



**i3 ENERGY**

**UNAUDITED CONSOLIDATED INTERIM  
FINANCIAL REPORT FOR THE SIX MONTHS  
ENDED 30 JUNE 2022**

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## HIGHLIGHTS AND OUTLOOK

### H1 2022 HIGHLIGHTS

Average and Current Production	<b>18,950 &amp; 21,602 BOEPD</b>
2PDP and 2P Reserves	<b>60 &amp; 154 MMBOE</b>
Revenue	<b>£101.6 MILLION</b>
Net Operating Income ("NOI") <sup>(1)</sup>	<b>£68.8 MILLION</b>
Acquisitions & Capex <sup>(1)</sup>	<b>£23.7 MILLION</b>
FCF <sup>(1)</sup>	<b>£24.9 MILLION</b>
Profit Before & After Tax	<b>£20.5 &amp; £14.7 MILLION</b>
Basic and Diluted EPS	<b>1.30 &amp; 1.20 PENCE</b>
H1 2022 Dividends	<b>£6.853 MILLION</b>
Canadian Operations	<b>DRILLED 20 GROSS (11.7 NET) WELLS</b>
UK Assets	<b>SERENITY FARM-OUT COMPLETE WITH SPUD EXPECTED IN MID-SEPTEMBER</b>

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

## Highlights

### Dividend Declaration

- During the first half of 2022, i3 announced total dividends of 0.60 pence/share (totalling £6.853 million), equating to an H1 yield for the period from 1 January 2022 to 30 June 2022 of approximately 4.5% for i3's shareholders based on i3's closing share price on 4 January 2022

- After announcing in December 2021 that the Company was committing to pay a minimum of £11.827 million in dividends during the course of 2022 (3.5x all dividends paid during 2021), i3 announced in February 2022 that it would be moving to a monthly dividend and in May 2022 that it would be increasing its dividends payable during 2022 by 25% to £14.784 million, equating to 1.3125 pence per share or a 9.8% yield for i3's shareholders based on i3's issued and outstanding ordinary shares and closing share price on 4 January 2022

### **Financial Highlights**

- H1 revenue of £101.6 million (H1 2021 £26.5 million), net operating income<sup>(1)</sup> (Revenue less royalties, opex, processing and transportation) of £68.8 million (H1 2021 £12.5 million), and cash flow from operations of £48.6 million (H1 2021 of £8 million)
- Employees elected to convert 114,547,030 options at a market price of c.28 pence per share into 66,305,381 ordinary shares (primarily settled on a post-tax in-the-money basis thereby reducing the resulting option shares and associated dilution by 42%), enabling all staff to become invested and aligned as shareholders

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

### **Operational Highlights**

- Average production of 18,950 barrels of oil equivalent per day ("boepd") for the six-month period (107% higher than H1 2021) while exiting H1 above 20,000 boepd, August above 21,100 boepd and presently above 21,600 boepd, offsetting expected natural declines through excellent operations management, targeted maintenance capital allocation, and the initial deployment of i3's ongoing 2022 capital programme
- Canadian Capital budget increased by up to USD 50 million above the previously announced (December 2021) USD 47 million 2022 programme (together, the "Enlarged Capital Budget"), focused on continued low-risk, high-return development drilling of i3's core Glauconite and Cardium fairways, with expanded Montney and Clearwater programmes; i3 remains on track to deliver peak 2022 production above 24,000 boepd
- Drilled 20 gross wells (11.7 net) wells during H1; production associated with the majority of the operated Q2 2022 capital programme now in the initial clean-up phase or being tied into infrastructure, with initial well results continuing to achieve or exceed management's expectations
- Increased the Company's Clearwater position by ~20% through the acquisition of 15 net sections (38.5 km<sup>2</sup>) of proximal, strategic acreage
- Executed a Farm-in Agreement with Europa Oil and Gas ("Europa") for a 25% working interest ("WI") in i3's Block 13/23c North (Licence P.2358) which contains the Serenity oil discovery, in exchange for Europa funding 46.25% of the cost of the upcoming appraisal well up to a gross capped cost of £15 million, above which any costs will be funded in proportion to the respective working interest of each company
- Inaugural annual sustainability report published outlining the Company's Environmental, Social and Governance ("ESG") initiatives and plans to reduce greenhouse gas emissions

## **Post Period and Outlook**

On 9 September 2022, the Company announced the appointment of John Festival as Non-Executive Chairman of i3's Board of Directors, effective immediately. Linda Beal, who has seen the Company through a period of transformational growth as Interim Chairperson, remains as a Non-Executive Director with the Company and will focus on her roles as chair of the Audit and Governance Committees.

On 1 August 2022, i3 announced that all conditions precedent under the Farm-in Agreement with Europa had been satisfied and that its farmout of a 25% working interest the Serenity oil discovery was complete.

- Following the Serenity 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 oil discovery.

Between July and September, i3 announced monthly dividends totalling £5.1 million (0.4275 pence per share), bringing the year-to-date yield to 7.7% for i3's shareholders based on i3's closing share price on 4 January 2022.

As announced on 26 August 2022, with the full deployment of its Enlarged Capital Budget, i3's 2022 Net Operating Income ("NOI" = revenue minus royalties, opex, transportation and processing) is forecasted to be approximately USD 200 million driven by recent fluctuations in commodity prices, pricing differentials and inflationary pressures. This remains USD 8 million above the forecasted NOI of USD 192 million announced by i3 on 12 April 2022, which increased rapidly thereafter to USD 241 million by i3's Q1 operational update of 9 May 2022. The recent softening in full-year 2022 commodity pricing predictions and expected differentials since May's Q1 update result in a 9.4% decrease to i3's revenue forecast (circa 6% for gas and 3.4% for liquids), while inflationary pressures are predicted to increase costs (royalties, opex, transportation and processing) by 3.0%. i3 continues to employ a defensive risk management strategy with current hedges in place to cover 36% and 22.5% of the Company's projected H2 2022 and H1 2023 production volumes, respectively. i3's hedges are as follows:

Period	Commodity	<u>Swaps</u>		<u>Costless Collars</u>			<u>Participation Swaps<sup>(4)</sup></u>	
		Volume	Average	Volume	Avg Floor Price	Avg Cap Price	Volume	Avg Floor Price
2022 (Q3&Q4)	Gas	6,897,325 GJs	CAD 3.85/GJ					
	Oil	230,000 bbls	CAD 94.15/bbl				414,000 bbls	CAD 92.20/bbl
	Propane	92,000 bbls	USD 46.93/bbl					
2023 (Q1&Q2)	Gas	2,397,500 GJs	CAD 4.41/GJ	1,125,000 GJs	CAD 5.80/GJ	CAD 10.09/GJ		
	Oil	72,150 bbls	CAD 108.24/bbl	252,900 bbls	CAD 100.00/bbl	CAD 126.31/bbl		
	Propane			45,000 bbls	USD 42.00/bbl	USD 51.61/bbl		

The Company's focus for the remainder of 2022 will be on 5 key areas:

- 1 The growth of i3's Canadian business by way of operational excellence, capital deployment and strategic upsizing in core areas;
- 2 Serenity appraisal drilling and, upon success, the booking of reserves and initiation of field development planning;
- 3 Dividend distributions to shareholders of up to 30% of free cash flow;
- 4 Conducting operations safely and in an environmentally secure manner; and
- 5 Continuing to develop the ESG strategy outlined in its recently published maiden annual sustainability report.

## CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

### Overview of the year to date

i3 is extremely pleased with its progress across the first half of 2022, which served to further validate the Company's buy-and-build strategy of using acquisitions during distressed markets to purchase high-quality but undercapitalized assets, improving the productivity of those assets through operational excellence and the pursuit of low-cost, high return projects, and then turning to the drill-bit if asset price inflation makes organic growth the more profitable option during times of market frothiness to ensure that the Company's capital efficiency remains high and minimising the time to payback of every dollar deployed. This approach, which i3 has implemented to grow its Canadian business since 2020, has created a portfolio of producing assets with upside from which shareholder value can be created and returned in the form of share price appreciation and a meaningful cash yield.

The historic lack of investment in the exploration and production sector has resulted in limited spare oil and gas production capacity. The world's gradual return to "normal" through the second half of 2021 following the end of the majority of Covid related restrictions and the consequent demand growth saw oil prices quintuple from 18 months prior. Russia's tragic invasion of Ukraine at the beginning of 2022 further exacerbated the supply and demand imbalance, driving energy prices in some jurisdictions to untested heights, contributing to rocketing inflationary concerns which threaten to invoke recessions (if not already underway in some markets). With citizens suffering cost of living increases and businesses facing increased costs to production, there has been a scramble for energy security. Some countries, facing brownout and blackout threats, have had to make the unfortunate decision to reinstate coal-fired power plants, going entirely against their stated commitments to climate change initiatives. As a joined-up approach amongst the world's economies to meet the ever-increasing energy demands of humanity seems unlikely in the near-term, it would be reasonable to expect a continuance of oil and gas price volatility. Against the background of this volatility and until some of these ongoing issues are resolved, we expect oil and gas prices to remain robust.

Increasing commodity prices have naturally resulted in an increase to the average price at which oil and gas transactions are being consummated. In many instances, transactions are now occurring at a five-fold premium to the per-barrel of oil equivalent ("boe") of reserves and per-flowing boe prices that i3 paid for its 2020 and 2021 acquisitions in Canada. And even though the current cash flow multiples of two to four times being paid to secure these transactions remains reasonable in the context of the commodity price forward curve (if achieved), i3 has commenced executing an organic growth plan via the drilling of its own inventory of proven undeveloped reserves, which deliver paybacks of less than 12 months. With over 450 net drilling locations identified, i3 has the capacity to continue to grow production levels significantly and only consider acquisitions if they are highly-strategic and can be concluded at attractive and highly accretive metrics.

In light of the current market and in hindsight, the Directors see that the USD 5,533/boepd paid by the Company for its 2020 and 2021 acquisitions was an outstanding result for such high-quality production assets. i3's acquisitions included significant untapped Proven Undeveloped ("PUD"), Proven plus Probable ("2P") development opportunities and a material number of un-booked drilling locations, resulting in several exciting plays in our current portfolio. The upside potential within i3's Simonette Montney, Central Alberta Glauconite, Wapiti Cardium and Marten Hills Clearwater positions in Canada and its Serenity discovery in the UK, as well as redevelopment options of some of our more mature assets via secondary recovery and infill drilling, present company-making opportunities that have the potential to deliver multiples of i3's current production, reserves and cash flow.

Following i3's aggressive inorganic growth in 2020 and 2021, the Company went through an opportunity high-grading process which culminated in the 20 December 2021 announcement of a planned USD 47 million 2022 capital budget. These funds were to be deployed such that production and cash flow could be organically increased, targeted upside in the Company's key assets could be advanced and crystallised, and the return of capital to i3's shareholders via dividend payments could be assured. At the time of announcement, the Directors anticipated that the capital budget could be expanded if production levels and commodity prices remained stable. In May, i3's Board of Directors approved a 2022 capital budget increase of up to an additional USD 50 million as a direct result of the Company's robust operational performance and forecasted strength in commodity prices, allowing the expansion and acceleration of i3's key Canadian development opportunities.

The Enlarged Capital Budget of USD 97 million is fully-funded through existing Company resources (cash on hand and near-term forecasted cash flow), and is expected to materially enhance 2022 production and NOI while preserving the Company's strong balance sheet. The programme is designed to maximize near-term production

and cash flow through further development of the Company's large inventory of predictable and highly-economic oil wells in the Cardium and liquids rich gas wells in the Glauconitic plays, while continuing to advance i3's high-impact Simonette Montney position and recently expanded Clearwater holdings. The budget also includes an amount of capital that has been allocated to fund highly economic, non-operated drilling opportunities as they arise, and projects which enhance cashflow and increase netbacks such as well reactivations, debottlenecking, consolidation, and tariff-generating third-party tie-ins to i3-operated facilities.

During Q1 2022, the Company participated in 11 gross (5.2 net) wells across its drilling portfolio, including 3 gross (3.0 net) operated wells and 8 gross (2.2 net) non-operated wells. Building on the strong operational results in Q1, in Q2 i3 participated in 9 gross (6.5 net) wells across its drilling portfolio, including 7 gross (5.9 net) operated wells and 2 gross (0.6 net) non-operated wells. Production associated with the majority of the operated Q2 2022 capital programme is in the initial clean-up phase or currently being tied in. Results from i3's H1 campaign continue to achieve or exceed management's expectations and we are looking forward to providing production updates as wells are brought on stream. Having average H1 production of 18,950 boepd and current production of 21,602 boepd, we are very pleased with our year-to-date operational and asset performance. The Enlarged Capital Budget is forecast to provide peak production during 2022 above 24,000 boepd, and as a material percentage of the budget will be deployed in Q4 2022, the full impact and benefit of the expanded capital budget will last well into 2023 and beyond. Operating our assets in a safe and secure manner is fundamental to our business and we are pleased that we suffered no lost time incidents in H1 2022, and we continue to advance our health and safety policies and procedures as we integrate additional production assets.

The Company continues 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 have increased aggregate average net production and substantially reduced the decline rates predicted within the Company's Canadian competent persons report ("CPR"). Our ongoing realized average decline rate of 11.5% 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 could materially increase production and ultimate hydrocarbon recovery.

Regarding i3's UK assets, the Company was very pleased to announce on 1 August 2022 the completion of a 25% working interest farmout to Europa Oil & Gas Limited ("Europa"), in exchange for Europa funding 46.25% of the upcoming Serenity appraisal well, expected to spud during mid-September. This delineation well will test the thickness of the Captain sand to the West of the initial Serenity discovery well 13/23c-10 and allow the Company to update its estimates of oil in place. i3 UK's independent CPR estimates a range of 16 million barrels in the low case, which could support a single well development in the vicinity of the discovery well via existing infrastructure, to 240 million barrels in the high case, which would likely require a stand-alone FPSO development. At present, the Company carries no reserves for Serenity and as such does not consider any estimated production or cash flow in its go-forward forecasts, thereby presenting pure potential upside value to i3's current share price.

## Financial discipline

The Board and Management are focused on delivering consistent value to shareholders. i3 is committed to being a dividend payer that distributes up to 30% of its free cash flow, and it is protecting 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 additional free cash being available to acquire additional production assets conditional on the associated metrics competing with the organic returns achievable through the development of our PUD and 2P inventory. As i3 continues to grow its portfolio, a proportion of all incremental production will be hedged in order to secure future cash flow, 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 24 months, the Company's assets have continued to outperform the Directors' expectations. During H1 2022, i3 announced dividend distributions totalling £6.853 million. Following a 25% increase to our 2022 dividend guidance from £11.827 million to £14.784 million, the Company now pays a current monthly dividend of 0.1425 pence per share.



## 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 Chief Financial Officer) and four Non-Executive Directors (including the Chairman).

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. The Company strives to meet or exceed all local, provincial or national environmental, operational, reporting and compliance obligations and abandonment and reclamation requirements. In Q4 2021 the Company commenced a detailed study of its recently acquired operated wells and facilities to record baseline emissions data for the purposes of developing an ESG strategy to meet its currently stated target of being net zero with respect to Scope 1 and Scope 2 emissions by 2050. The work included an evaluation of potential opportunities to reduce greenhouse gas emissions. i3 published its inaugural annual ESG report on 7 July 2022 as part of 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. The ESG report set out the Company's goals and ambitions with respect to greenhouse gas emission reductions and environmental stewardship.

Having now replaced the Company's entire inventory of high-bleed pneumatic controllers with low-bleed units or instrument air, i3 continues to advance its 30-well site electrification project at the Carmangay field to eliminate greenhouse gas emissions associated with current propane-powered engines on its pumping wells. Applications have now been approved for approximately USD 0.3 million grant funding under the Government of Alberta's Emissions Reduction program to further assist the Company's electrification and vent reduction projects at Carmangay. Similar projects are also being advanced at i3's Simonette and Retlaw fields. Additionally, the Company continues to exceed its abandonment obligations under the Alberta Energy Regulator's ("AER") Inventory Reduction Program (previously the Area Based Closure Program) and expects to deploy approximately USD 2.5 million on wellbore abandonment activities in 2022, targeting greater than 60 inactive wellbores.

## Looking ahead

The Company is very proud of what it has and continues to accomplish. In Canada, i3 will continue to adhere to its stated strategy for finding, developing and acquiring assets as the Directors and management believe their approach offers an excellent balance of risk and reward. In the UK, i3 remains committed to the further appraisal and development of Serenity and we are looking forward to the imminent commencement of our drilling programme.

Beyond our current business as an oil and gas company, we see climate change as the most urgent matter of our time and deem it critical to act in a manner that exhibits this concern. Though recent events somewhat painfully demonstrate the world's continued reliance on a hydrocarbon-based economy, we recognize the crucial role that our sector has to play in the transition to net zero and we remain committed to an evolution of our energy company into one that continues to benefit society for generations to come.

As always, we extend gratitude to our capital providers 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 the changing times.



*"John Festival"*

John Festival  
Non-Executive Chairman  
9 September 2022

*"Majid Shafiq"*

Majid Shafiq  
Chief Executive Officer  
9 September 2022

## FINANCIAL REVIEW

### Production and revenue

	Six-months Ended 30 June 2022 £'000	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
Oil and condensate (bbl/d)	3,916	1,814	2,424
Natural gas liquids (bbl/d)	5,021	1,893	2,854
Natural gas (mcf/d)	57,754	31,028	41,378
Royalty interest (boepd)	387	217	268
<b>Total Production (boepd)</b>	<b>18,950</b>	<b>9,095</b>	<b>12,442</b>

i3's production in the first half of 2022 averaged 18,950 boepd. Production was comprised of 21% oil and condensate, 26% natural gas liquids, 51% natural gas and 2% royalty interest. i3's production in the first half of 2021 averaged 9,095 boepd. Production over this period was comprised of 20% oil and condensate, 21% natural gas liquids, 57% natural gas and 2% royalty interest. Total production from the first half of 2022 increased 108% over the same period in 2021, primarily as a result of a full six months of production attributed to the Cenovus acquisition, which closed in August 2021. In addition to the Cenovus acquisition, production increased as a result of newly drilled production in the Marten Hills (Clearwater), Open Creek (Glaucinite) and Wapiti / Elmworth (Cardium and Dunvegan) areas.

Production for the full year of 2021 averaged 12,442 boepd. Production was comprised of 20% oil and condensate, 23% natural gas liquids, 55% natural gas and 2% oil and natural gas liquids.

	Six-months Ended 30 June 2022 £'000	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
<b>Total Revenue</b>	<b>101,571</b>	<b>26,479</b>	<b>86,763</b>

Total revenue for the first half of 2022 was £101.6 million. Revenue over this period was comprised of proceeds from the sale of oil and gas of £114.7 million, less associated royalties of £16.2 million, plus processing and other income of £3.1 million. Revenue from oil and gas sales of £114.7 million was comprised of 65% oil and natural gas liquids and 35% natural gas. Crown, freehold, and gross overriding royalties of £16.2 million, as a percentage of oil and gas sales, was 14%. Processing and other income of £3.1 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 the first half of 2021 was £26.5 million and was comprised of proceeds from the sale of oil and gas of £28.3 million, less associated royalties of £2.9 million, plus processing income of £1.1 million. Revenue from oil and gas sales of £28.3 million was comprised of 62% oil and natural gas liquids and 38% natural gas. Crown, freehold, and gross overriding royalties of £2.9 million, as a percentage of oil and gas sales, was 10%. Processing income of £1.1 million over the above period resulted from fees charged to third party users of various facilities which are partially or wholly owned by the Group.

Total revenue from the first half of 2022 increased 284%, compared to the first half of 2021. The increase was primarily a result of increased production coupled with an increase in commodity pricing in the first half of 2022. In addition to an increase in production and commodity pricing, processing income increased period over period as a result of additional third-party processing fees due to acquired facilities from the Cenovus acquisition. The 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

	Six-months Ended 30 June 2022 £'000	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
<b>Total Production Costs</b>	<b>32,782</b>	<b>14,012</b>	<b>37,945</b>

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

Production costs in the first half of 2022 associated with the extraction and processing of the Group's Canadian oil and gas assets totalled £32.8 million, or £9.56/boe. Production costs in the first half of 2021 associated with the extraction and processing of the Group's Canadian oil and gas assets totalled £14.0 million, or £8.50/boe. The increase in production costs on a £/boe basis is primarily a result of scheduled facility turnarounds and costs associated with putting wells back on production, as a result of favorable commodity price conditions. Also, general inflation in the first half of 2022 put pressure on existing production costs causing overall costs to increase, compared to the same period in 2021.

Administrative expenses increased by £2.7 million to £9.5 million from the first half of 2021 to the first half of 2022. The increase is largely due to increased personnel costs and the increased overhead resulting from the expansion of the Group's Canadian business in the second half of 2021 and the first half of 2022.

## Finance costs

The Group incurred finance costs of £3.3 million (six months ended 30 June 2021 - £3.6 million). The decrease is largely attributable to reduced interest of £0.5 million on the loan notes which was paid in cash at 8% in 2022 and paid in kind at 11% in 2021, £0.5 million of warrant modification expense incurred in 2021 but not in 2022, and a £0.3 million reduction in bank charges and interest of creditors. These changes were offset by an increase of £0.3 million for the accretion of loan notes and an increase of £0.7 million in unwinding the discount on the decommissioning provision.

## Cash and cash equivalents

The Group had £30.3 million of cash and cash equivalents at 30 June 2022, an increase of £15.0 million from 31 December 2021. The increase was driven by £48.6 million in net cash from operating activities, largely due to strong net operating income in the period. The increase was partially offset by £23.7 million of net cash used in investing activities, primarily capital expenditure at the Group's Canadian operations as discussed below, and £12.0 million of net cash used in financing activities, primarily dividends paid, interest paid, and employment tax settled on exercised share options. Cash and cash equivalents were further impacted by £2.1 million for favourable foreign exchange movements in the Canadian Dollar relative to the British Pound Sterling and the impact this had on Canadian Dollar cash balances.

## Exploration & evaluation and property, plant, & equipment

The Group had PP&E assets of £221.5 million (30 June 2021 - £110.1 million, 31 December 2021 - £224.1 million) and intangible E&E assets of £54.7 million (30 June 2021 - £49.4 million, 31 December 2021 - £49.8 million) as at 30 June 2022.

The increase due to additions and acquisitions was offset by various disposals and the depletion charge for the payment. Further details are in [Note 8](#) of the financial statements.

Total property, plant and equipment additions in the first half of 2022 totaling £34.1 million was comprised of work associated with the Group's Canadian oil and gas assets.

	Six-months Ended 30 June 2022 £'000	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
Land	57	260	358
Seismic	99	-	321
Drilling, completions	28,966	1,608	6,592
Facilities, equipment and pipelines	4,416	1,298	3,586
Other	611	26	327
<b>Total Property, Plant &amp; Equipment Additions</b>	<b>34,149</b>	<b>3,192</b>	<b>11,184</b>

During the first half of 2022, i3 invested £29 million to drill and complete 19 (10.7 net) wells, in addition to drilling 1 (1.0 net) well that commenced its completion program in July 2022. Also, i3 tested well locations in the Marten Hills and Gilby area.

During the first half of 2022, i3 also invested £4.4 million on equipping the above drilled wells, except for the Wapiti wells, which will be equipped in July 2022. Also included in the £4.4 million, were various well and facility electrification projects along with facility upgrades and pipeline modifications.

An additional £0.8 million was spent on land retention costs, seismic costs and other.

In the first half of 2022, i3 participated in drilling a total of 5 (5.0 net) Glauconite wells in the Open Creek area, 6 (2.6 net) Clearwater wells in the Marten Hills area, 1 (0.99 net) Montney well in the south Simonette area, 7 (3 net) Cardium wells in the Wapiti area and 1 (0.07 net) Dunvegan well in the Elmworth area.

During the first half of 2022, additions to intangible exploration and evaluation assets of £4.7 million was primarily comprised of capital costs associated with various Crown land acquisitions in the Marten Hills Clearwater play and the upcoming Serenity well.

	Six-months Ended 30 June 2022 £'000	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
<b>Total Exploration and Evaluation Additions</b>	<b>4,663</b>	573	1,010

### Profit, EPS, EBITDA, Adjusted EBITDA, and Net Operating Income

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

	Six-months Ended 30 June 2022 £'000	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
Profit / (loss) for the period	14,725	(7,030)	25,083
Basic earnings / (loss) per share	1.30	(0.99)	2.84
Diluted earnings / (loss) per share	1.20	(0.99)	2.60
EBITDA <sup>(1)</sup>	38,821	2,773	54,996
Adjusted EBITDA <sup>(1)</sup>	38,821	2,973	30,239
Net operating income <sup>(1)</sup>	68,789	12,467	48,818

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

### Principal risks and uncertainties

The Group operates in the oil and gas industry in an environment subject to a range of inherent risk and uncertainties. The principal risks and uncertainties, being those determined to be the most significant, are set out in the annual report for the year ended 31 December 2021, along with the way they are mitigated. The Directors have reconsidered the principal risks and uncertainties and have concluded that the risks published in the 2021 annual report remain appropriate, although highlight the impact that rising interest rates and supply and demand dynamics have had on global inflation rates in 2022, and that continued inflation rate increases could adversely impact the future operating and capital expenditures of the Group.

### 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 £30.3 million as at 30 June 2022. Refer to [Note 2](#) of the financial statements for further discussion.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six-months Ended 30 June 2022	Six-months Ended 30 June 2021	Year Ended 31 December 2021
		£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Revenue	4	101,571	26,479	86,763
Production costs		(32,782)	(14,012)	(37,945)
Loss on risk management contracts	14	(20,475)	(2,715)	(5,485)
Depreciation and depletion	8	(15,017)	(7,036)	(21,643)
<b>Gross profit</b>		<b>33,297</b>	2,716	21,690
Administrative expenses		(9,493)	(6,779)	(13,094)
Acquisition costs		—	(200)	(256)
Gain on bargain purchase		—	—	25,013
<b>Operating profit / (loss)</b>		<b>23,804</b>	(4,263)	33,353
Finance costs	5	(3,281)	(3,583)	(7,609)
<b>Profit / (loss) before tax</b>		<b>20,523</b>	(7,846)	25,744
Tax (charge) / credit for the period	6	(5,798)	816	(661)
<b>Profit / (loss) for the period</b>		<b>14,725</b>	(7,030)	25,083
<b>Other comprehensive income:</b>				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Foreign exchange differences on translation of foreign operations		11,605	732	1,511
<b>Other comprehensive income for the period, net of tax</b>		<b>11,605</b>	732	1,511
<b>Total comprehensive income / (loss) for the period</b>		<b>26,330</b>	(6,298)	26,594
<b>Earnings / (loss) per share</b>				
		<b>Pence</b>	Pence	Pence
Earnings / (loss) per share – basic	7	<b>1.30</b>	(0.99)	2.84
Earnings / (loss) per share - diluted	7	<b>1.20</b>	(0.99)	2.60

All operations are continuing.

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	Notes	30 June 2022	30 June 2021	31 December 2021
		£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
<b>Non-current assets</b>				
Property, plant & equipment	8	221,469	110,149	224,080
Exploration and evaluation assets	9	54,715	49,382	49,819
Deferred tax asset	6	–	1,398	–
Other non-current assets		74	716	74
<b>Total non-current assets</b>		<b>276,258</b>	161,645	273,973
<b>Current assets</b>				
Cash and cash equivalents		30,335	4,717	15,335
Trade and other receivables	10	36,973	8,892	25,503
Risk management contracts	14	533	–	814
Inventory		883	229	665
<b>Total current assets</b>		<b>68,724</b>	13,838	42,317
<b>Current liabilities</b>				
Trade and other payables	11	(54,970)	(12,926)	(19,709)
Risk management contracts	14	(8,271)	(1,864)	(925)
Borrowings and leases	12	(25,534)	(29)	(69)
Decommissioning provision	13	(2,509)	(1,988)	(2,368)
<b>Total current liabilities</b>		<b>(91,284)</b>	(16,807)	(23,071)
<b>Net current (liabilities) / assets</b>		<b>(22,560)</b>	(2,969)	19,246
<b>Non-current liabilities</b>				
Non-current accounts payable	11	–	(1,899)	(557)
Borrowings and leases	12	–	(20,911)	(23,855)
Decommissioning provision	13	(92,533)	(67,161)	(123,155)
Deferred tax liability	6	(8,335)	–	(7,486)
<b>Total non-current liabilities</b>		<b>(100,868)</b>	(89,971)	(155,053)
<b>Net assets</b>		<b>152,830</b>	68,705	138,166
<b>Capital and reserves</b>				
Ordinary shares	15	119	73	113
Deferred shares	15	50	50	50
Share premium	15	48,646	64,057	44,203
Share-based payment reserve	16	6,164	7,223	9,102
Warrants – LNs	16	2,045	8,180	2,045
Foreign currency translation reserve		12,969	585	1,364
Retained earnings / (accumulated deficit)		82,837	(11,463)	81,289
<b>Shareholders' funds</b>		<b>152,830</b>	68,705	138,166

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

The consolidated financial statements of i3 Energy plc, company number 10699593, were approved by the Board of Directors and authorized for issue on 9 September 2022. Signed on behalf of the Board of Directors by:

*“Majid Shafiq”*

Majid Shafiq - Director

## CONDENSED 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 (unaudited)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	70	61,605	50	6,337	9,714	(147)	(4,433)	73,196
Total comprehensive loss for the period	–	–	–	–	–	732	(7,030)	(6,298)
Transactions with owners:								
Exercise of options	2	15	–	–	–	–	–	17
Exercise of warrants	1	2,437	–	(452)	(1,534)	–	–	452
Share-based payment expense	–	–	–	1,338	–	–	–	1,338
<b>Balance at 30 June 2021</b>	<b>73</b>	<b>64,057</b>	<b>50</b>	<b>7,223</b>	<b>8,180</b>	<b>585</b>	<b>(11,463)</b>	<b>68,705</b>
Balance at 1 January 2022	113	44,203	50	9,102	2,045	1,364	81,289	138,166
Total comprehensive income for the period	–	–	–	–	–	11,605	14,725	26,330
Transactions with owners:								
Exercise of options	15	6	4,443	–	(3,774)	–	(6,324)	(5,649)
Exercise of warrants	–	–	–	–	–	–	–	–
Share-based payment expense	16	–	–	836	–	–	–	836
Dividends declared in the period	–	–	–	–	–	–	(6,853)	(6,853)
<b>Balance at 30 June 2022</b>	<b>119</b>	<b>48,646</b>	<b>50</b>	<b>6,164</b>	<b>2,045</b>	<b>12,969</b>	<b>82,837</b>	<b>152,830</b>

The accompanying notes form an integral part of these interim 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 earnings 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



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	Six-months Ended 30 June 2022	Six-months Ended 30 June 2021	Year Ended 31 December 2021
		£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
<b>OPERATING ACTIVITIES</b>				
Profit / (loss) before tax		20,523	(7,846)	25,744
Adjustments for:				
Depreciation and depletion	8	15,017	7,036	21,643
Gain on bargain purchase and asset dispositions		–	–	(25,013)
Finance costs	5	3,281	3,583	7,609
Unrealised loss on risk management contracts	14	7,223	1,858	111
Unrealised FX gain		(2)	(157)	(154)
Share-based payments expense - employees (including NEDs)	16	836	1,338	3,217
Operating cash flows before movements in working capital:				
Increase in trade and other receivables		(11,686)	(441)	(15,297)
Increase in trade and other payables		13,656	2,671	6,862
Increase in inventory		(218)	(64)	(283)
<b>Net cash from operating activities</b>		<b>48,630</b>	<b>7,978</b>	<b>24,439</b>
<b>INVESTING ACTIVITIES</b>				
Acquisitions		15	(3,850)	(37,079)
Expenditures on property, plant & equipment		(19,277)	(2,283)	(9,465)
Disposal of property, plant & equipment		170	50	529
Expenditures on exploration and evaluation assets		(4,452)	(3,514)	(3,317)
Expenditure on decommissioning oil and gas assets		(201)	(175)	(648)
Tax credit for R&D expenditure	6	–	487	487
<b>Net cash used in investing activities</b>		<b>(23,745)</b>	<b>(9,285)</b>	<b>(49,493)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds on issue of ordinary shares, net of issue costs	15	635	17	38,125
Employment tax on exercised share options	16	(6,324)	–	–
Interest and other finance charges paid	5	(1,161)	(356)	(448)
Lease payments	12	(15)	(15)	(30)
Dividends paid	15	(5,153)	–	(3,417)
<b>Net cash (used in) / from financing activities</b>		<b>(12,018)</b>	<b>(354)</b>	<b>34,230</b>
Effect of exchange rate changes on cash		2,133	200	(19)
<b>Net Increase / (Decrease) in cash and cash equivalents</b>		<b>15,000</b>	<b>(1,461)</b>	<b>9,157</b>
Cash and cash equivalents, beginning of period		15,335	6,178	6,178
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		<b>30,335</b>	<b>4,717</b>	<b>15,335</b>

Included within cash and cash equivalents is £345 thousand of restricted cash, which relates to guarantees for product marketing.

Non-current accounts payable reconciliation is shown in [Note 11](#) and the debt reconciliation is shown in [Note 12](#).

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 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 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") and the AIM rules. These condensed consolidated interim financial statements have been prepared using the accounting policies that were applied in the Group's statutory financial statements for the year ended 31 December 2021 and are expected to be applied in the preparation of the financial statements for the year ended 31 December 2022. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with UK adopted international accounting standards.

The reports for the six months ended 30 June 2022 and 30 June 2021 are unaudited and do not constitute statutory accounts as defined by the Companies Act 2006. The financial statements for 31 December 2021 have been prepared and delivered to the Registrar of Companies. The auditor report of these financial statements was unqualified.

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:

	Six-months Ended 30 June 2022	Six-months Ended 30 June 2021	Year Ended 31 December 2021
Period-average GBP:CAD exchange rate	1.6513	1.7319	1.7246
Period-end GBP:CAD exchange rate	1.5661	1.7112	1.7166

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those disclosed in the Group's statutory financial statements for the year ended 31 December 2021 except for 'Fair value judgements for business acquired' as there were no business combinations completed during the period ended 30 June 2022.

### 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 Chairman's and Chief Executive's Statement. The financial position of the Group, its net cash position and liabilities are described in these consolidated interim financial statements and in the Financial Review.

## 2 Basis of preparation - continued

The Group ended the period with cash and cash equivalents of £30.3 million, current assets of £68.7 million, and current liabilities of £91.3 million. The Group's debt primarily consists of the £22.0 million H1-2019 LNs which mature in 2023, whose carrying value of £25.5 million as at 30 June 2022 has been classified as a current liability. During the 6 months ended 30 June 2022, the Group generated £48.6 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 of 2023, committed capital expenditure, and the principal risks and uncertainties faced by the Group. The cash flow forecasts include the continued payment of regular dividends, the capital programs in Canada, the drilling of an appraisal well at Serenity, and the repayment of the H1-2019 LNs in May 2023. This assessment also considered various downside scenarios including a combined downside scenario with a USD 20/bbl decrease in WTI, a CAD 1/GJ decrease in AECO, and a 20% reduction in production rates, 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 period ended 30 June 2022.

## 3 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 for the six months ended 30 June 2022:

	UK / Corporate £'000	Canada £'000	Total £'000
Revenue	–	101,571	101,571
Production costs	–	(32,782)	(32,782)
Loss on risk management contracts	–	(20,475)	(20,475)
Depreciation and depletion	(2)	(15,015)	(15,017)
<b>Gross (loss) / profit</b>	<b>(2)</b>	<b>33,299</b>	<b>33,297</b>
Administrative expenses	(4,749)	(4,744)	(9,493)
<b>Operating (loss) / profit</b>	<b>(4,751)</b>	<b>28,555</b>	<b>23,804</b>
Finance costs	(2,070)	(1,211)	(3,281)
<b>(Loss) / profit before tax</b>	<b>(6,821)</b>	<b>27,344</b>	<b>20,523</b>
Tax credit for the period	–	(5,798)	(5,798)
<b>(Loss) / profit for the period</b>	<b>(6,821)</b>	<b>21,546</b>	<b>14,725</b>

The timing of revenue recognition has been disclosed within [Note 4](#).

### 3 Segmental reporting - continued

The following is an analysis of the Group's revenue and results by reportable segment for the six months ended 30 June 2021:

	UK / Corporate £'000	Canada £'000	Total £'000
Revenue	–	26,479	26,479
Production costs	–	(14,012)	(14,012)
Loss on risk management contracts	–	(2,715)	(2,715)
Depreciation and depletion	(1)	(7,035)	(7,036)
<b>Gross (loss) / profit</b>	<b>(1)</b>	<b>2,717</b>	<b>2,716</b>
Administrative expenses	(3,484)	(3,295)	(6,779)
Acquisition costs	–	(200)	(200)
<b>Operating (loss)</b>	<b>(3,485)</b>	<b>(778)</b>	<b>(4,263)</b>
Finance costs	(2,927)	(656)	(3,583)
<b>(Loss) before tax</b>	<b>(6,412)</b>	<b>(1,434)</b>	<b>(7,846)</b>
Tax credit for the period	487	329	816
<b>(Loss) for the period</b>	<b>(5,925)</b>	<b>(1,105)</b>	<b>(7,030)</b>

The following is an analysis for the Group's revenue and results by reportable segment for the 12 months ended 31 December 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)
<b>Gross (loss) / profit</b>	<b>(4)</b>	<b>21,694</b>	<b>21,690</b>
Administrative expenses	(7,059)	(6,035)	(13,094)
Acquisition costs	–	(256)	(256)
Gain on bargain purchase and asset dispositions	–	25,013	25,013
<b>Operating profit</b>	<b>(7,063)</b>	<b>40,416</b>	<b>33,353</b>
Finance costs	(5,930)	(1,679)	(7,609)
<b>(Loss) / profit before tax</b>	<b>(12,993)</b>	<b>38,737</b>	<b>25,744</b>
Tax (charge) / credit for the year	487	(1,148)	(661)
<b>(Loss) / profit for the year</b>	<b>(12,506)</b>	<b>37,589</b>	<b>25,083</b>

The following is an analysis of the Group's assets and liabilities by reportable segment as at 30 June 2022 and the capital expenditure for the period then ended:

	UK / Corporate £'000	Canada £'000	Total £'000
Total assets	52,791	292,191	344,982
Total liabilities	(29,041)	(163,111)	(192,152)
Capital expenditure – E&E	379	4,284	4,663
Capital expenditure – PP&E	1	34,149	34,150

### 3 Segmental reporting - continued

The following is an analysis of the Group's assets and liabilities by reportable segment as at 30 June 2021 and the capital expenditure for the period then ended:

	UK / Corporate £'000	Canada £'000	Total £'000
Total assets	49,853	125,630	175,483
Total liabilities	(24,404)	(82,374)	(106,778)
Capital expenditure – E&E	573	–	573
Capital expenditure – PP&E	–	3,192	3,192

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 period 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

### 4 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:

	Six-months Ended 30 June 2022 £'000	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
Oil and natural gas liquids	74,607	17,424	61,027
Natural Gas	40,011	10,820	34,994
Royalties	(16,174)	(2,908)	(12,094)
<b>Revenue from the sale of oil and gas</b>	<b>98,444</b>	25,336	83,927
Processing income	3,081	1,143	2,605
Other operating income	46	–	231
<b>Total revenue</b>	<b>101,571</b>	26,479	86,763

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.

## 5 Finance costs

	Six-months Ended 30 June 2022 £'000	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
Accretion of loan notes	1,616	1,348	2,824
PIK interest expense on loan notes	–	1,619	3,144
Cash interest expense on loan notes	1,154	–	–
Share-based compensation – warrants (Note 16)	–	451	451
Unwinding of discount on decommissioning provision (Note 13)	1,206	535	1,539
Bank charges and interest on creditors	7	356	374
Gain on financial instrument at FVTPL (Note 11)	(702)	(726)	(723)
<b>Total finance costs</b>	<b>3,281</b>	<b>3,583</b>	<b>7,609</b>

## 6 Taxation

### Taxation charge / (credit)

The below table reconciles the tax charge for the period to the expected tax charge based on the result for the period and the corporation tax rate.

	Six-months Ended 30 June 2022 £'000	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
Profit / (loss) before income tax	20,523	(7,846)	25,744
Rate of Corporate Tax	40%	40%	40%
Expected tax charge / (credit)	8,209	(3,138)	10,298
Effects of:			
Interest and other expenses not deductible for SCT	277	293	620
Permanent differences	464	708	(3,804)
Foreign tax rate difference	(4,648)	244	(6,585)
Change in estimated pool balances	53	–	179
Derecognition of deferred tax asset	1,443	1,564	440
R&D tax credit received	–	(487)	(487)
<b>Total income tax charge / (credit)</b>	<b>5,798</b>	<b>(816)</b>	<b>661</b>

Of which:	Six-months Ended 30 June 2022 £'000	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
Current tax charge / (credit)	5,675	(487)	(487)
Deferred tax charge / (credit)	123	(329)	1,148
<b>Total income tax charge / (credit)</b>	<b>5,798</b>	<b>(816)</b>	<b>661</b>

In 2021 the Group received £487 thousand in R&D tax refunds in the UK in respect of the 2019 fiscal year. The difference on foreign tax rate results from the 23% rate of corporate taxation at its Canadian subsidiary.

## 6 Taxation - continued

### Deferred tax

The components of the net deferred tax asset and the movements during the period is summarised as follows:

	At 31 December 2021	Acquired during the period	Recognised in income	FX movement	At 30 June 2022
	£'000	£'000	£'000	£'000	£'000
<b>UK:</b>					
<i>Deferred tax assets:</i>					
Losses	28,711	–	2,139	–	30,850
Valuation allowance	(8,782)	–	(1,991)	–	(10,773)
<i>Deferred tax liabilities:</i>					
PP&E / E&E	(19,929)	–	(148)	–	(20,077)
Net deferred tax asset / (liability)	–	–	–	–	–
<b>Canada:</b>					
<i>Deferred tax assets:</i>					
Decommissioning provision	28,870	–	(9,279)	2,269	21,860
Losses	2,416	–	(2,511)	95	–
Risk management contracts	25	–	1,661	93	1,779
Other	207	–	(1)	20	226
Valuation allowance	(5,639)	–	545	(512)	(5,606)
<i>Deferred tax liabilities:</i>					
PP&E / E&E	(33,365)	–	9,462	(2,691)	(26,594)
Net deferred tax asset / (liability)	(7,486)	–	(123)	(726)	(8,335)
<b>Net deferred tax asset / (liability)</b>	<b>(7,486)</b>	<b>–</b>	<b>(123)</b>	<b>(726)</b>	<b>(8,335)</b>

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 deferred tax charge of £123 thousand for changes in net deductible temporary differences in the period. The deferred tax asset has been recognised in Canada to the extent that the Group anticipates probable future taxable profits to against which the assets can be utilised.

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.



## 6 Taxation - continued

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
<b>UK:</b>			
Taxable losses	34,986	25,227	29,325
Mineral extraction allowances	50,198	49,382	49,819
<b>Total – UK</b>	<b>85,184</b>	<b>74,609</b>	<b>79,144</b>
<b>Canada:</b>			
Canadian exploration expense	1,746	3,116	3,107
Canadian development expense	30,568	5,405	7,519
Canadian oil and gas property expense	62,800	39,614	56,391
Undepreciated capital cost	15,241	9,111	11,991
Non-capital losses	–	22,127	10,503
Other	921	674	833
<b>Total – Canada</b>	<b>111,276</b>	<b>80,047</b>	<b>90,344</b>

## 7 Earnings per share

### From continuing operations

Basic earnings or loss per share is calculated as profit / (loss) for the period, 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 profits or losses for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period, 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:

	Six-months Ended 30 June 2022 £'000	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
<b>Earnings</b>			
Earnings / (loss) for the purposes of basic and diluted earnings per share being net loss attributable to owners of i3 Energy	14,725	(7,030)	25,083
<b>Weighted average number of shares</b>			
Weighted average number of Ordinary Shares – basic	1,135,217,866	708,565,347	883,664,352
<i>Effect of dilutive potential ordinary shares:</i>			
Share options	85,054,264	–	49,369,708
Warrants	9,047,953	–	32,758,752
Weighted average number of Ordinary Shares – diluted	1,229,320,083	708,565,347	965,792,812
Basic earnings / (loss) per share (pence)	<b>1.30</b>	(0.99)	2.84
Diluted earnings / (loss) per share (pence)	<b>1.20</b>	(0.99)	2.60

The Share options and Warrants were anti-dilutive for the six months ended 30 June 2021 as the Group incurred a loss. As at 30 June 2022, the number of potentially dilutive Share options and Warrants outstanding was 29,205,789 and 9,051,927, respectively (Note 16).

## 7 Earnings per share - continued

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.

## 8 Property, plant, and equipment

	Oil and gas assets £'000	Right of use assets £'000	Other fixed assets £'000	Total £'000
<b>Cost</b>				
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	7,603	–	–	7,603
Decommissioning settlements under SRP and ASCP (Note 13)	(324)	–	–	(324)
Exchange movement	3,857	1	–	3,858
As at 31 December 2021	250,033	109	72	250,214
Acquisitions	51	–	–	51
Additions	34,149	–	1	34,150
Disposals	(360)	–	–	(360)
Changes to decommissioning estimates	(43,992)	–	–	(43,992)
Exchange movement	25,867	11	3	25,881
<b>As at 30 June 2022</b>	<b>265,748</b>	<b>120</b>	<b>76</b>	<b>265,944</b>
<b>Accumulated depreciation</b>				
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)
<b>As at 31 December 2021</b>	<b>(26,077)</b>	<b>(33)</b>	<b>(24)</b>	<b>(26,134)</b>
Charge for the period	(15,000)	(12)	(5)	(15,017)
Exchange movement	(3,320)	(4)	–	(3,324)
<b>As at 30 June 2022</b>	<b>(44,397)</b>	<b>(49)</b>	<b>(29)</b>	<b>(44,475)</b>
Carrying amount at 31 December 2021	223,956	76	48	224,080
<b>Carrying amount at 30 June 2022</b>	<b>221,351</b>	<b>71</b>	<b>47</b>	<b>221,469</b>

## 9 Exploration and evaluation assets (Intangible)

	Six-months Ended 30 June 2022 £'000	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
At start of period	49,819	48,809	48,809
Additions	4,663	573	1,010
Exchange movement	233	–	–
<b>At end of period</b>	<b>54,715</b>	49,382	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.

Also included within E&E assets are costs associated with land purchases in the Clearwater play in Canada.

Management conducted an assessment of indicators of impairment for its E&E assets as at 30 June 2022, concluding that no indicators of impairment were identified.

## 10 Trade and other receivables

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Trade receivables	28,459	6,052	21,982
Joint venture receivables	4,654	1,178	1,483
Prepayments & other receivables	3,860	1,662	2,038
<b>Total trade and other receivables</b>	<b>36,973</b>	8,892	25,503

Trade and other receivables are all due within one year.

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

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.

## 11 Trade and other payables

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Trade creditors	13,698	3,192	5,169
Sales tax payable	632	25	65
Accruals	31,923	9,247	13,565
Dividends payable	1,700	–	–
Joint venture payables	1,033	462	910
Income taxes payable	5,984	–	–
<b>Total trade and other payables</b>	<b>54,970</b>	<b>12,926</b>	<b>19,709</b>

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.

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 £3.0 million 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 has been 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 Company 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 5).

The future Market Value reduction of the payable amount will vary with the trading value of i3 shares and therefore represents an embedded derivative. The entire combined contract is designated as at FVTPL. The fair value of £1,087 thousand has been 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 against the DPIB balance in 2021, less the Market Value of the Warrant Shares of £1,383 thousand, which totals the 5,277,045 Warrant Shares as at the 30 June 2022 share price of 26.20/share and £42 thousand of dividends paid to the Warrant Shares. The fair value of the combined contract is classified as Level 2 in the fair value hierarchy as defined by IFRS 13 'Fair value measurements'. The remaining balance is expected to be paid in 2022 has been classified as a current liability. A reconciliation of the balance is as follows:

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Opening payable amount	1,789	3,000	3,000
Exercise value of the Warrant Shares	–	(1)	(1)
Cash payments made during the period	–	–	(487)
Non-cash change in market value of the Warrant Shares	(702)	(726)	(723)
<b>Total</b>	<b>1,087</b>	<b>2,273</b>	<b>1,789</b>

## 11 Trade and other payables - continued

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Of which:			
Current, within trade accounts payable	1,087	374	1,232
Non-current	–	1,899	557
<b>Total</b>	<b>1,087</b>	<b>2,273</b>	<b>1,789</b>

## 12 Borrowings

### H1-2019 loan note facility

In May 2019, the Group 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 the first two quarters of 2022.

Interest expense and accretion expense to 30 June 2022 was £1,154 thousand and £1,616 thousand respectively (note 5).

### 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)	–	1	1
Accretion expense (non-cash)	1,616	–	1,616
Lease payments (cash)	–	(15)	(15)
Exchange movement (non-cash)	–	8	8
<b>At 30 June 2022</b>	<b>25,471</b>	<b>63</b>	<b>25,534</b>

	H1-2019 LN £'000	Leases £'000	Total £'000
Of which:			
Current	25,471	63	25,534
Non-current	–	–	–
<b>At 30 June 2022</b>	<b>25,471</b>	<b>63</b>	<b>25,534</b>

## 13 Decommissioning provision

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
At start of period	125,523	66,783	66,783
Liabilities assumed through acquisitions	66	540	56,350
Liabilities incurred	612	11	312
Liabilities disposed	(190)	(776)	(7,984)
Liabilities settled	(320)	(196)	(670)
Liabilities settled under SRP and ASCP	—	(87)	(324)
Change in estimates	(43,992)	1,301	7,603
Unwinding of discount (Note 5)	1,206	535	1,539
Exchange movement	12,137	1,038	1,914
<b>At end of period</b>	<b>95,042</b>	<b>69,149</b>	<b>125,523</b>

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Of which:			
Current	2,509	1,988	2,368
Non-current	92,533	67,161	123,155
<b>Total</b>	<b>95,042</b>	<b>69,149</b>	<b>125,523</b>

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

	30 June 2022	30 June 2021	31 December 2021
Undiscounted / uninflated cash flows (CAD, thousands)	208,582	121,910	207,371
Inflation rate	1.78%	1.73%	1.82%
Discount rate	3.14%	1.84%	1.68%
Timing of cash flows	1-50 years	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 a corresponding decrease to the decommissioning asset was recorded. The change in estimate for the period ended 30 June 2022 was primarily driven by changes in market interest rates (which increased 1.46%) and inflation rates (which decreased 0.04%) as published by the Bank of Canada. The inflation and discount rates have been pinpointed as a key source of estimation uncertainty, and a sensitivity to a +/- 0.50% movement to these inputs have been disclosed in the key sources of estimation uncertainty note in the Group's statutory financial statements for the year ended 31 December 2021.

## 14 Risk management contracts

The Group enters into a variety of 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 interim 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

#### 14 Risk management contracts - continued

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'.

The principal terms of the risk management contracts held as at 30 June 2022 are presented in the table below.

Type	Effective date	Termination date	Total Volume	Avg. Price
AECO 5A Physical Swaps	1 Apr 2022	31 Dec 2022	9,000 GJ/Day	CAD 3.6244 / GJ
AECO 5A Physical Swaps	1 Apr 2022	31 Oct 2022	20,275 GJ/Day	CAD 3.9371 / GJ
AECO 5A Physical Swaps	1 Jul 2022	31 Jul 2022	7,500 GJ/Day	CAD 3.2700 / GJ
AECO 5A Physical Swaps	1 Aug 2022	31 Aug 2022	7,500 GJ/Day	CAD 3.3300 / GJ
AECO 5A Physical Swaps	1 Sep 2022	30 Sep 2022	7,500 GJ/Day	CAD 3.2600 / GJ
AECO 5A Physical Swaps	1 Oct 2022	31 Dec 2022	7,500 GJ/Day	CAD 3.5000 / GJ
AECO 5A Physical Swaps	1 Nov 2022	30 Nov 2022	2,500 GJ/Day	CAD 5.0050 / GJ
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 Dec 2022	31 Dec 2022	2,500 GJ/Day	CAD 5.0800 / 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
WTI Financial Swaps	1 Apr 2022	31 Dec 2022	1,000 bbl/Day	CAD 92.63 / bbl
WTI Financial Swaps	1 Jul 2022	30 Sep 2022	250 bbl/Day	CAD 100.09 / bbl
WTI Physical Swaps	1 Oct 2022	31 Oct 2022	250 bbl/Day	CAD 100.00 / bbl
WTI Physical Swaps	1 Nov 2022	30 Nov 2022	250 bbl/Day	CAD 100.00 / bbl
WTI Physical Swaps	1 Dec 2022	31 Dec 2022	250 bbl/Day	CAD 101.05 / bbl
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
Purchased WTI Put Option *	1 Jan 2022	31 Dec 2022	1,000 bbl/Day	CAD 92.20 / bbl
Sold WTI Call Option *	1 Mar 2022	31 Dec 2022	500 bbl/Day	CAD 92.20 / 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
Conway Financial Swaps	1 Jan 2022	31 Dec 2022	500 bbl/Day	USD 1.1175 / gal

\* The purchased WTI put option has a strike price of CAD 92.20 / bbl and a premium of CAD 11.00 / bbl. The sold WTI call option has a strike price of CAD 92.20 / bbl and a premium of CAD 17.60 / bbl. The option premiums have been deferred over their effective periods and the resulting liability is included in the net carrying value of the financial instrument as of 30 June 2022.



## 14 Risk management contracts - continued

The Group's losses on risk management contracts are presented in the following table.

	Six-months Ended 30 June 2022 £'000	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
Unrealised loss on risk management contracts	7,223	1,858	111
Realised loss on risk management contracts	13,252	857	5,374
<b>Total</b>	<b>20,475</b>	<b>2,715</b>	<b>5,485</b>

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

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Current asset	533	—	814
Current liability	(8,271)	(1,864)	(925)
<b>Net current liability</b>	<b>(7,738)</b>	<b>(1,864)</b>	<b>(111)</b>

## 15 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
<b>As at 30 June 2022</b>		<b>1,192,731,373</b>	<b>5,000</b>	<b>—</b>	<b>119</b>	<b>50</b>	<b>50,646</b>	<b>(2,000)</b>	<b>48,646</b>

\* 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.

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.

## 15 Authorized, issued and called-up share capital - continued

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 16](#).

£6.9 million of dividends were proposed during the period ended 30 June 2022 (year ended 31 December 2021 - £3.4 million) as follows:

Declaration date	Ex-Dividend date	Record date	Payment date	Dividend per share (pence)	Total Dividend £'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
<b>Total</b>					<b>6,853</b>

## 16 Share-based payments

During the period the Group had share based payment expense of £836 thousand (Six-months ended 30 June 2021: £1,789 thousand; Year ended 31 December 2021: £3,668 thousand).

### Employee and NED share options

During the period the Group had share based payment expense relating to the issuance of share options of £836 thousand (Six-months ended 30 June 2021: £1,338 thousand; Year ended 31 December 2021: £3,217 thousand). The expense during the period relates to the amortisation of options granted in prior years over their expected vesting periods.

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	425,000	11.00	10.00
Forfeited during the period	(632,556)	11.00	9.47
<b>At 30 June 2022</b>	<b>29,205,789</b>	<b>9.49</b>	<b>8.79</b>

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 c.28 pence per share), which resulted in the issuance of 66,305,381 ordinary shares which

## 16 Share-based payments - continued

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. £3,774 thousand has been recorded as a decrease to the share-based payment reserve, which represents the strike price settled through surrendered shares.

3,579,348 outstanding employee share options as at 30 June 2022 were fully vested and exercisable.

## Warrants

During the period the Group had share based payment expense relating to the modification and issuance of warrants of £nil (Six-months ended 30 June 2021: £451 thousand; Year ended 31 December 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	0.3
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
<b>At 30 June 2022</b>	<b>9,051,927</b>	<b>0.01</b>	<b>0.92</b>

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 11](#).

## 17 Related party transactions

### Remuneration of Key Management Personnel

Directors of the Group are considered to be Key Management Personnel. The remuneration of the Directors will be set out in the annual report for the year-ending 31 December 2022.

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

### Ultimate parent

There is no ultimate controlling party of the Group.

## 18 Commitments

	1 year	1-2 years	3-4 years	5+ years	Total
	£'000	£'000	£'000	£'000	£'000
Operating	315	196	—	—	511
Transportation	884	2,061	347	58	3,350
<b>Total</b>	<b>1,199</b>	<b>2,257</b>	<b>347</b>	<b>58</b>	<b>3,861</b>

Operating commitments relate to offices leases in Canada that expire in December 2023. Transportation commitments relate to take-or-pay pipeline capacity in Alberta.

In addition to the above, the Group has £7.7m of capital commitments for the Serenity well which is expected to be spud in September 2022.

## 19 Events after the reporting period

After 30 June 2022 i3 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
9 July 2022	14 July 2022	15 July 2022	5 August 2022	0.1425	<b>1,700</b>
3 August 2022	11 August 2022	12 August 2022	2 September 2022	0.1425	<b>1,700</b>
7 September 2022	15 September 2022	16 September 2022	7 October 2022	0.1425	<b>1,700</b>
<b>Total</b>					<b>5,100</b>

On 1 August 2022, i3 announced that all conditions precedent in the Farm-In Agreement with Europa had been fulfilled, and that the transaction had completed. The Farm-In Agreement was entered into in April 2022, the key terms of which are outlined in [Note 9](#).

Throughout July, August, and September, i3 entered various risk management contracts, as summarised below.

Type	Effective date	Termination date	Total Volume	Avg. Price
AECO 5A Physical Swaps	1 Sep 2022	30 Sep 2022	10,000 GJ/Day	CAD 4.8250 / GJ
AECO 7A Financial Collar	1 Jan 2023	31 Mar 2023	5,000 GJ/Day	CAD 5.0000-11.2000 / GJ
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
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

## CORPORATE INFORMATION

<b>Registered number</b>	<b>10699593</b>
<b>Directors</b>	<b>John Festival</b> – Non-Executive Director and Non-Executive Chairman <b>Linda Janice Beal</b> – Non-Executive Director (Interim Non-Executive Chairperson until 8 September 2022) <b>Majid Shafiq</b> – Chief Executive Officer <b>Graham Andrew Heath</b> – Chief Financial Officer <b>Richard Millington Ames</b> – Non-Executive Director <b>Neill Ashley Carson</b> – Non-Executive Director
<b>Company Secretary</b>	<b>Burness Paull LLP</b>
<b>Registered Office</b>	New Kings Court Tollgate Chandler's Ford Eastleigh, Hampshire United Kingdom SO53 3LG
<b>Independent Auditor</b>	<b>PKF Littlejohn LLP (Registered Auditor)</b> 15 Westferry Circus Canary Wharf London E14 4HD United Kingdom
<b>Solicitors</b>	<b>Burness Paull LLP</b> 50 Lothian Road Festival Square Edinburgh EH3 9WJ
<b>Nominated Advisor and Broker</b>	<b>WH Ireland Limited</b> 24 Martin Lane London EC4R 0DR
<b>Brokers</b>	<b>Tennyson Securities</b> 23 Floor 20 Fenchurch Street London EC3M 3BY <b>Stifel Nicolaus Europe Limited</b> 150 Cheapside London EC2V 6ET
<b>Registrars</b>	<b>Link Group</b> 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL
<b>Principal Bankers</b>	<b>National Westminster Bank</b>
<b>Company Website</b>	<a href="http://www.i3.energy">www.i3.energy</a>
<b>Company Telephone Number</b>	+44 (0) 1224 945 980

## 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	Barrels of Oil Equivalent Per Day
CAD	Canadian Dollars
Cenovus	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
CLNs	Convertible Loan Notes
Company	i3 Energy plc
CPR	Competent person's report
E&E	Exploration and evaluation
Europa	Europa Oil & Gas Limited
FCF	Free cash flow
FIA	Farm-In Agreement
FVTPL	Fair Value through Profit or Loss
Gain	Gain Energy Ltd.
Gain Acquisition Date	3 September 2020
Gain Assets	Assets retained by i3 following the purchase from Gain and sale to Harvard
gal	Gallon

GBP	British Pounds Sterling
GJ	Gigaloule
Gross wells	Wells participated in by i3
Group	i3 Energy plc, together with its subsidiaries
Harvard	Harvard Resources Inc.
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
LLR	The licensee's deemed asset to deemed liability ratio as determined under Directive 006 (Licensee Liability Rating (LLR) Program and Licence Transfer Process) of the Alberta Energy Regulator (AER). The deemed asset value is calculated by multiplying the licensee's reported production of oil and gas for the prior 12 months by the rolling 3-year provincial industry average netback (determined by the AER). The deemed liability is the total cost for the future abandonment and site reclamation of all a licensee's wells and upstream facilities based on provincial industry average costs (determined by the AER).
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
NTM	Next Twelve Months
OGA	UK Oil and Gas Authority
PDP	Proved, developed, producing reserves
PIK	Payment in kind
PP&E	Property, plant and equipment
RTO	Reverse Take-over
SRP	Alberta's Site Rehabilitation Program
TEIC	Toscana Energy Income Corporation
Toscana	Toscana Energy Income Corporation



Toscana Acquisition Date	30 October 2020
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 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, depletion, financial income, 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 on bargain purchase 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.

	Six-months Ended 30 June 2022 £'000	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
Profit / (loss) for the period	14,725	(7,030)	25,083
Depreciation and depletion	15,017	7,036	21,643
Finance costs	3,281	3,583	7,609
Tax	5,798	(816)	661
<b>EBITDA</b>	<b>38,821</b>	<b>2,773</b>	<b>54,996</b>
Acquisition costs	–	200	256
Gain on bargain purchase	–	–	(25,013)
<b>Adjusted EBITDA</b>	<b>38,821</b>	<b>2,973</b>	<b>30,239</b>

### Net Operating Income

Net operating income is defined as gross profit before depreciation and gains or losses on risk management contracts, which equals revenue net of royalty expenses, less production costs. Management believes that net operating income is a useful supplement 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.

	Six-months Ended 30 June 2022 £'000	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
Gross profit for the period	33,297	2,716	21,690
Depreciation and depletion	15,017	7,036	21,643
Loss on risk management contracts	20,475	2,715	5,485
<b>Net operating income</b>	<b>68,789</b>	<b>12,467</b>	<b>48,818</b>

### Acquisitions & Capex

Acquisitions & Capex is defined as cash expenditures on acquisitions, PP&E, and E&E. Management believes that Acquisition & Capex is a useful supplement 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.

	<b>Six-months Ended 30 June 2022 £'000</b>	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
Acquisitions	(15)	3,850	37,079
Expenditures on property, plant & equipment	19,277	2,283	9,465
Expenditures on exploration and evaluation assets	4,452	3,514	3,317
<b>Acquisitions &amp; Capex</b>	<b>23,714</b>	<b>9,647</b>	<b>49,861</b>

### 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.

	<b>Six-months Ended 30 June 2022 £'000</b>	Six-months Ended 30 June 2021 £'000	Year Ended 31 December 2021 £'000
Net cash from operating activities	48,630	7,978	24,439
Expenditures on property, plant & equipment	(19,277)	(2,283)	(9,465)
Expenditures on exploration and evaluation assets	(4,452)	(3,514)	(3,317)
<b>FCF</b>	<b>24,901</b>	<b>2,181</b>	<b>11,657</b>