ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

REGISTRATION NUMBER: 10699593

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STRATEGIC REPORT

I3 ENERGY AT A GLANCE

DIVERSIFIED PORTFOLIO OF OPPORTUNITIES

LARGE DEVELOPMENT PORTFOLIO
376 Booked Diversified Locations
564 Unbooked Future Locations

BASE DECLINE OF 17%
628K Net Acres (2,520 Km²)

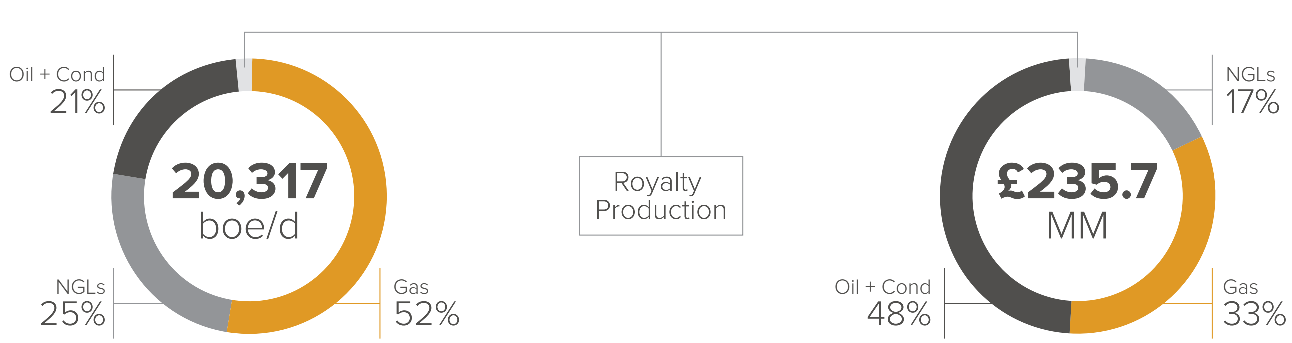
Shallow oil, focused and repeatable development in the Cardium & Dunvegan zones

High-impact Montney oil & liquids-rich gas with existing infrastructure

Highly prospective, low cost, efficient shallow oil potential

Predictable, low-decline, production with extensive infrastructure delivering stable free cash flow

2022 PRODUCTION **2022 OIL AND GAS SALES**



ACHIEVEMENTS IN 2022

Organic Production Growth

- Four quarters of production growth with peak daily rates exceeding 24,000 barrels of oil equivalent per day ("boepd").

Shareholder Return

- Increased dividends declared from £3.4 million in 2021 to £17.4 million in 2022 and announced 2023 dividend guidance of £24.5 million (2.052 pence / share).

Capital Program

- £75.8 million capital expenditure in 2022 delivered 31 gross (20.1 net) wells.
- Increased the Group's leasehold position to 628,000 net acres.
- Aggregate well productivity met or exceeded management expectation and key wells drilled in strategic Simonette and Clearwater acreage.
- Through participation in land sale auctions, farm-ins and joint ventures, and partner consolidation, i3 has grown its acreage in the strategic Clearwater play to greater than 69,600 acres (109 sections) with an average working interest of 76%
- Farmed out 25% of the Serenity licence to Europa who paid 46.25% of the Serenity 13/23c-12 appraisal well costs. The well was drilled in October 2022. The company is evaluating one well development options.

Reserves Growth

- Our 2022 capital program helped to increase Proved plus Probable reserves ("2P") by 18% to 182 Million Barrels of Oil Equivalent ("mmboe"), resulting in reserves replacement of 479% on a 2P basis.
- The Group now has 376 gross booked drilling locations in its audited reserves and 940 including un-booked locations.

ESG Performance

- Published inaugural annual ESG Report.
- Eliminated all high-bleed pressure controllers and commenced installation of solar powered pumps. These initiatives when complete will eliminate 71,450 tonnes CO2e methane emissions equivalent to taking circa 16,000 cars off the road.
- Completed the electrification of 7 pumpjacks in Carmangay and Retlaw to reduce use of diesel and propane for power generation, with a further 29 electrifications underway.
- Implemented efficient disposal of oil based drilling fluid, avoiding 2,500 tonnes of CO2e emissions.
- Ongoing annual abandonment and reclamation program abandoned 69 wells and decommissioned 37 well sites, representing approximately 14% of operated non-producing wells.

OUTLOOK

A summary of key events which occurred after the reporting period are presented in note 24 to the financial statements. The Company's focus for the remainder of 2023 will be on three key areas:

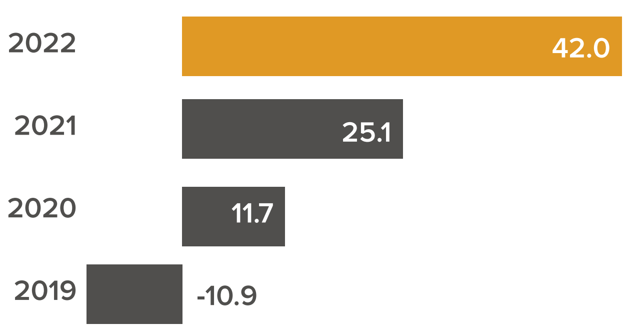
1. The growth of i3's Canadian business through the deployment of capital into its large proven undeveloped reserves base, operational excellence to improve uptime and field performance, and strategic upsizing in core areas;
2. Maintaining flexibility to adapt to economic challenges while maximizing total shareholder return; and
3. Conducting its operations safely and in an environmentally secure manner.

The Company continuously evaluates opportunities to strengthen its balance sheet whilst maintaining tight control of its costs and working capital position.

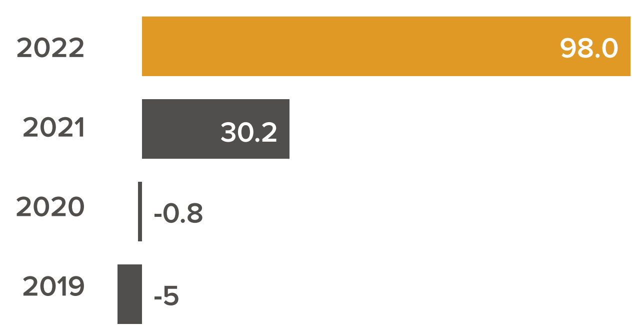
HIGHLIGHTS

UK AND CORPORATE

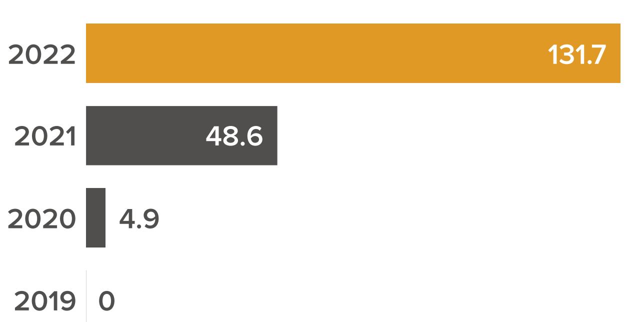
GROUP PROFIT / (LOSS) AFTER TAX £m



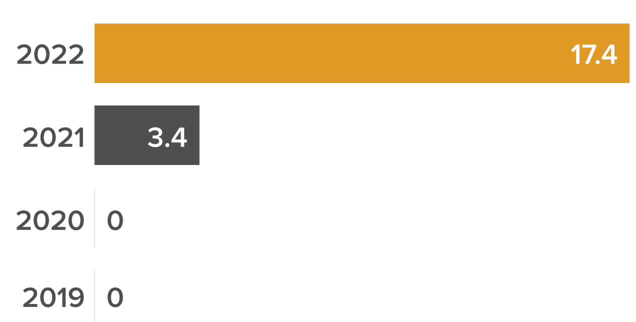
GROUP ADJUSTED EBITDA[(1)] £m



GROUP NOI[(1)] £m



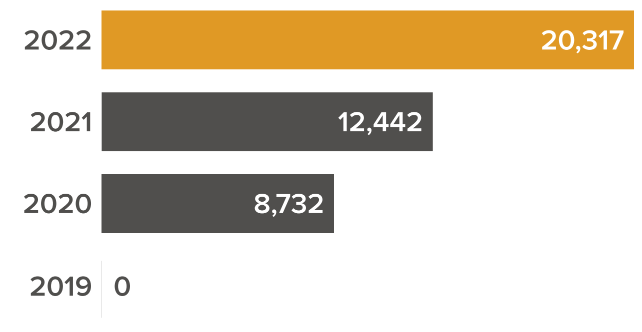
DIVIDENDS DECLARED £m



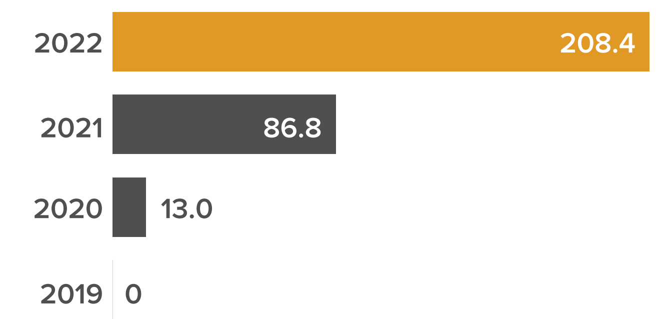
*Non-IFRS measure. Refer to Appendix B

CANADA

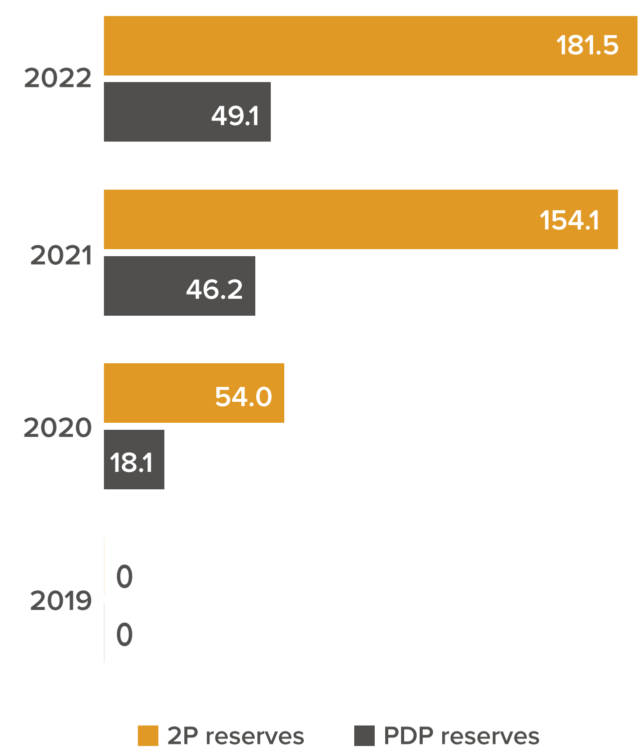
AVERAGE DAILY PRODUCTION BOE/D



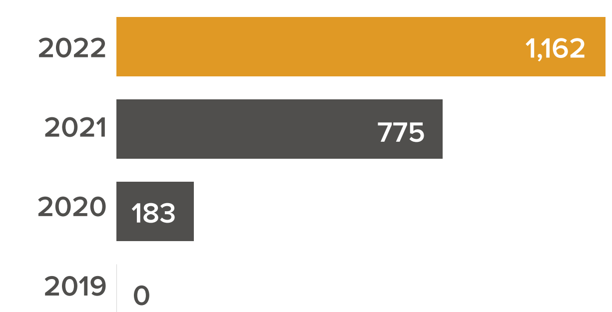
GROUP REVENUE £m



2P AND PDP RESERVES MMBOE



2P RESERVES BEFORE-TAX NPV 10 (USDm)



CHAIRPERSON'S AND CHIEF EXECUTIVE'S STATEMENT

Overview of the year

Following its very successful entry into Canada through M&A and the aggregation of a significant portfolio of development assets over the course of 2020 and 2021, the strengthening of oil and gas prices in 2021 resulted in a shift of strategy for the Company to focus on internally generated growth through the exploitation of its extensive portfolio of development drilling locations.

John Festival
Non-Executive Interim Chairperson

Majid Shafiq
Chief Executive Officer

In January 2022 i3 embarked on its inaugural drilling campaign in Canada. The Company announced in December 2021 an internally funded USD 47 million programme of drilling which was designed to drill 17 gross wells (12.6 net) across its key assets. The programme was designed to maximize near-term production and cash flow through further development of the Company's large inventory of predictable and highly economic Glauconite locations in Central Alberta, while continuing to advance i3's high-impact Simonette Montney position and recently expanded Clearwater holdings. The program was expected to add incremental peak production of 5,250 boepd and result in average 2022 production of over 20,000 boepd while testing and advancing important growth catalysts in its portfolio. Based on the very positive results of the wells drilled in the first quarter, the Company's strong operational performance and the forecasted strength of commodity prices, the Company decided in May to expand its program with an additional USD 50 million of capital. The revised capital budget was forecast to provide peak production above 24,000 boepd by year end. We are very pleased that the drilling programme was executed under budget and the aggregate well performance met management expectations. In total i3's 2022 drilling programme delivered 31 gross (18.4 net) wells and was executed circa 5% under budget with excellent capital efficiencies, which was a major achievement considering the highly inflationary environment the Company and its industry peers were challenged with. Such success was achieved by a strong focus on operational efficiency and cost control and is a testament to the dedication and skills of all our staff. In addition to production wells in our Core Central Alberta and Wapiti areas, key development and delineations wells were drilled in our growth assets in Simonette (in the Montney formation) and Marten Hills (in the Clearwater formation), and production data from these wells will help us plan for future expansion in these areas.

The very successful drilling campaign allied with an extensive suite of regular workovers, reactivations and a focus on uptime and operational efficiencies resulted in a continuation of production growth since our entry into Canada. The company entered the year at circa 18,000 boepd and reached 24,000 boepd in December, with a Q4 average production level of 22,757 boepd.

Although our focus in 2022 was on production growth, the drilling campaign targeted locations that would advance the development of strategic assets in our Simonette Montney and Clearwater assets. We also significantly grew our exposure to the Clearwater play through a series of strategic transactions including successful bids at Alberta Crown Land Sales, joint ventures, farm-in agreements and partner consolidation. This activity has grown our Clearwater land position by circa 120% to 109 net sections (279 km^2) from the 50 net sections (128 km^2) acquired as part of the Company's first transaction in Canada, the Toscana acquisition in 2020.

The Company's year end 2022 audited reserves reflect the successful reservoir management of ongoing operations and the results of the 2022 drilling program. The Company offset production declines and increased its Proven Developed Producing (PDP), Total Proved (1P) and Proved plus Probable (2P) reserves to 49.1 mmboe, 93.5 mmboe and 181.5 mmboe respectively. Relative to year end 2021 the Company's PDP, P1 and 2P reserves increased by 6%, 10% and 19% respectively. This was a significant result and achieved with positive revisions to existing reserves and reserves adds from new development drilling locations. The scale and longevity of our asset portfolio is demonstrated by a reserves life index of 22.5 years for the Company's 2P reserves.

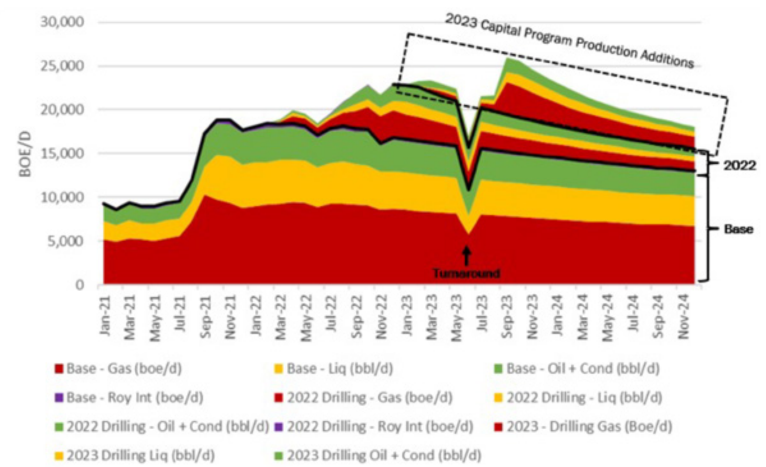
Our 2022 drilling program and subsurface technical work has contributed to an increase in the Company's total inventory to 940 gross (537 net) drilling locations of which only 376 gross

(255 net) are booked in the year end 2022 reserves report. A significant proportion of these un-booked drilling locations are located in Simonette, Wapiti and our Clearwater acreage, which illustrate the organic growth potential in these assets. Together the booked and un-booked drilling locations provide for multiple years of future drilling activity and production growth.

In the UK we farmed out 25% of our Serenity discovery to Europa Oil and Gas Limited in return for a 1.85 for 1 carry, resulting in the reduction of our drilling capex share from 100% to 53.75%. The well was drilled in October but unfortunately the targeted sand was not found at the appraisal well location and consequently in place hydrocarbon volumes are much lower than originally estimated. Updated mapping of the field around the 13/23-10 discovery well, shows there is the potential for a single well development, for which development and monetization options are being evaluated. The well was drilled significantly below budget resulting in a net cost to the Company of USD 5.7 million.

Based on the success of our 2022 drilling campaign and our budget commodity price forecasts, the Company announced its 2023 capital budget and drilling programme on 22 December 2022. The Company plans to spend USD 64.05 million focussed on a drilling campaign on its Canadian assets. Similar to the 2022 programme, the drilling targets production wells in our key assets in Central Alberta, Simonette, Wapiti and the Clearwater with an additional element of Clearwater appraisal wells in our legacy acreage (acquired via the Toscana acquisition) and an earn-in appraisal well in our non-operated asset base. In total the 2023 programme is scheduled to deliver 23 gross wells (15.2 net, 70% net i3 operated). Based on the expected performance of these wells, forecast 2023 annual production is expected to be in the range of 22,250 to 23,000 boepd, representing a year-over-year increase of approximately 10% to 13%, with an expected peak production rate in 2023 of approximately 26,000 boepd. Our budget allocation to the UK is limited to USD 0.6 million, which will be used to advance the Serenity one well development to field development plan stage. The Canadian drilling programme for Q1 2023 has been completed with wells being equipped and tied into production facilities for clean-up. Drilling operations will recommence in Q3 2023 when surface conditions allow operations, following the Spring seasonal wet period.

i3 Production Profile – Base, 2022&2023



We continue to actively identify production optimisation and cost reduction opportunities within our portfolio, focussing on maintaining high uptime, minimising operating costs, optimising operated processing facilities and infrastructure, and implementing high return workovers to offset natural production declines. These efforts continue to increase aggregate average net production and substantially reduce the decline rates predicted within the Company's competent persons reports. This is a testament to the quality of the assets in the portfolio and the dedication of our workforce. In parallel with operational activity, we continue to review the reservoir performance of the producing assets and identify mature fields where redevelopment, particularly through the implementation of relatively low-cost secondary recovery projects, could materially increase production and ultimate hydrocarbon recovery. Operating our assets in a safe and secure manner is fundamental to our business and we continue to advance our health and safety policies and procedures as we acquire and integrate additional production assets. There were 101 routine regulatory government inspections during 2022. 75 returned satisfactory results, 20 were categorised as low risk, and six that were deemed to be high risk were subsequently remedied.

Financial Discipline

The Board and Management are focused on delivering consistent value to shareholders. i3 is committed to its total shareholder return model which allies production and asset value growth with a progressively growing dividend and protects this commitment through a conservative hedging program. The Company has and continues to keep a substantial portion of its production hedged through risk management contracts to manage commodity price risk, with free cash post dividend payments deployed to either acquire production assets or develop our proven undeveloped (PUD) and 2P inventory dependent on which option delivers higher returns in the prevailing commodity price environment. As i3 continues to grow its portfolio, a proportion of all incremental production will be hedged in order to secure future cash flows, and the Company will remain commercial in monetising assets when third-party interest warrants consideration.

With the well-timed acquisitions and capital deployment of the last 30 months, the Company's assets have continued to outperform the Directors' expectations. As per our commitment to those shareholders who funded our entry to and growth in Canada, and as part of our total shareholder return model, we commenced paying a dividend in 2021 and have grown that year-on-year from £3.4 million in 2021, to £15.4 million in 2022 and plan to pay dividends of £24.5 million in 2023.

Operational flexibility and the short-term nature of forward capital commitments in Canada mean that the Company has considerable optionality to rapidly expand or reduce its capital programme to prudently manage its balance sheet to ensure risks are appropriately mitigated in volatile commodity markets.

Governance

The Board recognises its responsibility for the proper management of the Company and is committed to maintaining a high standard of corporate governance. The Directors also recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its shareholders. The Quoted Companies Alliance has published a set of corporate governance guidelines for AIM companies, which include a code of best practice comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. The Directors comply with the QCA Corporate Governance Guidelines for Smaller Quoted Companies so far as it is practicable having regard to the size and current stage of development of the Company. The Board currently comprises two Executive Directors (being the Chief Executive Officer and the President Canada) and four Non-Executive Directors (including the Chairperson).

The Board's decision-making process is not dominated by any one individual or group of individuals. The composition of the Board will be reviewed regularly and modified as appropriate in response to the Company's changing requirements. The Board has established an Audit and Risk Committee, Corporate Governance Committee, Health, Safety, Environment and Security Committee, Reserves Committee, and Remuneration Committee to ensure proper adherence to sound governance and decision making.

Environmental Stewardship

i3 is fortunate to operate in the UK and Canada which have some of the world's most stringent and rigorous environmental laws and regulations and the Company strives to meet or exceed all local, provincial or national operational, environmental, reporting and compliance obligations and abandonment and reclamation requirements. The Company is committed to conducting its operations responsibly and in accordance with industry best practices. i3's commitment to high ESG standards is central to maintaining our social licence to operate, creating value for all stakeholders, and ensuring long-term commercial success. i3 recognises the safety and well-being of our employees, local communities, and other key stakeholders as a priority, and considers climate change as having a material impact on our business.

To demonstrate the Company's commitment to long-term sustainable resource development, environmental stewardship and the well-being of employees and the communities in which i3 operates, i3 published its inaugural annual ESG report in July 2022. The ESG report set out the Company's goals and ambitions with respect to greenhouse gas emission reductions, environmental stewardship, social policies and governance. i3 published an updated ESG report in December 2022, which included disclosure on the assets acquired from Cenovus Energy in 2021. This data was not available when the inaugural report was published in July 2022.

The Company made big strides in 2022 to reduce methane emissions. After completing the upgrading of high bleed pneumatic controllers to low bleed or non-bleed alternatives across its portfolio, the Company commenced replacement of pneumatic pumps with solar driven pumps (no venting). These initiatives have resulted in a decrease of 71,450 tonnes of CO2e/year, which is the equivalent of removing 15,530 cars from the road per year. i3 also completed the electrification of 30 pumpjacks in its Carmangay and Retlaw properties, reducing CO2e emissions by approximately 6,366 tonnes/year. The Company further partnered with Recover Energy Services ("Recovery") to manage the efficient disposal of oil-based drilling waste and as determined by Recovery, avoided 2,500 metric tonnes of CO2e emissions. Similar initiatives will continue in 2023 as we continue to reduce the carbon intensity of our production base. These CO2e emissions reductions qualify for carbon credits which can be sold or used to offset future carbon tax obligations.

i3 also takes its abandonment and reclamation obligations very seriously and in 2022 it abandoned a total of 69 wells and decommissioned 37 well sites, representing approximately 14% of its operated non-producing well stock. In 2023, and in accordance with the Alberta Energy Regulator's decommissioning guidance, i3 expects to deliver a similar number of abandonment operations as achieved in 2022.

Looking ahead

The Company looks forward to executing a successful drilling program in Canada in 2023, growing production and returning cash to shareholders and so delivering on its total shareholder return model.

Looking beyond 2023, we have a high quality and diverse asset portfolio in Canada with immense unrealized upside potential. We will continue to focus our efforts on advancing these key assets to efficient and rapid commercialisation and value crystallisation. We will selectively target key assets and wells to optimise these developments and conversion of resources to reserves bookings. We are fortunate that we operate the vast majority of our assets which allows us to control the timing and pace of development. We also own high working interests in our operated assets which also provides us with optionality on how to finance these developments.

Whilst our current focus is on organic growth, we recognise that commodity price volatility and resulting market dislocations will provide opportunities to grow through low-cost mergers and acquisitions and we remain vigilant to take advantage of these opportunities as and when they arise.

We are committed to operating in a safe and socially responsible manner and the safety of our employees and contractors is of primary importance. We are proud of our green house gas emission reduction initiatives and achievements in 2022 and we will endeavour to deliver year-on-year reductions in the carbon intensity of our production.

As always, we extend gratitude to our shareholders for their ongoing support and to our employees for their relentless commitment to making i3 a success. Though we operate within a macro environment that is beyond our control, we believe we are doing the right things to create a very valuable business that can weather good times and bad.

i3 will continue to manage our Canadian and UK businesses in a manner that maximizes value creation and distributed returns.

John Festival
Non-Executive Chairperson
6 June 2023

Majid Shafiq
Chief Executive Officer
6 June 2023

BUSINESS MODEL

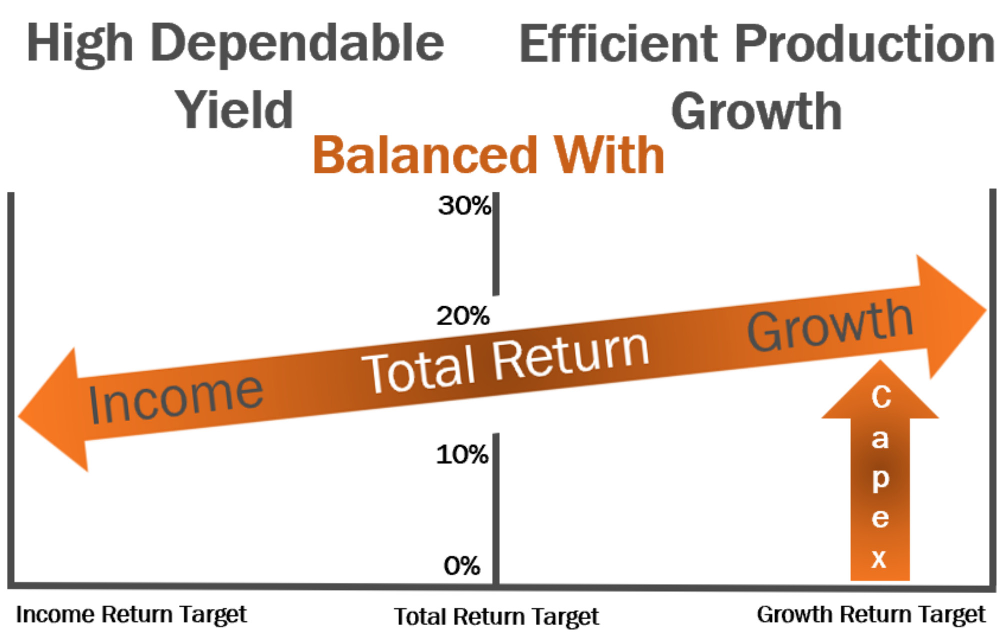
i3's Total Shareholder Return Model

i3 is committed to a total shareholder return model via accretive production and reserves expansion which should, over the business cycle, deliver share price growth and consistent distribution of profits via dividend payments. Our asset base has characteristics that allow us to offer both growth and income to our investors.

The Company participates in approximately 2000 production wells, with high working interests and operates over 75% of its production. It also owns or has access to significant capacity in operated and non-operated production facilities, and pipelines which allows it to maintain access to markets, optimise netbacks and minimise downtime. Our current production mix, which consists of approximately 50% gas, 25% oil and condensate and 25% natural gas liquids, spreads commodity price risk and provides the option to regulate our production mix to optimise revenues. This extensive portfolio provides the risk diversification necessary to sustain the reliable and stable production levels required to support a dividend paying business.

Our business model delivers growth either via accretive acquisitions when market conditions offer opportunities to add production at low cost, or in high commodity price environments by drilling our diverse portfolio of high return, high working interest, operated drilling locations. This allows i3 to deliver rapid payout on capital investment throughout the business and commodity price cycle. We also seek to add acreage which offers the potential for step changes in production growth, and endeavor to own high working interests in these assets to ensure we are in control of project timelines and provide financing optionality to fund developments.

Our dual listing in London and Toronto provides access to international capital markets for equity and debt, which allows the Company to quickly access a range of capital sources and provides the ability to react quickly to acquisition opportunities and raise finance at the lowest possible cost of capital.



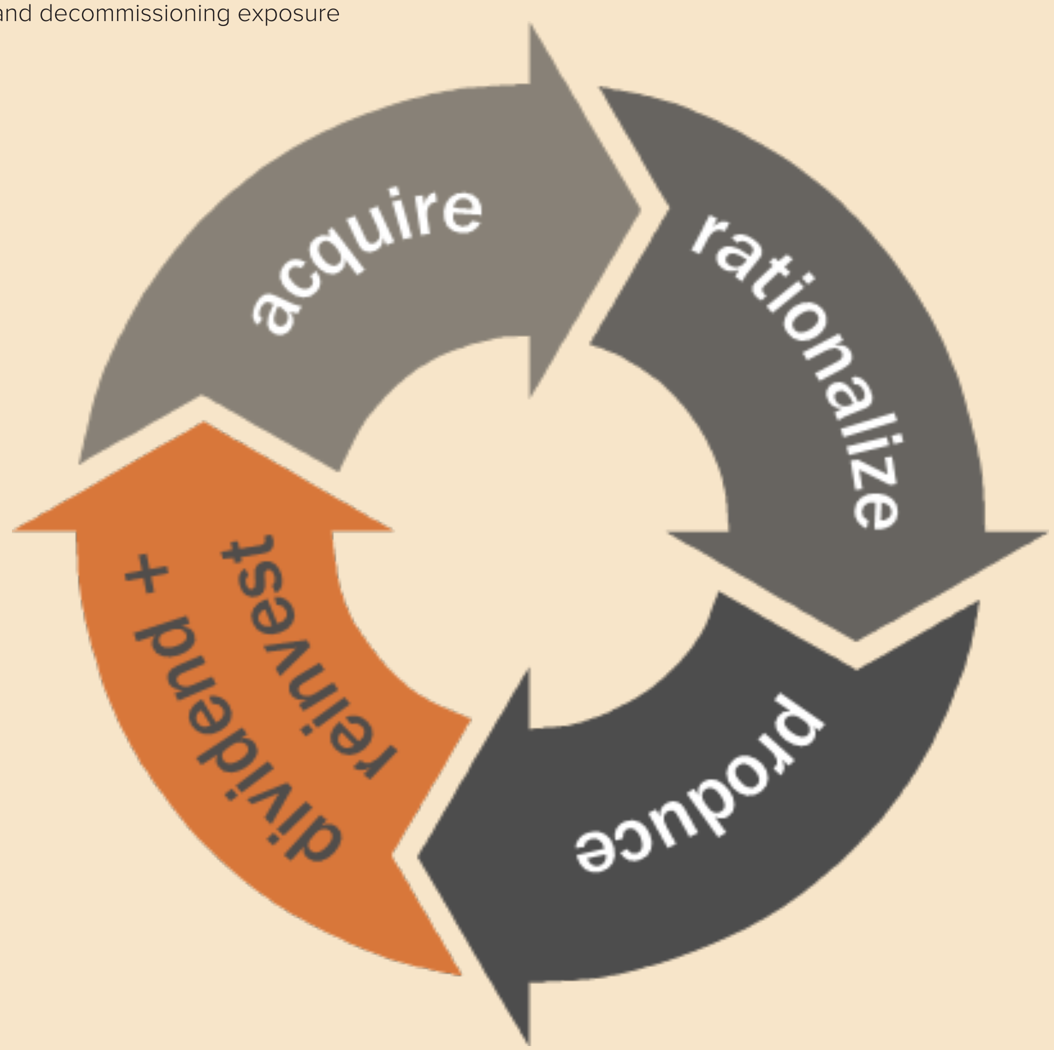
STRATEGY

ACQUIRE

i3 targets long-life and low-cost PDP assets with robust PUD inventories, with a focus on distressed, overleveraged or non-core asset packages of high API/BTU production streams with low sustaining capex and decommissioning exposure

RATIONALISE

Newly acquired portfolios are rationalised to extract value from non-synergistic assets for re-deployment into strategic consolidation at i3's core plays



DIVIDENT & REINVEST

Pay a progressively growing dividend and invest residual cash flow in PDP assets or low-cost organic PUD and 2P reserves development

PRODUCE

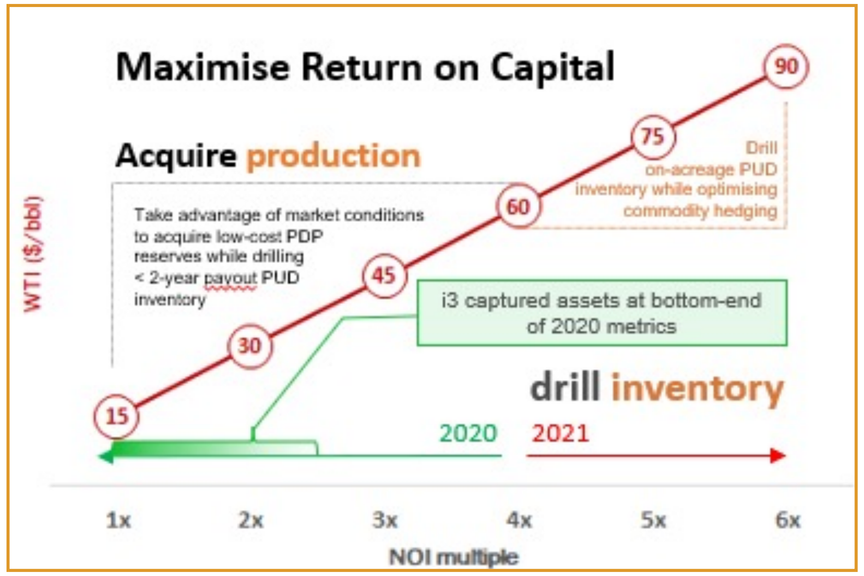
Optimise and streamline field operations to increase efficiency and improve per boe netbacks; actively participate in non-operated partnerships to influence value generation

When commodity prices are low, we focus on growth via asset and corporate acquisitions. We are disciplined in our approach and evaluate all opportunities against strict criteria which align with our business plan. The acquired assets should be within or adjacent to our existing core area of operations in order to maximise synergies and lower unit operating costs or if not, material enough to establish a new core area. Rapid payback is a fundamental criteria when we evaluate the economics of potential acquisitions, alongside drilling inventory to provide production growth and reserves replacement.

In higher commodity price environments, when asset prices inflate and potential transactions fail to meet our acquisition criteria, we shift to growth via drilling and organic development. We currently have 940 locations in our portfolio, which provides decades of drilling inventory.

Our extensive portfolio of diverse assets and drilling inventory, which produce a balanced mix of commodities, provides significant optionality to deploy capital in the most economically advantageous opportunities depending on where we happen to be within the commodity price and business cycle.

We entered the Canadian E&P sector in 2020 via a series of acquisitions, when a period of low commodity prices and a lack of capital availability in the Canadian market provided a unique opportunity to build a material production business with in-built drilling upside, at historically low acquisition costs. In 2022, following a period of sustained oil and gas price inflation, we pivoted to drilling driven growth, as per our strategy and successfully executed a circa USD 90 mm capex program in Canada. Operated wells were budgeted to payback in 14 months or less, which was comparable to the aggregate acquisition metrics for the assets acquired in 2020 and 2021 from Gain energy and Cenovus Energy respectively, and below what was being observed in the M&A market at the time.



CYCLE-BOTTOM ACQUISITION

Acquire PDP at <2.0x NOI, adding PUD/2P reserves at very low cost

+

CYCLE-TOP DRILLING

Drill commodity-driven PUD/2P inventory and hedge or sell new production into price strength

=

VALUE MAXIMISATION

All weather portfolio management that maximises cycle and inventory to create shareholder value

KEY PERFORMANCE INDICATORS

Health, Safety & Environment ("HSE")

The safety of our staff and the maintenance of the environment in which we operate are the primary considerations in our operations. 2022 was a very busy operational period for i3 Canada. We continued the integration of the substantial asset base in Central Alberta acquired from Cenovus Energy ("CVE") in August 2021 and we conducted our first operated drilling program, drilling 31 gross wells over the course of the year. In August we completed an update of our Health and Safety Management System to incorporate operational and safety lessons learned since commencement of our operations in Canada. Our senior operations and HSE leadership review operations on an ongoing basis and incidents in detail, including third party service providers in that process where relevant, to ensure that lessons are learned and incorporated not only into our Safety Loss Management System but into the daily work culture of our operational staff. We hold monthly safety meetings and conduct quarterly inspections of designated active work sites and hold quarterly Joint Health and Safety Committee meetings. We also conduct annual comprehensive pipeline risk assessments and through the course of the year conduct 2 full mobilisation emergency response plan ("ERP") exercises and 5 table-top ERP exercises.

Metric	Unit	Target	Actual	
Material lost time incident	Reportable injuries	1	1	There was one minor injury to a third-party service contractor in Canada. That party's post HSE incident reporting and remediation procedures were implemented. There were zero reportable injuries during the UK drilling operations.
Regulatory inspections	Pass rate on high-risk items	95%	94.1%	There were six high risk category reports on 101 inspections in Canada. All items were resolved. There were no regulatory non-compliances during the UK drilling operations.
Major incidents	Major and critical incidents as % of all incidents	6%	5.8%	There were only 8 incidents classified as major out of 137 reported incidents in Canada. There were no major incidents during the UK drilling operations.
Complete or initiate site electrifications	Number of sites	25	43	7 sites were electrified and a further 36 were initiated

We are very pleased with our realised HSE record in 2022 as detailed in the table above. These metrics are key measures which collectively reflect the aggregate HSE performance of the Company and driving improvements in these metrics will result in positive HSE outcomes for i3.

Production

Our Production and Operations teams were able to deliver with total production volume in 2022 3 % below our annual budgeted volume.

Metric	Unit	Target	Actual	
Production	Outcome as % difference to annual average stated production	0%	-3%	2022 budget production average of 20,961 boepd versus outcome of 20,317 boepd

Reserves

Reserves replacement is a critical requirement for all oil and gas production companies and in particular those like i3 which offer a total shareholder return model. Proven Developed Producing ("PDP") reserves replacement is a necessary and minimum requirement to ensure the Company can maintain production volumes and cash flow in a flat commodity price environment.

Metric	Unit	Target	Actual	
Canadian Reserves	PDP reserves replacement (adjusted for dispositions)	100%	135%	Total PDP add of 10.004 Mboe (revisions, drilling and net acquisition) against production of 7.424 Mboe
UK Reserves	Serenity Reserves	35 MMSTB	Circa 8 MMSTB	Internal estimate of Serenity P50 reserves

Due to a combination of a very successful 2022 drilling program and recompletion activities combined with refined subsurface reservoir modeling, the Company achieved a very heathy PDP reserves replacement ratio of 135%. Due to what we believe is the high degree of predictability of our proven undeveloped ("PUD") well locations, (which are converted to PDP reserves upon drilling), the performance in 2022 gives us a high degree of confidence that the Company's asset base can continue to achieve high reserves replacement ratios on a go-forward basis.

Operations

Operational performance is key to the economic success of our business. Our operational KPI's address the efficiency of deployment of operating and capital costs and the effectiveness of that deployment from an economic and strategic standpoint.

Metric	Unit	Target	Actual	
Opex/BOE (exc. Transportation & processing)	Opex per BOE relative to prior year (inflation adjusted)	0%	1.8%	Opex in 2022 was CAD14.14 /boe adjusted for 6.8% inflation (CPI) and was 1.8% higher than opex in 2021
Capital program performance	Aggregate IP30 (post commissioning)	100%	114%	Budgeted aggregate IP30 for i3 Canada's 2022 drilling program was 5,901 boepd, compared to actual achieved IP30 of 6,741 boepd
Actual costs v AFE [1] estimates	Annual Actual / Annual AFEs (adjusted for estimated inflation)	100%	110%	Based on i3 Canada's operated AFEs. 2022 actual spend of USD 81.9 million versus AFE estimates of USD 74.6 million.
Actual costs v AFE	Serenity Actual / Serenity AFE	95%	80%	Final costs USD 10.5 million v dry hole AFE of USD 13.3 million
Successfully drill & test key strategic assets	Number of assets successfully tested (Simonette, Wapiti, Cardium, Glauconite, Clearwater)	3	6	Successful development wells were drilled in the Glauconite, Cardium, Falher, Clearwater, Montney and Belly River formations

Note 1: Authorisation for Expenditure

i3 is very pleased with its operational performance in 2022, which included our first and substantial operated drilling program. It was also the first full year including the integrated Central Alberta assets acquired from CVE. Our operating costs per BOE were only marginally higher than those realised in 2021 and whilst total operated capital expenditure was 10% higher than AFE estimates, we consider this to be a significant achievement considering the elevated inflationary environment for oilfield services and equipment that persisted throughout the year. We also made considerable progress in evaluating the extensive upside in our portfolio by drilling a number of strategic assets and reservoir formations.

Decommissioning Stewardship

The Alberta Energy Regulator (AER) specifies the annual abandonment and reclamation obligations (ARO) for oil and gas companies operating in the province, through the Area Based Closure program (ABC). In 2022 it also offered subsidies to encourage accelerated reclamation activities via the Site Rehabilitation Program (SRP) program.

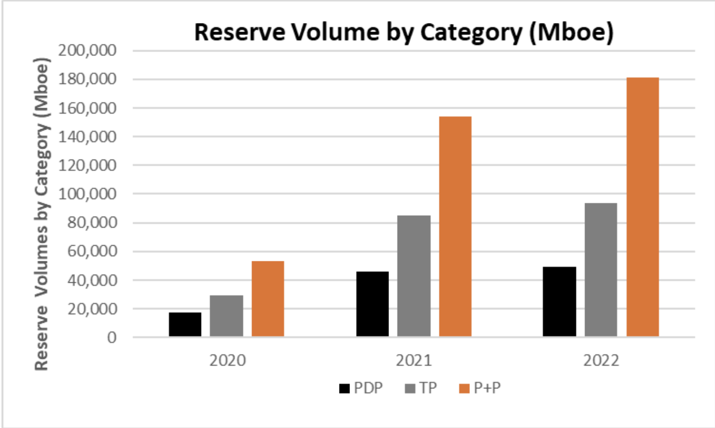
Metric	Unit	Target	Actual	
SRP/ABC spend efficiency	SRP and ABC spend efficiency in reducing ARO (increasing deemed LLR = Asset Value / Liability)	100%	110%	ABC, Care and Custody and SRP programs removed USD 3.1 million of liability with a net spend of USD 1.5 million.
Inactive well count reduction	Inactive wells reduced	65	70	70 wells abandoned and 9 reclamation certificates achieved

i3 exceeded its regulatory requirements as specified in the ABC program. It is a major priority for the Company to operate in an environmentally safe manner and to ensure we return our operating sites to their native condition following completion of production activities. We expect to continue to exceed regulatory requirements on an on-going basis.

RESERVES

Successful Execution of 2022 Capital Programme Provided Year-over-Year Reserves Additions Across All Reserve Categories

Since i3's entry into Canada in 2020, it has consistently grown its reserves position. Through 2021 asset growth through acquisition activity drove the Company's growing reserves base. In 2022 due to prevailing high commodity prices the Company decided to deploy its capital towards a drilling programme in Canada, which focussed on development drilling in i3's key assets in Central Alberta, Simonette, Wapiti and the Clearwater play. All wells were successful and results in aggregate met or exceeded pre-drill expectations in terms of type curve productivity. This program has resulted in material reserve additions across all categories.



The Company's year-end 2022 reserves volumes and valuations as evaluated by its independent reserves auditor GLJ are tabulated below. The valuations use forecast commodity prices which are the averages of the 1 January 2023 forecasts of the reserves auditors GLG, Sproule and McDaniel & Associates.

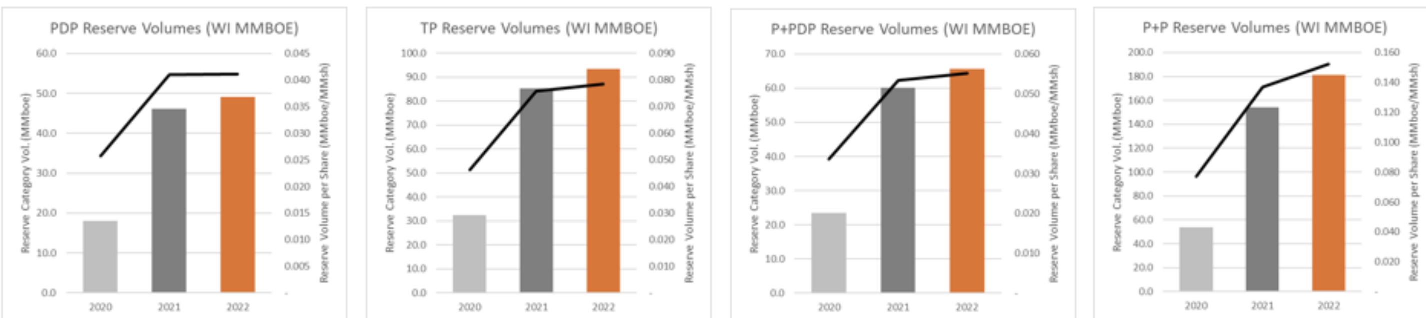
					GLJ (Jan 2023 3CA)
Category	**Light Oil**	**NGL**	**Gas**	**BOE**	**NPV10**
	(Mbbl)	(Mbbl)	(mmcf)	(Mboe)	($M)
PDP	**8,076**	**16,793**	**145,121**	**49,056**	**$425,097**
PDNP + PUD	6,322	17,094	126,003	44,418	$197,871
TP	**14,398**	**33,887**	**271,124**	**93,473**	**$622,968**
P+PDP	**10,915**	**22,390**	**194,596**	**65,738**	**$510,964**
Prob	19,705	27,954	242,186	88,023	$538,510
P+P	**34,103**	**61,841**	**513,310**	**181,496**	**$1,161,478**

Total Company Interest proved plus probable developed producing reserves ("2PDP") increased 9% to 65.7 million boe, total proved ("1P") reserves increased 10% to 93.5 million boe and total proved plus probable ("2P") reserves increased 18% to 181.5 million boe, compared to the prior year.

Strong Organic Reserves Replacement Ratio, Long Reserve Life Assets and Low Decline Profile to Support the Company's Total Return Model.

i3's assets in Canada contain an extensive portfolio of oil and gas fields and reservoir formations and 940 gross drilling locations. This broad scale of opportunities to add both oil and gas reserves allowed the Company to carefully select a low-risk group of wells to drill in 2022 resulting in successful outcomes for all wells and very positive reserves replacement.

Year-Over-Year Reserve Volume Growth (MMBOE & per share)



	Growth	Growth	Growth	Growth
YOY	6.2%	9.6%	9.4%	17.8%
2-year	171.8%	188.7%	179.4%	236.0%

	Per Share	Per Share	Per Share Growth	Per Share Growth
YOY	0.3%	3.5%	3.3%	11.2%
2-year	59.5%	69.5%	64.0%	97.2%

Note: Based on 700.055MM Basic shares at Dec 31, 2020, 1,126.426MM Basic shares at Dec 31, 2021 and 1,193MM Basic shares at Dec 31, 2022

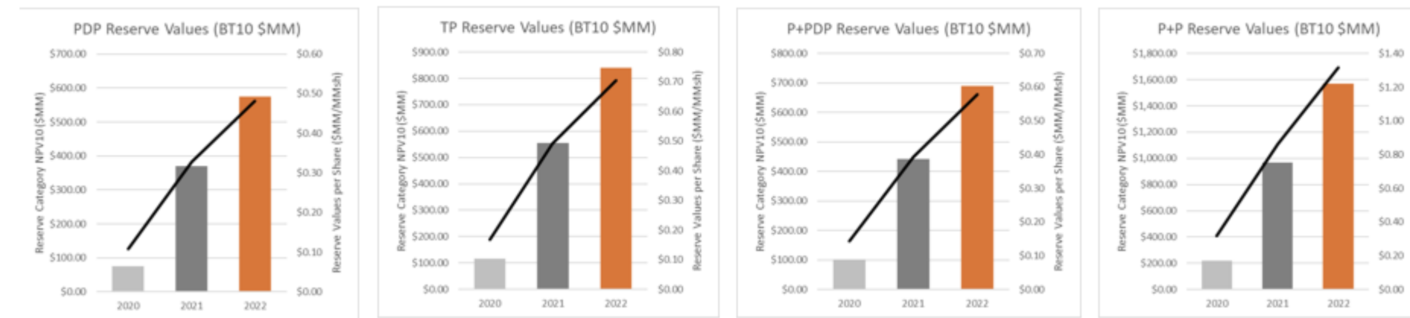
The Company's organic working interest reserves replacement ratio in 2022 was 176% on a 2PDP reserves basis, 214% on a 1P reserves basis and 479% on a 2P basis. 2PDP, 1P and 2P reserve life indices of 8.8 years, 12.2 years and 22.5 years, respectively, combined with the Company's low base corporate decline rate of approximately 17% and its extensive inventory of highly economic development drilling locations, underpin its ability to sustainably grow production per share from its existing asset base and generate significant distributable cash flow for our shareholders. The Company's capital program has resulted in material reserves growth in both absolute terms and on a per share basis over the last two years.

Material Increase in the Company's Working Interest Reserve Value

As evaluated by GLJ, the Before-tax Net Present Value ("NPV") of cash flows attributable to the Company's reserves, discounted at 10%, has been determined to be USD 511.0 million, USD 623.0 million, and USD 1,161.5 million for its 2PDP, 1P and 2P reserves, respectively, being indicative of the Company's strong production base, successful 2022 drilling program and robust portfolio of economic development opportunities.

2PDP NPV per share, using a 10% discount rate, increased by 50% to £0.36 per share (CAD 0.58 per share), 1P NPV increased by 43% to £0.43 per share (CAD 0.71 per share) and 2P NPV increased by 56% to £0.81 per share (CAD 1.31 per share), as compared to the prior year.

Year-Over-Year Reserve Value Growth ($MM & per share)



	Growth	Growth	Growth	Growth
YOY	55.4%	51.5%	56.1%	61.8%
2-year	654.2%	619.4%	586.9%	608.8%

	Per Share	Per Share	Per Share Growth	Per Share Growth
YOY	46.7%	43.1%	47.4%	52.8%
2-year	342.7%	322.3%	303.1%	316.0%

Note: Based on 700.055MM Basic shares at Dec 31, 2020, 1,126.426MM Basic shares at Dec 31, 2021 and 1,193MM Basic shares at Dec 31, 2022

Strong Finding, Development and Acquisition ("FD&A") Cost Metrics and Recycle Ratios Reflective of Efficient Development and Opportune Acquisition Strategy

Efficient development provided strong FD&A costs of USD 7.68 per boe on a 2PDP basis, translating to recycle ratios of 2.84x. Over the three-year period since its entrance into the Western Canadian Sedimentary Basin, i3 has delivered FD&A costs of USD 2.96 per boe on a 2PDP basis, translating to a recycle ratio of 6.0x.

Partial Recognition of the Company's Undeveloped Locations Leaves Significant Inventory of Future Unbooked Upside

Successful conversion of undeveloped locations to production, while increasing the total net undrilled booked locations by 25% to 376 gross (255.1 net) locations across the Company's four core areas, for a total Company inventory (undrilled booked and undrilled unbooked) of 940 gross (537 net) undeveloped locations. Material increases in booked Montney and Cardium oil locations, with 32 net and 12.2 net locations added, respectively. Total undeveloped inventory represents greater than 30 years of development drilling assuming the current annual capital program.

ENVIRONMENT, SOCIAL AND GOVERNANCE

ESG Vision and Strategy

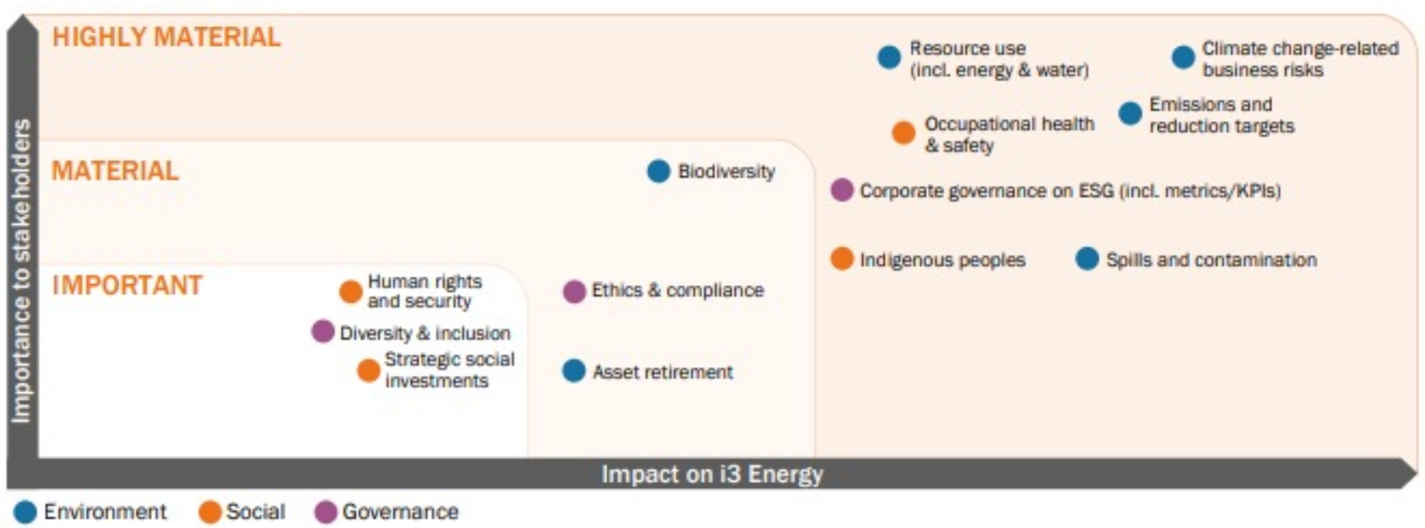
i3 Energy is committed to conducting its operations responsibly and in accordance with industry best practices. We choose to operate in jurisdictions with world-class regulations governing all aspects of ESG. Our commitment to high ESG standards is central to maintaining our social licence to operate, creating value for all stakeholders and ensuring long-term commercial success. We recognise the safety and well-being of our employees, local communities and other key stakeholders as a priority, and consider climate change as having a material impact on our business. We endeavour to set a high standard of ESG performance not only to benefit our business and stakeholders, but also to encourage similar actions amongst peers and have a positive influence on the energy sector.

Our key ESG commitments include:

- Minimising our environmental impact in a manner that is mindful of the climate science, while on the journey to achieve our net zero target no later than 2050, or earlier if technologically and commercially feasible
- Ensuring our business is resilient to the energy transition and a low-carbon future
- Protecting the safety, health and well-being of all affected stakeholders
- Maintaining positive and responsive relationships with local communities
- Meeting or exceeding all applicable legal and regulatory requirements
- Endorsing and aligning with international best-practice initiatives

In 2021 and early 2022, i3 Energy with the support of its ESG advisors conducted a high-level ESG materiality assessment, which determined the relative importance of ESG issues to the company and its external stakeholders, based on an issue's potential risk and opportunity, and the significance of its impact. We conducted this assessment using the approach below, which draws on the guidance outlined in SASB:

- Assessing our external stakeholder landscape
- Conducting internal discussions and interviews with key external stakeholders to determine the impact of specific ESG-related issues and to ascertain external sentiment around current or emerging issues
- Conducting impact evaluation and mapping, using the insights and data gathered, to inform the materiality analysis
- The list of material topics identified through our assessment and analysis – which we will use in our ongoing risk assessment and strategic planning – are outlined in the graphic below.



Note: the issues identified through our ESG materiality assessment are not exhaustive. The results of the exercise serve as a snapshot in time, and the relative importance of issues will change over time, especially as the company grows, or due to changes to the regulatory environment. There are no monetary values assigned to any of the issues, and this assessment does not constitute a financial materiality assessment.

As part of a comprehensive ESG review we conducted in late 2021 following the completion of the Cenovus Energy transaction, we developed an ESG roadmap, setting out a detailed action plan to align our ESG approach with industry best practices and to achieve net zero Scope 1 and Scope 2 emissions no later than 2050 or earlier if technologically and commercially feasible. Our action plan includes commitments in each of the environmental, social and governance issue areas.

ENVIRONMENT

Amid increasing global attention to climate change, fossil fuel producers like i3 Energy need to consider how to adapt operations and business planning to align with a transition to a low-carbon world. i3 Energy has therefore stated its ambition to reach net zero Scope 1 and 2 emissions by 2050. We are now in the initial stages of planning how to achieve this and have undertaken a preliminary analysis to explore the Company's pathway to net zero and how we might accelerate our 2050 target. This exercise represents an important first step in our net zero journey. As we explore appropriate pathways to net zero, building on the exercise and initiatives we have already undertaken, we are committed to:

- Improving our emissions data integrity so that we better understand the Company's overall emission profile
- Continuing reduction/elimination of our operational GHG emissions (including by building on steps already taken, e.g. around reducing methane emissions)
- Looking at how we can accelerate the date by which we achieve net zero
- Considering a range of decarbonisation options for our portfolio, including improving operational efficiency and investing in nature-based solutions where appropriate

After making our commitment to achieve net zero Scope 1 and Scope 2 emissions by 2050, we undertook a study to identify and assess potential pathways the Company could take to achieve this commitment, using marginal abatement cost curve (MACC) analysis. The analysis highlighted that we have multiple routes for achieving net zero, and we are now conducting more in-depth emissions inventory work, as well as considering what options would be most effective for us from a cost and operations perspective, given new production coming online over the coming years.

i3 Energy's Emissions Profile

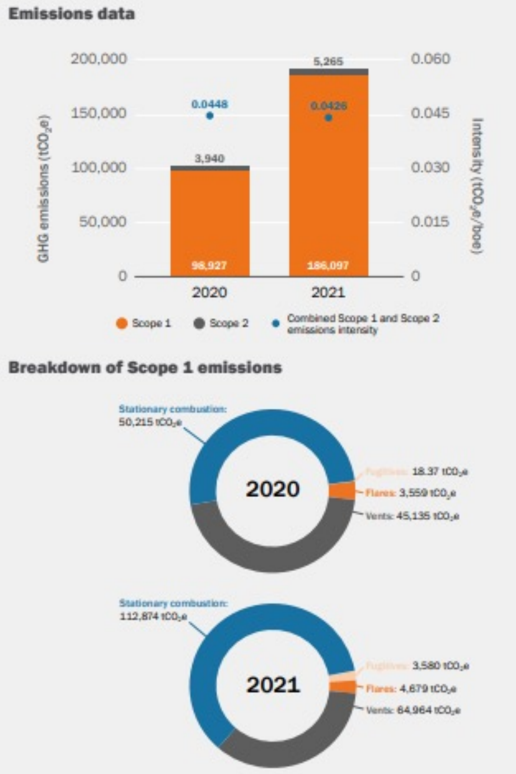
Our operating portfolio is relatively well positioned for a lower-carbon economy, given its majority gas profile. Below are key emissions metrics for our portfolio.

Our Scope 1 and Scope 2 intensity for 2020[1] was 44.8 kgCO2e/boe. This is in line with the average emissions intensity for conventional oil production and natural gas production and processing in Canada, which Environment and Climate Change Canada projections for 2020 put at 48.1 kgCO2e/boe and 42.0 kgCO2e/boe, respectively2. For 2021, our combined Scope 1 and Scope 2 emissions intensity was reduced to 42.6 kgCO2e/boe.

Resource Use

Energy and resource use efficiency is a key priority for i3 Energy to reduce our overall environmental impact across our assets.

i3 Energy is proud to report that in order to minimise the use of freshwater, the majority of the water used in our operations is recycled, using flowback water for most of our operating needs. We do use some fresh water sources for drilling and completion work. In these instances, we apply for temporary diversion rights from the provincial government to draw primarily on dugouts, or occasionally, creeks. We are looking at technology innovations to allow us to also use recycled flowback water in this type of work.



[1] This report was updated in November 2022 to make corrections to 2020 GHG emissions data. Due to a calculation error by our third-party advisors, our Scope 1 emissions were incorrectly stated at 79,871 tCO2e and our intensity at 0.0364 tCO2e/boe. The correct data is now shown above.

[2] Source: Canada's Greenhouse Gas and Air Pollutant Emissions Projections 2021

Initiatives to Drive Energy Efficiency and Reduce Energy Use

Rich-burn to low- or no-burn conversion

We have been in the process of identifying potential sites within our operations since late 2020 for conversion from rich burn to low- or no-burn compressor engines, in order to lower emissions and reduce our own consumption of fossil fuels for energy production.

Electrification

In 2022, we completed the electrification of 7 pumpjacks at our Carmangay and Retlaw fields. This involves the conversion of power sources for existing oil fields from propane to electric engines, which now draws on grid power.

Effluent pipelines

Since 2020 i3 Energy has been in the process of implementing an efficiency initiative at all its operations to enable the conservation of vent gas volumes through effluent pipelines. Bringing in more effluent pipelines allows our operations to consume and utilise casing gas, rather than venting it. This also allows us to reduce and, in some cases, eliminate the trucking of emulsion to a processing site, thereby reducing our overall GHG emissions.

Fugitive Emissions Reduction

Reducing methane emissions is an important part of our strategy to reduce overall GHG emissions, and this has been a core area of focus for i3 Energy in 2021 and 2022. We also recognise that reducing methane emissions globally was a top priority that emerged from COP26 in Glasgow.

In 2021, i3 Energy launched a programme to reduce methane venting at its well sites, using innovative solutions to reduce or eliminate various methane sources. As a first phase of our strategy to minimise fugitive emissions, i3 Energy undertook an initiative to identify high-bleed natural gas pneumatic controllers at our operations and replace them with low- or no-bleed models, and to replace pumps. This conversion programme – which involved the legacy Gain Energy and Toscana Energy assets – was highly successful and was a key driver in cutting our methane emissions by 29,000 tCO2e in 2021. Phases two and three of the strategy took place in 2022. Phase two involved the replacement of pneumatic pumps with innovative solar driven pumps on reactivated wells, resulting in the removal of 4,700 tCO2e annually. This was completed in October 2022, when phase three was launched, which involved the replacement of pumps on the assets acquired from Cenovus. Approximately 400 pneumatic pumps will be replaced with non-venting solar driven pumps. This will result in an annual reduction of 11,600 tCO2e. Once complete, the combination of these three phases are projected to result in an annual reduction of 71,450 tCO2e – the equivalent of removing 15,530 cars off the road annually. These initiatives qualify for carbon credits which can be sold or used to offset future carbon tax obligations.

Abandonment and Reclamation

i3 Energy has been an active participant in government programmes to accelerate the responsible decommissioning of inactive well, pipeline and facility liabilities. In 2022 i3 abandoned 70 wells and decommissioned 37 well sites, representing 15% of operated non-producing wells.

SOCIAL

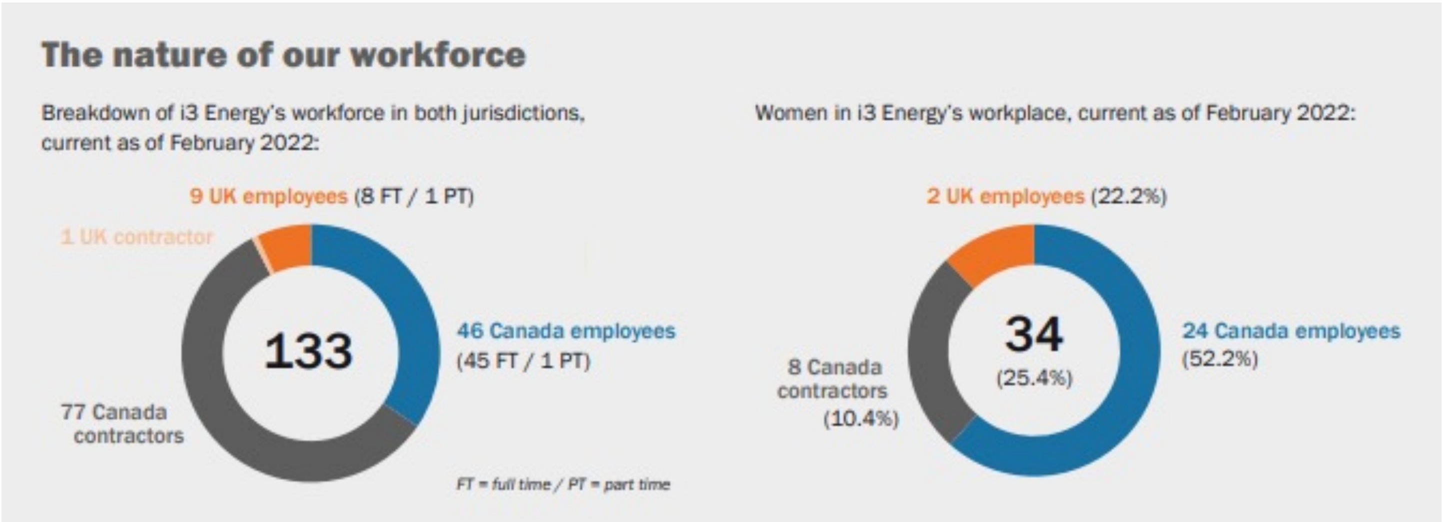
Safety

Maintaining safe operations throughout our portfolio is of the utmost importance to i3 Energy. This commitment has two elements. First, we are committed to protecting the health and safety of our workforce and maintaining a strong safety culture for our employees and contractors. Our goal is to achieve zero harm. Second, we endeavour to ensure that our operations do not negatively impact the health and safety of local communities, landowners or other affected stakeholders.
In this regard, we:

- Comply with, or exceed, all applicable environmental legislation, regulation and policy (which is already very stringent)
- Strive to create a workplace that is safe, prevent potential workplace injuries, and conduct investigations into any incidents that do occur
- Continuously work to improve health and safety performance
- Work to understand any potential risks to the health and safety of local communities
- Disclose our performance in quantifiable metrics

Our workforce

i3 Energy is a rapidly growing energy company, and we recognise that our workforce – at all levels – is fundamental to the success of our business. We aim to have a diverse and inclusive working environment which recruits, respects and rewards our staff based solely on their skills and contribution to the goals and success of the Company. We endeavour to be an enjoyable and rewarding place to work, where integrity, openness and collaboration are fundamental to the way we do business. We also see ourselves as a fully integrated member of the communities in which we operate. Many of our employees live in those communities, and we strive to positively impact local society as we go about our day-to-day business.



Stakeholder and Community Relationships

i3 Energy values the views and input of all stakeholders, and we seek to build and maintain strong relationships with local communities, indigenous groups, regulators and our shareholders. Open and comprehensive engagement with stakeholders is critical to our success as a company. In this regard, the Company strives to:

- Maintain dialogue with our investors and shareholders around ESG-related matters, including our performance and approach to the most material issues
- Engage regularly and respectfully with the communities around our operations and maintain an open platform for dialogue
- Understand and respond to local needs in relation to community investments, socio-economic impacts and environmental concerns
- Respond in a timely and transparent manner to concerns raised by stakeholders
- Identify and minimise adverse impacts on communities from our operations

We are fortunate to operate largely in Alberta, where the energy sector is heavily regulated by the Alberta Energy Regulator (AER). The AER oversees some of the largest established energy reserves in the world and ensures that companies like i3 Energy develop and produce oil and gas in a responsible and safe manner – and that stakeholders are regularly consulted and engaged with respect to our operations. Similarly, the energy sector in the UK is stringently regulated by the NSTA. Companies like i3 Energy that are active on the UK Continental Shelf are subject to robust oversight.

GOVERNANCE

Accountability and Integrity on ESG

i3 Energy's approach to ESG is supported by strong governance structures and corporate policies. To reflect the increasing importance of ESG-related risks and opportunities, i3 Energy has formed a Health, Safety, Environment and Security (HSES) Committee with oversight of ESG matters. We are in the process of developing a suite of ESG-focused policies and procedures, recognising that this is a critical element of good corporate governance as we continue to grow our business.

As part of this process, we are committed to:

- Further enhancing board oversight and understanding of ESG issues
- Utilising ESG-linked key performance indicators (KPIs), as well as monitoring leading and lagging indicators on safety
- Developing management incentives for good performance on ESG issues
- Implementing our Code of Business Conduct and Ethics, which aligns with our commitment to operate in an ethical and transparent manner
- Ensuring our employees receive first-class training and guidance on ESG issues and engaging in dialogue with suppliers and contractors about our ESG approach.

Corporate Governance and our board

i3 Energy's board recognises the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of shareholders. As a UK corporation traded on the UK AIM, the UK Corporate Governance Code does not apply to us. However, the Quoted Companies Alliance (QCA) has published a set of corporate governance guidelines for AIM companies, which include a code of best practice comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. i3 Energy's board has adopted the QCA Corporate Governance Guidelines for Smaller Quoted Companies.

PRINCIPAL RISKS AND UNCERTAINTIES

Key Operating, Strategic, and Financial Risks

The Group operates in the oil and gas industry in an environment subject to a range of inherent risks and uncertainties. The Group completes a bottom-up process for identifying various operational, strategic, and financial risks. These risks are maintained on the corporate risk register which is monitored by management. Management then assesses the potential probability and impact of each risk, and those determined to be the most significant are classified as the Group's key risks. The principal risks and uncertainties are reviewed by management and the Audit and Risk Committee twice per year and approved by the Board annually. The current key risks and their associated mitigations are set out below.

Key Risk	Description	Mitigation	Change in the period
OPERATIONAL:			
Sub-surface assessment and production, reserve, and resource estimation	Incorrect interpretation of subsurface data may lead to inaccurate reserves and production forecasts which may have an adverse impact on the financial performance of the Group. See Financial Statements note 3 where the carrying value of intangible exploration and evaluation assets has been identified as a critical accounting judgement.	The Group employs experienced sub-surface professionals with deep knowledge of different play types and contracts. The Group engages external consultants to complete independent reserves assessments and to compile Competent Persons Reports. The Group's appraisal programmes are designed to de-risk the overall field development. Well and seismic data is continually reviewed to best allocate capital and make drilling decisions.	No change
Health, Safety, Security and Environment	Both onshore and offshore development carry the risk of major incident and harm to the Group's employees, contractors, and the environment.	Integrated Management System (IMS) set up to ensure all regulatory and environmental and safety requirements are met, appropriate training is in place and compliance verified. Various Health, Safety, Security and Environment policies and manuals are implemented in Canada, including a comprehensive Emergency Response Plan. IT security is ensured through an external service provider.	No change
Regulatory and compliance	The Group operates in two jurisdictions which have unique regulatory frameworks. Non-compliance with regulations could lead to loss of title to its assets, financial damage, or reputational damage. Future changes in regulations or taxation regimes could negatively impact the Group. The Group considers the risk level to have increased in 2022 due to the UK Energy Profits Levy which was introduced during the period, which could impact potential future taxable profits generated by the Group in the UK. The future results of i3 Energy Canada Ltd. could be impacted if similar measures are introduced in Canada in the future.	The Group manages its regulatory and compliance risks through the employment of sufficient competent personnel and through retaining suitably proficient advisors. The Group actively engages with its regulators. The Group continually monitors the status and commitments on its licences. The Group is not currently generating taxable profits in the UK, and closely monitors its tax position in Canada.	Increase

Key Risk	Description	Mitigation	Change in the period
OPERATIONAL:			
Canadian operations risk	There is a risk that financial and operational performance of the Group's Canadian operations are negatively impacted due to sub-optimal well performance, loss of access to third party gathering, processing, and pipeline infrastructure, weather patterns, and non-integration of assets acquired. Sub-optimal project management could lead to project delays or cost overruns.	The Group continually monitors its human resource base to ensure it has the experience and qualifications to manage its operations and appropriately mitigate associated operational and business risks. Technical, safety and business training is conducted to ensure skill sets are up to date and relevant to the Group's business.	No change
JV partner alignment	The Group has both operated and non-operated interests in Canada and an operating interest in the Group's Serenity asset in the UK. Where the Group operates as non-operating partner it may have limited control over the day-to-day management or operations of these assets. A third-party operator's mismanagement of an asset may result in significant delays or materially increased costs to the Group, or to liabilities over which the Group is joint and severally liable. There is no guarantee that a third-party operator's HSSE standards are aligned with the Group's.	The Group continually engages with its operating partners and closely monitors the operation of its assets. The Group will complete thorough due diligence reviews before entering future farm down transactions to ensure that their strategic and operational objectives are aligned with those of the Group.	No change

Key Risk	Description	Mitigation	Change in the period
STRATEGIC:			
Climate change and energy transition	A global transition to alternative energy sources could have an adverse impact on commodity prices and/or the Group's access to and cost of capital.	The Group maintains compliance with current environmental regulations. It is committed to conducting its operations with net zero GHG emissions by 2050. Our strategy development includes consideration of these risks and potential mitigants. A strategy to participate in the energy transition is being developed in concert with discussions with the investment community to ensure our investment proposition remains relevant to the market. i3 Energy plc has published an ESG Report which is available at www.i3.energy.	No change
Lack of growth	The Group is seeking opportunities to expand its portfolio of assets and to increase production rates from existing assets but may not find such assets to be able to deliver value from such acquisitions.	The Group engages with a range of advisors and active competitor monitoring to provide a range of opportunities for screening. The Group is led by experienced professionals spanning key disciplines to screen and fully assess growth opportunities. The Group has strong relationships within the sector, both in the UK and Canada. The Group continually reviews its portfolio of assets to identify internal growth opportunities.	No change
Development of North Sea assets	Following the results of the 13/23c-12 appraisal well drilled in 2022, the Group is working on a field development plan for a one well development of the Serenity field. There is a high cost associated with a field development plan and further appraisal drilling and therefore it is contingent upon raising the necessary funds. There is uncertainty whether a one well development of the field would be commercial, and it is likely to require access to third-party production, processing, and transportation facilities. See Financial Statements note 3 where the carrying value of intangible exploration and evaluation assets has been identified as a critical accounting judgement and a key source of estimation uncertainty. The Group considers the risk level to have increased in 2022 due to the results of the 13/23c-12 and the narrower scope of development optionality available to the Group.	The Group welcomed Europa as a 25% working interest joint venture partner in the Group's Serenity oil discovery which reduces the future capital costs net to i3. The Group is working on a field development plan for a one well development of the Serenity field. The Group is in active discussion with neighbouring operators regarding access to shared infrastructure.	Increase

Key Risk	Description	Mitigation	Change in the period
FINANCIAL:			
Commodity price volatility	Oil and gas commodity prices can be volatile and are dependent on the level of supply and demand for oil and gas products at any given time, as most recently illustrated following Russia's invasion of Ukraine in 2022. The Group's operating cash flows in the short-term and returns on capital projects in the long-term may be negatively impacted by depressed oil and gas prices. See Financial Statements note 3 where the carrying value of intangible exploration and evaluation assets and oil and gas assets have been identified as critical accounting judgements.	The Group plans based on a range of commodity prices, stress test scenarios and sensitivities when allocating capital. The Group closely monitors the profitability of its Canadian operations, including trends in both spot and forward commodity pricing. The Group continually reviews its hedging strategy and executed various commodity hedging contracts throughout 2022 and 2023. A summary of the Group's hedges are provided in note 18 and note 24 of the financial statements.	No change
Decommissioning costs	The Group forecasts decommissioning costs over the next 50 years. There is a risk that the cost estimates overrun either due to inaccurate estimation or unforeseen site contaminations. See Financial Statements note 3 where decommissioning costs have been identified as a key source of estimation uncertainty.	The Group uses commonly accepted cost estimation techniques based on rates published by the Alberta Energy Regulator ("AER"). The Group employs experienced professionals to oversee the decommissioning cost estimates. The Group continually invests in decommissioning its assets, including participation in Alberta's SRP program.	No change
Capital requirements and access to capital	The Group will require significant capital to grow its operations in Canada and to develop its oil and gas assets on the UKCS. The Group may be dependent or partially dependent on access to external capital to deliver this growth, and there is no guarantee the capital will be available at terms acceptable to the Group.	The Group is publicly listed on both the TSX and the AIM which provides access to equity capital markets. The Group successfully accessed these markets and secured equity funding in 2020 and 2021. In May 2023, the Group established a new CAD 100 million loan facility, providing additional capital to the Group. Further details are provided in note 24 to the financial statements. The Group continually engages with shareholders and industry partners. The Group generates positive cash flows from its Canada operations which will decrease the Group's dependency on external financing. The Group continually monitors its capital allocation and will only pursue programs that are of appropriate size and risk relative to the Group's capital resources.	No change

The risks set out above are not exhaustive and it is likely that the risks identified will evolve and that additional risks will arise in the future. Any of these risks could have a material adverse effect on the business.

SECTION 172 STATEMENT

Section 172 (1) of the Companies Act obliges the Directors to promote the success of the Company for the benefit of the Company's members as a whole. This section specifies that the Directors must act in good faith when promoting the success of the Company and in doing so have regard (amongst other things) to:

a. the likely consequences of any decision in the long term,
b. the interests of the Company's employees,
c. the need to foster the Company's business relationship with suppliers, customers, and others,
d. the impact of the Company's operations on the community and environment,
e. the desirability of the Company maintaining a reputation for high standards of business conduct, and
f. the need to act fairly as between members of the Company.

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a. the likely consequences of any decision in the long term,

The Board of Directors meets regularly and uses these meetings to consider the likely consequences of any decisions in the long term. This includes its collective responsibility for formulating the Company's strategy, which is to i) acquire undervalued developed producing fields and operate them efficiently, safely and in full regulatory compliance, and ii) ultimately deliver hydrocarbon projects into production by graduating assets through the industry life cycle of exploration, appraisal, development, production, and optimisation. Some key decisions were taken by the Board since the beginning of 2022 which were aimed to deliver on this strategy.
These included:

- Welcoming Europa as a 25% non-operated partner on Block 13/23c of the UKCS P.2358 licence and subsequently drilling the 13/23c-12 appraisal well during the year;
- Executing the Group's 2022 capital and drilling programs in Canada and the UK which invested £78.7 million of acquisitions and capex, which helped the Group achieve record corporate production levels.
- Declaring £17.4 million of dividends as part of the Company's total return of capital model, £15.4 million of which were paid monthly throughout 2022 and £2.0 million paid in January 2023; and
- Bolstering its position in the Clearwater Play through land purchases and acquisitions which are believed to have substantial long-term upside.

The decisions outlined above considered the interests of the Company's stakeholders, including revenue and cash flow generation which can be returned to shareholders through dividends, an expanded asset portfolio, and longer-term stability for i3's employees.

The Board places equal importance on all shareholders and strives for transparent and effective external communications, within the regulatory confines of an AIM-listed company. The primary communication tool for regulatory matters and matters of material substance is through the Regulatory News Service, ("RNS"). The Company's website is also updated regularly and provides further details on the business as well as links to helpful content such as our latest investor presentations. We also hold regular investor events which are open to all shareholders and provide an environment where shareholders can interact with the Board and management, ask questions, and raise their concerns.

b. the interests of the Company's employees,

Our employees are one of the primary assets of our business and will be critical to the future success of the Company. Our employee headcount has expanded steadily through the Company's wholly owned subsidiary i3 Energy Canada Limited following a series of acquisitions and subsequent growth through the capital programs. The Company has an employee onboarding process in place that provides new employees the information, relationships, and tools they need to be comfortable and confident in their work. First and foremost, the Directors strive to ensure a safe working environment for all its staff and contractors, and we are proud of our safety achievements in 2022. We also seek to reward employees with remuneration packages which align the interests of the Company and its shareholders with those of its employees. We believe we have achieved this through the award of share options which contain vesting conditions aligned with the strategic objectives of the Group. To ensure our remuneration packages are competitive and appropriate the Remuneration Committee seeks external advice on market practice and benchmarks. Employees are also provided with challenging work and external training opportunities to ensure their continual development. The Board engages with the Group's employees throughout the year, both formally at Board meetings, and also informally through interaction and operational, financial and M&A discussions with certain employees.

During 2022 all employees with vested share options were granted the opportunity to exercise these options by receiving ordinary shares at the post-tax in-the-money value of the options. This reduced the cash outlay required of the employees, and the resulting Option Shares and associated dilution by 42%.

c. the need to foster the Company's business relationship with suppliers, customers and others,

The Company fosters its business relationships with suppliers, customers, contractors, and its various joint venture business partners in Canada. The Group engages frequently with key suppliers through a regular review of vendor due diligence, creating efficiencies within the supply chain, and considering their interests in our operations. An example in 2022 was the repayment of balances due from the 2019 Serenity and Liberator drilling campaign. The Group also works extensively with joint interest partners, in particular through our Canadian operations where we operate primarily through joint interests on our producing assets and communicates frequently with these partners. In 2022, the Group's subsidiary i3 Energy North Sea Limited welcomed Europa as a 25% non-operated partner on Block 13/23c. The Group and its suppliers, customers, contractors, and various joint venture partners are committed to ethical principles and place great value on integrity and compliance with the applicable laws and regulations. The Company expects all its business partners to follow similar standards in their behaviour.

d. the impact of the Company's operations on the community and environment,

The Company considers the impact of its operations on the community and the environment. The Group maintains offices in both Aberdeen and Calgary through which we integrate with the local communities and engage directly with local municipalities on various matters. The Company regularly engages with the AER following our introduction to Canadian operations and we have been recognised as an upstanding operator in the region. The Company closely monitors its decommissioning obligations in Canada which it intends to responsibly decommission in accordance with local regulations and in collaboration with the AER. This was demonstrated by incurring decommissioning spend and assistance under the Alberta SRP program.

In 2022 the Company released its inaugural ESG report which can be viewed at www.i3.energy.

e. the desirability of the Company maintaining a reputation for high standards of business conduct, and

The Board has an obligation to ensure the Company acts responsibly and maintains a reputation for high standards of business conduct. There is regular communication between the Directors, Executive Directors, and key members of the management team to ensure this culture is promoted and maintained throughout the organisation. The Company operates with open, transparent, and two-way communication and consistent access to the Directors. All of the Company's employees must adhere to i3's anti-bribery and corruption policies and uphold the Company's business ethics at all times.

f. the need to act fairly as between members of the Company.

The Company recognises its broad range of stakeholders and the need to operate in a manner that is fair to all these stakeholders. The Board meets regularly and considers the interests of the various stakeholders in the decisions they make. This was demonstrated through the Company's approach to the Cenovus acquisition which were structured to create value for shareholders, but also to ensure continuity and integration of certain employees from Cenovus and to present growth opportunities to existing employees of the i3 Group. The Company communicates regularly with external stakeholders through investor roadshows and meetings and regular operational and financial updates through RNS announcements.

The Directors believe they have acted in the way they consider most likely to promote the success of the Company for the benefit of its members as a whole, as required by Section 172 (1) of the Companies Act 2006.

FINANCIAL REVIEW

Production

Average Sales Production	Year Ended 31 December 2022	Year Ended 31 December 2021
Oil and condensate (bbl/d)	4,340	2,424
Natural gas liquids (bbl/d)	5,047	2,854
Natural gas (mcf/d)	63,076	41,378
Royalty interest (boepd)	418	268
Total Sales Production (boepd)	**20,317**	12,442

Average Sales Production	Year Ended 31 December 2022	Year Ended 31 December 2021
Oil and condensate	21%	20%
Natural gas liquids	25%	23%
Natural gas	52%	55%
Royalty interest	2%	2%
	100%	100%

Year over year sales production increased 63%, primarily as a result of a full year of production attributed to the Cenovus acquisition, which closed in August 2021. Sales production also increased year over year due to a successful 2022 drilling and workover program, which mainly focused on i3s core areas in Central Alberta, Wapiti and Clearwater. Increased sales production from the Cenovus acquisition and organic drilling and workovers was partially offset by natural declines.

A summary of average sales volumes for the 8 preceding quarters is presented below.

Average Sales Production	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Oil and condensate (bbl/d)	1,896	1,734	2,425	3,624	3,945	3,886	4,396	5,119
Natural gas liquids (bbl/d)	1,877	1,909	2,999	4,601	4,942	5,099	5,038	5,106
Natural gas (mcf/d)	31,027	31,032	45,079	58,037	54,689	60,785	64,180	72,442
Royalty interest (boepd)	229	203	302	331	389	385	440	458
Total Sales Production (boepd)	**9,173**	**9,018**	**13,239**	**18,229**	**18,391**	**19,502**	**20,571**	**22,757**

Revenue

i3's proceeds from the sale of oil and gas produced from its Canadian oil and gas assets are based on average sales production volumes and averaged realised sales prices in Canadian dollars. The below table shows the average prices in Canadian dollars realised by i3 in 2022 and 2021.

A summary of average sales volumes for the 8 preceding quarters is presented below.

Average Realised Pricing (1)	Year Ended 31 December 2022	Year Ended 31 December 2021
Oil and condensate (CAD$/bbl)	114.66	79.56
Natural gas liquids (CAD$/bbl)	35.02	31.63
Natural gas (CAD$/mcf)	5.42	3.90
Royalty interest (CAD$/bbl)	51.37	34.34
Total (CAD$/boe)	**51.08**	36.48

(1) Average realised prices derived by dividing oil and gas sales in GBP by averaged sales production and converting to CAD using period-average GBP/CAD exchange rate year ended 31 December 2022 1.6073 (year ended 31 December 2021 1.7246).

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Oil and condensate	113,003	40,829
Natural gas liquids	40,142	19,107
Natural gas	77,656	34,134
Royalty interest	4,890	1,951
Oil and gas sales	**235,691**	96,021
Royalties	(33,536)	(12,094)
Revenue from the sale of oil and gas	**202,155**	83,927
Processing income	5,995	2,605
Other operating income	286	231
Total revenue	**208,436**	86,763

Total revenue for the full year of 2022 was £208.4 million. Revenue over this period was comprised of proceeds from the sale of oil and gas of £235.7 million, less associated royalties of £33.5 million, plus processing and other income of £6.3 million. Revenue from oil and gas sales of £235.7 million was comprised of 48% oil and condensate, 17% natural gas liquids, 33% natural gas and 2% royalty interest. Crown, freehold, and gross overriding royalties of £33.5 million, as a percentage of oil and gas sales, was 14%. Processing and other income of £6.3 million over the above period primarily resulted from fees charged to third party users of various facilities which are partially or wholly owned by the Group.

Total revenue for 2021 was £86.8 million and was comprised of proceeds from the sale of oil and gas of £96.0 million, less associated royalties of £12.1 million, plus processing and other income of £2.8 million. Revenue from oil and gas sales of £96.0 million was comprised of 43% oil and condensate, 20% natural gas liquids, 36% natural gas and 1% royalty interest. Crown, freehold, and gross overriding royalties of £12.1 million, as a percentage of oil and gas sales, was 12.6%. Processing and other income of £2.8 million for 2021 resulted from fees charged to third party users of various facilities which are partially or wholly owned by the Group.

Total revenue year over year increased 140%, primarily a result of increased production coupled with an increase in commodity pricing in 2022. In general, oil and condensate prices increased year over year because of WTI benchmark prices increasing as a result of global supply disruptions due to the Russia-Ukraine conflict and demand increasing as the global economy recovered from previous COVID-19 restrictions. Natural gas prices increased year over year primarily due to increased global demand. An increase in processing income year over year can mainly be attributed to a full year of third-party processing fees from the Cenovus acquisition. The year over year increases in oil and gas sales and processing income were partially offset by an increase in royalty expenses due to increased production and increased commodity pricing.

Expenses

Production costs	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Total Production Costs	76,418	37,945
Total Production Costs (£/boe)	**10.31**	8.36

Total production costs are primarily comprised of field labour and general field maintenance, land retention and taxes, well repairs and workovers, processing, and product transportation.

Production costs for the year ended 31 December 2022 associated with the extraction and processing of i3's Canadian oil and gas assets were £76.4 million, or £10.31/boe. Production costs for the year ended 31 December 2021 associated with the extraction and processing of i3's Canadian oil and gas assets were £37.9 million, or £8.36/boe. The year over year increase in total production costs on a £/boe is primarily due to scheduled facility turnarounds and costs associated with reactivation of previously shut-in wells. In addition, costs increased in the fourth quarter of 2022 due to cold weather-related issues and increased power charges. Also, general inflation in 2022 put pressure on existing production costs causing overall costs to increase, compared to 2021.

Administrative expenses increased from £13.1 million to £15.1 million, largely due to the increased overhead resulting from the effect of a full year expansion of the Group's Canadian business following the Cenovus acquisition which closed in August 2021.

Finance costs

The Group incurred finance costs of £7.9 million (2021: £7.6 million). The increase is largely attributable to the unwinding of discount on decommissioning provision, which was partially offset by reductions in interest on the H1-2019 loan note facility as the Group paid interest in cash at 8% in 2022 whereas it had previously paid in kind at 11%, and the gain on the non-current accounts payable net of the 2021 charge of modifying the associated warrants. Further details are provided in financial statements note 8, note 15 and note 16.

Profit, EPS, Net operating income, EBITDA, Adjusted EBITDA

The Group's profit, EPS, EBITDA, Adjusted EBITDA, and Net operating income are presented in the following table.

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Profit for the year	41,951	25,083
Basic earnings per share (pence)	3.60	2.84
Diluted earnings per share (pence)	3.43	2.60
EBITDA (1)	97,981	54,996
Adjusted EBITDA (1)	97,990	30,239
Net operating income (1)	131,732	48,587

(1) Non-IFRS measure. Refer to Appendix B.

Tax charge

The Group's current and deferred tax charge are presented in the following table.

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Current tax charge / (credit)	10,002	(487)
Deferred tax charge	3,824	1,148
Total income tax charge	**13,826**	661

The current tax charge in 2022 resulted from taxable income at the Group's Canadian operations, which prior to 2022 had been sheltered by the Group's accumulated non-capital losses. These non-capital losses were fully utilised in 2022 and the residual taxable income was subject to taxation at the combined rate of 23%. The Group is not required to pay any cash income taxes related to the current income tax expense for the year ended 31 December 2022 until the first half of 2023. The current tax credit in 2021 resulted from the receipt of R&D tax refunds in the UK in respect of the 2019 fiscal year.

The deferred tax charge in both years resulted from changes in net deductible temporary differences in Canada. Further details are provided in the financial statements note 9.

PP&E and E&E

The Group had PP&E assets of £236.5 million (2021: £224.1 million) and intangible E&E assets of £62.1 million (2021: £49.8 million) as at 31 December 2022.

The increase due to additions and acquisitions of PP&E was offset by various disposals and the depletion charge for the period. Further details are in note 12 of the financial statements.

Total property, plant and equipment additions in the year of 2022 totaling £75.8 million (2021: £11.2 million) was comprised of work associated with the Group's Canadian oil and gas assets as per the table below.

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Land	975	358
Seismic	452	321
Drilling, completions	58,135	6,592
Facilities, equipment and pipelines	14,862	3,586
Other	1,369	327
Total Property, Plant & Equipment	**75,793**	11,184

During the year of 2022, i3 invested £58.1 million to drill 31 (20.1 net) wells, 28 (18.3 net) of which were completed in 2022 and 3 (1.8 net) Wapiti wells which were completed in January 2023. Also, i3 tested well locations in the Marten Hills and Gilby area.

During the year of 2022, i3 also invested £14.9 million on equipping and tie-ins of the above drilled wells, except for the Wapiti wells, which was equipped in 2023. Included in the £14.9 million, were various well and facility electrification projects along with facility upgrades and pipeline modifications.

An additional £2.8 million was spent on land retention costs, seismic costs and other.
In the year of 2022, i3 drilled a total of 6 (6 net) Glauconite wells in the Open Creek area, 2 (1.3 net) Belly River wells in the Leedale area, 3 (2 net) Falher/Cardium wells in the Willesden Green area, 10 (4 net) Clearwater wells in the Marten Hills area, 2 (1.99 net) Montney wells in the south Simonette area, 7 (4.72 net) Cardium wells in the Wapiti area and 1 (0.07 net) Dunvegan well in the Elmworth area.

During the year of 2022, additions to intangible exploration and evaluation assets totaled £12.4 million.

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Canada	6,677	–
UK	5,650	1,010
Total E&E capital expenditure	**12,327**	1,010

E&E capital expenditure in Canada relates to various Crown land acquisitions and a preliminary appraisal well drilled in the Marten Hills, Clearwater play. Testing of the well is on-going. E&E capital expenditure in the UK primarily relates to the 13/23c-12 Serenity appraisal well. Further details about the well results and the impairment conclusions are provided in financial statement note 13.

Borrowings and leases

The Group had borrowings and leases of £27.2 million as at 31 December 2022 (2021: £23.9 million). The increase is largely due to the accretion expense of £3.4 million (2021: £2.8 million) on the H1-2019 Loan Notes, partially offset by a £0.1 million reduction in leases which were repaid during the year. Interest on the H1-2019 Loan Notes is payable at the Group's option (i) in cash at a rate of 8% per annum, or (ii) in kind at a rate of 11% per annum by the issuance of additional H1-2019 LNs. The interest was paid in cash in 2022 and resulted in an interest expense of £2.3 million. Prior to 2022 the interest had been paid in kind, with an interest expense of £3.1 million recorded in 2021.

The H1-2019 loan notes matured on 31 May 2023 and therefore were reclassified from non-current liabilities to current liabilities during the year. The notes were redeemed in full on 31 May 2023 following the completion of the new CAD 100 million loan facility. Further details are provided in note 24 to the financial statements.

Dividends

In 2022 The Group declared and paid £17.4 million of dividends and £15.4 million of dividends, respectively. (2021: declared and paid £3.4 million). In December 2022 the Group increased its annual dividend guidance to £24.5 million for 2023, to be declared and paid monthly throughout the year.

Going concern

The Directors have considered the going concern of the Group and are satisfied that the Group has sufficient resources to operate and to meet their commitments as they come due over the going concern period. The Group continues to closely monitor its cash balances which stood at £16.6 million as at 31 December 2022. Further details are provided in the Directors Report and note 2 to the financial statements.

Approval of the Strategic Report

This report was approved by the Board of Directors on
6 June 2023 and signed on its behalf by:

John Festival
Non-Executive Chairperson
6 June 2023

GOVERNANACE

BOARD OF DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Key to committee membership

- AR Audit & Risk Committee
- C Corporate Governance Committee
- H HSES Committee (Chair)
- RC Remuneration Committee
- R Reserves Committee
- Committee Chair

John Festival

Non-Executive Chairperson (Appointed Chairperson of the Board on 9 September 2022)

Mr. John Festival is a chemical engineer with 38 years of experience in the Canadian oil and gas sector, focused on heavy oil in western Canada and has an excellent track record of founding, growing and monetising oil and gas companies in Canada. He is currently the CEO of Broadview Energy and was the President and CEO of BlackPearl Resources Inc. prior to its acquisition by International Petroleum in December 2018 in a stock and debt transaction valued at c. US$715 million. He was previously one of the founding partners and President of BlackRock Ventures Inc. which was sold to Shell Canada for CAD2.4 billion in 2006. He graduated in 1984 with a BSc in Chemical Engineering from the University of Saskatchewan.

AR C H R

Majid Shafiq

Chief Executive Officer

Mr. Shafiq has over 31 years of technical and investment banking experience focused on the global E&P sector. Prior to joining i3 as CEO, Majid spent circa eighteen years in energy investment banking advising on asset level acquisitions and divestments, corporate M&A and equity financings for the private and public, small to mid-cap oil and gas sector. During that time, he worked for Waterous and Co, Tristone Capital Ltd, Energy Capital LLP and Argentil Capital Partners LLP. Prior to his investment banking career, he worked for Mobil Oil Corporation for 13 years in various petroleum engineering and commercial roles in the UK and the Netherlands. Mr. Shafiq holds a Bachelors degree in Nuclear Engineering from Manchester University, a Masters degree in Petroleum Engineering from Heriot-Watt University and an MBA from London Business School.

H

Ryan Heath

President i3 Energy Canada (Appointed Executive Director on 19 December 2022)

Ryan has over 20 years' experience in the Canadian oil and gas sector, building junior resources companies in the WCSB. Ryan joined i3 through its acquisition of Toscana Energy Income Corporation in 2020, where he was the CEO since 2019.

Prior to Toscana, Ryan was VP Land & Negotiations at Paredes Energy Corporation, and throughout his career has been instrumental in the growth and development of several public and private E&P companies, including Striker Exploration Corp., Hyperion Exploration Corp., and Severo Energy Corp. Additionally, Ryan held roles of increasing Land Management and Business Development focused responsibilities with Paramount Energy Trust and NCE Petrofund Corp.

Ryan graduated from the University of Calgary with a Bachelor of Commerce, specialising in Petroleum Land Management.

Linda Beal

Non-Executive Director

Ms. Beal has over 35 years' experience advising international E&P clients and since 2016 has been a board member of various companies. As a Director of other small cap natural resources businesses, she brings corporate governance and financial expertise and experience as Audit & Risk Committee Chair. Ms. Beal joined Grant Thornton in 2013 as a Tax Partner and was Global Leader for Energy and Natural Resources, mandated to build its global energy and natural resources capability. Previously, she spent 30 years at PwC and its legacy firm Price Waterhouse in Audit and Tax, 16 of them as a Partner. Launching PwC's Natural Resources Independents business in the mid-2000s, she focused on advising international E&P clients across the AIM, FTSE350, overseas listed and private sectors.

Ms. Beal graduated in 1982 from the University of Nottingham with a BSc (Hons) in Mathematics, thereafter, qualifying at Price Waterhouse as a Chartered Accountant in 1985.

AR C RC

Neill Carson

Non-Executive Director

Mr. Carson, Bsc (Hons) Combined Geology & Physics, MSC Geophysics, has 40 years of management and international project experience in the oil & gas industry. On completion of his Bachelors (with First Class Honours) and Master degrees in the geosciences from Ulster University and Birmingham University respectively, he joined Amoco in 1981. During his 14 years with Amoco he was responsible for numerous exploration and production projects within the UKCS. Mr. Carson's international career widened through exploration management positions for BP Amoco in the Netherlands, Bolivia, and Pakistan. As Performance Unit Leader for BP Pakistan, Mr. Carson was responsible for the delivery and growth of approximately 12,000 boepd and capital budgets in excess of US$50 million. Through his career with BP Amoco, Mr. Carson executed growth plans through successful oil and gas discoveries, and the development and management of commercial portfolios. He contributed as a select member of a targeted team to BP's world-wide new venture screening initiative in 2003. In early 2004, Mr. Carson co-founded Ithaca Energy Inc. ("Ithaca") where he served as its President and a Director from April 2004 and acted as Chief Operating Officer until late 2007. While at Ithaca, Mr. Carson was responsible for asset acquisitions, all aspects of operations and safety, general corporate strategy, and the drilling of four successful oil wells. Across his 4 years with Ithaca, the portfolio grew to 39MMboe of 2P reserves and was on plan to deliver 8,000 boepd of production. Mr. Carson founded Iona Energy Inc. ("Iona") in late 2007 where he served as Chief Executive Officer until his departure in mid 2014 to form i3. Responsible for all aspects of corporate strategy and portfolio development, he grew Iona to 40MMboe of 2P reserves and saw peak production of 6,700 boepd. Mr. Carson co-founded Quattro Energy ltd ("Quattro") where he serves as Executive Chairman.

C H R

Richard Ames

Non-Executive Director

Mr. Ames BS MS brings to the Board over 40 years of broad range experience with senior executive roles in the oil and gas industry. His career has included Vice President roles at TNK-BP, Sidanco and Amoco with responsibilities over Information Technology, Oil and Gas Services, Business Development and Oil and Gas Exploration. Mr. Ames has held Board and Advisory Board of Director positions in Iona, Accenture Russia, DataSpace and the Kiawah Conservancy. Mr. Ames graduated from Duke University with a Bachelor of Science degree in Geology, and from the University of Georgia with a Master of Science degree in Geology.

AR R RC

CORPORATE GOVERNANCE REPORT

Overview of Board Governance

The Group believes that its success is dependent upon sound and effective governance. The Directors recognise the importance of strong corporate governance and have developed a corporate governance framework and policies appropriate to the size of the Group. The Board places strong emphasis on health and safety, good financial discipline, governance, and environmental stewardship. The Group has established clearly defined responsibilities and accountability, clear delegated authority limits, robust systems and processes and risk management procedures to safeguard shareholder value.

Business Conduct

i3 has a Code of Business Conduct and Ethics which sets out the behavior it expects of its Directors, management, employees, contractors, sub-contractors, agents intermediaries and suppliers. i3 has a zero-tolerance policy to bribery and corruption and is committed to conducting business ethically, with integrity and complying with all applicable legal requirements.

Our Code of Business Conduct and Ethics addresses anti-bribery and corruption, health and safety, environment, confidentiality, conflicts of interest, data protection, fair competition, export controls and sanctions compliance, information technology and internet usage and employment practices.

The Company is respectful of human rights and believe that is it important to embed it in our culture and the way we do business, treat our employees and engage with our stakeholders.

The Company also has policies and procedures guidance which is provided to all Directors and employees for share dealing, whistleblowing, disclosure and social media policy.

The Code of Business Conduct and Ethics and the other procedures are updated at least annually and reviewed by the Corporate Governance Committee or Audit and Risk Committee and approved by the Board annually.

i3 believes in organisational diversity and asserts that discrimination isn't acceptable, irrespective of age, disability, gender, ethnicity, faith, race, sexual orientation, or any other factor that makes people different.

The Company maintains a risk register and as part of the Group's risk management procedures, the risks the Group is facing are updated by management and are reviewed by the Audit and Risk Committee at least twice per year and reviewed and approved by the Board annually.

Board agenda and activities during the year

The Board of Directors at the year-end included two Executive Directors and four Non-Executive Directors. The Board, through the Executive Directors, maintain regular contact with advisors and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders of the Company.

The Board meets regularly throughout the year, for both Committee and Board meetings. During the year to 31 December 2022 the Board met for a total of ten meetings, two sub-committee meetings and passed resolutions in writing on seven occasions. The Board is responsible for formatting, reviewing, and approving the Group's strategy, financial activities and operating performance. Day-to-day management is devolved to the Chief Executive Officer of the Company, who is charged with consulting the Board on all significant financial and operational matters. Consequently, decisions are made promptly and following consultation amongst the Directors where necessary and appropriate.

Regular CEO updates are sent to the Board quarterly, Board agendas with board packs are circulated in advance of each board meeting detailing the items to be covered at the meeting and any resolutions to be passed. The Company requires that its Non-Executive Directors meet among themselves to freely consider management's strategy and other sensitive issues without the Company's management or Executives present.

All necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to independent professional advice, at the Company's expense, as and when required.

Board Meetings:

	Eligible to Attend	Attended
John Festival	10	10
Majid Shafiq	10	10
Ryan Heath (1)	0	0
Linda Beal	10	10
Neill Carson	10	10
Richard Ames	10	10

(1) Ryan Heath was appointed to the Board on 19 December 2022. There were no Board meetings between his appointment and 31 December 2022.

In addition to the above meetings there were also two meetings of a sub-committee of the Board.

Governance framework

The Board of i3 Energy plc (the "Company") has adopted the QCA Corporate Governance Code ("the Code") as its code of corporate governance. The Code is published by the Quoted Companies Alliance ("QCA") and is available at www.theqca.com. The Directors are of the opinion that the recommendations of the QCA code have been implemented to an appropriate level.

The Code sets out 10 principles that should be applied. These are listed below together with a short explanation of how the Board applies each of the principles, including where applicable any deviation from those principles:

Principle One

Business Model and Strategy

The Company's business plan is to deliver returns to shareholders in the form of dividends and share price growth, via stable and growing production and reserves expansion. The Company has acquired and developed a portfolio that is extensive, diverse and produces a mix of gas, oil and NGLs. This diversity helps to mitigate risks to production and cash flows, which is critical to stability of dividends in normal market conditions. The portfolio also contains hundreds of drilling locations which allows the Company to continue to grow through the business and commodity price cycle. During extended periods of low commodity prices when asset prices fall, the Company takes advantage of opportunities to acquire production and reserves at low multiples and when commodity prices and asset prices increase the Company pivots towards organic growth via drilling its extensive portfolio of development drilling locations.

Principle Two

Understanding Shareholder Needs and Expectations

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has ongoing relationships with its retail shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings or via telephone conference with the Company. In addition, all shareholders, when applicable and safe to do so and in consideration of UK Government guidance, are encouraged to attend the Company's Annual and General Meetings. Investors also have access to current information on the Company through its website, www.i3.energy and via Camarco, the Company's communications advisor, who is available to answer investor relations enquiries.

Principle Three

Considering wider stakeholder and social responsibilities

The Board recognises that the long-term success of the Company is reliant upon the efforts of the employees of the Company and its contractors, suppliers, regulators and other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key relationships. The Company has ongoing relationships with a broad range of its stakeholders and has regular and direct interaction with various levels of government and provides these stakeholders with the opportunity to raise issues and provide feedback to the Company.

The Board is focused on the need to advance the Company's sustainability strategy, and i3 released its inaugural 2022 Sustainability Report in Q2 of 2022. The Board established a HSES Committee of the Board during 2021 to provide structured oversight of its programmes. i3 is committed to complying with evolving reporting requirements and will align with industry and regulatory efforts to decarbonise Western Canadian Sedimentary Basin operations.

Principle Four

Risk Management

In addition to its other roles and responsibilities, the Audit & Risk Committee is responsible to the Board for ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage the significant risks faced by the Company.

A detailed list of the Company's key risks are listed in the Strategic Report.

The Directors have established procedures for the purpose of providing a system of internal control. An internal audit function is not considered necessary or practical due to the size of the Company. However, the Audit and Risk Committee and the Board will continue to monitor the need for an internal audit function. The Non-Executive Directors work closely with and have regular ongoing dialogue with both the Chief Executive Officer and the Chief Financial Officer of the Company and have established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems.

Principle Five

A Well-Functioning Board of Directors

As at the date hereof the Board is comprised of two Executive Directors, Mr. Majid Shafiq and Mr. Ryan Heath, Chairperson Mr. John Festival and three Non-Executive Directors, Ms. Linda Beal, Mr. Neill Carson and Mr. Richard Ames. Mr. Graham Heath resigned as a Director and Chief Financial Officer on 28 September 2022 to focus on personal health issues such that he can pursue other interests. Jason Dranchuk was appointed the new Chief Financial Officer with a start date in Q2 2023. The Executive Directors have direct responsibility for business operations, whilst the Chairperson leads and chairs the Board and, along with the Non-Executive Directors, has a responsibility to bring independent, objective judgement to bear on Board decisions. Biographical details of the current Directors are set out on the Company's website under the heading "About Us / Board & Executive". Executive and Non-Executive Directors are subject to re-election at each Annual General Meeting.

At the time of this report, the Non-Executive Chairperson of the Board and the Non-Executive Directors held shares and options to acquire shares in the Company. The Board has considered, in conjunction with its advisors, whether these have any impact on their independence and have concluded they do not. Apart from these matters and their Directors' fees the Non-Executive Directors have no other financial interests in the Company or business relationships that would interfere with their independent judgement.

The Board meets at least six times per annum. It has established an Audit & Risk Committee, a Corporate Governance Committee, a Health, Safety, Environmental and Security Committee, a Reserves Committee and a Remuneration Committee, particulars of which appear hereafter. The Board has agreed that appointments to the Board are made by the Board as a whole, with recommendations from the Corporate Governance Committee, and therefore has not created a Nominations Committee. The Board considers the above appropriate given the Company's current stage of operations. It shall continue to monitor the need to match resources to its operational performance and the matter will be kept under review going forward. The Non-Executive Directors are considered to be independent. The Board notes that the QCA recommends a balance between Executive and Non-Executive Directors and recommends that there be two independent Non-Executives. The Board shall review further appointments as scale and complexity grows.

All Directors have access to the advice of the Company's solicitors. Necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to independent professional advice, at the Group's expense, as and when required.

Attendance at Board and Committee Meetings

The Company shall report annually on the number of Board meetings held during the year and the attendance record of individual Directors.

Principle Six

Appropriate Skills and Experience of the Directors

The Board currently consists of six Directors, and, in addition, the Company has employed the outsourced services of Burness Paull to act as the Company Secretary. The Directors collectively have significant experience in oil and gas, North Sea production, WCSB production, UK and Canadian listings, growing businesses, transactions, finance and accounting. The Company believes that the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills across geographies and industries and each of the Directors has experience in public markets. The professional experience of each of the Directors is set out on the Company's website.

The Board includes one female Director and various nationalities. Diversity will form a part of any future recruitment consideration if the Board concludes that replacement or additional Directors are required.

The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.

Principle Seven

Evaluation of Board Performance

Internal evaluation of the Board, the Committee and individual Directors is undertaken on an ad hoc basis by the Chairperson, who consults with the other Directors as appropriate regarding effectiveness and performance as well as the Directors' continued independence.

The results and recommendations of these internal evaluations of the Board shall identify the key targets and requirements that are relevant to the Board.

Principle Eight

Corporate Culture

The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact their performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of Company and employee performance. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders and that shareholders have the opportunity to express their views and expectations to the Company in a manner that encourages open dialogue with the Board. The Company values open and respectful dialogue with employees, suppliers and other stakeholders and places a high degree of importance on sound ethical judgement and behaviours to achieve its corporate objectives. The Company provides a NED liaison, Mr. John Festival, to all staff as part of its Whistleblowing Policy. The Board expects these values to permeate throughout every aspect of the organisation – employees, relationships, actions. The Directors foster an open culture which invites feedback and positive constructive challenge. The Company has adopted a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

Principle Nine

Maintenance of Governance Structures and Processes

Ultimate authority for all aspects of the Company's activities rests with the Board. The Executive Directors have day-to-day responsibility for the operational management of the Company's activities. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions. There is clear separation of the roles of the Chief Executive Officer and Non-Executive Chairperson. The Chairperson is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-Executive Directors are properly briefed on matters.

The Company operates the following Board committees:

Audit & Risk Committee
Corporate Governance Committee
Health, Safety, Environment and Security Committee
Reserves Committee
Remuneration Committee

The Committee chairs and members have been selected based on the most relevant experience and expertise. Each Non-Executive Director sits on a minimum of three committees and of these is chair of at least one committee ensuring that the committees are well qualified with a range of contributions and experience. The roles and responsibilities and terms of reference for each of the committees are reviewed at least annually to ensure they remain applicable.

The Chairperson has responsibility for corporate governance matters in the Company and is a committee member of the Audit and Risk Committee and Corporate Governance Committee.

The Board receives quarterly updates regarding the principal areas of activity of the Company including production and has unrestricted access to management and employees of the Company. The Board also has the authority to retain and terminate external legal counsel, consultants, or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective reasonable compensation of these advisors without consulting or obtaining the approval of any Officer of the Company. The Company shall provide appropriate funding, as determined by the Board, for the services of these advisors.

Furthermore, the Chairperson maintains close dialogue with other Directors, both through the forum of Board meetings and through Non-Executive Director meetings and meetings with the CEO and ad hoc communication on an individual level.

Audit & Risk Committee

The Audit & Risk Committee meets at a minimum of twice a year. As of the date of this document, the members of the Audit & Risk Committee are Ms. Linda Beal (Chair), Mr. Richard Ames and Mr. John Festival. Each of the members of the Audit & Risk Committee are independent. Each of the members of the Audit & Risk Committee are familiar with accounting principles, financial statements and financial reporting requirements and possess experience that is relevant to the performance of their duties as members of the Audit & Risk Committee of the Company.

The Audit & Risk Committee's primary responsibilities are the planning and reviewing of the Annual Report and interim statements and accounts and to ensure that internal controls and risk management is maintained. The Audit & Risk Committee approves the appointment of external auditors and determines their fees and ensures the auditors' independence as well as focusing on compliance requirements, accounting standards and review of key accounting judgements. It is also responsible for monitoring and ensuring an effective system of internal controls is maintained. The ultimate responsibility for reviewing and approving the annual financial statements and interim statements remains with the Board.

The full terms of reference for the Audit & Risk Committee are available on the Company's website.

Corporate Governance Committee

The Corporate Governance Committee meets as required, but at least twice a year. Its members are Ms. Linda Beal (Chair), Mr. Neill Carson and Mr. John Festival.

The Corporate Governance Committee's primary purpose is to develop and recommend to the Board guidelines, policies and procedures relating to corporate governance as well as compliance with AIM and TSX rules.

The Committee is also responsible for monitoring the overall effectiveness of the Board.

Health, Safety, Environment and Security (HSES)

The HSES Committee meets as required, but at least twice a year. Its members are Mr. John Festival (Chair), Mr. Neill Carson, Mr. Majid Shafiq, Mr. Ian Schafer (COO, i3 Energy Canada Ltd.) and Mr. John Woods (COO, i3 Energy NSL Limited).

The HSES Committee assists the Board in conducting business in a manner that promotes a safe, secure, and healthful workplace for its employees and contractors, protects the environment and ensures that the Company will continue to be a valued member of the communities in which it operates.

Reserves Committee

The Reserves Committee meets as required, but at least twice a year. Its members are Mr. Neill Carson (Chair), Mr. Richard Ames and Mr. John Festival. The Chief Executive Officer, the Chief Financial Officer and other Directors may also attend and speak at meetings of the Reserves Committee.

The Reserves Committee assists the Board in monitoring and reviewing the appointment of an independent engineering firm retained by the Company to report on the quantity and the value of the Company's oil and gas reserves. The Reserves Committee reviews the procedures by which the Company provides information to the independent engineering firm to be used as the basis of evaluation and audit, ensuring disclosure complies with applicable laws and regulations, and is also responsible for matters relating to the preparation and public disclosure of estimates of the Company's reserves.

Remuneration Committee

The Remuneration Committee meets at least twice a year. Its members are Mr. Richard Ames (Chair) and Ms. Linda Beal. The Chief Executive Officer, the Chief Financial Officer and other Directors may also attend and speak at meetings of the Remuneration Committee.

The Company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention, and motivation of staff. The Remuneration Committee agrees with the Board a framework for the remuneration of the Chairperson, the Executive Directors, and the senior management of the Company.

The principal objective of the Committee is to ensure that members of the executive management of the Company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. Non-Executive fees are considered and agreed by the Board as a whole.

The terms of reference of the Remuneration Committee are available on the Company's website.

Principle Ten

Shareholder Communication

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has ongoing relationships with its retail shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders, when applicable and safe to do so and in consideration of UK Government guidance, are encouraged to attend the Company's Annual and General Meetings.

Investors also have access to current information on the Company through its website, www.i3.energy and via Camarco, the Company's communication advisor, who is available to answer investor relations enquiries.

Internal controls

The Directors acknowledge their responsibility for the Group's system of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Whilst the Directors are aware that no system can provide absolute assurance against material misstatement or loss, regular reviews of internal controls are undertaken to ensure that they are adequate and effective.

Risk management, uncertainties and treasury policy

Risk assessment and evaluation is an essential part of the Group's planning and is an important aspect of the Group's internal controls system – a crucial activity for achieving its strategic objectives.

There is a process of evaluation of projects, activities, and performance targets wherein the Board regularly reviews actual progress to that previously forecast. Project milestones and timelines are regularly reviewed.

The Group finances its operations through debt, equity, and operating cash flows, and holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board. Please refer to note 22 for further detail on how the Board manages financial risk.

The principal risks facing the Group are set out in the Strategic Report.

Securities trading

The Board has adopted a Share Dealing Code that applies to Directors, senior management and any employee who is in possession of material non-public information ("MNPI"). All such persons are prohibited from trading in the Company's securities if they are in possession of MNPI. Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the relevant individual has received the appropriate prescribed clearance from the Company's Nomad.

"John Festival"

John Festival
Non-Executive Chairperson
6 June 2023

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee assists the Board's oversight of the integrity of the financial statements and other financial reporting and the internal controls and risk management of the Group.

The Audit and Risk Committee comprises Linda Beal (Non-Executive Director and Committee Chairperson), Richard Ames (Non-Executive Director) and John Festival (Non-Executive Director). All the Committee members are independent Non-Executive Directors with recent and relevant financial experience in the energy sector. Under its terms of reference the Audit and Risk Committee meets at least 2 times per annum but generally meets more often. The Audit and Risk Committee met four times during 2022 with all members in attendance at every meeting and will meet at least two times during 2023. The Audit and Risk Committee had one meeting with the auditors during 2022 including sessions without management present. The CEO and key members of the Finance team attended the majority of the Committee meetings in 2022. The Audit and Risk Committee Chair also speaks regularly with the Group Finance team and the audit partner outside the formal Committee meetings.

Key responsibilities

The terms of reference of the Audit and Risk Committee were reviewed and updated during the year to reflect best practices. The principal roles and responsibilities of the Committee include:

- Monitoring the integrity of the interim and annual financial statements and ensuring full compliance with accounting standards.
- Reviewing key accounting policies, judgements, and estimates.
- Reviewing the disclosures in the interim and annual report and financial statements.
- Overseeing the relationship with the external auditor, appointment and approval of auditor remuneration and assessment of the auditor's independence and objectivity.
- Reviewing and monitoring the effectiveness of the Group's financial reporting, internal control policies, and procedures for the identification, assessment, and reporting of risk.
- Considering the need for an internal audit function.

2022 meetings

During 2022 the key areas covered by the Committee were:

- Review of the Company's internal controls including the Finance team structure, responsibilities and reporting lines, the Company's Delegation of Authority and the Company's risk management framework, management's assessment of key risks and the risk register all of which were updated following acquisitions and associated integration of teams and systems.
- Review of the 2021 annual financial statements including review of key accounting judgements and estimates and discussion with the external auditors their audit findings.
- Review of audit planning and approach for 2022.
- Consideration of the independence of the auditors.
- Review of the 2022 interim financial statements including review of key accounting judgements and estimates and discussion with the external auditors.
- Consideration of the external auditor's independence and effectiveness and whether their reappointment should be recommended.
- Consideration of whether the Company should implement an internal audit function. The Committee concluded that this was not appropriate in view of the integration of the Finance teams and systems and additional review procedures implemented following the acquisitions.
- Review of the Committee's terms of reference and membership.

2022 Group financial statements key judgements and estimates

An essential element of the integrity of the financial statements lies around the key assumptions and estimates or judgements to be made. The Audit and Risk Committee reviews key judgements prior to publication of the financial statements at both the end of the financial year and at the end of the six-month interim period, as well as considering significant issues throughout the year.

In particular, this includes reviewing any subjective material assumptions within the Group's activities to enable an appropriate determination of asset valuation, provisioning and the accounting treatment thereof. The Audit and Risk Committee reviewed and was satisfied that the judgements exercised by management on material items contained within the Report and Financial Statements are reasonable.

Key judgements and estimates in the 2022 Group financial statements considered by the Audit and Risk Committee were:

- Carrying value of intangible exploration and evaluation assets.
- Carrying value of property, plant, and equipment – oil and gas assets.
- Decommissioning provision estimates.
- Recognition and measurement of deferred tax assets.
- Various other financial reporting matters including the IFRS 2 share-based payment charge for employee stock options granted during the year.
- Going concern.

2023 and beyond

The Audit and Risk Committee, shall continue to work according to its Terms of Reference, and keep under review the Company's control and risk management framework and ensure it remains appropriate as the Group's business develops.

Linda Beal
Chairperson of the Audit and Risk Committee
6 June 2023

CORPORATE GOVERNANCE COMMITTEE REPORT

The Corporate Governance Committee assists the Board in the oversight of Corporate Governance. The primary purpose is to develop and recommend to the Board guidelines, policies and procedures relating to corporate governance and compliance with AIM and TSX rules. The Committee is also responsible for monitoring the overall effectiveness of the Board.

The Corporate Governance Committee's membership comprises Linda Beal (Non-Executive Director and Committee Chairperson), Neill Carson (Non-Executive Director) and John Festival (Non-Executive Director).

The Governance Committee met twice during 2022 and will meet at least two times during 2023.

Independence of Non-Executive Directors

The Corporate Governance Committee and the Board are satisfied that each Non-Executive Director serving at the end of the year remains independent and continues to have sufficient time to discharge their responsibilities to the Company.

2022 activities

The Corporate Governance Committee oversaw a review by the Executives of the functions, capabilities and responsibilities in the Group and put forward a recommendation for the roles, responsibilities and membership of the Board Committees.

The Committee also monitored and reviewed the Companies transactional activities, stakeholder engagement, ABC Policy, i3 Dealing Code, Whistleblowing Policy, Anti Slavery, Criminal Finances Act, and other various governance policies which were updated during the year. The Committee also monitored compliance with Canadian and UK regulatory and legal requirements.

2023 looking forward

The Corporate Governance Committee will continue to monitor and advise on Corporate Governance and pay particular attention to Board structure, diversity and reviewing and ensuring the Company's policies and procedures are reviewed at least annually and implemented as detailed.

Linda Beal
Chairperson of the Corporate Governance Committee
6 June 2023

HEALTH, SAFETY, ENVIRONMENT AND SECURITY COMMITTEE REPORT

The Health, Safety Environmental and Security Committee (“HSES”) provides assurance to the Board on occupational health, safety environmental and security policies. It is primarily focused on ensuring that effective HSE policies are adopted and applied across the Group. Since Q2 2021, the HSES Committee has added Environmental, Social and Governance (ESG) assurance into their remit.

The HSES Committee comprises of John Festival (Non-Executive Director and Committee Chairman), Neill Carson (Non-Executive Director), Majid Shafiq (Executive Director) and the COO’s of i3 Energy Canada Ltd, Ian Schafer, and i3 Energy North Sea Limited, John Woods.

Safety is the number one core value at i3 Energy plc. We strive to achieve an injury-free workplace by making safety an integral part of our culture and incorporating it into every aspect of our operations. We empower employees to take ownership of safety at the local level. The HSES Committee meets quarterly to:

- Oversee our policies, procedures, practices, and strategies relating to health, safety, environment, security, and climate-related issues to ensure due consideration of risks, opportunities, and potential performance improvements.
- Review and report to the Board with respect to the consideration and integration of climate-related issues in the development of our business strategy and financial planning.
- Review our disclosure, reporting and external communication practices pertaining to climate issues, including assessments of materiality and ESG report development.
- Consider and review the establishment of, and performance against targets, benchmarks, procedures, and disclosures used to measure progress in absolute terms and relative to peers.
- Review our enterprise risk management program as it relates to identifying, assessing, and managing related risks and report to our Audit and Risk Committee.

HSES Policy

i3 Energy plc and its subsidiaries (i3 Energy North Sea Limited and i3 Energy Canada Ltd.), together “i3 Energy”, will conduct business in a manner that promotes a safe, secure, and healthy workplace for our employees and contractors, while protecting the environment and ensuring that we will continue to be a valued member of the communities in which we operate and a valued supplier to our customers.

We believe that HSES performance is a primary measure of our company's success, and we apply the following guiding principles when conducting our day-to-day operations:

- We are compliant, respectful, and ethical; we act with integrity, and we expect the same from our suppliers and customers.
- We design and operate our sites and processes in a manner that ensures the safety and security of our employees, contractors, environment, and the communities where i3 Energy operations are located.
- We support our customers and contractors to help ensure that i3 Energy’s products are handled, transported, and processed in a safe, secure, and environmentally responsible manner.
- We focus on good corporate citizenship, giving due consideration to sustainable use of resources, reduction of emissions and environmental impacts.
- We set goals and objectives that demonstrate our core values of safety & integrity.

2022 activities

With i3’s growth transitioning from acquisition to capital development the focus remained on implementation of HSES policies and procedures across the different business units throughout Alberta. As part of this ongoing effort the Company continues to refine procedures, documentation, and training through our Safety Loss Management System (SLMS) including:

- Health and Safety Management System (HSMS), including Safe Operating Procedures (SOPs).
- Emergency Response Plans (ERPs).
- Pipeline Operating Manual (POM).
- Pressure Equipment Integrity Management Program Manual (PEIM).

The Company conducted quarterly HSE Committee meetings, monthly safety meetings and quarterly inspections of at least one active work site in addition to multiple emergency response (ERP) exercises throughout our areas of operation.

We are very pleased with the safety performance of our personnel throughout the year, with only one recorded lost time incident requiring medical treatment.

i3 also released its second annual sustainability report published in Q2 2022 which showed progress on GHG emission reductions from a 2020 baseline and progress towards net zero emissions. The Company made considerable efforts in 2021 to proactively reduce its GHG emission intensity from 44.8 KgCO2e/boe to 42.6 KgCO2e/boe. I3 continued with efforts to reduce emissions through projects that consist of the installation of solar powered pneumatic chemical pumps, electrification of single wells that formerly ran on propane and instrument air conversions. We continue the analysis of our portfolio to identify sites which could be electrified, opportunities to install effluent pipelines to reduce infield trucking, compressor consolidation and engine conversion projects to lower emissions.

2023 looking forward

In 2023 we look to continual improvement in HSES procedures and to evaluate HSES performance against industry standards and strengthen work force engagement, ownership, and delivery of HSES goals. We will continue to focus on ESG and maintain efforts to reduce GHG emissions.

John Festival
Chairman of the Health, Safety, Environment and Security Committee
6 June 2023

RESERVES COMMITTEE REPORT

The Reserves Committee's purpose is to assist the Board in monitoring and reviewing the appointment of an independent engineering firm retained by the Company to report on the quantity and the value of the Company's oil and gas reserves. The Reserves Committee reviews the procedures by which the Company provides information to the independent engineering firm to be used as the basis of evaluation and audit, ensuring disclosure complies with applicable laws and regulations, and is also responsible for matters relating to the preparation and public disclosure of estimates of the Company's reserves.

The Reserves Committee comprises of Neill Carson (Non-Executive Director and Committee Chairman), Richard Ames (Non-Executive Director) and John Festival (Non-Executive Director). The Reserves Committee met twice in 2022 and typically meets at least once a year prior to publication of the semi-annual and annual results.

2022 activities

- Reviewed the Company's procedures for providing information to the qualified reserves auditor who reported on reserves data.
- Met with management and the qualified reserves auditor to review the reserves data and the auditor's annual reserves report.
- Reviewed and recommended to the Board (via the Audit and Risk Committee) approval of the content and filing of the Company's annual statement of reserves data and other oil and gas information.

2023 looking forward

- Meet with the reserves auditor and review year-end 2023 reserve revisions and booking.
- Make a recommendation to the Board (via the Audit and Risk Committee) regarding the Company's annual statement of reserves data and other oil and gas information.

Neill Carson
Chairman of the Reserves Committee
6 June 2023

REMUNERATION COMMITTEE REPORT

The Remuneration Committee is a standing Committee of the Board and meets regularly to consider all material elements of Executive Director remuneration including salary, share schemes, and incentivisation. The Committee makes recommendations to the Board on the framework for Executive Director remuneration and its cost. The Remuneration Committee assists the Board in discharging its oversight responsibilities relating to the attraction, compensation, evaluation and retention of Executive Directors and key senior management employees, in particular the Chief Executive Officer. The Remuneration Committee aims to ensure that the Company has the right skills and expertise needed to enable the Company to achieve its goals and strategies and that fair and competitive compensation is awarded with appropriate performance incentives across the Company.

The Remuneration Committee comprises Richard Ames (Non-Executive Director and Committee Chairman) and Linda Beal (Non-Executive Director). The Remuneration Committee met two times in 2022 and proposes to meet at least twice during the next financial year.

The Remuneration Committee is responsible for making recommendations to the Board regarding the framework for the remuneration of the Executive Directors and other members of executive management. The Remuneration Committee works within its terms of reference, and its role includes:

- Reviewing and approving the Company's overall compensation philosophy programs.
- Determining and agreeing with the Board, the Remuneration Policy for all Executive Directors and, under guidance of the Executive Directors, other members of the key senior Management Team.
- Ensuring Executive remuneration packages are appropriate.
- Determining whether annual bonus payments should be made and approving levels for individual Executive Directors.
- Determining each year whether any awards/grants should be made under the incentive schemes and the value of such awards.
- Considering any new long-term incentive scheme awards and performance criteria.
- Agreeing Directors' service contracts and notice periods.

2022 activities

- Approved the level of the 2022 cash bonus.
- Agreed the 2022 Executive salary increases after using benchmarks.
- Approved the vesting of performance awards granted to new hires in 2022.

2023 looking forward

- Proposing and agreeing the remuneration packages for Executive Directors.
- Proposing and agreeing Long-Term Incentive Plan (LTIP) awards for 2023.
- Reviewing and agreeing the bonus to be awarded to Executives in year 2023.

Details of the Directors' Remuneration are provided in note 10 to the financial statements. The Directors' interests are provided in the Directors' Report.

Richard Ames
Chairman of the Remuneration Committee
6 June 2023

DIRECTORS' REPORT

The Directors are pleased to present this year's Annual Report together with the audited consolidated financial statements for the year ended 31 December 2022.

Principal Activities

The principal activities of the Group consist of oil and gas production in Western Canadian Sedimentary Basin and appraisal and development of oil and gas assets on the UK Continental Shelf. The Company's wholly-owned subsidiaries - i3 Energy North Sea Limited and i3 Energy Canada Limited are independent oil and gas companies with appraisal assets in the UK and producing assets in Canada, respectively. The Company's principal activity is that of a listed holding company.

Business Review and Future Developments

The global market for oil and gas remains volatile, however there is a consensus that demand for oil and gas will remain strong in the near to mid term. The Group business plan is to deliver total shareholder return through dividends and production growth. The strategy to deliver this is dependent on the prevailing commodity price environment. During low prices the Group focuses on opportunities to acquire low priced reserves and production in the M&A market and in a higher price environment the Group pivots to organic growth through exploitation of its extensive inventory of drill locations. The Group is currently in the drill mode but retains the flexibility to shift towards M&A if commodity prices decline and remain low for an extended period of time and the Group determines returns would be higher if capital was deployed in acquisitions rather than in drilling. The business developments during the year are highlighted in the Strategic Report and the Chairperson and Chief Executive Officer's Statement.

Results and Dividends

The profit on ordinary activities of the Group after taxation amounted to £42.0 million (2021: £25.1 million). In 2022 The Group declared and paid £17.4 million of dividends and £15.4 million of dividends, respectively. (2021: declared and paid £3.4 million).

Directors' Remuneration

The Group remunerates the Directors at levels commensurate with its size and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration, after consultation with an external advisor, and believes the levels uphold these objectives. Details of the Directors' emoluments and payments made for professional services rendered are set out in note 10 to the financial statements.

Directors and their interests

The beneficial interests of the Directors in the shares and options of the Company at 31 December are as follows:

Director	2022 Shares	2021 Shares	2022 Options	2021 Options
Graham Heath	15,505,444	8,550,495	1,719,667	13,802,847
Majid Shafiq	9,537,891	2,951,541	2,333,333	18,517,500
Ryan Heath	8,255,374	-	1,666,666	-
Neill Carson	7,666,111	7,246,509	150,000	1,198,800
John Festival	2,602,360	199,060	150,000	1,198,800
Richard Ames	1,539,723	738,951	150,000	1,198,800
Linda Beal	1,305,493	700,000	183,333	788,827

On 27 May 2022, the Company announced that certain of its Directors exercised options over 31,950,581 shares in the Company.

Share Capital

At 31 December 2022, 1,192,731,373 ordinary shares with a nominal value of £0.0001 each and 5,000 deferred shares of £10 each were issued and fully paid. Each ordinary share carries one vote and the deferred shares do not confer any voting rights.

Substantial Shareholders

At 28 April 2023, notification had been received by the Company of the following who had a disclosable interest in 3% or more of the nominal value of the ordinary share capital of the Company:

Polus Capital Management (London)	19.50%
Premier Miton Investors (London)	9.92%
Slater Investments (London)	9.21%
Hargreaves Lansdown Asset Mgt (Bristol)	5.68%
Interactive Investor (Glasgow)	5.03%
JP Morgan Securities (London)	4.96%
AJ Bell Securities	3.72%
Janus Henderson Investors (London)	3.20%

As at 31 May 2023 the Company had not been notified of any other person who had an interest in 3% or more of the nominal value of the ordinary share capital of the Company.

Corporate Governance

A statement of Corporate Governance is set out above. The Group has adopted the Quoted Companies Alliance Corporate Governance Code ("the Code"). Details of how the Group complies with the Code, and the reasons for any non-compliance, are set out above, together with the principles contained within the Code.

Information on the Audit & Risk Committee, Corporate Governance Committee, Reserves Committee, Remuneration Committee, and Health, Safety, Environment and Security Committee is included in the Corporate Governance section of the Annual Report.

Environmental Responsibility

The Company is aware of the potential impact that its subsidiaries and investments may have on the environment. Accordingly, the Group ensures that with regard to the environment, all its companies and associated subsidiaries at a minimum comply with applicable jurisdictional regulatory guidelines including those of the UK North Sea Transition Authority (NSTA), the Alberta Energy Regulator, Saskatchewan Energy and Resources, the BC Oil and Gas Commission and other local regulators. i3 Energy plc is published its first ESG report in 2022 which can be found at the Company's website (www.i3.energy). See the HSES Committee Report.

Engagement with employees and stakeholders

The Group is committed to promoting policies that ensure high calibre employees are attracted, motivated and retained for the ongoing success of the business. Employees and those who seek to work within the Group are treated equally regardless of sex, marital status, creed, colour, race, or ethnic origin.

The Board is committed to effectively communicating with the stakeholders of the Company. Clear communication with shareholders and all stakeholders is an important aspect of the role of the Group's Board and senior management. In addition to the regulatory forms of communication, including annual and interim reports and Regulatory News Service releases, enquiries from shareholders are encouraged and i3 aims to deliver a timely response from either the Company or its representatives.

Details of the Group's activities can be found at the Company's website (www.i3.energy).

In consideration of environmentally sustainable business practices, the Board has approved the adoption electronic communications as its default method of communication with shareholders going forward for reasons of efficiency and to reduce the volume of paper used in shareholder mailings.

Insurance and indemnities

The Group maintains insurance in respect of its Directors and Officers against liabilities in relation to the Company and the Group. The Group maintains insurance in respect of its exploration and development and operational projects in the North Sea and Canada.

Each of the Directors have signed an Indemnity Deed which provides that the Company indemnifies the Director or Officer to the maximum extent permitted by law in respect of legal proceedings and any claims made against that Director or Officer.

Information contained elsewhere in this Annual Report

Information regarding the Group's key performance indicators, subsequent events, principal risks and uncertainties, and future developments are set out in the Strategic Report. Information regarding the Group's financial instruments and risk management policies are set out in note 22 to the Group Financial Statements.

Statement of Disclosure of Information to the Auditor

As at the date of this report the serving Directors confirm that:

So far as each Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and the Directors have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

PKF Littlejohn LLP has signified its willingness to act as the Company's auditor.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report in the Chairperson's and Chief Executive's Statement and Strategy and KPIs sections. The financial position of the Group, its net cash position and liabilities are described in the Financial Review. Further information on the Group's commitments is provided in note 23 and on the Group's exposure to financial risks and management thereof is provided in note 22.

The Group ended the year with cash and cash equivalents of £16.6 million, current assets of £54.6 million, and current liabilities of £86.7 million. The Group's debt primarily consisted of the £22.0 million H1-2019 LNs which matured and were repaid in May 2023. During 2022, the Group generated £101.1 million of cash from operating activities.

The Directors have given careful consideration to the appropriateness of the going concern assumption, including cash forecasts through the end June 2024, committed capital expenditure, and the principal risks and uncertainties faced by the Group. The cash flow forecasts reflect the new CAD 100 million loan facility secured in May 2023 and the subsequent repayment of the H1-2019 LNs, further details of which are provided in note 24 to the financial statements. This assessment also considered various downside scenarios including a combined downside scenario with an 15% reduction in strip commodity prices, risks which are partially mitigated by the risk management contracts the Group currently has in place.

Following this review, the Directors are satisfied that the Group has sufficient resources to operate and to meet their commitments as they come due over the going concern period which considers at least 12 months from the date of approval of the financial statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2022.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable laws and regulations.

The Directors are required to prepare financial statements for each financial year. The Directors have elected to prepare the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under Company law the 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 of the profit or loss of the Group for that year.

In preparing the parent Company Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether Financial Reporting Standard 101 *Reduced Disclosure Framework has* been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. The Group is compliant with AIM Rule 16 regarding the Group's website.

Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Annual General Meeting

The Annual General Meeting of the Company will be held on 30 June 2023 and will be detailed in the Notice of Meeting.

This Director's Report and Responsibility Statement was approved by the Board and was signed on its behalf:

J Festival

John Festival
Non-Executive Chairperson
6 June 2023

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to Members of I3 Energy Plc

Opinion

We have audited the financial statements of i3 Energy plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice) and as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements 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 UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 a review of budgets for the period of 12 months from the date of approval of the financial statements, including checking the mathematical accuracy of the budgets, discussion of significant assumptions used by management, and comparing these with current year and post year end performance. We have also reviewed the latest available post year end management accounts, bank statements, regulatory announcements, board minutes and assessed any external industry wide factors which might affect the Group and the parent company. As part of our review, we also reviewed the new financing agreement in place dated 31 May 2023, which offset the Loan Notes outstanding, and provided further funding to the Group.

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 or 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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. The materiality for the Group financial statements was set at £7,052,000 (2021: £5,644,000), with performance materiality set at £4,231,200 (2021: £3,386,400).

The materiality for the Group financial statements as a whole has been calculated as 4% of net assets, which we have determined, in our professional judgement, to be one of the principal benchmarks within the financial statements relevant to members of the Group in assessing financial performance. The benchmark is deemed to be relevant as the key areas of focus of the Group relate to the value of the producing and exploration assets, as well as the accompanying decommissioning provision, and the loan notes outstanding. Performance materiality was set at 60% of headline materiality based on our inherent risk assessment calculation of a publicly traded company in the oil and gas industry.

The parent company materiality for the financial statements as a whole was set at £1,684,000 (2021: £2,101,000). The parent company performance materiality was set at £1,010,400 (2021: £1,260,600). The reason being a result of the key area of focus for the parent company financial statements being the recoverability of loans to subsidiaries. A separate area materiality for profit and loss items was calculated in order to ensure sufficient appropriate coverage was obtained in order to provide an opinion. For each component in the scope of our group audit, we allocated a materiality that was less than our overall Group materiality. We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £352,600 (2021: £282,200) and £84,200 (2021: £105,050) for the Group and parent company respectively.

Our approach to the audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors such as the impairment of intangible assets and the assumptions used in calculating the fair value of financial assets. and considered future events that are inherently uncertain We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The Group holds three companies that are consolidated within these financial statements, two based in the UK and one based in Canada. We identified three significant components, being the parent company, i3 North Sea Ltd and i3 Canada Ltd, which were subject to a full scope audit by a team with relevant sector experience from the PKF London office. No component auditors were engaged.

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) we identified, including 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.

Key Audit Matter	How our scope addressed this matter
Carrying Value of Property, plant & equipment ("PPE") (Note 12) As at 31 December 2022, the carrying value of the producing assets in relation to the Group's projects in Canada are £236m. As per IAS 36 requirements, management are required to assess the producing assets for indicators of impairment on an annual basis. This is considered to be a key audit matter due to the significant judgement and estimates involved in	Our work in this area included: • Verifying the inputs into the impairment indicators assessment, including the reserves, pricing indices and forecasts. • A review of the competent persons report ("CPR") in place assess their scope of work, including an evaluation of their competence, capabilities and independence and confirming the reserves thereto; • A review of the operator statements throughout the period to ensure the production levels are in line with managements forecasts;

Key Audit Matter	How our scope addressed this matter
assessing whether any impairment indicators exist at the year end, and in quantifying any such impairment. Whilst the oil prices have remained strong in the current year, the recent and historic volatile nature of long-term oil prices give rise to an increased risk, especially in the circumstances of the company being its key source of revenue. This is also the key balance in the financial statements and therefore considered to be a key audit matter.	• A review of management's internal production forecasts to the CPR in place and assessing the appropriateness of any differences which arise; • A review of managements assessment on the impact of market conditions on the carrying value of assets; • Discussions with internal valuation experts to independently develop a reasonable range of discount rates for the Western Canadian Sedimentary Basin ("WCSB") assets and compared those to the discount rate applied by management; • An assessment of any further management assumptions by reference to third party information, our knowledge of the Group and industry and also budgeted and forecast performance; and • An assessment of whether management's presentation and disclosures relating to estimation uncertainty are adequate. We consider Management's assessment of impairment is reasonable in concluding no impairment is required to be recognised at year-end.
Carrying Value of Exploration Assets (note 13) The Group holds intangible assets of £61m as at 31 December 2022, which includes £55.5m of capitalised exploration costs in respect of the Serenity field held within i3 Energy North Sea Limited. During the year the 13/23c-12 Serenity appraisal well was drilled to a total vertical depth of 5,630 ft below sea level. The targeted Lower Cretaceous Captain sand, which contained hydrocarbons in the 13/23c-10 well discovered in October 2019, was not present at this location. Over 100 ft of other Captain sands in various sequences were found but were water wet, resulting in the well being plugged and abandoned. This therefore triggered an impairment indicator under IFRS 6, and therefore management prepared a value in use calculation, in the absence of a fair value less cost to sell as a result of there being no active market, in order to assess the recoverable amount against the carrying value. This is considered to be a key audit matter due to the significant judgement and estimates involved in preparing said value in use calculation, particularly as a result of the asset still being in its exploration stage, therefore there is an increased risk of overstatement of the exploration asset.	Our work in this area included: • Reviewing management's value in use calculations and challenging the key inputs into the model including but not limited forecasted oil prices, discount rates, capital and operational expenditure and decommissioning costs; • Obtained both corroborative and contradictory audit evidence in respect of the key areas of judgement and estimation uncertainty within the value in use calculation; • Engagement of the PKF internal valuations team to perform an independent assessment of the discount rate applied within the calculation to ensure its reasonableness • Substantive testing of a sample of exploration and evaluation expenditures to assess their eligibility for capitalisation under IFRS 6 by corroborating to original source documentation; and • Confirming that i3 Energy North Sea Limited holds good title to the relevant licence areas; We consider Management's assessment of impairment is reasonable in concluding no impairment is required to be recognised at year-end.

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 Group and parent company 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.

Opinions on other matters prescribed by 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.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Group and parent company 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 Group and parent company financial statements, the directors are responsible for assessing the Group 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.

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.

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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:

We obtained an understanding of the Group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, and application of cumulative audit knowledge and experience of the sector.

- We determined the principal laws and regulations relevant to the Group and parent company in this regard to be those arising from:
  - Companies Act 2006
  - Canada Business Corporations Act
  - AIM Rules
  - Canada Oil & Gas Drilling and Production Regulations
  - Securities Law
  - Anti Money Laundering Legislation
  - Local tax laws and regulations

- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Group and parent company with those laws and regulations. These procedures included, but were not limited to:
  - A review of the Board minutes throughout the year and post year end
  - A review of the RNS announcements;
  - A review of general ledger transactions; and
  - Discussion with management;

- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, and the impairment assessments undertaken for both the producing assets held within i3 Canada and the exploration asset within i3 Energy North Sea Limited. We obtained both corroborative and contradictory evidence in respect of the key inputs into the assessment made, applying professional scepticism throughout.

- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

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.

Daniel Hutson (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

6 June 2023

15 Westferry Circus
Canary Wharf
London E14 4HD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year Ended 31 December 2022	Year Ended 31 December 2021
		£'000	£'000
Revenue	6	208,436	86,763
Production costs		(76,418)	(37,945)
Loss on risk management contracts	18	(18,990)	(5,485)
Depreciation and depletion	12	(34,339)	(21,643)
Gross profit		**78,689**	21,690
Administrative expenses	7	(15,038)	(13,094)
Acquisition costs		-	(256)
(Loss) / gain on bargain purchase and asset dispositions	4	(9)	25,013
Operating profit		**63,642**	33,353
Finance costs	8	(7,865)	(7,609)
Profit before tax		**55,777**	25,744
Tax charge	9	(13,826)	(661)
Profit for the year		**41,951**	25,083
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on translation of foreign operations		6,688	1,511
Other comprehensive income for the year, net of tax		**6,688**	1,511
Total comprehensive income for the year		**48,639**	26,594
Earnings per share		**Pence**	Pence
Earnings per share – basic	11	**3.60**	2.84
Earnings per share - diluted	11	**3.43**	2.60

All operations are continuing.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	**Notes**	**31 December 2022**	31 December 2021
		£'000	£'000
Non-current assets			
Property, plant & equipment	12	236,465	224,080
Exploration and evaluation assets	13	62,060	49,819
Other non-current assets		74	74
Total non-current assets		**298,599**	273,973
Current assets			
Cash and cash equivalents		16,560	15,335
Trade and other receivables	14	34,843	25,503
Risk management contracts	18	1,111	814
Inventory		2,099	665
Total current assets		**54,613**	42,317
Current liabilities			
Trade and other payables	15	(55,846)	(19,709)
Risk management contracts	18	(381)	(925)
Borrowings and leases	16	(27,241)	(69)
Decommissioning provision	17	(3,190)	(2,368)
Total current liabilities		**(86,658)**	(23,071)
Net current (liabilities) / assets		**(32,045)**	19,246
Non-current liabilities			
Non-current accounts payable	15	-	(557)
Borrowings and leases	16	-	(23,855)
Decommissioning provision	17	(90,141)	(123,155)
Deferred tax liability	9	(11,667)	(7,486)
Total non-current liabilities		**(101,808)**	(155,053)
Net assets		**164,746**	138,166
Capital and reserves			
Ordinary shares	19	119	113
Deferred shares	19	50	50
Share premium	19	48,646	44,203
Share-based payment reserve	20	6,311	9,102
Warrants – LNs	16	2,045	2,045
Foreign currency translation reserve		8,052	1,364
Retained earnings		99,523	81,289
Shareholders' funds		**164,746**	138,166

The accompanying notes form an integral part of these financial statements.

The consolidated financial statements of i3 Energy plc, company number 10699593, were approved by the Board of Directors and authorised for issue on 6 June 2023. Signed on behalf of the Board of Directors by:

Majid Shafiq, Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Ordinary shares	Share premium	Deferred shares	Share-based payment reserve	Warrants - LN	Foreign currency translation reserve	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 December 2020		70	61,605	50	6,337	9,714	(147)	(4,433)	73,196
Total comprehensive income for the year		–	–	–	–	–	1,511	25,083	26,594
Capital reduction	19	–	(64,056)	–	–	–	–	64,056	–
Transactions with owners:									
Issue of share capital	19	36	37,970	–	–	–	–	–	38,006
Exercise of options	20	2	112	–	–	–	–	–	114
Exercise of warrants	20	5	8,572	–	(452)	(7,669)	–	–	456
Share-based payment expense	20	–	–	–	3,217	–	–	–	3,217
Dividends declared in 2021	19	–	–	–	–	–	–	(3,417)	(3,417)
Balance at 31 December 2021		113	44,203	50	9,102	2,045	1,364	81,289	138,166
Total comprehensive income for the year		–	–	–	–	–	6,688	41,951	48,639
Transactions with owners:									
Exercise of options	20	6	4,443	–	(3,883)	–	–	(6,324)	(5,758)
Share-based payment expense	20	–	–	–	1,092	–	–	–	1,092
Dividends declared in 2022	19	–	–	–	–	–	–	(17,393)	(17,393)
Balance at 31 December 2022		**119**	**48,646**	**50**	**6,311**	**2,045**	**8,052**	**99,523**	**164,746**

The accompanying notes form an integral part of these financial statements.

The following describes the nature and purpose of each reserve within equity:

Reserve	**Description and purpose**
Ordinary shares	Represents the nominal value of shares issued
Share premium account	Amount subscribed for share capital in excess of nominal value
Deferred shares	Represents the nominal value of shares issued, the shares have full capital distribution (including on wind up) rights and do not confer any voting or dividend rights, or any of redemption
Share-based payment reserve	Represents the accumulated balance of share-based payment charges recognised in respect of share options granted by the Company less transfers to retained deficit in respect of options exercised or cancelled/lapsed
Warrants – LNs	Represents the accumulated balance of share-based payment charges recognised in respect of warrants granted by the Company in respect to warrants granted to the loan note holders
Foreign currency translation reserve	Exchange differences arising on consolidating the assets and liabilities of the Group's non-Pound Sterling functional currency operations (including comparatives) recognised through the Consolidated Statement of Other Comprehensive Income.
Retained earnings	Cumulative net gains and losses recognised in the Consolidated Statement of Comprehensive Income

Note: The issued share capital comprises of both ordinary and deferred shares and the consolidated nominal value exceeds the required minimum issued capital of £50,000.

CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
		£'000	£'000
OPERATING ACTIVITIES			
Profit before tax		55,777	25,744
Adjustments for:			
Depreciation and depletion	12	34,339	21,643
Loss / (gain) on bargain purchase and asset dispositions	4	9	(25,013)
Finance costs	8	7,865	7,609
Unrealised (gain) / loss on risk management contracts	18	(858)	111
Non-cash other income		(215)	–
Unrealised FX loss	7	113	(154)
Share-based payments expense – employees (including NEDs)	7	1,092	3,217
Operating cash flows before movements in working capital:			
(Increase) in trade and other receivables		(8,378)	(15,297)
Increase in trade and other payables		12,782	6,862
(Increase) in inventory		(1,434)	(283)
Net cash from operating activities		**101,092**	24,439
INVESTING ACTIVITIES			
Acquisitions		(531)	(37,079)
Expenditures on property, plant & equipment		(64,374)	(9,465)
Disposal of property, plant & equipment		621	529
Expenditures on exploration and evaluation assets		(13,842)	(3,317)
Expenditure on decommissioning oil and gas assets	17	(437)	(648)
Tax credit for R&D expenditure	9	–	487
Net cash used in investing activities		**(78,563)**	(49,493)
FINANCING ACTIVITIES			
Proceeds on issue of ordinary shares, net of issue costs	19	–	38,125
Interest and other finance charges paid	8	(2,330)	(448)
Exercise of warrants and options		635	–
Employee tax on exercised share options		(6,432)	–
Lease payments	16	(74)	(30)
Dividends paid	19	(15,353)	(3,417)
Net cash (used in) / from financing activities		**(23,554)**	34,230
Effect of exchange rate changes on cash		2,250	(19)
Net Increase in cash and cash equivalents		**1,225**	9,157
Cash and cash equivalents, beginning of year		15,335	6,178
CASH AND CASH EQUIVALENTS, END OF YEAR		**16,560**	15,335

Included within cash and cash equivalents is £354 thousand of restricted cash, which relates to guarantees for product marketing. Non-current accounts payables reconciliation is show in note 15 and the debt reconciliation is shown in note 16.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS

1 General information

i3 Energy plc ("the Company") is a Public Company, limited by shares, registered in England and Wales under the Companies Act 2006 with registered number 10699593. The Company's ordinary shares are traded on the Toronto Stock Exchange and the AIM Market operated by the London Stock Exchange. The address of the Company's registered office is New Kings Court, Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG.

The Company and its subsidiaries (together, "the Group") principal activities consist of oil and gas production in Western Canadian Sedimentary Basin and of the appraisal of oil and gas assets on the UK Continental Shelf.

2 Basis of preparation

The financial statements of i3 Energy plc have been prepared in accordance with UK-adopted international accounting standards in accordance with the requirements of the Companies Act 2006 and in accordance with the requirements of the AIM rules.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The financial information is presented in Pounds Sterling (£, GBP), which is the Company's functional currency, and rounded to the nearest thousand unless otherwise stated. The functional currency of the Company's UK subsidiary, i3 Energy North Sea Limited, is GBP, and the functional currency of its Canadian subsidiary, i3 Energy Canada Limited, is CAD. A summary of period-average and period-end exchange rates is presented in the table below:

	Year ended 31 December 2022	Year ended 31 December 2021
Period-average GBP:CAD exchange rate	**1.6073**	1.7246
Period-end GBP:CAD exchange rate	**1.6283**	1.7166

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

Basis of Consolidation

The consolidated financial statements consolidate the audited financial statements of i3 Energy plc and the financial statements of its subsidiary undertakings made up to 31 December 2022.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. The use of this basis of accounting takes into consideration the Group's current and forecast financing position, additional details of which are provided in the going concern section of the Directors' Report.

3 Significant accounting policies

Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash held on current account or on short-term deposits at variable interest rates with original maturity periods of up to three months. Any interest earned is accrued monthly and classified as interest income within finance income.

Trade and other receivables

Trade and other receivables are initially recognised at fair value when related amounts are invoiced then carried at this amount less any impairment of these receivables using the expected credit loss model. A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Trade and other payables

These financial liabilities are all non-interest bearing and are initially recognised at the fair value of the consideration payable.

Loan Notes

These financial liabilities are all interest bearing and are initially recognised at amortised cost and include the transaction costs directly related to the issuance. The transaction costs are amortised using the effective interest rate method over the life of the Loan Notes.

Financial liabilities at Fair Value Through Profit or Loss ("FVTPL")

Financial liabilities at FVTPL comprise of the Group's risk management contracts and non-current accounts payable. Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

3 Significant accounting policies - continued

Risk management contracts

Financial risk management contracts are measured and recognised in accordance with the Group's accounting policy for financial liabilities at FVTPL as described above. Physical risk management contracts represent physical delivery sales contracts in the ordinary course of business and are therefore not recorded at fair value in the consolidated financial statements. Settlements on these physical risk management contracts are recognised within realised gains or losses on risk management contracts at the time of settlement.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Leases

Lease liabilities are initially measured at the present value of lease payments unpaid at the commencement date. Lease payments are discounted using the incremental borrowing rate (being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions) unless the rate implicit in the lease is available. The Group currently uses the rate implicit in the lease as the discount rate for all leases. For the purposes of measuring the lease liability, lease payments comprise fixed payments.

Right-of-use assets are measured at cost, which comprises the initial measurement of the lease liability, plus any lease payments made prior to lease commencement, initial direct costs incurred and the estimated cost of restoration or decommissioning, less any lease incentives received. The right-of-use assets is depreciated on a straight-line basis over their expected useful lives. Right-of-use assets are subject to an impairment test if events and circumstances indicate that the carrying value may exceed the recoverable amount.

Lease repayments made are allocated to capital repayment and interest so as to produce a constant periodic rate of interest on the remaining lease liability balance.

Right-of-use assets are presented within property, plant, and equipment. Lease liabilities are presented within borrowings and leases. In the cash flow statement, lease repayments (both the principal and interest portion) are presented within cash used in financing activities, except for payments for leases of short-term and low-value assets and variable lease payments, which are presented within cash flows from operating activities.

Leases of low-value items (such as office equipment) and short-term leases (where the lease term is 12 months or less) are expensed on a straight-line basis to the consolidated statement of comprehensive income.

Inventory

Inventories comprise oil and gas in tanks and field parts and supplies, all of which are stated at the lower of production cost (including royalties, depletion and amortisation of plant, property, and equipment), and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less marketing costs. The cost of inventory is expensed in the period in which the related revenue is recognised.

Equity

Equity instruments issued by the Company are usually recorded at the proceeds received, net of direct issue costs, and allocated between called up share capital and share premium accounts as appropriate.

Foreign currency

Transactions denominated in currencies other than functional currency are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the consolidated statement of comprehensive income. The functional currency of the Company is GBP, and the Group results and financial position are presented in GBP.

3 Significant accounting policies - continued

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (attributed to non-controlling interests as appropriate).

Taxation

Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate 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 tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax assets and liabilities are not discounted.

Intangible assets – Exploration and evaluation expenditures (E&E)

Development expenditure

Expenditure on the construction, installation, and completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including service, is capitalised initially within intangible fixed assets and when the well has formally commenced commercial production, then it is transferred to property, plant and equipment and is depreciated from the commencement of production as described in the accounting policy for property, plant and equipment.

Drilling costs and intangible licences

The Group applies the successful efforts method of accounting for oil and gas assets, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the consolidated statement of comprehensive income.

Expenditure incurred on the acquisition of a licence interest is initially capitalised within intangible assets on a field-by-field basis. Costs are held, unamortised, within Petroleum mineral leases until such time as the exploration phase of the field area is complete or commercial reserves have been discovered. The cost of the licence is subsequently transferred into property, plant and equipment and depreciated over its estimated useful economic life.

Exploration expenditure incurred in the process of determining exploration targets is capitalised initially within intangible assets as drilling costs. Drilling costs are initially capitalised on a well-by-well basis until the success or otherwise has been established. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercially viable. Drilling costs are subsequently transferred into 'Drilling expenditure' within property, plant and equipment and depreciated over their estimated useful economic life.

Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. This includes consideration of the IFRS 6 impairment indicators for any intangible exploration and evaluation expenditure capitalised as intangible assets. Examples of indicators of impairment include whether:

(a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed.

(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

(d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Any impairment identified is recorded in the consolidated statement of comprehensive income.

Property, plant and equipment

Oil and gas assets - cost

Oil and gas assets are accumulated generally on a cost generating unit (CGU) basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the intangible exploration and evaluation asset expenditures incurred in finding commercial reserves transferred from intangible exploration and evaluation assets. The cost of oil and gas properties also includes the cost of directly attributable overheads, borrowing costs capitalised and the cost of recognising provision for future restoration and decommissioning.

Oil and gas assets - depreciation and depletion

Oil properties, including certain related pipelines, are depreciated using a unit-of-production method. The cost of producing wells is amortised over proved plus probable reserves. Licence acquisition, common facilities and future decommissioning costs are amortised over total proved plus probable reserves. The unit-of-production rate for the depreciation of common facilities takes into account expenditures incurred to date, together with estimated future capital expenditure expected to be incurred relating to as yet undeveloped reserves expected to be processed through these common facilities.

Oil and gas assets - impairment

An impairment test is performed whenever events and circumstances arising during the development or production phase indicate that the carrying value of an oil and gas property may exceed its recoverable amount.

The carrying value is compared against the expected recoverable amount of the asset, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. The cash-generating unit applied for impairment test purposes is generally the field, except that a number of field interests may be grouped as a single cash-generating unit where the cash inflows of each field are interdependent.

Any impairment identified is charged to the statement of comprehensive income. Where conditions giving rise to impairment subsequently being reversed, the effect of the impairment charge is also reversed as a credit to the statement of comprehensive income, net of any depletion that would have been charged since the impairment.

Non-oil and gas assets

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all property, plant, and equipment to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight-line basis at the following annual rates:

- Office equipment – 20% or straight line over the life of the equipment, whichever is the lesser
- Field equipment – between 5% and 25%

All assets are subject to annual impairment reviews where indicators of impairment are present.

Property, plant, and equipment – disposals

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Decommissioning provision

Liabilities for decommissioning costs 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 to restore the site on which it is located, and when a reliable estimate of that liability can be made. Where an obligation exists for a new facility or item of plant, such as oil production or transportation facilities, this liability will be recognised on construction or installation. Similarly, where an obligation exists for a well, this liability is recognised when it is drilled. An obligation for decommissioning may also crystallise during the period of operation of a well, facility or item of plant through a change in legislation or through a decision to terminate operations; an obligation may also arise in cases where an asset has been sold but the subsequent owner is no longer able to fulfil its decommissioning obligations, for example due to bankruptcy. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The provision for the costs of decommissioning wells, production facilities and pipelines at the end of their economic lives is estimated using existing technology, at future prices, depending on the expected timing of the activity, and discounted using a risk-free rate.

An amount equivalent to the decommissioning provision is recognised as part of the corresponding intangible asset (in the case of an exploration or appraisal well) or property, plant, and equipment. The decommissioning portion of the property, plant and equipment is subsequently depreciated at the same rate as the rest of the asset. Other than the unwinding of discount on or utilisation of the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding asset where that asset is generating or is expected to generate future economic benefits. If government assistance is obtained to reduce the liability, the carrying value of the decommissioning provision and the corresponding E&E or PP&E asset are reduced by the estimated amount of the extinguished liability.

Joint operations

The majority of the Group's exploration and production activities are conducted jointly with others and, accordingly, these consolidated financial statements reflect only the Group's interest in such activities.

Revenue

Revenue from contracts with customers is recognised, net of royalties, when or as the Group satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control of oil, natural gas, natural gas liquids and petroleum, and other items usually coincides with title passing to the customer and the customer taking physical possession. The Group principally satisfies its performance obligations at a point in time; the amounts of revenue recognised relating to performance obligations satisfied over time are not significant.

3 Significant accounting policies - continued

When, or as, a performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.

Contracts for the sale of commodities are typically priced by reference to quoted prices. Revenue from term commodity contracts is recognised based on the contractual pricing provisions for each delivery. Certain of these contracts have pricing terms based on prices at a point in time after delivery has been made. Revenue from such contracts is initially recognised based on relevant prices at the time of delivery and subsequently adjusted as appropriate. All revenue from these contracts, both that recognised at the time of delivery and that from post-delivery price adjustments, is disclosed as revenue from contracts with customers.

Royalty income is recognised as it accrues in accordance with the terms of the overriding royalty agreements.

Processing income is recognised at the time the services are rendered.

Finance income

Finance income consists of bank interest on cash and cash equivalents which is recognised as accruing on a straight-line basis, over the period of the deposit.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. When non-employee share options or warrants are exercised, the initial fair value ascribed to the instruments and recorded as a reserve is reclassified to share premium.

Business combinations

Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirers previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired, and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirers previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Segmental reporting

In the opinion of the Board of Directors, being the Chief Operating Decision Maker, the Group has one class of business, being the exploration for, and the development and production of, oil and has reserves and other related activities. The Group's primary reporting format is determined to be the geographical segment according to the location of the oil and gas asset, currently Canada and UK / Corporate.

3 Significant accounting policies - continued

Changes in accounting standards

The standards which applied for the first time this year have been adopted and have not had a material impact.

Standards which are in issue but not yet effective:

At the date of authorisation of these financial statements, the following Standards and Interpretation, which have not yet been applied in these financial statements, were in issue but not yet effective. The Group does not anticipate they will have a material impact.

Standard Interpretation	Description	Effective date for annual accounting period beginning on or after
IAS 1	Amendments – Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
IAS 8	Amendments – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
IAS 12	Amendments – Income Tax – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 16	Amendments – Lease Liability in a Sale and Leaseback	TBC

The Group has not early adopted any of the above standards and intends to adopt them when they become effective.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements using accounting policies consistent with IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of income and expenses. The preparation of financial statements also requires the Directors to exercise judgement in the process of applying the accounting policies. Changes in estimates, assumptions and judgements can have a significant impact on the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised.

Critical Accounting Judgements

The following are 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 recognises in the financial statements.

Carrying value of intangible exploration and evaluation assets

At 31 December 2022, the Group held oil and gas E&E assets of £62.1 million (2021: £49.8 million), note 13. The carrying value of E&E assets are assessed for impairment when there is an indication that the asset may be impaired. In making this judgement the Management considers the indicators of impairment in the intangible exploration and evaluation asset accounting policies set out above. For its UK assets, management has considered the well result at the 13/23c-12 Serenity appraisal well to represent an indicator of impairment and has made an estimate of the asset's recoverable amount. Further discussion is provided in note 13.

For its Canada assets, management has considered the recency of the land purchases, budgeted spend, the plans to further appraise the Clearwater play and the fact that there is no observable data which would suggest that the carrying value of Clearwater play exceeds that of its value from successful development or sale, and have concluded that no indicators of impairment are present.

3 Significant accounting policies - continued

Carrying value of property, plant and equipment – oil and gas assets

At 31 December 2022, the Group held oil and gas PP&E assets of £236.5 million (2021: £224.1 million), note 12. These assets are subject to an annual impairment assessment under IAS 36 'Impairment of assets' whereby management is first required to consider if there are any indicators of impairment, and if so, management is then required to estimate the asset's recoverable amounts. The judgement over indicators of impairment considers several internal and external factors, including changes in estimated commercial reserves, changes in oil prices, and changes in expected future operating and capital expenditure, decommissioning expenditure, the NPV10 of 2P reserves per the 31 December 2022 independent competent person's report, and increases in cost of capital which may indicate a higher discount rate is likely required in assessing the asset's recoverable amount. There is also judgement in defining the Group's cash-generating units, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. After considering the above, Management has concluded that there were no indicators of impairment of oil and gas PP&E assets as at 31 December 2022.

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.

Estimated future cash flows for intangible exploration and evaluation assets for impairment testing

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount, which is the higher of its fair value less costs to sell and its value in use. As discussed in note 13, management considered the results of the 13/23c-12 Serenity appraisal well to represent an indicator of impairment and has made an estimate of the asset's recoverable amount based on value in use using a discounted cash flow model of a one well development of the Serenity field. A one well development is dependent on access to infrastructure at neighbouring fields which may not become available to the Group.

The discounted cash flow model required management to make assumptions about future production profiles, Brent pricing, capital, operating and abandonment costs, and the discount rate applied. The most difficult, subjective, or complex assumptions include the Brent pricing and the discount rate applied. The Brent pricing assumption ranges from $80-$95 over the life of a one well development of the Serenity field and is based on an average of price decks obtained from the Group's brokers, advisors, and the Group's reserves engineers. The discount rate of 10% is based on the risk profile of similar assets in the UKCS. Management has considered several downside scenarios on these assumptions. Decreasing the Brent pricing assumption by 5% or increasing the discount rate to 13% would not have resulted in an impairment individually but would have resulted in an impairment if aggregated. It is reasonably possible that changes to these assumptions within the next financial year could require a material adjustment to the Group's intangible exploration and evaluation assets.

Commercial hydrocarbon reserves estimates

Commercial hydrocarbon reserves are those that can be economically extracted from the Group's oil and gas assets. These estimates are based on information compiled by independent qualified persons, GLJ Ltd., as at 31 December 2022 and 31 December 2021 and consider a number of factors, including assumptions about future commodity prices, production rates, operating costs, exchange rates, and various geological and geophysical technical factors to model reservoir size, quality, and extractability. Reserve estimates may change from period to period. Changes to reserves estimates may have a material impact on the depletion charge for oil and gas PP&E assets, the decommissioning provision, the carrying value of deferred tax assets, and the Group's conclusions around indicators of impairment for oil and gas PP&E assets. The reserve reports are available at https://i3.energy/.

The Group estimates it commenced the year with 154.1 MMboe of proved plus probable reserves. A 2.0 MMboe increase/decrease to this estimate would have decreased/increased the oil and gas depletion charge for the period by £458 thousand, respectively.

Decommissioning costs

At 31 December 2022 the Group had recorded a decommissioning provision of £93.3 million (2021: £125.5 million). In estimating the amount of the provision, Management makes various assumptions around costs, time to abandonment and inflation rates, which are discounted at long term government bond rates, see note 17.

The most difficult, subjective, or complex assumptions include the inflation rate and the discount rate, which have been selected based on market rates published by the Bank of Canada. A 0.5% increase/decrease in the inflation rate would have increased/decreased the decommissioning provision by £12.4 million and £10.5 million, respectively. A 0.5% increase/decrease in the discount rate would have decreased/increased the decommissioning provision by £10.3 million and £12.3 million, respectively.

Recognition and measurement of deferred tax assets

At 31 December 2022, the Group held deferred tax liabilities of £11.7 million (2021: £7.5 million) which result from temporary differences at the Group's Canadian operations. This liability has been reduced by certain deferred tax assets from deductible temporary differences at the Group's Canadian operations. In accordance with IAS 12 'Income Taxes', deferred tax assets shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The Group has generated positive cash flows and profits from its Canadian operations in 2022 and expects to continue to do so in the future. Management has applied judgement in determining the extent to which it is probable that taxable profits will be available based on estimates of future profits, which include estimates of commercial reserves, oil, gas and NGL prices, operating and capital expenditure, and decommissioning expenditure. If future taxable profits differ from these estimates, the deferred tax asset associated with these deductible temporary differences could be derecognised and result in a deferred tax charge to the consolidated statement of comprehensive income.

4 (Loss) / gain on bargain purchase and asset dispositions

The gain on bargain purchase and asset dispositions as per the consolidated statement of comprehensive income is as follows:

	2022 **£'000**	2021 £'000
Gain on bargain purchase	–	24,262
(Loss) / gain on asset dispositions	(9)	751
(Loss) / gain on bargain purchase and asset dispositions	**(9)**	**25,013**

The loss in 2022 relates to purchase price adjustments on asset dispositions completed in the prior year.

5 Segmental reporting

The Chief Operating Decision Maker (CODM) is the Board of Directors. They consider that the Group operates as two segments, as follows:

- UK / Corporate - That of Corporate activities in the UK and oil and gas exploration, appraisal and development on the UKCS.
- Canada – That of oil and gas production in the WCSB.

Such components are identified on the basis of internal reports that the Board reviews regularly.

The following is an analysis of the Group's revenue and results by reportable segment in 2022:

5 Segmental reporting - continued

	UK / Corporate £'000	Canada £'000	Total £'000
Revenue	–	208,436	208,436
Production costs	–	(76,418)	(76,418)
Loss on risk management contracts	–	(18,990)	(18,990)
Depreciation and depletion	(4)	(34,335)	(34,339)
Gross (loss) / profit	**(4)**	**78,693**	**78,689**
Administrative expenses	(6,821)	(8,217)	(15,038)
Acquisition costs	–	–	-
(Loss) on bargain purchase and asset dispositions	–	(9)	(9)
Operating (loss) / profit	**(6,825)**	**70,467**	**63,642**
Finance costs	(5,179)	(2,686)	(7,865)
(Loss) / profit before tax	**(12,004)**	**67,781**	**55,777**
Tax (charge) / credit for the year	–	(13,826)	(13,826)
(Loss) / profit for the year	**(12,004)**	**53,955**	**41,951**

The following is an analysis of the Group's revenue and results by reportable segment in 2021:

	UK / Corporate £'000	Canada £'000	Total £'000
Revenue	–	86,763	86,763
Production costs	–	(37,945)	(37,945)
Loss on risk management contracts	–	(5,485)	(5,485)
Depreciation and depletion	(4)	(21,639)	(21,643)
Gross (loss) / profit	**(4)**	**21,694**	**21,690**
Administrative expenses	(7,059)	(6,035)	(13,094)
Acquisition costs	–	(256)	(256)
Gain on bargain purchase and asset dispositions	–	25,013	25,013
Operating (loss) / profit	**(7,063)**	**40,416**	**33,353**
Finance costs	(5,930)	(1,679)	(7,609)
(Loss) / profit before tax	**(12,993)**	**38,737**	**25,744**
Tax (charge) / credit for the year	487	(1,148)	(661)
(Loss) / profit for the year	**(12,506)**	**37,589**	**25,083**

The following is an analysis of the Group's assets and liabilities by reportable segment as at 31 December 2022 and the capital expenditure for the year then ended:

	UK / Corporate £'000	Canada £'000	Total £'000
Total assets	57,500	295,712	353,212
Total liabilities	(30,166)	(158,300)	(188,466)
Capital expenditure – E&E	5,650	6,677	12,327
Capital expenditure – PP&E	–	75,793	75,793

5 Segmental reporting - continued

The following is an analysis of the Group's assets and liabilities by reportable segment as at 31 December 2021 and the capital expenditure for the year then ended:

	UK / Corporate £'000	Canada £'000	Total £'000
Total assets	50,129	266,161	316,290
Total liabilities	(25,733)	(152,391)	(178,124)
Capital expenditure – E&E	1,010	–	1,010
Capital expenditure – PP&E	–	11,184	11,184

6 Revenue

All revenue is derived from contracts with customers and is comprised of the sale of oil and gas and processing income, net of royalties, as follows:

	2022 £'000	2021 £'000
Oil and condensate	113,003	40,829
Natural gas liquids	40,142	19,107
Natural gas	77,656	34,134
Royalty interest	4,890	1,951
Oil and gas sales	**235,691**	96,021
Royalties	(33,536)	(12,094)
Revenue from the sale of oil and gas	**202,155**	83,927
Processing income	5,995	2,605
Other operating income	286	231
Total revenue	**208,436**	86,763

All revenue is from the Group's Canadian operations. Revenue from the sale of oil and natural gas liquids is recognised at the point in time when title transfers to the purchaser. Processing income is recognised at the time the service is rendered.

During the year ended 31 December 2022, three (2021: four) customers individually totalled more than 10% of total revenues, totalling 81% (2021: 79%) in aggregate and 35%, 25%, and 21%, individually (2021: 25%, 20%, 19%, and 15%).

7 Administrative expenses

	2022 £'000	2021 £'000
Directors' fees	323	300
Employee costs*	9,982	8,503
Professional fees**	1,830	1,728
Other	2,285	2,448
Realised FX loss	505	269
Unrealised FX loss / (gain)	113	(154)
Total administrative expenses	**15,038**	13,094

7 Administrative expenses - continued

* Group staff costs comprised:

	2022 £'000	2021 £'000
Wages, salaries, and benefits	11,602	6,027
Social security costs	1,189	336
Other pension costs	304	254
Share-based payments expense – employees (including NEDs)	1,092	3,217
Total staff costs	14,187	9,834
Capitalised salaries and overhead recoveries	(4,205)	(1,331)
Charge to the profit or loss	**9,982**	8,503

i3 Energy plc had an average of two staff during the year ended 31 December 2022 (2021: Nil) and paid £1,050 thousand of wages, salaries and benefits and £137 thousand of social security costs (2021: Nil). The Non-Executive Directors of the Group are not considered staff, and their remuneration is disclosed in note 10.

The average number of persons employed by the Group, including Executive Directors, was:

Average number of persons employed	2022 Number	2021 Number
Operations	31	29
Corporate and administration	25	18
Total	**56**	**47**

** Included within professional fees are fees payable to the Company's auditor and its associates for the following:

	2022 £'000	2021 £'000
Audit services		
The audit of the Company's annual accounts	130	120
The audit of the Company's subsidiaries	–	–
Total audit fees	130	120
Advisory on certain employment matters	1	–
Procedures related to the Group's interim financial statements	3	–
Total	**134**	**120**

8 Finance costs

	2022 £'000	2021 £'000
Accretion of loan notes (note 16)	3,386	2,824
PIK interest expense on loan notes (note 16)	–	3,144
Cash interest expense on loan notes (note 16)	2,309	–
Stock-based compensation – warrants (note 20)	–	451
Unwinding of discount on decommissioning provision (note 17)	2,667	1,539
Bank charges and interest on creditors	21	374
(Gain) / loss on financial instrument at FVTPL (note 15)	(518)	(723)
Total finance costs	**7,865**	7,609

9 Taxation

Taxation credit

The below table reconciles the tax charge for the year to the profit before tax per the consolidated statement of comprehensive income.

	2022 £'000	2021 £'000 * Restated
Profit before income tax	55,777	25,744
Rate of Corporate Tax in Canada	23%	23%
Expected tax charge	12,829	5,921
Effects of:		
Interest and other not deductible for SCT or EPL	1,993	620
Permanent differences	1,213	(3,804)
Foreign tax rate difference	(5,041)	(2,208)
Change in estimated pool balances	22	179
Derecognition of deferred tax asset	2,810	440
R&D tax credit received	–	(487)
Total income tax charge	**13,826**	661

* Canada is the only jurisdiction where the Group produces oil and gas, generates taxable income, and records a current and deferred tax charge. As such, the Group elected to change the tax rate in reconciliation of the tax charge to 23% in 2022, the combined corporate rate of taxation in Canada. The comparative period has been restated on the same basis. The total income tax charge was unimpacted in both periods, with the only changes being to the 'Expected tax charge' and the 'Foreign tax rate difference' lines in the reconciliation above. The difference on foreign tax rate results from the difference between 65% overall tax rate in the UK and the 23% tax rate used in the reconciliation.

Of which:	2022 £'000	2021 £'000
Current tax charge / (credit)	10,002	(487)
Deferred tax charge	3,824	1,148
Total income tax charge	**13,826**	661

The current tax charge of £10,002 thousand in 2022 resulted from taxable income in the Group's Canadian subsidiary, i3 Energy Canada Limited, which is payable in the first half of 2023. The current tax credit of £487 thousand in 2021 resulted from the receipt of R&D tax refunds in the UK in respect of the 2019 fiscal year.

In 2022 the Energy Profits Levy (EPL) was introduced at a rate of 25% with effect from 26 May 2022. This, along with the Ring Fence Corporation Tax (RFCT) at 30% and the Supplementary Charge (SCT) of 10% brings the overall tax rate in the UK to 65%. The EPL increased to a rate of 35% effective 1 January 2023 which will bring the overall tax rate in the UK to 75%. The EPL will remain in effect until 31 March 2028. The Group will not be impacted by the increase until such time as taxable profits are generated in the UK. The combined corporate rate of taxation in Canada remained unchanged at 23%.

9 Taxation - continued

Deferred tax

The components of the net deferred tax asset and the movement during the year is summarised as follows:

	At 31 December 2021	Acquired during the year	Recognised in income	FX movement	At 31 December 2022
	£'000	£'000	£'000	£'000	£'000
UK:					
Deferred tax assets:					
Losses	28,711	–	8,809	–	37,520
Valuation allowance	(8,782)	–	(6,341)	–	(15,123)
Deferred tax liabilities:					
PP&E	(19,929)	–	(2,468)	–	(22,397)
Net deferred tax asset	–	–	–	–	–
Canada:					
Deferred tax assets:					
Decommissioning provision	28,870	–	(9,088)	1,684	21,466
Losses	2,416	–	(2,579)	163	–
Risk management contracts	25	–	(197)	4	(168)
Other	207	–	16	11	234
Valuation allowance	(5,639)	–	1,788	(329)	(4,180)
Deferred tax liabilities:					
PP&E	(33,365)	–	6,236	(1,890)	(29,019)
Net deferred tax liability	(7,486)	–	(3,824)	(357)	(11,667)
Net deferred tax asset / (liability)	**(7,486)**	**–**	**(3,824)**	**(357)**	**(11,667)**

A deferred tax asset has not been recognised in respect of tax losses and allowances in the UK due to uncertainty over the availability of future taxable profits in the UK to offset these losses against.

The Group recognised a net deferred tax liability through a deferred tax charge of £3,824 thousand for changes in net deductible temporary differences in the year and £357 thousand for FX movements during the year. The deferred tax liability has been partially offset by a deferred tax asset which has been recognised in Canada to the extent that the Group anticipates probable future taxable profits to against which the assets can be utilised.

9 Taxation - continued

The Group's estimated tax pools are summarised in the following table. The non-capital tax loss pools in Canada expire over a period of 20 years. All other tax pools do not expire.

	31 December 2022	31 December 2021
	£'000	£'000
UK:		
Taxable losses	38,927	29,325
Mineral extraction allowances	52,466	49,819
Total	**91,393**	79,144
Canada:		
Canadian exploration expense (CEE, deductible at 100% p.a.)	1,623	3,107
Canadian development expense (CDE, deductible at 30% p.a.)	37,870	7,519
Canadian oil and gas property expense (COGPE, deductible at 10% p.a.)	58,478	56,391
Undepreciated capital cost (UCC, deductible at 25% p.a.)	18,867	11,991
Non-capital losses (NCL, deductible at 100% p.a.)	–	10,503
Other (deductible at various rates p.a.)	1,019	833
Total	**117,857**	90,344

10 Directors' remuneration

	Salary / Fees	Bonus	Share based payments	Total
	£'000	£'000	£'000	£'000
2022				
Executive Directors				
Majid Shafiq	487	833	3,507	4,827
Graham Heath	702	668	2,596	3,966
Ryan Heath	295	535	2,511	3,341
Non-Executive Directors				
Neill Carson	68	–	227	295
Richard Ames	68	–	227	295
Linda Beal	106	–	117	223
John Festival	81	–	223	304
Total	**1,807**	**2,036**	**9,408**	**13,251**

2021	Salary / Fees	Bonus	Share based payments	Total
Executive Directors				
Majid Shafiq	384	438	252	1,074
Graham Heath	319	358	156	833
Non-Executive Directors				
Neill Carson	60	–	51	111
Richard Ames	60	–	51	111
Linda Beal	120	–	45	165
John Festival	60	–	13	73
Total	1,003	796	568	2,367

10 Directors' remuneration- continued

Share based payments represent the difference between the exercise price and the market value of i3 shares on the date of exercise, multiplied by the number of options exercised.

Included in Graham Heath Salary / Fees is a one-time compensation for loss of office payment of £417 thousand.

During the year the Company contributed £2 thousand to i3's CEO's pension scheme (2021 - £2 thousand).

11 Earnings per share

From continuing operations

Basic earnings or loss per share is calculated as profit/(loss) for the year, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings or loss per share amounts are calculated by dividing losses or profits for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of shares that would be issued on the conversion of dilutive potential ordinary shares into ordinary shares.

The calculation of the basic and diluted earnings per share is based on the following data:

	Year Ended 31 December 2022	Year Ended 31 December 2021
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to owners of i3 Energy (£'000)	41,951	25,083
Weighted average number of shares		
Weighted average number of Ordinary Shares – basic	1,164,210,976	883,664,352
Effect of dilutive potential ordinary shares:		
Share options	51,089,073	49,369,708
Warrants	9,048,113	32,758,752
Weighted average number of Ordinary Shares – diluted	1,224,348,162	965,792,812
Basic earnings per share (pence)	**3.60**	2.84
Diluted earnings per share (pence)	**3.43**	2.60

In 2021, prior to the BHGE warrant repricing on 17 May 2021, these instruments were anti-dilutive as their exercise price exceed the average market price of the Ordinary Shares over this period. Concurrent with their repricing the BHGE warrants were immediately exercised for ordinary shares. The BHGE shares were therefore included in the basic weighted average number of Ordinary Shares from 17 May 2021 but were not further included in the effect of dilutive potential ordinary shares.

12 Property, plant, and equipment

	Oil and gas assets	**Right of use assets**	**Other fixed assets**	**Total**
Cost				
As at 1 January 2021	113,193	108	22	113,323
Acquisitions	122,762	–	–	122,762
Additions	11,184	–	50	11,234
Disposals	(8,242)	–	–	(8,242)
Changes to decommissioning estimates (note 17)	7,603	–	–	7,603
Decommissioning settlements under SRP and ASCP (note 17)	(324)	–	–	(324)
Exchange movement	3,857	1	–	3,858
As at 31 December 2021	250,033	109	72	250,214
Acquisitions	1,653	–	–	1,653
Additions	75,793	–	21	75,814
Disposals	(1,386)	(28)	–	(1,414)
Changes to decommissioning estimates (note 17)	(40,233)	–	–	(40,233)
Decommissioning settlements under SRP and ASCP (note 17)	(731)	–	–	(731)
Transfer between asset classes	–	(88)	88	–
Exchange movement	12,585	7	3	12,595
As at 31 December 2022	**297,714**	**–**	**184**	**297,898**
Accumulated depreciation and depletion				
As at 1 January 2021	(4,789)	(6)	(19)	(4,814)
Charge for the year	(21,611)	(27)	(5)	(21,643)
Disposals	481	–	–	481
Exchange movement	(158)	–	–	(158)
As at 31 December 2021	(26,077)	(33)	(24)	(26,134)
Charge for the year	(34,301)	(17)	(21)	(34,339)
Disposals	–	12	–	12
Transfer between asset classes	–	42	(42)	–
Exchange movement	(968)	(4)	–	(972)
As at 31 December 2022	**(61,346)**	**–**	**(87)**	**(61,433)**
Carrying amount at 31 December 2021	223,956	76	48	224,080
Carrying amount at 31 December 2022	**236,368**	**–**	**97**	**236,465**

13 Exploration and evaluation assets (Intangible)

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
At start of year	49,819	48,809
Additions	12,327	1,010
Exchange movement	(86)	–
At end of year	**62,060**	49,819

Included within E&E assets is the Group's UK P.2358 Licence, which commenced its four-year second term on 30 September 2020 and contains the Serenity discovery and the Liberator West and Minor High prospective areas.

In March 2022 the Group announced it had agreed farm-in terms with Europa Oil & Gas Limited ("Europa") for a 25% working interest ("WI") in Block 13/23c North (Licence P.2358) which contains the Serenity discovery. Under the terms of the farmout, Europa will fund 46.25% of the cost of the upcoming Serenity appraisal well up to a gross capped well cost of £15 million. Any well costs exceeding £15 million will be funded by the companies in proportion to their respective working interests. The Farm-In Agreement ("FIA") was signed in April 2022 and following the fulfilment of all conditions precedent in the FIA, the transaction closed in August 2022. Following this farm-out, i3 retains a 75% WI in Block 13/23c North (Licence P.2358) and a 100% WI in Block 13/23c South (Licence P.2358), which contains the Minos High Prospect and Liberator discovery.

In September 2022, the 13/23c-12 Serenity appraisal well was spud and drilled to a total vertical depth of 5,630 ft below sea level. The targeted Lower Cretaceous Captain sand, which contained hydrocarbons in the 13/23c-10 well discovered in October 2019, was not present at this location. Over 100 ft of other Captain sands in various sequences were found but were water wet. The well was plugged and abandoned. Management considers the well result to represent an indicator of impairment and has made an estimate of the asset's recoverable amount based of management's best estimate of value in use using a discounted cash flow model of a one well development of the Serenity field. The estimated recoverable amount exceeded the carrying amount of the Group's UK E&E assets as at 31 December 2022, and accordingly no impairment was recognised. Further discussion is provided in note 2.

Also included within E&E assets are costs associated with land purchases and a preliminary appraisal well in the Clearwater play in Canada.

14 Trade and other receivables

	31 December 2022 £'000	31 December 2021 £'000
Trade and accrued receivables	26,770	21,982
Joint venture receivables	5,563	1,483
Prepayments & other receivables	2,510	2,038
Total trade and other receivables	**34,843**	25,503

Trade and accrued receivables are all due within one year.

Joint venture receivables represent amounts due from operating partners for operating and capital activity in Canada and the UK.

The fair value of trade and other receivables is the same as their carrying values as stated above and they do not contain any impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

15 Trade and other payables

	31 December 2022 £'000	31 December 2021 £'000
Trade creditors	15,383	5,169
Sales tax payable	378	65
Accruals	26,909	13,565
Dividends payable	2,040	–
Joint venture payables	1,263	910
Income taxes payable	9,873	–
Total trade and other payables	**55,846**	19,709

The average credit period taken for trade purchases is 60 days. No interest is charged on the trade payables. The carrying values of trade and other payables are considered to be a reasonable approximation of the fair value and are considered by the Directors as payable within one year.

Joint venture payables represent amounts due to operating partners for operating and capital activity in Canada.

Non-current accounts payable

On 2 July 2019 the Group agreed with Baker Hughes, a GE Company, and GE Oil & Gas Limited (collectively referred to as "BHGE" hereafter) that £3,000 thousand of oilfield service and oilfield equipment contract payments will not become payable until such time as i3 has received its first sales revenues from Liberator Phase I. This payable was previously recorded as a non-current accounts payable.

On 17 May 2021, i3 announced that it had successfully restructured legacy contracts and agreements for equipment, oil field services, and warrants with BHGE. In summary, the remainder of a £5.8 million contract for subsea trees and wellheads was cancelled, 5,277,045 warrants had an exercise price reduction to £0.0001 per share (the "Warrant Shares"), and an outstanding contingent payment for £3.0 million ("Deferred Payment Invoice Balance", or "DPIB") in oil field services and equipment that becomes payable at such time as the Group receives consideration from any sale or farm-down of its Serenity or Liberator assets will be reduced by the exercise value of the Warrant Shares, the market value of the Warrant Shares from time to time, all dividends received by BHGE associated with the Warrant Shares, and certain payments to be made to BHGE. The purpose of this restructuring was to enable i3 to become a dividend payer, as certain conditions of the abovementioned contracts prevented it from reducing its share premium account – a required step in order for i3 to effect dividend distributions to its shareholders. The incremental fair value of the modified warrants was expensed in 2021 (note 8).

In Q4 2022, the Group received consideration from the Serenity farm-in in excess of the DPIB amount and the repayment was triggered. The repayment amount of £1,270 thousand was calculated as the £3.0 million payable amount, less the exercise value of the Warrant Shares of £1 thousand, less cash payments of £487 thousand made in 2021 against the DPIB balance, less the Market Value of the Warrant Shares of £1,161 thousand, which totals the 5,277,045 Warrant Shares as at the repayment date share price of 22.00p/share, less £81 thousand of dividends paid on the Warrant Shares. The repayment amount was settled in cash in 2022 and the liability was extinguished. The increase in i3's share price from 13.35p/share from 31 December 2021 to 22.00p/share at the repayment date resulted in a non-cash gain in the value of the Warrant Share which has been recorded in the consolidated statement of comprehensive income within Finance Costs.

15 Trade and other payables- continued

A reconciliation of the balance is as follows:

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
At start of year	1,789	3,000
Exercise value of the Warrant Shares	(1)	(1)
Cash payments made during the year	(1,270)	(487)
Non-cash change in market value of the Warrant Shares (note 8)	(518)	(723)
At end of year	**–**	1,789

	31 December 2022 £'000	31 December 2021 £'000
Of which:		
Current, within trade accounts payable	–	1,232
Non-current	–	557
Total	**–**	1,789

16 Borrowings

H1-2019 loan note facility

In May 2019, the Company completed a £22 million H1-2019 loan note facility ("H1-2019 LN"). The H1-2019 LNs have a term of 4 years, maturing on 31 May 2023 and bearing interest, payable on a quarterly basis at the Group's option (i) in cash at a rate of 8% per annum, or (ii) in kind at a rate of 11% per annum by the issuance of additional H1-2019 LNs. The Group elected to pay all interest in kind prior to 2022, and in cash for all four quarters in 2022.

The noteholders were granted warrants ("H1-2019 LN Warrants") in the notional amount of £1 for each £1 of loan notes issued, with H1-2019 Warrants being issued proportionately across three series. The H1-2019 LN Warrants vested on the issue date and expire 4 years thereafter and can be exercised through either/or a combination of a cash payment and/or surrender of H1-2019 LNs plus accrued interest equal to the aggregate notional amount of the H1-2019 LN Warrants being exercised. Each H1-2019 LN Warrant gives the holder the right to convert the notional amount into such number of shares as is derived by dividing the notional amount by the exercise price. The following table outlines the terms of the warrants as at their issuance date.

	Notional amount of warrants (£)	Exercise price upon issuance (£/share)	Shares to be issued upon exercise of warrants	Share price at issuance (£)	Time to maturity (years)	Value (£/share)
Tranche 1	7,333,333	0.4070	18,018,018	0.39	4	0.2557
Tranche 2	7,333,333	0.4810	15,246,015	0.39	4	0.2435
Tranche 3	7,333,333	0.5550	13,213,213	0.39	4	0.2313

Total fair value of the Tranche 1, Tranche 2 and Tranche 3 warrants on issuance was £11,375 thousand and was bifurcated from the debt contract and classified as equity. The H1-2019 LNs are comprised of the following components: the debt contract, the conversion feature, the interest rate payment option and the early conversion feature (at the Group's option). At inception the debt component was recorded at an estimated fair value of £10,625 thousand. The debt balance is unwound using the effective interest rate method to the principal value at maturity with a corresponding non-cash accretion charge to earnings.

16 Borrowings – continued

Interest expense and accretion expense to 31 December 2022 was £2,309 thousand and £3,386 thousand respectively.

Borrowings reconciliation

	H1-2019 LN £'000	Leases £'000	Total £'000
At 31 December 2020	17,887	99	17,986
Increase through interest (non-cash)	3,144	2	3,146
Accretion expense (non-cash)	2,824	–	2,824
Lease payments (cash)	–	(30)	(30)
Exchange movement (non-cash)	–	(2)	(2)
At 31 December 2021	23,855	69	23,924
Increase through interest (non-cash)	2,309	1	2,310
Accretion expense (non-cash)	3,386	–	3,386
Lease and interest payments (cash)	(2,309)	(74)	(2,383)
Exchange movement (non-cash)	–	4	4
At 31 December 2022	**27,241**	**–**	**27,241**

The classification as at 31 December 2022 is as follows:

	H1-2019 LN £'000	Leases £'000	Total £'000
Of which:			
Current	27,241	–	27,241
Non-current	–	–	–
At 31 December 2022	**27,241**	–	**27,241**

The classification as at 31 December 2021 is as follows:

	H1-2019 LN £'000	Leases £'000	Total £'000
Of which:			
Current	–	69	69
Non-current	23,855	–	23,855
At 31 December 2021	23,855	–	23,924

17 Decommissioning provision

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
At start of year	125,523	66,783
Liabilities assumed through acquisitions	348	56,350
Liabilities incurred	1,369	312
Liabilities disposed	(213)	(7,984)
Liabilities settled	(2,190)	(670)
Liabilities settled under SRP and ASCP	(731)	(324)
Change in estimates	(40,233)	7,603
Unwinding of discount (Note 8)	2,667	1,539
Exchange movement	6,791	1,914
At end of year	**93,331**	125,523

	31 December 2022 £'000	31 December 2021 £'000
Of which:		
Current	3,190	2,368
Non-current	90,141	123,155
Total	**93,331**	125,523

A summary of the key estimates and assumptions are as follows:

	31 December 2022	31 December 2021
Undiscounted / uninflated cash flows (CAD, thousands)	206,613	207,371
Inflation rate	2.09%	1.82%
Discount rate	3.28%	1.68%
Timing of cash flows	1-50 years	1-50 years

Liabilities settled reflect work undertaken in the period. This includes wells decommissioned under Alberta's Site Rehabilitation Program ("SRP") and Saskatchewan's Accelerated Site Closure Program ("ASCP") whereby certain costs of settling the Group's liabilities were borne by the Government of Canada. Where liabilities were settled through the SRP and ASCP a corresponding decrease to the decommissioning asset was recorded. The change in estimate for the year ended 31 December 2022 was primarily driven by changes in market interest and inflation rates as published by the Bank of Canada. The inflation and discount rates have been pinpointed as a key source of estimation uncertainty and are further discussed in note 2.

18 Risk management contracts

The Group enters risk management contracts to hedge a portion of the Group's exposure to fluctuations in prevailing commodity prices for oil, gas, and natural gas liquids. The Group's physical commodity contracts represent physical delivery sales contracts in the ordinary course of business and are therefore not recorded at fair value in the consolidated financial statements. The Group's financial risk management contracts have not been designated as hedging instruments in a hedge relationship under IFRS 9 and are carried at fair value through profit and loss. The financial risk management contracts are classified as Level 2 in the fair value hierarchy as defined by IFRS 13 'Fair value measurements' (note 22).

The principal terms of the risk management contracts held as at 31 December 2022 are presented in the table below.

Type	Effective date	Termination date	Total Volume	Avg. Price
AECO 5A Financial Swaps	1 Nov 2022	31 Mar 2023	10,000 GJ/Day	CAD 4.1500 / GJ
AECO 5A Physical Swaps	1 Nov 2022	31 Mar 2023	5,000 GJ/Day	CAD 4.3800 / GJ
AECO 5A Physical Swaps	1 Jan 2023	31 Jan 2023	2,500 GJ/Day	CAD 5.1500 / GJ
AECO 5A Financial Swaps	1 Jan 2023	31 Mar 2023	5,000 GJ/Day	CAD 4.3800 / GJ
AECO 5A Physical Swaps	1 Jan 2023	31 Mar 2023	5,000 GJ/Day	CAD 4.7500 / GJ
AECO 5A Physical Swaps	1 Feb 2023	28 Feb 2023	2,500 GJ/Day	CAD 5.1300 / GJ
AECO 7A Physical Collar	1 Jan 2023	31 Mar 2023	2,500 GJ/Day	CAD 6.0000-9.4000 / GJ
AECO 7A Financial Collar	1 Jan 2023	31 Mar 2023	5,000 GJ/Day	CAD 6.5000-9.3300 / GJ
AECO 7A Financial Collar	1 Jan 2023	31 Mar 2023	5,000 GJ/Day	CAD 5.0000-11.2000 / GJ
WTI Physical Swaps	1 Jan 2023	31 Jan 2023	250 bbl/Day	CAD 100.00 / bbl
WTI Financial Swaps	1 Jan 2023	31 Mar 2023	250 bbl/Day	CAD 106.00 / bbl
WTI Physical Swaps	1 Feb 2023	28 Feb 2023	250 bbl/Day	CAD 100.00 / bbl
WTI Physical Swaps	1 Mar 2023	31 Mar 2023	250 bbl/Day	CAD 109.53 / bbl
WTI Physical Swaps	1 Jan 2023	30 Jun 2023	150 bbl/Day	CAD 114.20 / bbl
WTI Physical Collar	1 Jan 2023	30 Jun 2023	150 bbl/Day	CAD 100.00-129.50 / bbl
WTI Physical Collar	1 Jan 2023	30 Jun 2023	250 bbl/Day	CAD 100.00-129.00 / bbl
WTI Physical Collar	1 Apr 2023	30 Jun 2023	250 bbl/Day	CAD 100.00-131.25 / bbl
WTI Financial Collar	1 Apr 2023	30 Jun 2023	250 bbl/Day	CAD 100.00-132.25 / bbl
WTI Financial Collar	1 Jan 2023	31 Mar 2023	300 bbl/Day	CAD 100.00-120.00 / bbl
WTI Financial Collar	1 Jan 2023	31 Mar 2023	200 bbl/Day	CAD 100.00-121.50 / bbl
WTI Financial Collar	1 Jan 2023	31 Mar 2023	300 bbl/Day	CAD 100.00-125.25 / bbl
WTI Financial Collar	1 Jan 2023	31 Mar 2023	300 bbl/Day	CAD 100.00-121.40 / bbl
WTI Physical Collar	1 Jan 2023	31 Mar 2023	300 bbl/Day	CAD 100.00-126.75 / bbl
WTI Financial Collar	1 Apr 2023	30 Apr 2023	300 bbl/Day	CAD 100.00-120.75 / bbl
WTI Financial Collar	1 Apr 2023	30 Jun 2023	250 bbl/Day	CAD 100.00-118.20 / bbl
WTI Purchased Put Option	1 Apr 2023	30 Jun 2023	1,000 bbl/Day	CAD 100.00 / bbl
WTI Financial Swaps	1 Apr 2023	30 Jun 2023	250 bbl/Day	CAD 112.00 / bbl
Conway Financial Collar	1 Jan 2023	31 Mar 2023	250 bbl/Day	USD 1.0000-1.2500 / gal
Conway Financial Collar	1 Jan 2023	31 Mar 2023	250 bbl/Day	USD 1.0000-1.2100 / gal

18 Risk management contracts - continued

The Group's losses on risk management contracts arose due to commodity price increases in 2021 and 2022 which resulted in the Group settling its hedge positions at lower prices than could have otherwise been achieved at prevailing market prices. These losses are presented in the following table.

	2022	2021
	£'000	£'000
Unrealised (gain) / loss on risk management contracts	(858)	111
Realised loss on risk management contracts	19,848	5,374
Total	**18,990**	5,485

The carrying value of the Group's risk management contracts are present in the following table.

	31 December 2022	31 December 2021
	£'000	£'000
Current asset	1,111	814
Current liability	(381)	(925)
Net current asset / (liability)	**730**	(111)

19 Authorised, issued and called-up share capital

	Issuance date	Ordinary shares	Deferred shares	Nominal value per Share	Ordinary shares	Deferred shares	Share premium before share issuance costs	Share issuance costs	Share premium after Share issuance costs
		Shares	Shares	£	£'000	£'000	£'000	£'000	£'000
At 31 December 2020		700,054,815	**5,000**	–	**70**	**50**	**64,804**	**(3,199)**	**61,605**
Issued on exercise of 0.01 pence H1-2019 warrants	Various	40,140,172	–	0.0001	4	–	7,669	–	7,669
Issued on exercise of 0.01 pence options	Various	15,303,960	–	0.0001	2		–	–	–
Issued on exercise of 5 pence options	Various	1,700,000	–	0.0001	–	–	85	–	85
Issued on exercise of 0.01 pence BHGE warrants	4 Jun 21	5,277,045	–	0.0001	1	–	903	–	903
Capital reduction *	6 Jul 21	–	–	–	–	–	(67,255)	3,199	(64,056)
Issued at 11 pence/share	27 Jul 21	363,700,000	–	0.0001	36	–	39,970	(2,000)	37,970
Issued on exercise of 11 pence EMI options	1 Oct 21	250,000	–	0.0001	–	–	27	–	27
At 31 December 2021		1,126,425,992	5,000	–	113	50	46,203	(2,000)	44,203
Issued on exercise of 5 pence options	6 Jun 22	40,860,277	–	0.0001	4	–	2,038	–	2,038
Issued on exercise of 6.1 pence options	6 Jun 22	7,994,653	–	0.0001	1	–	487	–	487
Issued on exercise of 11 pence options	6 Jun 22	17,450,451	–	0.0001	1	–	1,918	–	1,918
At 31 December 2022		**1,192,731,373**	**5,000**	**–**	**119**	**50**	**50,646**	**(2,000)**	**48,646**

* On 6 July 2021 the Registrar of Companies registered the cancellation of i3's share premium account. The £64.1 million balance of the Group's share premium net of share issuance costs was accordingly transferred to retained earnings. This created distributable reserves and enabled the Company to become dividend paying.

The ordinary shares confer the right to vote at general meetings of the Company, to a repayment of capital in the event of liquidation or winding up and certain other rights as set out in the Company's articles of association.

19 Authorised, issued, and called-up share capital - continued

The deferred shares do not confer any voting rights at general meetings of the Company and do confer a right to a repayment of capital in the event of liquidation or winding up, they do not confer any dividend rights or any of redemption.

On 6 June 2022, 66,305,381 ordinary shares were admitted to trading following the exercise of employee share options. Further details are provided in note 20.

£17.4. million of dividends were declared in 2022 as follows:

Declaration date	Ex-Dividend date	Record date	Payment date	Dividend per share	Total Dividend
				(pence)	£'000
9 February 2022	17 February 2022	18 February 2022	11 March 2022	0.1050	1,183
9 March 2022	17 March 2022	18 March 2022	8 April 2022	0.1050	1,183
6 April 2022	14 April 2022	19 April 2022	6 May 2022	0.1050	1,183
11 May 2022	19 May 2022	20 May 2022	10 June 2022	0.1425	1,604
8 June 2022	16 June 2022	17 June 2022	8 July 2022	0.1425	1,700
6 July 2022	14 July 2022	15 July 2022	5 August 2022	0.1425	1,700
3 August 2022	11 August 2022	12 August 2022	2 September 2022	0.1425	1,700
7 September 2022	14 September 2022	15 September 2022	7 October 2022	0.1425	1,700
5 October 2022	13 October 2022	14 October 2022	4 November 2022	0.1425	1,700
2 November 2022	10 November 2022	11 November 2022	2 December 2022	0.1425	1,700
22 December 2022	5 January 2023	6 January 2023	27 January 2023	0.1710	2,040
Total					**17,393**

£3.4 million of dividends were declared in 2021 as follows:

Declaration date	Ex-Dividend date	Record date	Payment date	Dividend per share	Total Dividend
				(pence)	£'000
8 July 2021	15 July 2021	16 July 2021	6 August 2021	0.16	**1,163**
27 September 2021	7 October 2021	8 October 2021	29 October 2021	0.20	**2,254**
Total					**3,417**

20 Share-based payments

During the year the Group had share based payment expense of £1,092 thousand (2021: £3,668 thousand).

Employee and NED share options

During the year the Group had share based payment expense relating to the issuance of share options of £1,092 thousand (2021: £3,217 thousand). Details on the employee and NED share options outstanding during the period are as follows:

	Number of options	Weighted average exercise price (pence)	Weighted average contractual life
At 31 December 2020	16,157,614	0.01	3.85
Issued – 10 January 2021	13,166,358	6.10	10.00
Issued – 10 January 2021	75,184,252	5.00	10.00
Issued – 30 July 2021	57,121,402	11.00	10.00
Issued – 16 December 2021	1,625,000	11.00	10.00
Exercised during the year	(17,003,960)	0.51	3.98
Forfeited during the year	(2,290,291)	7.62	9.75
At 31 December 2021	143,960,375	7.48	9.22
5p options exercised during the period	(67,006,794)	5.00	8.54
6.1p options exercised during the period	(12,454,359)	6.10	8.54
11p options exercised during the period	(35,085,877)	11.00	9.09
Granted during the period	2,700,000	24.10	10.00
Forfeited during the period	(708,390)	11.00	8.84
At 31 December 2022	**31,404,955**	**10.72**	**7.93**

In May 2022, i3 employees and directors elected to exercise options over an aggregate 114,547,030 ordinary shares of i3 Energy plc. The Company primarily settled in ordinary shares only the post-tax in-the-money value of the options (based on c28 pence per share), which resulted in the issuance of 66,305,381 ordinary shares which were admitted to trading on 6 June 2022. £635 thousand in proceeds was collected from employees who elected not to settle their strike price through a reduction in ordinary shares received. £6,324 thousand in employment tax was settled by the Company with the relevant taxation authorities on behalf of the employees which has been recorded within equity as a deduction from retained earnings. £6 thousand was recorded as an increase to the ordinary shares account, which represents the number of ordinary shares issued multiplied by their nominal value of £0.001 per share. £4,443 thousand was recorded as an increase to the share premium account, which represents the number of ordinary shares issued multiplied by the excess in the respective strike prices over the nominal value of the shares. £3,883 thousand has been recorded as a decrease to the share-based payment reserve, which represents the strike price settled through surrendered shares.

Throughout 2022, the Company issued options over a total of 2,700,000 ordinary to new employees of i3 Canada. The options were issued in accordance with the rules of the Company's Employee Share Option Plan at exercise prices equal to the market price of i3 shares at the date of the grants, which ranged from 21.55 pence to 29.40 pence per share. One-third of the options will vest on each of the 12-month, 24-month, and 36-month anniversaries of the employment start dates. The fair values were calculated using the Black Scholes model with inputs for stock price and exercise price ranging from 21.55 pence to 29.40 pence per share, time to maturity of 10 years, volatility ranging from 100% to 104%, the Risk-Free Interest rate ranging from 1.90% to 3.15%, and a dividend yield ranging from 6% to 8%. The resulting fair value of £278 thousand will be expensed over the expected vesting period.

On 10 January 2021, the Company issued options over a total of 75,184,252 ordinary shares as described in the Gain-related Readmission document released on 11 August 2020. The options were issued in accordance with the rules of the Company's Employee Share Option Plan at an exercise price of 5.00 pence per share. Of the options issued to employees of i3 Canada. One-third of the options vested immediately, with a further one-third vesting in

July 2021 if production exits at or above 9,000 boepd, and 100 per cent will vest if there is an addition of 5,000 boepd or, alternatively, 25 MMboe 2P reserves. Of the options issued to employees of i3 North Sea Limited, one-third of the options vested immediately, with a further one-third vesting at the spud of the next Serenity / Liberator appraisal well, and 100 per cent will vest upon a third-party reserve auditor attributing 25 MMbbls 2P post drilling of a Serenity / Liberator appraisal well. The options will otherwise fully vest on the third anniversary. Of the options issued to the Executive and Non-Executive Directors and one corporate employee, one-third of the options vested immediately, with a further one-third vesting upon the earlier of spud of the next Serenity or Liberator appraisal well; and July 2021 production exits being at or above 9,000 boepd, and 100% will vest upon the earlier of a third-party reserve auditor attributing 25 MMbbls 2P post drilling of a Serenity or Liberator appraisal well and the addition of 5,000 boepd or 25 MMboe 2P reserves. The fair value was calculated using the Black Scholes model with inputs for stock price of 6.10 pence, exercise price of 5.00 pence, time to maturity of 10 years, volatility of 114%, the Risk-Free Interest rate of 0.360%, and a dividend yield of 11%. The resulting fair value of £1,384 thousand will be expensed over the expected vesting period.

On 10 January 2021, the Company also issued options over a total of 13,166,358 ordinary shares to key staff that joined its Canadian subsidiary, i3 Energy Canada Ltd., following the acquisition of Gain's oil & gas assets. The options were issued in accordance with the rules of the Company's Employee Share Option Plan at an exercise price of 6.10 pence per share, the closing price on 8 January 2021. The fair value was calculated using the Black Scholes model with inputs for share price of 6.10 pence, exercise price of 6.10 pence, time to maturity of 10 years, volatility of 114%, the Risk-Free Interest rate of 0.360%, and a dividend yield of 11%. The options contain the same vesting conditions as the 5.00 pence options for employees of i3 Canada as described in the paragraph above. The resulting fair value of £240 thousand will be expensed over the expected vesting period.

On 30 July 2021, the Company issued options over a total of 53,705,491 ordinary shares to i3 staff and board and has additionally issued 1,750,000 options to incoming staff and conditionally allocated 3,750,000 for additional hires as part of the Acquisition. A total of 57,121,402 options were ultimately issued. The options were issued in accordance with the rules of the Company's Employee Share Option Plan at an exercise price of 11.00 pence per share. Of the options issued to employees of i3 Canada, one-third of the options vested immediately, with a further one-third vesting if production of 20,000 boepd is achieved prior to July 2022 (substantially funded from internally generated cash flow); and 100 per cent will vest upon the addition of 9,250 boepd or 50 MMboe 2P reserves. Of the options issued to employees of i3 North Sea Limited, one-third of the options vested immediately, with a further one-third vesting at spud of the earlier of a second appraisal well or first development well at either Serenity or Liberator, and 100 per cent will vest upon the addition of 2,500 boepd of European production. Of the options issued to the Executive and Non-Executive Directors and one corporate employee, one-third of the options vested immediately, with a further one-third vesting (i) at spud of the earlier of a second appraisal well or first development well at either Serenity or Liberator; or (ii) if production of 20,000 boepd is achieved prior to July 2022 (substantially funded from internally generated cash flow), whichever is first to occur, and 100 per cent will vest upon (i) the addition of 2,500 boepd of European production; or (ii) the addition of 9,250 boepd or 50 MMboe 2P reserves, whichever is first to occur. The fair value was calculated using the Black Scholes model with inputs for stock price of 10.95 pence, exercise price of 11.00 pence, time to maturity of 10 years, volatility of 110%, the Risk-Free Interest rate of 0.647%, and a dividend yield of 6%. The resulting fair value of £3,202 thousand will be expensed over the expected vesting period.

On 16 December 2021, the Company issued options over a total of 1,625,000 to new employees of i3 Canada. The vesting conditions mirror those of the 30 July 2021 grant described above, except for the first one-third of options vesting on the 6-month employment anniversary rather than immediately.

In addition, to incentivise the UK and Canadian offices of the Enlarged Group to work as one team and assist each other as required going forward, if one of the offices satisfies one of the early vesting criteria for the options described above then the equivalent vesting criteria for the other office shall be deemed 20 per cent satisfied (and a further 6.67%. of the options held by employees in the other office would vest immediately).

All options issued on 10 January 2021, 30 July 2021, and 16 December 2021 will otherwise fully vest on the third anniversary of their grant dates.

3,579,348 outstanding employee share options as at 31 December 2022 were fully vested and exercisable.

20 Share-based payments - continued

Warrants

During the year the Group did not incur a share based payment expense relating to the modification and issuance of warrants (2021: £451 thousand). Details on the warrants outstanding during the period are as follows:

	Number of warrants	Weighted average exercise price (pence)	Weighted average contractual life
At 31 December 2020	58,694,348	5.27	1.98
BHGE warrants modified – 17 May 2021	(5,277,045)	56.85	0.34
BHGE warrants modified – 17 May 2021	5,277,045	0.01	0.34
BHGE warrants exercised – 17 May 2021	(5,277,045)	0.01	0.30
H1-2019 LN warrants exercised throughout the year	(40,140,172)	0.01	1.34
At 31 December 2021	13,277,131	15.07	1.85
Expired in the period	(4,225,204)	47.34	NA
At 31 December 2022	**9,051,927**	**0.01**	**0.42**

On 17 May 2021, i3 announced that it had successfully restructured legacy contracts and agreements for equipment, oil field services, and warrants with BHGE. This resulted in the exchange of 5,277,045 warrants with a strike price of 56.85 pence for Ordinary Shares with a nominal value of 0.01 pence. Further details are provided in Note 15.

EMI options

The Company operates an Employee Management Incentive (EMI) share option scheme. Grants were made on 14 April 2016 and 6 December 2016. The scheme is based on eligible employees being granted EMI options. The right to exercise the option is at the employee's discretion for a ten-year period from the date of issuance.

250,000 options were exercised on 1 October 2021 at a price of £0.11 per share. 250,000 options remain outstanding and were exercisable at both 31 December 2022 and 2021 at a price of £0.11 per share. If the options remain unexercised after a period of ten years from the date of grant the options expire. Employees who leave i3 Energy have 60 days to exercise the Options prior to them being forfeited. The options outstanding at 31 December 2022 have a weighted average exercise price of £0.11 and a weighted average remaining contractual life of 3.93 years.

21 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of Key Management Personnel

Directors of the Group are considered to be Key Management Personnel. The remuneration of the Directors is set out in note 10.

Ultimate parent

There is no ultimate controlling party of the Group.

22 Financial instruments, financial and capital risk management

Financial instruments

Fair value measurements

The Group carries risk management contracts, and prior to its redemption in Q4 2022, non-current accounts payable at FVTPL. The fair value of the risk management contracts is determined by discounting at a risk-free rate the difference between the contracted prices and the published forward curves at the reporting date. The fair value of non-current accounts payable was determined by subtracting the value of the Warrant Shares, being the 5,277,045 Warrant Shares multiplied by the higher of (i) the quoted price of one i3 share at the reporting date, and (ii) the 5-day volume weighted average value of one i3 share during the 5-day dealing period to 17 September 2021, from the remaining Deferred Payment Invoice Balance. The risk management contracts and non-current accounts payable are classified as Level 2 valuations within the fair value hierarchy as defined by IFRS 13 *Fair Value Measurement* which is as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no financial assets or liabilities measured at Level 1 or 3 or reclassified between Levels 1, 2 or 3 during the year.

The fair value of the Group's financial assets and liabilities approximate to their carrying amounts at the reporting date. The following tables combine information about the Group's classes of financial instruments and their fair value and carrying amounts at the reporting date.

As at 31 December 2022	Carried at FVTPL	Carried at amortised cost
Financial assets		
Cash and cash equivalents	–	16,560
Trade and other receivables	–	34,843
Risk management contracts (Level 2)	1,111	–
Total	**1,111**	**51,403**
Financial liabilities		
Trade and other payables	–	55,846
Risk management contracts (Level 2)	381	–
Borrowings and leases	–	27,241
Total	**381**	**83,087**

22 Financial instruments, financial and capital risk management - continued

As at 31 December 2021	Carried at FVTPL	Carried at amortised cost
Financial assets		
Cash and cash equivalents	–	15,335
Trade and other receivables	–	25,792
Risk management contracts (Level 2)	814	–
Total	814	41,127
Financial liabilities		
Trade and other payables	1,232	17,746
Risk management contracts (Level 2)	925	–
Borrowings and leases	–	23,924
Non-current accounts payable (Level 2)	557	–
Total	2,714	41,670

Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks; market risk (including foreign currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Board of Directors under policies approved at Board meetings. The Board frequently discusses principles for overall risk management including policies for specific areas such as foreign exchange.

a Market risk

i Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK pound sterling and the Canadian dollar and US dollar. Foreign exchange risk arises from recognised monetary assets and liabilities (USD and CAD bank accounts) where they may be denominated in a currency that is not the local functional currency. The Group mitigates is foreign exchange exposure by holding monetary assets and liabilities primarily in the local functional currency. All of the monetary assets and liabilities held by the Group's Canadian operations were held in CAD, the functional currency, and therefore there is no foreign exchange exposure in the Canadian operations. The UK operations did not hold significant monetary assets or liabilities in currencies other than UK pound sterling as at 31 December 2022.

The Group is also exposed to exchange differences on translation of its foreign operations in Canada, which resulted in a gain of £6,529 thousand for the year ended 31 December 2022 (2021: £1,511 thousand). A 10% strengthening of GBP against CAD as at 31 December 2022 would have resulted in a loss on translation of £7,073 thousand (2021: £8,876 thousand), and a 10% weakening of GBP to CAD would have resulted in a gain of £23,152 thousand (2021: £14,222 thousand). Profit after tax would not be impacted.

b Credit risk

Credit risk arises from cash and cash equivalents and trade receivables from the sale of hydrocarbons. It is Group policy to assess the credit risk of new customers.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. The Group will only keep its holdings of cash with institutions which have a minimum credit rating of 'A'. The Group sells hydrocarbons to reputable purchasers and are settled the month following their sale. Long-term deposits for decommissioning provisions are lodged with government bodies. The carrying value of cash and cash equivalents and trade and other receivables represents the Group's maximum exposure to credit risk at year end.

22 Financial instruments, financial and capital risk management - continued

The Group considers that it is not exposed to major concentrations of credit risk.

The Group holds cash as a liquid resource to fund its obligations. The Group's cash balances are held in Sterling Canadian Dollar, and US Dollar. The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and monthly review of expenditure forecasts.

c Liquidity risk

The Group relies upon debt and equity funding, and cash flow from its Canadian operations to finance operations. The Directors are confident that adequate liquidity will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

The Group ensures that its liquidity is maintained by a management process which includes projecting cash flows and considering the level of liquid assets in relation thereto, monitoring Balance Sheet liquidity and maintaining funding sources and back-up facilities.

The Group's expected cash flows for its financial liabilities are presented in the following table and includes undiscounted principal and expected interest payments.

	6 Months	6-12 months	1-2 years	2+ years	Total
	£'000	£'000	£'000	£'000	£'000
Trade and other payables	55,846	–	–	–	55,846
H1 2019 LNs	22,000	–	–	–	22,000
H1 2019 cash and PIK interest **	7,204	–	–	–	7,204
At 31 December 2022	**85,050**	**–**	**–**	**–**	**85,050**
	6 Months	**6-12 months**	**1-2 years**	**2+ years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other payables	18,970	740	–	–	19,710
Non-current payable *	–	–	557	–	557
H1 2019 LNs	–	–	22,000	–	22,000
H1 2019 PIK interest **	–	–	9,680	–	9,680
Leases	11	6	–	–	17
At 31 December 2021	18,981	746	32,237	–	51,964

* The non-current payable was repayable at such time as i3 has received consideration from any sale or farm-down of its Serenity or Liberator assets (see note 15). This was achieved in 2022 and the full balance was repaid within the year.

** The H1 2019 LNs have an early redemption option and the interest can be paid in either cash or in kind (see note 16). The table assumes no early redemption and that the remaining interest is paid in cash, with the accrued PIK interest repaid at maturity.

d Commodity price risk

Commodity price risk in the Group primarily arises from price fluctuations in markets for the Group's oil, gas and NGL products. Commodity prices can be volatile and may be impacted by various supply and demand factors which are outside the Group's control. Fluctuations in commodity prices could have a significant impact on future results of operations, cash flow generation, and development opportunities.

The Group manages commodity price risks by entering a variety of risk management contracts. Further details of risk management contracts at 31 December 2022 are provided in note 18, and of risk management contracts entered after the reporting period are provided in note 24.

22 Financial instruments, financial and capital risk management - continued

The following table illustrates the impact on the Group's profit before tax and equity due to reasonably possible changes in commodity prices and their impact on the fair value of financial instruments, with all other variables held constant.

	Decrease in commodity price / increase in profit before loss and equity £'000	Increase in commodity price / (decrease) in profit before loss and equity £'000
Change in WTI – CAD 5.00 / bbl	141	(141)
Change in AECO – CAD 0.50 / GJ	700	(700)
Change in Conway – USD 5.00 / bbl	140	(140)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to position as a going concern and to continue its development and production activities. The capital structure of the Group consists of borrowings and leases of £27,241 thousand at 31 December 2022 (2021: £23,924 thousand) (note 16), has capital, defined as the total equity and reserves of the Group of £164,746 thousand (2021: £138,166 thousand) and cash and equivalents of £16,560 thousand (2021: £15,335 thousand).

The Group monitors its level of cash resources available against future planned exploration and evaluation activities and may issue new shares in order to raise further funds from time to time.

23 Commitments

At 31 December 2022	1 year £'000	2-3 years £'000	4-5 years £'000	5+ years £'000	Total £'000
Operating	388	–	–	–	388
Transportation	1,720	1,423	225	18	3,386
Total	**2,108**	**1,423**	**225**	**18**	**3,774**

Transportation commitments relate to take-or-pay pipeline capacity in Alberta.

The Group did not have any capital commitments as at 31 December 2022 or 2021.

24 Events after the reporting period

After 31 December 2022 i3 entered into various risk management contracts, as summarised below.

Type	Effective date	Termination date	Total Volume	Avg. Price
NYMEX Physical Basis Differential	1 Apr 2023	31 Oct 2023	10,000 MMBtu/Day	(USD 1.4625 / MMBtu)
WTI Financial Swaps	1 Jul 2023	31 Dec 2023	500 bbl/Day	CAD 100.20 / bbl
WTI Physical Swaps	1 Jul 2023	31 Dec 2023	500 bbl/Day	CAD 100.30 / bbl
WTI Financial Swaps	1 Jul 2023	31 Dec 2023	500 bbl/Day	CAD 102.80 / bbl

24 Events after the reporting period - continued

In early-2023 the Company has declared dividends as summarised in the following table:

Declaration date	Ex-Dividend date	Record date	Payment date	Dividend per share (pence)	Total Dividend £'000
12 January 2023	19 January 2023	20 January 2023	10 February 2023	0.1710	2,040
8 February 2023	16 February 2023	17 February 2023	10 March 2023	0.1710	2,040
15 March 2023	23 March 2023	24 March 2023	14 April 2023	0.1710	2,040
12 April 2023	20 April 2023	21 April 2023	12 May 2023	0.1710	2,040
17 May 2023	25 May 2023	26 May 2023	16 June 2023	0.1710	2,055
Total					**10,215**

On 4 January 2023 the Group issued a total of 116,667 Ordinary Shares of 0.01 pence each following the exercise of options by an employee, at an exercise price of £0.11 per Ordinary Share. The Ordinary Shares were subsequently admitted for trading on AIM.

On 3 April 2023 the Group announced the reserves of i3 Energy Canada Limited as of 31 December 2022. Highlights include Company Interest PDP reserves of 49MMboe, 1P reserves of 93MMboe, and 2P reserves of 181MMboe. Further details can be found on the Company's website at www.i3.energy.

On 19 April 2023, the Company issued options over a total of 3,000,000 Ordinary Shares to Jason Dranchuk, the CFO and a Person Discharging Managerial Responsibilities of the Company. The options were issued in accordance with the rules of the Company's Employee Share Option Plan at an exercise price of 20.00 pence per share. One-third of the options vest upon achieving production of 26,000 boepd, one-third upon the addition of 5,000 boepd vs acquisitions, and one-third upon the addition of 25 MMbbl of 2P reserves. The options will otherwise vest as to one-third on the first, second, and third anniversary of the grant date, to the extent the award has not otherwise vested in accordance with the above provisions.

On 25 April 2023 the Group issued a total of 9,051,927 Ordinary Shares of 0.01 pence each following the exercise of Warrants by certain of its loan noteholders. The Ordinary Shares were subsequently admitted for trading on AIM. Following the exercise there were no more warrants outstanding.

On 31 May 2023 the Group announced the successful redemption of the Company's outstanding £22 million H1-2019 Loan Notes (the "Loan Notes"), due 31 May 31 2023, and the establishment of a CAD 100 million debt facility, which will provide i3 greater financial flexibility and enhanced credit capacity to further execute its ongoing business plan. The Company and i3 Energy Canada Ltd. have signed agreements with Trafigura Canada Ltd., a subsidiary of Trafigura Pte Ltd., a market leader in the global commodities industry, for a CAD100 million loan facility (the "Facility") and an associated commercial contract related to i3 Energy Canada Ltd.'s oil production. The Facility has a three-year term, with interest payable monthly at 9.521% per annum, calculated on the outstanding portion of the loan. The Facility carries no penalty if repaid early and amortises monthly on a straight-line basis, which aligns with the Company's conservative approach to debt management. Advances under the Facility can be repaid either with cash or by way of set-off against deliveries of crude oil under the commercial contract which has a minimum term of three years. The documentation establishing the Facility includes the option for a CAD75 million advance which has been fully drawn by the Company and a CAD25 million accordion facility amount, which can be made available during the Facility's three-year term. The Facility is secured by a first lien against substantially all the assets and shares of i3 Energy Canada Ltd., permitting maximum financing flexibility for the rest of the Company's international portfolio. The Company will utilize a portion of proceeds from the initial advance to redeem the outstanding Loan Notes. The balance of the proceeds will be available for general corporate purposes of the Company and of i3 Energy Canada Ltd., including working capital requirements, acceleration of organic growth (from i3's proven portfolio of development drilling locations) and to fund accretive acquisition opportunities.

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2022 £'000	31 December 2021 £'000
Assets			
Non-current assets			
Investment in subsidiary	4	324	324
Loans to subsidiaries	4	74,708	99,861
Other non-current asset		75	75
Total non-current		**75,107**	100,260
Current assets			
Cash at bank and in hand		1,666	66
Trade and other receivables	5	90	140
Total current assets		**1,756**	206
Current liabilities			
Trade and other payables	6	(2,654)	(131)
Total current liabilities		**(2,654)**	(131)
Net current (liabilities) / assets		**(898)**	75
Net assets		**74,209**	100,335
Capital and reserves			
Ordinary shares		119	113
Deferred shares		50	50
Share premium		48,646	44,203
Share-based payment reserve		6,307	9,098
Warrants – LNs		2,045	2,045
Retained earnings		17,042	44,826
Shareholders' funds		**74,209**	100,335

Company number 10699593

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Parent Company Statement of Comprehensive Income. The loss for the Company for the year was £4,067 thousand (2021 - £4,944 thousand).

The accompanying notes form an integral part of these financial statements.

Signed on behalf of the Board of Directors by:

Majid Shafiq, Director
6 June 2023

COMPANY STATEMENT OF CHANGES IN EQUITY

	Ordinary shares £'000	Share premium £'000	Deferred shares £'000	Share-based payment reserve £'000	Warrants - LNs £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2020	70	61,605	50	6,333	9,714	(10,869)	66,903
Total comprehensive loss for the year	–	–	–	–	–	(4,944)	(4,944)
Capital reduction	–	(64,056)	–	–	–	64,056	–
Transactions with owners:							
Issue of share capital	36	37,970	–	–	–	–	38,006
Exercise of options	2	112	–	–	–	–	114
Exercise of warrants	5	8,572	–	(452)	(7,669)	–	456
Share-based payment expense	–	–	–	3,217	–	–	3,217
Dividends declared	–	–	–	–	–	(3,417)	(3,417)
Balance at 31 December 2021	113	44,203	50	9,098	2,045	44,826	100,335
Total comprehensive loss for the year	–	–	–	–	–	(4,067)	(4,067)
Transactions with owners:							
Exercise of options	6	4,443	–	(3,883)	–	(6,324)	(5,758)
Share-based payment expense	–	–	–	1,092	–	–	1,092
Dividends declared	–	–	–	–	–	(17,393)	(17,393)
Balance at 31 December 2022	**119**	**48,646**	**50**	**6,307**	**2,045**	**17,042**	**74,209**

The accompanying notes form an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Summary of significant accounting policies

General Information and Authorisation of Financial Statements

i3 Energy plc ("the Company") is a Public Company, limited by shares, registered in England and Wales under the Companies Act 2006 with registered number 10699593. The Company's ordinary shares are traded on the Toronto Stock Exchange and the AIM Market operated by the London Stock Exchange. The address of the Company's registered office is New Kings Court, Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO53 3LG.

The Company's principal activity is that of a listed holding company and the ultimate parent of the i3 Energy plc Group, whose principal activities consist of the development and production of oil and gas on the UK Continental Shelf (UKCS) and the Western Canadian Sedimentary Basin (WCSB).

2 Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100, and as such these financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements have been prepared under the historical cost convention.

The financial information is presented in Pounds Sterling (£, GBP), which is the Company's functional and presentation currency, and rounded to the nearest thousand unless otherwise stated.

The Company has taken advantage of the exemption provided by Section 408 of the Companies Act 2006 not to publish its individual income statement and related notes, and has also taken advantage of the following disclosure exemptions under FRS 101:

- paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined), as equivalent disclosures are included within the consolidated financial statements;
- paragraphs 62, B64(d), B64(e). B64(g), B64(h), B64 (j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations' as equivalent disclosures are included within the consolidated financial statements;
- all requirements of IFRS 7 'Financial Instruments: Disclosures', as equivalent disclosures are included in the consolidated financial statements;
- paragraph 38 of IAS 1 'Presentation of Financial Statements' – the requirement to disclose comparative information in respect of:
- paragraph 79(a)(iv) of IAS 1 (a reconciliation of the number of shares outstanding at the beginning and end of the period);
- paragraph 73(e) of IAS 16 'Property, Plant and Equipment' (reconciliations between the carrying amount at the beginning and end of the period); and
- paragraph 118(e) of IAS 38 'Intangible Assets' (reconciliations between the carrying amount at the beginning and end of the period);
- IAS 7 'Statement of Cash Flows';
- paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (the requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective); and
- paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation), and the other requirements of that standard to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

3 Significant accounting policies

The Company's accounting policies are aligned with the Group accounting policies as set out within the Group financial statements, with the addition of the following:

Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value, prior to their elimination on consolidation.

Critical accounting judgements and key sources of estimation uncertainty

Refer to note 3 of the Group financial statements for a description of critical accounting judgements and key sources of estimation uncertainty. There were no further key sources of estimation uncertainty identified for the Company. The following is the critical judgement that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the Company financial statements.

Carrying value of loans to subsidiaries

At 31 December 2022, the Company held loans to subsidiaries of £74.7 million (2021: £99.9 million), note 4. The carrying value of loans to subsidiaries are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. In making this assessment, Management has considered the underlying assets of its subsidiaries, which for i3 Energy North Sea Limited primarily consists of intangible E&E assets and for i3 Canada Limited primarily consists of oil and gas PP&E assets. The recoverability of both intangible E&E assets and oil and gas PP&E assets have been identified as a critical accounting judgement by the Group, and following detailed assessments by Management, no indicators of impairment have been identified for oil and gas PP&E assets at 31 December 2022, but indicators existed for the Group's E&E assets in the North Sea. The same cash flow model used to determine the recoverable amount for the E&E assets was used to estimate the expected lifetime credit loss on the balances due from i3 Energy North Sea Limited, and as the cash flows that the Company expects to receive exceed the cash flows that are due to the Company under the contract, management has concluded that there is no impairment. Further details are in note 3 and note 13 to the Group financial statements. Accordingly, through the expected recoverability of these E&E and PP&E assets, management expects the Group to recover the carrying value of its loans to subsidiaries.

4 Investment in subsidiaries

At 31 December 2022 the Company held 100% of the share capital of the following directly owned subsidiaries:

Company	Place of Business	Registered Office	Ownership held	Nature of business
i3 Energy North Sea Limited	England and Wales	New Kings Court Tollgate Chandler's Ford Eastleigh, Hampshire SO53 3LG	100%	Exploration & Production
i3 Energy Canada Limited	Canada	500,207 9th Avenue SW Calgary, AB T2P 1K3	100%	Exploration & Production

	Total £'000
As at 31 December 2021	324
Additions	–
As at 31 December 2022	**324**

For the year ended 31 December 2022, i3 Energy North Sea Limited was entitled to exemption from audit under section 479A of the Companies Act 2006.

As at 31 December 2022 the Company had total net funds receivable from subsidiaries of £74,708 thousand (2021 - £99,861 thousand). Included within these balances are management service fees of £1,479 thousand (2021 - £861 thousand) for administrative services provided to i3 Energy Canada Limited.

5 Trade and other receivables

	31 December 2022 £'000	31 December 2021 £'000
VAT receivable	2	25
Prepayments & other receivables	88	115
Total trade and other receivables	**90**	140

Other receivables are all due within one year.

The fair value of other receivables is the same as their carrying values as stated above.

Other receivables do not contain any impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

6 Trade and other payables

	31 December 2022 £'000	31 December 2021 £'000
Trade creditors	46	1,123
Dividends payable	2,040	–
Accruals	568	171
Total trade and other payables	**2,654**	**1,294**

The average credit period taken for trade purchases is 30 days. No interest is charged on the trade payables. The carrying values of trade and other payables are considered to be a reasonable approximation of the fair value and are considered by the Directors as payable within one year.

7 Disclosures included in the Group Financial Statements

Certain information relevant to the Company Financial Statements is included in the notes to the Group financial statements. These include:

- Note 2 – Basis of preparation
- Note 3 – Significant accounting policies
- Note 4 – (Loss) / gain on bargain purchase and asset dispositions
- Note 7 – Administrative expenses
- Note 19 – Authorised, issued, and called-up share capital
- Note 20 – Share-based payments
- Note 22 – Financial instruments and capital risk management
- Note 24 – Events after the reporting period

APPENDIX A: GLOSSARY

1P	Proved reserves
2P	Proved plus probable reserves
AER	Alberta Energy Regulator
AIM	The AIM Market of the London Stock Exchange
APM	Alternate Performance Measure
ARO	Asset Retirement Obligation
ASCP	Saskatchewan's Accelerated Site Closure Program
bbl	Barrel
bbl/d	Barrels per day
BHGE	Baker Hughes, a GE Company, and GE Oil & Gas Limited
BOE	Barrels of Oil Equivalent
boepd, boe/d	Barrels of Oil Equivalent Per Day
CAD	Canadian Dollars
Cenovus, CVE	Cenovus Energy Inc.
Cenovus Acquisition Date	20 August 2021
Cenovus Assets	Certain petroleum and infrastructure assets acquired from Cenovus
CEO	Chief Executive Officer
CFO	Chief Financial Officer
the Code	QCA Corporate Governance Code
Company	i3 Energy plc
CPR	Competent person's report
E&E	Exploration and evaluation
EPL	Energy Profits Levy
ERP	Emergency Response Plan
Europa	Europa Oil & Gas Limited
FCF	Free cash flow
FIA	Farm-In Agreement
FVTPL	Fair Value through Profit or Loss
Gain	Gain Energy Ltd.
gal	Gallon

GBP	British Pounds Sterling
GJ	Gigaloule
Gross wells	Wells participated in by i3
Group, i3	i3 Energy plc, together with its subsidiaries
i3 Canada	i3 Energy Canada Limited
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IP30	Average daily production of a well over its initial 30-day production period
mcf	Thousand cubic feet
mcf/d	Thousand cubic feet per day
MMboe	Million Barrels of Oil Equivalent
MMBtu	Metric Million British Thermal Unit
NGL	Natural gas liquids
NED	Non-Executive Director
Net wells	Gross wells multiplied by i3's working interest
NOI	Net Operating Income
NPV 10	Net Present Value, discounted at 10%
NSTA	UK North Sea Transition Authority
NTM	Next Twelve Months
PDP	Proved, developed, producing reserves
PIK	Payment in kind
PP&E	Property, plant and equipment
QCA	Quoted Companies Alliance
RFCT	Ring Fence Corporation Tax
SCT	Supplementary Charge
SRP	Alberta's Site Rehabilitation Program
Toscana	Toscana Energy Income Corporation
TSX	Toronto Stock Exchange
UKCS	UK Continental Shelf
USD (US$)	United States Dollar
WI	Working Interest

APPENDIX B: ALTERNATE PERFORMANCE MEASURES

The Group uses Alternate Performance Measures ("APMs"), commonly referred to as non-IFRS measures, when assessing and discussing the Group's financial performance and financial position. APMs are not defined under IFRS and are not considered to be a substitute for or superior to IFRS measures. Other companies may not calculate similarly defined or described measures, and therefore their comparability may be limited. The Group continually monitors the selection and definitions of its APMs, which may change in future reporting periods.

EBITDA and Adjusted EBITDA

EBITDA is defined as earnings before depreciation and depletion, financial costs, and tax. Adjusted EBITDA is defined as EBITDA before gain on bargain purchase and acquisition costs. Management believes that EBITDA provides useful information into the operating performance of the Group, is commonly used within the oil and gas sector, and assists our management and investors by increasing comparability from period to period. Adjusted EBITDA removes the gain or loss on bargain purchase and asset dispositions and the related acquisition costs which management does not consider to be representative of the underlying operations of the Group.

A reconciliation of profit as reported under IFRS to EBITDA and Adjusted EBITDA is provided below.

	2022 £'000	2021 £'000
Profit for the year	41,951	25,083
Depreciation and depletion	34,339	21,643
Finance costs	7,865	7,609
Tax	13,826	661
EBITDA	**97,981**	54,996
Acquisition costs	–	256
Loss / (gain) on bargain purchase and asset dispositions	9	(25,013)
Adjusted EBITDA	**97,990**	30,239

Net operating income

Net operating income is defined as gross profit before depreciation and depletion, gains or losses on risk management contracts, and other operating income, which equals revenue from the sale of oil and gas and processing income, less production costs. Management believes that net operating income is a useful supplementary measure as it provides investors with information on operating margins before non-cash depreciation and depletion charges and gains or losses on risk management contracts.

A reconciliation of gross profit as reported under IFRS to net operating income is provided below.

	2022 £'000	2021 £'000 * Restated
Gross profit	78,689	21,690
Depreciation and depletion	34,339	21,643
Loss on risk management contracts	18,990	5,485
Other operating income	(286)	(231)
Net operating income	**131,732**	48,587

* In 2022 management changed the definition of net operating income to exclude other operating income. Other operating income arises on an ad-hoc basis and isn't considered representative of the underlying field operations and field income of the Group. The comparative period has been restated on a consistent basis.

Acquisitions & Capex

Acquisitions & Capex is defined as cash expenditures on acquisitions, PP&E, and E&E. Management believes that Acquisition & Capex is a useful supplementary measure as it provides investors with information on cash capital investment during the period.

A reconciliation of the various line items per the statement of cash flows to Acquisitions & Capex is provided below.

	2022 £'000	2021 £'000
Acquisitions	531	37,079
Expenditures on property, plant & equipment	64,374	9,465
Expenditures on exploration and evaluation assets	13,842	3,317
Acquisitions & Capex	**78,747**	49,861

Free cash flow (FCF)

FCF is defined as cash from / (used in) operating activities less cash capital expenditures on PP&E and E&E. Management believes that FCF provides useful information to management and investors about the Group's ability to pay dividends.

A reconciliation of cash from / (used in) operating activities to FCF is provided below.

	2022 £'000	2021 £'000
Net cash from operating activities	101,092	24,439
Expenditures on property, plant & equipment	(64,374)	(9,465)
Expenditures on exploration and evaluation assets	(13,842)	(3,317)
FCF	**22,876**	11,657

Net debt

Net debt is defined as borrowings and leases and trade and other payables, less cash and cash equivalents and trade and other receivables. Management believes that net debt is a meaningful measure to monitor the liquidity position of the Group.

A reconciliation of the various line items per the statement of financial position to net debt is provided below.

	2022 £'000	2021 £'000
Borrowings and leases	27,241	23,924
Trade and other payables	55,846	19,709
Cash and cash equivalents	(16,560)	(15,335)
Trade and other receivables	(34,843)	(25,503)
Net debt	**31,684**	2,795

Notes:

CORPORATE INFORMATION

Registered number
10699593

Directors
John Festival
Non-Executive Director and
Non-Executive Chairman

Linda Janice Beal
Non-Executive Director
(Interim Non-Executive
Interim Chairperson until
8 September 2022)

Majid Shafiq
Chief Executive Officer

Graham Andrew Heath
Chief Financial Officer
(Retired from i3's Board
28 September 2022)

Ryan Heath
President, i3 Energy Canada Limited
(Joined i3's Board 19 December 2022)

Richard Millington Ames
Non-Executive Director

Neill Ashley Carson
Non-Executive Director

Company Secretary
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i3 ENERGY