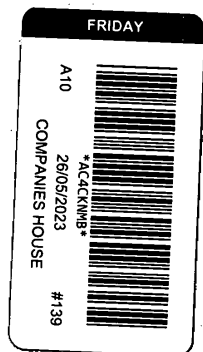


THE STRENGTH OF THE NORTH SEA

ITHACA ENERGY PLC
ANNUAL REPORT 2022



OUR STRATEGY DRIVES OUR AMBITION

Buy
high-quality,
long-life assets

→ Read more on page

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OUR MISSION IS TO BE
“THE STRENGTH OF THE NORTH SEA”.
WE WILL BE DETERMINED, CONFIDENT
AND PROUD, AS WE REDEFINE WHAT
IT MEANS TO BE AN OIL AND
GAS OPERATOR.

Build
a robust long-
term portfolio

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Boost
field
performance
and enhance
margins

→ Read more on page

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INTRODUCTION

A WARM WELCOME TO THE FIRST ITHACA ENERGY PLC ANNUAL REPORT 2022.

You join our journey at an exciting time, following our Premium listing on the London Stock Exchange in November 2022, and inclusion in the FTSE 250 Index in March 2023.

2022 has been a transformational year for the Group, with the completion of three significant transactions. Today, we are one of the UK's leading independent oil and gas companies with material scale, portfolio longevity and significant growth opportunities.

We believe in excelling responsibly and working safely, efficiently and sustainably as we pursue our vision to be the highest performing UK Continental Shelf (UKCS) Independent oil and gas operator.

With a strong track record of material value creation and a clear strategy to buy, build and boost assets, supported by a robust capital allocation policy, we are well placed to deliver increased value while generating attractive and sustainable returns to shareholders.

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You can also read our
Annual Report online:
investors.ithacaenergy.com

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OPERATIONAL HIGHLIGHTS

- Premium listing on the London Stock Exchange (with a 10% free float) in November 2022, inclusion to the FTSE 250 Index in March 2023
- \$1.1 billion acquisition of Siccar Point Energy (Holdings) Limited, doubling the Group's recoverable resources
- Acquisition of Summit Exploration and Production Limited and Marubeni Oil and Gas UK Limited
- Second largest UKCS oil and gas independent by reserves and resources with year-end 2P Reserves of 228 mmboe and 2C Resources of 284 mmboe
- Record 2022 production of 71.4 kboe/d (2021: 56.5 kboe/d)
- Significant ongoing activity at pioneering Captain Enhanced Oil Recovery (EOR) Phase II
- First oil achieved from the Abigail subsea tieback to FPF-1 in October 2022, only ten months after development consent
- Successful drilling campaign at Jade and Mariner and well work completed at Erskine and Alba

FINANCIAL HIGHLIGHTS

NET CASH FLOW FROM OPERATIONS	2022 ADJUSTED EXITDAX
\$1,723m	\$1,916m
LEVERAGE RATIO AT YEAR-END	2023 DIVIDEND TARGET
0.5x	\$400m
2022 STATUTORY NET INCOME	2022 STATUTORY EPS
\$1,032m	103 cents

Non-GAAP measures

Adjusted EBITDAX, leverage ratio and certain other reported metrics are non-GAAP measures that are not specifically defined under International Financial Reporting Standards or other generally accepted accounting principles. Further details are set out on pages 200 to 202.

INVESTMENT CASE

WHY INVEST IN ITHACA ENERGY?

A LEADER IN THE UK ENERGY LANDSCAPE

Ithaca Energy is one of the largest independent oil and gas companies in the UKCS, ranking second by resources and third by production.

- Material and long-life resource base, operating the majority of our 2P reserves and 2C resources
- Balanced portfolio between oil and gas assets, with gas representing c.34% of production in 2022
- Stakes in six of the top ten largest fields in the UKCS, including the two largest undeveloped discoveries
- Positioned to play an important role in UK energy security

TRACK RECORD OF MATERIAL VALUE CREATION THROUGH M&A

Transformational growth of the Group driven by material M&A activity, with the completion of five value-accretive acquisitions over a period of three years.

- Proven M&A execution and integration capabilities
- Focus on value-accretive M&A for further growth and value-generation
- Consolidation opportunities supported by portfolio optimisation, ESG drivers, value-crystallisation and UK region exits
- Strongly positioned to lead consolidation due to basin and operator expertise and execution capabilities

STRONG PIPELINE OF ORGANIC GROWTH OPPORTUNITIES

Diversified portfolio of brownfield and greenfield development opportunities underpinning material organic, long-term growth.

- Significant portfolio optionality with a strong focus on maximising value through targeted investment
- Disciplined approach to prioritisation of capital allocation with established investment criteria
- Access to pipeline of long-life development opportunities
- Pursuing low-carbon intensity projects that will transform our emissions footprint

→ Mission: The Strength of the North Sea: page 18

→ In focus: page 24

Strategic link: **BUY ASSETS**

→ In focus: pages 25 to 27

Strategic link: **BUILD ASSETS**

DEEP OPERATIONAL EXCELLENCE

Delivering organic growth across our existing portfolio through operational excellence, while always maintaining a staunch focus on safety.

- Infrastructure-led investment strategy focusing on high-value, near-term developments
- Delivering value creation through efficiency improvements
- Maximising reservoir recovery through pioneering technologies
- Leadership team with over 200 years of combined experience focused on safe, efficient and value creative operations supported by industry leading workforce

→ In focus: pages 28 to 29

Strategic link: **BOOST ASSETS**

ATTRACTIVE CAPITAL ALLOCATION POLICY

Robust and balanced capital allocation framework that supports strong sustainable returns with a dividend target of 15-30% post-tax cash flow from operations through the cycle.

- Targeting 2023 dividend of \$400 million, with first interim dividend of \$133 million paid in March 2023
- Supported by strong and resilient cash flow generation through low leverage and active hedging approach
- Clearly defined capital allocation priorities – invest, protect, return and evolve – focused on maximising shareholder returns

→ In focus: page 12

Strategic link: **FINANCIAL
FRAMEWORK**

CLEAR FOCUS ON DECARBONISATION

The energy transition is a substantial task facing our industry but our commitment to delivering attractive and sustainable returns is supported by a well-defined emissions-reduction strategy with a target of achieving Net Zero by 2040, on a Scope 1 and 2 net equity basis.

- Embedded ESG mindset across operations
- Focus on delivering well-defined, short-term emissions reductions initiatives
- Challenging goal to reduce CO₂ and CO₂e emissions by 25% by 2025 from operated assets vs. 2019 baseline
- Ambition to transition the portfolio over the medium to long-term, to lower emission intensity assets supporting our Net Zero by 2040 goal

→ In focus: pages 37 to 49

Strategic link: **ESG**

AT A GLANCE

OUR VALUE PROPOSITION

WHO WE ARE AND WHAT WE OFFER

For our people, shareholders, partners and communities, Ithaca Energy is a new kind of oil and gas operator.

We are proud of our heritage, our reputation for operational excellence and our drive and ambition to forge a new future for our North Sea asset base. As we move into our industry's new era, Ithaca Energy is positioned to play a critical role in securing domestic energy supply for the UK, recognising that oil and gas will continue to be an important part of the long-term energy mix, as we navigate the energy transition.

We are at the forefront of our industry's response, investing in sustainable, high-value and long-term oil and gas production.

We are focused, innovative and adaptable. We work efficiently, collaboratively and responsibly, with our partners and suppliers, building strong relationships based on openness and respect. Collectively we will harness our operational expertise and innovative minds to challenge the norm, deploying smarter technologies to deliver exceptional results.

We acknowledge that the energy transition is a fundamental challenge to our industry and the targets we have set for decarbonisation are difficult to achieve. However safety, sustainability and compliance matter deeply to us, giving confidence to all that we are in the vanguard of our industry's new era, creating increased value for our people, shareholders and communities, large and small, today and tomorrow.

OUR GOALS

We are a company dedicated to growing sustainably. This means operating safely and responsibly, developing our people and sharing our success.

SAFETY

We strive to be a safety leader in everything we do, ensuring no harm to our people or environment.

→ Read more on page 50

PERFORMANCE

We will deliver scale with a long-term production target of 100,000 barrels per day.

PEOPLE

We will recruit, retain and develop a skilled, adaptable and diverse workforce.

EMISSIONS

We will invest in low-carbon oil and gas to help meet the UK's long-term energy needs into transition.

→ Read more on pages 39 to 49

EFFICIENCY

We will drive high levels of operational efficiency and operate with strong cost discipline.

→ Read more on page 29

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OUR ASSETS

HARNESSING THE STRENGTH OF THE NORTH SEA

With a diverse and high-value portfolio of operated and non-operated assets across the Northern & Central North Sea, Moray Firth and West of Shetland, our focus continues to be on maximising value for our shareholders in a safe and sustainable manner from our North Sea asset base.

Through a mix of organic and inorganic growth, we have successfully doubled our recoverable resources and increased our average production to 71.4 kboe/d in 2022.

With a focus on maximising economic recovery, the Group has no material near-term decommissioning obligations.

Rosebank
Cambo
Tornado
Schiehallion

Mariner

Marigold
Britannia
Alder
Callanish
Fotla
Brodgar
Iaiba
Enochdu
Cook
MonArb
Pierce
Erskine
Elgin Franklin
GSA
Jade
Isabella

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PRODUCING
UKCS FIELDS

Our portfolio in numbers

9

OPERATED
PRODUCING
FIELDS

71.4

KBOE/D
AVERAGE 2022
PRODUCTION

512

MMBOE
2P RESERVES
AND 2C
RESOURCES

63%

% OF 2P RESERVES
AND 2C RESOURCES
OPERATED BY
ITHACA ENERGY

6 of 10

STAKES IN
6 OF THE 10
LARGEST
PRODUCING
FIELDS
IN UKCS

2 of 3

STAKES IN
2 OF THE 3
LARGEST
UNDEVELOPED
DISCOVERIES
IN UKCS

EXECUTIVE CHAIRMAN'S STATEMENT

GILAD MYERSON

EXECUTIVE CHAIRMAN

“2022 has been a transformational year for Ithaca Energy, highlighted by material M&A activity. It culminated in the Group's admission to the London Stock Exchange in November, the largest UK IPO across any sector in 2022.”

Dear Shareholder,

It is a pleasure to present the maiden Annual Report of Ithaca Energy plc, and to record excellent results as we open our account as a listed company.

On every metric – whether financial, operational, strategic or reputational – 2022 has been a pivotal year for the Group and could be seen as the culmination of the first chapter in our story.

Ours has been a trajectory of continuous growth. Building on the landmark acquisition of Chevron North Sea Limited in 2019, consolidation has continued to be a key theme for us in 2022. By leveraging our proven M&A capabilities we have built a portfolio of significant scale, having completed the acquisitions

of Marubeni Oil & Gas UK Limited, Summit Exploration and Production Limited and Siccar Point Energy (Holdings) Limited (Siccar Point Energy) in the first half of the year.

Throughout, we have been true to our strategy – to buy, build and boost assets – and the year was crowned by our IPO in November, to take us into the next chapter of our growth story in 2023.

It has been a year that has brought many positives, and I'd like to reflect here on four focus areas: the IPO, our performance in numbers, our new Board and our role in providing vital energy security to the UK.

1: IPO – our return to public markets

The plan of an IPO had been a long-held ambition of Delek Group Limited (Delek), our parent, and now majority shareholder, but as recently as January 2022 that goal appeared decidedly distant with capital markets looking challenging.

It is a testament to the strength of our business case; the ground we gained during the year, most notably from M&A; and our growing stature for operational excellence that we achieved a listing on the Premium segment of the London Stock Exchange in November.

Any candidate for IPO must satisfy the same essential criteria to be successful: a clearly visible track record, strong leadership, a business that is in control of its own destiny, a sharp focus on ESG and a compelling pipeline of growth opportunities. We clearly articulated our investment proposition across all key areas, gaining support from investors.

It was also a feather in our cap that we successfully listed on the London Stock Exchange at a time few others felt able to do so. Indeed, this was the largest IPO in the energy sector for four years, as well as the most sizeable across any sector on the London Stock Exchange in 2022.

Although this secondary placement was not intended to generate capital for the business itself, it carries many benefits for Ithaca Energy. Most notably, it will help us to grow our business while establishing

credibility with counterparties, ranging from banks and suppliers to investors and regulators, while also providing access to additional capital sources to support potential future transactions and significantly strengthened our Board.

2: Our performance in 2022

This productive year took many forms.

We completed three value-accretive acquisitions, with one in particular – Siccar Point Energy – being nothing less than transformative, adding scale and longevity to our reserves base. Alongside these we drove increased production and improved financial metrics, while also focusing on reducing our net debt position.

This translated into an excellent FY2022:

- Production increased by 26.4% to 71.4 kboe/d
- Adjusted EBITDAX up by 85.1% in 2022 to \$1,916.2 million;
- Net income of \$1,031.5 million;
- Significant increase in net-asset value up \$1.8 billion to \$2.5 billion;
- Group free cash flow increased by 106.1%;
- Net debt of \$971.2 million at year end; and
- Significant growth in net 2P reserves and 2C resources up 76% to 512 mmbae.

3: A refreshed and boosted Board

Another significant advantage of being a listed company is that it has enabled us to attract the highest calibre of skills around our boardroom table.

Our new Board was convened in October, and for sheer experience, coupled with a valuable blend of complementary skills, we couldn't wish for a stronger line-up as we turn our attentions to 2023, and beyond.

Our Senior Independent Director, John Mogford, brings a wealth of senior Board experience as well as an extensive operational track record, private-equity expertise and perspectives gained from leading industrial companies.

As an oil and gas industry stalwart, Dave Blackwood offers valuable experience and operational rigour

to his role as Chair of our Health, Safety, Environmental and Security Committee.

Deborah Gudgeon brings adjacent experience from the mining industry, together with UK public market experience with a strong focus on risk and controls, to her role as Chair of the Audit and Risk Committee.

Lynne Clow is an experienced HR and Operations Director with significant oilfield services experience. She Chairs the Remuneration Committee.

Assaf Ginzburg is an experienced finance professional and an expert in alternative energies and will contribute valuable insight as the Group shapes its energy transition plans.

4: A proud UK asset

Ithaca Energy now ranks among the UK's largest and most successful independents in the oil and gas sector.

Crucially, we are a significant player in contributing to the UK's energy security, as well as providing high-quality jobs, supporting our supply chain and contributing tax revenues for the Exchequer.

We are proud to commit:

- to the UK economy, developing critical and large-scale projects in the North Sea to deliver vital domestic energy security;
- to the safety of our people, through our relentless focus on operating as safety leaders and minimising the potential for harm from operations;
- to the environment, through our aim to be among the lowest carbon emitters in the UK North Sea, and through rigorous and measured production processes;
- to Scottish and UK communities, creating job security and opportunities, and to supporting our wider communities and charities with our time and resources; and
- to our shareholders, delivering the highest standards of governance and stewardship and a relentless focus on maximising value in a safe and sustainable manner.

Track record of material value creation

Equity value > 5.1x vs. 2018

x = Equity value vs. 2018

Source: Company information, Duff & Phelps (as at year-end 2018, 2019, 2020) and Kroll (as at year-end 2021 and 2022)

Equally, we look to the UK government to create an economic environment that encourages and rewards investment and entrepreneurship that serves the UK. In its revised form, the Energy Profit Levy (EPL), and the fiscal uncertainty it has created, brings material unintended negative consequences for financing capacity, JV partner alignment and free cash flow generation to support continued investment in the UK North Sea.

We were pleased to be able to engage personally with the Prime Minister and the Chancellor during 2022, and we will continue to constructively engage with the UK government, and opposition parties, in their review of the long-term tax treatment of oil and gas production in the UK North Sea. The Fiscal Review, to be delivered by the end of 2023, aims to provide fiscal stability and certainty to our industry while supporting investment to deliver the UK's energy security strategy.

Now to Chapter Two

We go into 2023 with great confidence.

Today, Ithaca Energy represents an attractive investment opportunity with a track record of material value-creation, a sizeable and highly cash-

generative portfolio, a strong pipeline of development opportunities and a balanced capital allocation policy that supports a visible growth trajectory.

With our enviable portfolio of brownfield and greenfield development opportunities, such as Rosebank, Cambo, Captain EOR, Fotla, Marigold, K2 and Montrose Infill, and a relentless pursuit for value creation, our core focus in 2023 will be on high-grading investment across our current portfolio, while keeping a watchful eye on consolidation opportunities, to maximise shareholder returns.

I want to thank everyone who has helped to bring us to this excellent position, as we set about creating a safe, sustainable and rewarding future for each of our stakeholders.

GILAD MYERSON
Executive Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

ALAN BRUCE CHIEF EXECUTIVE OFFICER

“Our people are key to our growth story and I'd like to recognise their hard work and tireless dedication, in what has been a successful year for Ithaca Energy.”

Dear Shareholder,

I believe we can look back on 2022 with a great deal of satisfaction.

It was a year in which we completed three significant transactions, cementing Ithaca Energy's position as one of the leading independent exploration and production (E&P) companies operating in the UK North Sea. We also continued to demonstrate our ability to deliver projects, safely and responsibly, while defining an emissions reduction roadmap that reflects our ambition to have one of the lowest carbon portfolios in the UKCS.

Our growth story continues

Our commitment to growth, both organic and through carefully selected value-accretive M&A, has been a hallmark of our business, and in 2022 we again brought our M&A credentials to the fore.

The acquisition of Siccar Point Energy, with assets across the West of Shetland, Northern North Sea and Central North Sea, added significant production, material growth potential and a long-life cycle to our portfolio.

The transaction brought some of the UK's largest oil and gas fields into our portfolio, including Schiehallion and Mariner, both of which are ranked in the UK's top ten producing fields, as well as two of the largest undeveloped discoveries in the UKCS: Cambo and Rosebank.

We also completed the acquisition of Marubeni Oil & Gas UK, adding non-operated working interests in the high-quality and cash-generative Repsol Sinopec-operated MonArb assets, as well as the acquisition of Summit Exploration and Production, which enhanced our gas exposure through an increased stake in the high-quality, long-life Elgin Franklin field.

Activity across our operations

2022 was a productive year for our existing asset base, as we continued to invest across our portfolio to maximise the value of our assets in a safe and responsible manner.

Notable highlights in the year included reaching the milestone of ten million barrels recovered from Phase I of our pioneering enhanced oil recovery development at the Captain Field.

In addition, we made significant progress on the Captain EOR Phase II development; completed well-work at Erskine and Alba; decommissioning activity at Anglia and Athena; emissions reduction projects at FPF1 and Alba; appraisal drilling at Isabella; infill drilling at Mariner; and a large drilling campaign at Jade.

Our hub and spoke strategy was once again successful in building our reserves base with the development and tie-in of the Abigail field to the FPF-1 facility. This Ithaca Energy-operated subsea satellite field tie-back achieved first production in October 2022. It was developed on schedule and on budget, only ten months after final development consent and is producing at an average of approximately 4.5 kboe/d.

Solid platform for growth

After a busy 2022, we are now in a period of taking stock. The acquisitions we made during the reporting year are not only rich in potential but, importantly, are very strong in terms of near-term developments.

We continue to work towards final investment decisions across a number of projects in our high-value development portfolio with a focus on delivering long-term growth from these critical resources.

Together with other discoveries and exploration acreage, we are in a strong position of owning significant resources which will sustain the future of the Group in the years to come, with the potential to achieve production of 100 kboe/d in the medium to long-term through continued investment.

While we are always open to further M&A should value-accretive propositions arise, this depth of portfolio means we no longer have a particular need to act. The mid to late-life assets acquired from Chevron in 2019, and the early-life fields brought by Siccar Point Energy, have balanced our portfolio.

ESG

We believe a fundamental component of a good year's performance is to be able to show meaningful progress against ESG goals. 2022 saw us addressing this on multiple fronts.

Like many growing businesses we must achieve the right balance. We seek to expand our business into new assets and acreage, serving not only our investor stakeholders but the UK as a whole, while being mindful of the impact we make to our communities and the environment. We acknowledge the growing desire

to transition from the use of hydrocarbons to new energies and the sentiment towards exploration and appraisal activity in particular, and the risks this could create in relation to our business model. However we also recognise the importance of delivering energy security in an affordable manner.

The longer-term transition of our portfolio to lower-emission intensity assets was a catalyst for the acquisition of Siccar Point Energy. In Cambo and Rosebank we have low-carbon intensity, long-life assets which have the potential to support our ambition to operate one of the lowest carbon-emitting portfolios in the UK North Sea, while delivering critical security of supply for the UK. The acquisition builds on our existing emissions reduction efforts, where we are bringing rigour, innovation and resources to reducing our carbon emissions to the lowest possible levels, to support our target of achieving Net Zero by 2040, on a Scope 1 and 2 net equity basis.

Our safety performance continues to be an area of core focus. As a Board and leadership team, we are fully committed to continuously improving our safety performance and ensuring no harm to our people.

Our commitment to give back to our local community is an area that fills me with real pride, particularly given the exceptionally busy nature of the year, operationally.

In a world in which mental health conditions are becoming more prevalent, we were delighted to become a corporate partner to Aberdeen Association of Social Services (VSA) in our hometown of Aberdeen. This remarkable charity has more than 150 years of history in helping vulnerable people in communities across the North-East of Scotland.

We marked the beginning of a three-year partnership with financial support for a major renovation project at the charity's Queen Mother House mental-wellbeing facility while committing to raising further funds and volunteering across VSA's many facilities.

This partnership aligns closely with our commitment to the mental health of our own people, with in-house

initiatives to appoint and train mental health first aiders and wellbeing champions.

I echo our Executive Chairman's comments on the exceptional industry professionals we have added to our new Board following our IPO as we strengthen our corporate governance. As CEO, to be able to draw on their unrivalled sector knowledge – and, specifically, North Sea experience – will be invaluable.

2023: a busy agenda

With an exciting portfolio of producing assets and development opportunities, our new status as a listed company and a fresh perspective from our recently appointed Independent Directors, we enter 2023 with real momentum.

My immediate priorities for the year are:

- Safety performance: Our commitment to safety will always be my number-one priority. We will maintain our sharp focus on process safety, targeting a year free of Tier 1 or Tier 2 process safety events;
- Production: We will focus on delivering high levels of production efficiency, in a safe and reliable manner, with a 2023 production target of 68-74 kboe;

- Project development: We will continue to mature development projects in our portfolio towards final investment decision, providing healthy competition for capital as we strive to deliver superior returns;
- Our emissions roadmap: We will remain focused on near-term emission reduction opportunities and our transition to low-emission intensity assets; and
- Our people: We will invest in the continued development of our people, seek to attract fresh talent to the oil and gas industry and ensure a fair and equitable workplace for all.

I would like to thank both our offshore and onshore teams for their hard work and tireless dedication throughout the year. Our people, supply-chain and Joint Venture partners are living proof of our internal mission to 'Triumph Together'. They have enabled us to deliver our most successful year yet and I look forward to delivering more of the same, safely and responsibly, in 2023.

ALAN BRUCE
Chief Executive Officer

2022 PERFORMANCE REVIEW AND 2023 OUTLOOK

TRACK RECORD OF DELIVERING BOTH ORGANIC GROWTH AND VALUE ACCRETIVE M&A ACTIVITY

SAFETY

ZERO

SERIOUS INCIDENT AND
FATALITIES FREQUENCY
(SIF-F)

DAILY PRODUCTION

71 KBOE/D

+26% INCREASE ON 2021

Delivering material scale and portfolio longevity

With three acquisitions completed in 2022, including the transformative acquisition of Siccar Point Energy, we continued to build our track record of delivering material value creation, and positioned Ithaca Energy as a substantial North Sea enterprise, with a portfolio of significant scale and longevity. Our impressive growth story, delivered through both organic growth and value-accretive M&A activity, supported the Group's successful admission to the Premium segment of the London Stock Exchange in November 2022.

In scale, we now rank as the second largest independent in the UKCS by resources and third largest by production. Our diverse portfolio includes interests in six of the top ten assets by reserves in the UKCS, more than any other player, including significant stakes in two of the three largest undeveloped discoveries in the UKCS, Cambo and Rosebank.

In 2022, we increased our 2P Proven and Probable reserves to 228 mmbbl at 31 December 2022 (2021: 184 mmbbl). The addition of Siccar Point Energy's portfolio materially enhanced our portfolio longevity with a highly competitive reserves-to-production ratio of 19 years, among the highest in the UKCS.

Production growth driven by acquisitions

Our production in 2022 rose to an average of 71.4 kboe/d (2021: 56.5 kboe/d). In the first half of the year production averaged 66.7 kboe/d, increasing to 76.1 kboe/d in the second half of the year, reflecting material producing asset additions following the completion of M&A transactions in the year, including the acquisition of Marubeni Oil and Gas UK in Q1 2022 and both Summit Exploration and Production and Siccar Point Energy in Q2 2022.

In Q4 2022, strong operational performance resulted in average production of 80.8 kboe/d, delivering ahead of management guidance of 77-80 kboe/d.

Operating costs, net of tariff income and excluding tanker costs, in 2022 were \$496.0 million, representing a net unit opex cost of \$19.0/boe (2021: \$18.0/boe), increased from 2021 (\$371.1 million) substantially driven by higher cost of fuel gas and diesel. Q4 2022 net opex of \$136.7 million, was toward the lower end of management guidance of \$130-\$150 million.

Total net capital expenditure (excluding decommissioning) in 2022 of \$405 million (2021: \$388 million), reflected investment activity across our asset base including the Captain EOR Phase II development; Abigail subsea-tieback development, well-work at Erskine and Alba; appraisal drilling at Isabella; and a successful development drilling campaign at Jade. Q4 2022 net capex (excluding decommissioning) of \$105 million was in-line with management guidance of \$100-\$120 million.

Operational excellence, starting with safety

Safety is our non-negotiable, number-one priority and is central to our business success. We empower our people to be Safety Leaders, with the right and responsibility to act in line with our Stop Work Authority and always adhering to the Life Saving Rules.

During 2022, our serious incident and fatalities frequency (SIF-F) record remained at zero, as it has since 2019. There were no Tier 1 and two Tier 2 process safety events during the year. We saw an increase in occupational safety events as activity levels increased resulting in an expanded and less experienced workforce across the industry. Further, onsite management engagement has been more challenging during the COVID-19 pandemic, and so our focus has been on reducing the administrative burden faced by work-site leaders to provide more time for field verification of safety critical tasks.

Development expertise and growth pipeline

Our expertise extends across the full life cycle of E&P operations. In 2022, we have grown our reserves base organically, through investment programmes focused on production enhancement, satellite field developments, and exploration and appraisal activities.

Our development expertise came to the fore in 2022, with large programmes focused around our infrastructure hubs including the subsea tie-in of the Abigail field to FPF-1, just ten months after final development consent. We made material progress during the year on Phase II of our pioneering polymer enhanced oil recovery development programme, to maximise recovery rates from the Captain field. We have executed a significant proportion of the project's offshore work scope including the installation of the process modules, pipework, B28 flow line and riser caisson, drilling and completion of first stage II well UB05P. In September 2022, Captain Enhanced Oil Recovery Phase I reached a significant milestone of ten million barrels of oil production through the polymer flood enhanced oil recovery method.

Our production performance in 2022 has been supported by strong production efficiency performance, reflecting our commitment to maximise asset value through operational excellence. Most notably at FPF-1, where our focus on value and our willingness to invest to drive operational efficiency and uptime improvements, has resulted in a significant increase in production efficiency in 2022 to above 90%, from an average of 60% in 2021. Across our portfolio, we have launched digitalisation initiatives to ensure safe and efficient operations, delivering increased uptime and cost savings.

In response to the North Sea Transition Authority (NSTA) call for applications in the UKCS 33rd Offshore Oil and Gas Licensing Round, we drew on our in-house exploration and appraisal expertise to apply ahead of the closing date on 12 January 2023. Targeting adjacent upside potential to existing infrastructure and greenfield developments, we submitted nine applications, five as proposed operator of the licence. We expect the first licences will be awarded from Q2 2023.

Decarbonisation focus with a well-defined emissions-reduction strategy

We made significant progress in sharpening our decarbonisation focus in 2022. We formalised our plans to significantly reduce emissions and exceed industry targets by optimising our current portfolio in the short-term, and fundamentally transitioning the portfolio in the medium to long-term.

We acknowledge that the energy transition is a fundamental challenge to our industry and the targets we have set for decarbonisation are difficult to achieve. Our well-defined roadmap of emission reduction initiatives supports an ambitious goal to achieve a 25% reduction in Scope 1 and 2 CO₂ and CO₂e emissions from our operated assets by 2025 (against a 2019 baseline). Our medium-term target is to shift from higher to lower-emission intensity assets. As assets such as FPF-1 and Alba come to the natural end of their life, they will be replaced by lower-intensity fields such as Rosebank and Cambo. In parallel, we are evaluating technologies which could materially reduce emissions at Captain. In the long-term, we are committed to supporting the North Sea Transition Deal (NSTD) and intend to achieve Net Zero by 2040 (on a Scope 1 and 2 net equity basis), ten years ahead of current NSTD commitments.

Further details of our roadmap are provided on page 40 and further information on climate related risks and opportunities, including those relating to our ability to meet our decarbonisation targets are set out on page 45.

2022 PERFORMANCE REVIEW AND 2023 OUTLOOK CONTINUED

Focus on maximising shareholder value

As we embark on our journey as a publicly listed company, we have established a robust and balanced capital allocation framework that will support our ambition to deliver continued growth while providing attractive shareholder returns.

We expect that, subject to no material downward pressure on oil and gas prices and a stable fiscal regime, our cash flow generation will satisfy capital expenditure requirements to sustain current production levels of between 70-90 kboed/d; maintain a leverage position below 1.5x net debt to adjusted EBITDAX; deliver shareholder returns; and provide additional financial flexibility to facilitate further value-accretive growth opportunities.

During 2022, our diversified, high-quality asset base generated free cash flow of \$1,135 million. This strong cash flow generation supported a rapid deleveraging trajectory, with the Group reporting net debt of \$971.2 million, representing a net debt to adjusted EBITDA ratio of 0.5x at the year-end.

Achieving this deleveraging in a year when we completed over \$1 billion of transactions, and deployed capital of \$405 million to deliver continued organic growth, reflects both the strength of our portfolio and our ambitions for further growth.

With a balanced capital allocation policy, through the cycle dividend target of 15-30% of post-tax cash flow from operations, and proven track record of material value creation, we believe Ithaca Energy represents an attractive investment opportunity with significant potential for growth.

Outlook for 2023 and beyond

We enter 2023 as a public company, with greater scale, diversification, reserves and leadership expertise, better positioned than ever to deliver growth.

With a diverse, high-value portfolio of producing assets and significant brownfield and greenfield development opportunities such as Rosebank, Cambo, Marigold, Fotla and Tornado, and infill drilling at Captain, Alba, Montrose, Schiehallion and Mariner we have considerable investment optionality across our portfolio. Our focus during the year will be on prioritising investment across our current portfolio to maximise shareholder returns.

We will maintain a watching brief on value-accretive acquisition opportunities taking a selective and disciplined approach, as we manage our capital allocation priorities in line with our stated capital allocation framework.

As a result of lower than estimated production in Q1 2023, primarily due to delayed start-up of the non-operated Pierce field, lower than forecasted volumes from Abigail and operational issues at Captain (that have subsequently been resolved), and the impact of the Energy Profit Levy to 2023 capital programmes we provide updated 2023 full year production guidance of 68-74 kboe/d (revised from 72-80 kboe/d).

We continue to have a strong focus on costs and provide updated net opex guidance of \$560 million – \$630 million (reduced from \$590 million – \$680 million). Updated guidance reflects a modest rise in our average opex per barrel from 2022, due to current inflationary pressures and increased fuel and diesel costs. Our mid-term ambition is to drive down our average operating cost per barrel as we transition our portfolio to earlier-life assets with lower operating costs.

As a result of a reduction in scheduled activity across our non-operated portfolio, as a result of the introduction of the Energy Profit Levy, and

deferral of activity from 2023 to 2024 we provide updated 2023 net capex guidance of \$400 million – \$460 million (excluding capital investment for projects awaiting final investment decision), a reduction from previous guidance of \$450 million- \$550 million.

Revisions in management guidance across production, opex and capex are expected to have limited cash impact at current commodity prices based on mid-point guidance changes. The Group is recommitting to its dividend target of 15-30% of post-tax cash flow from operations and its targeted 2023 dividend of \$400 million, as communicated at the time of IPO.

We remain committed to investing in the UK North Sea, however the impact of the revised Energy Profit Levy announced in November 2022, in particular the removal of the sunset clause, is constraining our ability, and that of our JV partners, to invest. With a reduction in borrowing capacity across the sector as a direct result of the levy, the ability of the oil and gas industry to unlock the benefits of investment programmes across the UKCS to provide critical domestic energy security and meet its Net Zero ambitions is under threat. We continue to constructively engage with the UK government in relation to the future fiscal policy in pursuit of the stability required to make these critical investment decisions.

MARKET OVERVIEW

2022 HAS BEEN AN EVENTFUL YEAR FOR THE OIL AND GAS INDUSTRY

Overview

2022 has been an eventful year for the oil and gas industry.

Geopolitical tensions, domestic energy security concerns, the subsequent cost-of-living crisis, UK political instability, and a windfall tax on oil and gas producers have all brought to a head an energy crisis that has in fact been many years in the making.

Underinvestment in supply for the past several years, combined with robust demand, has resulted in structurally higher commodity prices than has historically been the case. While demand for hydrocarbons is predicted to peak at some point in the coming decades, given the extractive nature of the industry, further investment in supply, is required to prevent a proliferation of energy crises.

Domestic energy security

In the UK, domestic energy security became centre stage following Russia's invasion of Ukraine and the subsequent increase in European gas prices. The UK is currently a net importer of both oil and gas, a position which is not likely to change until around 2050.

Energy Profit Levy

With the UK experiencing a cost-of-living crisis due to escalating commodity prices, the government stepped in to provide support to consumers struggling to pay their bills. In turn, it then looked to the oil and gas industry to provide additional tax revenues, announcing a windfall tax of 25% in May 2022.

Recognising the need to incentivise domestic production, the initial windfall tax included an investment allowance that was intended to align the tax with the government's energy security strategy.

However, fiscal and political instability became the dominant force for the remainder of the year. The investment allowance, introduced as part of the Energy Profit Levy and designed to promote investment in the basin, was unsuccessful in filling its promise, with North Sea annual expenditure dropping

to a 22-year low with allocation of capital trending to international regions with greater degrees of fiscal stability.

The revision to the Energy Profit Levy, in the Chancellor's Autumn Statement, then increased the levy to 35%, and removed the sunset clause that was designed to withdraw the levy on a return to normal commodity prices.

This has created a number of challenges and unintended consequences for the UK's independent operators. Removing the sunset clause has had the effect of reducing borrowing capacity in the industry and constraining the ability of independents to invest, encouraging the continued prioritisation of capital to be redirected out with the UK.

It is our firm belief that, if the government does not act swiftly to reaffirm that the levy is windfall in nature, it risks jeopardising the industry's vital work to bolster UK energy security and, by extension, risks impacting the planned future delivery of the Net Zero transition.

Outlook

Ithaca Energy has the potential to play an essential role in delivering UK energy security with a robust portfolio of long-life development assets. And while the Energy Profit Levy favours companies, such as Ithaca Energy, that have the depth of projects that would benefit from investment incentives, we require fiscal stability to support these critical investments. To this end, we continue to engage with the UK government, and opposition parties, to ensure that the levy is legislated in a way that supports the Group's continued investment in the UK North Sea.

“

IN THE UK, DOMESTIC ENERGY SECURITY BECAME CENTRE-STAGE FOLLOWING RUSSIA'S INVASION OF UKRAINE AND THE SUBSEQUENT INCREASE IN EUROPEAN GAS PRICES. **THE UK IS CURRENTLY A NET IMPORTER OF BOTH OIL AND GAS**, A POSITION WHICH IS NOT LIKELY TO CHANGE UNTIL 2050.”

Brent prices

Brent price movements in 2022 can best be described as a tale of two halves: they increased significantly in the first half of the year before declining in the second half. Over the year, the Brent crude oil spot price averaged \$99/bbl, compared to \$71/bbl in 2021.

Its significant rise in H1 was due to geopolitical tensions with Russia. In February 2022, the country's full-scale invasion of Ukraine followed eight consecutive quarters of decreasing crude oil inventories globally, driven by rising economic activity following the pandemic. The net result was to push Brent crude to its highest inflation-adjusted price since 2014.

However, from June onwards crude oil prices decreased as concerns about a possible global economic recession reduced demand expectations. High petroleum prices contributed to inflationary pressures affecting consumer budgets and gasoline demand. In addition, severe COVID-19 containment measures in China contributed to lower global demand for oil, and by the close of the year Brent crude oil stood at \$86/bbl.

Brent prices have continued to trend downwards in the first quarter of the year, with an average Q1 2023 price of \$82/bbl¹.

¹ Average to 24 March 2023

REALISED 2022 BRENT PRICE

\$100/boe

Gas prices

We entered the year with gas prices at record highs. This was the result of tightening gas markets in the second half of 2021, driven by a combination of a robust recovery in demand following the global pandemic, extreme weather events and unplanned supply outages.

In 2022, gas markets experienced continued volatility, and the significant impact of Russia's full-scale invasion of Ukraine resulted in an average gas price of 263 pence per therm in 2022. Following the invasion, Russia reduced gas supplies to Europe as a counter measure to the sanctions imposed.

The loss of Russian imports has structurally altered the gas market in Europe resulting in a significant supply imbalance. Price volatility is expected to be high and persist over the medium term with LNG imports to Europe now commanding a premium. The importance of domestic gas production is now greater than ever.

With Ithaca Energy's significant gas weighting of c.34% of our total 2022 production, we continue to have exposure to the buoyant commodity price outlook for gas. During 2022, and as we moved into 2023, we have actively managed our hedging portfolio to reflect the current dynamics of the gas market, building greater flexibility into our hedging programme.

Gas prices have fallen considerably in 2023, with an average Q1 2023 price of 135 pence per therm¹.

¹ Average to 24 March 2023

REALISED 2022 GAS PRICE

\$149/boe

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M&A activity

Upstream M&A activity in the UK slumped during the year, with a recorded \$3.8 billion of M&A transactions announced.

This downturn reflected the state of flux felt by the industry as it sought to digest the Energy Profit Levy and its implications for investment plans.

Ithaca Energy bucked the trend as the most active consolidator in the UK North Sea, completing three acquisitions in the first half of the year including the landmark acquisition of Siccar Point Energy.

As we move into 2023 and beyond, we expect to see a wave of consolidation opportunities. There may be an increased momentum for previously stated UK divestment plans, as global operators continue to weigh up the attractiveness of their UK portfolios against other operating jurisdictions.

Our proven M&A capabilities and basin expertise place Ithaca Energy in a strong position to lead further consolidation in the market. And with a softening in oil prices we believe that the M&A market may reopen with more realistic seller expectations.

However, after a very active and successful 2022 in M&A, Ithaca Energy has no pressing need to act. We will take a selective and disciplined approach to any opportunities and consider them on a value-add basis and on their ESG merits, as we manage our capital allocation priorities in 2023.

UK UPSTREAM M&A ACTIVITY IN 2022

\$3.8bn

Q&A WITH JOHN MOGFORD

JOHN MOGFORD SENIOR INDEPENDENT DIRECTOR

“I am delighted to have joined the Board of Ithaca Energy as Senior Independent Director following its successful admission to the London Stock Exchange. Our new Board brings together a wealth of oil and gas and public market experience that will guide the business through its next phase of growth as a public company.”

JOHN, YOU’RE AN OIL & GAS MAN OF LONG STANDING. WHAT ATTRACTED YOU TO ITHACA ENERGY?

A number of factors, really. I love the North Sea – I must do, I’ve worked around it since 1977! I also strongly believe in the growth strategy that the leadership team has created to realise the Group’s future potential. And I think the clincher for me is that Ithaca Energy has, in my opinion, one of the most attractive asset portfolios in the UK North Sea with significant brownfield and greenfield development opportunities that have the potential to create material shareholder value, further complemented by the Group’s proven ability to execute value-driven M&A.

There’s a lot of life left in the North Sea basin, and with a number of majors exiting, assets have moved into the hands of lean and nimble independents like Ithaca Energy who can maximise the potential to come. I’m sure there will be some challenges, but we are resilient and proactive with a Board that knows how to manage the cyclical nature of our sector.

WHAT CHALLENGES DO YOU ENVISAGE?

You could say it’s a nice challenge to have, but we have a portfolio of highly-attractive development assets that we will work as a Board to prioritise our capital allocation to maximise shareholder returns, reflecting that there will be competition for capital across our existing asset base. Projects vying for capital is not a new challenge for our industry, but it is one that has been somewhat heightened by the consequences of the energy profit levy on borrowing capacity across the industry. Our focus as a Board has to be on value-creation, managing risks and being a long-term responsible operator.

From a project perspective, we recognise that new greenfield developments have inherent risks, particularly those in deep water and harsh environments, in a time that the world seeks to change its energy mix. But I take comfort from the substantial engineering work that has been executed internally to mitigate these risks and the strength of the experienced and highly capable projects team who have a significant track record in delivering similar development projects.

And let’s also remember that with challenge comes opportunity. Projects such as Cambo and Rosebank could materially transform the emissions intensity of our asset base. This will deliver sustainable production, contributing to the UK’s long-term energy security.

WITH YOUR EXPERIENCE AND FRESH PAIR OF EYES, HOW DO YOU SEE SAFETY AT ITHACA ENERGY?

Offshore oil and gas is a hazardous business and I think there is a good safety culture within Ithaca Energy. Indeed, we have a strong track record of completing complex projects extremely well and, most importantly, without any serious incidents. We must of course remain vigilant to the major risks that never go away in our business.

At the same time, like a lot of operators in the North Sea, we've had a number of low-level accidents and injuries. We must be mindful for any signs of complacency creeping into routine tasks, and target zero-harm to our people and our environments. But I see the right behaviours for us to continue to be a leader in safety.

CAN YOU DESCRIBE WHAT A SENIOR INDEPENDENT DIRECTOR – A 'SID' – DOES?

Yes, the SID role is part of our commitment to uphold the highest standard of corporate governance and to maintain a sound framework for our growth plans. Under the UK Corporate Governance Code, the Senior Independent Director acts as a sounding board for the Chair of the Board, providing them with support in the delivery of their objectives, and to serve as an intermediary for the other Directors when necessary.

AND SPECIFICALLY IN RELATION TO ITHACA ENERGY ITSELF, HOW DO YOU SEE YOUR ROLE?

My role is to work closely with the Board and Gilad Myerson, our Executive Chairman, to provide robust and independent challenge. We have a slightly different Board composition to many, because, before our IPO, Ithaca Energy was a wholly owned subsidiary of Delek.

Immediately following Admission, Delek held 89.4% of the Group's issued ordinary share capital. And having previously been employed by Delek, Gilad is considered, in governance parlance, to be an 'associated person'.

Taking this into consideration, the Group's relationship with its major shareholder, Delek, is rightly a key area of focus for the Board in establishing our corporate governance framework.

WHAT BEARING DOES THIS HAVE ON YOUR APPROACH?

My top priority as SID is to ensure we have a robust framework in place to operate independently of our majority shareholder, in accordance with the highest standards required of a Premium-listed entity. As the SID, shareholders should look to me to ensure that Ithaca Energy is being run for the benefit of all its shareholders, not just its majority shareholder.

In all the decisions we make, the minority shareholders of the Group have the right to feel comfortable that the Board is run as an independent company, with their best interests also at heart.

HOW WILL THE RELATIONSHIP WITH DELEK BE GOVERNED FOLLOWING IPO?

Due to the size of Delek's shareholding, they are deemed to be a controlling shareholder for the purposes of the Listing Rules. The Group therefore entered into a Relationship Agreement with Delek at the point of Admission. Its principal purpose is to ensure that Ithaca Energy is capable of carrying on its business independently of Delek.

AND HOW DOES BOARD INDEPENDENCE WORK IN PRACTICE?

The new Board has strong independent representation, with five Independent Directors and four Non-Independent Directors around the table, all with considerable Board experience.

The key Board committees, the Remuneration Committee and the Audit and Risk Committee are populated solely by Independent Directors, both in their Chairs and members. So with the comfort of this rigorous governance framework, the SID role is one I've been very happy to take on, joining the Board as we begin life as a public company.

WHAT'S DIFFERENT ABOUT BEING A PUBLIC COMPANY IN GOVERNANCE TERMS?

A significant difference is that we must have a firmer grip on viability criteria. We have to look at mid to long-term timeframes, and a wider range of scenarios, to ensure that we can fund our commitments, pay our people, meet our costs and invest for growth. So depending on our performance and the sector's climate, this might mean we can't be quite as aggressive in our approach as a private company.

During the IPO roadshow, we shared with potential investors our clear capital allocation policy, setting out our capital priorities of: (1) investing in sustaining capex; (2) protecting our balance sheet; (3) providing sustainable returns to our shareholders; and (4) reinvesting surplus cash flows to support the continued growth of the business.

An important part of the Board's role is to strike the balance between what we can or need to invest, acknowledging the commitments we have made to the market with the overall goal of maximising shareholder value.

WHAT ARE YOUR THOUGHTS GOING INTO 2023?

It's a very exciting time. We have a compelling portfolio, and near-term high-quality development opportunities. As a Board, our priority is delivering on the Group's growth ambitions in a safe and responsible manner while maximising shareholder value.

I am confident we have the Board, the leadership team and the people to cement our position as the 'Strength of the North Sea'.

OUR VISION, MISSION AND VALUES

OUR VISION

As we conduct our business in a new era for the UKCS, Ithaca Energy will redefine what it means to be a leading oil and gas operator.

Our vision is to be the highest-performing UKCS independent oil and gas company, focused on growing value sustainably.

By putting our people's safety, environmental responsibility and operational excellence at the heart of everything we do, we will deliver strong shareholder returns.

In so doing, we will change perspectives on oil and gas production, making a positive difference by delivering low-emission energy security into the Net Zero transition.

OUR MISSION

Our mission is to be the 'Strength of the North Sea'. We serve today's needs for domestic energy through operating sustainably. We achieve this by harnessing our deep operational expertise and innovative minds to collectively challenge the norm, continually seeking better ways to meet evolving demands.

Triumph.

We are driven to succeed, to be the Strength of the North Sea, maximising value through the safe, efficient and responsible production of our Group's assets.

Together.

We can only succeed if we work together, harnessing the collective expertise and experience of our people and partners.

OUR VALUES

If our mission is the 'what' we aim for, our values are the 'how'.
They guide how we work resiliently, collaboratively, openly and considerately.

Bring strength

**We are resilient, agile and committed.
We bring our collective talent, expertise
and determination to bear daily.**

- Demonstrate excellence in safety leadership
- Take the initiative to strengthen our business
- Be adaptable, working in pursuit of continuous improvement

Express yourself

**We are empowered to question, sharing
the right and responsibility to challenge
and to use our voices in pursuit of 'best'.**

- Promote an inclusive organisation with openness, respect and trust
- Challenge each other and our partners to act
- Encourage different perspectives and be confident to build on ideas

Deliver results

**We control our destinies by harnessing
our ambition and pragmatism to deliver
successful outcomes.**

- Take accountability and ownership for our actions
- Work collaboratively, with a united purpose to succeed
- Embrace innovation to create sustainable value

Be considered

**We genuinely care about making a positive
impact for our people, shareholders,
and communities.**

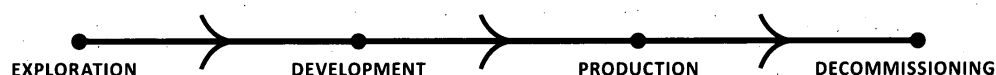
- Show integrity in all our relationships
- Support and energise one another to make a difference
- Actively engage in our role and responsibility towards energy transition

OUR BUSINESS MODEL AND STRATEGY

OUR OPERATING SPACE

NORTH SEA OIL AND GAS EXCELLENCE

FULL CYCLE OPERATOR



OUR STRATEGIC PILLARS

BUY ASSETS

→ In action: page 24

BUILD ASSETS

→ In action: pages 25 to 27

BOOST ASSETS

→ In action: pages 28 to 29

GENERATING VALUE

INVESTING SUSTAINABLY

Recognising that oil and gas will continue to play an important part of the long-term energy mix into the energy transition, we are focused on investing in organic and inorganic opportunities, supported by our capital allocation framework, that will realise value and deliver against our sustainability target of achieving Net Zero by 2040.

SUPPORTING OUR GOAL

**MAXIMISING RETURNS FOR SHAREHOLDERS
THROUGH THE SAFE AND RESPONSIBLE
PRODUCTION OF OUR ASSETS, MEETING
THE UK'S ENERGY NEEDS AS WE NAVIGATE
THE ENERGY TRANSITION**

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BALANCED CAPITAL ALLOCATION POLICY

EVOLVE

- Pursue growth capex opportunities that provide portfolio longevity and lower-emission intensity
- Deliver value-accretive M&A, in a disciplined manner

RETURN

- Committed to distributing attractive dividends to shareholders
- Dividend target of 15-30% CFO post-tax through the cycle

PROTECT

- Strong focus on the robust protection of our assets
- Maintain leverage position below 1.5x
- Resilient through the cycle through hedging and portfolio diversity

INVEST

- Deliver committed organic capex that sustains production in the medium term at 70-90 kboe/d range meeting the UK's energy needs

DELIVERING VALUE FOR

Our shareholders

TARGET OF

15-30%

POST-TAX CFO

Our suppliers

\$496m

Operating costs

Our people

573

Offshore and onshore
employees

Our communities

£270k

Donations

OUR STRATEGY

OUR STRATEGIC PILLARS

BUY ASSETS

→ In focus: page 24

Leverage our proven M&A execution capabilities and deep integration expertise to BUY a high-quality, long-life portfolio of significant scale

- Pursue value-accretive transactions where we can apply our proven expertise
- Leverage our full cycle capabilities to deliver value from a range of opportunities
- Take a measured approach to M&A opportunities, following stringent investment criteria including emission intensity

BUILD ASSETS

→ In focus: pages 25 to 27

Develop projects with strong economics and lower carbon intensity to BUILD a robust long-term portfolio

- Pursue low-carbon intensity greenfield projects that significantly transform our emissions footprint
- Target adjacent upside potential to existing greenfield developments
- Invest in brownfield opportunities close to existing infrastructure with attractive returns
- Seek operatorship, where possible, to control our capital programme and ensure the robust prioritisation of opportunities

BOOST ASSETS

→ In focus: pages 28 to 29

Deploy our deep operational expertise and pioneering minds to BOOST field performance and enhance margins

- Develop and deploy innovative technology to maximise field recovery
- Focus on production efficiency initiatives to optimise revenue realisation and lower unit operating costs
- Deliver digitalisation initiatives to reduce risk and drive-down costs
- Build strategic relationships with key supply chain partners, leveraging on our scale of operations

2022 HIGHLIGHTS

**THREE
MATERIAL
ACQUISITIONS
COMPLETED
IN 2022**

**ABIGAIL FIRST
OIL ACHIEVED
TEN MONTHS
AFTER FDP
CONSENT**

**10 MMBBLS
RECOVERED
FROM CAPTAIN
EOR PHASE I**

OUR STRATEGIC ENABLERS

Our success is underpinned by the safe, efficient and responsible production of our Group's assets and supported by a robust and solid financial framework. Our people are core to our success. We will only succeed if we work together, harnessing the collective expertise and experience of our people.

ROBUST FINANCIAL FRAMEWORK

A robust and balanced framework supports strong sustainable returns

- Preserve balance sheet strength with a targeted leverage position below 1.5x
- Maintain a balanced capital allocation framework to maximise growth while providing material shareholder returns
- Take a disciplined approach to financial risk management, hedging, budgeting and long-term investment planning

SAFETY, SUSTAINABILITY AND OUR PEOPLE

We put our people, their safety and environmental responsibility at the heart of everything we do

- Ensure no harm to our people or environment, by excelling as safety leaders
- Focus on delivering our well-defined, short-term emissions reduction initiatives
- Transition the portfolio over the medium to long-term, targeting Net Zero by 2040, on a Scope 1 and 2 net equity basis
- Recruit, retain and develop a skilled, adaptable and diverse workforce
- Align our people goals and performance management to our Group values and behaviours
- Give back to the communities in which we operate, to make a positive difference

TARGETED LEVERAGE

<1.5X

DIVIDEND TARGET

15-30%

POST TAX CFFO

TIER ONE

ZERO

PROCESS SAFETY EVENTS

NET ZERO BY

2040ON A SCOPE 1 AND 2
NET EQUITY BASIS

STRATEGY IN ACTION

**Delivering organic growth across
our portfolio through operational
excellence, while always maintaining
a staunch focus on value**

OUR STRATEGY IN ACTION

LEVERAGE OUR PROVEN M&A EXECUTION CAPABILITIES AND DEEP INTEGRATION EXPERTISE TO BUY AND BUILD A PORTFOLIO OF SIGNIFICANT SCALE

Ithaca Energy has been successful in delivering material value-creation through M&A. In 2022, the acquisition of Siccar Point Energy cemented our position as a leading independent operator in the North Sea. The transaction ultimately provided scale and longevity to our portfolio, with a strong mix of attractive producing assets and material greenfield development opportunities, enabling us to launch our IPO in the second half of the year.

We take a measured approach to M&A, with each opportunity reviewed against our stringent investment criteria. In 2022, we reviewed over 16 acquisition opportunities, with nine progressing to full due diligence exercises, resulting in the completion of three acquisitions in the year.

The oil and gas sector continues to offer various consolidation opportunities with majors increasingly reallocating capital into new forms of energy to achieve their ESG targets, as well as looking to streamline global portfolios to improve efficiency.

We believe that there are now only a few independent operators, of both operational and financial strength, supported by proven M&A execution capabilities, that can acquire assets from these players, therefore strengthening our position as a lead consolidator in the market. However, we believe it is important we maintain our disciplined approach to M&A and that all future opportunities will be considered in line with our ESG ambitions and our clearly defined capital allocation policy, and their merits considered in line with existing investment opportunities across our established portfolio.

BUY ASSETS

INVEST IN BROWNFIELD OPPORTUNITIES CLOSE TO EXISTING INFRASTRUCTURE WITH ATTRACTIVE RETURNS

Following a successful Phase I Enhanced Oil Recovery Project, Ithaca Energy sanctioned the second phase of Captain EOR, a prime adage of the phrase that 'big fields get bigger'.

The Captain Field is currently the biggest contributor to the Group's production (contributing approximately 26% of the Group's daily production in 2022) with top quartile production efficiency. Through the ongoing Captain EOR project, the Group is driving maximum economic recovery of reserves utilising the Group's proven innovative polymer technology, achieving a more efficient reservoir sweep.

Phase II of the EOR programme reflects an expansion of the platform-based EOR Phase I project to a focus on the subsea area in the Phase II development. The expansion project was first envisaged to require a further bridge-linked platform at an estimated cost of \$1 billion. Today, through novel engineering

approaches, we have arrived at a substantially more cost-effective solution that adapts the existing infrastructure, through the installation of further decks on the existing platform and adding modular units to accommodate the equipment required to facilitate the subsea expansion. Through innovative engineering we have reduced the cost of the development by over 50%, ultimately unlocking a commercial solution to maximise the recovery of reserves.

The full scope of the Captain EOR II project, which was sanctioned in April 2021, covers the drilling of six new subsea polymer injection wells across two new drill centres, and one new production well at an existing drill centre as well as the installation and commissioning of the required subsea infrastructure flowlines and umbilicals connected to the Captain Bridge Linked Platform (BLP). Across the existing infrastructure activities include modifications to the three Captain Installations – Captain Well Protection Platform, 'A' (WPPA), the Captain BLP and the Captain FPSO.

Material progress has been made during 2022 on the Phase II project and we are delighted to report that the project is on schedule and on budget. During 2022, we have executed a significant proportion of the project's offshore work scope including the installation of the process modules, pipework, B28 flow line and riser caisson, drilling and completion of first stage II Well UB05P. During 2023, project activity will include the drilling of further wells, installation of the required flowlines and umbilical, and completion of the topsides construction and commissioning.

Captain EOR Phase II is expected to double net production at the field to approximately 40 kboe/d and provide gross 2P reserves of approximately 28 mmbbl. Beyond this, material potential upside exists from the Captain EOR II activity, with the field having STOIP of c.1 billion boe with approximately 36% of volumes recovered. Captain EOR Phase II is expected to achieve first injection from new polymer wells in 2024 and peak production in 2025.

Captain EOR Phase II demonstrates our commitment to investing in existing brownfield opportunities while also illustrating our strength in executing large-scale development projects.

BUILD ASSETS

STRATEGY IN ACTION CONTINUED

PURSUE LOW-CARBON INTENSITY GREENFIELD PROJECTS THAT SIGNIFICANTLY TRANSFORM OUR EMISSIONS FOOTPRINT

As part of the Siccar Point Energy acquisition, the Group acquired interests in the Rosebank field (20% working interest) and the Cambo field (Operator and 70% working interest), two of the largest undeveloped discoveries in the UKCS, doubling our recoverable resources base.

Activity continues on the Cambo and Rosebank developments to validate costs, mature engineering and progress commercial and contractual frameworks.

With gross 2C resources of approximately 146 mmboe and 325 mmboe for Cambo and Rosebank fields respectively, these flagship assets provide Ithaca Energy with visible production growth trajectory at a lower-emissions intensity and lower expected unit operating cost per barrel.

The Group's medium-term target is to shift to lower-emission intensity assets by ceasing production on, and decommissioning, higher-emission intensity assets and bringing on stream lower emission intensity assets such as Rosebank and Cambo.

Our current operating assets are forecast to produce with an emissions intensity broadly in line with the UKCS average (21 kgCO₂/boe). New developments, such as Rosebank and Cambo, are expected to be 65-85% lower-emissions intensity due to their modern, energy efficient design and potential for electrification.

Emissions levels targeted by Cambo, which are significantly lower than the global average, are enabled by the FPSO design which includes features such as being fully ready for electrification (subject to grid connection availability), zero routine flaring and Sevan FPSO hull design reducing power demand. Electrification itself is dependant upon joint industry initiatives in the West of Shetland group as well as technical constraints being overcome by technological advancement.

We intend to utilise our significant reserves and operational capabilities to play a key role in providing energy security to the UK, maximising economic recovery of UKCS resources as part of reducing reliance on higher-emission imported fossil fuels.

BUILD ASSETS

TARGET ADJACENT UPSIDE POTENTIAL TO EXISTING GREENFIELD DEVELOPMENTS

In exploration, the Group's strategy focuses on basin modelling, geoscience interpretation and prospect economic evaluation in the West of Shetland and Central North Sea regions.

We have an infrastructure led approach to exploration, and rank opportunities on the basis of prospect size, geological chance of success and likelihood of commercial development. The hub-driven strategy focuses on near-field prospects close to existing infrastructure with an exploration and appraisal funnel of over 150 opportunities which we believe hold approximately 1.9 billion boe of gross Pmean prospective resources across multiple geographic hub areas.

The Group expects near-term exploration and appraisal activity with a target of one to two exploration wells per year and investment of approximately \$40 million (on average) in exploration per annum in the short-term. In 2023, we will drill the high-potential, Ithaca Energy operated K2 prospect in Block 22/14c of the Central North Sea.

In response to the NSTA's recent call for applications in the UKCS 33rd Offshore Oil and Gas Licensing Round, we submitted nine applications, five as operator.

BUILD ASSETS

INVEST IN BROWNFIELD OPPORTUNITIES CLOSE TO EXISTING INFRASTRUCTURE WITH ATTRACTIVE RETURNS

We believe there is significant value to be generated from leveraging our existing infrastructure by enhancing production and accessing additional reserves through continued investment in high-value infill drilling opportunities across our portfolio. Through the hub and spoke strategy the Group is able to minimise incremental capital costs for satellite feeder field developments and lower unit operating costs across the hub.

The FPF-1 floating production facility, that serves the Greater Stella Area (GSA) fields, is an excellent example of the Group's hub and spoke strategy that looks to tie-back smaller subsea fields into a central processing hub. In January 2022, we received approval for the field development plan to tie-back the Abigail subsea field to the FPF-1 facility, that already hosts the Group's 100% owned and operated Stella and Harrier fields, and 34% owned Vorlich Field.

Just ten months following the field's development plan approval, the Group achieved first production from the Abigail field on 20 October 2022, illustrating that as a nimble independent operator we can make rapid investment decisions and deliver brownfield projects at pace!

We see further value in the GSA hub with the current proposed development plan of Abigail covering two production wells. In addition, further infill wells have been identified at Harrier.

Ithaca Energy's pipeline of high-value and lower-risk brownfield assets includes Marigold and Fotla, with gross 2P reserves plus 2C resources of 29 mmboe and 16 mmboe respectively. These represent potential low-cost developments which are expected to be tied-back to existing infrastructure.

BUILD ASSETS

STRATEGY IN ACTION CONTINUED

DEVELOP AND DEPLOY INNOVATIVE TECHNOLOGY TO MAXIMISE FIELD RECOVERY

Ithaca Energy intends to use established technologies to target increased recovery volumes and maximise the recovery of in-place hydrocarbons. At our operated Captain field, we have deployed our advanced Enhanced Oil Recovery technology to maximise recovery rates. The first phase of the EOR programme, with an estimated ultimate recovery of 16 mmboe, has resulted in a production response which has tracked or exceeded expectations. The first phase of the EOR programme currently contributes approximately 40% of Captain's current production and, in September 2022, the project reached a significant milestone of 10 mmboe recovered through the polymer flood EOR method.

The innovative polymer flood EOR technology involves the injection of a water-soluble polymer into the reservoir which sweeps previously bypassed and stranded oil towards adjacent production wells. Our pioneering Captain EOR Stage I is the largest offshore EOR development of its type in the Western world and has consistently demonstrated the acceleration of oil production and oil-field recovery.

The proven effectiveness of the technology has supported the Group's investment in Phase II of its deployment at the Captain field and provides the potential to enhance resource recovery from other fields across our portfolio, while reducing the need for additional infrastructure development and installations.

BOOST ASSETS

DELIVER DIGITALISATION INITIATIVES TO REDUCE RISK AND DRIVE DOWN COSTS

Ithaca Energy employs digitalisation initiatives to ensure safe and efficient operations, achieve increased uptime performance and realise cost savings across its operations.

We have effectively deployed advanced laser-scanning technology to enable digital asset management. Through the creation of 3D digital twin models we are able to fabricate replacement parts based on the 3D assets alone, reducing repair times from days to hours with a significant reduction to costs.

In addition, we have implemented onshore-offshore links that have enabled real-time connectivity between on-site operators and offshore teams which has boosted intervention efficiency and reduced the requirement for site visits, freeing up capacity offshore. An example of this is in relation to verification activities where all safety-critical equipment needs to be independently verified. Through the use of camera technology, we utilise our existing offshore manpower to complete and film safety equipment tests that can be witnessed onshore and verified by independent verification bodies. By leveraging new technologies we can continuously redefine existing processes and challenge the conventional norm.

BOOST ASSETS

FOCUS ON PRODUCTION EFFICIENCY INITIATIVES TO OPTIMISE REVENUE REALISATION AND LOWER UNIT OPERATING COSTS

Ithaca Energy has an unwavering focus on the operational value levers within our control. We focus on value, not just cost, and we are prepared to invest to drive operational efficiency and uptime improvements.

Our powerful operational capabilities were demonstrated by the significant improvement in the performance track record on the FPF-1 floating production facility, which improved from approximately 60% to approximately 95% production efficiency within six months.

Following periods of low production efficiency, we took the strategic decision to inhouse operations and become the duty holder, as we are on other operated installations. It was quickly identified that the previous contracting strategy had focused solely on driving down costs with limited focus on maintenance optimisation, reliability and redundancy, resulting in the asset operating at low product efficiency. The decision was taken to invest in the asset to optimise performance with a refreshed focus on value-creation.

By in-housing the duty holder status of the asset, it enabled us to drive efficiencies and leverage our deep operatorship capabilities and discipline to focus on reliability and maintenance optimisation. We did so by refreshing the asset management team, carrying out a rigorous peer review across our multidiscipline teams, conducting a vulnerability study, repairing and upgrading key systems and adopting a condition-based maintenance philosophy. These disciplined measures, combined with the new simplified and streamlined arrangements with long-standing partner Petrofac, resulted in significant improvements in production efficiency, adding value to our portfolio.

PERFORMANCE TRACK RECORD

95%

+35% WITHIN 6 MONTHS

BOOST ASSETS

KEY PERFORMANCE INDICATORS

SAFETY, PRODUCTION AND EMISSIONS KPIs

TIER 1 PROCESS SAFETY EVENTS

0

FY22, FY21, FY20

Description

Tier 1 process safety incidents as defined by API 465 Process Safety-Recommended practice on Key Performance Indicators.

SERIOUS INJURY AND FATALITY FREQUENCY

0/m hrs

FY22, FY21, FY20

Description

Serious injury and fatality frequency is calculated as the number of serious injuries resulting in permanent impairment as defined by IOGP per million hours worked.

NON-GAAP MEASURES

Adjusted EBITDAX, unit operating expenditure, available liquidity, leverage ratio, net debt and certain other reported metrics are non-GAAP measures that are not specifically defined under International Financial Reporting Standards or other generally accepted accounting principles. Further details are set out on pages 200 to 202.

TOTAL PRODUCTION

71,403 boe/d

Description

Historic production boe/d include volumes from date of acquisition of Marubeni on 4 February 2022 and Siccar Point Energy and Summit on 30 June 2022.

SCOPE 1 AND 2 EMISSIONS (tCO₂e)

483,325

Description

Emissions owned by the Group from operated assets measured in tonnes of carbon dioxide equivalent.

GREEN HOUSE GAS (GHG) INTENSITY (kgCO₂e/boe)

23.8

Description

Mass of Scope 1 and 2 emissions divided by barrels of oil equivalent from all operated assets.

FINANCIAL PERFORMANCE KPIS

GROUP ADJUSTED EBITDAX (\$M)

\$1,916.2m**Description**

Group adjusted EBITDAX consists of profit for the year before income tax, net finance costs, put premiums on oil derivative instruments, put premiums on gas derivative instruments, revaluation of forex forward contracts, revaluation of commodity hedges, depletion, depreciation and amortisation, impairment (charge)/reversal, exploration and evaluation expenditure, fair-value gains/(losses) on contingent consideration and gain on bargain purchase.

This measure is used as an indicator of underlying financial performance.

FINANCIAL POSITION KPIS

AVAILABLE LIQUIDITY (\$M)

\$578.8m**Description**

Available liquidity of the Group consists of the sum of cash and cash equivalents on the balance sheet and the undrawn amounts available to the Group using existing approved third-party facilities less restricted cash.

NET CASH FLOW FROM OPERATING ACTIVITIES (\$M)

\$1,723.3m**Description**

Net cash flow from operating activities comprises profit before tax adjusted for non-cash items such as depletion, depreciation and amortisation, impairment charge/(reversal) and gain on bargain purchase and excludes investing and financing activities. Net cash flow from operating activities is also stated after decommissioning expenditure, working capital movements and corporation tax payments.

LEVERAGE RATIO – NET DEBT/GROUP ADJUSTED EBITDAX

0.5x**Description**

The net debt to Group adjusted EBITDAX ratio is calculated as net debt at the end of the year divided by Group adjusted EBITDAX for the year then ended.

UNIT OPERATING EXPENDITURE (\$/boe)

\$19.0**Description**

Unit operating expenditure consists of operating costs (excluding over/underlift) including tariff expense less tariff income and tanker costs, divided by net total production for the year.

NET DEBT (\$M)

\$971.2m**Description**

Net debt consists of amounts outstanding under Reserves Based Lending facility and the senior unsecured loan notes, less cash and cash equivalents (and excludes intragroup debt arrangements or liabilities represented by letters of credit or surety bonds).

ENGAGING WITH OUR STAKEHOLDERS

AT ITHACA ENERGY, WE GENUINELY CARE ABOUT MAKING A POSITIVE IMPACT FOR OUR PEOPLE, SHAREHOLDERS AND COMMUNITIES. ACTIVE ENGAGEMENT WITH OUR STAKEHOLDERS IS AT THE HEART OF OUR COMPANY VALUES WITH THE OVERALL GOAL OF MAKING A POSITIVE DIFFERENCE.

Section 172(1) statement

The Board recognises the importance of engaging with all our stakeholders, as delivering value for them is directly linked to the success of the Group. In order to successfully deliver our strategy and create value for our stakeholders, it is important we understand what matters to them.

Through regular engagement, we gain insight into the different perspectives of our diverse stakeholders and ensure our objectives are understood. Considering their feedback on our strategy, business model and performance builds strong, constructive relationships and enables robust decision-making at Board level.

The Directors are required by law to act in a way that promotes the success of the Group for the benefit of its shareholders. The Directors must also consider the wider consequences of their decisions in the long-term and how those decisions might affect other groups of stakeholders, including those listed in section 172(1) of the Companies Act 2006.

Our Stakeholder Engagement disclosures describe how the Directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

Alignment and next steps	
a The likely consequence of any decisions in the long-term	- Our vision and mission – page 18 - Our business model and strategy – pages 20 to 23 - Our strategy in action – pages 24 to 29
b The interests of employees	- Our values – page 19 - ESG: social – pages 50 and 51
c Fostering the company's business relationships with suppliers, customers and others	- Our vision and mission – page 18 - Our business model and strategy – pages 20 to 23 - Our strategy in action – pages 24 to 29 - Engaging with our stakeholders – pages 32 to 36
d Impact of operations on the community and the environment	- ESG: environmental – pages 39 to 49 - ESG: social – pages 50 and 51
e Maintaining a reputation for high standards of business conduct	- Q&A with John Mogford, Senior Independent Director – pages 16 and 17 - ESG: governance – pages 52 and 53 - Corporate governance – pages 70 to 116
f Acting fairly between members of the company	Engaging with our stakeholders – pages 32 to 36

Key decisions in 2022

A number of material decisions were made during 2022. The following key decisions were made by (1) the Board of Directors (as listed on page 113), supported by the leadership team, prior to the admission of the Group to the London Stock Exchange; and (2) the current Board of Directors following the Group's IPO:

Decisions to pursue and complete material acquisitions

The Board of Directors had a mandate to grow the business through M&A prior to IPO, in order to provide scale and longevity to the portfolio. The Board considered the risks and benefits of each acquisition opportunity. All potential acquisition candidates were considered in line with the Group's strict investment criteria, including the impact of the transaction to the Group's emission intensity. The Board of Directors made the decision to approve three acquisitions in the year, Marubeni UK, Summit E&P and Siccar Point Energy, concluding that the transactions would be value-accretive to the Group, provide material scale and further diversification to its asset portfolio and provide a platform to fundamentally transition the emission intensity of the Group's portfolio in the medium to long-term.

Decision to review the Vision and Values framework of the Group

Following a period of material transformational growth via acquisitions, the Board of Directors made the decision to review the Group's Vision and Values framework. The Board of Directors, supported by the leadership team, created focus groups within the business to understand the key drivers of our people and considered the feedback in the creation and roll-out of its renewed vision and values. The Board of Directors continues to regularly engage informally with employees from across the business, both offshore and onshore, and with the Employee Consultation Forum in order to ensure a strong positive culture within the organisation.

Decision to proceed with the listing of the Company on the London Stock Exchange

The Board of Directors made the decision to list on the Premium Segment of the London Stock Exchange in mid-2022. The Board considered, amongst a number of matters, alongside the Group's parent company Delek Group Limited, the appointment of advisors and bookrunners to lead the offer, the size of free float offered to the market on IPO, with the ultimate decision to offer 10% of the Group's ordinary share capital for purchase, and approved the prospectus published at the point of listing.

As part of the Group's IPO, the Board made a number of key decisions in relation to the governance of the relationship with its majority shareholder post listing, taking into consideration the Listing Rules. The Group entered into a Relationship Agreement with Delek, as a controlling shareholder, at the point of admission that governs the day-to-day relationship between the Group and the Controlling Shareholder. Further information in relation to the Relationship Agreement can be found on page 77.

The Board of Directors also considered the appointment of new Board Members prior to listing to ensure the requisite mix of skills and experience were added to the Board, in line with expectations of a UK publicly listed company.

Our people

Our people are core to our success and we are committed to maintaining our reputation as an employer of choice. We will only succeed if we work together, harnessing the collective expertise and experience of our people. We are focused on creating an environment that is dynamic, inclusive and equitable. A workplace with a new, strong set of core values where our people will thrive, be recognised and where there are no barriers to their progression.

How are we engaging?

In October 2022, following a period of material M&A and integration activity, Ithaca Energy took the decision to revisit and launch our renewed vision and values. The launch provided the opportunity to reflect on what had been accomplished to date and how we work together to deliver the next phase of our vision.

Under our mission 'Triumph. Together.' we recognise that our desire for operational success can only be delivered by creating a strong unity of purpose of our people. This shared ambition is supported by holding regular town halls and village halls, weekly messages from our CEO, regular leadership team offshore trips and breakfast briefings onshore, and recognising and sharing in the successes of our people in line with our Company vision and values.

At Ithaca Energy, we place significant importance on the need for transparent communications with our people, supporting a culture of trust and respect. Through active engagement with the Employee Consultation Forum, and our other Committees, our leadership teams seek to provide a platform that enables all voices to be heard equally, addressing concerns or issues in an open, transparent and timely manner.

Focus areas of engagement:

- Strategy and vision
- Our values and behaviours
- Development and progression
- Reward and recognition

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ENGAGING WITH OUR STAKEHOLDERS CONTINUED

Shareholders

Following our listing on the London Stock Exchange in November, the Group is seeking to develop and maintain an investor base of long-term institutional shareholders, while continuing its strong relationship with its existing majority shareholder, Delek.

Through engaging regularly with our shareholders we continue to ensure alignment and long-term backing for our growth strategy as presented during our investor roadshow and in the Company's prospectus.

How are we engaging?

Following the Company's investor roadshow, and subsequent admission, we continue to engage in a regular and transparent manner with our existing shareholders and potential investors through holding one-to-one meetings, roadshow presentations and through regular attendance at investor conferences. This engagement has allowed us to build upon the new investor relationships built at the time of IPO.

The responsibility for shareholder engagement is led by the Group's Executive Chairman and supported by the CEO, CFO and Investor Relations. Shareholder access to the wider Board will be managed during the year, including engagement with the Company's SID and Chair of Remuneration Committee ahead of the Company's first Annual General Meeting in May 2023.

During the IPO roadshow, we shared a clear strategy to buy, build and boost assets, supported by a balanced capital allocation framework to deliver strong sustainable shareholder returns. Following admission we have reiterated our commitment to our strategy to shareholders, including to our targeted 2023 dividend, in light of the fiscal uncertainty created by EPL.

Focus areas of engagement:

- Strategy
- Capital allocation policy
- Company performance
- ESG performance

Lenders

With an active investment programme in a capital intensive industry, we place significant importance on our relationship with our lending group. Their continued support enables the Group to invest across the three pillars of our corporate strategy in order to maximise returns to our shareholders.

We have long established relationships with our lending banks and bond holders, which we continue to build and expand upon in order to provide the financial strength and capacity the Group requires to deliver continued growth.

How are we engaging?

We regularly engage throughout the year with our syndicate banks and bond holders. Our engagement is not limited to quarterly reporting cycles, recognising the need to foster strong working relationships to support our growth plans.

The Group's Reserve Based Lending (RBL) facility is redetermined on a bi-annual basis in June and December. A redetermination of our RBL was completed in December 2022, with \$325 million of headroom. Following the amendment to the Energy Profit Levy in the Autumn Statement 2022, we are working with our RBL lenders to determine the impact to future RBL capacity.

To satisfy the terms of the Bond Agreement, the Group reports on a quarterly basis and interacts with bond holders through a quarterly scheduled webcast.

The responsibility for day-to-day management with the Company's lending group is managed by the Chief Financial Officer and Head of Corporate Finance.

Focus areas of engagement:

- Financial risk management
- Financial performance
- Compliance with covenant suite
- ESG performance

Government and Regulators

The Group's ability to operate depends on satisfying licensing and other regulatory requirements. We have established strong and transparent relationships with the regulators to ensure we comply with regulations and maintain our license to operate.

How are we engaging?

Following the announcement of the Energy Profit Levy, the Group has actively engaged in dialogue with the Chancellor of the Exchequer and His Majesty's Treasury to discuss the potential unintended implications of the levy to independent operators, such as Ithaca Energy. These engagements have been led by our Executive Chairman, Chief Executive Officer and Chief Financial Officer, and have been constructive in nature.

In addition, to our direct contact with the UK government, the Group has worked with industry bodies such as Offshore Energies UK (OEUK) to deliver a consistent message on the potential impacts of the levy to investment across the North Sea basin.

The Group complies with all regulatory requirements, and actively engages with the North Sea Transition Authority (NTSA), Offshore Petroleum, Regulators for Environment and Decommissioning (OPRED) and the Health & Safety Executive, to ensure we are compliant with all environmental and safety regulations, in line with our license to operate. In relation to the North Sea Transition Deal, we recognise the environmental issues associated with oil and gas production and we are actively pursuing emissions reduction initiatives across our portfolio, supported by a well-defined emissions reduction roadmap, including the transition from late-life assets to lower-emission intensity assets, and reviewing M&A opportunities on their ESG merits, as a catalyst to achieve Net Zero by 2040.

Focus areas of engagement:

- ESG performance
- Field development plans
- Decommissioning programmes

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THROUGH ENGAGING
REGULARLY WITH OUR
SHAREHOLDER BASE
WE WILL SEEK TO GAIN
ALIGNMENT AND LONG-
TERM BACKING FOR OUR
GROWTH STRATEGY,
SUPPORTING OUR
OVERRIDING AMBITION
TO MAXIMISE VALUE FOR
OUR SHAREHOLDERS.”

Joint Venture Partners

We pride ourselves on our strong relationships with our joint venture partners. Whether acting as the Operator or as joint venture partner, we actively engage and challenge to ensure we maximise the value of our assets, in a safe and responsible manner.

How are we engaging?

Across our asset portfolio we engage on a regular and open basis with our joint venture partners. Scheduled Operating Committee Meetings (OCMs) and Technical Committee Meetings (TCMs) are supplemented by day-to-day interaction between asset managers.

The timings of OCM and TCM engagements are scheduled under the terms of the Joint Operating Agreement (JOA). The JOA provides the parameters for discussions held during OCMs and TCMs, ensuring an effective environment for engagement across all subject areas. The Operating Committee is responsible for agreeing the overall strategic direction of the asset with key decisions agreed by vote, governed by the JOA pass mark requirements. It is the responsibility of the Operating Committee to agree the associated Work Programme and Budget (WP&B) in alignment with the overall strategic direction of the asset.

We work collaboratively with our partners, encouraging open dialogue and different perspectives in order to deliver alignment across all activities in our assets plans and budgets. The strength of these relationships and the power of harnessing the collective talent and expertise of our partners, will position us to deliver successful outcomes and maximise value. All interactions with our joint venture partners will focus on the delivery of our asset plans in a manner that is consistent with our safety and emissions reduction goals.

Where we do not operate the asset, we are committed to working in a productive manner with the Operator by sharing our own knowledge and experience from our operated base.

Focus Areas of Engagement:

- Operational efficiency and performance
- Safety & ESG performance
- Work programmes and budgets
- Long-term asset strategy

Suppliers

Effective engagement and collaboration with our supply chain is key to the performance and growth of our business. Through engagement of the appropriate suppliers, proactive management of, and collaboration with those suppliers, we should ensure our operations are delivered safely and efficiently.

How are we engaging?

Supplier management, both performance and relationship, as well as collaboration are central to our contracting strategies, applying measures that are appropriate for the services provided by the supplier.

At a working level the business regularly engages with our suppliers through scheduled reviews and meetings, seeking opportunities for improvements and to anticipate potential issues and put in place mitigation measures. At a senior level, management engages with counterparts in supplier organisations, at an appropriate frequency, to strengthen relationships and support the working level operations.

Ithaca Energy non-financial information statement

The following information is prepared in accordance with Section 414CA and 414CB(1) of the Companies Act 2006 and the information is incorporated by cross reference

Requirement	Our policies and standards	Information related to policies and due diligence processes
a Environmental matters	• Our ESG Policy (online) • TCFD (governance and risk management)	• Our ESG Strategy – pages 37 to 53 • TCFD Disclosures – pages 43 to 49
b Employees	• Our Code of Conduct • Our Company Vision and Values	• S172 Statement – pages 32 to 36 • Environmental, Social and Governance – pages 37 to 53 • Corporate Governance Statement – pages 74 to 77 • Nomination and Governance Report – pages 85 and 86
c Social matters	• Our ESG Policy (Online)	• S172 Statement – pages 32 to 36 • Environmental, Social and Governance – pages 37 to 53
d Respect for human rights	• Modern slavery statement (online) • Modern slavery and human trafficking policy • Code of conduct	• Vision, mission and values – pages 18 and 19 • Our People – pages 50 and 51
e Anti-corruption and anti-bribery	• Anti-bribery and corruption policy (online) • Code of conduct	• Governance – pages 52 and 53
Description of principal risks relating to matters (a-e above)		• Risk Management – pages 62 and 63 • Principal Risks – pages 64 to 68 • TCFD Disclosures – pages 43 to 49
Relevant information		
Our business model can be found in Our Business Model and Strategy – pages 20 to 23		
The description of non-financial KPIs can be found on page 30		

ENGAGING WITH OUR STAKEHOLDERS CONTINUED

Fully recognising the importance of a number of key suppliers, the Group seeks to manage supply chain risks by entering into strategic partnerships with key suppliers, under which a collection of services are provided, and avoids reliance on any single provider.

In recognition of the matters important to the supply chain, the NSTA set out an expectation that all customers would adopt and adhere to 'industry' standard payment terms; provide visibility of forthcoming projects on the identified portal; use 'industry' standard contract terms; ensure flow-down of obligations throughout the supply chain; and adhere to the NSTA's principles in supply chain operations. In our engagement with the supply chain we fulfil all these expectations.

The Group monitors and manages the Serious Injury and Fatality Frequency and process safety events associated with its operated assets as a means of evaluating the health and safety performance of the Group and its suppliers, working on the assets. Improving our safety performance, within an open and transparent incident reporting culture, is a continual focus of the business and we work with our supplier base through setting targets, reviewing risk mitigations and completing safety audits to facilitate this goal.

Focus Areas of Engagement:

- Project visibility
- Safety performance
- Payment and Contracting terms

Customers

We recognise that the oil and gas we produce is vital to meeting energy demand in the UK, particularly in light of ongoing geopolitical tensions. Our marketing agreements with our customers facilitate the delivery of our products in a safe and responsible manner to meet end-user demands.

How are we engaging?

Ithaca Energy utilises established specialised marketers to sell our oil and NGL products under various term offtake and marketing agreements with prices linked to typical price benchmarks. Our UK terminal grades (Forties and Ekofisk) are sold at the UK oil terminals under minimum annual term deals with established international buyers.

Our natural gas is sold at various UK terminal entry points under mid to long-term sales arrangements to established international buyers.

Our experienced commercial team negotiate the offtake agreements with the market and our buyers, ensuring competitive attractive terms are in place. In addition, for our operated offshore grade assets, tankers are provided under a long-term contract of affreightment with management of tanker arrangements undertaken in house within the commercial team.

Focus Areas of Engagement:

- Reliability and continuity of supply
- Quality of product
- Longevity of asset base
- Safe and responsible operations

Communities

We believe in giving back. The Group builds relationships that support the economic and social fabric of its local communities. We have established a Charity Committee to oversee our charitable commitments and assist in co-ordinating volunteering efforts to give back to our local communities.

How are we engaging?

During the year, we entered a three-year corporate partnership with VSA, who help to support the most vulnerable people and their families, living in communities across the North-East of Scotland.

VSA is the largest provider of mental health services and support in Aberdeen, providing a range of outreach and residential services across the city. As part of our charitable partnership, we have made a corporate donation that will fund the renovation of three of the 17 rooms at the charity's new mental wellbeing facility. Our support extends beyond our financial contribution, including volunteering across VSA's multiple facilities.

To support our volunteering efforts, each onshore employee has the opportunity to take four corporate social responsibility days a year to give back to the community.

The Group supports community organisations and the development of UK talent through science, technology, engineering and mathematics (STEM) initiatives and technical apprenticeship programmes. In 2022, the Group employed eight interns in a newly-launched summer programme, and typically hires six apprentices for offshore roles each year. These investments in people are part of the Group's commitment to growing and developing talent in the communities in which it operates.

Focus Areas of Engagement:

- Engagement across our local community
- STEM initiatives
- Apprenticeship programmes

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WE BELIEVE IN GIVING BACK. THE GROUP BUILDS RELATIONSHIPS THAT SUPPORT THE ECONOMIC AND SOCIAL FABRIC OF ITS LOCAL COMMUNITIES.”

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

OUR ESG STRATEGY

“The Group’s Environmental, Social and Governance framework is well-integrated into its business management and asset operating culture.”

Introduction

Sustainability, the communities in which we operate, and governance matter deeply to us and are interwoven into our balanced business strategy. We aim to do the right things in the right way. We are clear and confident about what ESG means to us. It regulates our social licence to operate.

Performance and sustainability are not mutually exclusive. So for as long as the world needs oil and gas, Ithaca Energy will provide it, efficiently, safely, competitively and by minimising our environmental impact. We are responding to the challenge by harnessing our deep engineering and environmental expertise to take action. Our Environmental Management System (EMS) processes identify and address the environmental impact of all aspects of our operations, driving continuous improvement in environmental performance and reducing our environmental impact.

We are focused on the reduction of greenhouse gases, with clear ambitions and targets as set out in our greenhouse gas emissions policy. To achieve this, we are fully engaged with the NSTA and OEUK as we work towards delivering Net Zero targets.

Our ESG policy and strategy supports both the UN Global Compact and UN Sustainability Goals, respecting human and labour rights, safeguarding the environment and working against corruption in all its forms.

Ithaca Energy has a real and constructive contribution to make, to the energy security of the UK and protecting the environment. We are passionate about giving back, and care about creating shared value for our people, shareholders and communities. By pursuing low carbon intensity developments, we are well-positioned to deliver oil and gas for decades to come while providing employment and prosperity for our communities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

Ithaca Energy has adopted the United Nations’ Sustainable Development Goals (SDGs) responding to the call for action by all countries to promote prosperity while protecting the planet. The SDGs that we believe we have an ability to influence, have been embedded into our Group strategy, with clear ambitions and targets identified.

Our commitment	Environment	Social	Governance
	Responsible operations that protect ecosystems in which we operate	Safe operations that invest in our people and communities	Running our business with integrity and transparency

**Sustainable Development
Goals alignment**

ENVIRONMENT

Globally there is an increasing need for urgent action to address climate change. Ithaca Energy has a sharp focus on emissions reduction with clear targets and the ambition to have one of the lowest carbon emission intensity portfolios in the UK North Sea. We support the UK's Net Zero targets as outlined in the North Sea Transition Deal (NSTD), supported by NSTA Stewardship Expectation 11.

Energy transition

To achieve these goals, we established an Energy Transition Team in 2022 to lead the Group's emission reduction activities and engage with the wider workforce to drive improvements. We plan to reduce emissions, exceed or align to industry targets, by optimising the performance of our current portfolio in the near-term and fundamentally transition the portfolio over the medium to long-term.

In the short-term, our focus is on delivering operational improvements within our current portfolio of producing fields. Through these initiatives, we are aiming to achieve a target of reducing our Scope 1 and Scope 2 carbon dioxide (CO₂) and carbon dioxide equivalent (CO₂e) emissions, from our operated assets, by 25% in 2025 (against a 2019 baseline), which would exceed the NSTD target of a 10% reduction (against a 2018 baseline).

Identification of opportunities is ongoing to reduce CO₂e emissions and help achieve this target, with additional activities planned to deliver further reductions in the longer-term.

In the medium term we plan to shift to lower-emission intensity assets. As higher-emission intensity assets such as FPF-1 and Alba come to the natural end of their life, they will be replaced by bringing on stream lower-emission intensity assets such as Rosebank and Cambo. This revitalisation of Ithaca Energy's portfolio, with a focus on efficient, low emissions-intensity assets, will be key to achieving a 50% reduction in emissions on a Scope 1 and 2 basis, by 2030 in line with NSTD targets (on a net equity interest basis versus 2018 baseline).

In the long-term, Ithaca Energy aims to achieve Net Zero by 2040 on a Scope 1 and 2 basis (based on net equity interests in all of our operated and non-operated fields), ten years ahead of the NSTD commitments.

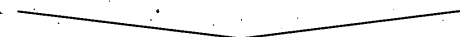
The key enabler of achieving this target is anticipated to be electrification of our long-life producing fields, where technically and commercially viable. These plans are subject to investment decisions which will be made on an asset-by-asset basis considering factors such as regulatory and fiscal stability, in addition to assessment of the environmental benefits and regular investment approval metrics. Targeted use of carbon offsets will also be considered for residual long-term emissions where physical abatement is not deemed viable.

In addition to our carbon dioxide and carbon dioxide equivalent emission reduction targets, we are also aiming to achieve 0.20 % methane intensity by 2025 and zero routine flaring by 2030, aligned with NSTD.

Figure 1 – Group Greenhouse Gas (GHG) Emissions targets

NSTD commitments to reducing GHG Emissions (versus 2018)

10% reduction by 2025 25% reduction by 2027 50% reduction by 2030 Net Zero by 2050



We aim to exceed or align to the industry targets in the short and long-term

Operated assets targets

Reduce all Scope 1 and 2 CO₂e emissions from operated assets by 25% by 2025 from 2019 baseline

Achieve 0.20% methane intensity by 2025

Zero routine flaring by 2030

Net equity targets (Scope 1 and 2 Basis)

Reduce emissions from oil and gas production in line with NSTD commitments up to 2030

Net Zero by 2040

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

During 2023, we will begin establishing processes to record and monitor emissions from our net equity interests in non-operated joint ventures such that we can move to reporting emissions and emissions intensity for our portfolio on a net equity basis, in line with the NSTD targets. Our Greenhouse Gas Emissions Policy endorsed by our leadership team and signed by our Chief Executive Officer, sets out our clear ambitions, targets and roadmap to delivery.

Our roadmap to delivery of our GHG Emissions targets	Strong leadership • Clear emissions roles and responsibilities • Communicate our commitment externally • Inspire our workforce to achieve our emissions reduction • Incorporate emissions targets and KPIs into performance contracts	Setting internal standards • Embed emissions plans into processes and capital decisions • Assess new developments including M&A for opportunities through an emissions lens • Encourage staff to maintain emissions best practices • Foster a workplace where emissions control is valued	Measurement and control • Measure our emissions accurately and transparently • Consider alignment of our energy management to ISO 50001 Energy Management standard • Control environmental discharges to minimise impact • Track abatement actions through to completion	Operational improvements • Identify emissions abatement opportunities e.g. flare gas recovery • Invest in asset base to reduce emissions • Use renewable sources to power our office and installations • Collaborate with peers to identify new methodologies • Embed best practice working techniques	Digitalisation and new technology • Digitise operations, helping understanding of emissions • Use technology to record emissions and data to enable smart, lower- emission choices • Work with industry partners to develop and test new technology in support of emissions reductions • Explore targeted electrification of offshore facilities
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Our emissions reductions initiatives

In 2022, we have focused on progressing the following emissions reduction initiatives:

- Switched away from using hydrocarbon based blanket gas within storage vessels on the FPF-1 asset to using nitrogen as blanket gas, thus avoiding hydrocarbons being vented to the atmosphere when purging the blanket gas.
- Conducted engineering studies, trials and implementation of new processes enabling the FPF-1 asset to be operated using a single gas turbine generator rather than past practice of using two gas turbine generators for regular operations;
- Completed feasibility studies for flare gas recovery on Alba and Captain;
- Completed feasibility studies for Captain electrification;
- Commenced pre-FEED engineering design activities on electrification and flare gas recovery projects;

- Participated actively in industry workgroups exploring regional offshore electrification hubs which have the potential to deliver emissions reductions by facilitating electrification of some of Ithaca Energy's operated and non-operated assets; and
- Matured the design of the operated Cambo and non-operated Rosebank production facilities such as to enable potential future electrification of these fields.

Streamlined Energy and Carbon Reporting (SECR)

A breakdown of our energy and carbon reporting has been provided on page 47 within our TCFD disclosures. Ithaca Energy has reported on all of the emission sources within its operational control required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Ithaca has used the principles of the

GHG Protocol Corporate Accounting and Reporting Standard (revised edition), and data gathered to fulfil the requirements under the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019'. Approximately 100% of reported emissions relate to emissions from the UK and offshore area.

Our environmental management system (EMS)

Ithaca Energy's priority is to provide a safe and healthy working environment for all its employees, contractors and other personnel working for the Group, while simultaneously minimising the environmental impact of the Group's operations by operating in an ever-cleaner manner. The control and management of environmental matters lies at the centre of the policies and procedures that constitute the health, safety and environmental management system, and the culture of the business.

Our EMS, certified to ISO 14001:2015 standard, is integrated into our Group Operational Excellence Management System. The EMS is designed to implement the Group's HSE Policy, including emissions management and environmental stewardship. It demonstrates a commitment to compliance with environmental legislation and the Group's standards, processes, activities, and objectives for environmental management of hydrocarbon exploration and production.

**ITHACA ENERGY'S
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ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

ENVIRONMENT CONTINUED

Water, spills and waste

We consider that management of our activities and any associated impacts on the environment are very important. We systematically manage these aspects as part of our environmental management system.

In 2022, Ithaca Energy complied with permitting requirements for produced water across all producing operated assets, with produced water discharged volumes summarised below.

	2021	2022
Produced water metric tonnes	9,500,568	6,206,271
Average Oil in water mg/l	9mg/l	10mg/l

Produced water re-injection is carried out on the Captain asset. In 2022, 17,799,594 m³ of produced water was re-injected.

Waste returned onshore is shown in the following table.

	2021	2022
Waste tonnage	2,147	3,020

Our performance with regard to events reported to the Regulator as spills (PON 1s) is shown in the following table.

Spills reported

	2021	2022
Total PON1s	12	22
PON1 hydrocarbon	6	13
PON1 chemical	6	9

The increase in PON1s in 2022 is linked to increased activity levels and are seen as an area of focus and improvement for the Group.

To address the increase of spills reported in 2022, the Group has put in place an environmental improvement plan:

- **Increasing awareness of environmental compliance:** ensure colleagues fully understand spill definitions, the risk to the environment and the implications of non-compliance. This learning will be specifically targeted to deliver asset and permit-specific training;
- **Reviewing risk processes:** giving the environment a higher priority in terms of permits and protection;
- **Control of work and work-site risk controls:** standardising handover processes and reviewing control measures for well activity; and
- **Check assurance:** part of "Plan, Do, Check, Act", aligned with the externally accredited Environmental Standard 140001.

Introduction

Following the Group's admission to the London Stock Exchange in November 2022 and in compliance with Listing Rule 9.8.6R(8), Ithaca Energy plc is required to disclose against the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We refer to the recommendations of the TCFD to support the identification, assessment and management of climate-related impacts to the Group.

The Group is fully or partially aligned with each of the recommendations of the TCFD for 2022, with disclosures across the four thematic areas included in the table below.

We are fully aligned in the areas of Governance and Risk Management and partially aligned in the areas of Strategy and Metrics & Targets. In the areas where we are not fully aligned, the table includes details of planned steps to improve alignment. Further information on the Group's Energy Transition strategy can be found in the ESG section.

The Group recognises the importance of managing climate-related transitional and physical risks to the success of our business. This is Ithaca Energy's first year of TCFD reporting and we acknowledge the importance of improving our reporting and communications to further align with the TCFD recommendations and expectations of the Financial Reporting Council.

TCFD Disclosures

Disclosure		Alignment and next steps
Governance		
a) Describe the Board's oversight of climate-related risks and opportunities		
The Board has ultimate responsibility and oversight for managing climate-related issues. The Board has established two committees to support it in this regard: - Audit and Risk Committee: Informed of climate-related issues, risks and opportunities by the energy transition team on a quarterly basis, ensuring climate risks are considered as part of wider business processes for evaluating and managing risk; and - Health, Safety, Environment and Security Committee: Responsibility for reviewing and assessing climate-related issues, risks and opportunities, working closely with the Energy Transition & HSE Teams, tracking GHG emissions vs. corporate targets and ensuring compliance with regulations and reporting requirements.	The Board also receives regular updates from the leadership team, which includes two Board members, on climate-related matters, risks and opportunities. Data on GHG emissions performance vs. targets is included in monthly reports which are provided to the Board to enable monitoring of progress implementing reductions vs. the corporate targets and strategy. Climate-related issues are considered by the Board in the organisation's strategy development, risk management and financial planning processes, including via consideration of climate impacts on the assumptions (e.g. commodity and carbon prices) underlying decisions made in these areas. Recommendations to the Board regarding major capital investments or M&A opportunities include consideration of climate issues and their impact on the Group's emissions reduction targets and strategy.	The Board will continue to monitor implementation and progress towards achieving climate commitments and the management of climate-related risk as part of its corporate decision-making. The evolution of the Group's TCFD disclosure will focus on improvements to further integrate climate considerations into existing governance frameworks, for which the Board has ultimate accountability.
b) Describe management's role in assessing and managing climate-related risks and opportunities		
The management of climate-related issues risks and opportunities is the responsibility of the General Manager of Non-Operated Joint Venture (NOJV), energy transition, and technology and innovation, who is a member of Ithaca Energy's leadership team. Reporting to this position is a dedicated energy transition team. The energy transition team manages overall climate-related issues, risks and opportunities, establishes and tracks GHG emissions KPIs and identifies emissions reduction opportunities. The energy transition team works closely with our asset teams to manage emissions performance and identify improvement opportunities and with the HSE team who manages emissions data and associated regulatory reporting.	The energy transition team meets with the leadership team regularly to ensure that they are informed of emissions reduction performance, major climate-related issues, risks and opportunities and that these are managed appropriately across the wider organisation of functional and asset teams. Material climate-related issues and progress towards GHG emissions targets are communicated to the Health, Safety, Environment and Security Committee and Audit and Risk Committees as described above. The energy transition team, supported by the HSE team, formally evaluates and updates its Climate Risk Register on an annual basis through internal workshops, with additional updates possible on an ad-hoc basis should material changes occur. The energy transition team is responsible for the management of this process. Company Principal risks are reviewed regularly, where both General Manager of Non-Operated Joint Venture (NOJV) and the HSE Manager contribute to discussions regarding energy transition.	We will look to further integrate climate-related risks and opportunities into decision-making at the management level and to ensure continued identification of climate risks through the Climate Risk Register.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

ENVIRONMENT CONTINUED

Disclosure	Alignment and next steps
Strategy	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long -term	
Ithaca Energy considers the time horizons of short (0-5 years), medium (5-10 years), and long-term (10+ years) as appropriate for examination of climate-related risks and opportunities as this aligns with the maturity mix of our asset portfolio (late-life, mid-life and long-life assets). Ithaca Energy has established an emissions reduction strategy focused on short-term operational improvements, mid-term portfolio revitalisation and long-term targeted electrification as described earlier in the strategic report. The energy transition team has undertaken a climate-related risks and opportunities assessment against this strategy. This assessment integrates with the Group's broader risk management procedures and will be reviewed and updated at least annually. The assessment considered the climate-related risks and opportunities as per the TCFD implementation guidance to identify key climate risks and opportunities which may have a material financial impact on the Group's performance, resulting in the Climate Risk Register. The Group's primary climate-related risks are policy and legal risks relating to product and carbon pricing and an increasingly complex regulatory landscape affecting the Group in the short to medium-term. Market risk identified in the short-term include potential access to, and cost of, capital challenges with the potential for reputational risk identified in the short to medium-term relating to investment appetite and stakeholder pressures for the UK oil and gas sector. Technology risks identified in the short and medium-term include the Group's reliance on the deployment of new and different technologies that have not yet matured or been commercialised. A low level of physical risk has been identified in the long-term with low levels of likely impact to our assets and operations.	However, it was identified that these risks also present further opportunities for portfolio growth. The Group's primary climate-related opportunities are market opportunities in the short-term relating to developing a positive ESG reputation and leveraging this to drive further mergers, acquisitions, and investment opportunities within the UKCS exploration and production market. The possibility of higher than expected product prices is also a possible opportunity that may arise due to reduced industry investment as a result of climate-related concerns. Additionally, climate regulation and commitments may trigger new business opportunities in the short-term. Further detail on these risks and opportunities are included in the Strategy disclosure (b) below. Ithaca Energy does not consider it appropriate to consider risks on a sectoral or geographic basis as our business has a clear focus on upstream oil and gas production in the UK North Sea. Ithaca Energy continually monitors and evaluates existing and future possible climate-related risks and opportunities and updates the Climate Risk Register on an annual basis. Further information on how the materiality of climate-related risks is assessed can be found in the Risk Management disclosure (b) below. Ithaca Energy is partially aligned with this recommendation. Our initial focus in our first few months as a listed business has been to conduct a preliminary risk and opportunity assessment. In 2023 we aim to define materiality for climate-related risks and opportunities, and conduct a more detailed assessment to identify what is material over the three identified time frames. We will also reassess whether considering the different risks and opportunities by geography is beneficial.

Disclosure

Alignment and next steps

Strategy continued

b) Describe the impact of climate-related risk and opportunities on the organisation's businesses, strategy and financial planning

Ithaca Energy's business activities, strategy and financial planning are anticipated to be impacted by the climate-related risks and opportunities identified above in the short, medium, and long-term. Our plans to support the energy transition are described in the emissions section within ESG above on page 41. The potential impacts for material risks have been prioritised using Ithaca Energy's Risk Prioritisation Matrix. These risks, and a summary of their short-term impacts, are outlined in the following table:

Risk area	Impact in short term	Comments
Policy & Legal: Increasing carbon pricing costs and reduction of allowances through the UK ETS scheme and other mechanisms may lead to increased operational costs for higher-emission intensity assets in the short to medium-term, potentially accelerating cessation of production at some mature assets. Increasing climate-related reporting obligations, plus industry and regulatory commitments, towards the energy transition may incur additional resourcing, advisory and legal fees to ensure compliance. Inadequate policy support may limit access to capital for portfolio growth, including for delivering carbon emission reduction projects.	Likely, in respect of increased ETS costs and regulatory costs	Increase in allowance costs through increased ETS pricing or reduced free allowances considered likely in short to medium term. Whilst cost impact could be significant, materiality of ETS and regulatory costs is modest compared with the Group's overall business operating cost levels.
Markets: In the short-term, product pricing volatility resulting from energy transition driven supply and demand impacts may create both risks and opportunities for Ithaca Energy. A shift in investor preferences may, in the short to medium-term, lead to reduced access to debt financing, increased cost of capital, and reduced asset and company valuations. Industry and internal energy transition and emissions objectives may restrict growth and/or acquisition opportunities over the medium-term; however, a well-regulated transition could yield growth opportunities for Ithaca Energy to become a leader in low-emission hydrocarbon production in the UK.	Likely, in respect of product pricing volatility and potentially access to capital	Commodity price fluctuations are clearly material for Ithaca Energy. The robustness of our business to these is assessed through modelling of different pricing scenarios. Possible impact on investor appetite and access to capital also possible in short to medium-term, with potential to restrict capital availability to grow the business.
Reputational: A shift in consumer preferences and expectations could impact the Group's licence to operate, while negative publicity and anti-fossil fuel sentiments from activist groups may, in the short-term, cause disruption and delays in our operations, thereby delaying the development of our projects, delaying production and revenue growth and increasing costs.	Likely	Potential to cause delays and increased costs for material projects such as Rosebank and Cambo in particular, for example, due to judicial reviews.
Physical: The increased frequency and severity of extreme weather events may cause direct damage to physical assets or cause disruption in operational and supply chain activities over the long-term, resulting in increased development and maintenance costs, a loss in revenue, increased insurance costs, or early decommissioning.	Unlikely	Whilst the North Sea is susceptible to extreme weather, it is not considered likely that climate change related impacts will be material within five years.
Technology: Ithaca Energy's emissions reduction targets are dependent on the ability to deploy new and different technologies offshore; however, our ability to achieve this is contingent, to some extent, on technologies that have not yet been fully matured or commercialised. For example, targeted electrification of certain long-life fields is key to our plans to achieve Net Zero operations by 2040. Electrification of future development projects within our portfolio could also become a regulatory requirement, with an impact on field economics and potentially on the Group's investment decisions in relation to these fields.	Likely	Delayed maturation of new technologies versus expectations could result in a risk to achieving the Group's emissions reduction targets, particularly if technologies cannot be deployed in a cost-effective manner. Ability to deliver electrification is key to delivering Ithaca Energy's longer-term emissions reduction targets and may impact key development assets within our portfolio.

Ithaca Energy is partially aligned with this recommendation.

As outlined in Strategy (a), we aim to undertake a more detailed risk and opportunity assessment during 2023. In doing so we will also seek to quantify the financial impacts of the identified material risks and opportunities, and subsequent influence in areas such as financial planning and strategy.

Our intention is also to further mature and communicate our plans for transitioning in line with the net zero targets outlined elsewhere in our annual report. This area requires on-going consideration and attention given the complexities of the energy transition landscape, including emerging technologies and evolving regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

ENVIRONMENT CONTINUED

Disclosure	Alignment and next steps
Strategy continued	
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario Ithaca Energy assessed its resilience to climate risks by using a combination of qualitative scenario and quantitative sensitivity analysis. Scenario analysis is a process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. Scenarios are hypothetical constructs and not designed to deliver precise outcomes or forecasts. Instead, scenarios provide a way for the Group to consider how the future might look if certain trends continue or certain conditions are met. The Group used hydrocarbon price scenarios from the following models developed by the International Energy Agency (IEA) World Outlook (2021) as reference scenarios to assess its business outlook: • Sustainable Development Scenario (SDS); • Stated Policies Scenario (STEPS); • Announced Pledges Scenario (APS); and • Net Zero Emissions by 2050 Scenario (NZE) The key inputs to the above models are based on differing macroeconomic drivers such as population, economic developments and prices as well as techno-economic inputs such as fossil fuel resources or technology costs up until 2050. We based our qualitative scenario analysis on the SDS and STEPS scenarios with carbon costs and commodity prices used as two key factors in considering resilience. The SDS scenario assumes measures are taken globally to limit global warming to well below 2°C by the end of the century, thereby mitigating the worst, but not all, physical climate change impacts. Transition risks may have a negative impact on the Group's growing portfolio of existing assets and new investment or M&A opportunities, due to increased carbon costs and lower commodity prices. This would likely result in higher operating costs, lower revenues, and reduced overall asset valuations. Therefore, Ithaca Energy continually evaluates the financial exposure of current assets as well as potential assets over the short, medium and long-terms. The Group has plans to support the energy transition, as described in the emissions section within ESG above (see page 41) which includes an emissions reduction strategy focusing on short-term operational improvements, mid-term portfolio revitalisation and long-term targeted electrification. Additional mitigation measures include exploring further emissions reduction activities and initiatives to maximise asset efficiency, industry collaboration on emissions reduction, including examination of developing technologies, and exploring further M&A and investment opportunities. The STEPS scenario assumes that emissions targets and related policies are either not widely adopted or are insufficiently adhered to, resulting in global warming in the likely range of 2.5-3.5°C. Under this scenario, physical risks resulting from climate change can be event driven or longer-term shifts in climate patterns in the long-term, while transition risks are significantly reduced compared with the SDS scenario. Financially, the Group may not be as negatively affected by transition risks due to lower carbon costs and higher commodity costs (when compared with the SDS scenario), resulting in lower operational costs and increased revenues, profit margins, cessation of production dates and Company valuations. However, this scenario implies increased risk of damage to assets or supply chain disruptions due to increased physical risk in the long-term. This may not only lead to financial losses from production and operational delays, but may increase insurance costs and contingency planning and design, resulting in lower profits and asset valuations. Ithaca Energy will look to build robustness and resilience, through management and planning to mitigate the worst impacts of physical risk, through effective contingency designs and response plans for offshore development projects to mitigate storm damage and the effects of sea level rise. For the quantitative sensitivity analysis, Ithaca Energy used all the IEA scenarios above with their forecasted commodity prices and internal carbon costs as two key factors in evaluating the resilience of its current portfolio reserves at mid-year 2022. The APS scenario assumes countries will fully implement and achieve their national climate targets in the medium to long-term, including Nationally Determined Contributions (NDCs), longer-term Net Zero targets, and targets for increasing access to electricity and clean cooking. This scenario will likely see increased transition risks in the short to medium-term due to variable commodity prices. The NZE scenario assumes a pathway for the global energy sector to achieve Net Zero emissions by 2050, with universal energy access by 2030 and major improvements in air quality, thereby limiting the global temperature rise to 1.5°C, with no or limited temperature overshoot. Under this scenario, the Group would likely face significant transition risks in the short-term due to the lower commodity prices assumed. Significant commodity price reductions within some of the IEA scenarios analysed were seen to have a material adverse impact on portfolio reserves and values. Ithaca Energy has also defined alternative internal price scenarios, which we consider to be more reflective of the likely range of future commodity prices given reduced levels of investment in oil and gas over recent years.	Ithaca Energy is partially aligned with this recommendation. We will consider further integration of different climate scenarios and related commodity price forecasts once we have completed the detailed risk assessments per the strategy (a) and (b) disclosures. We will look to incorporate these into existing models and seek to provide more granular disclosure regarding Ithaca's resilience in areas including financial resilience and strategy.

Disclosure

Alignment and next steps

Risk Management

a) Describe the organisation's processes for identifying and assessing climate-related risks

Ithaca Energy identifies and evaluates climate-related risks at the organisational level and the asset and investment level.

At the **organisation level**, the energy transition team developed its first Climate Risk Register in 2022 to identify climate-related risks and opportunities that the Group faces over the short, medium and long-term (as defined in Strategy disclosure a). This initial assessment was completed during a workshop then reviewed and finalised with the Chief Financial Officer providing final approval. Risks were evaluated and given a Current Risk Level Score based on our existing Enterprise Risk Management framework and Risk Prioritisation Matrix considering the potential impact to the Group, the likelihood of occurrence, the timing of the risk and current risk mitigations. Each risk was evaluated further to account for additional planned mitigation measures before calculating a post-mitigation, Residual Risk Level score. The most material climate-related risks were integrated into the Group's formal enterprise risk register under the Principal Risk 'Energy Transition and Net Zero Delivery' and will be monitored closely on an on-going basis in conjunction with other significant business risks. This process will be repeated annually to ensure that Ithaca identifies new and emerging risks.

At the **asset and investment level**, significant climate-related risks relating to fossil fuel prices, economic lifetime, expected cessation of production and carbon costs have been integrated into the risk assessment and due diligence process for each asset, investment, merger, or acquisition opportunity. This is used to inform asset management, investment, and strategic decision-making.

The energy transition team has on-going responsibility for identifying new or changing climate-related risks, including in relation to existing and emerging climate change related regulatory requirements, and ensuring that these are added to the Climate Risk Register and communicated to the leadership team as appropriate.

We will seek opportunities to further embed and integrate process for managing climate-related risks to inform corporate decision-making and financial planning for existing and future assets.

b) Describe the organisation's processes for managing climate-related risks

Ithaca's energy transition team reviewed and considered each risk identified and included in the Climate Risk Register described above to identify possible options to mitigate, transfer, accept or control each risk. Current and additional planned risk mitigation measures were then defined for each risk based on the team's assessment of the most viable or attractive options to mitigate, transfer, accept or control each risk. This process will be repeated for any new climate related risks identified and reviewed on an annual basis for existing risks.

Risks identified in the TCFD's implementation guidance have been considered and materiality assessed according to Ithaca Energy's Risk Prioritisation Matrix, with minor modifications to suit the unique nature of climate risks.

Risks are categorised according to the following Risk Level Scores:

- Risk Levels 1-4 (**High**)
- Risk Level 5 (**Moderately High**)
- Risk Level 6 (**Moderate**)
- Risk Level 7+ (**Low**)

High and Moderately High climate-related risks are monitored closely by the energy transition team, with any material changes and progress communicated to the leadership team. Where appropriate, material climate risks are communicated to the Health, Safety, Environment and Security Committee and the Audit and Risk Committee.

Moderate and Low climate-related risks are reviewed and updated annually with the rest of the Climate Risk Register by the energy transition team, which is approved by the Chief Financial Officer.

We will look to further integrate climate-related risks and opportunities into decision-making at management level and improve the process of identifying climate risks through the Climate Risk Register.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

ENVIRONMENT CONTINUED

Disclosure	Alignment and next steps
Risk Management continued	
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	
At the organisational level, material climate-related and energy transition risks are embedded into the Group's Enterprise Risk Management procedures under the "Energy Transition and Net Zero Delivery" Principal Risk (see page 66) along with other business risks to be managed appropriately. Longer-term physical risks from climate change are included within this Principal Risk.	Further information on the Group's Enterprise Risk Management Section can be found in the Risks Management section (see page 63). Material climate-related risks are brought forward periodically by the energy transition team and Chief Financial Officer to the leadership team and the Board to guide corporate decision-making, business strategy and financial planning. At the asset and investment level, climate-related risks and opportunities are assessed as part of the business planning and pre-investment due diligence stage. As the Group's climate-related risk management process and Climate Risk Register evolves, the integration of climate-related risks into the Enterprise Risk Management process will be developed further.
Metrics & Targets	
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	
As per the climate risks identified within the Climate Risk Register described above, the Group has financial exposure around transition issues related to GHG emissions. We considered the all-sector and sector-specific metrics suggested by the TCFD implementation guidance and selected the below set of metrics as appropriate to the climate-related risks and opportunities faced by our business.	Energy intensity: The Group tracks the energy intensity of its portfolio of operated assets to monitor progress and identify further efficiency opportunities. The energy-intensity metric considers energy consumption from operated assets and Ithaca Energy's offices, and oil and gas production, measured in terajoules per barrel of oil equivalent (TJ/boe). Emissions metrics are included in the suite of Company-level KPIs used in the calculation of the employee annual bonus scheme. Milestones related to emissions reduction project delivery are also included in the individual objectives for relevant employees, further influencing their future remuneration. Ithaca Energy currently holds an Internal Carbon Price assumption of £80/tonne in 2023 terms (inflated thereafter). The appropriateness of this assumption will be reviewed annually or more frequently if warranted by changes to our assessment of the outlook. Ithaca Energy is partially aligned with this recommendation. Further work will be undertaken to include non-operated asset emissions which are considered material for the Group, with a target of being able to report on a net equity basis (including emissions from non-operated Joint Ventures) from the end of calendar year 2023. Upon completion of the detailed risk and opportunity assessment per strategy (a) and (b) we will consider further metrics linking to any material risks identified and informed by the All-sector and sector specific guidance per TCFD tables 1.1 and 1.2.
Ithaca Energy uses the following key metrics to measure and manage climate-related risks and opportunities: Risk Level Scores for climate-related risks and opportunities: The Group measures the current and residual risk level scores for each climate-related risk and opportunity based on impact, likelihood, time horizon and mitigation measures. Further information on the Climate Risk Register can be found in the Risk Management sections above. Scope 1 and 2 GHG emissions: The Group collects and tracks Scope 1 and 2 GHG emissions for each of its operated assets and onshore facilities, measured in tonnes of carbon dioxide equivalent (tCO₂e). The breakdown of Scope 1 emissions is tracked by source, including emissions from flared hydrocarbons, other combustion, process emissions, vented emissions and fugitive emissions. Ithaca Energy accounts are verified under the requirements, regulations and guidance of the 2020 UK GHG Order (UK ETS) and OPCC 2013. Scope 2 emissions are emissions from our office energy purchase. Emissions intensity: The Group tracks the emissions intensity of its portfolio of operated assets, comparing assets with the industry average. The emissions intensity metric considers Scope 1 and 2 GHG emissions (as above) and oil and gas production, measured in kilograms of carbon dioxide equivalent per barrel of oil equivalent (kgCO₂e/boe).	

Disclosure

Alignment and next steps

Metrics and Targets continued

b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

Note: Metrics are on a 100% basis for Ithaca Energy's operated assets (emissions at tie back facilities accounted for at host platforms)

Metric	2021	2022
Scope 1 GHG Emissions (tCO ₂ e)	497,362	482,647
Scope 2 GHG Emissions (tCO ₂ e) (Office energy purchased)	567	678
Total Scope 1 & 2 GHG Emissions (tCO ₂ e)	497,929	483,325
Amount of Scope 1 emissions from flared hydrocarbons (tCO ₂ e)	82,312	67,362
Amount of Scope 1 emissions from other combustion (tCO ₂ e)	391,977	375,775
Amount of Scope 1 emissions from process emissions (tCO ₂ e)	0	0
Amount of Scope 1 emissions from vented emissions (tCO ₂ e)	22,125	39,510
Amount of Scope 1 emissions from fugitive emissions (tCO ₂ e)	949	949
Carbon Intensity (kgCO ₂ e/boe)	24.6	23.8
Energy Intensity (TI/Mboe)	0.36	0.33
Percentage change in Scope 1 and 2 emissions, compared with 2019 baseline	-10%	-15%
Energy consumption MWh	2,040,278	1,879,541

Scope 3 emissions are considered material by the Group; however, Scope 3 emissions data is not available to be disclosed due to the complexity associated with the calculation of Scope 3 emissions and the lack of a consistent basis for Scope 3 emissions calculations.

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Ithaca Energy has a target of achieving Net Zero operations on a Scope 1 and Scope 2 basis by 2040, ten years ahead of the NSTD commitments, with several interim targets. The Group is targeting a reduction of Scope 1 and 2 emissions of 25% from operated assets by 2025 using a 2019 baseline, and 50% by 2030 on a net-equity basis (which includes emissions from non-operated Joint Ventures) using the NSTD-aligned 2018 baseline. As of the end of 2022, the Group has reduced its Scope 1 and Scope 2 emissions by 15 % compared with 2019 baseline.

Additionally, we are aiming to achieve a 0.20% methane intensity by 2025, set by OGCI and adopted by the NSTA and OEUK, and in line with OEUK targets of 50% methane emission reduction by 2030 (against a 2018 baseline), set out in their methane action plan. Ithaca Energy is also aligned with the World Bank's Zero Routine Flaring of operated assets by 2030.

Further information regarding our climate-related targets can be found in the Environmental content within the ESG section, above.

Following completion of further detailed risk and opportunity analysis (per strategy a) and b)) consideration will be given to any additional targets that are material and relevant to the risks Ithaca Energy faces, and that are aligned to the TCFD's all-sector and sector-specific guidance. An update will be provided in this regard following the end of the 2023 calendar year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED
ENVIRONMENT CONTINUED

SOCIAL

Health and safety

The Group is committed to providing a safe and healthy working environment for all its employees, contractors and other personnel working for us, providing a process safety assurance focus, and achieving excellence in Health, Safety and Environmental (HSE) performance across all of our operations. The Group considers its HSE performance, prevention of process safety events, and the health, safety and security of those who work for, with and alongside Ithaca Energy as central to its business success.

To achieve this, the Group aims to manage its business in compliance with legislation and industry standards, maintain high quality systems and processes and maintain safe and healthy workplaces. Throughout all of our operations, we promote a positive and robust safety culture, ensuring that health and safety standards are not compromised to meet commercial objectives. We protect people working for, and with, the Group through the effective identification, understanding and management of risk and the implementation of systems to manage process safety and asset integrity.

Ithaca Energy has developed, and maintains, a Company Management System (the CMS) which implements the Safety Management System (the SMS) and the EMS as documented in our HSE policy. The CMS formally describes the responsibilities of the organisation, and individuals within the organisation, and incorporates the Group's EMS and SMS.

We proactively manage potential risks of major incidents by:

- Focusing on developing a strong leadership culture, prioritising process safety culture and Stop Work Authority. In 2023, we will continue to mature our leadership focus, investing in a programme of immersion of safety leadership expectations, developing our process safety culture with implementation of Process Safety Fundamentals,

- and completing training for our senior leaders in process safety leadership;
- Safety and environmental performance measures are included in our scorecard, tracked at established meetings and reviewed by the Board;
- HSE policy in place, which includes Company Major Accident Prevention Policy (CMAPP) requirements that provides a framework for all Group activities, supported by a company management system;
- Regulator accepted safety cases for all offshore facilities, summarising management of potential Major Accident Hazards (MAHs) and safety and environment sections of our Company management system;
- Application of robust risk assessment and management of change processes;
- Line of Defence (LOD) auditing framework in place, driving focus on prevention of MAHs, with regular progress reporting to the Board HSE Committee.
- Monitoring of performance, with planned improvements in 2023 including updates to Process Safety KPIs, development of cumulative risk barrier model and digitalisation of HSE performance metrics;
- Independent assurance of safety and environmental critical elements (SECE) by an Independent Competent Person (ICP) as part of our written scheme of verification;
- Independent review of well programmes by our well examiner;
- Framework for technical authorities, providing independent assurance;
- Crisis management and emergency response processes, exercised regularly; and
- Oversight and challenge of Board HSE Committee, with experienced industry leaders.

The Group monitors and manages the Serious Injury and Fatality Frequency (SIF-F) associated with its operated assets as a means of evaluating the health and safety performance of the Group and the suppliers working on the assets.

In addition, the Group monitors process safety events, monitoring Tier 1 and Tier 2 events (as defined by Institute of Oil & Gas Producers IOGP AP1453) for learning. Improving operational and process safety performance, within an open and transparent incident reporting culture, is a continual focus of the business and a combination of targets and specific measures are implemented with a view to facilitating this goal.

Our performance with regard Serious Injury and Fatalities, Process Safety Events and Recordable Case or injury rates are shown in the following table:

	2021	2022
Serious Injury and Fatalities	0	0
Process Safety Events Tier 1	0	0
Process Safety Events Tier 2	2	2
Total Recordable Case Frequency per million hours	1.04	3.38

In 2022, we successfully delivered many high risk scopes with zero incidents. We saw an increase in injuries associated with routine tasks, perceived low risk scope where hazard identification could have been improved and incident involving transiting to and from worksites.

- Our 2023 focus to improve both process safety events and recordable case rates includes:
- **Leadership:** Supporting our frontline teams with regard to active monitoring and setting our safety leadership expectations.
 - **Controls:** Improving our control of work processes.
 - **Assurance:** strengthening our Lines of Defence Model regarding assurance and auditing.
 - **Process Safety:** implementing Process Safety Fundamentals, enhancing process safety Key Performance Indicators (KPIs), and improving visualisation of cumulative risks.

Ithaca Energy strives for continuous improvement in its HSE performance. The Group undertakes audits and annually reviews its HSE policies to help ensure compliance with all applicable regulations, as well as its policies, principles, processes and procedures, and to identify areas for improvement. The Group's risk-based audit and assurance program is designed to measure the conformance and effectiveness of HSE management across its operations, as well as its contractor and supplier organisations, as applicable. Other assurance activities are also periodically conducted to enable the Group to learn from previous challenges and proactively identify opportunities to improve its HSE performance.

Our people

The mark of a great Company isn't just about what we achieve, but how we achieve it. It's about the people who create and share in that success, the communities we support, and how our work contributes to the greater good.

On all counts, we are proud of who we are and what we do.

At the close of 2022, we were a complement of 573 people, employing men and women spanning ages ranging from 18 years to 68 years. In terms of people and culture, the year brought significant waves of positive change. In particular, the acquisition of Siccar Point Energy further strengthened the operating capabilities of the Group and acted as a catalyst to refresh the Group's vision, values and behaviour framework, recognising the need for renewed clarity following a period of accelerated M&A.

Our people continued

In addition, we became a public Company and all that entails in terms of accountability, formalising processes and transparent reporting. Our people priorities in 2022, and continuing into 2023 include:

- Continuing to embed our vision and values, launched during the year and showing the clear culture we seek to create;
- Introducing visible development paths with a strong focus, not just on attracting talent, but retaining it;
- Relaunching our formal graduate recruitment programmes, whilst putting in place an effective mentoring structure to help and guide them over three to four years;
- Building solid structures around reward and recognition, learning and development, talent acquisition and management; and
- Evolving the people strategy ensuring it remains scalable for growth and creates a great place in which to work, develop and stay.

To attract and retain quality talent, we have various internal and external development programmes, educational assistance and graduate and apprentice training programmes. In 2022, we launched a managers and supervisors training matrix and extended our e-learning platform which provides organised training to all employees and contractors, in the areas of behavioural skills, project management, and leadership and management skills. Our annual performance review process has also developed to include our core values and a focus on empowering our employees to take control of their own career progression.

Supporting positive mental health and wellbeing is a cause that Ithaca Energy is passionate about. Support can be 'direct', e.g. specific mental health awareness days/weeks/months, our Employee Assistance Programme, seminars on financial wellbeing, or 'indirect', e.g. Rig Run participation that promotes wellbeing, health and camaraderie for our offshore employees. We also have flex days that enable onshore employees to accrue an additional day's leave every month. Support is also provided by our trained mental health first aiders and wellbeing champions.

Our community neighbours

In October 2022, we were delighted to enter into a corporate partnership with the VSA, the largest provider of mental health support in the North-East of Scotland. Over its 150-year history, VSA has helped thousands of the most vulnerable people and their families living in communities providing vital support and services to people of all ages living with a mental health diagnosis, complex additional learning and support needs, addiction (drugs and alcohol), loneliness and isolation and living in extreme poverty.

Awareness of the importance of good mental health, and numbers of people looking for support has increased. Resources and facilities are stretched, and Ithaca Energy is proud to be able to help. Our support to our charity partner is both financial and practical: we have committed £150,000 to fund part of a major renovation project of the charity's Queen Mother House, which will provide 24-hour support for people living with severe or enduring mental health conditions.

Following several years of hiatus due to COVID-19, The Group was delighted to sponsor VSA's Christmas Concert, bringing festive joy to those that utilise VSA's services. Beyond our initial donations we are committed to raise additional funds for the charity and providing volunteers in company time to give their energies and skills. Each of our onshore employees can take up to four paid days each year to help a community cause.

Supporting positive mental health and wellbeing is a cause that Ithaca Energy is passionate about. To highlight our commitment to the mental health of our own people, we have appointed and trained mental health first aiders and wellbeing champions to provide support across the organisation.

In light of the terrible events that unfolded in early 2022 in Ukraine, Ithaca Energy donated £100,000 to the Disaster Emergency Committee Ukraine Humanitarian Appeal and further matched funded employee donations to the appeal of a further £6,000.

Also during the year, we:

- Welcomed eight interns for a return of our summer programme, launched in 2021;
- Took on six new apprentices to add to our offshore population; and
- Donated over £10,000 in support of other community projects including:
 - o sponsorship of various employees in relation to their participation in the Inverness Marathon, the Great North Run and St Cyrus 10K run;
 - o donation awards to local youth sports groups including Bervie Youth FC, Because Everyone Counts-Inverurie, Doric Dolphins Swimming Club, Buckie Ladies Football Development Team and Culter Youth Boys Football Club;
 - o supported local schools and youth groups including Bucksburn Academy Friends of Additional Support Needs Wing, Chapel of Garioch Primary School and the 3rd Ellon Guides; and

- o charitable groups assisting with older generations including Stonehaven and District Lions Club, the Mintlaw and district Mens Shed, Re-Engage, Aberdeen Street Pastors and Home Start Aberdeen.

The Company also supported employees and contractors to participate in various activities in support of Aberdeen Cyrenians and Instant Neighbour's Giving Tree Appeal.

Our role as an employer, contributor and supporter of our community contributes to the following Sustainable Development Goals (SDGs):

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED SOCIAL CONTINUED

GOVERNANCE

Ithaca Energy is led by a Board of Directors who bring a wealth of sector, board and public market experience, guiding the business in its delivery of sustainable value creation for shareholders, through the responsible management of its assets. The Board is committed to maintaining the highest standards of corporate governance, with a sound framework for the control and management of the Group.

We will operate in a manner that generates financial value in an environmentally viable way, while protecting the value of our assets on behalf of our shareholders.

We fully subscribe to the aim and spirit of the UN's Sustainable Development Goals and Ithaca Energy is a signatory to the UN Global Compact. We are committed to taking action across the goals that we believe we have an ability to influence, including good health and wellbeing, quality education, gender equality, affordable and clean energy, decent work and economic growth, industry innovation and infrastructure, reduced inequalities, responsible consumption and production, climate action, life below water and peace, justice and strong institutions.

Our governing principles are rooted in dealing fairly and openly, creating a place of work that treats everyone equally. We also demand the same of every business in our supply chain.

Prior to the Group's admission to the premium segment of the London Stock Exchange we formed a new board and established the following Committees:

- The Audit and Risk Committee
- The Nomination and Governance Committee
- The Remuneration Committee
- The Health, Safety, Environment and Security Committee; and
- The Disclosure Committee.

Please refer to the Corporate Governance Report for further overview.

Diversity, equity and inclusion

We are committed to Diversity, Equity and Inclusion (DE&I) and creating an open, diverse and inclusive organisation where all feel genuinely engaged and supported. Diversity and inclusion are fundamental to the well-being of our employees and the success of our business. A diverse and inclusive workforce will support our business capabilities, increase engagement and enhance our business results, helping to contribute to fairer and more equitable communities.

Our focus is wide-ranging, looking at gender, nationality, and generation. To make progress in this area, our DE&I policy confirms our commitment to a continuous programme of equity and inclusion, which supports our core values of 'Express Yourself', 'Be Considered' and 'Bring Strength', in turn helping to 'Deliver Results'. Our policy was published in Q1 2023 and also applies to the Board and its sub-committees.

Our aim is that our workforce is truly representative of all areas of society and each employee feels respected, listened to, comfortable to be themselves and able to give their best. Additionally, the Group established a DE&I committee in 2022 made up of members from across the organisation who support the Group in establishing and sustaining a supportive and welcoming workplace environment, and who are committed to ensuring a diverse workforce, safeguarding equitable treatment and an inclusive environment. This is accomplished with leadership endorsement.

Acknowledging that the Group needs to set an example from the top down, we engaged an external specialist to provide sessions on inclusion and diversity with our leadership team, our human resources team, all managers and supervisors both onshore and offshore, and members of the newly formed DE&I Committee.

Throughout 2023, we will be introducing online awareness sessions on diversity and inclusion for employees and contractors. In addition, online unconscious bias training will be mandatory for all supervisors and managers, and we will continue to engage external parties with expertise in this area to guide the business on good practice. Our leadership team will actively engage with our DE&I committee to build on our ongoing action plan and gather feedback from our employees to evaluate our progress.

Hiring managers and talent acquisition partners must adhere to our structures and processes in order to select the best candidate based on merit. To support a fair and impartial hiring process, the recruiter ensures compliance with the recruitment process and policy.

We strive to offer fair and competitive remuneration in line with the market, and have a structured approach to remuneration, ensuring salaries are unbiased towards gender, age, seniority or nationality.

We will continue to build an inclusive and accessible environment for our talented workforce, striving to enable everyone who works for and with us, to be themselves and recognise them for their individual skills, abilities and qualities.

All this builds on our commitment to specific actions and outcomes from our employee engagement survey in Q4 2021. We have made an effort to listen to our employees, our stakeholders and our partners and, from this, we will be able to track our progress and achievements.

Although we have taken steps to do better, we know that we are still on this journey and are determined to keep challenging ourselves to do more. In the coming year we will continue to make progress on our pledges, respect our differences, and be inclusive in all that we

do. We will work towards completion of DE&I data from our workforce, in order to understand and enable us to make better decisions and action plans.

Non-discrimination and bullying

We are committed to promoting equal opportunities in all areas of employment. Employees and job applicants will receive equal treatment regardless of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation.

Similarly, we are committed to providing a working environment free from harassment and bullying and ensuring all staff are treated, and treat others, with dignity and respect.

In 2023, we will launch a mandatory online bullying and harassment courses for all employees and contractors which will provide guidance on prevention, action and the steps to take in maintaining a positive culture.

Gender equality

Gender balance, pay and roles are key components of equality, and the Group reports on them annually. On 5 April 2022, we recorded a mean gender pay gap of 17.1% and a median of 11.9% between male and female employees, which largely reflects the lower proportion of female staff in more senior and technical positions. This is reflective of the gender balance throughout the energy sector which has historically had fewer women in senior, engineering and technical roles. These roles typically attract higher levels of remuneration, which can be due to a scarcity of skills or operating in highly competitive markets for those skills. Our gender pay gap is further compounded by offshore allowances, a key factor for accounting for a higher average pay for men, than women, as more men typically occupy these positions.

Female employees hold around 38.8% of senior and middle management roles, while holding around 36.5% of all onshore roles. This distinction is something we are committed to working on through conscious recruitment and promotion, and in the training, mentoring and working arrangements for staff, to attract and retain more women into senior positions. As at 5 April 2022 93.5% of females received a bonus and 93.2% of males received a bonus.

The Group has implemented a series of policies to outline the behaviour it expects of directors, managers and employees, and of suppliers, contractors, agents and partners.

The Group is committed to complying with all applicable legal requirements, in both the spirit and letter of the law, and to uphold the highest ethical standards at all times.

Executive succession planning

Given the importance and impact of the Non-Executive Director positions, and those of the Executive Directors and our leadership teams, we recognise that it is critical for us to have clear and credible succession plans in place, particularly in the current challenging business environment. This will ensure that we are covered for all eventualities, safeguarding our organisation by providing continuity and minimising disruption, as we pursue our strategic plans for growth.

A regular review of the Board and our leadership team by the Nomination and Governance Committee is a key part of this process, as it will allow us to assess the effectiveness of our Directors and identify potential opportunities that we might need to develop, as well as mitigate any risks. Proactive planning will help

Bonuses

Percentage of employees that received bonuses

us prepare for the departure of those in leadership positions, whether through retirement, promotion, or another form of exit, meaning that we can rely on able and competent successors.

Succession planning will strategically support our leadership development and a pipeline of leaders who are ready to step in when needed.

Anti-bribery & corruption policy

The Group expects its employees, contractors, officers and Directors to conduct business in an honest and ethical manner. The Group takes a zero-tolerance approach to bribery and corruption and we are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever they operate; and implementing and enforcing effective systems to counter bribery and corruption.

The Group's Anti-Bribery and Corruption Policy specifically prohibits the offering, giving, solicitation or the acceptance of any bribe (whether in cash or in the form of any other inducement) to or from any person or Company, wherever they are situated and whether they are a public official or body or private person or company by any individual employee, agent or other person or body acting on its behalf in order to gain any commercial, contractual or regulatory advantage for the Group in a way which is unethical or in order to gain any personal advantage, pecuniary or otherwise. Any breach of this policy will be regarded as a serious matter and will result in disciplinary action for employees, including, where appropriate, summary dismissal and any third parties associated with the Group who are found to be exposing Ithaca Energy to bribery and corruption risk will be investigated and appropriate action will be taken. This zero-tolerance extends to any of the Group's employees, contractors or business partners working on its behalf.

Whistleblowing

It is the policy of the Group to conduct business in an honest and ethical manner and that all employees, contractors, Directors and officers are able to work in a safe, lawful and ethical environment. The Group is committed to operating at all times to the highest standard of integrity and therefore we encourage senior managers, officers, Directors, employees, consultants, contractors and all persons associated with us, wherever their location in the world to report any behaviour which they feel is not right, whether this affects them personally, or a colleague, or the safety or compliance of the business. This includes discrimination, bullying, illegality, suspicion of criminality, modern slavery and unsafe practices.

The Group's Whistleblower Policy encourages anyone who wishes to raise a concern to do so openly and with anonymity, if preferred. For those wishing to keep their identity anonymous, they may raise their concerns on a dedicated whistleblower hotline which is maintained by an independent external provider who will take the details of the incident and contact the Group with the report. This ensures concerns or issues can be escalated and dealt with effectively, without fear of victimisation, discrimination or disadvantage, in the interests of the business, colleagues, shareholders, and other stakeholders.

Conflicts of interest policy

Through our Conflicts of Interest Policy, both as a Group and as individuals, we avoid or declare conflicts of interest that may lead, or be seen to lead to divided loyalties, either now or in hindsight.

We are committed to working with honesty, integrity and transparency and ask that those work with us to consider and declare any potential conflicts in this shared spirit.

Data protection

As an organisation, we are committed to ensuring the security and protection of all personal or sensitive information that we hold or process, and we provide a compliant and consistent approach to protect all

such data. We recognise our obligations to meet the requirements of (GDPR) and take every reasonable measure to safeguard the information under our control. A member of our leadership team is our designated Data Protection Officer, and we have robust information security policies and procedures in place to protect data from unauthorised access, alteration, disclosure and destruction. Our technology and innovation team are responsible for promoting awareness of data protection across the organisation, assessing our compliance, identifying any gaps and implementing new policies, procedures and measures. We understand that employee awareness and understanding is critical to continued compliance.

Board recruitment

When we set out to recruit our Board members, we began by evaluating the skills and experience that we would need to help us deliver our strategic business plan. This was done by considering the nature of our industry, the goals and challenges currently faced by the organisation, as well as our planned strategic direction.

A brief was developed and relevant materials describing the organisation and its history, alongside a role description were created to capture potential candidates' interest and their intentions relating to Board membership. It was important that those appointed brought an independent and challenging perspective to our business. The Group engaged a specialist consultant to assist us with the recruitment process of Independent Directors.

The Board consists of members with a blend of diverse and proven success within their respective fields, varied perspectives, knowledge of our sector and a balance of skills that align with, and support, the strategic objectives of the Group, not just for now but also for our future. Shortly after appointment, the Board were taken through an onboarding programme to ensure they were informed of their roles, and to allow them to start operating as quickly and effectively as possible.

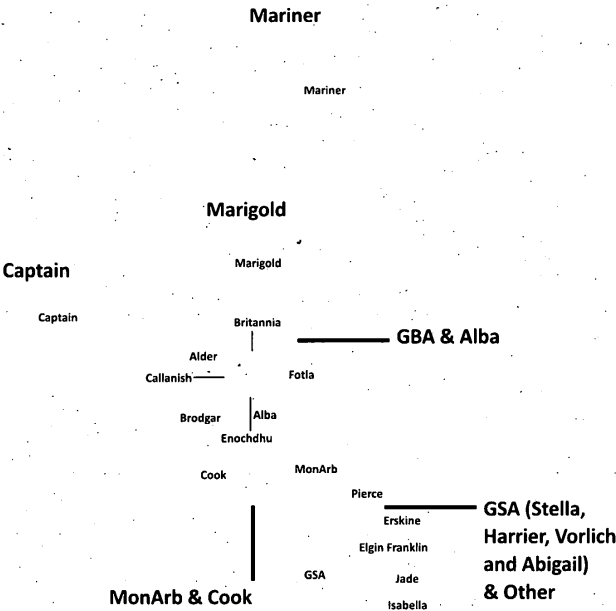
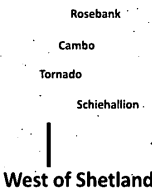
OPERATIONS REVIEW

OUR
OPERATING
REVIEW

Diverse and high-value
portfolio of operated
and non-operated assets
in the UKCS

- Operated assets
- Non-operated assets

DAILY PRODUCTION
71.4 KBOE/D



Material high-value asset portfolio

Our UK North Sea portfolio consists of 28 producing field interests, which predominantly lie in the Northern and Central North Sea, Moray Firth and West of Shetland area of the UKCS.

Ithaca Energy operates nine of these producing fields and a majority of its 2P reserves and 2C resources, providing significant control and flexibility over execution of the Group's strategic, operational and financial priorities.

Our producing asset portfolio comprises a combination of fields that have a long, stable track record of production and those that have recently come onstream.

Our portfolio benefits from the known production performance characteristics of established fields, which facilitate the execution of targeted infill drilling programmes, designed to maximise reserves recovery and develop higher-margin incremental volumes.

Through acquisition, the Group has diversified its portfolio, reducing its reliance on its flagship asset, Captain, that contributed 26% of Group production in 2022 (31%: 2021).

Net production split (Operated and Non-operated)

57.4%
OPERATED

Net production split (Liquids and Gas)

65.9%
LIQUIDS

OPERATIONS REVIEW CONTINUED OPERATED ASSETS

Operator of nine fields, including our flagship Captain field that contributes 26% of the Group's total production.

Captain	Alba	FPF-1
Production efficiency from the Captain field averaged 91% in 2022. The field experienced a significant upturn in activity (post lifting of COVID-19 restrictions) with items of note including the Captain Wellhead Protection Platform (WPPA) Drilling Campaign and large maintenance scopes on power generation and water injection rotating equipment, to ensure future reliability. Significant engineering, fabrication and construction activities associated with the Enhanced Oil Recovery Project Phase II on the Well Protection Platform, 'A', the Bridge Link Platform (BLP) and Captain FPSO Vessel ran throughout the year and were completed safely and on schedule. This included the installation of four new modules on BLP plus a water injection manifold, hydraulic power unit and new structural platforms. In addition, the installation of a 52", 113m long, ~238 tonne EOR riser caisson was safely installed on the BLP Jacket in December 2022. The COSL Pioneer Mobile Drilling Unit (MODU) arrived in the Captain field and completed the suspension of Area C Well A2Y and the drilling of a new production Well UB05P (A4), which was then brought online earlier than planned, in November 2022.	Production at Alba in 2022 was impacted by planned shutdown and main generator maintenance campaigns. Further impact to production came from an extended water injection outage during the second and third quarters. During the fourth quarter an extensive water injection logging campaign was undertaken to assure well integrity and water injection operations were restarted. Platform drilling rig maintenance was completed readying the field for the sanctioned 2023 infill drilling activity.	Production efficiency from the FPF-1 asset averaged 92%, excluding TAR (Turnaround activity). TAR activity in May and June coincided with a scheduled Norpipe outage, with several complex scopes delivered both safely and efficiently. This included an integrated control and safety system upgrade, seawater rectification project, comprehensive emergency shut down system testing, hull repairs on C1/C4 columns and essential topsides modifications required for the Abigail field. In addition, a dry-gas seal replacement and replacement of critical valves required to achieve the isolations to operate on a single-train, were completed that will minimise future production losses associated with planned maintenance on the FPF-1 gas compressors. During the second half of the year, the vent purge gas was changed from fuel gas to nitrogen, reducing vent emissions significantly. The Abigail subsea tie-back was completed safely with the well brought online on the 20th October, producing an initial 4.5 kboe/d.
WORKING INTEREST 85%	WORKING INTEREST 36.67%	WORKING INTEREST 100% STELLA, HARRIER, ABIGAIL
		WORKING INTEREST 34% VORLICH

OTHER OPERATED ASSETS:

Erskine: Production efficiency from the Erskine field averaged 79%, excluding TAR, mainly impacted by the performance of a single well that remained offline in 2022 due to productivity impairment and the safely executed reperforation campaign was unsuccessful in restoring production.

Cook: Production efficiency from the Cook field averaged 89%. Water injection was restored at the Cook field following a DSV intervention to replace the injection choke valve and dissociate hydrate that had formed in the wellbore. It is currently injecting 30,000 bwpd, providing long-term pressure support for the producer.

NON-OPERATED ASSETS

The Group's non-operated asset base consists of a diverse portfolio of assets, representing 42.6% of 2022 production. We work closely and proactively with the field operators and licence partners.

Greater Britannia Area	Montrose Arbroath	Schiehallion	Elgin Franklin	Jade
Comprising of assets: Britannia (32.38%), Alder (Operated 73.68%), Callanish (16.5%), Brodgar (6.25%) and Enochdhu (50%), the Greater Britannia area production was supported by the strong performance of the Callanish F5 well that came online in February 2021 and the completion of a Britannia suction pressure reduction project in April 2022. Further development of the area progressed with joint venture approval of the sixth Callanish well to be spud in 2023, technical work on a potential fifth Brodgar well and pre-development studies on the Leverett discovery, where Ithaca Energy has a non-operated equity position.	Ithaca Energy acquired a 41.03% equity stake in the Montrose Arbroath (MonArb) area as part of acquisition of Marubeni Oil and Gas UK, which completed 4th February 2022. We are continuing to evaluate development options in the MonArb area and are progressing engineering on the North Cayley and Montrose infill projects.	Ithaca Energy acquired a 11.754% equity stake in the field through the acquisition of Siccar Point Energy, which completed 30th June 2022. In 2022, progress was made towards the continued development of the asset, with the approval of the Phase A drilling campaign on the Ocean Great White rig.	Ithaca Energy increased its equity interest in Elgin Franklin from 3.9% to 6.09% through the acquisition of Summit Exploration and Production Limited, which completed 30 June 2022. The asset delivered reliable production in 2022.	Ithaca Energy increased its equity interest in Jade field from 19.93% to 25.5% with the Siccar Point Energy acquisition, which completed 30 June 2022. It was a significant year for the Jade field, with the successful delivery of the Jade South exploration well and the J14 well, which were both delivered ahead of schedule by the operator, contributing to a strong year of production for the asset.
WORKING INTEREST	WORKING INTEREST	WORKING INTEREST	WORKING INTEREST	WORKING INTEREST
6.25%-73.68%	41.03%	11.754%	6.09%	25.5%

OTHER NON-OPERATED ASSETS:

Ithaca Energy owns interests less than 10% in the Mariner, Pierce and Columba assets. The Mariner field saw four new wells added in 2022, as production continues to ramp up on this asset. The Pierce project operated by Shell was offline nearly all of 2022 to execute the Pierce depressurisation project. The Columba asset was acquired as part of the Marubeni Oil and Gas UK acquisition.

FINANCIAL REVIEW

AN ASSET PORTFOLIO GENERATING STRONG OPERATING CASH FLOWS AND EARNINGS

GROUP ADJUSTED EBITDAX

\$1,916.2m

NET CASH FLOW FROM OPERATING ACTIVITIES

\$1,723.3m

STATUTORY NET INCOME

\$1,031.5m

ADJUSTED NET INCOME

\$462.8m

LEVERAGE RATIO – NET DEBT
TO GROUP ADJUSTED EBITDAX

0.5x

STATUTORY EARNINGS PER SHARE

102.6 cents

NON-GAAP MEASURES

Adjusted EBITDAX, adjusted net income, net debt, unit operating expenditure and certain other reported metrics are non-GAAP measures that are not specifically defined under International Financial Reporting Standards or other generally accepted accounting principles. Further details are set out on pages 200 to 202.

Transformational growth whilst maintaining financial discipline has been the story of 2022. We have reduced leverage to 0.5x net debt to adjusted EBITDAX whilst materially increasing production, maintaining operating cost discipline and adding quality reserves and resources. Our asset portfolio has been strengthened by the addition of further long-lived asset equity positions with low operating costs delivering strong adjusted EBITDAX growth (up 85.1% on 2021) and free cash flow growth (up 106.1% on 2021), as well as the addition of material large project equity positions providing organic portfolio growth opportunities. As we move forward, our financial commitment to investors is to deliver value through a transparent capital allocation framework that guides our corporate decision-making. Through the framework we commit to allocate cash flow in a prioritised order to:

- 1. INVEST** – to sustain production in the 70-90 kboe/d range in the medium term
- 2. PROTECT** – to maintain prudent leverage ratios, (<1.5x) and reduce exposure to commodity price downturns through an active hedging strategy
- 3. RETURN** – to share the results of operational performance with investors by delivering 15-30% post-tax CFFO in dividends annually
- 4. EVOLVE** – to deploy residual free cash flow to grow our assets organically, extend the business through M&A or yield additional distributions to investors

The introduction of the Energy Profits Levy (EPL) is extremely disappointing for the industry as it reduces the free cash flow available for reinvestment. However, despite this we have created significant organic and inorganic value through 2022 and we believe our capital allocation framework should give investors confidence as we seek to continue to grow value through 2023, and beyond.

Summary of financial results

Key financial performance indicators (KPIs)

	2022	2021
Group adjusted EBITDAX ¹ (\$m)	1,916.2	1,035.4
Net cash flow from operating activities (\$m)	1,723.3	912.7
Available liquidity ¹ (\$m)	578.8	619.8
Unit operating expenditure ¹ (\$/boe)	19.0	18.0
Basic EPS (cents)	102.6	42.4
Net debt ¹ (\$m)	971.2	930.2
Net debt/Group adjusted EBITDAX ¹	0.5x	0.9x

Other KPIs

Total production (boe/d)	71,403	56,486
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¹ Non-GAAP measure

Definitions of the key financial performance indicators are set out on pages 30 and 31.

The Group reported average production of 71,403 boe/d for 2022 (2021: 56,486 boe/d) driving Group adjusted EBITDAX of \$1,916.2 million, net cash from operations of \$1,723.3 million and net income of \$1,031.5 million. Comparing the financial results for 2022 with 2021 demonstrates the transformational nature of 2022 and the direct impact of The Group's buy, build, boost strategy.

OUR FINANCIAL COMMITMENT TO INVESTORS IS TO DELIVER VALUE THROUGH A TRANSPARENT CAPITAL ALLOCATION FRAMEWORK:

Financial performance: adjusted EBITDAX

Adjusted EBITDAX is a key measure of operational performance delivery in the business and increased by 85.1% in 2022 to \$1,916.2 million (2021: \$1,035.4 million) mainly driven by revenue growth of \$1,170.3 million to \$2,598.5 million (2021: \$1,428.2 million). Revenue growth was principally due to acquisitions made during the year which contributed an additional \$552 million of revenue, improved production efficiency as well as higher commodity prices year-on-year. Increased production was delivered from new field equity production from acquisitions including from the MonArb area fields (from February 2022), and from Jade, Elgin Franklin, Mariner and Schiehallion fields (from July 2022).

Substantial price volatility was experienced through 2022, with historically exceptional movements in the European gas markets and continued volatility in the international oil markets. Ithaca Energy's value constructive hedging policy enabled substantial participation in price upside through the year whilst protecting downside risk. Average realised oil prices for the year were \$100/boe before hedging results and \$91/boe after hedging results (2021: \$69/boe before hedging results and \$66/boe after hedging results). Average realised gas prices for the year were \$149/boe before hedging results and \$137/boe after hedging results (2021: \$96/boe before hedging results and \$77/boe after hedging results).

Cost discipline was maintained during the year with unit operating expenditure marginally increasing to \$19.0/boe (2021: \$18.0/boe) as inflationary pressures and higher commodity price based operating costs, such as fuel gas and diesel, outweighed our disciplined cost management approach across the portfolio.

Revenue, opex and adjusted EBITDAX are as follows:

	2022	2021
Production (boe/d)	71,403	56,486
	\$m	\$m
Oil sales	1,692.7	856.5
Gas sales	1,348.2	724.5
NGL sales	75.4	52.5
Other income	40.6	32.7
Realised losses on oil derivative contracts	(211.6)	(48.8)
Put premiums on oil derivative instruments	(14.6)	(27.2)
Realised losses on gas derivative contracts	(289.9)	(147.4)
Put premiums on gas derivative instruments	(42.3)	(14.6)
Total revenue	2,598.5	1,428.2
Operating costs	(547.8)	(424.0)
Inventory movements and other items	(134.5)	31.2
Adjusted EBITDAX	1,916.2	1,035.4

Financial performance: net income

	2022	2021
Profit before tax (\$m)	2,240.5	763.1
Tax (\$m)	(1,209.0)	(337.1)
Net income after tax (\$m)	1,031.5	426.0
Gain on bargain purchase (\$m)	(1,335.2)	(10.5)
EPL deferred tax charge (\$m)	766.5	-
Adjusted net income¹ (\$m)	462.8	415.5
Earnings per share (cents)	102.6	42.4
Adjusted earnings per share ¹ (cents)	46.0	41.3

¹ Non-GAAP measure

FINANCIAL REVIEW CONTINUED

Net income in 2022 represented significant value delivery with \$1,031.5 million of profit compared with \$426.0 million in 2021. Net income was substantially impacted by bargain purchase gains on acquisitions of \$1,335.2 million and exceptional deferred tax charges, associated with the introduction of the EPL, of \$766.5 million during the year.

Total costs

Total costs amounted to \$358.0 million (2021: \$665.1 million) and comprised:

	2022 \$m	2021 \$m
Depletion, depreciation and amortisation	(662.9)	(455.9)
Operating costs	(547.8)	(424.0)
Movement in inventory	(130.3)	7.0
Royalties	(11.3)	(6.2)
Impairment	(31.5)	465.3
Exploration and evaluation	(9.0)	(0.2)
Other (losses)/gains	(9.5)	3.7
Administrative expenses	(87.9)	(15.2)
Gain on bargain purchase	1,335.2	10.5
Net finance costs	(203.0)	(250.1)
Total costs	(358.0)	(665.1)

Depletion, depreciation and amortisation charges were \$662.9 million (2021: \$455.9 million). The year-on-year increase is principally due to the acquisitions made during the year. Depletion, depreciation and amortisation per barrel was \$25 (2021: \$21).

Operating costs amounted to \$547.8 million (2021: \$424.0 million) with the increase driven mainly by the acquisitions made during the year. As set out above, unit operating expenditure marginally increased year-on-year.

Movements in oil and gas inventories was a charge of \$130.3 million (2021: credit of \$7.0 million) representing movements in underlift/overlift entitlement imbalances.

Impairment charges of \$31.5 million (2021: reversal of \$465.3 million) principally reflect revisions to asset retirement obligations, primarily on fields that are no longer producing.

Exploration and evaluation costs amounted to \$9.0 million (2021: \$0.2 million) and principally related to licence relinquishments during the year.

Other losses of \$9.5 million (2021: gains of \$3.7 million) comprise fair value losses on contingent consideration and adverse foreign exchange movements.

Administrative expenses were \$87.9 million (2021: \$15.2 million) with the increase principally due to non-recurring costs associated with the IPO of \$20.3 million, acquisition costs of \$25.8 million and share-based payment charges of \$14.1 million relating to new share option awards.

Gain on bargain purchase arose on the Marubeni and Siccar Point Energy acquisitions (see note 17 for further details).

Net finance costs were \$203.0 million (2021: \$250.1 million) with the reduction principally due to lower interest on related party loans which were repaid during the year and lower loan fee amortisation.

Taxation

The tax charge for the year was \$1,209.0 million (2021: \$337.1 million) including an exceptional EPL deferred tax charge of \$766.5 million and a current EPL tax charge of \$131.4 million.

Earnings per share

Earnings per share of 102.6 cents (2021: 42.4 cents) and when adjusted for exceptional items (after excluding an exceptional non-cash bargain purchase credit of \$1,335.2 million and exceptional non-cash EPL deferred tax charges of \$766.5 million) was 46.0 cents (2021: 41.3 cents).

Dividends

The Board did not propose a dividend for 2022 but reaffirmed the target of a \$400 million dividend for 2023 financial year. An interim dividend of \$133 million, or \$0.1321 per share, was paid to shareholders on 9 March 2023.

Financial position: assets/liabilities/equity

	2022 \$m	2021 \$m
Total assets	6,759.6	4,731.8
Total liabilities	(4,302.1)	(4,055.3)
Net assets and shareholders' equity	2,457.5	676.5

Assets

At 31 December 2022, total assets amounted to \$6,759.6 million (2021: \$4,731.8 million), of which current assets were \$988.7 million (2021: \$560.9 million) and non-currents assets were \$5,770.9 million (2021: \$4,170.9 million). The increase in total assets during the year was primarily due to organic capital investment and recognition of oil and gas assets from acquisitions accounted for as business combinations under IFRS 3 which added \$1,115.0 million to development and production assets and \$706.6 million to exploration and evaluation assets. In addition there were increases in the valuation of commodity derivative contract assets.

Liabilities

At 31 December 2022, total liabilities amounted to \$4,302.1 million (2021: \$4,055.3 million) including decommissioning provisions of \$1,720.5 million (2021: \$1,641.5 million) and borrowings of \$1,213.7 million (2021: \$1,391.7 million). The increase in total liabilities during the year was primarily due to additional decommissioning liabilities of \$390.5 million and contingent and deferred consideration of \$286.8 million from the acquisitions made during the year, partly offset by reduced borrowings due to settlement of the parent debt position and lower commodity derivative contract liabilities.

Equity and reserves

At 31 December 2022, total equity and reserves amounted to \$2,457.5 million (2021: \$676.5 million). The increase in equity and reserves during the year was primarily due to the retained profit for the year, IPO related capital movements and favourable hedging reserve movements.

Financial position: cash

	2022 \$m	2021 \$m
Opening cash	44.8	1.2
Operating cash flows	1,723.3	912.7
Investing cash flows	(1,404.2)	(220.2)
Financing cash flows	(107.4)	(650.7)
Foreign exchange	(2.7)	1.8
Net cash flow	209.0	43.6
Closing cash	253.8	44.8
Undrawn borrowing facilities	325.0	575.0
Available liquidity	578.8	619.8

Operating cash flows

Net cash from operating activities amounted to \$1,723.3 million (2021: \$912.7 million) after accounting for working capital movements of \$94.8 million (2021: \$74.2 million) with the increase being driven by higher production and prices partly offset by higher operating costs.

Investing cash flows

Cash flow used in investing activities amounted to \$1,404.2 million (2021: \$220.2 million) reflecting increased capital expenditure of \$380.6 million (2021: \$269.6 million) driven mainly by the Captain and Abigail development projects as well as investing cash flows related to acquisitions (net of cash acquired) of \$957.4 million being primarily driven by the Siccar Point Energy (\$926.7 million) acquisition.

Financing cash flows

Cash outflow from financing activities of \$107.4 million (2021: \$650.7 million) with increased interest costs and lease payments of \$177.2 million (2021: \$88.7 million) and a net increase in principal debt of \$50.0 million (2021: reduction of \$554.8 million). In line with the IPO Prospectus, there were no substantive net cash flows as a result of the IPO with IPO proceeds used to repay a shareholder loan.

Cash balances were \$253.8 million (2021: \$44.8 million) at the end of the year and available liquidity was \$578.8 million (2021: \$619.8 million).

Principal risks

The principal and emerging risks facing the Group are set out on pages 64 to 68.

Derivative financial instruments

Derivative financial instruments are utilised to manage commodity price risk in a substantive financial hedging programme for future oil and gas production volumes. As at 31 December 2022, the following hedges were in place:

	2023	2024
Oil		
Volume hedged (mmbbl)	7.6	0.4
Weighted average floor hedged price (\$/bbl)	68	77
Gas		
Volume hedged (mmbbl)	3.4	0.3
Weighted average floor hedged price (p/therm)	220	175

Subsequent events

On 12 February 2023, the Group reached agreement on the settlement of a historic claim relating to an acquisition. Under the terms of the agreement the Group will receive approximately \$51 million which will be reflected in the 2023 financial statements.

Going concern

Management closely monitor the funding position of the Group including monitoring continued compliance with covenants and available facilities to ensure sufficient headroom is maintained to fund operations.

Management have considered a number of risks applicable to the Group that may have an impact on the Group's ability to continue as a going concern. Short-term and long-term cash forecasts are produced on a weekly and quarterly/annual basis respectively along with any related sensitivity analysis. This allows proactive management of any business risks including liquidity risk.

The directors consider the preparation of the financial statements on a going concern basis to be appropriate.

This is due to the following key factors:

- Strong commodity markets in 2022, continuing robust commodity price backdrop despite lower prices in March 2023 and a well hedged portfolio over the next 12 months;
- Reserves Based Lending headroom of \$475 million (\$450 million drawn versus \$925 million available), plus \$210 million of cash at 24 March 2023; and
- Strong operational performance and well-diversified portfolio which has been further strengthened by the acquisitions of Siccar Point Energy and Summit as at 30 June 2022 and with Abigail coming online in November 2022.

The Group's base case going concern assessment assumes an average oil price of \$77/bbl and a gas price of 119p/therm in 2023 and an oil price of \$72/bbl and a gas price of 130p/therm in the six months to 30 June 2024 with production in line with approved asset plans.

Owing to fluctuations in commodity demand and price volatility, management prepared sensitivity analyses to the forecasts and applied a number of plausible downside scenarios including decreases in production of 10%, reduced sales prices of 20% and increases in operating and capital expenditures of 10%. Management aggregated these scenarios to create a reasonable combined worst-case scenario. The sensitivity analysis showed that there was no reasonably possible scenario that would result in the business being unable to meet its liabilities as they fall due in the context of the mitigation strategies available to management. The Group would still continue to comply with financial covenants and have sufficient liquidity throughout the period to 30 June 2024 to continue trading.

In addition reverse stress tests have been performed reflecting further reductions in commodity prices and production volumes, prior to any mitigating actions, to determine at what levels each would have to reach such that either lending covenants are breached or there is no liquidity headroom left. This stress test demonstrated that the likelihood of the fall in price and production volumes required to cause a breach of covenants or liquidity issue, is considered sufficiently remote in the context of the mitigation strategies available to management.

Mitigation strategies within the control of management include the reduction in uncommitted capital expenditure, variable opex savings in the low production scenario, the cancellation or deferral of future dividends and further potential to refinance the Group's borrowing arrangements.

Based on their assessment of the Group's financial position over the period to 30 June 2024, the Directors believe that the Group will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

RISK MANAGEMENT

RISK MANAGEMENT

Risk management process

To achieve the strategic objectives of the Group, creating value over the long term, it is important that risk is managed in a methodical and effective manner. The importance of robust risk management has been highlighted by the recent significant volatility in the risk profile of the UK Oil & Gas sector and the wider economy, which has in part been due to the Ukraine/Russian conflict and subsequent market disruption.

To manage these specific challenges and the wider risks the business faces, a stronger and more robust risk management framework has been designed to identify, assess and manage risk in a timely manner to ensure ongoing effective mitigation of risk.

The Board is ultimately responsible for ensuring that Group maintains an effective risk management and internal control system by appropriately incorporating the 'three lines of defence model' into the governance structure of the Group. Senior management is collectively responsible and accountable for the risk management process across the organisation with each principal risk assigned and owned by a member of the Executive Leadership Team (ELT).

We recognise that risk cannot be fully eliminated or mitigated, therefore it is important to maintain one of four essential relationships with individual risks: avoid, accept, mitigate or share/insure. It is the role of the Board and Senior Management to determine the levels of risk that is acceptable, the risk appetite, in the drive to achieve the strategic objectives of the Group.

Proposed risk management framework that the Group will work to in 2023

Top down	Board/Audit and Risk Committee	Bottom up
Strategic risk management		Operational risk management
Review external environment		Assess effectiveness of risk management system
Robust assessment of principal and emerging risks		Report on principal and emerging risks and uncertainties
Determine strategic action points		
Identify principal and emerging risks	ERM/ELT	Consider completeness of identified risks and adequacy of mitigating action
Direct delivery of strategic actions in line with risk appetite		Consider aggregation of risk exposure across the business
Monitor key risk indicators		
Execute strategic actions	Business Units	Report current and emerging risks
Report on key risk indicators		Identify, evaluate and mitigate operational risks

Risk management in Ithaca Energy

In December 2021, an Enterprise Risk Management Committee (ERMC) was established in the Group with representation from the leadership team (including the CEO and CFO) and Risk Management function. The ERMC met six times in 2022 and will continue to meet at least quarterly in 2023. The principal risks facing the Group are determined and reviewed by the ERMC at each meeting and revised and updated as required. Horizon scanning is also undertaken at the meetings to help anticipate future events that may impact existing principal risks or emerging risks that may lead to the requirement for the creation of a new principal risk. Emerging risks can be defined as risks where the scope, impact and likelihood are still uncertain, but could have a major effect on the strategic objectives of the Group. Principal risks and emerging risks are reviewed and discussed regularly by the Board and the ERMC.

The Audit and Risk Committee was established in November 2022, and at that time the extant principal risks were reviewed by the Committee and further advised to the newly established Group Board. Updates and amendments to the principal risks and mitigations were identified in the following months with revised principal risks and mitigations being approved by the Audit and Risk Committee and the Board of Directors in February 2023.

At an operational level, formal risk registers are maintained throughout the Group including operational, HSE and project registers. These are monitored and challenged on a regular basis and are escalated within the defined governance structure so they can be used to inform the principal risks of the Group.

In 2022, and into 2023, additional resources have been engaged in order to further develop and enhance both the risk management and internal audit functions within the Group. This will increase the maturity of risk management and further formalise the top-down/bottom-up linkage between the principal risks and operational level risks as illustrated in the Group's Proposed Risk Management Framework.

Monitoring and effectiveness of the risk management framework and emerging risks

The effectiveness of the risk management framework is being monitored on a regular basis by the Audit and Risk Committee. The Board resolved in February 2023 that selected principal risks and associated mitigations will be presented and discussed at each regular meeting of the Board such that all principal risks and associated mitigations will be reviewed by the Board on an annual basis.

The Internal Audit Plan for 2023 was reviewed and approved by the Audit and Risk Committee in December 2022. The areas and processes that are included in the approved Internal Audit Plan all map to a principal risk of the Group. As risk is dynamic, the Internal Audit Plan will be reviewed throughout the current year to ensure that it remains focused on the key areas of the Group and to ensure the most effective use of resources.

Emerging risks are identified and considered as part of the Group's risk management framework. These risks cannot be fully assessed as their scope, impact and likelihood is uncertain.

The current UK Government's Energy and Fiscal Policies is such an area of such uncertainty, which may lead to the introduction of onerous regulation and legislation that may result in an increasingly challenging Group environment. This emerging risk is closely monitored with current mitigation including engagement with the UK Government, His Majesty's opposition and His Majesty's Treasury.

RISK MANAGEMENT CONTINUED

PRINCIPAL RISKS

Risk title	Risk description	Key risk mitigations
Major HSE incident	Operations may face a major accident or process safety event, resulting in personal injuries, loss of containment, resultant physical asset damage and/or environmental impact. A major accident event could impact production and financial performance of the Group. The Group could also be subject to regulatory actions, including fines and external reputation could be affected. Board Oversight: The Board sets the expectations for compliance with health and safety policies and training across the Group and regularly seeks assurance of compliance with health and safety processes by reviewing health and safety management information.	- Health and Safety is owned and driven by the leadership team who have a strong leadership culture, prioritising process safety culture and Stop Work Accountability. Safety and environmental performance measures are included in our Group scorecard and are regularly reviewed by management and the Board. - Robust and comprehensive HES policy in place, which includes Company Major Accident Prevention Policy (CMAPP) requirements providing a framework for all Group activities, supported by a Group management system. - Regulator-accepted safety cases for all offshore facilities, summarising management of potential Major Accident Hazards (MAH) Application of Robust Risk Assessment and Management of Change processes. - Active engagement with key contractors at all levels in the organisation to ensure alignment on safety expectations. - Line of Defence auditing framework in place, driving focus on prevention of MAHs, with regular progress reporting to the Board HSE Committee. - Independent assurance of Safety and Environmental Critical Elements (SECE) by an Independent Competent Person (ICP) as part of our Written Scheme of Verification with a process in place to ensure actions are managed and implemented appropriately. - Independent review of well programmes by our well examiner. - Crisis Management and emergency response processes, exercised regularly. - In 2023, we will continue to mature our leadership focus, investing in a programme of immersion of safety leadership expectations, developing our process safety culture with implementation of Process Safety Fundamentals, and completing training for our senior leaders in process safety leadership.
Cyber security breach	Cyber security is an ongoing risk to the Group due to the constantly evolving and intensifying threat landscape, which has heightened since the Russian invasion of Ukraine. Examples of specific threats include production downtime caused by disabled control system from an attack or a ransomware attack that encrypts critical Group data. A cyber attack could lead to significant financial costs, fines and reputational damage which would have a significant impact on the Group and adversely affect the Group's ability to achieve its strategic objectives. Board Oversight: The Board receives annual updates on the status of cyber security across the Group and emerging risks.	- Workforce education and ongoing awareness activities are in place with industry best practice controls implemented. - Effective operation of cyber security systems with 24/7 monitoring and detection by Security Operation Centre and associated incident response capabilities. - Oversight and review of Group policies, procedures and controls by the Information and Risk Management function to ensure continuous improvement with regulatory requirements and the evolving threat landscape. - Regular business continuity/disaster recovery planning and testing. - Regular penetration testing undertaken by 3rd party experts.

Risk title	Risk description	Key risk mitigations
Access to capital	The Group does not have access to sufficient capital to fund the capital investment required to deliver the core strategy of the Group. The current unstable UK fiscal landscape also potentially erodes access to future capital. A number of banks have announced plans to no longer offer Reserves Based Lending to oil and gas companies. Board Oversight: The Board monitors the capital arrangements and structure of the Group on a quarterly basis as part of the financial reporting cycle.	- Board approved capital allocation framework including net debt/EBITDAX cap, which is calculated quarterly, and forms part of the Protect leg of the capital allocation framework. - Diversified capital structure including Reserve Based Lending facility and Corporate Bonds. - Actively managed relationships with banks in the RBL facility and bondholders via quarterly calls. - Robust hedging programme to manage the impact of commodity price exposure on leverage ratios. - Governance structure to provide regular oversight and scrutiny of the Group's financial position. - Annual capital budget preparation is reviewed and approved at Board level. - Insurance programmes in place with respect to key asset risk areas including Captain loss of production risk.
Capital project execution and delivery	The Group is currently engaged in a significant level of capital project activity (e.g. Captain EOR II). The Group also has future capital project plans for greenfield developments, some of which require substantial levels of funding and technical expertise. Consequently, the Group faces significant risks associated with capital project execution and development. If a major capital project materially exceeds cost and schedule estimate it could erode project economics and create liquidity challenges for the Group. Board Oversight: The Board sanctions all new large capital projects and receives regular reporting on capital project progression throughout the year.	- Robust investment appraisal process to ensure that project cost and time estimate are sufficiently mature to make investment decisions and, where appropriate, independent benchmarking has been undertaken. - Project leadership team meet weekly to discuss key issues and actions across all project disciplines. - Monthly discipline risk meetings are held and consolidated at a project level, mitigation actions are identified and tracked to conclusion. - Contract placement follows a formal tender board process ensuring control and value realisation. - Contracts are well understood by the project team and contractor surveillance/management is performed at all levels. - Project reporting is prepared monthly and presented to all project stakeholders, internal and external. - Summary report on project progress and cost overruns where applicable are presented to the leadership team monthly and discussed at Board meetings.
Commodity price exposure and volatility	Oil and gas prices have seen unprecedented levels of volatility since the Russian invasion of Ukraine in February 2022. Future commodity prices are difficult to predict but are expected to remain subject to increased levels of volatility and speed of change. The fluctuations in supply and demand, and consequent impact on commodity prices, may result in the Group being unable to deliver the anticipated financial returns to shareholders and be unable to support all ongoing operations and capital projects. This could restrict growth opportunities for the Group and limit its ability to meet its strategic objectives. Board Oversight: The Board approves all changes to the Group's hedging policy and receives monthly reporting on the Group's hedging status.	- Effective oil and gas price hedging framework in place using swaps, puts and zero cost collars to protect from price downside risk whilst providing substantial price upside exposure. - Capital allocation framework designed to protect liquidity. - Balance of short and long-cycle capital investments. - Carbon credits auction participation undertaken in a disciplined manner in order to reduce exposure to price volatility.

RISK MANAGEMENT CONTINUED

PRINCIPAL RISKS CONTINUED

Risk title	Risk description	Key risk mitigations
Production delivery issues	As the Group's oil and gas fields mature, well performance can become more uncertain and the volumes and quality of oil and gas produced may differ from what was forecast. In addition, as the Group's offshore assets age, maintaining high operational and production performance becomes more challenging. Therefore, there is a risk of significant unexpected shutdowns and unplanned expenditure which can all impact production targets. Also, uncertainties introduced by introducing new chemicals to improve reservoir performance may have an adverse impact on topside facility performance. The Group may be unable to deliver oil and gas forecast production volumes which could then undermine the Group's overall strength and future growth and investment strategy. Board Oversight: The Board reviews performance of all assets and key production metrics throughout the year.	- Continual monitoring of production efficiency with losses identified and action taken to rectify. - Ongoing evaluation of process topsides including bottlenecks caused by equipment or chemistry issues to ensure timely remediation. - Key metrics including HES and other performance metrics (leading and lagging) agreed with Board and leadership team that are regularly reviewed at all levels. - Diversified portfolio containing operated and non-operated assets across the lifecycle. - Ongoing investment in key assets for drilling, production enhancement and equipment reliability and availability. - Continuous engagement with JV partners and regulatory bodies directly involved with North Sea oil and gas production.
Energy transition and Net Zero delivery	The Group is aligned with the government and industry regulator NSTA's Net Zero Framework and recognises that our Group needs to evolve to support the transition as we continue to focus on reducing emissions whilst supporting the UK's long-term energy needs. We have identified transitional risks on the route to Net Zero, including changes to supply, demand and pricing for our products as well as potential for changes to the regulatory landscape which may impact how we operate our Group and the associated costs of doing so. Changes to investor requirements could also impact our access to funding and societal expectations could impact our licence to operate. Longer-term physical risks related to changing meteorological conditions as a result of climate change are also included. Board Oversight: The Board sets the GHG/emissions targets for the Group and maintains oversight of the progress of the GHG/emissions reduction strategy.	- GHG/emissions reduction strategy and policies in place including 2040 Net Zero goal, endorsed by CEO and Board. - Progress versus targets regularly reviewed by CEO, leadership team and by Health, Safety, Environment and Security Committee. - Emission reduction targets linked to performance compensation. - Emissions metrics incorporated into investment decisions. - Emission forecasts built into annual Group planning processes, including analysis of carbon costs. - Processes established ensuring compliance with regulatory emissions reporting requirements, including independent verification by UKAS appointed verifier as part of UK ETS Order. - Working towards alignment with TCFD framework, including Climate Risk Assessment.

Risk title	Risk description	Key risk mitigations
Workforce recruitment and retention	The heightened commodity prices have increased demand for key, experienced, quality talent. Ithaca Energy faces a continuous challenge competing with local markets and competitors for specific skills and disciplines, especially with the general shift in the workforce dynamic in the UK and our industry, including an ageing and experienced workforce offshore. A loss of mature and key personnel may conflict with the requirements of a robust emergency preparedness organisation. Consequently, this would impact the business's capabilities and capacity in delivering the business plan, affecting the achievement of our strategic objectives and a reduction in shareholder value. Employee retention will prevent high turnover and our people strategy and developing plans will assist in increasing employee satisfaction, retaining our best employees. Our frameworks will allow for improved decision-making, including paying to market and applying supplements for key roles or individuals where appropriate, so that we attract the best qualified and skilled employees. This will help to complement our current workforce, creating a culture of success as a high-calibre, motivated and productive organisation where individuals feel invested in and thrive. Board Oversight: The Board reviews workforce planning status and initiatives at least annually to ensure key skills and knowledge are retained and developed across the Group.	• Succession planning and workforce planning is undertaken on a regular basis to evaluate our current and future needs, in line with the Group strategy (to help identify critical gaps and ensure continuity in key and leadership positions; retaining and developing the knowledge, quality and skills needed). • Compensation and benefits are benchmarked against the market and our peers, to ensure we remain fair, equitable and attractive to new and existing employees. • Performance management process in place with plans to enhance our annual performance reviews, linking them to our core values. • DE&I Committee in place with the aim to improve awareness across the organisation and create a more inclusive environment. • Revised recruitment policy to be more inclusive, working alongside our DE&I Committee to develop a plan with the aim of being an employer of choice. • Refreshed vision, values and behaviours developed in 2022 with input from a cross section of the organisation. • Employee consultative forum providing direct access for onshore and offshore employees to senior management. • Monthly reporting to identify patterns and trends that will mitigate potential risks to the business. • Nurture our talent across all levels, by designing learning and development programmes that demonstrate career growth and progression.
Supply chain capacity and capability	Group success and achievement of strategic objectives is dependent on supplier performance. We recognise that our suppliers are subject to similar principal risks to our own that impact on their capacity and capability e.g., workforce retention and recruitment, financial pressures and cost escalation, volatile commodity prices and regulatory compliance. Supply chain risks could result in delays and/or increased cost to capital projects, increased unplanned production downtime, increased safety or environmental incidents, regulatory breaches which may impact achievement of strategic objectives and shareholder value. Board Oversight: The Board maintains oversight of the supply chain and associated key risks with a formal review at least annually.	• Formal tendering framework in place to ensure that both technical and financial hurdles are established and met by potential suppliers prior to appointment. • Diversification of suppliers and back up providers contracted for key scopes. • Robust supplier due diligence and qualification process. • Order delivery and cost overruns are monitored through pro-active contractor management and expediting of orders. • Enhanced liaison, communication and management of key suppliers throughout capital projects lifecycle. • Specific contractual requirements and obligations (which are stated as Special Conditions within Contracts) in relation to (i) Data Privacy – GDPR; (ii) Information Management; and (iii) Cyber Security.

RISK MANAGEMENT CONTINUED

PRINCIPAL RISKS CONTINUED

Risk title	Risk description	Key risk mitigations
Governmental regulatory, political policy and fiscal risk	The Group could be adversely impacted by changes to the fiscal, regulatory and political regime that may undermine its ability to meet its production commitments and deliver its strategy. Furthermore, the Group is entirely exposed to the UK jurisdiction and within the UK there is currently a significant level of political uncertainty that impinges on the UK Oil and Gas sector. The EPL was introduced by the UK Government in 2022, increasing the tax burden on the Group. The EPL rate has already been increased since it was first announced, and future changes may arise. The consequence of fiscal, regulatory or political change could significantly impinge on the future profitability of the Group and also on the economic feasibility, scale and phasing of the future investment plans. The Group is also subject to increasing threat of legal challenge e.g. environmental challenge. This may result in protracted legal cases/judicial reviews that may delay the planned completion of future capital project developments. Board Oversight: The Board oversees the key regulatory and governance requirements of the Group through at least annual review of the evolving risk areas, updates from relevant specialists and the detailed work of Board sub-committees on specific operational, HSE and fiscal matters.	- The Group engages in regular and constructive consultations with regulatory bodies, UK government departments and industry associations, to ensure the value of the industry on energy security, training etc. - Active member of the industry trade associate contributing to the strategic direction and supporting alignment across the industry. - The Group has considerable experience and robust procedures to manage legal cases and judicial review.
Major compliance breach	The Group is subject to extensive legislative and regulatory requirements including HSE, Environmental, Corporate Governance, Financial and Taxation, HR, Legal, etc. A failure to establish and maintain an effective compliance framework may lead to deficiencies in key processes or controls and to the risk of a major regulatory compliance breach that results in significant sanctions, reputational damage, financial loss and potentially a loss of licence to operate or a prohibition notice resulting in the shutdown of activities. This could increase scrutiny from regulators and restrict the Group's ability to operate effectively impacting the overall delivery of the strategic objectives. Board Oversight: The Board sets the expectations of compliance with legislative and regulatory requirements and seeks regular assurance over compliance with Group policies.	- Robust HSE policies and procedures are reviewed and approved by the Board. Regulatory portal competence and training, together with necessary safety culture, embedded across the Group. - Corporate compliance policies include: Anti Bribery and Corruption policy in place with training (refreshed annually), Conflict of Interest Policy, Anti-Facilitation of Tax Evasion Policy, Anti-Money Laundering Policy, Modern Slavery and Human Trafficking Policy, Outsourcing Process Policy, Whistleblowing Policy, Sanctions Policy, Ithaca Energy Code of Conduct. - Comprehensive system of internal controls over financial reporting with ongoing work to enhance and develop the robustness of material processes and controls. - Appropriate joint venture management and support from commercial and legal with respect to Joint Operating Agreement/Unitisation and Unit Operating Agreement compliance. - Procedures in place for Group breaches i.e., Disclosure Policy, Share Dealing Code, Share Dealing Procedure Manual, Group-Wide Dealing Policy. - Established governance committees with defined roles and responsibilities for Audit & Risk, HSE, Nomination, Remuneration and Disclosure.

VIABILITY STATEMENT

The Directors have assessed the viability of the Group over a three year period to 31 December 2025 (the viability statement period) which was selected for the following reasons:

- At least annually, the Board considers the Group's operating cycles, business plan projections and debt facility requirements over the coming three-year period.
- Within the three-year period, liquid commodity price forecasts are available to use in the business plan projections. Given the lack of forward liquidity in oil and gas markets after this three year period the Group is reliant on its own internal estimates of oil and gas prices without reference to liquid forward curves.

The viability assumptions are consistent with the going concern assessment for the period to 30 June 2024 as set out in note 3 of the financial statements with the additional assumption of a crude oil price of \$77/bbl and a UK NBP gas price of 128p/therm in the second half of 2024 and a crude oil price of \$73/bbl and UK NBP gas price of 111p/therm in calendar year 2025. This assessment included the potential financial and operational impacts, in severe but plausible scenarios, of the principal risks faced by the Group, relevant financial forecasts and sensitivities, and the availability of adequate funding.

Climate change

The Board has also considered how climate risk could impact the Group's viability. Further details of the Group's assessment of risks and opportunities from climate change is contained in our TCFD disclosures on pages 43 to 49.

Sensitivity analysis and reverse stress tests

Sensitivities to the base case have been undertaken in line with the principal risks of the business that are considered to have the potential to directly impact the viability of the Group in the three year period. The sensitivities reflect the combined impact of reductions in crude oil prices and UK natural gas prices of 20% and reductions in production levels of 10% throughout the period to 31 December 2025. In addition, a 10% increase in both opex and capex was modelled across the viability statement period. In these combined downside scenarios the Group is forecast to have sufficient financial headroom and to operate within the requirements of its financial covenants throughout the viability statement period in the context of the mitigation strategies available to management.

In addition, reverse stress tests have been performed on the base case cash flows reflecting further reductions in commodity prices and production volumes, prior to any mitigating actions and strategies, to determine at what levels each would need to fall by, whereby either lending covenants would be breached or liquidity headroom would run out. These reverse stress tests demonstrated that the likelihood of the commodity price reductions or production volume reductions which would cause either a covenant breach or a lack of facility headroom, is remote in the context of the mitigation strategies available to management (see Going Concern disclosures on pages 61 and 140).

Other principal risks

The sensitivities outlined above have particularly focused on the following principal risks: production delivery issues risk, commodity price exposure and volatility risk, access to capital risk and capital project execution and delivery risk. The other principal and emerging risks facing the Group as set out on pages 64 to 68 have also been considered over the viability

statement period. On top of the sensitivities run for commodity prices and production volumes described above, the potential impacts of the Group's other principal risks on the viability of the Group over the viability statement period has been considered. The Board has reviewed the risk mitigation strategy for each of these individual risks and believes that either that risks are likely to manifest outside the three year viability window or that the mitigation strategies are sufficient to reduce the likelihood and impact of these risks such that either individually or collectively, they would be unlikely to jeopardise the Group's viability over the period to 31 December 2025. In reaching our conclusion on viability, it has also been assumed that the Group's RBL facility can be refinanced on terms that are materially consistent with the current arrangements, or that other similar capital can be accessed, and that no changes are made to the current enacted fiscal and tax regime.

Conclusion

Based on the results of this analysis as set out above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operational existence and meet its liabilities as they fall due over the period to 31 December 2025 and that the likelihood of extreme scenarios which would either lead to a breach of covenants or lack of liquidity, is remote.

The Board confirms that in making this statement that it carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity.

This strategic report was approved on behalf of the Board on 30 March 2023.

ALAN BRUCE
Director



CORPORATE GOVERNANCE

CHAIR'S INTRODUCTION

Dear Stakeholder,

I am pleased to present the Governance report for Ithaca Energy plc for the year ended 31 December 2022, following the Group's admission to the London Stock Exchange in November 2022. This section will enable you to gain an understanding of Ithaca Energy's governance framework and responsibilities, and the areas of focus and performance of the Board over the past year.

We recognise the importance of corporate governance across the organisation and apply and report under the 2018 UK Corporate Governance Code (the Code).

Corporate governance

The Board is committed to delivering the highest standards of corporate governance and to maintaining a sound framework for the control and management of the Group. The Board holds a deep understanding of their role and responsibilities in terms of delivering

results to shareholders and acting in accordance with the requirements expected of a UK premium listed company.

Immediately prior to the Group's admission to the premium segment of the London Stock Exchange, Ithaca Energy assembled a world class Board of Directors with significant oil and gas and public markets experience. We were delighted to have appointed John Mogford to the role of Senior Independent Director and are already seeing the benefits of his significant industry experience and his rigour and independent challenge in the boardroom.

Since the new Board was established in late October 2022, they have met on several occasions to establish, discuss and prioritise the key areas of focus for the Board, and the Group, to continue Ithaca Energy's success. The Group's Non-Executive Directors meet regularly on a one-on-one basis with members of the leadership team and as a group of Independent Directors without management present. On 30 March 2023, the Board approved the appointment of Mr Itshak Sharon Tshuva, the controlling shareholder of Delek, as a Non-Executive Director of the Company. We welcome Mr Tshuva, and the wealth of experience he brings, to the Board. The Board remains committed to delivering the highest standards of corporate governance, and while we remain in compliance with provision 11 of the Code in relation to composition of the Board, following Mr Tshuva's appointment, the Company will seek to recruit a further Independent Non-Executive Director to the Board.

The Board is supported by a high-calibre and experienced leadership team with over 200 years of combined experience. The leadership team, with the guidance of the Board, continue to focus on maximising value for shareholders through delivering operational excellence while embedding the Group's new vision and values across the organisation, highlighting the need to act safely in all areas of operations and to strive to be the 'Strength of the North Sea'.

The Group's relationship with its major shareholder, Delek Group Limited is rightly a key focus for the Board in relation to establishing our corporate governance framework. Upon admission to the London Stock Exchange, we entered into a relationship agreement with DKL Energy Limited, the immediate parent of Ithaca Energy plc, to regulate the relationship between ourselves and our majority shareholder, to ensure that the Group operates independently and in accordance with the highest standards of governance. Further information in relation to the relationship agreement can be found on page 77.

Sustainability and balancing stakeholder interests

Our vision is to be a leading independent exploration and production company in the UK North Sea, balancing meeting the energy needs of the UK with operating in a sustainable manner. Through the safe, efficient and responsible production of our assets we aim to maximise value for our shareholders. As a Board, we place acting sustainably and responsibly for the benefit of our people and our wider communities at the heart of our strategy. The Board has endorsed key targets supported by a well-defined emissions reduction strategy with a target of achieving Net Zero by 2040, on a Scope 1 & 2 net equity basis.

We seek to engage with stakeholders in an open, constructive and transparent manner and make genuine efforts to ensure stakeholder views and interests are considered in a balanced manner as part of the Board's decision-making process. As required by s414CZA of the Companies Act 2006, we have included a s172(1) statement on pages 32 to 36 of this report detailing how we actively engage with all key stakeholders of the Group. Having considered the views of a range of stakeholders including our shareholders, lenders, employees, suppliers and the wider community in which we operate, the Board has approved goals in the key areas of delivering against our sustainability goals.

With this clear ESG mindset embedded across our operations, the Board has introduced ESG specific performance targets to future annual bonus awards and long-term incentive plans for the Group's executive directors, reflecting the importance the Board places on delivering our sustainability goals while maximising returns to shareholders in a responsible manner.

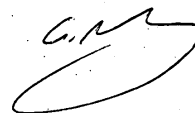
Board activities during 2022 and effectiveness

As a newly established Board, we are in the early stages of our journey in establishing our Board activities. But with significant, UK public market experience around the Board table we have begun this journey in a highly effective manner, recognising the importance of corporate governance to achieving our goal of maximising value for our shareholders. A summary of our key activities, since establishment in October 2022, is set out on page 79 along with the reports of the various Committees. In line with the Code, a Board effectiveness review will be undertaken by an external facilitator.

Board priorities for 2023

One of our key objectives for 2022 was to build significant scale and longevity in our portfolio and achieve a listing on the London Stock Exchange, positioning the Group for future growth. Having achieved our return to public markets, our focus now shifts to delivering against our strategy and being effective stewards of capital investing across our portfolio to maximise returns to shareholders. It has been a busy year for Ithaca Energy, and I would like to take the opportunity to thank all of our Directors, employees, shareholders, partners and contractors for their continued support in our growth and making 2022 a very successful year for the Group.

GIL MYERSON
Executive Chairman



BOARD OF DIRECTORS

“

WE ARE DELIGHTED TO HAVE APPOINTED THE BOARD OF DIRECTORS, AS PART OF OUR RECENT LONDON STOCK EXCHANGE LISTING, PROVIDING THE DEPTH AND BREADTH OF PUBLIC MARKET EXPERIENCE TO STEER THE GROUP THROUGH ITS NEXT PHASE OF GROWTH.”

GILAD MYERSON
Executive Chairman

We have an exceptionally high-quality, complementary and ambitious Board of Directors, supplemented by a strong leadership team with a significant track record, that together are well-positioned to drive the Group forward in the pursuit of continued growth and shareholder value creation.

As of 30 March 2023, Mr Itshak Sharon Tshuva was appointed to the Board of Directors as a Non-Executive Director. For further information on his appointment, see page 74 of the Corporate Governance Statement.

GILAD MYERSON
Executive Chairman and Chair of the Nomination and Governance Committee

Date of Joining:
January 2020

Experience & Board contribution:
Gilad joined the Group in 2019 to drive the growth of the Company. Currently the Executive Chairman of Ithaca Energy, Gilad also served as the CEO and CFO of the Group during the Group's transformational journey. Gilad has more than 25 years of experience building businesses and driving value-creation initiatives in the Private Equity industry. He joined the Group after serving as the COO of Theramex, a global specialty pharmaceutical company dedicated to women and their health, backed by CVC Capital. Prior to Theramex, Gilad was a Partner at McKinsey & Company where he co-led the Private Equity Practice in EMEA, and served many of the leading US and European private equity funds on acquisition, value capture, transformation and exit of companies, achieving returns of two to six times multiple of money. Gilad has a degree in Bioinformatics from the Bar Ilan University, 2005.

Principal External Appointments:
None

Committee Membership:
Nomination and Governance Committee – Chair; and Disclosure Committee

ALAN BRUCE
Chief Executive Officer

Date of Joining:
October 2022

Experience & Board contribution:
Alan joined the Group in August 2021 as Chief Operating Officer and in January 2022 assumed the role of Chief Executive Officer. Alan brings an in-depth knowledge of the energy industry and has significant technical and management expertise having held leadership positions in Subsurface, Operations, Asset Management and Business Planning in the UK, Canada, and USA with ConocoPhillips. His experience in strategic planning and capital allocation has supported the transformational growth of the Group. In previous roles, he has led organisations in delivering improved safety and financial performance. Alan is passionate about creating a diverse and inclusive work environment and has implemented a programme focused on culture within the Group.

Principal External Appointments:
Member of the board of Offshore Energy UK

Committee Membership:
Disclosure Committee

CORPORATE GOVERNANCE CONTINUED

BOARD OF DIRECTORS CONTINUED

IAIN LEWIS
Chief Financial Officer

Date of Joining:
October 2022

Experience & Board contribution:

Iain joined the Group in July 2022 and is a Chartered Accountant with over 20 years of upstream oil and gas finance experience in public practice and the multinational corporate environment. Iain brings to the Board deep experience in upstream financing, accounting, capital markets, risk management and capital project management developed over ten years with EY holding senior positions in the UK and Canadian extractive industry practices and over 13 years in executive roles in the Abu Dhabi-listed TAQA Group. A career focused mainly on UK upstream finance but with global experience and insight in midstream, infrastructure and the wider energy value chain means that Iain is well positioned to drive cost efficiency and long-term value as the Group CFO.

Principal External Appointments:
None

Committee Membership:
Disclosure Committee

IDAN WALLACE
Non-Executive Director

Date of Joining:
October 2022

Experience & Board contribution:

In January 2020, Idan was appointed as the CEO of Delek Group Ltd, the controlling shareholder of Ithaca Energy. Prior to this, he served as the CEO of Tshuva Group, a group of private companies owned by Yitzhak Tshuva, the controlling shareholder of Delek Group. Idan also served as a director in number of leading companies in the energy, real estate, and media sectors. Idan brings to the Board his extensive expertise in capital markets and in the energy sector and a genuine perspective on global business landscape. He also has wide experience in finance and in initiating and implementing major business moves and delivering results. Mr Wallace holds a degree in law from Tel Aviv University and is a member of the Israel Bar.

Principal External Appointments:
Chief Executive Officer, Delek Group Limited

Committee Membership:
Nomination and Governance Committee

JOHN MOGFORD
Senior Independent Director

Date of Joining:
October 2022

Experience & Board contribution:

John has significant global executive experience, including in oil and gas, capital allocation discipline, commodity value chains and health, safety and environment. His career has been spent in various leadership, technical and operational roles. After 32 years in BP, with roles in upstream, downstream, renewables and as head of HSE, culminating in positions on the Executive Committee, John has served as Managing Director and Operating Partner of First Reserve on the Boards of First Reserve's investee companies, including chair of Amromco Energy LLC, White Rose Energy Ventures LLP, non-executive director of DGE, DOF Subsea AS and MidStates Petroleum, Independent Non-Executive of BHP Group Limited, ERM Worldwide Group and the Weir Group Plc. He is a fellow of the Institute of Mechanical Engineering.

Principal External Appointments:
None

Committee Membership:
Audit and Risk Committee; Health, Safety, Environment and Security Committee; Nomination and Governance Committee; and Remuneration Committee

DEBORAH GUDGEON
Independent Non-Executive Director and
Chair of the Audit and Risk Committee

Date of Joining:
October 2022

Experience & Board contribution:

Deborah qualified as an ACA accountant at PwC (Coopers & Lybrand) before spending eight years as Finance Executive with the Africa-focused mining and trading group Lonrho plc. Deborah subsequently held positions with Deloitte, BDO, Gazelle Corporate Finance and Penfida Limited. Deborah has significant experience in acting as an Independent Non-Executive Director having held that position at Petra Diamonds Limited, Evraz plc, Highland Gold Mining Limited and Acacia Mining plc. As well as being an Independent Non-Executive Director, Deborah was also chair of the Audit Committee for each of these entities making Deborah a strong fit for the board. She brings a highly valued contribution in terms of board plc experience and has vast experience of corporate finance, which is an important element of the Board's ability to deliver its strategy.

Principal External Appointments:
Petra Diamonds Limited

Committee Membership:
Audit and Risk Committee – Chair; and Remuneration Committee

DAVE BLACKWOOD

Non-Executive Independent Director and Chair of the Health, Safety, Environment and Security Committee

Date of Joining:
October 2022

Experience & Board contribution:

Dave has over 47 years' experience in the oil and gas sector, including seven years in the service sector with Schlumberger in the North Sea and the Middle East, and 27 years in various global roles within BP, including heading up BP's upstream business in the UK and Norway. Since leaving BP in 2009, Dave has been a Senior Advisor with Evercore, a Non-Executive Director with Valiant Petroleum, Expro, and Premier Oil plc for four years, from 2017 to 2021. Dave has a strong understanding of the technical and commercial issues in play within a full cycle oil and gas company and has a depth of experience in developing and managing large scale complex oil and gas assets. Dave brings a wealth of experience to the Board as the Group manages current projects in the UKCS and assesses future opportunities.

Principal External Appointments:
Senior Advisor, Evercore

Committee Membership:
Health, Safety, Environment and Security Committee – Chair

LYNNE CLOW

Non-Executive Independent Director and Chair of the Remuneration Committee

Date of Joining:
October 2022

Experience & Board contribution:

Lynne is an experienced HR and Operational Director who has worked extensively in the UK and abroad, across a variety of sectors. In February 2022, Lynne was appointed as a Non-Executive Director of the Board of Highlands and Islands Airports Limited for a three-year term. Lynne is also a member of the Children's Panel in Scotland and a member of the Remuneration Committee for Robert Gordons University. Lynne has a wealth of strategic and commercial experience obtained in KCA Deutag which, in addition to her experience on the remuneration committee of Robert Gordons University and her depth of experience in human resources, enables her to make a valuable contribution to the Board and as Chair of the Remuneration Committee.

Principal External Appointments:
Dundee Airport Limited; Highlands and Islands Limited; We Are With You; and Scottish Prison Service

Committee Membership:
Remuneration Committee – Chair; and Nomination and Governance Committee

ASSAF GINZBURG

Non-Executive Independent Director

Date of Joining:
October 2022

Experience & Board contribution:

From 2004 until May 2020, Assaf held a number of senior positions at Delek US Energy and Delek Logistics Partners LP, including EVP and Chief Financial Officer. Assaf is currently the chief financial officer of Ormat Technologies, a global operator and developer of renewable energy electricity projects which offers geothermal, recovered energy, energy management and storage solutions. Prior to this, Assaf was a member of the Boards of Directors for each of Alon USA Energy and Delek Logistics Partners LP. Assaf has a B.A. in accounting and economics from Tel Aviv University. As an experienced finance professional and expert in alternative energies, Assaf contributes valuable insight to the Board as the Group shapes its energy transition plans.

Principal External Appointments:
Ormat Technologies, INC

Committee Membership:
Audit and Risk Committee; Nomination and Governance Committee; Remuneration Committee; and Health, Safety, Environment and Security Committee

JULIE MCATEER

General Counsel and Company Secretary

Date of Joining:
October 2022

Experience:

Julie joined the Group as Legal and HR Director (since renamed General Counsel and Company Secretary) in February 2020 and has over 25 years' of experience in the oil and gas sector. Julie previously held senior leadership and legal manager/corporate and commercial roles with major operators and independents covering matters in the UKCS and internationally. For the previous eight years Julie was Legal Manager and on the leadership team at Premier Oil. Prior to this she occupied legal roles for Dana Petroleum plc, Elf Exploration and TotalEnergies. Julie holds a law degree from the University of Aberdeen and is dual-qualified to practice in both Scotland and England.

As Company Secretary, Julie is responsible for advising the Board on all governance matters.

CORPORATE GOVERNANCE CONTINUED

CORPORATE GOVERNANCE REPORT

STATEMENT OF COMPLIANCE

The Board is committed to the highest standards of corporate governance and to maintaining a sound framework for the control and management of the Group. The Company applies the provisions of the Financial Reporting Council's UK Corporate Governance Code 2018 (the Governance Code) except as disclosed on page 77. The Governance Code can be found on the Financial Reporting Council's website at www.frc.org.uk. Details of the Company's approach to applying the key principles of the Governance Code follows.

The Board is responsible for leading and controlling the Company and has overall authority for the management and conduct of the Group's business, strategy and development. The Board monitors the culture of the Group as well as how the Group is working in line with its purpose and how it aligns with Ithaca Energy's vision and values. The Board is also responsible for ensuring the maintenance of a sound system of internal controls and risk management (including financial, operational and compliance controls) and for reviewing the overall effectiveness of systems in place as well as for the approval of any changes to the capital, corporate and/or management structure of the Group.

The Board will meet at such times as are necessary, but not less than four times a year. We note that as of 30 March 2023, Mr Tshuva was appointed to the Board and therefore has not been included in the table of attendance to meetings of the Board.

Table of meeting attendance since 9 November 2022

Name	Board Meetings	Audit and Risk Committee	Remuneration Committee	Nomination and Governance Committee	Health, Safety, Environment and Security Committee
Gilad Myerson	10/10	N/A	N/A	1/1	N/A
John Mogford	10/10	6/6	3/3	1/1	2/2
Alan Bruce	10/10	N/A	N/A	N/A	N/A
Iain Lewis	10/10	N/A	N/A	N/A	N/A
Deborah Gudgeon	10/10	6/6	2/3	N/A	N/A
Lynne Clow	10/10	N/A	3/3	1/1	N/A
Dave Blackwood	10/10	N/A	N/A	N/A	2/2
Assaf Ginzberg	9/10	5/6	2/3	1/1	1/2
Idan Wallace	9/10	N/A	N/A	1/1	N/A

1. Board Leadership and Company purpose

Principles	How we have applied the principle
A. A Board's Role	The Board's role is to promote the long-term sustainable success of the Group. Our Directors bring a diverse set of skills, experience and industry knowledge to help the Board operate in its oversight in the delivery of the Group's strategy. Ithaca Energy is committed to the highest standard of corporate governance and to maintaining a sound framework for the control and management of the Group. The Board of Directors hold the Executive Chairman, the Chief Executive Officer and the Executive Leadership Team to a high standard. The Executive Chairman works with fellow Board members to ensure the highest standards of corporate governance with a robust, comprehensive corporate framework. For more information, please see pages 71 to 73 (Board of Directors) and 78 (Board Leadership and Company Purpose).
B. Purpose, culture and strategy	In 2022, the Company relaunched its core organisational vision, values and behavioural framework, to 'bring strength', 'deliver results', 'express ourselves' and 'be considered'. This aligns with the organisational goals that create a differential advantage and emphasises excellence throughout the business. A key focus for the Board is the continued establishment of these values within the business through the establishment of the Employee Engagement Group to be led by the Employee Engagement Director, Lynne Clow, and roll out of the culture ambassador team who are members of the workforce empowered to provide insight to the workforce on the adoption of our visions, values and behaviours. For more information, please see pages 50 to 51 (Strategic Report)
C. Resources and controls	Ensuring that the Group has in place robust processes and systems is a key responsibility of the Board and the Audit and Risk Committee. In 2022, the Audit and Risk Committee undertook a review of the internal controls and processes and the outcomes of that review remains a key focus for 2023. Following the establishment of the Remuneration Committee, the Board is working with the leadership team to establish new performance measurement tools in line with the Group's visions and values. For more information, please see pages 89 to 112 (Directors' Remuneration Report)
D. Stakeholder engagement	The Board recognises the value that our stakeholders bring to the Group and care about the positive impact for our people, shareholders and communities. Active engagement with our stakeholders is at the heart of Ithaca Energy's values. The Board seeks to ensure there are numerous opportunities to engage with stakeholders whether that be one-to-one meetings with shareholders, dialogue with our lending institutions, monthly meetings with our suppliers or town halls with our employees. For more information, please see pages 32 to 36 (Strategic Report)
E. Workforce policies	As part of the preparation for listing, a significant review of the Group's policies and procedures was undertaken. The Board is committed to ensuring that these policies remain in line with our visions and values. For more information, please see pages 52 to 53 (Strategic Report)

2. Division of responsibility

Principles	How we have applied the principle
F. Chair	The Executive Chairman, Mr Myerson, is responsible for the overall effectiveness in directing the Group. Mr Myerson was appointed to the Board in January 2020, and whilst not considered as independent, the Nomination and Governance Committee and the Board consider that the role of an Executive Chairman is in the best interests of the Group in order to utilise proven leadership qualities and significant experience of Mr Myerson to seek to ensure the ongoing commercial success of the Group. The Executive Chairman works alongside the Senior Independent Director, Mr John Mogford, who brings a depth of experience and calibre and serves as an intermediary for the Non-Executive Directors with respect to the Executive Chairman. For more information, please see pages 71 to 73 (Board of Directors) and 77 (other governance disclosure)
G. Board composition, independence and division of responsibilities	The Board consists of three Executive Directors (of whom one is the Executive Chairman), five independent Non-Executive Directors who bring an independent view to the Board, one of whom acts as Senior Independent Director and who brings significant experience and one Non-Executive Director, Mr Idan Wallace, who is not deemed independent as appointed by Delek Group Limited, the Group's largest shareholder and therefore complies with the Governance Code. The Directors are collectively responsible for the success of Ithaca Energy. The roles of the Board, the Committees, the Executive Chairman, the Senior Independent Director and the CEO are documented in addition to the matters reserved for the Board and delegation authorities to the CEO. For more information, please see pages 71 to 73 (Board of Directors) and 77 (other governance disclosure)
H. Non-Executive Director's role and time commitment	The Non-Executives provide a pivotal role for the Board in exercising objective judgement in respect of Board decisions, holding the leadership team to account by providing scrutiny and challenge. The Senior Independent Director serves as a sounding board for the Executive Chairman and acts as intermediary for both the Non-Executive Directors and the Group's stakeholders. The Non-Executive Directors have all committed sufficient time to Ithaca Energy to meet their duties in relation to formal meetings of the Board and the relevant Committees as well as commit time through the year to meet and discuss issues with the leadership team. For more information, please see pages 71 to 73 (Board of Directors)
I. Company Secretary	The Company Secretary provides support to the Board and its Committees to ensure they receive accurate and timely information to carry out their function effectively. Procedures have been set out in the terms of reference to ensure that information and relevant papers are provided to the relevant members of the committees and Non-Executive Directors in a timely manner. The Company Secretary has frequent communication with the Executive Directors and the Senior Independent Director and with other members of the Board when required. Furthermore, advice from external advisers can be provided at the expense of the Group if required. For more information, please see pages 71 to 73 (Board of Directors)

3. Composition, succession and evaluation

Principles	How we have applied the principle
J. Appointment and succession planning	The Nomination and Governance Committee, and where appropriate the full Board, regularly reviews the size, structure and composition of the Board. It is also responsible for reviewing the succession plans for Directors, including the Chairman and Executive Directors and other senior executives, and also oversees the development of a diverse pipeline for succession. All Directors will retire at the AGM, and may offer themselves for re-election by the shareholders. For more information, please see pages 85 to 86 (Nomination and Governance Report)
K. Skills, experience and knowledge	The Board ensures that each of the Committees comprise of a number Non-Executive Directors whose skill, diversity, experience and knowledge are appropriate. For more information, please see pages 71 to 73 (Board of Directors)
L. Board evaluation	The Board and Committees were established ahead of the initial listing of the Company on the Main Market of the London Stock Exchange and so it is yet to undertake an annual review. The Directors therefore intend to put themselves up for re-election at the Company's next Annual General Meeting (expected to be held in the second quarter of 2023). Further, it is intended that the Directors will continue to put themselves up for annual re-election at each further Annual General Meeting of the Company. For more information, please see pages 71 to 73 (Board of Directors)

CORPORATE GOVERNANCE CONTINUED

CORPORATE GOVERNANCE REPORT CONTINUED

STATEMENT OF COMPLIANCE CONTINUED

4. Audit, risk and internal control

Principles	How we have applied the principle
M. Internal and external audit	The Audit and Risk Committee is responsible for monitoring the relationship with, and effectiveness and independence of, our external auditors. Pursuant to its terms of reference, the Audit and Risk Committee is responsible for the consideration and recommendation to the Board, and ultimately the shareholders, the appointment, re-appointment and removal of the Group's external auditors. Since its establishment on 31 October 2022, the Audit and Risk Committee has met 6 times and has devoted a significant amount of time to the discussion of the Company's internal policies and procedures and the effectiveness of the external and internal audit functions of the Group. For more information, please see pages 80 to 84 (Audit and Risk Committee Report)
N. Fair, balanced and understandable assessment	The Board confirms that, in its view, the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. For more information, please see pages 80 to 84 (Audit and Risk Committee Report) and pages 113 to 116 (Directors' report and Statement of Directors' responsibilities)
O. Risk management	The Board is responsible for the Group's system of risk management system and internal controls. As part of the preparation for listing process, the Group underwent a review of its internal control frameworks and following its establishment, the Audit and Risk Committee has continued to assess its principal risks and processes and internal controls framework to ensure they are appropriate and aligned with the Board's expectations. For more information, please see pages 80 to 84 (Audit and Risk Committee Report)

5. Remuneration

Principles	How we have applied the principle
P. Remuneration policies and practices	The Remuneration Committee is responsible for determining the policy for Directors' remuneration and setting remuneration for the Executive Chairman, the Executive Directors and the senior managers who report directly to the Chief Executive Officer to ensure that they support alignment with the Group's KPIs and long-term strategy. For more information, please see pages 89 to 112 (Directors' Remuneration Report)
Q. Developing executive remuneration policy	Since its establishment in October 2022, the Remuneration Committee has been working to establish a Directors' Remuneration Policy which will promote the delivery of the long-term strategy of the Group and support its objective to retain and recruit talent to our Board and senior management. As set out in the Remuneration Committee's terms of reference, no Director may be involved in the decision-making in relation to their own remuneration outcomes. For more information, please see pages 89 to 112 (Directors' Remuneration Report)
R. Remuneration outcomes and independent judgement	To ensure that the Remuneration Committee maintains an independent judgement when determining remuneration outcomes it considers a range of data including detailed business and individual performance information. The Remuneration Committee also receives advice from external advisers which it considers to be objective and independent. For more information, please see pages 89 to 112 (Directors' Remuneration Report)

Other governance disclosure

The Company was fully compliant with the Governance Code since the date of listing on the Main Market of the London Stock Exchange in November 2022, with the exception of Provision 9 regarding the independence of the Chairman on appointment. The Company's Executive Chairman, Mr Myerson, is not considered to be independent and therefore the Company does not comply with the requirements of the Governance Code in relation to the requirement for the Chair to be independent on appointment. On listing, the Board unanimously supported, and continues to support, Mr Myerson's appointment. The Nomination and Governance Committee and the Board consider that the role of an Executive Chairman is in the best interests of the Group in order to utilise the proven leadership qualities and significant experience of Mr Myerson to seek to ensure the ongoing commercial success of the Group and the Board is of the view that there is sufficient independent challenge and judgement within the Board to ensure highly effective, independent governance.

Relationship agreement

Delek Group Limited, through its wholly owned subsidiary DKL Energy Limited, owns a 89% shareholding in the Company and so is deemed a controlling shareholder for the purposes of the Listing Rules. As a result, the Company and Delek Group Limited entered into a relationship agreement dated 9 November 2022 (the Relationship Agreement) upon the listing of the Company on the Main Market of the London Stock Exchange, which records the basis on which the Company and Delek regulate the relationship between them.

Notwithstanding Delek's position as a controlling shareholder, the Directors believe the Company is still able to carry on an independent business. The

Relationship Agreement came into effect upon the listing of the Company on the Main Market of the London Stock Exchange and will continue in force unless and until (i) the shares of the Company cease to be listed on the premium listing segment of the Official List and traded on the London Stock Exchange main market (ii) Delek cease to own 30% or more of the Ordinary Shares of the Company. The Relationship Agreement complies with the independence provisions set out in Listing Rules 6/5/4R and 9.2.2ADR.

Under the Relationship Agreement,

- For so long as Delek holds not less than 50% of the shares of the Company, it is entitled to:
 - Appoint one observer to the Board, the Remuneration Committee and the Audit and Risk Committee; and
 - Appoint one Director to the Nomination and Governance Committee.
- Whilst Delek holds not less than 20% of the shares of the Company, it is entitled to nominate a maximum of two Non-Executive Directors to the Board of the Company (provided that the Board is able to comply with the Governance Code).
- Whilst Delek holds not less than 10% of the shares of the Company, it is entitled to nominate a maximum of one Non-Executive Director to the Board of the Company.

As at the current time, Itshak Tshuva (Non-Executive Director) and Idan Wallace (Non-Executive Director) are the Delek nominated appointed directors and Tamir Polikar is the appointed observer for the Board and the Audit and Risk Committee and Leora Pratt Levin is the appointed observer for the Remuneration Committee.

Under the Relationship Agreement, Delek undertakes that it shall:

- not take any action that would have the effect of preventing the Company from complying with the Listing Rules;
- not propose or procure the proposal of a shareholder resolution of the Company which is intended or appears to be intended to circumvent the proper application of the Listing Rules;
- comply with the Listing Rules, the Disclosure Guidance and Transparency Rules, the requirements of the London Stock Exchange, the FSMA, the Financial Services Act, UK MAR or the City Code that apply to it in connection with the Company or take any action that would prevent the Company with complying with the same regulations;
- not exercise any of its voting rights in the Company in a way that would be inconsistent with, or breach any of the provisions of the Relationship Agreement; and
- not, unless approved by the Board, take any action or omit to take any action which would be likely to result in the cancellation of admission to the main market of the London Stock Exchange.

In accordance with the Listing Rules, the Board confirms that, since the date of listing of the Company:

- The Company has complied with the undertakings in the Relationship Agreement;
- So far as the Company is aware, Delek and its associates have complied with the undertakings in the Relationship Agreement; and
- So far as the Company is aware, Delek has complied with the obligation included in the Relationship Agreement to procure the compliance of its associates with the undertakings in the Relationship Agreement.

Gender Diversity

Consistent with our peers, there is gender imbalance in technical and operations roles in our business which we are taking steps to address. In senior management, women represent 36% of the Leadership Team and its direct reports. The Company recognises that there is a need for continued focus and action to improve representation, and has made conscious decisions over the past year in the areas of recruitment, promotion and career development opportunities to accelerate progress and mitigate the imbalance.

Diversity, Equity and Inclusion

In 2022, the Company established a Diversity, Equity and Inclusion Committee and adopted a Diversity Policy under which the Company committed to:

- Creating and maintaining an environment in which individual differences and the contributions of all are recognised and valued;
- Provide training, development and progression opportunities to all our employees so that they can develop to their full potential;
- Reviewing our policies and practices for fairness, ensuring decisions are made on merit;
- Addressing quickly disrespectful behaviour highlighted so that it can be corrected quickly;
- Providing training and support across the organisation so we can all learn and build a greater understanding of our responsibilities in respect of diversity, equity and inclusion;
- Supporting, listening and actioning recommendations from our workforce and DE&I Committee; and
- Measure and monitor key DE&I data and feedback to evaluate our progress.

As a newly established committee, the Company is focused on embedding these values in the Company and assisting with the further awareness training which is being provided to the workforce.

CORPORATE GOVERNANCE CONTINUED

BOARD LEADERSHIP AND COMPANY PURPOSE

Board Committees

The Board has established the following committees, further details of which are set out in the relevant section of the report:

- Audit and Risk Committee
- Nomination and Governance Committee
- Remuneration Committee
- Health, Safety, Environment and Security Committee
- Disclosure Committee

The members of these committees (other than the Disclosure Committee) are appointed principally from among the Independent Non-Executive Directors and all appointments to these committees shall be for an initial period of up to three years and may be extended by no more than two additional three-year periods.

1. Audit and Risk Committee

Chair: Deborah Gudgeon
Members: John Mogford
Assaf Ginzberg
Observers: Tamir Polikar

The Audit and Risk Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's annual and half-year financial statements and accounting policies, internal and external audits and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit, internal controls, whistleblowing and fraud systems in place within the Group. The Audit and Risk Committee shall additionally oversee and advise the Board on the Group's overall risk appetite, tolerance and strategy, review the Group's capability to identify and manage new types of risk and keep under review the Group's overall risk assessment processes that inform the Board's decision-making.

2. Nomination and Governance Committee

Chair: Gilad Myerson
Members: John Mogford
Lynne Clow
Idan Wallace
Assaf Ginzberg
Observers: N/A

The Nomination and Governance Committee assists the Board in reviewing the structure, size and composition of the Board, including providing advice to the Board on the retirement and appointment of additional and/or replacement Directors. It is also responsible for reviewing succession plans for the Directors, including the Chairman and Chief Executive Officer and other senior executives.

3. Remuneration Committee

Chair: Lynne Clow
Members: John Mogford
Assaf Ginzberg
Deborah Gudgeon
Observers: Leora Pratt Levin

The Remuneration Committee recommends the Group's policy and framework on executive remuneration, determines the levels of remuneration for Executive Directors, the Chairman and 144 other senior executives and prepares an annual remuneration report for approval by the Shareholders at the Annual General Meeting. The Remuneration Committee will also review the scale and structure of Executive Directors' remuneration and the terms of their service or employment contracts, including share-based schemes, other employee incentive schemes adopted by the Company from time to time and pension contributions and ensure that payments made on termination are fair to the individual and the Company.

4. Health, Safety, Environment and Security Committee

Chair: David Blackwood
Members: John Mogford
Assaf Ginzberg
Observers: N/A

The Health, Safety, Environment and Security Committee evaluates the effectiveness of the Group's policies and systems for identifying and managing environmental, health and safety risks within the Group's operations. Additionally, the Health, Safety and Environment Committee assesses the performance of the Group with regard to the impact of environmental, health and safety decisions and actions upon employees, communities and other third parties.

5. Disclosure Committee

Chair: Julie McAteer
Members: Iain Lewis
Gilad Myerson
Alan Bruce
Ross Mitchell
Kathryn Reid
Observers: N/A

The Board has established a Disclosure Committee, chaired by the General Counsel and members from the leadership team, in order to ensure timely and accurate disclosure of all information that is required to be so disclosed to the market to meet the legal and regulatory obligations and requirements arising from the listing of the Company's securities on the London Stock Exchange, including the Listing Rules, the Disclosure Guidance and Transparency Rules and UK Market Abuse Regulations.

DIVISION OF RESPONSIBILITIES

The Board is responsible for leading and controlling the Company and has overall authority for the management and conduct of the Group's business, strategy and development. There is a clear division of responsibilities between the leadership of the Board by the Executive Chairman, assisted by the Senior Independent Director, and the leadership of the Executive Leadership Team by the Chief Executive.

Executive Chairman

The Chairman is responsible for the leadership of the Board, setting the Board agenda and ensuring the overall effective working of the Board. The Chairman holds regular one-to-one and group meetings with the Non-Executive Directors without the Executive Directors being present.

Chief Executive

The Chief Executive leads the Executive Leadership Team and is accountable and reports to the Board. His role is to develop strategy in consultation with the Board, to execute that strategy following presentation to, and consideration and approval by, the Board and to oversee the operational management.

Senior Independent Director

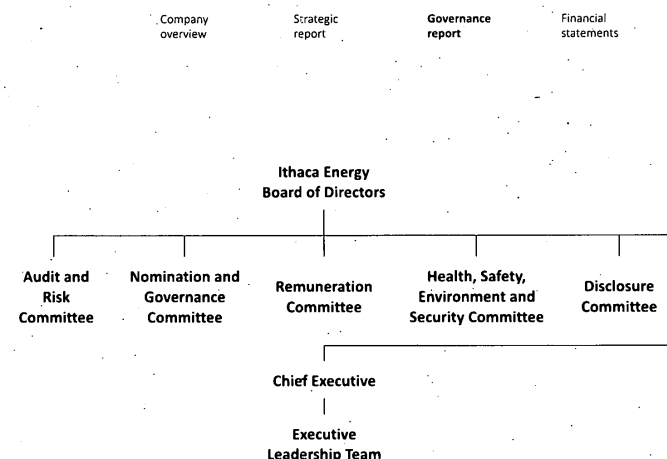
The Senior Independent Director provides a sounding board for the Chairman and serves as an intermediary for the other Directors and the shareholders when necessary. The Senior Independent Director of the Company has an important role on the Board in leading on corporate governance issues and being available to Shareholders if they have concerns which contact through the normal channels of the chair, Chief Executive Officer or other Executive Directors has failed to resolve or for which such channel of communication is inappropriate.

Non-Executive Directors

The Non-Executive Directors come with their wealth of business and commercial expertise from many industry sectors with objective judgement which allows them to constructively challenge the actions of the Group's management and leadership teams. They provide a crucial role in providing assurance that the Executive Directors are exercising good judgement when it comes to decision making and their delivery of the Group's strategy. The Non-Executive Directors receive regular updates from the Group's management and leadership team to allow them to monitor both the performance of the Group and the culture within the organisation.

Company Secretary

The Company Secretary is responsible for advising the Board, through the Chairman, on all Board procedures and governance matters. In addition, each Director has access to the advice and services of the Company Secretary. The Company Secretary assists with the ongoing training and development of the Board and is instrumental in facilitating the induction of new Directors. The appointment and removal of the Company Secretary is a Board matter. The Company Secretary supports the Chairman in the provision of accurate and timely information. Board agendas drawn up by the Company Secretary in conjunction with the Chairman and with agreement from the Chief Executive. All Board papers are published via an online Board portal system which offers a fast, secure and reliable method of distribution.



The table below sets out the matters that the Board have discussed at each meeting and the key activities that have taken place since the listing of the Company in November 2022.

Regular matters considered at each meeting	Key activities			
	Strategy	Operations	Governance	Stakeholders
Health, Safety, Environment and Security matters	Deep dive sessions in relation to our assets	Operating assets reviews	Internal audit review	Discussion of Company visions and values for employees
Production Updates	Long-term strategy planning sessions	Development assets reviews	Risk management framework analysis	Interactions with regulatory stakeholders
Operational Updates	Senior debt planning	2022 performance and budget reviews	Risk, going concern and long-term viability reviews	Senior debt planning
Risk Management	Organisational effectiveness	Debt covenants compliance and dividends	Directors' duties training	
Business Development Opportunities			Board evaluation and composition	
Legal and HR Updates			Principal risks analysis	
Financial Reporting				

CORPORATE GOVERNANCE CONTINUED

AUDIT AND RISK COMMITTEE REPORT

Dear fellow shareholder,

I am pleased to present the Audit and Risk Committee report for the year ended 31 December 2022. The Committee, as it currently stands, has been in place since the Initial Public Offering (IPO) on 9 November 2022 and this report is primarily focused on activities since that date.

The Audit and Risk Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's annual, half-yearly and quarterly financial statements and accounting policies, internal and external audits and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of internal audit, internal controls, whistleblowing and fraud systems in place within the Group. The Committee also oversees and advises the Board on the Group's overall risk appetite, tolerance and strategy and reviews the overall risk assessment process that inform the Board's decision making. The Committee additionally considers annually how the Group's internal audit requirements will be satisfied and makes recommendations to the Board accordingly as well as on any areas that need improvement or action.

This report provides an overview of the Committee's principal activities and key areas of focus.

The following financial reporting risks were identified as being significant, based on feedback from management and external auditors during the year, and were considered by the Committee in respect of the FY 2022 Annual Report and Financial Statements:

- Oil and gas reserves;
- Business combinations;
- Carrying value of oil and gas assets and goodwill;

- Deferred tax recognition and recovery;
- Adequacy of decommissioning provisions; and
- Going concern.

Further details of these significant risks are set out on pages 64 to 68.

The Committee comprises:

Member	Date of appointment	Meetings since IPO
Deborah Gudgeon	31 October 2022	6/6
John Mogford	31 October 2022	6/6
Assef Ginzburg	31 October 2022	5/6

The Committee members are considered to possess the appropriate skills and experience to monitor and ensure the integrity of the Group's financial reporting, internal audit, internal financial control and risk management systems and to support the Group's governance. I am a qualified accountant with extensive experience of acting as Audit Committee chair including extractive industries, Mr Mogford has significant executive experience including within oil and gas and Mr Ginzburg is the Chief Financial Officer of a global operator and developer of renewable energy projects.

In addition to the Committee members, the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, the Company Secretary, the Assistant Company Secretary, the Chief Accountant, the Finance Manager, the Financial Reporting Accountant, the Interim Head of Internal Audit, the External Audit Partner and an independent observer from Delek Group Ltd routinely attend meetings of the Committee.

Other senior managers of the business are invited to attend meetings as required to provide the Committee with a deeper level of insight on relevant business matters. Other members of the Board have an open invitation to attend Committee meetings to facilitate a deeper understanding of the business and support their role as Directors of the Company. The Committee meets periodically without management present and private meetings are held with internal audit and external audit without management present.

The work of the Committee since the IPO broadly fell into three main areas and is summarised below:

Financial reporting

- Reviewed and approved the Q3 financial statements and trading update statement;
- Reviewed and approved the Group's annual results and considered the significant accounting policies, principal estimates and accounting judgements used in their preparation, the transparency and clarity of the disclosures within them, and compliance with international and other financial reporting standards;
- Reviewed the basis for preparing the Group full year financial statements on a going concern basis with input from the external auditors. The related disclosures in the Annual Report and Financial Statements were also reviewed;
- Considered and approved management's assessment of the Group's prospects and longer-term viability statement contained in the Annual Report and Financial Statements;
- Considered and approved disclosures on climate related matters;
- Received reports from management and external auditors on accounting, financial reporting and taxation matters;

- Reviewed and assessed whether the Annual Report and Financial Statements, taken as a whole, were fair, balanced and understandable;
- Reviewed and approved business combination accounting assumptions and treatments and related disclosures;
- Reviewed and approved assumptions on deferred taxation recognition and recovery and related disclosures;
- Reviewed and approved the assumptions such as oil and gas reserves, future commodity prices, future growth rates, resultant cash flows and discount rates used in the impairment reviews and related disclosures and sensitivities, including considerations around climate change; and
- Reviewed and approved the assumptions underpinning decommissioning liabilities such as oil and gas reserves, inflation and discount rate and related disclosures and sensitivities.

Internal control, risk management and internal audit

- Reviewed the structure and effectiveness of the Group's system of risk management and internal control and the related disclosures in the Annual Report and Financial Statements;
- Reviewed the risk management activities undertaken by the Group in order to identify, measure and assess the Group's principal and emerging risks and review the velocity and scale of these;
- Reviewed reports from the internal audit department relating to control matters and monitored progress against the internal audit plan;
- Reviewed status and progress of the ongoing work to mature and develop the internal controls over financial reporting; and
- Assessed the effectiveness of internal audit.

External audit

- Considered and approved the scope, audit plan, terms of engagement and fees for external audit work to be undertaken in respect of FY 2022;
- Received reports from the external auditor on their findings during the full-year audit;
- Considered the objectivity and independence of the external auditor and the effectiveness of the external audit process, taking into account their policies to safeguard independence, non-audit work undertaken by the external auditor and compliance with the Company's policy on the provision of non-audit services and applicable regulations;
- Considered and recommended to the Board the re-appointment of the external auditor; and
- Considered and approved a letter of representation in respect of the full year to the external auditor.

The matters the Committee considers to be most significant for the FY 2022 Annual Report and Financial Statements are as follows:

Significant risks and judgements

Oil and gas reserves

The estimation of oil and gas reserves from existing and yet to be commissioned fields is inherently judgemental. The Group estimates its reserves using standard recognised evaluation techniques. This estimate is reviewed internally at least annually and is also reviewed at least annually by independent consultants.

Business combinations

During the year the Group made three material acquisitions. The accounting for these acquisitions involves a significant degree of judgement including future commodity prices and therefore the fair value of the assets acquired, deferred taxation assets recognised and, where relevant, the fair value of contingent consideration.

How the Committee addressed these risks

The Committee reviewed the process applied by management to estimate oil and gas reserves, whether they were in line with general industry practice and were consistent with the methodology applied in prior years.

The Committee noted that management's estimates of proven and probable oil and gas reserves were materially in line with those prepared by independent consultants.

The Committee concluded that the methodology adopted for estimating oil and gas reserves, which are used in impairment testing, deferred tax recognition calculations and the going concern assessment, was fair and reasonable.

In assessing the accounting for these business combinations the Committee reviewed and challenged:

- Management's key assumptions for valuing the assets including crude oil prices and UK NBP gas prices;
- Valuations of exploration and evaluation assets;
- Management's key assumptions for decommissioning liabilities; and
- The taxation treatment of these items.

The Committee concluded that these assumptions and valuation techniques were reasonable.

Details of these business combinations are set out in note 17 to the consolidated financial statements.

CORPORATE GOVERNANCE CONTINUED

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Significant risks and judgements

Carrying value of oil and gas assets (including goodwill)

Significant judgement is required in determining whether there are indications of impairment, and if applicable and annually in the case of goodwill, conducting an impairment review involving the selection of suitable assumptions for future commodity prices, discount rate, application of Energy Profits Levy and impact of climate change on long-term commodity prices.

How the Committee addressed these risks

In assessing the impairment reviews the Committee:

- Reviewed and challenged management's key assumptions for the discount rate;
- Reviewed and challenged management's key assumptions for future commodity prices; and
- Based on available market data, approved management's long-term assumptions of \$89/bbl in 2023, \$84/bbl in 2024 and \$83/bbl thereafter for crude oil and 315p/therm in 2023, 211p/therm in 2024 and 86p/therm thereafter for UK NBP gas.

The Committee also considered the disclosures on impairment, including sensitivities, and concluded that they were appropriate.

Details of impairment reviews are set out in note 19 to the consolidated financial statements.

Deferred tax recognition and recovery

The calculation of deferred tax is typically complicated in the oil and gas industry requiring significant judgement on future performance and profitability of assets. This is further complicated by the acquisitions made by the Group and the introduction of the EPL.

The Committee reviewed and challenged management's projections of UK taxable profits, which were consistent with those utilised in impairment reviews, and which support the recognition of a net deferred tax asset at 31 December 2022. The Committee was satisfied that these projections were reasonable.

The Committee also reviewed and challenged management's assumptions with respect to accessibility of UK corporate tax history for decommissioning expenditure relief which support the recognition of a net deferred tax asset of \$392.5 million at 31 December 2022. The Committee was satisfied that these assumptions were reasonable.

Further details of the net deferred tax asset are set out in note 27 to the consolidated financial statements.

Significant risks and judgements**Decommissioning liabilities**

Decommissioning cost estimates and assumptions are inherently judgemental with the key assumptions including the decommissioning methodology (e.g. type of vessel), day rates and discount rate.

How the Committee addressed these risks

In assessing the adequacy of decommissioning liabilities the Committee:

- Reviewed and challenged management's key assumptions; and
- Questioned and obtained satisfactory answers to significant changes in particular assets from FY 2021.

The Committee concluded that the methodology used was reasonable and the assumptions of supply chain rates and discount rate were appropriate and supported decommissioning liabilities of \$1,720.5 million at 31 December 2022.

Further details of decommissioning liabilities are set out in note 23 to the consolidated financial statements.

against this plan with all the high priority observations and the majority of the medium priority ones having been addressed by the year-end.

The Committee receives regular updates on the Group's system of internal control including progress made to the overall improvement programme and conclusions on the design and effectiveness of key controls mitigating financial, operational and compliance risk. Management intends to continue to improve the standardisation and documentation of internal controls to give the Committee greater comfort around the effectiveness of the control environment.

Going concern

In preparing the consolidated financial statements the Directors are required to consider the appropriateness of the going concern basis of accounting.

The Committee reviewed management's projections for consistency in the base terms with those used for the impairment reviews and resultant liquidity position. In addition the Committee challenged the sensitivities modelled and agreed that they were appropriate. Overall, the Committee concluded that the projections were reasonable and supported a going concern basis of accounting.

The going concern statement is set out on page 61 of the Annual Report and Financial Statements.

Overall, the Committee is satisfied that the Group's internal control framework was operating effectively as at the year-end. The Committee will continue to oversee the improvement programme that has been put in place to further enhance the internal control framework.

Internal controls and risk management

The Board is responsible for establishing a framework of prudent and effective controls, which enable risk to be assessed and managed. The Committee is responsible for reviewing the effectiveness of the Group's risk management and internal control systems, that include:

- Delegation of Authority that sets out clear authority for specific matters requiring senior management and Board approval;
- Annual financial budget and operational targets that are monitored by management and the Board;
- Financial reporting processes and preparation of financial statements that comply with relevant regulatory reporting requirements;

- Risk management process that identifies principal risks and managements response; and
- Risk based internal audit programme.

This is discussed more fully on pages 62 and 63 in the Risk management section.

There are specific internal controls surrounding the financial reporting process and the preparation of financial statements, including clear guidance and procedures to ensure that the Group's financial reporting processes and the preparation of consolidated accounts comply with all applicable regulatory and financial reporting requirements. These policies are applied consistently by the financial reporting team and in each other area involved in the

preparation of financial information.

Monthly performance reports and quarterly detailed management accounts are prepared and are subject to thorough review by management. These reports detail the performance of the business and support the preparation and processes for external financial reporting.

As part of the IPO process, historic financial information was prepared for inclusion in the Prospectus. The external auditor raised financial control/deficiency observations during this process and a third party was engaged to support the Group in developing a control improvement plan to address these deficiencies. Significant progress has been made

Internal audit

In recognition of the increased scope and complexity of the Group's operations, and in line with best practice and corporate governance for listed companies, the Board appointed a plc-experienced Interim Head of Internal Audit to assess the roles and responsibilities of the existing internal audit function. The Committee considered a proposal for expanding the remit of the internal audit function to implement an approach and plan, that going forward, will provide independent assurance of the adequacy and effectiveness of its governance, risk management and internal controls. An assessment of options to resource and implement the proposal, with the appointment of a permanent Head of Internal Audit, is underway. The proposed internal audit plan will be focused on the principal risks facing the Group and take account of other providers of assurance to avoid duplication, including the work being completed in support of the enhancement of internal controls over financial reporting.

CORPORATE GOVERNANCE CONTINUED

AUDIT AND RISK COMMITTEE REPORT CONTINUED

During 2022, internal audit completed a review of the Group's Cyber Security controls; two audits were also in progress at year-end. Additionally internal audit facilitated the Group's Risk Management process and supported the review and response to potential contractual exposures arising from Russia's invasion of Ukraine. Audits of Ithaca Energy's non-operated interests in two producing fields and a field development were also completed.

External auditor independence and objectivity

Deloitte were appointed as the Company's external auditor during 2021 as a result of the then wholly-owned parent company, Delek Group Limited, selecting Deloitte as auditor of the Group. The current external audit partner is David Paterson with the 2022 audit being his first year acting in this capacity. The independence of the external auditor is essential to the provision of an objective opinion of a true and fair view presented in the financial statements. Deloitte's independence is safeguarded through a number of control measures including:

- Limiting the nature of non-audit services performed by the external auditor;
- The external auditor's own internal processes to vet and approve any requests for any non-audit work to be performed by the external auditor;
- Monitoring changes in legislation related to auditor independence and objectivity to assist the Company to remain compliant;
- The rotation of the lead audit partner after five years;
- Independent reporting lines from the external auditor to the Committee; and
- An annual review by the Committee of the policy in place to ensure the objectivity and independence of the external auditor is maintained.

Assessing the effectiveness of the external audit process

The Committee, other Board members, senior management and finance team members evaluated Deloitte's performance and the effectiveness of the external audit process for FY 2022 financial reporting. The Committee considered the following factors:

- The quality of the interactions between the audit team and the Committee, other Board members, management and those involved in the preparation of the accounts;
- Whether the scope of the audit and the planning process were appropriate for the delivery of an effective audit;
- The external auditor's progress achieved against the agreed audit plan and communication of any changes to the plan, including changes in perceived audit risks;
- The robustness and perceptiveness with which the external auditor handled the key accounting and audit judgements and communication of the same with management and the Committee;
- The expertise and resources of the external audit team conducting the audit; and
- The quality of the auditor's recommendations for the financial reporting process and control improvements.

Taking the above factors into account and the feedback from the finance team, management, members of the Committee and the Board, the Committee concluded that the external audit process and services provided by Deloitte were satisfactory. The feedback will be shared with Deloitte and any opportunities for improvement will be considered and agreed.

A formal recommendation to reappoint Deloitte as external auditor will be made at the next Committee meeting.

Policy on the provision of non-audit services

The Committee's policy on the use of the external auditor for non-audit services includes the identification of non-audit services that may be provided and those that are prohibited. The policy requires that the external auditor will only be used for non-audit services where regulation permits, the Group benefits in a cost effective manner and the external auditor maintains the necessary degree of independence and objectivity. The policy provides for a cap on fees for non-audit work of 70% of the average of fees paid to the audit firm over the previous three years for audit services. It should be noted that the three year period commenced on 9 November 2022 concurrent with the IPO.

The Committee receives regular reports on all non-audit assignments awarded to the external auditor and a breakdown of non-audit fees incurred. The principal non-audit fees incurred during the year were in respect of Deloitte acting as reporting accountants for certain parts of the IPO process. Details of amounts paid to the external auditor for audit and non-audit services are set out in note 7 to the consolidated financial statements.

Whistleblowing policy

The Group has a formal Whistleblowing policy (see page 53 for further details) whereby all employees, contractors, consultants and officers are able to raise concerns regarding potentially dangerous, unlawful or unethical activities which may be going on at work or could be affecting (or risks of affecting) them or other colleagues. Any such reports are thoroughly investigated by suitably qualified personnel and where necessary appropriate action is taken.

Fair, balanced and understandable

The fair, balanced and understandable statement is set out on page 76 of the Annual Report. In making this statement the Committee and Directors have taken comfort from the IPO process and the level of diligence and other verification applied to the information contained in the Prospectus.

Tax strategy

The Committee believes that we have a responsibility to manage our tax affairs in a way that sustainably benefits the customers and communities that we serve. We also have a responsibility to shareholders to ensure that we pay the right amount of tax and ensure compliance with UK tax rules. Further information on our tax strategy, which will be reviewed by the Committee at the next meeting, can be found on our website.

Committee evaluation

The Committee's performance will be considered through the annual Board evaluation process.

Finally I would like to express my thanks to both management and the external auditor.

On behalf of the Audit and Risk Committee:

DEBORAH GUDGEON
Committee Chair

NOMINATION AND GOVERNANCE REPORT

Dear shareholder,

Chair: **Gilad Myerson**

Members: **John Mogford**
Lynne Clow
Idan Wallace
Assaf Ginzberg

2022 was a pivotal year for the Group with the inclusion of a new Board to the Company and the establishment of the Nomination and Governance Committee on 31 October 2022 ahead of the listing of the Company. The main responsibility of the Nomination and Governance Committee is to ensure that the Board and its Committees support the strategy of the Group by undertaking to:

- Review the structure, size and composition of the Board (including skills, knowledge, experience and diversity) and make recommendations to the Board in relation to any changes;
- Ensure plans are in place for orderly succession to the Board and senior management positions;
- Oversee the development of a diverse pipeline for succession;
- Keep under review the leadership needs of the organisation, both executive and non-executive with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- Keep fully informed about strategic issues and commercial changes affecting the Group and market in which it operates;
- Identifying and nominating candidates to the Board;
- Reviewing the results of Board performance evaluation processes and time requirements for Non-Executive Directors; and

- Liaising with the other Committees of the Board to ensure that there is consistency with the Group's strategy.

Following on from the transformational acquisitions and listing of the Company, we launched our renewed visions, values and behaviours framework and the Nomination and Governance Committee endorses the culture which the Board is looking to instil in the workforce. The Group has a well-established Employment Consultation Forum which is made up of a diverse range of employees both on and offshore which meets regularly in the year with members of the leadership team, to provide top-down and bottom-up communication, enabling employees to voice their ideas as well as their concerns on issues which directly affect them in their workplace.

In addition to this, we recently established a team of culture ambassadors which will assist the leadership team in embedding the vision and values and behaviours framework into the culture of the Group.

In accordance with the terms of the relationship agreement between the Company and its controlling shareholder, Delek Group Limited (Delek), Delek has nominated Mr Itshak Tshuva, the controlling shareholder of Delek, to the Board of the Company as one of its two nominated directors. On 27 March 2023, the Nomination and Governance Committee recommended the appointment of Mr Tshuva to the Board as a Nominated Director from the Delek Group. Mr Tshuva brings to the board extensive experience in the international oil and gas market markets. We welcome the appointment of Mr Tshuva as a Non-Executive Director of the Company as of 30 March 2023.

CORPORATE GOVERNANCE CONTINUED

NOMINATION AND GOVERNANCE REPORT CONTINUED

The Nomination and Governance Committee also recognises the requirements of Principle J of the Code in relation to appointments to the Board promoting the diversity of gender, social and ethnic backgrounds. The Board will commence a recruitment process (including appointing external advisers to assist in the recruitment process) to find suitable candidates to enhance not only the independence of our Board, but bringing complementary skills and experience to the Company.

As a newly established Nomination and Governance Committee, we look forward to further developing our understanding of the Group and the role that the Committee will play in that.

For 2023, the Nomination and Governance Committee will be focused on:

- Succession planning for the Directors and senior management: In particular, the recruitment of additional Independent Non-Executive Directors, which will assist with the promotion of diversity on our Board. We shall be appointing external advisers to assist the Company in the search of suitable diverse candidates to enhance our Board.
- Company strategy: The Nomination and Governance Committee will continue to monitor that the Company's strategy is aligned with its vision and values.
- On-going reviews of the terms of reference for the committees: Throughout 2023, we will be reviewing the terms of reference adopted by the Committees of the Board in late 2022 to ensure that the Committees have access to all the information and decision-making needed to provide efficient information to the Board and the workforce.
- Workforce engagement: Our people are our priority, and so in 2023, the Nomination and Governance Committee will look to work with the

Employee Consultation Forum and the business to undertake an engagement survey from the workforce and further understand the objectives and wishes of our employees and how we can work together to bring out the best in people. The Board and the leadership team recognise the benefits of engaging openly with our people through our various forums, and we have acted on the outputs from our first engagement survey, carried out in October 2021, with a focus on career development. Lynne Clow has been appointed as the Employee Engagement Director and will Chair the Employee Engagement Group, meeting with a representation of our workforce for their insights, incorporating their feedback into the Board's decision-making and providing guidance across the Group's workforce engagement programme.

- Diversity, equity and inclusion: Ensuring that our workforce bring a diverse mix of skills and experience is key to our strategy. The Nomination and Governance Committee will build on the work undertaken during 2022 to establish a Diversity, Equity and Inclusion committee and the adoption of a Diversity Policy, to provide further awareness within the workforce through online sessions on diversity and inclusion for all employees and contractors and unconscious bias training for supervisors and managers.

GILAD MYERSON
Chair



HEALTH, SAFETY AND ENVIRONMENT COMMITTEE REPORT

“The Health, Safety, Environmental and Security (HSE) Committee is a key part of our business and as Committee Chair, I am pleased to report on the activities of the Board HSE Committee in 2022.”

DAVE BLACKWOOD
Committee Chair

Company
overview

Strategic
report

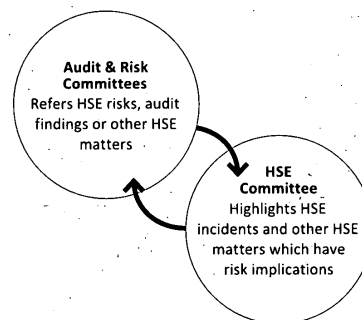
Governance
report

Financial
statements

The terms of reference of the Health, Safety, Environment and Security Committee is to:

- Review and monitor the Group's HSE strategy on an annual basis;
- Evaluate the effectiveness of the Group's policies and systems in delivering the Group's HSE strategy;
- On an ongoing basis, assess the scope and effectiveness of the HSE management system framework, and systems and processes established by management to identify, assess, manage and monitor HSE risks;
- Review the scope and effectiveness of the Group's HSE framework taking into account the principal risks inherent and emerging in the business (as determined by the Audit and Risk Committee and Board of Directors);
- Consider the results of any reviews and actions required for the continuous improvement of the HSE framework;
- Review the remit and the expertise and effectiveness of the work of those responsible for developing the HSE framework above;
- Review management's responsiveness to the findings and recommendations arising from the reviews;
- Investigate more deeply, on behalf of the Board, reports from management concerning all serious incidents and high-potential incidents within the Group and actions taken by management as a result of such fatalities or serious accidents;
- Review, assure, audit and approve external reporting in relation to HSE matters, and input to environmental, social and governance reporting; and
- Review the register of potential regulatory risks where any failure would threaten our licence to operate, to ensure compliance with regulatory requirements. The review includes potential significant changes to legislation and expected standards.

Relationship between the HSE Committee and the Audit and Risk Committee



CORPORATE GOVERNANCE CONTINUED

HEALTH, SAFETY
AND ENVIRONMENT
COMMITTEE REPORT
CONTINUED

The HSE committee will also review output from HSE internal audit and reviews, which are also discussed at the Audit and Risk Committee. The Audit and Risk Committee retains overall responsibility for monitoring and reviewing the effectiveness of the Group's risk management and internal control systems. Where a detailed review of HSE risks or audit findings is undertaken, this will be reviewed by the HSE Committee.

Similarly, if the HSE Committee determines that specific HSE incidents have broader implications, for risk management or internal control, across the Group these will be referred to the Audit and Risk Committee.

In the first meeting of the HSE Committee held in Q4 2022, the committee reviewed:

1. 2022 HSE Performance, including operation safety performance, environmental compliance, and process safety event learning;
2. Planned improvements to enhance HSE & technical auditing, including implementation of a three Lines of Defence approach. Improvements include focus on front line self assurance as first line of defence, LOD 1 and also risk approach to our second line and third line of defence LOD 2 and 3;
3. Status of process safety risks, planned improvement regarding management of process safety, including leadership training, process safety Key performance indicators (KPIs), cumulative risk tool and launch for frontline teams of Process Safety Fundamentals (PSFs). The PSFs are a set of basic principles for frontline teams that emphasise existing good practices to prevent process safety events;
4. Regulatory activity, learning and themes being progressed in conjunction with industry bodies Step Change in Safety and OEUK;

Technical and HES Lines of Defence – Self assurance and auditing

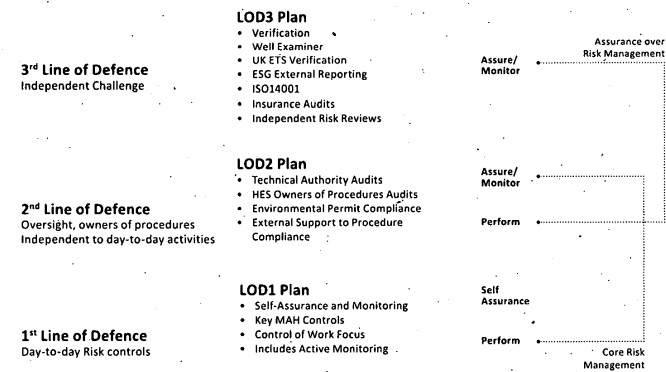


Figure 3 IOGP Process safety fundamentals



5. Proposed 2023 HSE Improvement Plan; and
6. Development HSE Committee annual agenda and work plan.

As Committee Chair, I have also reviewed industry benchmarking information regarding both operational safety and process safety to inform the setting of our 2023 performance metrics.

Looking ahead to 2023, the Health, Safety, Environment and Security Committee proposed standing agenda items and specific topics for focus includes:

Standing meeting agenda

- HSE performance and status scorecard targets;
- Any Serious Incidents (Significant permanent impairment) or Fatalities, Process safety Events (Tier 1 and Tier 2 events*) and High Potential Incidents, reviewing any reports of events, root causes and any actions being taken; and
- Results of HSE focused audits and actions proposed to be taken.

In 2023 we will complete further reviews of:

- **Safe Operations:** progress regarding control of work improvements and embedding improvements with regard to safety leadership and human performance. The Committee will also review progress with reducing maintenance backlog.
- **Occupational Health:** progress with wellness and health promotion plan.
- **Environment:** review of road map to GHG emission targets, including emission reduction projects at various stages of maturity.
- **Environment:** Methane policy, measuring and management.
- **Process Safety:** launch of Process Safety Fundamentals, improvements with process safety KPIs, cumulative risk visualization.
- **Assurance:** in addition to HSE Audit plan; feedback and learning from regulatory activity.

DAVE BLACKWOOD
Committee Chair

* IOGP 456 Process safety – recommended practice on key performance indicators

CORPORATE GOVERNANCE CONTINUED

DIRECTORS' REMUNERATION REPORT

Dear shareholders,

On behalf of the Remuneration Committee (the Committee), I am pleased to present Ithaca Energy's first Directors' Remuneration Report (the Report) as a listed Company, for the period from Admission on 9 November 2022 until 31 December 2022.

The Report is in three sections:

Section	Pages
Chair's letter to shareholders	89 to 91
Directors' Remuneration Policy	92 to 103
Annual Report on Remuneration	104 to 112

Committee composition

The Remuneration Committee was formed prior to Admission and comprises four Non-Executive Directors (NEDs). The Committee works hard to ensure alignment with shareholder interests and that our approach to remuneration fully supports our strategy.

Business and remuneration context

2022 was a decisive year for the Group; the three acquisitions, including Siccar Point Energy, and operational excellence enabled the Company's listing in November 2022. Whilst a majority shareholder owning 89% of issued share capital is a unique corporate structure, the Committee is mindful of the need to align with best practice in terms of corporate governance standards and transparency as well as Ithaca Energy's history of private ownership.

Our ambition is to be 'the Strength of the North Sea' and we aim to achieve this through our strategic pillars of Buy, Build and Boost; this is underpinned by a robust financial framework and a clear focus on safety, sustainability and our people.

In anticipation of Admission and in this context, the Company undertook a review of the remuneration policy for senior employees, including the Executive Directors (EDs), to ensure it was appropriate.

The principal objectives were to attract, retain and motivate the EDs and senior employees, incorporating incentives that align with and support the Group's ambition and strategic pillars and the creation of long-term shareholder value. The Policy is clear that financial, strategic and/or operational metrics, linked to our KPIs, will be used.

The Committee has, since Admission, reflected on the Company's proposals and is pleased to put the proposed Directors' Remuneration Policy (the Policy), pages 92 to 103, forward for shareholder approval at the 2023 Annual General Meeting (AGM). The Policy is consistent with remuneration for other employees and includes features aligned with shareholders' interests:

- Half of any annual bonus is deferred into shares for three years;
- A post-vesting holding period for LTIP awards gives a five-year minimum term until release;
- Malus and clawback provisions;
- An in-employment shareholding requirement and post-cessation requirement directly aligns interests of EDs with shareholders over the longer-term; and
- Company pension contributions aligned with the wider workforce.

Some legacy and one-off remuneration arrangements were in place for the EDs before the IPO, that reflected historical contractual retention agreements, to recognise performance leading up to IPO or to incentivise growth post-IPO. Although the arrangements will be honoured, and any remuneration disclosed in the relevant Reports, they do not form part of the ongoing and regular elements of the proposed Policy. Details of the arrangements are included in this Report for completeness.

CORPORATE GOVERNANCE CONTINUED

DIRECTORS' REMUNERATION REPORT CONTINUED

Company Performance

We delivered excellent financial results together with growth and business transformation in the year:

- There was strong operating cash flow and earnings (EBITDAX up 85% and free cash flow up 106%) whilst maintaining strong financial discipline (net debt/EBITDAX down 44%);
- The acquisition of Siccar Point Energy has added significant production, material growth potential and longevity to our portfolio which culminated in the successful IPO in November 2022;
- Total production increased as a result of acquisitions and improvements in asset efficiency;
- Our Serious Injury and Fatality Frequency remained at zero and there were no Tier 1 process safety events; nonetheless, we must build on the existing safety culture and reduce the number of recordable injuries and high potential events to acceptable levels, whilst maintaining an open and transparent incident reporting ethos; and
- A renewed organisational vision, values and behaviour framework was launched in October to provide clarity on our purpose and strategy following a period of significant M&A activity.

Remuneration outcomes for 2022

These are consistent with the arrangements detailed in the IPO Prospectus.

Annual bonus

The existing 2022 annual bonus continued to operate for the remainder of the year post-IPO. The bonus was subject to the achievement of a scorecard of measures, covering health and safety, financials, operations, organisation and growth. The maximum bonus opportunity was 50% of salary for EDs.

2022 performance resulted in an annual bonus for the EDs of 78% of their maximum opportunity, except for Gilad Myerson who was not eligible to receive a bonus given his participation in certain legacy arrangements. As detailed in the Prospectus, the Committee determined that the existing bonus structure should remain, i.e. there would be no increase in the maximum opportunity in 2022 and any bonuses should be fully paid in cash. Deferral provisions will only apply for any bonuses earned with effect from 1 January 2023.

The Committee considered that the bonus outcome was appropriate in terms of business performance and therefore no discretion was applied to the scorecard outcome.

Further details on the bonus outcomes are on page 106.

IPO bonuses

One-off bonuses of £50,000 were awarded in 2022 after Admission to Gilad, Alan Bruce and Iain Lewis, as part of a group of around 35 senior employees who received discretionary cash bonuses, to recognise their exceptional contribution prior to Admission.

Management Equity Plan

Gilad participated in a Management Equity Plan (MEP), see pages 98 and 99, under which he received a contractual one-off payment of \$1,000,000 for the accounting period ending 30 September 2022.

Initial share awards

Along with 30 other senior employees, an initial grant of LTIP awards was made in December 2022 to the CEO and CFO at 225% and 200% of salary respectively. Vesting of the awards is subject to performance conditions measured over the period from 1 December 2022 to 31 December 2025.

Iain also received a one-off award, under the LTIP, at 100% of salary, which is intended to align his interests with shareholders and act as a retention mechanism. The award will become exercisable subject to continued service in three equal tranches on the first, second and third anniversaries of Admission.

All share awards held by the EDs which vest with effect from the date of Admission will be subject to the shareholding requirements within the Directors' Remuneration Policy.

Executive Director remuneration for 2023

Base salary: The EDs will not receive a base salary increase and their salaries are shown on page 112. The average increase for the wider workforce was 5.6%.

2023 Annual bonus and LTIP opportunities:

	Annual Bonus ¹		
	Target Opportunity	Maximum opportunity	LTIP opportunity ²
Executive Chair	75%	150%	–
CEO	75%	150%	–
CFO	75%	150%	–

¹ 50% of any bonus earned will be deferred into shares for three years. The bonus will be assessed against financial, strategic and HSE targets aligned with the business plan. The metrics and weightings are set out on page 112.

² It is proposed that the next LTIP awards will be made in the first half of 2024. Gilad is not eligible to participate in the LTIP whilst unvested awards remain in certain legacy arrangements.

As a Committee we were mindful, when considering metrics for the 2023 annual bonus, of our desire to grow sustainably. The inclusion of safety, emissions, production and operating expenditure metrics directly support this goal. Performance against the financial and strategic metrics will be a measure of the value we deliver for our shareholders. The Committee will continue to review the bonus and LTIP metrics during 2023, to ensure they remain appropriate and in line with delivering the business plan.

Conclusion

The Committee looks forward to engaging with shareholders and stakeholders on an ongoing basis and welcomes any feedback or comments on the Directors' Remuneration Report. I look forward to seeing shareholders at the upcoming AGM.

Lynne Clow
Chair of the Remuneration Committee

CORPORATE GOVERNANCE CONTINUED

DIRECTORS' REMUNERATION REPORT CONTINUED

DIRECTORS' REMUNERATION POLICY

This Policy will govern Ithaca Energy's future remuneration for EDs and NEDs, and is intended to apply for up to three years from the date of the AGM on 24 May 2023, subject to approval by shareholders.

Committee process to determine Remuneration Policy

The Committee designed the Policy around the following key considerations:

- Forward-looking remuneration arrangements should be simple; facilitating greater transparency and alignment with shareholders' interests over the longer term;
- Alignment with standard market practice and compliance with the UK Corporate Governance Code (the Code);
- The ability to attract, retain and motivate EDs of the right calibre to ensure the continued success of the Company, within a highly competitive environment, whilst ensuring the level and form of remuneration is appropriate; and
- Remuneration should be aligned with the key corporate metrics that drive growth and increase shareholder value with significant emphasis on variable pay.

The role of the Committee and the formulation of the Policy is undertaken in a way that ensures remuneration decisions are undertaken in a manner that prevents and manages any potential conflicts of interest. Should any conflicts arise these will be alerted to the Committee who will determine appropriate decisions in the best interests of Ithaca Energy's stakeholders.

The Committee is of view that the proposed Policy is well-aligned with the Code's six principles:

- **Clarity:** The Policy supports the financial and strategic objectives of the Group and aligns EDs' interests with those of shareholders. There is clear disclosure of metrics, weightings and assessment of variable remuneration outcomes;
- **Risk:** The Policy ensures risk is reflected in outcomes through: 1) the Committee's discretion to adjust formulaic outcomes to properly reflect any risk events; 2) deferral of annual bonus and LTIP (over three and five years respectively), subject to malus and clawback provisions mitigates against future risk; and 3) the within- and post-employment shareholding requirements align to the successful delivery of the Group's long-term strategy;
- **Simplicity:** We intend to operate a simple remuneration framework, comprising fixed pay elements, along with short- and long-term variable elements using well understood market standard elements. This provides clear line of sight for both EDs and shareholders;
- **Proportionality:** Incentive elements are closely aligned to our strategic goals and robustly assessed, with the Committee having full discretion to adjust outcomes to ensure they align with overall Group performance; and
- **Predictability:** The Policy sets out the possible future value of remuneration which EDs could receive, including the impact of share price appreciation of 50% (the application of the Policy is illustrated on page 100).

Remuneration Policy – Executive Directors

The following table sets out each element of remuneration for EDs and how it supports Ithaca Energy's short and long-term strategic objectives:

Element and how it supports our short and long-term strategic objectives	Operation	Maximum opportunity	Performance conditions and assessment
Base salary Provides a competitive fixed level of remuneration to attract and retain EDs of the necessary calibre to execute Ithaca Energy's strategy and deliver shareholder value.	Base salaries for the EDs will normally be reviewed annually by the Committee. The following factors are taken into account when determining base salary levels on appointment: • Remuneration levels at comparable oil and gas companies; • The need for salaries to be competitive; • Experience and responsibilities of the individual ED; and • The total remuneration available to EDs and the components thereof and the cost to Ithaca Energy. Base salaries will normally be reviewed annually, but the Committee reserves the right to review fees on a discretionary basis if it believes an adjustment is required to reflect market rates or scope of responsibilities.	There is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader employee population but on occasion may need to recognise, for example, an increase in the scale, scope or responsibility of the role, as well as market rates.	Any movement in base salary takes account of the performance of the individual and the Group.
Benefits Provides EDs with a suitable but reasonable package of benefits as part of a competitive remuneration package.	Benefits may be provided where appropriate and on a market-related basis, including but not limited to health insurance, life insurance/death in service, reasonable travel (including the tax cost where appropriate), car allowance and relocation expenses. EDs will be able to participate in the Company's all-employee share plans on the same basis as other eligible employees.	The Committee determines the appropriate level taking into account market practice and individual circumstances. There is no prescribed maximum.	None.
Pensions Provides market-competitive retirement benefits for EDs.	Pension provision is a payment into a defined contribution pension scheme and/or a cash amount in lieu of a pension contribution. Pension payments do not form part of salary for the purposes of determining the extent of participation in the Company's incentive arrangements.	The maximum pension provision is 15% of salary, in line with the wider workforce. Any cash amount paid may be reduced to take into account additional employer costs.	None.

CORPORATE GOVERNANCE CONTINUED

DIRECTORS' REMUNERATION REPORT CONTINUED

Element and how it supports our short and long-term strategic objectives	Operation	Maximum opportunity	Performance conditions and assessment
Annual Bonus Rewards EDs for the delivery and achievement of financial targets and key performance indicators which form part of the business strategy. Deferral provides alignment with shareholders' interests and aids retention of key personnel.	Awards are based on performance in the year against targets set by the Committee. Any bonus is paid annually in cash and shares with at least 50% of any bonus earned deferred into ordinary shares for three years. The deferred shares are not subject to any further conditions, save for continued employment. Deferred share awards may include additional shares (or, at the discretion of the Committee, cash) equivalent to the value of the dividend roll-up, and may assume dividend reinvestment. Malus and clawback provisions apply as detailed within the Policy.	The maximum bonus opportunity is 150% of base salary.	Targets are set by the Committee each year that are appropriately stretching in the context of the business plan. They are based on a corporate scorecard that consists of a combination of financial, strategic and operational KPIs. The Committee may change the KPIs within the scorecard, and their weighting, from year to year to ensure they remain aligned to Company strategy. The Committee has the ability to include an element of bonus based on personal performance, or to adjust the outcomes of the corporate scorecard based on personal performance. Up to 25% of the maximum bonus is paid for achieving a threshold level of performance and the full bonus is paid for delivering stretching levels of performance. For performance below threshold, no bonus is paid.
Long Term Incentive Plan (LTIP) Rewards EDs for achievement of the Group's longer-term objectives. Aligns the EDs' interests with those of shareholders. Aids retention of key personnel and encourages focus on sustaining and improving the long-term financial performance of the Group.	Awards granted annually under the LTIP will be subject to a three-year performance period and will be settled in shares. The Committee sets targets each year so that they are stretching and facilitate growth for shareholders, while remaining motivational for management. EDs must retain the net of tax number of vested LTIP awards for a two-year holding period. LTIP awards may include additional shares (or, at the discretion of the Committee, cash) equivalent to the value of the dividend roll-up, and may assume dividend reinvestment over the period from grant to the earlier of the end of the holding period and the date of exercise. Malus and clawback provisions apply as detailed within the Policy.	Maximum award is 225% of base salary.	The initial LTIP award will vest based on financial and strategic performance conditions which are aligned to KPIs. Financial metrics (including TSR) will comprise at least half of LTIP awards. Up to 25% of the award vests for threshold levels of performance.

Element and how it supports our short and long-term strategic objectives	Operation	Maximum opportunity	Performance conditions and assessment
Shareholding requirement To ensure that EDs' interests are aligned with those of shareholders.	EDs are required to build the following shareholding: • CEO and Executive Chair: 225% of base salary • Other EDs: 200% of base salary. The requirement should normally be achieved over a five-year period. At least half of LTIP and deferred bonus awards should be retained on vesting if the shareholding requirement is not met. For two years following cessation of employment, EDs are subject to a post-employment shareholding requirement. The requirement is equal to the lesser of the shareholding on cessation and the in-employment requirement for the first year and half of this amount for the second year post-cessation.	N/A	None.

Notes to the Policy table

Explanation of chosen performance measures and target setting

Performance measures will be selected to reflect the key performance indicators which are critical to the realisation of our business strategy and delivery of shareholder returns, which includes Total Shareholder Return (TSR). The performance targets are reviewed each year to ensure that they are sufficiently challenging. When setting these targets the Committee will take into account a number of different reference points including, for financial targets, the Group's business plan and consensus analyst forecasts of Group performance. Full vesting will only occur for what the Committee considers to be excellent performance.

CORPORATE GOVERNANCE CONTINUED

DIRECTORS' REMUNERATION REPORT CONTINUED

Malus and Clawback

The following table illustrates the time periods during which malus and clawback provisions may apply for each element of variable remuneration:

Remuneration element	Malus	Clawback
Annual bonus (cash)	Up to the date of the cash payment.	Up to three years post the date of any cash payment.
Annual bonus (deferred shares)	To the end of the three-year vesting period.	Up to three years post-vesting.
LTIP	To the end of the three-year vesting period.	Up to three years post-vesting.

Conditions under which malus and clawback may apply include:

- If it is discovered that there has been a material misstatement of the Group's financial results for any period;
- If it is discovered that an error of calculation has occurred when assessing the performance conditions or size of award;
- If the participant has committed fraud or misconduct;
- If circumstances where the Participant has, by an act or omission, contributed to injury to the reputation of the Group;
- If the behaviour of the participant materially fails to reflect the governance or values of Ithaca Energy or has caused injury to the reputation of the Group; and/or
- If the Company has suffered an instance of material corporate failure.

Discretions

In exceptional circumstances such that the Committee believes the original measures and/or targets are no longer appropriate e.g. corporate activity, the Committee has discretion to amend performance measures and targets during the year.

The Committee may also, in exceptional circumstances, amend the formulaic annual bonus pay-out and/or amend the LTIP vesting upwards or downwards should the formulaic outcome not, in the view of the Committee, reflect the overall business performance or individual contribution.

Any such changes would be explained in the subsequent Report and, if appropriate, be the subject of consultation with the Company's major shareholders. Consistent with best practice, the LTIP rules also provide that any such amendment must not make, in the view of the Committee, the amended condition materially less difficult to satisfy than the original condition was intended to be before such event occurred.

In line with market practice, the Committee retains discretion relating to operating and administering the Annual Bonus and LTIP. This discretion includes:

- Timing of awards and payments;
- Size of awards, within the overall limits disclosed in the Policy table;
- Determination of vesting;
- Ability to override formulaic outcomes;
- Treatment of awards in the case of change of control or restructuring;
- Treatment of leavers within the rules of the plan, and the policy on payments for loss of office; and
- Adjustments needed in certain circumstances, for example, a rights issue, corporate restructuring or special interim dividend.

Approach to recruitment remuneration

In the event that a new ED or NED was to be appointed, remuneration would be determined consistent with the Policy table, paying no more than is considered necessary. The table below sets out the additional elements of remuneration that would be considered for the appointment of a new ED.

Remuneration element	Policy and operation
Buy-out awards	- If it were necessary to attract the right candidate, due consideration would be given to making awards necessary to compensate for forfeited awards in a previous employment. - In making any such award, the Committee will take into account any performance conditions attached to the forfeited awards, the form in which they were granted and the timeframe of the forfeited awards. - The value of any such award will be no higher, on recruitment, than the forfeited awards and will not be pensionable nor count for the purposes of calculating bonus and LTIP awards. - Any such award would be in addition to the normal bonus and LTIP awards set out in the Policy table.
Relocation costs	- Where appropriate, the Company will offer reasonable relocation benefits to assist them, and their dependants in moving home and settling into the new location and to help support with the costs of a relocation or a residence outside a home country. - Benefits would normally be market-related and time-bound.
One-off recruitment award	The Remuneration Committee retains the ability to grant a one-off share award that ordinarily would be subject to performance conditions of up to 200% of salary in addition to a normal LTIP award in exceptional recruitment circumstances, where absolutely necessary and in the best interests of shareholders.

Alignment of the Policy with the wider employee population

The Group aims to provide a remuneration package for all employees that is market-competitive and operates the same reward and performance philosophy throughout the business. The table below sets out details on the remuneration approach for employees, including EDs:

Element of reward	Approach
Base salary	- Salaries for employees are set in line with market levels, in order to attract and retain employees. - Employees' salaries are reviewed annually, with increases for EDs normally being set with reference to increases for employees.
Benefits	- All employees, including EDs, are eligible to participate in the Company's benefits, which include 3.5 times salary death-in-service cover, private medical benefit, dental plan and income protection. Employees can increase and/or extend cover if they so choose. - In 2023 the Company will operate a Share Incentive Plan, which will offer a 2:1 match on shares purchased by employees up to statutory limits. All employees will be eligible to participate in this plan.
Pension	All employees are eligible to participate in a defined contribution pension scheme with a 15% employer contribution. The approach is the same for EDs.
Annual bonus	- All employees are eligible to participate in Annual Bonus arrangements, with payouts being based on a combination of corporate and personal performance. The same corporate scorecard is used for EDs as the employee population. - Different bonus opportunities reflect the levels of employee seniority, determined by grade, with more senior employees receiving higher bonus opportunities to increase the proportion of their pay that is performance-based and at risk.
Long-term incentives	- Long-term incentive awards are available to senior management, around 30 individuals participated in 2022, with the same performance conditions as those for the EDs. - In addition, a number of more junior individuals participate in the Restricted Share Plan, under which share awards are granted without performance conditions.
Shareholding requirements	Only EDs have a shareholding requirement.

CORPORATE GOVERNANCE CONTINUED

DIRECTORS' REMUNERATION REPORT CONTINUED

Legacy Policy provisions

The Company may honour any outstanding remuneration commitments entered into with current or former Directors (as disclosed to shareholders) before the IPO, before this Policy took effect or before the individuals become Directors, even where not aligned to this Policy.

The following arrangements were put in place for Directors prior to or at IPO and may give rise to payments post the approval of this Policy. All were disclosed in the IPO prospectus and any payments under these arrangements will be disclosed in future Reports.

Success-based compensation

- Since July 2021, Gilad has been entitled to compensation linked to a successful outcome of a historic claim relating to an acquisition. Payment is up to 1.8% of any net proceeds received and is subject to his being in service at the date of payment and not being under notice.
- Idan Wallace, the CEO of the Delek Group and a NED of the Company, is entitled to a payment of up to 1% of any net proceeds in respect of the same claim on the same terms as Gilad.
- The Company reached agreement on the settlement in February 2023, triggering a payment, which will be disclosed in the 2023 Report.

Management Equity Plan (MEP) awards

- In July 2021 Gilad was granted an award of shares in the Company which, on Admission, were converted into 1,822,286 Ordinary Shares at a value equal to 1.3% of the market value of the Company above a fixed hurdle of \$2.5 billion (the Hurdle). These were split into 1,401,758 B1 Ordinary Shares (1%) and 420,528 B2 Ordinary Shares (0.3%). The MEP Shares will be released annually from their restrictions over a five-year period as follows:

Release Date	B1 Ordinary Shares ¹	B2 Ordinary Shares ¹
1 October 2022	15%	—
1 October 2023	15%	—
1 October 2024	15%	45%
1 October 2025	15%	15%
1 October 2026	40%	40%

¹ or Ordinary Shares received in respect of the B1 or B2 Ordinary Shares

- On each vesting date, Gilad may receive further Ordinary Shares so as to ensure that the aggregate value of the original number of MEP Shares granted is maintained at 1.3% of the value of the Company above the Hurdle.
- Whilst any of the MEP Shares remain unvested, Gilad will not be eligible to participate in the LTIP.

The following treatment applies in the event of termination of employment in various circumstances:

Exit circumstance	Treatment
Bad leaver: fraud, gross misconduct, conviction of a criminal offence or voluntary resignation prior to 1 September 2023	All MEP Shares, whether vested or unvested, are subject to transfer back to the Company for nominal payment.
As a result of involvement from an activist minority shareholder	50% of unvested shares and 100% of vested shares are retained.
Change of control of the Company, material disposal or termination of employment before 1 October 2023 ¹	One-off payment in lieu of all shares of \$9 million, minus any bonuses received after 29 September 2022 (including a \$1m one-off bonus payment made in respect of 2022). ²
Good leaver: any other reason	Unvested shares are subject to transfer back to the Company for nominal payment. Vested shares are retained based on the date of cessation as follows: • Prior to 1 October 2024: 40% of B1 Ordinary Shares; • Between 1 October 2024 and 30 September 2025: 60% of all Ordinary Shares; • Between 1 October 2025 and 30 September 2026: 80% of all Ordinary Shares; and • After 30 September 2026: 100% of all Ordinary Shares.

¹ If such an exit has not occurred by this time, Gilad may elect to receive the one-time payment.

² The payment is in lieu of all MEP Shares, which must be transferred back to the Company for nil payment. The payment is intended to operate as a floor on the value that Gilad may receive in recognition of his contribution to value creation from 2019 onwards and the incentive arrangements forfeited by him on commencing employment with the Group.

Option awards

- Both Gilad and Alan were granted one-off options on 21 July 2021.
 - Gilad's award, 2,337,931 options in total, vested in full on Admission.
 - 2,337,931 options are held by Alan; 20% of these vested on Admission and the remaining 80% will vest and become exercisable over a four-year period i.e. 20% on each anniversary of grant.
- Under the terms of both awards, dividend equivalents will be payable on any options that have vested but not been exercised.
- Iain received a one-off grant of 120,000 nil-cost options in December 2022 (100% of salary, based on the share price at Admission) (At-IPO Award). The award is intended to enable Iain to build up his shareholding over the period following Admission and will become exercisable subject to continued service in three equal tranches on the first, second and third anniversaries of Admission. The value of the shares as at grant was £234,720 based on the closing share price of £1.956 on 21 December 2022.

CORPORATE GOVERNANCE CONTINUED

DIRECTORS' REMUNERATION REPORT CONTINUED

Illustrations of the application of the Policy

The charts which follow illustrate the remuneration that would be paid to the Executive Chair, CEO and CFO assuming four different performance scenarios in the first year of the Policy's operation and excluding any legacy arrangements. Each of the bars is broken down to show how the total under each scenario is made up of fixed elements of remuneration and variable remuneration.

The scenarios in the graphs are as follows:

Executive Chair

Chief Executive Officer

Chief Financial Officer

Key	Elément	Minimum performance	On-target performance	Maximum performance	Maximum performance with 50% share price growth
■	Fixed remuneration	2023 base salary, benefits and pension	2023 base salary, benefits and pension	2023 base salary, benefits and pension	2023 base salary, benefits and pension
■	Annual bonus ^{1,2}	None	50% of maximum opportunity	100% of maximum opportunity	100% of maximum opportunity
■	Long-Term Incentive Plan ^{2,3,4}	None	50% of maximum opportunity	100% of maximum opportunity	100% of maximum opportunity plus 50% share price growth

1 Maximum bonus opportunity is 150% of base salary for all EDs

2 Dividend accrual on deferred remuneration has been excluded from all four scenarios; share price movement has been excluded from the minimum, target and maximum scenarios.

3 Maximum LTIP opportunity is 225% of base salary for the CEO and 200% of salary for the CFO.

4 Whilst Gilad has unvested shares in the MEP he is not entitled to an LTIP award and the scenario charts reflect this position.

Service contracts for Executive Directors

The period of notice required in the service contracts is six months by the ED and the Company. The service contracts and letters of appointment are available for inspection by shareholders in advance of and at the forthcoming AGM, and during normal business hours at Ithaca Energy's registered office address. There are no further obligations which could give rise to a remuneration or loss of office payment other than those set out in the Policy table, the policy on payments for loss of office and change of control.

Payments for loss of office

When assessing whether payments will be made in respect of loss of office, the Committee will take into account individual circumstances including the reason for the loss of office, Ithaca Energy and individual performance up to the loss of office and any contractual obligations of both parties.

Contractual payments

In the event of early termination, the Company may make a payment in lieu of notice up to a maximum of six months' salary. Any payment is subject to phasing and mitigation requirements.

In the event of gross misconduct, the Company may terminate the service contract of an ED immediately and with no liability to make further payments other than in respect of amounts accrued at the date of termination.

The current ED service contracts permit the Company to put an ED on garden leave for some or all of the duration of the notice period.

To mitigate any uncertainty of employment that the IPO may cause the CEO and CFO, given their relatively short tenure, the following time-bound conditions apply:

- If the CEO's employment is terminated prior to 8 August 2023 as a result of the IPO, then a sum equivalent to three years' base salary would become payable.
- If the CFO's employment is terminated prior to 25 July 2024, other than for cause, then a sum equivalent to 12 months' base salary would become payable.

Annual bonus and LTIP

The treatment of awards under the Annual bonus and LTIP for leavers will depend on whether or not they are classified as a Good Leaver. This would typically be where an ED left for reasons including retirement, redundancy, death, ill-health, injury or disability, the sale of a business outside of the Group or the employing Company ceases to be a member of the Group, or any other circumstances as determined by the Committee.

For 'other' leavers, account will be taken of individual circumstances, contractual terms, circumstances of the termination and the commercial interests of the Company to determine whether or not to treat an ED as a Good Leaver.

The table below sets out the leaver treatment for awards under the Annual Bonus and LTIP:

Remuneration element	Treatment for Good Leaver	Treatment for Other Leaver	Remuneration Committee Discretion
Annual bonus	• Eligible for a bonus paid, taking into account performance. • Any bonus paid would normally be subject to pro-rating for time served as an ED during the year. • Bonus payments would ordinarily be made at the normal time following the year end • Normally, a portion of any bonus earned would be deferred into shares for three years, consistent with the treatment in the Policy table.	• No eligibility for bonus.	• It is at the discretion of the Committee as to whether departing EDs would be paid a bonus. In exercising its discretion on determining the amount payable, and the form and timing of payment, to an ED on termination of employment, the Board would consider each instance on an individual basis, taking account of factors such as performance and circumstances of the termination. • When determining whether a bonus or any other payment should be made to a departing ED, the Committee will ensure that no 'reward for failure' is made.
LTIP	• LTIP awards continue to vest at their original vesting date, subject to satisfaction of the relevant performance conditions. • In the event of death, LTIP awards will normally vest immediately. The number of awards vesting will be determined by the Committee taking into account performance as at the date of cessation. • The number of awards vesting will normally be reduced to reflect the proportion of the vesting period that has elapsed at the date of cessation of employment. • Any vested but unexercised awards can be exercised in the six-month period (or 12-month period in the case of death) following cessation or vesting.	• Unvested LTIP awards lapse on the date of cessation of employment.	• The Committee may allow LTIP awards to vest as soon as reasonably practicable on cessation of employment in exceptional circumstances, such as ill-health. The Committee may decide, acting fairly and reasonably, that a lesser reduction for time may be made.

CORPORATE GOVERNANCE CONTINUED

DIRECTORS' REMUNERATION REPORT CONTINUED

Deferred bonus awards

In the event that an ED leaves due to dismissal for cause or resignation, unless the Committee determines otherwise, unvested deferred bonus awards will lapse. Any vested but unexercised awards will cease to be exercisable with effect from the beginning of the notice period, unless the Committee determines otherwise.

In the event that an ED leaves for any other reason, unvested deferred bonus awards continue to vest at their normal vesting date, unless the Committee determines otherwise. Any vested but unexercised awards can be exercised in the six-month period (or 12-month period in the case of death) following cessation or vesting.

Payments in the event of a change of control

The treatment of each element of remuneration under a change of control is set out in the table below.

Remuneration element	Remuneration Policy and operation
Salary (CEO only)	If there is a change of control before 16 August 2024 and the Company terminates the CEO's employment as a result of the change of control within nine months, then a sum of three years' base salary becomes payable.
Annual bonus (cash)	- An annual bonus may be paid subject to time pro-rating (unless the Committee determines otherwise) and performance to the date of the change of control. - Any annual bonus awarded would be paid fully in cash.
Annual bonus (deferred shares)	Unless the Committee agrees to exchange outstanding deferred bonus awards into awards in the acquiring Company, any outstanding deferred shares will ordinarily vest in full at the date of change of control (other than in respect of an internal reorganisation).
LTIP	- Unless the Committee agrees to exchange outstanding LTIP awards into awards in the acquiring Company, LTIP awards will vest subject to time pro-rating and performance at the date of change of control (other than in respect of an internal reorganisation). - The Committee has discretion to reduce the extent of or disapply time pro-rating.

Remuneration Policy – Non-Executive Directors

The NEDs have entered into letters of appointment with Ithaca Energy which last for an initial period of three years and are subject to annual re-election. As at 31 December 2022, the unexpired term of the letters of appointment is two years and 10 months. The letters of appointment are available for viewing at Ithaca Energy's registered office during normal business hours, and prior to and at the AGM.

The appointment of any non-independent NED is terminable in accordance with the relevant Relationship Agreement. The NEDs will only receive payment until the date their appointment ends and no compensation is payable on termination.

The table below sets out the key elements of the Policy for NEDs:

Element and how it supports our short and long-term strategic objectives	Operation	Maximum opportunity	Performance conditions and assessment
NED Fees Provides a market competitive level of fees to reflect the time commitment and contributions that are expected from the NEDs.	The Board as a whole is responsible for setting the remuneration of the NEDs, other than the Chair whose remuneration is determined by the Committee. NEDs are paid a base fee in cash. Additional fees may be paid for additional responsibilities such as acting as Senior Independent Director or for membership or chairing sub-committees of the Board. The NEDs do not participate in Ithaca Energy's incentive arrangements and no pension contributions are made in respect of them. Reasonable travel and subsistence expenses (including the tax cost where appropriate and within the Company's travel and expenses policy) may be paid or reimbursed by Ithaca Energy.	The fees paid to NEDs will normally be reviewed annually, but the Committee reserves the right to review fees on a discretionary basis if it believes an adjustment is required to reflect market rates, scope of responsibilities or performance. There is no prescribed maximum increase, but in general the level of fee increase for the NEDs will be set taking account of any change in responsibility or time commitment required, and the general rise in salaries across the UK workforce.	None.
Shareholding requirement To ensure that NEDs' interests are aligned with those of shareholders.	NEDs are expected to build and maintain a holding in the Company's shares of 100% of their base fee. NEDs have three years from the date of their appointment to the Board to build and maintain this holding. The Committee may waive this requirement for certain exceptional personal circumstances.		

Statement of employment conditions elsewhere in Ithaca Energy

Remuneration arrangements are determined throughout Ithaca Energy based on the same principle that reward should be achieved for delivery of Ithaca Energy's business strategy and should be competitive within the market to attract and retain high calibre talent, without paying more than is necessary.

Senior managers below Board level with a significant ability to influence Ithaca Energy's results may participate in an annual bonus plan and a long-term incentive which reward both performance and loyalty and are designed to retain and motivate.

While the Committee has not formally consulted with employees in forming this Policy, the Committee considers pay and employment conditions across Ithaca Energy when reviewing the remuneration of the EDs and other senior employees and is comfortable that the proposed Policy is appropriate and consistent with the approach to remuneration across the Group. The Committee considered the range of base salary increases across Ithaca Energy when determining increases to award to the EDs. Other considerations include: changes in benefits and bonus, in addition to salary, of UK employees compared with that of directors (page 103); the ratio of CEO pay to that of employees (page 104); spend on pay compared with, for example net income and dividends (page 104); and gender pay gaps. The Committee also reviewed the advice the Company received prior to Admission on executive remuneration matters from FIT Remuneration Consultants LLP (FIT), which included benchmarking of ED remuneration.

Consideration of shareholder views

The Committee takes the views of shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the majority shareholder was consulted prior to IPO regarding the proposed remuneration packages for EDs. The Committee welcomes an open dialogue with its shareholders on all aspects of remuneration.

CORPORATE GOVERNANCE CONTINUED

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION

This section of the report sets out how Ithaca Energy has implemented its proposed Policy and legacy arrangements for EDs since Admission in November 2022. This is in accordance with the requirements of the Large & Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

The full terms of reference for the Committee can be found on the Company's website at <https://www.ithacaenergy.com/> and are also available from the Company's General Counsel and General Manager, Business Affairs.

Committee membership

The members of the Committee are shown below.

	Date of appointment	Meetings since IPO
Lynne Clow ¹	31 October 2022	3/3
Assaf Ginzburg	31 October 2022	2/3
Deborah Gudgeon	31 October 2022	2/3
John Mogford	31 October 2022	3/3

¹ Chair from 31 October 2022. Lynne has been Chair of the Remuneration Committee at Robert Gordon University since August 2020.

The Committee met three times during 2022.

The Company's Executive Chair attended all meetings of the Committee. The Group General Counsel and General Manager, Business Affairs acted as secretary to the Committee. The Chair of the Committee reported to subsequent meetings of the Board on the Committee's work and the Board received a copy of the agenda and the minutes of each Committee meeting.

During the year, the Committee received assistance in considering executive remuneration from a number of senior managers, who attended certain meetings (or parts thereof) by invitation during the year, including the CEO and the Head of People and Culture.

No person was present during any discussion relating to their own remuneration.

Prior to Admission, the Company appointed FIT to provide advice on executive remuneration matters and views on shareholder perspectives as part of the review of its Remuneration Policy for senior employees, including EDs. From January 2023, PricewaterhouseCoopers LLP (PwC) were approved by the Committee and appointed as its advisers. The Committee regularly reviews and satisfies itself that the advice received is independent and objective. The Committee notes that both FIT and PwC are members of the Remuneration Consultants Group and voluntarily adhere to its Code of Conduct in relation to executive remuneration consulting in the UK. Pinsent Masons LLP (Pinsent), appointed by the Company, provided advice on share incentive plan-related matters, including on senior executive remuneration issues.

During the year, FIT were paid £35,000 and Pinsent Masons LLP were paid fees of £48,000 for their advice to the Company and Committee on these matters. Fees were charged on a time-spent plus expenses basis. Other services provided to the Company by Pinsent include corporate and employment law advice.

The Committee reflects on the quality of the advice provided and whether it properly addresses the issues under consideration as part of its normal deliberations. The Committee is satisfied that the advice received during the year was objective and independent.

Committee Activities during 2022 since Admission

Senior Management pay decisions

- Reviewed and approved the grant of awards under the Company's Long Term Incentive Plan (LTIP) to senior managers including two of the EDs.
- Approved Gilad's partial exercise of a share option (granted in 2021) and the accelerated payment of his contractual payment under the MEP (to have been paid in April 2023). This was permitted, on an exceptional basis, so that Gilad could meet the tax liability on exercise, without needing to sell any shares. This would help mitigate any risk of a decrease in the Ithaca Energy share price arising directly from such a sale.

Incentive and share plan operation

- Reviewed and approved the Company's Annual Bonus Plan rules.
- Reviewed and approved the rules of the Company's Deferred Share Bonus Plan, the LTIP and the Company's Share Incentive Plan.
- Approved the establishment of an employee benefit trust to facilitate the acquisition of Company Shares so that liabilities under share plan awards could be met.

Single total figures of remuneration (audited)

Executive Directors ^{1,2}	Base Salary £'000	Benefits ³ £'000	Annual bonus £'000	LTIP £'000 ⁴	Pension ⁴ £'000	Other ⁵ £'000	Total £'000	Total Fixed Pay ⁶ £'000	Total Variable Pay £'000
Gilad Myerson	458	79	—	—	60	7,229	7,826	597	7,229
Gilad Myerson (2021)	257	43	—	—	35	763	1,098	335	763
Alan Bruce	91	2	36	—	12	5,895	6,036	106	5,930
Alan Bruce (2021)	—	—	—	—	—	—	—	—	—
Iain Lewis	68	2	27	—	9	285	391	80	311
Iain Lewis (2021)	—	—	—	—	—	—	—	—	—

1 2022 figures reflect remuneration earned since appointment as a Director of the Company. Gilad was a Director for the whole year, Alan and Iain were both appointed with effect from 10 October 2022.

2 2021 figures for Gilad are for the period from 19 April 2021, the date from when he started to receive remuneration as a Director of the Company.

3 Benefits includes the cost, where relevant, of private medical insurance, accommodation, travel and car allowance. Benefits with a value over £5,000 include: Gilad's car allowance (£9,300) and the gross taxable value of expenses relating to accommodation, travel and subsistence incurred whilst travelling on company business (£68,000).

4 Pension provision is 15% of salary as a payment into a defined contribution pension scheme and/or a cash amount in lieu of a pension contribution. Any cash allowance paid is reduced to take into account additional employer costs.

5 Other comprises the following legacy arrangements as detailed in the IPO prospectus:

Gilad (2022): value of 2,337,931 nil-cost options (awarded July 2021) and the value of 210,263 MEP shares (15% of the B1 Ordinary Shares under the MEP, see page 98), both of which vested on Admission (using Admission share price of £2.50), a contractual payment of \$1,000,000 as part of the MEP (using an average 2022 exchange rate of GBP 1 = USD 1.23683), and a one-off IPO bonus (£50,000).

Gilad (2021): a contractual payment of \$1,000,000 as part of the MEP (using the exchange rate at the time of payment in March 2022 of GBP 1 = USD 1.31)

Alan: value of 2,337,931 nil-cost options (awarded July 2021), 20% of which vested on Admission (using Admission share price of £2.50); the full value is shown as performance conditions fell away on Admission. Also included is a one-off IPO bonus (£50,000).

Iain: value of At-IPO award of 120,000 nil-cost options with no performance conditions granted on 21 December 2022, valued using the share price at the time of award of £1.956, and a one-off IPO bonus (£50,000).

CORPORATE GOVERNANCE CONTINUED

DIRECTORS' REMUNERATION REPORT CONTINUED

2022 Annual bonus outcomes

The annual bonus arrangements that existed prior to IPO continued to operate for the remainder of 2022. The maximum bonus opportunity for the CEO and CFO in 2022 was 50% of salary and subject to a qualitative assessment of achievements against a scorecard of measures. Any bonus earned in respect of 2022 is payable in cash following the year-end.

Performance against scorecard (audited)

Category	Achievement	Weighting	Outcome	Contribution
HSE	- No Tier 1 process safety events and zero SIF-F; greater focus required on recordable injuries and high potential events - Control of work audit completed, rolled out Institute of Oil & Gas Producers Life Saving Rules - Strengthened onshore and offshore HSE capability	20%	35%	7%
Organisation	- Launched refreshed vision and values in Q4 - Strengthened organisational capability through key senior leadership team appointments - Enhanced process and procedures in support of IPO	20%	90%	18%
Operations	- Operated production at 71,403 boe/d - Captain EORII and Abigail project progressed in line with plan - Operated assets production efficiency at 89%	20%	70%	14%
Financial	- EBITDAX at \$1,916.2 million up 85.1% - Unit operating expenditure \$19.0/boe - Cost reduction initiatives helped offset inflation in fuel and emissions relative to budget	20%	95%	19%
Growth	- Three acquisitions completed, including stakes in long life assets such as Cambo, Rosebank, Scheihallion, Mariner and Jade - Completed Captain development drilling programme and sanctioned Alba 2023 campaign - Successful IPO in November	20%	100%	20%
Overall outcome		100%		78%

Performance in each category was assessed out of 100% and multiplied by the category weighting to give a contribution to the total scorecard.

Bonus outcomes for EDs

	Bonusable salary ¹ £	Maximum bonus % of salary	Scorecard	Outcome % of salary	Annual bonus value £
Alan Bruce	£91,282	50%	78%	39%	£35,600
Iain Lewis	£68,462	50%	78%	39%	£26,700

¹ Bonusable salary relates to the period served as a Director during the performance year; both Alan and Iain served from 10 October 2022.

² Under the terms of the MEP, no annual bonus was payable to Gild for 2022.

Discretion

The Committee is conscious of the provisions of the 2018 Code, with remuneration committees being encouraged to review incentive outcomes against individual and Company performance, together with any wider circumstances, and to exercise independent judgement and discretion in relation to remuneration outcomes. Taking into account overall business performance the Committee was of the view that these outcomes are appropriate and no discretion was exercised.

LTIP vesting in respect of performance period ending 2022

Not applicable

Awards granted during 2022 (audited)

Awards granted since IPO in 2022 under the LTIP are conditional upon the Policy and the LTIP rules being approved at the 2023 AGM. Awards were:

	Date of award	Award type ¹	Basis of award	Face value of award ⁴	Vesting for threshold/ maximum performance	End of performance period	End of vesting/holding period
Alan Bruce	21 Dec 2022	LTIP ²	225% of salary	£900,000	25%/100%	31 Dec 2025	21 Dec 2027
Iain Lewis	21 Dec 2022	LTIP ²	200% of salary	£600,000	25%/100%	31 Dec 2025	21 Dec 2027
	21 Dec 2022	One-off LTIP ³	100% of salary	£300,000	N/A	N/A	9 Nov 2025

¹ Awards may include additional shares (or, at the discretion of the Committee, cash) equivalent to the value of the dividend roll-up.

² LTIP awards granted as nil-cost options, which will vest and become exercisable when the Committee determines whether the performance conditions have been met. The shares from any options exercised cannot be sold until after five years from the grant date, except to meet any tax liability.

³ Iain's one-off award was granted as nil-cost options, which will become exercisable subject only to continued service in three equal tranches on the first, second and third anniversaries of Admission.

⁴ Face value of the awards has been calculated using a share price of £2.50, the Admission share price. The closing share price on 21 December 2022 was £1.956.

Targets for 2022 LTIP awards

The 2022 targets are provided below.

Category	Weighting	Metric	Weighting	Threshold ¹ (25% vesting)	Maximum (100% vesting)
TSR	50%	TSR versus comparator group ²	50%	Median	Upper quartile or above
Balanced scorecard	50%				
Safety and Environment		Aggregate Tier 1 and 2 process safety events	5%	6	2
		Average gross operated emissions intensity (kg CO ₂ e/boe)	5%	23.9	19.6
Operational ³		Cumulative Reserves Replacement Ratio ³	10%	100%	150%
		Average Production (kboe/d)	10%	72.3	88.3
Financial ³		Cumulative Group Adjusted EBITDAX ³	20%	\$5.0bn	\$6.0bn

¹ Nil vesting below threshold performance; performance between threshold and maximum ranges between 25% and 100% on a straight-line basis.

² Ithaca Energy's TSR performance will be assessed against that of: Africa Oil, Aker BP, Apache Corp, Capricorn Energy, Diversified Gas & Oil, DNO, Energean, EnQuest, Genel Energy, Harbour Energy, Hibiscus, Kosmos Energy, Marathon Oil, Maurel & Prom, Murphy Oil, Okea, Orron Energy, Santos, Seplat Energy, Serica, Tullow Oil and Vermillion Energy.

³ Targets for these metrics are cumulative over the performance period.

Payments to past Directors (audited)

No payments were made to past Directors during the year.

Payments for loss of office (audited)

No payments for loss of office were made during the year.

CORPORATE GOVERNANCE CONTINUED

DIRECTORS' REMUNERATION REPORT CONTINUED

Remuneration for Non-Executive Directors (audited)

The table below sets out the total remuneration earned by each NED who served during 2022 since their appointment date:

Non-Executive Directors ¹	Fees 2022 £'000	Benefits 2022 £'000	Other ³ 2022 £'000	Total 2022 £'000	Fees 2021 £'000	Benefits 2021 £'000	Total 2021 £'000
David Blackwood	24	—	50	74	—	—	—
Lynne Clow	24	—	50	74	—	—	—
Assaf Ginzburg	24	—	50	74	—	—	—
Deborah Gudgeon	24	—	50	74	—	—	—
John Mogford	26	—	100	126	—	—	—
Idan Wallace ²	—	—	—	—	—	—	—

¹ All NEDs were appointed with effect from 31 October 2022; fees and benefits since this date are shown.

² Idan Wallace, CEO of Delek, was appointed to the Board on 10 October 2022. He receives no additional fee from Delek for his Directorship of the Company.

³ Represents the value of the shares that each NED subscribed to on Admission, using the Admission share price of £2.50.

Percentage change in remuneration of the Directors

Gilad was the only individual to serve as a Director for the whole of the year. As the other Directors did not serve for the whole year they have been excluded from this table, but will be included going forward. The change in Gilad's salary, bonus and benefits and that of the wider workforce is set out below.

	2021-22		
	Salary ²	Benefits ³	Bonus ⁴
Executive Chair			
Gilad Myerson	11.1%	28.6%	6.2%
All UK-based employees ¹	5.5%	13.2%	63.6%

¹ UK-based employees are shown as this comprises Ithaca Energy's entire workforce. The same population as at 31 December 2021 and 31 December 2022 has been used to calculate the change in remuneration.

² Gilad's salary increased from £450,000 as interim CEO to £500,000 as Executive Chair.

³ The change in benefits value for Gilad reflects the increase in the gross taxable value of travel-related expenses incurred whilst travelling on company business during 2022. The increase for UK employees is mainly due to the harmonisation of benefits in 2022.

⁴ The increase in bonus for Gilad reflects the IPO bonus of £50,000 paid in 2022 in addition to the contractual payments under the MEP for 2021 and 2022.

CEO Pay ratio reporting

The table below shows the ratio at median, 25th and 75th percentile of the total remuneration received by the Group CEO compared to the total remuneration received by UK employees. Total remuneration reflects all remuneration received by an individual, and includes salary, benefits, bonus, pension and value from incentive plans. Details on total remuneration for each quartile employee, and the salary component within are also shown.

Year	Method	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2022	Option B	65:1	57:1	44:1

- Option B, using Gender Pay Gap (GPG) reporting data, was chosen to calculate the CEO pay ratio as it was the most practical approach given the timeframe between date of Admission and the end of the financial year. Under this approach the employees at the quartiles were identified using the April 2021 GPG snapshot data. The total remuneration was calculated on a full-time basis for these three employees, and for others either side of the quartiles to check for anomalies. The Company will review the methodology for future years to ensure that the employees identified at the quartiles and their remuneration are as representative as possible.
- The single figure for Alan (£6,036,535) was used to calculate the ratio; this was in respect of service since his appointment as a Director on 10 October 2022 and included the value of some legacy arrangements. As a consequence, the ratio may not be representative of what would be seen in a typical year. An additional ratio has, therefore, been provided on the basis of Alan being CEO and a Director for all of 2022 and receiving 'on target' remuneration, i.e. fixed pay and variable pay at 50% of maximum opportunity (bonus and LTIP vesting at 75% and 112.5% of salary respectively).

Year	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2022 (illustrative based on notional 'target' remuneration)	13:1	11:1	9:1

The table below shows the total remuneration figure for each quartile employee and the salary component within this.

Year		P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2022	Salary ¹	£69,309	£79,180	£95,797
	Total remuneration	£93,279	£106,611	£138,669

¹ Given the different fixed pay structures of offshore and onshore employees, any offshore allowance is included in the Salary figures.

In reviewing the employee pay data, the Committee is comfortable that the P25, P50 and P75 individuals identified appropriately reflect the employee pay profile at those quartiles, and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies for employees.

Relative importance of spend on pay

The table below outlines the Group's net income, dividends paid to shareholders and share buybacks, compared to overall spend on pay in total. Net income is shown, as this is one of the Group's key measures of performance.

	2022 \$m	2021 \$m
Adjusted net income	462.8	415.5
Ordinary dividends paid to shareholders	—	—
Share buybacks	—	—
Total staff costs	99.2	77.2

CORPORATE GOVERNANCE CONTINUED

DIRECTORS' REMUNERATION REPORT CONTINUED

Statement of Directors' shareholding and share interests

ED share ownership requirements

Under the Policy, EDs are required to build a shareholding in the Company of:

Role	% of base salary
Executive Chair, CEO	225%
CFO	200%

- EDs are required to retain 50% of the net shares released from Deferred Share Bonus Plan and LTIP awards until the shareholding requirement is met
- The shareholding requirement should normally be built up over a period not exceeding five years
- Unvested share awards that are subject to performance conditions are not taken into account in applying this test
- A post-cessation holding period of two years applies. This is at the same level as the current (within employment) guideline for the first year, reducing to half in the second year. The Committee retains the discretion to waive part or all of the guideline where considered appropriate, for example in exceptional or compassionate circumstances

ED share ownership requirements (audited)

	Shares held		Options held			Shareholding requirement (% of salary)	Current shareholding ⁵ (% of salary)	Requirement met
	Owned outright	Released and held in trust ¹	Vested but not exercised ²	Unvested and subj. to continued employment ³	Unvested and subj. to perf. conditions ⁴			
Executive Directors								
Gilad Myerson	3,225,045	210,263	935,172	—	1,612,023	225%	1480%	Yes
Alan Bruce	—	—	467,586	1,870,345	360,000	225%	561%	Yes
Iain Lewis	—	—	—	120,000	240,000	200%	38%	No

1 Represents Gilad's MEP shares which were released from their restrictions on Admission.

2 Options granted to Gilad and Alan in July 2021 which vested on Admission, but have not yet been exercised.

3 These are options granted to Alan in July 2021 which will vest and become exercisable over a four-year period i.e. 20% on each anniversary of grant and the At-IPD award granted to Iain in December 2022.

4 These represent the balance of Gilad's MEP shares at 31 December 2022, and the LTIP awards granted to Alan and Iain in December 2022.

5 Current shareholding has been calculated using shares held (beneficially or in trust), and options (on a net of tax basis) that are vested, or unvested and subject to continued employment, using a share price of £1.829, the closing share price on 30 December 2022.

NED shareholdings (audited)

NEDs	Shares held at 31 Dec 2022	Shareholding requirement (% of fees)	Current shareholding ¹ (% of fees)	Requirement met
David Blackwood	20,000	100%	49%	No
Lynne Clow	20,000	100%	49%	No
Assaf Ginsburg	20,000	100%	49%	No
Deborah Gudgeon	20,000	100%	49%	No
John Mogford	40,000	100%	98%	No

1 Current shareholding has been calculated using shares held (beneficially or in trust) using a share price of £1.829, the closing share price on 30 December 2022.

There were no changes to the EDs or NEDs interests in Ithaca Energy Shares during the period 1 January 2023 to 29 March 2023.

Dilution

Awards granted under Ithaca Energy employee share plans are primarily satisfied through shares purchased in the market.

The Company monitors the number of shares issued under the Ithaca Energy employee share plans and their impact on dilution limits. The Company's usage of shares compared to the relevant dilution limits set by the Investment Association in respect of all share plans (10% in any rolling ten-year period, starting from the date of Admission) and executive share plans (5% in any rolling ten-year period, starting from the date of Admission) was 0.94% of the Company's total issued share capital on 31 December 2022.

Statement of voting at AGM

There is no historical voting to disclose on Directors' remuneration as the 2023 AGM will be the Company's first as a publicly listed company. AGM voting outcomes will be disclosed in future Reports.

Approach to NED fees for 2023

NED fees are reviewed annually and were set prior to Admission

Role	Fee from 1 January 2023	Fee from 14 November 2022
Board membership fee	£75,000	£75,000
Additional fees paid:		
Senior Independent Director	£30,000	£30,000
Committee Chair ¹		
Audit & Risk, Remuneration, HSE	£20,000	£20,000

¹ Gilad's base salary is deemed to include any other fees as a Director of the Company or Group; as such a fee for the Chair of the Nomination Committee has not been set.

Historical TSR performance

The table below compares the TSR performance of the Company since Admission against the TSR of the FTSE350 Oil & Gas sector. This index was chosen as it is a recognised equity market index of which Ithaca Energy is a member.

Historical CEO remuneration outcomes

The table below outlines the Group CEO's single figure for total remuneration, and annual bonus and LTIP outcomes as a percentage of maximum opportunity and will be built up over a period of ten years:

	2022
Annual bonus payout (as a % of maximum opportunity)	78%
LTIP vesting (as a % of maximum opportunity)	—
Group CEO single figure of remuneration (£000) ¹	6,036

¹ Remuneration earned since appointment as a Director of the Company, 10 October 2022

CORPORATE GOVERNANCE CONTINUED

DIRECTORS' REMUNERATION REPORT CONTINUED

Implementation of Policy in 2023

The implementation of the Policy will be consistent with that outlined in the Policy table on pages 93 to 103

Remuneration element	Implementation	Performance Category (weighting)	Metric (weighting)
Salary,	Executive Chair	£500,000 (0% increase)	
	CEO	£400,000 (0% increase)	
	CFO	£300,000 (0% increase)	
Annual bonus	Maximum 150% of salary		
	One-year performance	Health, Safety and Environmental (25%)	- Tier 1 & Tier 2 process safety events (15%) - Emissions plan (10%)
	50% paid as cash	Operations (35%)	- Production (17.5%) - Total operating expenditure (17.5%)
	50% deferred into shares for three years	Growth (10%)	Reserves maturation (10%)
		Financial (20%)	Free cash flow (20%)
		Strategic (10%)	Strategy (10%)
LTIP	The next award is anticipated to be made in 2024		



LYNNE CLOW
Remuneration Committee Chair

DIRECTORS' REPORT

The Directors present their annual report together with the audited Group and Company financial statements for the year ended 31 December 2022.

Directors

The Directors' biographical details are set out on pages 71 to 73.

Changes to the Directors during the year and up to the date of this report are set out in the table.

Each of the Directors of the Company will offer themselves for re-election at the Annual General Meeting.

Name	Role	Effective date of resignation or appointment
Resignations		
Leora Pratt Levin	Non-Executive Director	10 October 2022
Appointments		
Alan Bruce	Executive Director, Chief Executive Officer	10 October 2022
Iain Lewis	Executive Director, Chief Financial Officer	10 October 2022
Idan Wallace	Non-Executive Director	10 October 2022
John Mogford	Independent Non-Executive Director, Senior Independent Director	31 October 2022
Deborah Gudgeon	Independent Director	31 October 2022
Lynne Clow	Independent Director	31 October 2022
Assaf Ginzberg	Independent Director	31 October 2022
Dave Blackwood	Independent Director	31 October 2022
Itshak Sharon Tshuva	Non-Executive Director	30 March 2023
Julie McAteer	Company Secretary	3 October 2022

CORPORATE GOVERNANCE CONTINUED

DIRECTORS REPORT CONTINUED

Dividends

The Board did not propose a dividend for 2022. The Directors paid a dividend of \$133 million to the shareholders on 9 March 2023.

Director indemnities

During the financial year, the Company had in place an indemnity to each of its Directors under which the Directors of the Company may be indemnified out of the assets of the Company against certain costs, charges, expenses, losses or liabilities which may be sustained or incurred in or about the execution of their duties. The indemnity was in force for all Directors who served during the year.

Political donations

No political donations were made during this financial year.

Directors' Interests

The interests of the Directors in the Ordinary Shares of the Company as at 31 December 2022 are shown below:

- Gilad Myerson: 3,225,045 ordinary shares
- John Mogford: 40,000 ordinary shares
- Deborah Gudgeon: 20,000 ordinary shares
- Lynne Clow: 20,000 ordinary shares
- Assaf Ginzberg: 20,000 ordinary shares
- Dave Blackwood: 20,000 ordinary shares

Annual General Meeting

The Company anticipates to hold the inaugural Annual General Meeting of the Company on 24 May 2023. Notice of the AGM, together with details of all resolutions which will be placed before the meeting will be published in due course.

Capital Structure

1. Share capital

The issued share capital of the Company comprises of 1,006,564,976 Ordinary Shares. The Ordinary Shares are fully paid and freely transferable. The Ordinary Shares have a nominal value of £0.01. The liability of each Shareholder is limited to the amount, if any, unpaid on the shares held by that Shareholder. Since incorporation, the Company's share capital has been issued in conformity with the laws of England and Wales.

Details of the Company's issued share capital, together with details of any movement in the issued share capital during the year, are shown in note 26.

The Company did not purchase any of its own shares during 2022 or up to and including 30 March 2023, being the date of this Directors' Report.

2. Significant shareholders

The significant holdings in the Company's issued share capital (in addition to the shares held, indirectly, by Delek Group Limited) as at 31 December 2022 are as follows:

- Chase Nominees Limited (2.66%)
- Hanover Nominees Limited (1.67%)

3. Articles of Association

The Company's Articles of Association may only be amended by special resolution at a General Meeting of shareholders. The Company's Articles of Association contain provisions regarding the appointment, retirement and removal of Directors along with their powers and duties. A director may be appointed by an ordinary resolution of shareholders in a general meeting following nomination by the Board or a member (or members) entitled to vote at such a meeting.

4. Registrar

In connection with the Ordinary shares traded on the London Stock Exchange, the Registrar is Computershare.

5. Significant Agreements which would be affected by a change of control

The following agreements will, in the event of a change of control of the Company, be affected as follows:

- Under the up to \$1,225m senior secured revolving borrowing base facility agreement between, among others, Ithaca Energy (E&P) Limited and certain subsidiaries and a syndicate of financial institutions, upon a change of control (save for certain exceptions) each lender has the right to serve notice.
- Upon the occurrence of a 'Change of Control', IENS plc will be required to offer to repurchase the 2026 Notes at a purchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest (if any) to the date of the purchase.
- The Deeds of Indemnity all provide that, in the event of a change of control, the surety will be entitled to make demand for the payment of cash to cover a deposit in an amount equal to an amount the relevant surety determines is the amount of the maximum aggregate liability of the surety in connection with any outstanding bond or bonds.

Company share schemes (LR 9.8.4)

In 2022, the Company put in place a long-term incentive plan (LTIP) to align with best practice and the terms of the remuneration policies for the Directors. The LTIP enables the Executive Directors and selective employees of the Group to be granted awards over Ordinary Shares. As at 31 December 2022, 2,836,660 awards had been granted under the LTIP. Details of the share based awards are set out in note 33 to the consolidated financial statements.

Information elsewhere in the Annual Report

In accordance with section 414C(11) of the Companies Act 2006, the Directors have chosen to set out certain information required to be included in the Directors' Report (including in relation to the information required to be disclosed by Listing Rule 9.8.4 R), in the Strategic Report and notes to the consolidated financial statements, including:

- Financial Risk Management, see note 29 of the financial statements;
- Subsequent Events since 31 December 2022, see note 34 of the financial statements;
- Future developments and research and development, see our strategy in action on pages 24 to 29;
- Disabled employees see our ESG Report on pages 51 and 52;
- Employee engagement, see Our Stakeholders and ESG Reports on pages 33, 51 and 52;
- Greenhouse Gas Emissions, Energy Consumption and Energy Efficiency, see page 49 of the Strategic Report;
- Interest capitalisation, see note 9 of the financial statements; and
- Waiver of emoluments, see page 111 of the Directors' Remuneration Report.

Auditor Information

Each person who is a Director at the date of approval of this Annual Report and Financial Statements confirm that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each Director has taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information
- This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006. By order of the Board.

JULIE MCATEER
Company Secretary
30 March 2023



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable United Kingdom laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted International Accounting Standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (including United Kingdom Accounting Standard FRS 101 'Reduced Disclosure Framework') and applicable laws.

Under Company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the Group and Company financial statements, the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with specific requirements in International Accounting Standards (and in respect of the Company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;

- State whether applicable United Kingdom-adopted International Accounting Standards have been followed for the Group financial statements and United Kingdom Accounting Standards, including FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business;
- The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

In accordance with the principles of the UK Corporate Governance Code, the Directors are responsible for establishing arrangements to evaluate whether the information presented in the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, and making a statement to that effect. This statement is set out on page 76 of the Annual Report. Each of the Directors, whose names and functions are set out in Board of Directors on pages 71 to 73, confirm that to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with United Kingdom-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- The Company's financial statements, which have been prepared in accordance with United Kingdom Accounting Standards including FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

This responsibility statement was approved by the Board of Directors on 30 March 2023 and is signed on its behalf by:

ALAN BRUCE
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITHACA ENERGY PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Ithaca Energy plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit or loss;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- notes 1 to 34 of the consolidated financial statements and notes 1 to 8 of the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 7 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITHACA ENERGY PLC CONTINUED

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Acquisition accounting • Carrying value of oil and gas assets and goodwill • Decommissioning provision • Deferred tax asset recognition and recoverability
Materiality	The materiality that we used for the group financial statements was \$40m which represents 2.1% of Adjusted Earnings Before Interest, Tax, Depreciation, Amortisation and Exploration (EBITDAX) ¹ and 1.6% of net assets.
Scoping	Consistent with the way the group is centrally managed from the Aberdeen office, we consider the group to be one component. Consequently, all assets, liabilities, income and expenses are subject to a full scope audit.

¹ Adjusted EBITDAX is a non GAAP measure comprising profit before tax, net finance costs, put premiums on oil and gas derivative instruments, revaluation of forex forward contracts, revaluation of commodity hedges, depletion, depreciation and amortisation, impairment (charge)/reversal, exploration and evaluation expenditure, fair-value gains/(losses) on contingent consideration, gain on bargain purchase and transaction costs.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- assessing the financing facilities including nature of facilities, repayment terms and covenants;
- considering the linkage to business model and short-term risks;
- challenging the assumptions used in the forecasts, in particular commodity prices, production levels, capital expenditure (including consideration of any discretionary capex) and debt facilities;
- considering the amount of headroom in the forecasts (both liquidity and covenants);
- challenging management's sensitivity analysis and mitigating actions, with sensitivities run in relation to production, commodity prices and capital expenditure and consideration of reverse stress tests;
- assessing the sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management;
- assessing the group's going concern related financial statement disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Acquisition accounting

Key audit matter description

The group recorded a gain on bargain purchase of \$1,335m in the consolidated statement of profit or loss mainly from the following transactions completed during the year:

- Marubeni acquisition which completed on 4 February 2022 – \$620m gain on bargain purchase; and
- Siccar Point acquisition which completed on 30 June 2022 – \$704m gain on bargain purchase.

A key audit matter in respect of accounting for the acquisitions was identified with specific focus on:

- Valuation of acquired development and production oil and gas assets, with focus on:
 - o commodity price forecasts adopted in the fair valuation of the assets acquired and valuation of certain elements of the contingent consideration which are subject to management estimation;
 - o judgements and estimates made on reserves and resources, which were based on estimates made by management's third party reserves consultants with a risking adjustment then applied by management;
 - o appropriateness of the discount rate utilised in the fair value model;
 - o the completeness of identified assets and liabilities in the context of the significant gain on bargain purchase recognised; and
 - o appropriateness of the deferred tax assets recognised;
- Contingent consideration fair value measurement judgements made in respect of both acquisitions, including the impact of forecast commodity prices and assumptions over future development activity; and
- Valuation of the \$707m exploration and evaluation assets acquired from Siccar Point, mainly in respect of the Rosebank and Cambo fields. These assets are subject to significant management judgement on:
 - o the risking of contingent resources, which require consideration of the likelihood of final investment decisions and execution of complex development plans to progress the assets to development stage; and
 - o forecast commodity prices and discount rates as outlined above.

The importance of the success of the acquisitions to the group's growth strategy also gives rise to the risk of management bias in determining the fair value of the assets and liabilities acquired and the resulting gain on bargain purchase, therefore this gives rise to a potential fraud risk in the period.

Further details of this matter have been disclosed in the Audit and Risk Committee report on page 81, in the "Critical accounting judgements" disclosure in note 3 of the financial statements and in note 17 of the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITHACA ENERGY PLC CONTINUED

5.1. Acquisition accounting continued

How the scope of our audit responded to the key audit matter	Our procedures on each of the acquisitions involved: Procedures on internal control and valuation of acquired oil and gas assets • Obtaining an understanding of relevant controls over accounting for acquisitions; • Assessing the appropriateness of management's forecast commodity prices, through benchmarking against forward curves, peer information and market data; • Obtaining input from our valuations specialists to assess management's discount rate by comparison to an independent range; • Comparing management's production profiles against those of an external reserves consultant appointed by management; • Assessing the competence, capabilities and objectivity of management's reserves specialist; • Obtaining input from our internal reserves specialists to challenge and assess the plausibility of the reserves and resources estimated by management and management's third party reserves consultant and the appropriateness of management's risk levels applied to the resource estimates; • Testing the integrity/mechanical accuracy of the fair value cashflow models; • In respect of the Siccar Point acquisition, assessing with the assistance of our tax and valuation specialists the appropriateness of management's estimate of the impact of the Energy Profits Levy (EPL) on the fair value model; and • Obtaining input from our tax specialists to challenge the appropriateness of the tax restructuring assumptions made by management in assessing whether a deferred tax asset can be recognised under IAS 12, including assessing the feasibility of management's restructuring plans. Contingent consideration • Evaluating the valuation of the contingent consideration recognised and assessing whether this is consistent with other judgements made as part of the purchase price allocation; and • Assessing the appropriateness of management's judgements in estimating the value of contingent consideration. Rosebank and Cambo • Obtaining the most recent draft field development plans (FDPs) and comparing the cost assumptions and estimates therein to management's valuation models; • Gaining an understanding of the status of discussions with the respective joint venture partners in respect of the draft FDPs and the expected timeframe and risks to achieving Final Investment Decision; and • Obtaining input from our reserves specialists in respect of estimated reserves and resources and associated risk levels, as outlined above. Procedures on overall acquisition accounting • Challenging the completeness of the assets and liabilities identified by management through review of the due diligence reports and management's board presentations obtained as part of the acquisition process; • Obtaining an understanding of how the risk of climate change has been considered in the valuation of the development and production oil and gas assets and exploration and evaluation assets recognised, including the risk to future commodity prices; and • Assessing the adequacy of disclosures included in the annual report, including whether appropriate disclosures have been made regarding the key sources of estimation uncertainty and critical judgements.
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Key observations	We are satisfied that the fair values of assets and liabilities acquired in respect of each acquisition, the associated gain on bargain purchase and the financial statement disclosures were reasonable. In reaching this conclusion, we observed that: • The discount rates for both acquisitions were within our reasonable range, albeit towards the lower (less conservative) end; • The commodity price assumptions for Siccar Point and oil prices for Marubeni were all within our reasonable range; • Gas prices for the Marubeni acquisition were conservative and fell below the bottom of our reasonable range in some years; • In assessing reasonable ranges for commodity prices, these were based on market consensus data at the acquisition date which were typically higher than third party price curves described as being consistent with a pathway to keep global temperature rises below 1.5°C ("Paris consistent"); • Risking levels applied to resources in respect of Rosebank and Cambo were considered to be within a reasonable range, with management's judgement significantly influenced by both the technical status of each FDP and also the extent of joint venture partner alignment; and • Based on our stand-back assessment the valuation of acquired oil & gas assets fell within a reasonable range of fair values.
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5.2. Carrying value of oil and gas assets and goodwill

Key audit matter description	The group has \$5,771m of non-current assets, including property, plant & equipment (being primarily oil and gas assets) of \$3,635m, exploration and evaluation assets of \$776m and goodwill of \$783m. A key audit matter related to the recoverability of the carrying value of these assets has been identified reflecting the significance of management's judgement and estimation related to the assets' estimated recoverable values. Specifically the key audit matter is focused on the following: Oil and gas assets and goodwill • Forecast commodity prices; • Discount rate applied; and • Oil and gas reserve and resource estimates, and management's risking assumptions thereon. Included within the carrying value of the oil & gas assets which are assessed for impairment are estimated costs relating to the decommissioning of each CGU. See decommissioning provision key audit matter below for further details in this regard. Exploration and evaluation assets The extent to which there are impairment indicators under IFRS 6 – Exploration and Evaluation of Mineral Resources – in respect of Rosebank and Cambo. In responding to the above, management performed an impairment assessment for oil and gas assets and goodwill carrying value, by reference to IAS36 – Impairment, and for exploration and evaluation assets by reference to IFRS 6. Goodwill is required to be tested for impairment at least annually while oil and gas assets and exploration expenditure are required to be reviewed for indicators of impairment, and then tested for impairment where indicators are identified. In conducting their impairment assessment at year end, management used their internal best estimate of reserves and resources and undertook a process to compare their estimates to those of a third party firm of reserves consultants, and rationalised any differences arising.
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITHACA ENERGY PLC CONTINUED

5.2. Carrying value of oil and gas assets and goodwill continued

Key audit matter description continued	Management concluded that no impairment of the oil and gas assets, goodwill or exploration and evaluation expenditure was required, except for a charge of \$31m relating to a revision of decommissioning expenditure estimates for assets that have ceased production. Given the level of management judgment applied in determining the recoverable value of the group's oil and gas assets and the importance of a number of the oil and gas assets to the group's growth strategy, this has been identified as an area of potential management bias, and therefore gives rise to a potential fraud risk in the period. Further details of this matter have been disclosed in the Audit and Risk Committee report on page 82, in the "Other areas of estimation" disclosure in note 3 of the financial statements and in notes 18 and 19 of the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures comprised the following: Procedures on internal control and overall impairment review: • Obtaining an understanding of relevant controls over management's process for identifying indicators of impairment and for performing their impairment assessment and related valuations; • Assessing management's forecasting accuracy through a retrospective review of management's forecasts; • Assessing whether forecast cash flows were consistent with Board approved forecasts & budgets, and forecasts used elsewhere, including for going concern / viability purposes; • Challenging and evaluating the adequacy of the operating and capital cost assumptions within the model by reference to operator data and other third party documentation; • Assessing, with input from our tax specialists, whether the fair value model appropriately incorporates the recently introduced Energy Profits Levy; • Working with our modelling specialists to evaluate the arithmetical accuracy of the impairment and valuation models; • Obtaining an understanding of how the risk of climate change has been considered in the impairment assessments, including the risk of reduced commodity prices (as discussed further below) and the extent of additional expenditure management believes is required to meet the group's CO₂ emissions reductions targets published at the time of the IPO; and • Evaluation of management's disclosures including in relation to impairment, including related sensitivity analysis. Procedures related to oil and gas assets and goodwill Our procedures related to the key assumptions in this area are set out in the following subsections: Forecast commodity prices • Assessing the appropriateness of management's forecast commodity prices, through benchmarking against forward curves, peer information and market data; • Sensitivity analysis on the pricing assumptions to determine the impact on the impairment conclusion of reasonably possible changes; and • Considering the extent to which such sensitivity analysis can be considered as capturing the potential impact on headroom of using a range of third party price curves described as being consistent with a pathway to keep global temperature rises below 1.5°C ("Paris consistent").

**How the scope
of our audit
responded
to the key
audit matter
continued**

Discount rate applied

Obtaining input from our valuations specialists to assess management's discount rate by comparison to an independent range.

Oil and gas reserve and resource estimates

- Comparing management's estimates of reserves and resources to those of their third party reserves consultant and, with input from our reserves specialists, understanding the reasons for and evaluating the reasonableness of any significant differences; and
- Obtaining input from our reserves specialists to challenge and assess the risk levels applied by management to their reserve and resource estimates.

Procedures related to exploration and evaluation assets

- Updating, as of the balance sheet date, the procedures described in the key audit matter in relation to acquisition accounting outlined above; and
- Challenging management on the activities required in respect of the Rosebank and Cambo developments to meet the group's CO₂ emissions reductions targets published at the time of the IPO and understanding the extent to which the related expenditure was included in their impairment assessment.

Key observations

We are satisfied with management's conclusions in respect of impairment charges required in the year of \$31 million, and that the associated disclosures are reasonable.

In reaching this conclusion we observed that:

- Forecast oil prices were within, but towards the top end, of our reasonable range;
- Forecast gas prices were, overall, conservative with reference to our reasonable range;
- In assessing reasonable ranges for oil and gas prices, these were based on year end market consensus data which were in general higher than third party Paris consistent price curves;
- The sensitivity of impairment conclusions to a Paris consistent price curve is disclosed in the "Impact of climate change on the financial statements and related notes" section of note 3 of the financial statements and the related disclosures in note 19, with it being consistent with the impact of decreasing forecast revenues by 20%, resulting in a post-tax impairment \$13m;
- Discount rates were within our reasonable range;
- Risking levels applied to reserves and resources were considered to be within a reasonable range and determined applying a consistent approach; and
- Whilst management's impairment models in respect of the group's exploration, development and production assets include their best estimate of expenditure required to meet the group's CO₂ emissions reductions targets, the level of estimation uncertainty is heightened for some of the group's longer term development projects due to technology and/or infrastructure constraints, as outlined further in section 7.3 of this report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITHACA ENERGY PLC CONTINUED

5.3. Decommissioning provision

Key audit matter description	The decommissioning provision at 31 December 2022 was \$1,721m (2021: \$1,416m). The provision represents the present value of decommissioning costs which are expected to be incurred up to the mid 2050s with the majority of spend in the next 15-20 years. The liability arises in respect of both the group's operated assets (\$773m) and non-operated assets of (\$948m). Decommissioning liabilities are inherently judgemental areas, particularly in relation to cost estimates for operated assets and the assumptions that these are based on; including assumptions regarding day rates for vessels and rigs and duration of decommissioning activities. The key assumptions and judgements underpinning the provisions include: • Rates and norms assumptions for operated assets; • Cessation of production dates; • Risk free discount rate; and • Inflation rate. Other less significant judgements made by management include the costs incurred post cessation of production. Further details of this matter have been disclosed in the Audit and Risk Committee report on page 83, in the "Key sources of estimation uncertainty" disclosure in note 3 of the financial statements (which includes details on the sensitivity of the provision to changes in key assumptions such as discount rates) and in note 23 of the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures included the following: Procedures on internal control and the decommissioning model • Obtaining an understanding of the relevant controls relating to the decommissioning provision; • Obtaining an understanding, including through inquiries with the group's internal specialists responsible for determining the 2022 decommissioning estimates and scrutiny of the associated models, of any key changes in underlying assumptions and methodology applied; and assessing their technical competence, capabilities and objectivity; • Assessing decommissioning calculations for clerical accuracy and compliance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'; • Confirming that the cessation of production dates are consistent with those used in management's impairment models for oil and gas assets, as discussed in section 5.2; • Considering the impact of climate change in the estimation of the decommissioning provision, including the risk that cessation of production dates are brought forward if commodity prices fall to align with a range of third party Paris consistent price curves; • Testing a sample of the actual decommissioning spend incurred during the period and performing a retrospective review of management's forecasting accuracy, including an assessment of whether actual spend gives rise to contradictory evidence of current forecast rates; and • Evaluating management's disclosures including in the key sources of estimation uncertainty and associated sensitivity of decommissioning assumptions.

Procedures on rates and norms for operated assets

- Challenging the group's rig rate assumptions ("rates") within the cost estimate by reference to available third party data and benchmarking to peer and market rates; and
- Assessing the duration ("norms") assumptions for plug and abandonment of wells, by comparison to available benchmarking data and contradictory evidence available from active decommissioning projects or operator estimates.

Procedures on discount rates

- Comparing management's risk free discount rate to relevant market data, including US and UK long term government bond yields; and
- Benchmarking and considering contradictory evidence from peers.

Procedures on inflation

- Challenging management's inflation assumptions, including benchmarking against independent sources of inflation projections.

Key observations

We are satisfied that the key assumptions in respect of rates and norms, cessation of production dates, discount rate and inflation rate fall within a reasonable range and that the overall provision is fairly stated. We also consider that the associated disclosures, including the impact if the energy transition causes cessation of production dates to be brought forward for all significant assets by 2 years, are reasonable.

5.4. Deferred tax asset recognition and recoverability**Key audit matter
description**

The group has a \$392m (2021: \$220m) net deferred tax asset. The increase in the year is due to the net impact of the following:

- \$1,406m net increase arising from acquisitions in the year;
- \$766m reduction due to the implementation of the Energy Profits Levy ("EPL");
- \$260m reduction arising from current year taxable profits; and
- \$208m reduction due to a decrease in unrealised derivative liabilities.

A key audit matter was identified in this regard, specifically in respect of the following:

- Recognition of deferred tax assets arising on current year acquisitions, specifically Marubeni and Siccar Point. Management judgement and estimation is required in assessing the availability of future taxable profits and the feasibility of restructuring plans required to utilise the tax losses giving rise to the deferred tax assets;
- Recoverability of the deferred tax assets at 31 December 2022; and
- Appropriate recognition of the impact on deferred taxation due to the EPL.

Further details of this matter have been disclosed in the Audit and Risk Committee report on page 82, in the "Other areas of estimation" disclosure in note 3 of the financial statements (which includes details on the sensitivity of the provision to changes in key assumptions such as a reduction in future revenues) and in note 27 of the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITHACA ENERGY PLC CONTINUED

5.4. Deferred tax asset recognition and recoverability continued

How the scope of our audit responded to the key audit matter	Our procedures included the following: Procedures on internal control and deferred tax asset recognition - Obtaining an understanding of the relevant controls relating to the recognition and measurement of deferred tax assets; - Evaluating, with input from our tax specialists, the methodology applied in calculating the group's deferred tax assets and liabilities; and - Obtaining an update of management's actions and remaining restructuring plans supporting the recognition of deferred taxation, with reference to the requirements of IAS 12. See above in section 5.1 acquisition accounting for further detail on our procedures in this regard. Recoverability of deferred tax assets - Assessing whether the forecasts that support the recoverability of the group's deferred tax assets are consistent with the cash flow forecasts used for the purposes of impairment testing and going concern; EPL impact on deferred taxation - Assessing, with input from our tax specialists, the extent to which the EPL figures in the financial statements have been appropriately calculated.
Key observations	We are satisfied that the deferred tax asset recognised in the financial statements and the related disclosures are appropriate. We confirmed that the cashflows used in assessing the carrying value of the group's oil and gas assets and goodwill are consistent with those utilised to support the recoverability of the group's deferred tax asset. See key observations on key audit matter at 5.2 for further details.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	\$40m	\$18.2m
Basis for determining materiality	2.1% of adjusted EBITDAX Adjusted EBITDAX is an Alternative Performance Measure and a Key Performance Indicator. The selected materiality also represents 1.6% of net assets.	1.5% of net assets
Rationale for the benchmark applied	Adjusted EBITDAX was considered to be the most relevant benchmark as it is a key performance measure used by the business and excludes a number of significant items that are non-recurring in nature or are adjustments made to normalise the group's performance.	The parent company acts principally as a holding company and therefore net assets is a key measure for this business.

6. Our application of materiality continued

6.1. Materiality continued

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	60% of group materiality	60% of parent company materiality
Basis and rationale for determining performance materiality	We determined performance materiality considering a number of factors including the following: a. The quality of the control environment and conclusions from our testing of Group-wide internal controls; b. The history of material misstatements identified in our previous audits; and c. Changes in the business during the year, including the impact of the 3 acquisitions and the listing of the parent company on the London Stock Exchange.	

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of \$2m, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITHACA ENERGY PLC CONTINUED

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of the group and its environment, including group wide controls, and assessment of the risks of material misstatement at the group level. Our audit planning identified the group's business to be a single component, and therefore all of the operations of the group were subject to a full scope audit in Aberdeen.

7.2. Our consideration of the control environment

We obtained an understanding of the relevant controls in relation to key business processes as well as the IT systems that were relevant to the audit, being the financial reporting system.

As set out in the Audit and Risk Committee's report on page 83, we identified a number of control deficiencies during the course of the year. While the group has made progress in remediating a number of these control deficiencies at year end, this was not done on a sufficiently timely basis to enable us to place reliance on controls for the purposes of our audit testing, and we have amended the nature, timing and extent of our substantive procedures accordingly.

7.3. Our consideration of climate-related risks

We performed enquiries of management to understand the impact of climate-related risks and controls relevant to the group. We evaluated the climate change risk assessment and related documentation prepared by management and considered the completeness and accuracy of the climate-related risks identified and summarised in the Task Force on Climate-related Financial Disclosures report on pages 43 to 49. The group identified on pages 141 and 142, a number of key judgements and estimates with elevated climate-related risk, relating to impairment of goodwill and property, plant and equipment, depreciation and useful economic lives of property, plant and equipment, intangible assets (exploration and evaluation assets) and decommissioning provisions.

We considered whether the risks identified by management within their climate change risk assessment and related documentation are consistent with our own analysis and challenged the key climate related assumptions impacting the financial statements. The key market-related matter which could have a material impact on the carrying value of the items noted above is the future demand for, and pricing of, oil and gas as the energy mix evolves in response to climate change risk and other matters. In addition management has set a number of goals to reduce Scope 1 and 2 CO₂ emissions, including a 25% reduction by 2025 from operated assets and achieving Net Zero by 2040 on a net equity basis, and there is a risk that the forecast costs associated with these goals are understated or difficult to estimate reliably due to technology and/or infrastructure constraints. These constraints include, but are not limited to, the ability to fully electrify a number of their longer life offshore assets. We also assessed the disclosures within the Annual Report, with the involvement of our climate specialists, and considered whether these were materially consistent with the financial disclosures, complete and consistent with our understanding of the climate-related risks, assumptions and judgements during the year. All of our key audit matters are considered to be impacted to at least some degree by the impact of the energy transition on future demand for, and the pricing of, oil and gas, resulting in an impact on both costs and revenues, resulting in a risk of future impairment and/or failure to develop exploration prospects. Our consideration and response to this is discussed in the key audit matters section above.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company'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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was considered by the audit and risk committee on 28 March 2023;
- results of our enquiries of management both in and out of finance, internal audit, the directors and the audit and risk committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITHACA ENERGY PLC CONTINUED

11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

11.1. Identifying and assessing potential risks related to irregularities continued

- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, financial instruments, impairment, analytics and modelling, climate, IT, forensic and reserves, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas, also identified as key audit matters:

- acquisition accounting
- carrying value of oil and gas assets and goodwill

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, UK Corporate Governance Code, the Listing Rules of the UK Listing Authority and relevant tax compliance legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the Market Abuse Regulation, licence terms for the group's oil and gas assets and environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified acquisition accounting and the carrying value of oil and gas assets and goodwill as key audit matters related to the potential risk of fraud. The key audit matter's section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- obtaining confirms from external legal counsel;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and the UK oil and gas licencing authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 61 and 140;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 69;
- the directors' statement on fair, balanced and understandable set out on page 76;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 69;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 62 to 68 and 83; and
- the section describing the work of the Audit and Risk Committee set out on pages 80 to 83.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITHACA ENERGY PLC CONTINUED

14. Matters on which we are required to report by exception continued

14.1. Adequacy of explanations received and accounting records continued

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

We were appointed by the Board in November 2022 to audit the financial statements for the year ending 31 December 2022 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years, covering the years ending 31 December 2021 and 31 December 2022.

15.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

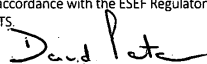
16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements will form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

DAVID PATERSON ACA (SENIOR STATUTORY AUDITOR)
For and on behalf of Deloitte LLP

Statutory Auditor
London, United Kingdom
30 March 2023



CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER

	Note	2022 US\$'000	2021 US\$'000
Revenue	5	2,598,482	1,428,240
Cost of sales	6	(1,352,324)	(879,181)
Gross profit		1,246,158	549,059
Impairment (charge)/reversal	19	(31,467)	465,271
Exploration and evaluation expenses	14	(9,040)	(156)
Administrative expenses	7	(87,851)	(15,180)
Other (losses)/gains	8	(9,429)	3,827
Gain on bargain purchase	17	1,335,171	10,454
Profit from operations before tax and net finance costs		2,443,542	1,013,275
Net finance costs	9	(203,013)	(250,136)
Profit before tax		2,240,529	763,139
Income tax	27	(1,208,997)	(337,150)
Profit attributable to owners of the parent		1,031,532	425,989

	Note	2022 Cents	2021 Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share	10	102.6	42.4
Diluted earnings per share	10	102.2	42.3

The results above are entirely derived from continuing operations.

The accompanying notes on pages 140 to 192 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	Note	2022 US\$'000	2021 US\$'000
Profit for the year		1,031,532	425,989
Items that may be reclassified to profit and loss			
Fair value gain/(loss) on cash flow hedges and cost of hedging	29	468,093	(486,579)
Deferred tax (charge)/credit on cash flow hedges and cost of hedging	27	(200,455)	194,632
Other comprehensive profit/(loss)		267,638	(291,947)
Total comprehensive profit attributable to owners of the parent		1,299,170	134,042

The accompanying notes on pages 140 to 192 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	2022 US\$'000	2021 US\$'000
Assets			
Current assets			
Cash and cash equivalents		253,822	44,849
Trade and other receivables	11	359,994	228,290
Decommissioning receivable	11	38,115	94,640
Prepaid expenses and decommissioning securities	12	9,055	10,536
Inventories	13	176,881	177,619
Derivative financial instruments	30	150,858	4,975
		988,725	560,909
Non-current assets			
Decommissioning receivable	11	162,710	152,184
Long-term inventories	13	—	532
Exploration and evaluation assets	14	775,773	116,355
Property, plant and equipment	15	3,634,896	2,958,733
Deferred tax assets	27	392,456	220,918
Derivative financial instruments	30	21,191	133
Goodwill	18	783,848	722,075
		5,770,874	4,170,930
Total assets		6,759,599	4,731,839
Liabilities and equity			
Current liabilities			
Borrowings	20	—	(437,076)
Trade and other payables	22	(711,412)	(484,268)
Current tax payable	27	(106,678)	—
Decommissioning liabilities	23	(146,829)	(94,640)
Lease liability	24	(41,637)	(3,211)
Contingent and deferred consideration	25	(107,680)	(49,806)
Derivative financial instruments	30	(136,668)	(438,006)
		(1,250,904)	(1,507,007)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED
AS AT 31 DECEMBER**

	Note	2022 US\$'000	2021 US\$'000
Non-current liabilities			
Borrowings	20	(1,213,731)	(954,616)
Decommissioning liabilities	23	(1,573,711)	(1,546,849)
Lease liability	24	(17,221)	(278)
Contingent and deferred consideration	25	(219,120)	(25,284)
Derivative financial instruments	30	(27,440)	(21,296)
		(3,051,223)	(2,548,323)
Total liabilities		(4,302,127)	(4,055,330)
Net assets		2,457,472	676,509
Shareholders' equity			
Share capital	26	11,445	1
Share premium	26	293,712	634,658
Capital contribution reserve	26	181,945	114,000
Share-based payment reserve	26	4,920	–
Cash flow hedge reserve	29	(16,710)	(242,791)
Cost of hedging reserve	29	3,275	(4,862)
Retained earnings		1,945,465	175,503
Total equity		2,457,472	676,509

The accompanying notes on pages 140 to 192 are an integral part of the financial statements.

Approved on behalf of the Board on 30 March 2023:



IAIN LEWIS,
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

	Note	Share capital US\$'000	Share premium US\$'000	Capital contribution reserve US\$'000	Share-based payment reserve US\$'000	Cash flow hedge reserve US\$'000	Cost of hedging reserve US\$'000	Retained earnings/ (accumulated losses) US\$'000	Total US\$'000
Balance at 1 January 2021		1	634,658	114,000	–	4,416	39,878	(250,486)	542,467
Profit for the year		–	–	–	–	–	–	425,989	425,989
Other comprehensive expense		–	–	–	–	(247,207)	(44,740)	–	(291,947)
<i>Total comprehensive (expense)/income for the year</i>		–	–	–	–	(247,207)	(44,740)	425,989	134,042
Balance at 31 December 2021*		1	634,658	114,000	–	(242,791)	(4,862)	175,503	676,509
Balance at 1 January 2022		1	634,658	114,000	–	(242,791)	(4,862)	175,503	676,509
Issuance of shares for capital reduction	26	114,000	–	(114,000)	–	–	–	–	–
Reduction in capital	26	(114,000)	(634,658)	–	–	–	–	748,658	–
Issuance of shares	26	11,444	293,712	–	(3,004)	–	–	(10,228)	291,924
Capital contribution through debt cancellation	26	–	–	181,945	–	–	–	–	181,945
Share-based payment charge	33	–	–	–	7,924	–	–	–	7,924
<i>Total comprehensive income for the year:</i>									
Profit for the year		–	–	–	–	–	–	1,031,532	1,031,532
Other comprehensive income		–	–	–	–	259,501	8,137	–	267,638
<i>Total comprehensive income for the year</i>		–	–	–	–	259,501	8,137	1,031,532	1,299,170
Balance at 31 December 2022		11,445	293,712	181,945	4,920	16,710	3,275	1,945,465	2,457,472

Detail on the movements in the capital reduction reserve can be found in notes 26 and 32.

The accompanying notes on pages 140 to 192 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

	Note	2022 US\$'000	2021 US\$'000
Cash provided by/(used in):			
Operating activities			
Profit before tax		2,240,529	763,139
Adjustments for:			
Depletion, depreciation and amortisation	15	662,947	455,913
Exploration and evaluation expenses	14	9,040	156
Impairment charge/(reversal)	19	31,467	(465,271)
Reduction/(increase) in contingent/deferred consideration		4,295	(8,250)
Loan fee amortisation	9	6,418	35,343
Revaluation of financial instruments	29	(16,787)	8,261
Gain on bargain purchase		(1,335,170)	(10,454)
Hedging resets ¹		(39,680)	(115,362)
Accretion	9	56,511	38,348
Bank interest & charges	9	123,014	120,891
Interest on related party loan	9	17,924	48,278
Interest rate swaps	9	(851)	7,276
Unrealised foreign exchange on cash and cash equivalents		2,464	(1,871)
Share-based payment expenses		14,069	—
Decommissioning expenditure		(65,707)	(27,930)
Operating cash flows before movements in working capital		1,710,483	848,467
Decrease/(increase) in inventories		4,051	(65,302)
Increase in trade and other receivables		(50,575)	(110,955)
Increase in trade and other payables		141,275	250,456
Corporation tax paid		(81,914)	(10,004)
Net cash from operating activities		1,723,320	912,662

CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED FOR THE YEAR ENDED 31 DECEMBER

	Note	2022 US\$'000	2021 US\$'000
Investing activities			
Capital expenditure		(380,640)	(269,606)
Reverse consideration on acquisition		–	56,456
Acquisition of subsidiaries net of cash acquired	17	(957,452)	(7,000)
Contingent/deferred consideration payment	25	(66,132)	–
Net cash used in investing activities		(1,404,224)	(220,150)
Financing activities			
Receipt from issue of equity		299,749	–
Payments for lease liabilities (principal)	24	(34,348)	(3,503)
Loan repayment (third party)		(500,000)	(809,776)
Loan repayment (shareholder)		(273,055)	–
Loan drawdown		550,000	254,999
Bank interest & charges		(142,820)	(85,181)
Interest rate swaps	9	851	(7,276)
Costs of share issue		(7,825)	–
Net cash used in financing activities		(107,448)	(650,737)
Currency translation differences relating to cash		(2,675)	1,872
Increase in cash & cash equivalents		208,973	43,647
Cash and cash equivalents, beginning of period		44,849	1,202
Cash and cash equivalents, end of period		253,822	44,849

1. Hedging resets relate to the amortisation of the deferred reset gains which have been recycled to the current year profit and loss.

The accompanying notes on pages 140 to 192 are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of operations

Ithaca Energy plc (formerly Delek North Sea Limited (the Group or Ithaca Energy)), is a Company limited by shares incorporated and domiciled in the UK and is a Group involved in the development and production of oil and gas in the North Sea. The Group's registered office is 23 College Hill, London, United Kingdom, EC4R 2RP. During the year the Group consolidation was updated to include the immediate parent company and, as such, comparatives for 2021 have been presented accordingly.

2. Basis of preparation

The consolidated financial statements are prepared in accordance with United Kingdom adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006.

The consolidated financial statements are presented in US dollars as this is the functional currency of the business. All values are rounded to the nearest thousand (US\$'000), except when otherwise indicated.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented.

3. Significant accounting policies, judgements and estimation uncertainty

Basis of measurement

The consolidated financial statements have been prepared on a going concern basis using the historical cost convention, except for the revaluation of certain financial assets and financial liabilities (under IFRS) to fair value, including derivative instruments. Historical cost is generally based on the fair value consideration given in exchange for the assets.

Going concern

Management closely monitor the funding position of the Group including monitoring compliance with covenants and available facilities to ensure sufficient headroom is maintained to fund operations. Management have considered a number of risks applicable to the Group that may have an impact on the Group's ability to continue as a going concern. Short-term and long-term cash forecasts are prepared on a weekly and quarterly/annual basis respectively along with any related sensitivity analysis. This allows proactive management of any business risk including liquidity risk.

The Directors consider the preparation of the financial statements on a going concern basis to be appropriate. This is due to the following key factors:

- Strong commodity markets in 2022, continuing robust commodity price backdrop despite lower prices during March 2023 and a well hedged portfolio over the next 12 months;
- Reserves Based Lending (RBL) liquidity headroom of \$475 million (\$450 million drawn versus \$925 million available), plus \$210 million of cash as at 24 March 2023; and
- Strong operational performance and well-diversified portfolio which has been further strengthened by the acquisitions of Siccar Point Energy and Summit as at 30 June 2022 and with Abigail coming online in October 2022.

Cash flow forecast – base case assumptions:

		2023	H1 2024
Average oil price	\$/bbl	77	72
Average gas price	p/th	119	130
Average hedged oil price (including floor price for zero cost collars)	\$/bbl	69	77
Average hedged gas price (including floor price for zero cost collars)	p/th	220	162

Owing to the on-going fluctuations in commodity demand and price volatility, management prepared sensitivity analyses to the forecasts and applied a number of plausible downside scenarios including decreases in production of 10%, reduced sales prices of 20% and increases in operating and capital expenditures of 10%. Management aggregated these scenarios to create a reasonable combined worst-case scenario. The sensitivity analysis showed that there was no reasonably possible scenario that would result in the business being unable to meet its liabilities as they fell due. The Group would still continue to comply with financial covenants and have sufficient liquidity throughout the period to 30 June 2024 to continue trading. In addition, reverse stress tests have been performed reflecting further reductions in commodity prices and production volumes, prior to any mitigating actions, to determine at what levels each would have to reach such that either lending covenants are breached or there is no liquidity headroom left. This stress test demonstrated that the likelihood of the fall in prices and production volumes required to cause a breach of covenants or liquidity issue, is considered sufficiently remote in the context of the mitigation strategies available to management. Mitigation strategies within the control of management include the reduction in uncommitted capital expenditure, variable opex savings in the low production scenario, the cancellation or deferral of future dividends and further potential to refinance the Group's borrowing arrangements.

Based on their assessment of the Group's financial position in the period to 30 June 2024, the Directors believe that the Group will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

3. Significant accounting policies, judgements and estimation uncertainty continued

Basis of consolidation

The consolidated financial statements of the Group includes the financial information of Ithaca Energy and all wholly-owned subsidiaries as listed per note 32. All intergroup transactions and balances have been eliminated on consolidation.

Subsidiaries are all entities, including structured entities, over which the Group has control. The plc controls an entity when the Group is exposed to or has rights to variable returns from its investments with the entity and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated on the date that control ceases.

Impact of climate change on the financial statements and related notes

Judgements and estimates made in assessing the impact of climate change and the energy transition

Climate change and the transition to a lower-carbon system were considered in preparing the consolidated financial statements. These may have the potential for significant impacts on the carrying values of the Group's assets and liabilities discussed below as well as on assets and liabilities that may be reflected in future. There is generally a high level of uncertainty about the speed and magnitude of impacts of climate change which, together with limited historical data, provides significant challenges in the preparation of forecasts and financial plans with a wide range of potential future outcomes.

The Group's ambition is to have one of the lowest carbon emission portfolios in the UK North Sea and to achieve Net Zero, on a net equity basis, and in respect of Scope 1 and 2 emissions, by 2040, ten years ahead of the North Sea Transition Deal commitment. This will be achieved by optimising the group's current portfolio in the short term and fundamentally transitioning our portfolio over the medium to long term whilst maintaining forecast levels of production. Initiatives include, but are not limited to, operational improvements, offshore electrification, and the eventual cessation of production of mature fields which have higher carbon intensity. Where we cannot reduce Scope 1 and Scope 2 emissions, we will invest in carbon offsets to achieve our goal of Net Zero. All new economic investment decisions include estimated costs of the energy transition based on existing technology and estimated costs of carbon and these opportunities are assessed on their climate impact potential and alignment with our Net Zero target, taking into account both greenhouse gas volumes and emissions intensity.

Specific considerations of the potential impacts of climate change on significant judgements and estimates used in the consolidated financial statements are considered below. The items outlined below are likely to manifest themselves over a number of years and are therefore not generally considered to represent "key sources of estimation uncertainty" as required by IAS 1 (being those which could have a material impact on the group's results in the 12 months following the reporting date) which are separately disclosed later in this note.

Impairment of goodwill and property, plant and equipment

The energy transition has the potential to significantly impact future commodity and carbon prices in that as the UK and global energy system decarbonises, reduced demand for oil and gas products in favour of low carbon alternatives could cause oil and gas prices to fall which would, in turn, affect the recoverable amount of goodwill and property, plant and equipment. In the current period management's estimate of the long-term commodity price assumptions are \$83/bbl for Brent Crude and 86p/therm for UK NBP gas. The other areas of estimation uncertainty in this note and note 19 includes the impact on impairment headroom of a 20% downside in net revenues. Management has concluded that this reduction is also reflective of amending its long-term commodity price assumptions to those that are in line with a range of transition paths consistent with the temperature goal of the Paris climate change agreement, of holding the increase in the global average temperature at well below 2 degrees above pre-industrial levels and pursuing efforts to limit the temperature to 1.5 degrees above pre-industrial levels. This assessment is based on climate change scenarios currently available from the International Energy Agency and World Business Council for Sustainable Development.

Recoverable values used for impairment testing for all cash generating units ('CGU's) include the estimated cost of UK carbon emissions allowances. The recoverable value of CGU's may be impacted by future carbon pricing legislation changes, which could increase operating costs through higher emissions allowances or the introduction of other carbon pricing mechanisms. Electrification of offshore operations for specific assets is planned in line with our 2040 net zero ambitions and where feasible based on existing technology, estimated electrification costs are included within the assessment of the recoverable value of the relevant CGU.

Property, plant and equipment – depreciation and useful economic lives

The energy transition has the potential to reduce the expected useful economic lives of assets and hence accelerate depreciation charges. Although no changes have been identified or recognised to date, as noted in the Strategic Report on page 39, it is anticipated that certain higher emission-intensity assets such as FPF-1 and Alba will cease production in the medium term and will be replaced by new lower-emission intensity assets. Management does not currently expect the useful economic lives of the Group's reported property, plant and equipment to significantly change solely as a result of the energy transition. However, significant capital expenditure is still required for ongoing projects and therefore the useful lives of future capital expenditure may be different.

Intangible assets – exploration and evaluation assets

The impacts of climate change and the energy transition may affect the viability of exploration prospects. The recoverability of the existing intangibles was considered during 2022, however no significant write-offs were identified. Viability of these assets will continue to be assessed on a regular basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies, judgements and estimation uncertainty continued

Decommissioning provisions

Most of the group's existing decommissioning obligations are estimated to be completed over the course of the next twenty years. The impacts of climate change and the energy transition may bring forward the expected timing of decommissioning activity, increasing the present value of the associated decommissioning provisions. The potential impact of a reasonably possible acceleration of estimated decommissioning dates, which considers the potential impact of the energy transition, is considered to be 2 years. The impact of such an acceleration of cessation of production across the group's entire producing portfolio would result in an increase in the decommissioning provision of approximately \$74 million. The risk in this area may increase if key assets within the group's existing exploration and appraisal assets proceed to development, as this is likely to significantly extend the life of the group's portfolio, in some cases to 2050 or beyond.

On the basis that all other assumptions in the calculation remain the same, a 1.0% reduction in the applied discount rates used to assess the balance sheet decommissioning liability would result in an increase to the decommissioning provision of approximately \$218 million (2021: \$202 million). This change would be principally offset by a change in the value of the associated asset unless the asset in question is fully depreciated whereby the change in estimate would be recognised immediately through the statement of profit or loss.

While the pace of the transition to a lower-carbon economy is uncertain, oil and gas demand is expected to remain a key element of the energy mix for many years based on stated policies, commitments, and announced pledges to reduce emissions. Therefore given the estimated useful lives of the Group's oil and gas portfolio, a material adverse change is not anticipated to the carrying value of the Group's assets and liabilities in the short-term as a result of climate change and the transition to a lower-carbon economy.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the consideration given for the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of completion of the acquisition. Transaction costs incurred are expensed and included in administrative expenses. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the Group's share of the net assets acquired, the difference is recognised directly in the consolidated statement of profit or loss as a gain on bargain purchase.

Goodwill

Capitalisation

Goodwill is initially recognised and measured as set out above. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment

Goodwill is tested annually for impairment and also when circumstances indicate that the carrying value may be at risk of being impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (CGU) or group of CGUs to which the goodwill relates. If the recoverable amount of a CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss is recognised in the consolidated statement of profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods. The CGU for the purposes of the goodwill test is the North Sea i.e. the entire Group portfolio of oil and gas assets which is consistent with the operating segment view of the business.

Interest in joint ventures and associates

Under IFRS 11, joint arrangements are those that convey joint control which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Associates are investments over which the Group has significant influence but not control or joint control, and generally holds between 20% and 50% of the voting rights.

The Group's interest in joint operations (e.g. exploration and production arrangements) are accounted for by recognising its assets (including its share of assets held jointly), its liabilities (including its share of liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation and its expenses (including its share of any expenses incurred jointly).

Revenue

The sale of crude oil, gas or condensate represents a single performance obligation, being the sale of barrels equivalent on collection of a cargo or on delivery of commodity into an infrastructure. Revenue is accordingly recognised for this performance obligation when control over the corresponding commodity is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for products in the normal course of business, net of discounts, customs duties and sales taxes.

3. Significant accounting policies, judgements and estimation uncertainty continued

Tariff income is recognised as the underlying commodity is shipped through the pipeline network based on established tariff rates.

Foreign currency translation

Items included in these consolidated financial statements information are measured using the currency of the primary economic environment in which the Group and its subsidiaries operate (the functional currency). The consolidated financial statements are presented in United States Dollars, which is the Group's presentation currency as well as the functional currency of the parent company and each of its subsidiaries. In preparing the financial statements of the parent and its subsidiaries, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting).

Financial instruments

All financial instruments are initially recognised at fair value on the statement of financial position. The Group's financial instruments consist of cash and cash equivalents, accounts receivable, deposits, accrued income, derivatives, accounts payable, accrued liabilities, borrowings and contingent consideration. Under IFRS 9, with the exception of derivatives and contingent considerations, all financial instruments are recorded at amortised cost based on an analysis of the business model and terms of financial assets. All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods is dependent on the classification of the respective financial instrument. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

IFRS 9 classifications:

Cash and cash equivalents are classified at amortised cost which equates to its fair value. Accounts receivable and long-term receivables are classified and carried at amortised cost as they have a business model of held to collect and the terms of the financial instrument meet the solely payments of interest on principle outstanding. Accounts payable, accrued liabilities, certain other long-term liabilities, and borrowings are classified as other financial liabilities and carried at amortised cost. Although the Group does not intend to trade its derivative financial instruments, they are required to be carried at fair value with the treatment of fair value movements explained further below.

Transaction costs that are directly attributable to the acquisition or issue of a financial asset or liability and original issue discounts on long-term debt have been included in the carrying value of the related financial asset or liability and are amortised to consolidated net earnings over the life of the financial instrument using the effective interest method.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to commodity risks, interest rate and foreign exchange rate risks. These instruments include commodity swaps, collars and options; foreign exchange forward contracts and collars; and interest rate swaps. Further details of derivative financial instruments are disclosed in notes 29 and 30.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives maturing in less than 12 months and expected to be realised or settled in less than 12 months are presented as current assets or current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies, judgements and estimation uncertainty continued

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of commodity risks in cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge 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; and
- 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.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortisation. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the Group expects that some or all of the loss accumulated in the cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Note 30 and 31 set out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in note 29.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedge reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same revenue line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedge reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

If a hedge of a transaction related item is discontinued part way through the life of the hedge (e.g. due to early termination of the swap, hedging resets), but the hedged item is still expected to occur, the amounts deferred in equity would remain in equity until the earlier of: (i) the hedged transaction occurring; or (ii) expectation that the amount deferred in equity will not be recovered in the future periods.

3. Significant accounting policies, judgements and estimation uncertainty continued

Cash and cash equivalents

For the purpose of the statement of cash flow, cash and cash equivalents include investments with an original maturity of three months or less. In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Inventories – hydrocarbon and materials

Inventories of materials are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on the first-in, first-out method. Current hydrocarbon inventories are stated at net realisable value, which is based on estimated selling price less any further costs expected to be incurred to completion and disposal/sale. Non-current oil and gas inventories are stated at historic cost. Provision is made for obsolete, slow-moving and defective items where appropriate.

Trade and other receivables

Trade receivables are recognised and carried at the original invoiced amount, less any provision for estimated irrecoverable amounts.

For trade receivables and accrued income, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead, recognises any material loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Lifting or offtake arrangements for oil and gas produced in certain of the Group's oil and gas properties are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative volume sold is an 'underlift', included within accrued income or 'overlift', included within deferred income in the statement of financial position. Both are stated at net realisable value. Movements during an accounting period are adjusted through cost of sales in the consolidated statement of profit or loss.

Other receivables are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the consolidated statement of profit or loss when the assets are derecognised, modified or impaired. The Group's financial assets measured at amortised cost includes trade and other receivables and amounts due from related parties.

Trade and other payables

All other financial liabilities are initially recognised at fair value, net of directly attributable transaction costs. For interest-bearing loans and borrowings this is typically equivalent to the fair value of the proceeds received, net of issue costs associated with the borrowing. After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised in interest and other income and finance costs respectively. This category of financial liabilities included trade and other payables and finance debt.

Property, plant and equipment

Oil and gas expenditure – exploration and evaluation (E&E) assets

Geological and geophysical exploration costs are recognised as an expense as incurred. Costs directly associated with an exploration well are initially capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, freight costs and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration well costs are written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continued to be carried as an asset. If it is determined that development will not occur, that is, the efforts are not successful, then the costs are expensed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies, judgements and estimation uncertainty continued

Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible asset. Upon internal approval for development and recognition of proved or sanctioned probable reserves, the relevant expenditure is first assessed for impairment and, if required, an impairment loss is recognised. The remaining balance is then transferred to development and production (D&P) assets. If development is not approved and no further activity is expected to occur, then the costs are expensed.

The determination of whether potentially economic oil and natural gas reserves have been discovered by an exploration well is usually made within one year of well completion, but can take longer, depending on the complexity of the geological structure. Exploration wells that discover potentially economic quantities of oil and natural gas in areas where major capital expenditure (e.g. an offshore platform or a pipeline) would be required before production could begin and where the economic viability of that major capital expenditure depends on the successful completion of further exploitation or appraisal work in the area remain capitalised on the balance sheet as long as such work is under way or firmly planned.

Oil and gas expenditure – D&P assets

Capitalisation

Costs of bringing a field into production, including the cost of facilities, wells and subsea equipment, direct costs including staff costs together with E&E assets reclassified in accordance with the above policy, are capitalised as a Developing & Producing (D&P) asset. Normally each individual field development will form an individual D&P asset but there may be cases, such as phased developments, or multiple fields around a single production facility when fields are grouped together to form a single D&P asset.

Depreciation

All costs relating to a development are accumulated and not depreciated until the commencement of production. Depreciation is calculated on a unit of production basis based on the proved and probable reserves of the asset generally on a field-by-field basis. Any re-assessment of reserves affects the depreciation rate prospectively. Significant items of plant and equipment will normally be fully depreciated over the life of the field. However, these items are assessed to consider if their useful lives differ from the expected life of the D&P asset.

Impairment

For impairment review purposes the Group's oil and gas assets are aggregated into cash-generating units (CGUs) in accordance with IAS 36. A review is carried out each reporting date for any indicators that the carrying value of the Group's assets may be impaired or previously impaired assets (excluding goodwill) where a reversal of a previous impairment may arise. For assets where there are such indicators, an impairment test is carried out on the CGU. The impairment test involves comparing the carrying value with the recoverable value of an asset. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to the recoverable amount. The resulting impairment losses are written off to the statement of profit or loss. Previously impaired assets (excluding goodwill) are reviewed for possible reversal of previous impairment at each reporting date. The maximum possible reversal is capped at the net book value had the asset not been impaired in the past.

Non-oil and natural gas operations

Non-oil and gas assets are initially recorded at cost and depreciated over their estimated useful lives on a straight line basis as follows –

Buildings	10 years
Computer and office equipment	3 years
Furniture and fittings	5 years

3. Significant accounting policies, judgements and estimation uncertainty continued

Borrowings

All interest-bearing loans and other borrowings with banks are initially recognised at fair value net of directly attributable transaction costs. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, discount or premium.

Interest-free loans from parents are initially recognised at fair value. The difference between the fair value of the loans and the nominal value is accounted for as a capital contribution and is credited to equity. After initial recognition, the loans are measured at amortised cost using implied interest rate of the notes.

Loan origination fees are capitalised and amortised over the term of the loan. 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. All other borrowing costs are expensed as incurred. Borrowing costs directly attributable to E&E assets are not capitalised and are expensed directly to profit or loss when incurred.

Senior notes are measured at amortised cost.

Decommissioning liabilities

The Group records the present value of legal obligations associated with the retirement of long-term tangible assets, such as producing well sites and processing plants, in the period in which they are incurred with a corresponding increase in the carrying amount of the related long-term asset. Liabilities for decommissioning are recognised when the Group has an obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and restore the site on which it is located, and when a reliable estimate can be made. Where the obligation exists for a new facility or well, such as oil & gas production or transportation facilities, the obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. In subsequent periods, the asset is adjusted for any changes in the estimated amount or timing of the settlement of the obligations. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The carrying amounts of the associated decommissioning assets are depleted using the unit of production method, in accordance with the depreciation policy for development and production assets. Actual costs to retire tangible assets are deducted from the liability as incurred. The unwinding of discount in the net present value of the total expected cost is treated as an interest expense. Changes in the estimates are reflected prospectively over the remaining life of the field.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a reimbursement asset is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The amount recognised for the reimbursement may not exceed the amount of the provision.

Contingent and deferred consideration

Contingent consideration in relation to a business combination or asset acquisition is accounted for as a financial liability and measured at fair value at the date of acquisition with any subsequent remeasurements recognised in profit or loss in accordance with IFRS 9. These fair values are generally based on risk-adjusted future cash flows discounted using appropriate discount rates. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss. Settlement of contingent and deferred considerations are recorded as investing outflows in the cash flow statement.

Deferred consideration is measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies, judgements and estimation uncertainty continued

Taxation

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date. Taxable profit differs from net profit, as reported in the consolidated statement of profit or loss, because it excludes items of income or expense that are taxable or deductible in other accounting periods and it further excludes items of income or expenses that are never taxable or deductible.

Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at each balance sheet date.

Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill and deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and all available evidence is considered in evaluating the recoverability of these deferred tax assets.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities relating to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred Petroleum Revenue Tax (PRT) assets are recognised where PRT relief on future decommissioning costs is probable.

Leases

The Group assesses at contract inception all arrangements to determine whether it 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 Group is not a lessor in any transactions, it is only a lessee. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. The Group has elected to apply Paragraph 6 of IFRS 16 to short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). Lease payments associated with these leases are expensed over the relevant lease term. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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. The right-of-use asset is depreciated over the useful life of the asset.

The Group's right-of-use assets are included in property, plant and equipment (note 15).

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. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3. Significant accounting policies, judgements and estimation uncertainty continued

Maintenance expenditure

Expenditure on major maintenance refits or repairs is capitalised where it enhances the life or performance of an asset above its originally assessed standard of performance; replaces an asset or part of an asset which was separately depreciated and which is then written off, or restores the economic benefits of an asset which has been fully depreciated. All other maintenance expenditure is charged to the statement of profit or loss as incurred.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed over the vesting term either on a straight-line basis or as specified in the vesting terms, based on the Group's estimate of shares that will eventually vest and is adjusted for the effects of non-market-based vesting conditions.

Fair value is measured by using a Black-Scholes or other appropriate valuation model. The expected life used in the model is adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

Retirement benefit costs

The Group operates a defined contribution pension scheme and payments into this plan are charged as an expense as they fall due. There is no further obligation to pay contributions into the plan once the contributions specified in the plan rules have been paid.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid for that service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Changes in accounting pronouncements

The Group has adopted all new and amended IFRS Standards effective in the consolidated financial statements for the period 1 January 2021 to 31 December 2022.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

IFRS 17	Insurance Contracts
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Non-current Liabilities and Covenants

The Company does not expect that the adoption of the Standards and amendments listed above will have a material impact on the consolidated financial statements of the Group in future periods.

Critical judgements and key sources of estimation uncertainties

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies, judgements and estimation uncertainty continued

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Decommissioning provision estimates

Amounts used in recording a provision for decommissioning are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future actual cash outflows in relation to decommissioning are likely to differ in practice. To reflect the effects due to changes in legislation, requirements, technology and price levels, the carrying amounts of decommissioning provisions are reviewed on a regular basis. The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively.

While the Group uses its best estimates and judgement, actual results could differ from these estimates. Expected timing of expenditure can also change, for example in response to changes in laws and regulations or their interpretation, and/or due to changes in commodity prices. The payment dates are uncertain and depend on the production lives of the respective fields. Management does not expect any reasonable change in the expected timing of decommissioning to have a material effect on the decommissioning provisions, assuming cash flows remain unchanged. Although decommissioning costs are expected to be incurred over the next 40 years it is anticipated that approximately 33% of the liability will be paid within the next five years. A nominal discount rate of 4.25% (2021: 2.5%) is used to discount the estimated costs. The inflation rate applied to discount the estimated costs is 2.0% (2021: 2.0%). Given the long-term nature of the Group's decommissioning liabilities and the historic compounded inflation rates in the industry, management do not believe that the current short-term inflationary pressures will have a material impact on the decommissioning liabilities of the Group. A variation in this discount rate of 1% would change the decommissioning liabilities by approximately \$218 million (2021: \$202 million), and is not expected to have a material impact on the corresponding decommissioning reimbursement asset. For further details regarding the estimated value, inputs and assumptions refer to note 23. Given the large number of variables involved, management consider that it is not practical to provide sensitivities for the various other individual assumptions.

Commodity derivatives

The fair value of commodity derivatives is estimated using a net present value model (commodity swaps) or an appropriate option valuation model (options and collars). These contracts are valued using observable market pricing data including volatilities. A 20% reduction in future commodity prices, with all other assumptions held constant, would result in a decrease in the fair value of derivatives of \$179 million. A 20% increase in future commodity prices, with all other assumptions held constant, would result in an increase in the intrinsic value of option derivative instruments at 31 December 2022 of \$188 million.

Other areas of estimation

The key assumptions concerning the future, and other sources of estimation uncertainty at the reporting period, but are not expected to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Estimates in oil and gas reserves and contingent resources

The Group's estimates of oil and gas reserves and contingent resources, and the associated production forecasts, are used in the impairment testing of property plant and equipment and goodwill, in the measurement of depletion and decommissioning provisions, the measurement of certain elements of contingent consideration and in the determination of whether deferred tax assets are recoverable. The business of the Group is to enhance hydrocarbon recovery and extend the useful lives of mature and underdeveloped assets and associated infrastructure in a profitable and responsible manner. Estimates of oil and gas reserves and contingent resources require critical judgement. Factors such as the availability of geological and engineering data, reservoir performance data, drilling of new wells and estimates of future oil and gas prices all impact on the determination of the Group's estimates of its oil and gas reserves which could result in different future production profiles affecting prospectively the discounted cash flows used in impairment testing.

The Group's estimates of reserves and resource volumes used for accounting purposes are built up from historically matched models for operated assets and principally from operators' estimates for non-operated assets. A review process is undertaken to compare the results of the Group's internal estimates to those of an independent consultant to understand any differences in underlying assumptions to ensure there are no material unreconciled differences between the estimates.

For the purposes of depletion and decommissioning estimates, the Group uses proved and probable reserves; and for the purposes of the impairment tests performed and deferred tax asset recoverability, the Group considers the same proved and probable reserves as well as risked resource volumes. These risked adjustments are reflective of management's assessment of technical and commercial factors that reflect the value considerations of a market participant. Changes in estimates of oil and gas reserves and resources resulting in different future production profiles will affect the discounted cash flows used in impairment testing, the anticipated date of decommissioning, the depletion charges in accordance with the unit of production method and the recoverability of deferred tax assets. The sensitivity of the Group's impairment tests and deferred tax recoverability assessments to key sources of estimation uncertainty including reserves and resources is discussed below.

3. Significant accounting policies, judgements and estimation uncertainty continued

Estimates in impairment of oil and gas assets and goodwill

Determination of whether the Group's oil and gas assets (note 15) or goodwill (note 18) have suffered any impairment requires an estimation of the recoverable amount of the CGU to which oil and gas assets and goodwill have been allocated. Projected future cash flows are used to determine a fair value less cost to sell to establish the recoverable amount. Key assumptions and estimates in the impairment models relate to: commodity prices that are based on internal view of forward curve prices that are considered to be a best estimate of what a market participant would use; discount rates which reflect management's estimate of a market participant post-tax weighted average cost of capital; and oil and gas reserves and resources on a risk basis as described above. Management's estimates of a market participant's view of pricing and discount rates are supported by an independent consultant.

The sensitivity of the Group's carrying amounts to these assumptions is illustrated by the impairments and reversals disclosed in note 19, and by the sensitivity disclosures in note 19. Sensitivity disclosures include, in particular, the impact of a 20% reduction in forecast revenues.

Taxation estimates

The Group's operations are subject to a number of specific tax rules which apply to exploration, development and production companies such as the Energy Profits Levy, ring-fenced Corporation Tax at 30%, the Supplementary Charge of 10% and the application of investment allowances. In addition, the tax provision is prepared before the relevant companies have filed their tax returns with the relevant tax authorities and, significantly, before these have been agreed. As a result of these factors, the tax provision process necessarily involves the use of a number of judgements and estimates including those required in calculating the effective tax rate. The Group recognises deferred tax assets on unused tax losses where it is probable that future taxable profits will be available for utilisation. This requires management to make judgements and assumptions regarding the likelihood of future taxable profits and the amount of deferred tax that can be recognised. Further details regarding the estimated value, inputs are set out in note 27.

The Group's deferred tax assets are recognised to the extent that taxable profits are expected to arise in the future against which tax losses and allowances in the UK can be utilised, including as a result of Group re-organisations and asset transfers (see critical accounting judgement below). In accordance with IAS 12 Income Taxes, the Group assesses the recoverability of its deferred tax assets at each period end. Consistent with the impairment sensitivity described above, as at 31 December 2022, a 20% reduction in future revenues, with all other assumptions held constant, would eliminate current headroom and result in a deferred tax asset derecognition of \$24 million.

An increase in future revenues would result in no additional deferred tax asset recognition on the basis that deferred tax assets are already recognised in full. The \$24 million de-recognition assumes that cash flows are equivalent to taxable profits and that any reorganisation required to utilise certain deferred tax assets does not result in a displacement of other balances.

Contingent consideration

Liabilities for contingent consideration have been recognised on certain business combinations, which are measured at fair value at acquisition and remeasured at fair value through profit and loss at each reporting date.

The amounts of contingent consideration ultimately payable depend on several factors, including the progress of certain of the oil and gas properties acquired and the achievement of certain production and commodity price thresholds. Management has estimated the fair value as the aggregate value of each element of the contingent consideration in each case using an appropriate valuation technique, taking into account the likelihood of occurrence of each contingent event and the net present value of the amount potentially payable. Where applicable, risk assumptions applied in the measurement of contingent consideration were consistent with those applied in the fair valuation of the related oil and gas properties.

The sensitivity of the elements of contingent consideration linked to the oil price is disclosed in note 25. It is not practical to provide sensitivities to other specific assumptions given the multiple contingent events and assumptions involved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Significant accounting policies, judgements and estimation uncertainty continued

Critical accounting judgements

Acquisitions

In the periods presented, the Group has made a number of acquisitions – see note 17 for further details of the final/provisional purchase price allocation, including the assets and liabilities acquired, the goodwill/gain on bargain purchase arising on acquisition and details of the contingent consideration payable. The acquisitions were accounted for as business combinations under IFRS 3. The assets and liabilities identified in the purchase price allocation include oil & gas assets, decommissioning liabilities, deferred tax assets and liabilities, derivatives and working capital.

The total consideration payable includes both amounts paid at completion of each of the acquisitions and further amounts which are contingent on certain events taking place. Judgements are required to be made regarding the future value of associated contingent consideration, as further described above.

The calculation of the fair value of the oil and gas assets acquired requires the Group to estimate the future cash flows expected to arise from the CGUs in the acquired business using discounted cash flow models. Key assumptions and estimates include: commodity prices, discount rates and oil and gas reserves estimates. See above estimates in the impairment of oil and gas assets and goodwill sections and estimate in the oil and gas reserves section for further details regarding these assumptions. In addition, the Group has considered the value that a market participant would prescribe to prospective resources in determining both the fair value of the oil & gas assets acquired and the contingent consideration recognised.

In determining the value of the deferred tax asset recognised on acquisition, the Group has made assumptions in respect of the amount of tax losses brought forward which will be available to offset against future taxable profits of the Group. Specifically, in respect of the MOGL acquisition, assumptions have been made with regards to the group relief claims the seller is entitled to make relating to pre-completion periods (pre 4 February 2022) which would reduce the losses available to the Group, and the quantum of such claims. The provisional deferred tax asset recognised by the Group assumes full utilisation of the losses held in MOGL and therefore a change in this assumption could result in a change in the deferred tax asset recognised on the balance sheet on acquisition, which would be recognised through profit and loss in the period of this change.

Further, in assessing the value of the deferred tax asset recognised in the MOGL and Siccar Point Energy acquisitions, the Group has made assumptions regarding future restructuring within the Group, therefore a change in these assumptions could result in a change in the deferred tax asset recognised.

Fair value of derivative instruments

Credit valuation adjustments (CVA) and debit valuation adjustments (DVA) are calculated for each trade using two key inputs, being future exposures and credit spreads (incorporating both probability of default and loss given default). Future exposures have been estimated using an expected exposure-based approach over the lifetime of the trades. For the risk associated with counterparties, the credit spread is calculated using market observable credit default spreads. For the own credit risk, the credit spread is calculated using reference to a senior unsecured quoted publicly traded bond of the parent entity using appropriate tenor adjustments, except for out-of-the-money derivatives with counterparties which are in the Group's RBL. These derivatives rank higher than those with other counterparties as they are fully secured as part of the RBL agreement. Therefore for the own risk credit risk adjustment (DVA) it has been estimated that the loss given default is zero and hence there is no DVA recognised for those derivatives which are with counterparties of the RBL.

4. Segmental reporting

The Group operates a single class of business being oil and gas exploration, development and production and related activities in a single geographical area, presently being the North Sea. The Group's segmental reporting structure remained in place for all periods presented and is consistent with the way in which the Group's activities are reported to the Board and Chief Decision Making Officer. The Group's activities are considered to be an individual operating segment due to the nature of the Group's operations being consistent, and such operations existing in a single geographical region that is covered by the same regulations.

5. Revenue

	2022 US\$'000	2021 US\$'000
Oil sales	1,692,697	856,492
Gas sales	1,348,212	724,527
NGL sales	75,445	52,466
Other income	40,617	32,742
Realised losses on oil derivative contracts	(211,636)	(48,833)
Put premiums on oil derivative instruments	(14,629)	(27,179)
Realised losses on gas derivative contracts	(289,877)	(147,348)
Put premiums on gas derivative instruments	(42,347)	(14,627)
	2,598,482	1,428,240

The majority of payment terms are on a specified monthly date, as detailed in the initial contract. Otherwise, payment is due within 30 days of the invoice date. No significant judgements have been made in determining the timing of satisfaction of performance obligations, the transactions price and the amounts allocated to performance obligations. Other income relates to tariff income receivable in the year.

Revenue from one customer exceeds 10% of the Group's consolidated revenue arising from hydrocarbon sales for the year ended 31 December 2022 (31 December 2021: one), representing \$2,436 million for the year ended 31 December 2022 (2021: \$1,437 million).

Revenue from contracts with customers derives largely from customers within a single geographical region, being the United Kingdom. Revenue from contracts with customers out with the United Kingdom is immaterial and is therefore not disclosed separately.

6. Cost of sales

	2022 US\$'000	2021 US\$'000
Movement in oil and gas inventory	(130,295)	6,970
Operating costs	(547,795)	(424,046)
Royalties	(11,287)	(6,192)
Depreciation on right-of-use assets (note 15)	(37,438)	(5,613)
Depletion, depreciation and amortisation (note 15)	(625,509)	(450,300)
	(1,352,324)	(879,181)

Royalty costs represent 3.34% of Stella and Harrier field revenue paid to the original licence holders. Ithaca holds a 100% interest in the Stella and Harrier fields.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. Administrative expenses

	2022 US\$'000	2021 US\$'000
General and administrative	(27,693)	(15,180)
Share-based payment charge (note 33)	(14,069)	—
Transaction costs	(46,089)	—
	(87,851)	(15,180)

Transactions costs in 2022 relate to the acquisitions of MOGL, Summit Exploration and Production Limited (Summit) and Siccar Point Energy entities, and costs incurred in connection to the IPO. Further details on the acquisitions can be found in note 17.

The total employee benefit expenses which is either capitalised or included in cost of sales and administrative expenses are noted below.

	2022 US\$'000	2021 US\$'000
Employee benefit expenses		
Wages and salaries	(81,017)	(62,546)
Social security costs	(9,902)	(7,132)
Pension costs*	(8,298)	(7,505)
	(99,217)	(77,183)

The average number of employees for the year was as follows:

	2022	2021
Onshore and administrative	268	251
Offshore	249	217
	517	468

7. Administrative expenses continued

	2022 US\$'000	2021 US\$'000
Audit fees		
Fees payable to the current Company's auditor for audit of the Company's financial statements	(1,095)	(685)
Fees payable to the previous Company's auditor for audit of the Company's financial statements	–	(35)
Audit of the Company's subsidiaries pursuant to legislation	(279)	(62)
Non-audit fees provided by the current auditors	(4,707)	–
Non-audit fees provided by the previous auditors	–	(236)
	(6,081)	(1,018)

Non-audit fees provided by the current auditors for the year ended 31 December 2022 comprise audit-related assurance services of \$170k, other assurance services of \$990k and other non-audit services of \$3,547k, with the latter two captions relating to reporting accountant workstreams in relation to the IPO.

8. Other gains and losses

	2022 US\$'000	2021 US\$'000
Loss on financial instruments	(278)	(453)
Fair value (losses)/gains on contingent consideration	(4,295)	8,250
Net foreign exchange	(4,856)	(3,970)
	(9,429)	3,827

9. Net finance costs

	2022 US\$'000	2021 US\$'000
Bank interest and charges	(58,317)	(41,372)
Senior notes interest	(61,537)	(74,677)
Loan fee amortisation	(6,418)	(35,343)
Interest on lease liabilities (note 24)	(3,852)	(367)
Interest on related party loan (note 32)	(17,924)	(48,277)
Accretion	(56,511)	(38,348)
Realised gains/(losses) on interest derivative contracts (note 29)	851	(7,276)
Interest income	695	11
Other	–	(4,487)
	(203,013)	(250,136)

There was no interest capitalised into qualifying assets in either the year to 31 December 2022 or the year to 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. Earnings per share

The calculation of basic earnings per share is based on the profit after tax and the weighted average number of ordinary shares in issue during the year. Basic and diluted earnings per share are calculated as follows:

	2022 US\$'000	2021 US\$'000
Earnings for the year:		
Earnings for the purpose of basic earnings per share	1,031,532	425,989
Effect of dilutive potential ordinary shares	–	–
Earnings for the purpose of diluted earnings per share	1,031,532	425,989
Number of shares (million)		
Weighted average number of ordinary shares for the purpose of basic earnings per share ¹	1,005.2	1,005.2
Dilutive potential ordinary shares	5.0	2.1
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,010.2	1,007.3
Earnings per share (cents)		
Basic	102.6	42.4
Diluted	102.2	42.3

1 In accordance with IAS 33 paragraph 64, following the issue of bonus shares (900,073,953) and new shares (105,000,000) in connection to the IPO, the weighted average number of shares in 2022 and 2021 have been retrospectively restated to reflect the number of shares post IPO.

11. Trade and other receivables

	2022 US\$'000	2021 US\$'000
Current		
Trade receivables	31,906	18,918
Other receivables	14,210	25,420
Joint venture receivables	99,800	79,917
Accrued income	214,078	104,035
	359,994	228,290

The Group regularly monitors all customer receivable balances outstanding in excess of 90 days for expected credit losses. The Group applies a simplified approach in calculating Expected Credit Losses (ECLs) as allowed under IFRS 9. Provision rates are calculated based on estimates including the probability of default by assessing counterparty credit ratings, the economic environment and the Group's historical credit loss experience. Substantially all trade and other receivables are current, being defined as less than 90 days and as such no ECLs have been recognised in the current or prior year as the ECL is considered immaterial.

11. Trade and other receivables continued

	2022 US\$'000	2021 US\$'000
Non-current		
Decommissioning reimbursement	162,710	152,184
Current		
Decommissioning reimbursement	38,115	94,640

The decommissioning reimbursement represents the equal and opposite of decommissioning liabilities (note 23), net of tax, associated with the Heather and Strathspey fields and relates to a contractual agreement as part of the CNSL acquisition. As part of the terms of the CNSL acquisition, Chevron have the obligation to provide the security and remain financially responsible for the decommissioning obligations of CNSL in relation to these interests. As the payment is virtually certain this has been accounted for under IAS 37 as a reimbursement asset.

12. Prepaid expenses and decommissioning securities

	2022 US\$'000	2021 US\$'000
Current		
Prepayments	7,415	8,524
Decommissioning securities	1,640	2,012
	9,055	10,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. Inventories

	2022 US\$'000	2021 US\$'000
Current		
Hydrocarbon inventories/underlift	87,563	115,743
Materials inventories	124,755	89,374
Provision for obsolete materials inventory	(35,437)	(27,498)
	176,881	177,619
Non-current		
Hydrocarbon inventories	—	532

14. Exploration and evaluation assets

	US\$'000
At 1 January 2021	70,589
Additions	45,922
Write offs/relinquishments	(156)
At 31 December 2021	116,355
Additions	42,168
Acquisitions (note 17)	706,558
Transfers to development and production assets (note 15)	(75,005)
Write offs/relinquishments	(14,303)
At 31 December 2022	775,773

Following completion of geotechnical evaluation activity, certain North Sea licences were declared unsuccessful and certain prospects were declared non-commercial. This resulted in the carrying value of these licences being fully written off to nil with \$14.3 million being expensed in the year to 31 December 2022 (2021: \$0.2 million).

The transfers from exploration and evaluation assets to development and production assets relates to the Abigail and Jade South wells.

The write offs/relinquishments includes \$5.3 million of impairment relating to decommissioning revisions.

The principal exploration and evaluation assets at 31 December 2022 are Cambo and Rosebank which formed part of the Siccar acquisition (see note 17).

15. Property, plant and equipment

	Right-of-use operating assets US\$'000	Development and production assets US\$'000	Other fixed assets US\$'000	Total US\$'000
Cost				
At 1 January 2021	13,139	5,496,465	18,856	5,528,460
Additions	2,512	341,713	21,437	365,662
Disposals	(6,441)	–	–	(6,441)
At 31 December 2021 and 1 January 2022	9,210	5,838,178	40,293	5,887,681
Additions	89,717	362,844	5,619	458,180
Acquisitions (note 17)	–	1,115,023	–	1,115,023
Transfers from exploration and evaluation assets (note 14)	–	75,005	–	75,005
Change in decommissioning estimates (note 23)	–	(278,398)	–	(278,398)
At 31 December 2022	98,927	7,112,652	45,912	7,257,491
Depletion, depreciation, amortisation and Impairment				
At 1 January 2021	(6,257)	(2,930,215)	(8,275)	(2,944,747)
Depletion, depreciation and amortisation charge for the year	(5,613)	(444,751)	(5,549)	(455,913)
Disposals	6,441	–	–	6,441
Impairment reversal (note 19)	–	465,271	–	465,271
At 31 December 2021 and 1 January 2022	(5,429)	(2,909,695)	(13,824)	(2,928,948)
Depletion, depreciation and amortisation charge for the year	(37,438)	(615,261)	(10,248)	(662,947)
Impairment charge (note 19)	–	(30,700)	–	(30,700)
At 31 December 2022	(42,867)	(3,555,656)	(24,072)	(3,622,595)
Net book value at 31 December 2021	3,781	2,928,483	26,469	2,958,733
Net book value at 31 December 2022	56,060	3,556,996	21,840	3,634,896

The transfers from exploration and evaluation assets to development and production assets relates to the Abigail and Jade South wells. At the point of transfer these assets were tested for impairment and none was found.

Other fixed assets includes buildings, computer equipment, office equipment and furniture and fittings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. Interests in joint operations

The contractual agreement for the licence interests in which the Group has an investment do not typically convey control of the underlying joint arrangement to any one party, even where one party has a greater than 50% equity ownership of the area of interest.

The Group's material joint operations as at 31 December are as follows:

Block	Licence	Field/Discovery Name	Operator	Group Net % Interest	
				2022	2021
9/11c	P.979	Mariner	Equinor UK Limited	8.89%	0.00%
9/11b	P.726	Mariner	Equinor UK Limited	8.89%	0.00%
30/2c	P.672	Jade	Chrysaor Petroleum Company UK Limited	15.50%	6.64%
22/30c and 29/5c	P.666	Elgin-Franklin	TotalEnergies E&P UK Limited	6.09%	1.95%
15/29b	P.590	Callanish	Chrysaor Production (UK) Limited	20.00%	20.00%
204/25a	P.559	Schiehallion	BP Exploration Operating Company Limited	35.30%	0.00%
204/19b and 204/20b	P.556	Suiven	Ithaca SP E&P Limited	50.00%	0.00%
29/5b	P.362	Elgin-Franklin	TotalEnergies E&P UK Limited	6.09%	1.95%
21/4a	P.347	Callanish	Chrysaor Production (UK) Limited	13.70%	13.70%
16/27b	P.345	Britannia	Chrysaor Production (UK) Limited	35.75%	35.75%
9/11a	P.335	Mariner	Equinor UK Limited	8.89%	0.00%
13/22a	P.324	Captain	Ithaca Energy (UK) Limited	85.00%	85.00%
22/18a	P.292	Arbroath, Arkwright, Carnoustie, Wood	Repsol Sinopec Resources UK Limited	41.03%	0.00%
22/17s, 22/22a and 22/23a	P.291	Arbroath, Arkwright, Brechin, Carnoustie, Cayley, Shaw	Repsol Sinopec Resources UK Limited	41.03%	0.00%
23/26b	P.264	Erskine	Ithaca Energy (UK) Limited	50.00%	56.67%
9/11d and 9/12b	P.2508	Mariner	Equinor UK Limited	8.89%	0.00%
22/1b	P.2373	F Block (Fotla and Fortriu)	Ithaca Oil and Gas Limited	60.00%	60.00%
15/18b	P.2158	Marigold	Ithaca Oil and Gas Limited	100.00%	100.00%
9/11g	P.2151	Mariner	Equinor UK Limited	8.89%	0.00%
16/26a	P.213	Alba	Ithaca Oil and Gas Limited	36.67%	36.67%
16/26a	P.213	Britannia	Ithaca MA Limited	33.17%	33.17%
16/26a	P.213	N/A	Ithaca Oil and Gas Limited	21.85%	21.85%
3/7a	P.203	Columba E	CNR International (UK) Limited	20.00%	0.00%
3/8a and 3/8a	P.199	Columba B/D	CNR International (UK) Limited	5.60%	0.00%

16. Interests in joint operations continued

Block	Licence	Field/Discovery Name	Operator	Group Net % Interest	
				2022	2021
22/30b	P.188	Elgin-Franklin	TotalEnergies E&P UK Limited	6.09%	3.04%
21/20a	P.185	Cook	Ithaca Energy (UK) Limited	61.35%	61.35%
8/15a	P.1758	Mariner	Equinor UK Limited	8.89%	0.00%
29/10b	P.1665	Abigail	Ithaca Energy (UK) Limited	100.00%	50.00%
30/7b	P.1589	Jade	Chrysaor Petroleum Company UK Limited	25.50%	9.97%
30/1f	P.1588	Vorlich	Ithaca Energy (UK) Limited	100.00%	100.00%
205/2a	P.1272	Rosebank	Equinor UK Limited	20.00%	0.00%
205/1a	P.1191	Rosebank	Equinor UK Limited	20.00%	0.00%
15/29a	P.119	Alder	Ithaca Energy (UK) Limited	73.68%	73.68%
15/29a	P.119	Britannia	Ithaca MA Limited	75.00%	75.00%
204/4a and 204/5a	P.1189	Cambo	Ithaca SP E&P Limited	70.00%	0.00%
21/3a	P.118	Brodgar	Chrysaor Production (UK) Limited	25.00%	25.00%
23/22a	P.111	Pierce	Enterprise Oil Limited	34.01%	34.01%
15/30a	P.103	Britannia	Chrysaor Production (UK) Limited	33.03%	33.03%
21/5a	P.103	Enochdhu	Chrysaor Production (UK) Limited	50.00%	50.00%
204/9a and 204/10a	P.1028	Cambo	Ithaca SP E&P Limited	70.00%	0.00%
213/26b and 213/27a	P.1026	Rosebank	Equinor UK Limited	20.00%	0.00%
23/26a	P.057	Erskine	Ithaca Energy (UK) Limited	50.00%	50.00%
22/18n	P.020	Montrose	Repsol Sinopec Resources UK Limited	41.03%	0.00%
22/17s, 22/22a and 22/23a	P.019	Godwin, Montrose	Repsol Sinopec Resources UK Limited	41.03%	0.00%
30/6a and 29/10a	P.011	Stella/Harrier	Ithaca Energy (UK) Limited	100.00%	100.00%
30/11a and 30/12d	P.1820	Isabella	Total Energies E&P North Sea UK Limited	10.00%	10.00%
204/8, 204/9c, 204/10c, 204/13, 204/14d and 204/15	P.2403	Tornado	Ithaca SP E&P Limited	50.00%	0.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. Business combinations

The fair values of the identifiable assets and liabilities as at the acquisition dates were:

	MOGL 2022 US\$'000	Siccar 2022 US\$'000	Summit 2022 US\$'000
Property, plant and equipment (note 15)	322,590	668,700	101,933
Exploration and evaluation assets (note 14)	–	706,558	–
Cash	170,629	88,638	18,799
Inventory	2,781	–	–
Trade and other receivables	36,617	32,627	10,513
	532,617	1,496,523	131,245
Trade and other payables	(5,436)	(52,616)	(20,407)
Oil inventory overlift	–	(2,626)	(2,806)
Decommissioning provisions	(253,393)	(121,022)	(16,116)
Financial instruments	–	(82,899)	–
Borrowings	–	(200,000)	–
	(258,829)	(459,163)	(39,329)
Deferred tax asset	742,281	1,334,221	6,446
Deferred tax liability	(86,001)	(550,103)	(40,773)
	656,280	784,118	(34,327)
Total identifiable net assets at fair value	930,068	1,821,478	57,589
Consideration satisfied by cash	(107,811)	(1,015,346)	(119,362)
Deferred consideration	(63,415)	–	–
Contingent consideration	(139,320)	(102,111)	–
Consideration	(310,546)	(1,117,457)	(119,362)
Gain on bargain purchase/(goodwill) arising on acquisition	619,522	704,021	(61,773)
Net cashflows relating to acquisition	62,818*	(926,708)	(100,563)

* Net cashflows relating to the MOGL acquisition includes a \$7 million deposit paid in the year ended 31 December 2021.

17. Business combinations continued

The fair value of the financial assets includes trade and other receivables with a fair value of \$78.8 million and an equal gross contractual value.

MOGL

On 4 February 2022, the Group completed the acquisition of 100% of the issued share capital of MOGL. The transaction added a further non-operated share in nine producing field interests (known as MonArb) to the existing Ithaca portfolio.

Taking into account the interim period cash flows generated by MOGL since the transaction effective date of 1 January 2021, the \$7 million deposit paid at signing of the transaction in November 2021 and conventional working capital adjustments, the price payable at completion of the acquisition was \$108 million. A deferred consideration of \$63 million and risked contingent consideration of \$139 million, discounted at 2.5% were recognised at acquisition, resulting in a gain on bargain purchase of \$620 million.

The contingent consideration arrangement on MOGL depends on whether various milestones in the Sale and Purchase Agreement ("SPA") are met as follows: set gross export production volume from Montrose Infill Project Phase 1, set cumulative gross export production volume following Arbroath well reinstatements, set gross export production volume from next new well in the Shaw Field and, an amount payable during the Value Sharing Period (1 January 2022 to 31 December 2024) in relation to sales in excess of a set oil trigger price. The amount payable in relation to sales in excess of a set oil trigger price is capped under the terms of the SPA.

The contingent consideration calculated at the acquisition date uses the same assumptions as set out in the critical accounting judgements section of note 3 and is subsequently revalued at the year end date.

From the date of acquisition, the MOGL assets have contributed \$316 million of revenue and \$199 million of profit before tax in 2022. Had the acquisition occurred on 1 January 2022, the MOGL assets would have contributed \$343 million of revenue and \$224 million of profit before tax for the 2022 financial year.

The gain on bargain purchase arising on the MOGL acquisition was principally a result of recognising a deferred tax asset arising from tax losses of \$745 million, which were unable to be utilised by MOGL, as allowed under IFRS 3 fair value accounting for business combinations. The gain was also partially attributed to the extended period from effective date of 1 January 2021 to the completion date of 4 February 2022 during which time hydrocarbon prices rose significantly. The gain on bargain purchase of \$620 million was credited to income in the year ended 31 December 2022.

Siccar Point Energy

On 30 June 2022, the Group completed the acquisition of 100% of the issued share capital of Siccar Point Energy (Holdings) Limited (Siccar Point Energy) and its UK subsidiaries. The transaction added a further two producing assets (Mariner 8.89% and Schiehallion 11.75%), an additional 5.57% increase to the Group's existing equity in Jade, and three development prospects (Rosebank 20.00%, Cambo 70.00% and Tornado 50.00%) to the existing Group portfolio.

Taking into account the interim period cash flows generated by Siccar since the transaction effective date of 1 January 2022 and conventional working capital adjustments, the price payable at completion of the acquisition was \$1.015 billion. A risked contingent consideration of \$102 million was recognised, resulting in a gain on bargain purchase of \$704 million.

The contingent consideration arrangement on Siccar Point Energy depends on whether various milestones of the SPA are met as follows: redemption of acquired bond as at repayment date, Final Investment Decision and the associated reserves in respect of the Cambo and Rosebank fields and, an amount paid in relation to sales in excess of a set floor oil price. The amount payable in relation to sales in excess of a set oil trigger price is capped under the terms of the SPA.

The contingent consideration calculated at the acquisition date uses the same assumptions as set out in the critical accounting judgements section of note 3 and is subsequently revalued at the year end date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. Business combinations continued

From the date of acquisition, the Siccar Point Energy assets have contributed \$184 million of revenue and \$90 million of profit before tax in 2022. Had the acquisition occurred on 1 January 2022, the Siccar Point Energy assets would have contributed \$337 million of revenue and a \$128 million loss before tax for the 2022 financial year.

The gain on bargain purchase arising on the Siccar Point Energy transaction was principally as a result of recognising a deferred tax asset arising from tax losses of \$1,334 million which were unable to be utilised by Siccar Point Energy, as allowed under IFRS 3 fair value accounting for business combinations. The gain on bargain purchase of \$704 million was credited to income in the year ended 31 December 2022.

On acquisition of Siccar Point Energy, the Group acquired a \$200m bond. On 28 July 2022 a group of bondholders exercised their right to redeem and subsequently \$166.4 million was paid to these bondholders. Subsequently, in September 2022, notes totalling \$25.6m were bought back at a premium of 6% by the Group. The remaining notes totalling \$8.0 million were redeemed on 12 October 2022 and there is no remaining balance at 31 December 2022.

Summit

On 30 June 2022, the Group completed the acquisition of 100% of the issued share capital of Summit. The transaction added a further 2.1875% ownership of the Elgin Franklin field interest within the existing Group portfolio.

Taking into account the interim period cash flows generated by Summit since the transaction effective date of 1 January 2021, the \$10 million deposit paid at signing of the transaction in February 2022 and conventional working capital adjustments, the price payable at completion of the acquisition was \$119 million and goodwill of \$62m was recognised. The goodwill recognised can be attributed to the increase in the Group's equity interest in the Elgin Franklin field and the corresponding impact of EPL, which was announced between effective date and completion, on the fair values at acquisition.

From the date of acquisition, the Summit assets have contributed \$52 million of revenue and \$38 million of profit before tax in 2022. Had the acquisition occurred on 1 January 2022, the Summit assets would have contributed \$83 million of revenue and \$32 million of profit before tax for the 2022 financial year.

There are no contingent consideration arrangements under the Sale and Purchase Agreement of the Summit assets.

Mitsui

On 30 November 2021, the Group completed the acquisition of an additional 13.3% interest in the Alba field from Mitsui E&P UK Limited. The acquisition comprised property, plant and equipment of \$22 million, a working capital creditor of \$11 million and a decommissioning provision of \$55 million. This resulted in a reverse consideration being paid to the Group, as such the consideration owed from Mitsui to the Group was \$55 million.

No contingent liabilities have been acquired on the business combinations detailed above.

The fair values of the oil and gas assets and the intangible assets acquired have been determined using valuation techniques based on discounted cash flows using forward curve commodity prices and estimates of long-term commodity prices reflective of market conditions at each completion date, a discount rate based on observable market data and cost and production profiles generally consistent with the proved and probable reserves acquired with each asset (see note 19 for further details). The decommissioning liabilities recognised have been estimated based on operator cost estimates with reference to observable market data.

18. Goodwill

	2022 US\$'000	2021 US\$'000
Balance at 1 January	722,075	722,075
Additions (note 17)	61,773	—
Balance at 31 December	783,848	722,075

The goodwill is not tax deductible on any of the acquisitions.

18. Goodwill continued

The opening goodwill of \$722 million relates to historic business combinations.

The goodwill on acquisition in the current period relates to the Summit acquisition, as detailed in note 17.

Annual impairment tests were performed. The review was carried out on a fair value less cost of disposal basis using risk adjusted cash flow projections from the approved business plans including the same commodity prices, life of field cost profiles and production volumes used for impairment of oil and gas assets (see note 19), discounted at a post-tax discount rate of 10.9%. Assumptions and estimates in the Group impairment models are detailed in note 3. The CGU for the purposes of the goodwill test is the North Sea i.e. the entire Group portfolio of oil and gas assets which is consistent with the operating segment view of the business. The fair value estimate is categorised as level 3 in the fair value hierarchy.

19. Impairment (charge)/reversal on oil and gas assets

	2022 US\$'000	2021 US\$'000
D&P assets	(30,700)	465,271
E&E assets	(1,867)	—
Contingent consideration reversal	1,100	—
North Sea oil and gas assets	(31,467)	465,271

The impairment charge on D&P assets of \$30.7 million in 2022 reflect revisions in decommissioning provisions, principally on fields that are no longer producing.

An impairment review was carried out at the end of 2022 on the Group's producing assets with the main trigger being the implementation of the Energy Profits Levy ("EPL") in the second half of 2022. The review demonstrated that there was no requirement to impair any of the Group's producing assets. The review was carried out on a fair value less cost of disposal basis using risk adjusted cash flow projections discounted at a post-tax discount rate of 10.9%.

The following assumptions, as supported by third party analysis, were used at Q4 2022 in developing the cash flow model and applied over the expected life of the respective fields:

	Post-tax discount rate assumption	Price assumptions (nominal)				
		2023	2024	2025	2026	2027*
Oil	10.90%	\$89/bbl	\$84/bbl	\$83/bbl	\$83/bbl	\$83/bbl
Gas	10.90%	315p/therm	211p/therm	99p/therm	86p/therm	86p/therm

* post 2027 an annual 2% increase is applied to the price assumption

With all other assumptions held constant and supported by third-party analysis, a 20% decrease in the forecast revenues, illustrating lower commodity prices and/or production volumes, would result in a post-tax impairment of PP&E of \$13 million at 31 December 2022. An increase of 1% in the discount rate assumption would not result in a post-tax impairment of PP&E. There would be no impairment of goodwill. A decrease in discount rate or an increase in forecast revenues would have no material impact on post-tax carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. Impairment (charge)/reversal on oil and gas assets continued

Estimated production volumes and cash flows used in impairment reviews are considered up to the date of cessation of production on a field-by-field basis, including operating and capital expenditure and are derived from management approved business plans. During 2021, the Group recorded a \$465 million pre-tax impairment reversal relating to oil and gas assets. The review was driven by higher commodity price forward curves and was carried out on a fair value less costs of disposal basis, resulting in pre-tax reversal of \$397.3 million on Stella, \$28.8 million on Alba and \$33 million on Pierce, with related post-tax recoverable amounts of \$565 million, \$77 million and \$120 million respectively. The remaining reversal of \$6 million relates to revisions to decommissioning estimates for assets which have been fully impaired. The following assumptions were used at Q4 2021 in developing the cash flow model and applied over the expected live of the respective fields:

	Post-tax discount rate assumption	Price assumptions (nominal)				
		2022	2023	2024	2025	2026
Oil	9.50%	\$76/bbl	\$69/bbl	\$71/bbl	\$72/bbl	\$74/bbl
Gas	9.50%	164p/therm	99p/therm	68p/therm	61p/therm	56p/therm

Estimated production volumes and cash flows up to the date of cessation of production on a field by field basis, including operating and capital expenditure, are derived from the approved business plans and third party reports.

20. Borrowings

	2022 US\$'000	2021 US\$'000
Current		
Amounts owed to related parties (note 32)	–	(437,076)
	–	(437,076)
Non-current		
RBL facility	(600,000)	(350,000)
Senior unsecured notes	(625,000)	(625,000)
Unamortised long-term bank fees	7,591	13,214
Unamortised long-term senior notes fees	3,678	7,170
Total debt	(1,213,731)	(954,616)

Accrued interest on borrowings is included within accruals (note 22).

	2022 US\$'000	2021 US\$'000
Adjusted net debt		
Total debt	1,213,731	1,391,692
Less cash and cash equivalents	(253,822)	(44,849)
Adjusted net debt	959,909	1,346,843

Adjusted net debt does not include lease liabilities.

20. Borrowings continued

Amounts owed to related parties

In November 2019 the Group issued interest-free capital loan notes worth a nominal value of \$392 million to a related Group undertaking, DKL Energy Limited. At the date of issuance, the capital loan notes were due for repayment no later than May 2022, after which point these were repayable on demand. On initial recognition, in November 2019, the capital loan notes were recorded at a fair value of \$278m estimated based on a 15% market rate of interest. The difference between the two was recorded as a \$114 million capital contribution (see note 26). The capital contribution was fully unwound as a result of a capital reduction in preparation for the IPO. Capital loan notes of \$182 million were waived (see note 32) with the balance of \$210 million being repaid out of the proceeds of the IPO. The waived loan of \$182 million has been capitalised as a Capital Contribution Reserve (see note 26).

Subordinated loan

In November 2019, the Group issued a subordinated loan note worth \$198 million to the same Group undertaking, DKL Energy Limited. The interest terms up to May 2021 matched those of an external loan with BNP Paribas entered into by DKL Energy on which a margin ranging from 6.5% to 11.5% on LIBOR was charged. Subsequent to repayment of the BNP Paribas loan by DKL Energy in May 2021, the tracker loan note was interest free. The tracker loan note was due for repayment at the date of issuance no later than May 2022, after which it was repayable on demand. The Group prepaid \$120m of the tracker loan note in 2020 and \$15 million in 2021. The remaining balance was repaid out of proceeds of the IPO.

Reserves Based Lending (RBL) facility

During 2019, the Group's RBL facility size was increased to \$1,650 million and its maturity was extended to April 2024, simultaneously an existing \$300 million Term Loan was retired. The effective interest rate of the facility was 4.96%. Loan fees of \$26.7 million relating to the RBL were capitalised in 2019 and amortised over the remaining life of the loan. In July 2021, the Group completed a further refinancing to amend and extend the RBL facility. The RBL commitment was approximately \$1.225 billion with a maturity to 2026, and subject to interest at a reference rate of SOFR plus 3.5%. At 31 December 2022, due to the NPV cap described in the covenants section below, the total availability was \$925 million, of which \$600 million was drawn down, leaving a further amount of \$325 million being available for drawdown.

Loan fees of \$15.2 million relating to the RBL were capitalised and will be amortised over the term of the loan, \$7.6 million remains to be amortised as at 31 December 2022. Following the refinancing \$18.1 million of un-amortised fees were expensed to the statement of profit or loss in 2021, included within loan fee amortisation, relating to the previous RBL facility.

The RBL facility is secured by the assets of the guarantor members of the Group, such security including share pledges, floating charges and/or debentures. Total assets pledged as security at 31 December 2022 was \$6,760 million (2021: \$4,732 million).

Senior notes

During July 2019, the Group issued \$500 million 9.375% senior unsecured notes due for repayment in July 2024 with interest payable semi-annually. Loan fees of \$14.3 million relating to the senior notes were capitalised on issuance and amortised over the remaining life of the loan. In July 2021, the Group completed the refinancing of its senior unsecured notes with the issuance of \$625 million 9% senior unsecured notes due July 2026 and repayment in full of the notes issued during 2019. Loan fees of \$7.4 million relating to the new senior notes were capitalised and are being amortised over the life of the loan, \$3.7 million remains to be amortised as at 31 December 2022. Following the refinancing, \$6 million of un-amortised fees were expensed, to the statement of profit or loss in 2021, included within loan fee amortisation relating to the previous senior notes.

On acquisition of Siccar Point Energy on 30 June 2022, the Group acquired their existing \$200 million 9% senior unsecured notes due March 2026. The Group also acquired \$5.8 million of accrued interest in relation to these senior notes. On 1 August 2022, a settlement was made as a result of the exercise of the put option on the notes and a combined holding of \$166.4 million exercised the put option. Subsequently, in September 2022, notes totalling \$25.6 million were bought back at a premium of 6% by the Group. The remaining notes totalling \$8.0 million were redeemed on 12th October 2022 and there is no remaining balance as at 31 December 2022. Covenants in relation to these senior notes are detailed below.

Covenants

The Group is subject to financial and operating covenants related to the RBL facility. There are no covenants associated with amounts owed to related parties. Failure to meet the terms of one or more of these covenants may constitute an event of default as defined in the facility agreements, potentially resulting in accelerated repayment of the debt obligations. The Group was in compliance with all its relevant quarterly financial and operating covenants during all periods shown for the RBL facility and acquired senior notes. There are no ongoing maintenance or financial covenant tests associated with the \$625m unsecured notes.

In addition to the below financial covenants, the Group is subject to restrictive covenants under the RBL Facility and 2026 Notes, restricting the Group, to, amongst other things: incur additional debt; make certain payments (including, subject to certain exceptions, dividends and other distributions), with respect to outstanding share capital; repay or redeem subordinated debt or share capital; create or incur certain liens; make certain acquisitions and investments or loans; sell, lease or transfer certain assets, including shares of any of the Group's restricted subsidiaries; incur expenditure on exploration and appraisal activities in excess of approved levels; guarantee certain types of the Group's other indebtedness; expand into unrelated businesses; merge or consolidate with other entities; or enter into certain transactions with affiliates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. Borrowings continued

The key financial covenants in the RBL are:

- The parent shall ensure that as at the end of each Relevant Period (starting with the Relevant Period ending on 30 November 2021) the ratio of net debt to EBITDAX shall be less than 3.5:1. 'Net debt' referred to is not an IFRS measure. The Company uses net debt as a measure to assess its financial position. Net debt comprises amounts outstanding under the Company's RBL facility and senior notes, less cash and cash equivalents. Subordinated debt of \$250m from Delek Group Limited which was repaid on 3 August 2021 is treated as a parent company loan;
- Total projected sources of funds must exceed the total projected uses of funds for the following 12 month period (or a longer period to first production from development, if applicable);
- The ratio of the net present value of cash flows secured under the RBL for the economic life of the fields to the amount drawn under the facility must not fall below 1.15:1; and
- The ratio of the net present value of cash flows secured under the RBL for the life of the debt facility to the amount drawn under the facility must not fall below 1.05:1.

The Group was in compliance with all financial covenants of the RBL in all periods presented.

21. Changes in liabilities arising from financing activities *

	2022 US\$'000	2021 US\$'000
At 1 January	(1,395,048)	(1,855,773)
Cash flows	377,198	650,736
Acquisitions	(200,000)	—
Other	(47,613)	(190,011)
At 31 December	(1,265,463)	(1,395,048)

* being interest bearing loans, lease liabilities and interest rate derivatives.

Other movement comprises mainly finance costs, capital contribution and related imputed interest.

22. Trade and other payables

	2022 US\$'000	2021 US\$'000
Trade payables	(14,917)	(13,901)
Amounts owed to parent (note 32)	—	(43,408)
Hydrocarbon amounts owed to joint ventures/overlift	(124,365)	(42,944)
Other payables	(185,720)	(187,655)
Accruals	(299,604)	(139,818)
Deferred income	(86,806)	(56,542)
	(711,412)	(484,268)

The Directors consider the carrying values of trade and other payables to approximate the fair value.

Other payables mainly comprises VAT liabilities and amounts owed due to production adjustments. Hydrocarbon amounts owed to joint ventures comprises hydrocarbon inventory overlift owed to partners.

23. Decommissioning liabilities

	2022 US\$'000	2021 US\$'000
Balance at 1 January	(1,641,489)	(1,416,236)
Business combination additions	(390,530)	(55,429)
Accretion	(52,592)	(42,502)
Additions and revisions to estimates	298,564	(175,190)
Decommissioning provision utilised	65,507	47,868
Balance, end of period	(1,720,540)	(1,641,489)
Current		
Balance, beginning of period	(94,640)	(28,836)
Balance, end of period	(146,829)	(94,640)
Non-current		
Balance, beginning of period	(1,546,849)	(1,387,400)
Balance, end of period	(1,573,711)	(1,546,849)

The total future decommissioning liability represents the estimated cost to decommission, in situ or by removal, the Group's net ownership interest in all wells, infrastructure and facilities, based upon forecast timing in future periods. The Group uses a discount rate of 4.25 percent (31 December 2021: 2.5 percent) and an inflation rate of 2.0 percent (31 December 2021: 2.0 percent) over the varying lives of the assets to calculate the present value of the decommissioning liabilities. The impact of a change in discount rate is considered in note 3. Revisions to estimates in the years ended 31 December 2022 and 2021 were due to changes in both cost estimates and discount rate assumptions.

The estimated 2023 decommissioning spend of \$147 million has been treated as a current liability as at 31 December 2022 (2021: \$95 million). While the Group currently expects to incur decommissioning costs over the next 40 years, we anticipate that approximately 33% of the liability will be paid within the next five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. Lease liabilities

	2022 US\$'000	2021 US\$'000
Current		
Lease liability	(41,637)	(3,211)
Non-Current		
Lease liability	(17,221)	(278)

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid after the reporting date. All lease liabilities are fully payable within two years from 31 December 2022.

	2022 US\$'000	2021 US\$'000
Less than one year	(44,257)	(2,094)
One to two years	(17,439)	(1,617)
Total undiscounted lease payments	(61,696)	(3,711)
Future finance charges and other adjustments	2,838	222
Lease liabilities in the financial statements	(58,858)	(3,489)
At 1 January	(3,489)	(6,992)
Additions	(89,717)	–
Interest	(3,852)	(367)
Payments	38,200	3,870
At 31 December	(58,858)	(3,489)
Current	(41,637)	(3,211)
Non-current	(17,221)	(278)
	(58,858)	(3,489)

The office lease was repaid in full during 2021.

The addition in the year to 31 December 2022 relates to the Pioneer rig lease currently utilised on the Captain EOR project. The incremental borrowing rate applied to the lease is 6.07%.

If the Company were to terminate the use of the Pioneer rig early then termination fees would apply, escalating to 75% of total expected costs if within 1 month prior to commencement date of planned works. Remuneration for work performed up to the date of termination, together with costs relating to demobilisation of the drilling unit to the demobilisation port would also be due.

Amounts recognised in profit and loss related to leases is detailed in notes 6 and 9.

25. Contingent and deferred consideration

	2022 US\$'000	2021 US\$'000
Current		
Contingent consideration	(101,559)	—
Petrofac deferred consideration	(6,121)	(49,806)
	(107,680)	(49,806)
Non-current		
Contingent consideration	(157,337)	(19,480)
Petrofac deferred consideration	—	(5,804)
MOGL deferred consideration	(61,783)	—
	(219,120)	(25,284)
	2022 US\$'000	2021 US\$'000
Cash flows relating to contingent and deferred considerations	(66,132)	—
Movement in contingent consideration and deferred consideration is as follows:		
	2022 US\$'000	2021 US\$'000
At 1 January	(75,090)	(67,114)
Business combinations (note 17)	(304,846)	(13,530)
Utilisation	66,132	—
Reversal	1,100	—
Accretion	(9,801)	(2,696)
Changes in fair value	(4,295)	8,250
At 31 December	(326,800)	(75,090)

Cash outflows in the year ended 31 December 2022 of \$66.1 million are in relation to the consideration payable on Petrofac GSA transaction and three quarterly payments in consideration to the MOGL oil price trigger.

Petrofac

The Petrofac deferred consideration relates to the completion of the GSA transaction in December 2018 and is payable over a period from 2020 to 2023 and is discounted to reflect the time value of money. Interest is payable at 5% on \$15 million of the consideration.

As part of the GSA transaction, Petrofac had the opportunity to earn up to an additional sum dependent on the future performance of the Stella and Harrier fields. \$51.6 million was paid during 2022 in accordance with the Petrofac SPA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. Contingent and deferred consideration continued

MOGL

During the year ended 31 December 2022 the Group acquired MOGL which included elements of consideration that are payable upon certain events occurring and contingent considerations have been recognised to reflect this. Further details regarding the acquisition and the related contingent terms are set out in note 17. The carrying amount at 31 December 2022, discounted at 4.25% was \$128 million. The total undiscounted potential consideration as at 31 December 2022 is \$241 million.

The MOGL deferred consideration of \$61.8 million relates to completion of the MOGL transaction in February 2022. It is payable on 1 July 2025 and is discounted to reflect the time value of money.

Siccar

During the year ended 31 December 2022 the Group acquired an interest in Siccar which included elements of consideration that are payable upon certain events occurring and contingent considerations have been recognised to reflect this. Further details regarding the acquisition and the related contingent terms are set out in note 17. The carrying amount at 31 December 2022, discounted at 4.25% was \$102 million. The total undiscounted potential consideration as at 31 December 2022 is \$362 million.

Others

\$2.5 million of the non-current contingent consideration balance relates to the acquisition of the Vorlich field, with a remaining payment of \$3.0 million due upon defined production criteria being met.

\$6.4 million relates to Yeoman/Marigold, with a remaining unrisks payment of \$11.0 million contingent on achieving FDP and a further \$6 million unrisks on certain production criteria being met.

During the year ended 31 December 2022, further consideration of \$6.4 million was recognised as an additional payable, resulting in \$19.9 million (2021: \$13.1 million) on Strathspey in accordance with the Sale and Purchase agreement.

Revaluation of contingent consideration in the year to 31 December 2022 resulted in an increase of \$4.3 million (2021: decrease of \$8.3 million).

Management has considered alternative scenarios to assess the valuation of the contingent consideration including, but not limited to, the key accounting estimate relating to the oil price. A reduction or increase in the price assumptions of 20% are considered to be reasonably possible changes, resulting in a reduction of \$26.4 million or an equal and opposite increase to the contingent consideration respectively (2021: \$nil).

26. Reserves**(a) Issued share capital**

The issued share capital is as follows:

	Number of common shares	Amount US\$'000
At 31 December 2021	1,001	1
At 31 December 2022	1,006,564,976	11,445

On 26 October 2022 the Company undertook a share capital reduction whereby 114,000,000 issued A ordinary shares of \$1.00 each were cancelled and extinguished. In addition on this date the share premium account as at 31 December 2021 of \$634,658,000 was cancelled. A number of further steps followed in preparation for the IPO including the conversion of \$1.00 shares to £0.88 shares, the conversion of £0.88 shares to £0.01 shares, the issue of bonus shares principally to existing shareholders and the issue of 105,000,000 new shares on the IPO. As a result the issued share capital of the Company immediately after the IPO was 1,005,162,217 ordinary shares of £0.01 each.

A reconciliation of the opening to closing number of shares is set out below:

	Number of shares				
	A ordinary	B1 ordinary	B2 ordinary	Ordinary	Total
A ordinary shares of \$1.00 each at 1 January 2022	1,001	–	–	–	1,001
Issue of new \$0.01 B1 shares and \$0.01 B2 shares	–	100	100	–	200
Issue of new \$1.00 A ordinary shares	114,000,000	–	–	–	114,000,000
Cancellation of \$1.00 A ordinary shares relating to capital reduction	(114,000,000)	–	–	–	(114,000,000)
Conversion of \$1.00 A ordinary shares, \$0.01 B1 share and 0.01 B2 share to £0.01 A ordinary shares	87,087	(12)	(12)	–	87,063
Bonus Issue of new £0.01 A shares	898,131,843	–	–	–	898,131,843
Bonus Issue of new £0.01 B1 shares	–	1,401,670	–	–	1,401,670
Bonus Issue of new £0.01 B2 shares	–	–	420,440	–	420,440
Conversion of £0.01 A ordinary shares, £0.01 B1 shares and £0.01 B2 shares to £0.01 ordinary shares	(898,219,931)	(1,401,758)	(420,528)	900,042,217	–
Bonus issues of £0.01 ordinary shares	–	–	–	120,000	120,000
Issue of new £0.01 ordinary shares on IPO	–	–	–	105,000,000	105,000,000
Issue of new £0.01 ordinary shares on exercise of share options	–	–	–	1,402,759	1,402,759
Ordinary shares of £0.01 each at 31 December 2022	–	–	–	1,006,564,976	1,006,564,976

(b) Share premium

	2022 US\$'000	2021 US\$'000
Balance at 01 January	634,658	634,658
Share premium cancellation	(634,658)	–
Addition	293,712	–
Balance at 31 December	293,712	634,658

Addition during the year represents the difference between the nominal value of share £0.01 and IPO price of £2.50 per share (net of share issues expenses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. Reserves continued

(c) Capital contribution reserve (note 20)

	2022 US\$'000	2021 US\$'000
Balance at 01 January	114,000	114,000
Capital reduction	(114,000)	–
Addition	181,945	–
Balance at 31 December	181,945	114,000

The Company settled outstanding loan liabilities (including interest) of DKL Energy Limited (DKLE) out of IPO proceeds. As per the terms of the confirmation letter dated 29 November 2022 signed between DKLE and the Company, DKLE unconditionally and irrevocably released and forever discharged Ithaca Energy plc from any and all liabilities to the DKLE in respect of or in connection with the Capital and Subordinated loan note agreements. The remaining loan balance of \$181.9m has been capitalised as Capital Contribution Reserve as per the requirements of IFRS 9.

(d) Share-based payment reserve

	2022 US\$'000	2021 US\$'000
At 31 December	4,920	–

27. Taxation

	2022 US\$'000	2021 US\$'000
<i>Current tax</i>		
Current corporation tax (charge)/credit	(185,946)	14,863
Current corporation tax credit – prior year	1,839	3,815
Total current tax (charge)/credit	(184,107)	18,678
<i>Deferred tax</i>		
Adjustment in respect of prior period	(641)	(1,215)
Group tax charge in consolidated statement of profit or loss	(1,013,817)	(386,767)
Group tax (charge)/credit in consolidated statement of other comprehensive income	(200,455)	194,632
Total deferred tax charge	(1,214,913)	(193,350)
<i>Deferred Petroleum Revenue Tax</i>		
Deferred PRT (charge)/credit in statement of profit or loss	(10,432)	32,154
Total Tax charge through consolidated statement of profit or loss	(1,208,997)	(337,150)

27. Taxation continued

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the 40% statutory rate of tax applicable for UK ring fence oil and gas activities as follows:

	2022 US\$'000	2021 US\$'000
Accounting profit before tax	2,240,529	763,139
At tax rate of 40% (2021: 40%)	(896,211)	(305,256)
Non-deductible expense	(53,548)	(71,996)
Recognition of non-taxable gain on bargain purchase	534,069	—
Financing costs not allowed for SCT	(1,958)	(2,499)
Ring Fence Expenditure Supplement	155,113	11,313
Deferred tax effect of investment allowance	(20,615)	9,735
Over provided in prior years	1,198	2,602
Net deferred PRT	(6,259)	19,293
Deferred tax on EPL	(766,489)	—
Current tax on EPL	(131,389)	—
Prior year adjustments on acquired entities	(3,165)	—
Unrecognised tax losses	(19,743)	(342)
Total tax charge recorded in the consolidated statement of profit or loss	(1,208,997)	(337,150)

The Company is UK tax resident. The effective rate of corporation tax applicable for UK ring fence oil and gas activities in 2022, prior to the introduction of the EPL, was 40% (2021: 40%) consisting of a Ring Fence Corporation Tax rate of 30% and the supplementary charge of 10%. Items affecting the tax charge include a 10% uplift on ring fence losses, Ring Fence Expenditure Supplement increasing the losses available to offset future profits subject to Ring Fence Corporation Tax and Supplementary Charge. In addition, investment allowance, a 62.5% uplift on capital expenditure, is available reducing the profits subject to the supplementary charge only. Petroleum Revenue Tax (PRT) is applied at 0% on certain oil and gas fields in the UK however adjustments to recognised deferred PRT assets are made to reflect updated expectations of reversal against profits subject to the 0% PRT rate. The EPL was enacted in July 2022 with effect from 26 May 2022, at a headline rate of 25% which increased the effective UK ring fenced oil and gas rate to 65% until 2025, resulting in additional current and deferred tax charges in the year to 31 December 2022. Further changes to the EPL were announced on 17 November 2022 and enacted in December 2022 whereby the Levy was increased to 35% from 1 January 2023 until 31 March 2028, increasing the effective UK ring fenced oil and gas tax rate to 75% resulting in an additional deferred tax charge during the year to 31 December 2022.

Deferred tax at 31 December relates to the following:

	2022 US\$'000	2021 US\$'000
Deferred corporation tax liability	(2,258,813)	(688,140)
Deferred corporation tax asset	2,629,548	876,904
Deferred PRT asset	21,721	32,154
Net deferred tax asset	392,456	220,918

Deferred tax assets primarily relate to decommissioning liabilities, brought forward tax losses and accumulated losses and profits related to derivative contracts. Deferred tax liabilities primarily relate to accelerated capital allowances on property plant and equipment and accumulated losses and profits related to derivative contracts. Deferred tax balances are presented net as they arise in the same jurisdiction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. Taxation continued

Non-oil and gas losses of \$156 million, of which there is no expiry date, has not been recognised for deferred tax purposes as it is not certain that there will be future non-oil and gas profits to offset these losses.

The net movement on the deferred tax account is as follows:

	2022 US\$'000	2021 US\$'000
At 1 January	220,918	382,114
Profit or loss (charge)	(1,024,889)	(355,828)
Other comprehensive income (charge)/credit	(200,455)	194,632
Business combinations (note 17)	1,396,882	—
At 31 December	392,456	220,918

The net movement on the deferred tax account through the consolidated statement of profit or loss relates to the following:

	2022 US\$'000	2021 US\$'000
Accelerated capital allowances	(490,246)	(149,117)
Tax losses	(386,819)	(218,174)
Abandonment provision	(124,598)	24,214
Petroleum revenue tax	—	(12,861)
Deferred PRT	4,173	—
Hedging	(226,040)	152,015
Investment allowances	8,617	10,573
	(1,214,913)	(193,350)

27. Taxation continued

	Hedges US\$000	Deferred corporation tax on deferred PRT US\$000	Accelerated tax depreciation US\$000	Total US\$000
Gross deferred corporation tax liabilities				
At 1 January 2021	26,941	—	(536,735)	(509,794)
Reclass to deferred corporation tax assets	(26,941)	—	—	(26,941)
Prior year adjustment	—	—	(15,813)	(15,813)
Origination and reversal of temporary differences	—	(12,861)	(122,731)	(135,592)
At 31 December 2021	—	(12,861)	(675,279)	(688,140)
Prior year adjustment	—	—	(4,347)	(4,347)
Reclassification of decommissioning asset	—	—	(436,771)	(436,771)
Business combinations	—	—	(647,743)	(647,743)
Origination and reversal of temporary differences	—	4,173	(485,985)	(481,812)
At 31 December 2022	—	(8,688)	(2,250,125)	(2,258,813)

	Abandonment provision US\$000	Tax losses US\$000	Hedges US\$000	Total US\$000
Gross deferred corporation tax assets				
At 1 January 2021	173,452	718,456	—	891,908
Reclass from deferred corporation tax liabilities	—	—	26,941	26,941
Prior year adjustment	—	14,599	—	14,599
Origination and reversal of temporary differences	24,214	(232,773)	152,015	(56,544)
At 31 December 2021	197,666	500,282	178,956	876,904
Prior year adjustment	—	3,706	—	3,706
Reclassification of decommissioning asset	436,772	—	—	436,772
Business combinations	156,212	1,858,706	38,406	2,053,324
Origination and reversal of temporary differences	(124,598)	(390,520)	(226,040)	(741,158)
At 31 December 2022	666,052	1,972,174	(8,678)	2,629,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. Taxation continued

Deferred PRT asset	Total \$'000
At 1 January 2021	–
Profit or loss credit	32,154
At 31 December 2021	32,154
Origination and reversal of temporary differences	(10,433)
At 31 December 2022	21,721

The carrying value of the net deferred corporation tax asset at 31 December 2022 of \$371 million (2021: \$189 million) is supported by estimates of the Group's future taxable income, based on the same price and cost assumptions as used for impairment testing. The Group are undertaking a restructuring exercise which will result in certain assets being moved between Group entities. The recoverability of the deferred corporation tax asset is supported by this restructuring and a well-developed plan is in place to implement these changes. The DTA relating to losses within the Group are expected to unwind against taxable profits before the end of 2027.

The Energy Profits Levy (EPL) was enacted on 14th July 2022 applying a Levy of 25% to the profits of oil and gas companies until 31 December 2025 or earlier if prices return to normalised levels. On 17th November 2022, the EPL was increased to 35% and extended to 31 March 2028 regardless of prices. The Levy is charged upon oil and gas profits calculated on the same basis as Ring Fence Corporation Tax (RFCT) however excludes relief for decommissioning and finance costs. RFCT losses and Investment Allowance are not available to offset the EPL. The impact of the EPL is to increase the deferred tax liability by \$780 million thereby reducing the overall deferred tax asset of the Group by \$780 million.

28. Commitments and contingencies

	2022 US\$'000	2021 US\$'000
Capital commitments		
Capital commitments incurred jointly with other venturers (Group's share)	52,309	83,368

The Group's capital expenditure is driven largely by full phase expenditure on existing producing fields, new development projects and appraisal and development activities. As of 31 December 2022, the Group had commitments for future capital expenditure amounting to \$52.3 million. The key components of this relate to AFEs (authorisations for expenditure) signed for activities on Captain enhanced oil extraction, platform abandonment on Anglia and drilling at the Shaw field. As of 31 December 2021, the Group had commitments for future capital expenditure amounting to \$83.4 million. The key components of this relate to the Captain enhanced oil recovery programme, investments on the Abigail field and upgrade works planned on Jade and Pierce.

Contingencies

The Group enters into letters of credit and surety bonds to provide security for the Group's obligations under certain field and bi-lateral decommissioning security agreements, or equivalent, Sullom Voe Terminal Tariff Agreements and deferred payment obligations. The instruments are either held by the Law Debenture Trust Corporation PLC. under a trust deed or EnQuest Heather Limited, as SVT Terminal Operator. At 31 December 2021 and 2022, the Group had £341 million and £383 million, respectively, in letters of credit and surety bonds outstanding relating to security obligations under certain decommissioning and security agreements.

29. Financial instruments

To estimate the fair value of financial instruments, the Group uses quoted market prices when available, or industry accepted third-party models and valuation methodologies that utilise observable market data. In addition to market information, the Group incorporates transaction specific details that market participants would utilise in a fair value measurement, including the impact of non-performance risk. The Group characterises inputs used in determining fair value using a hierarchy that prioritises inputs depending on the degree to which they are observable. However, these fair value estimates may not necessarily be indicative of the amounts that could be realised or settled in a current market transaction. The three levels of the fair value hierarchy are as follows:

- Level 1 – inputs represent quoted prices in active markets for identical assets or liabilities (for example, exchange-traded commodity derivatives). Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, market interest rates, and volatility factors, which can be observed or corroborated in the marketplace. The Group obtains information from sources such as the New York Mercantile Exchange and independent price publications.
- Level 3 – inputs that are less observable, unavailable or where the observable data does not support the majority of the instrument's fair value.

In forming estimates, the Group utilises the most observable inputs available for valuation purposes. If a fair value measurement reflects inputs of different levels within the hierarchy, the measurement is categorised based upon the lowest level of input that is significant to the fair value measurement. The valuation of over-the-counter financial swaps and collars is based on similar transactions observable in active markets or industry standard models that primarily rely on market observable inputs. Substantially all of the assumptions for industry standard models are observable in active markets throughout the full term of the instrument. These are categorised as Level 2.

All of the Group's assets are pledged as security against borrowings.

The accounting classification of each category of financial instruments and their carrying amounts as at 31 December 2022 are set out below:

	Measured at amortised cost \$'000	Mandatorily measured at fair value through profit or loss \$'000	Derivatives designated in hedge relationships \$'000	Total carrying amount \$'000
Financial assets				
Cash and cash equivalents	253,822	–	–	253,822
Trade and other receivables	359,994	–	–	359,994
Derivative financial instruments	–	7,125	164,924	172,049
Financial liabilities				
Borrowings	(1,213,731)	–	–	(1,213,731)
Trade and other payables	(618,460)	–	–	(618,460)
Lease liability	(58,858)	–	–	(58,858)
Contingent and deferred consideration	(67,904)	(258,896)	–	(326,800)
Derivative financial instruments	–	(57,546)	(106,563)	(164,109)
				(1,596,093)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. Financial instruments continued

The accounting classification of each category of financial instruments and their carrying amounts as at 31 December 2021 are set out below:

	Measured at amortised cost \$'000	Mandatorily measured at fair value through profit or loss \$'000	Derivatives designated in hedge relationships \$'000	Total carrying amount \$'000
Financial assets				
Cash and cash equivalents	44,849	–	–	44,849
Trade and other receivables	228,290	–	–	228,290
Derivative financial instruments	–	–	5,108	5,108
Financial liabilities				
Borrowings	(1,391,692)	–	–	(1,391,692)
Trade and other payables	(427,726)	–	–	(427,726)
Lease liability	(3,489)	–	–	(3,489)
Contingent and deferred consideration	(19,480)	(55,610)	–	(75,090)
Derivative financial instruments	–	(2,009)	(457,293)	(459,302)
				(2,079,052)

The following table presents the Group's material financial instruments measured at fair value for each hierarchy level as of 31 December 2022:

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total Fair Value US\$'000
Contingent consideration (note 25)	–	(35,650)	(223,246)	(258,896)
Derivative financial instrument asset	–	172,049	–	172,049
Derivative financial instrument liability	–	(164,109)	–	(164,109)

Movement in level 3 financial instruments in the 12 months to 31 December 2022 is as follows:

	US\$'000
At 1 January 2022	(19,480)
Business combinations	(210,096)
Reversal	1,100
Accretion	(5,208)
Changes in fair value	10,438
At 31 December 2022	(223,246)

29. Financial instruments continued

The following table presents the Group's material financial instruments measured at fair value for each hierarchy level as of 31 December 2021:

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total Fair Value US\$'000
Contingent consideration (note 25)	—	—	(19,480)	(19,480)
Derivative financial instrument asset	—	5,108	—	5,108
Derivative financial instrument liability	—	(459,302)	—	(459,302)

Movement in level 3 financial instruments in the 12 months to 31 December 2021 is as follows:

	US\$'000
At 1 January 2021	(14,200)
Additions	(13,530)
Changes in fair value	8,250
At 31 December 2021	(19,480)

The table below presents the total gain/(loss) on financial instruments that has been disclosed through the statement of profit or loss:

	2022 US\$'000	2021 US\$'000
Revaluation of forex forward contracts	(28,172)	(8,261)
Revaluation of commodity hedges	44,959	—
	16,787	(8,261)
Realised (loss)/gain on commodity hedges	(16,215)	7,808
Total gain/(loss) on financial instruments	572	(453)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. Financial instruments continued

Hedging reserve

The table below presents the total gain/(loss) on financial instruments that has been disclosed through the statement of comprehensive income:

	2022 US\$'000	2021 US\$'000
Hedging reserve		
Revaluation gain/(loss) of derivative contracts	492,900	(371,213)
Realised loss on derivative contracts	(582,445)	(360,629)
Amounts recycled to revenue	501,513	196,181
Amounts recycled to revenue – oil put premiums	14,629	27,179
Amounts recycled to revenue – gas put premiums	42,347	14,627
Amounts recycled to finance costs – interest put premiums	(851)	7,276
Total gain/(loss)	468,093	(486,579)

The Group has identified that it is exposed principally to these areas of market risk.

i) Commodity risk

Commodity price risk related to crude oil prices is the Group's most significant market risk exposure. Crude oil prices and quality differentials are influenced by worldwide factors such as OPEC actions, political events and supply and demand fundamentals. The Group is also exposed to natural gas price movements on uncontracted gas sales. Natural gas prices, in addition to the worldwide factors noted above, can also be influenced by local market conditions. The Group's expenditures are subject to the effects of inflation, and prices received for the product sold are not readily adjustable to cover any increase in expenses from inflation. The Group may periodically use different types of derivative instruments to manage its exposure to price volatility, thus mitigating fluctuations in commodity-related cash flows.

In all periods presented the Group has designated certain commodity options as a cash flow hedge of highly probable purchases. Because the critical terms (i.e. the quantity, maturity and underlying) of the commodity option and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the intrinsic value of the commodity option and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the price of underlying commodity if the price of the commodity increases above the strike price of the derivative. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the option contracts, which is not reflected in the fair value of the hedged item and if the forecast transaction will happen earlier or later than originally expected. There was no hedge ineffectiveness in the current or prior year.

The Group's target is to hedge oil and gas prices up to a maximum of 75% of the next 12 months' production on a rolling annual basis, up to 50% in the following 12 month period and 25% in the subsequent 12 month period. On a rolling 12 month period under the RBL, the Group is required to hedge a minimum of 70% of volumes of net RBL entitlement production expected to be produced in the next 12 months, and 50% of volumes of net RBL entitlement produced for the following 12 months on a best effort basis.

The below represents total commodity hedges in place at the 2022 year end:

Derivative	Term	Volume	Average price
Oil puts	n/a	– bbls	n/a
Oil swaps	Jan 23 – Jun 24	3,390,500 bbls	\$70/bbl
Oil collars	Jan 23 – Dec 23	4,560,000 bbls	\$68/bbl floor – \$91/bbl ceiling
Gas swaps	Jan 23 – Jun 24	104,585,000 therms	188p/therm
Gas puts	Apr 23 – Sep 23	9,150,000 therms	220p/therm
Gas collars	Jan 23 – Mar 24	100,200,000 therms	244p/therm floor – 479p/therm ceiling

29. Financial instruments continued

The below represents total commodity hedges in place at the 2021 year end:

Derivative	Term	Volume	Average price
Oil puts	Jan 22 – Dec 22	2,080,500 bbls	\$64/bbl
Oil swaps	Jan 22 – Dec 23	4,851,984 bbls	\$56/bbl
Oil collars	Jan 22 – Dec 23	3,558,750 bbls	\$58/bbl floor – \$80/bbl ceiling
Gas swaps	Jan 22 – Dec 22	203,900,000 therms	64p/therm
Gas puts	Jan 22 – Dec 23	36,500,000 therms	40p/therm
Gas collars	Jan 22 – Dec 23	73,000,000 therms	60p/therm floor – 94p/therm ceiling

The following table summarises the sensitivity of 20% decrease in realised commodity prices, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities at the reporting date. The impact on equity is the same as the impact on profit before tax.

	2022 US\$'000	2021 US\$'000
Change in realised commodity price		
20% decrease in realised oil price	(246,914)	(271,610)
20% decrease in realised gas price	(330,285)	(144,905)

A 20% increase in realised commodity prices would have the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

ii) Interest risk

The calculation of interest payments for the RBL Facilities incorporate SOFR. The Group is therefore exposed to interest rate risk to the extent that SOFR may fluctuate. The Group mitigates the risk of SOFR fluctuations by entering into interest rate swaps on floating rates. Management have considered the impact of the IBOR reform on historic interest rate swaps and do not consider this to present significant additional risk to the Group and as such, have started a process to agree a transition with the interest rate swap counterparties to reduce any future impact on the financial statements after the 2023 transition date.

The below represents interest rate financial instruments in place at the 2022 year end:

Derivative	Term	Value	Rate
Interest rate swap (floating to fixed)	Jan 22 – Dec 23	\$150 million	0.398%

The below represents interest rate financial instruments in place at the 2021 year end:

Derivative	Term	Value	Rate
Interest rate swap (floating to fixed)	Jan 21 – Dec 23	\$50 million	0.22%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. Financial instruments continued

The following table summarises the sensitivity of an increase of 250 basis points in interest rate, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities at the reporting date.

Change in interest rate	2022 US\$'000	2021 US\$'000
Increase of 250 basis points	(11,126)	(15,377)

A decrease in 250 basis points in interest rates would have the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

iii) Foreign exchange rate risk

The Group is exposed to foreign exchange risks to the extent it transacts in various currencies, while measuring and reporting its results in US Dollars. Since time passes between the recording of a receivable or payable transaction and its collection or payment, the Group is exposed to gains or losses on non-USD amounts and on balance sheet translation of monetary accounts denominated in non-USD amounts upon spot rate fluctuations from quarter to quarter.

As at 31 December 2022 the Group had an average of £5.5 million per quarter hedged at an average forward rate of \$1.265:£1 for the period January to December 2023.

As at 31 December 2021 the Group had an average of £16 million per quarter hedged at an average forward rate of \$1.375:£1 for the period January to December 2022.

The following table summarises the sensitivity to a reasonably possible change in the US Dollar to Sterling foreign exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities at the reporting date. The impact on equity is the same as the impact on profit before tax. The Group's exposure to foreign currency changes for all other currencies is not material.

Change in GBP foreign exchange rate	2022 US\$'000	2021 US\$'000
10% weakening of GBP against USD	(139,633)	(33,915)

A 10% strengthening of GBP against USD would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

iv) Credit risk

The Group's accounts receivable with customers in the oil and gas industry are subject to normal industry credit risks and are unsecured. Customers of the Group are mainly oil and gas majors with good credit ratings and low credit risk. Oil production from Stella, Vorlich, Jade, Abigail and the MonArb fields is sold to ENI, Columba is sold to Repsol, Mariner to Equinor ASA, Schiehallion and Pierce to Shell International Trading, and Captain, Alba, Cook and Forties fields to BP Oil International. Forties fields, Stella, Vorlich, Jade and Abigail gas is sold to BP Gas Marketing. The agreement to sell Vorlich gas to Gazprom was terminated with effect from 30 September 2022 and production from these fields has subsequently been sold to BP Gas Marketing. Cook gas is sold to Shell International Trading and Esso Exploration, Schiehallion to EnQuest, and gas production from the MonArb fields is sold to Axpo Solutions AG.

The Group assesses partners' creditworthiness before entering into farm-in or joint venture agreements. In the past, the Group has not experienced credit loss in the collection of accounts receivable. As the Group's exploration, drilling and development activities expand with existing and new joint venture partners, the Group will assess and continuously update its management of associated credit risk and related procedures.

The Group regularly monitors all customer receivable balances outstanding in excess of 90 days for ECLs. As at 31 December 2022, substantially all accounts receivables are current, being defined as less than 90 days. The Group has no allowance for doubtful accounts as at 31 December 2022 (31 December 2021: \$nil).

The Group may be exposed to certain losses in the event that counterparties to derivative financial instruments are unable to meet the terms of the contracts. The Group's exposure is limited to those counterparties holding derivative contracts with positive fair values at the reporting date and these counterparties represent a very low risk of default. As at 31 December 2022, the Group's exposure is \$nil (31 December 2021: \$5.0 million). Judgements made in relation to the recognition of CVA/DVA can be found in note 3.

The Group also has credit risk arising from cash and cash equivalents held with banks and financial institutions. The maximum credit exposure associated with financial assets is the carrying values.

29. Financial instruments continued

v) Liquidity risk

Liquidity risk includes the risk that as a result of its operational liquidity requirements the Group will not have sufficient funds to settle a transaction on the due date. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities, and by considering medium and future requirements by continuously monitoring forecast and actual cash flows. The Group considers the maturity profiles of its financial assets and liabilities. As at 31 December 2021 and 2022 substantially all accounts payable are current.

The following table shows the timing of cash outflows, including future interest, relating to financial liabilities at 31 December 2022:

	Within 1 year US\$'000	Within 2 to 5 years US\$'000	More than 5 years US\$'000
Trade and other payables	(618,460)	—	—
Derivatives	(136,668)	(27,440)	—
Contingent and deferred consideration	(116,518)	(279,780)	—
Lease liabilities	(44,257)	(17,439)	—
Borrowings	(56,250)	(1,382,411)	—
	(972,153)	(1,707,070)	—

The following table shows the timing of cash outflows, including future interest, relating to financial liabilities at 31 December 2021:

	Within 1 year US\$'000	Within 2 to 5 years US\$'000	More than 5 years US\$'000
Trade and other payables	(484,268)	—	—
Derivatives	(438,006)	(21,296)	—
Contingent and deferred consideration	(49,806)	(25,284)	—
Lease liabilities	(2,094)	(1,617)	—
Borrowings	(437,076)	(1,025,435)	—
	(1,411,250)	(1,073,632)	—

vi) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group regularly monitors the capital requirements of the business over the short, medium and long-term, in order to enable it to foresee when additional capital will be required.

The Group has approval from management to hedge external risks, commodity prices, interest rates and foreign exchange risk. This is designed to reduce the risk of adverse movements in market prices, interest rates and exchange rates eroding the Group's financial results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. Derivative financial instruments

	2022 US\$'000	2021 US\$'000
Oil swaps – cash flow hedge	(28,685)	(102,704)
Oil swaps – non-cash flow hedge	(15,027)	–
Oil collars – cash flow hedge	(21,983)	(6,542)
Oil puts – cash flow hedge	–	(9,402)
Gas swaps – cash flow hedge	19,797	(264,345)
Gas swaps – non-cash flow hedge	(29,271)	–
Gas puts – cash flow hedge	9,746	(3,317)
Gas collars – cash flow hedge	79,489	(66,007)
Interest rate swaps – cash flow hedge	–	133
Interest rate swaps – non-cash flow hedge	7,125	–
FX forwards – non-cash flow hedge	(13,250)	(2,010)
	7,941	(454,194)
Maturity analysis of derivative financial instruments	2022 US\$'000	2021 US\$'000
Non-current assets	21,191	133
Current assets	150,858	4,975
Non-current liabilities	(27,440)	(21,296)
Current liabilities	(136,668)	(438,006)
	7,941	(454,194)

Judgements and estimates applied in the valuation of derivative instruments can be found in note 3.

Derivative financial instruments that are with counterparties included within the RBL are subject to Master Netting Agreements.

31. Fair values of financial assets and liabilities

Financial instruments of the Group consist mainly of cash and cash equivalents, receivables, payables, loans and financial derivative contracts, all of which are included in the financial statements. At 31 December the classification of financial instruments and the carrying amounts reported on the balance sheet and their estimated fair values are as follows:

Classification	2022 US\$'000		2021 US\$'000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents (held for trading)	253,822	253,822	44,849	44,849
Trade and other receivables	359,994	359,994	18,918	18,918
Derivative financial instruments	172,049	172,049	5,108	5,108
Deposits	9,055	9,055	10,536	10,536
Bank debt (loans and bonds)	(1,213,731)	(1,257,885)	(329,616)	(312,741)
Trade and other payables	(618,460)	(618,460)	(13,901)	(13,901)
Contingent and deferred consideration	(326,800)	(326,800)	(75,090)	(75,090)
Derivative financial instruments	(164,109)	(164,109)	(459,302)	(459,302)
Lease liabilities	(58,858)	(58,858)	(3,489)	(3,489)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

32. Related party transactions

The immediate parent undertaking is DKL Energy Limited (incorporated in Jersey) who owns 89.24% of the issued share capital of Ithaca Energy plc. The registered office address of the DKL Energy Limited is 47 Esplanade, St Helier, Jersey, JE1 0BD.

The ultimate parent of the Group is Delek Group Limited (incorporated in Israel), an independent E&P company listed on the Tel Aviv Stock Exchange. The Group and Delek's ultimate controlling party is Mr Yitzhak (Sharon) Tshuva.

The consolidated financial statements include the financial information of the Group and the subsidiaries listed in the following table:

	Registered office	Country of incorporation	% equity interest at 31 December	
			2022	2021
Ithaca Energy (E&P) Limited (formerly Ithaca Energy Inc.)	1	Jersey	100%	100%
Ithaca Energy (UK) Limited	2	Scotland	100%	100%
Ithaca Minerals (North Sea) Limited	2	Scotland	100%	100%
Ithaca Energy (Holdings) Limited	3	Bermuda	100%	100%
Ithaca Energy Holdings (UK) Limited	2	Scotland	100%	100%
Ithaca Energy (North Sea) PLC	2	Scotland	100%	100%
Ithaca Oil and Gas Limited (formerly Chevron North Sea Limited)	4	England and Wales	100%	100%
Ithaca Petroleum Ltd	4	England and Wales	100%	100%
Ithaca Causeway Limited	4	England and Wales	100%	100%
Ithaca Gamma Limited	4	England and Wales	100%	100%
Ithaca Alpha (NI) Limited	5	Northern Ireland	100%	100%
Ithaca Epsilon Limited	4	England and Wales	100%	100%
Ithaca Exploration Limited	4	England and Wales	100%	100%
Ithaca Petroleum EHF	6	Iceland	100%	100%
Ithaca SPL Limited***	4	England and Wales	–	100%
Ithaca Dorset Limited	4	England and Wales	100%	100%
Ithaca SP UK Limited	4	England and Wales	100%	100%
Ithaca GSA Holdings Limited	1	Jersey	100%	100%
Ithaca GSA Limited	1	Jersey	100%	100%
Ithaca Energy Developments UK Limited	4	England and Wales	100%	100%
FPF-1 Limited	7	Jersey	100%	100%
Ithaca MA Limited*	4	England and Wales	100%	–
Ithaca SP Bonds PLC (formerly Siccar Point Energy Bonds PLC)**	4	England and Wales	100%	–
Ithaca SP Finance Limited (formerly Siccar Point Energy Finance Limited)**	4	England and Wales	100%	–
Ithaca SP (Holdings) Limited (formerly Siccar Point Energy (Holdings) Limited)**	4	England and Wales	100%	–

32. Related party transactions continued

	Registered office	Country of incorporation	% equity interest at 31 December	
			2022	2021
Ithaca SP (E&P) Limited (formerly Siccar Point Energy E&P Limited)**	4	England and Wales	100%	—
Ithaca SP (O&G) Limited (formerly Siccar Point Energy UK Limited)**	4	England and Wales	100%	—
Ithaca SPE Limited (formerly Siccar Point Energy Limited)**	4	England and Wales	100%	—
Ithaca Zeta Limited (formerly Summit Exploration and Production Limited)**	4	England and Wales	100%	—

Transactions between subsidiaries are eliminated on consolidation.

* The Group acquired 100% of the share capital of Ithaca MA Limited (formerly Marubeni Oil & Gas (UK) Limited) on 4 February 2022. Further details on the acquisition are set out in note 17.

** The Group acquired 100% of the share capital of Ithaca SP Bonds PLC, Ithaca SP Finance Limited, Ithaca SP (Holdings Limited), Ithaca SP (E&P) Limited, Ithaca SP (O&G) Limited, Ithaca SP UK Limited, Ithaca SPE Limited and Ithaca Zeta Limited on 30 June 2022. Further details on the acquisitions are set out in note 17.

*** Ithaca SPL Limited was dissolved on 15 February 2022.

1. 47 Esplanade, St Helier, Jersey, JE1 0BD
2. 13 Queen's Road, Aberdeen, Scotland AB15 4YL
3. Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda
4. Pinsent Masons LLP, 1 Park Row, Leeds, England, LS1 5AB
5. Pinsent Masons LLP, The Soloist, 1 Lanyon Place, Belfast, BT1 3LP
6. Borgartúni 26, 105 Reykjavík, Iceland
7. 26 New Street, St Helier, Jersey, JE2 3RA

The following table provides the loan balances with related parties as of 31 December:

	2022 US\$'000	2021 US\$'000
Borrowings – principal amount (note 20)		
Subordinated loan due to DKL Energy Limited	—	(63,000)
Capital Notes issued to DKL Energy Limited	—	(374,076)
	—	(437,076)
Amounts due to parent (note 22)		
Delek Group Limited	—	(28,941)
Subordinated loan due to DKL Energy Limited	—	(14,090)
Other amounts owed to parent	—	(377)
	—	(43,408)

The outstanding interest of \$29 million with respect to the historic related party loan with Delek Group Limited was repaid in full on 4 October 2022.

The movement in capital loan notes during the year ended 31 December 2022 related to imputed interest of \$18 million on the unwind of the capital contribution (note 20) and subsequent settlement of the \$392 million balance under the waiver agreement as detailed below.

On 8 November 2022, a waiver agreement was signed by DKL Energy Limited, the immediate parent company of Ithaca Energy plc at that time, to partially waive the Capital Note and subordinated Loan balances (including interest) totalling \$469 million, such that, post IPO these balances would no longer be due from Ithaca Energy plc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

32. Related party transactions continued

The following table provides breakdown of amounts settled under the waiver agreement:

Status of outstanding loans as of 8 November 2022	Outstanding Balance US\$'000	Repayment of loans US\$'000	Loan Waiver US\$'000
Subordinated loan due to DKL Energy Limited	(63,000)	63,000	–
Subordinated loan due to DKL Energy Limited (interest)	(14,406)	14,406	–
Capital Notes issued to DKL Energy Limited	(392,000)	210,055	(181,945)
	(469,406)	287,461	(181,945)

The loan waiver of \$181.9 million was recognised as a Capital Contribution on equity.

The following table provides remuneration to key management personnel, being persons having direct or indirect authority or responsibility of the Group, for the periods ended 31 December 2022 and 2021:

Key management personnel	2022 US\$'000	2021 US\$'000
Salaries and short-term employee benefits	4,590	3,136
Payments made in lieu of pension contributions	229	112
Company pension contributions	106	155
Share-based payment	12,623	–
	17,548	3,403

Further detail regarding share-based payments received by key management personnel is set out below.

33. Share-based payments

The charge for share-based payment transactions in the year to 31 December 2022 was \$14.1 million (2021: \$nil). Like other elements of compensation, this charge is processed through the time-writing system which allocates costs, based on time spent by individuals, to various activities within the Ithaca Energy plc Group. Part of this cost is therefore capitalised as directly attributable to capital projects and part is charged to the statement of profit or loss as operating costs, pre-licence exploration costs or general and administrative costs.

Long-Term Incentive Plans (LTIPs)

Outstanding share options under LTIPs were as follows:

	Heritage awards	At-IPO awards	2022 LTIP awards	Total
Balance at 1 January 2022	–	–	–	–
Granted during the year	1,687,296	4,908,903	2,836,660	9,433,494
Balance at 31 December 2022	1,687,296	4,908,903	2,836,660	9,433,494
Exercisable at 31 December 2022	–	–	–	–
Exercise price	\$nil	\$nil	\$nil	N/A
Weighted average remaining life	0.9 years	2.9 years	3.3 years	N/A

33. Share-based payments continued

All LTIP awards are nil-cost options. There are no performance conditions attaching to the Heritage and At-IPO awards. Details of the performance conditions of the 2022 LTIP are set out in the Directors' Remuneration Report. The fair values of all the LTIP awards were determined based on the share price on date of award. The Heritage awards vest over the period to 14 November 2023, the At-IPO awards vest over the period to 14 November 2025 and the 2022 awards vest over the period to 1 April 2026. It is anticipated that future exercises of LTIP awards will be settled by equity. The total charge for LTIP share options in the year to 31 December 2022 was \$0.6 million (2021: \$nil).

IPO-related share options

Under the terms section 11.6 of the Prospectus, the Executive Chairman, Gilad Myerson (GM) and the Chief Executive Officer, Alan Bruce (AB) were entitled to an award of share options worth 0.2% of the value of the Group immediately on IPO which valued these awards at \$5.0 million or 2,337,931 share options each. There are no performance conditions attaching to these share options. The exercise price of each of the share options is £0.01. Mr Myerson's share options vested immediately on IPO and Mr Bruce's share options vest equally over the period 21 July 2021 to 20 July 2026. During the year Mr Myerson exercised 1,402,759 share options. The total charge for IPO-related share options in the year to 31 December 2022 was \$7.3 million (2021: \$nil).

	GM options	AB options	Total
Balance at 1 January 2022	–	–	–
Granted during the year	2,337,931	2,337,931	4,675,862
Exercised during the year	(1,402,759)	–	(1,402,759)
Balance at 31 December 2022	935,172	2,337,931	3,273,103
Exercisable at 31 December 2022	935,172	467,586	1,612,852
Exercise price	£0.01	£0.01	N/A
Weighted average remaining life	N/A	2.7 years	N/A

Management Equity Plan (MEP)

During the year Mr Myerson was also awarded share options under a Management Incentive Agreement (MIA) and Share Subscription and Bonus Agreement (SSBA), comprising 100 B1 shares of \$0.01 each and 100 B2 shares of \$0.01 each. Following the changes in the issued share capital, as detailed in note 26, in the run up to the IPO, on 9 November 2022 these share options equated to 1,401,759 B1 shares of £0.01 each and 420,528 B2 shares of £0.01 each. Following the IPO Mr Myerson elected to retain these options but in so doing did not waive his right to receive the Aggregate Guaranteed Payment (AGP) described below. These options have the following vesting conditions:

Period	Percentage vesting	
	B1	B2
to 1 October 2022	0%	0%
1 October 2022 to 30 September 2023	15%	0%
1 October 2023 to 30 September 2024	30%	0%
1 October 2024 to 30 September 2025	45%	45%
1 October 2025 to 30 September 2026	100%	100%

Under the terms of the MIA there is a reassessment of the overall value of Ithaca Energy plc at each vesting date and under certain circumstances Mr Myerson could be awarded further B1 and B2 shares which would vest as above. If an exit event (for example a takeover of the Group) occurs on or after 1 October 2024 then the B1 and B2 shares would immediately vest in full. Should Mr Myerson become a bad leaver before the end of the vesting period his entitlement to the shares would be as at the termination date and there would be no further vesting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33. Share-based payments continued

Under the terms of the SSBA, Mr Myerson is also entitled to an AGP of \$10.0 million, less any special bonuses paid since September 2021, if no exit is completed before 1 October 2023. The payment is in lieu of all MEP shares which must be transferred back to the Company for nil payment. The payment is intended to operate as a floor on the value that Mr Myerson may receive in recognition of his contribution to value creation from 2019 onwards and the incentive arrangements forfeited by him on commencement of employment with the Group. Entitlement to the AGP accrues evenly over the period 1 September 2021 to 30 September 2023 and is payable 1 December 2023.

There are no performance conditions attaching to either the MEP share options or the AGP.

The total share-based payment charge for MEP arrangements in the year to 31 December 2022 was \$6.2 million (2021: \$nil). As it is anticipated that this will be cash-settled within 12 months of the balance sheet date, this element has been treated as a current liability at 31 December 2022 and is included within accruals.

The share-based payment reserve of \$4.9 million reflects the charge of \$0.6 million for LTIPs plus the charge of \$7.3 million for IPO-related share options less the cost of exercises during the year of \$3.0 million.

34. Subsequent events

On 12 February 2023 the Group reached agreement on the settlement of a historic claim relating to an acquisition. Under the terms of the agreement Ithaca will receive approximately \$51 million which will be reflected in the 2023 financial statements, with no amounts having been previously recognised in the financial statements.

An interim dividend of \$133 million, or \$0.1321 per share was declared after the end of the year and was paid to shareholders on 9 March 2023.

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	2022 US\$'000	2021 US\$'000
Assets			
Current assets			
Cash and cash equivalent		21,126	—
Non-current assets			
Investments	3	1,224,659	1,224,659
		1,224,659	1,224,659
Total assets		1,245,785	1,224,659
Liabilities and equity			
Current liabilities			
Trade and other payables	4	(37,955)	(450,870)
		(37,955)	(450,870)
Net current liabilities		(37,955)	(450,870)
Total assets less current liabilities		1,207,830	773,789
Net assets		1,207,830	773,789
Shareholders' equity			
Share capital	5	11,445	1
Share premium	5	293,712	634,659
Capital contribution reserve	5	181,945	114,000
Share-based payment reserve	5	4,920	—
Retained earnings		715,808	25,129
Total equity		1,207,830	773,789

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own statement of profit or loss for the year. The Company reported a loss of \$47.7 million for the year ended 31 December 2022 (2021: loss of \$39.8 million).

Approved on behalf of the Board on 30 March 2023:

IAIN LEWIS,
Director

Company number 12263719

STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 DECEMBER

	Share capital US\$'000	Share premium US\$'000	Capital contribution reserve US\$'000	Share based payment reserve US\$'000	Retained earnings/ (accumulated loss) US\$'000	Total US\$'000
Balance at 1 January 2021	1	634,659	114,000	—	64,935	813,595
Loss for the year	—	—	—	—	(39,806)	(39,806)
Balance at 31 December 2021	1	634,659	114,000	—	25,129	773,789
Balance at 1 January 2022	1	634,659	114,000	—	25,129	773,789
Issuance of shares for capital reduction	114,000	—	(114,000)	—	—	—
Reduction in capital	(114,000)	(634,659)	—	—	748,659	—
Issuance of shares	11,444	293,712	—	(3,004)	(10,228)	291,924
Capital contribution through debt cancellation	—	—	181,945	—	—	181,945
Share-based payment charge	—	—	—	7,924	—	7,924
Loss for the year	—	—	—	—	(47,752)	(47,752)
Balance at 31 December 2022	11,445	293,712	181,945	4,920	715,808	1,207,830

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Significant accounting policies

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. The financial statements have been prepared on a historical cost basis and on a going concern basis as described in the going concern statement within the Strategic report on page 61.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' issued by the Financial Reporting Council. These financial statements have therefore been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under this standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement and certain related party transactions.

Where relevant, equivalent disclosures have been given in the consolidated financial statements. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements on pages 140 to 152, except as noted below.

Investments

Investments in subsidiaries are shown at cost less provision for impairment.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Dividends receivable from subsidiaries are recognised only when they are approved by shareholders.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on a regular and ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. In the current and prior year there were no critical accounting judgements or key sources of estimation uncertainty.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

2. Loss for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own statement of profit or loss for the year. The Company reported a loss of \$47.7 million for the year ended 31 December 2022 (2021: loss of \$39.8 million).

Fees payable to the Company's auditors for the audit of the Company's annual financial statements are disclosed in note 7 to the consolidated financial statements. The Company had no employees in the current or preceding financial year.

3. Investments

	2022 US\$'000	2021 US\$'000
Investments in subsidiary undertakings	1,224,659	1,224,659

The carrying value of investments in subsidiary undertakings is reviewed for impairment on an annual basis. The recoverable amount is the higher of fair value less cost of disposal or the net present value of future cash flows which are estimated based on the continued use of the assets in the business.

During the year ended 31 December 2022 the Company received nil dividends from subsidiary undertakings (2021: \$15 million).

The subsidiaries of Ithaca Energy plc are set out in note 32 to the consolidated financial statements.

4. Trade and other payables

	2022 US\$'000	2021 US\$'000
Amounts owed to fellow Group companies	(23,261)	(15,676)
Trade creditors	(3,610)	–
Accruals	(11,084)	–
Subordinated loan	–	(61,118)
Capital loan note	–	(374,076)
	(37,955)	(450,870)

Amounts owed to fellow Group companies

During 2021, amounts owed to fellow Group companies were repayable on demand, interest-free and unsecured. During 2022, loan agreements with interest clauses were introduced between the Company and its subsidiaries.

Subordinated loan

On 4 November 2019, the Company issued a subordinated loan note worth \$198m to the parent company, DKL Energy Limited. The interest terms up to May 2021 matched those of an external loan with BNP Paribas entered into by DKL Energy Limited on which a margin ranging from 6.5% to 11.5% above LIBOR was charged. Subsequent to repayment of the BNP Paribas loan by DKL Energy Limited in May 2021, the subordinated loan was interest free. The subordinated loan was due for repayment at the date of issuance no later than May 2022, after which date it was repayable on demand. The Company paid \$120m of the subordinated loan in 2020, \$15m in 2021. The remaining balance was repaid out of proceeds of the IPO in November 2022.

4. Trade and other payables continued

Capital loan note

On 4 November 2019 the Company issued interest-free capital loan notes worth a nominal value of \$392m to the parent company, DKL Energy Limited. At the date of issuance, the capital loan notes were due for repayment on May 2022, after which point they were repayable on demand. On initial recognition, on 4 November 2019, the capital loan notes were recorded at a fair value of \$278m estimated based on a 14.7% market rate of interest. The difference between the fair value and nominal value was recorded as a capital contribution on issuance in 2019 (note 5 (c)). In subsequent periods the capital contribution has been unwound to the statement of profit or loss as imputed interest. The full amount of the loan notes remained outstanding at 31 December 2021. The capital notes were partly waived (see note 5 C) with the balance being repaid out of proceeds of the IPO.

5. Reserves

(a) Issued share capital

The issued share capital is as follows:

	Number of common shares	Amount US\$'000
At 31 December 2021	1,001	1
At 31 December 2022	1,006,564,976	11,445

On 26 October 2022 the Company undertook a share capital reduction whereby 114,000,000 issued A ordinary shares of \$1.00 each were cancelled and extinguished. In addition on this date the share capital account as at 31 December 2021 of \$634,658,000 was cancelled. A number of further steps followed in preparation for the IPO including the conversion of \$1.00 shares to £0.88 shares, the conversion of £0.88 shares to £0.01 shares, the issue of bonus shares principally to existing shareholders and the issue of 105,000,000 new shares on the IPO. As a result the issued share capital of the Company immediately after the IPO was 1,005,162,217 ordinary shares of £0.01 each.

A reconciliation of the opening to closing number of shares is set out below:

	Number of shares				Total
	A ordinary	B1 ordinary	B2 ordinary	Ordinary	
A ordinary shares of \$1.00 each at 1 January 2022	1,001	–	–	–	1,001
Issue of new \$0.01 B1 shares and \$0.01 B2 shares	–	100	100	–	200
Issue of new \$1.00 A ordinary shares	114,000,000	–	–	–	114,000,000
Cancellation of \$1.00 A ordinary shares	(114,000,000)	–	–	–	(114,000,000)
Conversion of \$1.00 A ordinary shares, \$0.01 B1 share and 0.01 B2 share to £0.01 A ordinary shares	87,087	(12)	(12)	–	87,063
Bonus Issue of new £0.01 A shares	898,131,843	–	–	–	898,131,843
Bonus Issue of new £0.01 B1 shares	–	1,401,670	–	–	1,401,670
Bonus Issue of new £0.01 B2 shares	–	–	420,440	–	420,440
Conversion of £0.01 A ordinary shares, £0.01 B1 shares and £0.01 B2 shares to £0.01 ordinary shares	(898,219,931)	(1,401,758)	(420,528)	900,042,217	–
Bonus issues of £0.01 ordinary shares	–	–	–	120,000	120,000
Issue of new £0.01 ordinary shares on IPO	–	–	–	105,000,000	105,000,000
Issue of new £0.01 ordinary shares on exercise of share options	–	–	–	1,402,759	1,402,759
Ordinary shares of £0.01 each at 31 December 2022	–	–	–	1,006,564,976	1,006,564,976

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

5. Reserves continued

(b) Share premium

	2022 US\$'000	2021 US\$'000
Balance at 01 January	634,659	634,659
Share premium cancellation	(634,659)	—
Addition	293,712	—
Balance at 31 December	293,712	634,659

Addition during the year represents the difference between the nominal value of share £0.01 and IPO price of £2.50 per share (net of share issues expenses).

(c) Capital contribution reserve

	2022 US\$'000	2021 US\$'000
Balance at 01 January	114,000	114,000
Issuance of ordinary shares	(114,000)	—
Addition	181,945	—
Balance at 31 December	181,945	114,000

The Company settled outstanding loan liabilities (including interest) of DKL Energy limited (DKLE) out of IPO proceeds. As per the terms of the confirmation letter dated 29 November 2022 signed between DKLE and the Company, DKLE unconditionally and irrevocably released and forever discharged Ithaca Energy plc from any and all liabilities to the DKLE in respect of or in connection with the Capital and Subordinated loan note agreements. The remaining loan balance of \$181.9m has been capitalised as Capital Contribution Reserve as per the requirements of IFRS 9.

(d) Share-based payment reserve

	2022 US\$'000	2021 US\$'000
Balance at 31 December	4,920	—

6. Related party transactions

As the Company is a majority owned subsidiary of Delek Group Limited, it has taken advantage of the exemption given by Paragraph 8 of the Financial Reporting Standard (FRS) 101 which allows exemption from disclosure of related party transactions with other Group companies. The Company has also taken advantage of the exception given by Paragraph 8 of FRS 101 which allows exemption from disclosure of compensation for key management personnel.

7. Ultimate parent undertaking and controlling party

The immediate parent undertaking is DKL Energy Limited (incorporated in Jersey) who owns 89.24% of the issued share capital of Ithaca Energy plc. The registered office address of the DKL Energy Limited is 47 Esplanade, St Helier, Jersey, JE1 0BD.

The ultimate parent Company is Delek Group Limited (incorporated in Israel), an independent E&P company listed on the Tel Aviv Stock Exchange. The Company and Delek's ultimate controlling party is Mr Yitzhak (Sharon) Tshuva.

The smallest and largest group for which consolidated financial statements are prepared is that of Ithaca Energy plc and Delek Group Limited respectively. A copy of the Delek Group Limited financial statements can be obtained from 19 Abba Edan Boulevard, POB 2054, Herzlia, 4612001, Israel.

8. Subsequent events

An interim dividend of \$133 million, or \$0.1321 per share was declared after the end of the year and was paid to shareholders on 9 March 2023.

ALTERNATIVE PERFORMANCE MEASURES

Non-GAAP measures

The Group uses certain performance metrics that are not specifically defined under International Financial Reporting Standards or other generally accepted accounting principles. These non-GAAP measures which are presented in the Annual Report and Accounts are defined below:

Adjusted EBITDAX: earnings before interest, tax, put premiums on oil and gas derivative instruments, revaluation of forex forward contracts, revaluation of commodity hedges, depletion depreciation and amortisation, impairment (charge)/reversal, exploration and evaluation expenditure, fair value gains/(losses) on contingent consideration, gain on bargain purchase and transaction costs. This measure is considered as an indicator of underlying financial performance. Adjusted EBITDAX is reconciled to profit after tax as follows:

	2022 \$m	2021 \$m
Profit after tax	1,031.5	426.0
Taxation charge	1,209.0	337.2
Gain on bargain purchase	(1,335.2)	(10.5)
Depletion, depreciation and amortisation	662.9	455.9
Impairment charge/(reversal)	31.5	(465.3)
Net finance costs	203.0	250.1
Oil and gas put premiums	56.9	41.8
Revaluation of foreign exchange forward contracts	28.2	8.3
Revaluation of commodity hedges	(45.0)	–
Transaction costs	60.1	–
Exploration and evaluation expenses	9.0	0.2
Fair value charge/(gain) on contingent consideration	4.3	(8.3)
Adjusted EBITDAX	1,916.2	1,035.4

Adjusted net income: Profit after tax excluding non-cash bargain purchase credits and non-cash EPL deferred tax charges. Adjusted net income is reconciled to profit after tax as follows:

	2022 \$m	2021 \$m
Profit after tax	1,031.5	426.0
Gain on bargain purchase	(1,335.2)	(10.5)
EPL deferred tax charge	766.5	–
Adjusted net income	462.8	415.5

Adjusted earnings per share (EPS): Adjusted net income divided by average shares for the year of 1,005.2m (2021: 1,005.2m)

Adjusted EPS (cents)	46.0	41.3
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Net debt: consists of amounts outstanding under RBL facility and senior secured loan notes less cash and cash equivalents and excludes intragroup debt arrangements or liabilities represented by letters of credit and surety bonds. Net debt comprises:

	2022 \$m	2021 \$m
RBL drawn facility	(600.0)	(350.0)
Senior unsecured notes	(625.0)	(625.0)
Cash and cash equivalents	253.8	44.8
Net debt	(971.2)	(930.2)

Leverage ratio: net debt at the end of the year divided by adjusted EBITDAX for the year then ended. The calculations are as follows:

	2022	2021
Net debt (\$m)	971.2	930.2
Adjusted EBITDAX (\$m)	1,916.2	1,035.4
Leverage ratio	0.5x	0.9x

Available liquidity: the sum of cash and cash equivalents on the balance sheet and the undrawn amounts available to the Group using existing approved third-party facilities less restricted cash. Available liquidity comprises:

	2022 \$m	2021 \$m
Cash and cash equivalents	253.8	44.8
Undrawn borrowing facilities	325.0	575.0
Available liquidity	578.8	619.8

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Group free cash flow: net cash flow from operating activities less cash used in investing activities, adding back acquisition of subsidiaries net of cash acquired, less bank interest and interest rate swaps. Group free cash flow reconciles to net cash flow from operating activities as follows:

	2022 \$m	2021 \$m
Net cash flow from operating activities	1,723.3	912.7
Net cash used in investing activities	(1,404.2)	(220.2)
Add back acquisitions	957.5	7.0
Reverse consideration on acquisitions	–	(56.5)
Bank interest and charges	(142.8)	(85.2)
Interest rate swaps	0.8	(7.3)
Group free cash flow	1,134.6	550.5

Unit operating expenditure: operating costs (excluding over/underlift) including tariff expense tariff income and tanker costs divided by net production for the year.

DD&A rate per barrel: depletion, depreciation and amortisation charge for the year divided by net production for the year.

Other key performance indicators

Total production: historic production boe/d include volumes from date of acquisition of MOGL on 4 February 2022 and Siccar Point Energy and Summit on 30 June 2022.

Company
overview

Strategic
report

Governance
report

Financial
statements

Printed by a carbon balanced, FSC®-recognised printer, certified to ISO 14001 environmental management system using 100% renewable energy. This product has been made of material from well-managed, FSC®-certified forests and other controlled sources. Both paper and production are measured and carbon balanced (based on a third party, audited, calculation).

100% of the inks used are HP Indigo ElectroInk which complies with RoHS legislation and meets the chemical requirements of the Nordic Ecolabel (Nordic Swan) for printing companies. 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

The printer contributes to the World Land Trust's 'Conservation Coast' project in Guatemala. This scheme supports many landowners and local communities to register and obtain their own land and thereby protect thousands of acres of threatened coastal forest. The local organisation FUNDAECO works with over 3000 families to help transform local livelihoods through job creation and ecotourism.

Ithaca Energy PLC

Registered office:
23 College Hill
London
EC4R 2RP

www.ithacaenergy.com