ENERGEAN ISRAEL LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

ENERGEAN ISRAEL LIMITED

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AS OF 31 DECEMBER 2024

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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 (the Company) and its subsidiaries (together, the Group), which comprise the consolidated statement of financial position as at 31 December 2024 and 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement 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 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2024 and 2023 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 judgement, 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.

Estimation of oil and gas reserves

<u>Key audit matter description</u>

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

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 2024 included proven and probable reserves (2P) reserves of 864 Mmboe.

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 and the Directors' going concern assessment;
- We assessed the qualifications of management's specialists;
- We examined that the updated oil and gas reserve estimates were properly included in the accounting treatment for determining the depletion rate of oil and gas assets;
- We examined the adequacy of the calculations and the disclosures in the Company's consolidated financial statements.

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 judgement 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.

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- 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

19 March, 2025

KOST FORER GABBAY & KASIERER

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ENERGEAN ISRAEL LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2024

	Notes	2024 $'000	2023 $'000
Revenue	5	1,239,111	939,836
Cost of sales	6	(598,858)	(444,054)
Gross profit		**640,253**	**495,782**
Administrative expenses	6	(16,668)	(14,339)
Exploration and evaluation expenses	6	-	(50)
Other expenses	6	(1,048)	(190)
Other income	6	269	37
Operating profit		**622,806**	**481,240**
Finance income	8	8,894	11,319
Finance costs	8	(179,779)	(169,467)
Unrealised loss on derivatives	8,23	(392)	-
Net foreign exchange losses	8	(938)	(8,483)
Profit for the year before tax		**450,591**	**314,609**
Taxation expense	9	(103,873)	(71,800)
Net profit for the year		**346,718**	**242,809**
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Loss on cash flow hedge for the year	23	(345)	-
Taxes expenses on items that may be reclassified to profit and loss	23	79	-
Other comprehensive loss for the year		(266)	-
Total comprehensive income for the year		**346,452**	**242,809**

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

ENERGEAN ISRAEL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2024

	Notes	2024 $'000	2023 $'000
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	10	2,917,275	2,797,831
Intangible assets	11	96,103	168,165
Other receivables	13	9,848	5,365
		3,023,226	**2,971,361**
CURRENT ASSETS:			
Trade and other receivables	13	121,280	130,135
Inventories	14	16,714	7,141
Restricted cash	16(A)	82,427	22,482
Cash and cash equivalents	15	157,728	286,625
		378,149	446,383
TOTAL ASSETS		**3,401,375**	**3,417,744**
EQUITY AND LIABILITIES:			
EQUITY:			
Share capital	19(A)	1,708	1,708
Share Premium		212,539	212,539
Hedges Reserve	23	(266)	-
Retained earnings		27,499	74,781
TOTAL EQUITY		**241,480**	**289,028**
NON-CURRENT LIABILITIES:			
Senior secured notes	16(A)	2,594,213	2,588,492
Decommissioning provision	17	85,357	92,613
Deferred tax liabilities	12	69,046	46,985
Trade and other payables	18	67,044	127,044
		2,815,660	2,855,134
CURRENT LIABILITIES:			
Trade and other payables	18	262,924	271,997
Income tax liability	9	80,966	1,585
Derivative financial instruments	23	345	-
		344,235	273,582
TOTAL LIABILITIES		**3,159,895**	**3,128,716**
TOTAL EQUITY AND LIABILITIES		**3,401,375**	**3,417,744**

19 March 2025		
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.

ENERGEAN ISRAEL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2024

	Share capital $'000	Share Premium $'000	Hedges Reserve $'000	Retained earnings $'000	Total equity $'000
Balance as of 1 January 2023	**1,708**	**212,539**	**-**	**(70,528)**	**143,719**
Transactions with shareholders:					
Dividend, see note 19(c)	-	-	-	(97,500)	(97,500)
Comprehensive Income:					
Profit for the year	-	-	-	242,809	242,809
Total comprehensive income	-	-	-	242,809	242,809
At 1 January 2024	**1,708**	**212,539**	**-**	**74,781**	**289,028**
Transactions with shareholders:					
Dividend, see note 19(c)	-	-	-	(394,000)	(394,000)
Comprehensive Income:					
Profit for the year	-	-	-	346,718	346,718
Other comprehensive loss	-	-	(266)	-	(266)
Total comprehensive income	-	-	(266)	346,718	346,452
Balance as of 31 December 2024	**1,708**	**212,539**	**(266)**	**27,499**	**241,480**

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

ENERGEAN ISRAEL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2024

	Notes	2024 $'000	2023 $'000
Operating activities			
Profit for the year before tax		**450,591**	**314,609**
Adjustments to reconcile profit before taxation to net cash provided			
Depreciation, depletion and amortisation	6	264,206	187,721
Loss from sale on property, plant and equipment	6	448	-
Compensation to gas buyers, payment made in advance	5	-	4,929
Other expenses	6	-	190
Finance Income	8	(8,894)	(11,319)
Finance expenses	8	179,779	169,467
Unrealised loss on derivatives	23	392	-
Net foreign exchange loss	8	938	8,483
Cash flow from operations before working capital		887,460	674,080
(Increase)/decrease in trade and other receivables		3,224	(67,207)
Decrease/(increase) in inventories		(9,573)	1,172
(Decrease)/increase in trade and other payables		10,261	(21,079)
Cash flow from operations		891,372	586,966
Income tax paid		(2,384)	(397)
Net cash inflows from operating activities		**888,988**	**586,569**
Investing activities			
Payment for purchase of property, plant and equipment (PP&E)	10(C)	(260,013)	(213,322)
Payment for exploration and evaluation, and other intangible assets	11(B)	(127,407)	(98,909)
Amounts received from INGL related to transfer of PP&E	13(1)	1,801	56,906
Proceeds from disposal of PP&E		-	2
Movement in restricted cash, net	16(A)	(59,945)	49,296
Interest received		8,750	11,194
Net cash outflow used in investing activities		**(436,814)**	**(194,833)**
Financing activities			
Transaction costs in relation to debt issuance	24(B)/16(A)	(81)	(17,634)
Senior secured notes issuance	16(A)	-	750,000
Senior secured notes repayment	16(A)	-	(625,000)
Senior secured notes - interest paid	16(A)	(178,592)	(128,906)
Dividends paid	19(C)	(394,000)	(97,500)
Other distribution		-	(4,383)
Other finance cost paid		(1,342)	(560)
Finance costs paid for deferred license payments	18(2)	(4,000)	(2,496)
Repayment of obligations under leases	16	(5,691)	(3,321)
Net cash outflow used in financing activities		**(583,706)**	**(129,800)**
Net increase/ (decrease) in cash and cash equivalents		(131,532)	261,936
Cash and cash equivalents at beginning of year		286,625	24,825
Effect of exchange differences on cash and cash equivalents		2,635	(136)
Cash and cash equivalents at end of year	15	**157,728**	**286,625**

The accompanying notes are an integral part of the 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. As of 1 January 2024, the Company is tax resident in the UK by virtue of having transferred its management and control from Cyprus to the UK, with its registered address being at Accurist House, 44 Baker Street, London, W1U 7AL.

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 2024, the Company had investments in the following subsidiaries:

Name of subsidiary	Country of incorporation / registered office	Principal activities	Shareholding At 31 December 2024 and 2023 (%)
Energean Israel Transmission LTD	121, Menachem Begin St.	Gas transportation license holder	100
Energean Israel Finance LTD	Azrieli Sarona Tower, POB 24, Tel Aviv 67012039 Israel	Financing activities	100

d. The Group's core assets as of 31 December 2024 were comprised of:

Country	Asset	Working interest	Field phase
Israel	Karish including Karish North (1)	100%	Production
Israel	Tanin (1)	100%	Development
Israel	Katlan (Block 12) (2)	100%	Development
Israel	Blocks 21, 23, 31 (3)	100%	Exploration

(1) The concession agreement expires in 2044.

(2) Katlan Final Investment Decision was taken in July 2024, and the concession agreement received in the same month expires in 2054. Refer to note 11 for further details.

(3) The licence for Block 21 expired on 13 January 2025 and was not extended. Refer to Note 24 (C).

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. <u>Basis of presentation of the financial statements:</u>

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.

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements have been prepared on a going concern basis. The principal accounting policies adopted by the Group are set out below.

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

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

c. Going Concern:

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 from the date of approval of the Group Financial Statements on 19 March 2025 to 30 June 2026 (the 'Assessment 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.

On February 2025, Energean Israel Finance Ltd. (a fully owned subsidiary of the Company) signed a 10-year, senior-secured Term Loan with Bank Leumi Le-Israel B.M as the Facility Agent and Arranger for US$750 million ("Term Loan"). The Term Loan will be available to refinance the 2026 Energean Israel Finance Ltd. Notes 2026 notes series and to provide additional liquidity for the Katlan development. It has a 12-month availability period, during which multiple drawdowns can be made, providing flexibility to optimise finance costs. Up to US$475 million is available in US dollars and up to US$275 million is available in New Israeli Shekels. The interest rate for the loan is floating and has been set at competitive levels versus the current bond market. The Term Loan is secured on the assets of the Group (including the Company's shares), pari passu with the Group's Notes (see Note 16), and has a bullet repayment in 2035. Refer to Note 24.

The going concern assessment is founded on a cashflow forecast prepared by management, which is based on a number of assumptions, most notably the Group's latest life of field production forecasts, budgeted expenditure forecasts, estimated of future commodity prices (based on recent published forward curves). The going concern assessment contains a 'Base Case' and a 'Reasonable Worst Case' ('RWC') scenario and Reverse stress testing.

The Base Case scenario assumes Brent at US$75/bbl in 2025 and in 2026. A reasonable production from the Karish and Karish North fields is assumed throughout the going concern assessment period, with prices for gas sold assumed at contractually agreed prices. Under the Base Case, sufficient liquidity is maintained throughout the going concern period.

The Group also routinely performs sensitivity tests of its liquidity position to evaluate adverse impacts that may result from changes to the macro-economic environment, such as a reduction in commodity prices. These downsides are considered in the RWC going concern assessment scenario. The Group also looks at the impact of changes or deferral of key projects and downside scenarios to budgeted production forecasts in the RWC.

The three primary downside sensitivities considered in the RWC are: (i) reduced commodity prices; (ii) reduced production; (iii) an increase to the SOFR forward curve by 0.5% – these downsides are applied to assess the robustness of the Group's liquidity position over the Assessment Period. The conditions necessary for liquidity headroom to be eliminated are judged to have a remote possibility of occurring, given the 'natural hedge' provided by virtue of the Group's long-term gas contracts which contain floor pricing.

Under the RWC scenario, liquidity is maintained throughout the going concern period.

Reverse stress testing was also performed to determine what commodity price or production shortfall would need to occur for liquidity headroom to be eliminated. The conditions necessary for liquidity headroom to be eliminated are judged to have a remote possibility of occurring, given the 'natural hedge' provided by virtue of the Group's fixed-price gas contracts in Israel. In the event a remote downside scenario occurred, prudent mitigating strategies, consistent with those described above, could also be executed in the necessary timeframe to preserve liquidity. There is no material impact of climate change within the Assessment Period and therefore it does not form part of the reverse stress testing performed by management.

In forming its assessment of the Group's ability to continue as a going concern, including its review of the forecasted cashflow of the Group over the Forecast Period, the Board has made judgements about:

• reasonable sensitivities appropriate for the current status of the business and the wider macro environment; and

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

• the Group's ability to implement the mitigating actions within the Group's control, in the event these actions were required.

After careful consideration, the Directors are satisfied that the Group has sufficient financial resources to continue in operation for the foreseeable future, for the Assessment Period from the date of approval of the Group Financial Statements on 19 March 2025 to 30 June 2026. For this reason, they continue to adopt the going concern basis in preparing these consolidated financial statements.

Israel geopolitical environment – Energean highlights the following as important in relation to its principal risks. Since 7 October 2023, and the ongoing conflict in Israel, the magnitude of regional geopolitical risk remains elevated. Growing concerns of escalations in the Middle East have intensified the security risk in the region, as essential infrastructure systems (such as the Energean Power FPSO offshore Israel) may be targets for missile fire and sabotage operations. While the Karish and Karish North fields have continued to produce with no disruption since the start of the conflict, any event that impacts production from these fields could have a material adverse impact on the business, results of operations, cash flows, financial condition and prospects of the Group. In 2024, Energean has ensured that all measures are in place to continue business operations, maintain the mobility of its people and make certain that the security of information is unaffected.

d. New and amended accounting standards and interpretations:

The following amendments became effective as at 1 January 2024 and have been applied in the preparation of these consolidated financial statements:

- Amendments to IAS 1- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants;
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

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

The following amendments and interpretations have been issued but were not effective for the 2024 reporting period:

- Amendments to IAS 21- Lack of exchangeability;
- Annual improvements to IFRS accounting standards: Volume 11;

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

e. 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.

NOTE 3: - Material accounting policies

Accounting Policies:

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) Functional and presentation currency and foreign currency:

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'').

NOTE 3: - Material accounting policies (Cont.)

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 the Group's operations.

The presentation currency of the Group's consolidated financial statements is U.S. Dollar.

2. <u>Transactions and balances</u>:

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 using 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 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) <u>Commercial reserves:</u>

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) <u>Oil and gas properties – assets in development:</u>

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.

NOTE 3: - Material accounting policies (Cont.)

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. Costs included in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

f) Impairments of oil & gas properties:

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.

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 of the future cash flows the Group calculates CGU-specific discount rate. The discount rate is 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 Israel.

g) 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.

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.

h) 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

NOTE 3: - Material accounting policies (Cont.)

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.

i) <u>Right-of-use assets:</u>

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, 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

<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.

<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.

j) <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. <u>Financial assets:</u>

<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), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow 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.

NOTE 3: - Material accounting policies (Cont.)

In order for a financial asset to be classified and measured at amortised cost, 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 two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

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.

Financial assets at fair value through profit or loss

The Group’s financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

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 or are transferred.

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 allowance for expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises

NOTE 3: - Material accounting policies (Cont.)

a loss allowance based on lifetime ECLs at each reporting date.

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 and borrowings and derivative financial instruments.

Subsequent measurement:

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9 Financial Instruments. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities recognised at fair value through profit and loss are recognised in the statement of profit or loss. The Group discloses the unwinding of the discount separately, in finance costs, from the mark to market gain or loss.

Loans and borrowings:

After initial recognition, interest-bearing liabilities such as senior secured notes 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.

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.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps and forward commodity contracts, to hedge its interest rate risks and commodity price risks, respectively. 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.

NOTE 3: - Material accounting policies (Cont.)

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- 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
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedging instrument and the hedged item 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:

Cash flow hedges:

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.

From time to time, the Group may use forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to forward commodity contracts is recognised in revenue or cost of sales. The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity.

The amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

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.

Derivative financial instruments and hedge accounting:

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps and forward commodity contracts, to hedge its interest rate risks and commodity price risks, respectively. 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 are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment

NOTE 3: - Material accounting policies (Cont.)

- 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

At the inception of a hedge relationship, the Group formally designates and documents the hedging instrument and the hedged item 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:

Cash flow hedges:

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.

From time to time, the Group may use forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to forward commodity contracts is recognised in revenue or cost of sales.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity.

The amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

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.

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.

k) Equity, reserves and dividend payments:

Share capital represents the nominal (par) value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits. Dividend payments

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the balance sheet date.

NOTE 3: - Material accounting policies (Cont.)

l) Share-based payments:

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).

m) Fair value measurement:

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.

n) Cash and cash equivalents and restricted cash:

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

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 16A). The nature of the restrictions on these balances mean that they do not qualify for classification as cash equivalents.

o) 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 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.

p) 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.

NOTE 3: - Material accounting policies (Cont.)

q) 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 Israel 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 year 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 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.

r) 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.

s) 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. and any Exploration and Evaluation assets which have not resulted in the classification of commercial reserves.

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

t) 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

NOTE 3: - Material accounting policies (Cont.)

profits will be available against which deductible temporary differences can be utilised.

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.

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.

u) 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 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.

Identification of cash generating units (note 10):

In considering the carrying value of property, plant and equipment the Group has to make a critical judgement in relation to the identification of the smallest cash generating unit to which those assets are allocated.

The Israel development is one CGU, all the production from both the Karish Main and Karish North fields and future production from Tanin and Katlan is processed through the FPSO and flows through one pipeline onto gas buyers and therefor there are no separate cash inflows.

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:

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

Carrying value of property, plant and equipment (note 10):

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 and gas price, estimates of reserves, estimates of development costs and discount rates.

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 (Note 10, 11, 12 and 17):

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 the income statement
- 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 provision (Note 17):

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 require estimation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. The discount rate applied to determine the carrying amount of provisions provides a source of estimation uncertainty as referred to in IAS 1.

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. Discount rate applied is reviewed regularly and adjusted following the changes in market rates.

The Group considers the impact of climate change on environmental restoration and decommissioning provisions, specifically the timing of future cash flows, and has concluded that it does not currently represent a key source of estimation uncertainty. Changes to legislation, including in relation to climate change, are factored into the provisions when the legislation becomes enacted.

NOTE 5: - Revenues

	2024	2023
	$'000	$'000
Revenue from gas sales (1)	838,881	679,410
Revenue from hydrocarbon liquids sales (2)	400,230	265,355
Compensation to customers (3)	-	(4,929)
Total revenue	**1,239,111**	**939,836**

(1 Sales gas for 2024 totaled approximately 35,399 kboe (kilo barrel of oil equivalent) and for 2023 totaled approximately 28,416 kboe.

(2) Sales from hydrocarbon liquids for 2024 totaled approximately 5,351 kbbl (kilo barrel) for 2023 totaled approximately 3,492 kbbl.

(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 6: - Operating profit before taxation

	2024	2023
	$'000	$'000
(a) Cost of sales		
Staff costs (Note 7)	16,469	9,766
Energy cost	2,109	3,652
Royalty payable	219,273	167,179
Depreciation (Note 10)	262,074	185,884
Other operating costs (1)	100,780	76,997
Oil stock movement	(1,847)	576
Total cost of sales	**598,858**	**444,054**
(b) General & administration expenses		
Staff costs (Note 7)	4,542	3,163
Share-based payment charge (note 20)	1,207	730
Depreciation and amortisation (Note 10, 11)	2,132	1,837
Auditor fees (3)	313	356
Other general & administration expenses (2)	8,474	8,253
Total administrative expenses	**16,668**	**14,339**
(c) Exploration and evaluation expenses		
Other exploration and evaluation expenses	-	50
Total exploration and evaluation expenses	**-**	**50**
(d) Other expenses		
Loss from disposal of property, plant and equipment(4)	448	190
Other expenses(5)	600	-
Total other expenses	**1,048**	**190**
(e) Other income		
Other income(4)	269	37
Total other income	**269**	**37**

NOTE 6: - Operating profit before taxation

(1) Other operating costs comprise of insurance costs and planned maintenance costs.

(2) The Other general & administration expenses mainly consists of legal expenses, intercompany management fees and external advisors fees.

(3) In addition to the services outlined in the preceding table, the Company's auditor also rendered services related to the refinance of US$0.06 million in 2024 and senior secured notes issuance in 2023 (US$0.2 million). These services were capitalised as transaction costs.

(4) During 2024, Energean Israel sold to Energean Morocco equipment (used pipes) at its current market value at the time for approx. USD 260K. Refer to Note 22.

(5) Legal claim settlement.

NOTE 7: - Staff costs

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

	2024	2023
	$'000	$'000
Average number of employees	119	98

	2024	2023
	$'000	$'000
Salaries and social security costs (1)	21,849	14,976
Share-based payments	1,207	730
Payroll Cost capitalised in oil & gas assets and intangible assets	(838)	(2,047)
	22,218	**13,659**
Total payroll cost in cost of sales	16,469	9,766
Total payroll cost in administration expenses	5,749	3,893
Total payroll cost	**22,218**	**13,659**

(1) Including US$4.6 million of costs related to pension plans (2023: US$2.3 million).

NOTE 8: - Net finance costs

	2024	2023
	$'000	$'000
Interest on Senior Secured Notes (Note 16)	170,035	161,918
Interest expense on long terms payables (Note 18(2))	1,245	7,159
Less amounts included in the cost of qualifying assets (Note 10(A))	(14,626)	(17,415)
	156,654	**151,662**
Costs related to parent company guarantees	2,898	3,855
Other finance costs and bank charges	1,768	1,403
Unwinding of discount on trade payable (Note 18(3))	14,417	8,753
Unwinding of discount on provision for decommissioning (Note 17)	3,951	3,401
Unwinding of discount on right of use asset	813	636
Less amounts included in the cost of qualifying assets (Note 10(A))	(722)	(243)
	23,125	**17,805**
Total finance costs	**179,779**	**169,467**
Loss from valuation of hedging operations	**392**	**-**
Interest income from time deposits	(8,894)	(11,319)
Total finance income	**(8,894)**	**(11,319)**
Net foreign exchange losses	938	8,483
Net finance costs	**172,215**	**166,631**

NOTE 9: - Taxation

1. Corporate Tax rates applicable to the Company:

   Israel:

   The Israeli corporate tax rate is 23% in 2024 and 2023.

   United Kingdom:

   Starting from 1 January 2024, the company's control and management was transferred from the Republic of Cyprus to the United Kingdom ("UK") and as such the company's tax residency migrated from Cyprus to UK from the first day of the accounting period. The applicable tax rate in the UK is 25%.

   Under s.18A of the UK CTA 2009, the Company made an election for the branch of Energean Israel Limited (and any other branches that may open from time to time) to be exempt from UK corporation tax from its first accounting period commencing on 1 January 2024 and all subsequent accounting period.

2. The Income and Natural Resources Taxation Law, 5771-2011 – Israel- the main provisions of the law are as follows:

   In April 2011, the Knesset passed the Income and Natural Resources Tax Law, 5771-2011 ("the Law"). 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

NOTE 9: - Taxation (Cont.)

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.

3. Taxation charge:

	2024 $'000	2023 $'000
Current income tax charge	(81,703)	(1,929)
Prior years income tax	(30)	-
Deferred tax relating to origination and reversal of temporary differences (Note 12)	(22,140)	(69,871)
Total taxation expense	**(103,873)**	**(71,800)**

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:

	2024 $'000	2023 $'000
Profit before tax	**450,591**	**314,609**
Tax credit at the applicable tax rates of 23% (1)	(103,636)	(72,360)
Impact of different tax rates (2)	1	8
Temporary differences in respect of different tax recognition	(12)	764
Permanent differences - non deductible (3)	20	(174)
Prior year tax	(29)	-
Other adjustments	(217)	(38)
Taxation income	**(103,873)**	**(71,800)**
Effective tax rate	**23%**	**23%**

1) For the reconciliation of the effective tax rate, the statutory tax rate of the Israeli Branch of 23% has been used.

2) Energean Israel Limited is subject to corporation tax rate of 25% in the UK.

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.

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 2023	**2,932,789**	**4,740**	**1,994**	**2,939,523**
Additions	135,126	12,246	396	147,768
Handover to INGL[1]	(111,448)	-	-	(111,448)
Capitalised borrowing cost	17,658	-	-	17,658
Change in decommissioning provision	4,913	-	-	4,913
Total cost at 31 December 2023	**2,979,038**	**16,986**	**2,390**	**2,998,414**
Additions	172,421	1,363	351	174,135
Transfer from Intangible Assets [2]	205,324	-	-	205,324
Disposals	(448)	-	-	(448)
Capitalised borrowing cost	15,348	-	-	15,348
Change in decommissioning provision	(11,207)	-	-	(11,207)
Total cost at 31 December 2024	**3,360,476**	**18,349**	**2,741**	**3,381,566**
Depreciation:				
At 1 January 2023	**11,226**	**1,459**	**525**	**13,210**
Charge for the year	183,898	2,966	509	187,373
Total Depreciation at 31 December 2023	**195,124**	**4,425**	**1,034**	**200,583**
Charge for the year	258,328	4,962	418	263,708
Total Depreciation at 31 December 2024	**453,452**	**9,387**	**1,452**	**464,291**
At 31 December 2023	**2,783,914**	**12,561**	**1,356**	**2,797,831**
At 31 December 2024	**2,907,024**	**8,962**	**1,289**	**2,917,275**

The additions to oil & gas assets in 2024 and 2023 are primarily due to development costs for the FPSO, Karish North, the second oil train and Katlan.

In February 2024, Karish North first gas was achieved and the second gas export riser was completed.

Second oil train lift safely and successfully performed in Q4 2024. Post-lift, installation and commissioning activities are expected to take place in Q2 2025, which will result in an increase in liquids' production capacity.

[1] Handover to INGL took place on 22 March 2023, please refer to Note 13.

[2] The Final Investment Decision for Katlan was made in July 2024, and the concession agreement granted in the same month expires in 2054. Refer to note 11 for further details.

Borrowing costs capitalised for qualifying assets during the year are calculated by applying a weighted average interest rate of 3.93% for the year ended 31 December 2024 (for the year ended 31 December 2023: 5.29%).

NOTE 10: - Property, Plant and Equipment (Cont.)

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

	2024 $'000	2023 $'000
Cost of sales	262,074	185,884
Administration expenses	1,634	1,489
Total	**263,708**	**187,373**

c. Cash flow statement reconciliations:

	2024 $'000	2023 $'000
Additions and disposals to property, plant and equipment	178,276	170,339
Associated cash flows		
Payments for additions to property, plant and equipment	(260,013)	(213,322)
Non-cash movements/presented in other cash flow lines		
Capitalised borrowing costs	(15,348)	(17,658)
Right-of-use asset additions	(1,363)	(12,246)
Change in decommissioning provision	11,207	(4,913)
Lease payments related to capital activities	5,691	3,321
Movement in working capital	81,550	74,479

d. Details of the Group's rights in petroleum and gas assets are presented in note 1.

NOTE 11: - Intangible Assets

a. Composition:

	Exploration and evaluation assets $'000	Software licences $'000	Total $'000
Cost:			
At 1 January 2023	**141,869**	**1,968**	**143,837**
Additions	24,597	362	24,959
At 1 January 2024	**166,466**	**2,330**	**168,796**
Additions	133,224	536	133,760
Transfer to Property Plant and Equipment (*)	(205,324)	-	(205,324)
At 31 December 2024	**94,366**	**2,866**	**97,232**
Amortisation:			
At 1 January 2023	**-**	**283**	**283**
Charge for the year	-	348	348
Total Amortisation at 31 December 2023	**-**	**631**	**631**
Charge for the year	-	498	498
Total Amortisation at 31 December 2024	**-**	**1,129**	**1,129**
At 31 December 2023	**166,466**	**1,699**	**168,165**
At 31 December 2024	**94,366**	**1,737**	**96,103**

The additions to exploration and evaluation assets in 2024 and 2023 are mainly related to pre-FID costs for Block 12 "Katlan".

(*) **Katlan Final Investment Decision**

In July 2024, the Ministry of Energy and Infrastructure granted the Company a 30-year concession for the Katlan area including a 20-year extension option. Following this, Energean announced in July 2024 that it had taken Final Investment Decision ("FID") for the Katlan development project in Israel. The Katlan area will be developed in a phased approach through a subsea tieback to the existing Energean Power FPSO. First gas is planned for H1 2027. The EPCI (Engineering, Procurement, Construction and Installation) contract for the subsea scope was awarded to Technip FMC and includes four-well-slot tieback capacity to a single large ~30 kilometer production line, which can be used by future Katlan area phases.

b. Cash flow statement reconciliations:

	2024 $'000	2023 $'000
Additions to intangible assets	133,760	24,959
Associated cash flows		
Payment for additions to intangible assets	(127,407)	(98,909)
Non-cash movements/presented in other cash flow lines		
Movement in working capital	(6,353)	73,950

NOTE 11: - Intangible Assets (Cont.)

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 2024
Block 21	Licence	13 January 2025	100%
Block 23	Licence	13 January 2027	100%
Block 31	Licence	13 January 2027	100%

d. Additional information regarding the Exploration and Evaluation assets:

As of 31 December 2024, the Group held three licences to explore for gas and oil in Block 21, Block 23 and Block 31, which are located in the economic waters of the State of Israel. The licences for Blocks 23 and 31 were extended until 13 January 2027. The licence for Block 21 was not extended and expired after the reporting date.

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.

Below are the items for which deferred taxes were recognised:

	Property, plant and equipment & intangible assets	Right of use asset IFRS 16	Tax losses	Deferred expenses for tax	Staff leaving indemnities	Accrued expenses and other short-term liabilities and other long-term liabilities	Trade and other payables - Derivative liability	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2023	**(40,344)**	**(754)**	**56,415**	**6,209**	**167**	**1,193**	**-**	**22,886**
Increase/(decrease)for the year through:								
Profit or loss	(20,706)	(2,134)	(47,432)	(2,127)	170	2,358	-	**(69,871)**
At 31 December 2023	**(61,050)**	**(2,888)**	**8,983**	**4,082**	**337**	**3,551**	**-**	**(46,985)**
At 1 January 2024	**(61,050)**	**(2,888)**	**8,983**	**4,082**	**337**	**3,551**	**-**	**(46,985)**
Increase/(decrease) for the year through:								
Profit or loss	(12,040)	860	(8,983)	(1,373)	(45)	(559)	-	**(22,140)**
Other comprehensive income	-	-	-	-	-	-	79	**79**
At 31 December 2024	**(73,090)**	**(2,028)**	**-**	**2,709**	**292**	**2,992**	**79**	**(69,046)**

NOTE 12: - Deferred taxes (Cont.)

	2024	2023
	$'000	$'000
Deferred tax liabilities	(75,118)	(63,938)
Deferred tax assets	6,072	16,953
	(69,046)	**(46,985)**

NOTE 13: - Trade and other receivables

	2024	2023
	$'000	$'000
Current		
Financial items		
Trade receivables	108,085	114,139
Receivables from related parties	330	-
Other receivables [(1)]	5,038	6,994
Accrued interest income	1,048	1,015
Refundable VAT	-	1,196
	114,501	**123,344**
Non-financial items		
Prepayments and prepaid expenses	6,779	6,791
	6,779	**6,791**
Total current trade and other receivables	**121,280**	**130,135**
Non-current		
Non-financial items		
Prepayments and prepaid expenses	8,812	5,365
Deferred expenses in relation to debt issuance, note 24(B)	1,036	-
Total non-current trade and other receivables	**9,848**	**5,365**

[(1)] The balance mainly 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 and the final amount was approximately US$5 million. is expected to be received in 2025.

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

31 December 2024 ($'000)	Carrying amounts	Contractual cash flows	3 months or less	3-12 months
Trade receivables	108,085	108,085	108,085	-
Short term other receivables	6,416	6,416	1,387	5,029
Total	114,501	114,501	109,472	5,029

NOTE 13: - Trade and other receivables (Cont.)

31 December 2023($'000)	Carrying amounts	Contractual cash flows	3 months or less	3-12 months
Short term trade and other receivables	114,139	114,139	114,139	-
Refundable VAT and excise	1,196	1,196	1,196	-
Short term other receivables	6,994	6,994	1,930	5,064
Total	122,329	122,329	117,265	5,064

NOTE 14: - Inventories

	2024 $'000	2023 $'000
Hydrocarbon liquids	3,581	1,685
Natural gas	502	553
Raw materials and supplies	12,631	4,903
Total	**16,714**	**7,141**

NOTE 15: - Cash and cash equivalents

	2024 $'000	2023 $'000
Cash and bank deposits	157,728	286,625
Total	**157,728**	**286,625**

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 4.835% for the year ended 31 December 2024 (year ended 31 December 2023: 4.585%).

NOTE 16: - Senior secured notes

a. **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 "Notes"). The proceeds were primarily used to prepay 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 were used mainly to repay Energean Israel's US$625 million notes series due in March 2024.

The Notes were issued in four equal tranches as follows:

Series	Maturity	Annual fixed Interest rate	31 December 2024 Carrying value $'000	31 December 2023 Carrying value $'000
US$ 625 million	30 March 2026	4.875%	622,102	619,932
US$ 625 million	30 March 2028	5.375%	619,602	618,145
US$ 625 million	30 March 2031	5.875%	617,689	616,762
US$ 750 million	30 September 2033	8.5%	734,820	733,653
US$2,625 million			**2,594,213**	**2,588,492**

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

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

With regards to the indenture document, signed on 24 March 2021 with HSBC BANK USA, N.A (the "Trustee"), no indenture

NOTE 16: - Senior secured notes (Cont.)

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:

1) 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.
2) Floating charge over all of the present and future assets of Energean Israel Limited and Energean Israel Finance Ltd (except specifically excluded assets).
3) The Energean Power FPSO.

Restricted cash:

As of 31 December 2024, the Company had short-term restricted cash of US$82.43 million (31 December 2023: US$22.48 million), which will be used for the March 2025 interest payment.

Credit rating:

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

b. Reconciliation of liabilities arising from financing activities:

	1 January	Cash outflows	Cash inflows	Additions	Borrowing costs including amortisation of arrangement fee	Foreign exchange impact	Reclassification to short term	31 December
2024 ($'000)	**2,648,244**	**(231,683)**	**-**	**1,349**	**172,094**	**(6)**	**14,278**	**2,604,276**
Senior secured notes	2,588,492	(178,592)	-	-	170,035	-	14,278	2,594,213
Lease liabilities	13,598	(5,691)	-	1,349	813	(6)	-	10,063
Deferred licence payments [(1)]	46,154	(47,400)	-	-	1,246	-	-	-
2023 ($'000)	**2,526,869**	**(788,205)**	**750,000**	**12,260**	**170,487**	**17**	**(23,184)**	**2,648,244**
Senior secured notes	2,471,030	(771,539)	750,000	-	162,185	-	(23,184)	2,588,492
Lease liabilities	4,006	(3,321)	-	12,260	636	17	-	13,598
Deferred licence payments [(1)]	51,833	(13,345)	-	-	7,666	-	-	46,154

[(1)] Cash outflows relate to finance costs paid for deferred licence payments of approximately US$4,000 thousand in 2024 and US$2,496 thousand in 2023 and payment for purchase of oil & gas leases of US$43,400 thousand in 2024 and of US$10,850 thousand in 2023, which are included in the cash flows from financing and investing activities respectively, in the Consolidated Statement of Cash Flows.

NOTE 17: - Decommissioning provision

	2024	2023
	$'000	$'000
At 1 January	92,613	84,299
New provisions	-	4,913
Changes in estimates	(11,207)	-
Unwinding of discount	3,951	3,401
At 31 December	**85,357**	**92,613**
Current provisions	**-**	**-**
Non-current provisions	**85,357**	**92,613**

As of 31 December 2024, 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 2044, 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 2024 is 4.86% (31 December 2023: 4.18%).

Depreciation is based on the depletion method upon commercial reserves.

NOTE 18: - Trade and other payables

	2024	2023
	$'000	$'000
Current		
Financial items		
Trade accounts payable (1)	140,840	97,350
Payables to related parties (Note 22)	11,021	19,023
VAT payable	4,182	-
Deferred licence payments due within one year (2)	-	46,154
Other creditors (3)	35,468	32,034
Short term lease liabilities	5,296	4,718
	196,807	**199,279**
Non-financial items		
Accrued expenses (1)	24,480	16,765
Other finance costs accrued	41,133	55,411
Social insurance and other taxes	504	542
	66,117	**72,718**
Total current trade and other payables	**262,924**	**271,997**
Non-current		
Financial items		
Trade and other payables (4)	61,758	117,796
Long term lease liabilities	4,767	8,880
	66,525	**126,676**
Non-financial items		
Accrued expenses to related parties	519	368
	519	**368**
Total non-current trade and other payables	**67,044**	**127,044**

(1) The increase in trade payables and accrued expenses relates primarily to Katlan works.

(2) In December 2016, Energean Israel acquired the Karish and Tanin offshore gas fields for US$40.0 million at closing with an obligation to pay an additional consideration of US$108.5 million, plus interest inflated at an annual rate of 4.6%, in ten equal annual payments. A settlement agreement was signed in November 2023, whereby it was agreed that the final amount owed would be paid in two instalments which took place in H1 2024. As of 31 December 2024, the full amount of the consideration has been paid.

(3) The amount mainly comprises of royalties payables to the Israel government and third parties with regards to the Karish Lease, including US$12.9 million (2023: US$12.1 million) of royalties payable to third parties. Contractual royalties are payable to NewMed (previously Delek Drilling) and third-party holders at a total rate of 7.5%, increasing to 8.25% after the date at which the lease in question starts to pay the oil and gas profits levy. 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.

(4) The amount represents a long-term amount payable in terms of the EPCIC contract. Following the amendment to the terms of the deferred payment agreement with Technip signed in February 2024, the remaining amount payable under the EPCIC contract has been reduced to US$210 million. The amount is payable in twelve equal quarterly deferred payments starting in March 2024 and therefore has been discounted at 8.668% per annum (being the yield rate of the senior secured loan notes, maturing in 2026, as at the date of agreeing the payment terms). As of 31 December 2024, 4 installments have been paid.

NOTE 19: - Equity

a. Share capital:

	31 December 2024		31 December 2023	
	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. 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.

c. Dividends:

Dividends of US$394 million were declared and paid during 2024 and US$97.5 million were declared and paid during 2023.

NOTE 20: - Share-based payment

Analysis of share-based payment charge:

	2024	2023
	$'000	**$'000**
Energean 2018 Long Term Incentive Plan	891	548
Energean Deferred Share Bonus Plan	316	182
Total share-based payment charge	**1,207**	**730**
Expensed as administration expenses	1,207	730
Total share-based payment charge	**1,207**	**730**

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. Awards are subject to performance conditions including Total Shareholder Return (TSR) normally measured over a period of three years. Vesting of awards 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 as the Energean plc 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 2024 was 1.29 years, (31 December 2023: 1.32 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 may be deferred into shares.

Deferred awards are usually granted in the form of conditional share awards. 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 2024 was 0.61 year, (31 December 2023 was 0.76 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:

a) New Gas Sales Purchase Agreements (“GSPAs”) in the period:

1) In February 2024, the Company signed a new GSPA with Eshkol Energies Generation LTD, majority owned Dalia Energy Companies Ltd, for the supply of an initial quantity of 0.6 bcm/year starting June 2024, rising to 1 bcm/ year from 2032 onwards. The GSPA is for a term of approximately 15 years, for a total contract quantity of up to approximately 12 bcm. The contract contains provisions regarding floor and ceiling pricing, take or pay and price indexation (not Brent-price linked). The GSPA has been signed at levels that are in line with the other large, long-term contracts within Company’s portfolio.
2) Energean signed two contracts with two peaker stations for the supply of 0.1 bcm/yr each, commencing in Q2 2025 respectively.

b. Performance guarantees:

	2024	2023
	$'000	**$'000**
Performance guarantees	50,629	53,006

1. **Letter of Credit Facility Agreement** – As of 31 December 2024, the Company has a letter of credit facility with a banking corporation in Israel at the amount of US$55 million. The facility bears agreed interest and commitment fee for undrawn amounts which paid quarterly. The banking corporation security is a US$55 million PCG granted by Energean plc. The letter of credit facility is in place until 30 June 2025.
2. **Performance guarantees use** – The main amount US$48.6 million in 31 December 2024 (31 December 2023: US$46.2 million) of the balance above is related to performance bank guarantees the Company provided to the Ministry of Energy in Israel due to the requirement under its oil and gas licenses and leases. The remaining amount is due to the Company’s ongoing operations in Israel.

NOTE 22: - Related parties

a. As of 31 December 2024, the Group's ordinary shares are owned 100% by Energean E&P Holdings Limited, incorporated in Cyprus.

b. Details of related parties:

Name	Country of incorporation / registered office	Principal activities	Relationship as of 31 December 2024	Relationship as of 31 December 2023
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 Egypt Limited	22 Lefkonos Street, 2064 Nicosia, Cyprus	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.	31 Foro Buonaparte, 20121 Milano, Italy	Oil and gas exploration, development and production	Sister company	Sister company
Energean Capital Ltd	22 Lefkonos Street, 2064 Strovolos, Nicosia, Cyprus	Holding of investments and management services	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	Sister company
Energean Morocco Limited-Morocco Branch	56 Bd Moulay Youssef, 20070, Casablanca, Morocco	Oil and gas exploration, development and production	Sister company	N/A
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	2024 $'000	2023 $'000
In current assets:			
Receivable to related parties - Note 13:			
Energean Morocco Limited-Morocco Branch	Receivable	324	-
Energean Capital Limited	Receivable	5	-
Energean International Limited	Receivable	1	-
		330	**-**
In current liabilities:			
Payables to related parties - Note 18:			
Energean plc	Trading	(4,310)	(4,299)
Energean Oil & Gas S.A	Trading	(4,707)	(6,118)
Energean International UK	Trading	-	(33)
Energean Group Services	Trading	(1,645)	(4,044)
Energean E&P Holdings Limited	Trading	(23)	(1,386)
Energean International Limited	Trading	(168)	(286)
Energean Capital Limited	Trading	(839)	(960)
Energean Italy SPA	Trading	(256)	(2,865)
Energean plc	Share based payments	(1,384)	(699)
		(13,332)	**(20,690)**
In non-current liabilities:			
Accrued expenses to related parties - Note 18:			
Energean plc	Share based payments	(519)	(360)

NOTE 22: - Related parties (Cont.)

d. Transactions with related parties:

	2024 $'000	2023 $'000
Service received in connection with the oil and gas assets:		
Related companies	2,692	3,083
Ultimate and parent company	5,931	3,197
	8,623	**6,280**
Service received in connection with the intangible assets:		
Related companies	1,436	3,957
Ultimate and parent company	179	2,585
	1,615	**6,542**
Service received in connection with refinance / issuance senior secure notes:		
Ultimate and parent company	-	1,246
Related companies	963	296
	963	**1,542**
Service received in connection with finance expenses:		
Related companies	-	1,262
Ultimate and parent company	3,030	2,855
	3,030	**4,117**
Service received in connection with cost of sales:		
Related companies	5,032	1,348
Ultimate and parent company	9	263
	5,041	**1,611**
In administrative expenses:		
Related companies	2,174	406
Ultimate and parent company	4,561	725
	6,735	**1,131**
In other expenses:		
Related companies	448	-
	448	**-**
In other income:		
Related companies	(263)	-
	(263)	**-**

e. Additional information:

1. The Group and related companies entered into an agreement for the provision of consulting services related to administrative, technical, finance and commercial matters. The consideration for the said services and the respective balances presented above at Note 22 (C) and 22 (D).
2. During 2024, Energean Israel sold to Energean Morocco equipment (used pipes) at market value at the time of the sale for approx. US$0.26 million.

NOTE 22: - Related parties (Cont.)

f. Parent Company Guarantees (PCG):

1. Under the Karish EPCIC. Energean plc provided a PCG dated 27 July 2018, guaranteeing the deferred payment obligations of the Company under the contract which were amounted to US$210 million. Refer to Note 18(4).
2. As part of a GSPA the Company signed, Energean E&P Holdings Limited, the parent company, granted a corporate guarantee to certain gas buyers amounting to as of 31 December 2024 for US$7.5 million (31 December 2023 for US$38 million).
3. As part of the banking corporation security of the Letter of Credit Facility Agreement Energean plc granted a PCG of US$55 million.

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) and Euro.

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**	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Israeli New Shekel (ILS)	4,324	7,874	31,058	30,441
United Kingdom Pound (GBP)	32,371	28,252	11,829	1,532
Euro	19,700	41,224	268	2,279
Total	**56,395**	**77,350**	**43,155**	**34,252**

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**	
	Variation		**Variation**		**Variation**	
	10%	**-10%**	**10%**	**-10%**	**10%**	**-10%**
31 December 2024 ($'000)						
Profit (loss) before tax	2,673	(2,430)	(2,054)	1,867	(1,943)	1,767
Equity	2,059	(1,871)	(1,582)	1,438	(1,496)	1,360
31 December 2023 ($'000)						
Profit (loss) before tax	2,242	(2,052)	(2,672)	2,429	(3,894)	3,540
Equity	1,727	(1,580)	(2,057)	1,870	(2,999)	2,726

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:

	2024	2023
	$'000	$'000
Restricted cash	82,427	22,482
Trade and other receivables	114,501	123,344
Cash and cash equivalents and bank deposits	157,728	286,625
	354,656	**432,451**

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 are as follows:

	2024	2023
	$'000	$'000
A1	30	3
A3	-	309,097
Baa1	240,115	-
Baa2	6	-
Baa3	-	7
Cash	**4**	**-**
Total	**240,155**	**309,107**

The Company has assessed the recoverability of all cash balances and believes 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 balances.

On 11 July 2023, Energean Israel Finance Ltd completed the offering of US$750 million aggregate principal amount of senior secured notes series and repaid its US$625 million notes series due in March 2024.

NOTE 23: - Financial Instruments (Cont.)

On February 2025 Energean Israel Finance Ltd has signed a 10-year, senior-secured Term Loan with Bank Leumi Le-Israel B.M. as the Facility Agent and Arranger for US$750 million. Refer to Note 24(B).

	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
31 December 2024 ($'000)	**2,857,545**	**3,879,257**	**228,755**	**139,124**	**847,484**	**977,846**	**1,686,049**
Senior secured notes [1]	2,594,213	3,600,703	82,266	82,266	774,296	976,797	1,685,079
Lease liabilities	10,063	11,018	1,453	4,358	3,188	1,049	970
Trade and other payables - long term	61,758	70,000	-	-	70,000	-	-
Trade and other payables - short term	191,511	197,536	145,036	52,500	-	-	-
31 December 2023 ($'000)	**2,916,032**	**4,135,421**	**228,708**	**156,284**	**1,086,808**	**876,716**	**1,786,905**
Senior secured notes [1]	2,588,492	3,779,469	96,500	82,266	938,828	876,328	1,785,547
Lease liabilities	13,598	15,223	1,379	4,118	7,980	388	1,358
Deferred license payments [2	46,154	47,400	30,000	17,400	-	-	-
Trade and other payables - long term	117,796	140,000	-	-	140,000	-	-
Trade and other payables - short term	149,992	153,329	100,829	52,500	-	-	-

(1) As of 31 December 2024, include short term accrued interest of US$41,133 (31 December 2023: US$55,411). 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 of other financial instruments

The following financial instruments are measured at amortised cost and are considered to have fair values different to their book values.

	2024		2023	
	Book Value $'000	**Fair value $'000**	**Book Value $'000**	**Fair value $'000**
Senior Secured Notes (Note 16)	2,594,213	2,485,589	2,588,492	2,371,125

The fair value of the Senior Secured Notes is within level 1 of the fair value hierarchy and has been estimated by discounting future cash flows by the relevant market yield curve at the balance sheet date. The fair values of other financial instruments not measured at fair value including cash and short-term deposits, trade receivables and trade and other payables equate approximately to their carrying amounts.

f. Cash Flow Hedging

In February 2024, the Group entered into a forward transaction to hedge against foreign currency volatility risk associated with its deferred payment to EPCIC contractor. The hedge relationship was deemed effective at inception, and in accordance with the Group's accounting policy, the transaction was subject to cash flow hedge accounting. Consequently, as of 31 December 2024, the Group recorded a derivative liability of US$0.3 million, and other comprehensive gain of US$0.3 million, and US$0.4 million in finance expenses related to this transaction during the reporting period.

NOTE 24: - Subsequent events

a) An interim dividend of US$33 million was declared and paid in January 2025 and an additional US$34 million was declared in March 2025.

b) **Term Loan Signed for US$750 Million**: In February 2025 Energean Israel Finance Ltd signed a 10-year, senior-secured Term Loan with Bank Leumi Le-Israel B.M. as the Facility Agent and Arranger for US$750 million. The Term Loan will be available to refinance its 2026 senior secured notes series and to provide additional liquidity for the Katlan development. It has a 12-month availability period, during which multiple drawdowns can be made, providing flexibility to optimise finance costs. Up to US$475 million is available in US dollars and up to US$275 million is available in New Israeli Shekel. The interest rate for the loan is floating and has been set at competitive levels versus the current bond market. The Term Loan is secured on the assets of the Group (including the Company's shares), pari passu with the senior secured Notes (see Note 16), non-recourse to Energean plc and has a bullet repayment in 2035.

c) The licence for Block 21 expired on 13 January 2025 and was not extended.

d) Approximately US$2 billion binding term sheet signed with Dalia in January 2025 for gas sales in Israel. The agreed terms are for the supply of up to 0.1 bcm/year from April 2026, rising to up to 0.5 bcm/year from around January 2030 and then at least 1 bcm/year from June 2035 onwards, and excludes supply in the summer months between 2026-2034.The terms contain provisions regarding floor pricing, take or pay and price indexation linked to CPI (not Brent-price linked). The terms have been agreed at levels that are in line with the other large, long-term contracts within Energean's portfolio.