



Brooge Energy Limited
(Formerly Brooge Holdings Limited)
Consolidated Financial Statements
December 31, 2021

Brooge Energy Limited
Index to the Financial Statements
December 31, 2021

	Page
Independent Auditor's Report	1
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9



AFFINIAX A A S AUDITORS

Office 106, The Binary
Al Abraj Street
Business Bay
PO Box 413383
Dubai / UAE

[T] +971 4 557 8358
[E] mail@affiniatx.com

A F F I
N I A X

Independent Auditor's Report

To the Board of Directors and Shareholders of Brooge Energy Limited and its Subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Brooge Energy Limited and its Subsidiaries, ("the Group"), which comprise of the consolidated statement of financial position as at December 31, 2021, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of Brooge Energy Limited and its Subsidiaries as at December 31, 2021 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with PCAOB & International Standards on Auditing (ISA's). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

Attention is invited to Note 32 Prior Year Restatement, the prior year consolidated financial statements of the Group are re-audited to record the restatement pertaining to revenue, other payable and trade accounts receivable. Our opinion is not modified in respect of this matter.

P A R T
N E R S

Emphasis of Matter

- a. We draw your attention to Note 19 wherein the Group has allocated funds received in prior years from M/s Brooge International Advisory LLC. Since the Group could not obtain the confirmation from subject party to identify the purpose and repayment terms, if any; before signing date of this report, the amount has been classified as Other payable in the consolidated financial statements for the year ended December 31, 2021.
- b. Considering the significance of the above amount involved, we have further reviewed the legal documents of M/s Brooge Petroleum and Gas Investment Company and M/s Brooge International Advisory LLC (BIA) to determine whether they are related parties in accordance to Paragraph (9) of International Accounting Standards (IAS 24). The Company has further undertaken vide resolution dated April 23, 2023 to consider BIA as a related party. Based on the above representation and applying the concept of substance over form, it indicates that BIA is a related party.
- c. We draw attention to the consolidated statement of financial position in the consolidated financial statements, which indicates that as of December 31, 2021, the Group's current liabilities exceed current assets by USD 283,342,631. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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.

We have determined that there are no other key audit matters to communicate in our report.

Responsibility of the Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal controls as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management is responsible for assessing the Group's ability to continue as a going concern, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, 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 ISA's 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 consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also;

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentation or override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

We also provide the Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Management, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters.

Affinix A A S Auditors


Dubai,
United Arab Emirates,
April 20, 2023



Brooge Energy Limited
Consolidated Statement of Comprehensive Income
Year Ended December 31, 2021

(Figures in USD)	Note	2021	2020 (Re-stated)
Revenue	6	41,761,615	27,191,176
Direct costs	7	<u>(14,984,022)</u>	<u>(12,708,386)</u>
Gross profit		26,777,593	14,482,790
Other income	8	6,237,620	828,332
Change in estimated fair value of derivative warrant liability	20	1,486,023	2,547,622
General and administration expenses	9	(7,422,870)	(6,664,303)
Finance costs	10	(6,810,718)	(8,335,269)
Changes in fair value of derivative financial instruments	16	<u>5,422,917</u>	<u>(340,504)</u>
Profit for the year		25,690,565	2,518,668
Other comprehensive income		<u>Nil</u>	<u>Nil</u>
Total Comprehensive Income for the year		25,690,565	2,518,668
Basic and diluted earnings per share	28	0.29	0.03



Brooge Energy Limited
Consolidated Statement of Financial Position
As at December 31, 2021

(Figures in USD)	Note	2021	2020 (Re-stated)
ASSETS			
Current Assets			
Cash and cash equivalents	11	7,380,991	39,389,935
Trade accounts receivable	12	3,771,492	Nil
Inventories	13	250,360	321,789
Other receivable and prepayments	14	1,131,868	393,869
Total Current Assets		<u>12,534,711</u>	<u>40,105,593</u>
Non-Current Assets			
Restricted bank balance	11	8,500,000	8,500,000
Property, plant and equipment	15	427,266,913	367,303,523
Derivative financial instrument	16	5,422,917	Nil
Advances to contractor	17	3,499,988	16,458,252
Total Non-Current Assets		<u>444,689,818</u>	<u>392,261,775</u>
Total Assets		<u>457,224,529</u>	<u>432,367,368</u>
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and accounts payable	18	18,189,493	17,766,575
Other payable	19	74,253,965	73,453,606
Derivative warrant liability	20	11,675,815	13,161,838
Borrowings	21	182,781,617	7,000,000
Lease liabilities	22	8,976,452	2,591,557
Total Current Liabilities		<u>295,877,342</u>	<u>113,973,576</u>
Non-Current Liabilities			
Borrowings	21	Nil	180,014,715
Lease liabilities	22	80,804,728	84,920,176
Employees' end of service benefits	23	60,624	40,514
Asset retirement obligation	24	1,990,399	873,334
Total Non-Current Liabilities		<u>82,855,751</u>	<u>265,848,739</u>
Equity			
Share capital	25	8,804	8,804
Share premium	25	101,777,058	101,777,058
Statutory reserve		680,643	344,848
Accumulated losses		(94,992,885)	(120,347,655)
Shareholder's account		71,017,816	70,761,998
Total Equity Attributable to the Shareholders		<u>78,491,436</u>	<u>52,545,053</u>
Total Liabilities and Equity		<u>457,224,529</u>	<u>432,367,368</u>



The accompanying notes form an integral part of the consolidated financial statements.

Page 6 of 46

Brooge Energy Limited

**Consolidated Statement of Changes in Equity
Year Ended December 31, 2021**

(Figures in USD)	Share Capital	Share Premium	Statutory Reserve	accumulated Losses	Shareholder's Account	Total
As at January 01, 2020 (Restated)	8,804	101,775,834	Nil	(122,521,475)	70,995,455	50,258,618
Exercise of 100 warrants in 100 ordinary shares	0.01	1,224	Nil	Nil	Nil	1,224
Profit for the year	Nil	Nil	Nil	2,518,668	Nil	2,518,668
Transferred to statutory reserve	Nil	Nil	344,848	(344,848)	Nil	Nil
Movements during the year	Nil	Nil	Nil	Nil	(233,457)	(233,457)
As at December 31, 2020 (Restated)	8,804	101,777,058	344,848	(120,347,655)	70,761,998	52,545,053
Profit for the year	Nil	Nil	Nil	25,690,565	Nil	25,690,565
Transferred to statutory reserve	Nil	Nil	335,795	(335,795)	Nil	Nil
Movements during the year	Nil	Nil	Nil	Nil	255,818	255,818
As at December 31, 2021	8,804	101,777,058	680,643	(94,992,885)	71,017,816	78,491,436



Brooge Energy Limited
Consolidated Statement of Cash Flows
Year Ended December 31, 2021

(Figures in USD)	2021	2020 (Re-stated)
Cash Flow from Operating Activities		
Profit for the year	25,690,565	2,518,668
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	7,948,404	6,109,313
Interest charged on lease liability	11,774,031	3,525,982
Provision for employees' end of services benefits	31,551	29,047
Change in estimated fair value of derivative warrant liability	(1,486,023)	(2,547,622)
Net changes in fair value of derivative financial instruments	(5,422,917)	340,504
Rent waiver	(6,126,800)	Nil
Write back of accrued interest not settled	Nil	(754,929)
Asset retirement obligation - accretion expense	28,252	79,555
<u>Changes in operating assets and liabilities</u>		
(Increase) / Decrease in trade accounts and other receivable and prepayments	(4,509,491)	610,369
Decrease / (Increase) in inventories	71,426	(142,145)
Increase / (Decrease) in trade and accounts payable	422,916	(42,612,463)
Increase in other payable	800,359	15,659,111
Payment of employees' end of services benefits	(11,441)	(2,474)
Net cash generated from / (used in) operating activities	29,210,832	(17,187,084)
Cash Flow from Investing Activities		
Amount withdrawn / (deposited) in restricted bank account	12,471,290	(26,899,965)
Advance to contractors	12,958,264	5,206,512
Purchase of property, plant and equipment	(66,822,976)	(53,824,606)
Net cash used in investing activities	(41,393,422)	(75,518,059)
Cash Flow from Financing Activities		
Net of repayment from term loan	Nil	(88,700,137)
Repayment of / (Proceeds from) bonds	(4,233,098)	187,014,715
Payment of lease liability	(3,377,784)	(2,359,250)
Payment of derivative financial instrument	Nil	(1,858,753)
Movement in shareholder's account	255,818	(233,457)
Exercise of 100 warrants in 100 ordinary shares	Nil	1,224
Net cash (used in) / generated from financing activities	(7,355,064)	93,864,342
Net change in cash and cash equivalents	(19,537,654)	1,159,199
Cash and cash equivalents at beginning of the year	20,989,970	19,830,771
Cash and cash equivalents at end of the year	1,452,316	20,989,970



Brooge Energy Limited

Notes to the Consolidated Financial Statements

December 31, 2021

1 Legal Status, Management and Business Activity

The consolidated financial statements comprise of the financial statements of Brooge Energy Limited ("Company") and its subsidiaries on a line-by-line basis. The Company and its subsidiaries are collectively referred to as the "Group". The details of the Group are as follows:

a. Brooge Energy Limited ("Company")

The Company (formerly known as Brooge Holdings Limited), is a Company with limited liability registered as an exempted company in the Cayman Islands.

The registered office of the Company is at P.O Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal executive office is located at P.O Box 50170, Al-Sodah, Khorr Fakkan Road, Fujairah, United Arab Emirates ("UAE").

The Company changed its name from Brooge Holdings Limited to Brooge Energy Limited on April 07, 2020.

The subsidiaries of the Company are as follows:

i. Brooge Petroleum and Gas Investment Company FZE ("BPGIC FZE")

BPGIC FZE is a Free Zone Establishment formed and registered in the Fujairah Free Zone Authority under registration number 13-FZE-1117.

BPGIC FZE is a 100% subsidiary of the Company.

ii. Brooge Petroleum and Gas Investment Company Phase III FZE (BPGIC Phase III FZE)

BPGIC FZE is a Free Zone Establishment formed and registered in the Fujairah Free Zone Authority under registration number 20-FZE-1972.

BPGIC Phase III FZE is a 100% subsidiary of the Company.

iii. BPGIC International

BPGIC International formerly known as Twelve Seas, is a company with limited liability registered as an exempted company in the Cayman Islands.

BPGIC International is a 100% subsidiary of the Company.

iv. Brooge Petroleum and Gas Management Company Limited (BPGMC Limited)

BPGMC Limited is a company with limited liability registered in Dubai International Financial Centre with commercial license number CL3852.

BPGMC Limited is a 100% subsidiary of the Company.

v. BPGIC Phase 3 Limited (BPGIC Phase III Ltd)

BPGIC Phase 3 Limited is a Free Zone Company with limited liability formed in accordance with the provisions of Jebel Ali Free Zone Authority Offshore Companies Regulations 2018. The registration number of BPGIC Phase 3 Limited is 226933.

BPGIC Phase 3 Limited is a 100% subsidiary of the Company.



Brooge Energy Limited

Notes to the Consolidated Financial Statements

December 31, 2021

1 Legal Status, Management and Business Activity (Continued)

The service provided by the group is oil storage and related services at the Port of Fujairah in the Emirate of Fujairah, UAE. The Group currently operates phase I and phase II, comprising 22 tanks with a total capacity of 1,001,388 cubic meters ("cbm"), fully operational for provision of storage and other ancillary processes of crude and clean oil. The construction of the Company's phase II, with a total capacity of 602,064 cbm was completed in September 2021. The Group has commenced early preparation work for its phase 3 project where it intends to construct additional storage and refinery facilities. The Group's has commenced preconstruction work for its phase 3. The Group intends to construct additional storage and refinery facility as part of the phase 3.

The Company was incorporated on 12 April 2019 for the sole purpose of consummating the business combination described further below.

On 15 April 2019, BPGIC FZE entered into a business combination agreement with Twelve Seas Investment Company ("Twelve Seas"), a company listed on National Association of Securities Dealers Automated Quotations ("NASDAQ"), the Company and BPGIC FZE's shareholders. On 10 May 2019, BPGIC PLC became party to the business combination agreement by execution of a joinder thereto.

The business combination was accounted for as a reverse acquisition in accordance with the International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") as disclosed in Note 31.

Under this method of accounting, Brooge Energy and Twelve Seas are treated as the "acquired" company. This determination was primarily based on BPGIC FZE comprising the ongoing operations of the combined company, BPGIC FZE's senior management comprising the senior management of the combined company, and BPGIC FZE's stockholders having a majority of the voting power of the combined company. For accounting purposes, BPGIC FZE is deemed to be the accounting acquirer in the transaction and, consequently, the transaction is treated as a recapitalization of BPGIC FZE. Accordingly, the consolidated assets, liabilities and results of operations of BPGIC FZE are the historical financial statements of the combined company, and Brooge Energy and Twelve Sea's assets, liabilities and results of operations are consolidated with BPGIC FZE beginning on the acquisition date.

As a result of the above transaction, the Company became the ultimate parent of BPGIC FZE and Twelve Seas on 20 December 2019, being the acquisition date. The Company's common stock and warrants are traded on the NASDAQ Capital Market under the ticker symbols BROG and BROGW, respectively. Upon the closing of business combination, Twelve seas changed its name to 'BPGIC International'.

The consolidated financial statements are prepared as a continuation of the financial statements of BPGIC FZE, the acquirer, and retroactively adjusted to reflect the legal capital of the legal parent/acquiree (Brooge Energy Limited).

The reaudited consolidated financial statements were authorised for issue by the Board of Directors.

2 Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board "IASB". These consolidated financial statements are presented in United States dollars ("USD") which is the functional and presentation currency of the Group.



2 Basis of Preparation of Consolidated Financial Statements (Continued)

All financial information presented in USD has been rounded to the nearest thousand, unless otherwise stated. The consolidated financial statements are prepared under the historical cost convention, except for re-measurement at fair value of derivative financial instruments and derivative liability.

(i) Subsidiaries

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; and
- The ability to use its power over the investee to affect its returns

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 with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- 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.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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 assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained

Details of subsidiaries as at 31 December 2021 are stated in Note 1.



2 Basis of Preparation of Consolidated Financial Statements (Continued)

(i) Subsidiaries (Continued)

The financial statements of the subsidiary are prepared for the same reporting year as the Group. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The carrying amount of the Company's investment in the subsidiary and the equity of the subsidiary is eliminated on consolidation. All significant intra-group balances, and income and expenses arising from intra-group transactions are also eliminated on consolidation.

(ii) Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income.

Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

A 'reverse acquisition' is a business combination in which the legal acquirer - i.e. the entity that issues the securities (i.e. listed entity) becomes the acquiree for accounting purposes and the legal acquiree becomes the acquirer for accounting purposes. It is the application in accordance with IFRS 3 Business Combinations on identifying the acquirer, which results in the identification of the legal acquiree as the accounting acquirer in a reverse acquisition.



Brooge Energy Limited

Notes to the Consolidated Financial Statements

December 31, 2021

2 Basis of Preparation of Consolidated Financial Statements (Continued)

(iii) Business combinations (Continued)

Application in accordance with IFRS 3 Business Combinations on identifying the acquirer may result in identifying the listed entity as the accounting acquiree and the unlisted entity as the accounting acquirer.

- A business, IFRS 3 Business Combinations applies;
- Not a business, IFRS 2 Share-based Payment applies to the transaction once the acquirer has been identified following the principles in accordance with IFRS 3 Business Combinations. Under this approach, the difference between the fair value of the consideration paid less the fair value of the net assets acquired, is recognized as a listing expense in profit or loss.

2.1 Going Concern

During the year ended 31 December 2021, the Group earned a profit of USD 25.6 million and generated positive cash flows of USD 29 million. Further, as at that date, the Group had cash and cash equivalents of USD 1.4 million.

As of 31 December 2021, due to delay in construction of Phase II because of COVID, the Group was in technical breach with leverage ratio and working capital financial covenant requirements. Even though the lender did not declare an event of default under the bond agreement, these technical breaches constituted events of default and could have resulted in the lender requiring immediate repayment of the bonds. Accordingly, as of 31 December 2021, the Group has classified its debt balance of USD 182,781,617 as a current liability. As of 31 December 2021, the Group's current liabilities exceeded its current assets by USD 283,342,631. All of the above represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

Except for above, the Group is in compliance with the repayment schedule and other underlying covenants. Further, in April 2022, the Group has entered into an agreement with its lender to waive off the requirement for the Group to comply with leverage ratio and working capital financial covenant (note 21) for 31 December 2021 and 30 June 2022. As Phase II also started operating from September 2021. Management forecasts that the existing cash balances as well as cash generated from ongoing operations provide sufficient liquidity to the Group to continue in operations for the foreseeable future. Management is currently evaluating various options regarding funding of its phase III project.

These financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards issued by International Accounting Standards Board (IASB). The validity of this assumption depends upon the continued financial support to the Group by its Shareholders. The financial statements do not include any adjustment that should result from a failure to obtain such combined financial support. The Management has no intention to discontinue the operations of the Group. The assets and liabilities are recorded on the basis that the Group will be able to realise its assets and discharge its liabilities in the normal course of business. This position does not impair the financial position of the Group.



3 Changes in Accounting Policies And Disclosures

New and amended standards and interpretations.

The accounting policies applied in the preparation of the consolidated financial statements are consistent with those of the previous year, except for the adoption of amendments to the existing standards and interpretations effective as of 1 January 2021 and early adoption of amendments to IAS 16 – Property, Plant and Equipment, as described below.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021;

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform - Phase II.

The adoption of above standards and amendments did not have any significant impact on the consolidated financial statements of the Group.

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued the amendments to IAS 16 - Property, Plant and Equipment — Proceeds before Intended Use that are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

New Standards and Interpretations Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below.

- IFRS 17 Insurance contracts, IFRS 17 is effective for reporting periods beginning on or after 1 January 2023;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current, the amendments are effective for annual reporting periods beginning on or after 1 January 2023;
- Reference to the Conceptual Framework – Amendments to IFRS 3, the amendments are effective for annual reporting periods beginning on or after 1 January 2022;
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37, the amendments are effective for annual reporting periods beginning on or after 1 January 2022;



3 Changes In Accounting Policies And Disclosures New Standards and Interpretations Not Yet Effective

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter, the amendment is effective for annual reporting periods beginning on or after 1 January 2022;
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities, the amendment is effective for annual reporting periods beginning on or after 1 January 2022; and
- IAS 41 Agriculture – Taxation in fair value measurements, the amendment is effective for annual reporting periods beginning on or after 1 January 2022
- Amendments to IAS 8 - Definition of Accounting Estimates, the amendment is effective for annual reporting periods beginning on or after 1 January 2023.
- Amendments to IAS 1 and IFRS Practice Statement 2- Disclosure of Accounting Policies, the amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The Group does not expect these new standards and amendments to have any significant impact on the consolidated financial statements, when implemented in future periods.

4 Significant Accounting Estimates And Judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Estimation and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the date of statement of financial position, 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:

Useful Life and Depreciation of Property, Plant and Equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear and the impact of expected residual value. Management reviews the useful lives annually and the future depreciation charge would be adjusted where management believes that the useful lives differ from previous estimates. The depreciation period of the right-of-use asset has been determined to be over the lease term on the basis that the land is expected to be used for the whole period of the lease considering the existing assets and future expansion on the land.



4 Key Sources of Estimation Uncertainty (Continued)

Asset retirement obligation

As part of the land lease agreement between Fujairah Municipality and the Group, the Group has a legal obligation to remove the plant at the end of its lease term. The Group initially records a provision for asset retirement obligations at the best estimate of the present value of the expenditure required to settle the obligation at the time a legal (or constructive) obligation is incurred, if the liability can be reliably estimated. When the provision is initially recorded, the carrying amount of the related asset is increased by the amount of the liability. Provisions are adjusted at each balance sheet date to reflect the current best estimate. The unwinding of the discount is recognised as finance cost. The Group's operating assets generally consist of storage tanks and related facilities. These assets can be used for an extended period of time as long as they are properly maintained and/or upgraded. It is the Group's current intent to maintain its assets and continue making improvements to those assets based on technological advances.

The calculation of provision related to asset retirement obligation is most sensitive to following judgements and assumptions:

- Discount rate of 3.24% based on inflation-adjusted long-term risk-free rate; and
- Inflation rate of 0.8% used to extrapolate cash flows.

Impairment of trade receivables

The Company uses the simplified approach under IFRS 9 to assess impairment of its trade receivables and calculates expected credit losses (ECLs) based on lifetime expected credit losses. The Company calculates the ECL based on Company historical credit loss experience, adjusted for forward-looking factors specific to the customer and the economic environment.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments – Group as a lessee

The Group has entered into a land lease agreement (the "Phase III Land Lease Agreement"), dated as of 2 February 2020 (the "lease inception date"), by and between the Group and the Fujairah Oil Industry Zone ("FOIZ") to lease an additional plot of land that has a total area of approximately 450,000 square meters (the "Phase III Land") for a rent of UAE Dirhams 50 (USD 13.61) per square meter per annum with an escalation of 2% per annum. Rental payments commence from the beginning of the eighteenth month of the lease inception date. The Group intends to use the Phase III Land to expand its crude oil storage and service and refinery capacity ("Phase III"). Management has exercised judgment in assessing the lease commencement date in the initial cancellable period of the lease and recognized the lease on the consolidated statement of financial position from 1 December 2020.



4 Key Sources of Estimation Uncertainty (Continued)

Classification of warrants

In connection with the completion of the business combination on 20 December 2019 as described in Note 1, Note 20 and Note 31 the Group issued warrants. The warrants agreement require the Group to issue a fixed number of shares for a fixed amount of cash, however it contains a clause that allows for cashless exercise (in the event that no effective registration is maintained), which may lead to the issuance of a variable number of shares. Management assessed that the maintenance of an effective registration statement is a matter not wholly within the control of the Group and as such classified the warrants as a financial liability at fair value through profit or loss.

5 Summary of Significant Accounting Policies

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services or goods. Revenue is net of discounts and value added taxes. Monthly storage rates and prices for other services are contractually agreed before the services are rendered and do not contain material variable components. When it is probable that the future economic benefits will flow to the Group, the recognition in the consolidated statement of income is in proportion to the stage of the rendered performance as at the end of the reporting period. The Group has a right to a consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's services completed to date.

Tank storage rentals, including minimum guaranteed throughputs, are recognized on a straight-line basis over the contractual period during which the services are rendered. Revenues from excess throughputs, heating/cooling, homogenization, product movements and other services are recognized when these services are rendered. Customers simultaneously consume and benefit from the services at the moment that these are rendered, resulting in a situation where revenue is recognized over time. Where substantially the entire storage capacity is leased to a single customer, the contract contains a lease and the entire storage revenue is presented as lease revenue.

Storage fees are invoiced upfront in the month preceding the month to which the storage fees relate. Handling and other services are invoiced afterwards, based on the actual usage.

Inventories

Inventories are valued at the lower of cost, determined on the basis of weighted average cost, and net realizable value. Costs are those expenses incurred in bringing each item to its present location and condition. Net realisable value is valued at selling prices net of selling costs.



5 Summary of Significant Accounting Policies (Continued)

Fair values

The fair value of the financial assets and liabilities at the date of statement of financial position approximate their carrying amounts in the statement of financial position.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs, other than quoted prices included within Level 1 that are observable for the asset or either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Current and Non-Current Classification

The Group presents assets and liabilities in the statement of financial position based on current / non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.



Brooge Energy Limited

Notes to the Consolidated Financial Statements December 31, 2021

5 Summary of Significant Accounting Policies (Continued)

Taxes

Value Added Tax:

Expenses and assets are recognized net of the amount of input tax, except:

- When the input tax is incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the input tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position, as applicable.

Input VAT and Output VAT

Input VAT is recognized when the goods or services are supplied to the BPGIC FZE and the tax on which is paid/due to be paid by the BPGIC FZE to the Supplier.

Output VAT is recognized in respect of taxable supply of goods/services rendered by the BPGIC FZE on which tax is charged and due to be paid to the UAE Federal Tax Authority.

Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statement of comprehensive income (within profit and loss) in the period during which they are incurred.

Property, Plant and Equipment

Property, plant and equipment, is stated at historical costs less accumulated depreciation and any accumulated impairment losses. Historical costs includes expenditure that is directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Management.

The cost of replacing or addition to an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation is charged to write off the cost of assets using the straight line method as follows:

Buildings	25 years
Tanks	50 years
Installations	20 - 25 years
Other Equipment	5 years
Right of use asset - Land	60 years



5 Summary of Significant Accounting Policies (Continued)

The useful lives and depreciation method are reviewed periodically to ensure that the year and method of depreciation are consistent with the pattern of economic benefits expected to flow to the Group through the use of items of property, plant and equipment.

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as profit or loss in the statement of comprehensive income.

Capital work in progress

Capital work in progress is stated at cost, which represents costs for the design, development, procurement, construction and commissioning of the asset under development. Cost includes borrowing cost capitalised and depreciation of the right of use asset during the construction phase. When the asset is in the location and condition necessary to operate in the manner intended by management, capital work in progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the Group's policies.

Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

- a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Company considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Company revises the lease term if there is a change in the non-cancellable period of a lease.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.



5 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Group as a lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

For determination of the lease term, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

- a) is within the control of the Group; and
- b) affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

At the commencement date, the Group recognises a right-of-use asset classified within property, plant and equipment and a lease liability classified separately on the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease of 12 months or less and leases of low-value assets of USD 5,000 or less when new. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use assets

The right-of-use asset is initially recognised at cost comprising of:

- a) the amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by the Group; and
- d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. These costs are recognised as part of the cost of the right-of-use asset when the Group incurs an obligation for these costs. The obligation for these costs is incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After initial recognition, the Group amortises the right-of-use asset over the term of the lease. In addition the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.



5 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Lease liability

The lease liability is initially recognised at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

After initial recognition, the lease liability is measured by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Where, (a) there is a change in the lease term as a result of the reassessment of certainty to exercise an option, or not to exercise a termination option as discussed above; or (b) there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the context of a purchase option, the Group remeasures the lease liabilities to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate. The Group determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or its incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Where, (a) there is a change in the amounts expected to be payable under a residual value guarantee; or (b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review, the Group remeasures the lease liabilities by discounting the revised lease payments using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In such case, the Group uses a revised discount rate that reflects changes in the interest rate.

The Group accounts for a lease modification as a separate lease if both:

- a) the modification increases the scope of the lease by adding the right to use one or more underlying
- b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.



5 Summary of Significant Accounting Policies (Continued)

Financial Instruments

(Continued) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include other receivables and due from related parties.

Financial assets at fair value through OCI, impairment losses or reversals are recognised in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

The Group derecognizes a financial asset when the contractual rights to the cash flow from the assets cease and any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting of Financial Instruments:

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

Under IFRS 9, the Group records an allowance for Expected Credit Loss (ECL) for all loans and debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group calculates the ECL based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the customer and the economic environment.



5 Summary of Significant Accounting Policies (Continued)

Financial liabilities (Continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group comprising of share capital, share premium and shareholders' accounts are recorded at the proceeds received, net of direct issue costs.

Escrow shares issued as part of the reverse acquisition are subject to meeting certain financial milestones during the vesting period as disclosed in Note 29. The fair value of the shares in escrow is not materially different from that of the shares which are not in escrow as the rights of these shares are similar to those of "normal ordinary shares".

Financial liabilities

Initial recognition

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and in the case of loans and borrowings fair value of the consideration received less directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, lease liability, warrants and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Accounts payable

Liabilities are recognized for amounts to be paid in the future for goods and services received, whether billed by the supplier or not.

Loans and borrowings

All loans and borrowings are initially recognized at the fair values less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of comprehensive income (within profit and loss) when liabilities are derecognized.



Brooge Energy Limited

Notes to the Consolidated Financial Statements

December 31, 2021

5 Summary of Significant Accounting Policies (Continued)

Financial liabilities (Continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income (within profit and loss).

A non-substantial modification to a financial liability is not treated as a derecognition of the original liability. The difference between the carrying amount and the net present value of the modified terms discounted using the original effective interest rate is recognized in the consolidated statement of comprehensive income (within profit and loss)

Amortized cost of financial instruments

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Non-derivative financial assets and liabilities

Receivables

Receivables are those financial assets that have fixed or determinable payments and for which there is no active market are initially recognized at fair value plus any directly attributable transactions costs. Subsequent to initial recognition they are measured at amortized cost using the effective interest method. These comprise trade accounts and other receivables, receivables from related parties, bank balances including fixed and margin deposits with banks.

Receivables are carried at certified revenue less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off when identified.

Trade Accounts and Other Receivable

Receivable are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

The Management undertakes a periodic review of amounts recoverable from trade and other receivable, and determines recoverability based on various factors such as ageing of receivable, payment history, collateral available and other knowledge about the receivable.

Provision for bad and doubtful debts represents estimates of ultimate unrealizable debts. The estimates are judgmental and are based on case based evaluation by the management.

Provisions created during the year are reflected in the operating results of the year. Debts which are recognised as unrealizable are written off during the year.



5 Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand, banks accounts and short term highly liquid deposits with a maturity date of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Statutory Reserve

As required by the Articles of Association of BPGIC FZE, 10% of the profit for the year must be transferred to the Statutory reserve. The subsidiary has resolved to discontinue such annual transfers as the reserve has reached 50% of the subsidiary's issued share capital. The general reserve is not available for distribution to the shareholders.

Employees' End of Service Benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Trade Accounts and Other Payable

Trade accounts and other payable are stated at nominal amounts payable for goods or services rendered.

Derivative Financial Instruments

The Group uses derivative financial instruments, interest rate swaps, to hedge its interest risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Warrants are accounted for as derivative financial instruments (a financial liability) as they give the holder the right to obtain a variable number of common (ordinary) shares in case an effective registration statement is not maintained, which is not fully within the control of the Group.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value through profit or loss. The warrants shall lapse and expire after five years from the closing of the business combination (Note 31).

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated statement of comprehensive income (within profit and loss) as the Group has not designated derivative financial instruments under hedging arrangements.

Provisions

Provisions are recognised when the Group has a present obligation as a result of past event and it is probable that the outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the amount expected to be required to settle the obligation and the risk specific to the obligation.



5 Summary of Significant Accounting Policies (Continued)

Foreign Currencies Translations

The consolidated financial statements are presented in US Dollars, which is the Group's functional and presentation currency.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income (within profit and loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Asset Retirement Obligation

As part of the land lease agreement between Fujairah Municipality and the Group, the Group has a legal obligation to remove the plant at the end of its lease term. The Group initially records a provision for asset retirement obligations at the best estimate of the present value of the expenditure required to settle the obligation at the time a legal (or constructive) obligation is incurred, if the liability can be reliably estimated. When the provision is initially recorded, the carrying amount of the related asset is increased by the amount of the liability. Provisions are adjusted at each balance sheet date to reflect the current best estimate. The unwinding of the discount is recognised as finance cost. The Group's operating assets generally consist of storage tanks and related facilities.



Brooge Energy Limited**Notes to the Consolidated Financial Statements****December 31, 2021**

(Figures in USD)

	2021	2020 (Re-stated)
6 Revenue		
Storage rental income (Note 32)	37,467,396	23,754,376
Miscellaneous income (Note 6.1)	1,681,878	1,558,887
Ancillary services	2,612,341	1,877,913
	<u>41,761,615</u>	<u>27,191,176</u>

Note 6.1

The Group has only one segment at the reporting date. Revenue generation from leasing of storage capacity of tanks and other ancillary services started in December 2017.

The commercial contracts with customers related to the Phase 1 and Phase 2 have been assigned as security against the borrowing obtained in 2020.

Miscellaneous income includes port charges of USD 1,681,878 that are paid by the Group to the port authority and recharged to the customers.

The revenues of the Group mainly comprise of fixed fees for storage and related services and variable fees for ancillary services provided under a contract with its customers. Accordingly, there is no cyclicity in the Group's operations.

7 Direct Costs

Depreciation on property, plant and equipment (Note 15)	6,806,198	5,800,007
Employees' costs	3,891,969	3,482,431
Reimbursable port charges (Note 6.1)	1,681,878	1,558,887
Spare parts and consumables used	938,386	657,917
Insurance charges	782,357	397,976
Others	883,234	811,168
	<u>14,984,022</u>	<u>12,708,386</u>

8 Other Income

Rent- waiver (Note 22)	6,126,800	Nil
Write back of accrued interest not settled	Nil	754,929
Miscellaneous	110,820	73,403
	<u>6,237,620</u>	<u>828,332</u>



Brooge Energy Limited**Notes to the Consolidated Financial Statements****December 31, 2021**

(Figures in USD)

	2021	2020 (Re-stated)
9 General and Administration Expenses		
Employees' cost	2,486,933	2,014,858
Legal and professional	2,877,264	2,594,801
Insurance	937,329	639,345
Board fees and expenses	518,278	354,169
Office expenses	393,187	270,259
Repairs and maintenance	22,149	247,302
Sales and marketing	60,389	211,383
Rent	112,306	177,850
Travelling expenses	15,035	154,336
	<u>7,422,870</u>	<u>6,664,303</u>
10 Finance Costs		
Interest expense on borrowings	4,966,876	5,467,250
Interest on lease liability	1,685,010	2,041,006
Early settlement charges	Nil	706,643
Asset retirement obligation - accretion expenses	28,252	79,555
Bank charges	89,587	11,696
Exchange loss	40,993	29,119
	<u>6,810,718</u>	<u>8,335,269</u>
11 Cash and Cash Equivalents		
Cash in hand	3,195	5,026
Balances in current accounts	15,877,796	47,884,909
	<u>15,880,991</u>	<u>47,889,935</u>
The above consist of the following:		
<u>Non-current</u>		
Restricted bank balance	8,500,000	8,500,000
	<u>8,500,000</u>	<u>8,500,000</u>
<u>Current</u>		
Cash and Cash Equivalents	1,452,316	20,989,970
Restricted bank balance	5,928,675	18,399,965
	<u>7,380,991</u>	<u>39,389,935</u>



Brooge Energy Limited

Notes to the Consolidated Financial Statements

December 31, 2021

(Figures in USD) 2021 2020
(Re-stated)

11 Cash and Cash Equivalents (Continued)

The cash and bank balances disclosed above and in the consolidated statement of cash flows include USD 14,428,675 (2020: USD 26,899,965) which are held in restricted bank accounts under the Bond terms (Note 21). These include USD 8,500,000 held in the Liquidity account, Nil balance (2020 :USD 24,999,963) is held in the Construction Funding account, the amount in the Construction Funding account in 2020 can be withdrawn up to a limit of USD 5,000,000 per month. Accordingly, USD 15,000,000 out of the balance in the Construction Funding account is considered as cash and cash equivalent and USD 5,928,675 (2020: USD 8,400,000) held in the Debt Service Retention account.

A first priority pledge over the balances in the Earnings account, Liquidity account, Construction Funding account and Debt Service Retention account is held as security under the Bond terms (Note 21).

12 Trade Accounts Receivable

Accounts receivables	3,771,492	Nil
	<u>3,771,492</u>	<u>Nil</u>

At 31 December 2021, all trade receivables were neither past due nor impaired.

Receivables are due within 14 days of invoicing.

Unimpaired trade receivables are expected to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority is, therefore, unsecured.

As of the date of approval of these consolidated financial statements, the Group has realised amounts aggregating to USD 3,348,133 from the trade receivables.

The age analysis of trade receivables as at the end of the reporting period was as follows:

Neither past-due nor impaired (0-150 days)	2,935,830	Nil
Past-due:		
- 151 - 365 days	835,662	Nil
- Over 365 days	Nil	Nil
Total	<u>3,771,492</u>	<u>Nil</u>

13 Inventories

Spare parts and consumables	250,360	321,789
	<u>250,360</u>	<u>321,789</u>

Cost of inventories recognised during the year amounted to USD 938,386 (2020: USD 657,917). No provision is required for inventories at 31 December 2021 (2020: Nil).



Brooge Energy Limited**Notes to the Consolidated Financial Statements****December 31, 2021****(Figures in USD)**

	2021	2020 (Re-stated)
14 Other Receivable and Prepayments		
Due from shareholder	504,214	Nil
Due from related parties	86,142	81,013
Prepaid expenses	289,463	247,741
Staff advances	152,389	6,288
VAT receivable	Nil	37,290
Deposits	99,660	21,537
	<u>1,131,868</u>	<u>393,869</u>

15 Property, Plant and Equipment

a) The movement schedule is set out on page 45.

16 Derivative Financial Instruments

Call option	<u>5,422,917</u>	<u>Nil</u>
	<u>5,422,917</u>	<u>Nil</u>

On 24 September 2020, the Group issued long term fixed interest rate senior secured bonds of USD 200,000,000 to private investors with a face value of USD 1 at an issue price of USD 0.95. The Group has the option to redeem the bonds in full or in part any time after 24 September 2023 (the "call option"). The call option represents an embedded derivative that has been separated from the host contract and separately valued.

At 31 December 2021 management has assessed the value of the call option of USD 5,422,917 and classified as change in fair value of derivative financial instrument in the consolidated statement of comprehensive income (Note 21).

17 Advances to Contractor

Advances to contractor	<u>3,499,988</u>	<u>16,458,252</u>
	<u>3,499,988</u>	<u>16,458,252</u>

The above amount represents the advances paid for the purchase of new office space. Subsequent to the year end, the capital advances have been transferred to property, plant and equipment on handed over and transfer of title to the Group.

18 Trade and Accounts Payable

Trade accounts payable	9,113,183	5,216,243
Accrued interest on borrowings	4,101,250	4,250,000
Advances from customer	2,417,956	1,340,252
Due to a related party	2,041,927	2,041,927
Accrued expenses	394,611	467,840
VAT payable	120,566	Nil
Capital accruals	Nil	4,450,313
	<u>18,189,493</u>	<u>17,766,575</u>



Brooge Energy Limited**Notes to the Consolidated Financial Statements****December 31, 2021**

(Figures in USD)

	2021	2020 (Re-stated)
19 Other Payable		
M/s Brooge International Advisory LLC (Note 32)	74,253,965	73,453,606
	<u>74,253,965</u>	<u>73,453,606</u>
20 Derivative Warrant Liability		
Issuance of 21,228,900 warrants in connection with merger	13,161,838	15,709,460
Fair value remeasurement of derivative warrant liability	<u>(1,486,023)</u>	<u>(2,547,622)</u>
	<u>11,675,815</u>	<u>13,161,838</u>

In accordance with IAS 32, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognized in the consolidated statement of comprehensive income at each reporting date. The derivative liabilities will ultimately be converted into the Group's equity (ordinary shares) when the warrants are exercised, or will be extinguished on the expiry of the outstanding warrants, and will not result in the outlay of any cash by the Group.

In connection with the completion of the business combination on 20 December 2019, each of Twelve Sea's 21,229,000 outstanding warrants were converted into the Group's warrants at 1:1 ratio. The warrants allow the holder to subscribe for the ordinary shares of the Company at 1:1 basis at an exercise price of USD 11.50. The warrants shall lapse and expire after five years from the closing of the business combination. The holders of the warrants issued pursuant to the business combination may elect, if the Group does not have an effective registration statement or the prospectus contained therein is not available for the issuance of the warrant shares to the holder, in lieu of exercising the warrants for cash, a cashless exercise option to receive a variable number of common shares.

At initial recognition on 20 December 2019, the Group recorded a derivative warrant liability of USD 16,983,200 based on the quoted price on 20 December 2019 of USD 0.8 per warrant and then revalued at USD 0.74 at 31 December 2019 resulting in a fair value gain of USD 1,273,740 and a warrant derivative liability of USD 15,709,460. These warrants were accounted for as part of the consideration transferred under IFRS 2.

On 14 May 2020, holders of 100 warrants have exercised their rights through cash exercise and converted the warrants into ordinary shares.

At 31 December 2021, the Group recorded a derivative warrant liability of USD 11,675,815 (31 December 2020: USD 13,161,838) which resulted in a gain on revaluation of derivative warrant liability for the year ended 31 December 2021 of USD 1,486,023 (31 December 2020: USD 2,547,622).



Brooge Energy Limited

Notes to the Consolidated Financial Statements

December 31, 2021

(Figures in USD) 2021 2020
(Re-stated)

21 Borrowings

Bonds	182,781,617	187,014,715
	182,781,617	187,014,715

The current and non-current break up as below:

	Maturity		
Non- Current			
Bonds	2025	Nil	180,014,715
		Nil	180,014,715
Current			
Bonds	On demand	182,781,617	7,000,000
		182,781,617	7,000,000

Bonds	Coupon rate %	Effective interest rate %	Maturity date	2021 USD	2020 USD
USD 200,000,000 bond net of transaction costs	8.50%	10.57%	Refer note below	182,781,617	187,014,715

On 24 September 2020, the Group issued long term fixed interest rate senior secured bonds of USD 200,000,000 to private investors with a face value of USD 1 at an issue price of USD 0.95. The Group can issue further bonds of up to USD 50,000,000 under identical terms except issue price that can be above or below the nominal amount, subject to certain conditions. The proceeds of the bonds of USD 186,000,000 net of USD 4,000,000 of transaction costs were drawn down during November 2020. In accordance with the terms of the bonds, the proceeds were used to settle the existing term loans and promissory notes. An amount of USD 85,000,000 were transferred to a Construction account to be used solely to fund the remaining phase 2 construction costs. The balance proceeds were used for general corporate purposes.

The bonds will be repaid in semi-annual payments of USD 7,000,000 starting September 2021 until March 2025, and one bullet repayment of USD 144,000,000 in September 2025. Interest will accrue at a coupon rate of 8.5% and will be payable semi-annually in March and September each year. The Group has the option to redeem the bonds in full or in part any time after 24 September 2023 (the "call option"). The call option represents an embedded derivative that has been separated from the host contract and separately valued. At 31 December 2021, management has assessed the value of the call option of USD 5,422,917 and classified as change in fair value of derivative financial instrument. The comparative amount of USD 340,504 relates to the changes in fair value of interest rate swaps relating to Group's previous term loans which were settled in November 2020.



Brooge Energy Limited

Notes to the Consolidated Financial Statements

December 31, 2021

21 Borrowings (Continued)

Bonds (Continued)

The bonds are secured by:

- (i) pledge over all the existing and future shares of BPGIC FZE;
- (ii) assignment of rights and pledge over the balance in the Earnings account;
- (iii) pledge over the balance in the Liquidity account, the Debt Service Retention account and the Construction Funding account;
- (iv) pledge over moveable assets of BPGIC FZE and its subsidiaries;
- (v) security assignment of commercial contracts related to phase I and phase II, land lease agreement, port facilities agreement and EPC construction contract;
- (vi) security assignment over insurance contracts for phase I terminal, phase II terminal and admin building;
- (vii) security assignment over group and intercompany loans; and
- (viii) corporate guarantee from Brooge Energy Limited.

The bond agreement also restricts BPGIC FZE from making any distributions other than in the form of an inter company loan for phase III construction.

Under the bond agreement, BPGIC FZE is subject to the following financial covenants during the term of the bonds:

- (i) Minimum Liquidity: BPGIC FZE to maintain \$8.5 million in the Liquidity account;
- (ii) Leverage Ratio: BPGIC FZE and its subsidiaries' leverage ratio not to exceed: (A) 5.5x at 31 December 2020; (B) 3.5x at 31 December 2021; and (C) 3.0x anytime thereafter; and
- (iii) Working Capital: BPGIC FZE and its subsidiaries to maintain a positive working capital.

The bond agreement requires the Group to comply with the following financial covenant:

- (i) Brooge Energy Limited to maintain a minimum equity ratio of 25%.

As of 31 December 2021, the Group was in technical breach of the requirements to comply with the leverage ratio and working capital thresholds. Even though the lenders did not declare an event of default under the bond agreement, these technical breaches constituted events of default and could have resulted in the lender requiring immediate repayment of the bonds. Accordingly, the Group has classified the respective bonds as a current liability at the end of 31 December 2021. Subsequent to the year end, the lenders have confirmed their intention to not require immediate repayment of the outstanding amounts or alter the repayment pattern in the original bond agreement.

Term loan

During the year, the Group obtained a new term loan facility from a commercial bank in the UAE amounting to USD 2,395,862 to partially finance the purchase of corporate office for the Group in Dubai. The new facility carries interest at 3 months EIBOR + 4% margin (minimum 6.5% per annum) and is repayable in 24 quarterly instalments commencing 6 months after the date of disbursement. Subsequent to the year end on 28 February 2022, the Group has made a drawdown of USD 2,376,804 from the term loan facility.



Brooge Energy Limited

Notes to the Consolidated Financial Statements

December 31, 2021

(Figures in USD)

	2021	2020 (Re-stated)
22 Lease Liabilities		
Balance at the beginning of the year	87,511,733	30,779,138
Additions during the year	Nil	55,565,863
Rent waiver	(6,126,800)	Nil
Interest charged during the year	11,774,031	3,525,982
Repayment during the year	<u>(3,377,784)</u>	<u>(2,359,250)</u>
Balance at the end of the year	<u>89,781,180</u>	<u>87,511,733</u>

1) The analysis of lease liability is as follows:

Current	<u>8,976,452</u>	<u>2,591,557</u>
Non-Current	<u>80,804,728</u>	<u>84,920,176</u>

During 2013, the Group entered into a land lease agreement with the Municipality of Fujairah for a period of 30 years, extendable for another 30 years at the option of the Group. The Group has concluded that they have the right-to-use of the asset and accordingly, recorded a lease liability as per the requirements of IFRS 16. Given the use of the land, it is reasonably certain that the Group will continue to lease the land till the end of the lease period (i.e. 60 years) and accordingly the below lease rentals cover a period up to 60 years discounted at the rate of 9.5% (2020: 9.5%) as an incremental borrowing rate for the Group. Annual lease rental is increased by 2% on an annual basis as per the agreement.

During 2020, the Group entered into another land lease agreement in respect of its Phase III project with the Fujairah Oil Industry Zone for a period of 30 years, extendable for another 30 years. Given the use of the land, it is reasonably certain that the Group will continue to lease the land till the end of the lease period (i.e. 60 years) and accordingly the below lease rentals cover a period up to 60 years discounted at the rate of 13% (2020: 13%) as an incremental borrowing rate for the Group. Annual lease rental is increased by 2% on an annual basis and there is an initial rent free period of 18 months from the contract date.

During the year, the Group entered into an agreement with the lessor for an additional one-year rent free period in respect of the Phase III land. The Group has treated this to be a partial extinguishment of the lease liability as per IFRS 16 and IFRS 9. The rent waiver is recognised as a gain in the income statement, with a corresponding reduction in the lease liability.

	Lease payments		Present value of minimum lease payments	
	2021	2020	2021	2020
Not later than one year	8,704,253	8,533,582	5,978,847	6,586,405
Later than one year and not later than five years	36,593,030	35,875,519	18,899,037	20,812,094
Later than five years	<u>849,825,794</u>	<u>858,043,766</u>	<u>64,903,296</u>	<u>60,113,234</u>
	895,123,077	902,452,867	89,781,180	87,511,733
Finance costs	<u>(805,341,897)</u>	<u>(814,941,134)</u>	Nil	Nil
Present value of minimum lease payments	<u>89,781,180</u>	<u>87,511,733</u>	<u>89,781,180</u>	<u>87,511,733</u>



Brooge Energy Limited

Notes to the Consolidated Financial Statements

December 31, 2021

(Figures in USD)

	2021	2020 (Re-stated)
<u>23 Employees' End of Service Benefits</u>		
Balance at the beginning of the year	40,514	13,941
Provision for the year	31,551	29,047
Paid during the year	(11,441)	(2,474)
Balance at the end of the year	<u>60,624</u>	<u>40,514</u>

24 Asset Retirement Obligation

Asset retirement obligation	<u>1,990,399</u>	<u>873,334</u>
	<u>1,990,399</u>	<u>873,334</u>

As part of the land lease agreement between the Fujairah Oil Industry Zone ("FOIZ") and the Group, the Group has a legal obligation to remove the plant at the end of its useful life, or earlier, if the Group is unable to continue its operations, and restore the land. The Group has employed professional valuers to estimate the amount of liability.

25 Share Capital & Share Premium

	<u>No. of Shares</u>	<u>USD</u>
Ordinary shares	450,000,000	450,000,000
<u>Share Capital</u>		
As at January 01, 2020	88,035,253	8,804
Conversion of 100 warrants into ordinary shares at 1 for 1	100	0.01
As at 31 December 2020	<u>88,035,353</u>	<u>8,804</u>
As at 31 December 2021	<u>88,035,353</u>	<u>8,804</u>

Ordinary shares held in escrow (20,000,000 shares held by BPGIC and 1,552,500 shares held by the original founders of Twelve Seas) have been excluded from the share capital in the table above. These shares will be released upon the satisfaction of certain financial milestones and share price targets below the release or forfeiture of these shares in the future will not have an effect on the equity of the Group.

One-half (½) of the Escrow Property shall become vested and no longer subject to forfeiture, and be released to the seller, in the event that either: (a) the Annualized EBITDA (as defined in the Escrow Agreement) for any full fiscal quarter during the Escrow Period (beginning with the first full fiscal quarter beginning after the Closing) (an "Escrow Quarter") equals or exceeds USD 175,000,000 or (b) at any time during the Escrow Period, the closing price of the Brooge Energy Limited ordinary shares equals or exceeds \$12.50 per share (subject to equitable adjustment) for any ten (10) Trading Days (as defined in the Escrow Agreement) within any twenty (20) Trading Day period during the Escrow Period.



Brooge Energy Limited**Notes to the Consolidated Financial Statements
December 31, 2021**

(Figures in USD)

2021**2020
(Re-stated)****25 Share Capital & Share Premium (Continued)****Share Capital (Continued)**

All Escrow Property remaining in the Escrow Account shall become vested and no longer subject to forfeiture, and be released to the seller, in the event that either: (a) the Annualized EBITDA for any Escrow Quarter equals or exceeds \$250,000,000 or (b) at any time during the Escrow Period, the closing price of the Brooge Energy Limited ordinary shares equals or exceeds \$14.00 per share (subject to equitable adjustment) for any ten (10) Trading Days within any twenty (20) Trading Day period during the Escrow Period. The Escrow Period represents the period commencing from the closing until the end of the twentieth (20th) fiscal quarter after the commencement date of the first full fiscal quarter beginning after the closing.

Share Premium

As at January 01	101,777,058	101,775,834
Conversion of 100 warrants in ordinary shares at 1 for 1	Nil	1,224
As at December 31	<u>101,777,058</u>	<u>101,777,058</u>

26 Transactions with Related Parties

The Group, in the normal course of business carries out transactions with parties that fall within the definition of related party contained in the International Financial Reporting Standards. Significant transactions with related parties are as under:

Transactions in shareholders' account

Contributions by the shareholders	<u>255,818</u>	<u>(233,457)</u>
	<u>255,818</u>	<u>(233,457)</u>

These amounts are repayable at the discretion of the Board of Directors of the Group and are interest free, therefore classified as part of equality.

Changes in shareholders' account is as follows:

At January 01		
Net contributions (distributions) during the year	70,761,998	70,995,455
At December 31	<u>255,818</u>	<u>(233,457)</u>
Expense paid on behalf of related parties	<u>71,017,816</u>	<u>70,761,998</u>
Key management remuneration	509,343	23,463
	1,676,921	1,417,266



Brooge Energy Limited

Notes to the Consolidated Financial Statements

December 31, 2021

(Figures in USD) 2021 2020
(Re-stated)

26 Transactions with Related Parties (Continued)

Related party balances as at the year end are classified as under:

Related Party	Classification		
Shareholder	Shareholder's account (Equity)	71,017,816	70,761,998
BPGIC Holdings	Due from shareholder (Note 14)	504,214	Nil
HBS Investments LP	Due from related parties (Note 14)	4,187	17,479
H Capital International LP	Due from related parties (Note 14)	4,189	16,975
O2 Investments Limited as GP	Due from related parties (Note 14)	5,191	9,303
SBD International LP	Due from related parties (Note 14)	47,357	17,851
SD Holding Limited as GP	Due from related parties (Note 14)	19,938	9,850
Gyan Investments Ltd	Due from related parties (Note 14)	5,280	9,555
Shareholder	Due to a related party (Note 18)	2,041,927	2,041,927

27 Contingent Liabilities

Capital commitments within one year	22,000,000	33,125,477
	<u>22,000,000</u>	<u>33,125,477</u>

Capital commitments relate to construction of phase 2 which is expected to be completed by the end of third quarter of 2021.

Except for the above and ongoing purchase commitments in the normal course of business against which no loss is expected, there are no other known contingent liabilities existing at the balance sheet date.

28 Earnings Per Share

Basic EPS is calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

(Figures in USD)	2021	2020 (Re-stated)
Profit attributable to ordinary equity holders of the parent	25,690,565	2,518,668
Weighted average number of ordinary shares	88,035,321	88,035,321

As part of the business combination warrants and ordinary shares subjected to escrow have been issued. In the calculation of diluted earnings per shares, the warrants have been excluded as the average market price of ordinary shares during the period exceeded the exercise price of the warrants i.e. they are not in the money.



Brooge Energy Limited

Notes to the Consolidated Financial Statements

December 31, 2021

28 Earnings Per Share (Continued)

The number of contingently issuable shares (21,552,000 escrow shares) to be included in the diluted earnings per shares calculation is based on the number of shares that would be issuable if the end of the period were the end of the Escrow Period. No ordinary shares would have been issuable on 31 December 2020 as the conditions attached to the escrow shares have not been met at reporting date. As a result, the escrow shares have been excluded from the calculation of diluted earnings per share for 31 December 2020 and the weighted average number of ordinary shares for basic earnings per share and diluted earnings per shares are the same.

29 Fair Value of Financial Instruments

Management considers that the fair value of financial assets and financial liabilities in the consolidated financial statements approximate their carrying amounts at the reporting date.

Fair Value Hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Liabilities measured at fair value:	Level 1 USD	Level 2 USD	Level 3 USD	Total Fair Value USD
<u>December 31, 2021</u>				
Derivative warrant liability	11,675,815	Nil	Nil	11,675,815
Borrowings	Nil	182,781,617	Nil	182,781,617
Derivative financial instruments	Nil	5,422,917	Nil	5,422,917

Liabilities measured at fair value:	Level 1 USD	Level 2 USD	Level 3 USD	Total Fair Value USD
<u>December 31, 2020</u>				
Derivative warrant liability	13,161,838	Nil	Nil	13,161,838
Borrowings	Nil	187,014,715	Nil	187,014,715

The fair value of level 1 financial liability have been determined in accordance with quoted price.

The fair value of level 2 financial liability have been determined by using generally accepted pricing models based on a discounted cash flow analysis, respectively. The models incorporate various inputs including interest rate curves and forward rate curves of the underlying instruments.

During the year ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

30 Subsequent Events

- In February 2022, the Group made a withdrawal of the term loan facility obtained in September 2021 of USD 2,376,804 from a commercial bank in UAE to partially finance the purchase of corporate office of the Group. The principal repayment will be 24 quarterly installments commencing six months from the disbursement date. This facility carries interest rate of 3 Months EIBOR + 4% p.a (minimum 6.5% p.a) to be paid along with the installments.



Brooge Energy Limited

Notes to the Consolidated Financial Statements

December 31, 2021

30 Subsequent Events (Continued)

- The Company had received a letter from The Nasdaq Stock Market dated May 23, 2022 (the "Notice"), stating that the Company is not in compliance with Listing Rule 5250(c)(1). The Notice does not impact the Company's listing on the Nasdaq Capital Market at this time, provided that the Company cures the deficiency under Nasdaq Listing Rule 5250(c)(1) within the time period specified by the applicable rule.
- On Nov. 22, 2022, the Company was notified that the Nasdaq Hearings Panel (the "Panel") had granted its request to continue trading of Brooge Energy's securities on Nasdaq at least through the completion of the Company's hearing before the Panel and the expiration of any extension that may be granted by the Panel to the Company following the hearing.
- The Company on Aug. 17, 2022 the Company announced that its majority shareholder, BPGIC Holdings Limited ("Holdings"), has expressed an interest to acquire all the shares of the Company that it does not currently own and to take the Company private. The Board of Directors of the Company is considering the proposal and will be entering into substantive negotiations. Any transaction, if entered into, will be subject to the receipt of a fairness opinion and approval of the Company's shareholders and bondholders. There can be no assurance that a transaction will be entered into.

Bond Waiver letter

On April 27, 2022, the Group entered into an agreement with the Bondholders to implement following amendments to the Bond Financing Facility, effective immediately:

- (a) Waiver of the Events of Defaults that are triggered by the technical breaches of the Leverage Ratio and positive Working Capital covenants until December 31, 2022.
- (b) The requirement to maintain a Leverage Ratio to not exceed certain thresholds is suspended (waived) for the results period from December 31, 2021 to and including December 30, 2022, and shall be tested again for the 12 months results period from (and including) January 1, 2022 to December 31, 2022 (inclusive) at 3.5x, stepping down to 3.0x anytime thereafter (as per the original terms of the Bond Financing Facility). For the avoidance of doubt, the costs associated with the amendments shall not be taken into consideration in EBITDA when calculating Leverage Ratio.
- (c) The requirement to maintain a positive Working Capital is suspended (waived) for the period from December 31, 2021 to and including December 30, 2022, and shall be tested again starting from and including December 31, 2022.
- (d) Permitted Distribution:
 - (i) No Permitted Distribution shall be made before BPGIC is in compliance with financial covenant requirements under the original terms of the Bond Facility Financing.
 - (ii) Furthermore, BPGIC shall provide to the Bond Trustee a written statement signed by its chief executive officer and chief financial officer within three business days prior to any permitted distribution under the terms of the Bond Financing Facility that (A) states the amount being distributed as a permitted distribution, (B) confirms the conditions with respect to such distribution are satisfied, and (C) declares such distribution will not lead to an Event of Default on the next testing date.



31 Financial Risk Management and Policies

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, currency risk and liquidity risk. Management reviews and agrees policies for managing each of these risks which are summarized below.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's balances with banks. The Group's borrowing are issued at fixed rate of interest.

Market Risk

The Group's activities expose it to the financial risks of changes in interest rates and price risk of the warrants. As the warrants are recognised at fair value on the consolidated statement of financial position of the Group, the Group's exposure to market risks results from the volatility of the warrants price. The Warrants are publicly traded at the NASDAQ Stock Exchange.

At the reporting date, the exposure to derivative warrant liability at fair value listed on the NASDAQ was USD 11,675,815 (2020: 13,161,838). The Group has determined that an increase/(decrease) of 10% on the NASDAQ could have an impact of approximately USD 1,167,582 (2020: USD 1,316,838) increase/(decrease) on the income and equity attributable to the Group.

Currency Risk

The Group does not have any significant exposure to currency risk as most of its assets and liabilities are denominated in USD or UAE Dirhams, which are pegged to the USD.



Brooge Energy Limited

Notes to the Consolidated Financial Statements

December 31, 2021

31 Financial Risk Management And Policies (Continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on bank balances and receivables as reflected in the consolidated statement of financial position, with a maximum exposure equal to the carrying amount of these instruments. The expected credit loss on trade and other receivables are considered insignificant for 2021 and 2020.

The Group has a low credit risk exposure on its trade receivables based on established policy, procedures and controls relating to customer credit risk management. Credit quality of the customer is assessed as part of contract negotiations. Outstanding receivables are regularly monitored.

Liquidity Risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers projected financing requirements of the Group during the construction phase and cash projections from operations with outstanding bank facilities and outstanding bank commitments as defined under the finance documents.

The Group manages its liquidity risk in relation to term loans to ensure compliance with all covenants for each specific facility.

The table below summarizes the maturity profile of the Group's financial liabilities at December 31, 2021 and December 31, 2020 based on contractual undiscounted payments.

	On Demand USD	Upto 1 Year USD	1 to 5 Years USD	> 5 Years USD	Total USD
December 31, 2021					
Bonds (Including accrued interest)	182,781,617	Nil	Nil	Nil	182,781,617
Lease liability	Nil	5,978,847	18,899,037	64,903,296	89,781,180
Accounts payable, accruals and other payables (excluding accrued interest)	Nil	88,342,208	Nil	Nil	86,300,281
Total	182,781,617	94,321,055	18,899,037	64,903,296	360,905,005
December 31, 2020					
Term loans (Including accrued interest)	Nil	11,250,000	180,014,715	Nil	191,264,715
Lease liability	Nil	6,586,405	20,812,094	60,113,234	87,511,733
Accounts payable, accruals and other payables (excluding accrued interest)	Nil	86,970,181	Nil	Nil	86,970,181
Total	Nil	104,806,586	200,826,809	60,113,234	365,746,629



Brooge Energy Limited

Notes to the Consolidated Financial Statements

December 31, 2021

(Figures in USD)

2021

2020

31 Financial Risk Management And Policies (Continued)

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder's value and to meet its loan covenants.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust future distribution policy to shareholders, issue new shares or shareholders' contributions.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, the lease liability, term loans, and trade and other payables, less cash and cash equivalents. Capital includes share capital, shareholders' accounts, general reserve and (accumulated losses) retained earnings.

Borrowing	182,781,617	187,014,715
Lease liability	89,781,180	87,511,733
Less: cash and cash equivalents	<u>(1,452,316)</u>	<u>(20,989,970)</u>
Net debt	271,110,481	253,536,478
Total capital	<u>78,491,436</u>	<u>52,545,053</u>
Capital and net debt	<u>349,601,917</u>	<u>306,081,531</u>
Gearing ratio	78%	83%

32 Prior Year Restatement

i) The comparative figures for 2020 were restated previously on account of errors identified by the management subsequent to the issuance of the 2020 consolidated financial statements. In year 2022, subsequent to the issuance of the Group's 2020 financial statements, the Group identified errors in the consolidated financial statements for the year ended 31 December 2020 and determined that the 2020 consolidated financial statements should be restated. The basis of such error and restatement is given as below:

Restatement Background

As disclosed on May 27, 2022, the Group has not been able to file the 2021 Form 20-F due to an ongoing non-public examination being conducted by the U.S. Securities and Exchange Commission (the "SEC") regarding the consolidated financial statements of the Group. Subsequently, the Audit Committee of the Board of Directors (the "Audit Committee"), engaged independent counsel to conduct under its supervision an internal examination into the Group's revenue recognition practices and related matters. As a result of the findings from this internal examination, on August 12, 2022, the Audit Committee, in consultation with the Group's management, concluded that the previously issued audited consolidated financial statements as of and for the periods ending December 31, 2020 and 2019 and the previously issued unaudited consolidated financial statements for interim periods therein and the six months ended June 30, 2021 should no longer be relied upon.



32 Prior Year Restatement (Continued)

In connection with the internal examination, the Group conducted a comprehensive review of the accounting policies, procedures, and internal controls related to revenue recognition. All available customer contracts were assessed based on International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases'. This review identified that the funds received from a related party BIA do not qualify to be recognised as revenue. Due to the qualitative nature of the matters identified in the Company's internal examination, including the number of years over which the non-qualified revenue was recognized, the Company determined that it would be appropriate to rectify the misstatements in the previously issued financial statements by restating such financial statements. Accordingly, for the year 2021 there were no restatement. In 2020 the Company reversed revenue amounting to USD 14,640,361 and USD 15,659,111 which mainly represents funds received from BIA, was reversed and re-classified as Other payables under Liabilities(Note 19).

The Management does not expect to settle these amounts using any of it's current assets or any existing resources in the foreseeable future. Pending its potential receipt of confirmation or adequate supporting documentation from the party. The Group has taken a conservative approach to recognize this as a liability. The Group continues to assess this liability and will evaluate whether there arises any obligation or it is discharged or cancelled or expires or is swapped out for one with significantly different terms or when the terms of are significantly modified, such an exchange or modification is recognized as a derecognition of the old liability and the recognition of a new liability or as equity contribution, as applicable and the difference in the respective carrying amounts will be recorded in the consolidated statement of either other comprehensive income or directly as equity as applicable.

The above changes pertaining to reversal of Revenue and recognition of such amount under Other payable were accounted retrospectively in accordance with IAS 8 and, accordingly the prior years' consolidated financial statements have been restated as disclosed in Page 46:

33 Rounding Off of Figures

All figures have been rounded off to the nearest US Dollars.

34 Comparative Figures

Certain of the prior year figures have been regrouped to conform with the presentation of the current year.



Groupings for Property, Plant and Equipment

(Figures in USD)

	Buildings	Installations	Other Equipments	Tanks	Capital Work in Progress	Right of use Assets	Total
Cost:							
As at January 01, 2021	28,037,886	65,903,126	268,743	76,218,998	133,579,804	83,900,611	387,909,168
Additions during the year	Nil	Nil	38,952	Nil	66,784,024	1,088,816	67,911,792
Transfers during the year	Nil	113,365,150	Nil	78,313,496	(191,678,646)	Nil	Nil
As at December 31, 2021	<u>28,037,886</u>	<u>179,268,276</u>	<u>307,695</u>	<u>154,532,494</u>	<u>8,685,182</u>	<u>84,989,427</u>	<u>455,820,960</u>
Accumulated Depreciation:							
As at January 01, 2021	3,493,596	8,768,287	130,155	4,880,792	Nil	3,332,813	20,605,643
Charge for the year	1,121,515	3,518,868	56,244	1,816,490	Nil	1,435,287	7,948,404
As at December 31, 2021	<u>4,615,111</u>	<u>12,287,155</u>	<u>186,399</u>	<u>6,697,282</u>	<u>Nil</u>	<u>4,768,100</u>	<u>28,554,047</u>
Net Carrying Value:							
As at December 31, 2021	<u>23,422,775</u>	<u>166,981,121</u>	<u>121,296</u>	<u>147,835,212</u>	<u>8,685,182</u>	<u>80,221,327</u>	<u>427,266,913</u>
As at December 31, 2020	<u>24,544,290</u>	<u>57,134,839</u>	<u>138,588</u>	<u>71,338,206</u>	<u>133,579,804</u>	<u>80,567,798</u>	<u>367,303,525</u>

During the year, in September 2021, ramp up of storage in Phase II tanks started and the hand over of the facility was completed in November 2021, when all the tanks were commissioned into operations. Accordingly, an amount of USD 191,678,646 was transferred from capital work in progress to tanks and installations.

Total amount capitalised includes an amount of USD 189,861,181 incurred for construction, consultancy work and capitalized borrowing costs along with USD 1,817,465 of depreciation of right-of-use assets.

Capital work in progress at December 31, 2021 of USD 8,685,182 relates to the Group's Phase III storage facilities under development.

Land lease agreement and the moveable assets of BPGIC FZE are pledged as security against borrowings obtained in 2020 (Note 21).

The depreciation charge for the year is allocated to the statement of comprehensive income (within profit and loss) and capital work in progress as follows:

	2021	2020
Direct costs (Note 7)	6,806,198	5,800,007
CWIP	1,142,206	309,306
	<u>7,948,404</u>	<u>6,109,313</u>



Brooge Energy Limited
Notes to the Consolidated Financial Statements
December 31, 2021
(Figures in USD)

Prior Year Restatement

	As previously reported	Restatement adjustments	As per the restate Financial Statement
	31-12-20	31-12-20	31-12-20
Consolidated Statement of Comprehensive Income			
Revenue	41,831,537	(14,640,361)	27,191,176
Direct costs	(12,944,760)	236,374	(12,708,386)
Gross Profit / (Loss)	28,886,777	(14,403,987)	14,482,790
Other income	828,332	Nil	828,332
General and administration expenses	(6,456,884)	(207,419)	(6,664,303)
Change in estimated fair value of derivative warrant liability	2,547,542	80	2,547,622
Finance costs	(8,306,150)	(29,119)	(8,335,269)
Profit for the year	17,159,113	(14,640,445)	2,518,668
Consolidated Statement of Financial Position			
<u>ASSETS</u>			
Current Assets			
Trade receivables	Nil	Nil	Nil
Other receivable and prepayments	690,232	(296,363)	393,869
Total Current Assets	40,401,956	(296,363)	40,105,593
Non-Current Assets			
Advances to contractor	16,418,065	40,187	16,458,252
Total Non-Current Assets	392,221,590	40,185	392,261,775
Total Assets	432,623,546	(256,178)	432,367,368
<u>LIABILITIES AND EQUITY</u>			
Current Liabilities			
Trade and accounts payable	13,829,897	3,936,678	17,766,575
Other payable	Nil	73,453,606	73,453,606
Lease liabilities	9,795,058	(7,203,501)	2,591,557
Total current liabilities	43,786,799	70,186,777	113,973,576
Non-current liabilities			
Lease liabilities	79,289,507	5,630,669	84,920,176
Total Non-Current Liabilities	260,218,070	5,630,669	265,848,739
Equity			
Share capital	8,801	3	8,804
Retained earnings	(46,907,568)	(73,440,087)	(120,347,655)
Statutory reserve	680,643	(335,795)	344,848
Shareholders' account	73,059,743	(2,297,745)	70,761,998
Total Equity	128,618,677	(76,073,624)	52,545,053
Total Equity & Liabilities	432,623,546	(256,178)	432,367,368



A F F I
N I A X
P A R T
N E R S

Member of
Allinial
GLOBAL®
An association of legally independent firms

+971 4 425 6616
PO Box 413383
mail@affiniax.com

affiniax.com

HEAD OFFICE

Office No. 3510 | HDS Tower | Cluster F
Jumeirah Lake Towers
Dubai | United Arab Emirates

DUBAI

Office 106 | 1st Floor
Binary by Omnyat | Business Bay
Dubai | United Arab Emirates

ABU DHABI

Unit 1324 | Mansoor Tower
Abu Dhabi Island | Abu Dhabi
United Arab Emirates

SHARJAH

P-3 Hamriyah Business Centre
Hamriyah Free Zone | Sharjah
United Arab Emirates

BAHRAIN

Office 2201 | 22nd Floor | Building 1260
Block 324 | Manama | Alfatih
Bahrain