ENERGEAN ISRAEL LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

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CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2022

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Energean Israel Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Energean Israel Limited and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at 31 December 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 202 2and 2021, and its consolidated financial performance and its consolidated cash flows for the years in the period then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). 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 Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Accounting for first production

<u>Key audit matter description</u>

The company achieved first gas from the Karish Main Field on 26 October 2022. This gave rise to various accounting implications which required judgements to be made by management, including:

- Continued capitalisation of borrowing costs;
- Identification of the cash generating unit (CGU) for the purposes of impairment testing;
- Unit of account and method of depreciation; and
- Presentation of royalties in the income statement.

Refer to Accounting policies (pages 13-28); and Notes 10and 21 (e) of the Consolidated Financial Statements.

Our response to the risk

Our procedures in evaluating these significant judgements made by management included:

- Testing the appropriateness of borrowing costs capitalised throughout the year with a particular focus on those capitalised after the date of commercial production from Karish Main. We verified that borrowing costs capitalised after this date were attributed to the continued development of Karish North, the Field Support Vessel (FSV) and the 2nd oil train and met the criteria for capitalisation in line with the requirements of IAS 23 Borrowing Costs;
- Challenging the conclusion that the Oil and Gas Assets represent a single CGU in accordance with IAS 36 Impairment of Assets, by considering whether the cash flows associated with the Karish Main, Karish North and Tanin fields which utilise the common FPSO infrastructure are separately identifiable;
- Critically assessing management's determination of the single unit of account, which impacts the costs which are eligible to be capitalised and the rate of depreciation on the Karish asset. This was done through performing enquiries and inspecting both supporting and contrary evidence. We performed procedures over the depreciation calculation by reconciling management's assumptions to our work performed over reserves, and testing for clerical accuracy; and
- Verifying the presentation of royalties payable to the Israeli state as a gross cost of sale expense (as opposed to a deduction from revenue) within the Income Statement is appropriate and in accordance with the requirements of IFRS 15 Revenue from Contracts with Customers.

Risk of inappropriate estimation of oil and gas reserves

Key audit matter description

The estimation and measurement of oil and gas reserves is considered to be a significant risk as it impacts many material elements of the financial statements including impairment, decommissioning, deferred tax asset recoverability and depreciation, depletion and amortisation (DD&A).

Reserve estimation is complex, requiring technical input based on geological and engineering data. Management's reserves estimates are provided by external specialists (D&M).

The company's reserve portfolio as at 31 December 2022 included proven and probable reserves (2P) reserves of 940 Mmboe and contingent resources (2C) reserves of 47 Mmboe.

Refer to Accounting policies (pages 13-28); and Notes 10, 12 and 17 of the Consolidated Financial Statements.

Our response to the risk

- We confirmed our understanding of the Company's oil and gas reserve estimation process and the control environment implemented by management including both the transfer of source data to the management's reserves specialists and subsequently the input of reserves information from the specialist reports into the accounting system;
- We obtained and reviewed the most recent third-party reserves and resources reports prepared by these specialists and compared these for consistency between other areas of the audit including the Company's reserves models, DD&A, the calculation of the decommissioning provision, deferred tax asset recoverability and the Directors' going concern assessment;
- We assessed the qualifications of management's specialists;

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control 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, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 misstatement, 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 ISAs 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 ISAs, we exercise professional judgment 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 risk 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, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control 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 control.

- 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 the 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 a 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Tel-Aviv, Israel	KOST FORER GABBAY & KASIERER
22 March, 2023	A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2022

	Notes	2022 $'000	2021 $'000
Revenue	5	27,122	-
Cost of sales	6	(31,017)	-
Gross loss		**(3,895)**	**-**
Administrative expenses	6	(12,252)	(5,200)
Exploration and evaluation expenses	6	(1,819)	(50)
Other expenses	6	(1,102)	(461)
Other income	6	54	19
Operating loss		**(19,014)**	**(5,692)**
Financial income	8	6,379	7,849
Financial expenses	8	(29,811)	(18,526)
Foreign exchange gain/(loss), net	8	(3,087)	520
Loss for the year before tax		**(45,533)**	**(15,849)**
Taxation income	9	10,951	5,017
Net loss for the year		**(34,582)**	**(10,832)**
Other comprehensive income (loss):			
Items that may be reclassified subsequently to profit or loss:			
Gain/(loss) on cash flow hedge for the year		-	2,278
Reclassification to profit/(loss) upon realisation		-	4,641
Income tax relating to items that may be reclassified subsequently	12	-	(1,591)
Other comprehensive income/(loss) for the year		-	**5,328**
Total comprehensive loss for the year		**(34,582)**	**(5,504)**

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

YEAR ENDED 31 DECEMBER 2022

	Notes	2022 $'000	2021 $'000
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	10	2,926,313	2,245,267
Intangible assets	11	143,554	20,141
Other accounts receivable	13	108	6,463
Loan to related party	22(E)(4)	-	346,000
Restricted cash	16(C)	-	100,000
Deferred expenses	13	-	22,958
Deferred tax asset	12	22,886	11,575
		3,092,861	**2,752,404**
CURRENT ASSETS:			
Trade and other receivables	13	82,611	22,769
Inventory	14	8,313	-
Restricted cash	16(C)	71,778	99,729
Cash and cash equivalents	15	24,825	349,827
		187,527	472,325
TOTAL ASSETS		**3,280,388**	**3,224,729**
EQUITY AND LIABILITIES:			
EQUITY:			
Share capital	19(A)	1,708	1,708
Share Premium		212,539	572,539
Retained losses		(70,528)	(35,946)
TOTAL EQUITY		**143,719**	**538,301**
NON-CURRENT LIABILITIES:			
Senior secured notes	16(C)	2,471,030	2,463,524
Decommissioning provisions	17	84,299	35,525
Trade and other payables	18	210,241	113,264
		2,765,570	2,612,313
CURRENT LIABILITIES:			
Trade and other payables	18	371,099	74,115
TOTAL LIABILITIES		3,136,669	2,686,428
TOTAL EQUITY AND LIABILITIES		**3,280,388**	**3,224,729**

22 March 2023		
Date of approval of the consolidated financial statements	Panagiotis Benos Director	Matthaios Rigas Director

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

	Share capital	Share Premium	Other reserves	Accumulated losses	Total equity
	$'000	$'000	$'000	$'000	$'000
Balance as of 1 January 2021	**1,708**	**572,539**	**(5,328)**	**(25,114)**	**543,805**
Loss for the year	-	-	-	(10,832)	(10,832)
Other comprehensive income, net of tax	-	-	5,328	-	5,328
Total comprehensive income (loss)	-	-	5,328	(10,832)	(5,504)
At 1 January 2022	**1,708**	**572,539**	**-**	**(35,946)**	**538,301**
Loss for the year	-	-	-	(34,582)	(34,582)
Transactions with shareholders:					
Share premium reduction, see note 19(E)	-	(360,000)	-	-	(360,000)
Balance as of 31 December 2022	**1,708**	**212,539**	-	**(70,528)**	**143,719**

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

ENERGEAN ISRAEL LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

	Notes	2022 $'000	2021 $'000
Operating activities			
Loss for the year before tax		**(45,533)**	**(15,849)**
Adjustments to reconcile loss before taxation to net cash provided by			
Depreciation, depletion and amortisation	6	11,435	93
Loss from disposal on property, plant and equipment	6	1,102	23
Payments for customers	5, 13	-	(22,958)
Amortisation of payment made in advance to customers	5, 13	18,031	-
Other expenses	6	-	438
Finance Income	8	(6,379)	(7,849)
Finance expenses	8	29,811	18,526
Exploration costs written off	6	1,819	50
Net foreign exchange loss (gain)	8	3,087	(520)
Cash flow from operations before working capital		13,373	(28,046)
Decrease (increase) in trade and other receivables		(40,272)	(119)
Increase in inventories		(8,313)	-
Increase (decrease) in trade and other payables		27,952	(528)
Cash from operations		(7,260)	(647)
Income taxes paid		(590)	(72)
Net cash used in operating activities		(7,850)	(28,765)
Investing activities			
Payment for exploration and evaluation, and other intangible assets	11(B)	(50,332)	(5,152)
Advance payment from future sale of property, plant and equipment (INGL)		17,371	5,673
Payment for purchase of property, plant and equipment	10(C)	(278,396)	(291,760)
Loan granted to related party *	22(E)	-	(346,000)
Proceeds from disposal of property, plant and equipment	10(C)	188	-
Movement in restricted cash, net	16(C)	127,951	(199,729)
Interest received		3,178	587
Net cash used in investing activities		(180,040)	(836,381)
Financing activities			
Senior secured notes issuance	16(C)	-	2,500,000
Transaction costs in relation to senior secured notes issuance	16(C)	-	(39,506)
Senior secured notes - interest paid	16(C)	(128,906)	(66,600)
Drawdown of borrowings	16(A)	-	118,000
Repayment of borrowings	16(A)	-	(1,268,000)
Repayment of loan from related parties	22(E)	-	(16,000)
Other finance cost paid	16	(2,461)	(46,138)
Finance costs paid for deferred licence payments	10(C)	(1,501)	(3,494)
Repayment of obligations under leases	16	(1,085)	(585)
Net cash generated from (used in) financing activities		(133,953)	1,177,677
Net increase (decrease) in cash and cash equivalents		(321,843)	312,531
Cash and cash equivalents at beginning of year		349,827	37,421
Effect of exchange differences on cash and cash equivalents		(3,159)	(125)
Cash and cash equivalents at end of year	15	**24,825**	**349,827**

* The loan to related party was repaid as part of the Share Premium Capital reduction, see note 19(E).

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, Strovolos, 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 its Israeli Branch.

c. As of 31 December 2022, the Company had investments in the following subsidiaries:

Name of subsidiary	Country of incorporation / registered office	Principal activities	Shareholding At 31 December 2022 (%)	Shareholding At 31 December 2021 (%)
Energean Israel Transmission LTD	121, Menachem Begin St. Azrieli Sarona Tower, POB 24, Tel Aviv 67012039 Israel	Gas transportation license holder	100	100
Energean Israel Finance LTD	121, Menachem Begin St. Azrieli Sarona Tower, POB 24, Tel Aviv 67012039 Israel	Financing activities	100	100

d. The Group's core assets as of 31 December 2022 are comprised of:

Country	Asset	Working interest	Field phase
Israel	Karish	100%	Production
Israel	Tanin	100%	Development
Israel	Blocks 12, 21, 23, 31	100%	Exploration
Israel	Four licences Zone D (1)	0%	Exploration

(1) 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.

NOTE 2: - Basis of preparation and presentation of financial information

The following accounting policies have been applied consistently in the consolidated financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

These consolidated financial statements have not been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113 and are not intended for statutory filing in Cyprus.

These consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments that have been measured at fair value using the significant accounting policies and measurement bases summarised in Note 3.

The group has prepared the financial statements on the basis that it will continue to operate as a going concern, as explained below.

b. The financial statements are presented in U.S. Dollars and all values are rounded to the nearest thousand US Dollars except where otherwise indicated.

c. <u>New and amended accounting standards and interpretations:</u>

The following amendments became effective as at 1 January 2022:

- Annual improvements to IFRS 2018-2020
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

None of the above amendments had a significant impact on the consolidated financial statements of the Group.

New and amended standards and interpretations in issue but not yet effective for the 2022 year end:

- IFRS 17 Insurance Contracts - 1 January 2023
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information - 1 January 2023
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – 1 January 2023
- Definition of Accounting Estimates (Amendments to IAS 8) - 1 January 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – 1 January 2023
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - 1 January 2024
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - 1 January 2024

The adoption of the above standard and interpretations is not expected to lead to any material changes to the Group's accounting policies or have any other material impact on the financial position or performance of the Group.

d. Basis of consolidation:

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as detailed in Note 1 above. 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
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect the amount of the investor's returns

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intragroup transactions, balances, income and expenses

NOTE 2: - Basis of preparation and presentation of financial information (Cont.)

are eliminated in full on consolidation.

e. <u>Going Concern:</u>

The Group carefully manages the risk of a shortage of funds by closely monitoring its funding position and its liquidity risk. The Going Concern assessment covers the period up to 30 June 2024 'the Forecast Period'. Cash forecasts are regularly produced based on, inter alia, the Group's latest life of field production, budgeted expenditure forecasts, price estimates based on signed GSPAs and oil price forward curves., In addition, on a regular basis, the Group performs sensitivity tests of its liquidity position to evaluate adverse impacts that may result from changes to the macro economic environment and downside scenarios to budgeted production forecasts. The Group does this to identify risks to liquidity to formulate appropriate and timely mitigation strategies in order to manage the risk of funds shortfalls and to ensure the Group's ability to continue as a going concern.

In March 2021 the Group raised $2.5billion through the issuance of senior secured notes mainly to refinance its $1.45bn Project Finance Facility and to fund capital and exploration expenditure, including Karish and Karish North. The Senior Secured Notes do not have any maintenance covenants, the first principle repayment is due on March 2024. The Notes carry a blended fixed rate of 5.2%, with no exposure to floating rates.

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.

After careful consideration, the Directors are satisfied that the Group has sufficient financial resources to continue in operation for the foreseeable future, for the Forecast Period to 30 June 2024. As such, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

NOTE 3: - Significant accounting policies

<u>Accounting Policies:</u>

The principal accounting policies and measurement bases used in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all periods presented in the consolidated financial statements unless otherwise stated.

a) <u>Functional and presentation currency and foreign currency:</u>

1. Functional and presentation currency:

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (''the functional currency'').

For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of the Company is U.S. Dollars (US$). The U.S. Dollar is the currency that influences future sales prices, revenue estimates and also highly affect its operations.

The presentation currency of the consolidated financial statements is US dollar.

2. Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. Such monetary assets and liabilities are translated the functional currency exchange rates at the reporting date. Non-monetary items that are measured in terms of historical cost denominated in a foreign currency are translated at the exchange rates prevailing at the date of the transaction and are not subsequently remeasured.

b) <u>Intangible assets - Exploration and evaluation expenditures:</u>

The Group adopts the successful efforts method of accounting for exploration and evaluation costs. Pre-licence costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and

NOTE 3: - Significant accounting policies (Cont.)

directly attributable administration costs are initially capitalised as intangible assets by field or exploration area, as appropriate. All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the statement of comprehensive income (loss). When proved reserves of oil and gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties.

c) Commercial reserves:

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

d) Oil and gas properties – assets in development:

Expenditure is transferred from 'Exploration and evaluation assets' to 'Assets in development' which is a subcategory of 'Oil and gas properties' once the work completed to date supports the future development of the asset and such development receives appropriate approvals. After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within 'Assets in development'.

Proceeds from any oil and gas produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly) has been recognised in profit or loss in accordance with IFRS 15 *Revenue Recognition*. The Group measures the cost of those items applying the measurement requirements of IAS 2 *Inventories*. When a development project moves into the production stage, all assets included in 'Assets in development' are then transferred to 'Producing assets' which is also a sub-category of 'Oil and gas properties. The capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to 'Oil and gas properties' asset additions, improvements or new developments.

e) Depletion and amortisation:

All expenditure carried within each field will be amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or by a group of fields which are reliant on common infrastructure.

f) Impairments of oil & gas properties:

The Group assesses assets or groups of assets, called cash-generating units (CGUs), for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable; for example, changes in the Group's assumptions about commodity prices, low field utilisation, significant downward revisions of estimated reserves or increases in estimated future development expenditure or decommissioning costs. If any such indication of impairment exists, the Group makes an estimate of the asset's or CGU's recoverable amount.

Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single CGU for impairment purposes. A CGU's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount.

NOTE 3: - Significant accounting policies (Cont.)

Fair value less costs of disposal is the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the Group and not applicable to entities in general.

For discount the future cash flows the Group calculates CGU-specific discount rates. The discount rates are based on an assessment of a relevant peer group's pre-tax Weighted Average Cost of Capital (WACC). The Group then adds any exploration risk premium which is implicit within a peer group's WACC and subsequently applies additional country risk premium for CGUs. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any amortisation that would have been charged since the impairment.

The reversal is limited such that the carrying amount of the asset exceeds neither its recoverable amount, nor the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

g) Other property, plant and equipment:

Other property, plant and equipment comprise of furniture, fixtures and equipment.

Initial recognition:

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depreciation:

1. Depreciation of other property, plant and equipment is calculated on the straight-line method so as to write-off the cost amount of each asset to its residual value, over its estimated useful life. The useful life of each class is estimated as follows:

	Years
Property leases and leasehold improvements	3 - 10
Furniture, fixtures and equipment	5 – 7

2. Depreciation of the assets in the course of construction commences when the assets are ready for their intended use, on the same basis as other assets of the same class.
3. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (Calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.
4. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Repairs, maintenance, and renovations:

Expenditure for routine repairs and maintenance of property, plant and equipment is charged to the profit or loss in the year in which it is incurred. The cost of major improvements and renovations and other subsequent expenditure are included in the carrying amount of the asset when the recognition criteria of IAS 16 'Property, Plant and Equipment' are met. Major improvements and renovations capitalised are depreciated over the remaining useful life of the related asset.

h) Other intangible assets:

Computer software:

Costs that are directly associated with identifiable and unique computer software products controlled by the Group and that it is probable that these products will generate economic benefits exceeding costs beyond one year are recognised

NOTE 3: - Significant accounting policies (Cont.)

as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses.

Costs associated with maintenance of computer software programs are recognised as an expense when incurred.

Computer software costs are amortised using the straight-line method over their useful live, of between three and five years, which commences when the computer software is available for use.

i) Impairment of non-financial assets:

At each reporting date, the Group reviews the carrying amounts of its depreciable property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Impairment is assessed at the level of cash-generating units (CGUs) which, in accordance with IAS 36 'Impairment of Assets', are identified as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from other assets. This is usually at the individual royalty, stream, oil and gas or working interest level for each property from which cash inflows are generated.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, which is the higher of fair value less costs of disposal (FVLCD) and value-in-use (VIU). The future cash flow expected is derived using estimates of proven and probable reserves, a portion of resources that is expected to be converted into reserves and information regarding the mineral, stream and oil & gas properties, respectively, that could affect the future recoverability of the Group's interests. Discount

factors are determined individually for each asset and reflect their respective risk profiles.

Assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the conditions that gave rise to the recognition of an impairment loss are subsequently reversed and the asset's recoverable amount exceeds its carrying amount. Impairment losses can be reversed only to the extent that the recoverable amount does not exceed the carrying value that would have been determined had no impairment been recognised previously.

Exploration and evaluation assets are tested for impairment when there is an indication that a particular exploration and evaluation project may be impaired. Examples of indicators of impairment include a significant price decline over an extended period, the decision to delay or no longer pursue the exploration and evaluation project, or an expiration of rights to explore an area. In addition, exploration and evaluation assets are assessed for impairment upon their reclassification to producing assets (oil and gas interest in property, plant and equipment).

In assessing the impairment of exploration and evaluation assets, the carrying value of the asset would be compared to the estimated recoverable amount and any impairment loss is recognised immediately in profit or loss.

j) Leases:

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

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception. The arrangement is assessed to determine whether fulfilment is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement. The Group is not a lessor in any transactions, it is only a lessee.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

k) Right-of-use assets:

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses,

NOTE 3: - Significant accounting policies (Cont.)

and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Property leases 2 to 5 years
- Motor vehicles and other equipment 1 to 3 years
- Fiber Optic 14 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

<u>Lease liabilities:</u>

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease

payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

<u>Short-term leases and leases of low-value assets:</u>

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

<u>Other leases outside the scope of IFRS 16:</u>

Leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources are outside the scope of IFRS 16 and are recognised as exploration and

evaluation costs or as oil and gas assets, as appropriate. Please refer to notes c and e above.

l) <u>Financial instruments - initial recognition and subsequent measurement:</u>

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1. Financial assets:

<u>Initial recognition and measurement:</u>

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

NOTE 3: - Significant accounting policies (Cont.)

characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade 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.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement:

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through profit or loss – The Group does not hold such financial assets as of December 31, 2022

Financial assets at amortised cost:

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment under the expected credit loss model. 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 includes trade receivables.

Derecognition:

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired.

Impairment of financial assets:

The Group recognises an allowance for expected credit losses (ECLs) for all debt

instruments not held at fair value through profit or loss. 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, discounted at an

approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

NOTE 3: - Significant accounting policies (Cont.)

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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. Financial liabilities:

Initial recognition and measurement:

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans, , derivative financial instruments and borrowings.

Subsequent measurement:

Loans and borrowings:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, modified and through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on

acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition:

A financial liability is derecognised 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3. Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

m) Derivative financial instruments and hedge accounting:

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps to hedge its interest rate 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.

For the purpose of hedge accounting, hedges which applicable to the Group are classified as Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

NOTE 3: - Significant accounting policies (Cont.)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

<u>Cash flow hedges</u>

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item attributable to the hedged risk.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction.

n) <u>Equity instruments:</u>

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

<u>Ordinary shares</u>

Ordinary shares are classified as equity and measured at their nominal value. Any premiums received on issue of share capital above its nominal value, are recognised as share premium within equity. Associated issue costs are deducted from share premium.

<u>Other components of equity include the following:</u>

Retained losses includes all current and prior period retained losses.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve.

o) <u>Share-based payments:</u>

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments issued and charge upon vesting by the Ultimate Parent Company (Energean plc).

<u>Equity-settled transactions:</u>

The fair value of the equity settled awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions.

That cost is recognised in employee benefits expense, together with a corresponding increase in trade payables since the awards upon vesting is being charged by the Ultimate Parent Company, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Ultimate Parent Company's (Energean plc) best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

NOTE 3: - Significant accounting policies (Cont.)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Ultimate Parent Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

p) Fair value measurement:

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 fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

All assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorised within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

q) Cash and cash equivalents and restricted cash:

Cash and cash equivalents comprise of cash in hand, demand deposits and also deposits, with a maturity of three months or less, that are subject to an insignificant risk of changes in their fair value.

The cash reserves retained as a bank security pledge in respect of bank guarantees are defined as restricted cash and held in designated bank deposits accounts to be used only for the purposes of the capital commitments.

Release of cash from the accounts can only be made with the approval of the lender when specified expenditure milestones are met. The current and non-current classification of the bank security pledges is determined by the forecast expenditure of the capital commitments.

Restricted cash comprises balances retained in respect of the Group's Senior Secured Notes and cash collateral provided under a letter of credit facility for issuing bank guarantees for Group's activities in Israel (see Note 16C). The nature of

NOTE 3: - Significant accounting policies (Cont.)

the restrictions on these balances mean that they do not qualify for classification as cash equivalents.

The cash reserves retained as a bank security pledge in respect of bank guarantees are defined as restricted cash and held in designated bank deposits accounts to be used only for the purposes of the capital commitments.

Release of cash from the accounts can only be made with the approval of the lender when specified expenditure milestones are met. The current and non-current classification of the bank security pledges is determined by the forecast expenditure of the capital commitments.

r) Inventories:

Inventories comprise hydrocarbon liquids and natural gas, consumables and other spare parts. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the monthly weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It does not include borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Spare parts consumed within a year are carried as inventory and recognised in profit or loss when consumed.

The Group assesses the net realisable value of the inventories at the end of each year and recognises in the consolidated statement of profit or loss the appropriate valuation adjustment if the inventories are overstated. When the circumstances that previously caused impairment no longer exist or when there is clear evidence of an increase in the inventories' net realisable value due to a change in the economic circumstances, the amount thereof is reversed.

s) Provisions:

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation. The expense relating to a provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning provision:

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment.

The amount recognised is the estimated cost of decommissioning, discounted to its net present value at a risk-free discount rate, and is reassessed each year in accordance with relevant conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost

t) Revenue

Revenue from contracts with customers is recognised when control of the gas/ hydrocarbon liquids are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

In some jurisdictions in which the Group operates royalties are levied by the government. The government can request that these royalty payments be made in cash or in kind. In the current year and in prior years the government has requested cash payments be made and therefore the Group has not made any royalty payments in kind. As such the Group obtains control of all the underlying reserves once extracted, sells the production to its customers and then

NOTE 3: - Significant accounting policies (Cont.)

remits the proceeds to the royalty holder and is therefore considered to be acting as the Principal.

Sale of natural gas and hydrocarbon liquids

Sales revenue represents the sales value, net of VAT, of actual sales volumes to customers in the year.

The Group's accounting policy under IFRS 15 is that revenue is recognised when the Group satisfies a performance obligation by transferring hydrocarbon liquids or gas to its customer. The title to hydrocarbon liquids and gas typically transfers to a customer at the same time as the customer takes physical possession of the hydrocarbon liquids or gas. Typically, at this point in time, the performance obligations of the Group are fully satisfied. The revenue is recorded when the hydrocarbon liquids or gas has been physically delivered to a vessel or pipeline.

u) Retirement benefit costs regarding the employees by the directly owned Branch in Israel:

The Israeli Branch has defined contribution plans pursuant to section 14 to the Severance Pay in Israel Law under which the Israeli Branch pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognised as an expense when contributed concurrently with performance of the employee's services.

v) Borrowing costs:

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.

Excluded from the above capitalisation policy are any qualifying assets that are inventories that are produced, in large quantities on a repetitive basis.

Borrowing costs include interest expense on loans, and bank overdrafts on an effective rate basis as well as other bank charges and are included in the statement of profit or loss.

w) Tax:

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the financial statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Current and deferred tax assets and corresponding liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its tax assets and liabilities on a net basis.

The Group recognises tax provision liabilities for anticipated tax issues based on if it is probable, defined as more likely than not, that additional taxes will be due. This assessment is based on all available evidence and, where appropriate, in the light of external advice. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax liability in the period in which such determination is made.

NOTE 3: - Significant accounting policies (Cont.)

x) Levies:

Levies imposed on the Company by government entities through legislation, are accounted for pursuant to IFRIC 21 according to which the liability for the levy is recognized only when the activity that triggers payment occurs.

NOTE 4: - Critical accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires the use of accounting estimates and assumptions, and also requires management to exercise its judgement, in the process of applying the Group's accounting policies.

Estimates, assumptions and judgement applied are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates, assumptions and judgement are based on management's best knowledge of current events and actions, actual results may ultimately differ.

1. Critical judgements in applying the Group's accounting policies:

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements:

Carrying value of intangible exploration and evaluation assets:

Amounts carried under intangible exploration and evaluation assets represent active exploration projects. Capitalised costs will be written off to the income statement as exploration costs unless commercial reserves are established, or the determination process is not completed and there are no indications of impairment in accordance with the Group's accounting policy. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical judgement. The key areas in which management has applied judgement and estimation are as follows: the Group's intention to proceed with a future work programme; the likelihood of licence renewal or extension; the assessment of whether sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and the success of a well result or geological or geophysical survey.

2. Estimation uncertainty:

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, are discussed below:

Carrying value of property, plant and equipment:

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an indicator of impairment exists, the recoverable amount (which is the higher of fair value less costs to sell and value in use) of the cash-generating unit to which the assets belong is then estimated based on the present value of future discounted cash flows.

For oil and gas assets, the expected future cash flow estimation is based on a number of factors, variables and assumptions, the most important of which are estimates of reserves, future production profiles, oil prices and costs. In most cases, the present value of future cash flows is most sensitive to estimates of future oil price, estimates of reserves, estimates of development costs and discount rates.

NOTE 4: - Critical accounting estimates and judgments (Cont.)

A change in the assumptions could materially change the recoverable amount. In the event that future circumstances vary from these assumptions, the recoverable amount of the Group's development and production assets could change materially and result in impairment losses or the reversal of previous impairment losses.

Hydrocarbon reserve and resource estimates:

The Company’s oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to developed and undeveloped proved and probable commercial reserves (2P developed and undeveloped) which are estimated to be recoverable with existing and future developed facilities using current operating methods, determined in accordance with the Petroleum Resources Management System published by the Society of Petroleum Engineers, the World Petroleum Congress and the American Association of Petroleum Geologists. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future oil prices. The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Company’s oil and gas properties has been impaired. As the economic assumptions used may change and as additional geological information is produced during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Company’s reported financial position and results which include:

- Depreciation and amortisation charges in profit or loss may change where such charges are determined using the units of production method, or where the useful life of the related assets change.
- Impairment charges in profit or loss
- Provisions for decommissioning may change - where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets

Decommissioning costs:

There is uncertainty around the cost of decommissioning as cost estimates can vary in response to many factors, including from changes to market rates for goods and services, to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope, amount of expenditure, discount and inflation rates may also change. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning.

The estimated decommissioning costs are reviewed annually by management and the results of this review are then assessed alongside estimates from operators. Provision for environmental cleanup and remediation costs is based on current legal and contractual requirements, technology and price levels.

Deferred taxes:

The Group has recognised deferred tax assets in respect of losses and other temporary differences to the extent that it is probable that there will be future taxable profits against which the losses and other temporary differences can be utilised. The Group has considered their carrying value at each balance sheet date and concluded that based on management's estimates, sufficient taxable profits will be generated in future years to recover such recognised deferred tax assets.

These estimates are based on forecast performance and where tax losses are subject to expiration, the estimates take into account the expected reversal patterns of taxable temporary differences compared to the future reversal of deductible temporary differences.

For additional details, see also Note 12.

The management regard the deferred tax asset in relation to tax losses and other temporary differences as recoverable, despite the loss-making situation that currently exists, based on its best estimate of future sources of taxable income.

NOTE 5: - Revenues

	2022 $'000	2021 $'000
Revenue from gas sales [(1)]	45,153	-
Compensation to customers [(2)]	(18,031)	-
Total revenue	**27,122**	**-**

[(1)] Sales gas between 26 October 2022 and 31 December 2022 totaled approximately 0.28 bcm.

[(2)] During 2021 and in accordance with the GSPAs signed with a group of gas buyers, the Company paid compensation to these counterparties due to the fact the gas supply date is taking place beyond a certain date as defined in the GSPAs (being 30 June 2021). The compensation is accounted for as variable consideration under IFRS 15 Revenue Recognition, as a deduction from revenue once production commences and gas is delivered to the gas buyers.

NOTE 6: - Operating loss before taxation

	2022 $'000	2021 $'000
(a) Cost of sales		
Staff costs (Note 7)	1,174	-
Energy cost	1,030	-
Royalty payable (Note 21 (e))	8,128	-
Depreciation and amortisation (Note 10)	10,976	-
Other operating costs	12,440	-
Stock movement (Note 14)	(2,731)	-
Total cost of sales	**31,017**	**-**
(b) General & administration expenses		
Staff costs (Note 7)	2,121	1,278
Share-based payment charge	214	166
Depreciation and amortisation (Note 10, 11)	459	93
Auditor fees	254	255
Other general & administration expenses	9,204	3,408
Total administrative expenses	**12,252**	**5,200**
(e) **Exploration and evaluation expenses**		
Exploration costs written off [(1)]	1,518	-
Other exploration and evaluation expenses	301	50
Total exploration and evaluation expenses	**1,819**	**50**
(f) Other expenses		
Reversal of prior period provision	-	5
Loss from disposal of property, plant and equipment [(2)]	1,102	23
Write down of assets	-	433
Total other expenses	**1,102**	**461**
(g) Other income		
Other income	54	19
Total other income	**54**	**19**

NOTE 6: - Operating loss before taxation (Cont.)

(1) Zone D: On 27 July 2022, the Company sent a formal notice to the Ministry of Energy notifying relinquishment of Zone D and discontinuation of related work. As such, the licences subsequently expired on 27 October 2022. Capitalised costs associated with Zone D were written off during 2022 (Note 11).

(2) During 2022 the Company recorded a loss on disposal of surplus equipment approximately US$0.83 million. In addition, the company recorded a loss from selling materials and an impairment of materials of US$0.27 million.

NOTE 7: - Staff costs

The average monthly number of employees employed by the Group was:

	2022	2021
	$'000	$'000
Salaries	7,953	3,814
Other staff costs	1,397	165
Social insurance costs and other funds	575	943
Share-based payments	410	369
Payroll Cost capitalised in oil & gas assets	(6,826)	(3,847)
	3,509	**1,444**
Total payroll cost in cost of sales	1,174	-
Total payroll cost in administration expenses	2,335	1,444
Total payroll cost	**3,509**	**1,444**
Number of employees		
Administration	27	18
Technical	43	17
Total	**70**	**35**

NOTE 8: - Net finance income/(expenses)

	2022	2021
	$'000	$'000
Interest on bank borrowings (1)	-	76,890
Interest on senior secured notes (1)	136,412	101,856
Interest expense on long terms payables (1)	14,660	4,092
Interest on shareholders loan (2)	-	9
Less amounts included in the cost of qualifying assets (3)	(123,634)	(169,813)
	27,438	**13,034**
Finance and arrangement fees	4,713	16,675
Other finance costs and bank charges	1,118	64
Loss on interest rate hedges (1)	-	7,002
Unwinding of discount on provision for decommissioning (4)	1,230	675
Unwinding of discount on right of use asset	1,035	152
Less amounts included in the cost of qualifying assets (3)	(5,723)	(19,076)
	2,373	**5,492**
Total finance costs	**29,811**	**18,526**
Interest income from time deposits	3,165	1,447
Interest income from loans to related parties (5)	3,214	6,402
Total finance income	**6,379**	**7,849**
Net foreign exchange gain/(losses)	(3,087)	520
Net finance income/(expense)	**(26,519)**	**(10,157)**

(1) See also Note 16.
(2) See also Note 22(E)(3).
(3) See also Note 10(A).
(4) See also Note 17.
(5) See also Note 22(E)(4).

NOTE 9: - Taxation

1. Corporate Tax rates applicable to the Company:

Israel:

The Israeli corporate tax rate is 23% in 2022 and 2021.

Cyprus:

For its activity in Cyprus, the Company is subject to corporation tax on its taxable profits at the rate of 12.5%.

2. The Income and Natural Resources Taxation Law, 5771-2011 - Israel:

In April 2011, the Knesset passed the Income and Natural Resources Tax Law, 5771-2011 ("the Law"). The implementation of the law led to a change in the taxation rules applicable to the Group's income, including among others, oil and gas profits levy according to a mechanism determined in the law and cancellation of the depletion allowance.

The main provisions of the law are as follows:

The imposition of an oil and gas profits levy at a rate to be set as set out below. The rate of the levy will be calculated according to a proposed R factor mechanism, according to the ratio between the net accrued revenues from the project and the cumulative investments as defined in the law. A minimum levy of 20% will be levied at the stage where the R factor ratio reaches 1.5, and when the ratio increases, the levy will increase gradually until the maximum rate of 50% until the ratio reaches 2.3. In addition, it was determined that the rate of the levy as stated will be reduced starting in 2017 by multiplying 0.64 by the difference between the corporate tax rate prescribed in section 126 of the Income Tax Ordinance for each tax year and the tax rate of 18%. In accordance with the corporate tax rate from 2018 onwards, the maximum rate will be 46.8%.

In addition, additional provisions were prescribed regarding the levy, inter alia, the levy will be recognised as an expense for the purpose of calculating income tax; The limits of the levy shall not include export facilities; The levy will be calculated and imposed for each reservoir separately (Ring Fencing); Payment by the owner of an oil right calculated as a percentage of the oil produced, the recipient of the payment will be liable to pay a levy according to the amount of the payment received, and this amount will be subtracted from the amount of the levy owed by the holder of the oil right.

The law also sets rules for the unification or separation or consolidation of oil projects for the purposes of the law.

In accordance with the provisions of the Law, the Group is not yet required to pay any payment in respect of the said levy, and therefore no liability has been recognised in the financial statements in respect of this payment.

NOTE 9: - Taxation (Cont.)

3. Taxation charge:

	2022 $'000	2021 $'000
Tax - current year	(360)	(310)
Deferred tax	11,311	5,327
Total taxation income	**10,951**	**5,017**

4. Reconciliation of the total tax charge:

The reconciliation between the tax expense, assuming that all the income, expenses, gains and losses in profit or loss were taxed at the statutory tax rate of Israel and the taxes on income recorded in profit or loss is as follows:

	2022 $'000	2021 $'000
Loss before tax	**(45,533)**	**(15,849)**
Tax credit at the applicable tax rates of 23% (1)	10,473	3,645
Impact of different tax rates (2)	331	653
Permanent differences - non deductible (3)	(137)	624
Reassessment of recognised deferred tax asset in the current period	-	127
Permanent differences additional expenses for Cyprus tax (4)	314	(24)
Other adjustments	(19)	(8)
Taxation income	**10,962**	**5,017**
Effective tax rate	**24%**	**32%**

1) For the reconciliation of the effective tax rate, the statutory tax rate of the Israeli Branch of 23% has been used since the deferred tax comes from the Israeli Branch operations.

2) Energean Israel Limited (Cyprus) is subject to corporation tax rate of 12.5%.

3) Permanent differences consisted of non-deductible expenses with the majority derived from the Israeli Branch and, *inter alia*, related to refreshments, accommodation, donations and travelling.

4) The Cypriot Income Tax Law (ITL) provides for a notional interest deduction (NID) from the taxable profits of entities financing their operations through new equity. In view of this, the Company proceeded with the relevant calculation regarding the new equity used to finance asset.

NOTE 10: - Property, Plant and Equipment

a. Composition:

	Oil and gas Assets $'000	Leased assets $'000	Furniture, fixtures and equipment $'000	Total $'000
Cost:				
At 1 January 2021	**1,812,758**	**604**	**635**	**1,813,997**
Additions (1)	243,346	3,405	194	246,945
Disposals	(23)	-	-	(23)
Capitalised borrowing cost (2)	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**

	Oil and gas Assets $'000	Leased assets $'000	Furniture, fixtures and equipment $'000	Total $'000
Additions (1)	514,373	731	1,165	516,269
Disposals	(900)	-	-	(900)
Capitalised borrowing cost (2)	129,357	-	-	129,357
Capitalised depreciation	632	-	-	632
Change in decommissioning provision	47,544	-	-	47,544
Total cost at 31 December 2022	**2,932,789**	**4,740**	**1,994**	**2,939,523**
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**
Charge for the year (3)	10,976	134	297	11,407
Capitalised to petroleum and gas assets	-	632	-	632
Disposals	(433)	-	-	(433)
Write down of the assets	250	-	-	250
Total Depreciation at 31 December 2022	**11,226**	**1,459**	**525**	**13,210**
At 31 December 2021	**2,241,350**	**3,316**	**601**	**2,245,267**
At 31 December 2022	**2,921,563**	**3,281**	**1,469**	**2,926,313**

(1) The additions to oil & gas assets 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.

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

(3) Production from the Karish project was achieved on 26 October 2022.

b. Depreciation expense for the year has been recognised as follows:

	2022 $'000	2021 $'000
Cost of sales	10,976	-
Administration expenses	431	85
Capitalised depreciation in oil & gas assets	632	362
Total	**12,039**	**447**

c. Cash flow statement reconciliations:

	2022 $'000	2021 $'000
Additions to property, plant and equipment	692,902	432,624
Associated cash flows		
Payment for additions to property, plant and equipment	(278,208)	(291,760)
Non-cash movements/presented in other cash flow lines		
Capitalised borrowing costs	(129,357)	(188,889)

	2022 $'000	2021 $'000
Right-of-use asset additions	(731)	(3,405)
Capitalised share-based payment charge	(196)	(203)
Capitalised depreciation	(632)	(362)
Change in decommissioning provision	(47,544)	3,549
Movement in working capital	(236,234)	48,446

d. Details of the Group's rights in petroleum and gas assets:

Right	Type of right	Valid date of the right	Group's share
Karish I/17	Lease	10 August 2044	100%
Tanin I/16	Lease	10 August 2044	100%

NOTE 11: - Intangible Assets

a. Composition:

	Exploration and evaluation assets $'000	Software licences $'000	Total $'000
Cost:			
At 1 January 2021	**13,799**	**255**	**14,054**
Additions (1)	6,342	-	6,342
At 1 January 2022	**20,141**	**255**	**20,396**
Additions (1)	123,005	1,713	124,718
Write off of exploration and evaluation costs (2)	(1,277)	-	(1,277)
At 31 December 2022	**141,869**	**1,968**	**143,837**
Amortisation:			
At 1 January 2021	-	247	247
Charge for the year	-	8	8
Total Amortisation at 31 December 2021	**-**	**255**	**255**
Charge for the year	-	28	28
Total Amortisation at 31 December 2022	**-**	**283**	**283**
At 31 December 2021	**20,141**	**-**	**20,141**
At 31 December 2022	**141,869**	**1,685**	**143,554**

(1) Additions to exploration and evaluation assets are primarily due to the drilling programme undertaken offshore Israel.

Block 12 offshore Israel –Gas Discovery:

During 2022 the Company's growth drilling programme discovered gas resources in Block 12, offshore Israel. Successful exploration wells were drilled into the Athena and Zeus prospects, resulting in the award of 2P reserves by Energean's reserve auditor, D&M. The Hera prospect shared sufficient geological and seismic attributes to also be classified as 2P reserves. As a result, and in accordance with the Company's Competent Person's Report ("CPR") as of 31 December 2022, Block 12 is estimated to contain 2P reserves of

NOTE 11: - Intangible Assets (Cont.)

31.3 bcm and 5.4 mmboe of hydrocarbon liquids. The Company expects to take financial investment decision in 2023.

(2) 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.

b. Cash flow statement reconciliations:

	2022 $'000	2021 $'000
Additions to intangible assets	123,441	6,342
Associated cash flows		
Payment for additions to intangible assets	50,332	(5,152)
Non-cash movements/presented in other cash flow lines		
Write off of exploration and evaluation costs	1,277	-
Movement in working capital	(74,386)	(1,190)

c. Details on the Group's rights in the intangible assets:

Right	Type of right	Valid date of the right	Group's interest as at 31 December 2022
Block 12	Licence	14 January 2024	100%
Block 21	Licence	14 January 2024	100%
Block 23	Licence	14 January 2024	100%
Block 31	Licence	14 January 2024	100%

d. Additional information regarding the Exploration and Evaluation assets:

As of 31 December 2022, the Group held four licences to explore for gas and oil in Block 12, Block 21, Block 23 and Block 31, which are located in the economic waters of the State of Israel. The licences are valid till 14 January 2024, although this may be extended for a further four years; composed of two periods of two years, subject to compliance with the provisions of the licences.

NOTE 12: - Deferred taxes

The Group is subject to corporation tax on its taxable profits in Israel at the rate of 23%. The Capital Gain Tax rates depends on the purchase date and the nature of asset. The general capital tax rate for a corporation is the standard corporate tax rate.

Tax losses can be utilised for an unlimited period, and tax losses may not be carried back.

According to Income Tax (Deductions from Income of Oil Rights Holders) Regulations, 5716-1956, the exploration and evaluation expenses of oil and gas assets are deductible in the year in which they are incurred.

The Group expects that there will be sufficient taxable profit in the following years and that deferred tax assets, recognised in the consolidated financial statements of the Group, will be recovered.

NOTE 12: - DEFERRED TAXES (Cont.)

Below are the items for which deferred taxes were recognised:

	Property, plant and equipment & intangible assets $'000	Right of use asset IFRS 16 $'000	Tax losses $'000	Deferred expenses for tax $'000	Staff leaving indemnities $'000	Accrued expenses and other short-term liabilities and other long-term liabilities $'000	Derivative liability $'000	Decommissioning provision $'000	Total $'000
At 1 January 2022	(12,632)	(762)	4,750	11,031	94	923	-	8,171	11,575
Increase/(decrease) for the year through:									
Profit or loss	(27,712)	8	51,665	(4,822)	73	270	-	(8,171)	**11,311**
At 31 December 2022	**(40,344)**	**(754)**	**56,415**	**6,209**	**167**	**1,193**	**-**	**-**	**22,886**
At 1 January 2021	(12,140)	(62)	9,325	-	167	293	1,591	8,769	7,839
Increase/(decrease) for the year through:									
Profit or loss	(492)	(700)	1,436	5,020	31	630	-	(598)	**5,327**
Reclassifications in 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**

	2022 $'000	2021 $'000
Deferred tax liabilities	(41,099)	(13,394)
Deferred tax assets	63,985	24,969
	22,886	**11,575**

NOTE 13: - Trade and other receivables

	2022 $'000	2021 $'000
Current		
Financial items	37,491	-
Other receivables [(1)]	999	21,275
Refundable VAT	37,131	3
Accrued interest income	888	901
	76,509	**22,179**
Non-financial items		
Prepayments	159	430
Deferred expenses [(3)]	4,929	-
Prepaid expenses	1,014	160
	6,102	**590**
Total current trade and other receivables	**82,611**	**22,769**
Non-current		
Financial items		
Accrued interest income from related parties [(2)]	-	6,402
Non-financial items		
Deposits and prepayments	108	61
Total non-current trade and other receivables	**108**	**6,463**

(1) In 2021 this amount included a US$21.2 million receivable from INGL resulting from relevant milestones being achieved, in line with the agreement. See Note 18(4) for further details.

(2) See also Note 22(E)(4).

(3) Deferred expenses relate to compensation of US$22.9 million that had been 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, which will reduce revenue from gas sales once gas delivery commences. Gas sales from the Karish project was achieved in 2022 and the majority of the deferred expenses balance was deducted from revenues during 2022, see Note 5.

The table below summarises the maturity profile of the Group receivables:

31 December 2022 ($'000)	Carrying amounts	Contractual cash flows	3 months or less	3-12 months
Trade receivables	37,491	37,491	37,491	-
Refundable VAT and excise	37,131	37,131	19,113	18,018
Short term other receivables	1,887	1,887	999	888
Total	76,509	76,509	57,603	18,906

31 December 2021 ($'000)	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-2 years
Short term trade and other receivables	22,175	22,175	-	22,175	-
Refundable VAT and excise	3	3	-	3	-
Short term other receivables	901	901	-	901	-
Accrued interest income from related	6,402	6,402	-	-	6,402
Total	29,481	29,481	-	23,079	6,402

NOTE 14: - Inventories

	2022 $'000	2021 $'000
Hydrocarbon liquids	2,367	-
Natural gas	383	-
Raw materials and supplies	5,563	-
Total	**8,313**	**-**

NOTE 15: - Cash and cash equivalents

	2022 $'000	2021 $'000
Cash at bank and in hand	14,825	45,827
Banks short-term deposits	10,000	304,000
Total	**24,825**	**349,827**

Bank deposits comprise short-term deposit accounts that are readily convertible into known amounts of cash. The effective interest rate on short-term bank deposits was 1.115% for the year ended 31 December 2022 (year ended 31 December 2021: 0.383%).

NOTE 16: - Borrowings and secured notes

a. US$1.45 billion senior project facility:

On 2 March 2018, the Group entered into a senior secured project finance for its Karish project amounting to US$1.275 billion and on 16 March 2020, the senior credit facility was increased to US$1,450 million (the "Project Finance Facility").

As of 29 April 2021, the Group had drawn US$1,268 million from the Project Finance Facility and the amortised carrying value of the loan was US$1,225 million (including short term accrued interest at the amount of approx. US$2 million as part of trade and other payables).

On 29 April 2021, the Company cancelled and repaid in full repaid the Project Finance Facility and, as such, the ultimate parent company guarantee ("PCG") granted by Energean plc for US$90 million and the standby letter of credit for US$125 million issued in favor of the Project Finance Lenders, was cancelled in full.

b. Short term loan from ultimate parent company repayment - See Note 22(E)(3):

On 5 January 2021, the Company re-paid Energean plc the short-term loan balance of US$16 million.

c. 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 proceeds were primarily used to prepay in full the Project Finance Facility.

The Notes were issued in four equal tranches as follows:

Series	Maturity	Annual fixed Interest rate	31 December 2022 Carrying value $'000	31 December 2021 Carrying value $'000
US$ 625 million	30 March 2024	4.500%	620,461	617,060
US$ 625 million	30 March 2026	4.875%	617,912	615,966
US$ 625 million	30 March 2028	5.375%	616,767	615,451
US$ 625 million	30 March 2031	5.875%	615,890	615,047
US$2,500 million			**2,471,030**	**2,463,524**

NOTE 16: - Borrowings and secured notes (Cont.)

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.

Collateral:

The Company has provided/undertakes to provide the following collateral in favor of the Trustee:

a. First rank fixed charges over the shares of Energean Israel Limited, Energean Israel

   Finance Ltd and Energean Israel Transmission Ltd, the Karish & Tanin Leases, the gas sales purchase agreements ("GSPAs"), several bank accounts, operating permits, insurance policies, the Company's exploration licences and the INGL Agreement.

b. Floating charge over all of the present and future assets of Energean Israel Limited and Energean Israel Finance Ltd.

c. The Energean Power FPSO.

Restricted cash:

As of 31 December 2022, the Company had short-term restricted cash of US$71.8 million (31 December 2021: US$196.7 million), $68.8 million for the debt payment fund which will be used for the March 2023 coupon payment of $64.4 million and US$3 million for bank guarantees (31 December 2021: US$3 million).

Credit rating:

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

NOTE 16: - Borrowings and secured notes (Cont.)

d. Reconciliation of liabilities arising from financing activities:

	1 January 2021	Cash inflows	Cash outflows	Additions	Borrowings costs including amotisation of arrangement fee	Foreign exchange impact	Other	Fair value changes	Reclassi-fication to short term	31 December 2021
2021 ($'000)	**2,523,968**	**-**	**(142,342)**	**731**	**144,412**	**100**	-	-	-	**2,526,869**
Senior secured notes	2,463,524	-	(128,906)	-	136,412	-	-	-	-	2,471,030
Lease liabilities	3,214	-	(1,085)	731	1,046	100	-	-	-	4,006
Deferred licence payments [1]	57,230	-	(12,351)	-	6,954	-	-	-	-	51,833
2021 ($'000)	**1,186,672**	**2,618,000**	**(1,434,958)**	**3,405**	**187,956**	**(28)**	**2,081**	**(6,933)**	**(32,227)**	**2,523,968**
Senior secured notes	-	2,500,000	(106,105)	-	101,856	-	-	-	(32,227)	2,463,524
Borrowings	1,093,965	118,000	(1,290,936)	-	76,890	-	2,081	-	-	-
Lease liabilities	270	-	(585)	3,405	152	(28)	-	-	-	3,214
Loans from related parties	16,000	-	(16,000)	-	-	-	-	-	-	-
Deferred licence payments (1)	69,518	-	(14,344)	-	2,056	-	-	-	-	57,230
Liability held to hedge long-term borrowings	6,919	-	(6,988)	-	7,002	-	-	(6,933)	-	-

[1] Cash outflows relate to finance costs paid for deferred licence payments of approximately US$1,501 thousands in 2022 and US$3,494 thousand in 2021 and payment for purchase of oil & gas leases of US$10,850 thousand in 2022 and 2021, which are included in the cash flows from financing and investing activities respectively, in the Consolidated Statement of Cash Flows.

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NOTE 17: - Decommissioning provisions

	2022	2021
	$'000	$'000
At 1 January	35,525	38,399
New provisions	56,803	-
Changes in estimates	(9,259)	(3,549)
Unwinding of discount	1,230	675
At 31 December	**84,299**	**35,525**
Current provisions	**-**	**-**
Non-current provisions	**84,299**	**35,525**

As of 31 December 2022, the decommissioning provision represents the present value of decommissioning costs relating to the four wells for Karish , Karish North and subsea infrastructure.

The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2042, when the producing oil and gas properties are expected to cease operations. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes form a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time.

Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain.

The discount rate applied at 31 December 2022 is 4.15% (31 December 2021: 1.95%).

Depreciation is based on the depletion method upon commercial production.

NOTE 18: - Trade and other payables

	2022	2021
	$'000	$'000
Current		
Financial items		
Trade accounts payable (1)	209,853	32,611
Payables to related parties (Note 22)	21,028	1,079
Deferred licence payments (2)	13,345	-
Other creditors	6,712	-
Value added tax payable	-	1,217
Current lease liabilities	1,792	1,011
	252,730	**35,918**
Non-financial items		
Accrued expenses (1)	29,404	5,611
Interest payable	32,227	32,227
Contract liability (4)	56,230	-
Social insurance and other taxes	502	132
Income taxes	6	227
	118,369	**38,197**

	2022 $'000	2021 $'000
Total current trade and other payables	**371,099**	**74,115**
Non-current financial items		
Trade and other payables [3]	169,360	-
Deferred licence payments [2]	38,488	57,230
Long term lease liabilities	2,214	2,203
	210,062	**59,433**
Non-financial items		
Accrued expenses to related parties	179	294
Sales consideration received in advance [4]	-	53,537
	179	**53,831**
Total non-current trade and other payables	**210,241**	**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 and for drilling activities performed offshore Israel. 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 31 December 2022, the total discounted deferred consideration was US$42 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) This represents the amount payable to Technip in respect of the EPCIC contract. Under this contractUS$250 million becomes payable nine months following the practical completion date (as defined under that contract), and is payable in eight equal instalments, bearing no interest. A discount rate of 5.831% has been applied.

(4) The contract liability 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. The Hand Over became effective in March 2023. Following Hand Over, INGL is responsible for the operations and maintenance of this part of the infrastructure.

NOTE 19: - Equity

a. Share capital:

	31 December 2022		31 December 2021	
	Number of shares	US$	Number of shares	US$
Authorised, issued and fully paid				
Ordinary A shares of US$1 each	**1,708,415**	**1,708,415**	**1,708,415**	**1,708,415**

b. Company's shareholders transaction completion:

On 29 December 2020, Energean E&P Holdings Limited entered into a conditional sale and purchase agreement to acquire Kerogen Investments No. 38 Limited's entire interest in Energean Israel Limited, which constituted 30% of the total issued share capital of Energean Israel Limited. Completion took place during February 2021. As such, from 31

NOTE 19: - Equity (Cont.)

December 2021 onwards, Energean E&P Holdings limited has been the sole company's shareholder. Please refer to 22(A).

c. Other reserves:

As at 31 December 2020, the Group recognised derivative financial liabilities of US$6,919 thousands, net of tax. See also Note 16(A). All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as a cash flow hedge.

During 2021 with the repayment of the senior facility loan, the fair value differences, previously recognized in other comprehensive income, were recognised immediately as finance costs.

d. Shares rights:

An ordinary share gives the shareholder the right to vote on matters put before all of the shareholders of the Company. One share equals one vote. An ordinary share also provides the shareholder with the right to receive a share of the Company's profits by way of dividends.

5. Share Premium Capital reduction:

In April 2022 the Company reduced its share premium account by US$360 million.

NOTE 20: - Share-based payment

Analysis of share-based payment charge:

	2022 $'000	2021 $'000
Energean 2018 Long Term Incentive Plan	329	305
Energean Deferred Share Bonus Plan	81	64
Total share-based payment charge	**410**	**369**
Capitalised to property, plant and equipment assets	196	203
Expensed as administration expenses	214	166
Total share-based payment charge	**410**	**369**

Energean plc's 2018 Long Term Incentive Plan (LTIP)

Under the Energean plc's 2018 LTIP rules, senior executives may be granted conditional awards of shares or nil cost options. Nil cost options are normally exercisable from three to ten years following grant provided an individual remains in employment. Awards are subject to performance conditions (including Total Shareholder Return (TSR) normally measured over a period of three years. Vesting of awards or exercise of nil cost options is generally subject to an individual remaining in employment except in certain circumstances such as good leaver and change of control. Awards may be subject to a holding period following vesting. No dividends are paid over the vesting period; however, Energean plc's. Board may decide at any time prior to the issue or transfer of the shares in respect of which an award is released that the participant will receive an amount (in cash and/or additional Shares) equal in value to any dividends that would have been paid on those shares on such terms and over such period (ending no later than the Release Date) as the Board may determine. This amount may assume the reinvestment of dividends (on such basis as the Board may determine) and may exclude or include special dividends.

The weighted average remaining contractual life for LTIP awards outstanding at 31 December 2022 was 1.22 years, (31 December 2021: 1.3 years).

All amounts related to share-based payments are recognised as liabilities, because Energean plc charges the Group, using the share price at grant date, for the shares issued upon vesting.

NOTE 20: - Share-based payment (Cont.)

Deferred Share Bonus Plan (DSBP)

Under the DSBP, a portion of any annual bonus of a Senior Executive nominated by the Remuneration Committee may be deferred into shares.

Deferred awards are usually granted in the form of conditional share awards or nil-cost options (or, exceptionally, as cash-settled equivalents). Deferred awards usually vest two years after award although may vest early on leaving employment or on a change of control.

The weighted average remaining contractual life for DSBP awards outstanding at 31 December 2022 was 0.8 year, (31 December 2021 was 0.5 year).

All the amount related to share-based payment is recognised as liability since Energean plc charges the Group, using the share price at grant date, for the shares issued upon vesting.

NOTE 21: - Material engagements, commitments and contingencies

a. Material engagements:

Gas supply agreements:

As of 31 December 2022, the Group has entered into a number of gas supply agreements with certain buyers in Israel for the provision of natural gas from the production of Karish and Tanin.

In general, the weighted average tenor of the GSPAs is 15 years.

The Group has signed Gas Sales and Purchase Agreements ("GSPAs"), for the supply of approximately 7.4 BCM per year on plateau.

The gas supply agreements contain customary warranties, terms and provisions for agreements of this nature.

Rig contract signed for 2022 drilling campaign, offshore israel:

In June 2021, the Company signed on a contract with Stena Drilling Limited for its 2022 growth drilling programme offshore Israel.

During the drilling campaign, 6 wells were drilled. The drilling campaign completed in December 2022.

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.

Hydrocarbon 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. The realised price will be market price less certain freight, logistics and marketing costs. During Q1 2023, the Company sold two hydrocarbon liquids

b. Commitments:

In acquiring its oil and gas interests, the Group has pledged that various work programmes will be undertaken on each permit/interest. The exploration commitments in the following table are an estimate of the net cost to the Group of

NOTE 21: - Material engagements, commitments and contingencies (Cont.)

performing these work programmes:

	2022	2021
	$'000	$'000
Capital commitments:		
Due within one year	-	222
	-	**222**
Contingent liabilities:		
Performance guarantees - see Note 21(C)	97,572	89,693

c. Performance guarantees:

1. **Letter of Credit Facility Agreement** The Company signed with a banking corporation a 355 million ILS (approx. US$101 million) facility for issuing bank guarantees for its operations in Israel. The facility term lasts until 30 April 2023. The facility bears interest of 1.5% for drawn amounts and 0.8% commitment fee for undrawn amounts.. The banking corporation security is a US$112 million PCG granted by Energean plc and cash collateral of US$2.96 million.
2. **Karish and Tanin Leases** - As part of the requirements of the Karish and Tanin Lease deeds, the Group provided as of 31 December 2022 the Israeli Ministry of Energy with bank guarantees of US$25 million. The bank guarantees are in force until 29 June 2023.
3. **Blocks 12, 21, 23 and 31** - As part of the requirements of the exploration and appraisal licences the Group provided as of 31 December 2022 the Israeli Ministry of Energy with bank guarantees in the amount of US$21 million for all 4 blocks mentioned above. US$6 million of the bank guarantees are in force until 13 January 2024, US$10 until 13 May 2023 and US$5 million until November 2023.
4. **Blocks 55, 56, 61 and 62, also known as "ZONE D"** - As part of the requirements of the exploration and appraisal licences which granted to the Group during the Israeli 2nd offshore BID in July 2019, the Group provided the Israeli Ministry of Energy in January 2018 with bank guarantees in the amount of US$3.2 million for all 4 blocks mentioned above. The bank guarantees were in force until relinquish date in October 2022.
5. **Israeli Natural Gas Lines ("INGL")** - As of 31 December 2022, the Group provided INGL bank guarantee at the amount of 165.4 million ILS (US$47 million) in order to secure the milestone payments from INGL. The bank guarantees are in force: 18.26 million ILS (US$5.2 million) until June 2023 and 147.1 million ILS (US$41.8 million) until November 2023.
6. **Transmission licence -** As part of the requirements of the Transmission licence, the Group provided the Israeli Ministry Energy with bank guarantees of US$0.25 million. The bank guarantee is in force until 20 September 2023. The bank guarantee will be renewed each year thereafter as long as the licence is valid, in accordance with the period of Karish and Tanin Leases.
7. **Other -** As part of the ongoing operations in Israel, the Group provided as of 31 December 2022 various bank guarantees to third parties and Israel Custom Authority in Israel which amounted US$4.3 million. The main bank guarantees are in force till end of the first half of 2023, the remaining bank guarantees are in force till end of third quarter of 2023.

e. Contractual and certain other future obligations

- Contractual royalties are payable to NewMed (previously Delek Drilling) and third-party holders at a total rate of 7.5%, increasing to 8.25% (with such increase expected in 2025 for the Karish lease) after the date at which the lease in question starts to pay the Levy, less royalties due under existing royalties for the benefit of third-party royalty holders, to be paid directly to such third parties. The royalty payable to NewMed under the SPA is calculated on the value of the total amount of natural gas and condensate produced at the wellhead without any deduction (except for natural gas and Petroleum (as defined under the Petroleum Law) used in the production process). No contractual royalties under the SPA will be payable on future discoveries that were not part of the original acquisition of the Karish and Tanin leases. Royalties under the SPA are deductible for corporate tax and for the Levy tax base.

NOTE 22: - Related parties

a. As of 31 December 2022, the Group's ordinary shares are owned 100% by Energean E&P Holdings Limited, incorporated in Cyprus. On 29 December 2020, Energean E&P Holdings Limited entered into a conditional sale and purchase agreement to acquire Kerogen Investments No. 38 Limited's entire interest in Energean Israel Limited, which constitutes 30% of the total issued share capital of Energean Israel Limited, and completion took place during February 2021.

b. Details of related parties:

Name	Country of incorporation / registered office	Principal activities	Relationship as of 31 December 2022	Relationship as of 31 December 2021
Energean plc	44 Baker Street, London W1U 7AL, United Kingdom	Holding company	Ultimate Parent company	Ultimate Parent company
Energean E&P Holdings Ltd	22 Lefkonos Street, 2064 Nicosia, Cyprus	Holding Company	Parent company	Parent company
Energean Oil & Gas S.A.	32 Kifissias Ave. 151 25 Marousi Athens, Greece	Oil and gas exploration, development and production	Sister company	Sister company
Energean International Limited	22 Lefkonos Street, 2064 Nicosia, Cyprus	Oil and gas exploration, development and production	Sister company	Sister company
Energean Italy S.p.A.	Piazza Sigmund Freud no.1, 20154, Milano, Italy	Oil and gas exploration, development and production	Sister company	Sister company
Energean Capital Limited	22 Lefkonos Street, 2064 Strovolos, Nicosia, Cyprus	Holding of investments and management services	Sister company	Sister company
Energean Italy SPA (under common control	Via Aterno, 49 – C.da Dragonara 66020 San Giovanni Teatino (CH	Oil and gas exploration, development and production	Sister company	Sister company
Energean Group Services Limited	44 Baker Street, London W1U 7AL, United Kingdom	Oil and gas exploration, development and production	Sister company	-
Energean Israel Transmission LTD	121, Menachem Begin St. Azrieli Sarona Tower, POB 24, Tel Aviv 67012039 Israel	Gas transportation licence holder	Subsidiary 100%	Subsidiary 100%
Energean Israel Finance Ltd	121, Menachem Begin St. Azrieli Sarona Tower, POB 24, Tel Aviv 67012039 Israel	Financing activities	Subsidiary 100%	Subsidiary 100%
Egypt Energy Services JSC	Cairo, Egypt	Oil and gas exploration, development and production	Sister company	Sister company

NOTE 22: - Related parties (Cont.)

c. Balances with related parties:

	Nature of balance	2022 $'000	2021 $'000
In current assets:			
Receivables from related parties - Note 13:			
Energean E&P Holdings Limited (controlling party)	Long term interest receivable	-	6,402
		-	**6,402**
In current liabilities:			
Payables to related parties - Note 18:			
Energean plc (the ultimate parent company)	Trading	(5,311)	(413)
Energean Oil & Gas S.A (under common control)	Trading	(1,527)	(204)
Energean International UK branch (under common control)	Trading	(949)	-
Energean Group Services (under common control)	Trading	(3)	-
Energean E&P Holdings Limited (controlling party)	Trading	(8,058)	(428)
Energean International Limited (under common control)	Trading	(164)	(27)
Energean Capital Limited (controlling party)	Trading	(70)	(7)
Energean Italy SPA (under common control)	Trading	(4,949)	-
Energean plc (the ultimate parent company), under accrued expenses	Trading	-	(181)
Energean International UK branch (under common control), under accrued expenses	Trading	-	(364)
Egypt Energy Services JSC, under accrued expenses	Trading	(6,951)	-
Energean Oil & Gas S.A (under common control) , under accrued expenses	Trading	(384)	-
Energean Italy SPA (under common control) , under accrued expenses	Trading	-	(1,899)
		(28,366)	**(3,523)**
In non-current liabilities:			
Accrued expenses to related parties - Note 18:			
Energean plc (the ultimate parent company)	Share based payments	(182)	(294)

NOTE 22: - Related parties (Cont.)

d. Transactions with related parties:

	2022 $'000	2021 $'000
Service received in connection with the oil and gas assets:		
Related companies	8,853	6,189
Ultimate and parent company	8,303	8,539
Other related party – Prime Marine Energy Inc see Note 22(E)(2)	8,060	10,273
	25,216	**25,001**
Service received in connection with the intangible assets:		
Related companies	1,858	1,265
Service received in connection with borrowings:		
Ultimate and parent company	2,749	1,966
In administrative expenses:		
Related companies	1,687	530
Ultimate and parent company	2,512	239
	4,199	**769**
In Finance income:		
Ultimate and parent company	-	(6,402)
In prepaid:		
Ultimate and parent company	199	-
In Finance costs:		
Ultimate and parent company	-	12,189

e. Additional information:

1. The Group and related companies of Energean Group entered into an agreements for the provision of consulting services which includes administrative, technical, finance and commercial matters for the development of the Karish and Tanin reservoirs. The consideration for the said services and the respective balances presented above at Note 22 (C) and 22 (D).
2. During 2020 Energean Israel, purchased from Prime Marine Energy Inc a company controlled by a non-executive director and shareholder of Energean plc, a Field Support Vessel ("FSV").
   The FSV will provide significant in-country capability to support the Karish project, including FPSO re-supply, crew changes, holdback operations for tanker offloading, emergency subsea intervention, drilling support and emergency response. The purchase of this multi-purpose vessel will enhance operational efficiencies and economics when compared to the leasing of multiple different vessels for the various activities. The FSV is currently completing construction works at a Greek Shipyard. The agreement with Prime Marine Energy Inc was terminated on 19 October 2022. In December 2022 the FSV was towed to Greece for completion of the works under Energean's supervision.
3. On 21 December 2020, Energean plc granted a US$16 million loan to the Company. The loan bore annual interest rates of 3.75% and 0.144% (total 3.894%) due to LIBOR. The loan was repaid in full on 5 January 2021.
4. On 29 April 2021 and in accordance with the Senior Secured Notes financing documents, the Company and its parent company Energean E&P Holdings Limited entered into a loan agreement which established that the Company will provide a loan facility of up to US$500 million to Energean E&P Holdings Limited for a period of 24 months, The loan and interest (which was determined upon market conditions) will be paid at the maturity date. Notwithstanding the above, Energean E&P Holdings Limited may, at its discretion, repay the loan, in whole or in part, at any time before 28 April 2023. As of 31 December 2021, US$346 million was loaned to Energean E&P Holdings Limited which was settled in 2022 as part of the Company share premium reduction. See also Note 19.

NOTE 22: - Related parties (Cont.)

f. Parent Company Guarantees (PCG):

a) Under the Karish EPCIC. Energean plc provided a PCG dated 27 July 2018, guaranteeing the payment obligations of Energean Israel Limited in relation to certain deferred payments, which are approximately US$250 million

b) Purchase Karish and Tanin rights - In order to secure the payments to the sellers as stated at Note 10(A), Energean E&P Holdings Limited, the Parent company, granted a corporate guarantee to the sellers.

c) As part of a GSPA the Company signed, to secure the agreement obligations to certain gas buyers, Energean E&P Holdings Limited, the Parent company, granted a corporate guarantee to the gas buyers amounted US$53 million. US$ 38 million of the parent company guarantee will be in force till June 2024 and US$15 million of the parent company guarantee expected to be in force till May 2023.

d) As part of the banking corporation security of the Letter of Credit Facility Agreement Energean plc granted a PCG of US$112 million. The parent company guarantee will be in force until April 2023.

NOTE 23: - Financial Instruments

Financial risk management objectives

The Group is exposed to market price risk which comprises: foreign currency risk, credit risk, liquidity risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

a. Foreign exchange risk:

The Group is exposed to foreign exchange risk as it undertakes operations in various foreign currencies. The key sources of the risk are attributed to the fact that the Group has certain financial assets (mainly other receivables and cash and cash equivalents) and financial liabilities (mainly trade and other payable) with different currencies than the functional currency of the Group, mainly Israeli Shekel (ILS) United Kingdom Pound Sterling (GBP), Euro and Norwegian Krone (NOK).

The Group's exposure to foreign currency risk at each reporting date is shown in the table below. The amounts shown are the US$ equivalent of the foreign currency amounts.

	Liabilities		**Assets**	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Israeli New Shekel (ILS)	9,354	1,501	19,383	22,442
United Kingdom Pound (GBP)	35,905	9,613	1,783	1,587
Euro	28,178	9,964	1,709	2,073
Norwegian Krone (NOK)	7,956	4,403	22	18
Total	**81,393**	**25,481**	**22,897**	**26,120**

The following table reflects the sensitivity analysis for profit and loss result for the year and the equity, taking into consideration for the periods presented foreign exchange variation by +/- 10%.

	ILS		**GBP**		**EURO**		**NOK**	
	Variation		**Variation**		**Variation**		**Variation**	
	10%	**-10%**	**10%**	**-10%**	**10%**	**-10%**	**10%**	**-10%**
31 December 2022 ($'000)								
Profit (loss) before tax	1,003	(912)	(3,412)	3,102	(2,647)	2,406	(793)	721
Equity	772	(702)	(2,627)	2,389	(2,038)	1,853	(611)	555
31 December 2021 ($'000)								
Profit (loss) before tax	2,094	(1,904)	(803)	730	(789)	717	(439)	399
Equity	1,612	(1,466)	(613)	562	(608)	552	(338)	307

NOTE 23: - Financial Instruments (Cont.)

b. Credit risk:

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has policies in place to ensure that all of its transactions giving rise to credit risk are made with parties having an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

Also, the Group has policies to limit the amount of credit exposure to any banking institution, considering among other factors the credit ratings of the banks with which deposits are held. Credit quality information in relation to those banks is provided below.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date, without taking account of any collateral obtained, was:

	2022 $'000	2021 $'000
Loan to related party	-	346,000
Restricted cash	71,778	100,000
Other receivables	76,509	22,176
Cash and cash equivalents and bank deposits	24,823	349,827
	173,110	**818,003**

Credit quality of cash equivalents and bank deposits:

The credit quality of the banks in which the Group keeps its deposits is assessed by reference to the credit rating of these banks. Moody's credit ratings of the corresponding banks in which the Group keeps its deposits is as follows:

	2022 $'000	2021 $'000
A1	43	2
A2	24,765	349,764
Ba3	15	61
Total	**24,823**	**349,827**

The Company has assessed the recoverability of all cash balances and believe they are carried within the Consolidated Statement of Financial Position at amounts not materially different to their fair value.

c. Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group has procedures with the object of minimizing this risk such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The Group manages its liquidity risk by ongoing monitoring of its cash flows. Group management prepares budgets and regular cash flow forecasts and takes appropriately actions to ensure available cash deposits and credit lines with the banks are available to meet the Group's liabilities as they fall due.

On 24 March 2021 (“Issue Date”), Energean Israel Finance Ltd (a subsidiary of the Company, held 100%) issued US$2.5 billion senior secured notes.

NOTE 23: - Financial Instruments (Cont.)

)	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
31 December 2022 ($'000)	**2,933,822**	**3,637,663**	**285,838**	**96,432**	**980,142**	**878,386**	**1,396,865**
Senior secured notes (1)	2,471,030	3,145,703	64,453	64,453	840,625	780,859	1,395,313
Lease liabilities	4,006	4,883	283	729	1,666	653	1,552
Deferred license payments (2)	51,833	61,741	13,345	-	12,851	35,545	-
Trade and other payables - long term	169,360	186,329	-	-	125,000	61,329	
Trade and other payables - short term	237,593	239,007	207,757	31,250	-	-	-
31 December 2021 ($'000)	**2,595,790**	**3,392,739**	**103,647**	**65,571**	**154,390**	**1,590,116**	**1,478,721**
Senior secured notes (1)	2,495,751	3,274,609	64,095	64,811	128,906	1,551,172	1,465,625
Lease liabilities	3,214	5,444	251	760	790	1,897	1,746
Trade and other payables - long term (2)	57,230	73,091	-	-	24,694	37,047	11,350
Trade and other payables - short term	39,595	39,595	39,301	-	-	-	-

(1) As of 31 December 2022, include short term accrued interest of. US$32,227 (31 December 2021: US$32,227). See Note 18.

(2) Includes commitment to Karish and Tanin sellers, for more information see Note 18(2)).

d. Capital risk management:

Capital includes equity shares and share premium. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions, in order to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.The Group's overall objectives, policies and processes remained unchanged from last year.

e. Fair Values:

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 of the group's finance lease obligations is estimated using discounted cash flow analysis based on the group's current incremental borrowing rates for similar types and maturities of borrowing and are consequently categorised in level 2 of the fair value hierarchy.

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 at 31 December 2022		
	Level 1	Level 2	Total
	$'000	$'000	$'000
Financial assets			
Short term restricted cash	71,778	-	**71,778**
Short term trade and other receivables	-	76,509	**76,509**
Cash and cash equivalents	24,825	-	**24,825**
Total	**96,603**	**76,509**	**173,112**
Financial liabilities			
Senior secured notes (1)	2,298,125	-	**2,298,125**
Trade and other payables - long term	-	210,062	**210,062**
Trade and other payables - short term	-	252,730	**252,730**
Total	**2,298,125**	**462,792**	**2,760,917**

NOTE 23: - FINANCIAL INSTRUMENTS (Cont.)

	Fair value hierarchy as at 31 December 2021		
	Level 1	Level 2	Total
	$'000	$'000	$'000
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 (1)	2,483,750	-	**2,483,750**
Trade and other payables - long term	-	59,433	**59,433**
Trade and other payables - short term	-	35,918	**35,918**
Total	**2,483,750**	**95,351**	**2,579,101**

(1) 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 31 December 2022 was US$2,471 million and as of 31 December 2021 was US$2,463 million.

NOTE 24: - Subsequent events

Gas Sales Agreements – Energean signed a spot gas sales and purchase agreement with two Israeli gas buyers. The gas price will be determined in each period, with purchased amounts determined on a daily basis. The agreement will be valid for an initial one-year period with an option to extend subject to ratification by both parties.