

Energean Israel Limited

Unaudited interim condensed consolidated financial statements
30 September 2022

ENERGEAN ISRAEL LIMITED

Unaudited interim condensed consolidated financial statements

AS OF 30 SEPTEMBER 2022

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ENERGEAN ISRAEL LIMITED

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

	Note	30	31
		September	December
		2022	2021
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	3(A)	2,738,532	2,245,267
Intangible assets	3(B)	85,083	20,141
Other accounts receivable	6(B)	81	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	14,528	11,575
		<u>2,838,224</u>	<u>2,838,224</u>
CURRENT ASSETS:			
Trade and other receivables		30,945	22,769
Deferred expenses	3(C)	22,958	-
Restricted cash	3(D)(2)	71,784	99,729
Cash and cash equivalents		103,966	349,827
		<u>229,653</u>	<u>472,325</u>
TOTAL ASSETS		<u>3,067,877</u>	<u>3,224,729</u>
EQUITY AND LIABILITIES:			
EQUITY:			
Share capital		1,708	1,708
Share premium	6(B)	212,539	572,539
Retained losses		(40,573)	(35,946)
TOTAL EQUITY		<u>173,674</u>	<u>538,301</u>
NON-CURRENT LIABILITIES:			
Senior secured notes	3(D)	2,469,349	2,463,524
Provision for decommissioning		26,834	35,525
Trade and other payables	3(F)	149,404	113,264
		<u>2,645,587</u>	<u>2,612,313</u>
CURRENT LIABILITIES:			
Trade and other payables	3(F)	248,616	74,115
TOTAL LIABILITIES		<u>2,894,203</u>	<u>2,686,428</u>
TOTAL EQUITY AND LIABILITIES		<u>3,067,877</u>	<u>3,224,729</u>

December 1, 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

Nine months ended 30 September 2022

(Amounts in thousands US Dollars, unless otherwise stated)

	Note	30 September (Unaudited)	
		2022	2021
Administrative expenses	4(A)	(7,218)	(2,717)
Exploration and evaluation expenses	4(A)	(1,277)	-
Other expenses	4(A)	(1,079)	(28)
Other income	4(A)	53	3
Operating loss		(9,521)	(2,742)
Finance income	4(B)	5,757	4,524
Finance expenses	4(B)	(4,931)	(14,388)
Foreign exchange gain (loss)	4(B)	1,405	(1,140)
		2,231	(11,004)
Loss for the period before tax		(7,290)	(13,746)
Taxation income	5	2,663	3,909
Net loss for the period		(4,627)	(9,837)
 <u>Other comprehensive income:</u>			
Items that may be reclassified subsequently to profit or loss:			
Gain 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)
Other comprehensive income for the period		-	5,328
Total comprehensive loss for the period		(4,627)	(4,509)

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

Nine months ended 30 September 2022

(Amounts in thousands US Dollars, unless otherwise stated)

For the period of nine months ended 30 September 2022 (Unaudited):

	Share capital	Share premium	Retained losses	Total equity
Balance as of 1 January 2022	1,708	572,539	(35,946)	538,301
Changes during period:				
<u>Transactions with shareholders</u>				
Share premium reduction, see note 6(B)	-	(360,000)	-	(360,000)
<u>Comprehensive loss:</u>				
Loss for the period	-	-	(4,627)	(4,627)
Balance as of 30 September 2022	1,708	212,539	(40,573)	173,674

For the period of nine months ended 30 September 2021 (Unaudited):

	Share capital	Share Premium	Other reserves	Retained losses	Total equity
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	-	-	-	(9,837)	(9,837)
Other comprehensive income, net of tax	-	-	5,328	-	5,328
Balance as of 30 September 2021	1,708	572,539	-	(34,951)	539,296

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

ENERGEAN ISRAEL LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Nine months ended 30 September 2022

(Amounts in thousands US Dollars, unless otherwise stated)

	30 September (Unaudited)	
	2022	2021
<u>Operating activities:</u>		
Loss for the period before tax	(7,290)	(13,746)
Adjustments to reconcile loss before taxation:		
Depreciation, depletion and amortisation	232	71
Loss from disposal on property, plant and equipment	1,079	23
Exploration and evaluation expenses	1,277	-
Other expenses	-	5
Other income	-	(3)
Finance income	(5,757)	(4,524)
Finance expenses	4,932	14,388
Net foreign exchange (gain) loss	(1,405)	1,140
	<u>(6,932)</u>	<u>(2,646)</u>
<u>Changes in working capital:</u>		
Decrease (increase) in other receivables	906	(29)
Decrease in trade and other payables	(665)	(660)
	<u>241</u>	<u>(689)</u>
Income taxes paid	(572)	(32)
Net cash used in operating activities	(7,263)	(3,367)
<u>Investing activities:</u>		
Payment for purchase of oil & gas leases	(10,850)	(10,850)
Payment for purchase of property, plant and equipment	(221,187)	(253,775)
Payment for exploration and evaluation, and other intangible assets	(18,823)	(3,972)
Proceeds from disposals of property, plant and equipment	188	-
Payments for buyers compensation	-	(13,271)
Amounts received from INGL related to the future transfer disposals of property, plant and equipment	17,371	5,673
Movement in restricted cash	127,945	(199,738)
Interest received	2,863	264
Net cash used in investing activities	(102,493)	(475,669)
<u>Financing activities:</u>		
Senior secured notes issuance	-	2,500,000
Transaction cost due to senior secured notes issuance	-	(37,931)
Interest paid due to senior secured notes	(128,906)	(66,600)
Drawdown of borrowings	-	118,000
Repayment of borrowings	-	(1,268,000)
Loan to related party (*)	-	(346,000)
Repayment of loan from related parties	-	(16,000)
Finance cost paid	(2,359)	(43,854)
Finance costs paid for deferred license payments	(1,501)	(3,494)
Repayment of obligations under leases	(683)	(366)
Net cash generated (used) from financing activities	(133,449)	835,755
Net increase (decrease) in cash and cash equivalents	(243,205)	356,719
Cash and cash equivalents at the beginning of the period	349,827	37,421
Effect of exchange rate fluctuations on cash held	(2,656)	(766)
Cash and cash equivalents at the end of the period	103,966	393,374

(*) 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.

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”) 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 September 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) As of 30 September 2022, the Company held an 80% interest 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 expired at the end of their term on 27 October 2022. See note 6(K).
- D. The Energean Power FPSO arrived on location in Israel on 5 June 2022 and first gas from the Karish project was achieved on 26 October 2022.

NOTE 2: ACCOUNTING POLICIES AND BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the nine months ended 30 September 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
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 (*)	390,075	198	2,104	392,377
Disposals	(900)	-	-	(900)
Capitalised borrowing cost (**)	111,096	-	-	111,096
Capitalised depreciation	656	-	-	656
Change in decommissioning provision	(9,259)	-	-	(9,259)
Total cost at 30 September 2022	2,733,451	4,207	2,933	2,740,591
Depreciation:				
At 1 January 2021	-	331	143	474
Charge for the year	-	-	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	-	-	232	232
Disposals	(433)	-	-	(433)
Write down of the assets	250	-	-	250
Capitalised to petroleum and gas assets	-	656	-	656
Total Depreciation at 30 September 2022	250	1,349	460	2,059
Net property, plant and equipment at 31 December 2021	2,241,350	3,316	601	2,245,267
Net property, plant and equipment at 30 September 2022	2,733,201	2,858	2,473	2,738,532

(*) 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.

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:

	30 September (Unaudited)	
	2022	2021
Additions to property, plant and equipment	493,970	349,182
Associated cash flows		
Payment for additions to property, plant and equipment (*)	(214,666)	(264,625)
Non-cash movements/presented in other cash flow lines		
Capitalised borrowing costs	(111,096)	(154,921)
Right-of-use asset additions	(198)	(3,258)
Capitalised share-based payment charge	(174)	(156)
Capitalised depreciation	(656)	(197)
Change in decommissioning provision	9,259	4,034
Movement in working capital	(176,439)	69,941

(*) This amount includes US\$10.85 million which was paid to the sellers of the Karish and Tanin leases during 2021 and 2022.

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 (*)	66,219	-	66,219
Write off of exploration and evaluation costs (**)	(1,277)	-	(1,277)
At 30 September 2022	85,083	255	85,338
Amortisation:			
At 1 January 2021	-	247	247
Charge for the year	-	8	8
Total Amortisation at 31 December 2021	-	255	255
Charge for the period	-	-	-
Total Amortisation at 30 September 2022	-	255	255
Net intangible assets at 31 December 2021	20,141	-	20,141

Net intangible assets at 30 September 2022	<u>85,083</u>	-	<u>85,083</u>
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(*) Additions to exploration and evaluation assets are primarily due to drilling activities. See also notes 6(E), 6(F).

(**) See note 6(K).

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:

	30 September (Unaudited)	
	2022	2021
Additions to intangible assets	66,219	5,073
Associated cash flows		
Payment for additions to intangible assets	(18,823)	(3,972)
Non-cash movements/presented in other cash flow lines		
Movement in working capital	(47,396)	(1,101)

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 was achieved on 26 October 2022.

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	30	31
			September 2022	December 2021
US\$ 625 million	30 March 2024	4.500%	619,640	617,060
US\$ 625 million	30 March 2026	4.875%	617,467	615,966
US\$ 625 million	30 March 2028	5.375%	616,493	615,451
US\$ 625 million	30 March 2031	5.875%	615,749	615,047
US\$2,500 million			2,469,349	2,463,524

The interest on each series of the Notes is paid semi-annually, on 30 March and on 30 September of each year starting 30 September 2021.

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.

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 30 September 2022, the Company had short-term restricted cash of US\$71.8 million for the debt payment fund which will be partly used for the March 2023 coupon payment. The remainder will be released during 2023, upon achieving six months of production at an annualized rate of 3.8 bcm/year.

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; with the exception of the Senior secured notes for which the fair value is set out below.

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 September 2022			
	Unaudited		
	Level 1	Level 2	Total
Financial assets			
Short term restricted cash	71,784	-	71,784
Short term trade and other receivables	-	30,477	30,477
Cash and cash equivalents	103,966	-	103,966
Total	175,750	30,477	206,227
Financial liabilities			
Senior secured notes (*)	2,201,875	-	2,201,875
Trade and other payables - long term	-	149,404	149,404
Trade and other payables - short term	-	157,130	157,130
Total	2,201,875	306,534	2,508,409

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		
	Level 1	Level 2	Total
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 (*)	2,483,750	-	2,483,750
Trade and other payables - long term	-	59,727	59,727
Trade and other payables - short term	-	35,918	35,918
Total	2,483,750	95,645	2,579,395

(*) 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 September 2022 was US\$2,469 million and as of 31 December 2021 was US\$2,463 million.

F. Trade and other payables:

	30 September 2022	31 December 2021
	Unaudited	Audited
Current Financial items		
Trade accounts payable (1)	132,480	32,611
Payables to related parties	11,680	1,079
Deferred license payments (2)	12,101	-
Value added tax payable	-	1,217
Current lease liabilities	869	1,011
	157,130	35,918
Non-Financial items		
Accrued expenses (1)	35,719	5,611
Interest payable	-	32,227
Sales consideration received in advance (4)	55	-
Social insurance and other taxes	299	132
Income taxes	-	227
	91,486	38,197
	248,616	74,115

ENERGEAN ISRAEL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

NOTE 3: FINANCIAL POSITION (Cont.)

	30 September 2022	31 December 2021
	Unaudited	Audited
Non-current		
Financial items		
Accrued expenses to related parties	281	294
Long term lease liabilities	2,123	2,203
Trade and other payables (3)	109,994	-
Deferred license payments (2)	37,006	57,230
	149,404	59,727
Non-Financial items		
Contract Liability (4)	-	53,537
	149,404	113,264

(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 September 2022, the total discounted deferred consideration was US\$49 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 and payment thereof was made in September 2022

(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 was achieved on 26 October 2022. Following Hand Over, INGL will be responsible for the operation and maintenance of this part of the infrastructure.

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:

	30 September (Unaudited)	
	2022	2021
General & administration expenses		
Staff costs	1,115	946
Share-based payment charge included in administrative expenses	128	129
Depreciation, depletion and amortisation (Notes 3(A) and 3(B))	352	71
Auditor fees	200	156
Other general & administration expenses	5,423	1,415
Total administrative expenses	7,218	2,717
 Exploration and evaluation expenses		
Exploration costs written off (Note 6(K)).	1,277	-
Total exploration and evaluation expenses	1,277	-
 Other expenses		
Reversal of prior period provision	-	5
Loss from property, plant and equipment disposal	1,079	23
Total other expenses	1,079	28
 Other income		
Gain from disposal	53	3
Total other income	53	3

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):

	<u>30 September) Unaudited)</u>	
	<u>2022</u>	<u>2021</u>
Interest on bank borrowings	-	76,890
Interest on senior secured notes (1)	102,505	68,047
Interest expense on long terms payables	8	2,267
Interest on shareholders loan	-	9
Less amounts included in the cost of qualifying assets (2)	(107,177)	(138,147)
	<u>4,044</u>	<u>9,066</u>
Finance and arrangement fees	3,681	14,383
Other finance costs and bank charges	319	53
Interest expenses from Hedging	-	7,002
Unwinding of discount on decommissioning liabilities	568	516
Interest on obligations for leases	238	142
Less amounts included in the cost of qualifying assets (2)	(3,919)	(16,774)
	<u>887</u>	<u>5,322</u>
Total finance costs	4,931	14,388
Interest income from time deposits	2,543	965
Interest income from loans to related parties	3,214	3,559
Total finance income	5,757	4,524
Net foreign exchange gain (loss)	1,405	(1,140)
Net finance gain (loss)	2,231	(11,004)

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

(2) See also Note 3(A).

NOTE 5: TAXATION

A. Tax income:

	<u>30 September (Unaudited)</u>	
	<u>2022</u>	<u>2021</u>
Corporation tax - current year	(290)	(193)
Deferred tax income	2,953	4,102
Total taxation income	2,663	3,909

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
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	-	-	(6,011)	6,011	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	(1,591)	-	(1,591)
At 31 December 2021	(12,632)	(762)	4,750	11,031	94	923	-	8,171	11,575
<u>Increase (decrease) for the period through:</u>									
Profit or loss	(12,743)	(159)	22,448	(4,648)	43	11	-	(1,999)	2,953
At 30 September 2022	(25,375)	(921)	27,198	6,383	137	934	-	6,172	14,528

ENERGEAN ISRAEL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands US Dollars, unless otherwise stated)

NOTE 6: SIGNIFICANT 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. The agreement is valid for an initial one-year period starting from first gas from Karish, and includes 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 represented 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. Drilling campaign offshore Israel:

The Company started its 2022 drilling campaign in March 2022, which originally included three firm wells. In June 2022, the Company exercised its contractual option to drill two further wells. Subsequently, in October 2022 Energean exercised its option to drill a sixth well, Hercules (located on block 23, offshore Israel), which spudded in November 2022.

F. Athena Gas Discovery

In May 2022, a commercial discovery was made by the Athena exploration well, located in block 12, in the A, B and C sands. Subsequently in November 2022, Energean's reserve auditor, D&M, certified contingent resources of 11.75 bcm in the Athena discovery, an increase of 3.75 bcm on the Company's 8 bcm preliminary estimate.

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 claimed that the remaining US\$48 million (US\$65.1 million as of 31 May 2022) 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.

ENERGEAN ISRAEL LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Amounts in thousands US Dollars, unless otherwise stated)

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

In September 2022, the Company paid the annual installment and filed its Statement of Defence with the court. NewMed then filed a Reply in October 2022.

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 30 April 2023.

K. 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 subsequently expired on 27 October 2022.

NOTE 7: SIGNIFICANT EVENTS AND TRANSACTIONS AFTER THE REPORTING PERIOD

A. Hermes Gas Discovery:

In October 2022, the Hermes exploration well, block 31, offshore Israel, made a commercial gas discovery. Preliminary estimates indicate that the structure contains 7-15 bcm of recoverable natural gas resources.

B. Liquids Contract:

In October 2022, Energean signed a sale and purchase agreement with Vitol for the marketing of a number of cargoes of Karish blend hydrocarbon liquids. Energean expects, based on analysis of individual well test samples, that the Karish blend will trade at a similar price point to Asgard blend, given the similarity in their characteristics. The realised price will be market price less certain freight, logistics and marketing costs.

C. First gas from Karish:

On 26 October 2022, first gas was delivered at the Karish field, offshore Israel.

D. Zeus Gas Discovery:

In November 2022, the Zeus exploration well, block 12, offshore Israel, made a commercial discovery with preliminary estimates indicating that the structure contains 13.3 bcm of recoverable natural gas resources.

The results from the Zeus well and the Athena post-well analysis provide Energean with additional confidence about the volumes and commerciality of the Olympus area, and the Company is now progressing its field development plan. Energean now has discovered resource volumes of 25 bcm and a further 42 bcm has been de-risked in the Olympus Area. Energean expects to update the market on

the total resource volumes within the Olympus area in early 2023. This update will be based upon a Competent Persons Report that is being undertaken by D&M.