Scirocco Energy

An investment story in transition - Proactive Investors Evening

26th January 2023

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SCIROCCO ENERGY

Introduction & strategy

Creating an energy-oriented company underpinned by cash flow

Scirocco will acquire cash generative assets within each of the three target areas to construct a portfolio capable of supporting attractive dividend yield and further growth through re-investment

Our strategy

Assemble a diverse portfolio of cash-generative assets, creating a self-funding platform

Execution

Leverage significant industry expertise and relationships to identify, acquire and maximise value from target M&A opportunities

Our vision

Grow Scirocco into the premier transition energy focused AIM vehicle through acquiring a portfolio of transition energy assets

TARGET ASSET CLASSES

ENERGY

Assets where the primary function is the **generation of energy** from renewable or sustainable sources

CIRCULAR

Assets involved in the **recovery** of valuable coproducts from waste streams

VECTOR

Assets involved in the **storage, transmission and delivery** of energy within low carbon systems

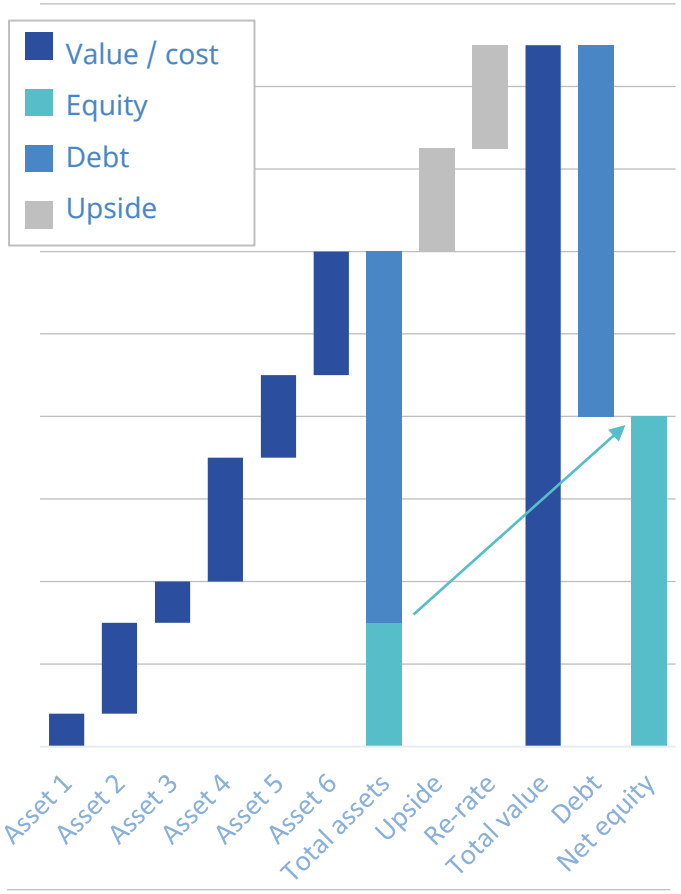
Investment Approach: Creating Buy-and-Build Platforms

Partner with proven management teams within target domain: energy, circular and vector

Investment model

Working together with management teams to create value by:

1. Bringing together market knowledge, access to funding and deep domain knowledge
2. Acquire a portfolio of target assets
3. Optimise asset performance through operational improvement
4. Optimise balance sheet through periodic re-financings as the portfolio grows
5. Re-invest cash flow into asset improvement and acquisitions to create compounding effect
6. Sell to a larger industrial concern at a valuation which reflects portfolio scale and improved operational performance, or alternatively hold the portfolio and distribute cash flow in the form of yield



ENERGY ACQUISITIONS GROUP

- **Experienced team** ✓
- **Strong pipeline** ✓
- **Path to upside** ✓
- **Appropriate leverage** ✓

What we have been doing – clearing the way & developing value

Current share price disconnected from value of underlying assets and near-term receivables

Scirocco has taken action to improve outlook

- Legacy natural resource assets being monetized with sale of Corallian, Ruvuma and Helium One
- Settlement and repayment of Prolific Basins facility so no further dilution will occur through associated conversion
- Within Ruvuma sale arrangement, cash calls are covered by the purchaser through the provision of a loan arrangement
- Reviewed and reduced run rate costs and consultancy support levels

Looking at implied value per share of existing assets:

- The unrisked value of the Ruvuma consideration of $16 million equates to 1.5 p/share
- The risked value of the Ruvuma contingent payments of £9.2 million equates to 1.0 p/share
- Scirocco's ownership position in EAG represents significant value in excess of invested cost – estimated at £3.1 million which equates to c. 0.4 p/share
- Further investment in EAG – for example by reinvestment of Ruvuma contingent payments in due course - will grow asset base and net value further

Current pricing represents an attractive entry point relative to implied value per share

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Ruvuma Sale – Progress and Status

Ruvuma Transaction – Summary of Terms

Path to deliver cash for re-investment tied to Ruvuma asset progress

- Scirocco entered into an Asset Purchase Agreement with Wentworth Resources plc in June 2022
- Shareholders approved the divestment at a General Meeting held in June 2022
- ARA Petroleum Tanzania (APT) exercised its contractual right to pre-empt the transaction and entered into fully termed agreements that mirror those Scirocco signed with Wentworth in August 2022
- The sale arrangements includes the benefit of a loan facility to cover cash calls during the interim period which will be offset at completion against increments to the consideration linked to costs incurred during interim period
- As of January 2023, c. $3.2 million had been drawn against the cash call loan facility
- Potential future payments from the sale of Ruvuma (up to total of **US$16 million**) :

US$3 million payable on Completion	expected Q1 2023
US$3 million payable upon FID	Q4 2023 (contingent on an FID decision)
Up to **US$8 million** payable as a 25% net revenue from 1st gas	2024/2025 (contingent on successful development)
US$2 million payable on gross production >50 Bcf	2026/2027 (contingent on successful development and production)

The sale of Ruvuma removes the overhang of legacy assets and allows Scirocco to focus its resources on the new investment strategy prioritizing EAG in the near term

Ruvuma Sale: Steps to Completion

- The approval process is illustrated below and is being managed by Scirocco's COO, Doug Rycroft working with in-country advisers and representatives of purchaser APT
- The team hold weekly meetings to review progress and to agree response to any clarifications sought by the various Tanzanian agencies

FCC

The Tanzanian Fair Competition Commission has confirmed its unconditional approval for the proposed transaction and issued a merger clearance certificate to Scirocco.

TRA

The Tanzanian Revenue Authority is currently reviewing the proposed transaction from a taxation perspective.

PURA/TPDC

The agencies will consider whether purchaser APT is suitably qualified to join the licence. Given APT is on the licence and operator this approval step is not expected to be a material issue.

Ministerial

Once all of the various authorities have signed off the transaction the final step is the approval by the Tanzanian Minster for Energy.

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EAG – The Investment Opportunity

Energy Acquisitions Group Limited (EAG)

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2019

EAG formed and seed funded in 2019 by Chris Kerr and Neil Adair to acquire, build and optimise assets in the green gas and circular economy sectors

2020

EAG identified a population of target installations and negotiated acquisition of Greenan Generation Ltd (GGL)

2021

Scirocco Energy PLC invested in EAG 50% shareholder in 2021, providing £1.2m in equity to acquire GGL

2022

EAG designed, developed and legally secured 3 "shovel ready" biofertilizer plants each forecast to deliver circa £850k EBITDA with a CAPEX of £2.5m

GGL operational improvements and investments from cashflow to future proof performance

EAG secured offtake MoU with a global player in the Nutrients sector for biofertilizer output

2023

EAG will convert its deal pipeline into operated asset base targeting 4 additional AD plants and 3 merchant biofertilizer plants delivering group EBITDA over £5m

To build and augment a portfolio of operational biogas plants to create a highly cash generative, inflation resistant asset base selling energy and organic fertilizer with further upside through sale of carbon offset credits.

Anaerobic Digestion / Biogas

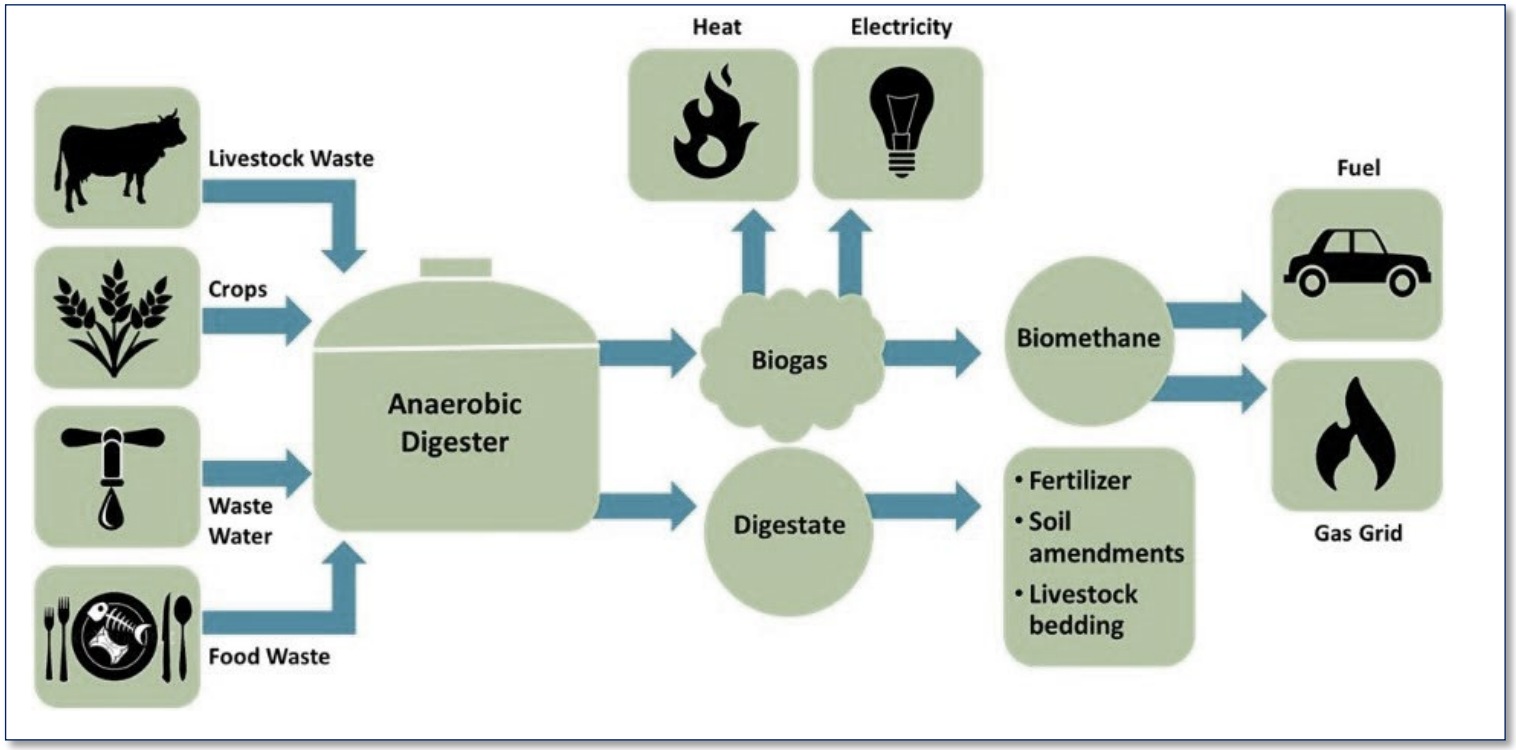
Biogas provides a highly attractive entry point to renewable investment space

The process

- Anaerobic digestion converts organic waste into biogas and digestate
- Biogas can be cleaned up and injected directly into the gas grid or converted into electrical power in a generator
- Digestate is a nutrient rich suspension which can be converted into a fertilizer material through installation of ancillary equipment

Target assets

- Operational biogas plants with established cashflow and operational performance
- Opportunities to add revenue and profitability through operational efficiency and digestate processing



The complete system offers a fully circular solution with fertilizer supporting crop growth to provide feedstock in future

Investment Case

Key investment positives

- Index linked revenue support for biogas for c. 12-15 years through NI ROC or FiT schemes
- Real asset with revenue linked to societal essentials: energy & food production
- Team which intimately understands domain and has proven ability to acquire and optimise target assets
- Market headroom to scale rapidly with identified opportunities throughout UK
- OMM activity scalable with portfolio due to network of service providers
- Upside potential from carbon credits linked to organic fertiliser manufacture
- Confirmed strategy now supports attracting "ESG" capital to grow business further

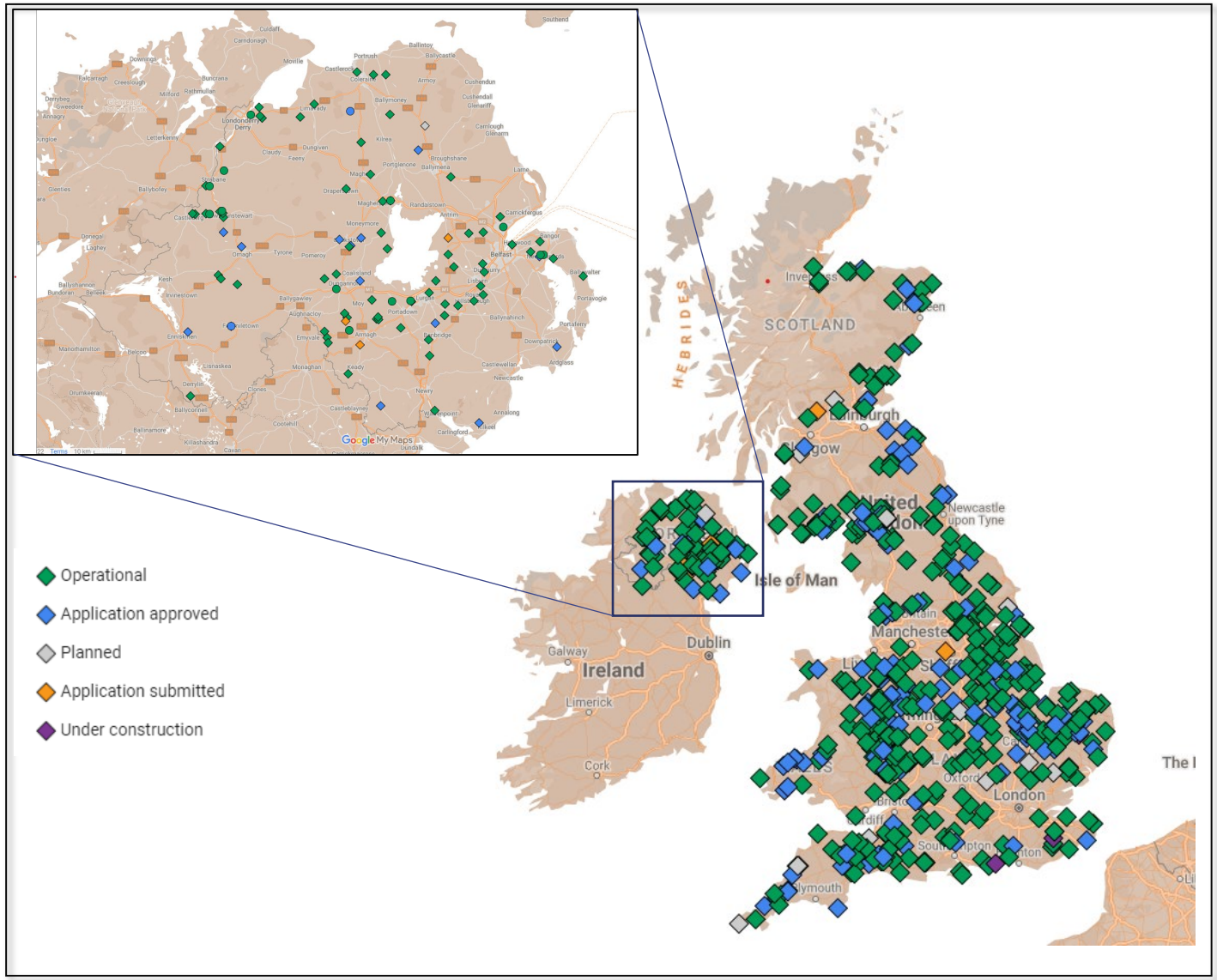
Uncertainties and mitigations

- Ability to identify and secure targets for acquisition
  - Phase 1 pipeline secured and Phase 2 target funnel identified
- Access to resources to manage growing asset base
  - Critical service relationships established within DD activity and fleet OMM provision led by specialist team at LSR
- Operational performance deterioration following purchase of asset from existing Operator
  - Existing Operator continued to be incentivised through operation management and feedstock provision contracts
- Performance of biofertilizer plant
  - Delivery has been proven at pilot plant scale and product being tested by offtake partner

Team is confident of building an asset base with enterprise value of up to £100 million by 2027

AD asset market - significant installed base & strong fundamentals

- Large population of existing operational plants provides significant headroom to add more producing capacity
- Recent deals at scale by multi-national energy companies in Biogas with Shell, BP and Total Energies all entering the market with significant acquisitions validates Scirocco's strategic focus here
- EAG has been successful in securing acquisition targets as a result of high quality network in the AD plant owner community and a reputation for being able to deliver on transactions
- Industrial & consumers such as Royal Mail, ASDA and John Lewis are increasingly demanding access to significant volumes of biomethane to decarbonise their supply chain
- Current high pricing in commodity power and gas is seeing wholesale power price in the £300-400/MWhr range



Case study - one year of greenan

12 months of EAG ownership has optimized performance

Scirocco completed its £1.2 million investment into EAG in August 2021. EAG used the funds to acquire 100% of Greenan Generation Limited (GGL) and its 0.5MWe Anaerobic Digestion (AD) plant in Northern Ireland, completing that deal on 1 October 2021.

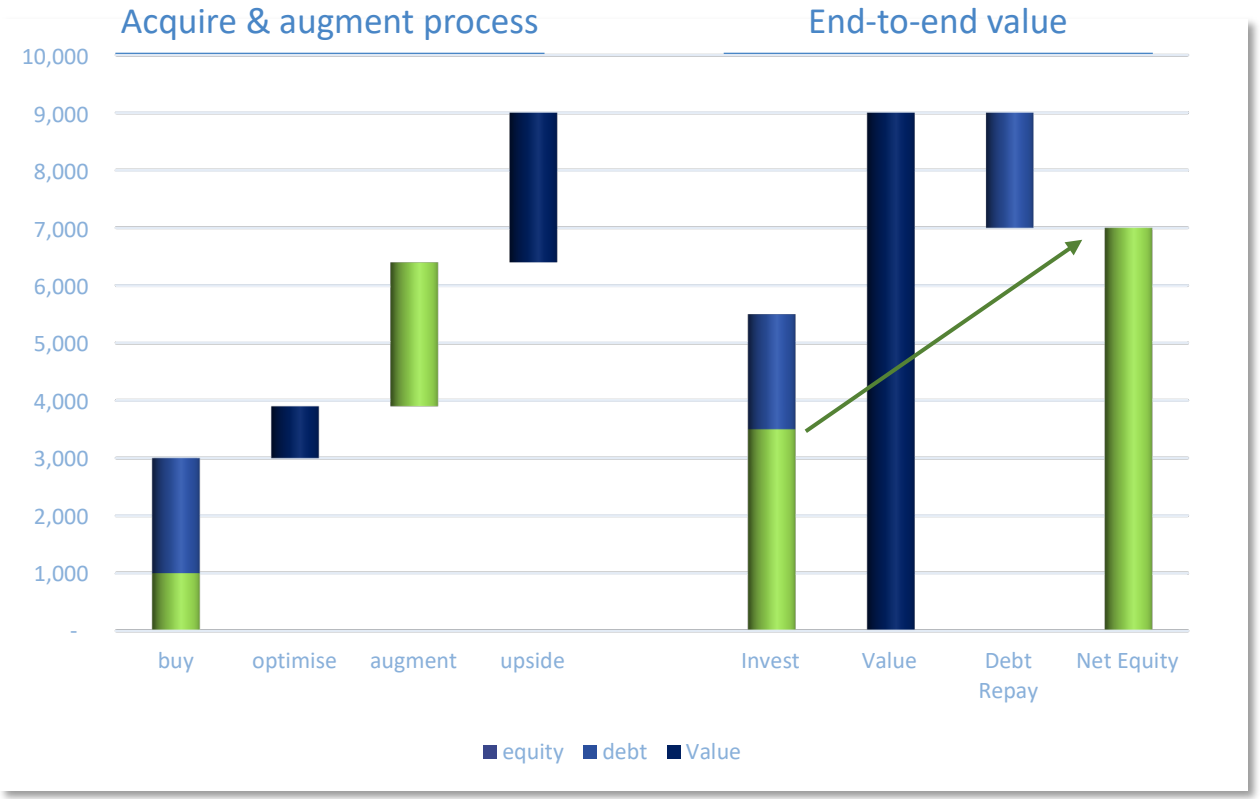
In the 12 months since completing that investment, GGL has performed strongly, exceeding revenue and EBITDA projections set at the time of acquisition. Key operational and financial highlights associated with the first year of GGL ownership include:

- GGL delivered c. 4 million kWh during 12 month period of EAG ownership (equivalent to annual usage of 1,250 homes on average)
- Operational availability in excess of 93%
- EBITDA estimate for 12 months to 30 September 2022 of £602,000 (unaudited)
- The above EBITDA estimate is after c. £295,000 of mechanical upgrades and improvements made to future proof the GGL asset
- The above EBITDA estimate is also after GGL provided c. £80,000 of support to EAG for running costs and in support of BD activity to grow the wider business and identify further investment opportunities

EAG has demonstrated the ability to operate and optimize acquired assets

Illustrative Acquisition Target – Unit Economics

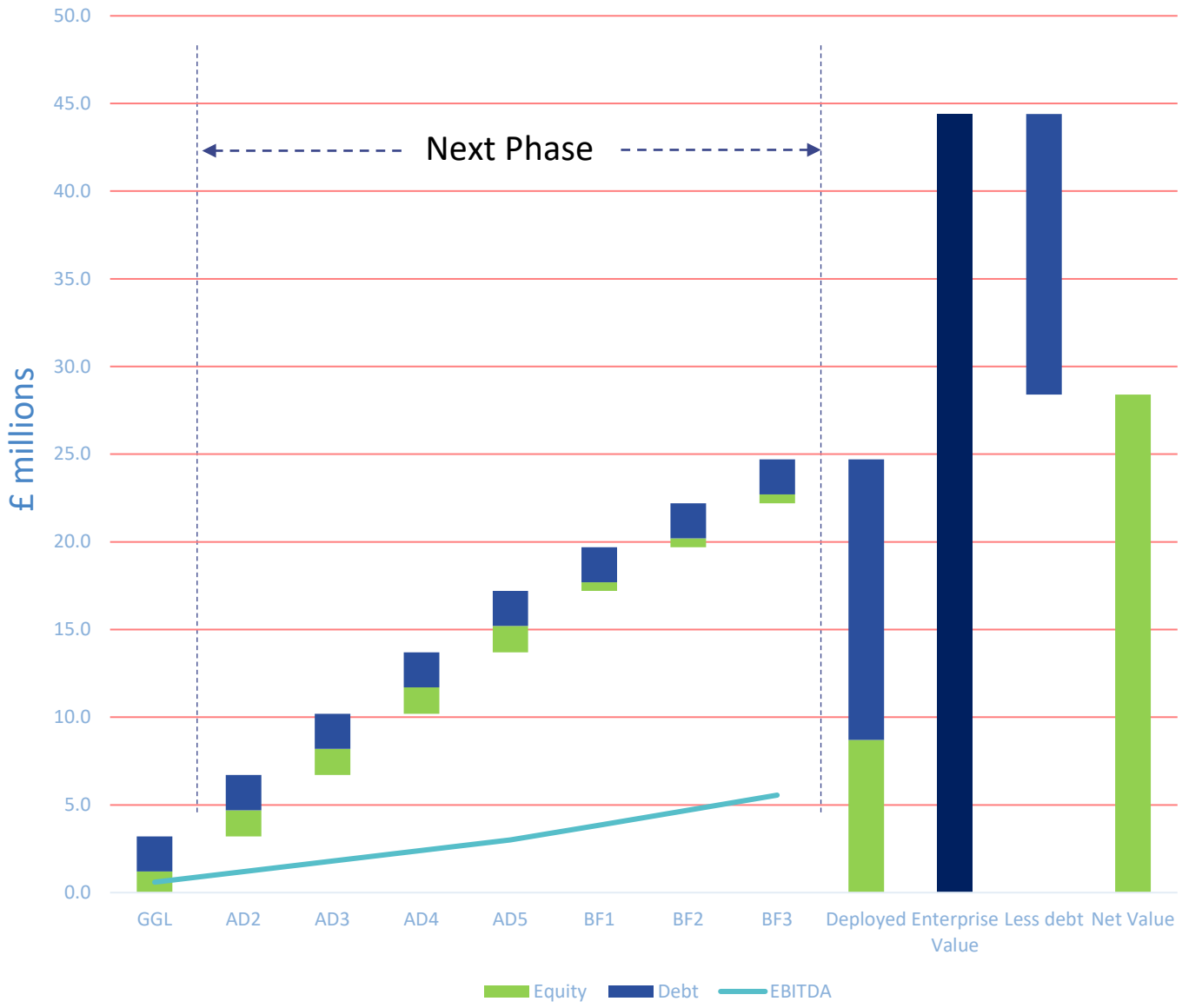
- In the UK the most common type of installation is a self-contained unit of 0.5 -1 MWe
- In NI these benefit from the NIROC* incentive which currently deliver £200+/MWh of government backed index-linked revenue
- In the UK units are typically underpinned by Feed in Tariff at £180+/MWh
- First acquisition Greenan Generation Limited (GGL)
  - Revenue of £1.3 million
  - EBITDA of c. £0.6 million
- Augmentation through colocation of biofertilizer plant delivers additional revenue for the sale of spent digestate of c. £150k - £250k pa
- Biofertilizer plant economics
  - Total Investment cost £2.5 million
  - Sale price c. £800/Tonne of fertilizer product
  - EBITDA (estimated) £850k pa
- The **optimum combination** should be considered as a 0.5 MWe AD plant and associated BF plant requiring £2.5m of equity and delivering a conservative EV in the £9m-£10m range



Unit economics are highly compelling and large population of existing target plants supports portfolio build out
This is the "cookie cutter"

* NIROC – Northern Ireland Renewable Obligation Certificate, an index linked government backed subsidy supporting sustainable energy installations

Next Phase Investment – EAG Limited value growth



- Next phase investment activity
  - Acquire further 4 "GGL equivalent" AD plants
  - Construct 3 biofertilizer plants at a cost of c. £7.5 M
  - Optimize capital structure to support further acquisitions
    - Refinance debt, potentially releasing further cash for reinvestment
    - Arrange acquisition facility which can support portfolio growth
- Resulting portfolio annual outputs
  - Green energy to power 3,750 average homes
  - 7,500 Tonnes of organic fertilizer
  - Over £5M EBITDA supporting reinvestment

Delivering next phase would support acquisition and augmentation of an additional two - three "units" pa without the requirement for new capital

NOTES
All values for EAG as a standalone entity before application of equity waterfall
Enterprise value estimated using a 8.0x multiple of forecast EBITDA

SW England (SWE) – Next AD acquisition by EAG

- EAG has entered into an exclusivity agreement and instructed 3rd party Due Diligence and legals in December 2022.
- EAG will acquire 100% of the share capital in the SPV which has been delivering consistent operational and financial results over the past 7 years, with a target completion date at the end of February 2023.
- The plant in question has been operating at 95%+ efficiency for the last 5 years and is fed by a combination of agricultural wastes and energy crops.
- The EBITDA in the latest FY is £567k and EAG has plans in place to increase this to £725k in its first year of ownership.
- This will be done through a series of passive optimisations, as well as a number of 'baked in' and therefore guaranteed uplifts in revenue.
- The acquisition requires £3.8m of acquisition capital as well as approximately £200k in closing costs, and will be debt funded to approximately 70% of the total.
- EAG has completed phase 1 of its DD process using its internal resources, and and is now active in Phase 2, which includes drafting of the SPA and associated project documents.

Key Investor Takeaways

The Plan for 2023 and 2024

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- EAG has a pipeline of Biogas acquisitions each with a buying price in the range of £3m - £4m
  - Typical equity requirement of £1.5m-£1.8m, the balance being funded by debt sourced by renegotiation of existing facility or new facility from a range of providers
- EAG intends to acquire two plants as described above in 2023 and a further two in 2024.
- When stabilised and futureproofed by the EAG team, each plant would have an expected value in the £5 – 6 million range
- Concurrently, EAG has a pipeline of Bio-Fertiliser plants at ready to build stage
  - Currently each plant costs £2.5m to build with vendor finance available at c. £2m
  - EAG contribution expected to be £500k
  - After repayment of vendor financing each SPV is forecast to generate c. £850k EBITDA with enterprise value in the £7.5m - £8.5m range
- The market for bio-fertiliser is growing exponentially given the geo-political landscape, and EAG have strategic offtake MoU's with 2 substantial players in the market.
- Where EAG owns the biogas plant that supplies feedstock to the Bio-Fertiliser Plant the biogas plant EBITDA is enhanced by approximately £200k, enhancing Enterprise Value by £1.5 - 2million
  - For example – GGL currently has a planned Bio-Fertiliser plant which increases EBITDA from £600k to £800k and Enterprise value from circa £6m to £8m (at EBITDA multiple of 10x)

Delivered plan for 2023 - 2024 creates a business generating c. £5.6 million EBITDA pa and implied cash on cash multiple of c. 2.5x to EAG investors

Key Investor Takeaways

Focused strategic execution and near-term value catalysts

- Scirocco has made significant progress in its own transition from a natural resource investor to an investor in sustainable energy assets
- Value of assets and receivables highlights potential significant upside value
- Ruvuma divestment on track for completion – target Q1 2023
- Compelling market drivers support strategic focus in biogas where EAG JV provides strong competitive edge and market access
- EAG proven ability to deliver value accretive transactions with upside potential of 2.0 - 3.0x ROI and progressing strong pipeline of opportunities with near-term deal-flow in bite sized chunks
- Scirocco's strategic focus and progressive ESG agenda broaden appeal to sustainability focused investors
- Targeting long term asset base with EV of up to £100 million by 2027
  - Recycling Ruvuma consideration and future developing cashflows
  - Non dilutive funding sources
  - Parallel investment in EAG

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Investing in sustainable energy assets which deliver cashflow for reinvestment. Repeat.

Acquire Assets

Identify efficiency levers

Routes to add revenue

Application of appropriate leverage

Identify Technology Levers

Options to supercharge underlying installations to grow revenue & cash conversion

Recycle Cashflow

Take opertional cashflow and recycle into further asset purchases in platform OR into other platforms via Scirocco

Establish JV Platform

Team with Domain knowledge

Large & growing asset market

Supportive fundamentals

Scirocco Energy plc
Tom Reynolds, Chief Executive Officer
tom@sciroccoenergy.com

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Appendix

EAG Founders

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Chris Kerr - CEO

Chris Kerr is an engineer specialising in renewable energy, synthetic and biogas sectors with over 30 years' experience.

Started career in 1990 with the Monson Group in Ireland. Specialised in the design, installation and commissioning of multi-fuel steam, heat recovery and CHP systems. In 1993 he joined the commercial team, selling and overseeing large scale energy efficiency and heat recovery schemes for international clients.

Chris has subsequently held a range of C-suite positions in a number of environmentally driven businesses, ranging from start-ups to a Global PLC.

In 2010, following the Governments incentive schemes for renewable energy production, Chris became heavily involved in the renewable sector, with a focus on the synthetic and biogas sectors.

Jointly responsible for initiating and delivering a number of AD plants in Ireland and the UK from design, through fund raise and onto commissioning and operations.

He has provided numerous well-known funds with commercial and technical project assessment papers and assisted in raising over £60m of project capital, now deployed into a range of complex assets, with multiple counter party contracts, including EPC, O+M , Feedstock and PPA'S.

The point of difference that Chris brings to the sector is his ability to assess the technical elements of each project and balance these with the commercial, financial and banking requirement, in some cases developing a suite of bespoke project contracts to deliver against innovative funder facility agreements.

Neil Adair - CFO

Neil is a Fellow Chartered Accountant (FCA) and a Fellow of the Association of Business Recovery Professionals (FABRP).

Neil has 36 years of senior experience spanning corporate finance and restructuring, corporate and commercial banking and operational business management having spent significant time within industry at director level.

Originated and advised upon (both as a Lender, Investor and Principal) many corporate and asset-based transactions with a combined value of over £2.5bn across a broad range of sectors.
Undertaken many corporate and personal business restructurings and insolvencies as a UK and Irish Licensed Insolvency Practitioner.

Neil trained with PwC, leaving the firm as a senior manager to become the corporate finance and restructuring partner in the Northern Ireland practice of RSM.

Between 1996 and 2004, Neil set up and established the Northern Ireland operations of the former Anglo Irish Bank and was responsible for its commercial lending and treasury operations in Northern Ireland.

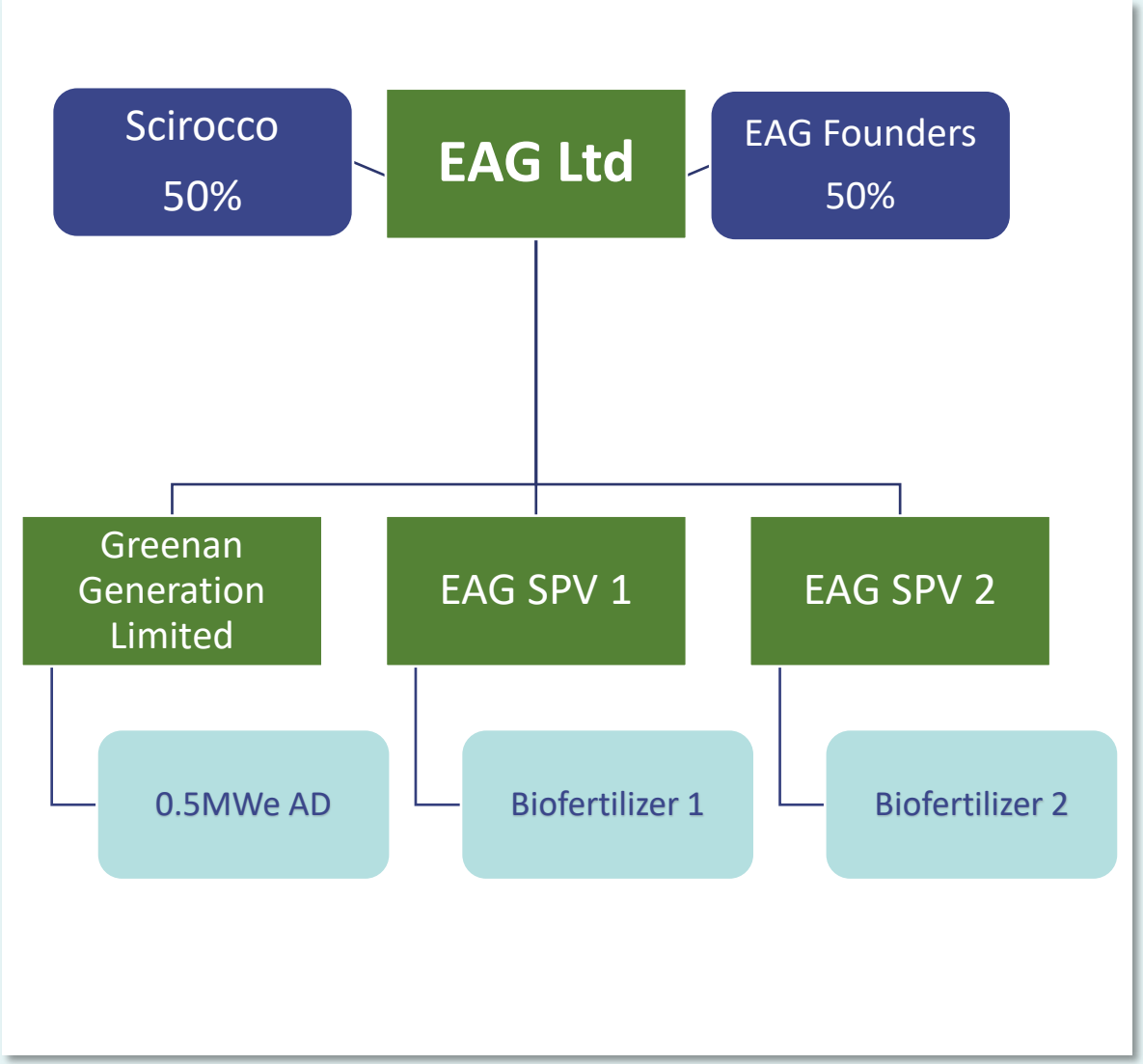
From 2005 - 2012, Neil was the Managing Director and part owner of a substantial privately-owned property investment, development and diversified trading group headquartered in Northern Ireland.

Neil also owns and runs his own corporate finance, restructuring and private-equity advisory and investment business.

Neil is also currently a non-executive director of London listed public company, Rockpool Acquisitions PLC.

EAG Structure

- EAG is jointly owned by the founders Chris Kerr (25%) and Neil Adair (25%), and Scirocco Energy plc (50%) via its wholly owned subsidiary SE UK Limited
- The Scirocco share class carries typical rights and negative controls for an institutional private investment
- In addition to its equity subscription, Scirocco provided funds through a £1.2 million shareholder loan with the following key terms:
  - 10% PIK* interest
  - Redemption preference and 2.0x redemption premium
- Each asset within the EAG group is housed/will be housed within a single purpose vehicle



* PIK – Payment in Kind

Investment Structure and Waterfall

- The investment agreement between Scirocco (SEUK) and EAG includes provision for distribution of returns on a sale or other exit event
- Equity proceeds for distribution take account of any third-party debt secured at the asset level
- Net proceeds to equity are then distributed as follows:
  - *First* to allocate proceeds 100% to SCIR until all outstanding loans including any accrued interest are repaid
  - *Second* to allocate proceeds 75% to SCIR, 25% to EAG Founders until SCIR received 2.0x all sums invested including any accrued interest on shareholder loans
  - *Third* to allocate proceeds in equity proportions 50% to SCIR, 50% to EAG Founders
- This waterfall ensures Scirocco gets paid first and delivers a preferred return from any distribution

Illustrative Distribution

Investment (£k)		1,200
Accrued interest		120
Total invested		1,320
Sale EV		6,000
Corporate debt	-£	2,000
Net Equity for distribution		4,000

Waterfall	SCIR	EAG Founders
First	1,320	-
Second	1,320	440
Third	460	460
	3,100	900
	78%	23%