



ALIGN
RESEARCH

Coro Energy

10th October 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. He brought a brand-new strategy for expansion and transformational growth focused on South East Asia. 2019 saw Coro acquire a 15% interest in the Duyung PSC in a deal which involved helping to fund a highly successful appraisal drilling campaign which showed just how large this project really is. In 2021, Coro acquired GEPL and 20% of ion Ventures. These vehicles are both 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 sees enviable opportunities to supply this market with gas and renewable energy as coal generation still dominates.

Well-positioned to supply gas to Singapore with its premium prices

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 2025.

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

Coro is funding the roll out of 150MW of roof top solar projects in Vietnam where a 3MW pilot project is now in operation. Looking to take precedence are two utility scale 100MW solar and 100MW wind projects in the Philippines which are 6 and 12 months away from Ready to Build status.

We see upside of +1,000% 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 3.23p** and **Conviction buy** stance.

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

Year to end Dec	2020A	2021A	2022E	2023E
Revenue (US\$'000)	-	-	80	800
PTP (US\$'000)	(7,969)	(6,475)	(8,890)	(6,450)
EPS (\$)	(0.010)	(0.003)	(0.004)	(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 3.23p



Key data

EPIC	CORO
Share price	0.255p
52 week high/low	0.505p/0.235p
Listing	AIM
Shares in issue	2,124m
Market Cap	£5.4m
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 highly attractive commercial metrics. 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 including two appraisal wells that were drilled in 2019. The current gas resource (100%) stands at 384Bcf of 2C resources within the PSC. 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) by mid-2023 which could see production beginning as early as 2025.

- **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. In October 2021, Coro acquired the rights over a portfolio of 150MW of rooftop solar projects in Vietnam and has begun rolling out these projects, starting with a 3MW pilot project which is now up and running.

- **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. It also has a 5% stake in Flexion, which is funding the development of more than 200MW of at or near shovel-ready projects in the UK/Ireland that ion masterminded. Coro has been granted first right of refusal to invest in each of ion Venture's South East Asian projects. Coro is ion's joint largest shareholder and has a seat on its board.

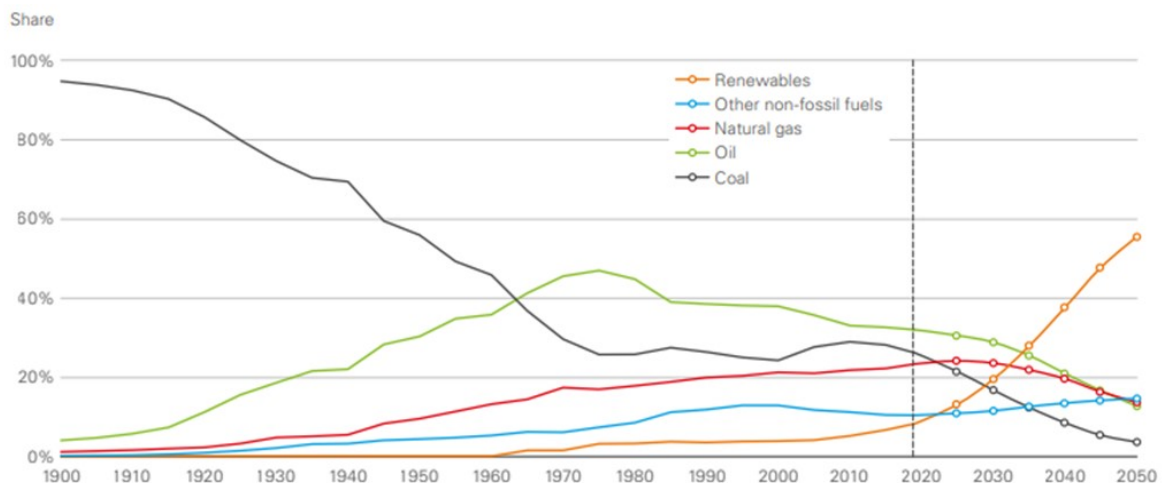


Successful appraisal drilling campaign on the Mako Gas Field in 2019

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 accelerated scenario.

Source: BP Energy Outlook 2022

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

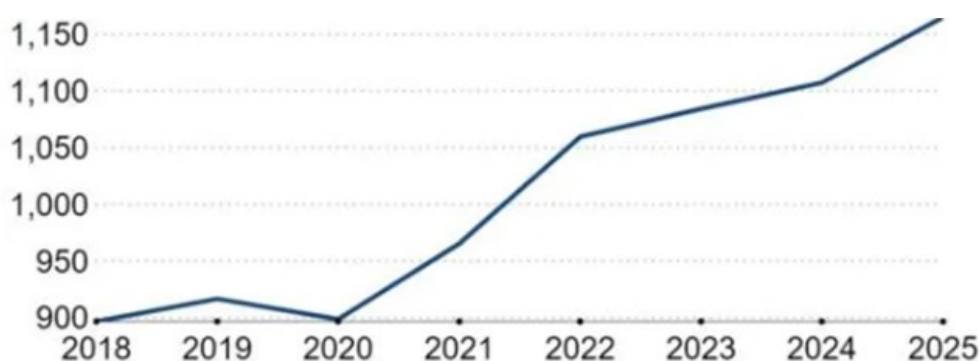
The global energy transition is centred on decarbonisation, decentralisation and digitisation, with renewables intermittency serving to increase the volatility of supply. Electrification is going to lead to increased and varied demand, which needs the flexibility of secondary supply to ensure security. 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. Storage batteries offer a viable solution for storing intermittent energy supplies associated with renewable energy, leading to a rapidly growing global energy storage market. 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 2030 to hit US\$140 billion, with soaring investment into sustainable energy sources which looks likely to drive 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	17.2%	2.9%
Vietnam	6.3%	49.8%
Thailand	6.3%	15.9%
Philippines	7.6%	40.3%
Malaysia	1.4%	21.2%
Indonesia	7.6%	39.5%

Primary energy consumption for 2021. Source: BP Statistical Review of World Energy 2022

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.

Then the company embarked on seeking its first acquisition under the new strategy. After a number of false dawns, real progress was made in building Coro's portfolio in SE Asia. This came in February 2019 with the acquisition of a 15% interest in Duyung PSC, offshore Indonesia. This contains the shallow water Mako Gas Field together with low risk step out exploration upside. Drilling of the Tambak-1 and Tambak-2 wells demonstrated this to be a very valuable gas resource.

In September 2022, Coro was able to unveil the updated PoD for the Mako Gas Project based on the CPR which was approved by the partners in the Duyung PSC. By that time the partners had also approved and secured alignment with SKK Migas on the PoD and now had a clear pathway to first gas production in 2025.

The board revised the company's 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.

The initial move into renewables was quickly followed in February 2021 by the acquisition of Global Energy Partnership Limited (GEPL), an originator and developer of renewable energy projects in South East Asia. This has served to open the door to opportunities in Vietnam and the Philippines. The acquisition saw GEPL's Mark Hood and Michael Carrington join the Coro team. Mark initially became Coro's CEO for a transitional period before moving to be a Non-Executive Director, whilst Michael is now the Managing Director of Renewables.

August 2022 saw the 3MW Vietnam Solar Pilot commence commissioning and by late-September 2022 it was delivering electrical power that was being consumed on site by Phong Phu Corporation, one of Vietnam's premier textile manufacturers under a 25-year power purchase agreement.

While these developments were occurring the company also took advantage of an unsolicited offer for the non-core Italian gas portfolio. The timely disposal of these interests will serve to create a vehicle that is more focused on SE Asia.

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 positioned to benefit from the 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 60m to 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 wide giving rise to 350km² area lying above the gas-water contact (GWC).



Location of the Duyung PSC. Source: Company

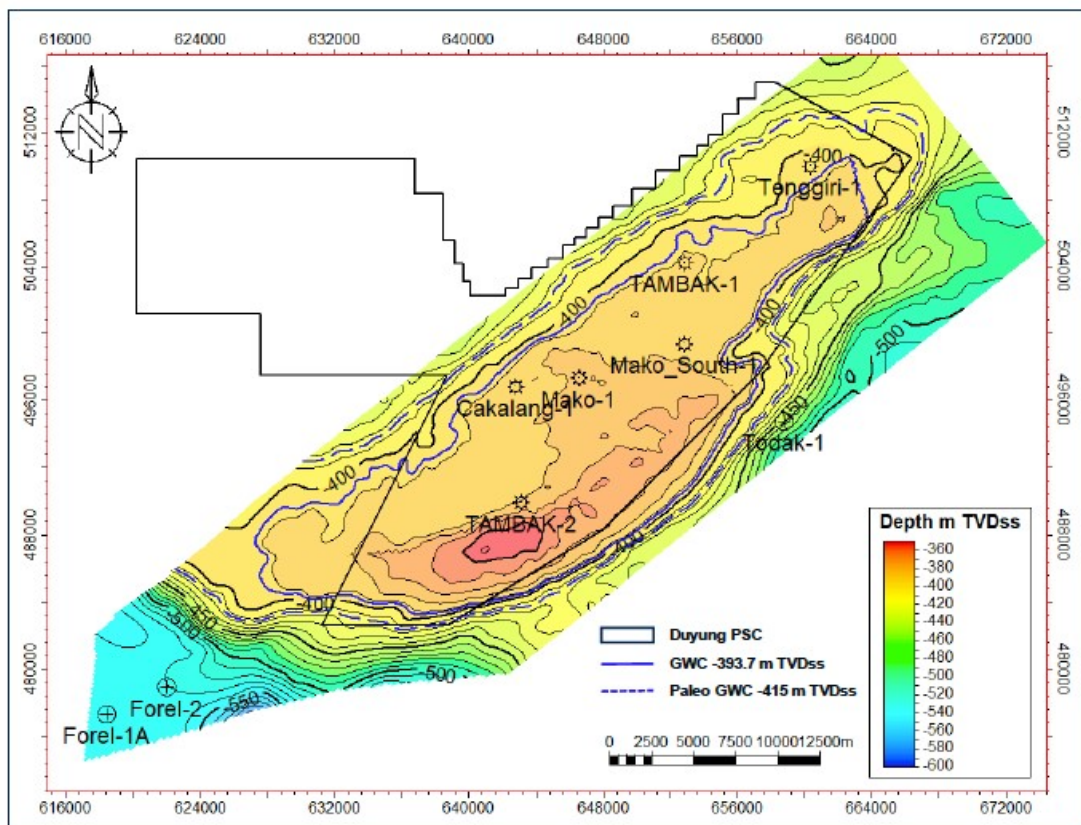
The structure is a Pliocene-age Intra-Muda Formation sandstone reservoir with GWC at around a 394m True Vertical Depth sub sea (TVDss). The Mako Gas Field is an extensive high-quality reservoir which is well-defined with low risk for its development but also provides high value step out exploration potential 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 Emphyrean Energy (8.5%) which have a joint operating agreement. Coro has a seat on the technical and operating committees along with Emphyrean and the pair can also 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 was not demonstrated until the Mako South-1 well was drilled in 2017. This well was drilled 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.

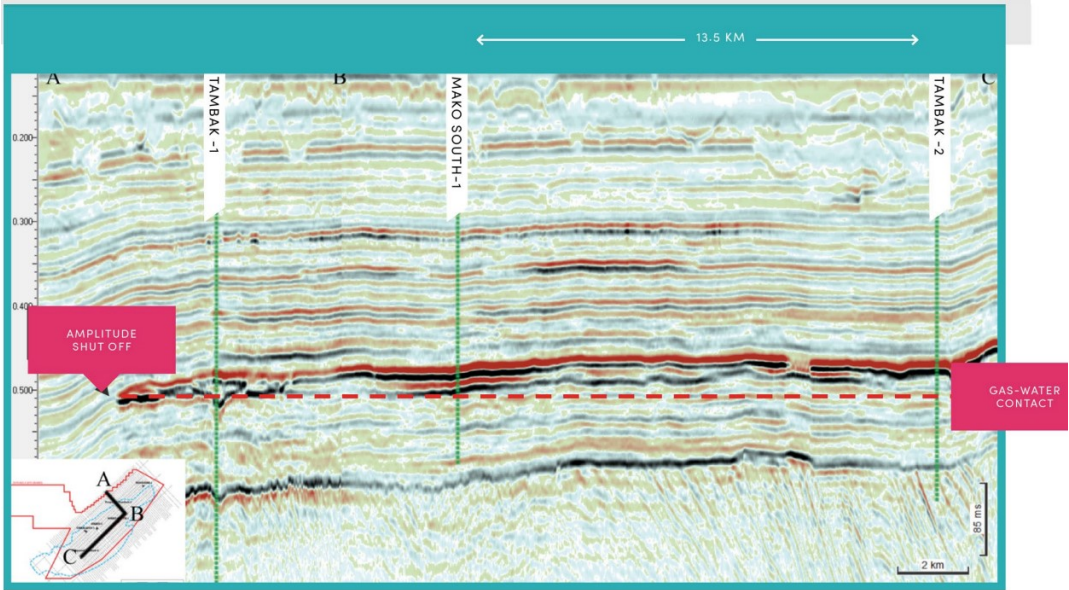
Source: Company

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 394m TVDss, which is 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

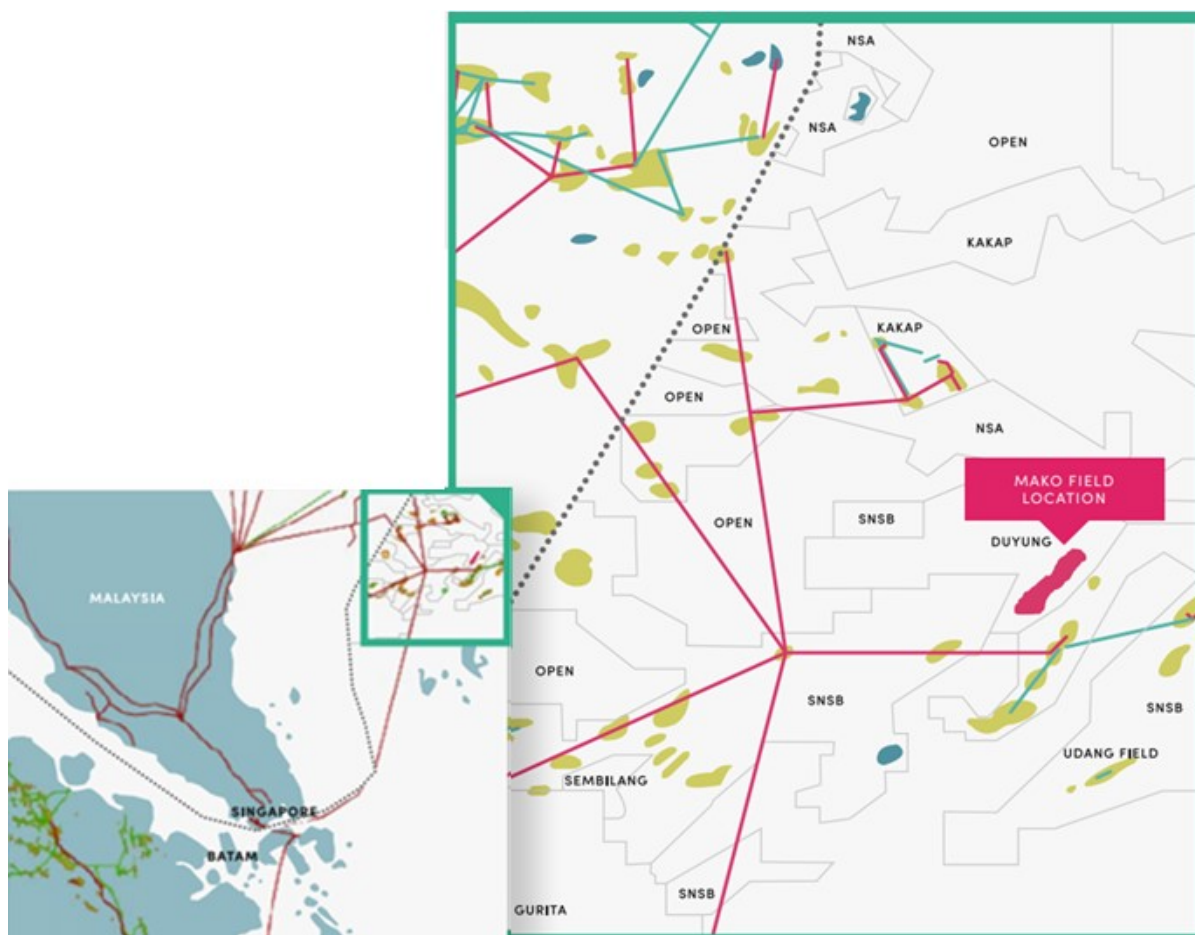
Following this successful appraisal campaign, GCA was commissioned to update its view of the Mako field in 2020 (original PoD) and 2022 (updated PoD) which saw the resource estimates significantly upgraded,.

	1C Bcf	2C Bcf	3C Bcf
January 2019 GCA Audit - pre-drill	184	276	392
May 2020 GCA Audit - post-drill	287	495	817
August 2022 GCA Audit	249	437	779

*Contingent Resource Estimates (full field) of the Mako gas field.
Source: GCA Independent Resource Audits May 2020 and August 2022.*

Access to Singapore gas market

Importantly, the field lies close to the West Natuna Transportation (WNTS) with the project being located just 64km from the Kakap Facility. This is operated by Star Energy, an Indonesian independent company, which will abandon their Kakap field in 2023, leaving available tie-in for Mako gas. 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 (GSA) are in progress.

Development

In early September 2022, the company announced that the partners in the Duyung PSC had approved an updated PoD. In addition, the partners have also approved and secured alignment with SKK Migas based on the PoD. The PoD is now passing the regulatory hurdle of being approved by the Indonesian Ministry of Energy and Mineral Resources.

The Operator of Duyung PSC commissioned a Competent Persons Report (CPR) that has been prepared by GCA for the Mako development. The revised PoD is based on the CPR which determined highly compelling economics of a 51% IRR and an NPV(10) of US\$577 million gross. **This is worth US\$87 million net to Coro.**

The CPR outlined that there was a 42 Bcf net entitlement of Contingent Resources (Best Case) to Coro during the PSC life, with plateau production of 120 MMscf/d for six years in the Best Case (2C) scenario. The CPR capital expenditure requirement to first gas was estimated to be US\$251 million gross (US\$38 million net to Coro). Coro expects to secure a Reserve Based Lending facility for a large portion of this capital with debt likely to represent 50-75% of the required investment.

MAKO GAS FIELD (Bcf gas)	CONTINGENT RESOURCES								
	Gross (100%)			Within PSC gross (100%) ¹			Net attributable to Coro (15%) ²		
	Low	Best	High	Low	Best	High	Low	Best	High
Reservoir: Upper sand, intermediate zone and Lower sand									
During Duyung PSC life	249	413	442	219	363	389	25	42	45
Requires Duyung PSC extension		24	336		21	296		2	34
Total	249	437	779	219	384	685	25	44	79

¹ The CPR estimates that 88% of the Mako field lies within the PSC boundary.

² After the deduction of the 23% contractor take

Duyung PSC – Contingent Resources. Source: GCA Operator CPR August 2022

Conrad Asia Energy Ltd's 100%-own subsidiary WNEL is the operator of the project and has continued to technically mature the development of the Mako gas field alongside negotiations of GSA(s), both in preparation for Final Investment Decision (FID). Key steps on this critical path included finalising the revised PoD, on which the JV partners have now secured alignment with governmental regulator, SKK Migas, and submission for ministerial approval.

The CPR evaluates a two-phased development with six wells in phase 1 and a further two wells in phase 2 after 5 years of production. The wells will be tied back to a leased production platform at the field, with sales gas transported via the WNTS pipeline to Singapore for sales to the Singapore market.

The development plan includes first gas in 2025, with a 120 MMscf/d production plateau and a gross recoverable 2C contingent resource of 413 Bcf gas total and 281 Bcf net entitlement attributable to the Duyung PSC JV partners (42 Bcf net to Coro) during the PSC life. It has to be pointed out that decent upside exists to increase the plateau rate to 150 MMscf/d, should reservoir deliverability be sufficient, as specified in the PoD revision.

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 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. Following this acquisition, the name was changed to Coro Asia Renewables Limited.

VIETNAM

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 3MW 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 transferred its existing 150MW project portfolio into the JV and provides management services in exchange for its 15% carried interest. 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 was used to cover planning and permitting costs to de-risk a 3MW pilot project which is planned to achieve 'Ready to Build' status during 2022. Then, Coro gained the right to fund the construction of the 3MW pilot project (at a cost of US\$1.9 million) which is now producing electrical power and is being consumed on site by Phong Phu Corporation, one of Vietnam's premier textile manufacturers under a 25-year power purchase agreement. It is expected, at current pricing levels, to produce net cash flows to the company of c.US\$0.3 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. Electricity produced by the pilot project will be sold at US\$7.3 cents per kilowatt hour plus there is a 1% annual increase. 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 long term "take or pay" PPAs with creditworthy industrial customers and US dollar denominated pricing.

THE PHILIPPINES

Coro has much bigger utility scale projects planned for the Philippines with a 100MW solar and a 100MW wind project. The 100MW solar project consists of two pre-development projects that are thought to be 6 months away from Ready to Build (RTB) status. The team's attention is currently focused on gaining land access, PPA and energy service contracts.

The technical data for the 100MW solar project shows a global horizontal irradiation of 1,885.1 kWh/m² and direct normal irradiation of 1,504.5 kWh/m². There is a planned 25-year photovoltaic (PV) potential with specific PV power output of 1,404 kWh/kWp and total PV power output of 3,508,981 MWh with a performance ratio of 74.6%. The pre-development cost is estimated to be US\$1.2 million to secure RTB and then US\$100 million required which is expected to be 75% debt funded. The sort of return that is targeted equates to an IRR which lies between the mid-teens to mid-twenties per cent level.

The 100MW onshore wind project is also at the pre-development stage and approximately 12 months away from RTB status. The process of collecting 12 months of wind data has already begun with a Lidar measuring campaign and a 130m Met mast is currently undergoing engineering design. The prevailing wind in this area is ENE with average speeds of 6.26m/s and the capacity factor (P50) has been determined to be 47%. The project is designed around the use of 3MW horizontal axis wind turbine generators.

With this wind speed and a capacity factor in the range of 40-50%, the annual production forecast has been over 400,000MWh. Pre-development costs are estimated to be something like US\$2 million to secure RTB followed by US\$173 million of capital, which is also expected to be debt funded to the tune of 75%. Once again, the level of return that is being targeted equates to an IRR lying between the mid-teens to mid-twenties percentage points.

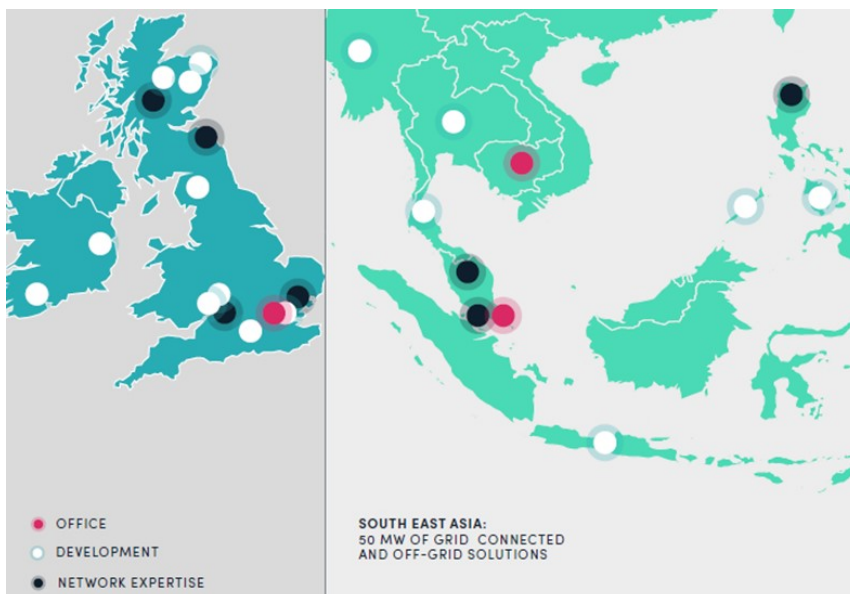
Energy Storage

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 and including Indonesia, Thailand and the Philippines. Energy storage assets are vital flexibility tools for managing volatility by balancing periods of peak supply and demand. Plus, batteries can 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

Coro has access to ion's pipeline of twenty clean energy projects (grid-connected and off-grid solutions) across South East Asia totalling more than 250MW. Importantly, the company has first right of refusal to invest in each of ion Ventures' projects across the ASEAN region.



ion's project pipeline in both South East Asia and UK & Ireland. Source: Company

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 the region which has a vast and growing market for power. With all this comes the rapidly growing need for energy storage solutions to support increasing renewable energy generation, intermittency of grid supplies and enhancement of existing off grid schemes.

In July 2021, ion announced a 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 transferred 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. GLIL had an initial interest in Flexion Energy Holdings of 95%, with ion holding a 5% interest on a fully carried basis. 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.

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, a strong development stage gas asset that is a platform for growth, is a rapidly growing clean energy portfolio which has been created by the acquisition of GEPL and Ion Ventures.

Little let up in global gas prices has been excellent news for Coro's 15%-owned Duyung PSC Gas Project in Indonesia. With the current gas resource standing at 437Bcf of 2C resources for the full Mako gas field, this makes it one of the largest gas discoveries in the West Natuna Basin. This field has already been discovered and has known resources, so the August 2022 CPR carries a probabilistic range of values. Whether it be the Low, Best or High Case, all are successful outcomes with increasing value that could be achieved once the project gets the go ahead.

Progress at Duyung PSC looks like it could be quite rapid now with the partners having approved the revised PoD which reflects the latest CPR. Given the current energy market condition, with the PoD approved the operator should be able to successfully conclude discussions on the GSA with SKK Migas concerning the terms for selling gas into Singapore, as well as make the necessary submissions for ministerial approval. All these steps look likely to culminate in the FID being made by mid-2023.

Gas produced is planned to be sold to Singapore, a nation which has a long history of paying a premium price as it relies on gas for c.95% of its electricity generation. The project has the advantage of being close to existing infrastructure which includes the third party operated WNTS to deliver the gas straight to Singapore. WNTS has spare capacity and it is the presence of such substantial infrastructure which serves to keep capital costs at a reasonable level compared to industry norms. The CPR Phase 1 capital expenditure is estimated to be US\$251 million and total capex came out at US\$303 million where Coro's share would be US\$38 million and US\$45 million respectively.

There are potential opportunities to monetise in the short-term through a farm-out or sale. However, at this stage Coro is only expected to need to fund approximately US\$1 million in the run up to FID. Alternatives to funding the FID include a farm out involving a free carried interest, sales of the asset or borrowing which could represent up to 60% leverage. The message that is coming loud and clear from the board seems to be this final option of securing a Reserve Based Lending facility for a large portion of the company's share of the capex, which will allow Coro to retain much of its stake.

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.

All eyes are on Vietnam where Coro has secured access to a significant portfolio which should see cash generative projects with short development cycles. The immediate action has been the beginnings of the roll out of 150MW of roof top solar which can progress quite quickly as the permitting process is very lean, focused on building safety and engineering. 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 3MW pilot project allows the company to demonstrate proof of concept.

It is a shrewd move to partner up with local engineering firm VPE as it 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 avail itself of available opportunities, with the opening up of future utility scale projects expected in the deregulated marketplace.

The 85%-owned Vietnam Solar business is now well on course to record maiden revenues before the end of 2022 from its 3MW solar rooftop pilot project. This follows the entry into a 25-year Power Purchase Agreement (PPA) with Phong Phu, one of Vietnam's leading clothing manufacturers. In late-September 2022, the project had begun delivering electrical power. Once this pilot project is bedded in, with any teething problems resolved and the company's assumptions proven, then the roll out will begin. The plan is that the initial 3MW project will act as a cookie cutter on which to base the roll out of further solar projects that make up the 150MW roof top solar portfolio in Vietnam. This could result in a rapidly growing healthy annual cash flow stretching many years into the future based on these 25-year PPAs.

It is clear that Vietnam remains one of the highest growth markets at the forefront of the regional transition to clean energy. Coro is rapidly building its clean energy portfolio alongside progressing its utility scale projects in the Philippines. 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, in the Philippines the company's 80%-owned Solar & Wind business seems to be making great strides with its two development stage renewables projects – a 100MW solar project and a 100MW wind project. Apparently, allowing for permitting timelines, these projects are 6 and 12 months respectively away from achieving ready-to-build status. Already, the all-important wind data gathering exercise has begun. Coro's team has been focusing on securing land access as well as pushing these projects through the permitting process.

All this might sound quite rapid, but we mentioned earlier on that NED 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.

Spiralling gas price also afforded the company with a good opportunity to relaunch its Italian gas portfolio early on this year. Going back a bit, these non-core gas assets in Italy were used as a platform to grow in South East Asia, as they had an operational track record and production. They also provided Coro with the credentials to successfully become involved in hydrocarbon projects elsewhere in the world.

Just when these Italian gas assets seemed to be coming back into play as a cash cow, the company received an unsolicited offer that has been hard to refuse. In all, the company stands to net more like €10 million plus (£8.4 million) when you factor in the option cash consideration (€0.3 million already received), the retained NPI and cash flows. Currently, cash flow delivered by the Italian portfolio could be received for another 7 months until the Sale and Purchase Agreement is signed and regulatory approval granted. This disposal will allow the company to be fully focused on South East Asia and provide very useful funds to fuel growth there. Today, there is tremendous value being added rapidly across all the assets which we believe is not reflected in any way by the current derisory share price.

Financials & Current Trading

Since its IPO, under its old guise as Saffron Energy, the company benefited from gas production in Italy (before 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	2017A ¹	2018A ¹	2019A	2020A	2021A
Revenue	1,389	-	-	-	-
Pre-tax profit/loss	-7,027	-4,485*	-7,862*	-7,969	-6,475
Net profit/loss	-7,027	-13,897**	-17,192**	-11,007	-7,500

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

2021 results

Final results for the year ended 31st December 2021 covered a very busy period for the company which saw the acquisition of the early stage South East Asian renewable energy portfolio with an initial focus on the Philippines along with the establishment of a basic operating infrastructure in the Philippines as well as initiated planning and permitting activities. Concurrently, there was continued progress toward commercialising the Mako gas field, with the Duyung PSC operator focused on key commercial workstreams including preparation of an updated PoD and signing binding GSA. During this period general and administrative expenses were US\$3.276 million which resulted in a loss from operating activities of US\$3.543 million. After net finance expenses of US\$2.932 million the pre-tax loss came out at US\$6.465 million with a total comprehensive loss for the period of US\$7.985 million. The basic and diluted loss per share from continuing operations came out at US\$0.003.

2022 interim results

Interim results for the six-month period ended 30th June 2022 saw revenue of US\$2.639 million from the company's Italian gas portfolio. After US\$1.133 million of operating costs and US\$0.212 million of depreciation and amortisation expenses the gross profit came out at US\$1.294 million. The loss from operating activities was US\$0.833 million after deducting general and administrative expenses of US\$2.059 million and other expenses. Finance income and expenses were US\$0.404 million and US\$2.585 million respectively giving a net finance expense of US\$2.181 million, resulting in a total loss for the period of US\$3.014 million. The total comprehensive loss for the period was US\$0.890 million after accounting for US\$2.124 million of exchange differences on the translation of foreign operations. The basic and diluted loss per share from continuing operations came out at US\$0.0004.

Recent developments

August 2022 brought news of the disposal of the Italian portfolio and commencement of commissioning at the Vietnam Solar Pilot. Following unsolicited approaches, the company awarded a five-month option (with potential for a two-month extension) to Zodiac Energy, a privately owned Italian gas operator, to acquire the company's Italian Portfolio. At the time Chairman James Parsons commented that the combination of the option cash consideration, the retained NPI and the cash flows delivered by the Italian Portfolio under Coro's continued ownership in the current gas price environment, would be expected by the board to represent c.€10 million.

At the Vietnam Solar Pilot project, the company was able to announce the completion of the installation of the rooftop solar pilot project and the commencement of commissioning. The 3MW project has over 4,500 solar panels and other ancillary components, which has been installed across four factory roofs in Vietnam and covers a total area of 16,120m². The pilot project was delivered on budget and on schedule. In late-August it was five days into a 20-day commissioning phase.

September 2022 saw Coro able to unveil the updated development plan for the Mako Gas Project. At the same time, it was reported that the partners in the Duyung PSC had approved an updated PoD and have approved and secured alignment with SKKMIGAS on the PoD. The PoD was reported to have been submitted to the Indonesian Ministry of Energy and Mineral Resources for approval.

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 of the company as awarded by the UK stock market.

Future funds

The market for raising funds for small cap resources companies has not been easy over the last few years. Although sentiment has improved since the spread of the COVID-19 pandemic, recently the stock market seems to have become more risk averse and has turned its back somewhat on small cap resources stocks. This has meant that some recent fund raisings in the resources sector have seen share prices being undermined by incoming investors demanding substantial discounts to provide the necessary capital.

Board of Directors

James Parsons – 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.

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.

Mark Hood – Non-Executive Director

Mark was appointed to the Board in March 2021 following the acquisition of Global Energy Partnership Limited and assumed the role of Non-Executive Director in August 2022 after a transitional period as CEO. 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 an MSc in Project management.

Stephen Birrell – Non-Executive Director

Stephen is highly experienced geoscientist who has worked in the upstream oil and gas industry for over 35 years with a particular focus on gas developments across multiple jurisdictions with Britoil, BP and Elf and Sterling Resources, where he discovered and initiated the development of the Black Sea gas field complex, Ana/Doina in Romania. Stephen has a BSc Honours in Applied Geology and is a member of the Association of International Petroleum Negotiators and the Society of Petroleum Engineers.

Management Team

Michael Carrington – Managing Director Renewables

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.

Leonardo Salvadori – Managing Director Oil & Gas

Leonardo has over 30 years of international exploration, business development and general management experience. He has worked for Eni in Libya, Norway, Italy, Indonesia and Egypt with exploration and new ventures roles, focusing on international asset evaluations and corporate acquisitions.

In 2006, he left ENI to join Dana Gas Egypt and after nine years in a variety of top managerial roles in exploration, business development and general management. Leonardo joined Coro Energy in 2015 as MD of the Italian portfolio and subsequently of Coro's entire O&G activity.

Ewen Ainsworth – Chief Financial Officer

Ewen is an experienced AIM company director. He is currently a Non-Executive Director of Corcel Plc and CEO of Discovery Energy Limited, an advisory, consultancy and investment company and has worked in a variety of senior and board-level roles in the natural resource sector for over 30 years, most recently as Finance Director for San Leon Energy and Gulf Keystone Petroleum Ltd. He qualified as a chartered management accountant, before moving into leading commercial roles. He holds a degree in Economics and Geography from Middlesex University and is a member of the Energy Institute.

Forecasts

We update coverage of Coro with forecasts for the years ending 31st December 2022 and 2023. For 2022, it is assumed that the initial electricity generation at the 3MW pilot roof top solar project in Vietnam delivers revenue of US\$0.08 million, with a US\$0.02 million cost of sales resulting in a gross profit of US\$0.06 million. We expect general and administrative expenses of US\$4 million following the expansion of activities, which is forecast to result in a loss from operations of US\$4.24 million. The pre-tax loss before is expected to be US\$8.89 million after US\$5.25 million of finance expenses - largely the interest payable on the €26.6 million Eurobond. The loss per share from continuing operations for the year comes out at US\$0.004. It is assumed that the Italian option will be exercised so the related revenue and costs from production restarting at the Italian gas assets which is reflected by a profit from discontinued operations of US\$3.3 million which results in a total loss for the period of US\$5.59 million.

In 2023, revenue is estimated at US\$0.8 million from a growing number of rooftop solar projects in Vietnam as the rollout of the 150MW of projects begins in earnest. We have assumed that by the year-end a total of five 3MW solar projects are in operation which have been debt funded. After a US\$0.15 million cost of sales and US\$2.30 million gain on sale of the Italian gas portfolio we expect a gross profit of US\$2.95 million. General and administrative expenses are expected remain at US\$4 million and result in a loss from operating activities totalling US\$1.35 million. On this basis, with no tax payable, the loss before and after income tax is expected to be US\$6.45 million. The loss per share from continuing operations for the year comes out at US\$0.003. The number of shares on a fully diluted basis is seen to fall as a large number of options exercisable at 4.38p are due to expire this year and it is thought that these options could expire unexercised. Once again in 2023, the related revenue and costs from production restarting at the Italian gas assets are shown by a profit from discontinued operations of US\$1.25 million which results in a total loss for the period of US\$5.20 million.

Moving further ahead, the Mako gas field is expected to come on stream as early as 2025 following the FID in H1 2023. Once this happens, this gas field will have a truly transformational effect on the company's profit and loss account and cash flow. This will be seen as a critical point where Coro will move from being loss making due to the continual negative drip of G&A and interest expense to positive earnings. Coro's 15% interest in the project is expected to generate substantial annual cash which should be seen as a counterbalance to the current Eurobond debt.

Year End 31 December (\$'000s)	FY 2020a	FY 2021a	FY 2022e	FY 2023e
Continuing operations				
Revenue	-	-	80	800
Cost of sales			(20)	(150)
Gain on sales of an asset	-	-	-	2,300
Gross profit/ (loss)	-	-	60	2,950
General and administrative expenses	(2,942)	(3,276)	(4,000)	(4,000)
Depreciation expense	(114)	(18)	(150)	(150)
Other losses	(19)	-	-	-
Share of loss of associates	(16)	(249)	(150)	(150)
Profit/loss from operating activities	(3,091)	(3,543)	(4,240)	(1,350)
Finance income	28	2,239	600	500
Finance expense	(4,906)	(5,171)	(5,250)	(5,600)
Net finance (expense)/income	(4,878)	(2,932)	(4,650)	(5,100)
Loss before income tax	(7,969)	(6,475)	(8,890)	(6,450)
Income tax benefit/(expense)	-	-	-	-
Loss for the period from continuing operations	(7,969)	(6,475)	(8,890)	(8,750)
Discontinued operations				
Profit/(loss) for the period from discontinued operations	(2,198)	(1,510)	3,300	1,250
Total loss for the period	(10,167)	(7,985)	(5,590)	(5,200)
Other comprehensive income/loss				
<i>Items that may be reclassified to profit/loss</i>				
Exchange differences on translation of foreign operations	(840)	485	2,500	500
Total comprehensive loss for the period	(11,007)	(7,500)	(3,090)	(4,700)
Loss attributable to:				
Owners of the company	(10,167)	(7,500)	(3,090)	(4,700)
Total comprehensive loss attributable to:				
Owners of the Company	(11,007)	(7,500)	(3,090)	(4,700)
Basic loss per share from continuing operations (\$)	(0.010)	(0.003)	(0.004)	(0.003)
Weighted average number	793,502,096	1,917,559,412	2,124,035,967	2,124,035,967
Total shares plus options and warrants	1,338,483,000	2,261,723,467	2,330,327,179	2,282,327,179

Source: Company/Align Research

Valuation

We have set out to determine a meaningful valuation for Coro to determine 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 not at all reflected in the current 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 creditable 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. We have relied on the analysis undertaken in the latest GCA CPR, which we think looks to be quite conservative. Below we have outlined some of the key assumptions that have been made in our financial model which was based on the Contingent Resources shown below.

MAKO GAS FIELD (Bcf gas)	CONTINGENT RESOURCES								
	Gross (100%)			Within PSC gross (100%) ¹			Net attributable to Coro (15%) ²		
Reservoir: Upper sand, intermediate zone and Lower sand	Low	Best	High	Low	Best	High	Low	Best	High
During Duyung PSC life	249	413	442	219	363	389	25	42	45
Requires Duyung PSC extension		24	336		21	296		2	34
Total	249	437	779	219	384	685	25	44	79

¹ The CPR estimates that 88% of the Mako field lies within the PSC boundary.

² After the deduction of the 23% contractor take

Duyung PSC – Contingent Resources. Source: GCA Operator CPR

The CPR was closely aligned with the PoD and is based on a two-phased development with six wells in phase 1 and a further two wells in phase 2 after 5 years of production. These wells are planned to be tied back to a leased production platform at the field, with sales gas transported via the WNTS to Singapore for sales to the local market.

The development plan is targeting first gas in 2025, with a 120 MMscf/d production plateau and a gross recoverable 2C contingent resource of 413 Bcf gas total and 281 Bcf net entitlement attributable to the Duyung PSC JV partners (42 Bcf net to Coro) during the PSC life. In addition, there is considerable upside potential as it is seen that the plateau production rate could rise to 150 MMscf/d, provided that the reservoir shows sufficient deliverability.

The CPR used a gas price of US\$9.97/Mscf in 2025, calculated on a Brent linked price formula with a Brent slope of 12% and a Brent price deck of US\$80 per barrel in 2025, escalating 2% per annum from 2027 hence. It has to be pointed out that the gas prices actually agreed with the gas buyers and the regulator when the GSAs are eventually signed may well change.

First gas from the Mako gas project is planned to be sent, via a 64km pipeline connection to the Star Energy Kakap facility, to the Singapore market through the WNTS line. Such a development will need a Conductor Support Frame (CSF) for one dry wellhead and gas import-export support, bridged-linked to a leased bridge linked Mobile Offshore Production Unit. The CPR Phase 1 capital expenditure is estimated to be US\$251 million and total capex came out at US\$303 million. These estimates are going to be updated as a consequence of envisaged Front End Engineering and Design (FEED) studies.

The CPR estimated that the post-tax NPV(10) resulting from the Best Case Contingent Resources within the Duyung PSC acreage and within the life of Duyung PSC (363 Bcf) to be US\$577 million, with US\$87 million net to Coro. This has been employed in our SOTP 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 Asia 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 Coro Asia Renewables, 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. Since we last looked at this business, it would seem that there might be changing priorities as all the competing projects are prioritised on the basis of the returns they could provide in order to optimise the allocation of capital.

For these reasons, the roll out of the Vietnam roof top solar projects might not quite be as aggressive as we previously thought. Our financial model focuses on the creation of around 25MW of such projects. This is a good scale to achieve as it represents critical mass and is of a size where third parties would start to get interested.

This aggregate level is achieved by building and operating a series of 3MW roof top solar projects that are rolled out on a basis of one a quarter. It assumed that these are debt financed over the 25-year life of these projects at expected commercially available rates that might prevail in the near future. Finance is thought to be available in Vietnam to fund the required investment at US\$1.9 million per 3MW project, which is not that difficult to access.

Discount rate	Net Present Value US\$ million
10%	13.11
12%	9.04

NPV for Coro's 85% interest in the rollout of the Vietnam roof top solar projects.

Source: Align Research

Given the stage of development of the various projects in the 25MW 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 3MW initial project has now started delivering electrical power and so we would risk this at 10%. The remainder of the projects are at a stage akin to a PFS and are risked at 65% - 70%. This gives an overall figure of 60.31% which we have used to risk the US\$9.04 million figure, giving US\$3.59 million.

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. Returns could be improved by selling projects when they are up and running but that has not been factored into our analysis.

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 in summer 2021 which concerns ion's portfolio of grid scale energy storage projects in the UK. This partnership saw GLIL commit up to £150 million of capital into Flexion with ion transferring its existing portfolio of UK grid scale energy storage projects.

At the state, GLIL had a 95% interest in Flexion 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.

Italian gas

The company is in the midst of selling the Italian gas portfolio and in total in excess of €10 million is expected to be received by Coro, this figure has been used in our further analysis.

Total

Our SOTP valuation totals US\$78.19 million or £68.59 million. Based on the number of shares currently in issue (2,124,035,967) the per share valuation would come out at 3.23p. Looking on a fully diluted basis (2,655,610,967), we have added the funds that would result from the options being exercised of £2.91 million. This gives a total of £71.50 million, equating to 3.07p per share.

Asset	U\$ million
Duyung PSC NPV(10)	87.0
Wind and solar projects (Coro Asia Renewables)	3.59
Energy storage (Ion Ventures)	2.20
Italian gas portfolio €10 million using current FX rate of 1.00	10.0
Debt €26.6 million using current FX rate 1.00	(26.60)
Cash	2.00
Sub-total	US\$78.19 million
At current FX rate 1.14	£68.59 million
Per share	
Based on the number of shares in issue (2,124,035,967)	3.23p
Fully diluted basis	
Funds coming from options being exercised	£2.91 million
Total	£71.50 million
Based on the number of shares on a fully diluted basis (2,330,327,179)	3.07p

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 bulk of the funds coming from options being exercised are at 4.38p so are well underwater and need to be exercised by April 2023 and April 2024. On that basis we have chosen to set a target price of 3.23p.

Conclusion

In our view, Coro is 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 decarbonisation. 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 which is currently looking to IPO on the ASX, while Emyrean 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.

Over the next 18 months, investors look like they will be rewarded with a rapidly improving flow of news 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 events concerning Duyung shift up a gear and 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 3.23p.**

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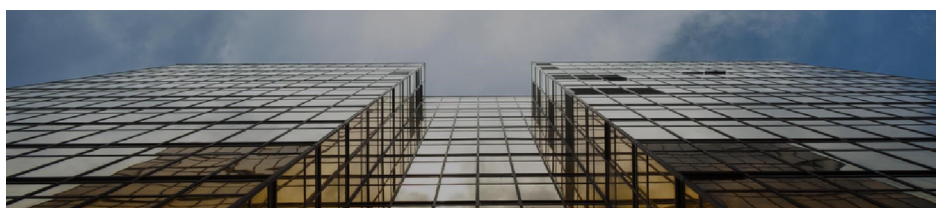
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