i3 ENERGY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

REGISTRATION NUMBER: 10699593

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STRATEGIC REPORT

I3 ENERGY AT A GLANCE

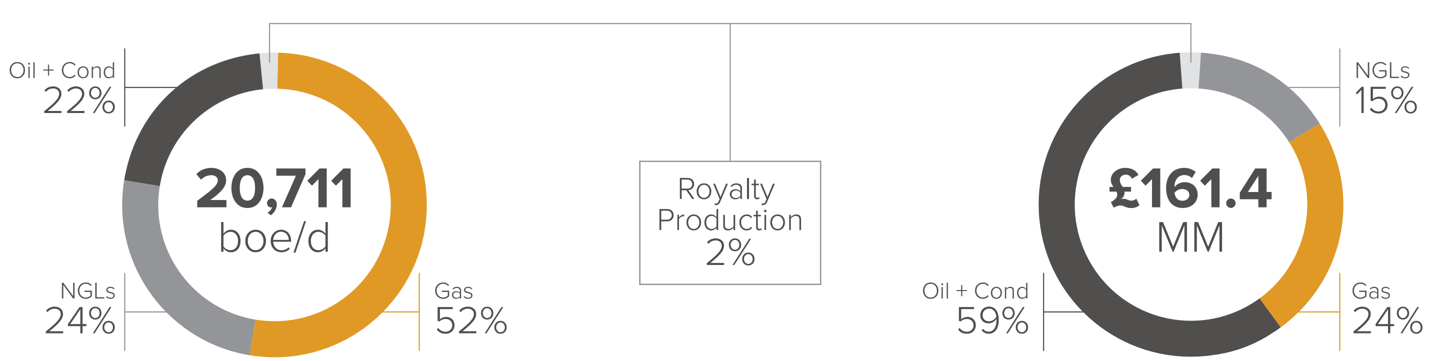
DIVERSIFIED PORTFOLIO OF OPPORTUNITIES

LARGE DEVELOPMENT PORTFOLIO
>390 Booked Diversified Locations
>950 Total Future Locations

BASE DECLINE OF 17%
614K Net Acres (2,485 Km^2)

2023 PRODUCTION

2023 OIL AND GAS SALES



ACHIEVEMENTS IN 2023

Record Annual Production

- Record annual production of 20,711 barrels of oil equivalent per day ("boepd"), at the high end of the Company's 2023 guidance range of 20,000 to 21,000 boepd and 2% above 2022 production.
- Record production achieved despite loss of approximately 3,100 boepd in Q2 due to restrictions associated with the Alberta wildfires, unanticipated apportionment issues associated with the Pembina Peace Pipeline liquids line, debottlenecking projects and twenty scheduled operated turnarounds.

Shareholder Return

- Total dividends of £13.298 million declared and £15.338 million paid in 2023.

Capital Programme

- £23.2 million capital expenditure in 2023 delivered 12 gross (8.0 net) wells, which were completed on budget in a high inflationary environment.

Debt Re-financing

- Successfully completed a CAD 100 million, 3-year, first lien Debt Facility with Trafigura Canada Ltd. (a subsidiary of Trafigura Pte Ltd.) and redeemed the H1 2019 Loan Notes in full.

Reserves Replacement

- Managed to maintain Proven ("1P") and Proven plus Probable ("2P") reserves essentially flat, despite a significantly lower capital programme in 2023 relative to the prior year, with a very healthy 2P reserves life index of 23.0 years.
- The Group now has over 390 gross booked drilling locations in its audited reserves and over 950 including un-booked locations.

Extensive Planned Maintenance Programme Executed

- Scheduled turnaround programmes successfully completed on 20 operated facilities, on-time and on-budget.

ESG Performance

- Completed the electrification of 25 pumpjacks in Carmangay and Retlaw to reduce use of diesel and propane for power generation, with a further two electrifications underway, which will eliminate 4,268 tonnes of CO2 ("tCO2") emissions annually.
- Completed electrification of two natural gas generators, resulting in an annual emission reduction of 907 tCO2 equivalent ("tCO2e").
- In 2023, we replaced 295 gas driven pneumatic pumps with solar powered pumps, which is expected to eliminate 8,971 tCO2 emissions annually.
- Launched an alternative Fugitive Emissions Management Programme, utilising airborne methane imaging technology which is expected to reduce fugitive methane emissions by 50% relative to 2022.
- Converted high-pressure natural gas driven pneumatics to compressed instrument air at three of i3's locations to reduce methane emissions equal to over 660 tCO2e annually.
- Ongoing annual abandonment and reclamation programme abandoned 46 wells, 26 pipelines and decommissioned 16 well sites, representing approximately 12% of operated non-producing wells.

OUTLOOK

A summary of key events which occurred after the reporting period are presented in note 24 to the financial statements. The Company's focus for the remainder of 2024 will be on three key areas:

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

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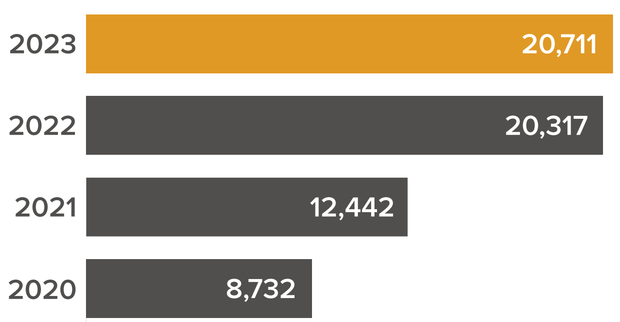
The Company continuously evaluates opportunities to strengthen its balance sheet whilst maintaining tight control of its costs and working capital position.

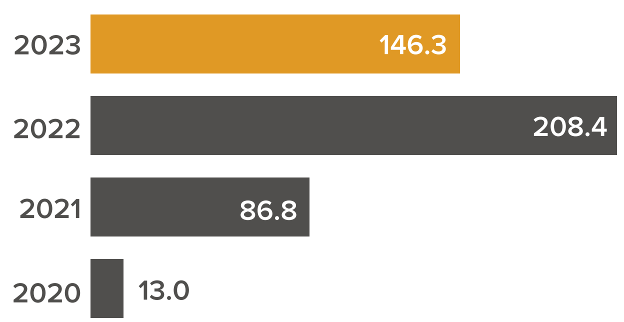
HIGHLIGHTS

CANADA

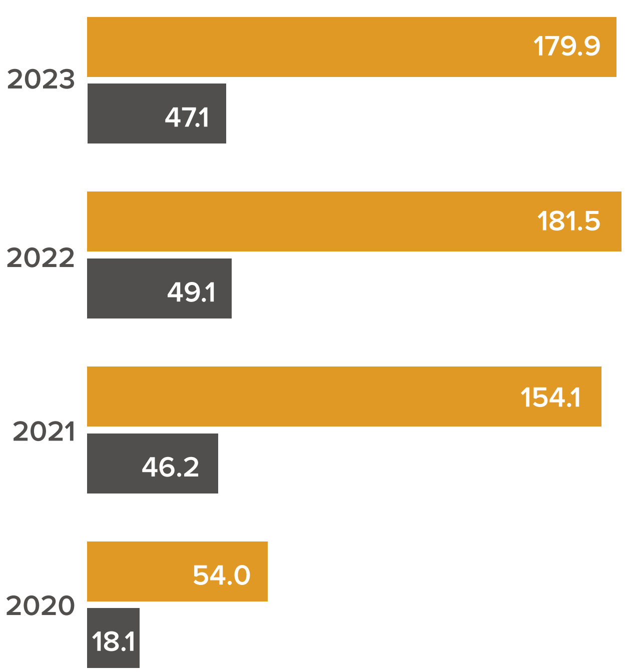
AVERAGE DAILY PRODUCTION BOE/D



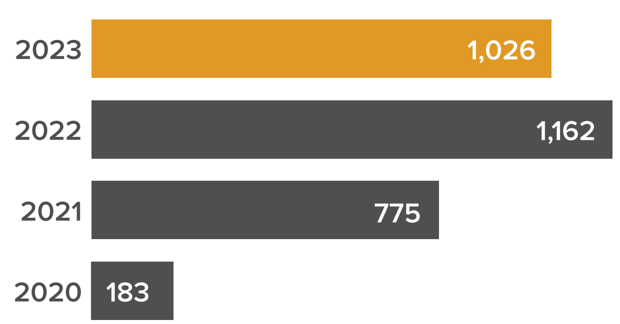
GROUP REVENUE £m



2P AND PDP RESERVES MMBOE

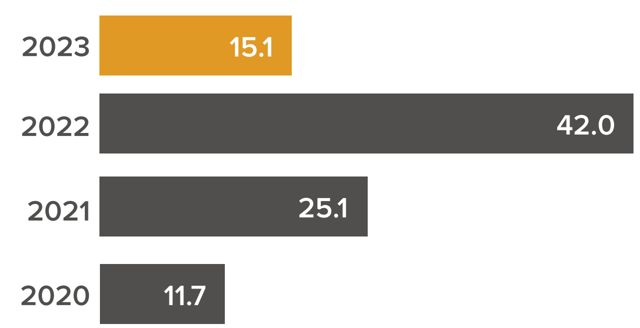


2P RESERVES BEFORE-TAX NPV 10 (USDm)

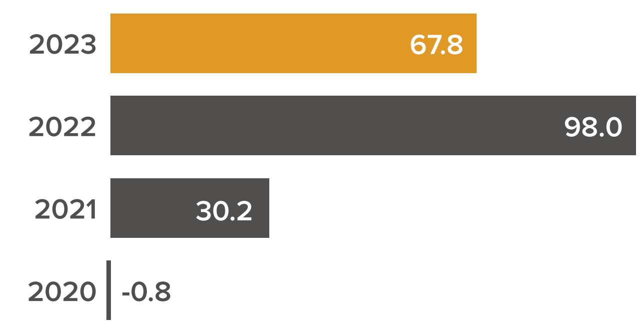


UK AND CORPORATE

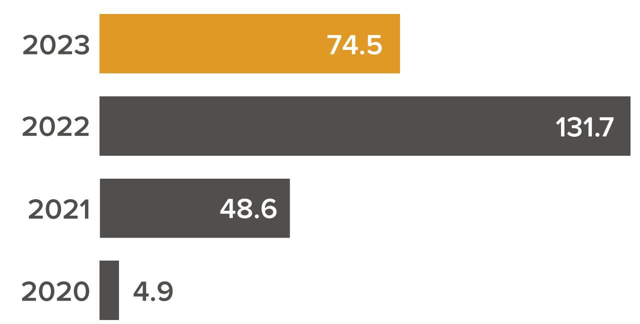
GROUP PROFIT AFTER TAX £m



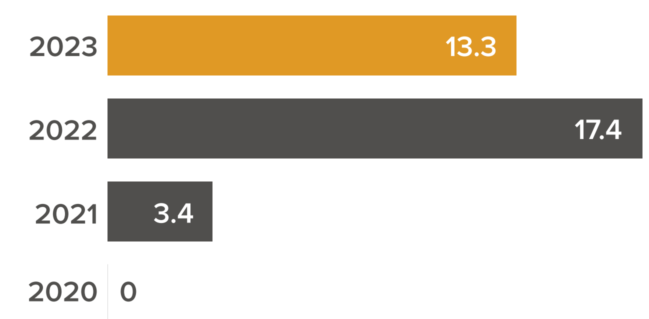
GROUP ADJUSTED EBITDA(1) £m



GROUP NOI(1) £m



DIVIDENDS DECLARED £m



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

CHAIRPERSON'S AND CHIEF EXECUTIVE'S STATEMENT

Overview of the year

i3 Energy had a very busy 2023 navigating a challenging period in the energy sector and the broader capital markets.

John Festival
Non-Executive
Interim Chairperson

Majid Shafiq
Chief Executive
Officer

Operationally, i3 commenced 2023 following a very successful drilling campaign in 2022, which allowed the Company to average 20,317 boepd for 2022 with peak production exceeding 24,000 boepd. Although commodity prices had softened through 2022, the forecast at year-end remained strong and the Company set a 2023 capital programme of USD 64 million, similar to the prior year, based upon average annual price assumptions for 2023 of USD 85/bbl for WTI and CAD 4.50/GJ for AECO gas (coinciding with the industry consensus). The Q1 scheduled component of the 2023 capital programme, including 8 gross (5.5 net) wells, was successfully drilled in the Company's Wapiti, Central Alberta and Clearwater assets and tied-in before the Spring break up period commenced. First half production and cashflow numbers were impacted by a weakening commodity price outlook and a series of other factors, including Alberta wildfires, unanticipated sales apportionment issues through third-party infrastructure, as well as scheduled turnarounds and debottlenecking projects. Ultimately for 2023, WTI oil and AECO 5A gas averaged USD 77.61/bbl and CAD 2.64/mcf respectively. These factors when combined with the continued softening commodity outlook, resulted in significantly lower full year forecasted cashflows than budgeted at the start of the year. The Company consequently re-calibrated its capital and dividend programme mid-way through the year to be constrained by full year forecast cash flow and issued revised full year production and cashflow guidance. Total budgeted capital expenditures for the year was reduced to approximately USD 30 million and the drilling programme was completed in Q4 with the drilling of 4 gross (2.5 net) wells in Central Alberta. The 2023 drilling programme targeted low risk oil wells in our core production assets and appraisal wells in our Clearwater acreage. We are pleased with the well results which were drilled on budget in a cost environment which was still inflationary.

Seasonal wildfires in 2023 were worse and more prolonged than normal, and although none of our facilities (operated or non-operated) were damaged, periodical shut down of certain facilities was required as a precautionary measure, which negatively impacted our production volumes during May and June by 1,650 boepd and 385 boepd, respectively. Additionally, the Company conducted a major programme of planned maintenance activities in June which involved shutdown of 20 major operated facilities, which were completed successfully on time and on budget. In aggregate the wildfires, debottlenecking projects, turnarounds and unanticipated apportionment issues associated with the Pembina Peace liquids pipeline resulted in the loss of approximately 3,100 boepd in Q2. Despite this, our wells and facilities which were impacted by maintenance and unplanned shutdowns were ultimately brought back on-stream and at pre-shutdown levels.

We are very pleased that despite the Q2 production curtailments and a constrained capital programme the Company managed to achieve record annual average production in 2023 of 20,711 boepd, and as mentioned below, managed to keep oil equivalent reserves essentially flat. This is a testament to the quality of our low decline production base, our low-risk drilling inventory and the skills and dedication of our employees.

The Company's year end 2023 audited reserves on a 1P and 2P basis remained essentially flat year on year and reflects successful operational management and the results of the 2023 drilling programme. This was achieved with a limited capital programme and again points to the quality of the Company's oil and gas properties. The 2P reserves were evaluated with an NPV10 of USD 1.03 billion on a pre-tax basis with the longevity of the reserves demonstrated by a very healthy reserve life index of 23.0 years. With more than 390 booked (gross) drilling locations, i3's reserves report exhibits a strong and diverse asset base which can support growth through the business and commodity cycles, and we look forward to advancing our growth initiatives in the near term. Although gas prices weakened through 2023 and were a major factor in our operational decision making and financial results, we believe the mid-term outlook is positive due to the pending start-up of LNG exports from Canada's west coast from the LNG Canada facility which is expected to begin start-up activities in 2024.

During the first half of 2023, the Company settled its outstanding £22 million Senior Secured Guaranteed Loan Notes (the "Loan Notes"), which were due for repayment at the end of May. The Loan Notes were settled using the proceeds from a new CAD 100 million loan facility (the "Facility") established with Trafigura Canada Ltd., a subsidiary of Trafigura Pte Ltd. The Facility consists of a CAD 75 million facility, used to repay the loan notes and for general corporate purposes, and a CAD 25 million accordion. The Facility had a three-year amortisation period which served to strengthen the balance sheet as the loan was paid down. We are very pleased to have established a relationship with Trafigura, a sophisticated oil and gas trader and a potential partner for future production focussed growth.

After year-end, the Company established a CAD 75 million senior secured revolving credit facility with a Canadian chartered bank which was utilized to settle the Company's existing CAD 75 million Loan facility with Trafigura, without prepayment penalty, of which approximately CAD 57 million was outstanding at the time of the repayment. Secured against substantially all the assets and shares of i3 Energy Canada Ltd., the new Credit Facility, comprises a CAD 55 million revolving facility and a CAD 20 million operating loan facility. The two-year term of the new Credit Facility is expected to be extended on an annual basis, subject to lender approval.

As per i3's total return model, the Company declared £13.298 million and paid £15.338 million in dividends in 2023. The Company continually evaluates the optimal way in which to deliver shareholder value. In addition to its distribution model, the Company weighs the expected return generated through organically drilling its extensive portfolio of development locations against potential acquisition opportunities and deploys capital accordingly to achieve the highest return on a risk adjusted basis. As is to be expected, the fall in commodity prices in 2023 resulted in lower asset transaction metrics in Canada. i3 continues to monitor the market and will participate in acquisitions should the Company find accretive opportunities that fit its strategy.

In the UK, in conjunction with our joint venture partner, the Company continues to evaluate options to develop the Serenity field.

i3 is committed to conducting its operations safely, responsibly and in accordance with industry best practices, and we continue to advance our health and safety policies and procedures as we integrate additional production assets. The Company's commitment to high ESG standards is central to maintaining its social licence to operate, creating value for all stakeholders, and ensuring long-term commercial success. Following the publication of our maiden annual sustainability report and establishing a baseline for our business we have continued efforts to reduce the carbon intensity of i3's operations through methane emission reductions and electrification projects, and these efforts will continue and expand as we evaluate additional initiatives to meet our net-zero targets.

Financial Discipline

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

As part of our total shareholder return model, we commenced paying a dividend in 2021 and have grown dividends paid from £3.4 million in 2021, to £15.4 million in 2022 and 2023.

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

Governance

The Board recognises its responsibility for the proper management of the Company and is committed to maintaining a high standard of corporate governance commensurate with the size and nature of the Company and the interests of its shareholders. The Quoted Companies Alliance has published a set of corporate governance guidelines for AIM companies, which include a code of best practice comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. The Directors comply with the QCA Corporate Governance Guidelines for Smaller Quoted Companies so far as it is practicable having regard to the size and current stage of development of the Company.

The Board currently comprises two Executive Directors (being the Chief Executive Officer and the President Canada) and four Non-Executive Directors (including the Chairperson). The Board's decision-making process is not dominated by any one individual or group of individuals. The composition of the Board will be reviewed regularly and modified as appropriate in response to the Company's changing requirements. The Board has established an Audit and Risk Committee, Corporate Governance Committee, Health, Safety, Environment and Security Committee, Reserves Committee, and Remuneration Committee to ensure proper adherence to sound governance and decision making.

Environmental Stewardship

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

To demonstrate the Company's commitment to long-term sustainable resource development, environmental stewardship and the well-being of employees and the communities in which i3 operates, i3 publishes annually an ESG report. The ESG report summarises the Company's ESG performance and key initiatives and its goals and ambitions with respect to greenhouse gas emission reductions, environmental stewardship, social policies and governance.
As part of its continued effort to reducing its Scope 1 and Scope 2 carbon emissions, in 2023 i3 replaced pneumatic pumps with solar-driven alternatives at 295 locations, which are expected to reduce methane emissions by an estimated 8,971t CO2e. Additionally, the electrification of 25 pumpjack engines in Carmangay and Retlaw are expected to further reduce emissions by an estimated 4,268 tCO2e per year.
In a further move towards greenhouse gas reduction, the Company replaced natural gas-fired heaters with electric heaters at one of its Medicine River locations. In collaboration with an offset operator, i3 implemented an Alternative Fugitive Emissions Management Programme (ALT FEMP) at its locations in 2023, which images methane emissions from the air and is anticipated to contribute to a substantial reduction in fugitive emissions by over 50% compared to the previous year. Concurrently, i3 implemented two compressor consolidation projects which are expected to achieve annual emission reductions of 2,728 tCO2e and 681 tCO2e, respectively.
In our Simonette field two natural gas generators were electrified, resulting in an annual emission reduction of 907 tCO2e. i3 converted a number of high-pressure natural gas driven pneumatics to compressed instrument air reducing methane emissions by over 660 tCO2e in 2023. These endeavours exemplify i3 Energy's dedication to environmental sustainability and continual progress in ESG practices. In January 2024, the Company was also pleased to publish its 2022 ESG Report.

i3 takes its abandonment and reclamation obligations very seriously and in 2023 it abandoned a total of 46 wells and decommissioned 16 well sites, as well as 26 pipelines representing approximately 12% of its operated non-producing well stock. In 2024, and in accordance with the Alberta Energy Regulator's decommissioning guidance, i3 expects to deliver a similar number of abandonment operations as achieved in 2023.

Looking ahead

The Company looks forward to 2024 and beyond in a much strengthened financial position, with a strong balance sheet, and growing relationships with providers of debt capital for growth. Our core asset base continues to perform consistently well and will underpin the development of the significant undeveloped reserve and resource potential in our portfolio. The Company looks forward to executing a successful drilling programme in Canada in 2024, growing production and continuing to return cash to shareholders to deliver on its total shareholder return model.

Looking beyond 2024, we have a high quality and diverse asset portfolio in Canada with immense unrealized upside potential. We will continue to focus our efforts on advancing these key assets to efficient and rapid commercialisation and value crystallisation. We will selectively target key assets and wells to optimise these developments and conversion of resources to reserves bookings. We are fortunate that we operate the vast majority of our producing assets and drilling inventory which allows us to control the timing and pace of development. We also own high working interests in our operated assets which also provides us with optionality on how to finance these developments.

Whilst we have an extensive inventory of high quality, high return drilling locations, we recognise that commodity price volatility and resulting market dislocations will provide opportunities to grow through low-cost mergers and acquisitions and we remain vigilant to take advantage of these opportunities as and when they arise.

We are committed to operating in a safe and socially responsible manner and the safety of our employees and contractors is of primary importance. We are proud of our green-house gas emission reduction initiatives and achievements in 2023 and we will endeavour to deliver year-on-year reductions in the carbon intensity of our production.

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

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

John Festival
Non-Executive Chairperson
26 April 2024

Majid Shafiq
Chief Executive Officer
26 April 2024

BUSINESS MODEL

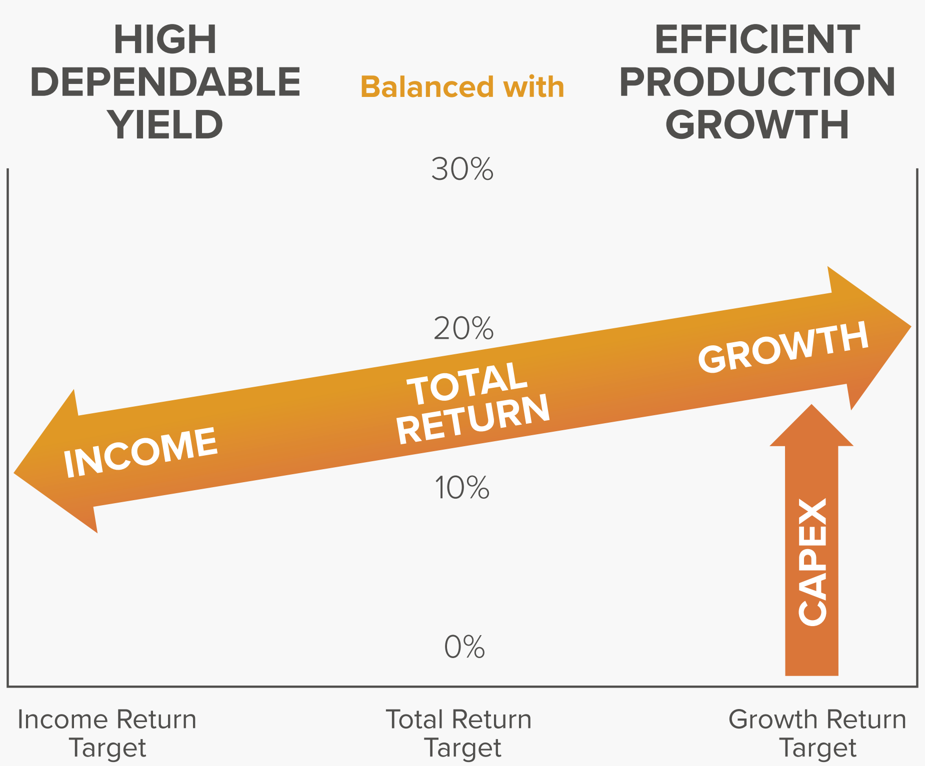
i3's Total Shareholder Return Model

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

The Company participates in approximately 1,900 production wells (~865 net) and operates over 75% of its production. It also owns or has access to significant capacity in operated and non-operated production facilities, and pipelines which allows it to maintain access to markets, optimise netbacks and minimise downtime. Our current production mix, which consists of approximately 50% gas, 25% oil and condensate and 25% natural gas liquids, spreads commodity price risk and provides the option to regulate our production mix to optimise revenues. This extensive portfolio provides the risk diversification necessary to sustain the reliable and stable production levels required to support a dividend paying business.

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

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



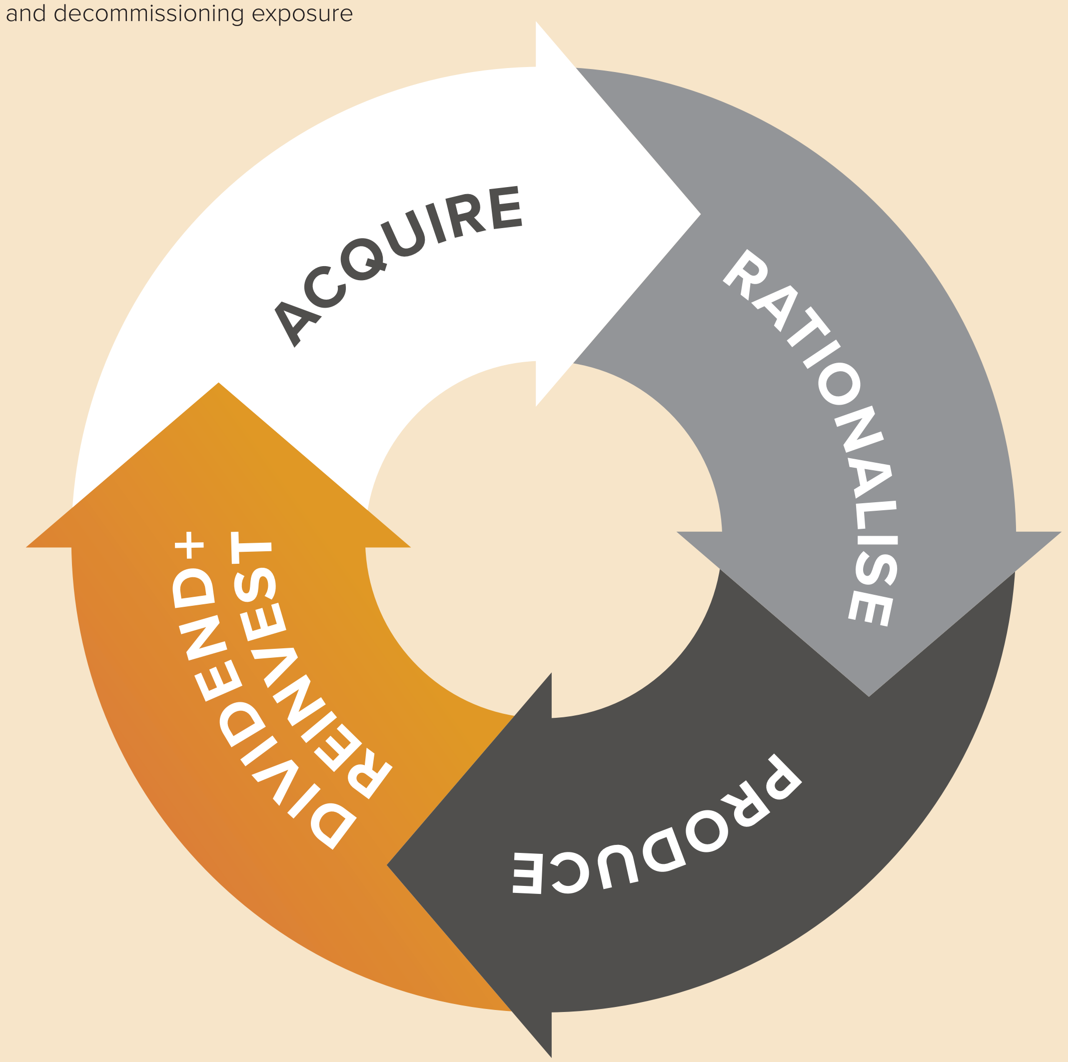
STRATEGY

ACQUIRE

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

RATIONALISE

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



DIVIDEND & REINVEST

Pay regular dividends and invest residual cash flow in PDP assets or low-cost organic PUD and 2P reserves development

PRODUCE

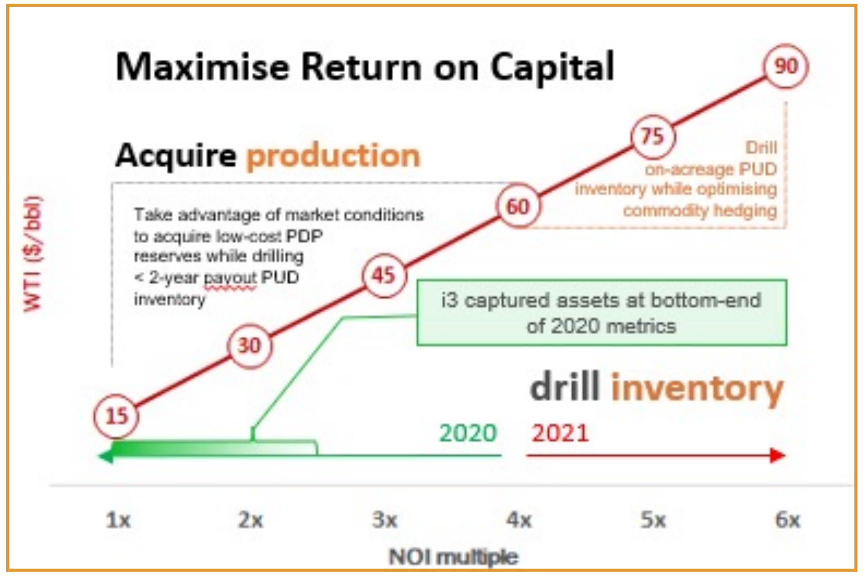
Optimise and streamline field operations to increase efficiency and improve per boe netbacks; actively participate in non-operated partnerships to influence value generation

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

In higher commodity price environments, when asset prices inflate and potential transactions fail to meet our acquisition criteria, we shift to growth via drilling and organic development. We currently have over 950 locations in our portfolio, which provides decades of drilling inventory.

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

We entered the Canadian E&P sector in 2020 via a series of acquisitions, when a period of low commodity prices and a lack of capital availability in the Canadian market provided a unique opportunity to build a material production business with in-built drilling upside, at historically low acquisition costs. In 2022, following a period of sustained oil and gas price inflation, we pivoted to drilling driven growth, as per our strategy and successfully executed drilling programmes in Canada of £13 million in 2023 and £58 million in 2022. 2023 saw a prolonged period of declining oil and in particular gas prices and the company consequently executed a constrained capital programme focussed on oil wells.



CYCLE-BOTTOM ACQUISITION

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

+

CYCLE-TOP DRILLING

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

=

VALUE MAXIMISATION

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

KEY PERFORMANCE INDICATORS

Health, Safety & Environment ("HSE")

The safety of our staff and the maintenance of the environment in which we operate are the primary considerations in our operations. 2023 was another busy operational period for i3 Canada. We conducted a drilling campaign of 12 gross wells (8.0 net) over the course of the year. We continue to improve our Health and Safety Management System to incorporate operational and safety lessons learned since commencement of our operations in Canada. Our senior operations and HSE leadership review operations on an ongoing basis and incidents in detail, including third party service providers in that process where relevant, to ensure that lessons are learned and incorporated not only into our Safety Loss Management System but into the daily work culture of our operational staff. We hold monthly safety meetings and conduct quarterly inspections of designated active work sites and hold quarterly Joint Health and Safety Committee meetings. We also conduct annual comprehensive pipeline risk assessments and through the course of the year conduct two full mobilisation emergency response plan ("ERP") exercises and six table-top ERP exercises.

Metric	Unit	Target	Actual	
Material lost time incident	Reportable injuries	1	1	There was one injury to a third-party service contractor in Canada that resulted in a lost time incident.
Regulatory inspections	Pass rate on high-risk items	95%	96.4%	There were four high risk category reports on 112 inspections in Canada. All items were resolved.
Major incidents	Major and critical incidents as % of all incidents	6%	3.0%	There were only 3 incidents classified as major out of 99 reported incidents in Canada.
Complete or initiate site electrifications	Number of sites	25	27	27 sites were electrified in 2023

We are very pleased with our realised HSE record in 2023 as detailed in the table above. These metrics are key measures which collectively reflect the aggregate HSE performance of the Company and driving improvements in these metrics will result in positive HSE outcomes for i3.

Production

Our Production and Operations teams were able to deliver total 2023 production volumes 1% above our average annual target forecast.

Metric	Unit	Target	Actual	
Production	Outcome as % difference to annual average stated production	0%	1%	2023 budget production average of 20,500 boepd versus outcome of 20,711 boepd

Reserves

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

Metric	Unit	Target	Actual	
Canadian Reserves	**PDP reserves replacement (adjusted for dispositions)**	100%	96%	Total PDP add of 5.43 Mboe (revisions, drilling and net acquisition) against production of 7.390 Mboe brought PDP reserves from 49,056 in 2022 to 47,100 in 2023

Due to a combination of drilling and recompletion activities combined with above forecast production results in existing wells, the Company achieved PDP reserves replacement ratio of 96%. The 2023 drilling programme was constrained mid-year due in particular to the low gas price environment and we believe that had the original budgeted progamme been executed, the reserves replacement ratio would have been greater than 100%. Due to what we believe is the high degree of predictability of our proven undeveloped ("PUD") well locations, (which are converted to PDP reserves upon drilling), the performance in 2023 gives us a high degree of confidence that the Company's asset base can continue to replace PDP reserves on a go-forward basis.

Operations

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

Metric	Unit	Target	Actual	
Opex/BOE	**Opex per BOE relative to prior year (inflation adjusted)**	0%	-12%	Opex in 2023 was £9.44 vs £10.31/boe in 2022. Adjusted for 4.2% inflation (CPI) it was 12% lower than opex/boe in 2022
Capital programme performance	**Aggregate IP30 (post commissioning)**	100%	78%	Budgeted aggregate IP30 for i3 Canada's 2023 drilling programme was 1,669 boepd, compared to actual achieved IP30 of 1,308 boepd, not including the exploration wells like Marten creek Clearwater or Wapiti Dunvegan
Actual costs v AFE1 estimates	**Annual Actual / Annual AFEs (adjusted for estimated inflation)**	100%	103%	Based on i3 Canada's operated AFEs. 2023 actual spend of CAD 51.1 million versus AFE estimates of CAD 49.4 million.

Note 1: Authorisation for Expenditure

i3 is very pleased with its operational performance in 2023. Our operating costs per BOE were 12 percent lower than those realised in 2022 on an inflation adjusted basis and whilst total operated capital expenditure was 3% higher than AFE estimates, we consider this to be a significant achievement considering the elevated inflationary environment for oilfield services and equipment that continue to persist.

Decommissioning Stewardship

The Alberta Energy Regulator (AER) specifies the annual abandonment and reclamation obligations (ARO) for oil and gas companies operating in the province, through the mandatory closure spend programme.

Metric	Unit	Target	Actual	
Closure spend efficiency	**Closure spend efficiency in reducing ARO**	100%	122%	Operated closure programmes removed CAD 4.5 million of liability with a net spend of CAD 3.7million.
Inactive well count reduction	**Inactive wells reduced**	40	46	46 wells abandoned and 9 reclamation certificates achieved

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

RESERVES

Since i3's entry into Canada in 2020, the Company has established a low decline, long reserve life, diversified portfolio of assets with a strong inventory of booked and unbooked drilling locations. Through 2021, i3 delivered strong growth in production and reserves primarily through acquisition activity. In 2022, due to prevailing high commodity prices, the Company decided to deploy its capital towards a drilling programme in Canada, which focussed on development drilling in i3's key assets in Central Alberta, Simonette, Wapiti and the Clearwater play. In 2023 the Company chose to reduce its capital programme due to the deterioration in commodity prices, drilling 12 gross (8 net) wells across its core areas.

The Company's year-end 2023 reserves volumes and valuations as evaluated by its independent reserves evaluator GLJ are tabulated below. The valuations use forecast commodity prices which are the averages of the 1 January 2024 forecasts of the reserves auditors GLJ, Sproule and McDaniel & Associates, referred to as 3CA.

					GLJ (Jan 2024 3CA)
Category	**Oil + Cond** (Mbbl)	**NGl** (Mbbl)	**Gas** (mmcf)	**BOE** (Mboe)	**NPV10** (USD M)
PDP	**7,507**	**14,822**	**148,627**	**47,100**	**$303,140**
PDNP + PUD	6,148	15,540	144,888	45,836	$198,187
TP	**13,655**	**30,362**	**293,515**	**92,936**	**$501,327**
P+PDP	**9,987**	**19,398**	**194,024**	**61,723**	**$386,121**
Prob	19,363	25,446	252,732	86,931	$525,070
P+P	**33,018**	**55,808**	**546,247**	**179,867**	**$1,026,396**

Total Company Interest proved developed producing reserves ("PDP") decreased approximately 4% to 47.1 million boe, total proved ("1P") reserves decreased approximately 1% to 92.9 million boe and total proved plus probable ("2P") reserves decreased approximately 1% to 179.9 million boe, compared to the prior year, principally due to the significantly smaller 2023 drilling programme as compared to that conducted in 2022. The Company's stable, long reserve life assets, continue to exhibit a low decline profile, which resulted in strong technical revisions associated with the outperformance of the Company's stable base production, despite the dramatic reduction in forecasted natural gas and natural gas liquids pricing.

In 2023, the Company's organic working interest reserves included an additional 6.9 million boe on a 1P basis and 5.8 million boe on a 2P basis through extensions, improvements and revisions, before adjustments for 2023 production and dispositions. The 2023 programme delivered efficient Finding, Development and acquisition ("FD&A") metrics of USD 5.67/boe (PDP), USD 2.32/boe (1P) and USD 1.76/boe (2P) after including changes in Future Development Capital ("FDC"). When compared to the Company's 2023 netback of USD 12.30 per boe, this translates to strong recycle ratios of 2.17x (PDP), 5.31x (1P) and 6.97x (2P).

Based on the Company's 2023 year-end reserves, PDP, 1P and 2P reserve life indices increased year-over-year to 7.1 years, 12.6 years and 23.0 years, respectively. With the success of the 2023 programme and the strong outperformance of i3's production base, the Company's corporate decline rate has improved to approximately 17% on a PDP basis.

As evaluated by GLJ, the Before-tax Net Present Value ("NPV") of cash flows attributable to the Company's reserves, discounted at 10%, has been determined to be USD 303.1 million, USD 501.3 million, and USD 1,026.4 million for its PDP, 1P and 2P reserves, respectively. Based on the NPV of the Company's year-end 2023 reserves after adjusting for year-end net debt of USD 23 million, this translates to PDP NPV of £0.18 per share (CAD 0.31 per share), 1P NPV of £0.31 per share (CAD 0.53 per share) and 2P NPV of £0.66 per share (CAD 1.10 per share). These strong reserve values have been achieved despite a significant decrease in forecasted natural gas and natural gas liquids pricing, which impacted approximately 76% of the Company's produced commodities.

The Company's assets in Canada contain a diversified portfolio of oil and gas properties and economic drilling opportunities totalling greater than 950 gross (approximately 550 net) booked and unbooked undeveloped drilling locations. Despite the near-term challenges associated with the current commodity price outlook for natural gas and natural gas liquids, i3's broad scale of future drilling opportunities positions the Company for future growth in production, cash flow and reserves.

ENVIRONMENT, SOCIAL AND GOVERNANCE

ESG Vision and Strategy

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

Our key ESG commitments include:

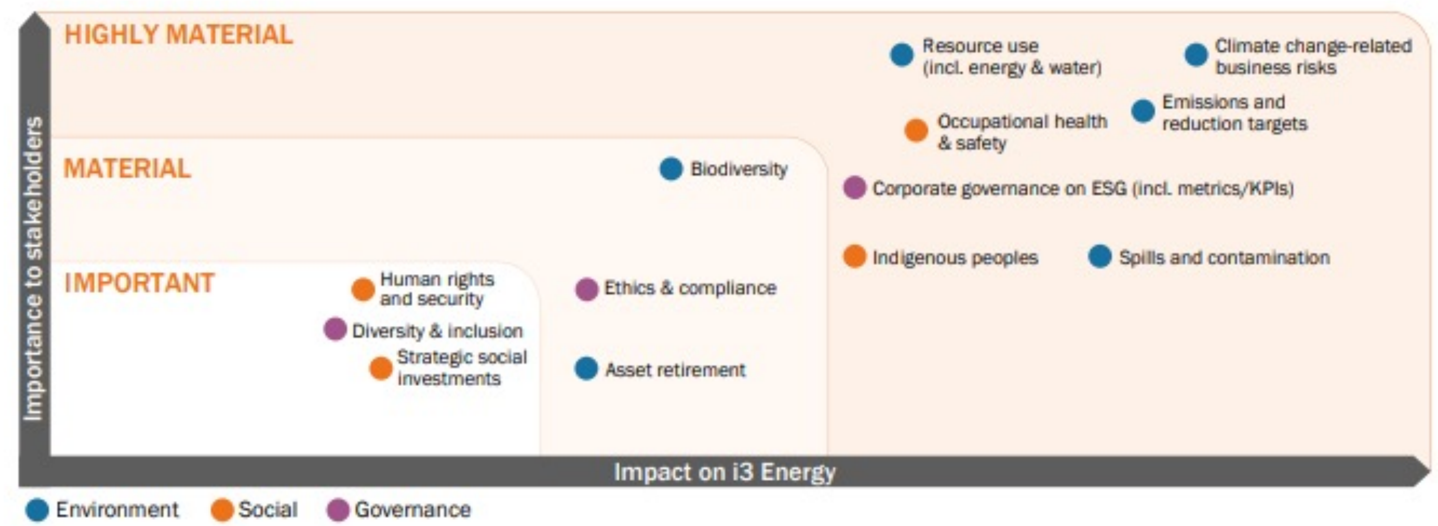
Minimising our environmental impact in a manner that is mindful of the climate science, while on the journey to achieve our net zero target no later than 2050, or earlier if technologically and commercially feasible

- Ensuring our business is resilient to the energy transition and a low-carbon future.
- Protecting the safety, health and well-being of all affected stakeholders.
- Maintaining positive and responsive relationships with local communities.
- Meeting or exceeding all applicable legal and regulatory requirements.
- Endorsing and aligning with international best-practice initiatives.

In 2022, i3 Energy, guided by our ESG advisors, completed a high-level ESG materiality assessment to assess, review, and confirm the importance of ESG topics to both our company and external stakeholders. This evaluation considered the potential risks, opportunities, and the potential impact associated with each topic.

- Analysing our external stakeholder landscape.
- Conducting impact evaluation and mapping, using the data and insights to inform the materiality analysis.
- Engaging with internal and external stakeholders to assess the impact of specific ESG-related topics on the company and gauge stakeholder sentiments regarding current and emerging matters.

The list of material topics identified through our assessment and analysis – which we will use in our ongoing risk assessment and strategic planning – are outlined in the graphic below. This assessment will be repeated in 2024.



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

Significant strides have marked our journey, particularly in reducing emissions. With a focus on reducing Scope 1 and Scope 2 emissions through innovative technologies, streamlined operations, and a rigorous commitment to energy efficiency, we have achieved substantial reductions in our carbon footprint. These efforts align seamlessly with our long-term vision of achieving net-zero emissions by no later than 2050.

ENVIRONMENT

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

- Ongoing improvement in emission data integrity and monitoring to accurately report the company's overall emission profile.
- Achieving active emissions reductions, resulting in a 4% reduction in Scope 1 and Scope 2 emissions intensity from 2021 to 2022 while our daily average production grew by 23% over the same period.
- Investigating and implementing solutions that continue to improve operational efficiencies to help accelerate the date by which we achieve net zero.
- Continuously researching and investing in technologies and practices to decarbonize production processes, including exploring carbon capture and storage (CCS) technologies, utilizing renewable energy sources, and adopting best practices for reducing emissions during oil and gas extraction.

After making our commitment to achieve net zero Scope 1 and Scope 2 emissions by 2050, we undertook a study to identify and assess potential pathways the Company could take to achieve this commitment, using marginal abatement cost curve (MACC) analysis. In 2022, our primary focus was on the upgrade and replacement of gas operated pneumatic controllers, electrification and the installation of solar pumps to mitigate vented methane emissions. These and other initiatives continued in 2023 in addition to the implementation of a new leak detection and repair programme.

i3 Energy's Emissions Profile

Our operating portfolio is relatively well positioned for a lower-carbon economy, given its majority gas profile.

Our combined 2022 (the latest year for which we have fully reported data) Scope 1 and Scope 2 intensity was 41.0 kgCO2e/boe. Despite a significant increase in production during that year, i3 Energy achieved a 4% reduction in carbon intensity compared to 2021. Through the implementation of emissions reduction initiatives, carbon intensity now stands below the average emissions intensity for conventional oil and natural gas production and processing in Canada, which Environment and Climate Change Canada projected at 48.1 kgCO2e/boe and 42.0 kgCO2e/boe, respectively, for the year 2020.

Resource Use

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

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

Initiatives to Reduce Methane Emissions, Drive Energy Efficiency and Reduce Energy Use

Engine Efficiency

i3 Energy performed a comprehensive inventory and assessment of compressor engines across all sites to measure fuel gas consumption, and NOx emissions, enabling our operators to optimize fuel efficiency and engine performance.

Compressor Consolidation Projects

i3 also implemented two compressor consolidation projects which achieved annual emission reductions of 3,409 tCO2e.

Electrification

i3 Energy is actively pursuing the electrification of its Alberta operations, reducing reliance on fossil fuels and switching to cleaner energy sources.

In 2023 the Company continued the process of converting fossil fuel powered wellsites to electric power supply. At the Company's Carmangay and Retlaw properties, 25 pumpjacks were electrified in 2023 which reduced annual methane emissions by 4,268 tCO2e per year. This is in addition to the 7 pumpjacks which were electrified in 2022 (annual emissions reduction of 1,273 tCO2e). In our Simonette field two natural gas generators were electrified, resulting in an annual emission reduction of 907 tCO2e. The Company will continue to evaluate opportunities to expand this initiative to other parts of its operated asset locations.

Instrument Air Conversions

The operation of our instrument systems relies on high-pressure natural gas to power pneumatic valves and machinery, leading to methane emissions. To address this, we are implementing air compressors to replace high-pressure natural gas, thereby eliminating methane emissions from site operations. In 2023, the conversion of instrument air systems at three of our locations resulted in the avoidance of over 660 tCO2e emissions.

Fugitive Emissions Reduction

In 2023, we launched the Alternative Fugitive Emissions Management Programme (Alt-FEMP), in collaboration with an industry partner, transitioning to Bridger's Gas Mapping LiDAR (GML) technology for methane detection. This innovative approach, utilising crewed aircraft with laser technology, aims to digitalise leak detections, streamlining operations and reducing methane leakage by over 50% within two years. Our commitment to environmental responsibility and operational efficiency drives this initiative, demonstrating a proactive stance towards sustainable practices in the industry.

Process Optimization

i3 Energy has invested in software to optimise its field process data acquisition in order to proactively detect and repair leaks. Among other things, this Intricate Fuel Flare and Vent Software (FFVS) tracks fugitive emissions from field components to allow for improved management and reporting under Alberta's Directive 060. FFVS allows for process optimisation through the tracking and management of fugitive emissions from leaks and subsequent repairs. When the FFVS implementation is complete across the portfolio, we expect to further reduce methane emissions.

Solar Pumps

Commencing in 2021, i3 began an initial programme to replace 400 pneumatic pumps with non-venting solar-driven electric pumps. As of year-end 2023, i3 has replaced 519 pneumatic pumps resulting in an annual reduction of approximately 16,584 tCO2e.

Abandonment and Reclamation

i3 Energy has been an active participant in government programmes to accelerate the responsible decommissioning of inactive well, pipeline and facility liabilities. In 2023 the Company abandoned 46 wells, 26 pipelines and decommissioned 16 well sites, representing 12% of operated non-producing wells.

SOCIAL

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

In this regard, we:

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

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

The nature of our workforce (YE 2023)

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

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

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

GOVERNANCE

Accountability and Integrity on ESG
i3 Energy's approach to ESG is supported by strong governance structures and corporate policies. To reflect the increasing importance of ESG-related risks and opportunities, i3 Energy has formed a Health, Safety, Environment and Security (HSES) Committee with oversight of ESG matters.

We are committed to:

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

Key Operating, Strategic, and Financial Risks

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

Key Risk	Description	Mitigation	Change in the period
OPERATIONAL:			
Sub-surface assessment and production, reserve, and resource estimation	Incorrect interpretation of subsurface data may lead to inaccurate reserves and production forecasts which may have an adverse impact on the financial performance of the Group. See Financial Statements note 3 where the carrying value of intangible exploration and evaluation assets has been identified as a critical accounting judgement.	The Group employs experienced sub-surface professionals with deep knowledge of different play types and contracts. The Group engages external consultants to complete independent reserves assessments and to compile Competent Persons Reports. The Group's appraisal programmes are designed to de-risk the overall field development. Well and seismic data is continually reviewed to best allocate capital and make drilling decisions. The Group consists of a diverse and large portfolio of wells and reservoirs/play types which minimises concentration risk such that one failure will not materially affect the business value or its operations.	No change
Health, Safety, Security and Environment	Both onshore and offshore development carry the risk of major incident and harm to the Group's employees, contractors, and the environment.	Integrated Management System (IMS) set up to ensure all regulatory and environmental and safety requirements are met, appropriate training is in place and compliance verified. Various Health, Safety, Security and Environment policies and manuals are implemented in Canada, including a comprehensive Emergency Response Plan. IT security is ensured through an external service provider.	No change
Regulatory and compliance	The Group operates in two jurisdictions which have unique regulatory frameworks. Non-compliance with regulations could lead to loss of title to its assets, financial damage, or reputational damage. Future changes in regulations or taxation regimes could negatively impact the Group. The Group considers the risk level to have increased in 2023 due to losing the designated foreign issuer status on 1 January 2024 and therefore becoming ineligible for TSX continuous disclosure exemptions granted through National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers.	The Group manages its regulatory and compliance risks through the employment of sufficient competent personnel and through retaining suitably proficient advisors. The Group actively engages with its regulators. The Group continually monitors the status of and commitments on its licences. The Group is not currently generating taxable profits in the UK, and closely monitors its tax position in Canada. The Group employs personnel with sufficient competence and experience in TSX continuous disclosure requirements to help transition into these continuous disclosure requirements.	Increase

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

Key Risk	Description	Mitigation	Change in the period
STRATEGIC:			
Climate change and energy transition	A global transition to alternative energy sources could have an adverse impact on commodity prices and/or the Group's access to and cost of capital.	The Group maintains compliance with current environmental regulations. It is committed to conducting its operations with net zero GHG emissions by 2050. Our strategy development includes consideration of these risks and potential mitigants. The Group monitors its role in the energy transition in concert with discussions with the investment community to ensure our investment proposition remains relevant to the market. The Group considers the impacts of climate change and energy transition when assessing its E&E and PP&E assets for impairment. See Financial Statements note 3 where the carrying value of E&E and PP&E oil and gas assets has been identified as a critical accounting judgement. i3 Energy plc has published an ESG Report which is available at www.i3.energy.	No change
Lack of growth	The Group seeks opportunities to expand its portfolio of assets and to increase production rates from existing assets. The Group may not find or be able to finance the acquisition of suitable acquisitions or fund internal growth options.	The Group engages with a range of advisors and active competitor monitoring to provide a range of opportunities for screening. The Group is led by experienced professionals spanning key disciplines to screen and fully assess growth opportunities. The Group has strong relationships within the sector, both in the UK and Canada. The Group continually reviews its portfolio of assets to identify internal growth opportunities and it has an extensive and risk diversified inventory of development drilling locations which provide growth options throughout the business and commodity cycle.	No change
Development of North Sea assets	Following the results of the 13/23c-12 appraisal well drilled in 2022, the Group continues work on a field development plan for a one well development of the Serenity field. There is a high cost associated with a field development plan and therefore it is contingent upon raising the necessary funds. There is uncertainty whether a one well development of the field would be commercial, and it is likely to require access to third-party production, processing, and transportation facilities. If the Group us unable to develop its North Sea assets, i3 Energy Plc may not recover its loan and investment into i3 Energy North Sea Limited which could negatively impact the Company's distributable reserves and ability to pay dividends. See Financial Statements note 3 where the carrying value of intangible exploration and evaluation assets has been identified as a critical accounting judgement. The Group considers the risk level to have increased in 2023 due to approaching the September 2024 deadline for FDP on the P.2358 licence.	The Group in partnered with Europa Oil and Gas (Holdings) plc as a 25% working interest joint venture partner in the Group's Serenity oil discovery which reduces the future capital costs net to i3. The Group is in active discussion with the NSTA and is working on a field development plan for a one well development of the Serenity field. The Group is in active discussion with neighbouring operators regarding potential access to shared iinfrastructure and is also evaluating low-cost stand-alone options.	Increase

Key Risk	Description	Mitigation	Change in the period
FINANCIAL:			
Commodity price volatility	Oil and gas commodity prices can be volatile and are dependent on the level of supply and demand for oil and gas products at any given time, as most recently illustrated with the increase in commodity prices following Russia's invasion of Ukraine in 2022 and subsequent decreases in commodity prices through 2023. The Group's operating cash flows in the short-term and returns on capital projects in the long-term may be negatively impacted by depressed oil and gas prices. See Financial Statements note 3 where the carrying value of intangible E&E assets and oil and gas PP&E assets have been identified as critical accounting judgements.	The Group plans based on a range of commodity prices, stress test scenarios and sensitivities when allocating capital. The Group closely monitors the profitability of its Canadian operations, including trends in both spot and forward commodity pricing. The Group continually reviews its hedging strategy and executed various commodity hedging contracts throughout 2022 and 2023. A summary of the Group's hedges are provided in note 18 and note 24 of the financial statements.	No change
Decommissioning costs	The Group forecasts decommissioning costs over the next 50 years. There is a risk that the cost estimates overrun either due to inaccurate estimation or unforeseen site contaminations. See Financial Statements note 3 where decommissioning costs have been identified as a key source of estimation uncertainty.	The Group uses commonly accepted cost estimation techniques based on rates published by the Alberta Energy Regulator ("AER"). The Group employs experienced professionals to oversee the decommissioning cost estimates. The Group continually invests in decommissioning its assets, including participation in Alberta's SRP programme.	No change
Capital requirements and access to capital	The Group will require significant capital to grow its operations in Canada and to develop its oil and gas assets on the UKCS. For some projects or to accelerate growth, the Group may be dependent or partially dependent on access to external capital to deliver this growth, and there is no guarantee the capital will be available at terms acceptable to the Group.	The Group is publicly listed on both the TSX and the AIM which provides access to equity capital markets. The Group successfully accessed these markets and secured equity funding in 2020 and 2021. In May 2023, the Group established a new CAD 100 million Debt Facility, providing additional capital to the Group. Further details are provided in note 16 to the financial statements. This Debt Facility was subsequently replaced in March 2024, with further details provided in note 24 to the financial statements. The Group continually engages with shareholders and industry partners. The Group generates positive cash flows from its Canada operations which will decrease the Group's dependency on external financing. The Group continually monitors its capital allocation and will only pursue programmes that are of appropriate size and risk relative to the Group's capital resources.	No change

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

SECTION 172 STATEMENT

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

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

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

- The Board of Directors meets regularly and uses these meetings to consider the likely consequences of any decisions in the long term. This includes its collective responsibility for formulating the Company's strategy, which is to i) acquire undervalued developed producing fields and operate them efficiently, safely and in full regulatory compliance, and ii) ultimately deliver hydrocarbon projects into production by graduating assets through the industry life cycle of exploration, appraisal, development, production, and optimisation. Some key decisions were taken by the Board since the beginning of 2023 which were aimed to deliver on this strategy. These included:

- Entering into a CAD 100 million Debt Facility with Trafigura, whose three-year amortisation period results in conservative balance sheet management over the longer term;

- Executing the Group's 2023 capital and drilling programmes in Canada which invested £24.9 million in acquisitions and capex, which helped the Group achieve record corporate production levels;

- Engaging with the NSTA and nearby operators to continue evaluating development options for the Group's Serenity asset; and

- Declaring £13.3 million of dividends as part of the Company's total return model.

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

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

b. the interests of the Company's employees,

Our employees are one of the primary assets of our business and will be critical to the future success of the Company. Our employee headcount has expanded steadily through the Company's wholly owned subsidiary i3 Energy Canada Limited following a series of acquisitions and subsequent growth through the capital programs. The Company has an employee onboarding process in place that provides new employees the information, relationships, and tools they need to be comfortable and confident in their work. First and foremost, the Directors strive to ensure a safe working environment for all the Company's staff and contractors, and we are proud of our safety achievements in 2023. We also seek to reward employees with remuneration packages which align the interests of the Company and its shareholders with those of its employees. We believe we have achieved this through the award of share options which contain vesting conditions aligned with the strategic objectives of the Group, which includes the November 2023 LTIP share option and cash pool awards. To ensure our remuneration packages are competitive and appropriate the Remuneration Committee seeks external advice on market practice and benchmarks. Employees are also provided with challenging work and external training opportunities to ensure their continual development. The Board engages with the Group's employees throughout the year, both formally at Board meetings, and also informally through interaction and operational, financial and M&A discussions with certain employees. The Board met in person at its Canadian office which included an open town hall with all employees.

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

The Company fosters its business relationships with suppliers, customers, contractors, and its various joint venture business partners in Canada and the UK. The Group engages frequently with key suppliers through a regular review of vendor due diligence, creating efficiencies within the supply chain, and considering their interests in our operations. An example in 2023 was the prudent refinancing and payment of the Loan Note holders in full upon maturity. The Group and its suppliers, customers, contractors, and various joint venture partners are committed to ethical principles and place great value on integrity and compliance with the applicable laws and regulations. The Company expects all its business partners to follow similar standards in their behaviour.

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

The Company considers the impact of its operations on the community and the environment. The Group employs individuals in both the UK and Canada through which we integrate with the local communities and engage directly with local municipalities on various matters. The Company regularly engages with the AER regarding its Canadian operations and we have been recognised as an upstanding operator in the region. The Company closely monitors its decommissioning obligations in Canada which it intends to responsibly decommission in accordance with local regulations and in collaboration with the AER. In 2023, the Group incurred £3.7 million of decommissioning spend.
In early-2024 the Company released its latest ESG report which can be viewed at www.i3.energy.

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

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

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

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

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

FINANCIAL REVIEW

Production

Average Sales Production	Year Ended 31 December 2023	Year Ended 31 December 2022
Oil and condensate (bbl/d)	4,528	4,340
Natural gas liquids (bbl/d)	4,921	5,047
Natural gas (mcf/d)	65,260	63,076
Royalty interest (boepd)	385	418
Average Sales Production (boepd)	**20,711**	20,317

Average Sales Production	Year Ended 31 December 2023	Year Ended 31 December 2022
Oil and condensate	22%	21%
Natural gas liquids	24%	25%
Natural gas	52%	52%
Royalty interest	2%	2%
	100%	100%

Average sales production increased 2% to 20,711 boepd in 2023, compared to 20,317 boepd in 2022. In May, sales production from the Company's northern areas were temporarily shut-in as a precaution to encroaching forest fires. In June, scheduled facility turnarounds in the Company's central Alberta and Wapiti areas temporarily shut-in production. There was no major damage to i3's production facilities as a result of the forest fires, nor were any employees or consultants injured, and wells have been brought back on production. In addition, scheduled turnarounds were completed and affected wells and facilities are back on-line. The Group also experienced unanticipated apportionment issues associated with the Pembina Peace Pipeline liquids line. In Q4 2023 average sales production dropped slightly primarily due to interruptions resulting from temporary third-party facility outages.

Average sales production mix was consistent year over year, with 46% of the production mix consisting of oil and condensate and natural gas liquids, 52% natural gas and 2% representing royalty interest wells.

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

Average Sales Production	Q1 2022	Q2 2022	Q3 2021	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Oil and condensate (bbl/d)	3,945	3,886	4,396	5,119	5,238	4,247	4,485	4,155
Natural gas liquids (bbl/d)	4,942	5,099	5,038	5,106	5,569	4,057	4,887	5,180
Natural gas (mcf/d)	54,689	60,785	64,180	72,442	69,555	58,965	68,653	63,894
Royalty interest (boepd)	389	385	440	458	373	398	342	429
Total Sales Production (boepd)	**18,391**	**19,502**	**20,571**	**22,757**	**22,773**	**18,529**	**21,156**	**20,413**

Pricing

In the first half of 2023, the WTI price started to stabilise as global demand moderated and the potential of Russian supply issues relating to the ongoing Ukraine/Russia conflict subsided. In the second half of 2023, the WTI price spiked in Q4 2023 due to initial concerns over the middle east Gaza conflict. In the first half of 2023, AECO and NYMEX natural gas prices eased as concerns diminished over global natural gas and LNG supply due to the invasion of Ukraine by Russia. Throughout 2023 natural gas storage levels remained full, or above average due to a mild winter, an oversupply in the US, and a lack of demand in North America. The mild winter also contributed to NGL prices declining year over year in conjunction with declining oil and natural gas prices.

The below table shows the average benchmark prices for 2023 and 2022.

Average Benchmark Pricing	Year Ended 31 December 2023	Year Ended 31 December 2022
WTI (USD$/bbl)	77.61	94.23
WTI (CAD$/bbl)	104.77	122.37
NYMEX (USD$/mmbtu)	2.75	6.65
AECO 5A (CAD$/mcf)	2.64	5.31

i3's proceeds from the sale of oil and gas produced from its Canadian oil and gas assets are based on sales production volumes and realised sales prices in Canadian dollars. The below table shows the average prices in Canadian dollars realised by i3 in 2023 and 2022.

Average Realised Pricing (1)	Year Ended 31 December 2023	Year Ended 31 December 2022
Oil and condensate (CAD$/bbl)	97.07	114.66
Natural gas liquids (CAD$/bbl)	21.78	35.02
Natural gas (CAD$/mcf)	2.76	5.42
Royalty interest (CAD$/boe)	38.92	51.37
Total (CAD$/boe)	**35.82**	51.08

(1) Average realised prices derived by dividing oil and gas sales in GBP by averaged sales production and converting to CAD using period-average GBP/CAD exchange rate year ended 31 December 2023 1.6778 (year ended 31 December 2022 1.6073).

Revenue

	Year Ended 31 December 2023 £'000	Year Ended 31 December 2022 £'000
Oil and gas sales	**161,401**	235,691
Royalties	(21,397)	(33,536)
Revenue from the sale of oil and gas	**140,004**	202,155
Processing income	5,819	5,995
Other operating income	491	286
Total revenue	**146,314**	208,436

Total revenue decreased 30% in 2023, compared to 2022, primarily because of lower commodity prices, partially offset by lower royalties.

Revenue

Oil and gas sales:	Year Ended 31 December 2023 £'000	Oil and gas sales mix 2023	Year Ended 31 December 2022 £'000	Oil and gas sales mix 2022
Oil and condensate	95,628	59%	113,003	48%
Natural gas liquids	23,319	15%	40,142	17%
Natural gas	39,191	24%	77,656	33%
Royalty interest	3,263	2%	4,890	2%
Oil and gas sales	**161,401**	**100%**	235,691	100%

Revenue from oil and gas sales in 2023 of £161.4 million was 32% lower, compared to the same period in 2022 of £235.7 million. The year over year decrease in revenue from oil and gas sales was primarily related to lower commodity prices.

Royalties:	Year Ended 31 December 2023 £'000	Year Ended 31 December 2022 £'000
Royalties	(21,397)	(33,536)
Royalties (£/boe)	2.83	4.52
Royalties (% of oil and gas sales)	13%	14%

Royalties are comprised of payments made to the Alberta Government (Crown), holders of freehold lands, gross overriding royalty holders and payments to certain first nations. Royalty rates for Alberta Crown royalties, which is where the majority of the Company's production comes from, are based on a sliding scale where the royalty rate is dependent on a monthly Alberta par price for oil and on a monthly Alberta reference price for natural gas and NGLs and individual well production rates. Higher commodity prices attract a higher royalty rate and vice-versa. Similarly, high individual production rates attract higher royalty rates and vice-versa.

Royalties in 2023 of £21.4 million were 36% lower, compared to royalties in 2022 of £33.5 million. Lower royalties in 2023 are primarily a result of lower commodity prices and lower oil par and natural gas reference prices, compared to the same period in 2022. Also in 2023, i3 received a positive one-time yearly gas cost allowance ("GCA") adjustment from the Alberta Government of £1.1 million. Royalties as a percentage of oil and gas sales in 2023 and 2022 were 13% and 14%, respectively.

Processing and other operating income:	Year Ended 31 December 2023 £'000	Year Ended 31 December 2022 £'000
Processing income	5,819	5,995
Other operating income	491	286
Total processing and other operating income	**6,310**	6,281

Total processing and other operating income in 2023 and 2022 were £6.3 million. Processing income is the result of fees charged to third party users of various facilities which are partially or wholly owned by the Group. Slightly lower processing income in 2023, compared to 2022 was primarily due to the impact of scheduled facility turnarounds in June 2023, which temporarily restricted third party production through certain of the Company's operated facilities.

Production costs

Total Production Costs	Year Ended 31 December 2023 £'000	Year Ended 31 December 2022 £'000
Total Production Costs	71,348	76,418
Total Production Costs (£/boe)	**9.44**	10.31

Total production costs are primarily comprised of field labour and general field maintenance, land retention and taxes, well repairs and workovers, processing, and product transportation. The year over year decrease in total production costs on a £/boe basis is primarily due to reduced third-party processing fees negotiated in 2023 and lower electricity costs in the second half of 2023, partially offset by production outages due to scheduled facility turnaround costs in June 2023.

Gain or loss on risk management contracts

Total Production Costs	Year Ended 31 December 2023 £'000	Year Ended 31 December 2022 £'000
Unrealised gain on risk management contracts	860	858
Realised gain / (loss) on risk management contracts	1,188	(19,848)
Total gain / (loss) on risk management contracts	**2,048**	(18,990)

The Group enters a variety of risk management contracts to hedge a portion of the Group's exposure to fluctuations in prevailing commodity prices for oil, gas, and natural gas liquids. The Group's financial commodity contracts are remeasured at fair value at reach reporting date with the changes recognised as an unrealised gain or loss on risk management contracts. The Group's physical commodity contracts represent physical delivery sales contracts in the ordinary course of business and are therefore not recorded at fair value. Realised gains or losses represent actual cash settlements on the financial and physical contracts in the period. In 2022 there was a general increase in commodity prices which created a loss on risk management contracts. In 2023 the commodity prices softened, particularly on natural gas, and as a result the Group recognised a gain in 2023. At 31 December 2023 the net current risk management contract asset was £1.6 million (2022: £0.7 million).

Depreciation and depletion

Total Depreciation and depletion	Year Ended 31 December 2023 £'000	Year Ended 31 December 2022
Total Depreciation and depletion	38,232	34,339
Total Depreciation and depletion (£/boe)	**5.06**	4.63

The Group incurred depreciation and depletion of £38.2 million, an increase of £3.9 million from £34.3 million in 2022. The increase is largely due to an increase in production and an increase in depletion rates from £4.63 to £5.03/boe. This increase on a per boe basis is due to changes in the proved plus probable reserves and future development costs from year to year.

Administrative expenses

Administrative expenses decreased by £5.1 million from £15.0 million to £9.9 million, largely due to decreased personnel costs under the Group's short term incentive plan in the first half of 2023 and FX gains and losses. A breakdown of administrative expenses is as follows:

	Year Ended 31 December 2023 £'000	Year Ended 31 December 2022 £'000
Directors' fees	345	323
Employee costs	5,293	9,982
Professional fees	1,918	1,830
Other	2,419	2,285
Realised FX (gain) / loss	(129)	505
Unrealised FX loss	15	113
Total administrative expenses	**9,861**	15,038

Finance income

The Group recognised finance income of £0.6 million, an increase from £0 in 2022. Certain banking terms were modified in early-2023 which resulted in the Group earning interest on cash balances maintained in the current banking account of i3 Canada.

Finance costs

The Group incurred finance costs of £8.7 million, an increase of £0.8 million from £7.9 million 2022. £0.3 million relates to an increase in bank charges and interest on creditors relating to timing of income tax payments, a £0.1 million increase in the unwinding of discount on decommissioning provision, and a £0.5 million increase relating to a gain on financial instrument at FVTPL which was recorded in 2022 with no such gain in 2023. This was partially offset by a net decrease of £0.1 million in total finance costs incurred on the H1-2019 Loan Notes and the Debt Facility. Further details are provided in the following table:

	2023 £'000	2022 £'000
Accretion of loan notes	1,615	3,386
Cash interest expense on loan notes	951	2,309
Unwinding of discount on decommissioning provision	2,771	2,667
Interest on Debt Facility	2,258	–
Amortisation of deferred finance costs	667	–
Bank charges and interest on creditors	304	21
(Gain) / loss on financial instrument at FVTPL	–	(518)
FX loss on Debt Facility	97	–
Total finance costs	**8,663**	7,865

Tax charge

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

	Year Ended 31 December 2023 £'000	Year Ended 31 December 2022 £'000
Current tax charge	7,239	10,002
Deferred tax (credit) / charge	(1,488)	3,824
Total income tax charge	**5,751**	13,826

The Group incurred a current tax charge of £7.2 million, a decrease of £2.8 million from £10.0 million in 2022. £0.2 million of the decrease relates to the receipt of R&D tax refunds in the UK in respect of the 2020 and 2021 fiscal years. The balance of the decrease is due to reduced profitability in Canada relative to 2022 following a softening in commodity prices.
The deferred tax credit in 2023 and charge in 2022 resulted from changes in net deductible temporary differences in Canada. Further details are provided in the financial statements note 9.

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

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

	Year Ended 31 December 2023 £'000	Year Ended 31 December 2022 £'000
Profit for the year	15,147	41,951
Basic earnings per share (pence)	1.26	3.60
Diluted earnings per share (pence)	1.24	3.43
EBITDA (1)	67,793	97,981
Adjusted EBITDA (1)	67,793	97,990
Net operating income (1)	**74,475**	131,732

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

Cash and cash equivalents

The Group had £23.5 million of cash and cash equivalents at 31 December 2023, an increase of £6.9 million from £16.6 million 31 December 2022. The increase was driven by £49.6 million in net cash from operating activities, offset by £29.2 million of net cash used in investing activities, primarily capital expenditure at the Group's Canadian operations as discussed below, and £13.6 million of net cash used in financing activities, primarily dividends paid and various debt finance costs. There was also a £0.1 million positive effect for exchange rate changes in the period.

PP&E and E&E

The Group had PP&E assets of £205.7 million (2022: £236.5 million) and intangible E&E assets of £63.1 million (2022: £62.1 million) as at 31 December 2023.

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

Total property, plant and equipment additions in the year of 2023 totaling £23.2 million (2022: £74.4 million) was comprised of work associated with the Group's Canadian oil and gas assets as per the table below.

	Year Ended 31 December 2023 £'000	Year Ended 31 December 2022 £'000
Land	183	975
Seismic	41	452
Drilling, completions, recompletions	12,720	58,135
Facilities, equipment and pipelines	10,211	14,862
Total Property, Plant & Equipment	**23,155**	74,424

In 2023, i3 invested £23.2 million on property, plant and equipment additions. £12.7 was invested to drill 12 (8.0 net) wells, including 3 (1.8 net) wells in the Wapiti area, which were spud in December 2022 and completed and placed on production in 2023.

In the first half of 2023, 5 (3.7 net) wells were drilled, completed and equipped. 3 (2.5 net) of the wells were drilled in the Clearwater area, including the preliminary appraisal well classified within E&E, which are currently shut-in due to seasonal, winter only access. The remaining 2 wells, which consisted of 1 well (1.0 net) in the Lodgepole area and 1 well (0.2 net) in the Wapiti area were drilled, completed and equipped and placed on production.

In the second half of 2023, 4 (2.5 net) wells were drilled, completed and equipped, which consisted of 2 (2 net) Glauconite wells in the Rimbey area, 1 (0.5 net) Leduc well also in the Rimbey area and 1 (.01 net) Belly River well in the Leedale area.

During 2023, £10.2 was invested on equipping and tie-ins of the above drilled wells, and additional investments focused on various well and facility electrification projects along with facility upgrades and well and pipeline modifications.

An additional £0.2 million was spent on land retention and seismic costs.

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

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

An additional £1.4 million was spent on land retention and seismic costs.

In the year of 2022, i3 drilled a total of 6 (6 net) Glauconite wells in the Open Creek area, 2 (1.3 net) Belly River wells in the Leedale area, 3 (2 net) Falher/Cardium wells in the Willesden Green area, 10 (4 net) Clearwater wells in the Marten Hills area, 2 (1.99 net) Montney wells in the south Simonette area, 7 (4.72 net) Cardium wells in the Wapiti area and 1 (0.07 net) Dunvegan well in the Elmworth area.

During 2023, additions to intangible exploration and evaluation assets totaled £1.3 million.

	Year Ended 31 December 2023 £'000	Year Ended 31 December 2022
Canada	1,006	6,677
UK	275	5,650
Total E&E capital expenditure	**1,281**	12,327

E&E capital expenditure in Canada relates to various Crown land acquisitions and a preliminary appraisal well drilled in the Marten Hills, Clearwater play. E&E capital expenditure in the UK primarily relates to continued evaluation of the Group's Serenity asset. Further details about the well results and the impairment conclusions are provided in financial statement note 13.

Borrowings and leases

The Group had borrowings and leases of £34.6 million at 31 December 2023, an increase of £7.4 million from £27.2 million at 31 December 2022. The increase is largely due to drawing £44.5 million on the new Debt Facility and fully repaying £28.9 million on the H1-2019 Loan Notes, partially offset by deferred finance costs and amortisation payment on the Debt Facility. The new Debt Facility amortises monthly on a straight-line basis, and accordingly £14.0 million has been classified as a current liability, which represents the principal payments net of deferred finance costs over the 12 months following 31 December 2023. Further details regarding the establishment of the Debt Facility and the repayment of the H1-2019 Loan Notes are provided in note 16 to the financial statements. Subsequent to 31 December 2023, the Debt Facility was prepaid in full with cash on hand and proceeds from the Credit Facility, see note 24 to the financial statements.

Dividends

In 2023 the Group declared and paid £13.3 million and £15.3 million of dividends, respectively. (2022: declared and paid £17.4 million and £15.4 million of dividends, respectively). In June 2023 the Group revised its annual dividend guidance to a monthly equivalent of 0.0855 pence per share, to be paid quarterly, which annualises to 1.026 pence per share or approximately £12.3 million, or 0.2565 pence per share or approximately £3.1 million per quarter based on the number of ordinary shares outstanding as at 31 December 2023. The Group has maintained this quarterly dividend since publishing this revised guidance.

In November 2023 the Registrar of Companies registered the cancellation of i3's share premium account. The £50.7 million balance of the Group's share premium net of share issuance costs was accordingly transferred to retained earnings.

In 2023 i3 Energy Plc transitioned to UK IFRS and elected to use fair value as the deemed cost of its investment in i3 Energy Canada Ltd. as at the transition date, being 1 January 2022. This resulted in a £148.5 million undistributable transition reserve within equity. Post year-end, the Group is undertaking a bonus share issuance and another capital reduction process to move the undistributable transition reserve of £148.5 million into distributable reserves which is expected to complete within the first half of 2024.

Both initiatives increase distributable reserves to enable the Company to continue paying dividends.

Going concern

The Directors have considered the going concern of the Group and are satisfied that the Group has sufficient resources to operate and to meet their commitments as they come due over the going concern period. The Group continues to closely monitor its cash balances which stood at £23.5 million as at 31 December 2023. Further details are provided in the Directors Report and note 2 to the financial statements.

Critical accounting policies and estimates

A summary of the Group's accounting policies, estimates and judgements can be found in note 2 and note 3 of the financial statements.

Internal controls over financial reporting

i3 Energy's CEO and its CFO have designed, or caused to be designed under their direct supervision, i3 Energy's disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators) to provide reasonable assurance that (i) material information relating to i3 Energy, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and (ii) material information required to be disclosed in i3 Energy's annual filings, interim filings or other reports filed or submitted by it under Canadian securities legislation is recorded, processed, summarized and reported on a timely basis. Further, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of i3 Energy's disclosure controls and procedures as at 31 December 2023 and have concluded the disclosure controls and procedures are fully effective.

i3 Energy's CEO and its CFO have also designed, or caused to be designed under their direct supervision, i3 Energy's internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to i3 Energy's internal control over financial reporting in the quarter ended 31 December 2023. Notwithstanding the foregoing, because of its inherent limitations, a control system can provide only reasonable assurance that the objectives of the control system are met and may not prevent or detect misstatements. Management's estimates may be incorrect, or assumptions about future events may be incorrect, resulting in varying results. In addition, management has attempted to minimize the likelihood of fraud. However, any control system can be circumvented through collusion and illegal acts.

Approval of the Strategic Report

This report was approved by the Board of Directors on 26 April 2024 and signed on its behalf by:

John Festival
Non-Executive Chairperson
26 April 2024

GOVERNANCE

BOARD OF DIRECTORS

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

John Festival
Non-Executive Chairperson

Mr. John Festival is a chemical engineer with 39 years of experience in the Canadian oil and gas sector, focused on heavy oil in western Canada and has an excellent track record of founding, growing and monetising oil and gas companies in Canada. He is currently the CEO of Broadview Energy and a director of Cardinal Energy Ltd., Advantage Energy Ltd. and Athabasca Oil Corporation, and was the President and CEO of BlackPearl Resources Inc. prior to its acquisition by International Petroleum in December 2018 in a stock and debt transaction valued at c. US$715 million. He was previously one of the founding partners and President of BlackRock Ventures Inc. which was sold to Shell Canada for CAD 2.4 billion in 2006. He graduated in 1984 with a BSc in Chemical Engineering from the University of Saskatchewan.

AR C H R

Majid Shafiq
Chief Executive Officer

Mr. Shafiq has 35 years of technical and investment banking experience focused on the global E&P sector. Prior to joining i3 as CEO, Majid spent circa eighteen years in energy investment banking advising on asset level acquisitions and divestments, corporate M&A and equity financings for the private and public, small to mid-cap oil and gas sector. During that time, he worked for Waterous and Co, Tristone Capital Ltd, First Energy Capital LLP and Argentil Capital Partners LLP. Prior to his investment banking career, he worked for Mobil Oil Corporation for 13 years in various petroleum engineering and commercial roles in the UK and the Netherlands. Mr. Shafiq holds a Bachelors degree in Nuclear Engineering from Manchester University, a Masters degree in Petroleum Engineering from Heriot-Watt University and an MBA from London Business School.

H

Ryan Heath
President i3 Energy Canada

Ryan has over 24 years' experience in the Canadian oil and gas sector, building junior resources companies in the Western Canadian Sedimentary Basin. Ryan joined i3 through its acquisition of Toscana Energy Income Corporation in 2020, where he was the CEO since 2019.

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

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

Key to committee membership

AR Audit & Risk Committee

C Corporate Governance Committee

H HSES Committee

RC Remuneration Committee

R Reserves Committee

Committee Chair

Linda Beal
Non-Executive Director

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

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

AR C RC

Neill Carson
Non-Executive Director

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

C H R

Richard Ames
Non-Executive Director

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

AR R RC

CORPORATE GOVERNANCE REPORT

Overview of Board Governance

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

Business Conduct

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

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

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

The Company also has policies and procedures guidance which is provided to all Directors and employees for share dealing, whistleblowing, human rights, modern slavery, criminal finance act, disclosure and social media policies.

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

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

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

Board agenda and activities during the year

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

The Board meets regularly throughout the year, for both Committee and Board meetings. During the year to 31 December 2023 the Board met for a total of six meetings, one sub-committee meeting and passed resolutions in writing on nine occasions. The Board is responsible for formatting, reviewing, and approving the Group's strategy, financial activities and operating performance. Day-to-day management is devolved to the Chief Executive Officer of the Company, who is charged with consulting the Board on all significant financial and operational matters. Consequently, decisions are made promptly and following consultation amongst the Directors where necessary and appropriate.

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

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

Board Meetings:

	Eligible to Attend	Attended
John Festival	6	6
Majid Shafiq	6	6
Ryan Heath	6	6
Linda Beal	6	6
Neill Carson	6	6
Richard Ames	6	6

In addition to the above meetings there was also one meeting of a sub-committee of the Board.

Governance framework

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

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

Principle One

Business Model and Strategy

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

Principle Two

Understanding Shareholder Needs and Expectations

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company regularly presents at retail investor focussed conferences using both online and physical formats. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings or via telephone conference with the Company. In addition, all shareholders are encouraged to attend the Company's Annual and General Meetings. Investors also have access to current information on the Company through its website, www.i3.energy and via Camarco, the Company's communications advisor, who is available to answer investor relations enquiries.

Principle Three

Considering wider stakeholder and social responsibilities

The Board recognises that the long-term success of the Company is reliant upon the efforts of the employees of the Company and its contractors, suppliers, regulators and other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key relationships. The Company has ongoing relationships with a broad range of its stakeholders and has regular and direct interaction with various levels of government and provides these stakeholders with the opportunity to raise issues and provide feedback to the Company. The Board is focused on the need to advance the Company's sustainability strategy, and i3 released its inaugural Sustainability Report in 2022 and its second report in early-2024. The Board established a HSES Committee of the Board during 2021 to provide structured oversight of its programmes and in 2023 an ESG Committee consisting of a diverse group of staff to develop and implement policies. i3 is committed to complying with evolving reporting requirements and will align with industry and regulatory efforts to decarbonise its oil and gas operations.

Principle Four

Risk Management

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

A summary of the Company's principal risks are listed in the Strategic Report.

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

Principle Five

A Well-Functioning Board of Directors

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

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

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

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

Attendance at Board and Committee Meetings

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

Principle Six

Appropriate Skills and Experience of the Directors

The Board currently consists of six Directors, and, in addition, the Company has employed the outsourced services of Burness Paull to act as the Company Secretary. The Directors collectively have significant experience in oil and gas, North Sea production, WCSB production, UK and Canadian listings, growing businesses, transactions, finance and accounting. The Company believes that the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills across geographies and industries and each of the Directors has experience in public markets. The professional experience of each of the Directors is set out on the Company's website. The Board includes one female Director and various nationalities. Diversity will form a part of any future recruitment consideration if the Board concludes that replacement or additional Directors are required. The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.

Principle Seven

Evaluation of Board Performance

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

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

Principle Eight

Corporate Culture

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

Principle Nine

Maintenance of Governance Structures and Processes

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

The Company operates the following Board committees:

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

The terms of reference for all Board committees are available on the Company's website.

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

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

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

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

Audit & Risk Committee

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

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

Corporate Governance Committee

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

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

Health, Safety, Environment and Security (HSES) Committee

The HSES Committee meets as required. Its members are Mr. John Festival (Chair), Mr. Neill Carson, Mr. Majid Shafiq, Mr. Ian Schafer (COO, i3 Energy Canada Ltd.) and Mr. John Woods (COO, i3 Energy North Sea Limited).

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

Reserves Committee

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

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

Remuneration Committee

The Remuneration Committee meets at least twice a year. Its members are Mr. Richard Ames (Chair) and Ms. Linda Beal. The Chief Executive Officer, the Chief Financial Officer and other Directors may also attend and speak at meetings of the Remuneration Committee. The Company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention, and motivation of staff. The Remuneration Committee agrees with the Board a framework for the remuneration of the Chairperson, the Executive Directors, and the senior management of the Company. The principal objective of the Committee is to ensure that members of the executive management of the Company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. Non-Executive fees are considered and agreed by the Board as a whole.

Principle Ten

Shareholder Communication

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company regularly presents at retail investor focussed conferences using both online and physical formats. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual and General Meetings.

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

Internal controls

The Directors acknowledge their responsibility for the Group's system of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Whilst the Directors are aware that no system can provide absolute assurance against material misstatement or loss, regular reviews of internal controls are undertaken to ensure that they are adequate and effective. Risk management, uncertainties and treasury policy risk assessment and evaluation is an essential part of the Group's planning and is an important aspect of the Group's internal controls system – a crucial activity for achieving its strategic objectives. There is a process of evaluation of projects, activities, and performance targets wherein the Board regularly reviews actual progress to that previously forecast. Project milestones and timelines are regularly reviewed. The Group finances its operations through debt, equity, and operating cash flows, and holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board. Please refer to note 22 for further detail on how the Board manages financial risk.

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

Securities trading

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

John Festival
Non-Executive Chairperson
26 April 2024

AUDIT AND RISK COMMITTEE REPORT

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

This report covers:

- The key responsibilities of the Audit and Risk Committee
- 2023 meetings and membership
- 2023 Group financial statements key accounting judgements and estimates
- 2024 and beyond

Key responsibilities

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

- Monitoring the integrity of the interim and annual financial statements and ensuring full compliance with accounting standards.
- Reviewing key accounting judgements and estimates.
- Reviewing the consistency and appropriateness of accounting policies.
- Reviewing the disclosures in the interim and annual report and financial statements and advising the Board whether it is fair, balanced and understandable and provides the information necessary for shareholders and stakeholders to assess the Group's position, performance and strategy.
- Overseeing the relationship with the external auditor, appointment and approval of auditor remuneration and assessment of the auditor's independence and objectivity.
- Reviewing and approving the annual audit plan and reviewing the effectiveness and findings of the audit.
- Reviewing and monitoring the effectiveness of the Group's financial reporting, internal control policies, and procedures for the identification, assessment, and reporting of risk.
- Considering the need for an internal audit function.
- Reviewing the procedures for prevention of bribery and receiving reports on non-compliance, if any.
- Reviewing the whistleblowing system and procedures for detecting fraud.
- Reporting to the Board on the activities of the Committee and making recommendations to the Board on areas within the Committee's remit.

2023 meetings and membership

The Audit and Risk Committee comprises Linda Beal (Non-Executive Director and Committee Chairperson), Richard Ames (Non-Executive Director) and John Festival (Non-Executive Chairperson). All the Committee members are independent Non-Executive Directors with recent and relevant financial experience in the energy sector. Under its terms of reference, the Audit and Risk Committee meets at least four times per annum but generally meets more often. The Audit and Risk Committee met five times during 2023 with all members in attendance at every meeting and will meet at least four times during 2024. The Audit and Risk Committee had four meetings with the auditors during 2023 including sessions without management present. The CEO, CFO, and key members of the Finance team attended the majority of the Committee meetings in 2023. The Audit and Risk Committee Chair also speaks regularly with the Group Finance team and the audit partner outside the formal Committee meetings.

During 2023 the key areas covered by the Committee were:

- Review of the Company's internal controls including the Finance team structure, responsibilities and reporting lines, the Company's Delegation of Authority and the Company's risk management framework, management's assessment of key risks and the risk register.
- Review of the 2022 annual financial statements including review of key accounting judgements and estimates and discussion with the external auditors their audit findings.
- Review of audit planning and approach for the 2023 Group financial statements.
- Consideration of the independence of the auditors.
- Review of the 2023 unaudited interim financial statements including review of key accounting judgements and estimates and discussion with the external auditors.
- Consideration of the external auditor's independence and effectiveness and whether their reappointment should be recommended.
- Consideration of whether the Company should implement an internal audit function. The Committee concluded that this was not required in view of the integration of the Finance teams and systems and additional review procedures implemented following the acquisitions.
- Review of the Committee's terms of reference and membership.
- Consideration of the impacts if the Group would no longer qualify as designated foreign issuer and therefore become in eligible for TSX continuous disclosure exemptions granted through National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers.*

2023 Group financial statements key accounting judgements and estimates

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

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

Key judgements and estimates in the 2023 Group financial statements considered by the Audit and Risk Committee were:

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

The Committee concurred with the judgements exercised by management contained in the 2023 Group financial statements.

2024 and beyond

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

As the Company's Canadian shareholding has now increased beyond 10%, i3 is no longer a designated foreign issuer and therefore is no longer eligible for TSX continuous disclosure exemptions previously granted through National Instrument 71-102. As such, the Company will commence issuing TSX required quarterly financial reports for Q1 2024 initially, including a Management Discussion and Analysis ("MD&A"). Additionally, an Annual Information Form ("AIF") will be filed on www.sedarplus.com shortly. The Audit and Risk Committee will meet at least four times in 2024 in response to the quarterly reporting requirements. The Audit and Risk Committee will monitor the Company's reporting.

Linda Beal
Chairperson of the Audit and Risk Committee
26 April 2024

CORPORATE GOVERNANCE COMMITTEE REPORT

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

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

The Governance Committee met twice during 2023 and will meet at least two times during 2024.

Independence of Non-Executive Directors

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

2023 activities

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

The Committee considered the impacts if the Group would no longer qualify as designated foreign issuer and therefore become ineligible for TSX continuous disclosure exemptions granted through National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers.*

2024 looking forward

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

As the Company's Canadian shareholding has now increased beyond 10%, i3 is no longer a designated foreign issuer and therefore is no longer eligible for TSX continuous disclosure exemptions previously granted through National Instrument 71-102. As such, the Company will commence issuing TSX required quarterly financial reports for Q1 2024 initially, including a Management Discussion and Analysis ("MD&A"). Additionally, an Annual Information Form ("AIF") will be filed on www.sedarplus.com shortly. The Corporate Governance Committee will monitor the Company's reporting.

Linda Beal
Chairperson of the Corporate Governance Committee
26 April 2024

HEALTH, SAFETY, ENVIRONMENT AND SECURITY COMMITTEE REPORT

The Health, Safety Environmental and Security ("HSES") Committee provides assurance to the Board on occupational health, safety environmental and security policies. Since Q2 2021, the HSES Committee has added Environmental, Social and Governance (ESG) assurance into their remit.

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

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

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

HSES Policy

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

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

- We are compliant, respectful, and ethical; we act with integrity, and we expect the same from our suppliers and customers.
- We design and operate our sites and processes in a manner that ensures the safety and security of our employees, contractors, environment, and the communities where i3 Energy operations are located.
- We support our customers and contractors to help ensure that i3 Energy's products are handled, transported, and processed in a safe, secure, and environmentally responsible manner.
- We focus on good corporate citizenship, giving due consideration to sustainable use of resources, reduction of emissions and environmental impacts.
- We aim to have a diverse and inclusive working environment which recruits, respects and rewards our staff solely on their skills and contribution to the goals and success of the company.
- We see ourselves as a fully integrated member of the communities in which we operate and strive to positively impact local society as we go about our day-to-day operations.
- We set goals and objectives that demonstrate our core values of safety & integrity.

2023 activities

With i3's growth transitioning from acquisition to capital development for 2022 and 2023 the focus remained on implementation of HSES policies and procedures across the different business units throughout Alberta. As part of this ongoing effort the Company continues to refine procedures, documentation, and training through our Safety Loss Management System (SLMS) including:

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

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

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

i3 also released its second annual sustainability report published in early-2024 which showed progress on GHG emission reductions from a 2020 baseline and progress towards net zero emissions. The Company made considerable efforts in 2022 to proactively reduce its GHG emission intensity from the 2020 baseline of 44.8 KgCO2e/boe to 41.0 KgCO2e/boe. i3 continued with efforts to reduce emissions through projects which included the installation of solar powered chemical injection pumps, electrification of single wells that formerly ran on propane fuel and instrument air conversions. We continue the analysis of our portfolio to identify sites which could be electrified, opportunities to install effluent pipelines to reduce infield trucking, compressor consolidation and engine conversion projects to lower emissions.

2024 looking forward

The establishment of i3's ESG committee, comprised of a multidisciplinary team of senior leadership and subject matter experts across the organization, will continue to push forward initiatives that lead to continual improvement in HSES procedures and to evaluate HSES performance against industry standards and strengthen work force engagement, ownership, and delivery of HSES goals. We will continue to focus on ESG and maintain efforts to reduce GHG emissions.

John Festival
Chairperson of the Health, Safety, Environment and Security Committee
26 April 2024

RESERVES COMMITTEE REPORT

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

The Reserves Committee comprises of Neill Carson (Non-Executive Director and Committee Chairman), Richard Ames (Non-Executive Director) and John Festival (Non-Executive Director). The Reserves Committee met once in 2023 and typically meets at least once a year prior to publication of the annual results.

2023 activities

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

2024 looking forward

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

Neill Carson
Chairperson of the Reserves Committee
26 April 2024

REMUNERATION COMMITTEE REPORT

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

The Remuneration Committee comprises Richard Ames (Non-Executive Director and Committee Chairperson) and Linda Beal (Non-Executive Director). The Remuneration Committee met three times in 2023 and proposes to meet at least twice during the next financial year.

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

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

2023 activities

- Reviewed and recommend to the Board the level of the 2022 cash bonus paid in 2023.
- Reviewed and recommend to the Board the 2023 Executive salary increases after using benchmarks.
- Reviewed and recommend to the Board the grant of performance awards in 2023, including the performance based vesting conditions.
- Commenced a remuneration benchmarking review with the support of external remuneration advisors.

2024 looking forward

- Proposing and recommending to the Board the remuneration packages for Executive Directors.
- Proposing and recommending to the Board Long-Term Incentive Plan (LTIP) awards for 2024.
- Reviewing and recommending to the Board the potential 2023 cash bonus to be awarded and paid to Executives in 2024.
- Finalising the remuneration benchmarking review with the support of external remuneration advisors.

Details of the Directors' Remuneration are provided in note 10 to the financial statements. The Directors' interests are provided in the Directors' Report. Additionally, the Company no longer qualifies for the foreign issuer exemptions previously granted under NI 71-102 and will therefore be required to file an Information Circular containing further details regarding executive compensation. This will be available on https://www.sedarplus.ca/ within the first half of 2024.

Richard Ames
Chairperson of the Remuneration Committee
26 April 2024

DIRECTORS' REPORT

The Directors are pleased to present this year's Annual Report together with the audited consolidated financial statements for the year ended 31 December 2023.

Principal Activities

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

Business Review and Future Developments

The global market for oil and gas remains volatile, however there is a consensus that demand for oil and gas will remain strong in the near to mid-term. The Group business plan is to deliver total shareholder return through dividends and production growth. The strategy to deliver this is dependent on the prevailing commodity price environment. In higher price environments the Group focuses on organic growth through exploitation of its extensive inventory of drill locations. In lower commodity price environments, when drilling economics soften, i3 Energy evaluates opportunities in the M&A market, where higher returns on investment are often achievable. Accordingly, the Company is currently evaluating several options to enhance shareholder value which include development drilling, strategic acquisitions and disposition of non-core assets to increase liquidity. The business developments during the year are highlighted in the Strategic Report and the Chairperson and Chief Executive Officer's Statement.

Results and Dividends

The profit on ordinary activities of the Group after taxation amounted to £15.1 million (2022: £42.0 million). In 2023 the Group declared and paid £13.3 million of dividends and £15.3 million of dividends, respectively. (2022: declared and paid £17.4 million and £15.4 million of dividends, respectively).

Directors' Remuneration

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

Directors and their interests

The beneficial interests of the Directors in the shares and options of the Company at 31 December 2023 are as follows:

Director	2023 Shares	2022 Shares	2023 Options	2022 Options
Majid Shafiq	9,875,110	9,537,891	4,636,724	2,333,333
Ryan Heath	8,483,945	8,255,374	3,857,385	1,666,666
Neill Carson	7,666,111	7,666,111	150,000	150,000
John Festival	3,072,360	2,602,360	150,000	150,000
Richard Ames	1,539,723	1,539,723	150,000	150,000
Linda Beal	1,305,493	1,305,493	183,333	183,333

Share Capital

At 31 December 2023, 1,202,447,663 ordinary shares with a nominal value of £0.0001 each and 5,000 deferred shares of £10 each were issued and fully paid. Each ordinary share carries one vote and the deferred shares do not confer any voting rights.

Substantial Shareholders

At 28 March 2024, notification had been received by the Company of the following who had a disclosable interest in 3% or more of the nominal value of the ordinary share capital of the Company:

Polus Capital Management (London)	19.67%
Premier Miton Investors (London)	10.60%
Slater Investments (London)	9.05%
JP Morgan Securities (London)	8.39%
Hargreaves Lansdown Asset Mgt (Bristol)	6.05%
Interactive Investor (Glasgow)	5.06%
Janus Henderson Investors (London)	3.20%

As at 26 April 2024 the Company had not been notified of any other person who had an interest in 3% or more of the nominal value of the ordinary share capital of the Company.

Corporate Governance

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

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

Environmental Responsibility

The Company is aware of the potential impact that its subsidiaries and investments may have on the environment. Accordingly, the Group ensures that with regard to the environment, all its companies and associated subsidiaries at a minimum comply with applicable jurisdictional regulatory guidelines including those of the UK North Sea Transition Authority (NSTA), the Alberta Energy Regulator, the BC Oil and Gas Commission and other local regulators. i3 Energy plc published its most recent ESG report in January 2024 which can be found at the Company's website (www.i3.energy). See the HSES Committee Report.

Engagement with employees and stakeholders

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

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

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

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

Insurance and indemnities

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

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

Information contained elsewhere in this Annual Report

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

Statement of Disclosure of Information to the Auditor

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

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

Auditor

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

Going Concern

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

The Group ended the year with cash and cash equivalents of £23.5 million, current assets of £47.8 million, and current liabilities of £45.0 million. The Group's debt primarily consisted of the £34.6 million carrying value of the CAD 75 million Debt Facility with Trafigura which amortises monthly toward its maturity in May 2026. During 2023, the Group generated £49.6 million of cash from operating activities.

The Directors have given careful consideration to the appropriateness of the going concern assumption, including cash forecasts through the end June 2025, committed capital expenditure, and the principal risks and uncertainties faced by the Group. The cash flow forecasts reflect the new CAD 75 million Credit Facility secured in March 2024 and the subsequent repayment of the Debt Facility with Trafigura, further details of which are provided in note 24 to the financial statements. This assessment also considered various downside scenarios including a combined downside scenario with a 15% reduction in strip commodity prices and a production run rate of 80%, risks which are partially mitigated by the risk management contracts the Group currently has in place.

Following this review, the Directors are satisfied that the Group has sufficient resources to operate and to meet their commitments as they come due over the going concern period which considers at least 12 months from the date of approval of the financial statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2023.

Directors' Responsibilities

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

The Directors are required to prepare financial statements for each financial year. The Directors have elected to prepare the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether international accounting standards in conformity with the requirements of the Companies Act 2006 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 Group will continue in business.

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

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

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

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

Responsibility Statement

We confirm that to the best of our knowledge: the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;

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

Annual General Meeting

The Annual General Meeting of the Company is expected to be held on 27 June 2024 and will be detailed in the Notice of Meeting.

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

John Festival
Non-Executive Chairperson
26 April 2024

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to Members of i3 Energy Plc

Opinion

We have audited the financial statements of i3 Energy plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included a review of forecasts for the period of 12 months from the date of approval of the financial statements, including checking the mathematical accuracy of the forecasts, discussion of significant assumptions used by management, and comparing these with current year and post year end performance. We have also reviewed the latest available bank statements, regulatory announcements, board minutes and assessed any external industry wide factors which might affect the group and the parent company.

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

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

Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. The materiality for the group financial statements was set at £2,250,000 (2022: £7,052,000), with performance materiality set at £1,800,000 (2022: £4,231,200).

The materiality for the group financial statements as a whole has been calculated as approximately 1.5% of Revenue, where in the prior year 4% of net assets were used. As the group continues its growth and increases its revenue, we have determined, in our professional judgement, revenue to be one of the principal benchmarks within the financial statements relevant to members of the group in assessing financial performance. In the prior year, net assets as a benchmark was deemed to be relevant as the key areas of focus of the group related to the value of the producing and exploration assets, as well as the accompanying decommissioning provision, and the loan notes outstanding. Performance materiality was set at 80% (2022: 60%) of headline materiality based on our inherent risk assessment calculation of a publicly traded company in the oil and gas industry. The percentages increased as a result of reduced inherent risk from our cumulative audit experience.

The parent company materiality for the financial statements as a whole was set at £1,800,000 (2022: £1,684,000) which is based on 4% of net assets of the parent company, capped at group performance materiality. The parent company performance materiality was set at £1,440,000 (2022: £1,010,400). The reason for the use of net assets being a result of the key area of focus being the valuation of investment in subsidiaries. A separate area materiality for profit and loss items was calculated in order to ensure sufficient appropriate coverage was obtained in order to provide an opinion. For each component in the scope of our group audit, we allocated a materiality that was less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £112,500 (2022: £352,600) and £2,500 (2022: £84,200) for the group and parent company respectively.

Our approach to the audit

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
Carrying Value of Property, plant & equipment ("PPE") (Note 12) As at 31 December 2023, the carrying value of the producing assets in relation to the group's projects in Canada are £206m.	Our work in this area included: • Assessing the process used by management to derive their internal Reserves and Contingent Resources estimates and associated production profiles. • Reviewing the Competent Person Report ("CPR") in place, assessing the scope of

Key Audit Matter	How our scope addressed this matter
As per IAS 36 requirements, management are required to assess the producing assets for indicators of impairment on an annual basis. This is considered to be a key audit matter due to the significant judgement and estimates involved in assessing whether any impairment indicators exist at the year end, and in quantifying any such impairment. Prices have decreased in the current year, and the recent and historic volatile nature of long-term oil prices give rise to an increased risk, especially as it is the company's key source of revenue and cash generation. This is also the key balance in the financial statements and therefore considered to be a key audit matter.	work, including an evaluation of the competence, capabilities and independence of the Competent Person; • Reviewing management's internal production forecasts to the CPR in place and assessing the appropriateness of any differences which may arise; • Reviewing of management's oil price assumptions against readily available market data and trends, using the latest Three Consultants Average (3CA) pricing forecast, in order to challenge the validity and acceptability of forecasted price. In addition, consideration of external market factors and the impact on the valuation of the oil and gas assets held, such as the energy transition, demand and climate change; • Verifying the inputs into the impairment indicators assessment, including the reserves, pricing indices and forecasts. • An assessment of any further management assumptions by reference to third party information, our knowledge of the group and industry and also budgeted and forecast performance; and • An assessment of whether management's presentation and disclosures relating to estimation uncertainty are adequate An assessment of whether management's presentation and disclosures relating to estimation uncertainty are adequate.
<u>Carrying Value of Exploration Assets (note 13)</u> The group holds intangible assets of £63m as at 31 December 2023, comprising capitalised exploration costs in respect of the Serenity field held within i3 Energy North Sea Limited, and Clearwater within i3 Energy Canada Ltd. There is the risk that the asset is overstated as a result of additions being incorrectly capitalised through not meeting the criteria per IFRS 6 and that indicators of impairment exist as at 31 December 2023 which would trigger the need for impairment. Particularly for early-stage exploration projects where the calculation of recoverable amount via value in use calculations is not possible, management's assessment of impairment under IFRS 6 requires estimation and judgement. This is considered to be a key audit matter due to the material value and significant judgement and estimates involved in assessing whether any	Our work in this area included: • Substantive testing of a sample of exploration and evaluation expenditures to assess their eligibility for capitalisation under IFRS 6 by corroborating to original source documentation; • Confirmation that i3 Energy North Sea Limited holds good title to the relevant licence areas, under licence P2358; • Making enquiries of management regarding future plans for each project including obtaining cashflow projections where necessary and corroborating to minimum spend requirements attached to licences, where appropriate; • Assessing the farm-out agreements in place, its accounting and disclosures; • Reviewing management's assessment for indicators of impairment in respect of the carrying value of intangible assets and providing challenge thereto and corroborating any key assumptions used;

Key Audit Matter	How our scope addressed this matter
indicators of impairment have arisen at the year end, and in quantifying any potential impairment.	• Assessing whether management's presentation and disclosures related to exploration assets are complete and adequate; and Assessing the impact of the relinquishment of the neighbouring Tain field by a third party operator, and any subsequent impact on the development of the Serenity asset as a result.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

Use of our report

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

Nicholas Joel

Nicholas Joel (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

26 April 2024

15 Westferry Circus
Canary Wharf
London E14 4HD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year Ended 31 December 2023	Year Ended 31 December 2022
		£'000	£'000
Revenue	6	146,314	208,436
Production costs		(71,348)	(76,418)
Gain / (loss) on risk management contracts	18	2,048	(18,990)
Depreciation and depletion	12	(38,232)	(34,339)
Gross profit		**38,782**	78,689
Administrative expenses	7	(9,861)	(15,038)
Loss on asset dispositions		–	(9)
Operating profit		**28,921**	63,642
Finance income		640	–
Finance costs	8	(8,663)	(7,865)
Profit before tax		**20,898**	55,777
Tax charge	9	(5,751)	(13,826)
Profit for the year		**15,147**	41,951
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on translation of foreign operations		(4,222)	6,688
Other comprehensive (loss) / income for the year, net of tax		**(4,222)**	6,688
Total comprehensive income for the year		**10,925**	48,639
Earnings per share		**Pence**	Pence
Earnings per share – basic	11	**1.26**	3.60
Earnings per share - diluted	11	**1.24**	3.43

All operations are continuing.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	**Notes**	**31 December 2023**	31 December 2022
Non-current assets		**£'000**	£'000
Property, plant & equipment	12	205,667	236,465
Exploration and evaluation assets	13	63,133	62,060
Other non-current assets		–	74
Total non-current assets		**268,800**	298,599
Current assets			
Cash and cash equivalents		23,507	16,560
Trade and other receivables	14	20,534	34,843
Income taxes receivable		205	–
Risk management contracts	18	1,701	1,111
Inventory		1,847	2,099
Total current assets		**47,794**	54,613
Current liabilities			
Trade and other payables	15	(27,640)	(45,973)
Income taxes payable		–	(9,873)
Risk management contracts	18	(136)	(381)
Borrowings and leases	16	(14,001)	(27,241)
Decommissioning provision	17	(3,244)	(3,190)
Total current liabilities		**(45,021)**	(86,658)
Net current assets / (liabilities)		**2,773**	(32,045)
Non-current liabilities			
Borrowings and leases	16	(20,568)	-
Decommissioning provision	17	(78,109)	(90,141)
Deferred tax liability	9	(9,817)	(11,667)
Other non-current liabilities		(84)	–
Total non-current liabilities		**(108,578)**	(101,808)
Net assets		**162,995**	164,746
Capital and reserves			
Ordinary shares	19	120	119
Deferred shares	19	50	50
Share premium	19	–	48,646
Share-based payment reserve	20	6,892	6,311
Warrants – LNs	16	–	2,045
Foreign currency translation reserve		3,830	8,052
Retained earnings		152,103	99,523
Shareholders' funds		**162,995**	164,746

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

The consolidated financial statements of i3 Energy plc, company number 10699593, were approved by the Board of Directors and authorised for issue on 26 April 2024. Signed on behalf of the Board of Directors by:

Majid Shafiq

Majid Shafiq, Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Ordinary shares	Share premium	Deferred shares	Share-based payment reserve	Warrants - LN	Foreign currency translation reserve	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 December 2021		113	44,203	50	9,102	2,045	1,364	81,289	138,166
Total comprehensive income for the year		–	–	–	–	–	6,688	41,951	48,639
Transactions with owners:									
Exercise of options	20	6	4,443	–	(3,883)	–	–	(6,324)	(5,758)
Share-based payment expense	20	–	–	–	1,092	–	–	–	1,092
Dividends declared in 2022	19	–	–	–	–	–	–	(17,393)	(17,393)
Balance at 31 December 2022		119	48,646	50	6,311	2,045	8,052	99,523	164,746
Total comprehensive income for the year		–	–	–	–	–	(4,222)	15,147	10,925
Capital reduction		–	(50,731)	–	–	–	–	50,731	–
Transactions with owners:									
Exercise of options	20	–	40	–	–	–	–	–	40
Exercise of warrants	20	1	2,045	–	–	(2,045)	–	–	1
Share-based payment expense	20	–	–	–	581	–	–	–	581
Dividends declared in 2023	19	–	–	–	–	–	–	(13,298)	(13,298)
Balance at 31 December 2023		**120**	**–**	**50**	**6,892**	**–**	**3,830**	**152,103**	**162,995**

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

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	Year ended 31 December 2023	Year ended 31 December 2022 * Restated
OPERATING ACTIVITIES		**£'000**	£'000
Profit before tax		20,898	55,777
Adjustments for:			
Depreciation and depletion	12	38,232	34,339
Loss on asset dispositions		–	9
Finance costs	8	8,663	7,865
Unrealised (gain) on risk management contracts	18	(860)	(858)
Non-cash other income		–	(215)
Unrealised FX loss	7	15	110
Share-based payments expense – employees (including NEDs)	7	581	1,092
Expenditure on decommissioning oil and gas assets	17	(3,722)	(2,190)
Current tax expense	9	(7,423)	(10,002)
Changes in non-cash working capital – operating activities	4	(6,776)	14,728
Net cash from operating activities		**49,608**	100,655
INVESTING ACTIVITIES			
Acquisitions		(133)	(531)
Additions to property, plant & equipment	12	(23,155)	(74,445)
Disposal of property, plant & equipment		381	621
Additions to exploration and evaluation assets	13	(1,281)	(12,327)
Tax credit for R&D expenditure	9	184	–
Changes in non-cash working capital – investing activities	4	(5,232)	8,556
Net cash used in investing activities		**(29,236)**	(78,126)
FINANCING ACTIVITIES			
Exercise of warrants and options		42	635
Employee tax on exercised share options		–	(6,432)
Repayment of H1-2019 LN facility	16	(28,856)	–
Issuance of debt facility	16	44,481	–
Payment of deferred finance costs	16	(2,039)	–
Principal payments on debt facility	16	(8,636)	–
Interest and other finance charges paid	8	(3,513)	(2,330)
Lease payments	16	–	(74)
Dividends declared	19	(13,298)	(17,393)
Changes in non-cash working capital – financing activities	4	(1,758)	2,040
Net cash used in financing activities		**(13,577)**	(23,554)
Effect of exchange rate changes on cash		152	2,250
Net Increase in cash and cash equivalents		**6,947**	1,225
Cash and cash equivalents, beginning of year		16,560	15,335
CASH AND CASH EQUIVALENTS, END OF YEAR		**23,507**	16,560

* The classification of certain comparative lines has been restated – see Note 2. Additional cash flow information is provided in note 4. The accompanying notes form an integral part of these financial statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS

1 General information

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

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

2 Basis of preparation

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

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

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

	Year ended 31 December 2023	Year ended 31 December 2022
Period-average GBP:CAD exchange rate	**1.6778**	1.6073
Period-end GBP:CAD exchange rate	**1.6808**	1.6283

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

Basis of Consolidation

The consolidated financial statements consolidate the audited financial statements of i3 Energy plc and the financial statements of its subsidiary undertakings made up to 31 December 2023.

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

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

Going concern

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

2 Basis of preparation - continued

Reclassification of comparative information

Following an increase in decommissioning expenditure in 2023, first payments of Canadian corporate income tax, and a review of the financial statements, the Group has elected to change the presentation and classification of certain items within the Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flow. There has been no change to the reported total comprehensive income, net assets or net current assets, or total increase in cash and cash equivalents for the year ended 31 December 2022. These reclassification changes are as follows:

- Income taxes payable of £9,873 thousand were previously presented within Trade and other payables. This liability is now presented as a separate line item of the Consolidated Statement of Financial Position. This reclassification had no impact on total current liabilities or net current liabilities.
- Expenditure on decommissioning oil and gas assets of £437 thousand has been reclassified from investing activities to operating activities within the Consolidated Statement of Cash Flow.
- Non-cash changes in working capital are now presented separately in each of the cash from or used in operating activities, investing activities, and financing activities sections of the Consolidated Statement of Cash Flow. This had no impact on the respective subtotals within each section. Further cash flow information is provided in note 4.

3 Significant accounting policies

Financial instruments

Cash and cash equivalents

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

Trade and other receivables

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

Trade and other payables

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

Loan Notes

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

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

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

3 Significant accounting policies - continued

A financial liability is classified as held for trading if:

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

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

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

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

Risk management contracts

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

Embedded derivatives

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

Leases

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

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

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

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

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

Inventory

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

Equity

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

Foreign currency

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

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

Taxation

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

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

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

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

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

3 Significant accounting policies - continued

Deferred tax is calculated at the tax rates that are enacted or substantively enacted. Deferred tax assets and liabilities are not discounted.

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

Drilling costs and intangible licences

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

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

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

Impairment

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

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

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

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

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

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

Development expenditure

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the net capitalised costs incurred to date in respect of those reserves are reclassified as oil and gas assets within property, plant and equipment. This typically occurs when commercial reserves have been found and a field development plan has been approved. The costs are subsequently depreciated from the commencement of production as described in the accounting policy for property, plant and equipment.

3 Significant accounting policies - continued

Property, plant and equipment

Oil and gas assets - cost

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

Oil and gas assets - depreciation and depletion

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

Oil and gas assets - impairment

An impairment test is performed in accordance with IAS 16 *Property, Plant and Equipment* whenever events and circumstances arising during the development or production phase indicate that the carrying value of an oil and gas property may exceed its recoverable amount.

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

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

Non-oil and gas assets

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

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

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

Property, plant, and equipment – disposals

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

3 Significant accounting policies - continued

Decommissioning provision

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

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

Joint operations

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

Revenue

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

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

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

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

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

Finance income

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

3 Significant accounting policies - continued

Share-based payments

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

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

Business combinations

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

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

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

Segmental reporting

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

Changes in accounting standards

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

Standards which are in issue but not yet effective:

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

i. Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
ii. Amendments to IAS 1 Classification of Liabilities as Current or Non-current
iii. Amendments to IAS 1 Non-current Liabilities with Covenants
iv. Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements
v. Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

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

3 Significant accounting policies - continued

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical Accounting Judgements

The following are critical judgements, apart from those involving estimations (which are presented separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognises in the financial statements.

Carrying value of intangible exploration and evaluation assets

At 31 December 2023, the Group held oil and gas E&E assets of £63.1 million (2022: £62.1 million), note 13. The carrying value of E&E assets are assessed for impairment when there is an indication that the asset may be impaired. In making this judgement the Management considers the indicators of impairment in the intangible exploration and evaluation asset accounting policies set out above. For its UK assets, management has considered the results of the 31 December 2022 impairment test which used a discounted cash flow model of a one well development of the Serenity field and has concluded that there were no developments in 2023 which would change the conclusions reached at the time, and therefore that no indicators of impairment were present. A one well development may be dependent on access to infrastructure at neighbouring fields which may not become available to the Group, and therefore the commercial development of Serenity is not certain.

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

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

At 31 December 2023, the Group held oil and gas PP&E assets of £205.6 million (2022: £236.4 million), note 12. These assets are subject to an annual impairment assessment under IAS 36 'Impairment of assets' whereby management is first required to consider if there are any indicators of impairment, and if so, management is then required to estimate the asset's recoverable amounts. The judgement over indicators of impairment considers several internal and external factors, including changes in estimated commercial reserves, changes in commodity prices, and changes in expected future operating and capital expenditure, decommissioning expenditure, the NPV10 of 2P reserves per the 31 December 2023 independent competent person's report, and increases in cost of capital which may indicate a higher discount rate is likely required in assessing the asset's recoverable amount. There is also judgement in defining the Group's cash-generating units, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. After considering the above, Management has concluded that there were no indicators of impairment of oil and gas PP&E assets as at 31 December 2023.

3 Significant accounting policies - 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.

Commercial hydrocarbon reserves estimates

Commercial hydrocarbon reserves are those that can be economically extracted from the Group's oil and gas assets. These estimates are based on information compiled by independent qualified persons, GLJ Ltd., as at 31 December 2023 and 31 December 2022 and consider a number of factors, including assumptions about future commodity prices, production rates, operating costs, exchange rates, and various geological and geophysical technical factors to model reservoir size, quality, and extractability. Reserve estimates may change from period to period. Changes to reserves estimates may have a material impact on the depletion charge for oil and gas PP&E assets, the decommissioning provision, the carrying value of deferred tax assets, and the Group's conclusions around indicators of impairment for oil and gas PP&E assets. The reserve reports are available at https://i3.energy/. Highlights from the 31 December 2023 estimates are provided in note 24.

The Group estimates it commenced the year with 182 MMboe of proved plus probable reserves. A 2.0 MMboe increase/decrease to this estimate would have decreased/increased the oil and gas depletion charge for the period by £420 thousand, respectively.

Decommissioning costs

At 31 December 2023 the Group had recorded a decommissioning provision of £81.4 million (2022: £93.3 million). In estimating the amount of the provision, Management makes various assumptions around costs, time to abandonment and inflation rates, which are discounted at long term government bond rates, see note 17.

The most difficult, subjective, or complex assumptions include the inflation rate and the discount rate, which have been selected based on market rates published by the Bank of Canada. A 0.5% increase/decrease in the inflation rate would have increased/decreased the decommissioning provision by £12.4 million and £10.5 million, respectively. A 0.5% increase/decrease in the discount rate would have decreased/increased the decommissioning provision by £10.3 million and £12.3 million, respectively. A 2.0% increase/decrease in the inflation rate would have increased/decreased the decommissioning provision by £61.6 million and £29.8 million, respectively. A 2.0% increase/decrease in the discount rate would have decreased/increased the decommissioning provision by £29.2 million and £62.1 million, respectively.

Recognition and measurement of deferred tax assets

At 31 December 2023, the Group held deferred tax liabilities of £9.8 million (2022: £11.7 million) which result from temporary differences at the Group's Canadian operations. This liability has been reduced by certain deferred tax assets from deductible temporary differences at the Group's Canadian operations. In accordance with IAS 12 'Income Taxes', deferred tax assets shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The Group has generated positive cash flows and profits from its Canadian operations in 2023 and expects to continue to do so in the future. Management has applied judgement in determining the extent to which it is probable that taxable profits will be available based on estimates of future profits, which include estimates of commercial reserves, oil, gas and NGL prices, operating and capital expenditure, and decommissioning expenditure. If future taxable profits differ from these estimates, the deferred tax asset associated with these deductible temporary differences could be derecognised and result in a deferred tax charge to the consolidated statement of comprehensive income.

4 Cash flow information

Included within cash and cash equivalents is £321 thousand of restricted cash (2022: £354 thousand), which relates to guarantees for product marketing. The debt reconciliation is shown in note 16.

A reconciliation of the changes in non-cash working capital balances for the year ended 31 December 2023 and their impacts on the various sections of the consolidated statement of cash flow is presented below:

	Trade and other receivables	Inventory	Trade and other payables	Income taxes receivable / (payable)	Other non-current liabilities	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Closing balance	20,534	1,847	(27,640)	205	(84)	
Opening balance	34,843	2,099	(45,973)	(9,873)	–	
Increase / (decrease) in cash	**14,309**	**252**	**(18,333)**	**(10,078)**	**84**	**(13,766)**
Generated from / (used in):						
Operating activities	13,835	252	(10,869)	(10,078)	84	(6,776)
Investing activities	474	–	(5,706)	–	–	(5,232)
Financial activities	–	–	(1,758)	–	–	(1,758)
Increase / (decrease) in cash	**14,309**	**252**	**(18,333)**	**(10,078)**	**84**	**(13,766)**

A reconciliation of the changes in non-cash working capital balances for the year ended 31 December 2022 and their impacts on the various sections of the consolidated statement of cash flow is presented below:

	Trade and other receivables	Inventory	Trade and other payables	Income taxes payable	Other non-current liabilities	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Closing balance	34,843	2,099	(45,973)	(9,873)	–	
Opening balance	25,503	665	(19,709)	–	(557)	
Change	(9,340)	(1,434)	26,264	9,873	(557)	
Non-cash gain on DPIB	–	–	–	–	518	
Increase / (decrease) in cash	(9,340)	(1,434)	26,264	9,873	(39)	25,324
Generated from / (used in):						
Operating activities	(8,543)	(1,434)	14,832	9,873	–	14,728
Investing activities	(797)	–	10,624	–	(1,271)	8,556
Financial activities	–	–	808	–	1,232	2,040
Increase / (decrease) in cash	(9,340)	(1,434)	26,264	9,873	(39)	25,324

5 Segmental reporting

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

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

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

The following is an analysis of the Group's revenue and results by reportable segment in 2023:

5 Segmental reporting - continued

	UK / Corporate £'000	Canada £'000	Total £'000
Revenue	–	146,314	146,314
Production costs	–	(71,348)	(71,348)
Loss on risk management contracts	–	2,048	2,048
Depreciation and depletion	(4)	(38,228)	(38,232)
Gross (loss) / profit	**(4)**	**38,786**	**38,782**
Administrative expenses	(3,199)	(6,662)	(9,861)
(Loss) on bargain purchase and asset dispositions	–	–	–
Operating (loss) / profit	**(3,203)**	**32,124**	**28,921**
Finance income	–	640	640
Finance costs	(5,590)	(3,073)	(8,663)
(Loss) / profit before tax	**(8,793)**	**29,691**	**20,898**
Tax (charge) for the year	(341)	(5,410)	(5,751)
(Loss) / profit for the year	**(9,134)**	**24,281**	**15,147**

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

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

The following is an analysis of the Group's assets and liabilities by reportable segment as at 31 December 2023 and the capital expenditure for the year then ended:

	UK / Corporate £'000	Canada £'000	Total £'000
Total assets	56,041	260,553	316,594
Total liabilities	(35,606)	(117,993)	(153,599)
Capital expenditure – E&E	275	1,006	1,281
Capital expenditure – PP&E	–	23,155	23,155

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

5 Segmental reporting - continued

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

6 Revenue

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

	2023 £'000	2022 £'000
Oil and condensate	95,628	113,003
Natural gas liquids	23,319	40,142
Natural gas	39,191	77,656
Royalty interest	3,263	4,890
Oil and gas sales	**161,401**	235,691
Royalties	(21,397)	(33,536)
Revenue from the sale of oil and gas	**140,004**	202,155
Processing income	5,819	5,995
Other operating income	491	286
Total revenue	**146,314**	208,436

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

During the year ended 31 December 2023, three (2022: three) customers individually totalled more than 10% of total revenues, totalling 87% (2022: 81%) in aggregate and 40%, 26%, and 21%, individually (2022: 35%, 25%, and 32%).

7 Administrative expenses

	2023 £'000	2022 £'000
Directors' fees	345	323
Employee costs*	5,293	9,982
Professional fees**	1,918	1,830
Other	2,419	2,285
Realised FX (gain) / loss	(129)	505
Unrealised FX loss	15	113
Total administrative expenses	**9,861**	15,038

* Group staff costs comprised:

7 Administrative expenses - continued

	2023 £'000	2022 £'000
Wages, salaries, and benefits	7,232	11,602
Cash pool LTIP awards	185	–
Social security costs	362	1,189
Contributions to retirement savings plans	331	304
Share-based payments expense – employees (including NEDs)	581	1,092
Total staff costs	8,691	14,187
Capitalised salaries and overhead recoveries	(3,398)	(4,205)
Charge to the profit or loss	**5,293**	9,982

i3 Energy plc had an average of two staff during the year ended 31 December 2023 (2022: two) and paid £1,073 thousand of wages, salaries and benefits and £102 thousand of social security costs (2022: £1,050 thousand and £137 thousand, respectively). The Non-Executive Directors of the Group are not considered staff, and their remuneration is disclosed in note 10.

On 9 November 2023 the Group granted £1,837 thousand of Cash pool LTIP awards which vest according to the same terms of the 9 November 2023 share option grant as disclosed in note 20. The resulting expense is recognised in administrative costs over the vesting term and presented within trade and other payables and other non-current liabilities depending on the expected time of payment.

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

Average number of persons employed	**2023 Number**	2022 Number
Operations	33	31
Corporate and administration	28	25
Total	**61**	56

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

	2023 £'000	2022 £'000
Audit services		
The audit of the Company's annual accounts	142	130
Total audit fees	142	130
Advisory on certain employment matters	1	1
Procedures related to the Group's interim financial statements	3	3
Total	**146**	134

8 Finance costs

	2023 £'000	2022 £'000
Accretion of loan notes (note 16)	1,615	3,386
Cash interest expense on loan notes (note 16)	951	2,309
Unwinding of discount on decommissioning provision (note 17)	2,771	2,667
Interest on Debt Facility (Note 16)	2,258	–
Amortisation of deferred finance costs (Note 16)	667	–
Bank charges and interest on creditors	305	21
(Gain) / loss on financial instrument at FVTPL (note 15)	–	(518)
FX loss on Debt Facility (Note 16)	96	–
Total finance costs	**8,663**	7,865

9 Taxation

Taxation credit

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

	2023 £'000	2022 £'000
Profit before income tax	20,898	55,777
Rate of Corporate Tax in Canada	23%	23%
Expected tax charge	4,807	12,829
Effects of:		
Interest and other not deductible for SCT or EPL	1,155	1,993
Permanent differences	530	1,213
Foreign tax rate difference	(619)	(5,041)
Change in estimated pool balances	–	22
Derecognition of deferred tax asset	62	2,810
R&D tax credit received	(184)	–
Total income tax charge	**5,751**	13,826

Of which:	2023 £'000	2022 £'000
Current tax charge	7,239	10,002
Deferred tax (credit) / charge	(1,488)	3,824
Total income tax charge	**5,751**	13,826

The current tax charge of £7,239 thousand in 2023 resulted from taxable income in the Group's Canadian subsidiary, i3 Canada, which was payable on instalment throughout 2023 and into the first half of 2024. In 2023 the Group received £184 thousand in R&D tax credit refunds in the UK in respect of the 2020 and 2021 fiscal years which is included in the current tax expense.

9 Taxation - continued

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

Deferred tax

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

	At 31 December 2022 £'000	Acquired during the year £'000	Recognised in income £'000	FX movement £'000	At 31 December 2023 £'000
UK:					
Deferred tax assets:					
Losses	37,520	–	847	–	38,367
Unrecognised deferred tax asset	(15,123)	–	(641)	–	(15,764)
Deferred tax liabilities:					
PP&E	(22,397)	–	(206)	–	(22,603)
Net deferred tax asset	–	–	–	–	–
Canada:					
Deferred tax assets:					
Decommissioning provision	21,466	–	(2,088)	(667)	18,711
Losses	–	–	–	–	–
Other	234	–	(13)	(7)	214
Unrecognised deferred tax asset	(4,180)	–	279	130	(3,771)
Deferred tax liabilities:					
Risk management contracts	(168)	–	(198)	6	(360)
PP&E	(29,019)	–	3,508	900	(24,611)
Net deferred tax liability	(11,667)	–	1,488	362	(9,817)
Net deferred tax liability	**(11,667)**	**–**	**1,488**	**362**	**(9,817)**

Deferred tax assets of £15,764 thousand and £3,771 thousand have not been recognised in respect of tax losses and allowances in the UK and Canada, respectively, due to uncertainty over the availability of future taxable profits to offset these losses against. The unrecognised deferred tax asset in Canada relates to the Group's successor mineral resource tax pools which can only be utilised against future income from certain properties acquired from Toscana in 2020.

The Group recognised a net deferred tax liability through a deferred tax credit of £1,488 thousand for changes in net deductible temporary differences in the year and £362 thousand for FX movements during the year. The deferred tax asset has been recognised in Canada to the extent that the Group anticipates probable future taxable profits against which the assets can be utilised.

9 Taxation - continued

The Group's estimated tax pools are summarised in the following table. All other tax pools held by the Group do not expire.

	31 December 2023 £'000	31 December 2022 £'000
UK:		
Taxable losses	39,233	38,927
Mineral extraction allowances	52,705	52,466
Total	**91,938**	91,393
Canada:		
Canadian exploration expense (CEE, deductible at 100% p.a.)	1,611	1,623
Canadian development expense (CDE, deductible at 30% p.a.)	33,502	37,870
Canadian oil and gas property expense (COGPE, deductible at 10% p.a.)	50,744	58,478
Undepreciated capital cost (UCC, deductible at 25% p.a.)	20,194	18,867
Other (deductible at various rates p.a.)	930	1,019
Total	**106,981**	117,857

10 Directors' remuneration

2023	**Salary / Fees**	**Bonus**	**Share based payments**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Executive Directors				
Majid Shafiq *	500	167	–	667
Ryan Heath	304	99		403
Non-Executive Directors				
Neill Carson	75	–	–	75
Richard Ames	75	–	–	75
Linda Beal	75	–	–	75
John Festival	120	–	–	120
Total	**1,149**	**266**	–	**1,415**

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

* Highest paid director

10 Directors' remuneration - continued

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

The bonuses in the table above are presented on a cash-paid basis. Historically, the annual bonus cycle spanned the 12-month period from 1 July to 30 June of the following year. This was adjusted to a calendar-year cycle in 2023, and accordingly, the bonuses in 2023 were prorated and paid for half a year, relative to a full year payment in 2022.

Included in Graham Heath Salary / Fees in 2022 is a one-time compensation for loss of office payment of £417 thousand upon his retirement in September 2022.

During each of 2023 and 2022 the Group contributed £2 thousand and £9 thousand to Majid Shafiq's and Ryan Heath's retirement savings plans, respectively.

11 Earnings per share

From continuing operations

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

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

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

	Year Ended 31 December 2023	Year Ended 31 December 2022
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to owners of i3 Energy (£'000)	15,147	41,951
Weighted average number of shares		
Weighted average number of Ordinary Shares – basic	1,199,155,654	1,164,210,976
Effect of dilutive potential ordinary shares:		
Share options	15,246,295	51,089,073
Warrants	2,850,547	9,048,113
Weighted average number of Ordinary Shares – diluted	1,217,252,496	1,224,348,162
Basic earnings per share (pence)	**1.26**	3.60
Diluted earnings per share (pence)	**1.24**	3.43

12 Property, plant, and equipment

	Oil and gas assets	Right of use assets	Other fixed assets	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 January 2022	250,033	109	72	250,214
Acquisitions	1,653	–	–	1,653
Additions	74,424	–	21	74,445
Decommissioning provisions incurred	1,369	–	–	1,369
Disposals	(1,386)	(28)	–	(1,414)
Changes to decommissioning estimates (note 17)	(40,233)	–	–	(40,233)
Decommissioning settlements under SRP and ASCP (note 17)	(731)	–	–	(731)
Transfer between asset classes	–	(88)	88	–
Exchange movement	12,585	7	3	12,595
As at 31 December 2022	297,714	–	184	297,898
Acquisitions	436	–	–	436
Additions	23,155	–	–	23,155
Decommissioning provisions incurred	195	–	–	195
Disposals	(709)	–	–	(709)
Changes to decommissioning estimates (note 17)	(8,283)	–	–	(8,283)
Exchange movement	(9,341)	–	(5)	(9,346)
As at 31 December 2023	**303,167**	**–**	**179**	**303,346**
Accumulated depreciation and depletion				
As at 1 January 2022	(26,077)	(33)	(24)	(26,134)
Charge for the year	(34,301)	(17)	(21)	(34,339)
Disposals	–	12	–	12
Transfer between asset classes	–	42	(42)	–
Exchange movement	(968)	(4)	–	(972)
As at 31 December 2022	(61,346)	–	(87)	(61,433)
Charge for the year	(38,206)	–	(26)	(38,232)
Exchange movement	1,984	–	2	1,986
As at 31 December 2023	**(97,568)**	**–**	**(111)**	**(97,679)**
Carrying amount at 31 December 2022	236,368	–	97	236,465
Carrying amount at 31 December 2023	**205,599**	**–**	**68**	**205,667**

13 Exploration and evaluation assets (Intangible)

	Year Ended 31 December 2023	Year Ended 31 December 2022
	£'000	£'000
At start of year	62,060	49,819
Additions	1,281	12,327
Exchange movement	(208)	(86)
At end of year	**63,133**	62,060

Included within E&E assets is the Group's UK P.2358 Licence, which commenced its four-year second term on 30 September 2020 and contains the Serenity discovery and the Liberator West and Minos High prospective areas. Following the 2022 farm out to Europa Oil & Gas Limited ("Europa"), i3 retains a 75% WI in Block 13/23c North (Licence P.2358) which contains the Serenity discovery and a 100% WI in Block 13/23c South (Licence P.2358), which contains the Minos High Prospect and Liberator discovery.

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

Management conducted an assessment of indicators of impairment for its E&E assets as at 31 December 2023, concluding that no indicators of impairment were identified. Further discussion is provided in note 2.

14 Trade and other receivables

	31 December 2023	31 December 2022
	£'000	£'000
Trade and accrued receivables	12,839	26,770
Joint venture receivables	4,732	5,563
Prepayments & other receivables	2,963	2,510
Total trade and other receivables	**20,534**	34,843

Trade and accrued receivables are all due within one year.

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

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

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

15 Trade and other payables

	31 December 2023 £'000	31 December 2022 £'000
Trade creditors	5,736	15,383
Sales tax payable	170	378
Accruals	20,746	26,909
Cash pool LTIP awards – current liability	101	–
Dividends payable	–	2,040
Joint venture payables	887	1,263
Total trade and other payables	**27,640**	45,973

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

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

16 Borrowings

Debt Facility

On 31 May 2023 i3 Energy plc established a CAD 100 million debt facility in the form of a Prepayment Agreement (the "Debt Facility") with Trafigura Canada Ltd., a subsidiary of Trafigura Pte Ltd (collectively, "Trafigura"). Concurrently, i3 Energy Canada Ltd. ("i3 Canada") entered an associated commercial contract related to i3 Canada's oil production. The Debt Facility has a three-year term, with interest payable monthly at 9.521% per annum, calculated on the outstanding portion of the loan. The Facility carries no penalty if repaid early and amortises monthly on a straight-line basis. Advances under the Facility can be repaid either with cash or by way of set-off against deliveries of crude oil under the commercial contract which has a minimum term of three years. The documentation establishing the Facility includes the option for a CAD 75 million advance which has been fully drawn by the Company and a CAD 25 million accordion facility amount, which can be made available during the Debt Facility's three-year term. The Debt Facility is secured by a first lien against substantially all the assets and shares of i3 Canada. The Company utilised a portion of proceeds from the initial advance to redeem the outstanding H1-2019 Loan Notes as discussed below.

The Debt Facility contains the following covenants:

i. **Global Coverage Ratio greater than 125% for the first 12 months and 140% thereafter**. Global Coverage Ratio is the percentage of (a) the aggregate of: (i) the Cash balance of i3 Energy Canada as at such date, (ii) the PV10 of the Proved Developed Producing Reserves (or, if agreed by the Buyer, acting reasonably, the Proved Plus Probable Developed Producing Reserves) owned by i3 Canada) using 85% of the Strip Price and curves, and (iii) the mark to market value (gain or loss) of the Secured Swap Agreements; to, (b) the Principal amount outstanding at each date of determination.

ii. **Liquidity Ratio greater than 1.10:1.00**. Liquidity Ratio is the ratio of (a) the sum of the following for the next quarter: (i) the revenues of i3 Canada from the sale of hydrocarbons, (ii) any royalty or processing income of i3 Canada; (iii) the aggregate amount of all uncalled debt, equity and other capital that is the subject of a binding commitment in favour of i3 Canada from a person who is not an Affiliate; (iv) expected revenue from risk management contracts; and (v) all Cash of i3 Canada; to, (b) the sum of the following, all cash costs of i3 Canada in respect of the production, transportation and storage of Petroleum Substances including, without limitation, operating expenses, marketing expenditures, capital expenditures, taxes and interest expense and all distributions and payments of financial indebtedness made by i3 Canada for the next quarter.

iii. **Net Debt to EBITDAX less than 3.00:1.00**. (a) Net Debt: means, on a consolidated basis and at any time, the aggregate amount of Financial Indebtedness of i3 Canada (excluding any intercompany Financial Indebtedness) net of free and available Cash and Cash Equivalents of i3 Canada. (b) EBITDAX: means, for any fiscal period and as determined in accordance with IFRS (on a consolidated basis) in respect of i3 Canada: (a) all Net Income for such period; plus (b) Interest Expense to the extent deducted in determining such Net Income; plus (c) all amounts deducted in the calculation of such Net Income in respect of the provision for income taxes; plus (d) all amounts deducted in the calculation of such Net Income in respect of non-cash items, including depreciation, depletion, amortization (including amortization of goodwill and other intangibles), accretion, deferred income taxes, foreign currency obligations, noncash losses resulting from marking-to-market any outstanding hedging and financial instrument obligations, non-cash compensation expenses, provisions for impairment of oil and gas assets and any other non-cash expenses for such period; plus (e) exploration expenses; and (f) losses attributable to extraordinary and non-recurring losses, in each case to the extent deducted in the calculation of such Net Income; less (on a consolidated basis), without duplication: (a) earnings attributable to extraordinary and non-recurring earnings and gains, in each case to the extent included in the calculation of such Net Income (including interest income); (b) to the extent included in the calculation of such Net Income, gains from asset sales; (c) all cash payments during such period relating to non-cash charges which were added back in determining EBITDAX in any prior period; and (d) to the extent included in such Net Income, any other non-cash items increasing such Net Income for such period, including non-cash gains resulting from marking-to-market any outstanding hedging and financial instrument obligations for such period.

iv. **Liquidity Threshold greater than CAD 10 million**. i3 Canada shall ensure that, at the last day of each calendar month, it has a Cash balance in a bank account in an amount equal to or greater than CAD 10 million.

The Global Coverage Ratio, Liquidity Ratio, and Net Debt to EBITDAX are tested on the last day of each fiscal quarter. The Liquidity Threshold was initially required to be always maintained but was subsequently amended to be tested on the last day of each calendar month. The Group was in compliance with all covenants as at 31 December 2023. The Debt Facility was prepaid in full in March 2024 with cash on hand and proceeds from the Credit Facility, refer to note 24 for further information.

H1-2019 loan note facility

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

Interest expense and accretion expense on the H1-2019 LNs to 31 December 2023 was £951 thousand and £1,615 thousand respectively (note 8).

16 Borrowings - continued

Borrowings reconciliation

	Leases	H1-2019 LN	Debt Facility	Total
	£'000	£'000	£'000	£'000
At 1 January 2022	69	23,855	–	23,924
Increase through interest (non-cash)	1	2,309	–	2,310
Accretion expense (non-cash)	–	3,386	–	3,386
Lease and interest payments (cash)	(74)	(2,309)	–	(2,383)
Exchange movement (non-cash)	4	–	–	4
At 31 December 2022	–	27,241	–	27,241
Issuance (cash)	–	–	44,481	44,481
Increase through interest (non-cash)	–	951	2,258	3,209
Accretion expense (non-cash)	–	1,615	–	1,615
Lease and interest payments (cash)	–	(951)	(2,258)	(3,209)
Principal payments (cash)	–	(28,856)	(8,636)	(37,492)
Additions in deferred finance costs (cash)	–	–	(2,039)	(2,039)
Amortisation of deferred finance costs (non-cash)	–	–	667	667
Exchange movement (non-cash)	–	–	96	96
At 31 December 2023	**–**	**–**	**34,569**	**34,569**

The classification as at 31 December 2023 is as follows:

	Leases	H1-2019 LN	Debt Facility	Total
	£'000	£'000	£'000	£'000
Current	–	–	14,001	14,001
Non-current	–	–	20,568	20,568
At 31 December 2023	**–**	**–**	**34,569**	**34,569**

The classification as at 31 December 2022 is as follows:

	Leases	H1-2019 LN	Debt Facility	Total
	£'000	£'000	£'000	£'000
Current	–	27,241	–	27,241
Non-current	–	–	–	–
At 31 December 2022	–	27,241	–	27,241

17 Decommissioning provision

	Year Ended 31 December 2023 £'000	Year Ended 31 December 2022 £'000
At start of year	93,331	125,523
Liabilities assumed through acquisitions	303	348
Liabilities incurred	195	1,369
Liabilities disposed	(328)	(213)
Liabilities settled	(3,722)	(2,190)
Liabilities settled under SRP	–	(731)
Change in estimates	(8,283)	(40,233)
Unwinding of discount (Note 8)	2,771	2,667
Exchange movement	(2,914)	6,791
At end of year	**81,353**	93,331

	31 December 2023 £'000	31 December 2022 £'000
Of which:		
Current	3,244	3,190
Non-current	78,109	90,141
Total	**81,353**	93,331

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

	31 December 2023	31 December 2022
Undiscounted / uninflated cash flows (CAD, thousands)	200,745	206,613
Inflation rate	1.62%	2.09%
Discount rate	3.02%	3.28%
Timing of cash flows	1-50 years	1-50 years

Liabilities settled reflect work undertaken in the period. This includes wells decommissioned under Alberta's Site Rehabilitation Program ("SRP") whereby certain costs of settling the Group's liabilities were borne by the Government of Canada in 2022. Where liabilities were settled through the SRP a corresponding decrease to the decommissioning asset was recorded. The change in estimate for the year ended 31 December 2023 was primarily driven by changes in market interest and inflation rates as published by the Bank of Canada. The inflation and discount rates have been pinpointed as a key source of estimation uncertainty and are further discussed in note 3.

18 Risk management contracts

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

The principal terms of the risk management contracts held as at 31 December 2023 are presented in the table below.

Type	Effective date	Termination date	Total Volume	Avg. Price
AECO 5A Physical Swaps	1 Aug 2023	31 Mar 2024	10,000 GJ/Day	CAD 2.7600 / GJ
AECO 5A Physical Swaps	1 Nov 2023	31 Mar 2024	15,000 GJ/Day	CAD 3.2267 / GJ
WTI Financial Swaps	1 Aug 2023	31 Mar 2024	500 bbl/Day	CAD 93.33 / bbl
WTI Financial Swaps	1 Jan 2024	31 Mar 2024	1,500 bbl/Day	CAD 96.47 / bbl
WTI Financial Swaps	1 Apr 2024	30 Jun 2024	1,750 bbl/Day	CAD 98.20 / bbl
WTI Financial Swaps	1 Jul 2024	31 Aug 2024	500 bbl/Day	CAD 101.50 / bbl
WTI Financial Swaps	1 Jul 2024	30 Sep 2024	250 bbl/Day	CAD 98.44 / bbl
WTI Financial Swaps	1 Sep 2024	30 Sep 2024	250 bbl/Day	CAD 102.18 / bbl
WTI Financial Collar	1 Jan 2024	31 Mar 2024	250 bbl/Day	CAD 100.00-121.32 / bbl
WTI Financial Collar	1 Apr 2024	30 Jun 2024	250 bbl/Day	CAD 100.00-107.00 / bbl
WTI Financial Collar	1 Jul 2024	30 Sep 2024	250 bbl/Day	CAD 100.00-108.00 / bbl
WTI Financial Collar	1 Jul 2024	30 Sep 2024	250 bbl/Day	CAD 100.00-111.00 / bbl
WTI Financial Collar	1 Jul 2024	30 Sep 2024	250 bbl/Day	CAD 100.00-112.00 / bbl
WTI Financial Collar	1 Jul 2024	30 Sep 2024	250 bbl/Day	CAD 100.00-112.10 / bbl
WTI Financial Collar	1 Jul 2024	30 Sep 2024	250 bbl/Day	CAD 100.00-113.80 / bbl
WTI Financial Collar	1 Sep 2024	30 Sep 2024	250 bbl/Day	CAD 100.00-107.00 / bbl
WTI Financial Collar	1 Oct 2024	31 Oct 2024	250 bbl/Day	CAD 100.00-111.15 / bbl
WTI Financial Collar	1 Oct 2024	31 Oct 2024	250 bbl/Day	CAD 100.00-113.10 / bbl
WTI Financial Collar	1 Oct 2024	31 Oct 2024	250 bbl/Day	CAD 102.00-111.45 / bbl

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

	2023 **£'000**	2022 £'000
Unrealised (gain) on risk management contracts	(860)	(858)
Realised (gain) / loss on risk management contracts	(1,188)	19,848
Total (gain) / loss on risk management contracts	**(2,048)**	18,990

18 Risk management contracts - continued

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

	31 December 2023 **£'000**	31 December 2022 £'000
Current asset	1,701	1,111
Current liability	(136)	(381)
Net current asset	**1,565**	730

19 Authorised, issued and called-up share capital

	Issuance date	Ordinary shares	Deferred shares	Nominal value per Share	Ordinary shares	Deferred shares	Share premium before share issuance costs	Share issuance costs	Share premium after Share issuance costs
		Shares	Shares	£	£'000	£'000	£'000	£'000	£'000
At 31 December 2021		1,126,425,992	5,000	–	113	50	46,203	(2,000)	44,203
Issued on exercise of 5 pence options	Various	40,860,277	–	0.0001	4	–	2,038	–	2,038
Issued on exercise of 6.1 pence options	Various	7,994,653	–	0.0001	1	–	487	–	487
Issued on exercise of 11 pence options	Various	17,450,451	–	0.0001	1	–	1,918	–	1,918
At 31 December 2022		1,192,731,373	5,000	–	119	50	50,646	(2,000)	48,646
Issued on exercise of 11 pence options	9 Jan 23	116,667	–	0.0001	–	–	12	–	12
Issued on exercise of 0.01 pence warrants	25 Apr 23	9,051,927	–	0.0001	1	–	2,045	–	2,045
Cancellation of shares *	29 May 23	(25,503)	–	0.0001	–	–	–	–	–
Issued on exercise of 5 pence options	12 Oct 23	573,199	–	0.0001	–	–	28	–	28
Capital reduction **	13 Nov 23	–	–	–	–	–	(52,731)	2,000	(50,731)
At 31 December 2023		**1,202,447,663**	**5,000**	**–**	**120**	**50**	**–**	**–**	**–**

* The cancellation of shares related to unclaimed shares from the Toscana acquisition which completed in 2020. The time limit to claim the shares had expired and 25,503 ordinary shares reverted to the Company to be held in treasury and were subsequently cancelled.

** On 13 November 2023 the Registrar of Companies registered the cancellation of i3's share premium account. The £50.7 million balance of the Group's share premium net of share issuance costs was accordingly transferred to retained earnings. This increased distributable reserves to enable the Company to continue paying dividends.

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

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

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

During the year ended 31 December 2023 the Company declared dividends as summarised in the following table:

Declaration date	Ex-Dividend date	Record date	Payment date	Dividend per share	Total Dividend
				(pence)	£'000
12 January 2023	19 January 2023	20 January 2023	10 February 2023	0.1710	2,040
8 February 2023	16 February 2023	17 February 2023	10 March 2023	0.1710	2,040
15 March 2023	23 March 2023	24 March 2023	14 April 2023	0.1710	2,040
12 April 2023	20 April 2023	21 April 2023	12 May 2023	0.1710	2,040
17 May 2023	25 May 2023	26 May 2023	16 June 2023	0.1710	2,055
2 October 2023	12 October 2023	13 October 2023	27 October 2023	0.2565	3,083
Total				**1.1115**	**13,298**

During the year ended 31 December 2022 the Company declared dividends as summarised in the following table:

Declaration date	Ex-Dividend date	Record date	Payment date	Dividend per share	Total Dividend
				(pence)	£'000
9 February 2022	17 February 2022	18 February 2022	11 March 2022	0.1050	1,183
9 March 2022	17 March 2022	18 March 2022	8 April 2022	0.1050	1,183
6 April 2022	14 April 2022	19 April 2022	6 May 2022	0.1050	1,183
11 May 2022	19 May 2022	20 May 2022	10 June 2022	0.1425	1,604
8 June 2022	16 June 2022	17 June 2022	8 July 2022	0.1425	1,700
6 July 2022	14 July 2022	15 July 2022	5 August 2022	0.1425	1,700
3 August 2022	11 August 2022	12 August 2022	2 September 2022	0.1425	1,700
7 September 2022	14 September 2022	15 September 2022	7 October 2022	0.1425	1,700
5 October 2022	13 October 2022	14 October 2022	4 November 2022	0.1425	1,700
2 November 2022	10 November 2022	11 November 2022	2 December 2022	0.1425	1,700
22 December 2022	5 January 2023	6 January 2023	27 January 2023	0.1710	2,040
Total				1.4835	**17,393**

20 Share-based payments

Employee and NED share options

During the year the Group had share based payment expense relating to share options of £581 thousand (2022: £1,092 thousand). Details on the employee and NED share options outstanding for the Group and Company during the period are as follows:

	Number of options	Weighted average exercise price	Weighted average contractual life
		(pence)	
At 31 December 2021	143,960,375	7.48	9.22
5p options exercised during the period	(67,006,794)	5.00	8.54
6.1p options exercised during the period	(12,454,359)	6.10	8.54
11p options exercised during the period	(35,085,877)	11.00	9.09
Granted during the period	2,700,000	24.10	10.00
Forfeited during the period	(708,390)	11.00	8.84
At 31 December 2022	31,404,955	10.72	7.93
5p options exercised during the period	(573,199)	5.00	7.25
11p options exercised during the period	(116,667)	11.00	8.94
Granted during the period	21,509,470	12.55	10.00
Forfeited during the period	(2,757,490)	10,92	7.55
At 31 December 2023	**49,467,069**	**11.57**	**9.19**

On 9 November 2023, the Company issued options over a total of 17,959,470 ordinary shares to i3 staff and directors. The options were issued in accordance with the rules of the Company's Employee Share Option Plan at an exercise price of 11.3 pence per share. Of the options issued to employees of i3 Canada and i3 Energy plc, one-third of the options vest on achieving production of 26,000 boepd (this target to be adjusted downwards by the production volume associated with any i3 divestment in the period), one-third of the options vest on the acquisition of 5,000 boepd, and the final one-third of the options vest on the addition of 25 mmbbls of 2P reserves. Of the options issued to employees of i3 North Sea Limited, one-third of the options vest on FDP of Serenity, on-third of the options vest on acquisition of 2,500 boepd, and the final one-third of the options vest on addition of 10 mmbbls of 2P reserves. The options will otherwise vest one-third each year, on the anniversary of the grant, if not vested in accordance with the conditions above. The fair value was calculated using the Black Scholes model with inputs for stock price of 11.30 pence, exercise price of 11.30 pence, time to maturity of 10 years, volatility of 94%, the Risk-Free Interest rate of 4.275%, and a dividend yield of 9%. The resulting fair value of £676 thousand will be expensed over the expected vesting period.

On 26 July 2023, the Company issued options over a total of 550,000 ordinary shares to new employees of i3 Canada. The options were issued in accordance with the rules of the Company's Employee Share Option Plan at an exercise price of 12.78 pence, the closing price on 26 July 2023. The options have the same vesting conditions as those issued on 18 April 2023. The fair value was calculated using the Black Scholes model with inputs for share price of 12.78 pence, exercise price of 12.78 pence, time to maturity of 10 years, volatility of 96%, the Risk-Free Interest rate of 4.307%, and a dividend yield of 8%. The resulting fair value of £27 thousand will be expensed over the expected vesting period.

20 Share-based payments - continued

On 18 April 2023, the Company issued options over a total of 3,000,000 ordinary shares to the CFO, a Person Discharging Managerial Responsibilities of the Company. The options were issued in accordance with the rules of the Company's Employee Share Option Plan at an exercise price of 20.00 pence per share, the closing price on 18 April 2023. The fair value was calculated using the Black Scholes model with inputs for share price of 20.00 pence, exercise price of 20.00 pence, time to maturity of 10 years, volatility of 97%, the Risk-Free Interest rate of 3.742%, and a dividend yield of 10%. One-third of the options will vest upon achieving production of 26,000 boepd, one-third upon the addition of 5,000 boepd via acquisitions, and one-third upon the addition of 25 MMbbl of 2P reserves. The award shall vest as to one-third upon the first, second, and third anniversary of the grant date, to the extent the award has not otherwise vested in accordance with the above provisions. The resulting fair value of £179 thousand will be expensed over the expected vesting period.

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

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

7,960,369 outstanding employee share options as at 31 December 2023 were fully vested and exercisable.

Warrants

Details on the warrants outstanding during the period are as follows:

	Number of warrants	Weighted average exercise price (pence)	Weighted average contractual life
At 31 December 2021	13,277,131	15.07	1.85
Expired in the period	(4,225,204)	47.34	NA
At 31 December 2022	9,051,927	0.01	0.42
Exercised in the period	(9,051,927)	0.01	NA
At 31 December 2023	–	–	–

EMI options

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

250,000 options were exercised on 1 October 2021 at a price of £0.11 per share. The remaining 250,000 options expired during the year. There were no EMI options outstanding at 31 December 2023.

21 Related party transactions

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

Remuneration of Key Management Personnel

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

Ultimate parent

There is no ultimate controlling party of the Group.

22 Financial instruments, financial and capital risk management

Financial instruments

Fair value measurements

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

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

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

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

22 Financial instruments, financial and capital risk management - continued

As at 31 December 2023	Carried at FVTPL	Carried at amortised cost
Financial assets		
Cash and cash equivalents	–	23,507
Trade and other receivables	–	20,534
Income taxes receivable	–	205
Risk management contracts (Level 2)	1,701	–
Total	**1,701**	**44,246**
Financial liabilities		
Trade and other payables	–	24,640
Risk management contracts (Level 2)	136	–
Borrowings and leases	–	34,569
Other non-current liabilities	–	84
Total	**136**	**59,293**

As at 31 December 2022	Carried at FVTPL	Carried at amortised cost
Financial assets		
Cash and cash equivalents	–	16,560
Trade and other receivables	–	34,843
Risk management contracts (Level 2)	1,111	–
Total	**1,111**	**51,403**
Financial liabilities		
Trade and other payables	–	45,973
Income taxes payable	–	9,873
Risk management contracts (Level 2)	381	–
Borrowings and leases	–	27,241
Total	**381**	**83,087**

All financial assets and liabilities of the Company were carried at amortised cost at 31 December 2023 and 2022. The fair value of the Company's financial assets and liabilities approximate to their carrying amounts at the reporting date.

Financial risk management

Financial risk factors

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

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

22 Financial instruments, financial and capital risk management - continued

a Market risk

i Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK pound sterling and the Canadian dollar and US dollar. Foreign exchange risk arises from recognised monetary assets and liabilities (USD and CAD bank accounts) where they may be denominated in a currency that is not the local functional currency. The Group mitigates is foreign exchange exposure by holding monetary assets and liabilities primarily in the local functional currency. All of the monetary assets and liabilities held by the Group's Canadian operations were held in CAD, the functional currency, and therefore there is no foreign exchange exposure in the Canadian operations. The UK operations did not hold significant monetary assets or liabilities in currencies other than UK pound sterling as at 31 December 2023 with the exception of the Debt Facility which is denominated in CAD. A 10% strengthening of GBP against CAD as at 31 December 2023 would have increased foreign exchange gains for the Group and Company by £3,247 thousand, and a 10% weakening of GBP to CAD would have increased foreign exchange losses for the Group and Company by £3,969 thousand. No comparable figures are provided as the Debt Facility was entered into in May 2023.

The Group is also exposed to exchange differences on translation of its foreign operations in Canada, which resulted in a loss of £4,222 thousand for the year ended 31 December 2023 (2022: gain of £6,529 thousand). A 10% strengthening of GBP against CAD as at 31 December 2023 would have resulted in a loss on translation of £16,344 thousand (2022: £7,073 thousand), and a 10% weakening of GBP to CAD would have resulted in a gain of £10,593 thousand (2021: £23,152 thousand). Profit after tax would not be impacted.

b Credit risk

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

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

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

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

c Liquidity risk

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

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

22 Financial instruments, financial and capital risk management - continued

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

	6 Months £'000	6-12 months £'000	1-2 years £'000	2+ years £'000	Total £'000
Trade and other payables	27,539	101	–	–	27,640
Borrowings and leases	9,027	8,667	16,249	6,347	40,290
Other non-current liability	–	–	50	34	84
At 31 December 2023	**36,566**	**8,768**	**16,299**	**6,381**	**68,014**

	6 Months £'000	6-12 months £'000	1-2 years £'000	2+ years £'000	Total £'000
Trade and other payables	45,973	–	–	–	45,973
Income taxes payable	9,873	–	–	–	9,873
H1 2019 LNs	22,000	–	–	–	22,000
H1 2019 cash and PIK interest	7,204	–	–	–	7,204
At 31 December 2022	85,050	–	–	–	85,050

d Commodity price risk

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

The Group manages commodity price risks by entering a variety of risk management contracts. Further details of risk management contracts at 31 December 2023 are provided in note 18, and of risk management contracts entered after the reporting period are provided in note 24.

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

	Decrease in commodity price / increase in profit before loss and equity £'000	Increase in commodity price / (decrease) in profit before loss and equity £'000
Change in WTI – CAD 5.00 / bbl	1,793	(2,920)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to position as a going concern and to continue its development and production activities. The capital structure of the Group consists of borrowings and leases of £34,569 thousand at 31 December 2023 (2022: £27,241 thousand) (note 16), has capital, defined as the total equity and reserves of the Group of £162,995 thousand (2022: £164,746 thousand) and cash and equivalents of £23,507 thousand (2022: £16,560 thousand).

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

23 Commitments

At 31 December 2023	1 year £'000	2-3 years £'000	4-5 years £'000	5+ years £'000	Total £'000
Operating	92	112	–	–	204
Transportation	1,810	1,418	349	4	3,581
Total	**1,902**	**1,530**	**349**	**4**	**3,785**

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

The Group did not have any capital commitments as at 31 December 2023 or 2022.

24 Events after the reporting period

After 31 December 2023 i3 entered into various risk management contracts, as summarised below.

Type	Effective date	Termination date	Total Volume	Avg. Price
AECO 5A Financial Swaps	1 Apr 2024	31 Mar 2025	15,000 GJ/Day	CAD 2.5200 / GJ
AECO 5A Financial Swaps	1 Nov 2024	31 Mar 2025	5,000 GJ/Day	CAD 3.2000 / GJ
AECO 5A Physical Swaps	1 Apr 2025	30 Apr 2025	2,500 GJ/Day	CAD 2.7700 / GJ
AECO 5A Physical Swaps	1 Apr 2025	31 Dec 2025	7,500 GJ/Day	CAD 3.1167 / GJ
WTI Financial Swaps	1 Mar 2024	31 Mar 2024	250 bbl/Day	CAD 100.90 / bbl
WTI Financial Swaps	1 Apr 2024	30 Jun 2024	250 bbl/Day	CAD 100.15 / bbl
WTI Financial Swaps	1 Jul 2024	30 Sep 2024	250 bbl/Day	CAD 99.14 / bbl
WTI Financial Swaps	1 Oct 2024	31 Oct 2024	150 bbl/Day	CAD 97.32 / bbl
WTI Financial Swaps	1 Oct 2024	31 Dec 2024	1,200 bbl/Day	CAD 95.89 / bbl
WTI Financial Swaps	1 Nov 2024	30 Nov 2024	500 bbl/Day	CAD 103.40 / bbl
WTI Financial Swaps	1 Dec 2024	31 Dec 2024	500 bbl/Day	CAD 102.50 / bbl
WTI Financial Swaps	1 Jan 2025	31 Jan 2025	1,050 bbl/Day	CAD 99.03/ bbl
WTI Financial Swaps	1 Jan 2025	31 Mar 2025	200 bbl/Day	CAD 101.20 / bbl
WTI Financial Swaps	1 Feb 2025	28 Feb 2025	400 bbl/Day	CAD 102.33 / bbl
WTI Financial Swaps	1 Mar 2025	31 Mar 2025	400 bbl/Day	CAD 101.63 / bbl
WTI Financial Swaps	1 Apr 2025	30 Apr 2025	1,000 bbl/Day	CAD 102.49 / bbl
WTI Financial Swaps	1 Feb 2025	28 Feb 2025	400 bbl/Day	USD 76.55 / bbl
WTI Financial Swaps	1 Mar 2025	31 Mar 2025	400 bbl/Day	USD 75.95 / bbl
WTI Financial Collar	1 Apr 2024	31 May 2024	250 bbl/Day	CAD 90.00-110.65 / bbl
WTI Financial Collar	1 Nov 2024	30 Nov 2024	200 bbl/Day	CAD 100.00-112.55 / bbl
WTI Financial Collar	1 Dec 2024	31 Dec 2024	200 bbl/Day	CAD 100.00-110.15 / bbl
WTI Financial Collar	1 Jan 2025	31 Jan 2025	200 bbl/Day	CAD 100.00-110.50 / bbl
WTI Financial Collar	1 Jan 2025	31 Jan 2025	250 bbl/Day	CAD 100.00-110.00 / bbl
WTI Financial Collar	1 Feb 2025	28 Feb 2025	250 bbl/Day	CAD 100.00-112.25 / bbl
WTI Financial Collar	1 Mar 2025	31 Mar 2025	250 bbl/Day	CAD 100.00-110.45 / bbl
Conway Financial Swap	1 Jan 2025	31 Mar 2025	250 bbl/Day	USD 0.8325 / gal

24 Events afters the reporting period - continued

In early-2024 the Company has declared dividends as summarised in the following table:

Declaration date	Ex-Dividend date	Record date	Payment date	Dividend per share	Total Dividend
				(pence)	£'000
9 January 2024	18 January 2024	19 January 2024	9 February 2024	0.2565	3,084
4 April 2024	11 April 2024	12 April 2024	3 May 2024	0.2565	3,084
Total				0.5130	**6,168**

On 11 March 2024 the Group announced a further reduction of capital following the transition of the Company standalone financial statements from FRS 101 to UK-adopted international accounting standards as described in further detail in note 2 and note 8 to the Company Financial Statements. This adoption resulted in a transition reserve of £148,517 thousand which will be capitalised by way of a bonus issue of newly created capital reduction shares with a nominal value of £0.0001 and share premium of £0.1234 for each share. Following the bonus issue, the standing credit of £148,397 thousand in the Company's share premium account will be cancelled. This is expected to occur within the first half of 2024 and will increase distributable reserves in the Company to facilitate the future payment of dividends (in cash or otherwise) to Shareholders, where justified by the profits of the Company, or to allow the redemption or buy-back of the Company's shares (or other distributions to Shareholders).

On 25 March 2024 the Group announcement the establishment of a CAD 75 million reserve-based lending facility (the "Credit Facility"). The Credit Facility agreement was entered into by i3 Canada with the National Bank of Canada and comprises a CAD 55 million revolving facility and a CAD 20 million operating loan facility. The two-year term of the Credit Facility is expected to be extended on an annual basis, subject to lender approval. The interest rate on the outstanding portion of the revolving facility depends on certain ratios and at inception will be Canadian Prime Rate plus 2.00%, with the option to change to Canadian Overnight Repo Rate plus 3.00%. The Credit Facility is secured against substantially all the assets and shares of i3 Canada. The Group initially drew CAD 27 million on the Credit Facility, which was used along with cash on hand to repay the Debt Facility with Trafigura without any prepayment penalty. The balance of undrawn credit will be available for general corporate purposes, including working capital requirements, acceleration of organic growth from i3's proven portfolio of development drilling locations, and to fund accretive acquisition opportunities.

On 25 March 2024 the Group announced the reserves of i3 Canada as of 31 December 2023. Highlights include Company Interest PDP reserves of 47MMboe, 1P reserves of 93MMboe, and 2P reserves of 180MMboe. Further details can be found on the Company's website at www.i3.energy.

On 17 April 2024 the Group announced the partial sale of i3 Canada's royalty assets for a total gross cash consideration of CAD 33.5 million before customary closing adjustments. A portion of the proceeds on disposition were used to fully eliminate the Group's outstanding indebtedness on the credit facility. The balance, along with the fully undrawn amount of CAD 75 million on the Credit Facility, will be used for general corporate purposes and to support both its organic and inorganic initiatives.

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2023 £'000	31 December 2022 £'000	31 December 2021 £'000
Assets			* Restated	* Restated
Non-current assets				
Investment in subsidiaries	4	148,841	148,841	148,841
Loans to subsidiaries	4	99,547	74,708	99,861
Other non-current asset		–	75	75
Total non-current		**248,388**	223,624	248,777
Current assets				
Cash at bank and in hand		33	1,666	66
Trade and other receivables	5	83	90	140
Total current assets		**116**	1,756	206
Current liabilities				
Borrowings (current)	7	(14,001)	–	–
Trade and other payables	6	(828)	(2,654)	(131)
Total current liabilities		**(14,829)**	(2,654)	(131)
Net current (liabilities) / assets		**(14,713)**	(898)	75
Borrowings (non-current)	7	(20,568)	–	–
Other non-current liabilities		(10)	–	–
Total non-current liabilities		**(20,578)**	–	–
Net assets		**213,097**	222,726	248,852
Capital and reserves				
Ordinary shares		120	119	113
Deferred shares		50	50	50
Share premium		–	48,646	44,203
Share-based payment reserve		6,888	6,307	9,098
Warrants – LNs		–	2,045	2,045
Transition reserve		148,517	148,517	148,517
Retained earnings		57,522	17,042	44,826
Shareholders' funds		**213,097**	222,726	248,852

Company number 10699593

* Restated for adoption of UK IFRS in the year. Further discussion is provided in note 8.

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Parent Company Statement of Comprehensive Income. The profit for the Company for the year was £3,047 thousand (2022: loss of £4,067 thousand).

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

Signed on behalf of the Board of Directors by:

Majid Shafiq, Director
26 April 2024

COMPANY STATEMENT OF CHANGES IN EQUITY

	Ordinary shares	Share premium	Deferred shares	Share-based payment reserve	Warrants - LNs	Transition Reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 December 2021 (as reported)	113	44,203	50	9,098	2,045	148,517	44,826	100.335
UK IFRS Adoption (note 8)	–	–	–	–	–	148,517	–	148,517
Balance at 31 December 2021 * Restated	113	44,203	50	9,098	2,045	148,517	44,826	248,852
Total comprehensive loss for the year	–	–	–	–	–	–	(4,067)	(4,067)
Transactions with owners:						–		
Exercise of options	6	4,443	–	(3,883)	–	–	(6,324)	(5,758)
Share-based payment expense	–	–	–	1,092	–	–	–	1,092
Dividends declared	–	–	–	–	–	–	(17,393)	(17,393)
Balance at 31 December 2022 * Restated	119	48,646	50	6,307	2,045	148,517	17,042	222,726
Total comprehensive income for the year	–	–	–	–	–	–	3,047	3,047
Capital reduction	–	(50,731)	–	–	–	–	50,731	–
Transactions with owners:						–		
Exercise of options	–	40	–	–	–	–	–	40
Exercise of warrants	1	2,045	–	–	(2,045)	–	–	1
Share-based payment expense	–	–	–	581	–	–	–	581
Dividends declared	–	–	–	–	–	–	(13,298)	(13,298)
Balance at 31 December 2023	**120**	**–**	**50**	**6,888**	**–**	**148,517**	**57,522**	**213,097**

* Restated for adoption of UK IFRS in the year. Further discussion is provided in note 8.

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

COMPANY STATEMENT OF CASH FLOW

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
		£'000	£'000
OPERATING ACTIVITIES			
Profit / (loss) before tax		3,570	(4,067)
Adjustments for:			
Finance costs		3,022	–
Unrealised FX gain		(11)	(88)
Share-based payments expense – employees (including NEDs)		581	1,092
Current tax expense		(525)	–
Changes in non-cash working capital – operating activities		231	532
Net cash from operating activities		**6,868**	(2,531)
INVESTING ACTIVITIES			
Net loans (to) / from subsidiary companies	4	(24,839)	25,153
Net cash used in investing activities		**(24,839)**	25,153
FINANCING ACTIVITIES			
Exercise of warrants and options		42	635
Employee tax on exercised share options		–	(6,432)
Issuance of debt facility	7	44,481	–
Payment of deferred finance costs	7	(2,039)	–
Principal payments on debt facility	7	(8,636)	–
Interest and other finance charges paid	7	(2,258)	–
Dividends declared	7	(13,298)	(17,393)
Changes in non-cash working capital – financing activities		(2,040)	2,040
Net cash used in financing activities		**16,252**	(21,150)
Effect of exchange rate changes on cash		86	128
Net Increase in cash and cash equivalents		**(1,633)**	1,600
Cash and cash equivalents, beginning of year		1,666	66
CASH AND CASH EQUIVALENTS, END OF YEAR		**33**	1,666

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Summary of significant accounting policies

General Information and Authorisation of Financial Statements

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

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

2 Basis of preparation

The financial statements of i3 Energy plc have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

In 2023 the Company transitioned from FRS101 and adopted UK-adopted international accounting standards for the first time. The effect of first-time adoption of UK-adopted international accounting standards is set out in note 8. As this required retrospective application, an opening balance sheet has been presented.

Fees payable to the Company's auditors by the Group are set out in note 7 to the Group financial statements.

3 Significant accounting policies

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

Investments

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

Critical accounting judgements and key sources of estimation uncertainty

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

Carrying value of loans to and investments subsidiaries

At 31 December 2023, the Company held loans to subsidiaries of £99.5 million (2022: £74.7 million) and investments in subsidiaries of £148.8 million (2022: £148.8 million), note 4. The carrying value of loans to and investments in subsidiaries are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. In making this assessment, Management has considered the underlying assets of its subsidiaries, which for i3 Energy North Sea Limited primarily consists of intangible E&E assets and for i3 Canada Ltd. primarily consists of oil and gas PP&E assets. The recoverability of both intangible E&E assets and oil and gas PP&E assets have been identified as a critical accounting judgement by the Group, and following detailed assessments by Management, no indicators of impairment have been identified for either. The same cash flow model used to determine the recoverable amount for the E&E assets was used to estimate the expected lifetime credit loss on the balances due from i3 Energy North Sea Limited, and as the projected cash flows exceed the cash flows that are due to the Company under the contract, Management has concluded that there is no impairment. Further details are in note 3 and note 13 to the Group financial statements. Accordingly, through the expected recoverability of these E&E and PP&E assets, Management expects the Group to recover the carrying value of its loans to subsidiaries.

4 Investment in subsidiaries

At 31 December 2023 the Company held 100% of the share capital of the following directly owned subsidiaries:

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

	Total £'000
As at 31 December 2022	148,841
Additions	–
As at 31 December 2023	**148,841**

For the year ended 31 December 2023, i3 Energy North Sea Limited was entitled to exemption from audit under section 479A of the Companies Act 2006.

As at 31 December 2023 the Company had total net funds receivable from subsidiaries of £99,547 thousand (2022: £74,708 thousand). Included within these balances are management service fees of £643 thousand (2022: £1,479 thousand) for administrative services provided to i3 Canada and £5,254 thousand (2022: nil) for interest charges on intercompany loans to i3 Canada.

5 Trade and other receivables

	31 December 2023 £'000	31 December 2022 £'000
VAT receivable	10	2
Prepayments & other receivables	73	88
Total trade and other receivables	**83**	90

Other receivables are all due within one year.

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

Other receivables do not contain any impaired assets.

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

6 Trade and other payables

	31 December 2023 £'000	31 December 2022 £'000
Trade creditors	118	46
Dividends payable	–	2,040
Accruals	697	568
Cash pool LTIP awards – current liability	13	–
Total trade and other payables	**828**	2,654

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

7 Disclosures included in the Group Financial Statements

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

- Note 2 – Basis of preparation
- Note 3 – Significant accounting policies
- Note 7 – Administrative expenses
- Note 16 – Borrowings
- Note 19 – Authorised, issued, and called-up share capital
- Note 20 – Share-based payments
- Note 22 – Financial instruments and capital risk management
- Note 24 – Events after the reporting period

8 First-time adoption of UK-adopted international accounting standards

In 2023 the Company transitioned to preparing its separate financial statements in accordance with UK-adopted international accounting standards ("UK IFRS") for the first time, having previously prepared its separate financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

For periods up to and including 31 December 2019, the Company had previously prepared its separate financial statements in accordance with International Financial Reporting Standards ("EU IFRS") as adopted by the European Union.

In 2020, the Company transitioned to FRS 101 in order to obtain the efficiencies available from the reduced disclosure framework. In 2023, the Company transitioned to UK-IFRS in order to more fully reflect the value of the group in the parent company balance sheet, and pursuant to distributable reserves planning to facilitate continuing dividend payments.

The Company has taken the option to apply IFRS 1 *First-time Adoption of International Financial Reporting Standards* as the accounts of the preceding period were not IFRS accounts.

The Company has elected to use fair value as the deemed cost of its investment in i3 Energy Canada Limited as at the date of transition to UK IFRS, being 1 January 2022. The fair value of £148,695 thousand compared to the FRS 101 carrying amount of £178 thousand, resulting in an amount of £148,517 thousand credited to an undistributable IFRS-transition reserve in equity.

The measurement of the fair value of the investment in i3 Energy Canda Ltd. was made using significant unobservable inputs based on a third-party reserve valuation obtained as at the date of transition and applying a median discount rate of 10% to the after tax estimated future net cash flows of the Group's PDP reserves. The equity value of i3 Energy Canada Ltd. was adjusted by its net debt which was considered not materially different to the carrying amount of its financial assets and liabilities.

No other assets were measured at deemed cost and no other exceptions to the retrospective application of other IFRSs have been taken.

There was no impact on total comprehensive income reported in prior periods.

A reconciliation of total equity is as follows:

	31 December 2022 £'000	31 December 2021 £'000
Total equity reported in accordance with FRS 101	74,209	100,335
Fair value as deemed cost of investment in i3 Energy Canada Ltd.	148,517	148,517
Total equity reported in accordance with UK IFRS	**222,726**	**248,852**

APPENDIX A: GLOSSARY

1P	Proved reserves
2P	Proved plus probable reserves
3CA	3 Consultant's Average, being the average of price forecasts of GLJ Ltd., McDaniel & Associates Consultants Ltd., and Sproule
AER	Alberta Energy Regulator
AIF	Annual Information Form
AIM	The AIM Market of the London Stock Exchange
APM	Alternate Performance Measure
ARO	Asset Retirement Obligation
bbl	Barrel
bbl/d	Barrels per day
BHGE	Baker Hughes, a GE Company, and GE Oil & Gas Limited
BOE	Barrels of Oil Equivalent
boepd, boe/d	Barrels of Oil Equivalent Per Day
CAD	Canadian Dollars
Cenovus, CVE	Cenovus Energy Inc.
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CO2e	Carbon dioxide
the Code	QCA Corporate Governance Code
Company	i3 Energy plc
CPR	Competent person's report
Credit Facility	Reserve-based lending facility, dated 22 March 2024
Debt facility	Prepayment Agreement with Trafigura, dated 31 May 2023
E&E	Exploration and evaluation
EPL	Energy Profits Levy
ERP	Emergency Response Plan
Europa	Europa Oil & Gas Limited
FCF	Free cash flow
FIA	Farm-In Agreement
FVTPL	Fair Value through Profit or Loss

FX	Foreign exchange
Gain	Gain Energy Ltd.
gal	Gallon
GBP	British Pounds Sterling
GCA	Gas Cost Allowance
GJ	Gigajoule
Gross wells	Wells participated in by i3
Group, i3	i3 Energy plc, together with its subsidiaries
i3 Canada	i3 Energy Canada Ltd.
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IP30	Average daily production of a well over its initial 30-day production period
LTIP	Long term incentive plan
mcf	Thousand cubic feet
mcf/d	Thousand cubic feet per day
Mmcf	Million cubic feet
MMboe	Million Barrels of Oil Equivalent
MMBtu	Metric Million British Thermal Unit
MD&A	Management Discussion and Analysis
NGL	Natural gas liquids
NED	Non-Executive Director
Net wells	Gross wells multiplied by i3's working interest
NOI	Net Operating Income
NPV 10	Net Present Value, discounted at 10%
NSTA	UK North Sea Transition Authority
NTM	Next Twelve Months
p.a.	per annum
PDP	Proved, developed, producing reserves
PIK	Payment in kind
PP&E	Property, plant and equipment
QCA	Quoted Companies Alliance

RFCT	Ring Fence Corporation Tax
SCT	Supplementary Charge
SRP	Alberta's Site Rehabilitation Program
Toscana	Toscana Energy Income Corporation
Trafigura	Trafigura Pte Ltd. and its subsidiary Trafigura Canada Ltd.
TSX	Toronto Stock Exchange
UKCS	UK Continental Shelf
USD (US$)	United States Dollar
WI	Working Interest

APPENDIX B: ALTERNATE PERFORMANCE MEASURES

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

EBITDA and Adjusted EBITDA

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

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

	2023 £'000	2022 £'000
Profit for the year	15,147	41,951
Depreciation and depletion	38,232	34,339
Finance costs	8,663	7,865
Tax	5,751	13,826
EBITDA	**67,793**	97,981
Acquisition costs	–	–
Loss / (gain) on bargain purchase and asset dispositions	–	9
Adjusted EBITDA	**67,793**	97,990

Net operating income

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

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

	2023 £'000	2022 £'000
Gross profit	38,782	78,689
Depreciation and depletion	38,232	34,339
(Gain) / loss on risk management contracts	(2,048)	18,990
Other operating income	(491)	(286)
Net operating income	**74,475**	131,732

Acquisitions & Capex

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

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

	2023 £'000	2022 £'000 * Restated
Acquisitions	133	531
Expenditures on property, plant & equipment	23,155	74,445
Expenditures on exploration and evaluation assets	1,281	12,327
Acquisitions & Capex	**24,569**	87,303

* In 2023 management has elected to change the presentation and classification of certain items within the consolidated statement of cash flow. Further discussion is provided in note 2. Any impacted alternative performance measures in this Appendix B were updated on a consistent basis.

Free cash flow (FCF)

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

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

	2023 £'000	2022 £'000 * Restated
Net cash from operating activities	49,608	100,655
Expenditures on property, plant & equipment	(23,155)	(74,445)
Expenditures on exploration and evaluation assets	(1,281)	(12,327)
FCF	**25,172**	13,883

* In 2023 management has elected to change the presentation and classification of certain items within the consolidated statement of cash flow. Further discussion is provided in note 2. Any impacted alternative performance measures in this Appendix B were updated on a consistent basis.

Net debt

Net debt is defined as borrowings and leases, trade and other payables, other non-current liabilities, and incomes taxes receivable/payable, less cash and cash equivalents and trade and other receivables. This definition was expanded in 2023 to include other non-current liabilities which is a new account balance that arose during the year. Management believes that net debt is a meaningful measure to monitor the liquidity position of the Group.

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

	2023 £'000	2022 £'000
Borrowings and leases	34,569	27,241
Trade and other payables	27,640	45,973
Other non-current liabilities	84	–
Income taxes (receivable) / payable	(205)	9,873
Cash and cash equivalents	(23,507)	(16,560)
Trade and other receivables	(20,534)	(34,843)
Net debt	**18,047**	31,684

CORPORATE INFORMATION

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10699593

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Non-Executive Director and
Non-Executive Chairperson

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Chief Executive Officer

Ryan Heath
President, i3 Energy Canada Ltd.

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Non-Executive Director

Richard Millington Ames
Non-Executive Director

Neill Ashley Carson
Non-Executive Director

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