

Energean Israel Limited

Unaudited interim condensed consolidated financial statements
31 March 2022

ENERGEAN ISRAEL LIMITED

Unaudited interim condensed consolidated financial statements

AS OF 31 MARCH 2022

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ENERGEAN ISRAEL LIMITED**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in thousands US Dollars, unless otherwise stated)

		31 March 2022	31 December 2021
		Unaudited	Audited
	Note		
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	3(A)	2,333,706	2,245,267
Intangible assets	3(B)	25,314	20,141
Other accounts receivable		9,248	6,463
Loan to related party		346,000	346,000
Restricted cash	3(C)(2)	100,000	100,000
Deferred expenses		22,958	22,958
Deferred tax asset	5	12,902	11,575
		<u>2,850,128</u>	<u>2,752,404</u>
CURRENT ASSETS:			
Trade and other receivables		29,076	22,769
Restricted cash	3(C)(2)	35,617	99,729
Cash and cash equivalents		301,574	349,827
		<u>366,267</u>	<u>472,325</u>
TOTAL ASSETS		<u>3,216,395</u>	<u>3,224,729</u>
EQUITY AND LIABILITIES:			
EQUITY:			
Share capital		1,708	1,708
Share premium		572,539	572,539
Accumulated losses		(37,470)	(35,946)
TOTAL EQUITY		<u>536,777</u>	<u>538,301</u>
NON-CURRENT LIABILITIES:			
Senior secured notes	3(C)	2,465,619	2,463,524
Provisions for decommissioning		35,696	35,525
Trade and other payables	3(E)	54,234	113,264
		<u>2,555,549</u>	<u>2,612,313</u>
CURRENT LIABILITIES:			
Trade and other payables	3(E)	70,158	74,115
Sales consideration received in advance	3(E)(3)	53,911	-
		<u>124,069</u>	<u>74,115</u>
TOTAL LIABILITIES		<u>2,679,618</u>	<u>2,686,428</u>
TOTAL EQUITY AND LIABILITIES		<u>3,216,395</u>	<u>3,224,729</u>

06 June 2022

Panagiotis Benos
Director

Matthaios Rigas
Director

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

ENERGEAN ISRAEL LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Amounts in thousands US Dollars, unless otherwise stated)

		For the period of three months ended 31 March 2022	For the period of three months ended 31 March 2021
		Unaudited	Unaudited
	Note		
Administrative expenses	4(A)	(2,205)	(878)
Other expenses	4(A)	(824)	(23)
Other income	4(A)	53	-
Operating loss		(2,976)	(901)
Finance income	4(B)	3,338	23
Finance expenses	4(B)	(3,078)	(157)
Foreign exchange gain (loss)	4(B)	(68)	517
Loss for the period before tax		(2,784)	(518)
Tax income	5	1,260	173
Net loss for the period		(1,524)	(345)
<u>Other comprehensive income (loss):</u>			
Items that may be reclassified subsequently to profit or loss:			
Gain (loss) on cash flow hedge for the period		-	2,269
Tax relating to items that may be reclassified subsequently to profit or loss		-	(522)
Other comprehensive income for the period		-	1,747
Total comprehensive income (loss) for the period		(1,524)	1,402

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

ENERGEAN ISRAEL LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Amounts in thousands US Dollars, unless otherwise stated)

For the period of three months ended 31 March 2022 (Unaudited):

	<u>Share capital</u>	<u>Share premium</u>	<u>Accumulated losses</u>	<u>Total equity</u>
Balance as of 1 January 2022	1,708	572,539	(35,946)	538,301
Changes during period:				
<u>Comprehensive loss:</u>				
Loss for the period	-	-	(1,524)	(1,524)
Balance as of 31 March 2022	<u>1,708</u>	<u>572,539</u>	<u>(37,470)</u>	<u>536,777</u>

For the period of three months ended 31 March 2021 (Unaudited):

	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Accumulated losses</u>	<u>Total equity</u>
Balance as of 1 January 2021	1,708	572,539	(5,328)	(25,114)	543,805
Changes during period:					
<u>Comprehensive income (loss):</u>					
Loss for the period	-	-	-	(345)	(345)
Other comprehensive loss, net of tax	-	-	1,747	-	1,747
Balance as of 31 March 2021	<u>1,708</u>	<u>572,539</u>	<u>(3,581)</u>	<u>(25,459)</u>	<u>545,207</u>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

ENERGEAN ISRAEL LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in thousands US Dollars, unless otherwise stated)

	For the period of three months ended 31 March 2022 Unaudited	For the period of three months ended 31 March 2021 Unaudited
Cash flows from operating activities:		
Loss for the period before tax	(2,784)	(518)
Adjustments for:		
Depreciation and amortisation	38	29
Loss from disposal on property, plant and equipment	824	23
Other expenses	5	-
Other income	(53)	-
Decommissioning discount unwinding	171	138
Finance Income	(3,338)	(23)
Finance expenses	2,907	19
Net foreign exchange gain	68	(517)
	622	(331)
Changes in working capital:		
Decrease (increase) in other receivables	(2)	27
Increase in trade and other payables	800	270
	(1,364)	(552)
Income taxes paid	(330)	-
Net cash used in operating activities	(1,694)	(552)
Cash flows from investing activities:		
Payment for purchase of oil & gas leases	-	(10,850)
Payment for purchase of property, plant and equipment	(44,002)	(77,956)
Payment for purchase of intangible assets	(2,231)	(2,812)
Movement in restricted cash	64,112	-
Interest received	692	59
Net cash generated (used) in investing activities	18,571	(91,559)
Cash flows from financing activities:		
Transaction cost due to senior secured notes issuance	-	(1,197)
Interest paid due to senior secured notes	(64,453)	-
Notes issuance- escrow account- related party transfer	-	10,384
Drawdown of borrowings	-	118,000
Repayment of loan from related parties	-	(16,000)
Finance cost paid	(384)	(21,810)
Finance costs paid for deferred license payments	-	(3,494)
Repayment of obligations under leases	(248)	(82)
Net cash generated (used) from financing activities	(65,085)	85,801
Net decrease in cash and cash equivalents	(48,208)	(6,310)
Cash and cash equivalents at the beginning of the period	349,827	37,421
Effect of exchange rate fluctuations on cash held	(45)	(186)
Cash and cash equivalents at the end of the period	301,574	30,925

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

ENERGEAN ISRAEL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

NOTE 1: GENERAL

- A. Energean Israel Limited (the “Company”) was incorporated in Cyprus on 22 July 2014 as a private company with limited liability under the Companies Law, Cap. 113. Its registered office is at Lefkonos 22, 1st Floor, 2064, Nicosia, Cyprus.
- B. The Company and its subsidiaries (the “Group”) has been established with the objective of exploration, production and commercialisation of natural gas and crude oil. The Group’s main activities are performed in Israel by the Company’s Israeli Branch.
- C. The Group’s core assets as of 31 March 2022 are comprised of:

Country	Asset	Working interest	Field phase
Israel	Karish (including Karish North)	100%	Development
Israel	Tanin	100%	Development
Israel	Blocks 12, 21, 23, 31	100%	Exploration
Israel	Four licenses Zone D (1)	80%	Exploration

- (1) The Company holds 80% interests in four licenses, blocks 55, 56, 61 and 62 (together, “Zone D”) in Israel’s Exclusive Economic Zone (“EEZ”).
- D. **COVID-19:** Despite COVID-related challenges experienced during the period (mainly at the Admiralty Yard in Singapore, where the Karish FPSO was built), the Group has made solid progress on its flagship Karish project, offshore Israel. The FPSO sailed away from Singapore and has arrived on location in Israel at June 5, 2022. The Company expects approximately three - four months of commissioning before first gas, which expected at Q3 this year.

NOTE 2: ACCOUNTING POLICIES AND BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the three months ended 31 March 2022, have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the European Union (EU). The unaudited interim condensed consolidated financial statements do not include all the information and disclosures that are required for the annual financial statements and must be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

These unaudited interim financial statements have been prepared on a going concern basis.

ENERGEAN ISRAEL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

NOTE 3: FINANCIAL POSITION

A. Property, Plant and Equipment:

1) Composition:

	Petroleum and Gas assets	Leased assets	Furniture, fixtures and equipment	Total
Cost:				
At 1 January 2021	1,812,758	604	635	1,813,997
Additions (*)	243,346	3,405	194	246,945
Disposals	(23)	-	-	(23)
Capitalised borrowing cost (**)	188,889	-	-	188,889
Capitalised depreciation	362	-	-	362
Change in decommissioning provision	(3,549)	-	-	(3,549)
Total cost at 31 December 2021	2,241,783	4,009	829	2,246,621
Additions (*)	52,268	108	1,717	54,093
Disposals	(900)	-	-	(900)
Capitalised borrowing cost (**)	35,284	-	-	35,284
Capitalised depreciation	177	-	-	177
Total cost at 31 March 2022	2,328,612	4,117	2,546	2,335,275
Depreciation:				
At 1 January 2021	-	331	143	474
Charge for the year (Note 14)	-	-	85	85
Capitalised to petroleum and gas assets	-	362	-	362
Write down of the assets	433	-	-	433
Total Depreciation at 31 December 2021	433	693	228	1,354
Expensed for the period	-	-	38	38
Capitalised to petroleum and gas assets	-	177	-	177
Total Depreciation at 31 March 2022	433	870	266	1,569
Net property, plant and equipment at 31 December 2021	2,241,350	3,316	601	2,245,267
Net property, plant and equipment at 31 March 2022	2,328,179	3,247	2,280	2,333,706

(*) The additions to Petroleum and Gas assets are mainly due to the development costs of Karish field which mainly relate to the EPCIC contract (FPSO, Sub Sea and On-shore construction cost).

(**) The borrowing costs capitalised are mainly due to the secured senior notes.

ENERGEAN ISRAEL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

NOTE 3: FINANCIAL POSITION (Cont.)

2) Cash flow statement reconciliations:

	For the period of three months ended 31 March 2022	For the period of three months ended 31 March 2021
	Unaudited	Unaudited
(
Additions to property, plant and equipment	88,654	130,036
<u>Less</u>		
Capitalised borrowing costs	(35,284)	(45,278)
Right-of-use asset additions	(107)	(22)
Capitalised share-based payment charge	(40)	(24)
Capitalised depreciation	(177)	(53)
Total	53,046	84,659
Movement in working capital	(9,044)	4,147
Cash capital expenditures per the cash flow statement	44,002	
(*)		88,806

es payment of US\$10.85 million which has been paid in 2021 to the sellers of Karish and Tanin leases.

B. Intangible Assets:

1) Composition:

	Exploration and evaluation assets	Software license	Total
Cost:			
At 1 January 2021	13,799	255	14,054
Additions	6,342	-	6,342
At 31 December 2021	20,141	255	20,396
Additions	5,173	-	5,173
At 31 March 2022	25,314	255	25,569
Amortisation:			
At 1 January 2021	-	247	247
Charge for the year	-	8	8
Total Amortisation at 31 December 2021	-	255	255
Expensed for the period	-	-	-
Total Amortisation at 31 March 2022	-	255	255
Net intangible assets at 31 December 2021	20,141	-	20,141
Net intangible assets at 31 March 2022	25,314	-	25,314

ENERGEAN ISRAEL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

NOTE 3: FINANCIAL POSITION (Cont.)

2) Cash flow statement reconciliations:

	For the period of three months ended 31 March 2022	For the period of nine months ended 31 March 2021
	Unaudited	Unaudited
Additions to intangible assets	5,173	2,799
Less		
Movement in working capital	(2,942)	13
Cash capital expenditures per the cash flow statement	2,231	2,812

C. Senior secured Notes:

1) Issuance of US\$2,500,000,000 senior secured notes:

On 24 March 2021 ("Issue Date"), Energean Israel Finance Ltd (a subsidiary of the Company, held 100%) announced on closing of an offering of US\$2,500,000,000 senior secured notes. The Notes were issued in four series as follows:

Series	Maturity	Annual fixed Interest rate	31 March 2022 Carrying value	31 December 2021 Carrying value
US\$ 625 million	30 March 2024	4.500%	617,942	617,060
US\$ 625 million	30 March 2026	4.875%	616,498	615,966
US\$ 625 million	30 March 2028	5.375%	615,842	615,451
US\$ 625 million	30 March 2031	5.875%	615,337	615,047
US\$2,500 million			2,465,619	2,463,524

The interest on each series of the Notes will be paid semi-annually, on 30 March and on 30 September of each year.

The Notes are listed for trading on the TACT Institutional of the Tel Aviv Stock Exchange Ltd. (the "TASE").

With regards to the Indenture document, signed on 24 March 2021 with HSBC BANK USA, N.A (the "Trustee"), no Indenture default or Indenture event of default has occurred and is continuing.

ENERGEAN ISRAEL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

NOTE 3: FINANCIAL POSITION (Cont.)

2) Restricted cash:

As of 31 March 2022 the restricted cash of the Company includes:

- Long term restricted cash of US\$100 million Debt Payment Fund that would be released upon achieving three quarters annualized production of 3.8 BCM/year.
- Short term restricted cash of US\$35.6 million to cover the Interest Reserve Account for the accrued interest of the senior Secured Notes till 30 June 2022.

3) Credit rating:

Moody's assigns Ba3 rating the senior secured notes, and S&P Global assigns BB- rating the senior secured notes.

D. Fair value measurements:

The information set out below provides information about how the Group determines the fair values of various financial assets and liabilities.

The fair values of the Group's non-current liabilities measured at amortised cost are considered to approximate their carrying amounts at the reporting date.

The carrying value less any estimated credit adjustments for financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values due to their short term-nature.

The fair value hierarchy of financial assets and financial liabilities that are not measured at fair value (but fair value disclosure is required) is as follows:

Fair value hierarchy as of 31 March 2022				
Unaudited				
	Level 1	Level 2	Level 3	Total
Financial assets				
Long term trade and other receivables	-	9,184	-	9,184
Loan to related party	-	346,000	-	346,000
Long term restricted cash	100,000	-	-	100,000
Short term restricted cash	35,617	-	-	35,617
Short term trade and other receivables	-	29,076	-	29,076
Cash and cash equivalents	301,574	-	-	301,574
Total	437,191	384,260	-	821,451
Financial liabilities				
Senior secured notes	-	2,465,619	-	2,465,619
Trade and other payables - long term	-	54,234	-	54,234
Trade and other payables - short term	-	69,949	-	69,949
Total	-	2,589,802	-	2,589,802

ENERGEAN ISRAEL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

NOTE 3: FINANCIAL POSITION (Cont.)

	Fair value hierarchy as of 31 December 2021			
	Audited			Total
	Level 1	Level 2	Level 3	
Financial assets				
Long term trade and other receivables		6,402	-	6,402
Loan to related party		346,000	-	346,000
Long term restricted cash	100,000		-	100,000
Short term restricted cash	99,729		-	99,729
Short term trade and other receivables	-	22,176	-	22,176
Cash and cash equivalents	349,827	-	-	349,827
Total	549,556	374,578	-	924,134
Financial liabilities				
Senior secured notes	-	2,495,751	-	2,495,751
Trade and other payables - long term	-	59,727	-	59,727
Trade and other payables - short term	-	40,312	-	40,312
Total	-	2,595,790	-	2,595,790

E. Trade and other payables:

	31 March 2022	31 December 2021
	Unaudited	Audited
Current		
Financial items		
Trade accounts payable (1)	27,649	32,611
Accrued expenses (1)	11,036	5,611
Payables to related parties	5,538	1,079
Deferred license payments (2)	24,695	-
Interest payable	-	32,227
Current lease liabilities	1,031	1,011
	<u>69,949</u>	<u>72,539</u>
Non-Financial items		
VAT payable	-	1,217
Social insurance and other taxes	192	132
Income taxes	17	227
	<u>209</u>	<u>1,576</u>
	<u>70,158</u>	<u>74,115</u>

ENERGEAN ISRAEL LIMITED**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts in thousands US Dollars, unless otherwise stated)

NOTE 3: FINANCIAL POSITION (Cont.)

	31 March 2022	31 December 2021
	Unaudited	Audited
Non-current		
Financial items		
Accrued expenses to related parties	152	294
Long term lease liabilities	2,134	2,203
Trade and other payables (4)	18,171	-
Deferred license payments (2)	33,777	57,230
	<u>54,234</u>	<u>59,727</u>
Non-Financial items		
Sales consideration received in advance (INGL) (3)	-	53,537
	<u>-</u>	<u>53,537</u>
	<u>54,234</u>	<u>113,264</u>

- (1) The change in Trade payables and accrued expenses represents mainly timing differences and levels of work activity in Karish project. Trade payables are non-interest bearing.
- (2) In December 2016, the Company acquired the Karish and Tanin offshore gas fields for US\$40 million closing payment with an obligation to pay additional consideration of US\$108.5 million plus interest inflated at an annual rate of 4.6% in ten equal annual payments. As at 31 March 2022 the total discounted deferred consideration was approx. US\$58 million (as at 31 December 2021: approx. US\$57million).
The Sale and Purchase Agreement (“SPA”) includes provisions in the event of Force Majeure that prevents or delays the implementation of the development plan as approved under one lease for a period of more than ninety (90) days in any year following the final investment decision (“FID”) date. In the event of Force Majeure, the applicable annual payment of the remaining consideration will be postponed by an equivalent period of time, and no interest will be accrued in that period of time as well.
Due to the effects of the COVID-19 pandemic which constitute a Force Majeure event, the deferred payment due in March 2022 was postponed.
- (3) The sales consideration received in advance is related to the agreement with Israel Natural Gas Lines (“INGL”) for the transfer of title (the "hand over") of the near shore and onshore part of the infrastructure that will deliver gas from the Energean Power FPSO into the Israeli national gas transmission grid. It is intended that the hand over to INGL will become effective at least 90 days after the delivery of first gas from the Karish field which expected in Q3-2022. Following Hand Over, INGL will be responsible for the operation and maintenance of this part of the infrastructure.
As of 31 March 2022, the sales consideration received in advance presented as short term liability (on 31 December 2021 was presented under long term payables).
- (4) In March 2022 the company signed the amendment to EPCIC contract to delay part of the payments according to agreed schedule.

ENERGEAN ISRAEL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

NOTE 4: COMPREHENSIVE INCOME

A. Operating loss:

	For the period of three months ended 31 March 2022 Unaudited	For the period of three months ended 31 March 2021 Unaudited
<u>General & administration expenses</u>		
Payroll costs	397	384
Share-based payment charge included in administrative expenses	31	21
Depreciation and amortisation (Notes 3(A) and 3(B))	38	29
Auditor fees	80	98
Other general & administration expenses	1,659	346
Total administrative expenses	2,205	878
<u>Other expenses</u>		
Loss from property, plant and equipment disposal	824	23
Total other expenses	824	23
<u>Other income</u>		
Gain from disposal	(53)	-
Total other income	(53)	-

ENERGEAN ISRAEL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

NOTE 4: COMPREHENSIVE INCOME (Cont.)

B. Net finance income (expenses):

	For the period of three months ended 31 March 2022 Unaudited	For the period of three months ended 31 March 2021 Unaudited
Interest on bank borrowings	-	27,213
Interest on senior secured notes (1)	34,323	2,507
Interest expense on long terms payables	2,064	1,913
Interest on shareholders loan	-	9
Less amounts included in the cost of qualifying assets (2)	(33,744)	(31,642)
	2,643	-
Finance and arrangement fees	1,459	11,374
Other finance costs and bank charges	264	19
Interest expenses from Hedging	-	2,249
Unwinding of discount on decommissioning liabilities	171	138
Interest on obligations for leases	83	13
Less amounts included in the cost of qualifying assets (2)	(1,542)	(13,636)
	435	157
Total finance costs	3,078	157
Interest income from time deposits	557	23
Interest income from loans to related parties	2,781	-
Total finance income	3,338	23
Net foreign exchange gain (loss)	(68)	517
Net finance income	192	383

(1) See also Note 3(C)(1).

(2) See also Note 3(A).

NOTE 5: TAXATION

A. Tax income:

	For the period of three months ended 31 March 2022 Unaudited	For the period of three months ended 31 March 2021 Unaudited
Corporation tax - current year	(67)	-
Deferred tax income	1,327	173
Total taxation income	1,260	173

ENERGEAN ISRAEL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

NOTE 5: TAXATION (Cont.)

B. Deferred tax:

The deferred taxes, driven from the activity in Israel by the Israeli Branch of the Company, are computed at the average tax rate of 23%, based on the tax rates that are expected to apply upon reversal. The deferred taxes are presented in the statement of financial position as non-current assets. Below are the items for which deferred taxes were recognised:

	Property , plant and equipme nt & intangibl e asset	Right of use asset IFRS 16	Tax losses	Deferred expenses for tax	Staff leaving indemnities	Accrued expenses and other short-term liabilities and other long-term liabilities	Derivative liability	Provisions for decommissioning	Total
At 1 January 2021	(12,140)	(62)	9,325	-	63	293	1,591	8,769	7,839
<u>Increase (decrease) for the year through:</u>									
Profit or loss	(492)	(700)	1,436	5,020	31	630	-	(598)	5,327
Reclassification for the current year	-	-	(1,090)	1,090	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	(1,591)	-	(1,591)
At 31 December 2021	(12,632)	(762)	9,671	6,110	94	923	-	8,171	11,575
<u>Increase (decrease) for the period through:</u>									
Profit or loss	(1,285)	(11)	2,568	-	-	16	-	39	1,327
At 31 March 2022	(13,917)	(773)	12,239	6,110	94	939	-	8,210	12,902

ENERGEAN ISRAEL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

NOTE 6: SIGNIFICANTS EVENTS AND TRANSACTIONS DURING THE REPORTING PERIOD

A. Gas supply agreement with the Israel Electric Company

In March 2022, Energean signed a gas supply agreement with the Israel Electric Company. The gas price will be determined in each period, with volumes determined on a daily basis. Starting upon the commencement of first gas production from Karish, the agreement will be valid for an initial one-year period with an option to extend subject to ratification by both parties

B. Offshore Israel during March 2022:

The company started the drilling of three wells during March 2022. See also Note 7(D).

NOTE 7: SIGNIFICANTS EVENTS AND TRANSACTIONS AFTER THE REPORTING PERIOD

A. Share Premium Capital reduction:

On 8 April 2022 the Company reduced its share premium capital at the amount of 360 million USD and credited against it the loan to its shareholder at the amount of \$US346 million and the accrued interest to receive as of 8 April 2022.

B. Termination of contract with Gas Buyer

In May 2022, further to the claims raised by the parties in the related arbitration proceedings (including the counterclaim filed by Energean seeking a declaration that Energean is entitled to terminate the GSPA as well as damages), Dalia and the Company agreed to end all claims and disputes between them. Both sides agreed that the Dalia GSPA (which represents up to 0.8 billion cubic meter ("bcm") per year was lawfully terminated, that the arbitration proceedings are terminated, and that neither party owes or will be liable to the other for any payment in connection with and due to the Dalia GSPA, the arbitration proceedings and the facts subject thereof. This was agreed to be final and unappealable.

C. Contract signed with new Gas Buyer

In May 2022 Company has signed a new GSPA, representing up to 0.8 bcm/year, to supply gas to the East Hagit Power Plant Limited Partnership ("EH Partnership"), a partnership between the Edeltech Group and Shikun & Binui Energy.

The GSPA is for a term of approximately 15 years, for a total contract quantity of up to 12 bcm. The contract contains provisions regarding floor pricing, offtake exclusivity and a price indexation mechanism.

D. Athena Gas Discovery

Commercial discovery made by the Athena exploration well, Block 12, in the A, B and C sands. Preliminary analysis indicates that the Athena discovery contains recoverable gas volumes of 8 bcm on a standalone basis.

This discovery is particularly significant as it de-risks an additional 50 bcm of mean unrisked prospective resources across Energean's Olympus Area (total 58 bcm including Athena). The Olympus Area is Energean's newly defined area which includes Athena, plus the undrilled prospects on Block 12 and the adjacent Tanin Lease.

ENERGEAN ISRAEL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

NOTE 7: SIGNIFICANTS EVENTS AND TRANSACTIONS AFTER THE REPORTING PERIOD (Cont.)

E. Claim submitted under the Karish-Tanin SPA

On 31 May 2022, NewMed Energy LP (previously named Delek Drilling LP) ("NewMed") filed a lawsuit against the Company before the Tel Aviv District Court. The claim is for the amount of US\$65.1 million plus interest and indexation, constituting the outstanding consideration under the SPA (see Note 3(E)(2)). The residual remedy requested is US\$10.85 million plus interest and indexation, reflecting the annual payment for the year 2021. The claim is purportedly based on a payment acceleration mechanism set in the SPA, combined with NewMed's rejection of the Company's Force Majeure claim. The claim is being assessed by the Company together with its legal advisors.

F. The FPSO sailed away from Singapore and has arrived on location in Israel on 5 June 2022.