



# Scirocco Energy

## Annual General Meeting

9<sup>th</sup> August 2023

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# Annual General Meeting Agenda



1. Opening statement – Chairman
2. Company Presentation
  - i. Strategy
  - ii. Ruvuma divestment
  - iii. Scirocco investment process - EAG case study
  - iv. Cost optimisation
  - v. Access to capital
3. Q&A session
4. Resolutions

# Strategic progress made through 2022 and H1 2023

In line with stated strategy and shareholder approved investment policy



- Agreed divestment of Ruvuma for up to \$16m
- Pursued and delivered necessary Tanzanian gov approval(s)
- Strong operational and financial performance of EAG JV in parallel with identifying follow-on investment opportunities
- Evolved Board to reflect strategic direction of travel
- Aggressively optimised G&A to preserve cash
- Continued to screen opportunities in each of energy, circular and vector themes
- Continued to review range of funding alternatives in line with strategic objectives to be in a position to support opportunities *as they arise*



## Strategy & investment policy



# 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

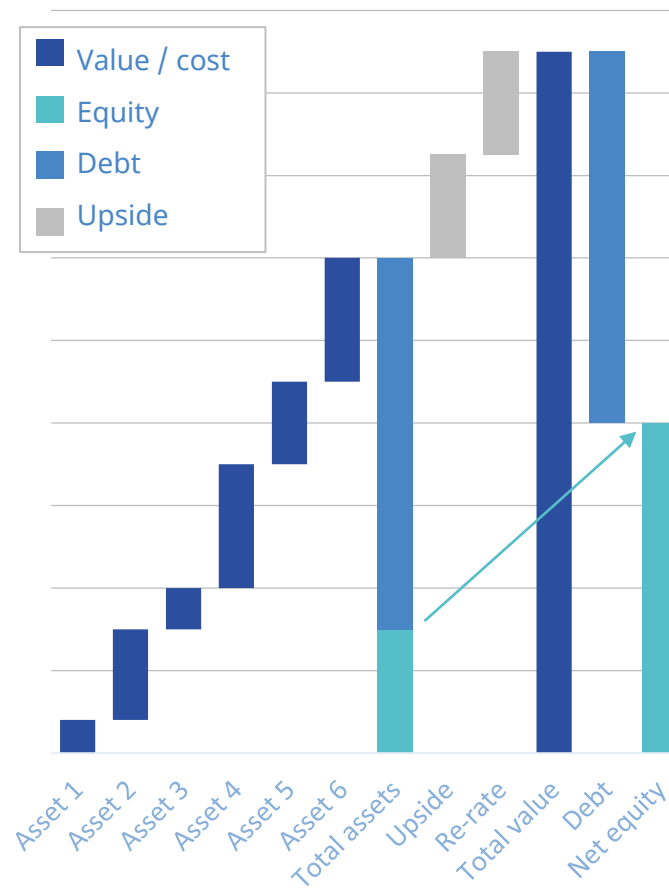
# Investment Approach: Creating Buy-and-Build Platforms

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



EAG is Scirocco's first investment platform company and embodies the investment model and principles



## Ruvuma Sale – Progress and Status



# Ruvuma Transaction – Summary of Terms

Continuing planned conversion of legacy assets into investable funds to support the sustainable energy investment policy



- Following the planned divestment of other material natural resources assets, Scirocco entered into an Asset Purchase Agreement with Wentworth Resources plc in June 2022 for the sale of Ruvuma
- 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
  - During the interim period the consideration is increased by adding the value of cash calls
  - At completion the loan will be offset against the increased consideration, effectively cancelling out the loan amount
- As of 30 June 2023, c. \$3.95 million had been drawn against the cash call loan facility (inc. accrued interest)
- Potential future payments from the sale of Ruvuma (up to total of **US\$16 million**) :
  - **US\$3 million** payable on Completion \$2.5 million (net of \$0.5 million signing advance) expected Q3 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 1<sup>st</sup> 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 Company continues to realise remaining value in legacy assets such as Helium One

The sale of Ruvuma will provide investable cash over time as contingent payments are made

# Ruvuma Sale: Progress to Completion

Key government approvals now in hand

- The team has made significant progress with the delivery of FCC merger clearance certificate and receipt of the tax clearance certificate from the Tax Revenue Authority demonstrating robust support from Tanzanian authorities
- Scirocco has now approved the submission to the Minister of Energy for final approval of the transaction
- Scirocco is now working closely with supportive counterparty APT to deliver completion as soon as practicable


## FCC

The Tanzanian Fair Competition Commission confirmed its unconditional approval for the proposed transaction and issued a merger clearance certificate to Scirocco in December 2022.



## TRA

The Tanzanian Revenue Authority issued a Tax Clearance Certificate to Scirocco on 3<sup>rd</sup> August 2023.



## PURA/TPDC

The agencies will support the ministerial decision to approve the APT acquisition. Given APT is on the licence and operator this approval step is not expected to be a material issue.

## Ministerial

Scirocco has now written to the Tanzanian Minister for Energy for his formal approval of the transaction – which will satisfy the final condition precedent to completion

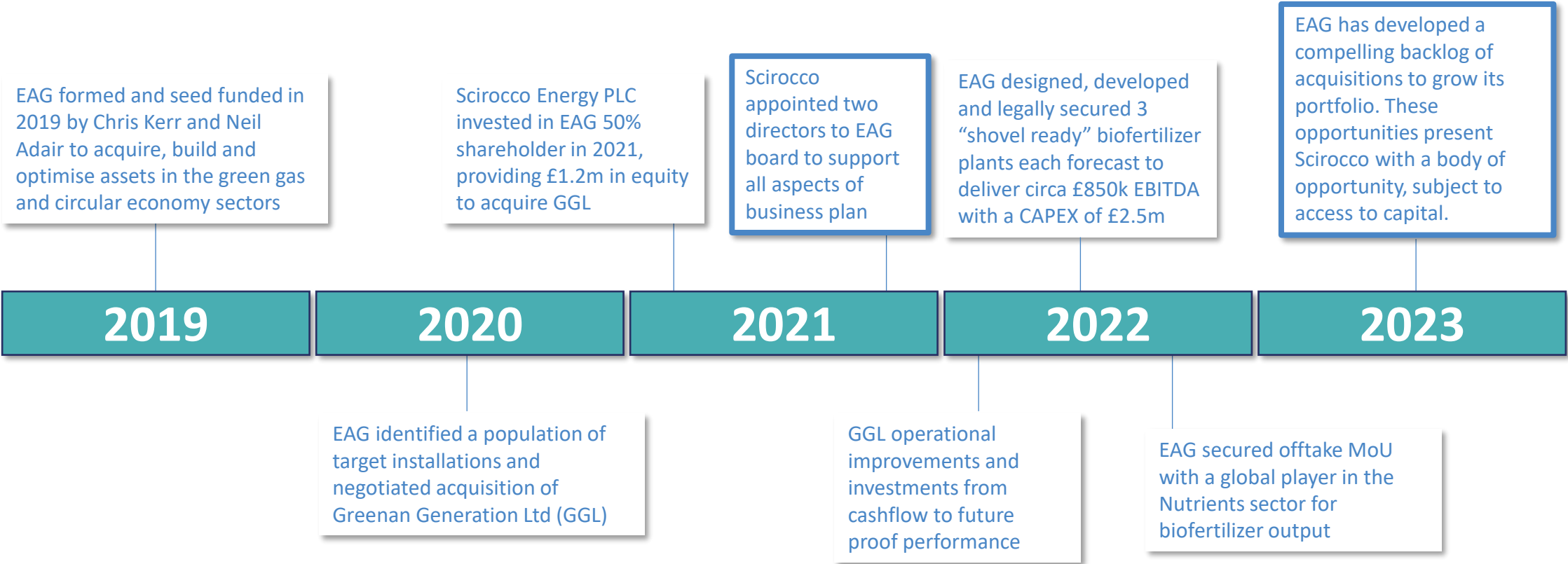
With tangible progress, Scirocco is working closely with Tanzanian agencies and APT to deliver completion



## SciRoCCO investment process – EAG as a successful case study

# Demonstrating Scirocco's robust investment model - EAG

The first investment platform within Energy and Circular thematics

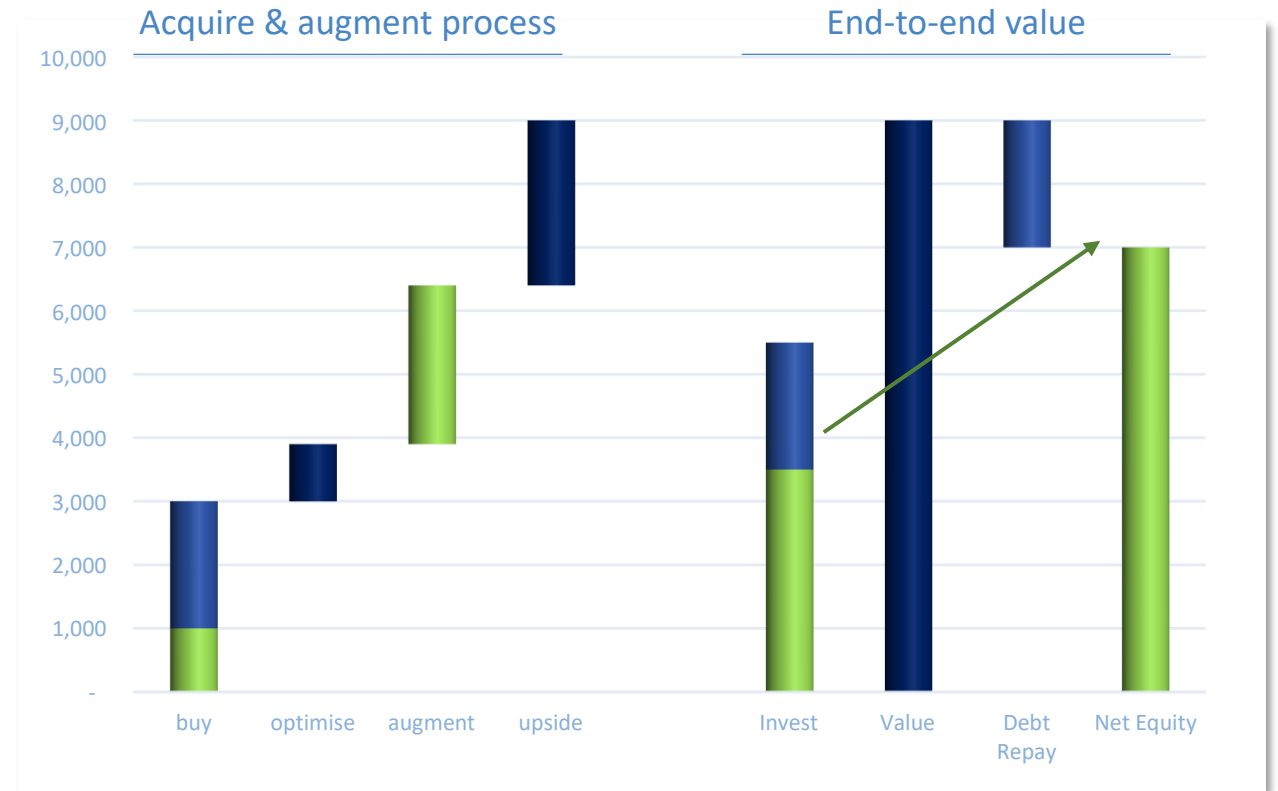


The investment in EAG has delivered in line with Scirocco's strategy. To capitalize on the opportunity presented by EAG, Scirocco requires access to capital to support acquisitions and follow-on investments as they arise



# Investment strategy ratified – EAG & GGL has demonstrated 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 **estimated enterprise value in the £9m-£10m range**



Scirocco has delivered on its investment policy - demonstrated by strong unit economics and future pipeline within EAG

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

# Investment Structure & Waterfall – a path to sustainable capital growth

Value accruing to Scirocco at exit is the critical benchmark for investment success



- The investment agreement was designed by Scirocco to provide for distribution of returns on a sale or other exit event (not relying on distribution of dividends)
- 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

Total loan balance (31 Dec 22)	<u>1,345</u>
Sale Enterprise Value	5,000
Corporate debt	<u>- 1,800</u>
Net Equity for distribution	<u>3,200</u>

Waterfall	SCIR	EAG Founders
First	1,345	-
Second	1,345	448
Third	31	31
	<u>2,721</u>	<u>479</u>
	85%	15%

Total Distributed 3,200

Other examples	Sale EV	Scirocco Net
	4,000	2,221
	5,000	2,721
	6,000	3,221

Investment structure design and indicative returns demonstrate attractive return on invested capital



Cost optimisation

# The board has optimized and reduced costs to deliver current activity

The company is not currently resourced to deliver its full investment strategy

- A number of costs are mandated as a result of being listed on AIM: exchange costs, Nomad and broker as well as compliance related legal advice. Shown here on RHS.
- Run rate consulting costs have been significantly reduced as significant contracts ended during 2022
  - Contract for business development support and due diligence support was terminated in Q4 2022
- Significant one-off transactional costs associated with the sale of Ruvuma crystallised in 2022 c. £350k
- Significant one-off costs associated with shareholders actions during 2022 c. £100k
- To be appropriately resourced to deliver the strategy point forward the company will need to review the resources required following Ruvuma completion and stakeholders made whole for fee/salary deferrals

## ***Listing Costs***

	£k
LSE costs	20
Nomad, Broker, FPR & legal	218
Audit costs	55
Outsourced accounting	90
Insurances	30
AGM	15
<b>TOTAL</b>	<b>428</b>

- Resolution 7 is proposed to provide specific authority to issue shares to settle salary/fee deferral by directors to retain cash in the business in 2020-2022. In the event this is not approved the company will be required to cash settle options at an estimated total cost of c. £500k

Scirocco has taken proactive steps to manage its cost base to deliver Ruvuma completion and will review resources required to deliver the investment strategy upon receipt of Ruvuma funds





Access to capital

# Ruvuma Sale – provision of re-investable cash - over time

The Ruvuma sale will provide cash for re-investment after completion over time subject to timely progression of the Ruvuma development

- Scirocco is an investment company and it has examined opportunities across all of its target investment segments
- To invest as opportunities arise Scirocco must have access to capital to support shareholder mandated investment activity
- The estimated cash receipts from a completed Ruvuma sale are:
  - \$2.5 million at completion
  - \$3.0 million on FID approval by Ruvuma JV (estimated Q4 2023)
  - up to \$8 million revenue share following 1<sup>st</sup> gas production (estimated to deliver between Q1 2024 and Q4 2025 depending on production rate and uptime)
  - \$2 million upside payment when gross production exceeds 50 Bcf
- Resolutions 6, 7 and 8 are proposed to ensure Scirocco has flexibility to fund attractive investment opportunities as they arise
- A “typical”, minimum unit size would be c. £1.5 million (which roughly corresponds to the equity requirement of a Greenan equivalent AD plant acquisition)
- Based on forecast cash position and without the ability to raise cash through other means and the need to secure a minimum of 12 months’ estimated costs - the ability to invest in a “typical” unit size will be restricted until Scirocco receives the \$3.0 million FID payment
- No binding commitment to invest can be made until these funds are in hand
- Anything more significant than – or in addition to – a minimum unit size will require Scirocco to “save up” revenue share payments following 1<sup>st</sup> gas and push earliest investment timeline into 2024
- In the meantime Scirocco will continue to screen opportunities within its target sectors of energy, circular and vector

Without access to capital as the need arises the pace and scale of investment will be restricted and will consume more cash in G&A while waiting for sufficient investable cash to accrue, eroding shareholder value





## Conclusions for shareholders

# Key conclusions

The company has delivered on its strategy and validated its investment model



- The company is delivering against its strategic objectives: convert legacy assets into investable funds
- Ruvuma divestment has made significant tangible progress and on track for imminent completion – Q3 2023
- Scirocco's investment model has been validated within EAG and Scirocco has evaluated a strong pipeline of parallel prospective investment opportunities in energy, circular and vector
- Actively optimised costs to deliver Ruvuma completion and the company will review resource requirements to deliver strategy after receipt of Ruvuma initial proceeds
- The board will continue to pursue the investment strategy - and on a deal led basis – will approach shareholders regarding access to capital and funding



# Questions



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