Coro Energy plc

Coro will no longer proceed with the acquisition of a 42.5% interest in the Bulu PSC offshore Indonesia. With the long stop date for the completion of the transaction having passed on 2 December 2019 without the requisite government approvals in place and several concerns identified by Coro in regard to the company's partner and new requirements to the proposed development plan for the asset, Coro has elected to allow the Bulu acquisition agreement to lapse in accordance with the terms of the proposed transaction.

As outlined in December 2019, the long stop date for the completion under the Bulu acquisition agreement of 2 December 2019 passed without the acquisition being completed. The regulatory governmental approval process was still underway and the parties were still in the process of negotiating a further six month extension to the long stop date to allow sufficient time for the approvals to be received.

Following Coro's recent successful drilling programme on the Duyung PSC, also in Indonesia, which focused on confirming gas resource volumes on the Mako field, Coro has decided to be selective about new assets which it intends to bring into its portfolio. In the case of Bulu, necessary approvals remained outstanding as the long stop date expired and Coro also had concerns about the future of its operating partner.

Coupled with this, the company identified the imposition of potential changes to the composition of the Bulu partnership and new requirements being introduced in satisfying the Plan of Development for Bulu. As such, Coro concluded that the risks associated with the acquisition of a 42.5% interest in Bulu had increased appreciably. Consequently, the company did not enter into an extension and allowed the Bulu acquisition agreement to lapse in accordance with the terms of the proposed deal.

This move will preserve significant cash balances for Coro. The consideration for the acquisition, which will now not be paid, was to be satisfied through total payments (in tranches) of US$6.94m in cash in addition to US$1.04m in working capital adjustments to AWE Limited. In addition, further shareholder dilution will no longer take place given that Coro is no longer required to pay an additional US$4.0m through the issue of Coro shares to Hyoil (Bulu) Pte. Ltd.

With the acquisition not proceeding, this consideration will no longer be paid enabling Coro to direct its preserved cash resources to other areas of its portfolio, primarily the Duyung PSC in which Coro holds a 15% interest. Overall, Coro notes that its net expenditure in regards to the Bulu transaction amounted to a modest sum of approximately US$0.25m.

We believe that this is positive news for Coro given the scale of risks identified by the company within the terms of the transaction. With nearly US$8.0m of cash resources now preserved and available in the pursuit of new opportunities, Coro now has greater scope to build a portfolio focused on South East Asia where the M&A market remains highly promising.

Stock Data

Share Price:	1.65p
Market Cap.:	£13.0m
Shares in issue:	789.6m

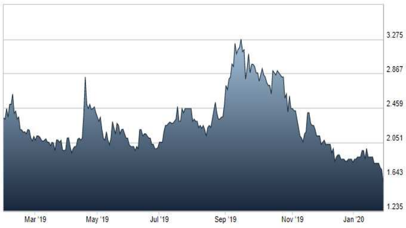
Company Profile

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: London Stock Exchange website

Past performance is not an indication of future performance.

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