Company Registration No. 05542880 (England and Wales)

SCIROCCO ENERGY PLC

(FORMERLY KNOWN AS SOLO OIL PLC)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

SCIROCCO ENERGY PLC

CONTENTS

CHAIRMAN'S STATEMENT INCORPORATING THE STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

On behalf of the Board of Directors, I hereby present the financial statements of Scirocco Energy plc (the "Company") for the year ended 31 December 2020.

2020 was a challenging year for all companies in the energy sector regardless of size. That being said, it was another year of transition for our Company as we completed our transformation into Scirocco Energy and continued to make headway with our core assets and new strategy. In my capacity as Non-Executive Chairman of the Company, I am pleased to provide a review of the financial year for 2020, as well as the outlook for 2021. I would also like to take this opportunity to thank shareholders for their patience as we implement a refreshed strategy in a difficult environment.

Market Environment

It cannot be overstated how challenging the market backdrop was through 2020. The level of disruption and uncertainty caused by COVID-19, together with a significant drop in both demand and pricing in the oil and gas sector, has resulted in a period of unprecedented change. The small cap E&P environment was already facing numerous challenges in terms of access to capital and a seismic shift in investor sentiment, and this was undoubtedly exacerbated by the issues caused by the pandemic. The uncertain outlook and severe commodity pricing volatility created challenges in transacting as appetite for new ventures diminished and valuation expectations differed between vendors and acquirers.

At the same time this changing landscape and structural overhaul of the global energy mix is creating new opportunities for those willing to transform. It has forced companies to think differently about the future of energy, with many seeing this as an inflection point for companies in this sector to embrace change and be part of the energy transition; something Scirocco had already identified as a key part of its future.

Strategy and Portfolio

The Board's early decision in 2020 to augment the new strategy and to invest in the broader European Energy Market was prescient, with a significant amount of work being put into identifying potential investment opportunities through 2020. In doing so we have developed some important new relationships and prospective partnerships which will be key to the future of the Company.

The year started with the decision to not progress with the ONE Dyas transaction, which although disappointing at the time, given the subsequent events in the sector, we remain convinced that this was the right decision both then and now. During this period, the Board also made the decision to implement cost discipline and cash management strategies which were maintained throughout the year. This was part of a wider focus to continue the development of the Company's governance structures and policies so as to ensure that they are in place to support the growth plan.

It was the second half of the year that saw progress of the portfolio and further implementation of the strategy. In June, the Company announced it had secured an appropriate funding structure through the investment facility ("Facility"), with Prolific Basins LLC, a US based specialist energy investor which created optionality for financing. Although we have only drawn down a limited portion of the Facility, it has been key to ensuring that we can fund our position in Ruvuma and at same time allow time to secure the best deal through the sale process.

Q4 was in particular a strong quarter to end the year, with significant developments in our portfolio of assets. In October, Aminex ("AEX") announced that it had completed the farmout of 50% of its ownership in the Ruvuma PSC to ARA Petroleum Tanzania ("APT"). This cleared an important obstacle to progress and at the same time provides further validation for the valuation that we consider appropriate. While our sales review of Tanzanian assets had commenced much earlier in the year, it was only upon completion of AEX/APT transaction that we began to progress commercial discussions, and this dialogue continues with a number of interested parties. In a short amount of time following the change of ownership and operatorship, ARA has moved swiftly to seek approval of a work program and budget to acquire a 400 sq km 3D survey. In parallel, APT announced the contracting and procurement of the services for the drilling of the Chikumbi-1 well. That well is a material value catalyst for the Ruvuma JV, and our involvement in it depends on the outcome of the ongoing discussions with potential suitors.

In November, Helium One Global Limited merged with the cash shell of Attis Oil & Gas to form an enlarged entity called Helium One on AIM, of which Scirocco Energy owned 4.3% at the time of the IPO. Helium One has identified a globally unique, large scale primary helium project in Tanzania called the Rukwa Project, which has strategic global implications in resolving the supply-constrained helium market. The listing on AIM provides Scirocco with a liquidity platform to monetise this legacy investment at the appropriate time. The stock has performed well since its listing and we will continue to assess its progress in line with our own monetization objectives.

Through the period, the Company continued to also look for acquisitions or investments that would fit the new strategy focused on the energy transition and were able to provide updates in the period post year-end. The screening process has been intense, despite the challenges caused by the pandemic, and we continue to progress a number of interesting opportunities.

In February 2021, the Company was able to provide further updates of its strategy as it looks to focus on near-term investment opportunities in the low-carbon space focused on three asset classes; renewable energy, circular economy and energy storage and transfer. By constructing a portfolio within this space and with well defined investment criteria, the Board believes it will offer shareholders and investors exposure to cash generative investments with an attractive risk/reward ratio within the sustainable energy ecosystem and the ability to deliver shareholder value through dividends and capital growth. If we have seen anything in 2020, it was a catalyst year in terms of a move away from traditional fossil fuels, and the Board believes the Company is well positioned to now focus on these new investment channels for a sustainable future.

As part of this development in the strategy, we also announced the appointment of Mr Muir Miller to the Board on 18 March 2021. Muir brings a wealth of skills and experience in the low carbon sector. He is already making a significant contribution to the way we are approaching investment in the transition energy space.

Prior year adjustments

In the current year, there has been an adjustment to the figures previously reported in 2-019. The investment in Corallian Energy Limited was incorrectly classified as an intangible asset and has subsequently been reclassified as an unquoted equity investment. Details of this can be found in note 30.

Outlook

The Company is fully committed to the new strategy and has already identified a number of opportunities within its new area of focus with a target to deliver an invested asset base of £150 million capable of generating cash flow of circa £20 million per annum within five years. The announcement of the EAG deal and Greenan acquisition in June is an important first step into the transition energy space and specifically the Anaerobic Digestion sector, more commonly known as biogas or “AD”. It is indicative of the type of opportunity we are pursuing. It provides a solid foundation on which to build and the Board and Management look forward to explaining more about this deal and to updating shareholders on progress with other transactions throughout the year.

With regards to the existing portfolio, we remain very confident of the commercial attractiveness of the legacy investments in Tanzania and believe that we are on the cusp of further positive developments this year. The new operator is developing a work programme which will optimise the value of resources at Ruvuma. We believe this will offer an attractive development project to a prospective buyer of the Scirocco interest. I would like to assure shareholders that we continue to strive to secure the best possible value for our interests based on the market dynamics and we look forward to updating shareholders in due course.

The portfolio review has also progressed with the divestment of our stake in Reef Resources which was announced in March.

Section 172 (1) Statement

The Company was admitted to the AIM Market of the London Stock Exchange on 12 April 2007 and has been a public company from this date. The Company is required to provide a Section 172(1) statement under the terms of its AIM listing. This disclosure aims to describe how the Directors have acted to promote the success of the company for the benefit of its members as a whole, taking into account (amongst other matters) the matters set out in section 172(1)(a) to (f) of the Companies Act which are set out below.

(a) the likely consequences of any decision in the long term
As previously discussed, the deal with ONE DYAS did not go through in the current year. The Company has not made any other decisions which will likely affect the company in the long term in the current financial year.

(b) the interests of the company's employees
Aside from the Directors, the Company does not have any other employees.

(c) the need to foster the company's business relationships with suppliers, customers and others
Aside from a small number of service providers, the success of the Company's investment strategy will be driven in part by the business relationships that exist between the Directors and the management of other oil and gas companies and as such the maintenance of such relationships is given a very high priority by the Directors.

(d)the impact of the company's operations on the community and the environment
During the current investment phase the Company has no operations. The Directors are nevertheless cognisant of the potential impact of future investments on affected communities and the environment and such factors will continue to be considered as part of investment appraisal and decision making.

(e) the desirability of the company maintaining a reputation for high standards of business conduct
The Company's standing and reputation with other oil and gas companies, equity investors, providers of debt, advisers and the relevant authorities are key in the Company achieving its investment objectives and the Company's ethics and behaviour, as summarised in the Company's Business Principle and Ethics, will continue to be central to the conduct of the Directors. The Company is advised by blue-chip experienced advisers which also assist in maintaining high standards of conduct.

(f) the need to act fairly as between members of the company
The Directors will continue to act fairly between the members of the Company as required under the Companies Act, the AIM Rules and QCA corporate governance principles.

Conclusion

In summary although our progress this year was significantly affected by external events, we believe that 2020 will prove to be a definitive inflection point for both the Company and the energy sector in general.

It feels like there has been a generational shift in thinking which is going to lead to significant changes and opportunities in the transition of the energy sector. The companies that recognize this and move quickly to transform will be the beneficiaries, and the Board feels that Scirocco is already well down this path and will benefit from forward thinking and early mover advantage.

I can re-assure our shareholders that the transformation within the company is well underway and believe the change of name to Scirocco Energy at the AGM in 2020 was well timed. It is both symbolic and indicative of where we would like to take the Company, and see our repositioning in the last couple of years as essential strategic events that will benefit the Company in the near-term and beyond.

The Board is excited and fully engaged in the transformation to the transition energy space.

We see significant opportunities for value creation for a company with the right strategy, the right partners and focused on the right opportunities. We remain convinced that the future lies in the low carbon sector. We have been laying the building blocks to ensure we can be a part of this future, and believe that 2021 will be the year when our hard work behind the scenes results in value accretive transactions for the benefit of the Company and its shareholders.

Once again I would like to thank the Board and the Executive Team for their dedication and commitment and thank our shareholders for their patience and understanding.

Alastair Ferguson
Non-Executive Chairman
Date: 14 June 2021

Strategic Report

Tanzania

Scirocco continues to hold a number of licence interests in natural gas and industrial gas assets in Tanzania.

These projects were selected for their significant subsurface potential with existing reserves, significant prospective resources and proximity to existing infrastructure location. The Company continues to believe that the projects are well positioned to deliver investor returns through both operational events and monetisation opportunities.

Despite challenges to operational progress in 2020, due in part to the effect of COVID-19 on operations, the Board believes that all projects made progress from a technical evaluation and planning perspective.

A. Ruvuma PSA

ARA Petroleum Tanzania Limited ("APT")	50%*
Aminex plc ("AEX")	25%
Scirocco Energy plc	25%

* APT became operator in October 2020 following the completion of its farm-in to the AEX working interest

In 2020 Scirocco held a 25% working interest in the Ruvuma Petroleum Sharing Agreement ("Ruvuma PSA") in the south-east of Tanzania covering an area of 3,447 square kilometres of which approximately 90% lies onshore and the balance offshore. The Ruvuma PSA is in a region of southern Tanzania where very substantial gas discoveries have been made offshore in recent years and where gas has also been discovered onshore and along the coastal islands at Ntorya, Mnazi Bay, Kiliwani North and Songo-Songo.

License Extension

In April 2020, the Joint Venture formally received the extension of the Mtwara Licence in respect to the Ntorya Location from the Ministry of Energy of Tanzania. The extension, which was applied for in late 2017, is valid for one year. Under the terms of the extension the Joint Venture must carry out the following work programme:

- Acquire 200 square kilometres (surface coverage) of 3D seismic (min. expenditure of US$7 million)
- Drill the Chikumbi-1 exploration well (min. expenditure of US$15 million)
- Complete the negotiation of the Gas Terms for the Ruvuma PSA with the Tanzania Petroleum Development Corporation
- Using the data gathered from Chikumbi-1 and the seismic acquisition, prepare and submit an application for a Development Licence for the Ntorya Location.

2020 Operational Update

The proposed gross 2020 contingent work programme and budget for Ruvuma included approximately US$40 million of drilling and seismic work. However due to delays in receiving the approval for the completion of the APT and Aminex farm-in and the restriction in international travel resulting from the COVID-19 pandemic the Joint Venture was unable to make significant operational progress on the asset during the period. Had the work programme been executed as budgeted Scirocco would have been expected to fund approximately US$10 million.

During 2020 (and before the transfer of operatorship to APT in October 2020), the operator, Ndovu Resources Limited (a wholly owned subsidiary of Aminex plc), completed an updated well design for the Chikumbi-1 exploration well and redesigned a significantly larger 3D seismic programme than was originally planned. The changes to the seismic programme reflect the intent of the Joint Venture to gather all of the information required in order to rapidly progress an early production scheme and then a full-field development delivering early cashflow from the Ntorya gas field.

Technical Overview

During 2018 the Joint Venture conducted technical work with the support of RPS Energy Consultants Limited, on the resource estimates, and by IO Consulting, on the development engineering and economics, leading to the upgraded resource estimates included in Table 1. The independent studies now estimate gross 2C contingent resources of 763 bcf, of which 191 bcf are net to Scirocco's working interest, equivalent to approximately 31.8 mmbbls oil equivalent.

Resource summary - Ntorya Field

			Gross Licence Basis (bcf)		
Licence		**1C**	**2C**	**3C**	**Gross Mean unrestricted GIIP**
Mtwara	Development pending	26	81	213	
Mtwara	Development unclarified	324	682	950	1,870
			763		

Resource summary excluding Ntorya Field

			Prospective Resources (bcf)* Gross on Licence		
Prospect/Lead	**1U**	**2U**	**3U**	**Mean unrisked**	**Pg %**
Chikumbi Jurassic	399	936	1,798	1,351**	8***

* **Assuming development licence is ratified**
** **P50**
*** **RPS assessment of PG**

B. Kiliwani North Development Licence ("KNDL")

Scirocco holds a 8.3918% working interest in the Kiliwani North Development Licence. This interest was finalised following the exit of Bounty Oil and Gas NL from the Joint Venture. TPDC has a back-in right to take up an interest in the KNDL which would reduce Scirocco's interest to 7.975%. To date TPDC has not taken up that right.

2020 Operational Update

As a result of reservoir pressure decline and compartmentalisation, the Kiliwani North-1 well has not produced during the period.

The well has produced approximately 6.4 bcf of gas to date from a compartment estimated to contain approximately 10 BCF. Estimated gas resources have been independently audited by RPS Energy, who show the Kiliwani North structure to contain approximately 31 bcf (gross mean GIIP).

The Joint Venture has been exploring various options to reinstate production from the well. The Operator has prepared, and is awaiting approval for, a remedial work programme intended to establish fluid levels in the well bore, measure reservoir pressure and to unload fluid using foam treatment technology.

Aminex (the operator) undertook preliminary remedial work to repair the downhole safety valve in late 2018. This resulted in the flow of a small volume of gas to the gas facility before the well quickly ceased flow, likely due to fluid build-up in the wellbore. Aminex has prepared a perforation strategy for a lower zone within the reservoir and an alternative remedial work programme intended to establish fluid levels in the wellbore, reservoir pressure and to unload potential fluid using foam treatment. The operator is working with the TPDC on agreed methods to handle wellbore fluids which will potentially be unloaded during operations on the well. Agreement and planning will be required prior to starting operations.

If successful, this operation is expected to re-establish gas production from the well. The Joint Venture has been waiting on final approvals for a significant period of time and whilst the Joint Venture is confident that the unloading and perforation operations can be carried out, there is no firm timeline on when the approvals will be granted which would allow the operation to commence. The Joint Venture estimates that once approvals are in place the work could be carried out within a 3 - 6 month time period subject to travel restrictions associated with the ongoing COVID-19 pandemic being lifted.

A resource report by LR Senergy, completed in May 2015, attributed approximately 28 bcf gross best estimate contingent resource to the Kiliwani North field. These estimates were revisited by RPS in 2018 following production over an 18-month period totalling approximately 6.4 bcf. This resulted in a new Pmean GIIP of 30.8 bcf and a remaining gross 2P reserve of 1.94 bcf. It is felt that with further intervention additional gas can be recovered from the KN-1 well.

The Operator continues to meet regularly with the relevant Tanzanian authorities, on behalf of the Joint Venture, to discuss and resolve the issue of outstanding receivables from previous gas sales from KNDL.

The well has not produced since the first quarter of 2018, during which the Kiliwani North-1 (“KN-1”) well produced intermittently. The intermittent production was mainly as a result of increased water production, natural reservoir depletion and a relatively high inlet pressure at the Songo Songo Island Gas Processing Plant (“SSIGPP”).

The Joint Venture has identified the possibility of perforating a lower and potentially gas saturated section of the reservoir. Operator conducted analysis indicates the possibility of providing up to 8 bcf of additional resource from KN-1. The Joint Venture will continue to consider plans for 3D seismic acquisition over Kiliwani North to support the identification of further drilling or side-track opportunities which may be required to drain the remainder of the structure.

C. Helium One

Scirocco was an early investor in and largest (pre-IPO) shareholder of Helium One Limited ("Helium One") following an original equity subscription in 2017 and participation within a convertible loan note issuance in early 2019. Immediately prior to the company’s IPO in December 2020 Scirocco held a c. 12% interest.

Operational Update

Throughout the period Helium One has been actively focused on a number of key activities to progress the project, including –

i) IPO

A key objective for Helium One was to complete an IPO on a recognised stock exchange to provide access to capital for ongoing investment. This objective was achieved in early December 2020 when it completed its admission to the AIM market of the London Stock Exchange following the amalgamation with Attis Oil and Gas. The IPO highlights included;

- Successfully raised £6 million by way of an oversubscribed placing of 211,267,597 ordinary shares with institutional and other investors at a price of 2.84 pence per Ordinary Share·
- Large-scale, high-grade primary helium project with un-risked prospective helium resource (2U/P50) of c. 138 bcf;
- Management team with an extensive track record of exploration, development and operations in Africa
- Fully funded for exploration programme commencing in Q1/Q2 2021 consisting of infill seismic acquisition and three well drilling programme targeting high priority Prospects over the Rukwa Project

Immediately following the IPO, Scirocco held a 4.29% interest in Helium One.

ii) Drilling and Seismic programme

Following the IPO and the securing of funding to execute the drilling programme the company has made significant operational progress towards its initial exploration drilling programme including the commencement of a 150km infill seismic campaign targeting shallow trap structures identified from the interpretation of historic seismic and recent gravity gradient data. The infill seismic data will provide improved resolution on identified trap structures and assist with optimising the exploration drilling programme.

iii) Seismic campaign

In February 2021, Helium One announced that it had commenced the 150km infill seismic campaign with the objective of providing improved resolution over identified drill targets.

Close spaced seismic data acquisition will be focussed in areas of known prospectivity to assist in providing greater clarity on the subsurface structures which Helium One believe have the highest chances of successfully discovering Helium. The seismic campaign is fully permitted and benefits from strong community and governmental support.

iv) Drilling campaign

The company has made significant progress in the operational readiness for the drilling campaign scheduled to commence in Q2 2021, including:

- Completion of Environmental and Social Impact Assessment (ESIA) and Compensation Survey, including consultation with communities in nine villages closest to the drill locations.
- Submission of key Environmental Impact Assessment for the Company's proposed drilling programme at the Rukwa Project to the National Environment Management Council (NEMC) of the Tanzanian Government.
- The study, which covers a project area of 310km2 in three prospecting licences (PL10712/2015, PL10713/2015 and PL10727/2015), is a key document in securing environmental permits for exploration drilling.
- Appointment of Mitchell Drilling Limited, a global leader in drilling technologies with over 50 years' experience and 115 rigs globally, as drilling contractor for the Company's three well exploration programme.

Investment Summary

Helium One owns exploration licences in a number of highly prospective helium properties in Tanzania. Scirocco's investment in Helium One has proved to be a success and a good strategy for the Company as the share price has increased from 7.25 pence per share at 31 December 2020 to 21.40 pence per share at the date of authorisation of the financial statements.

Originally identified by means of helium macro-seeps the prospects under investigation by Helium One have been mapped using soil geochemistry anomalies, airborne geophysical tools and on legacy 2D seismic data acquired previously during the 1980s. The identified macro-seepage indicates high concentrations of helium (up to 10% by volume) in association with nitrogen that may be trapped in the subsurface.

Resources associated with the project have been independently assessed by SRK Consulting (2019) and the most mature of the projects, in the Rukwa Basin of the East African Rift Valley, have been verified as potentially holding gross unrisked best estimate prospective recoverable volume of 138 bcf of helium in place.

Global helium demand is approximately 6 bcf per annum. Supply is delivered by extracting helium from hydrocarbon production projects in a number of countries including the USA, Qatar, Algeria and Russia. Future supplies are also associated with hydrocarbon development projects where the development is driven by the demand for natural gas.

Demand for helium has been growing at a rate of between 1.5 to 3 per cent per annum over the last decade and is a vital component of many modern technologies. As a result of its unique properties as a super fluid, it plays a vital role in devices which use super conducting magnets; as in MRI machines. As an inert gas helium also plays a vital role in the production of many critical electronic components such as disk drives and fibre optics, and is additionally used for industrial testing, purging and leak detection. Helium, as a lifting gas in hybrid air vehicles (and other forms of airship), has also begun to have increased significance.

However, the US government has been selling its strategic reserve and will close the facility for international sales no later than September 2021, after which there is projected to be a significant shortage of helium available on world markets.

Helium One holds one of the only known high-volume, standalone helium resource projects which is not reliant on associated hydrocarbon development. If successful it could provide much needed stability to global helium supply and if commercial volumes are discovered, could be developed as a major swing producer to global markets.

The Helium One Tanzania projects have excellent supply economics and, once liquefied close to production well sites, the helium could be transported to world markets via the deep-water port at Dar es Salaam. Given the competitive demand for crude helium on world markets Helium One could sell helium at the wellhead through an off-take agreement with a large industrial gas company who would liquefy and transport the helium to market. During the 2018 auction of crude helium by the Bureau of Land Management ("BLM") in the USA the average price set for crude helium was US$280 per thousand cubic feet with spot prices reported at levels significantly higher than that level.

Investment Case

Scirocco believes that its participation in Helium One continues to provide exposure to attractive upside valuation in the event of a successful test of in place resources through appraisal drilling. Key positives supporting this:

- In situ Helium seeps at surface with Helium concentrations measured in the range of 8-10.2% which, if proven through appraisal drilling, would represent a world class source of Helium;
- A number of mapped structures potentially capable of holding c. 138 bcf Helium in aggregate as indicated by an independent report prepared by SRK Consulting;
- An experienced management team, recently augmented, with a proven track record of developing value in the natural resources sector;

- Robust supply/demand dynamics in the global helium market which support highly attractive valuation of any resource, if proven; and
- Engaged community of offtake parties in the specialty industrial gas market willing to fund the installation and operation of the necessary liquefaction and purification facilities.

Other investments - non-core

A. Ausable Reef gas assets located in Ontario, Canada (28.56% interest)

On 22 March 2019, Scirocco announced that as part of the portfolio rationalisation, the Company had signed Heads of Terms ("HoT") with Levant Exploration and Production Corp. ("Levant") for the divestment of Scirocco's 28.56% in the Ausable Reef gas assets (the “Assets”) to Levant.

In July 2020, the Company announced that it had entered into a conditional asset purchase agreement ("Agreement") with Reef Resources Limited (“Reef”) and Levant for the sale of its 28.56% interest in the Assets to Levant.

Unfortunately, Levant was unable to satisfy certain of the conditions to completion contained in the Agreement and consequently Reef and Scirocco elected to terminate the Agreement in March 2021.

Following the termination of the Agreement, Scirocco entered into a quit claim agreement with Reef pursuant to which Scirocco has transferred, for nominal consideration, its 28.56% interest in the Assets to Reef and Reef has assumed the associated liabilities, historic and future, in each case with effect from 1 December 2020.

The Company fully impaired the value of its holding in the Assets to zero in 2017 and incurred only nominal costs related to its holding in the Assets in 2020.

Mr Tom Reynolds
Director
Date: 14 June 2021

Glossary and Notes

2D seismic	*seismic data collected using the two-dimensional common depth point method*
3D	*three-dimensional*
AIM	*London Stock Exchange Alternative Investment Market*
API	*American Petroleum Institute*
barrel or bbl	*45 US gallons*
bbls	*barrels of oil*
bcf	*billion cubic feet*
best estimate or P50	*the most likely estimate of a parameter based on all available data, also often termed the P50 (or the value of a probability distribution of outcomes ta the 50% confidence level)*
billion	*10 to the power of 9*
bopd	*barrels of oil per day*
CNG	*condensed natural gas*
contingent resources	*those quantities of petroleum estimated, at a given date, to be potentially recoverable from known accumulations, but the associated projects are not yet considered mature enough for commercial development due to one or more contingencies*
CPR	*Competent Persons Report*
discovery	*a petroleum accumulation for which one or several exploratory wells have been established through testing, sampling and/or logging the existence of a significant quantity of potentially moveable hydrocarbons*
electric logs	*tools used within the wellbore to measure the rock and fluid properties of the surrounding formations*
GIIP	*gas initally in place*
GSA	*gas sales agreement*
HH-1	*Horse Hill-1 well*
HHDL	*Horse Hill Developments Limited*
KN-1	*Kiliwani North-1 well*
KNDL	*Kiliwani North Development Licence*
m	*thousand (ten to the power 3)*
mm	*million (ten to the power 6)*
mmbbls	*milion barrels of oil*
mmscf	*million standard cubic feet of gas*
mmscfd	*millon standard cubic feet of gas per day*
OGA	*UK Oil and Gas Authority (formally the Department of Energy and Climate Change*
oil in place or STOIIP	*stock tank oil initally in place, those quantities of oil that are estimated to be known reservoirs prior to production commencing*
pay	*reservoir in portion of a reservoir formation that contains economically producible hydrocarbons. The overall interval in which pay sections occur is the gross pay; the portion of the gross pay that meets specific criteria such as minimum porosity, perme*
PEDL	*Petroleum Exploration and Development Licence*
permeability	*the capability of a porous rock or sediment to permit the flow of fluids through the pore space*
petrophysics	*the study of the physical and chemical properties of rock formations and their interactions with fluids*
play	*a set of known or postulated oil or gas accumulations sharing similarr geologic properties*
porosity	*the percentage of void space in a rock formation*
prospective resources	*those quantities of petroleum which are estimated, at a given date, to be potentially recovered from undiscovered accumulations*
proven reserves	*those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable (1P), from a given data forward, from known reservoirs and under defined economic conditions,*
probable reserves	*those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proven Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recover*

possible reserves	*those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the projkect have a low probability to exceed the sum of Proved reserves*
PSA	*petroleum sharing agreement*
PRMS	*Petroleum Resources Management system*
reserves	*those quantities of petroleum anticipated to be commercially recovered by application of development projects to known accumulations from a given date forward under defined conditions*
reservoir	*a subsurface rock formation containing an individual natural accumulation of moveable petroleum*
SPE	*Society of Petroleum Engineers*
tcf	*trillion cubic feet*
trillion	*10 to the power of 12*
unconventional reservoir	*widely accepted to mean those hydrocarbon reservoirs that are tight; that is have low permeability*

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors are pleased to present this year's annual report together with the financial statements for the year ended 31 December 2021.

The name of the Company was changed from Solo Oil Plc to Scirocco Energy Plc on 25 September 2020.

A statement on Corporate Governance is set out on pages 18 to 31.

Principal Activities

The principal activity, subject to Shareholder approval being granted for the proposed investing policy change, is to acquire a diverse portfolio of direct and indirect interests in attractive cash generative and development assets within the European sustainable energy market. The Board is seeking to invest in assets which meet the following criteria:

- cash generative, with the potential to re-invest operational cash flow in further growth;
- situated within the broad energy space, a market which the Board knows well;
- primary targets within one of three asset classifications:
  - Energy. Assets which are involved in the direct production of low carbon energy
  - Circular. Assets which recover valuable components from waste streams
  - Vector. Assets involved with the transmission, storage and delivery of low carbon energy
- assets which can attract the necessary investment capital, taking appropriate account of growing investor sentiment towards ESG and SRI indicators; and
- assets which deliver stable returns, with lower exposure to global commodity prices.

The Company may invest by way of outright acquisition, including the intellectual property, of a relevant business, partnerships or joint venture arrangements, or by the acquisition of assets. Such investments, for the most part, will be focused on the Company acquiring part of a company or project (which in the case of an investment in a company may be private or listed on a stock exchange, and which may be pre-revenue), and such investments may constitute a minority stake in the company or project in question. The Company's investments may take the form of equity, joint venture debt, convertible instruments, licence rights, or other financial instruments as the Directors deem appropriate.

Scirocco intends to be a long-term investor and the Directors will place no minimum or maximum limit on the length of time that any investment may be held.

There is no limit on the number of projects into which the Company may invest, nor the proportion of the Company's gross assets that any investment may represent at any time.

Business Review and Future Developments

A detailed review of the Company's business is set out in the Chairman's statement incorporating the strategic report (pages 1-12).

Details of expected future developments for the Company are set out in the Chairman's statement incorporating the strategic report (pages 1-12).

Results and Dividends

Loss on ordinary activities after taxation amounted to £4.118 million (2019: £2.561 million). The Directors do not recommend payment of a dividend (2019: nil).

Key Performance Indicators

Given the nature of the business and that the Company had adopted a new investing policy and is in the early stages of developing new operations, the directors are of the opinion that analysis using KPIs is not appropriate for an understanding of the development, performance or position of our businesses at this time. The Board will review this position during 2022 and will look to introduce a KPI indicators when the Company is in the position to do so.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

	Date of appointment
Executive Directors	
Jonathan Fitzpatrick	
Alastair Ferguson	
Thomas Reynolds	
Non-Executive Directors	
Donald Nicolson	
Muir Miller	18 February 2021

Directors' Remuneration

The Company remunerates the Directors at a level commensurate with the size of the Company and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Company with regard to these issues. Details of the Director emoluments and payments made for professional services rendered are set out in Note 7 to the financial statements.

Directors' Interests

The Directors' interests in the share capital of the Company at 31 December 2020 were:

	At 31 December 2020		At 31 December 2019	
Director	**Shares**	**Options**	**Shares**	**Options**
Jonathan Fitzpatrick	26,203,189*	18,461,483	28,708,641*	2,500,000
Alastair Ferguson	24,325,395	16,323,575	16,825,397	-
Tom Reynolds	2,464,108**	18,843,342	2,464,108**	-
Donald Nicolson	-	10,419,772	-	-
Muir Miller ***	-	-	-	-

* includes indirect interest of 916,624 shares held by Carolyn Fitzpatrick

** includes indirect interest of 286,738 shares held by Paula Reynolds

*** Mr Muir Miller joined the Board on 18 February 2021

No Director had, during the year or at the end of the year, other than disclosed above, a material interest in any contract in relation to the Group's activities except in respect of service agreements. Gneiss Energy, which is wholly owned by Mr Fitzpatrick and his wife, maintains a service contract for the provision of operational and technical management services, guidance and support on public relations and market engagement strategy, flexible work space and meeting rooms, telephones, company secretary support and corporate finance advisory services with the Company, the details of which are disclosed in Note 24 to the financial statements.

Subject to the conditions set out in the Companies Act 2006, the Company has arranged appropriate Directors' and Officers' insurance to indemnify the Directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

Substantial Shareholdings

At 8 June 2021 the following had notified the Company of disclosable interests in 3% or more of the nominal value of the Company's shares:

Shareholder	Number of shares	% of Issued Capital
Interactive Investor Services Nominees Limited	83,339,933	10.98%
Forest Nominees Limited	68,534,128	9.03%
Interactive Investor Services Nominees Limited	48,053,575	6.33%
Hargreaves Lansdown (Nominees) Limited	45,758,207	6.03%
Barclays Direct Investing Nominees Limited	42,905,615	5.65%
HSDL Nominees Limited	37,327,678	4.92%
Hargreaves Lansdown (Nominees) Limited	34,626,161	4.56%
Hargreaves Lansdown (Nominees) Limited	33,728,233	4.45%
Securities Services Nominees Limited	24,598,242	3.24%
The Bank of New York (Nominees) Limited	24,525,123	3.23%
Pershing Nominees Limited	24,325,395	3.21%
HSBC Client Holdings Nominee (UK) Limited	24,111,619	3.18%

Environmental Responsibility

The Company is aware of the potential impact that its investee companies may have on the environment. The Company ensures that it, and its investee companies at a minimum comply with the local regulatory requirements and the revised Equator Principles with regard to the environment.

Supplier Payment Policy

The Company's policy is to agree terms and conditions with suppliers in advance; payment is then made in accordance with the agreement provided the supplier has met the terms and conditions. Suppliers are typically paid within 30 days of issue of invoice.

Employment Policies

The Company will be committed to promoting policies which ensure that high calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work within the Company are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

Political Contributions and Charitable Donations

During the period the Company did not make any political contributions or charitable donations.

Financial Instruments

See Note 23 to the financial statements.

Related Party Transactions

See Note 24 to the financial statements.

Post Reporting Date Events

At the date these financial statements were approved, being 14 June 2021, the Directors were not aware of any significant post balance sheet events other than those set out in the notes to the financial statements.

Annual General Meeting ("AGM")

This report and financial statements will be presented to shareholders for their approval at the AGM. The Notice of the AGM will be distributed to shareholders together with the Annual Report.

Health and Safety
The Company's aim will always be to achieve and maintain the highest standard of workplace safety. In order to achieve this objective the Company sets demanding standards for workplace safety and will provide comprehensive training and support to employees.

Auditor
PKF Littlejohn LLP were reappointed as auditors of the Company and in accordance with Section 285 of the Companies Act 2006, a resolution preposing they be reappointed will be proposed at the next Annual General Meeting.

Going Concern
The Directors note the losses that the Company has made for the year ended 31 December 2020. The Directors have prepared cash flow forecasts for the period ending 31 December 2022 which take account of the current cost and operational structure of the Company. The cost structure of the Company comprises a proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be reduced to enable the Company to operate within its available funding. These forecasts demonstrate that the Company has sufficient cash funds available, on the assumption that further funds can be sourced as and when needed, to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements.

Accordingly, the financial statements have been prepared on a going concern basis. Comments on going concern are included in the Operations report and note 1. Although the Ruvuma asset is held for sale, no guarantee can be made that a sale occurs. The critical assumption in the going concern determination is that the Ruvuma PSA and the costs associated with the development of the Ntoyra natural gas discovery are met by the Company for its 25% interest. It is assumed that - if required - the Company would be able to access additional funding. If additional funding was not available there is a risk that commitments could not be fulfilled, and assets would be relinquished.

Statement of Disclosure to the Auditor
In the case of each person who was a Director at the time this report was approved:

- So far as that Director was aware there was no relevant available information of which the Company's auditor was unaware; and
- That Director had taken all necessary steps to make themselves aware of any relevant audit information, and to establish that the Company's auditors were aware of that information.

Electronic Communication
The maintenance and integrity of the Company's website is the responsibility of the Directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The Company's website is maintained in accordance with AIM Rule 26.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

On behalf of the board

Mr Tom Reynolds
Director
14 June 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

As Chairman of Scirocco Energy plc, it is my responsibility to ensure that the Board is performing its role effectively and has the capacity and ability, structure and support to enable it to continue to do so.

How we govern the Company

Information on how the Company organises its Corporate Governance is set out below and can also be found on the Company's website www.sciroccoenergy.com and is, in the opinion of the Board, fully in accordance with the revised requirements of AIM Rule 26.

From September 2018 onwards, all AIM quoted companies were required to set out details of the recognised corporate governance code that the Board of Directors has decided to adopt and provide reasons for any departures where it does not comply with the code. The Company has elected to adopt the 2018 Quoted Companies Alliance Corporate Governance Code for Small and Mid-Sized Companies (the "QCA Code").

The Company intends to adhere to the recommendations of the QCA Code to the extent it considers them appropriate in light of the Company's size, liquidity and capital resources.

The QCA code is constructed around 10 broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation of how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach take in relation to each.

2020 and 2021 have seen, amongst others, the following governance developments:

- The Chairman, CEO and COO met with major shareholders and hosted a number conference calls with investors;
- AIM Rules Compliance and Disclosure Committee established;
- Developed the transition energy strategy through 2020 and issued an augmented strategy in Q1 2021;
- Addition of Muir Miller to the Board in February 2021;
- Establishing an ESG Committee that Muir Miller will Chair in 1H21.

Board of Directors

The Board is responsible for the overall governance of the Company. Its responsibilities include setting the strategic direction of the Company, providing leadership to put the strategy into action and to supervise the management of the business.

During 2020, Scirocco Energy operated with a four-member Board and the Board was further strengthened in March 2021 when Mr Muir Miller was appointed as an Independent Non-Executive Director. Mr Miller brings with him a wealth of experience in the low carbon sector and will be instrumental in building the company in line with the stated transition energy strategy. As part of a managed transition and maintaining an appropriate number of Directors Mr Jon Fitzpatrick has also stated his intention to stand down from the Board before the next AGM.

The Board currently comprises four non-executive Directors ('NEDs') and the CEO. Biographies of the Directors are on pages 23-24. Due to their shareholding in the Company, two of the NEDs are not considered by the Board to be independent. The roles and responsibilities of the Chairman, CEO, Non-Executive Directors and Company Secretary are set out on the website and summarised below.

The Board has established the corporate governance values of the Company and has overall responsibility for setting the Company's strategic aims, defining the business plan and strategy and managing the financial and operational resources of the Company. Overall supervision, acquisition, divestment and other strategic decisions are considered and determined by the Board. The Executive team is supported by the wider team and external service providers as required. The Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the QCA Code have been implemented to an appropriate level. The Board, through the Chairman in particular, maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

Terms of Reference
The Terms of Reference of all Board Committees are available on the website.

Record of meetings
The Board meets regularly throughout the year. For the period ending 31 December 2020 the Board met 17 times (2019: 14, 2018: 10, 2017: 4) in relation to normal operational matters and on an ad hoc basis as required to transact additional business to support the Company's activities.

The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day-to-day management is devolved to the Executive Director and management who are charged with consulting the Board on all significant financial and operational matters. All Directors have access to the advice of the Company's solicitors and the Company Secretary necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively and all Directors have access to independent professional advice, at the Company's expense, as and when required.

Internal controls
The Directors acknowledge their responsibility for the Company's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Compliance
The Company has also reviewed the appropriate policies and procedures to ensure compliance with the UK Bribery Act. The Company continues actively to promote good practice throughout the Company and has initiated a rolling programme of anti-bribery and corruption training for all relevant employees and consultants.

QCA Principles

Review of each of the QCA Principles:

Principle 1:

Establish a strategy and business model which promote long-term value for shareholders

Scirocco Energy plc is an investment company whose strategy is to acquire a diverse portfolio of direct and indirect interests in attractive cash generative and development assets within the European sustainable energy market. In 2020, the Board announced its plan to review and augment its strategy to invest in a broader European energy market strategy targeting attractive growth opportunities predominantly within the European gas and energy transition market whilst maximising value for shareholders from the Company's existing portfolio. This has been further developed as announced on 18 February 2021 and the Board is seeking opportunities which meet the following criteria:

- cash generative, with the potential to re-invest operational cash flow in further growth;
- situated within the broad energy space, a market which the Board knows well;
- primary targets within one of three asset classifications:
  - Energy - assets which are involved in the direct production of low carbon energy.
  - Circular - Assets which recover valuable components from waste streams.
  - Vector - Assets involved with the transmission, storage and delivery of low carbon energy.
- assets which can attract the necessary investment capital, taking appropriate account of growing investor sentiment towards ESG and SRI indicators; and
- assets which deliver stable returns, with lower exposure to global commodity prices.

Principle 2:

Seek to understand and meet shareholder needs and expectations

The Board is committed to maintaining good communication and having constructive dialogue with all its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend, where possible, the Company's Annual General Meeting. Investors also have access to current information on the Company though its website, www.sciroccoenergy.com, and via Tom Reynolds (CEO) and Doug Rycroft (COO), who are available to answer investor relations enquiries. The Company in conjunction with its investor relations advisor has developed a Communications Strategy to formalise how shareholder communications are managed.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Board recognises that the long-term success of the Company is reliant upon its ability and willingness to engage with the broader range of stakeholders to positively influence the development of the Company and the communities we interact with operationally and corporately. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. Given that Scirocco Energy plc is a small company there is close interaction between the Board and Executive Management to help ensure successful two-way communication with agreement on goals, targets and aspirations for the Company. Scirocco Energy plc through its advisers and JV partners has developed close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company.
Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organization.	It is critical that Scirocco Energy plc has a robust view of its risk profile and appetite so as to ensure both its existing and new investments are managed within acceptable margins of risk. The processes are in place to understand the Company's key drivers for success and to be able to assess the associated risks in delivering on its strategy successfully. Given the specialised nature of investing in, and being involved in, the operations of specialised assets in the energy sector, it is imperative that the Board considers at all times that it has the appropriate risk management system including both people and processes to successfully mitigate these risks. The Board encourages a dyamic and constructuve dialogue between Executive Management, its advisers and the Board including the willingness to challenge assumptions and the consideration of emerging and interrelated risks for its investment portfolio. In addition to its other roles and responsibilities, the Audit Committee is responsible to the Board for ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage the significant risks faced by the Company. The risk assessment matrix below sets out those risks, and identifies the controls that are currently in place. This matrix is updated as changes arise in the nature of risks or the controls that are implemented to mitigate them. The Audit Committee reviews the risk matrix and the effectiveness of scenario testing on a regular basis. The Board has a comprehensive review of the risks every six months and works with Executive Management to understand and agree on the types and format of risk information that the Board requires. In addition the Board periodically assesses the risk oversight processes and ensure suitability with/and alongside its current policies. See risk management section which begins on page 27.
Principle 5: Maintain the Board as a well-functioning, balanced team led by a chair	The Board is currently comprised of five Directors; Alastair Ferguson, Non-Executive Chairman; Jon Fitzpatrick, Non-Executive Director; Donald Nicolson, Independent Non-Executive Director, Muir Miller Independent Non-Executive Director and Tom Reynolds, CEO. Biographical details of the current Directors are set out within Principle Six below.

Executive and Non-Executive Directors are subject to re-election at intervals of no more than three years. The letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours. The Executive Director is considered to be a full-time employee whilst the Non-Executive Directors are considered to be part time but are expected to provide as much time to the Company as is required. The Board elects a Chairman to chair every meeting.

The Board notes that the QCA recommends that the Chairman’s responsibilities should be devolved from the day-to-day running of the business in order to ensure independence. Following the resignation of the former Managing Director in February 2019, Alastair Ferguson temporarily assumed the role of Executive Chairman in order to maintain a balance between executive and non-executive roles on the Board and to ensure the Company has sufficient executive oversight. The appointment of Tom Reynolds as CEO in October 2019 enabled Alastair Ferguson to step back into the role of Non-Executive Chairman.

The Board meets at least four times per calendar year. It has established an Audit Committee, a Remuneration Committee and an AIM Rules Compliance and Disclosures Committee, which are set out in more detail below. At this stage, the Board does not consider it necessary to establish a separate Nominations Committee. It shall continue to monitor the need to match resources to its operational performance and costs and the matter will be kept under review going forward.

Attendance at Board and Committee Meetings
The Company reports annually on the number of Board and Committee meetings held during the year and the attendance record of individual Directors.

To date in the current financial year the Directors have a good record of attendance at such meetings. In order to be efficient, the Directors meet formally and informally both in person and by telephone. To date there have been at least quarterly meetings of the Board, and the volume and frequency of such meetings is expected to continue at this rate.

Principle 6:

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board currently consists of five Directors. The Company believes that the current balance of skills and experience in the Board as a whole, reflects a very broad range of commercial and professional skills across geographies and industries and all of the Director's have experience in public markets.

The Board recognises that it currently has a limited diversity and this will form a part of any future recruitment consideration if the Board concludes that replacement or additional directors are required.

The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.

Alastair Ferguson (Non-Executive Chairman)
Mr Ferguson is a Chartered Engineer and has over 40 years' experience in the oil and gas industry, the last seven of which have been spent in various Chairman and non-executive director positions. Mr Ferguson has considerable commercial management experience and has specific expertise in business development and managing projects in complex political environments.

Jon Fitzpatrick (Non-Executive Director)
Mr Fitzpatrick is a qualified corporate lawyer, petroleum economist, investment banker and energy sector adviser. He began his career in 1994 as a research associate at the Centre for Energy, Petroleum, Mineral Law and Policy at the University of Dundee. In 2016, Jon founded his own advisory practice, Gneiss Energy Limited, operating exclusively within the energy and resources sectors.

Scirocco Energy plc and Gneiss Energy Limited have an ongoing advisory relationship.

Donald Nicolson (Independent Non-Executive Director)
Mr Nicolson is a senior business leader with more than 35 years experience in oil, gas, mining and natural stone sectors. During this time, he has held multiple board roles, executive & non-executive, in both publicly-listed and private companies. Between 2016 and 2019, Mr Nicolson held the role of Chairman and interim CEO for mining and quarrying firm Levantina Natural Stone Co., having previously held Vice Chairman, non-Executive Director and Advisor roles. Mr Nicolson spent more than 26 years with BP Exploration, during which he held roles including Director of BP North Sea, Chief of Staff to BP CEO (E&P), Vice President for BP Alaska and Vice President for BP Canada. Mr Nicolson is skilled in strategy development, asset management, business planning, investment decision making, and business restructuring and has significant fund-raising experience, including main market IPO and debt refinancing.

Muir Miller (Independent Non-Executive Director)
Mr Miller is a Chartered Engineer and Member of the Institution of Mechanical Engineers with over two decades of senior executive experience, with particular focus on the renewable energy sector. Most recently, Mr Miller was Managing Director of Peel Energy, part of the privately owned, diverse and entrepreneurial Peel Group, a leading infrastructure, transport and real estate investor in the UK, with collective investments owned and under management of more than £5 billion. Prior to joining Peel Energy, he was Business Development Manager at Energy Power Resources, with an installed capacity of 113MW of dedicated biomass assets, 70MW of landfill gas assets, and 100 MW of wind assets in France, UK and Sweden. Between 2005 and 2007, Mr Miller was CEO of Novera Macquarie Renewable Energy, a joint venture with annual turnover of £32 million and one of the largest independent renewable energy operators in the UK with a total installed generating capacity of 117.5MW across 53 geographically diverse sites.

Tom Reynolds (CEO)

Mr Reynolds is a Chartered Engineer with over 25 years' experience in the energy sector, including a range of technical and commercial roles with BP plc, Total SA and British Nuclear Fuels plc. He has also held management positions at private equity investment and advisory firms, including 3i plc, and specialises in strategic planning, investment management and cross-border M&A transaction execution in the oil, gas, energy and infrastructure sectors.

Principle 7:

Evaluate Board performance base on clear and relevant objectives, seeking continuous improvement.

Internal evaluation of the Board, the Committees and individual Directors is to be undertaken on an annual basis in the form of peer appraisal and discussions to determine their effectiveness and performance as well as testing the Directors' continued independence. This will be undertaken in conjunction with external advisers as appropriate.

The results and recommendations that come out of the appraisals for the directors shall identify the key corporate and financial targets that are relevant to each Director and their personal targets in terms of career development and training. Progress against previous targets shall also be assessed where relevant.

Principle 8:

Promote a corporate culture that is based on ethical values and behaviours

The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that partners, contractors and advisors behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

A large part of the Company's activities is centred upon what needs to be an open and respectful dialogue with partners, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great import on this aspect of corporate life and seeks to ensure that this flows through all that the Company does.

The directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Company has adopted a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

Principle 9:

Maintain governance structures and process that are fit for purpose and support good decision making by the Board

Ultimate authority for all aspects of the Company's activities rests with the Board, the respective responsibilities of the Chairman and Executive Director arising as a consequence of delegation by the Board. The Board has adopted appropriate delegations of authority which set out matters which are reserved to the Board. The Chairman is responsible for the effectiveness of the Board, while management of the Company's business and primary contact with shareholders has been delegated by the Board to the Executive Director.

Audit Committee

The Audit Committee is comprised of Donald Nicolson (Chairman) and Alastair Ferguson. This committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported. It receives reports from the Executive Management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee shall meet not less than twice in each financial year and it has unrestricted access to the Company's auditors.

Remuneration Committee

The Remuneration Committee is comprised of Alastair Ferguson (Chairman), Jon Fitzpatrick and Donald Nicolson. The Remuneration Committee reviews the performance of the executive directors and employees and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also considers and approves the granting of share options pursuant to the share option plan and the award of shares in lieu of bonuses.

AIM Rules Compliance and Disclosures Committee

The AIM Rules Compliance and Disclosure Committee is responsible for ensuring the Company has at all times sufficient procedures, resources and controls in place to enable compliance with the AIM Rules for Companies and make accurate disclosures to meet its disclosure obligations under MAR. The committee is comprised of Jon Fitzpatrick (Chairman), Donald Nicolson, and Tom Reynolds.

Non-Executive Directors

The Board has adopted guidelines for the appointment of Non-Executive Directors which have been in place and which have been observed throughout the year. These provide for the orderly and constructive succession and rotation of the Chairman and non-executive directors insofar as both the Chairman and non-executive directors will be appointed for an initial term of five years and may, at the Board's discretion believing it to be in the best interests of the Company, be appointed for subsequent terms.

In accordance with the Companies Act 2006, the Board complies with: a duty to act within their powers; to promote the success of the Company; to exercise independent judgement; to exercise reasonable care, skill and diligence; to avoid conflicts of interest; not to accept benefits from third parties and to declare any interest in a proposed transaction or arrangement.

External Representation

The Company has in the past invested in projects and jurisdictions where it believes it has a competitive advantage in providing early stage capital alongside specialist knowledge to realise potential value. In order to ensure the Company has full visabilty and appropriate controls over the projects it has invested in the Company has representative participation in the various operating committees and / or Boards. The detail of which is outlined in the table below;

Asset

Ruvuma PSC – Operating Committee

Kiliwani North Development Licence – Operating Committee

Principle 10:

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board is committed to maintaining good communication and having constructive dialogue with all of its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged, where possible, to attend the Company's Annual General Meeting. As part of the Communications Strategy the Board has engaged investor relations advisers to guide the Company on best practice methods of communicating through digital, print and verbal mediums.

Investors also have access to current information on the Company though its website and via the Executive Management Team comprising of Tom Reynolds (CEO) and Doug Rycroft (COO), who are available to answer investor relations enquiries. The Company proposes in 2020, subject to the necessary formalities, to move to electronic communications with shareholders.

The Company shall include, when relevant, in its annual report, any matters of note arising from the three Board committees.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Risk Management
Scirocco's activities are subject to a range of financial risks including commodity prices, liquidity, exchange rates and loss of operational equipment or wells.

These risks are managed with the oversight of the Board of Directors and the Audit Committee through ongoing review, considering the operational business and economic circumstance at that time. The primary risk facing the business is that of liquidity.

Activity	Risk	Impact	Control(s)
Financial	Liquidity, market and credit risk	Inability to continue as a going concern	Robust capital management and costs policies and procedures
		Reduction in asset values	
	Inappropriate controls and accounting policies	Incorrect reporting of assets	Appropriate authority and investment levels as agreed and delegated by the Board
			Adherence to Statement of Accounting Policies as detailed in financial statements
			Audit Committee
	Recoverability of trade debtors	Reduction in net assets	Trade debtors relate to a government entity with which the Joint Venture has a valid Gas Sales Agreement, therefore the Board remains of the opinion that the debt is fully recoverable
Regulatory adherence	Breach of rules	Censure of withdrawl of listing authorisation	Strong compliance regime instilled at the management, advisory and Board levels of the Company
			Company established an AIM Rules Compliance and Disclosure Committee in 2020
Strategic	Damage to reputation	Inability to secure new capital or investments	Effective communication with shareholders coupled with consistent messaging to potential investees
			Robust compliance and adherence to the Company's ABC Policy
	Inadequate disaster recovery procedures	Loss of key operational and financial data	Secure off-site storage of data

Operational	Significant operational event in JVs	Damage/loss of equipment and injury/death	Review of operator emergency response plans and appropriate contingency plans
	Significant geopolitical event in one of our operating theatres	Loss of operating ability and/or major project delays	Stakeholders engagement plans to ensure visibility in political operating environment
Management	Recruitment and retention of key staff and advisors	Reduction in operating capability	Alignment of company's recruitment and retention objectives to ensure a motivated workforce and a safe working environment
			Balancing salary with longer term incentive and retention plans aligning participants directly to the shareholder experience
Investment	Discrete investments suffer a change in circumstance or other risks manifesting during the period of ownership	Reduction in value of investments	Robust risk management process during the selection and investment process including where appropriate third party technical, financial, legal and commercial due diligence activity

Tom Reynolds
Director

Audit Committee Report

Scirocco's Audit Committee meets at least twice a year and is presently chaired by Donald Nicolson and Alastair Ferguson is the other member of the Committee.

Mr Nicolson joined the Board on 11th November 2019 and assumed the role of Audit Committee Chairman.

During the course of 2020 and 2021 the Committee has reviewed:

- The statements to be included in the Annual report concerning internal control, risk management and the going concern statement;
- The carrying values of the producing and intangible assets;
- The procedures for detecting fraud;
- The systems and controls for the prevention of bribery; and

The committee has overseen the relationship with the external auditor, including:

- Approved their remuneration for audit and non-audit services;
- Approved their terms of engagement and the scope of the audit;
- Satisfied itself that there are no relationships between the auditor and the Company which could adversely affect the auditor's independence and objectivity;
- Monitored the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- Assessed the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process;
- Evaluated the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the committee;
- Met with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit; and
- Discussed with the external auditor the factors that could affect audit quality and reviewed and approved the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.

The committee reviewed the findings of the audit with the external auditor, including:

- A discussion of issues which arose during the audit, including any errors identified during the audit; and the auditor's explanation of how the risks to audit quality were addressed;
- Key accounting and audit judgements;
- The auditor's view of their interactions with senior management;
- A review of any representation letters requested by the external auditor before they were signed by management;
- A review of the management letter and management's response to the auditor's findings and recommendations; and
- A review of the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee.

Donald Nicolson
Audit Committee Chair

Remuneration Committee Report

Scirocco's Remuneration Committee reviews the scale and structure of the Executive Directors' remuneration and the terms of their service contracts.

The remuneration and terms and conditions of appointment of the Non-Executive Directors are set by the Board.

Mr Alastair Ferguson chairs the committee and Mr Jon Fitzpatrick and Mr Donald Nicolson are the other members. The Remuneration Committee meets at least twice a year.

In setting the remuneration for the Executive Directors and key staff, the committee compares published remuneration data for other AIM and Main LSE Board oil and gas companies of a similar market capitalisation and seeks to ensure that the remuneration of the Executive Directors is broadly comparable to their peers in other similarly sized organisations. Moving forward the committee intends to broaden the group of companies it reviews in this regard to include low carbon and renewable companies of a similar standing.

In 2020, the Remuneration Committee supported the company in a number of changes to the remuneration policy and compensation payments due to directors, these included;

- c. 50% reduction in Directors' fees in February and March 2020;
- 100% reduction in Directors' fees since April 2020
- Implementation of a share option scheme in lieu of fees for the Board and Executive Management which will support the Board's desire to preserve the Company's cash position; and
- Granted incentive awards to each Director and key management as part of their normal incentivisation arrangements to align them with the future share price performance of the Company.

Alastair Ferguson
Remuneration Committee Chair

AIM Rules Compliance and Disclosures Committee

Scirocco's AIM Rules Compliance and Disclosures Committee is responsible for ensuring the Company has, at all times, sufficient procedures, resources and controls in place to enable compliance with the AIM Rules for Companies and make accurate disclosures to meet its disclosure obligations under MAR.

The committee is comprised of Jon Fitzpatrick (Chairman), Donald Nicolson, and Tom Reynolds.

The Committee was established in 2020 and has been active as part of the process in producing the financial statements. The Committee has established protocols to:

- Ensure that each meeting of the full Board includes discussions of AIM matters, in particular to brief the Board as to issues raised with the Nomad and advice given, as they arise;
- Ensure that the executive Directors are communicating as necessary with the Company's Nomad regarding ongoing compliance with the AIM Rules and in relation to proposed or potential transactions;
- Ensure that advice received from the Nomad is recorded and taken into account;
- Ensure that all announcements made have been verified and approved by the Nomad whose name must be on all material announcements to RNS;
- Ensure that the Nomad is supplied with information on the Company's financial condition on a regular and timely basis and of any other key developments in the Company from time to time;
- Ensure that the Nomad is maintaining regular contact with the Company;
- Circulate to other members of the Board details of any rule changes which are notified to the Chairman of the Committee by the Nomad; and
- Ensure that the executive Directors take into account advice given by the Nomad from time to time.

The Committee met twice in the course of 2020.

Jonathan Fitzpatrick
AIM Rules Compliance and Disclosures Committee Chair

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SCIROCCO ENERGY PLC

Opinion

We have audited the financial statements of Scirocco Energy Plc (the 'company') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that in order to meet spending requirements for existing projects after 12 months from the date of the approval of these financial statements, additional funding will be required. The amount of funding cannot be reliably estimated at the point of approval of these financial statements and the Company will be required to raise additional funds either via an issue of equity or through the issuance of debt. As stated in note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Emphasis of matter

We draw your attention to note 3 of the financial statements, which describes the company's assessment of the recoverability over the receivables of £219k which remains outstanding as of the audit report date. The company have explained their assessment over the recoverability within critical accounting estimates and conclude that there is no further impairment due. The financial statements do not include the adjustments that would result if the company was unable to fully recover the debt.

Our opinion is not modified in this respect.

Our application of materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the financial statements as a whole to be £190,000 (2019: £208,000) based on approximately 1% of gross assets on the basis that the company's investments are the main components of the Statement of Financial Position.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on 70% of overall materiality being £133,000 (2019: 60% of overall materiality being £124,800). This has been adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the audit committee to report to it all identified errors in excess of £9,500 (2019: £10,400). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Our approach to the audit

In designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular we looked at areas involving significant accounting estimates and judgements by the directors in respect of the carrying values of the company's investments and intangible assets, and considered future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluation whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key Audit Matter	How our scope addressed this matter
Valuation of Intangible Assets (Notes 12 and 16) The company has capitalised deferred exploration and evaluation expenditure. Management are required to ensure that only costs which meet the IFRS criteria of an asset and accord with the company's accounting policy are capitalised. Additionally, the management are actively pursuing several markets on potentially selling the assets. There is a risk that these are not accounted for in accordance with IFRS 5. Specifically, there is a risk that the assets are incorrectly classified as held for sale. Given that the assets were not sold during the year, there is also a risk that the fair value of the assets have decreased further and thus an impairment may be required but may not have been accounted for by the management. Given the significance of the intangible non-current assets on the company's Statement of Financial Position and the significant management judgement involved in the determination and the assessment of the carrying values of these assets, there is increased risk of material misstatement or that the values will not be recovered due to the inherent uncertainties which exist with oil and gas exploration activities.	Our work in this area included but was not limited to: • Enquiring with the management as to whether any offers were received during the year, or post year-end, for the assets. Comparing the value of these offers to the current value of the assets and consider whether an impairment is required; • Reviewing disclosures made in respect of the assets and ensuring these are accurate and in accordance with IFRS 5; • Reviewing disclosures made in respect of any linked liabilities as these will need to be separately disclosed under IFRS 5; and • Reviewing management's assessment of the valuation and impairment of intangible assets. Challenging management assumptions and estimates and ensuring reasonableness. It was noted that the investment in Corallian Energy Limited was incorrectly classified as an intangible asset in the prior year. This has subsequently been reclassified as an unquoted equity investment. This restatement has no overall impact on the equity as reported at 31 December 2019.
Valuation and impairment of Investments (Note 14) The company held investments with a value of £1.5m as at 31 December 2020. These are valued in accordance with IFRS 13 and the fair value hierarchy; and classified as per IFRS 9. There is the risk that these investments have not been valued in accordance with IFRS 13 and IFRS 9 and an impairment may be required but may not have been accounted for by the management.	Our work in this area included; • Reviewing the valuation methodology for the investment held and ensuring that the carrying values are supported by sufficient and appropriate audit evidence; • Ensuring that all asset types are categorised according to IFRS, including the accounting disclosures as required under IFRS 9; • Reviewing the movement in investments to ensure it is accounted for and disclosed correctly in line with IFRS 9; • Reviewing disclosures in relation to the said assets; • Ensuring that Scirocco Energy Plc has full title to the investments held; • Ensuring that appropriate disclosures surrounding the estimates made in respect of any valuations are included in the financial statements; and • Consider whether the transactions have been accounted for correctly within the financial statements. Our work indicated that the investments are fairly stated in the financial statements.

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector etc. This is evidenced by discussion of laws and regulations with the management, reviewing regulatory news service announcements and minutes of meetings of those charged with governance, and review of legal or professional expenditures.
- We determined the principal laws and regulations relevant to the company in this regard to be those arising from Companies Act 2006, AIM rules, GDPR, Employment Law, Health and Safety Law, Anti-Bribery and Money Laundering Regulations and QCA compliance.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
  - Discussion with management regarding potential non-compliance;
  - Review of legal and professional fees to understand the nature of the costs and the existence of any non-compliance with laws and regulations; and
  - Review of minutes of meetings of those charged with governance and regulatory news service announcements
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to the carrying value of the investments and intangible assets.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business and review of bank statements during the year to identify any large and unusual transactions where the business rationale is not clear.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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

Zahir Khaki (Senior Statutory Auditor)
for and on behalf of PKF Littlejohn LLP
Statutory Auditor
15 Westferry Circus, London, E14 4HD
Date: 14 June 2021

SCIROCCO ENERGY PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Continuing operations			
Administrative expenses	**6**	(3,323)	(2,558)
Loss before investment activities	**6**	(3,323)	(2,558)
Other gains and losses	**8**	-	(63)
Loss before taxation		(3,323)	(2,621)
Income tax expense	**9**	-	-
Loss for the year from continuing operations		(3,323)	(2,621)
Discontinued operations	**10**		
Assets held for sale		15	60
Loss recognised on classification as held for sale		(810)	-
(Loss)/profit for the year from discontinuing operations		(795)	60
Loss and total comprehensive income for the year		(4,118)	(2,561)
Total comprehensive Income attributable to owners of the parent		(4,118)	(2,561)
Earnings per share (pence)			
Basic and diluted	**11**	(0.57)	(0.41)
Earnings per share from continuing operations			
Basic and diluted		(0.46)	(0.42)
Earnings per share from discontinued operations			
Basic and diluted		(0.11)	0.01

The accounting policies and notes on pages 43 to 77 form part of these financial statements.

SCIROCCO ENERGY PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	31 Dec 2020 £000	31 Dec 2019 Restated £000
Non-current assets			
Intangible assets	**12**	-	14,967
Oil & gas properties	**13**	-	358
Investments	**14**	1,667	3,052
		1,667	18,377
Current assets			
Trade and other receivables	**17**	421	1,437
Cash and cash equivalents		1,168	1,064
Assets held for sale	**16**	14,803	-
		16,392	2,501
Total assets		18,059	20,878
Current liabilities			
Trade and other payables	**18**	248	365
Provisions	**19**	-	184
Liabilities held for sale	**16**	166	-
		414	549
Net current assets		15,978	1,952
Non-current liabilities			
Long term provisions	**19**	-	168
Total liabilities		414	717
Net assets		17,645	20,161
Equity			
Called up share capital	**20**	1,448	1,264
Share premium account	**21**	38,399	37,316
Deferred share capital	**20**	1,831	1,831
Share based payments	**22**	1,470	1,135
Retained earnings		(25,503)	(21,385)
Total equity		17,645	20,161

The accounting policies and notes on pages 43 to 77 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

The financial statements were approved by the board of directors and authorised for issue on 14 June 2021 and are signed on its behalf by:

Mr Tom Reynolds
Director
Date: 14 June 2021

Company Registration No. 05542880

SCIROCCO ENERGY PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £000	Share premium account £000	Deferred share capital £000	Share-based payments £000	Retained earnings £000	Total £000
Balance at 1 January 2019		1,264	37,316	1,831	1,135	(18,824)	22,722
Year ended 31 December 2019:							
Loss and total comprehensive income for the year		-	-	-	-	(2,561)	(2,561)
Balance at 31 December 2019		1,264	37,316	1,831	1,135	(21,385)	20,161
Year ended 31 December 2020:							
Loss and total comprehensive income for the year		-	-	-	-	(4,118)	(4,118)
Issue of share capital	**20**	184	1,083	-	-	-	1,267
Credit to equity for equity-settled share-based payments	**22**	-	-	-	335	-	335
Balance at 31 December 2020		1,448	38,399	1,831	1,470	(25,503)	17,645

The accounting policies and notes on pages 43 to 77 form part of these financial statements.

SCIROCCO ENERGY PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020		2019 as restated	
	Notes	£000	£000	£000	£000
Cash flows from operating activities					
Cash absorbed by continuing operations	**28**		(877)		(2,514)
Interest paid			(3)		(12)
Net cash outflow from operating activities			(880)		(2,526)
Investing activities					
Purchase of intangible assets		(293)		(147)	
Proceeds on disposal of intangibles		-		1,668	
Payments to acquire investments		-		(854)	
Proceeds on disposal of investments		10		-	
Increase in loans and receivables		-		(76)	
Net cash (used in)/generated from investing activities			(283)		591
Financing activities					
Proceeds from issue of shares		1,267		-	
Net cash generated from financing activities			1,267		-
Net increase/(decrease) in cash and cash equivalents			104		(1,935)
Cash and cash equivalents at beginning of year			1,064		2,999
Cash and cash equivalents at end of year			1,168		1,064

The accounting policies and notes on pages 43 to 77 form part of these financial statements.

1 Accounting policies

Company information

Scirocco Energy plc ("Scirocco", the "Company") is a public listed company incorporated in England & Wales. The address of its registered office 1 Park Row, Leeds, United Kingdom, LS1 5AB. The Company's ordinary shares are traded on the AIM Market operated by the London Stock Exchange. The financial statements of Scirocco Energy plc for the year ended 31 December 2020 were authorised for issue by the Board on 11 June 2021 and the statement of financial position is signed on the Board's behalf by Mr Reynolds.

Investing policy

Scirocco's investing policy is to acquire a diverse portfolio of direct and indirect interests in exploration, development and production oil and gas assets, and any other subsurface gas assets of potential commercial significance, located worldwide but predominantly in the Americas, Europe or Africa.

The Company may invest by way of outright acquisition or by the acquisition of assets, including the intellectual property, of relevant business, partnerships or joint venture arrangements. Such investments may result in the Company acquiring the whole part of a company or project (which in the case of an investment in a company may be private or listed on a stock exchange, and which may be pre-revenue), may constitute a minority stake in the Company or project in question and may take the form of equity, joint venture debt, convertible instruments, license rights, or other financial instruments as the Directors deem appropriate.

Scirocco intends to be a long-term investor and the Directors will place no minimum or maximum limit on the length of time that any investment may be held.

There is no limit on the number of projects into which the Company may invest, nor the proportion of the Company's gross assets that any investment may represent at any time and the Company will consider possible opportunities anywhere in the world.

All of Scirocco's assets will be held in its own name, or through wholly owned subsidiaries.

Statement of compliance with IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Company are set out below.

Accounting convention

The financial statements have been prepared on the historical cost basis, except for the measurement to fair value of assets and financial instruments as described in the accounting policies below, and on a going concern basis.

The financial report is presented in Pound Sterling (£) and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated. The functional currency of the company is also GBP.

1 Accounting policies (Continued)

Going concern

The Directors noted the losses that the Company has made for the year ended 31 December 2020. The Directors have prepared cash flow forecasts for the period ending 31 December 2022 which take account of the current costs and operational structure of the Company.

The cost structure of the Company comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Company to operate within its available funding.

These forecasts, demonstrate that the Company has sufficient cash resources available, on the assumption that further funds can be sourced as and when needed, to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

In their assessment of going concern the directors have considered the current impact on the business as a result of the COVID-19 virus and the oil price crash, including revisions where required to budgets and projections. The COVID-19 pandemic has not had a significant, immediate impact on the Company's operations. Having regard to the above, the directors continue to believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements. The financial statements do not include any adjustments that may result from any significant changes in the assumptions noted above in preparing the financial statements on a going concern basis.

It is the prime responsibility of the Board to ensure the Company remains a going concern. The Company has sufficient funding to meet their debts as they fall due. At 31 December 2020 the Company had cash and cash equivalents of £1,168k and borrowings of £nil. The Company has minimal contractual expenditure commitments and the Board considers the present funds sufficient to maintain the working capital of the Company for a period of at least 12 months from the date of signing in the Annual Report and Financial Statements taking into account the current COVID-19 and oil price environment. For these reasons the Directors adopt the going concern basis in the preparation of the Financial Statements.

Intangible assets

Externally acquired intangible assets comprising deferred exploration and evaluation expenditure are initially recognised at cost in compliance with IFRS 6 "Exploration for an evaluation of mineral resources."

The Company follows the successful efforts method of accounting for exploration and evaluation expenditure. All license, acquisition and exploration and evaluation costs are capitalised in cost centres by area of interest pending determination of the commercial viability of the relevant product.

1 Accounting policies **(Continued)**

Impairment of tangible and intangible assets
At each balance sheet date the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If there is such indication then an estimate of the asset's recoverable amount is performed and compared to the carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value. Where the asset does not generate cash flows that are independent from other assets, the Company estimated the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease,

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Current assets held for sale
Current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Discontinued operations
In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the net results relating to the assets held for sale are presented within discontinued operations in the income statement (for which the comparatives have been restated) and the assets and liabilities of these operations are presented separately in the balance sheet. Refer to note 10 for further details.

Fair value measurement
IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the Company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the Company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards. There is one financial instrument measured at fair value, details of which can be seen at Note 23.

Cash and cash equivalents
Cash in the statement of financial position comprise cash at banks and on hand, which are subject to an insignificant risk of changes in value.

1 Accounting policies **(Continued)**

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Company has become a party to the contractual provisions of the instrument.

Classification

The company classifies its financial assets and liabilities in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and measurement

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date the Company commits itself to purchase or sell the asset.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. Currently, the Company's financial assets are all held for collection of contractual cash flows, which are solely payments of principal and interest. Accordingly, the Company's financial assets are measured subsequent to initial recognition at amortised cost.

Impairment

On a forward-looking basis, the Company estimates the expected credit losses associated with its receivables and other financial assets carried at amortised cost, and records a loss allowance for these expected losses.

Trade and other receivables

Trade and other receivables outside of normal payment terms accrue interest at a rate determined by the operator and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade and other payables

Trade and other payables are non interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs

1 Accounting policies **(Continued)**

Equity reserves
Share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The share based payment reserve represents the cumulative amount which has been expensed in the income statement in connection with share based payments, less any amounts transferred to retained earnings on the exercise of share options.

FVOCI reserve represents the market value movement of FVOCI investments.

Retained earnings includes all current and prior period results as disclosed in the income statement.

Taxation
The tax expense represents the sum of the current tax and deferred tax.

Current tax
The current tax is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit not the accounting profit.

Provisions
Provisions are recognised for liabilities of uncertain timings or amounts that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

1 Accounting policies **(Continued)**

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received. Equity-settled share-based payments are measured at a fair value at the date of grant except if the value of the service can be reliably established. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Foreign exchange

Transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in the income statement for the period.

1 Accounting policies (Continued)

Oil and gas properties and other property, plant and equipment

(i) Initial recognition

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

When a development project moves into the production stage, the capitalisation of certain construction/ development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments.

(ii) Depreciation/amortisation

Oil and gas properties are depreciated/amortised on a unit-of production basis over the total proved developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved developed and undeveloped reserves of the relevant area.

The unit-of production rate calculation for the depreciation/amortisation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively.

(iii) Major maintenance, inspection and repairs

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of asset, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probably that future economic benefits associated with the item will flow to the Company, the expenditure will be capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) and is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period of the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

1 Accounting policies (Continued)

Provision for rehabilitation / Decommissioning Liability

The Company recognises a decommissioning liability where it has a present legal or constructive obligation as a result of past events, and it is probably that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets to the extent that it is incurred by the development/construction of the field. Any decommissioning obligations that arise through the production of inventory are expensed when the inventory item is recognised in cost of goods sold.

Changes in the estimated timing or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas assets. Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of profit or loss and other comprehensive income.

Segmental reporting

A business segment is a group of assets or operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that is subject to different risks and returns from other segments in other economic environments. The company has two segments; corporate head office costs and Tanzania.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Thomas Reynolds that makes strategic decisions. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Investments

The Company's financial asset investments are classified and measured at fair value, under IFRS 9, with changes in fair value recognised in profit and loss as they arise.

Gains and losses on investments disposed of or identified are included in the net profit or loss for the period.

Investments held by the Company are held for resale. Therefore where the Company's equity stake in an investee company is 20% or more equity accounting for associates is not considered to be appropriate.

2 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the Company. The adoption of these standards has had no impact on the current period however may have an effect on future periods.

Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS standards.	1 January 2020
IAS 1 and IAS 8 (Amendments)	Definition of material	1 January 2020
IFRS9, IAS 39 and IFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
IFRS 3 (Amendments)	Definition of a business	1 January 2020
IFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 7	Insurance Contracts	1 January 2023
IFRS 4 (Amendments)	Insurance Contracts	1 January 2023
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-Current	1 January 2023
IAS 16 (Amendments)	Property plant and equipment- proceeds before intended use	1 January 2022
Annual Improvements 2018-2020 Cycle	Amendments to IFRS 1 (subsidiary as a first-time adopter), IFRS 9 (fees in the '10 percent' test for derecognition of financial liabilities), IFRS 16 (lease incentives), IAS 41 (taxation in the fair value measurements)	1 January 2022
IFRS 3 (Amendments)	References to the Conceptual Framework	1 January 2022
IAS 37 (Amendments)	Onerous contracts- Cost of Fulfilling a Contract	1 January 2022
IFRS 4 (Amendments)	Extension of the Temporary Exemption from Applying IFRS 9	1 January 2023

The directors do not expect that the adoption of the other Standards listed above will have a material impact on the financial statements of the Company aside from additional disclosures.

3 Critical accounting estimates and judgements

The Company makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The preparation of the Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results may vary from the estimates used to produce these Financial Statements.

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Items subject to such estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, include but are not limited to:

Useful lives of intangible assets and property, plant and equipment (note 12)
Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are based on judgement and experience and periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the income statement in specific periods.

Share-based payments (note 22)
The Company utilised an equity-settled share-based remuneration scheme for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options are estimated by using Black-Scholes valuation method as at the date of grant. The assumptions used in the valuation are described in Note 22 and include, among others, the expected volatility, expected life of the options and number of options expected to vest.

Deferred taxation (note 9)
Deferred tax assets are recognised when it is judged more likely than not that they will be recovered. Deferred tax assets are currently nil based on the likelihood of recovery.

3 Critical accounting estimates and judgements (Continued)

Hydrocarbon reserve and resource estimates (note 13)

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Company's oil and gas properties. The Company estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Production-Sharing Agreements. A breakdown of reserves can be found below. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The current long-term gas price assumption used in the estimation of commercial reserves currently held by the Company is US$3/MMTBU. The carrying amount of oil and gas development and production assets at 31 December 2020 is shown in note 13.

The Company estimates and reports hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework. As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Company's financial position and results which include:

- The carrying value of exploration and evaluation assets; oil and gas properties; property and plant and equipment may be affected due to changes in estimated future cash flows
- Depreciation and amortisation charges in the income statement may change where such charges are determined using the Units of Production (UOP) method, or where the useful life of the related assets change
- Provisions for decommissioning may require revision – where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.

Resource summary - Ntorya Field

		Gross Licence Basis (bcf)			
Licence		**1C**	**2C**	**3C**	**Gross Mean unrestricted GIIP**
Mtwara	Development pending	26	81	213	
Mtwara	Development unclarified	324	682	950	1,870
			763		

Resource summary excluding Ntorya Field

		Prospective Resources (bcf)* Gross on Licence			
Prospect/Lead	**1U**	**2U**	**3U**	**Mean unrisked**	**Pg %**
Chikumbi Jurassic	399	936	1,798	1,351**	8***
Namisange	56	235	1,925	1,183	8***
Likonde updip	39	166	702	444	10***
Ziwani NW	8	35	153	68	<5***
Ziwani SW	12	54	236	105	<5***

* **Assuming development licence is ratified** *** **RPS assessment of PG**

** **P50**

3 Critical accounting estimates and judgements (Continued)

Exploration and evaluation expenditures (note 13)
The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Company defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the income statement and in the period when the new information becomes available.

Units of production (UOP) depreciation of oil and gas assets (note 13)
Oil and gas properties are depreciated using the UOP method over total proved development and undeveloped hydrocarbon reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates change. Changes to the proved reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on proved reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

Recoverability of oil and gas assets (note 14)
The Company assesses each asset or cash generating unit (CGU) each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal (VLCD) and value in use (VIU). The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential reserves (see(a) Hydrocarbon reserves and resource estimates above) and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Decommissioning provisions (note 19)
There is uncertainty around the cost of decommissioning as cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope and amount and currency mix of expenditure may also change. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning.

The estimated decommissioning costs are reviewed annually by an internal expert from the joint venture partner. Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and management's estimate of costs with reference to current price levels. Future cost estimates are discounted to present value using a rate that approximates the time value of money, which is currently 5.89%. The discount rate is based on the average yield on Tanzanian Government bonds for foreign currency loans of a duration of more than 10 years.

3 Critical accounting estimates and judgements (Continued)

Recoverability of trade receivables (note 17)
The Company considers the recoverability of trade receivables to be a key area of judgement. The Company considers trade receivables to be credit impaired once there is evidence a loss has been incurred. An expected credit loss is calculated on an annual basis. The directors believe that the debtor is still recoverable based on their knowledge of the market in Tanzania and historical evidence of similar receivables being paid. The Directors have recognised the asset as they believe they are still legally entitled to receive it. The Tanzanian Government have a history of building up receivables with other companies and billing them at a future date.

4 Operating Segments

Based on risks and returned, the directors consider that the primary reporting format is by business segment. The directors consider that there are two business segments:

- Head office support from the UK
- Segment assets for Canada relate to an investment in Corallian Energy
- Discontinued operations on its investments in Tanzania

	Continuing Operations			**Discontinuing Operations**	
2020	**Canada**	**UK**	**Total**	**Tanzania**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Revenue	-	-	-	-	-
Administrative expenses	-	(3,323)	(3,323)	-	(3,323)
Interest income	-	-	-	18	18
Finance costs	-	-	-	(3)	(3)
Other gains and losses	-	-	-	(810)	(810)
Other income	-	-	-	-	-
Profit/(Loss) from operations per reportable segment	-	(3,323)	(3,323)	(795)	(4,118)
Additions to non-current assets	-	-	-	293	293
Reportable segment assets	125	1,296	1,421	17,476	18,897
Reportable segment liabilities	-	249	249	166	415

4 Operating Segments **(Continued)**

2019	**Canada £000**	**UK £000**	**Total £000**	**Tanzania £000**	**Total £000**
Revenue	-	-	-	17	17
Administrative expenses	-	(2,558)	(2,558)	-	(2,558)
Interest income	-	-	-	55	55
Finance costs	-	-	-	(12)	(12)
Other gains and losses	(67)	4	(63)	-	(63)
Other income	-	-	-	-	-
Profit/(Loss) from operations per reportable segment	(67)	(2,554)	(2,621)	60	(2,561)
Additions to non-current assets	-	-	-	337	337
Reportable segment assets	125	2,168	2,293	18,585	20,878
Reportable segment liabilities	-	549	549	168	717

5 Revenue

	2020 £000	**2019 £000**
Other significant revenue		
Interest income	18	55

	2020	**2019**
Contract balances		
	2020 £000	**2019 £000**
Trade receivables	272	283
Accrued income and interest	90	76

Trade receivables accrued interest for non payment. Outstanding debtors accrue interest at a rate in accordance with the joint venture agreement and are generally on terms of 30 days. In 2020, there is a provision of £55k (2019: £28k) for expected credit losses on trade receivables.

Interest income relates to interest charged on outstanding invoices.

An operating segment is a distinguishable component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

6 Expenses by Nature

Continuing Operations	2020 £000	2019 £000
Exchange losses	68	65
Fees payable to the Company's auditor for the audit of the Company's financial statements	36	23
Professional, legal and consulting fees	617	855
AIM related costs including investor relations	136	246
Costs relating to OneDYAS transaction	640	653
Accounting related services	114	196
Travel and subsistence	17	85
Office and administrative expenses	47	46
Other expenses	72	19
Impairment losses	1,384	-
Share-based payments	335	-
Directors remuneration	(206)	299
Wages and salaries and other related costs	63	71
	3,323	2,558

7 Employees

The average number of employees (excluding executive directors) was nil (2019: nil).

During the year ended 31 December 2020 the Directors opted to receive remuneration in the form of share options in lieu of fees (note 22).

There was one employee during the year ended 31 December 2019 who resigned in March 2019.

	2020 £000	2019 £000
Their aggregate remuneration comprised :		
Wages and salaries	-	8
Directors remuneration	(206)	299

7 Employees **(Continued)**

	Salary and fees	Share-based payments	Termination payments	Total
	£000	£000	£000	£000
Year ended 31 December 2020				
Jonathan Fitzpatrick	6	67	-	73
Alastair Ferguson	(44)	143	-	99
Tom Reynolds	16	57	-	73
Donald Nicolson	6	57	-	63
Don Strang (resigned 26 November 2018)	(6)	-	-	(6)
Dan Maling (resigned 7 February 2019)	(184)	-	-	(184)
Doug Rycroft (senior management)	-	13		13
	(206)	335	-	129

	Salary and fees	Share-based payments	Termination payments	Total
	£000	£000	£000	£000
Year ended 31 December 2019				
Dan Maling (resigned 7 February 2019)	38	-	-	38
Jonathan Fitzpatrick	62	-	-	62
Alastair Ferguson	134	-	-	134
Tom Reynolds	52	-	-	52
Donald Nicolson (appointed 11 November 2019)	8	-	-	8
Don Strang (resigned 26 November 2018)	5	-	-	5
	299	-	-	299

No directors received pension contributions in 2020 or 2019.

8 Other gains and losses

	2020	2019
	£000	£000
Loss on disposal of shares in Deloro Energy	-	(67)
Loss on disposal of UKOG Shares	-	(236)
Gain on disposal of UKOG PEDL 331	-	240
	-	(63)

9 Income tax expense

	2020 £000	2019 £000
UK corporation tax on profits for the current period	-	-
Total UK current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	-	-
	-	-
Total tax charge	-	-

The charge for the year can be reconciled to the loss per the income statement as follows:

	2020 £000	2019 £000
Loss before taxation	(4,119)	(2,561)

The reason for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2020	2019
Expected tax credit based on a corporation tax rate of 19.00% (2019: 19.00%)	(783)	(487)
Effect of expenses not deductible in determining taxable profit	442	201
Income not taxable	(2)	-
Other non-reversing timing differences	(14)	-
Deferred tax not recognised	596	256
Adjust deferred tax to average rate of 19.00%	-	30
Remeasurement of deferred tax for changes in tax rates	(239)	-
Taxation charge for the year	-	-

No deferred tax asset has been recognised because there is uncertainty of the timing of suitable future profits against which they can be recovered. The company has losses carried forward of £5,162k (2019: £2,347k).

10 Discontinued operations

The Company has a 25% interest in a high-quality development project in Tanzania which the Directors are actively seeking to monetise. This stake has been valued at $20m and operations relating to this stake are detailed below.

The results of the discontinued business, which have been included in the income statement, balance sheet and cash flow statement, were as follows:

	2020 **£000**	**2019** **£000**
Revenue	-	17
Impairment on fair value revaluation	(810)	-
Investment revenues	18	55
Finance costs	(3)	(12)
(Loss)/profit before taxation	(795)	60
Net (loss)/profit attributable to discontinuation	(795)	60

The loss after tax on disposal of the assets held for sale is made up as follows:

	£000
Fair value less costs to sell	14,637
Net book value of assets disposed:	
Intangible assets	(15,259)
Oil and gas properties	(354)
Decommissioning provision	166
	(15,447)
Impairment on fair value revaluation	(810)

Loss per share impact from discontinued operations

	2020	**2019**
Basic and diluted impact (pence)	(0.11)	0.01

Cash flow statement

	2020 **£000**	**2019** **£000**
Net cash flows from investing activities	(237)	(147)
Net cash flows from discontinued operations	(237)	(147)

11 Earnings per share

The calculation of loss per share is based on the loss after taxation divided by the weighted average number of shares in issue during the year.

	2020	2019
Number of shares		
Weighted average number of ordinary shares for basic loss per share (000)	723,950	631,704
Earnings	**£000**	**£000**
Continuing operations		
Loss for the period from continued operations	(3,323)	(2,621)
Discontinued operations		
(Loss)/profit for the period from discontinued operations	(795)	60
Basic and diluted earnings per share		
From continuing operations (pence per share)	(0.46)	(0.42)
From discontinued operations (pence per share)	(0.11)	0.01
	(0.57)	(0.41)

As inclusion of the potential ordinary shares would result in a decrease in the loss per share they are considered to be anti-dilutive, as such, a diluted loss per share is not included.

12 Intangible assets

	Exploration and evaluation expenditure £000
Cost	
At 1 January 2019 (as restated)	17,652
Additions	237
Disposals	(264)
At 1 January 2020 (as restated)	17,625
Additions	293
Disposals	(2,658)
Transfer to held for sale	(15,260)
At 31 December 2020	-
Impairment	
At 1 January 2018 and 2019	2,658
Eliminated on disposals	(2,658)
At 31 December 2020	-
Carrying amount	
At 31 December 2020	-
At 31 December 2019	14,967

The additions to deferred exploration and evaluation expenditure during the period relate to the completion of drilling operations for the Ntorya-2 appraisal and subsequent testing of the well.

During the year to 31 December 2020 the interest in Ausable Reef was fully disposed for nominal consideration and no gain or loss was recognised because the asset was fully impaired at the date of disposal.

All the date of authorisation of these financial statements the Directors were actively seeking sale of all Tanzanian intangible assets and the assets were reclassified as held for sale at 31 December 2020 (note 16).

Following a review of the carrying value and future prospects for Scirocco's assets no impairment has been recognised as the carrying value is deemed appropriate based on the future outlook and therefore all intangible assets are considered to have an indefinite useful life.

13 Oil & Gas properties

	2020 £000	2019 £000
Cost		
At 1 January 2020	1,117	1,124
Transfers to held for sale	(1,114)	-
Foreign exchange	(3)	(7)
At 31 December 2020	-	1,117
Accumulated depreciation		
At 1 January 2020	759	759
Transfers to held for sale	(759)	-
At 31 December 2020	-	759
Carrying value		
At 31 December	-	358

The Oil & Gas properties comprise the 8.29% participating interest in the Kiliwani North Development Licence, in Tanzania.

Accumulated amortisation has been calculated on a units of production basis. As there was no production during 2020, the amortisation charge for the year is nil (2019: £nil).

All the date of authorisation of these financial statements the Directors were actively seeking sale of all Tanzanian oil and gas properties and the assets were reclassified as held for sale at 31 December 2020 (note 16).

14 Investments

Quoted Equity Investments

	£000
Cost	
At 31 December 2019 and 2020	2,927
Impairment	
At 31 December 2019	-
Charge in the period	1,385
At 31 December 2020	1,385
Net book value	
At 31 December 2020	1,542
At 31 December 2019	2,927

The quoted investments in the current year relate to an equity investment held in Helium One Ltd, a company incorporated in the British Virgin Islands. Their subsidiaries hold helium mining licences across Tanzania. The investment was unquoted in the year to 31 December 2019 following which Helium One subsequently listed on the London Stock Exchange on 4 December 2020 for 4.25p per share and the shares held have been valued at the mark-to-market value of 7.25p per share at 31 December 2020.

14 Investments **(Continued)**

Unquoted Equity Investments

	£000
Cost	
At 31 December 2019 (as restated) and 2020	125
Impairment	
At 31 December 2019 (as restated) and 2020	-
Net book value	
At 31 December 2019 (as restated) and 2020	125

The unquoted investments in the current year relate to an equity investment held in Corallian Energy Limited, a company incorporated in England. The Company holds interests in oil and gas basins in the United Kingdom.

Total investments at 31 December 2020	1,667

15 Subsidiary company

The only subsidiary of Scirocco Energy Plc is Scirocco Energy International Limited a wholly-owned, UK incorporated micro-entity, which is dormant, and has been since incorporation with an issued share capital of £1. The registered office of the subsidiary is 1 Park Row, Leeds, United Kingdom, LS1 5AB.

The Company has taken advantage of the exemption under the Companies Act 2006 s405 not to consolidate this subsidiary as it has been dormant from the date of incorporation and is not material for the point of giving a true and fair view.

16 Assets and liabilities classified as held for sale

	2020	**2019**
	£000	**£000**
Intangible assets	14,449	-
Oil and gas properties	354	-
Total assets classified as held for sale	14,803	-
Decommissioning provision	166	-
Total liabilities classified as held for sale	166	-

At the date of authorisation of the financial statements, the Directors were actively seeking a sale of the above items within the next 12 months (see note 10).

17 Trade and other receivables

	2020 £000	2019 £000
Trade receivables	273	283
Provision for bad and doubtful debts (note 23)	(55)	(28)
	218	255
Other receivables	-	774
VAT recoverable	16	122
Loan to Helium One Ltd	73	76
Prepayments	114	210
	421	1,437

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

On 1 March 2019 the Company subscribed to USD $1,000,000 convertible loan notes from Helium One Limited for USD $100,000. In accordance with the terms of the agreement, a redemption note can be issued with five days notice. This currently has a carrying value of £73,000 (2019: £76,000).

18 Trade and other payables

	2020 £000	2019 £000
Trade payables	152	193
Accruals	57	167
Social security and other taxation	5	-
Other payables	34	5
	248	365

The directors consider that the carrying amount of trade payables approximates to their fair value.

19 Provisions for liabilities

	2020 £000	2019 £000
PAYE Settlement	-	184
Decommissioning Provision	-	168
	-	352

19 Provisions for liabilities **(Continued)**

Analysis of provisions

Provisions are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

Current liabilities	-	184
Non-current liabilities	-	168
	-	352

Movements on provisions:	**PAYE Settlement £000**	**Decom Provision £000**	**Total £000**
At 1 January 2020	184	168	352
Unwinding of discount	-	3	3
Exchange difference	-	(5)	(5)
Reclassification to liabilities associated with assets held for sale	-	(166)	(166)
Release of share-settlement estimate	(184)	-	(184)
At 31 December 2020	-	-	-

The PAYE settlement provision held at 31 December 2019 relates to the amounts owed by Daniel Maling, former Managing Director, for the PAYE on the share-settled transactions. This claim was settled during the year to 31 December 2020 and the related provision released.

The provision for decommissioning held at 31 December 2019 relates to wells in Tanzania. The provision has been calculated assuming industry established oilfield decommissioning techniques and technology at current prices which are discounted at 5.89% per annum. The wells in Tanzania relate to the Kiliwani North Development Licence in Tanzania which has subsequently been classified as held for sale and as such, the related decommissioning provision has been reclassified.

20 Share capital

	Number of shares	**Nominal value £000**
a) Called up, allotted, issued and fully paid: Ordinary shares of 0.2 p each		
As at 31 December 2019	631,704,118	1,264
2 July 2020 - placing for cash at 0.02p	15,805,681	32
20 October 2020 - placing for cash at 0.02p	40,604,191	81
20 October 2020 - placing for cash at 0.02p	35,835,585	72
At 31 December 2020	723,949,575	1,448

20 Share capital **(Continued)**

		2020 £000	2019 £000
b)	**Deferred shares**		
	Deferred shares of 265,324,634 at 0.69 pence each	1,831	1,831

c) Total Share options in issue

During the year no options were granted (2019: nil).

As at 31 December 2020, the unexercised options in issue were restated as:

Exercise Price (original)	Amended	Expiry Date	Amended	Original Options in Issue 31 December 2020
0.5p	10p	31 December 2020	10,200,000	204,000,000
0.5p	10p	31 December 2020	3,425,000	68,500,000
0.3p	6p	31 December 2020	5,000,000	100,000,000
0.35p	7p	31 October 2021	7,375,000	212,500,000
			26,000,000	585,000,000

d) Total warrants in issue

No warrants lapsed in the year and no warrants were issued, cancelled or exercised during the year (2019: nil).

As at 31 December 2020 there were nil outstanding (31 December 2019: 3,547,129 at 2.25p).

21 Share premium account

	2020 £000	2019 £000
At beginning of year	37,316	37,316
Issue of new shares	1,083	-
At end of year	38,399	37,316

22 Share based payment

The Company has opted to remunerate the directors for the year to 31 December 2020 by a grant of an option over the ordinary shares of the capital of the Company as detailed in the deed of option grants. The life of the options is 18 months, which was 1 January 2020. There are three executive directors and one non-executive director who are members of the plan. The following table summarises the expense recognised in the Statement of Comprehensive Income since the options were granted.

	2020 £000	2019 £000
Directors options	236	-
Incentive options	99	-
Credit to equity for equity-settled share-based payments	335	-

During June 2020 (and the height of the Covid-19 pandemic) the Company sought to put in place a strategy that would help to conserve the Company's cash position in the near term and also to maximise alignment between the Board, Management Team and Shareholders.

Accordingly, the Company proposed to grant nominal cost options over new Ordinary Shares of 0.2p (£0.0020) to Directors and select members of the Management Team ("the Director Options"). The Director Options were granted over a total of 8,990,039 Ordinary Shares and have an aggregate value equal (on a net basis, after deduction of the nominal exercise price per Ordinary Share) to the fair value of salary and/or fees due to the relevant option holders up to 31 May 2020.

Members of the Management Team were also awarded options over Ordinary Shares with an exercise price of 1.3p (£0.013) ("the Incentive Options"), which was approximately a 24% premium to the closing midmarket price of the Company's Ordinary Shares on 26 June 2020. Each Incentive Option is ordinarily exercisable on the 2nd anniversary of the grant date (being 30 June 2022), except in the event of specified corporate events or, exceptionally, if the option holder leaves as a 'good leaver'.

The Company used the Black-Scholes model to determine the value of the incentive options and the inputs. There were no share options for the year ended 31 December 2019. The value of the options and the inputs for the year ended 31 December 2020 were as follows:

	Issue 30 June 2020 Incentive options
Share price at grant (pence)	1.09
Exercise price at grant (pence)	1.30
Expected volatility (%)	84.42
Expected life (years)	6
Risk free rate (%)	0.17
Expected dividends (pence)	nil

Expected volatility was determined by using the Company's share price for the preceding 3 years.

The total share-based payment expense in the year for the Company was £99,207 in relation to the issue of incentive options (2019: £nil) and £nil finance charges in relation to warrants (2019: £nil).

22 Share based payment **(Continued)**

The Incentive Options granted represent approximately 7.9% of the Company's issued share capital (excluding warrants issued to Prolific Basins LLC). The Board has retained additional headroom for future Incentive Options as it recognises that the future performance of the Company will be dependent on its ability to retain the services of key executives.

23 Financial instruments

Categories of financial instruments

The following table combines information about:

- Classes of financial instruments based on their nature and characteristics; and
- The carrying amounts of financial instruments.

	2020 £000	2019 £000
Financial assets at amortised cost		
Trade receivables	245	255
Other debtors	-	774
Prepayments and accrued income	114	210
Cash and cash equivalents	1,168	1,064
	1,527	2,303

	Book Value 2020 £000	Fair Value 2020 £000	Book Value 2019 Restated £000	Fair Value 2019 Restated £000
Financial assets at fair value				
Non-current Investment - Helium One	1,542	1,542	2,927	2,927
Non-current Investment - Corallian Energy Limited	125	125	125	125
Current Loans - Helium One	73	73	76	76
	1,740	1,740	3,128	3,128

	2020 £000	2018 £000
Financial liabilities at amortised cost		
Trade payables	152	193
Accruals and deferred income	57	167
	209	360

23 Financial instruments (Continued)

The table below analyses financial instruments carried at fair value, by valuation method.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values for the Company's assets and liabilities are not materially different from their carrying values in the financial statements.

The following table presents the Company’s financial assets that are measured at fair value:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Non-current Investment - Helium One	1,542	-	-	1,542
Non-current Investment - Corallian Energy Limited	-	-	125	125
Current Loans - Helium One	-	-	73	73

Level 3 financial assets at 1 January 2020	2,927
Transfer of level 3 financial assets to Level 1 on admission to London Stock Exchange	(2,927)
Level 3 financial assets at 31 December 2020	-

Level 1 financial assets at 1 January 2020	-
Transfer of level 3 financial assets to Level 1 on admission to London Stock Exchange	2,927
Impairment of Level 1 investments to mark-to-market value	(1,385)
Level 1 financial assets at 31 December 2020	1,542

A transfer between levels of the fair value hierarchy is deemed to occur when inputs for an asset or liability become observable on market data. In the current year, Helium One was admitted to the London Stock Exchange and inputs were subsequently observable and therefore the asset was transferred to a Level 1 financial asset (note 14).

The Company does not have any liabilities measured at fair value. There have been no transfers in to or transfers out of fair value hierarchy levels in the period.

23 Financial instruments (Continued)

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. No investments are valued using level 2 inputs in the period.

Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Following the guidance of IFRS 9, these financial instruments have been assessed to determine the fair value of the instrument. In their assessment, the Directors have considered both external and internal indicators to decide whether an impairment charge must be made or whether there needs to be a fair value uplift on the instrument. Instruments included in Level 3 comprise of convertible loan notes held with Helium One. Details of this can be found at Note 17.

The carrying value of the Company's financial assets and liabilities measured at amortised cost are approximately equal to their fair value.

The Company is exposed through its operations to one or more of the following financial risk:

- Fair value or cash flow interest rate risk
- Foreign currency risk
- Liquidity risk
- Credit risk
- Market risk
- Expected credit losses

Policy for managing these risks is set by the Board. The policy for each of the above risks is described in more detail below.

Fair value and cashflow interest rate risk

Generally the Company has a policy of holding debt at a floating rate. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature. Operations are not permitted to borrow long-term from external sources locally.

Foreign currency risk

Foreign exchange risk arises because the Company has operations located in various parts of the world whose functional currency is not the same as the functional currency in which the Company's investments are operating. The Company's net assets are exposed to currency risk giving rise to gains or losses on retranslation into sterling. Only in exceptional circumstances will the Company consider hedging its net investments in overseas operations as generally it does not consider that the reduction in volatility in net assets warrants the cash flow risk created from such hedging techniques.

23 Financial instruments **(Continued)**

The Company's exposure to foreign currency risk at the end of the reporting period is summarised below. All amounts are presented in GBP equivalent.

	2020 £000 USD	2020 £000 EUR	2019 £000 USD	2019 £000 EUR
Trade and other receivables	274	-	283	659
Cash and cash equivalents	1,006	-	94	-
Trade and other payables	(142)	-	(41)	-
Provisions	-	-	(352)	-
Net exposure	1,138	-	(16)	659

Sensitivity analysis

As shown in the table above, the Company is primarily exposed to changes in the GBP:USD exchange rate through its cash balance held in USD and trading balances and to changes in the GBP:EUR exchange rate due to the deposit denominated in EUR. The table below shows the impact in GBP on pre-tax profit and loss of a 10% increase/decrease in the GBP to USD exchange rate, holding all other variables constant. Also shown is the impact of a 10% increase/decrease in the GBP to EUR exchange rate, being the other primary currency exposure.

	2020 £000	2019 £000
GBP:USD exchange rate increases 10%	126	11
GBP:USD exchange rate decreases 10%	(154)	(13)
GBP: EUR exchange rate increases 10%	-	60
GBP: EUR exchange rate decreases 10%	-	(73)

Liquidity risk

The liquidity risk of each entity is managed centrally by the treasury function. Each operation has a facility with treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the board annually in advance, enabling the cash requirements to be anticipated. Where facilities of entities need to be increased, approval must be sought from the finance director. Where the amount of the facility is above a certain level agreement of the board is needed.

All surplus cash is held centrally to maximise the returns on deposits through economies of scale. The type of cash instrument used and its maturity date will depend on the forecast cash requirements.

23 Financial instruments (Continued)

The table below analyses the company's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts presented are the undiscounted cash flows.

	Less than 6 months	6 to 12 months	Between 1 and 2 years	Between 2 and 5 years
	£000	£000	£000	£000
31 December 2020				
Trade and other payables	243	-	-	-
Provisions	-	-	-	-
Total	243	-	-	-
31 December 2019				
Trade and other payables	365	-	-	-
Provisions	-	184	-	-
Total	365	184	-	-

Credit risk

The Company is mainly exposed to credit risk from credit sales. It is Company policy, implemented locally, to access the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

The Company does not enter into complex derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

Market risk

As the Company is now investing in listed companies, the market risk will be that of finding suitable investments for the Company to invest in and the returns that those investments will return given the markets that in which investments are made.

Expected credit losses

Allowances are recognised as required under the IFRS 9 impairment model and continue to be carried until there are indicators that there is no reasonable expectation of recovery.

For trade and other receivables which do not contain a significant financing component, the Company applies the simplified approach. This approach requires the allowance for expected credit losses to be recognised at an amount equal to lifetime expected credit losses. For other debt financial assets the Company applies the general approach to providing for expected credit losses as prescribed by IFRS 9, which permits for the recognition of an allowance for the estimated expected loss resulting from default in the subsequent 12-month period. Exposure to credit loss is monitored on a continual basis and, where material, the allowance for expected credit losses is adjusted to reflect the risk of default during the lifetime of the financial asset should a significant change in credit risk be identified.

23 Financial instruments **(Continued)**

The majority of the Company's financial assets are expected to have a low risk of default. A review of the historical occurrence of credit losses indicates that credit losses are insignificant due to the size of the Company's clients and the nature of the services provided. The outlook for the oil and gas industry is not expected to result in a significant change in the Company's exposure to credit losses. As lifetime expected credit losses are not expected to be significant the Company has opted not to adopt the practical expedient available under IFRS 9 to utilise a provision matrix for the recognition of lifetime expected credit losses on trade receivables. Allowances are calculated on a case-by-case basis based on the credit risk applicable to individual counterparties.

Exposure to credit risk is continually monitored in order to identify financial assets which experience a significant change in credit risk. In assessing for significant changes in credit risk the Company makes use of operational simplifications permitted by IFRS 9. The Company considers a financial asset to have low credit risk if the asset has a low risk of default; the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term; and no adverse changes in economic or business conditions have been identified which in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Where a financial asset becomes more than 30 days past its due date additional procedures are performed to determine the reasons for non-payment in order to identify if a change in the exposure to credit risk has occurred.

Should a significant change in the exposure to credit risk be identified the allowance for expected credit losses is increased to reflect the risk of expected default in the lifetime of the financial asset. The Company continually monitors for indications that a financial asset has become credit impaired with an allowance for credit impairment recognised when the loss is incurred. Where a financial asset becomes more than 90 days past its due date additional procedures are performed to determine the reasons for non-payment in order to identify if the asset has become credit impaired.

The Company considers an asset to be credit impaired once there is evidence that a loss has been incurred. In addition to recognising an allowance for expected credit loss, the Company monitors for the occurrence of events that have a detrimental impact on the recoverability of financial assets. Evidence of credit impairment includes, but is not limited to, indications of significant financial difficulty of the counterparty, a breach of contract or failure to adhere to payment terms, bankruptcy or financial reorganisation of a counterparty or the disappearance of an active market for the financial asset.

A financial asset is only written off when there is no reasonable expectation of recovery.

A provision matrix can be used based on historical data of default rates adjusted for a forward looking estimate. The history of default rates needs to be accessed in conjunction with the aging of the trade receivable balance. The aging of a balance alone does not require a provision but can be used as a structure to apply the rates calculated. The historical default rates are used in accordance with forward looking information. From a commercial perspective the TPDC has continued to delay settlement of the trade receivables balance based on requests from the TPDC to Aminex for payments of certain amounts which they wish to offset against the trade receivables. Until this issue is resolved there will be no payment of the invoices and as such an ECL is required to be recognised.

In order to determine the amount of ECL to be recognised in the financial statements, Scirocco is using a provision matrix based on its historical observed default rates which is adjusted for forward-looking estimates and establishes that ECL should be calculated as:

Non-past due	0.5% of carrying value
30 days past due	2% of carrying value
31-60 past due	4% of carrying value
61-90 past due	6% of carrying value
90 days-3 years past due	10% of carrying value
Over 3 years past due	20% of carrying value

23 Financial instruments (Continued)

The simplified approach enables Scirocco to make an estimate of ECL as they are unable to track the credit worthiness of customers. The matrix above reflects the best estimate of the directors that the claim by TPDC will be successful and is the lifetime credit loss expected.

The total outstanding amount is £274k at 31 December 2020 which is all over 3 years past due resulting in an ECL of £55k in the current year.

24 Related party transactions

The Company had the following amounts outstanding from its investee companies (Note 17) at 31 December:

	2020 £000	2019 £000
Helium One opening balance	76	78
Foreign exchange movement	(3)	(2)
Balance at 31 December	73	76

There were no transactions between the parent and its dormant subsidiary, which are related parties, during the year. Details of director's remuneration, being key personnel, are given in Note 7.

The Company entered into transactions with the following related parties who have common directors during the current year:

	2020 £000	2019 £000
NR Global Consulting Ltd - provision of management services - common director Neil Ritson	-	(14)
Gneiss Energy Limited - provision of corporate finance advisory - common director Jonathan Fitzpatrick	225	538
Quixote Advisors Ltd - provision of management services - common director Tom Reynolds	27	53

25 Ultimate controlling party

In the opinion of the directors there is no controlling party.

26 Commitments

As at 31 December 2020, the Company had no material commitments (2019: £nil).

27 Retirement benefit scheme

The Company operates only the basic pension plan required under UK legislation, contributions thereto during the year amounted to £nil (2019: £nil).

28 Cash generated from operations

	2020	2019
	£000	£000
Loss for the year after tax for continuing operations	(3,323)	(2,621)
(Loss)/profit for the year after tax for discontinuing operations	(795)	60
Adjustments for:		
Finance costs	3	12
Loss on disposal of investments	-	236
Impairment of investments	1,385	-
Loss on fair value revaluation of assets held for sale	810	-
Equity settled share based payment expense	335	-
Decrease in provisions	(352)	(3)
Movements in working capital:		
Decrease in trade and other receivables	1,011	107
Increase/(decrease) in trade and other payables	49	(305)
Cash absorbed by operations	(877)	(2,514)

29 Post balance sheet event

Sale of Tanzanian Assets
The Board announced on the 2nd of March that the most appropriate course of action regarding Tanzanian assets is to run a formal process to explore value realisation options for the assets including, but not limited to, the sale of Scirocco's interests in the certain, or all, of its Tanzanian assets. In particular, the Board is confident in the inherent value of its 25% interest in the Ruvuma asset and will consider reasonable offers that reflect the quality of the asset and its significant upside potential. A formal dataroom has been established and the formal process was begun in March.

30 Prior period adjustment

Changes to the statement of financial position

	At 31 December 2019		
	Previously reported	Adjustment	As restated
	£000	£000	£000
Fixed assets			
Intangible assets	15,092	(125)	14,967
Investments	2,927	125	3,052
Net assets	18,724	-	18,724
Capital and reserves			
Total equity	20,161	-	20,161

30 Prior period adjustment **(Continued)**

Notes to reconciliation

There has been a restatement to the 2019 accounts. The investment in Corallian Energy Limited was incorrectly classified as an intangible asset and has subsequently been reclassified as an unquoted equity investment.

This restatement has no overall impact on the equity as reported at 31 December 2019.

SCIROCCO ENERGY PLC

COMPANY INFORMATION

Directors	Alastair Ferguson (Chairman) Tom Reynolds (CEO) Jonathan Fitzpatrick Donald Nicolson Muir Miller (Joined February 2021)
Senior management	Douglas Rycroft (COO)
Secretary	John Alpine
Registered office	1 Park Row Leeds United Kingdom LS1 5AB
Website	www.sciroccoenergy.com
Nominated advisor	Strand Hanson Ltd 26 Mount Row Mayfair London W1K 3SQ
Auditor	PKF Littlejohn LLP 15 Westferry Circus London United Kingdom E14 4HD
Broker	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Solicitors	Pinsent Masons LLP 141 Bothwell Street Glasgow G2 7EQ