ITHACA
ENERGY

Ithaca Oil and Gas Limited
Financial Statements for the year ended 31 December 2022

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General Information

Directors
A Bruce (resigned 4 January 2024)
I Lewis (appointed 9 April 2023)
G Myerson

Company Secretary
Pinsent Masons Secretarial Limited
1 Park Row
Leeds
England
LS1 5AB

Independent Auditor
Deloitte LLP
2 New Street Square
London
NW1 6AA

Bankers
BNP Paribas
London Office
3 Harewood Avenue
London
NW1 6AA

Solicitors
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13 Queen's Road
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AB15 4YL

Registered Office
1 Park Row
Leeds
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LS1 5AB

Strategic Report for the year ended 31 December 2022

Principal activities and review of the business

The principal activity of Ithaca Oil and Gas Limited ("the Company") during the year was appraisal and development of, and production from, North Sea oil and gas properties.

Ithaca Oil and Gas Limited is an oil and gas appraisal, development and production company active in the United Kingdom's Continental Shelf ("UKCS"). The Company has a 36.7% operated interest in the Alba field, a 21.4% non-operated interest in the West Don field , a 40% non-operated interest in the Don South West field, and a 31.25% non-operated interest in the Heather and Strathspey fields. On 3 May 2023, the North Sea Transition Authority (NSTA) granted approval for the transfer to the Company of 14.4% of the working interest in Harrier and Stella from a fellow group company, on 1 June 2023 the transaction was executed. Following this approval, assets were transferred at market value.

The goal of the Company, in the near term, is to maximise production from existing fields and achieve early production from the development of existing discoveries on licenses held by the Company, to originate and participate in exploration on licenses held by the Company that have the potential of making significant contributions to future production, and to consider other opportunities for growth as they are identified by the Company.

Group review of the business

The average Brent market price increased to $101/bbl in 2022 compared to $71/bbl in 2021 which has generated higher oil and gas revenues in 2022 for the wider Ithaca Group. Average realised gas prices including hedging losses have risen from an average of $91/boe in 2021 to $135/boe in 2022. Average realised oil prices have also increased to $91/bbl in 2022 from $74/bbl in 2021 after hedging losses. The impact of increased commodity prices has been offset by losses in relation to the Group hedging portfolio which have increased from a $198 million loss in 2021 to a $502 million loss in 2022.

Operating expenditure per boe of production increased from $18/boe in 2021 to $19/boe in 2022. This increase is largely driven by inflationary pressures and higher commodity price based operating costs, such as fuel gas and diesel. This outweighed our disciplined cost management approach across the portfolio.

Company financial key performance indicators

	Year ended 31 December 2022	Year ended 31 December 2021
Production (barrel of oil equivalent - boe)		
Oil	567,317	613,930
Production (bopd)	1,554	1,682
Average realised oil price ($/bbl)	94	65

Production
The Company's production in 2022 was 567,317 boe (2021: 613,930 boe), a decrease of 7.6% from the previous year. Production at Alba was impacted by planned shutdown, main generator maintenance campaigns and extended water injection outage during the year.

Price
Average realised oil prices increased to $94bbl in 2022 in line with market movement (2021: $65/bbl). This is in line with the increase in the average Brent market price from $71/bbl in 2021 to $101/bbl in 2022.

Company financial results

Income Statement
Revenue increased by 32.9% from $34.4 million in 2021 to $45.6 million for the year ended 31 December 2022. The increase reflects the increase in realised prices offset with the decrease in production.

Cost of sales increased by $23.0 million to $63.9 million in 2022 compared to 2021, the main drivers for the movement was an increase in operating costs of $22.5 million offset by a decrease in depreciation, depletion and amortisation (DD&A) ($2.8 million). There was an impairment reversal of $28.1 million relating to decommissioning movements on assets with a nil net book value (NBV) and adjustments for historical intercompany balances with fellow group subsidiaries, offset partially by an impairment on Alba (see note 10), an increase in administrative expenses of $10.0 million in relation to recognition of expected credit losses (ECL) in 2022 and an increase in contingent consideration of $8.1 million (see note 15). This results in an operating loss of $4.5 million for the year (2021: $3.4 million operating profit).

Statement of Financial Position

The Company is in a net assets position at the end of 2022 of $2,276.4 million (2021: $2,327.9 million net assets). The movement has primarily been driven by the loss made in the year.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are consistent with the principal risks of Ithaca Energy plc ("the Group") and are not managed separately. Refer to the Directors' Report for further details.

Section 172 statement

From the perspective of the Board, as a result of the Group governance structured whereby the entity Board is embedded within the Parent Company Board, the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the Parent Company Board in relation to both the Group and to this entity.

Specific considerations in relation to the Company, with reference to the requirements of s172, are set out below. As overall context, as a 100% owned subsidiary of the Group, which holds operated and non-operated interests in production and development assets, the interests of the Company and the Group are closely aligned.

The likely consequences of any decision in the long term: the key consideration in this area is any decision made regarding the future of the production and development assets held by the Company to achieve the ambitions of the Group.

Decisions in this regard are taken at the Parent Company level. Decisions regarding payment of any dividends by subsidiary companies of the Parent Company are taken at a Group level based upon an assessment by the Group's finance team, taking into account a range of factors, including: the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in the Company; and the expectations of the Parent Company's shareholders as a supplier of long-term equity capital to the Company.

The interests of the company's employees: this is not relevant as the Company has no employees.

The need to foster the Company's business relationships with suppliers, customers and others: this is not relevant as the Company has no significant third party suppliers, other than its joint venture partners, for which relationships are managed at the Group level, the Company's relationships with its external customers are also managed at a Group level.

The impact of the Company's operations on the community and the environment: the impact of the Company's operations on the community and the environment are considered by the Parent Company Board.

The desirability of the Company maintaining a reputation for high standards of business conduct: Although the Company has no employees and has limited suppliers and customers, the Directors continue to provide oversight governance of all Companies within the Group to ensure that they comply with the Group's policies and maintain high standards of business conduct. The subsidiaries provide regular updates on their activities to the Directors. Any investment or acquisition decisions taken by the Directors are made ensuring they are viable by reference to the high standards of business conduct and would be beneficial to the Group and its subsidiaries in the longer term.

The need to act fairly as between members of the Company: the Company's activities support the wider strategy of the Group and, owing to the fact the Company is a wholly owned subsidiary of the Parent Company, the Directors are required only to balance the interests of corporate shareholders that are themselves wholly owned subsidiaries of Ithaca Energy plc, rather than any third party members.

To the extent necessary for an understanding of the development, performance and position of the entity, explanation of how the Parent Company Board has considered the matters set out in s172 (for the Group and for the entity) is set out on page 32 of Ithaca Energy plc's 2022 Annual Report and Accounts, which does not form part of this report.

Strategic Report for the year ended 31 December 2022 (continued)

Energy and carbon reporting

Under The Large and Medium-Size Companies and Groups (Accounts and Reports) Regulations 2008 we are required to report all sources of GHG emissions and energy usage.

The Group operates a number of assets that emissions can be tracked for, and in 2020, the Group set out its ambition for achieving industry leading levels of environmental performance. Key to this ambition is our commitment to reduce greenhouse gas (GHG) emissions. In line with the GHG emissions hierarchy, our initial short-term target focuses on Scope 1 and 2 emissions, these are emissions that are under our direct operational control. In support of the global transition to a low carbon economy, and the UK's Net Zero targets, we have set an ambitious goal of eliminating 25% of our combined Scope 1 and 2 CO2e emissions for our operated assets by 2025. Our target uses 2019 as the baseline year, as this is when we acquired 4 of our 5 operational assets.

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

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

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

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

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

The Company has reported on all of the emission sources within its operational control required under the Companies Act 2006 Regulations 2013 and The Companies (Directors' Report) (Energy and Carbon Report) Regulations 2018. Ithaca has used the principles of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), and data gathered to fulfil the requirements under the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019'. Approximately 100% of reported emissions relate to emissions from the UK and UK offshore area, metrics are on a 100% basis for the Company's operated asset (Alba) and include the onshore office.

Scope 1 + 2 emissions for the Company have reduced by 18% to 135,501 tCO2e in 2022 (164,924 tCO2e in 2021). However as the wells mature on Alba, more power is required, in the form of water injection, to produce hydrocarbons, resulting in an increase to the carbon intensity:

	2022	*Restated 2021
Scope 1 emissions (tCO2e)	134,822	164,357
Scope 1 + 2 emissions (tCO2e)	135,501	164,924
Carbon Intensity (kgCO2e/BOE)	75	68
Energy Consumption (MWh)	1,874	2,519

* The prior year emissions presented have been restated to present only the emissions associated with assets which the Company operates, previously this disclosure also included assets which are operated by other group companies.

Given that Ithaca Oil and Gas Limited holds shares in non-operated assets in decommissioning phase, there is limited control over these, and emissions cannot be calculated and presented individually. However, full Energy and Carbon Reporting disclosures for 2022 have been included as the comparative period in the 2022 Annual Report and Accounts for Ithaca Energy plc.

Approved by the Board on 4 April 2024 and signed on its behalf by:

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Iain CS Lewis
Director

Directors' Report for the year ended 31 December 2022

The Directors present their report and the financial statements of Ithaca Oil and Gas Limited (the "Company") for the year ended 31 December 2022.

Results and dividends

The Company's loss for the financial year was $51.5 million (2021: loss of $8.5 million) which has been taken to reserves. The Directors do not recommend payment of a dividend (2021: $nil) and have not paid one post year end.

Future developments

Management's primary area of focus for 2022 and beyond, with regards to Alba, is to continue to operate safely, efficiently and maximise production.

The Group will also advance the other existing exploration projects and developments over the year as well as evaluating any potential opportunities to expand the asset portfolio in order to continue to deliver shareholder value.

The Company has a 60% interest in the development field Fotla, development plans are ongoing and the company is actively engaging with potential farm-in partners to enable the future progression of Fotla towards FID, subject to regulatory and licensing approval processes and market conditions (see note 23).

Financial risk management

The financial risk management objectives and policies of the Company as well as the exposure of the Company to liquidity risk and cash flow risk are consistent with the Group and are not managed separately.

Given the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board.

Commodity risk management
Commodity price risk related to crude oil prices is the Company's most significant market risk exposure. Crude oil prices and quality differentials are influenced by worldwide factors such as OPEC actions, political events and supply and demand fundamentals. The Company is also exposed to natural gas price movements. Natural gas prices are generally influenced by oil prices and local market conditions. The Company's expenditures are subject to the effects of inflation, and prices received for the product sold are not readily adjustable to cover any increase in expenses from inflation. The Company may periodically use different types of derivative instruments to manage its exposure to price volatility, thus mitigating fluctuations in commodity-related cash flows.

Foreign exchange rate risk
The Company is exposed to foreign exchange risks to the extent it transacts in various currencies, while measuring and reporting its results in US Dollars. Since time passes between the recording of a receivable or payable transaction and its collection or payment, the Company is exposed to gains or losses on non USD amounts and on statement of financial position translation of monetary accounts denominated in non USD amounts upon spot rate fluctuations from quarter to quarter.

Credit risk
The Company's accounts receivable with customers in the oil and gas industry are subject to normal industry credit risks and are unsecured.

The Company applies IFRS 9 simplified model for measuring the expected credit loss which uses a lifetime expected loss allowance and considers both historical and forward looking qualitative and quantitative information to determine whether the credit risk is material to the Company. Having reviewed these factors combined with the credit profile of the fellow group companies in order to assess the potential for impairment, the Company has concluded that a provision for $10.4 million should be booked, see note 13 for details on how the provision was calculated (2021: nil).

Liquidity risk and cash flow risk
The Company along with the parent company (Ithaca Energy (UK) Limited) (see note 22) actively maintains a view on the future to optimise the mixture of debt and equity that will ensure the Company has sufficient available funds to develop its existing licenses and participate in future opportunities (see note 3).

Geo-political risk
The Company along with the rest of the Group are exposed to a range of political developments and consequent changes to the operating and regulatory environment could cause business disruption. These may in turn cause production to decline, limit the Company's ability to pursue new opportunities, affect the recoverability of its assets or cause it to incur additional costs. Political instability, changes to the regulatory environment or taxation, international trade disputes and barriers to free trade, international sanctions, acts of terrorism, acts of war and public health situations (including future epidemic or pandemic) may disrupt or curtail its operations or development activities.

Climate Change
Impacts related to climate change and the transition to a lower carbon economy may include:

- demand for the Company's commodities decreasing, due to policy, regulatory (including carbon pricing mechanisms), legal, technological, market or societal responses to climate change, resulting in a proportion of a CGU's reserves becoming incapable of extraction in an economically viable fashion;
- physical impacts related to acute risks resulting from increased severity of extreme weather events, and those related to chronic risks resulting from longer term changes to climate patterns.

The Company continues to develop its assessment of the potential impacts of climate change and the transition to a lower carbon economy. Where sufficiently developed, the potential financial impacts on the Company of climate change and the transition to a lower carbon economy have been considered in the assessment of indicators of impairments, including:

- the Company's current assumptions relating to demand for commodities and carbon pricing and their impact on the Group's long term price forecasts;
- the Company's operational emissions reduction strategy

See note 3 for further details.

Directors' Report for the year ended 31 December 2022 (continued)

Post year end events

On 3 May 2023, the North Sea Transition Authority (NSTA) granted approval for the transfer of 14.4% working interest in Harrier and Stella from Ithaca Minerals (North Sea) Limited into the Company. Beneficial ownership transferred when approval was granted and assets were transferred at market value.

On 31 October 2023, the Group announced the completion of the acquisition by the Company of the 40% stake in the Fotla discovery that it did not already own. The total transaction consideration of up to circa $14 million comprises two capped contingent payments of which approximately two-thirds will be payable on final investment decision and one-third on first production.

Directors

The Directors who held office during the year and up to the date of this report are given below:

I Lewis (appointed 9 April 2023)
D Crawford (resigned 1 September 2022)
A Bruce (resigned 4 January 2024)
G Myerson

All Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Going concern

The Directors have obtained confirmation from Ithaca Energy plc that it will provide the necessary support to enable the Company to meet its obligations as they fall due. This confirmation is valid until 30 June 2025.

To conclude on the going concern for the Company, the Directors have considered the liquidity and solvency of Ithaca Energy plc and have considered going concern at the Group level.

The Directors closely monitor the funding position of the Company and Group throughout the year including monitoring continued compliance with covenants as described in the Group Annual Report and Accounts, and available facilities to ensure sufficient headroom to fund operations.

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

The Directors consider the preparation of the financial statements on a going concern basis to be appropriate. This is due to the following key factors relevant to the assessment of the Group's ability to continue as a going concern and therefore its ability to provide support if required to the Company:

- Strong commodity markets and continuing robust commodity price backdrop and a well hedged portfolio over the next 12 months;
- New unsecured loan arrangements of $100 million with bp which was fully drawn at 31 December 2023 and a new $150 million optional project specific captial expenditure carry arrangement available at the discretion of the Group which was undrawn at 31 December 2023;
- Reserves Based Lending ("RBL") liquidity headroom for the Group as at January 2024 of $836 million ($nil drawn versus $836 million available), plus circa $300 million cash at the end of March 2024; and
- Strong operational performance and well-diversified portfolio.

Cash flow forecast – base case assumptions:		2024	H1 2025
Average oil price	$/bbl	81	77
Average gas price	p/th	67	75
Average hedged oil price (including floor price for zero cost collars)	$/bbl	78	N/A
Average hedged gas price (including floor price for zero cost collars)	p/th	137	123

Owing to the on-going fluctuations in commodity demand and price volatility, management prepared sensitivity analysis to the forecasts and applied a number of plausible downside scenarios including decreases in production of 10%, reduced sales prices of 20% and increases in operating and capital expenditures of 10%. Management aggregated these scenarios to create a reasonable combined worst-case scenario. The sensitivity analysis showed that, after consideration of mitigation strategies within managements's control, that there was no reasonably possible scenario that would result in the business being unable to meet its liabilities as they fell due. The analysis demonstrated that the Group would still continue to comply with financial covenants and have sufficient liquidity throughout the period to 30 June 2025 to continue trading.

Based on their assessment of the Group's financial position to the period 30 June 2025, the Company's Directors believe that the Group will be able to continue in operational existance and provide any necessary financial support to the Company for the 12 months from the date of signing. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Company's financial statements.

Statement of Directors' Responsibilities in respect of the financial statements

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Company's financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may vary from legislation in other jurisdictions.

Directors' Report for the year ended 31 December 2022 (continued)

Directors' confirmations

The Directors in office at the date of approval of this report confirm that:

- so far as the Directors are aware, there is no relevant audit information of which the Company auditor is unaware; and
- the Directors have taken all the necessary steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent Auditor

Pursuant to section 485 of the Companies Act 2006, a resolution to reappoint the auditor, Deloitte LLP, will be put to a General Meeting.

Approved by the Board and signed on its behalf by:

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Iain CS Lewis
4 April 2024
Director

Independent Auditor Report to the members of Ithaca Oil and Gas Limited

Report on the financial statements

Opinion

In our opinion the financial statements of Ithaca Oil and Gas Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework";
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the Directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent Auditor Report to the members of Ithaca Oil and Gas Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- *certain disclosures of Directors' remuneration* specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Pate

David Paterson, ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
4 April 2024

Income Statement
For the year ended 31 December 2022

	Note	2022 US$'000	2021 US$'000
Revenue	4	45,642	34,352
Cost of sales	5	(63,904)	(40,869)
Gross loss		(18,262)	(6,517)
Impairment reversal	10	28,079	6,093
Administrative expenses	6	(10,583)	(538)
Movement on contingent consideration	15	(8,080)	(15,880)
Gain on bargain purchase	20	-	23,554
Foreign exchange gain/(loss)		4,381	(3,322)
Operating (loss)/profit		(4,465)	3,390
Finance costs	7	(15,023)	(14,861)
Loss before taxation		(19,488)	(11,471)
Taxation	17	(31,966)	2,947
Loss for the financial year		(51,454)	(8,524)

The results above are entirely derived from continuing operations. The result for the current and prior year are equal to the total comprehensive income and accordingly a statement of comprehensive income has not been presented.

The notes on pages 14 to 23 are an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2022

	Note	2022 US$'000	*Restated 2021 USD$'000
Non-current assets			
Property, plant & equipment	9	41,039	90,585
Exploration & evaluation assets	11	38,923	30,834
Investments	21	1,611,657	1,611,657
Deferred tax asset	17	119,814	151,780
Trade and other receivables	13	908,794	941,758
		2,720,227	2,826,614
Current assets			
Cash and cash equivalents		1,414	21,520
Trade and other receivables	13	47,731	38,487
Deposits, prepayments and other debtors		217	35
Inventories	8	48,259	44,279
		97,621	104,321
Total assets		2,817,848	2,930,935
Current liabilities	14	(114,338)	(63,631)
Net current (liabilities)/assets		(16,717)	40,690
Total assets less current liabilities		2,703,510	2,867,304
Non-current liabilities			
Decommissioning liabilities	12	(407,313)	(523,533)
Contingent consideration	15	(19,760)	(15,880)
		(427,073)	(539,413)
Net assets		2,276,437	2,327,891
Capital and reserves			
Called up share capital	16	485,497	485,497
Share premium	16	216,568	216,568
Translation reserve	16	(218,067)	(218,067)
Retained earnings		1,792,439	1,843,893
Total shareholders' funds		2,276,437	2,327,891

The financial statements on pages 11 to 22 were approved and authorised by the Board of Directors on 4 April 2024 and signed on its behalf by:

The restatement of the prior year is explained in detail in note 19.

DocuSigned by:

Iain CS Lewis

Director
Ithaca Oil and Gas Limited - Registered Number 01546623

The notes on pages 14 to 23 are an integral part of these financial statements.

Statement of Changes in Equity
For the year ended 31 December 2022

	Called up share capital US$'000	Share premium US$'000	Translation reserve US$'000	*Restated Retained earnings US$'000	*Restated Total shareholders' funds US$'000
Balance, 1 January 2021 (as previously reported)	485,497	216,568	(218,067)	1,799,446	2,283,444
Restatement (note 19)	-	-	-	52,971	52,971
Balance, 1 January 2021 (restated)	**485,497**	**216,568**	**(218,067)**	**1,852,417**	**2,336,415**
Loss for the financial year	-	-	-	(8,524)	(8,524)
Balance, 31 December 2021 (restated)	**485,497**	**216,568**	**(218,067)**	**1,843,893**	**2,327,891**
Loss for the financial year	-	-	-	(51,454)	(51,454)
Balance, 31 December 2022	**485,497**	**216,568**	**(218,067)**	**1,792,439**	**2,276,437**

The notes on pages 14 to 23 are an integral part of these financial statements.

The restatement of the prior year is explained in detail in note 19.

Notes to the financial statements for the year ended 31 December 2022

1. NATURE OF OPERATIONS

Ithaca Oil and Gas Limited ("the Company"), is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in Scotland. The Company is involved in the appraisal, development and production of oil & gas in the North Sea. The registered office address of the Company is 1 Park Row, Leeds, LS1 5AB.

2. BASIS OF PREPARATION

These financial statements of the Company have been prepared on a going concern basis in accordance with United Kingdom Accounting Standards, FRS 101 and the Companies Act 2006 ("the Act") as applicable to companies using FRS 101.

FRS 101 sets out a reduced disclosure framework for a "qualifying entity", as defined in the Standard, which addressed the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of IASB adopted International Financial Reporting Standards ("IFRSs").

The Company is a qualifying entity for the purposes of FRS 101. Note 22 gives details of the Company's ultimate parent and from where the consolidated financial statements prepared in accordance with IFRS may be obtained.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 10(d), 10(f), 16, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements';
(b) the requirements of IAS 7 'Statement of Cash Flows';
(c) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
(d) the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
(e) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
(f) the requirements of IFRS 7 'Financial Instruments: Disclosures';
(g) the requirements of paragraphs 52 and 58 of IFRS 16 'Leases';
(h) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-(f) and 135(c)-(e) of IAS 36 'Impairment of Assets'; and
(i) the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement'.

The financial statements are presented in US dollars and all values are rounded to the nearest thousand (US$'000), except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATION UNCERTAINTY

Basis of measurement

The financial statements have been prepared under the historical cost convention.

Going concern

The Directors have obtained confirmation from Ithaca Energy plc that it will provide the necessary support to enable the Company to meet its obligations as they fall due. This confirmation is valid until 30 June 2025.

To conclude on the going concern for the Company, the Directors have considered the liquidity and solvency of Ithaca Energy plc and have considered going concern at the Group level.

The Directors closely monitor the funding position of the Company and Group throughout the year including monitoring continued compliance with covenants as described in the Group Annual Report and Accounts, and available facilities to ensure sufficient headroom to fund operations.

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

The Directors consider the preparation of the financial statements on a going concern basis to be appropriate. This is due to the following key factors relevant to the assessment of the Group's ability to continue as a going concern and therefore its ability to provide support if required to the Company:

- Strong commodity markets and continuing robust commodity price backdrop and a well hedged portfolio over the next 12 months;
- New unsecured loan arrangements of $100 million with bp which was fully drawn at 31 December 2023 and a new $150 million optional project specific capital expenditure carry arrangement available at the discretion of the Group which was undrawn at 31 December 2023;
- Reserves Based Lending ("RBL") liquidity headroom for the Group as at January 2024 of $836 million ($nil drawn versus $836 million available), plus circa $300 million cash at the end of March 2024; and
- Strong operational performance and well-diversified portfolio.

Cash flow forecast – base case assumptions:		2024	H1 2025
Average oil price	$/bbl	81	77
Average gas price	p/th	67	75
Average hedged oil price (including floor price for zero cost	$/bbl	78	N/A
Average hedged gas price (including floor price for zero cost collars)	p/th	137	123

Owing to the on-going fluctuations in commodity demand and price volatility, management prepared sensitivity analysis to the forecasts and applied a number of plausible downside scenarios including decreases in production of 10%, reduced sales prices of 20% and increases in operating and capital expenditures of 10%. Management aggregated these scenarios to create a reasonable combined worst-case scenario. The sensitivity analysis showed that, after consideration of mitigation strategies within managements's control, that there was no reasonably possible scenario that would result in the business being unable to meet its liabilities as they fell due. The analysis demonstrated that the Group would still continue to comply with financial covenants and have sufficient liquidity throughout the period to 30 June 2025 to continue trading.

Based on their assessment of the Group's financial position to the period 30 June 2025, the Company's Directors believe that the Group will be able to continue in operational existence and provide any necessary financial support to the Company for the 12 months from the date of signing. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Company's financial statements.

Judgements and estimates made in assessing the impact of climate change and the energy transition
Climate change and the transition to a lower-carbon system were considered in preparing the financial statements. These may have the potential for significant impacts on the carrying values of the Company's assets and liabilities discussed below as well as on assets and liabilities that may be reflected in future. There is generally a high level of uncertainty about the speed and magnitude of impacts of climate change which, together with limited historical data, provides significant challenges in the preparation of forecasts and financial plans with a wide range of potential future outcomes.

The Group and the Company's ambition is to have one of the lowest carbon emission portfolios in the UK North Sea and to achieve Net Zero, on a net equity basis, and in respect of Scope 1 and 2 emissions, by 2040, ten years ahead of the North Sea Transition Deal commitment. This will be achieved by optimising the current portfolio in the short term and fundamentally transitioning our portfolio over the medium to long term whilst maintaining forecast levels of production. Initiatives include, but are not limited to, operational improvements, offshore electrification, and the eventual cessation of production of mature fields which have higher carbon intensity. Where we cannot reduce Scope 1 and Scope 2 emissions, we will invest in carbon offsets to achieve our goal of Net Zero. All new economic investment decisions include estimated costs of the energy transition based on existing technology and estimated costs of carbon and these opportunities are assessed on their climate impact potential and alignment with our Net Zero target, taking into account both greenhouse gas volumes and emissions intensity.

Notes to the financial statements for the year ended 31 December 2022 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

Judgements and estimates made in assessing the impact of climate change and the energy transition (continued)

Specific considerations of the potential impacts of climate change on significant judgements and estimates used in the financial statements are considered below. The items outlined below are likely to manifest themselves over a number of years and are therefore not generally considered to represent "key sources of estimation uncertainty" as required by IAS 1 (being those which could have a material impact on the group's results in the 12 months following the reporting date) which are separately disclosed later in this note.

Impairment of property, plant and equipment
The energy transition has the potential to significantly impact future commodity and carbon prices in that as the UK and global energy system decarbonises, reduced demand for oil and gas products in favour of low carbon alternatives could cause oil and gas prices to fall which would, in turn, affect the recoverable amount of goodwill and property, plant and equipment. In the current period management's estimate of the long-term commodity price assumptions are $83/bbl for Brent Crude and 86p/therm for UK NBP gas. The other areas of estimation uncertainty in this note and note 10 includes the impact on impairment headroom of a 20% downside in net revenues. Management has concluded that this reduction is also reflective of amending its long-term commodity price assumptions to those that are in line with a range of transition paths consistent with the temperature goal of the Paris climate change agreement, of holding the increase in the global average temperate at well below 2 degrees above pre-industrial levels and pursing efforts to limit the temperature to 1.5 degrees above pre-industrial levels. This assessment is based on climate change scenarios currently available from the International Energy Agency and World Business Council for Sustainable Development. However, management has also concluded that, due to the relatively short term remaining in the life of the Company's D&P assets a material impairment charge solely as a result of the energy transition is not considered likely.

Recoverable values used for impairment testing for all cash generating units ('CGU's) include the estimated cost of UK carbon emissions allowances. The recoverable value of CGU's may be impacted by future carbon pricing legislation changes, which could increase operating costs through higher emissions allowances or the introduction of other carbon pricing mechanisms. Electrification of offshore operations for specific assets is planned in line with our 2040 net zero ambitions and where feasible based on existing technology, estimated electrification costs are included within the assessment of the recoverable value of the relevant CGU.

Property, plant and equipment - depreciation and useful economic lives
The energy transition has the potential to reduce the expected useful economic lives of assets and hence accelerate depreciation charges. Management does not currently expect the useful economic lives of the Company's reported property, plant and equipment to significantly change solely as a result of the energy transition.

Decommissioning provisions
The impacts of climate change and the energy transition may bring forward the expected timing of decommissioning activity, increasing the present value of the associated decommissioning provisions. However, the relatively short term profile of the Company's decommissioning obligations, which are expected to be settled at varying intervals over the next 8 years, means that management does not expect a material change in the provision solely as a result of the energy transition.

While the pace of the transition to a lower-carbon economy is uncertain, oil and gas demand is expected to remain a key element of the energy mix for many years based on stated policies, commitments and announced pledges to reduce emissions. Therefore given the estimated useful lives of the Company's oil and gas portfolio, a material adverse change is not anticipated to the carrying value of the Company's assets and liabilities in the short-term as a result of climate change and the transition to a lower-carbon economy.

Significant accounting policies

Interest in joint operations
Under IFRS 11, joint arrangements are those that convey joint control which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Company's interest in joint operations (e.g. exploration and production arrangements) are accounted for by recognising its assets (including its share of assets held jointly), its liabilities (including its share of liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of revenue from the sale of output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Investments in subsidiaries
Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid, less accumulated impairment losses. The Company assesses investments in subsidiaries for impairment whenever changes in circumstances or events indicate that the carrying value may not be recoverable. If such impairment indicators exist, the carrying amount of the investment is compared to its recoverable amount. The recoverable amount is the higher of the investment's fair value less costs of disposal and its value in use. The investment is written down to its recoverable amount when its carrying amount exceeds the recoverable amount. Prior years' impairments are reversed should there be a change in economic conditions from those in existence at the time the impairment was recognised.

Revenue

The sale of crude oil, gas or condensate represents a single performance obligation, being the sale of barrels equivalent on collection of a cargo or on delivery of commodity into an infrastructure. Revenue is accordingly recognised for this performance obligation when control over the corresponding commodity is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for products in the normal course of business, net of discounts, customs duties and sales taxes.

Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the 'functional currency'). The financial statements are presented in United States Dollars, which is the Company's presentation currency as well as the functional currency.

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date, with movements recorded in the income statement. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Financial instruments

All financial instruments are initially recognised at fair value on the statement of financial position. The Company's financial instruments consist of cash, contingent consideration, accounts receivable, accounts payable and accrued liabilities. Under IFRS 9, with the exception of contingent consideration, which is recorded at fair value through profit and loss, all financial instruments are recorded at amortised cost based on an analysis of the business model and terms of financial assets. All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods is dependent on the classification of the respective financial instrument.

Cash and cash equivalents

Cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Inventory

Inventories of materials are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on the first-in, first-out method. Current hydrocarbon inventories are stated at net realisable value, which is based on estimated selling price less any further costs expected to be incurred to completion and disposal/sale. Non-current oil and gas inventories are stated at historic cost. Provision is made for obsolete, slow-moving and defective items where appropriate.

Notes to the financial statements for the year ended 31 December 2022 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

Significant accounting policies (continued)

Intercompany

Balances with other companies of the Ithaca group are stated gross, unless both the following conditions are met:
- currently there is a legally enforceable right to set off the recognised amounts; and
- there is intent either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Trade and other receivables

Trade receivables are recognised and carried at the original invoiced amount, less any provision for estimated irrecoverable amounts.

For trade receivables and accrued income, the Company applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Company does not track changes in credit risk, but instead, recognises any material loss allowance based on lifetime ECLs at each reporting date.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Lifting or offtake arrangements for oil and gas produced in certain of the Company's oil and gas properties are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative volume sold is an 'underlift', included within accrued income or 'overlift', included within deferred income in the statement of financial position. Both are stated at net realisable value. Movements during an accounting period are adjusted through cost of sales in the statement of profit or loss.

Other receivables are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the statement of profit or loss when the assets are derecognised, modified or impaired. The Company's financial assets measured at amortised cost includes trade and other receivables and amounts due from related parties.

Provision for expected credit losses of receivables

A high level analysis, which considers both historical and forward looking qualitative and quantitative information is performed by the Company to determine whether the credit risk has significantly increased since the time any intercompany receivable was initially recognised. The Company has a receivable balances due from Group undertakings of $908.4 million (2021: $941.7 million). Under IFRS 9 the Company is required to record a provision for expected credit losses ("ECL") in respect of this balance, which is based on an estimate of the probability of default by the counterparty and the loss given default. The assumptions supporting this assessment are complex and involve a high level of judgement. Management has recorded an ECL provision of $10.4 million (2021: nil), which is based on a probability of default of 1.91% provided by an external credit rating agency and a loss given default of 60% (see note 13). A variation in this probability rate of 1% would impact the ECL provision by $5.2 million.

Trade and other payables

All other financial liabilities are initially recognised at fair value, net of directly attributable transaction costs. For interest-bearing loans and borrowings this is typically equivalent to the fair value of the proceeds received, net of issue costs associated with the borrowing. After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised in interest and other income and finance costs respectively. This category of financial liabilities included trade and other payables and finance debt.

Property, plant and equipment

Oil and gas expenditure – exploration and evaluation (E&E) assets

Geological and geophysical exploration costs are recognised as an expense as incurred. Costs directly associated with an exploration well are initially capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, freight costs and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration well costs are written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continued to be carried as an asset. If it is determined that development will not occur, that is, the efforts are not successful, then the costs are expensed.

Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible asset. Upon internal approval for development and recognition of proved or sanctioned probable reserves, the relevant expenditure is first assessed for impairment and, if required, an impairment loss is recognised. The remaining balance is then transferred to development and production (D&P) assets. If development is not approved and no further activity is expected to occur, then the costs are expensed.

The determination of whether potentially economic oil and natural gas reserves have been discovered by an exploration well is usually made within one year of well completion, but can take longer, depending on the complexity of the geological structure. Exploration wells that discover potentially economic quantities of oil and natural gas in areas where major capital expenditure (e.g. an offshore platform or a pipeline) would be required before production could begin and where the economic viability of that major capital expenditure depends on the successful completion of further exploitation or appraisal work in the area remain capitalised on the balance sheet as long as such work is under way or firmly planned.

Oil and gas expenditure – development and production (D&P) assets

Capitalisation
Costs of bringing a field into production, including the cost of facilities, wells and sub-sea equipment, are capitalised as a D&P asset. Normally each individual field development will form an individual D&P asset but there may be cases, such as phased developments, or multiple fields around a single production facility when fields are grouped together to form a single D&P asset.

Depreciation
All costs relating to a development are accumulated and not depreciated until the commencement of production. Depreciation is calculated on a unit of production basis based on the proved and probable reserves of the asset. Any re-assessment of reserves affects the depreciation rate prospectively. Significant items of plant and equipment will normally be fully depreciated over the life of the field. However, these items are assessed to consider if their useful lives differ from the expected life of the D&P asset and should this occur a different depreciation rate would be charged.

Impairment
For impairment review purposes the Company's oil and gas assets are aggregated into cash-generating units (CGUs) in accordance with IAS 36. A review is carried out each reporting date for any indicators that the carrying value of the Company's assets may be impaired or previously impaired assets (excluding goodwill) where a reversal of a previous impairment may arise. For assets where there are such indicators, an impairment test is carried out on the CGU. The impairment test involves comparing the carrying value with the recoverable value of an asset. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to the recoverable amount. The resulting impairment losses are written off to the statement of profit or loss. Previously impaired assets (excluding goodwill) are reviewed for possible reversal of previous impairment at each reporting date. The maximum possible reversal is capped at the net book value had the asset not been impaired in the past.

Other
Office buildings are depreciated on a straight line basis over their estimated useful economic life of 10 years.

Maintenance expenditure

Expenditure on major maintenance refits or repairs is capitalised where it enhances the life or performance of an asset above its originally assessed standard of performance; replaces an asset or part of an asset which was separately depreciated and which is then written off, or restores the economic benefits of an asset which has been fully depreciated. All other maintenance expenditure is charged to the income statement as incurred.

Notes to the financial statements for the year ended 31 December 2022 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

Significant accounting policies (continued)

Decommissioning liabilities

The Company records the present value of legal obligations associated with the retirement of long-term tangible assets, such as producing well sites and processing plants, in the period in which they are incurred with a corresponding increase in the carrying amount of the related long-term asset. Liabilities for decommissioning are recognised when the Company has an obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and restore the site on which it is located, and when a reliable estimate can be made. Where the obligation exists for a new facility or well, such as oil & gas production or transportation facilities, the obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. In subsequent periods, the asset is adjusted for any changes in the estimated amount or timing of the settlement of the obligations. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The carrying amounts of the associated decommissioning assets are depleted using the unit of production method, in accordance with the depreciation policy for development and production assets. Actual costs to retire tangible assets are deducted from the liability as incurred. The unwinding of discount in the net present value of the total expected cost is treated as an interest expense. Changes in the estimates are reflected prospectively over the remaining life of the field.

Taxation

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date. Taxable profit differs from net profit, as reported in the statement of profit or loss, because it excludes items of income or expense that are taxable or deductible in other accounting periods and it further excludes items of income or expenses that are never taxable or deductible.

Deferred tax
Deferred tax is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at each balance sheet date.

Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill and deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and all available evidence is considered in evaluating the recoverability of these deferred tax assets.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities relating to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the consideration given for the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of completion of the acquisition. Acquisition costs incurred are expensed and included in administrative expenses. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the Group's share of the net assets acquired, the difference is recognised directly in the statement of income as a gain on bargain purchase.

Changes in accounting pronouncements

The Company has adopted all new and amended IFRS Standards effective in the financial statements for the period 1 January 2022 to 31 December 2022.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

IFRS 17	Insurance Contracts
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Non-current Liabilities and Covenants
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 4	Applying IFRS 9 with IFRS 4 'Insurance Contracts'
Amendments to IFRS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts - Costs of Fulfilling a Contract
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9

The Company does not expect that the adoption of the Standards and amendments listed above will have a material impact on the financial statements of the Company in future periods.

Critical accounting judgements and key sources of estimation uncertainty

The following estimations that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements, are presented below. There are no critical accounting judgements applied at a Company level.

Notes to the financial statements for the year ended 31 December 2022 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimates in impairment of oil and gas assets
Determination of whether the Company's oil and gas assets (note 9) have suffered any impairment requires an estimation of the recoverable amount of the CGU to which oil and gas assets have been allocated. Projected future cash flows are used to determine a fair value less cost to sell to establish the recoverable amount. Key assumptions and estimates in the impairment models relate to: commodity prices that are based on internal view of forward curve prices that are considered to be a best estimate of what a market participant would use; discount rates which reflect management's estimate of a market participant post-tax weighted average cost of capital; and oil and gas reserves and resources on a risked basis as described below. Management's estimates of a market participant's view of pricing and discount rates are supported by an independent consultant (refer to note 10). With all other assumptions held constant, a 20% decrease in the net revenues would result the Development and Production oil and gas assests being fully written down at 31 December 2022 with an associated charge of $27.3 million.

Estimates in oil and gas reserves and contingent resources
The Company's estimates of oil and gas reserves and contingent resources, and the associated production forecasts, are used in the impairment testing of property plant and equipment, in the measurement of depletion and decommissioning provisions and in the determination of whether deferred tax assets are recoverable. The business of the Company is to enhance hydrocarbon recovery and extend the useful lives of mature and underdeveloped assets and associated infrastructure in a profitable and responsible manner. Estimates of oil and gas reserves and contingent resources require critical judgement. Factors such as the availability of geological and engineering data, reservoir performance data, drilling of new wells and estimates of future oil and gas prices all impact on the determination of the Company's estimates of its oil and gas reserves which could result in different future production profiles affecting prospectively the discounted cash flows used in impairment testing.

For the purposes of depletion and decommissioning estimates, the Company uses proved and probable reserves; and for the purposes of the impairment tests performed and deferred tax asset recoverability, the Company considers the same proved and probable reserves as well as risked resource volumes. These risking adjustments are reflective of management's assessment of technical and commercial factors that reflect the value considerations of a market participant. Changes in estimates of oil and gas reserves and resources resulting in different future production profiles will affect the discounted cash flows used in impairment testing, the anticipated date of decommissioning, the depletion charges in accordance with the unit of production method and the recoverability of deferred tax assets. The sensitivity of the Company's impairment tests to key sources of estimation uncertainty including reserves and resources is discussed above.

Decommissioning provision estimates
Amounts used in recording a provision for decommissioning are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future actual cash outflows in relation to decommissioning are likely to differ in practice. To reflect the effects due to changes in legislation, requirements, technology and price levels, the carrying amounts of decommissioning provisions are reviewed on a regular basis. The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively.

While the Company uses its best estimates and judgement, actual results could differ from these estimates. Expected timing of expenditure can also change, for example in response to changes in laws and regulations or their interpretation, and/or due to changes in commodity prices. The payment dates are uncertain and depend on the production lives of the respective fields. Management does not expect any reasonable change in the expected timing of decommissioning to have a material effect on the decommissioning provisions, assuming cash flows remain unchanged. Although decommissioning costs are expected to be incurred over the next 8 years it is anticipated that approximately 69% of the liability will be paid within the next five years. A nominal discount rate of 4.25% (2021: 2.5%) is used to discount the estimated costs. The inflation rate applied to discount the estimated costs is 2% (2021: 2%). Given the long-term nature of the decommissioning liabilities and the historic compounded inflation rates in the industry, management do not believe that the current short-term inflationary pressures will have a material impact on the decommissioning liabilities of the Company. A variation in the discount rate of 1% would change the decommissioning liabilities by approximately $27.7 million (2021: $30.1 million). For further details regarding the estimated value, inputs and assumptions refer to note 12. Given the large number of variables involved, management consider that it is not practical to provide sensitivities for the various other individual assumptions.

Other areas of estimation

The key assumptions concerning the future, and other sources of estimation uncertainty at the reporting period, but are not expected to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Taxation estimates
The Company's operations are subject to a number of specific tax rules which apply to exploration, development and production. In addition, the tax provision is prepared before the relevant companies have filed their tax returns with the relevant tax authorities and, significantly, before these have been agreed. As a result of these factors, the tax provision process necessarily involves the use of a number of estimates and judgements including those required in calculating the effective tax rate. The Company recognises deferred tax assets on future decommissioning costs, unused tax losses and investment allowances where it is probable that future taxable profits will be available for utilisation. This requires management to make judgements and assumptions regarding the likelihood of future taxable profits and the amount of deferred tax that can be recognised.

4. REVENUE

	2022 US$'000	2021 US$'000
Oil sales	45,524	34,346
Other income	118	6
	45,642	34,352

Revenues arose wholly in the United Kingdom.

No significant judgements have been made in determining the timing of satisfaction of performance obligations, the transaction price and the amount allocated to performance obligation.

5. COST OF SALES

	2022 US$'000	2021 US$'000
Operating costs	(60,124)	(37,605)
Movement in oil and gas inventory	9,624	12,949
Depletion, depreciation and amortisation (note 9)	(13,404)	(16,213)
	(63,904)	(40,869)

6. ADMINISTRATIVE EXPENSES

	2022 US$'000	2021 US$'000
General & administrative (note 13)	(10,583)	(538)

Administrative expenses includes an expected credit loss provision of $10.4 million (2021: $nil).

(a) Directors' remuneration

The directors of the Company were employees of Ithaca Energy (UK) Limited during 2021 and 2022 and received remuneration from Ithaca Energy (UK) Limited. The directors do not believe that it is practical to apportion this amount between their services as directors of the Company and their services as directors of Ithaca Energy (UK) Limited for either the current or prior year.

(b) Employees

The Company had no employees in 2022 (2021: nil) with all services provided via Ithaca Energy (UK) Limited.

(c) Services provided by the Company's Auditor

	2022 US$'000	2021 US$'000
Fees payable for the audit of the Company's financial statements	(35)	(68)

Notes to the financial statements for the year ended 31 December 2022 (continued)

Significant accounting policies (continued)

7. FINANCE COSTS

	2022 US$'000	2021 US$'000
Accretion (note 12)	(14,177)	(14,214)
Other	(846)	(647)
	(15,023)	(14,861)

8. INVENTORIES

	2022 US$'000	2021 US$'000
Hydrocarbon inventories/underlift	38,665	30,119
Materials inventory	21,906	23,068
Provision for obsolete materials inventory	(12,312)	(8,908)
	48,259	44,279

9. PROPERTY, PLANT, EQUIPMENT

	Development & Production Oil and Gas assets US$'000	Building US$'000	Total US$'000
Cost			
At 1 January 2022	747,980	14,028	762,008
Additions	4,205	-	4,205
Disposals	-	1,675	1,675
Decommissioning revision to estimate (note 12)	(57,615)	-	(57,615)
At 31 December 2022	694,570	15,703	710,273
DD&A & Impairment			
At 1 January 2022	(672,149)	726	(671,423)
Charge for the year (note 5)	(13,051)	(353)	(13,404)
Disposals	-	(2,336)	(2,336)
Impairment reversal	17,929	-	17,929
At 31 December 2022	(667,271)	(1,963)	(669,234)
NBV at 31 December 2021	75,831	14,754	90,585
NBV at 31 December 2022	27,299	13,740	41,039

10. IMPAIRMENT REVERSAL

	2022 US$'000	2021 US$'000
D&P Assets	17,929	6,093
Other	10,150	-
	28,079	6,093

For impairment of property, plant and equipment, fair value less costs of disposal are determined by discounting the post-tax cash flows expected to be generated from oil and gas production net of selling costs, taking into account assumptions that market participants would typically use in estimating fair values.

An annual impairment review of all oil and gas assets, was carried out in Q4 2022. The review was carried out on a fair value less cost of disposal basis using risk adjusted cash flow projections discounted at a post-tax discount rate of 10.9% (2021: 9.5%).

The impairment credit in the income statement of $28.1 million relates to an impairment charge in Alba of $11.4 million and credit impairment for decommissioning revisions for non-producing assets ($29.3 million). The Alba impairment is driven by a reduction in reserves per the latest third party report with a pre-tax recoverable value of $27.3 million. The reduction in the reserves is driven by well performance and a revision to infill drilling programme with a reduction in number of wells. Heather and Strathspey, Conrie, Don SW and W Don have no recoverable value so the decommissioning movements in revisions to decommission provisions have been recorded in the income statement. The remaining credit relates to an adjustment to correct historical intercompany balances with fellow group subsidiaries.

The following assumptions were used at Q4 22 in developing the Group cash flow model and applied over the expected life of the respective fields:

	Post -tax discount rate assumption	2023	2024	2025	2026	2027*
Oil	10.90%	$89/bbl	$84/bbl	$83/bbl	$83/bbl	$83/bbl
Gas	10.90%	315p/therm	211p/therm	102p/therm	86p/therm	86p/therm

*post 2027 an annual 2% increase is applied to the price assumption

With all other assumptions held constant, a 20% decrease in forecast revenues, illustrating lower commodity prices, would result in the Development and Production oil and gas assets being fully written down at 31 December 2022 with an associated charge of $27.3 million.

Notes to the financial statements for the year ended 31 December 2022 (continued)

11. EXPLORATION AND EVALUATION ASSETS

	Exploration and evaluation assets
	US$'000
Cost	
At 1 January 2022	38,240
Additions	8,091
At 31 December 2022	46,331
Impairment	
At 1 January 2022	(7,408)
At 31 December 2022	(7,408)
NBV at 31 December 2021	30,832
NBV at 31 December 2022	38,923

The exploration and evaluation asset balance relates mainly to the Fotla development ($21.9 million) and the Yeoman development ($12.7 million).

On 31 October 2023, the Group announced the completion of the acquisition by the Company of the 40% stake in the Fotla discovery that it did not already own. The total transaction consideration of up to circa $14 million comprises two capped contingent payments of which approximately two-thirds will be payable on final investment decision and one-third on first production.

12. DECOMMISSIONING LIABILITIES

	2022	2021
	US$'000	US$'000
Balance, as at 1 January	(523,533)	(479,806)
Acquisition addition (note 20)	-	(55,429)
Accretion (note 7)	(14,177)	(14,214)
Revision to estimates	57,615	(11,236)
Decommissioning provision utilised	34,667	37,152
Balance, as at 31 December	(445,428)	(523,533)
Current		
Balance, beginning of period	(32,380)	(37,152)
Balance, end of period	(38,115)	(32,380)
Non-current		
Balance, beginning of period	(491,153)	(442,654)
Balance, end of period	(407,313)	(491,153)

The total future decommissioning liability was calculated by management based on its net ownership interest in all wells and facilities, estimated costs to reclaim and abandon wells and facilities and the estimated timing of the costs to be incurred in future periods. The decommissioning liability is re-measured each year using a pre-tax discount rate of 4.25 percent (2021: 2.5 percent) and an inflation rate of 2 percent (2021: 2.0 percent) over the varying lives of the assets to calculate the present value of the decommissioning liabilities. These costs are expected to be incurred at various intervals over the next 8 years (2021: 12 years).

The revision to estimates movement of $57.6 million in the year is mainly driven by the increase in the discount rate and revisions to cost estimates and changes to cessation of production dates.

The economic life and the timing of the obligations are dependent on Government legislation, commodity price and the future production profiles of the respective production and development facilities.

13. TRADE AND OTHER RECEIVABLES

	2022	*Restated 2021
Debtors due within one year	US$'000	US$'000
Trade debtors	18,508	16,454
Tax debtor	13,151	13,151
Accrued income and other	16,072	8,882
	47,731	38,487
Debtors falling due after more than one year		
Amounts owed by group undertakings	908,794	941,758
	908,794	941,758

The amounts owed from Group undertakings are unsecured, interest free and repayable on demand however there is no intention to repay within one year.

Management have completed an analysis which considers both historical and forward looking qualitative and quantitative information to determine whether the credit risk has significantly increased since the time the loan was initially recognised. Credit risk is tracked via an external credit rating agency and is rated at a default risk of 1.91% with an associated estimated loss given default of 60%. In addition, the Directors have considered market outlook, including forecast commodity prices, and oil and gas reserves, and are satisfied that sufficient cashflows will be generated by the Group to recover the amount due from Group undertakings. A provision of $10.4 million was calculated and booked to G&A and against the intercompany balance of $908.4 million.

The restatement of the prior year is explained in detail in note 19.

14. CURRENT LIABILITIES

	2022	2021
	US$'000	US$'000
Trade creditors	(14,673)	(16,323)
Accruals and deferred income	(56,388)	(29,703)
Current decommissioning costs	(38,115)	-
Current contingent consideration (note 15)	(4,200)	-
Other payables	(962)	(17,605)
	(114,338)	(63,631)

Notes to the financial statements for the year ended 31 December 2022 (continued)

15. OTHER LONG-TERM LIABILITIES

	2022 US$'000	2021 US$'000
At 1 January 2021	(15,880)	(2,350)
Changes in fair value	(8,080)	(13,530)
At 31 December 2022	(23,960)	(15,880)

	2022 US$'000	2021 US$'000
Current		
Contingent consideration	(4,200)	-
Non-current		
Contingent consideration	(19,760)	(15,880)

Contingent consideration includes liabilities in relation to the Yeoman/Marigold ($2.2 million long-term and $4.2 million current) and Strathspey ($17.6 million) fields.

The liability for Yeoman/Marigold of $6.4 million (2021: $2.4 million) has been recognised on a risked basis, with a remaining unrisked payment of $6.0 million contingent on achieving FDP and a further $11.0 million unrisked on certain production criteria being met.

The liability for Strathspey has been recognised for a contingent amount payable in the event that decommissioning costs fall below a set threshold in accordance with the Sale and Purchase Agreement with Chevron. The $3.9 million increase in the year is a result of updates to the estimated decommissioning liability associated with this liability.

16. CALLED UP SHARE CAPITAL

Ordinary Shares

Authorised, allotted, and fully paid ordinary share capital	Number of common shares Number	Amount US$'000	Share premium US$'000
At 1 January 2021, 31 December 2021 & 31 December 2022	221,000,000	485,497	216,568

The issued share capital is as follows:

Ordinary shares	Number of common shares	Amount US$'000	Share premium US$'000
At 1 January 2021, 31 December 2021 & 31 December 2022	221,000,000	485,497	216,568

Translation reserve of $218,067k (2021: $218,067k) is in relation to foreign exchange from converting the Company in 2020 from a GBP to a USD functional and presentational currency. The change in currency was following an acquisition to align the Company with the Group and the functional currency of the base underlying transactions.

17. TAXATION

	2022 US$000	2021 US$000
Current tax:		
Current period	-	(13,151)
Deferred tax		
Relating to the origination and reversal of temporary differences	24,119	3,562
Adjustments in respect of prior years	7,847	6,642
Tax charge/(credit) on loss on ordinary activities	31,966	(2,947)

The tax on loss differs from the theoretical amount that would arise using the effective rate of tax applicable for UK ring fence oil and gas activities as follows:

	2022 US$000	2021 US$000
Loss on ordinary activities before taxation	(19,488)	(11,471)
Loss at applicable UK tax rate of 40% (2021: 40%)	(7,795)	(4,588)
Non deductible expenses / (non taxable income)	3,073	(5,507)
Financing costs not allowed for SCT	78	29
Prior period adjustment deferred tax	7,847	6,642
Investment allowance	406	192
Petroleum Revenue Tax	82	65
Deferred tax on Energy Profits Levy	8,573	-
Revised decommissioning estimated for retained liability	-	(45)
Group relief surrendered	19,702	-
Disposals	-	265
Total tax charge charge/(credit)	31,966	(2,947)

The prior period adjustment to deferred tax is made up of the following: a $6.5 million adjustment in respect of losses; and a $1.4 million adjustment in respect of the investment allowances. Both of which arose from updated financial information at the time the tax filings were made.

The effective rate of tax applicable for UK ring fence oil and gas activities in 2022, prior to the introduction of the Energy Profits Levy, was 40% (2021 40%) consisting of a Ring Fence Corporation Tax rate of 30% and supplementary charge rate of 10%. Items affecting the tax charge include losses group relieved to other entities within the Ithaca group, non-tax deductible expenses and initial recognition of deferred tax from the Energy Profits Levy. The Energy Profits Levy was enacted on 14th July 2022 with effect from 26 May 2022, at a headline rate of 25% which increased the effective UK ring fence oil and gas tax rate to 65% until 2025. However further changes were announced on 17th November 2022 such that the Levy was increased to 35% from 1 January 2023 until 31 March 2028 increasing the effective UK ring fence oil and gas tax rate to 75% and resulting in an additional deferred tax charge in the period. On 6 March 2024 an extension of the Levy until 31 March 2029 was announced. If this had been enacted by balance sheet date the impact would have been to decrease the deferred tax liability by $0.1m.

The gross movement on the deferred tax asset is as follows:

	2022 US$000	2021 US$000
At 1 January	151,780	170,718
Income statement charge	(31,966)	(10,203)
Transfer to connected party	-	(8,735)
At 31 December	119,814	151,780

Notes to the financial statements for the year ended 31 December 2022 (continued)

17. TAXATION (continued)

The provision for deferred tax consists of the following deferred tax (liabilities) assets. The timing difference on Investment Allowance is included in accelerated tax depreciation.

	Accelerated Capital Allowances $'000	Tax losses $'000	Decommissioning Provision $'000	Deferred Gains $'000	Total $'000
At 1 January 2022	(44,872)	13,176	187,242	(3,766)	151,780
Prior period adjustment	(1,366)	(6,481)	-	-	(7,847)
(Charge)/credit to income statement	7,123	-	(31,242)	-	(24,119)
As at 31 December 2022	(39,115)	6,695	156,000	(3,766)	119,814

Deferred income tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses/credits can be utilised.

The UK losses do not expire under UK tax legislation and may be carried forward indefinitely.

Although the Company was loss making during the year, the carrying value of the deferred tax asset at 31 December 2022 of $119.8 million ($151.8 million at 31 December 2021) is supported by estimates of the Ithaca Group's position of future taxable income, based on the same price and cost assumptions as used for the Group's impairment testing. It also reflects investment allowances and expected tax planning opportunities available to the Group. The recoverability of this value is highly sensitive to the assumptions used and any change in those assumptions could impact the recoverability of the asset.

18. COMMITMENTS

Capital commitments related to joint operations	2022 US$'000	2021 US$'000
Capital commitments incurred jointly with other venturers (Company's share)	-	3,300

19. PRIOR YEAR RESTATEMENTS

The company changed the functional and presentation currency from GBP to US$ during the year ended 31 December 2020 following a change in ownership. Certain transactions were incorrectly translated resulting in an error in the reported amounts due from group companies and retained earnings. The impact of correcting the error is shown below.

2021	As previously presented US$'000	As restated US$'000	Restatement US$'000
Amounts owed by group undertakings	888,787	941,758	52,971
Retained Earnings	1,790,922	1,843,893	52,971

20. BUSINESS COMBINATION

On 30 November 2021, the Group completed the acquisition of an additional 13.3% interest in the Alba field from Mitsui E&P UK Limited. The acquisition comprised property, plant and equipment of $22 million, a working capital creditor of $11 million and a decommissioning provision of $55 million. This resulted in a reverse consideration being paid to the Group, as such the consideration owed from Mitsui to the Group was $55 million. A gain on bargain purchase as been recognised in the P&L for $23.6 million.

The fair value of the oil and gas assets have been determined using valuation techniques based on discounted cash flows using forward curve commodity prices and estimates of long-term commodity prices reflective of market conditions at the completion date, a discount rate based on observable market data and cost and production profiles generally consistent with the proved and probable reserves acquired. The price and the discount rate assumptions are consistent with those applied for the year end 2021 impairment test and the fair values as presented below are final.

	2021 US$'000
Consideration received	54,503
Property, plant and equipment (note 9)	21,833
Deferred Tax	(8,669)
Working Capital	11,316
Decommissioning provision (note 12)	(55,429)
Gain on bargain purchase	23,554

The gain on bargain purchase has arisen as a result of the increase in the decommissioning cost estimate for Alba from the date of the SPA of 17 September 2021 and the date of completion of the acquisition of 30 November 2021.

21. INVESTMENT

	2022 US$'000	2021 US$'000
Balance at 31 December	1,611,657	1,611,657

At 31 December 2022, the Company's subsidiary undertakings were:

		Interest %	Country of Incorporation
Ithaca Exploration Limited	Direct	100%	UK

Registered address of Ithaca Exploration Limited: 1 Park Row, Leeds, England, LS1 5AB.

The Company is a wholly-owned subsidiary of Ithaca Energy plc and is included in its consolidated financial statements which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Ithaca Energy (UK) Limited.

The ultimate parent undertaking is Delek Group Limited, an independent E&P company listed on the Tel Aviv Stock Exchange and the ultimate controlling party is Yitzhak Tshuva.

At 31 December 2022, the smallest group for which consolidated financial statements are prepared which include Ithaca Oil & Gas Limited is that of Ithaca Energy plc. A copy of these financial statements can be obtained from 17 Hanover Square, London, WS1 1BN. The largest group for which consolidated financial statements are prepared is that of Delek Group Limited. A copy of these financial statements can be obtained from 19 Abba Eban Boulevard, POB 2054, Herzlia, 4612001, Israel.

Notes to the financial statements for the year ended 31 December 2022 (continued)

23. SUBSEQUENT EVENTS

On 3 May 2023, the NSTA granted approval for the transfer of the working interest in the following assets into the Company and on 1 June 2023 the transaction to transfer 14.4% of Harrier and Stella from Ithaca Minerals (North Sea) Limited was executed. Following this approval, assets were transferred at market value.

On 31 October 2023, the Group announced the completion of the acquisition by the Company of the 40% stake in the Fotla discovery that it did not already own. The total transaction consideration of up to circa $14 million comprises two capped contingent payments of which approximately two-thirds will be payable on final investment decision and one-third on first production.

On 6 March 2024 it was announced that EPL will be extended by a further year to 31 March 2029. If this had been enacted at the balance sheet date, it is estimated that this would have decreased the deferred tax liability by $0.1 million.