

# **Energean Israel Limited**

Unaudited interim condensed consolidated financial statements

30 June 2022

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**ENERGEAN ISRAEL LIMITED**

**Unaudited interim condensed consolidated financial statements**

**AS OF 30 JUNE 2022**

**INDEX**

	<b>Page</b>
<b>Interim condensed consolidated statement of financial position</b>	<b>1</b>
<b>Interim condensed consolidated statement of comprehensive income</b>	<b>2</b>
<b>Interim condensed consolidated statement of changes in equity</b>	<b>3</b>
<b>Interim condensed consolidated statement of cash flows</b>	<b>4</b>
<b>Notes to the interim condensed consolidated financial statements</b>	<b>5-16</b>

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**ENERGEAN ISRAEL LIMITED****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in thousands US Dollars, unless otherwise stated)

		<b>30 June 2022</b>	<b>31 December 2021</b>
		<u>Unaudited</u>	<u>Audited</u>
	<u>Note</u>		
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	3(A)	2,584,894	2,245,267
Intangible assets	3(B)	54,527	20,141
Other accounts receivable	6(B)	82	6,463
Loan to related party	6(B)	-	346,000
Restricted cash	3(D)(2)	-	100,000
Deferred expenses	3(C)	-	22,958
Deferred tax asset	5	14,458	11,575
		<u>2,653,961</u>	<u>2,752,404</u>
<b>CURRENT ASSETS:</b>			
Trade and other receivables		32,152	22,769
Deferred expenses	3(C)	22,958	-
Restricted cash	3(D)(2)	1	99,729
Cash and cash equivalents		218,711	349,827
		<u>409,431</u>	<u>472,325</u>
<b>TOTAL ASSETS</b>		<u><b>3,063,392</b></u>	<u><b>3,224,729</b></u>
<b>EQUITY AND LIABILITIES:</b>			
<b>EQUITY:</b>			
Share capital		1,708	1,708
Share premium	6(B)	212,539	572,539
Accumulated losses		(40,851)	(35,946)
<b>TOTAL EQUITY</b>		<u>173,396</u>	<u>538,301</u>
<b>NON-CURRENT LIABILITIES:</b>			
Senior secured notes	3(D)	2,467,251	2,463,524
Provisions for decommissioning		26,609	35,525
Trade and other payables	3(F)	160	113,264
		<u>2,654,447</u>	<u>2,612,313</u>
<b>CURRENT LIABILITIES:</b>			
Trade and other payables	3(F)	235,549	74,115
<b>TOTAL LIABILITIES</b>		<u>2,889,996</u>	<u>2,686,428</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>3,063,392</b></u>	<u><b>3,224,729</b></u>

September 7, 2022

Panagiotis Benos  
DirectorMatthaios Rigas  
Director

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

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**ENERGEAN ISRAEL LIMITED****INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****Six months ended 30 June 2022****(Amounts in thousands US Dollars, unless otherwise stated)**

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	<b>Note</b>	<b>30 June (Unaudited)</b>	
		<b>2022</b>	<b>2021</b>
Administrative expenses	4(A)	(5,453)	(1,735)
Other expenses	4(A)	(1,074)	(28)
Other income	4(A)	53	-
Operating loss		(6,474)	(1,763)
Finance income	4(B)	4,504	1,808
Finance expenses	4(B)	(4,671)	(9,436)
Foreign exchange loss	4(B)	(967)	(727)
		(1,134)	(8,355)
<b>Loss for the period before tax</b>		<b>(7,608)</b>	<b>(10,118)</b>
Tax income	5	2,703	2,571
<b>Net loss for the period</b>		<b>(4,905)</b>	<b>(7,547)</b>
<b>Other comprehensive income (loss):</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Gain (loss) on cash flow hedge for the period		-	2,278
Reclassification adjustment for items included in loss on realisation		-	4,641
Tax relating to items that may be reclassified subsequently to profit or loss		-	(1,591)
<b>Other comprehensive income for the period</b>		<b>-</b>	<b>5,328</b>
<b>Total comprehensive loss for the period</b>		<b>(4,905)</b>	<b>(2,219)</b>

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

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**ENERGEAN ISRAEL LIMITED****INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****Six months ended 30 June 2022****(Amounts in thousands US Dollars, unless otherwise stated)**

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**For the period of six months ended 30 June 2022 (Unaudited):**

	<u>Share capital</u>	<u>Share premium</u>	<u>Accumulated losses</u>	<u>Total equity</u>
<b>Balance as of 1 January 2022</b>	1,708	572,539	(35,946)	538,301
<b>Changes during period:</b>				
<b><u>Transactions with shareholders</u></b>				
Share premium reduction, see note 6(B)	-	(360,000)	-	(360,000)
<b><u>Comprehensive loss:</u></b>				
Loss for the period	-	-	(4,905)	(4,905)
<b>Balance as of 30 June 2022</b>	<u><u>1,708</u></u>	<u><u>212,539</u></u>	<u><u>(40,851)</u></u>	<u><u>173,396</u></u>

**For the period of six months ended 30 June 2021 (Unaudited):**

	<u>Share capital</u>	<u>Share Premiu m</u>	<u>Other reserves</u>	<u>Accumulate d losses</u>	<u>Total equity</u>
<b>Balance as of 1 January 2021</b>	1,708	572,539	(5,328)	(25,114)	543,805
<b>Changes during period:</b>					
<b><u>Comprehensive Income (Loss):</u></b>					
Loss for the period	-	-	-	(7,547)	(7,547)
Other comprehensive income, net of tax	-	-	5,328	-	5,328
<b>Balance as of 30 June 2021</b>	<u><u>1,708</u></u>	<u><u>572,539</u></u>	<u><u>-</u></u>	<u><u>(32,661)</u></u>	<u><u>541,586</u></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

Six months ended 30 June 2022

(Amounts in thousands US Dollars, unless otherwise stated)

	30 June (Unaudited)	
	2022	2021
<u>Cash flows from operating activities:</u>		
<b>Loss for the period before tax</b>	<b>(7,608)</b>	<b>(10,118)</b>
<u>Adjustments for:</u>		
Depreciation and amortisation	110	50
Loss from disposal on property, plant and equipment	1,074	23
Decommissioning discount unwinding	343	343
Other expenses	-	5
Finance income	(	(1,808)
Finance expenses	4,330	9,093
Net foreign exchange loss	967	727
	<b>(5,288)</b>	<b>(1,685)</b>
<b>Changes in working capital:</b>		
Decrease (increase) in other receivables	871	(183)
Decrease in trade and other payables	(310)	(932)
	560	(1,115)
Income taxes paid	(558)	-
<b>Net cash used in operating activities</b>	<b>(5,285)</b>	<b>(2,800)</b>
<u>Cash flows from investing activities:</u>		
Payment for purchase of oil & gas leases	-	(10,850)
Payment for purchase of property, plant and equipment	(130,118)	(97,615)
Payment for purchase of intangible assets	(10,034)	(3,682)
Proceeds from disposals of property, plant and equipment	188	-
Amounts received from INGL related to the future transfer disposals of property, plant and equipment	17,371	-
Movement in restricted cash	64,119	(266,241)
Interest received	1,544	123
<b>Net cash used in investing activities</b>	<b>(56,930)</b>	<b>(378,265)</b>
<u>Cash flows from financing activities:</u>		
Senior secured notes issuance	-	2,500,000
Transaction cost due to senior secured notes issuance	-	(37,218)
Interest paid due to senior secured notes	(64,453)	-
Drawdown of borrowings	-	118,000
Repayment of borrowings	-	(1,268,000)
Loan to related party (*)	-	(175,884)
Repayment of loan from related parties	-	(16,000)
Finance cost paid	(1,869)	(41,861)
Finance costs paid for deferred license payments	-	(3,494)
Repayment of obligations under leases	(499)	(169)
<b>Net cash generated (used) from financing activities</b>	<b>(66,821)</b>	<b>1,075,374</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(129,036)</b>	<b>694,309</b>
Cash and cash equivalents at the beginning of the period	349,827	37,421
Effect of exchange rate fluctuations on cash held	(2,080)	(146)
<b>Cash and cash equivalents at the end of the period</b>	<b>218,711</b>	<b>731,584</b>

(\*) The loan to related party was repaid as part of the Share Premium Capital reduction, see note 6(B).

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

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## ENERGEAN ISRAEL LIMITED

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

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#### 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, 1<sup>st</sup> Floor, 2064, Nicosia, Cyprus.
- B. The Company and its subsidiaries (the “Group”) was 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 30 June 2022 are composed 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 licences Zone D (1)	80%	Exploration

- (1) The Company holds 80% interests in four licences, blocks 55, 56, 61 and 62 (together, “Zone D”) in Israel’s Exclusive Economic Zone (“EEZ”). Following Energean’s submission of a formal notice of relinquishment to the Ministry of Energy, the licences will expire on 27 October 2022, at the end of their term. See note 7(A).
- D. The Energean Power FPSO arrived on location in Israel on 5 June 2022 and is expected to deliver first gas within a few weeks.

#### NOTE 2: ACCOUNTING POLICIES AND BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by United Kingdom (UK). 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:

	Oil & gas properties	Leased assets	Furniture, fixtures and equipment	Total
<b>Cost:</b>				
At 1 January 2021	<b>1,812,758</b>	<b>604</b>	<b>635</b>	<b>1,813,997</b>
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)
<b>Total cost at 31 December 2021</b>	<b>2,241,783</b>	<b>4,009</b>	<b>829</b>	<b>2,246,621</b>
Additions (*)	286,844	198	1,922	288,964
Disposals	(900)	-	-	(900)
Capitalised borrowing cost (**)	60,749	-	-	60,749
Capitalised depreciation	357	-	-	357
Change in decommissioning provision	(9,259)	-	-	(9,259)
<b>Total cost at 30 June 2022</b>	<b>2,579,574</b>	<b>4,207</b>	<b>2,751</b>	<b>2,586,532</b>
<b>Depreciation:</b>				
At 1 January 2021	-	<b>331</b>	<b>143</b>	<b>474</b>
Charge for the year	-	-	85	85
Capitalised to petroleum and gas assets	-	362	-	362
Write down of the assets	433	-	-	433
<b>Total Depreciation at 31 December 2021</b>	<b>433</b>	<b>693</b>	<b>228</b>	<b>1,354</b>
Expensed for the period	-	-	110	110
Disposals	(433)	-	-	(433)
Write down of the assets	250	-	-	250
Capitalised to petroleum and gas assets	-	357	-	357
<b>Total Depreciation at 30 June 2022</b>	<b>250</b>	<b>1,050</b>	<b>338</b>	<b>1,638</b>
<b>Net property, plant and equipment at 31 December 2021</b>	<b>2,241,350</b>	<b>3,316</b>	<b>601</b>	<b>2,245,267</b>
<b>Net property, plant and equipment at 30 June 2022</b>	<b>2,579,324</b>	<b>3,157</b>	<b>2,413</b>	<b>2,584,894</b>

(\*) The additions to oil & gas properties are primarily due to development costs for the Karish field, incurred under the EPCIC contract. Works relate primarily to the FPSO, subsea and onshore construction.

(\*\*) Capitalised borrowing costs relate primarily to the secured senior notes.



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

(Amounts in thousands US Dollars, unless otherwise stated)

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**NOTE 3: FINANCIAL POSITION (Cont.)****2) Cash flow statement reconciliations:**

	<b>30 June (Unaudited)</b>	
	<b>2022</b>	<b>2021</b>
Additions to property, plant and equipment	339,911	280,576
<b>Associated cash flows</b>		
Payment for additions to property, plant and equipment (*)	(130,118)	(108,465)
<b>Non-cash movements/presented in other cash flow lines</b>		
Capitalised borrowing costs	(60,749)	(122,175)
Right-of-use asset additions	(198)	(57)
Capitalised share-based payment charge	(109)	(65)
Capitalised depreciation	(357)	(106)
Change in decommissioning provision	9,259	4,034
Movement in working capital	(157,639)	(53,742)

(\*) This amount includes US\$10.85 million which was paid to the sellers of the Karish and Tanin leases during 2021.

**B. Intangible Assets:****1) Composition:**

	<b>Exploration and evaluation assets</b>	<b>Software license</b>	<b>Total</b>
<b>Cost:</b>			
At 1 January 2021	13,799	255	14,054
Additions	6,342	-	6,342
<b>At 31 December 2021</b>	<b>20,141</b>	<b>255</b>	<b>20,396</b>
Additions (*)	34,386	-	34,386
<b>At 31 June 2022</b>	<b>54,527</b>	<b>255</b>	<b>54,782</b>
<b>Amortisation:</b>			
At 1 January 2021	-	247	247
Charge for the year	-	8	8
<b>Total Amortisation at 31 December 2021</b>	<b>-</b>	<b>255</b>	<b>255</b>
Expensed for the period	-	-	-
<b>Total Amortisation at 30 June 2022</b>	<b>-</b>	<b>255</b>	<b>255</b>

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<b>Net intangible assets at 31 December 2021</b>	<b>20,141</b>	<b>-</b>	<b>20,141</b>
<b>Net intangible assets at 30 June 2022</b>	<b>54,527</b>	<b>-</b>	<b>54,527</b>

(\*) Additions to exploration and evaluation assets are primarily due to geological surveys, seismic acquisition and processing and drilling activities undertaken in Block 12, offshore Israel. See also notes 6(E), 6(F).

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

(Amounts in thousands US Dollars, unless otherwise stated)

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**NOTE 3: FINANCIAL POSITION (Cont.)****2) Cash flow statement reconciliations:**

	<b>30 June (Unaudited)</b>	
	<b>2022</b>	<b>2021</b>
Additions to intangible assets	34,386	3,738
<b>Associated cash flows</b>		
Payment for additions to intangible assets	(10,034)	(3,682)
<b>Non-cash movements/presented in other cash flow lines</b>		
Movement in working capital	(24,352)	(56)

**C. Deferred expenses**

Deferred expenses relate to compensation of US\$22.9 million that was accrued in 2021 following delays to the supply of gas from the Karish project. It is presented on the balance sheet as a current asset as it will be treated as variable consideration under IFRS 15, offsetting gas sales once gas delivery commences. First gas from the Karish project is expected within the next few weeks.

**D. Senior secured notes:****1) Issuance of US\$2,500,000,000 senior secured notes:**

On 24 March 2021 (the “Issue Date”), Energean Israel Finance Ltd (a 100% subsidiary of the Company) issued US\$2,500,000,000 of senior secured notes.

The Notes were issued in four equal tranches as follows:

Series	Maturity	Annual fixed Interest rate	<b>30 June 2022</b>	<b>31 December 2021</b>
			<b>Carrying value</b>	<b>Carrying value</b>
US\$ 625 million	30 March 2024	4.500%	618,741	617,060
US\$ 625 million	30 March 2026	4.875%	616,930	615,966
US\$ 625 million	30 March 2028	5.375%	616,107	615,451
US\$ 625 million	30 March 2031	5.875%	615,473	615,047
<b>US\$2,500 million</b>			<b>2,467,251</b>	<b>2,463,524</b>

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

The Notes are listed 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.

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## ENERGEAN ISRAEL LIMITED

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

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#### NOTE 3: FINANCIAL POSITION (Cont.)

##### 2) Restricted cash:

As of 30 June 2022, the restricted cash of the Company includes:

- Short term restricted cash of US\$100 million debt payment fund that will be released upon achieving three quarters of production of 3.8 bcm/year on an annualised basis
- 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:

The senior secured notes have been assigned a Ba3 rating by Moody's and a BB- rating by S&P Global.

#### E. 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 30 June 2022		
	Unaudited		
	Level 1	Level 2	Total
<b>Financial assets</b>			
Short term restricted cash	135,610	-	<b>135,610</b>
Short term trade and other receivables	-	31,741	<b>31,741</b>
Cash and cash equivalents	218,711	-	<b>218,711</b>
<b>Total</b>	<b>354,321</b>	<b>31,741</b>	<b>386,062</b>
<b>Financial liabilities</b>			
Senior secured notes (*)	2,189,375	-	<b>2,189,375</b>
Trade and other payables - long term	-	160,587	<b>160,587</b>
Trade and other payables - short term	-	127,907	<b>127,907</b>
<b>Total</b>	<b>2,189,375</b>	<b>288,494</b>	<b>2,477,869</b>

## 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	
<b>Financial assets</b>			
Long term trade and other receivables	-	6,402	<b>6,402</b>
Loan to related party	-	346,000	<b>346,000</b>
Long term restricted cash	100,000	-	<b>100,000</b>
Short term restricted cash	99,729	-	<b>99,729</b>
Short term trade and other receivables	-	22,176	<b>22,176</b>
Cash and cash equivalents	349,827	-	<b>349,827</b>
<b>Total</b>	<b>549,556</b>	<b>374,578</b>	<b>924,134</b>
<b>Financial liabilities</b>			
Senior secured notes (*)	2,483,750	-	<b>2,483,750</b>
Trade and other payables - long term	-	59,727	<b>59,727</b>
Trade and other payables - short term	-	35,918	<b>35,918</b>
<b>Total</b>	<b>2,483,750</b>	<b>100,039</b>	<b>2,583,789</b>

(\*) The senior secured notes are measured at amortised cost in the Company's financial statements. The notes are listed for trading on the TACT Institutional of the Tel Aviv Stock Exchange Ltd. (the "TASE"). The carrying amount as of 30 June 2022 was US\$2,467 million and as of 31 December 2021 was US\$2,463 million.

#### F. Trade and other payables:

	30 June 2022	31 December 2021
	Unaudited	Audited
<b>Current</b>		
<b>Financial items</b>		
Trade accounts payable (1)	90,436	32,611
Payables to related parties	12,057	1,079
Deferred license payments (2)	24,466	-
Value added tax payable	-	1,217
Current lease liabilities	948	1,011
	<u>127,907</u>	<u>35,918</u>
<b>Non-Financial items</b>		
Accrued expenses (1)	20,348	5,611
Interest payable	32,227	32,227
Sales consideration received in advance (4)	54,690	-
Social insurance and other taxes	377	132
Income taxes	-	227
	<u>107,642</u>	<u>38,197</u>
	<b><u>235,549</u></b>	<b><u>74,115</u></b>

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

(Amounts in thousands US Dollars, unless otherwise stated)

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**NOTE 3: FINANCIAL POSITION (Cont.)**

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>Non-current Financial items</b>		
Accrued expenses to related parties	199	294
Long term lease liabilities	2,177	2,203
Trade and other payables (3)	122,579	-
Deferred license payments (2)	35,632	57,230
	<b>160,587</b>	<b>59,727</b>
<b>Non-Financial items</b>		
Sales consideration received in advance (4)	-	53,537
	<b>160,587</b>	<b>113,264</b>

- (1) Trade payables and accrued expenses relate primarily to development expenditure on the Karish project, with the main contributors being FPSO and subsea construction costs. Trade payables are non-interest bearing.
- (2) In December 2016, the Company acquired the Karish and Tanin leases for US\$40 million of up front consideration plus contingent consideration of US\$108.5 million (paid over 10 equal instalments) bearing interest at an annual rate of 4.6%. As at 30 June 2022, the total discounted deferred consideration was US\$60 million (31 December 2021: 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 accordingly.
- (3) Amount payable to Technip in respect of the EPCIC contract. The amount is payable in eight equal instalments commencing nine-months following practical completion of the project and therefore has been discounted at 5.831% per annum.
- (4) The sales consideration received in advance relates 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 is expected in the next few weeks. Following Hand Over, INGL will be responsible for the operation and maintenance of this part of the infrastructure.

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

(Amounts in thousands US Dollars, unless otherwise stated)

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**NOTE 4: COMPREHENSIVE INCOME****A. Operating loss:**

	<b>30 June (Unaudited)</b>	
	<b>2022</b>	<b>2021</b>
<u>General &amp; administration expenses</u>		
Payroll costs	935	665
Share-based payment charge included in administrative expenses	80	54
Depreciation and amortisation (Notes 3(A) and 3(B))	110	50
Auditor fees	88	118
Other general & administration expenses	4,240	848
<b>Total administrative expenses</b>	<b>5,453</b>	<b>1,735</b>
<u>Other expenses</u>		
Reversal of prior period provision	-	5
Loss from property, plant and equipment disposal	1,074	23
<b>Total other expenses</b>	<b>824</b>	<b>28</b>
<u>Other income</u>		
Gain from disposal	(53)	-
<b>Total other income</b>	<b>(53)</b>	<b>-</b>

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

(Amounts in thousands US Dollars, unless otherwise stated)

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**NOTE 4: COMPREHENSIVE INCOME (Cont.)****B. Net finance income (expenses):**

	<b>30 June (Unaudited)</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank borrowings	-	76,890
Interest on senior secured notes (1)	68,179	33,791
Interest expense on long terms payables	4	458
Interest on shareholders loan	-	9
Less amounts included in the cost of qualifying assets (2)	(68,866)	(106,823)
	<u>4,044</u>	<u>4,325</u>
Finance and arrangement fees	2,842	13,074
Other finance costs and bank charges	284	29
Interest expenses from Hedging	-	6,988
Unwinding of discount on decommissioning liabilities	343	343
Interest on obligations for leases	160	29
Less amounts included in the cost of qualifying assets (2)	(3,002)	(15,352)
	<u>627</u>	<u>5,111</u>
<b>Total finance costs</b>	<b>4,671</b>	<b>9,436</b>
Interest income from time deposits	(1,290)	(818)
Interest income from loans to related parties	(3,214)	(990)
<b>Total finance income</b>	<b>(4,504)</b>	<b>(1,808)</b>
Net foreign exchange loss	967	727
<b>Net finance loss</b>	<b>1,134</b>	<b>8,355</b>

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

(2) See also Note 3(A).

**NOTE 5: TAXATION****A. Tax income:**

	<b>30 June (Unaudited)</b>	
	<b>2022</b>	<b>2021</b>
Corporation tax - current year	(180)	(30)
Deferred tax income	2,883	2,601
<b>Total taxation income</b>	<b>2,703</b>	<b>2,571</b>



## 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:

Deferred taxes, driven by the activity in Israel by the Israeli Branch of the Company, are computed at an 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 equipment & intangible 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
<b>At 1 January 2021</b>	(12,140)	(62)	9,325	-	63	293	1,591	8,769	<b>7,839</b>
<u>Increase (decrease) for the year through:</u>									
Profit or loss	(492)	(700)	1,436	5,020	31	630	-	(598)	<b>5,327</b>
Reclassification for the current year	-	-	(6,011)	6,011	-	-	-	-	<b>-</b>
Other comprehensive income	-	-	-	-	-	-	(1,591)	-	<b>(1,591)</b>
<b>At 31 December 2021</b>	<b>(12,632)</b>	<b>(762)</b>	<b>4,750</b>	<b>11,031</b>	<b>94</b>	<b>923</b>	<b>-</b>	<b>8,171</b>	<b>11,575</b>
<u>Increase (decrease) for the period through:</u>									
Profit or loss	(5,740)	(159)	15,461	(4,687)	43	16	-	(2,051)	<b>2,883</b>
<b>At 30 June 2022</b>	<b>(18,372)</b>	<b>(921)</b>	<b>20,211</b>	<b>6,344</b>	<b>137</b>	<b>939</b>	<b>-</b>	<b>6,120</b>	<b>14,458</b>

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## ENERGEAN ISRAEL LIMITED

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

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#### 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. Share Premium Capital reduction:**

In April 2022 the Company reduced its share premium capital by US\$360 million and credited US\$346 million against the shareholder loan account plus accrued interest.

**C. Termination of contract with Gas Buyer**

In May 2022, further to the claims raised by the parties in the related arbitration proceedings with Dalia Power Energies LTD ("Dalia") (including the counterclaim filed by the Company seeking a declaration that Company is entitled to terminate the GSPA), Dalia and the Company agreed to end all claims and disputes between the parties. Both sides agreed that the Dalia GSPA (which represents up to 0.8 bcm/year was lawfully terminated, that the arbitration proceedings were 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.

**D. Contract signed with East Hagit Power Plant**

In May 2022, the Company 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 (not Brent price linked).

**E. Commencement of growth drilling campaign:**

The Company started its 2022 drilling campaign during March 2022, which originally included three firm wells. In June 2022, the Company exercised its contractual option to drill two further wells, the drilling locations for which were selected as the Hermes and Zeus prospects.

**F. Athena Gas Discovery**

A commercial discovery was made by the Athena exploration well, located in Block 12, in the A, B and C sands. Preliminary analysis indicated that the Athena discovery contained recoverable gas volumes of 8 bcm on a standalone basis.

The discovery de-risked an additional 50 bcm of gross mean unrisks prospective resources across Company's Olympus Area (total 58 bcm including Athena). The Olympus Area is the Company's newly defined area which includes Athena, plus the undrilled prospects on Block 12 and the adjacent Tanin Lease.

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## ENERGEAN ISRAEL LIMITED

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

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#### NOTE 6: SIGNIFICANTS EVENTS AND TRANSACTIONS DURING THE REPORTING PERIOD (Cont.)

**G. Claim submitted under the Karish-Tanin SPA**

On 31 May 2022, NewMed Energy LP (previously Delek Drilling LP) ("NewMed") filed a lawsuit against the Company before the Tel Aviv District Court. NewMed Energy LP claimed that the remaining US\$65.1 million of outstanding contingent consideration due under the SPA for the Karish and Tanin leases (see Note 3(E)(2)) plus interest and indexation, should be accelerated. 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. A statement of defense will be filed mid-September.

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

**J. Bank Guarantee Facility:**

On 8 June, 2022 the Company's guarantee facility was extended and amended to a total of NIS355 million instead of NIS250 million. The facility is secured by Energean PLC parent company guarantee of US\$112 million. This facility is valid until April 30, 2023.

#### NOTE 7: SIGNIFICANTS EVENTS AND TRANSACTIONS AFTER THE REPORTING PERIOD

**A. Zone D:**

On 27 July, 2022, the Company sent a formal notice to the Ministry of Energy notifying the relinquishment of Zone D and discontinuation of related work. As such, the licences are expected to expire on October 27, 2022.