

ENERGEAN ISRAEL LIMITED

UNAUDITED INTERIM CONDENCED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2023

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AS OF 30 SEPTEMBER 2023

INDEX

	<u>Page</u>
Interim Condensed Consolidated Statement of Comprehensive Income	3
Interim Condensed Consolidated Statement of Financial Position	4
Interim Condensed Consolidated Statement of Changes in Equity	5
Interim Condensed Consolidated Statement of Cash Flows	6
Notes to the Interim Condensed Consolidated Financial Statements	7-20

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NINE MONTHS ENDED 30 SEPTEMBER 2023

30 September (Unaudited)			
	Notes	2023 \$'000	2022 \$'000
Revenue	3	646,585	-
Cost of sales	4	(313,374)	-
Gross profit		333,211	-
Administrative expenses	4	(13,182)	(7,218)
Exploration and evaluation expenses	4	(50)	(1,277)
Other expenses	4	(170)	(1,079)
Other income	4	2	53
Operating profit/(loss)		319,811	(9,521)
Financial income	5	9,133	5,757
Financial expenses	5	(120,379)	(4,931)
Foreign exchange loss, net	5	(4,872)	1,405
Profit/(loss) for the period before tax		203,693	(7,290)
Taxation (expense)/income	6	(46,766)	2,663
Net profit (loss) for the period		156,927	(4,627)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF 30 SEPTEMBER 2023

	Notes	30 September 2023 (Unaudited)	31 December 2022 \$'000
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	7	2,869,484	2,926,313
Intangible assets	8	160,410	143,554
Other receivables	10	507	108
Deferred tax asset	9	-	22,886
		3,030,401	3,092,861
CURRENT ASSETS:			
Trade and other receivables	10	121,412	82,611
Inventories	11	11,856	8,313
Restricted cash		24,500	71,778
Cash and cash equivalents		239,076	24,825
		396,844	187,527
TOTAL ASSETS		3,427,245	3,280,388
EQUITY AND LIABILITIES:			
EQUITY:			
Share capital		1,708	1,708
Share premium		212,539	212,539
Retained earnings (losses)		86,399	(70,528)
TOTAL EQUITY		300,646	143,719
NON-CURRENT LIABILITIES:			
Senior secured notes	12	2,587,848	2,471,030
Decommissioning provisions		73,602	84,299
Deferred tax liability	9	22,028	-
Trade and other payables	13	180,038	210,241
		2,863,516	2,765,570
CURRENT LIABILITIES:			
Trade and other payables	13	263,083	371,099
		263,083	371,099
TOTAL LIABILITIES		3,126,599	3,136,669
TOTAL EQUITY AND LIABILITIES		3,427,245	3,280,388

15 November 2023

Panagiotis Benos
Director

Matthaios Rigas
Director

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

NINE MONTHS ENDED 30 SEPTEMBER 2023

	Share capital \$'000	Share Premium \$'000	Retained earnings (losses) \$'000	Total equity \$'000
Balance as of 1 January 2023	1,708	212,539	(70,528)	143,719
Profit for the period	-	-	156,927	156,927
Balance as of 30 September 2023 (unaudited)	1,708	212,539	86,399	300,646
Balance as of 1 January 2022	1,708	572,539	(35,946)	538,301
Transactions with shareholders				
Share premium reduction (*)	-	(360,000)	-	(360,000)
<u>Comprehensive loss</u>				
Loss for the period	-	-	(4,627)	(4,627)
Balance as of 30 September 2022 (unaudited)	1,708	212,539	(40,573)	173,674

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

		30 September (Unaudited)	
	Notes	2023 \$'000	2022 \$'000
Operating activities			
Profit (Loss) for the period before tax		203,693	(7,290)
Adjustments to reconcile loss before taxation to net cash provided by operating activities:			
Depreciation, depletion and amortisation	4	132,527	232
Loss from sale on equipment	4	170	1,079
Exploration and evaluation expenses	8	-	1,277
Compensation to gas buyers, payment made in advance	3	4,929	-
Finance Income	5	(9,133)	(5,757)
Finance expenses	5	120,379	4,932
Net foreign exchange loss (gains)	5	4,872	(1,405)
Cash flow from operations before working capital		457,437	(6,932)
(Increase)/decrease in trade and other receivables		(56,590)	906
Increase in inventories		(3,543)	-
Decrease in trade and other payables		(20,930)	(665)
Cash from operations		376,374	(6,691)
Income taxes paid		(397)	(572)
Net cash inflows from/(used in) operating activities		375,977	(7,263)
Investing activities			
Payment for exploration and evaluation, and other intangible assets	8(B)	(92,634)	(18,823)
Payment for purchase of property, plant and equipment	7(C)	(164,913)	(232,037)
Proceeds from disposals of property, plant and equipment		2	188
Amounts received from INGL related to transfer of property, plant and equipment	10	56,906	17,371
Movement in restricted cash, net		47,278	127,945
Interest received		9,921	2,863
Net cash outflows used in investing activities		(143,440)	(102,493)
Financing activities			
Senior secured notes - interest paid	12	(128,906)	(128,906)
Senior secured notes issuance	12	750,000	-
Senior secured notes repayment	12	(625,000)	-
Other distribution		(4,386)	-
Other finance cost paid		(335)	(2,359)
Finance costs paid for deferred licence payments		(2,496)	(1,501)
Transaction cost related to senior secured notes issuance	16	(3,690)	-
Repayment of obligations under leases	13	(1,942)	(683)
Net cash outflow used in financing activities		(16,755)	(133,449)
Net increase/(decrease) in cash and cash equivalents		215,782	(243,205)
Cash and cash equivalents at beginning of the period		24,825	349,827
Effect of exchange differences on cash and cash equivalents		(1,531)	(2,656)
Cash and cash equivalents at end of the period		239,076	103,966

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

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 30 September 2023, the Company had investments in the following subsidiaries:

Name of subsidiary	Country of incorporation / registered office	Principal activities	Shareholding At 30 September 2023 (%)	Shareholding At 31 December 2022 (%)
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 30 September 2023 are comprised of:

Country	Asset	Field	Working interest	Field phase
Israel	Karish	Karish Main	100%	Production
Israel	Karish	Karish North	100%	Development
Israel	Tanin	Tanin	100%	Development
Israel	Block 12,	Katlan	100%	Appraisal
Israel	Blocks 21, 23, 31	Hercules and Hermes	100%	Exploration

NOTE 2: - Accounting policies and basis of preparation

The interim financial information included in this report has been prepared in accordance with IAS 34 “Interim Financial Reporting”. The results for the interim period are unaudited and, in the opinion of management, include all adjustments necessary for a fair presentation of the results for the period ended 30 September 2023. All such adjustments are of a normal recurring nature. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures that are required for the annual financial statements and must be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

The financial information presented herein has been prepared in accordance with the accounting policies expected to be used in preparing the Group’s annual consolidated financial statements for the year ended 31 December 2023 which are the same as those used in preparing the annual consolidated financial statements for the year ended 31 December 2022.

The directors consider it appropriate to adopt the going concern basis of accounting in preparing these interim financial statements.

NOTE 3: - Revenues

	30 September (Unaudited)	
	2023 \$'000	2022 \$'000
Revenue from gas sales ⁽¹⁾	484,238	-
Revenue from hydrocarbon liquids sales ⁽²⁾	167,275	-
Compensation to customers ⁽³⁾	(4,928)	-
Total revenue	646,585	-

⁽¹⁾ Sales gas for nine months ended 30 September 2023 totaled approximately 3.1 bcm (the Company started production on 26 October 2022).

⁽²⁾ Sales from hydrocarbon liquids for nine months ended 30 September 2023 totaled approximately 2.22 mmbbl (the Company did not sell hydrocarbon liquids during 2022).

⁽³⁾ During 2021 and in accordance with the GSPAs signed with a group of gas buyers, the Company paid compensation to these counterparties following delays to the supply of gas from the Karish project. The compensation is deducted from revenue, as variable consideration, as the gas is delivered to the gas buyers, in accordance with IFRS 15 Revenue Recognition

NOTE 4: - Operating profit (loss) before taxation

	30 September (Unaudited)	
	2023	2022
	\$'000	\$'000
(a) <u>Cost of sales</u>		
Staff costs	6,566	-
Energy cost	2,869	-
Royalty payable	117,266	-
Other operating costs	57,061	-
Depreciation and amortisation (Note 7)	131,262	-
Hydrocarbon liquids inventory movement (Note 11)	(1,650)	-
Total cost of sales	313,374	-
(b) <u>General & administration expenses</u>		
Staff costs	2,544	1,115
Share-based payment charge	517	128
Depreciation and amortisation (Note 7, 8)	1,265	352
Auditor fees	135	200
Other general & administration expenses	8,721	5,423
Total administrative expenses	13,182	7,218
(c) <u>Exploration and evaluation expenses</u>		
Other exploration and evaluation expenses	50	1,277
Total exploration and evaluation expenses	50	1,277
(d) <u>Other expenses</u>		
Loss from disposal of inventory property, plant and equipment	170	1,079
Total other expenses	170	1,079
(e) <u>Other income</u>		
Other income	2	53
Total other income	2	53

NOTE 5: - Net finance income/(expenses)

	30 September (Unaudited)	
	2023	2022
	\$'000	\$'000
Interest on senior secured notes ⁽¹⁾	119,322	102,505
Interest expense on long terms payables ⁽²⁾	2,485	8,716
Less amounts included in the cost of qualifying assets ⁽³⁾	(11,813)	(107,177)
	109,994	4,044
Finance and arrangement fees	1,757	3,681
Other finance costs and bank charges	497	319
Unwinding of discount on trade payable	5,407	-
Unwinding of discount on provision for decommissioning	2,513	568
Unwinding of discount on right of use asset	391	238
Less amounts included in the cost of qualifying assets ⁽³⁾	(180)	(3,919)
	10,385	887
Total finance costs	120,379	4,931
Interest income from time deposits	(9,133)	(2,543)
Interest income from loans to related parties	-	(3,214)
Total finance income	(9,133)	(5,757)
Net foreign exchange (gains) losses	4,872	(1,405)
Net finance expense (income)	116,118	(2,231)

(1) Refer also to Note 12.

(2) Refer also to Note 13.

(3) Refer also to Note 7(A).

NOTE 6: - Taxation1. Taxation charge:

	30 September (Unaudited)	
	2023	2022
	\$'000	\$'000
Tax - current period	(1,853)	(291)
Deferred tax	(44,913)	2,954
Total taxation income (expense)	(46,766)	2,663

NOTE 7: - Property, Plant and Equipment**a. Composition:**

	Oil and gas Assets \$'000	Leased assets \$'000	Furniture, fixtures and equipment \$'000	Total \$'000
<u>Cost:</u>				
At 1 January 2022	2,241,783	4,009	829	2,246,621
Additions ⁽¹⁾	514,373	731	1,165	516,269
Disposals	(900)	-	-	(900)
Capitalised borrowing cost	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
Additions ⁽¹⁾	175,598	12,197	311	188,106
Handover to INGL ⁽²⁾	(111,448)	-	-	(111,448)
Capitalised borrowing cost	11,993	-	-	11,993
Change in decommissioning provision	(13,211)	-	-	(13,211)
Total cost at 30 September 2023 (unaudited)	2,995,721	16,937	2,305	3,014,963
<u>Depreciation:</u>				
At 1 January 2022	433	693	228	1,354
Charge for the year	10,976	134	297	11,407
Capitalised to oil 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
Charge for the period	130,211	1,400	659	132,270
Total Depreciation at 30 September 2023 (unaudited)	141,436	2,859	1,184	145,479
At 31 December 2022	2,921,563	3,281	1,469	2,926,313
At 30 September 2023 (unaudited)	2,854,285	14,078	1,121	2,869,484

⁽¹⁾ The additions to oil & gas assets in nine month period 2023 are primarily due to development costs for the FPSO, Karish North and 2nd Oil Train. The additions in 2022 are primarily due to development costs for the Karish field, incurred under the EPCIC contract, FPSO, subsea and onshore construction.

⁽²⁾ Handover to INGL took place on 22 March 2023, please refer to note 13

NOTE 7: - Property, Plant and Equipment (Cont.)

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

	30 September (Unaudited)	
	2023	2022
	\$'000	\$'000
Cost of sales	131,262	-
Administration expenses	1,008	110
Capitalised depreciation in oil & gas assets	-	357
Total	132,270	467

c. Cash flow statement reconciliations:

	30 September (Unaudited)	
	2023	2022
	\$'000	\$'000
Additions to property, plant and equipment	188,106	392,377
Less:		
Right-of-use asset additions	12,197	198
Capitalised depreciation	-	656
Capitalised share-based payment charge	-	174
Add:		
Lease payments related to capital activities	1,942	-
Capital expenditures	177,851	391,349
Movement in working capital	(12,938)	(159,312)
Payment for additions to property, plant and equipment as per the cash flow statement	164,913	232,037

NOTE 8: - Intangible Assets**a. Composition:**

	Exploration and evaluation assets \$'000	Software licences \$'000	Total \$'000
Cost:			
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
Additions ⁽¹⁾	17,113	-	17,113
At 30 September 2023 (unaudited)	158,982	1,968	160,950
Amortisation:			
At 1 January 2022	-	255	255
Charge for the year	-	28	28
Total Amortisation at 31 December 2022	-	283	283
Charge for the period	-	257	257
Total Amortisation at 30 September 2023 (unaudited)	-	540	540
At 31 December 2022	141,869	1,685	143,554
At 30 September 2023 (unaudited)	158,982	1,428	160,410

⁽¹⁾ Additions to exploration and evaluation assets are primarily related to the 2022 growth drilling programme undertaken offshore Israel.

⁽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:

	30 September (Unaudited)	
	2023 \$'000	2022 \$'000
Additions to intangible assets	17,113	66,219
Associated cash flows		
Movement in working capital	75,521	(47,396)
Payment for additions to intangible assets	92,634	18,823

NOTE 9: - 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 depend on the purchase date and the nature of the asset. The general capital gains 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 profits in the following years and that deferred tax assets, recognised in the interim condensed consolidated financial statements of the Group, will be recovered.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: - 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	Decommissioning provision \$'000	Total \$'000
At 1 January 2022	(12,632)	(762)	4,750	11,031	94	923	8,171	11,575
<u>Increase/(decrease) for the year through:</u>								
Profit or loss	(27,712)	8	51,665	(4,822)	73	270	(8,171)	11,311
At 1 January 2023	(40,344)	(754)	56,415	6,209	167	1,193	-	22,886
<u>Increase/(decrease) for the period through:</u>								
Profit or loss	(16,269)	(2,393)	(28,382)	(472)	50	2,552	-	(44,914)
At 30 September 2023	(56,613)	(3,147)	28,033	5,737	217	3,745	-	(22,028)

	30 September 2023 (Unaudited) \$'000	31 December 2022 \$'000
Deferred tax liabilities	(59,760)	(41,099)
Deferred tax assets	37,732	63,985
	(22,028)	22,886

NOTE 10: - Trade and other receivables

	30 September 2023 (Unaudited) \$'000	31 December 2022 \$'000
Current		
Financial items		
Trade receivables	112,955	37,491
Other receivables ⁽¹⁾	6,646	999
Refundable VAT	-	37,131
Accrued interest income	101	888
	119,702	76,509
Non-financial items		
Prepayments	544	159
Deferred expenses ⁽²⁾	-	4,929
Prepaid expenses and other receivable	1,166	1,014
	1,710	6,102
Total current trade and other receivables	121,412	82,611
Non-current		
Financial items		
Deposits and prepayments	507	108
	507	108
Total non-current trade and other receivables	507	108

⁽¹⁾ The increase from 2022 is due to the recognition of a receivable from INGL, please refer to Note 13(4) for further details.

⁽²⁾ Deferred expenses relate to compensation to gas buyers following delays to the supply of gas from the Karish project. This compensation is treated as variable consideration under IFRS 15 Revenue Recognition and therefore, reduced from gas sales following commencement of production, please refer also Note 3.

NOTE 11: - Inventory

	30 September 2023 (Unaudited) \$'000	31 December 2022 \$'000
Raw materials and supplies	7,379	5,563
Hydrocarbon liquids	3,987	2,367
Natural gas	490	383
Total	11,856	8,313

NOTE 12: - Borrowings and secured notes**a. 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 million of senior secured notes. The proceeds were primarily used to repay in full the project finance facility.

On 11 July 2023, Energean Israel Finance Ltd. Ltd completed the offering of US\$750 million aggregate principal amount of senior secured notes with a fixed annual interest rate of 8.500%. The interest on the Notes will be paid semi-annually, on March 30 and September 30 of each year, beginning on March 30, 2024. The Notes are listed for trading on the TASE-UP of the Tel Aviv Stock Exchange Ltd. (the "TASE"). The proceed from the Offering, was released from escrow in September 2023 and was used to a) refinance the \$625 million notes due in 2024 (redemption date on 30 September 2023), b) pay fees and expenses associated with this refinancing, c) contribute towards funding the interest payment reserve account, and d) contribute towards the payment of the final deferred consideration to Kerogen.

The Notes were issued in five tranches as follows:

Series	Maturity	Annual fixed Interest rate	30 September 2023 (Unaudited)	31 December 2022
			Carrying value \$'000	Carrying value \$'000
US\$ 625 million	30 March 2024	4.500%	-	620,461
US\$ 625 million	30 March 2026	4.875%	619,462	617,912
US\$ 625 million	30 March 2028	5.375%	617,852	616,767
US\$ 625 million	30 March 2031	5.875%	616,628	615,890
US\$ 750 million	30 September 2031	8.500%	733,906	-
US\$2,625 million			2,587,848	2,471,030

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

The Notes are listed on the TASE-UP 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"), as amended and supplemented, 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:

- 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 sale and purchase agreements ("GSPAs"), several bank accounts, operating permits, insurance policies, the Company's exploration licences and the INGL Agreement.
- Floating charge over all of the present and future assets of Energean Israel Limited and Energean Israel Finance Ltd.
- The Energean Power FPSO.

Credit rating:

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

NOTE 13: - Trade and other payables

	30 September 2023 (Unaudited) \$'000	31 December 2022 \$'000
Current		
Financial items		
Trade accounts payable ⁽¹⁾	144,990	209,853
Payables to related parties	14,103	21,028
VAT payable	5,105	-
Deferred licence payments due within one year ⁽²⁾	12,852	13,345
Other creditors	21,843	6,712
Current lease liabilities	7,870	1,792
	206,763	252,730
Non-financial items		
Accrued expenses ⁽¹⁾	39,897	29,404
Other finance costs accrued	14,147	32,227
Contract liability ⁽⁴⁾	-	56,230
Social insurance and other taxes	759	502
Income taxes	1,517	6
	56,320	118,369
Total current trade and other payables	263,083	371,099
Non-current		
financial items		
Trade and other payables ⁽³⁾	144,092	169,360
Deferred licence payments ⁽²⁾	28,629	38,488
Long term lease liabilities	6,786	2,214
	179,507	210,062
Non-financial items		
Accrued expenses to related parties	531	179
	531	179
Total non-current trade and other payables	180,038	210,241

⁽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 upfront consideration plus contingent consideration of US\$108.5 million (paid over 10 equal instalments) bearing interest at an annual rate of 4.6%. On 30 September 2023, the total discounted deferred consideration was US\$41 million (31 December 2022: US\$52million). Refer to Note 16.

⁽³⁾ This represents the amount payable to Technip in respect of the EPCIC contract. Under this contract, US\$250 million becomes payable nine months following the practical completion date (June 18, 2023), and is payable in eight equal quarterly instalments, bearing no interest. A discount rate of 5.831% has been applied (being the yield rate of the senior secured loan notes, maturing in 2024, at the date of entering into the settlement agreement). The amounts payable to Technip up to 30 September 2024 under this contract are presented as part of trade accounts payable – current.

⁽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 segments of the infrastructure that delivers gas from the Energean Power FPSO into the Israeli national gas transmission grid. The Hand Over became effective in March 2023. Following the Hand Over, INGL is responsible for the operations and maintenance of this part of the infrastructure and the related asset (refer to Note 7) and contract liability was derecognised. The final \$5million consideration is receivable within 12 months of handover and is recognised within other receivable (refer to Note 10).

NOTE 14: - Financial Instruments**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 categorized in level 2 of the fair value hierarchy.

There were no transfers between fair value levels during the period.

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 30 September 2023 (unaudited)			
	Level 1	Level 2	Total
	\$'000	\$'000	\$'000
Financial assets			
Short term restricted cash	24,500	-	24,500
Short term trade and other receivables	-	119,702	119,702
Cash and cash equivalents	239,076	-	239,076
Total	263,576	119,702	383,278
Financial liabilities			
Senior secured notes ⁽¹⁾	2,439,500	-	2,439,500
Trade and other payables - long term	-	179,507	179,507
Trade and other payables - short term	-	206,763	206,763
Total	2,439,500	386,270	2,825,770

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

⁽¹⁾ The senior secured notes are measured at amortised cost in the Group's financial statements. The notes are listed for trading on the TACT Institutional of the Tel Aviv Stock Exchange Ltd (the "TASE"). The carrying amount as of 30 September 2023 was US\$2,588 million and as of 31 December 2022 was US\$2,471 million.

NOTE 15: - Significant events and transaction during the reporting period

- (a) **Gas Sales Agreements** – Energean signed spot gas sale and purchase agreement with three 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.
- (b) **INGL Hand-Over completion** - The Hand Over became effective in March 2023. Following the Hand Over, INGL is responsible for the operations and maintenance of this part of the infrastructure.
- (c) **Completion of offering of US\$750,000,000 senior secured notes** - see Note 12.

NOTE 16: - Significant events and transaction after the reporting period

- (a) **Interim dividend** - An interim dividend of US\$78 million was declared and paid on the 18 October, as part of the process to make the final deferred consideration to Kerogen.
- (b) **Israel-Hamas conflict (Swords of Iron War)** – as of 7 October 2023, following an unprecedented attack against Israel by Hamas, Israel has been declared in a state of war. While the situation has not impacted the Company's production from the FPSO, it is not possible to predict whether the conflict will have a material adverse effect on our future earnings, cash flows and financial conditions.
- (c) **Karish and Tanin purchase agreement** - In November 2023, Energean Israel reached a settlement with NewMed Energy for the remaining deferred consideration under the original purchase agreement of the Karish and Tanin leases of approximately \$47.4 million, which includes the agreed annual interest. This will be paid in 2024 in two instalments. This agreement is final and unappealable.