

**SCIROCCO ENERGY PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

# SCIROCCO ENERGY PLC

## COMPANY INFORMATION

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<b>Directors</b>	Alastair Ferguson (Chairman) Tom Reynolds (CEO) Jonathan Fitzpatrick (Resigned 9 July 2021) Donald Nicolson Muir Miller (Joined February 2021)
<b>Senior management</b>	Douglas Rycroft (COO)
<b>Secretary</b>	John Alpine
<b>Registered office</b>	1 Park Row Leeds United Kingdom LS1 5AB
<b>Website</b>	<a href="http://www.sciroccoenergy.com">www.sciroccoenergy.com</a>
<b>Nominated advisor</b>	Strand Hanson Ltd 26 Mount Row Mayfair London W1K 3SQ
<b>Independent auditor</b>	PKF Littlejohn LLP Statutory auditor 15 Westferry Circus London United Kingdom E14 4HD
<b>Broker</b>	WH Ireland Limited 24 Martin Lane London EC4R 0DR
<b>Solicitors</b>	Pinsent Masons LLP 141 Bothwell Street Glasgow G2 7EQ

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# SCIROCCO ENERGY PLC

## CHAIRMAN'S STATEMENT INCORPORATING THE STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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On behalf of the Board of Directors, I hereby present the financial statements of Scirocco Energy plc (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2021.

2021 was a year of transition for the Group as we looked to accelerate our strategic pivot into the renewable energy and climate technology sector. 2021, like 2020 before, remained a challenging year for all companies in the energy sector regardless of size primarily due to the global pandemic. I am confident that the Group has made the correct decision in pursuing a strategy that looks to capitalise on the macro-environmental factors driving at the heart of investment in the "new world order" of greener energy solutions. In my capacity as Non-Executive Chairman of the Group, I am pleased to provide a review of the financial year for 2021, as well as the outlook for 2022. I would also like to take this opportunity to thank shareholders for their patience as we implement a refreshed strategy in a difficult environment.

#### **Strategy and Portfolio**

During 2021 the Group developed and progressed its strategy to invest in sustainable energy assets through a number of workstreams including a review of opportunities which meet the core target areas, obtaining shareholder approval for the adoption of the new investment policy and executing its first investment in a sustainable energy platform company – Energy Acquisitions Group Limited ("EAG").

#### **Tanzanian Legacy Assets – Ruvuma Disposal**

In line with this strategy and previous guidance to the market the Group continued the sales process for legacy assets in Tanzania which was launched in 2020. Engagement took place throughout 2021 with various interested parties although no transaction was agreed within the period.

On 13 June 2022 (post period) the Group announced that it had entered into a conditional binding agreement with Wentworth Resources plc (AIM: WEN) to divest its 25% non-operated interest in the Ruvuma asset, Tanzania, for a total consideration of up to US\$16 million comprised of.

- Initial consideration of US\$3 million payable on completion of the Proposed Transaction;
- US\$3 million payable upon final investment decision being taken by the parties to the Ruvuma Asset Production Sharing Agreement or the JOA as the case may be;
- Deferred consideration of up to US\$8 million payable in the form of a 25% net revenue share from the point when Ruvuma commences delivery of gas to the gas buyer;
- Contingent consideration of US\$2 million payable on gross production reaching a level equal to or greater than 50Bcf.

In addition Wentworth will provide Scirocco with a loan of up to \$6,250,000 to meet all cash calls pursuant to the Ruvuma JOA arising between 1 January 2022 and expected Completion date.

The first \$3m to be drawn under the loan is interest free however any amounts drawn in excess of \$3m will incur interest at a rate of 7% per annum until such time as the grant of the security in respect of the loan is approved by the Minister for Energy in Tanzania.

The total consideration represents over a significant premium to Scirocco's prevailing market capitalisation and the deal strengthens Scirocco's balance sheet and, critically, removes the imminent need to raise capital to fund the Ruvuma work programme.

Pursuant to Rule 15 of the AIM Rules for Companies, the Proposed Transaction was presented for shareholder approval by way of an ordinary resolution at a General Meeting scheduled for 29th June 2022, The resolution was approved by 63.44% of shareholders voting.

The Group began 2021 with a developing strategy to invest in sustainable energy assets.

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As part of this development in the strategy, Scirocco 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 and has taken an active role in the review of new opportunities in the transition energy space as well as joining the board of EAG to assist in the stewardship of this important asset.

During 2021 the Group sold a significant part of its holding of Helium One plc ("HE1") taking advantage of an attractive valuation offered in Q1. Scirocco realised £3,406,805 from the sale of 17,841,300 HE1 shares in 2021 leaving the Group's holding in HE1 as less than 1%. This capital allowed the Group to make its first investment under the new strategy as well as funding the ongoing development plan in Ruvuma.

In June 2021, the Group announced a joint venture investment in EAG to support the acquisition of a portfolio of Anaerobic Digestion ("AD") plants in Northern Ireland and the rest of the UK. This investment remained contingent on a revised shareholder mandate for investment policy.

In July 2021, the Group presented the following new investment policy to shareholders at the Annual General Meeting.

Scirocco's investing policy is to acquire a diverse portfolio of direct and indirect interests in sustainable energy and circular economy assets within the European energy market. The Board is seeking to invest in opportunities which meet the following criteria:

- cash generative, with the potential to re-invest operational cash flow in further growth;
- situated within the European energy space;
- acquisition targets within the low-carbon space, including renewable energy, circular economy and energy storage and transfer sectors;
- 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 investment policy was approved with a supportive vote of 99.6% of those voting.

Scirocco then supported EAG's first acquisition – of 100% of shares of Greenan Generation Limited ("GGL") – which was completed in September 2021 and was funded from the proceeds of sale of HE1 shares. Since completion the asset has performed very well exceeding EBITDA forecasts.

In December 2021, the Group announced the agreement of an exclusivity and supply arrangement with SEM Energy Limited to access technology which will allow the processing of digestate material from Anaerobic Digestion ('AD') plants into organic fertiliser. This provides EAG a significant lever to add value to each of the AD plants it acquires as well as to third party AD plants through the installation of merchant digestate management equipment.

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### **Outlook**

Scirocco is now well placed to capitalise on the broad range of investment opportunities within the sustainable energy and circular economy sectors.

With the establishment of the Joint Venture with EAG, the Group has demonstrated the ability to work with a management team to construct a business with attractive growth prospects and follow on investment opportunities. This is our template which as we move forward will be used in other renewable energy assets.

With the sale of Ruvuma moving ahead following the vote in favour at the General Meeting on 29 June 2022, the Group's resources are now released to fund follow-on and new investments in the target space and elements of the consideration will provide additional investing firepower as they arrive.

With respect to the Ruvuma interest, the Board expects to support Wentworth in its effort to deliver a prompt completion of the transfer of ownership which will deliver the first of a series of payments under the APA.

This now clears the way for the Group to aggressively pursue incremental investment opportunities by supporting EAG as well as other platform companies.

EAG has now signed up a further three investment sites and has the potential to grow rapidly in 2022 and 2023.

The Group has screened a number of additional investment opportunities through 2021 and 1H 2022 and expects to pursue them.

Recognising that growth will require funding, the Board has been investigating sources of parallel investment which would reduce the call on Scirocco's balance sheet in the short term by bringing in third party capital alongside Scirocco balance sheet cash.

### **Section 172 (1) Statement**

The Group 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 Group 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 discussed above, the decision to propose and adopt the new investment policy – approved and adopted by shareholder vote at the AGM in July 2021 – and the decision to sell the Ruvuma asset to Wentworth Resources plc have been taken with the long term future of the company in mind. In taking these decisions the Board has taken account of the relative risk involved in each of the relevant investments and chosen a sustainable course of action which allows the company to be developed in a more predictable manner by targeting investment assets with significantly lower levels of uncertainty and which deliver cash flow in the short term which is then available to be reinvested. The Group 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 Group has one employee and the decisions to promote the success of the company for the benefit of its members as a whole as described above are entirely consistent with the interests of the company's employee.

#### **(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 Group's investment strategy will be driven in part by the business relationships that exist between the Directors and the management of the Group's investee companies and as such the maintenance of such relationships is given a very high priority by the Directors.

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**(d) the impact of the company's operations on the community and the environment**

During the current investment phase the Group 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 Group's standing and reputation with other energy companies, equity investors, providers of debt, advisers and the relevant authorities are key in the Company achieving its investment objectives and the Group's ethics and behaviour, as summarised in the Group's Business Principle and Ethics, will continue to be central to the conduct of the Directors. The Group 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 Group as required under the Companies Act, the AIM Rules and QCA corporate governance principles.

### **Conclusion**

The Group has made significant steps through the course of 2021 and into the first half of 2022 to re-position itself as renewables business focused on delivering green energy solutions alongside generating revenue and returns for our shareholders. 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 the Group is already well down this path and hopes to play a leading role in the public markets for investment in greener energy solutions. I was delighted that we were able to complete our first deal in the transition energy space and in doing so create a platform for future investment in the anaerobic digestion sector and associated technologies, a market segment ripe for consolidation.

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

We see significant opportunities for value creation for a Group 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 2022 will be the year when our hard work behind the scenes results in value accretive transactions for the benefit of the Group 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: .....

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*FOR THE YEAR ENDED 31 DECEMBER 2021*

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### Strategic Report

#### Energy Acquisitions Group Limited

In June 2021, Scirocco Energy announced its first transaction in the European transition energy market in line with the Group's new growth strategy. The Group made an investment into Energy Acquisitions Group Ltd ("EAG"), a specialist acquisition and operating vehicle in the sustainable energy sector, and in which Scirocco holds a 50% interest.

This initial investment was used by EAG to acquire 100% of Greenan Generation Limited ("GGL") and associated 0.5 MWe Anaerobic Digestion plant located in County Londonderry, Northern Ireland. GGL is a cash generative, operational AD plant which the EAG team will focus on optimizing to enhance EBITDA margins and free cash flow from the project.

Anaerobic digestion is a process that creates biogas, a renewable energy source that will help the UK deliver on its decarbonisation commitments.

The investment into EAG was funded by cash on the balance sheet and the EAG team has identified further opportunities to invest in a pipeline of AD plants in the UK totalling c. £30 million in value.

The investment positives supporting the investment in the EAG platform are as follows:

- Low carbon sustainable energy. The carbon intensity of sources of energy is under critical review. As a result of the ability to generate natural gas from agricultural waste, the carbon footprint of the biogas is therefore lower.
- Index linked revenue streams. The assets targeted by EAG benefit from government subsidised revenue streams which are escalated on an annual basis in line with inflation. For example, at GGL, the NIROC credits representing c. 60% of revenue are government backed and index linked.

In December 2021 the Company announced that its subsidiary, Scirocco Energy (UK) Limited ('SEUK') signed an exclusivity agreement with leading sustainability technology provider, SEM Energy Limited. The exclusivity accrues to SEUK, its affiliates and its investee company EAG.

SEM is a developer of technologies within the circular economy sector. It is anticipated that SEM will provide EAG with digestate management and nutrient recovery technology, known as the H2OPE System.

The system processes digestate, a by-product of the biogas process, into nutrient dense, high-quality fertiliser, nutritionally balanced growth media and a sustainable peat substitute which can be used within a range of growing environments. It also produces re-usable water, and significantly reduces CO2 emissions compared to traditional practices.

Key terms of the agreement:

- SEM will exclusively supply to SEUK, its Affiliates, EAG (the "Scirocco Parties"), the H2OPE System for the application to digestate generated from AD plants within the UK and Ireland;
- The exclusive period runs until end June 2023, unless extended by the parties in accordance with the agreement;
- SEUK will use reasonable endeavours to purchase or procure that the Scirocco Parties purchase a minimum of five units of the H2OPE System within the exclusivity period;
- If Scirocco Parties do not meet certain order requirements during the exclusivity period, the exclusivity may fall away, but Scirocco Parties are still able to order units of the H2OPE System from SEM during the term on a non-exclusive basis.



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EAG intends to apply the technology to its operating plant at Greenan, as well as working with owners of other operational AD plants to assess the potential benefits of funding the installation of a 'bolt-on' nutrient recovery system on a merchant basis. The addition of the H2OPE System technology to existing AD plants has the potential to deliver an additional revenue stream through the creation of high value co-product, depending on the level of refinement required for a specific market sector while simultaneously reducing the carbon intensity of the process.

#### *Financial performance*

In Q1 2022 the revenue received for the quarter by Greenan totalled £323k (unaudited) supported by high power prices through the period. This compares to the same period in 2021 where revenue was £240k (unaudited) - a 34.5% year on year increase. EBITDA for Q1 2022 was £158k and at current power prices, EBITDA for the first 12 months of EAG's ownership of GGL is on target to exceed £600k.

#### *Operational*

During Q1 2022, in order to future proof the plant at its Greenan site, the EAG team completed the replacement and recommissioning of a number of elements of critical equipment, at a total cost of c. £230k funded from operational cash flow:

- all mixers in the premix tank
- all primary digester mixers, and refurbishment of all mixer infrastructure including winches, winch motors and guide rails
- Full Edina CHP (Combined Heat & Power) engine block change, and completing major service
- Upgrade and replacement of augers and pumps in feed and recirculation system including installation of automatic recirculation system

#### **Tanzania**

Scirocco continues to hold two licence interests in natural gas in Tanzania.

##### 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 2021 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.

As a result of a review of the strategic options available to the Group the Tanzanian assets were identified as held for sale during 2020 and a sale process was launched.

On 13 June 2022 the Group announced that it has entered into a conditional binding agreement with Wentworth Resources plc (AIM: WEN) to divest its 25% non-operated interest in the Ruvuma asset, Tanzania, for a total consideration of up to US\$16 million comprised of.

- Initial consideration of US\$3 million payable on completion of the Proposed Transaction;
- US\$3 million payable upon final investment decision being taken by the parties to the Ruvuma Asset Production Sharing Agreement or the JOA as the case may be;

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- Deferred consideration of up to US\$8 million payable in the form of a 25% net revenue share from the point when Ruvuma commences delivery of gas to the gas buyer;
- Contingent consideration of US\$2 million payable on gross production reaching a level equal to or greater than 50Bcf.

In addition Wentworth will provide Scirocco with a loan of up to \$6,250,000 to meet all cash calls pursuant to the Ruvuma JOA arising between the Economic Date of 1 January 2022 and expected Completion timeline.

The first US\$3 million to be drawn under the loan is interest free however any amounts drawn in excess of US\$3 million will incur interest at a rate of 7% per annum until such time as the grant of the security in respect of the loan is approved by the Minister for Energy in Tanzania.

#### *Background to the Proposed Transaction*

In March 2020 the Group announced its intention to sell its 25% interest in the Ruvuma PSA, onshore Tanzania. As a further development of this initiative, in November 2020 the Group outlined a strategic pivot to invest in sustainable energy assets. In the Board's view, the main drivers for the pivot were the following:

- access to capital for small cap E&P investment was facing numerous challenges due to a significant shift of investor sentiment away from the sector;
- availability of investable assets. With the increasing momentum to decarbonize the energy sector the Board expected to be able to identify a strong supply of investable opportunities in that space;
- ability to build cashflow. The nature of assets being targeted would allow the Group to build immediate cashflow which would then be available for re-investment in further growth; and
- manageable investment scale. The type of investments being targeted are expected to support capital investments at smaller scale allowing the Group to grow its asset base in smaller incremental steps with a lower average capital expenditure requirement per investment.

If the Proposed Transaction completes, Scirocco will no longer be exposed to the costs (or the potential upside) associated with the Ruvuma Asset and will be free to pursue its Investing Policy approved in July 2021, with a view to building a portfolio of sustainable energy assets. An update on the Group's recent activities and the Board's intentions in respect of the Investing Policy are set out at the end of this section.

The Proposed Transaction will involve the disposal of the Group's entire interest in the Ruvuma Asset for an initial consideration of US\$3 million in cash payable upon completion of the Proposed Transaction, plus deferred consideration of up to US\$13 million in aggregate, payment of which is contingent upon fulfilment of certain conditions and milestones set out in the Asset Purchase Agreement (and as detailed below).

In addition to entering into the Asset Purchase Agreement, the Group and Wentworth have entered into the Facility Agreement under which Wentworth has agreed, subject to the satisfaction of certain conditions, to provide loan funding to the Group to allow it to meet its cash call obligations pursuant to the Ruvuma JOA prior to completion of the Proposed Transaction.

#### *Reasons for the Proposed Transaction*

Throughout the course of 2021 and in early 2022, the Group conducted an extensive asset marketing process with a view to divesting its Tanzanian assets in line with its strategy re-refresh in 2020 and in furtherance of its Investing Policy.

The Group and the Directors are of the view that early-stage hydrocarbon assets remain a challenging investment space for micro-cap companies that ultimately lack the balance sheet strength or the depth of portfolio to absorb the range of potential outcomes for such assets. Additionally, the ability for micro-cap companies to access capital in the oil and gas sector has been significantly impaired in the last few years. These dynamics have primarily been driven by:

- overall lack of returns in the sector for investors, driven by persistently low oil prices for a number of years until the recent increases witnessed; and

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- an exodus of capital from the oil and gas sector in light of the ongoing pressure to decarbonize the global energy sector.

Against that backdrop, the Directors announced in 2021 that they intended to deliver on a new investment strategy focused on sustainable energy assets and the circular economy, which culminated in the adoption by the Group of the Investing Policy. The primary objective of this strategy is to create a business capable of delivering a return premium for its shareholders while not exposing them to the bifurcated outcomes of success and failure that are often associated with the oil and gas sector (and, in particular, early-stage assets such as the Ruvuma Asset).

The Directors believe that the Proposed Transaction will be beneficial in the following respects:

- if the maximum potential consideration is received, the Proposed Transaction will be a highly-accretive deal for Scirocco, representing a premium of over 200% against Scirocco's current market cap (assuming a market cap of approximately £3.4 million);
- the Proposed Transaction is firmly aligned with the Group's strategy to divest its oil and gas assets and focus on opportunities in the circular economy and sustainable energy assets;
- the terms of the Proposed Transaction are the result of extensive negotiations with Wentworth and, before that, a two-year sales process that exhausted all other reasonably viable purchasers;
- the Proposed Transaction strengthens Scirocco's balance sheet and, critically, removes the imminent need to raise capital equivalent to or potentially in excess of the current market cap to fund the 2022 work programme for the Ruvuma Asset (the estimated funding gap at present being equal to c. £3.5 million);
- the contingent aspects of the Proposed Transaction provide exposure to material upside potential in the event certain key project milestones are achieved, while also reducing exposure to the downside risks associated with the uncertain prospects of the Ruvuma Asset;
- Wentworth is a particularly suitable counterparty given its existing relationships and presence in Tanzania, which should reduce execution risk;
- the Proposed Transaction is appropriately structured to reflect the ongoing risk associated with the Ruvuma Asset, as well as the challenges of operating in the current macro environment as described above;
- exiting the Ruvuma Asset will enable the Group to accelerate its strategy of building a portfolio of cash generative assets focused on renewables and the circular economy, as well as streamlining its activities and strengthening its strategic narrative to appeal to a broader range of potential investors;
- the Proposed Transaction provides cash that can be deployed to fund near-term non-dilutive growth for the Group; and
- while the Ruvuma Asset represents a compelling project, it has technical and commercial risk that is in the Directors' view not suitable for a Group of Scirocco's size and strategic direction as highlighted by the Board when proposed the new Investing Policy in 2021.

#### License Extension

In August 2021, 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 is valid for a two years. Under the terms of the extension the Joint Venture must carry out the following work programme:

- Acquired 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

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#### 2021 Operational Update

Despite challenges to operational progress in 2021, 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.

The proposed gross 2021 work programme and budget for Ruvuma was US\$22.9 million which included seismic acquisition work and drilling preparation. However due to delays in receiving the approvals for the seismic contract award 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 full work programme been executed as budgeted Scirocco would have been expected to fund approximately US\$5.7 million.

During 2021, the operator, ARA Petroleum Tanzania Limited ("APT" or the "Operator") completed the tendering work for the acquisition of 454 km<sup>2</sup> 3D seismic and following approval of the contract award by the Tanzanian authorities for the issue of the seismic acquisition contract made the award in September 2021 to Africa Geophysical Services Limited ("AGS").

The award followed an extensive tendering exercise conducted by the Operator for the seismic programme during which the joint venture was able to take advantage of favourable market conditions securing a Lumpsum contract considerably below the joint venture's expected budget for the activity.

The final contract consists of approximately 338 km<sup>2</sup> of 3D seismic data focusing on the area of primary interest.

AGS commenced mobilization to location in late 2021 and continue to progress with the data acquisition, weather permitting, and focus on the proposed location for the Chikumbi-1 well ("CH-1") to acquire as much data as possible before the start of the rainy season with the programme re-commencing after that with no additional cost to the JV partners.

The Chikumbi-1 exploration and appraisal well is now expected to spud in the fourth quarter of 2022. Assuming a successful outcome from the drilling of the Chikumbi-1 well, first gas from the project is anticipated to be delivered by the end of 2024. The work programme scheduling is in line with the Group's expected funding commitments towards it.

APT has also re-interpreted the existing 2D seismic dataset and considers the Ntorya gas reservoir to be the product of a stacked, high-energy, channelised sand system. The Operator's revised mapping and internal management estimates suggest a mean risked gas in place ("GIIP") for the Ntorya accumulation of 3,024 Bcf in multiple lobes and a mean risked recoverable gas resource of 1,990 Bcf which will be appraised by the planned seismic and drilling programme.

#### *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.

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#### Resource summary - Ntorya Field

Licence		Gross Licence Basis (bcf)			Gross Mean unrestricted GIIP
		1C	2C	3C	
Mtwara	Development pending	26	81	213	
Mtwara	Development unclarified	324	682	950	1870
			763		

#### Resource summary excluding Ntorya Field

Prospect/Lead	Gross on Licence 1U	Prospective Resources (bcf)*			Pg %
		2U	3U	Mean unrisksd	
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.

#### 2021 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.

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### FOR THE YEAR ENDED 31 DECEMBER 2021

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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.

In October 2021, the Operator announced that on behalf of the Joint Venture, reached an agreement with the Tanzania Petroleum Development Corporation ("TPDC") for the payment of outstanding monies owed for past gas sales to the TPDC.

The agreed settlement followed constructive negotiations over the course of 2021 between Aminex and the TPDC.

The settlement between the parties involves netting off past gas sales of US\$6.77 million due to the Kiliwani North Joint Venture ("KNJV"), of which Scirocco Energy holds an 8.39% working interest, against licence and training fees and the profit share on the unpaid gas sales owed to TPDC.

As at 30 June 2021, and as previously reported, the KNJV was owed US\$8.34 million by the TPDC. Of this amount, the KNJV has agreed to waive its claim for interest of US\$1.57 million under the Kiliwani North Gas Sales Agreement ("GSA") on the unpaid gas sales to settle the matter and secure payment by the TPDC.

Scirocco Energy shall receive US\$0.15 million its share of the gas sales net of remittance of indirect taxes and export duties.

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.

#### **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.

Helium One completed an IPO 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

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# SCIROCCO ENERGY PLC

## CHAIRMAN'S STATEMENT INCORPORATING THE STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### Operational Update

##### 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.

##### Drilling campaign

*The company executed its first drilling campaign in Q2 2021, the highlight of which included:*

- Securing all necessary drilling permits to execute its drilling campaign as planned
- Safe drilling of the Tai-1 exploration well
- Tai-1 well encountered elevated helium levels as connection gas
- Tai-1A completed to a depth of 1121m with helium shows identified in all three target formations
- Helium shows encountered over five intervals in the Karoo Formation
- A 130m thick claystone unit was encountered above the top Karoo sands, indicating good seal presence for the Karoo reservoir
- Wireline logging of the uppermost Karoo indicates good reservoir potential with 15-20% porosities.
- Petrophysical analysis indicates no free gas in the uppermost thinly bedded Karoo sands associated with helium shows
- Helium shows within the deeper and thicker sandstone units of the main Karoo reservoir were not able to be logged due to poor and deteriorating hole conditions
- Subsequently the Tai-2 exploration well was drilled - although completed without identifying helium has, the well provided valuable information on shallow trap and seal potential.

#### Disposal

During 2021 Scirocco sold a substantial proportion of its holding in Helium One in a series of tranches as announced on 18 May 2021 and on 27 July 2021. The Group also exercised 1 million share options (with strike price US\$0.035) that it held over Helium One's share capital.

Following the above transactions, Scirocco's holding in Helium One at 31 December 2021 was 4,456,088 ordinary shares, which represents c. 0.85% of Helium One's currently issued share capital.

In aggregate, Scirocco has realised c. £3.41 million in proceeds from its sale of Helium One shares since Helium One was admitted to trading on AIM.

#### 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 Group 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 Group 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.

# SCIROCCO ENERGY PLC

## CHAIRMAN'S STATEMENT INCORPORATING THE STRATEGIC REPORT

*FOR THE YEAR ENDED 31 DECEMBER 2021*

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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 on the 15 March 2021 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 Group 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 2021 in the lead up to executing the quit claim agreement with Reef.

Mr Tom Reynolds

Director

Date: .30 June 2022.



# SCIROCCO ENERGY PLC

## CHAIRMAN'S STATEMENT INCORPORATING THE STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### Glossary and Notes

<i>2D seismic</i>	<i>seismic data collected using the two dimensional common depth point method</i>
<i>3D</i>	<i>three-dimensional</i>
<i>AIM</i>	<i>London Stock Exchange Alternative Investment Market</i>
<i>API</i>	<i>American Petroleum Institute</i>
<i>barrel or bbl</i>	<i>45 US gallons</i>
<i>bbls</i>	<i>barrels of oil</i>
<i>bcf</i>	<i>billion cubic feet</i>
<i>best estimate</i>	<i>the most likely estimate of a parameter based on all available data, also often termed the P50 (or the or P50 value of a probability distribution of outcomes to the 50% confidence level)</i>
<i>billion</i>	<i>10 to the power of 9</i>
<i>bopd</i>	<i>barrels of oil per day</i>
<i>CNG</i>	<i>condensed natural gas</i>
<i>contingent resources</i>	<i>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</i>
<i>CPR</i>	<i>Competent Persons Report</i>
<i>discovery</i>	<i>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</i>
<i>electric logs</i>	<i>tools used within the wellbore to measure the rock and fluid properties of the surrounding formations</i>
<i>GIIP</i>	<i>gas initially in place</i>
<i>GSA</i>	<i>gas sales agreement</i>
<i>HH-1</i>	<i>Horse Hill-1 well</i>
<i>HHDL</i>	<i>Horse Hill Developments Limited</i>
<i>KN-1</i>	<i>Kiliwani North-1 well</i>
<i>KNDL</i>	<i>Kiliwani North Development Licence</i>
<i>m</i>	<i>thousand (ten to the power 3)</i>
<i>mm</i>	<i>million (ten to the power 6)</i>
<i>mmbbls</i>	<i>million barrels of oil</i>
<i>mmscf</i>	<i>million standard cubic feet of gas</i>
<i>mmscfd</i>	<i>million standard cubic feet of gas per day</i>
<i>OGA</i>	<i>UK Oil and Gas Authority (formally the Department of Energy and Climate Change)</i>
<i>oil in place</i>	<i>stock tank oil initially in place, those quantities of oil that are estimated to be known reservoirs prior to production commencing</i>
<i>STOIIP</i>	<i>production commencing</i>
<i>pay</i>	<i>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, permeability</i>
<i>PEDL</i>	<i>Petroleum Exploration and Development Licence</i>
<i>permeability</i>	<i>the capability of a porous rock or sediment to permit the flow of fluids through the pore space</i>
<i>petrophysics</i>	<i>the study of the physical and chemical properties of rock formations and their interactions with fluids</i>
<i>play</i>	<i>a set of known or postulated oil or gas accumulations sharing similar geologic properties</i>
<i>porosity</i>	<i>the percentage of void space in a rock formation</i>
<i>prospective resources</i>	<i>those quantities of petroleum which are estimated, at a given date, to be potentially recovered from undiscovered accumulations</i>
<i>proven reserves</i>	<i>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,</i>
<i>probable reserves</i>	<i>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</i>

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# SCIROCCO ENERGY PLC

## CHAIRMAN'S STATEMENT INCORPORATING THE STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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<i>possible reserves</i>	<i>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 project have a low probability to exceed the sum of Proved reserves</i>
<i>PSA</i>	<i>petroleum sharing agreement</i>
<i>PRMS</i>	<i>Petroleum Resources Management system</i>
<i>reserves</i>	<i>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</i>
<i>reservoir</i>	<i>a subsurface rock formation containing an individual natural accumulation of moveable petroleum</i>
<i>SPE</i>	<i>Society of Petroleum Engineers</i>
<i>tcf</i>	<i>trillion cubic feet</i>
<i>trillion</i>	<i>10 to the power of 12</i>
<i>unconventional reservoir</i>	<i>widely accepted to mean those hydrocarbon reservoirs that are tight; that is have low permeability</i>

# SCIROCCO ENERGY PLC

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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

A statement on Corporate Governance is set out on pages 21 to 34.

#### Principal Activities

The principal activity, in line with the investing policy approved by shareholders in July 2021, 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 Group 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 Group 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 Group'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 Group may invest, nor the proportion of the Group's gross assets that any investment may represent at any time.

#### Business Review and Future Developments

A detailed review of the Group's business is set out in the Chairman's statement incorporating the strategic report (pages 1-15).

Details of expected future developments for the Group are set out in the Chairman's statement incorporating the strategic report (pages 1-15).

#### Results and Dividends

Loss on ordinary activities after taxation amounted to £3.691 million (2020: £4.118 million). The Directors do not recommend payment of a dividend (2020: nil).

#### Key Performance Indicators

Given the nature of the business and that the Group 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 2023 and will look to introduce a KPI indicators when the Group is in the position to do so.

# SCIROCCO ENERGY PLC

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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	Date of resignation
<b>Executive Directors</b>		
Jonathan Fitzpatrick	2 May 2018	9 July 2021
Alastair Ferguson	6 August 2018	-
Thomas Reynolds	4 December 2018	-

#### Non-Executive Directors

Donald Nicolson	11 November 2019
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 2021 were:

Director	At 31 December 2021		At 31 December 2020	
	Shares	Options	Shares	Options
Jonathan Fitzpatrick	26,203,189*	22,608,067	26,203,189*	18,461,483
Alastair Ferguson	24,325,395	27,778,237	24,325,395	16,323,575
Tom Reynolds	2,464,108**	18,843,342	2,464,108**	18,843,342
Donald Nicolson	-	15,332,053	-	10,419,772
Muir Miller ***	-	4,484,314	-	-

\* 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 22 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.

# SCIROCCO ENERGY PLC

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### Substantial Shareholdings

At 30 June 2022 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 Group is aware of the potential impact that its investee companies may have on the environment. The Group 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 Group'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 Group 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 Group are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

#### Political Contributions and Charitable Donations

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

#### Financial Instruments

See Note 21 to the financial statements.

#### Related Party Transactions

See Note 22 to the financial statements.

#### Post Reporting Date Events

At the date these financial statements were approved, being 30 June 2022, 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.

# SCIROCCO ENERGY PLC

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### Health and Safety

The Group's aim will always be to achieve and maintain the highest standard of workplace safety. In order to achieve this objective the Group 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 Group and in accordance with Section 285 of the Companies Act 2006, a resolution proposing they be reappointed will be proposed at the next Annual General Meeting.

#### Going Concern

The Directors note the losses that the Group has made for the year ended 31 December 2021. The Directors have prepared cash flow forecasts for the period ending 30 June 2023 which take account of the current cost and operational structure of the Group. The base case forecast takes account of the sale of Ruvuma to Wentworth Resources plc and the loan structure provided within that structure to cover cash calls arising from the asset. With the Ruvuma cash calls covered following the approval of shareholders at the general meeting on 29th June 2022, the remaining cost structure of the Group comprises a proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be reduced to enable the Group to operate within its available funding. These forecasts demonstrate that the Group 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 has been sold, no guarantee can be made that the sale completes. 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 Group drawing against the loan provided by Wentworth for its 25% interest. In the event the sale did not complete, it is assumed that - if required - the Group 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 Group'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 Group's auditors were aware of that information.

#### Electronic Communication

The maintenance and integrity of the Group'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 Group'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

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Mr Tom Reynolds

**Director**

Date: 30 June 2022.

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# SCIROCCO ENERGY PLC

## DIRECTORS' RESPONSIBILITIES STATEMENT

*FOR THE YEAR ENDED 31 DECEMBER 2021*

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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 UK-adopted international accounting standards.

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 UK adopted international accounting standards 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.

# SCIROCCO ENERGY PLC

## CORPORATE GOVERNANCE STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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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](http://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 chaired 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 2021, Scirocco Energy operated with a five-member Board and the Board between February 2021 and the beginning of July 2021 when it reverted to a four-member Board. The Board was further strengthened in February 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 did not seek re-election at the 2021 AGM and down on the 9th July 2021 as a Director of the Company.

The Board currently comprises three non-executive Directors ('NEDs') and the CEO. Biographies of the Directors are on pages 25-26. Due to their shareholding in the Company, one 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.

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# SCIROCCO ENERGY PLC

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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 2021 the Board met 6 times (2020: 17, 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

# SCIROCCO ENERGY PLC

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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- 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 through its website, [www.sciroccoenergy.com](http://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 dynamic and constructive 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.

# SCIROCCO ENERGY PLC

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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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 29.

### **Principle 5:**

Maintain the Board as a well-functioning, balanced team led by a chair

The Board is currently comprised of four Directors; Alastair Ferguson, Non-Executive Chairman; 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.

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.

# SCIROCCO ENERGY PLC

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **Principle 6:**

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

The Board currently consists of four 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.

#### *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.

# SCIROCCO ENERGY PLC

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### *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.

# SCIROCCO ENERGY PLC

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### **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) 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 Alastair Ferguson (Chairman), Donald Nicolson, and Tom Reynolds.

### *ESG and Sustainability Committee*

The ESG and Sustainability Committee is comprised of Muir Miller (Chairman), Alastair Ferguson and Tom Reynolds. The Committee was established by Scirocco Energy PLCs Board of Directors and has responsibility for shaping and steering the group's approach to sustainability and ESG in all its investments. It develops and reviews the Company's strategy and activities; ensures that sustainability and ESG considerations and criteria are incorporated into the Company's investment processes and asset management activities; and will develop and review the policies, programmes, targets, and initiatives relating to ESG matters. The ESG and Sustainability Committee shall meet at least twice each year and otherwise as required.

# SCIROCCO ENERGY PLC

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### *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 visibility 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

EAG - Board representation

### **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 through 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 2021, 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.

# SCIROCCO ENERGY PLC

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 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  Reduction in asset values	Robust capital and cost management policies and procedures
	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 withdrawal 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



# SCIROCCO ENERGY PLC

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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<b>Operational</b>	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
<b>Management</b>	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
<b>Investment</b>	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

# SCIROCCO ENERGY PLC

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **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

Donald Nicolson  
Audit Committee Chair

# SCIROCCO ENERGY PLC

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### 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 with recommendations from the Remuneration Committee.

Mr Alastair Ferguson chairs the committee and Mr Jon Fitzpatrick and Mr Donald Nicolson are the other members. Mr Fitzpatrick stepped down from the Board in July 2021 and his position on the Remuneration Committee was not replaced. The Remuneration Committee met 4 times in 2021.

In setting the remuneration for the Executive Directors and key staff, the committee compares published remuneration data for other AIM and Main LSE Board energy transition 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 2021 the Remuneration Committee supported the company in a number of changes to the remuneration policy and compensation payments due to directors, these included;

- Resetting the CEOs remuneration based on increased workload
- review and benchmarking of Directors' fees through 2021 and proposed remuneration for Muir Miller who joined the Board in 1Q21
- continued implementation of the share option scheme in lieu of fees for the Board and Executive Management which supports the Board's desire to preserve the Company's cash position.

Alastair Ferguson  
Remuneration Committee Chair

# SCIROCCO ENERGY PLC

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2021*

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### **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 was comprised of Jon Fitzpatrick (Chairman) (until his departure from the Board), Alastair Ferguson (current Chairman), Donald Nicolson, and Tom Reynolds. Following the Mr Fitzpatrick's decision not to stand again for election at the 2021 Annual General Meeting, the work of the committee has been managed at the Board level with the plan to formally reconstitute the committee as activity levels ramp up in 2022 and beyond.

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.

Alastair Ferguson  
AIM Rules Compliance and Disclosures Committee Chair

# SCIROCCO ENERGY PLC

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2021*

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### **ESG and Sustainability Committee Report**

The ESG and Sustainability Committee was established by the Company's Board of Directors and has the responsibility for shaping and steering the Group's approach to sustainability and ESG in all its investments.

The ESG Committee was set up in September 2021 when it held the first formal meeting and met three times in the year. The Committee is integral to the new Company Investment Strategy to invest in sustainable energy assets, as adopted and approved by shareholders at the 2021 AGM. During the course of 2021 and 2022, the Committee has completed the following work:

- Developed and approved a Terms of Reference for the ESG Committee going forward which supports the Company's new Investment strategy.
- Following review, agreed to using the UN Sustainable Development Goals (UNSDGs) as the foundation of the Companies sustainability strategy, as it provides the Company with a structured environmental, social, and governance (ESG) framework. The UNSDGs aim to tackle the global challenges we face, including poverty, inequality, and climate change, by 2030.
- Reviewed each the 17 UN Sustainable Development Goals as part of a workshop to determine which of the Goals are most relevant to Scirocco and how much the Company can contribute to each Goal.
- Set commitments and targets for the four high priority UN Sustainable Development Goals with the aim of integrating these as part of the Company's new investment strategy.

Muir Miller

ESG and Sustainability Committee Chair

# SCIROCCO ENERGY PLC

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF SCIROCCO ENERGY PLC

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#### Opinion

We have audited the financial statements of Scirocco Energy Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Group Statement of comprehensive income, the Group and Company Statement of financial position, the Group and Company Statement of changes in equity, the Group and Company Statement of cash flows and Notes to the Group and Company financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 group and parent 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.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the cash flow forecasts prepared by management for the period up to twelve months from the date of approval of these financial statements
- Corroborating, providing challenge to key assumptions and reviewing for reasonableness;
- A comparison of actual results for the year to past budgets to assess the forecasting ability/accuracy of management;
- Reviewing post-year end Regulatory News Service (RNS) announcements and holding discussions with management on future plans; and
- Assessing the adequacy of going concern disclosures within the annual report and financial statements.

# SCIROCCO ENERGY PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF SCIROCCO ENERGY PLC

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Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

#### **Our application of materiality**

The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures

Based on our professional judgement, we determined overall materiality for the financial statements as a whole applied to the group financial statements was £188,000 based on 1% of gross assets. The performance materiality for the group was £131,000. The materiality for the financial statements as a whole applied to the parent company financial statements was £186,000 (2020: £190,000) based on 1% of gross assets. The performance materiality for the parent company was £130,000 (2020: £133,000).

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 as 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 £9,400 for the group and £9,300 (2020:£9,500) for the parent company. 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 group and parent 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.

# SCIROCCO ENERGY PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF SCIROCCO ENERGY PLC

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#### Key Audit Matter

#### How our scope addressed this matter

##### Valuation and Disclosure of Assets Held for sale (Note 10)

The group holds assets held for disposal for £14.7 million as at 31 December 2021.

Post year end, management have signed a binding agreement to divest the asset.

There is a risk that these assets are not accounted for in accordance with International Financial Reporting Standard (IFRS) 5. Given that management has an offer on the asset, there is also a risk that the realisable value of the assets have decreased further and thus an impairment may be required but may not have been accounted for by management.

Our work in this area included but was not limited to:

- Reviewing RNS announcements during the year and post year end to corroborate management's plan to sell the assets and the conditions attached to the proposed sale.
- 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 as discontinued operations; and
- Reviewing management's assessment of the valuation and impairment of assets held for sale. Challenging management assumptions

##### Valuation and impairment of Intercompany receivables (Note 16)

The group has granted loans amounting to £1.2 million to an associate. As the associate is in pre-revenue start-up phase, there is uncertainty on the recoverability of this loan. Management's forecasts to support the recoverability involve estimates and judgements. There is the risk that these recoverable balances have not been valued in accordance IFRS 9 and require impairment.

Our work in this area included but was not limited to:

- Reviewing the valuation methodology for the recoverability held and ensuring that the carrying values are supported by sufficient and appropriate audit evidence;
- Reviewing the movement in intercompany receivables to ensure it is accounted for and disclosed correctly in line with IFRS 9;
- Ensuring that appropriate disclosures surrounding the estimates made in respect of any valuations are included in the financial

#### 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 group and parent company 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.



# SCIROCCO ENERGY PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF SCIROCCO ENERGY PLC

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#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group and the parent 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 group or the parent 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 group and parent company and the sector in which they operate 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 minutes of meetings of those charged with governance and RNS announcements and review of legal or professional expenditures.

# SCIROCCO ENERGY PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF SCIROCCO ENERGY PLC

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- We determined the principal laws and regulations relevant to the group and parent 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 group and parent 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 RNS 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](http://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, Canary Wharf, London E14 4HD

Date: 30 June 2022.

# SCIROCCO ENERGY PLC

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

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		<b>2021</b>	<b>2020</b>
	<b>Notes</b>	<b>£000</b>	<b>£000</b>
<b>GROUP</b>			
Administrative expenses		(1,892)	(3,323)
<b>Operating loss</b>	<b>6</b>	(1,892)	(3,323)
Other income		58	-
Other gains and losses	<b>8</b>	2,196	-
<b>Profit/(loss) before taxation</b>		362	(3,323)
Income tax expense	<b>9</b>	-	-
<b>Profit/(loss) for the year from continuing operations</b>		362	(3,323)
<b>Loss for the year from discontinued operations</b>	<b>10</b>	(4,053)	(795)
<b>Loss and total comprehensive income for the year</b>		(3,691)	(4,118)
<b>Other comprehensive income:</b>			
<b>Earnings per share</b>	<b>11</b>		
Basic and diluted		(0.49)	(0.57)
<b>Earnings per share from continuing operations</b>			
Basic		0.05	(0.46)
Diluted		0.04	-
<b>Earnings per share from discontinued operations</b>			
Basic and diluted		(0.53)	(0.11)

The accounting policies and notes on pages 49 to 85 form part of these financial statements.

# SCIROCCO ENERGY PLC

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

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GROUP	Notes	2021 £000	2020 £000
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	12	437	1,667
		<u>437</u>	<u>1,667</u>
<b>Current assets</b>			
Trade and other receivables	16	153	421
Cash and cash equivalents		2,059	1,168
Loan receivable from related party	22	1,244	-
Assets held for sale	15	11,600	14,803
		<u>15,056</u>	<u>16,392</u>
<b>Total assets</b>		<u>15,493</u>	<u>18,059</u>
<b>Current liabilities</b>			
Trade and other payables	17	178	248
Liabilities held for sale	15	166	166
		<u>344</u>	<u>414</u>
<b>Net current assets</b>		<u>14,712</u>	<u>15,978</u>
<b>Net assets</b>		<u>15,149</u>	<u>17,645</u>
<b>Equity</b>			
Called up share capital	18	1,518	1,448
Share premium account	19	38,155	38,399
Deferred share capital	18	2,729	1,831
Share based payments	20	1,941	1,470
Retained earnings		(29,194)	(25,503)
<b>Total equity</b>		<u>15,149</u>	<u>17,645</u>

The accounting policies and notes on pages 49 to 85 form part of these financial statements.

# SCIROCCO ENERGY PLC

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

*AS AT 31 DECEMBER 2021*

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

.....

Mr Tom Reynolds

**Director**

Date: ..30 June 2022..

**Company Registration No. 05542880**

# SCIROCCO ENERGY PLC

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

---

COMPANY	Notes	2021 £000	2020 £000
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	12	437	1,667
		<u>437</u>	<u>1,667</u>
<b>Current assets</b>			
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The accounting policies and notes on pages 49 to 85 form part of these financial statements.

# SCIROCCO ENERGY PLC

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

*AS AT 31 DECEMBER 2021*

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

.....

Mr Tom Reynolds

**Director**

Date: .30 June 2022.

**Company Registration No. 05542880**

# SCIROCCO ENERGY PLC

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £000	Share premium account £000	Deferred share capital £000	Share-based payments £000	Retained earnings £000	Total £000
<b>GROUP</b>							
<b>Balance at 1 January 2020</b>		1,264	37,316	1,831	1,135	(21,385)	20,161
<b>Year ended 31 December 2020:</b>							
Loss and total comprehensive income for the year		-	-	-	-	(4,118)	(4,118)
Issue of share capital	<b>18,19</b>	184	1,083	-	-	-	1,267
Credit to equity for equity-settled share-based payments	<b>20</b>	-	-	-	335	-	335
<b>Balance at 31 December 2020</b>		<u>1,448</u>	<u>38,399</u>	<u>1,831</u>	<u>1,470</u>	<u>(25,503)</u>	<u>17,645</u>
<b>Year ended 31 December 2021:</b>							
Loss and total comprehensive income for the year		-	-	-	-	(3,691)	(3,691)
Issue of share capital	<b>18,19</b>	70	292	(362)	-	-	-
Shares not issued moved to deferred share capital*	<b>18,19</b>	-	(536)	536	-	-	-
Consideration received for shares to be issued	<b>18</b>	-	-	724	-	-	724
Credit to equity for equity-settled share-based payments	<b>20</b>	-	-	-	471	-	471
<b>Balance at 31 December 2021</b>		<u><u>1,518</u></u>	<u><u>38,155</u></u>	<u><u>2,729</u></u>	<u><u>1,941</u></u>	<u><u>(29,194)</u></u>	<u><u>15,149</u></u>

The accounting policies and notes on pages 49 to 85 form part of these financial statements.

\* the adjustment is made to correct deferred shares incorrectly recorded as share premium in the prior year



# SCIROCCO ENERGY PLC

## STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £000	Share premium account £000	Deferred share capital £000	Share-based payments £000	Retained earnings £000	Total £000
<b>COMPANY</b>							
<b>Balance at 1 January 2020</b>		1,264	37,316	1,831	1,135	(21,385)	20,161
<b>Year ended 31 December 2020:</b>							
Loss and total comprehensive income for the year		-	-	-	-	(4,118)	(4,118)
Issue of share capital	<b>18,19</b>	184	1,083	-	-	-	1,267
Credit to equity for equity-settled share-based payments	<b>20</b>	-	-	-	335	-	335
<b>Balance at 31 December 2020</b>		<u>1,448</u>	<u>38,399</u>	<u>1,831</u>	<u>1,470</u>	<u>(25,503)</u>	<u>17,645</u>
<b>Year ended 31 December 2021:</b>							
Loss and total comprehensive income for the year		-	-	-	-	(3,691)	(3,691)
Issue of share capital	<b>18,19</b>	70	292	(362)	-	-	-
Shares not issued moved to deferred share capital*	<b>18,19</b>	-	(536)	536	-	-	-
Consideration received for shares to be issued	<b>18</b>	-	-	724	-	-	724
Credit to equity for equity-settled share-based payments	<b>20</b>	-	-	-	471	-	471
<b>Balance at 31 December 2021</b>		<u>1,518</u>	<u>38,155</u>	<u>2,729</u>	<u>1,941</u>	<u>(29,194)</u>	<u>15,149</u>

The accounting policies and notes on pages 49 to 85 form part of these financial statements.

\* the adjustment is made to correct deferred shares incorrectly recorded as share premium in the prior year

# SCIROCCO ENERGY PLC

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

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	Notes	2021 £000	£000	2020 £000	£000
<b>GROUP</b>					
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	26		(1,417)		(877)
Interest paid			-		(3)
			<u>          </u>		<u>          </u>
Net cash outflow from operating activities			(1,417)		(880)
<b>Investing activities</b>					
Cash movements in relation to assets held for sale		(642)		-	
Purchase of intangible assets		-		(293)	
Loan granted to related party		(1,200)		-	
Proceeds on disposal of investments		-		10	
Proceeds from sale of investment		3,426		-	
		<u>          </u>		<u>          </u>	
Net cash generated in investing activities			1,584		(283)
<b>Financing activities</b>					
Proceeds from issue of shares		724		1,267	
		<u>          </u>		<u>          </u>	
Net cash generated from financing activities			724		1,267
			<u>          </u>		<u>          </u>
Net increase in cash and cash equivalents			891		104
			<u>          </u>		<u>          </u>
Cash and cash equivalents at beginning of year			1,168		1,064
			<u>          </u>		<u>          </u>
Cash and cash equivalents at end of year			2,059		1,168
			<u>          </u>		<u>          </u>

The accounting policies and notes on pages 49 to 85 form part of these financial statements.

# SCIROCCO ENERGY PLC

## STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

---

	Notes	2021 £000	£000	2020 £000	£000
<b>COMPANY</b>					
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	26		(1,417)		(877)
Interest paid			-		(3)
			<u>          </u>		<u>          </u>
<b>Net cash outflow from operating activities</b>			(1,417)		(880)
<b>Investing activities</b>					
Cash movements in relation to assets held for sale		(642)		-	
Purchase of intangible assets		-		(293)	
Loan granted to subsidiary		(1,200)		-	
Proceeds on disposal of investments		-		10	
Proceeds from sale of investment		3,426		-	
		<u>          </u>		<u>          </u>	
<b>Net cash generated in investing activities</b>			1,584		(283)
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Proceeds from issue of shares		724		1,267	
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<b>Net cash generated from financing activities</b>			724		1,267
			<u>          </u>		<u>          </u>
Net increase in cash and cash equivalents			891		104
Cash and cash equivalents at beginning of year			1,168		1,064
			<u>          </u>		<u>          </u>
Cash and cash equivalents at end of year			2,059		1,168
			<u>          </u>		<u>          </u>

The accounting policies and notes on pages 49 to 85 form part of these financial statements.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies

##### Company information

Scirocco Energy plc ("Scirocco", the "Group") is a public listed company incorporated in England & Wales. The address of its registered office is 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 2021 were authorised for issue by the Board on 30 June 2022 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 Group 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 Group 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 Group 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 Group may invest, nor the proportion of the Group's gross assets that any investment may represent at any time and the Group 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 (note 13).

##### Statement of compliance with IFRS

The financial statements of the Group and the Company have been prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006. The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented an income statement nor a statement of comprehensive income for the Company alone. The principal accounting policies adopted by the Group 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 Group and Company are also GBP.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies

##### Going concern

The Directors note the losses that the Group has made for the year ended 31 December 2021. The Directors have prepared cash flow forecasts for the period ending 30 June 2023 which take account of the current cost and operational structure of the Group. The base case forecast takes account of the sale of Ruvuma to Wentworth Resources plc and the loan structure provided within that structure to cover cash calls arising from the asset. With the Ruvuma cash calls covered following the approval of shareholders at the general meeting on 29th June 2022, the remaining cost structure of the Group comprises a proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be reduced to enable the Group to operate within its available funding. These forecasts demonstrate that the Group 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 has been sold, no guarantee can be made that the sale completes. 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 Group drawing against the loan provided by Wentworth for its 25% interest. In the event the sale did not complete, it is assumed that - if required - the Group 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.

##### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

#### b) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies

##### **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 Group 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 Group. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

##### **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.

##### **Financial instruments**

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

##### **Classification**

The Group 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 Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group 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 Group commits itself to purchase or sell the asset.

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

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies

##### *Impairment*

On a forward-looking basis, the Group 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 Group 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 Group are recorded at the proceeds received, net of direct issue costs.

#### **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.

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

Deferred shares includes shares that have been allocated to investment partners that will be converted to share capital when certain future conditions are met

#### **Derivatives**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.



# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies

##### **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 nor 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.

##### **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 Group'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.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies

##### **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 probable that future economic benefits associated with the item will flow to the Group, 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.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### 1 Accounting policies

#### **Provision for rehabilitation / Decommissioning Liability**

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

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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.

IFRS 4 (Amendments)	Extension of the temporary exemption from applying IFRS 9	Immediate
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)	Interest rate benchmark reform - phase 2	1 January 2021
IFRS 16 (Amendments)	Covid-19-related rent concessions	1 April 2021
IFRIC	Cloud Computing Costs	1 January 2021

#### 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 United Kingdom):

IFRS 17	Insurance contracts	1 January 2023
IAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2023
IFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
IAS 16 (Amendments)	Property, plant and equipment - proceeds before intended use	1 January 2022
IAS 37 (Amendments)	Onerous contracts - cost of fulfilling a contract	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
IAS 1 (Amendments)	Classification of liabilities as current or non-current - deferral of effective date	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
IAS 8 (Amendments)	Definition of accounting estimates	1 January 2023
IAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	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.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 3 Critical accounting estimates and judgements

The Group 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 20)*

The Group 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.

#### *Recoverability of oil and gas assets (note 12)*

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.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3 Critical accounting estimates and judgements

#### *Decommissioning provisions (note 12)*

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.

### 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

2021	Continuing Operations			Discontinuing Operations	
	Canada £000	UK £000	Total £000	Tanzania £000	Total £000
Revenue	-	-	-	-	-
Administrative expenses	-	(1,890)	(1,890)	-	(1,890)
Interest income	-	-	-	12	12
Finance costs	-	(2)	(2)	-	(2)
Other gains and losses	-	2,196	2,196	(4,065)	(1,869)
Other income	-	58	58	-	58
Profit/(Loss) from operations per reportable segment	-	362	362	(4,053)	(3,691)
Additions to non-current assets	-	26	26	-	26
Reportable segment assets	125	3,721	3,846	11,600	15,446
Reportable segment liabilities	-	157	157	166	323

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 4 Operating Segments

2020	Canada £000	UK £000	Total £000	Tanzania £000	Total £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	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(Loss) from operations per reportable segment	-	(3,323)	(3,323)	(795)	(4,118)
	<u>-</u>	<u>(3,323)</u>	<u>(3,323)</u>	<u>(795)</u>	<u>(4,118)</u>
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

### 5 Revenue

	2021 £000	2020 £000
<b>Other significant revenue</b>		
Interest income	12	18
	<u>12</u>	<u>18</u>
<b>Contract balances</b>		
	2021 £000	2020 £000
Trade receivables	-	272
Accrued income and interest	-	90

Trade receivables accrue 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 2021, there is a provision of £nil (2020: £55k) 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.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 6 Expenses by Nature

	2021	2020
	£000	£000
<b>Continuing Operations</b>		
Exchange losses	8	68
Fees payable to the Company's auditor for the audit of the Company's financial statements	19	36
Professional, legal and consulting fees	920	617
AIM related costs including investor relations	157	136
Costs relating to OneDYAS transaction	-	640
Accounting related services	93	114
Travel and subsistence	-	17
Office and administrative expenses	87	47
Other expenses	38	72
Impairment losses	-	1,384
Share-based payments	471	335
Directors remuneration	94	(206)
Wages and salaries and other related costs	5	63
	<u>1,892</u>	<u>3,323</u>

### 7 Employees

The average number of employees (excluding executive directors) was one (2020: nil). There was one employee who began employment in October 2021.

During the year ended 31 December 2021 the Directors opted to receive remuneration in the form of share options in lieu of fees (note 22).

	2021	2020
	£000	£000
Their aggregate remuneration comprised :		
Wages and salaries	<u>11</u>	<u>8</u>
Directors remuneration	<u>94</u>	<u>(206)</u>

	Salary and fees £000	Share-based payments £000	Termination payments £000	Total £000
<b>Year ended 31 December 2021</b>				
Jonathan Fitzpatrick (resigned 9 July 2021)	-	36	-	36
Alastair Ferguson	(7)	140	-	133
Tom Reynolds	91	146	-	237
Donald Nicolson	10	89	-	100
Muir Miller (appointed 18 February 2021)	-	35	-	35
Doug Rycroft (senior management)	-	25	-	25
	<u>94</u>	<u>471</u>	<u>-</u>	<u>564</u>



# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 7 Employees

	Salary and fees £000	Share-based payments £000	Termination payments £000	Total £000
<b>Year ended 31 December 2020</b>				
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
	<u>(206)</u>	<u>335</u>	<u>-</u>	<u>129</u>

No directors received pension contributions in 2021 or 2020.

### 8 Other gains and losses

	2021 £000	2020 £000
Gain on sale of financial assets at fair value through profit or loss	<u>2,196</u>	<u>-</u>

### 9 Income tax expense

	2021 £000	2020 £000
UK corporation tax on profits for the current period	<u>-</u>	<u>-</u>
<b>Total UK current tax</b>	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>-</u>	<u>-</u>
<b>Total tax charge</b>	<u>-</u>	<u>-</u>

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 9 Income tax expense

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

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Loss before taxation	(3,692)	(4,118)
Expected tax credit based on a corporation tax rate of 19.00% (2020: 19.00%)	(701)	(783)
Effect of expenses not deductible in determining taxable profit	837	442
Income not taxable	(420)	(2)
Other non-reversing timing differences	-	(14)
Deferred tax not recognised	-	596
Remeasurement of deferred tax for changes in tax rates	(45)	(239)
Chargeable gains	329	-
<b>Taxation charge for the year</b>	<b>-</b>	<b>-</b>

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 £6,312k (2020 - £5,162k).

#### 10 Discontinued operations

The Company has a 25% interest in a high-quality development project in Tanzania which the Directors are actively seeking to divest. This stake has been valued at \$16m and operations relating to this stake are detailed below. For details on the divestment please refer to the Strategic Report.

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

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Impairment on fair value revaluation	(3,846)	(810)
Investment losses/revenues	(207)	18
Finance costs	-	(3)
<b>Loss before taxation</b>	<b>(4,053)</b>	<b>(795)</b>
<b>Net loss attributable to discontinuation</b>	<b>(4,053)</b>	<b>(795)</b>

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 10 Discontinued operations

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

	<b>£000</b>
Fair value less costs to sell	11,828
Net book value of assets disposed:	
Intangible assets	(15,901)
Oil and gas properties	(750)
Decommissioning provision	166
Impairment on fair value revaluation at 31 December 2020	810
	<u>(15,675)</u>
Impairment on fair value revaluation at 31 December 2021	<u>(3,846)</u>

Loss per share impact from discontinued operations

	<b>2021</b>	<b>2020</b>
Basic and diluted impact (pence)	<u>(0.10)</u>	<u>(0.11)</u>

#### Cash flow statement

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Net cash flows from investing activities	<u>(642)</u>	<u>(237)</u>
Net cash flows from discontinued operations	<u>(642)</u>	<u>(237)</u>

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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.

	2021	2020
<b>Number of shares</b>		
Weighted average number of ordinary shares for basic profit/loss per share (000)	758,788	723,950
Weighted average number of ordinary shares for diluted profit per share (000)	854,621	-
<b>Earnings</b>	<b>£000</b>	<b>£000</b>
<b>Continuing operations</b>		
Profit/loss for the period from continued operations	361	(3,324)
<b>Discontinued operations</b>		
(Loss) for the period from discontinued operations	(4,053)	(795)
<b>Basic earnings per share</b>		
From continuing operations (pence per share)	0.05	(0.47)
From discontinued operations (pence per share)	(0.53)	(0.11)
	(0.49)	(0.57)
<b>Diluted earnings per share</b>		
From continuing operations (pence per share)	0.04	-
From discontinued operations (pence per share)	-	-
	-	-

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 12 Financial assets at fair value through profit or loss

##### GROUP AND COMPANY

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Financial assets at fair value through profit or loss</b>		
Quoted equity investments	312	1,542
Unquoted equity investments	125	125
	<u>437</u>	<u>1,667</u>

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 shares held have been valued at the mark-to-market value of 7.00p per share at 31 December 2021.

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.

##### Unquoted Equity Investments

	<b>£000</b>
<b>At 1 January 2020</b>	125
Remeasurement	-
	<u>125</u>
<b>At 1 January 2021</b>	125
Remeasurement	-
	<u>125</u>
<b>At 31 December 2021</b>	<u>125</u>

#### 13 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Principal activities	Class of shares held	% Held Direct
Scirocco Energy International Limited	1 Park Row, Leeds, United Kingdom, LS1 5AB	Dormant Holding Company	Ordinary	100.00
Scirocco Energy (UK) Limited	1 Park Row, Leeds, United Kingdom, LS1 5AB	Investment Holding Company	Ordinary	100.00

The results of all subsidiaries are included within the consolidated results of Scirocco Energy plc.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 14 Associates

During the current year the Group acquired 50% of the share capital of Energy Acquisitions Group Limited, a company incorporated in Northern Ireland. The company acquires and finances renewable energy assets in the United Kingdom.

Details of the company's associates at 31 December 2021 are as follows:

Name of undertaking	Registered office	Principal activities	Class of shares held	% Held Direct
Energy Acquisitions Group Limited	32 Lodge Road, Coleraine, Northern Ireland, BT52 1NB	Investment in renewable energy assets	Ordinary	50.00

#### Energy Acquisitions Group Limited summary statement of financial position

	2021 £000
Non-current assets	617
Current assets	603
Current liabilities	(461)
Non-current liabilities	(900)
<b>Equity</b>	<b>(141)</b>

#### Energy Acquisitions Group Limited summary profit and loss account

	2021 £000
Administrative expenses	(126)
Interest payable and similar expenses	(6)
<b>Loss for the financial year</b>	<b>(132)</b>

The results of Energy Acquisition Group Limited are standalone results and do not include the results of Greenan Generation Limited

In accordance with IAS 28, as the Group's share of loss of an associate/joint venture exceeds its interest in the associate/joint venture, the entity has not recognised its share of losses.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 15 Assets and liabilities classified as held for sale

	2021	2020
GROUP AND COMPANY	£000	£000
Intangible assets	11,246	14,449
Oil and gas properties	354	354
<b>Total assets classified as held for sale</b>	<b>11,600</b>	<b>14,803</b>
Decommissioning provision	166	166
<b>Total liabilities classified as held for sale</b>	<b>166</b>	<b>166</b>

At the date of authorisation of the financial statements it was determined that a sale would be highly probable (see note 10).

### 16 Trade and other receivables

	2021	2020
GROUP AND COMPANY	£000	£000
Trade receivables	-	273
Provision for bad and doubtful debts (note 23)	-	(55)
	-	218
Other receivables	111	-
VAT recoverable	21	16
Loan receivable from associate	1,244	-
Loan to Helium One Ltd	-	73
Prepayments	21	114
	1,397	421

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

### 17 Trade and other payables

	2021	2020
GROUP AND COMPANY	£000	£000
Trade payables	142	152
Accruals	36	57
Social security and other taxation	-	5
Other payables	-	34
	178	248

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 17 Trade and other payables

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

#### 18 Share capital

GROUP AND COMPANY	Number of shares	Nominal value £000
<b>a) Called up, allotted, issued and fully paid: Ordinary shares of 0.2 p each</b>		
As at 31 December 2020	723,949,575	1,448
20 October 2021 - placing for cash at 0.02p	34,838,350	70
At 31 December 2021	<u>758,787,925</u>	<u>1,518</u>

#### b) Deferred shares

	2021 £000	2020 £000
At beginning of year	1,831	1,831
Shares not issued moved to deferred share capital	536	-
Issue of new shares	(362)	-
Consideration received for shares to be issued	724	-
At end of year	<u>2,729</u>	<u>1,831</u>

#### c) Total Share options in issue

During the year no incentive options were granted (2020: 51,419,781). As at 31 December 2021 there were 51,419,781 incentive options in issue (2020: 585,000,000)

During the year 24,997,841 (2020: 19,055,864) share options in lieu of salary and/or fees due to the relevant option holders were granted. As at 31 December 2021 there were 44,053,706 share options in lieu of salary and/or fees in issue (2020: 19,055,864).

#### d) Total warrants in issue

No warrants lapsed in the year and no warrants were issued, cancelled or exercised during the year (2020: 12,500,000 warrants were issued).

As at 31 December 2021 12,500,000 warrants were outstanding (2020: 12,500,000). In the post balance sheet period these warrants have expired unexercised.



# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 19 Share premium account

	2021	2020
GROUP AND COMPANY	£000	£000
At beginning of year	38,399	37,316
Shares not issued moved to deferred share capital	(536)	1,083
Issue of new shares	292	-
	<u>          </u>	<u>          </u>
At end of year	38,155	38,399

### 20 Share based payment

#### GROUP AND COMPANY

The Company has opted to remunerate the directors for the year to 31 December 2021 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. There are three executive directors and two non-executive directors who are members of the plan. The following table summarises the expense recognised in the Statement of Comprehensive Income since the options were granted.

	2021	2020
	£000	£000
Directors options	285	236
Incentive options	186	99
	<u>          </u>	<u>          </u>
Credit to equity for equity-settled share-based payments	471	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 24,997,841 (2020: 19,055,864) 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 December 2021.

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 2020. The value of the options and the inputs for the year ended 31 December 2021 were as follows:

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 20 Share based payment

	<b>Issue 30 June 2020 Incentive options</b>
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 £186,013 in relation to the issue of incentive options (2020: £99,207) and £nil finance charges in relation to warrants (2020: £nil).

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.

### 21 Financial instruments

#### GROUP

#### 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.

	<b>2021 £000</b>	<b>2020 £000</b>
<b>Financial assets at amortised cost</b>		
Trade receivables	-	245
Other debtors	111	-
Prepayments and accrued income	21	114
Cash and cash equivalents	2,059	1,168
Loan to associate	1,244	-
	<u>3,435</u>	<u>1,527</u>

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 21 Financial instruments

	Book Value 2021 £000	Fair Value 2021 £000	Book Value 2020 £000	Fair Value 2020 £000
<b>Financial assets at fair value</b>				
Non-current Investment - Helium One	312	312	1,542	1,542
Non-current Investment - Corallian Energy Limited	125	125	125	125
Current Loans - Helium One	-	-	73	73
	<u>437</u>	<u>437</u>	<u>1,740</u>	<u>1,740</u>
<b>Financial liabilities at amortised cost</b>				
Trade payables			142	152
Accruals and deferred income			36	57
			<u>178</u>	<u>209</u>

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	312	-	-	312
Non-current Investment - Corallian Energy Limited	-	-	125	125
	<u>312</u>	<u>-</u>	<u>125</u>	<u>437</u>

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.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 21 Financial instruments

#### **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.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 21 Financial instruments

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.

	2021	2020
	\$000	\$000
	USD	USD
Trade and other receivables	150	274
Cash and cash equivalents	1,415	1,006
Trade and other payables	(166)	(142)
Net exposure	<u>1,399</u>	<u>1,138</u>

#### 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.

	2021	2020
	£000	£000
GBP:USD exchange rate increases 10%	116	126
GBP:USD exchange rate decreases 10%	<u>(142)</u>	<u>(154)</u>

#### 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.

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
<b>31 December 2021</b>				
Trade and other payables	<u>178</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>31 December 2020</b>				
Trade and other payables	<u>243</u>	<u>-</u>	<u>-</u>	<u>-</u>

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 21 Financial instruments

##### **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.

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.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 21 Financial instruments

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.

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

The simplified approach enables Scirocco to make an estimate of ECL as they are unable to track the credit worthiness of customers.

The total outstanding amount is £8k at 31 December 2021 which is not past due resulting in an ECL of £nil in the current year.

#### COMPANY

##### 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.

	2021	2020
	£000	£000
<b>Financial assets at amortised cost</b>		
Trade receivables	-	245
Other debtors	111	-
Prepayments and accrued income	21	114
Cash and cash equivalents	2,059	1,168
Loan to subsidiary	1,244	-
	<u>3,435</u>	<u>1,527</u>

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# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 21 Financial instruments

	Book Value 2021 £000	Fair Value 2021 £000	Book Value 2020 £000	Fair Value 2020 £000
<b>Financial assets at fair value</b>				
Non-current Investment - Helium One	312	312	1,542	1,542
Non-current Investment - Corallian Energy Limited	125	125	125	125
Current Loans - Helium One	-	-	73	73
	<u>437</u>	<u>437</u>	<u>1,740</u>	<u>1,740</u>
<b>Financial liabilities at amortised cost</b>				
Trade payables			(142)	(152)
Accruals and deferred income			(36)	(57)
			<u>178</u>	<u>209</u>

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

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	<u>312</u>	<u>-</u>	<u>125</u>	<u>437</u>

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.



# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 21 Financial instruments

##### ***Financial instruments in level 1***

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##### ***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.

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- Liquidity risk
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- 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.

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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.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 21 Financial instruments

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.

	2021	2020
	\$000	\$000
	USD	USD
Trade and other receivables	150	274
Cash and cash equivalents	1,415	1,006
Trade and other payables	(166)	(142)
Net exposure	1,399	1,138

#### Sensitivity analysis

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	2021	2020
	£000	£000
GBP:USD exchange rate increases 10%	116	126
GBP:USD exchange rate decreases 10%	(142)	(154)

#### 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.

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
<b>31 December 2021</b>				
Trade and other payables	178	-	-	-
<b>31 December 2020</b>				
Trade and other payables	243	-	-	-

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 21 Financial instruments

##### **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.

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.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 21 Financial instruments

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.

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

The simplified approach enables Scirocco to make an estimate of ECL as they are unable to track the credit worthiness of customers.

The total outstanding amount is £8k at 31 December 2021 which is not past due resulting in an ECL of £nil in the current year.

#### 22 Related party transactions

##### GROUP

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

	2021 £000	2020 £000
Helium One opening balance	73	76
Foreign exchange movement	-	(3)
Conversion to shares in Helium One	(73)	-
Balance at 31 December	-	73

Details of director's remuneration, being key personnel, are given in Note 7.

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 22 Related party transactions

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

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Gneiss Energy Limited - provision of corporate finance advisory - common director Jonathan Fitzpatrick	606	225
Quixote Advisors Ltd - provision of management services - common director Tom Reynolds	(19)	27

During the current year, the Group loaned £1,200,000 to Energy Acquisitions Group Limited, a 50% owned associate of the Group and accrued interest of £44,000. The loan is repayable on demand and interest is payable and accrued in accordance with loan agreement.

#### COMPANY

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

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Helium One opening balance	73	76
Foreign exchange movement	-	(3)
Conversion to shares in Helium One	(73)	-
	<u>          </u>	<u>          </u>
Balance at 31 December	<u>          </u>	<u>          </u>

Details of director's remuneration, being key personnel, are given in Note 7.

#### Amounts due from subsidiaries

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Scirocco Energy (UK) Limited	1,244	-
	<u>          </u>	<u>          </u>

Interest is payable and accrued in accordance with loan agreement. Intercompany balances are repayable on demand.

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

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 22 Related party transactions

	2021	2020
	£000	£000
Gneiss Energy Limited - provision of corporate finance advisory - common director Jonathan Fitzpatrick	606	225
Quixote Advisors Ltd - provision of management services - common director Tom Reynolds	(19)	27

During the current year, the Company loaned £1,200,000 to Scirocco Energy (UK) Limited, a 100% owned subsidiary of the Company and accrued interest of £44,000. The loan is repayable on demand and interest is payable and accrued in accordance with loan agreement.

### 23 Ultimate controlling party

GROUP AND COMPANY

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

### 24 Commitments

GROUP AND COMPANY

As at 31 December 2021, the Company had no material commitments (2020: £nil).

### 25 Retirement benefit scheme

GROUP AND COMPANY

The Company operates only the basic pension plan required under UK legislation, contributions thereto during the year amounted to £nil (2020: £nil).

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 26 Cash generated from operations

	<b>2021</b>	<b>2020</b>
<b>GROUP</b>	<b>£000</b>	<b>£000</b>
Profit/(loss) for the year after tax for continuing operations	361	(3,323)
(Loss)/profit for the year after tax for discontinuing operations	(4,053)	(795)
<b>Adjustments for:</b>		
Finance costs	-	3
Impairment of investments	-	1,385
Loss on fair value revaluation of assets held for sale	3,846	810
Gain from sale of investment	(2,196)	-
Interest accrued on loan to related party	(44)	-
Equity settled share based payment expense	471	335
Decrease in provisions	-	(352)
<b>Movements in working capital:</b>		
Decrease in trade and other receivables	268	1,011
(Decrease)/increase in trade and other payables	(70)	49
<b>Cash absorbed by operations</b>	<b>(1,417)</b>	<b>(877)</b>
	<b>2021</b>	<b>2020</b>
<b>COMPANY</b>	<b>£000</b>	<b>£000</b>
Profit/(loss) for the year after tax for continuing operations	361	(3,323)
(Loss)/profit for the year after tax for discontinuing operations	(4,053)	(795)
<b>Adjustments for:</b>		
Finance costs	-	3
Impairment of investments	-	1,385
Loss on fair value revaluation of assets held for sale	3,846	810
Gain from sale of investment	(2,196)	-
Interest accrued on loan to subsidiary	(44)	-
Equity settled share based payment expense	471	335
Decrease in provisions	-	(352)
<b>Movements in working capital:</b>		
Decrease in trade and other receivables	268	1,011
(Decrease)/increase in trade and other payables	(70)	49
<b>Cash absorbed by operations</b>	<b>(1,417)</b>	<b>(877)</b>

# SCIROCCO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2021*

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### **27 Post balance sheet event**

At the date these financial statements were approved, being 30 June 2022, the Directors were not aware of any significant post balance sheet events other than those set out in the notes to the financial statements.