-emption and government regulatory approvals prior to a long stop date of 2 December 2019. We believe that this represents an improved deal for Coro. The renegotiation with the asset vendor extends the consideration payment schedule out to first commercial gas and allows more time for regulatory approvals to be obtained. In particular, the revised terms reduce the amount of near term cash that Coro is required to pay upon the closing of the acquisition agreement with AWE. We believe that spreading payment over a longer period, which encompasses first commercial gas production from Lengo, has de-risked Coro's planned investment to an appreciable extent and preserved group cash resources in the short term.

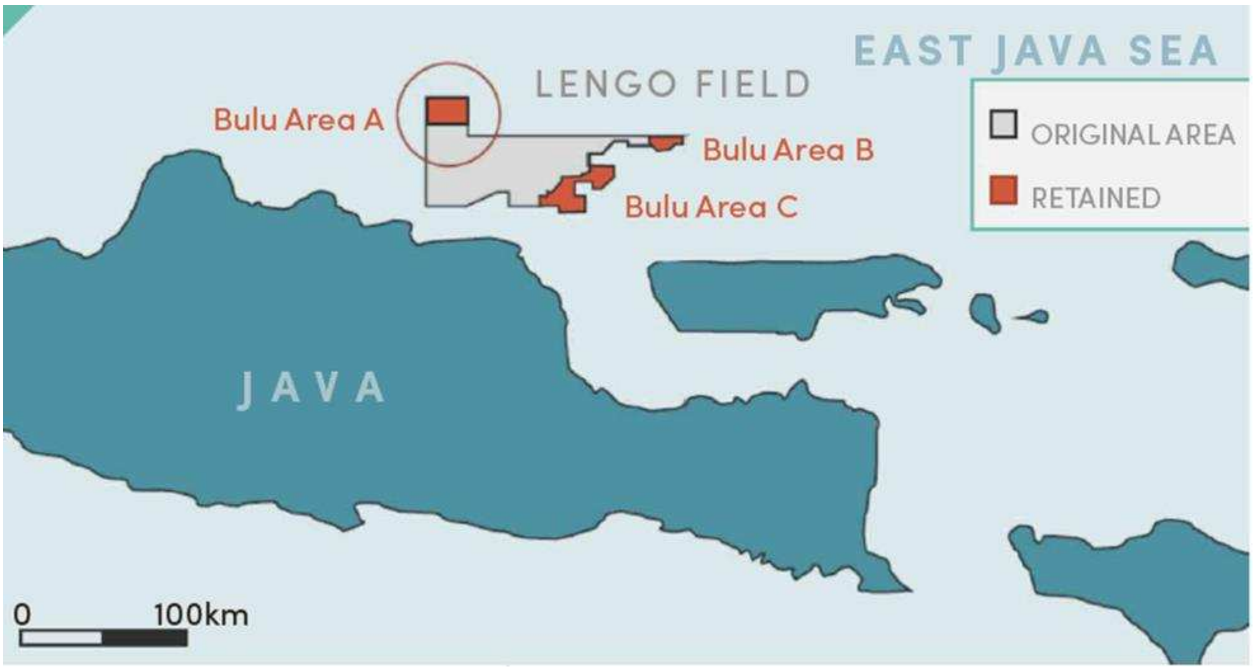
The Lengo gas field in summary

Bulu is a comparatively advanced project and a field development plan for Lengo has already been approved by the Indonesian authorities. Coupled with this, gas marketing efforts which are targeting the Tuban industrial complex in East Java are also ongoing and an MOU (Memorandum of Understanding) was signed with a potential buyer of the gas in early 2018.

Although fiscal terms for hydrocarbon production in Indonesia are regarded as comparatively tough under typical PSC terms. Coro notes that the existing cost pool for the Bulu PSC is approximately US$100m, the recovery of which would enhance the economics of a full field development considerably given that the early years of cash flow can be enhanced significantly by accelerated cost recovery and negligible profits tax, which is currently charged at an aggregate rate of 44%.

The Bulu PSC is located 65km off the northeast coast of Java in Indonesia. The licence is located in shallow water depths of approximately 60 metres. The Lengo field was discovered in 2008 with the drilling of the Lengo-1 well which tested gas at rate of 12.9 mmcfpd. The field was subsequently appraised by the successful Lengo-2 well which flow tested gas at a rate in excess of 21.2 mmcfpd. The Lengo-2 well also confirmed a consistent gas to water contact at 780 metres and good reservoir properties across the whole structure. A development plan for Lengo was submitted to the Indonesia authorities in November 2014.

Location of the Bulu PSC offshore Java



Source: Coro Energy (July 2019)

Resources attributed to Lengo

The Lengo field reservoir is a Miocene-aged carbonate accumulation located at a comparatively shallow depth of approximately 700 metres. The reservoir is characterised by good porosity and permeability and the established gas-water contact across the entire field is coincident with a well-developed Direct Hydrocarbon Indicator on seismic data giving a high degree of confidence in the size and extent of the gas accumulation.

Following the successful appraisal well on the Lengo field, independent consultant, Netherland, Sewell & Associates certified that gross 2C as resources were 359 BCF with a comparatively narrow 1C to 3C range of 308 BCF to 420 BCF. The gas in place estimates imply a recovery factor of nearly 68% which is consistent with good quality reservoirs as outlined previously.

Gas resources attributable to Lengo (BCF)

Gas (BCF)	1C	2C	3C
Gas in place	470	531	599
Recoverable resources	308	359	420

Source: Netherland, Sewell & Associates (2015)

The proposed development plan

The approved Lengo Plan of Development (POD) includes an initial four wells from a small unmanned platform. Produced gas would be transported approximately 65km by 20 inch diameter pipeline to an onshore facility and a further 5km of pipeline connection to a processing plant before delivery to customers. The POD envisages plateau gas production of up to 80 mmcfpd when all the production facilities are fully operational.

Coro estimates that such a project could incur development costs in the US$200m - US$250m range on a gross basis implying a net capex exposure to the company of at least US$85m and possibly as much as US$106.25m.

Gas market dynamics

As is characteristic of the East Java hydrocarbon basin, the Lengo gas is approximately 67% methane and contains impurities including a CO_2 content of approximately 12% and a nitrogen content of 20%. However, East Java gas is typically ‘sweet’ with no H_2S (hydrogen sulphide) content which requires additional processing to remove. The CO_2 content in particular is considered by Coro to be low in the context of the wider region and is understood to not impact the marketability of the gas.

Coro understands that potential buyers of Lengo gas are prepared to take delivery with or without the CO_2 content reduced. Potential customers for the gas include power generator, petrochemical manufacturers and also other fuel operators which require additional gas supply to make up shortfalls against their own delivery obligations (e.g. Take or Pay obligation shortfalls).

Gas prices in the East Java region have seen strong growth in the last decade although final prices received for produced gas are dependent on who the ultimate buyer is and whether the CO_2 content is reduced before delivery or not (removal of CO_2 implies a processing cost for the gas). As such, the pricing range of gas in the East Java region is quite wide at US$5.50 – US$8.00 per MMbtu (equivalent to US$5.36 – US$7.80 per mcf).

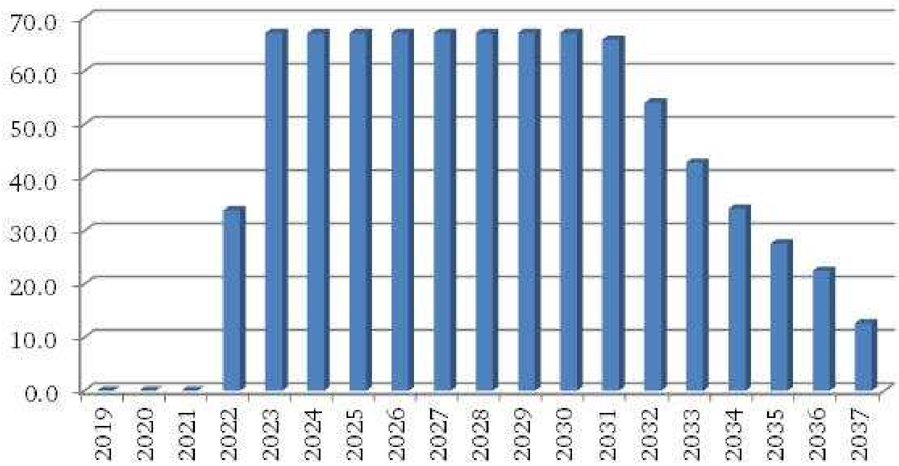
As outlined previously, the original Lengo field partners signed an MOU with an established gas trading company in January 2018 with a plan to supply customers on the Central-East Java pipeline route.

Potential value of Lengo to Coro

On the basis of guidance from the company with regards to development and operating costs and fiscal terms pertaining to the Bulu PSC, we have established that Coro's prospective 42.5% interest in the Lengo field could be worth up to US$52.4m to the company. This is based on a range of factors which we acknowledge could be subject to adjustment over the coming years as the partners progress Lengo towards a full field development.

Nevertheless, our assumptions are based on the development of gross gas resources of 359 BCF and the illustrative production profile outlined below. Note that the peak production of approximately 67 mmcfpd is calculated after the removal of CO_2 from the gross gas volumes.

Estimated production profile for Lengo field (gross volumes, mcfpd after CO_2 removal)



Source: Turner Pope Investments' estimates, Coro Energy

Other economic variables

Our assumptions factor in a flat gas price of US$5.75 per mcf which may reflect the lower end of expectations given the upside potential for regional gas prices. We have also assumed flat operating expenditure of at least US$20m per annum over the life of the field and total capex is assumed to be almost US$220m, suggesting a four well development as outlined earlier.

We have applied the standard PSC fiscal terms including a 10% rate of First Tranche Petroleum (FTP) on gas revenue, corporation tax of 30% and branch profits tax of 20% on the appropriate levels of taxable income (combining for an aggregate rate of 44%). As outlined previously, the economics of the project are enhanced significantly by a cost recovery pool of over US$100m which can be recovered over the productive life of the field.

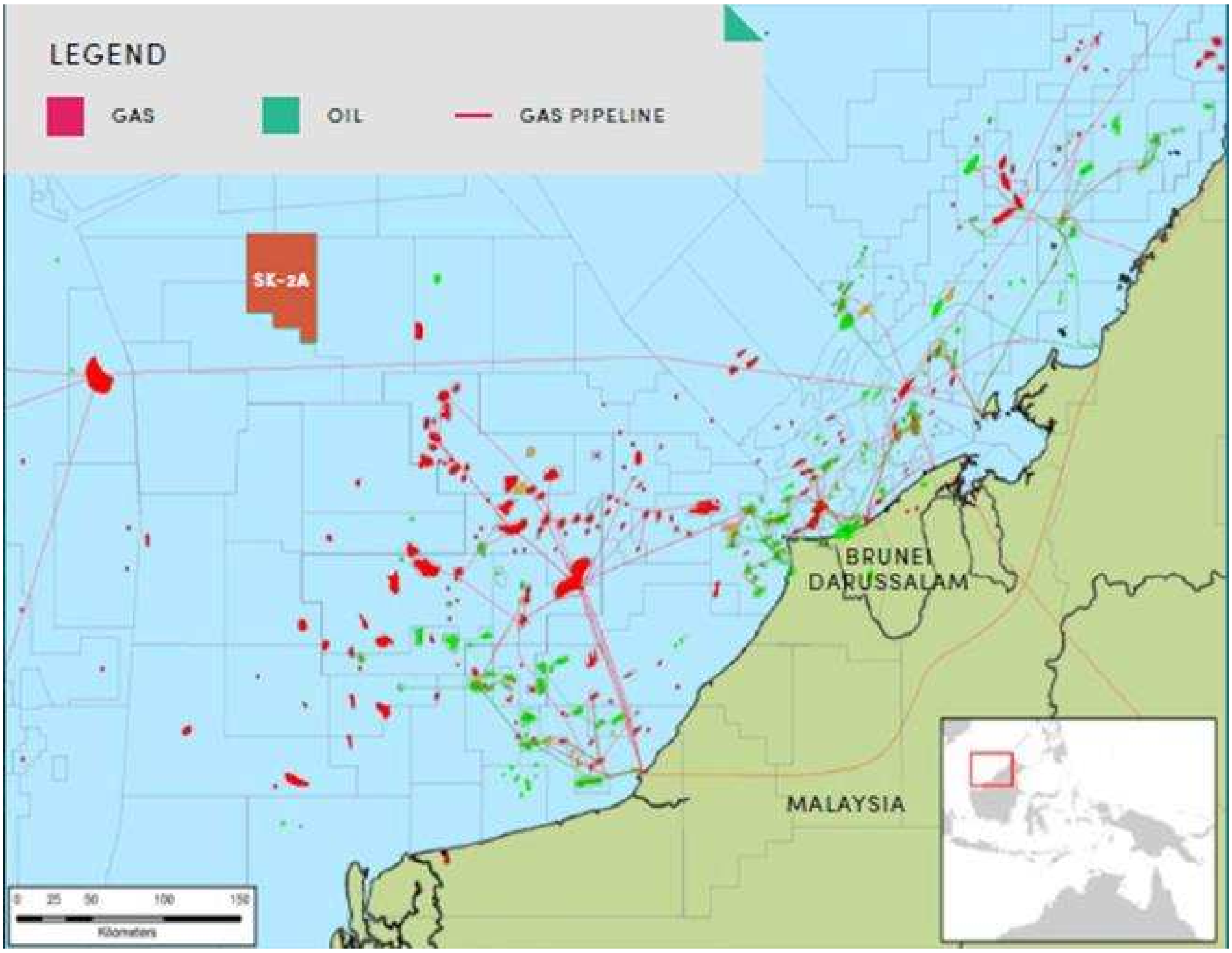
Assuming a government/contractor profit split of 37.5%/62.5%, we have calculated an NPV (10%) of US$52.4m for Coro's 42.5% interest at this stage. Note that this is an unrisked indicative valuation and there are several regulatory and operational milestones yet to be achieved by the PSC partners over the next three years in particular.

We also note that Coro's share of development costs for this asset is unfunded and our valuation as outlined will be subject to significant dilution whether from the issue of additional equity or more likely, the acquisition of debt instruments to fund key capital expenditures over the next three years.

Malaysia Block 2A – longer term potential

Coro is conducting a joint technical study in collaboration with Malaysian state oil company, Petronas, over Block 2A, located offshore Sarawak in Eastern Malaysia. This large block covering 2,400 km^2 is yet to be drilled and is located in deep water in close proximity to large discoveries to the east of the block as seen on the map below. The block does possess high quality 3D seismic and regional well data which will be used by Coro to assess the potential of the acreage.

Location of Block 2A offshore Sarawak



Source: Coro Energy (July 2019)

Block 2A characteristics

Block 2A is located in the Central Luconia Province which the company has noted is one of the most prolific hydrocarbon basins out of a total of eight in the Sarawak Basin and is home to several large oil and gas fields. These are typically located 100-250 km offshore in water depths exceeding 250 metres. The main hydrocarbon play is the Miocene aged reefal carbonates and the province has witnessed 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. In particular, Sapura E&P has discovered over 4.5 TCF of gas in a series of deep water discoveries in recent years.

Coro's early work 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. With gas infrastructure including a gas pipeline network and the Bintulu LNG plant located in the region, we believe that large gas discoveries could be tied into nearby infrastructure quickly and economically.

Coro's Italian assets

Coro currently produces modest volumes of gas from its Italian portfolio of assets. Production derived predominantly from the company's four operating gas fields, Sillaro, Bezzecca, Rapagnano and Casa Tiberi wells amounted to 261 mmcf of gas, equivalent to 1,442 mcfpd of gas per day. This was a substantial improvement on total volumes of 189 mmcf or 518 mcfpd for the comparable period in 2018.

This improvement was a function of higher facilities uptime and optimisation of flow rates from Sillaro and Bezzecca and the inclusion of production from Rapagnano and Casa Tiberi for the full six month period compared to only three months in 2018 following the acquisition of Sound Energy Holdings Italy Limited on 9 April 2018.

Average gas prices in H1 2018 were approximately €0.22 with higher prices of €0.24 evident in the Q1 winter months and lower pricing around €0.20 in the warmer Q2 period.

While in previous notes, we have ascribed an NPV of approximately €8.0m for Coro's producing Italian asset portfolio, we note that a significant proportion of this value is contingent on a workover of one of the existing wells on Sillaro, future drilling on Bezzecca and the start-up of production from Sant'Alberto which has yet to be timetabled. Given that such a work programme would likely to incur costs in excess of €5.0m for Sillaro and Bezzecca alone, we believe that such cash resources, where available, are more likely to be directed to Indonesia in line with the management's long term strategic focus.

Consequently, Coro's Italian assets do not represent a long term value play at this stage and the company has outlined its plans to divest its Italian business in order to focus on and accelerate the development of its South East Asian portfolio.

Following the interim results to the end of June 2019, Coro has ascribed a net asset value of approximately €1.8m to its whole Italian portfolio of assets following significant impairment losses recorded in the group's income statement for the period. The Italian portfolio is recorded on the balance sheet as held for sale assets and the management has opened a data room to facilitate the disposal process. Coro notes that it has already engaged in discussions with interested parties and we anticipate further updates on this process over the coming months.

Appendix 1: Board of Directors

James Parsons - Chairman

James is currently CEO of Sound Energy and Non-Executive Chairman at Echo Energy. He 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 in 1994 and spent 12 years with Shell working in Brazil the Dominican Republic, Scandinavia, the Netherlands and London. James is a qualified accountant and has a BA Honours in Business Economics.

James Menzies - Chief Executive Officer

James was the co-founder and CEO of South East Asia focused Salamander Energy from 2005 to 2015 until it was acquired by Ophir Energy for $850m. He 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. James subsequently worked for boutique M&A house Lambert Energy in London before founding Salamander. James is a Non-Executive Director of Trinity Exploration.

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 newly appointed Board. Andrew brings capital markets and corporate transaction experience to the team and is currently a Non-Executive Director of Alpha Growth 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. He 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 MacAuley – Non-Executive Director

Fiona has over 30 years of experience in the oil and gas industry. Former Chief Operating Officer and Technical Director of Rockhopper Exploration plc, Fiona, a Chartered Geologist, 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.

Appendix 2: Risks and uncertainties

We note that Coro's business is exposed to several strategic and operational risks that are inherent within the wider oil and gas sector. The key risks, that could have the potential to impact Coro's activities, include:

Political risk: Including changes in government policies in the jurisdictions in which Coro's subsidiaries and investee companies operate which could have an adverse impact on the implementation of the group's strategy. As part of its activities, we would expect Coro to monitor closely political developments in the various jurisdictions in which it operates, in-conjunction with its partners and also through industry associations.

Coro is exposed to significant **operational risk**, particularly **exploration and appraisal drilling risk.** The primary risk to the company, its subsidiaries and partners is the failure to locate, explore, appraise and develop hydrocarbon bearing prospects that have the potential to deliver commercially. This risk is mitigated by extensive analysis of available technical information to determine work programmes and risk sharing arrangements with partners and other third parties to reduce potential downside.

Permitting Risk: Planning, environmental, licensing and other permitting risks associated are inherent in the global oil and gas industry and particularly acute in regard to exploration drilling activities. As outlined in this report, Coro is meticulous in obtaining the required permits and government authorisations to operate. We believe that such risks are mitigated to a significant extent through compliance with regulations, cooperative engagement with regulators, communities coupled with the expertise and experience of the management teams.

Financial risks: As a function of the pre-revenue status of Coro's Indonesian activities, insufficient liquidity and the fund raising capacity of the company has the potential to impinge the implementation of the company's growth strategy and restrict work programmes due to lack of capital. In this regard, Coro actively and continually monitors the short and long term cash requirements of the business and the group's liquidity position.

Market Risk: This relates to the uncertainty and volatility of commodity prices which could adversely impact anticipated future revenue, cash flow and the overall value of the company. In this regard, Coro has particular exposure to regional gas prices in both Indonesia and Italy (for the time being). In response to such dynamics, we would expect Coro to factor contingencies into its evaluation, planning and budgeting processes to allow for the reasonable downside movements in commodity prices. Looking ahead, we believe that the management may consider it appropriate to hedge a proportion of its future production, particularly if Coro is reliant on stable cash flow to service outstanding debt.

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