



Accelerating the energy transition

IGas Energy plc

Annual Report and Accounts 2022

WELCOME

IGas Energy plc is an onshore energy business.

Our purpose is to provide for today's energy needs responsibly, whilst transitioning to low-carbon sources of energy for tomorrow.

Our vision is to be a leading provider of affordable and sustainable energy in local markets as energy needs evolve.

Our strategy is to create value for shareholders, employees and communities by being a leading operator of oil and gas assets, renowned for operational excellence and strong safety standards, whilst actively developing and building a geothermal business of scale, as we transition to a renewable future.

Read more about our business
www.igasplc.com

Financial Performance

Revenues

£59.2m



Net assets

£58.3m



Net debt*

£6.1m



Adjusted EBITDA*

£21.1m



Operating cash flow before working capital movements

£19.4m



Loss after tax

£(11.8)m



Cash and cash equivalents

£3.1m



Underlying operating profit*

£16.1m



* These are non-IFRS alternative performance measures which are further explained on page 17.

Operational Performance

- Restructuring and reorganisation of the business to enable improved strategic planning and more efficient decision making
- Net production, averaged 1,898 boepd for the year, heavily impacted in the first half by equipment failure caused by supply chain issues, which was subsequently resolved
- A production drive was initiated in October leading to a strong recovery in H2 resulting in peak production (averaged across five days) of 2,432 boepd and December production averaged 2,221 boepd (net to IGas)
- Reserves and Resources updated CPR values 1P NPV10 of \$144 million (2021: \$139 million); 2P NPV10 of \$215 million (2021: \$190 million)*
- Planning permission submitted and validated for Glentworth Phase I – potential for additional c.200 bbls/d
- Planning conditions discharged and environmental permits granted for Corringham – execution of the project in 2023 should add production at the end of 2023

* Oil price assumption of c.\$75/bbl for five years, then inflated at 2% p.a. from 2031 (capped \$118/bbl) taken from D&M CPR: <https://www.igasplc.com/investors/publications-and-reports>.

Read more on pages 10 to 13.

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GEOTHERMAL ENERGY

A green energy solution for the decarbonisation of large-scale heat

Why is it important to develop it now?

The decarbonisation of large-scale heat remains a significant unresolved problem for the country. Some 44% of the UK's energy demand is for heating homes and other buildings, which accounts for 37% of the UK's greenhouse gas emissions.

The Committee on Climate Change (CCC) have stated that only decarbonisation of heat in the UK could deliver the major reduction in emissions needed to meet the 2050 net zero target.

We firmly believe that deep geothermal is the only utility scale source of renewable heat suitable for deployment in urban areas.

It is a proven, renewable technology and a domestic solution that provides security of supply.

How does it work?

A pair of wells (known as a doublet) are drilled up to 5km deep into underground reservoirs containing brine (very salty, undrinkable, water). Because they are deep underground (and closer to the earth's molten core) they are warmer than the surface. In the UK, at this depth, the temperature could reach up to 120°C. One of the wells is used to tap into the geothermal resource by pumping the hot water to the surface where the heat is transferred to the surface system through a heat exchanger. The brine is then returned to the reservoir through the second well. The brine in the doublet doesn't contact or mix with the clean district heating water at any point.

The water in the surface system, after being heated by passing through the heat exchanger, can be utilised for a district heating network or for directly connecting to other customers' networks.



Benefits

An ideal solution to the urban deployment of renewable energy, geothermal energy has many benefits:



Runs 24 hours a day, whatever the weather



Has the smallest surface footprint of any energy source and is low in visual impact, with no buildings higher than 10m



Has wide temperature applicability, storage potential and can be used for cooling as well as heating



It can form an important element of a “just transition” for the oil and gas industry given its complementary skill set in sub-surface technology, drilling and well-engineering



Has high public acceptance – development of geothermal has the backing of communities, business, academics and NGOs

Read more about the opportunity for the UK in the REA & ARUP Deep Geothermal Energy Report Economic Decarbonisation Opportunities for the United Kingdom:

<http://www.igasplc.com/media/40957/deep-geothermal-energy-opportunities-for-the-uk.pdf>

What 360 geothermal plants by 2050 means to the UK

360 geothermal plants by 2050 could provide 15,000 GWh of annual heat and carbon savings of around 3 megatons annually. This significant decarbonisation of large-scale heat can only be achieved through Government support, as has been successfully demonstrated in other European countries.

Equivalent heating for

2M homes +

Electricity

200 to 400 GWh

Plants' capital costs

>£3.5bn

Annual heat capacity

>15,000 GWh

Workforce opportunities

>10,000 direct jobs

>25,000 indirect jobs

Annual carbon saving

3 megatons

Source: ARUP/REA Report 2021.

INTERIM EXECUTIVE CHAIRMAN'S STATEMENT

Providing creative solutions through the energy transition



IGas continues to put its efforts into the provision of responsibly sourced oil and gas to the UK domestic market, protecting security of supply, and reducing the UK's reliance on imports whilst positioning itself in the transition to a lower carbon future through the expansion of its geothermal business.

2022 has been a year of change and refocus for the Company against a mixed set of challenges both domestic and global.

The weaponisation of energy by Russia driving already high prices in Europe to an unprecedented level has demonstrated that traditional energy sources will continue to be a fundamental part of the overall energy equation for many years to come. Given this backdrop, the national and local benefits of indigenous oil and gas supplies remain clear and even more compelling, with a positive impact on emissions versus imports and Liquefied Natural Gas, energy security, the balance of payments through tax and business rates and employment.

As a British company operating onshore in the UK, we believe we have an important role to play in providing the UK's own domestic resources to give greater security of supply; something the UK Government in its British Energy Security Strategy has recognised.

With a cost-of-living and energy crisis unfolding, the UK Government responded by lifting the moratorium on hydraulic fracturing in England on 8 September 2022, and committed to review energy regulation, paving the way for the timely development of shale in the UK providing jobs, tax revenue, energy security and significant community benefits. Disappointingly, just a few weeks later, this decision was reversed on 27 October 2022.

Having taken advice, and reflected on our strategic goals as a business, we have decided not to pursue legal recourse further in respect to the reimposition of the moratorium on hydraulic fracturing and have fully impaired our remaining shale assets. We continue to believe and assert that fracking for shale gas can and will be done safely and in an environmentally responsible manner. There is a significant recoverable gas resource in the Gainsborough Trough, the equivalent of up to 19 years of the UK's gas demand, that could provide this country both energy security for years to come as well as providing billions of pounds of investment into the East Midlands and the creation of thousands of skilled jobs. It is unfortunate that this strategic resource is unlikely to be realised.

Proposed Company Name Change

The Company has been reshaping its strategic direction to reflect the transition to a lower carbon economy. Following the acquisition of geothermal developer, GT Energy UK Limited, in September 2020 and the Company's subsequent activities in this sector, the Board is proposing a change in the Company's name to Star Energy Group plc (subject to shareholder approval at the 2023 AGM).

Our Values



Respect

Respect is paramount for our people, our environment, our partners and the safety of others.



Performance

Performing to the highest standards internally and externally and delivering against our targets.



Transparency

We are honest about what we do, how we do it and the challenges we face. We are open to challenge, to discussion and to improving how we work to reflect our values.



Collaboration

We take on challenges and find solutions through mutual trust, knowledge sharing and teamwork.



Commitment

We are fully committed to preserving the environment and providing safe and healthy working conditions.

Board Changes

There have been a number of changes to the Board during the year. Stephen Bowler, Chief Executive Officer, left IGas by mutual consent in September 2022. Frances Ward, who joined IGas in 2017, was appointed as Chief Financial Officer and a Board Director in September 2022.

I was appointed to the Board in January 2022, as a Non-executive Director and Chairman designate. At the close of the IGas Annual General Meeting in June, I took over the role of Chairman from Cuth McDowell who had served as Interim Non-executive Chair since October 2019 and a member of the Board since December 2012. Following Stephen's departure in September, I assumed the role of Interim Executive Chairman.

In February 2022, we welcomed Kate Coppinger to the Board who then took over the role of Chair of the Audit Committee from Cuth McDowell in June 2022. Tushar Kumar resigned from the Board as a Non-executive Director in July 2022.

Most recently, in January 2023, we welcomed Doug Fleming as a Non-executive Director. Doug brings 27 years of senior experience working in oil and gas exploration and production, corporate banking and venture capital.

Our Performance in 2022

When I was appointed Interim Executive Chairman in September, I indicated there would be necessary changes in the business to make it more efficient to ensure operational excellence in our conventional assets, that we expedite growth in our nascent geothermal business, and we have a structure that correctly reflects the size and shape of the current business. Furthermore, after a thorough review of the business, we undertook a restructuring and rightsizing of the Executive Committee that will enable improved strategic planning and more efficient decision making, as the business looks to create a strong and relevant future for its investor base.

The higher oil and gas prices have been a welcome boost to revenue and cash generation, giving us greater financial flexibility and enabling us to repay debt and invest in our assets.

Our operational performance was a year of two halves. The first half was beset with equipment failure caused by supply chain issues and rig downtime due to staffing constraints, that resulted in a number of wells being offline. In October 2022, we introduced a series of initiatives to expedite a work programme to get us back on track and, during Q4, the production drive resulted in us bringing online a significant number of wells and returning production to the forecast levels. I want to thank everyone involved for all of the hard work and continued focus in delivering operational outperformance in Q4 and beyond.

There is no doubt that geothermal technology could provide a near-term, green solution to the decarbonisation of large-scale heat in Britain, bringing with it significant economic benefits. As we transition from fossil fuels to renewable alternatives, the core skills deployed in the oil and gas sector, such as sub-surface geology, well engineering and drilling, are highly transferrable to geothermal.

Outlook

IGas continues to put its efforts into the provision of responsibly sourced oil and gas to the UK domestic market, protecting security of supply, and reducing the UK's reliance on imports whilst positioning itself in the transition to a lower carbon future through the expansion of its geothermal business.

I am excited to be leading IGas at this important stage in its development. We are now firmly focused on maximising the value of our oil and gas assets to facilitate a "just transition" to a renewable energy future through the growth of our geothermal heat business. I look forward to working with the reinvigorated team as we grow the business, deliver operational excellence and create value for our investors, staff and communities.

Chris Hopkinson
Interim Executive Chairman

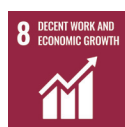
OUR STAKEHOLDERS

Understanding the importance of meaningful stakeholder engagement



We strive to create a diverse and inclusive culture in which everyone feels welcome, we inspire and empower our people to make a positive difference in the workplace and beyond.

Creating continuous two-way dialogue with local communities and stakeholders supports positive relationships and creates mutually beneficial outcomes, ensuring that we earn and maintain our social licence to operate.



Our projects have a community and stakeholder engagement plan in place.

We report on community investments every year.

[Read more about the IGas Community Fund on page 8.](#)

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.

The Directors have always had regard for the potential impact of the Group's activities on its various stakeholders. In the majority of cases, information and feedback is provided throughout the year to the Directors by the Group's Executive Directors, senior management and external advisers through a variety of Board reports, presentations and ad hoc correspondence. When appropriate, the Directors may advise further engagement is required, which could potentially be direct engagement by the relevant Director, and/or request additional information to ensure they have a full appreciation of a given situation prior to making any decisions. As such, the Directors are able to assess the impact of business decisions on stakeholders and fulfil their duty to promote the long-term success of the Company.

Further details of how the Board has approached its duties can be found in the Sustainable and Responsible Business report (pages 22 to 23) and the Corporate Governance section (pages 24 to 35).

Our People



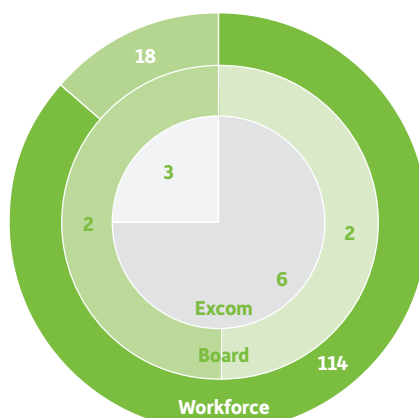
Our employees are one of the primary assets of our business and the Board recognises that our employees are the key resource which enables the delivery of the Company's vision and goals.

We employ a total of 143 staff, in the UK, and work hard to motivate and empower our people in a culture of mutual respect, support and personal responsibility. We want our employees to feel that they are empowered to make decisions or put forward ideas and have the confidence to be accountable for their actions. We want to provide and promote a sense of ownership which encourages individuals to develop and grow in their roles, delivering job satisfaction and a sense of common purpose. We want to continue to be an employer of choice, attracting and retaining the best talent as our business adapts to a constantly changing environment. The talents, skills and values of the people that work for IGas enable it to fulfil its purpose, achieve strategic goals and manage principal risks. That is why decent work and economic growth is one of the United Nation's Sustainable Development Goals adopted by IGas.

We strive to create a diverse and inclusive culture in which everyone feels welcome, we inspire and empower our people to make a positive difference in the workplace and beyond.



Gender Diversity



Board:	2022: 2/4, (50%) (2021: 0/4)
Excom:	2022: 3/9, (33%) (2021: 3/9 (33%))
Workforce:	2022: 18/132, (14%) (2021: 21/135, (16%))

Gender diversity figures as at each year end

We are committed to the protection and promotion of human rights, treating all people involved in, or affected by, our operations with dignity and respect at all times.



We ensure that:

- Health, Safety and the Environment are considered paramount throughout the organisation.
- Annual pay and benefit reviews are carried out to determine whether all levels of employees are benefitting fairly and to retain and encourage skills vital for the business.
- Annual performance reviews are conducted.
- There is competitive pay and employee benefits.
- There is ongoing necessary training and development and career prospects available.
- There are freely available Company policies, procedures and work instructions.
- Employees are informed of the results and important business decisions. This is carried out with "in person" Town Hall meetings as well as individual team and one to one engagement.
- Monthly newsletters and management updates are provided.

The Remuneration Committee oversees and makes recommendations on executive remuneration and any long-term share awards. The Board encourages management to improve employee engagement and to provide necessary training in order to use their skills in the relevant areas in the business.

Partners

We collaborate with our joint venture partners, securing their support to deliver our asset plans. We value their contribution to the effective operational and financial management of our assets as we deliver on our business strategy.

Investors

We adopt an open and transparent approach with our investors and they play an important role in helping shape our strategy and monitoring our governance. We interact through virtual and physical meetings (including the Annual General Meeting), calls and direct correspondence with a range of equity and debt investors.



OUR STAKEHOLDERS CONTINUED

Suppliers

The Board upholds ethical business behaviour across all of the Company's activities and encourages management to seek comparable business practices from all suppliers. As part of our on-boarding procedure when we identify new suppliers, we request copies of their green, ethical and environmental policies, to ensure that any new engagements align to our core business values.

Communities

Making a positive contribution and appropriately managing our environmental impact in the communities in which we live and work remains a key part of our activities. Our communities provide a potential source of employees, contractors and support services, and are important in supporting IGas's social licence to operate and maintaining a positive reputation.

We engage with local communities in a number of ways: through the planning process, our Community Fund, community liaison groups and providing employment and work experience opportunities. We also liaise with Non-Governmental Organisations (NGOs), local business groups and industry bodies to enhance the positive impact we have on the communities in which we operate.

We adopt a "whole of life" approach to our site selection with a methodology covering the entire lifespan of the operation – before, during and after production. To maintain our licence to operate, we continuously manage risk and proactively manage the impacts of our operations, not only in compliance with legislative requirements but also in tune with the high expectations of our stakeholders.

Whilst communities are involved in the statutory process of planning and permitting, we seek to go beyond what is required of us, to better understand the concerns and needs of the different communities in which we operate.

IGas Community Fund

In March 2022, the IGas Community Fund awarded £25,000 worth of grants to support 17 projects in towns and villages close to the Company's operations in Lincolnshire, Hampshire, Surrey and West Sussex. This takes the total awarded to date through the Fund to well over £1 million.

Grants were awarded to a wide variety of projects ranging from uniforms and educational material for a Crimestoppers team working with schools in Lincolnshire to an air source heat pump to replace ageing gas boilers at a community swimming pool in Surrey.



Money has also been allocated for energy saving improvements to community buildings and to a house run by a charity helping homeless people back to independent living; for play equipment and development of outdoor exercise areas; for improvements to facilities at sports clubs; for planting of hedges and trees in community gardens; for refurbishment of a village clock tower; and for speed control signs to improve road safety.

The panel gave priority to projects which would be able to proceed on the strength of a grant from the Fund and which would benefit a wide span of the local community. It also looked for projects that would be sustainable long term without further substantial fund-raising.

Government and Regulators

We take a constructive, positive approach to working with local authorities to ensure high quality planning applications are submitted. Similarly, we maintain positive and proactive relationships with government departments, such as the new Department for Energy Security and Net Zero, via regular dialogue and correspondence.

Regulators



The Health and Safety Regulator

The HSE's primary function is to secure the health, safety and welfare of people at work and protect others from risks to health and safety from work activity.



The Environmental Regulator

The role of environmental regulation is handled by the Environment Agency (EA).



North Sea Transition Authority

The NSTA regulates and influences the oil, gas and carbon storage industries.

Mineral Planning Authority

The MPA grants planning permission and oversees our activities.



Crimestoppers Trust, Lincolnshire: Case Study

In 2022, IGas awarded £2,000 to Crimestoppers Trust in Lincolnshire.

Crimestoppers is an independent charity that empowers people from all communities to speak up to stop crime, with guaranteed anonymity by phone and online, 24/7, 365 days a year. They also advise on how to protect families from crime. Last year, the Trust launched Project Fearless with the aim of delivering educational campaigns to pupils aged 11 to 18 in schools and academies.

The grant made to the Lincolnshire Committee was to purchase uniforms to differentiate its volunteers (both from staff and the police) during their educational training sessions and also help towards the cost of educational packs, literature and a gazebo to enable the team to operate outside when necessary.

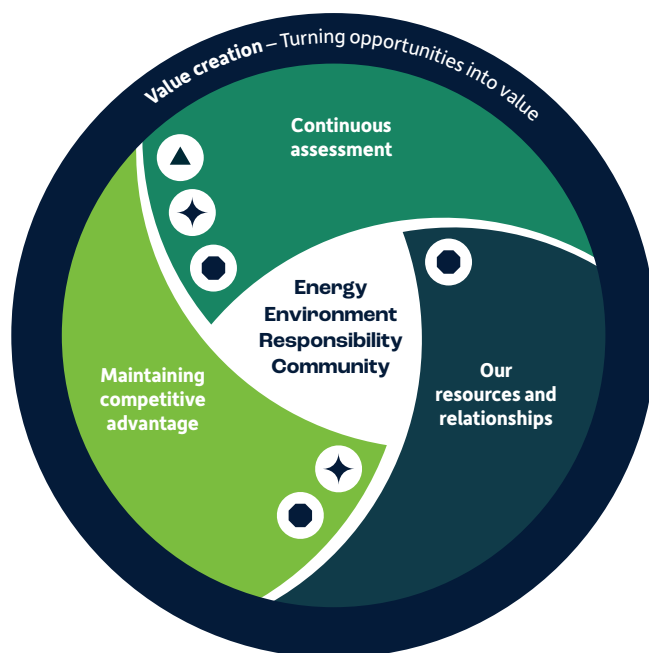
The project was an immense success. The local team of 14 volunteers in the West Lindsey Group were able to interact with over 5,000 young people and a staggering 20,000 adults during 2022. The Lincolnshire committee was awarded Crimestoppers National UK committee of the year in its efforts to make the Lincolnshire community a safer place to live and work and was praised by the judges for its interaction with the public and schools at so many events such as the Lincolnshire Show.

Meeting so many people during the campaign also allowed the team in Lincolnshire to give constructive feedback to Crimestoppers Head Office, which resulted in the restructuring of the Fearless website for young people, <https://crimestoppers-uk.org/fearless> and the introduction of Crimestoppers volunteers' hub on the Crimestoppers national internal intranet.

OPERATING REVIEW

Focused on advancing strategic plans

Our Strategy & Value Creation Cycle



Reserves and production growth



Developing portfolio of growth opportunities



Local and national engagement

Focus on near-term growth in production and revenue through conventional production, appraisal and exploration projects.

Production

Net production for the period averaged 1,898 boepd (2021: 1,962) and was heavily impacted by equipment failure in the first half of the year. The equipment failure was primarily caused by sub-standard material quality, largely as a run-on consequence of COVID-19 supply chain issues. This resulted in a backlog of well repair work, which itself was delayed due to COVID-19 outbreaks amongst rig crews.

In October 2022, a production drive was initiated to ensure wells, plant and equipment had the maximum uptime, going from one to five fully operational rigs, returning 18 offline wells to production, converting two wells from jet pump to beam pumps, lowering operating costs and significantly increasing water injection capacity across our asset base. We also introduced a production dashboard that tracks performance and provides a summary of our weekly priority work activities. As a result of these initiatives, Q4 2022 saw some of the highest production levels in recent times and on 14 December 2022, we produced 2,864 boe, including returns from hotwashes. At peak production (averaged across five days) we produced 2,432 boepd and December production averaged 2,221 boepd (net to IGas).

In 2023, we will move the focus from bringing on any and all production to putting the business on a resilient and sustainable footing, able to withstand a wider range of commodity prices. We will focus on maintaining and increasing production on more profitable fields, whilst attempting to drive down costs across the portfolio. Given this focus and the annual average underlying production decline of c.7%, we anticipate net production in 2023 of c.2,000 boepd.



In 2023, we will focus on maintaining and increasing production on more profitable fields, whilst attempting to drive down costs across the portfolio.

Operating costs were \$41.5/bbl driven primarily by increased energy costs and general price increases on equipment, offset by a more favourable foreign exchange rate. The largest component of increased energy costs was the price of electricity. However, positively, given IGas is a net exporter of electricity, there is a forecast net benefit to IGas of £0.5 million, equivalent to \$0.93/boe. Increased costs are being observed with most goods and services alongside extended delivery times for equipment. To try and mitigate some of these factors, critical items are being bulk ordered for stock resulting in higher spend levels.

We continue to focus our technical and operational expertise on offsetting the underlying natural decline in our fields. This is achieved through the execution of incremental production opportunities that demonstrate commercial benefit via our delivery assurance processes.

During 2022, we completed the abandonment of three wells, two on the Stockbridge field and one on the Egmontan field.

As we look to the future, part of our transition strategy is the abandonment and restoration of old and uneconomic fields, in line with our licence obligations. Our abandonment programme will be accelerated consistent with this strategy, and to support our focus on profitable fields. As part of that strategy, we are moving to campaign style abandonment and to support this, have created a dedicated abandonment division within the business. We are in the process of purchasing a rig to service the abandonments, which will bring the additional benefit of being utilised for workovers that will ultimately drive down third-party costs.

We continue to work closely with all our regulators to ensure we at least meet, if not exceed, our responsibilities as a responsible operator.

Read more about health, safety and the environment on pages 22 to 23.

Reserves and Resources

CPR

In February 2023, IGas announced the publication of the full and final results of the Competent Persons Report (CPR) by DeGolyer & MacNaughton (D&M), a leading international reserves and resources auditor.

IGas Group Net Reserves & Contingent Resources as at 31 December 2022 (MMboe)	1P	2P	2C
Reserves & Resources as at 31 December 2021	10.57	15.79	20.34
Production during the period	(0.68)	(0.68)	–
Additions & revisions during the period	1.28	1.93	(1.64)
Reserves & Resources as at 31 December 2022	11.17	17.04	18.70

The report comprised an independent evaluation of IGas conventional oil and gas interests as of 31 December 2022.

The full report can be found on the IGas website: www.igasplc/investors/publications-and-reports.

1P NPV10 of \$144 million (2021: \$139 million);
2P NPV10 of \$215 million (2021: \$190 million)*.

Development

Conventional oil and gas

In the first quarter of 2022, work was completed to convert an existing, suspended well in the Stockbridge field to a water disposal well; this allowed c.200 bbls/d of suspended production to be brought back on line. The project also provides more operational flexibility in handling produced water in the Stockbridge area.

During the year, we continued to mature our growth opportunities in the East Midlands at Corringham and Glentworth, submitting applications for planning and permitting and in the Weald, submitting permit applications for Bletchingley.

On the infill drilling project at Corringham, which has the potential to add c.110 bbls/d and 0.35 mmstb 2P reserves, we have now discharged all our planning conditions and we received environmental permits in March 2023. Execution of this project in 2023, along expected timelines, should add production at the end of 2023.

There is a mature opportunity to install 6 MW of electrical generation capability at the Bletchingley Central site fuelled by gas from the Bletchingley 2 well, which is currently suspended. This will generate circa 47 GWh of electricity delivered into the local distribution network. First power export from this project is expected in late 2024/early 2025.

Glentworth is a larger appraisal/development project to extend one of our existing fields. We submitted a planning application to Lincolnshire County Council for the construction of a new wellsite, to the west of our existing Glentworth-K oil production site, in December 2022. The application was validated by the Council in December 2022.

It is currently scheduled to be heard at the April 2023 Planning Committee meeting. Phase I has the potential to add c.200 bbls/d and development of c.1.0 mmstb 2P reserves (currently 2P undeveloped).

If phase I is successful, this will be followed by further development drilling in subsequent years, with the subsequent development having the potential to add an additional 500bbls/d, and the addition of c.2mmstb 2P reserves from 2C.

As well as executing the Corringham, Bletchingley and Glentworth projects, we look forward to bringing back production at our shut-in Avington field and continue to mature our portfolio of opportunities, particularly around the Singleton and Welton fields.

Shale

The Group holds a significant portfolio of shale licences, totalling 292,100 net acres with estimated mean volumes of undiscovered GIIP of 93 TCF (net to IGas, independently assessed by D&M in 2016).

Following a concerted effort from the UK onshore oil and gas industry, on 5 April 2022 the Government announced that it had commissioned the British Geological Survey to advise on the latest scientific evidence around shale gas extraction. This report was delivered to BEIS** on 5 July 2022.

On 8 September 2022, the Government announced a lifting of the effective moratorium on hydraulic fracturing in England and a review of energy regulation.

On 27 October 2022, the Government, under the leadership of Rishi Sunak as Prime Minister, reintroduced the moratorium on hydraulic fracturing for shale gas.

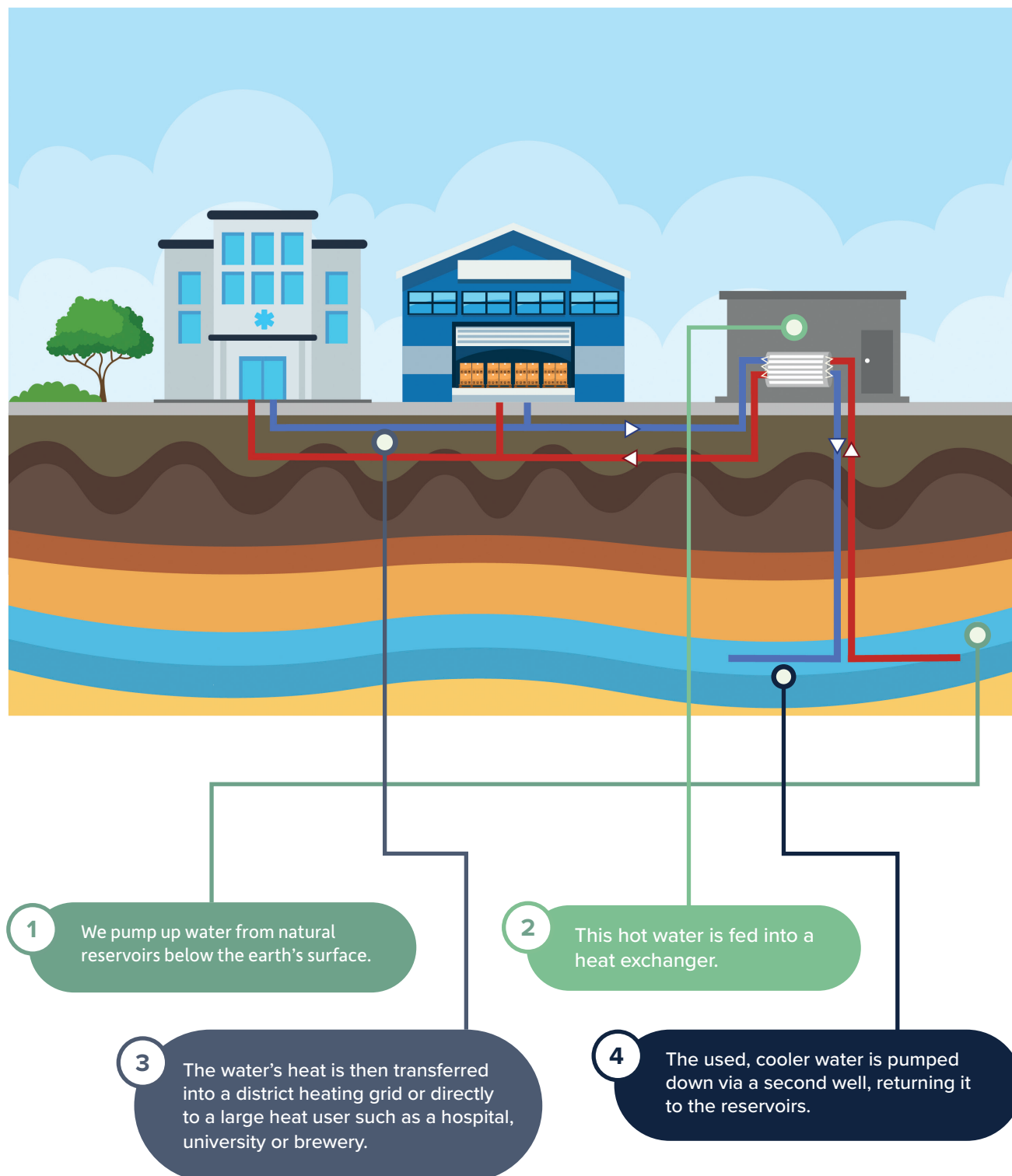
We have fully impaired our remaining shale assets and the Springs Road well will be fully abandoned and restored by Q1 2024.

* Oil price assumption of c.\$75/bbl for five years, then inflated at 2% p.a. from 2031 (capped \$118/bbl).

** Now Department for Energy Security and Net Zero

OPERATING REVIEW CONTINUED

Producing Geothermal Heat – how it works



Geothermal Heat

We have made significant progress during the year in bringing our vision for decarbonisation of large-scale heat using geothermal energy, in the UK, closer to fruition. We have been working closely with Government, academia and commercial partners to accelerate support for, and understanding of, this proven technology.

Launched in March 2022, the Green Heat Network Fund (GHNF) opened up for the drilling of geothermal wells. The GHNF Transition Scheme is a three-year, £288 million capital grant fund that will support the commercialisation and construction of new low and zero carbon heat networks including deep geothermal wells and associated works. We submitted an application with SSE for the Stoke-on-Trent district heat network project and await a decision on the grant award.

In December 2022, we made applications for grant funding from the Public Sector Decarbonisation Scheme in partnership with the Carbon Energy Fund (CEF) for the development of five geothermal schemes, supplying renewable heat to NHS Trusts. We anticipate notification as to our success in Q2 2023. Subject to our success in one or more of the schemes, a further five or more NHS sites are likely to be put forward in H2 2023.

The Public Sector Decarbonisation Scheme, which provides grants for public sector bodies to fund site decarbonisation, launched its Phase 3 in September 2022 for low carbon technologies including deep geothermal. Phase 3 of the Scheme will provide £1.425 billion of grant funding over the financial years 2022/2023 to 2024/2025, through multiple application windows. If successful, the funding will enable us to progress these projects through the planning and design phase and bring them to shovel ready stage.

As awareness grows of the potential for geothermal we are being approached by numerous end-users – public sector and commercial – in search of low carbon solutions to replace higher carbon sources of heat provision.

Our project pipeline continues to grow and mature and we are in active discussions with potential customers for 35 projects.

The Government is also actively working on longer-term support for geothermal with the Department for Energy Security and Net Zero commissioning ARUP and the British Geological Survey to produce a Deep Geothermal Energy White Paper, an evidence-based assessment to help accelerate the development and deployment of deep geothermal energy projects as an opportunity to significantly contribute to the UK's net zero goals.

Outlook

During 2023, we expect to start delivering on the organisation's diversification strategy. We expect to achieve financial close for the Stoke-on-Trent geothermal project and move into the execution phase of that project. This will be a fundamental step forward for the Company and for the wider geothermal sector in the UK. We will continue to grow and mature our pipeline of geothermal opportunities across the UK.



SSE is leading the way in developing the low-carbon assets and infrastructure required for the UK to reach its target of net zero emissions by 2050 and has set out its plans for a £1.2 billion investment in low carbon energy infrastructure over the next five years, to which geothermal is core in realising.

FINANCIAL REVIEW

Strong operating cash flow enabling debt reduction

Commodity prices remained strong during the year, with Brent averaging c.\$108/bbl in the first half of the year before falling to an average of c.\$95/bbl in the second half, resulting in strong operational cash flow from our conventional oil and gas assets.

Natural gas prices remained volatile, reaching peaks of over 500p/therm and 700p/therm in March and August, respectively, and averaging 262p/therm for the year. Sterling weakened during the year, declining to a low of £1:\$1.07 before recovering to £1:\$1.22 towards the end of the year. Average GBP/USD rates were £1:\$1.23 in 2022 compared to £1:\$1.38 in 2021 which also had a favourable impact on our revenues.

Production for the year averaged 1,898 boepd (2021: 1,962 boepd), meeting our guidance for the year despite supply chain and staffing challenges which impacted our ability to perform well interventions as quickly as planned in the first half of the year. However, good results from our Stockbridge water injection well, production enhancement and optimisation expenditure and a production initiative in the fourth quarter meant we were able to mitigate these issues and offset the natural declines from our fields. Whilst volumes declined from last year, the improved pricing and weakening of sterling resulted in increased revenues of £59.2 million for the year (2021: £37.9 million) which was partially offset by a realised loss on hedging of £8.0 million (2021: £6.6 million). Operating costs increased to £24.0 million (2021: £19.1 million) reflecting inflationary increases in materials and equipment costs, supply chain disruptions, additional workover and maintenance activity and an increase in electricity costs. Operating costs also include an increase of £1.5 million relating to the purchase of third party oil volumes which is offset by higher revenue from their sale. Depreciation, depletion and amortisation (DD&A) increased to £6.3 million (2021: £4.8 million) mainly due to the increase in the carrying value of assets following the reversal of impairment to oil and gas properties recorded in June 2022. Underlying operating costs per boe, excluding third party oil but including costs relating to leases capitalised under IFRS 16, were £33.4 (\$41.5), per boe for the year (2021: £27.1 (\$37.4) per boe).

A net impairment reversal was recognised on oil and gas assets in the year of £0.03 million (2021: £nil). An impairment reversal of £10.5 million was recorded in the South Cash Generating Unit (CGU) as a result of higher commodity prices. In the North CGU, an impairment charge of £8.9 million was recognised due to the increase in discount rates, higher operating costs and the impact of the Energy Profit Levy. We impaired £1.5 million of past costs on our Lybster licence as these are not expected to be recovered in any future development of the site. We are currently reviewing development options for this asset. Exploration and evaluation assets of £30.0 million were also written off during the year which included £6.0 million related to PEDL 184 following the rejection of planning consent on appeal for a well test of the Ellesmere Port-1 well and £23.8 million related to PEDLs 12, 139, 140, 169 and 210 in our core Gainsborough Trough area, following the reimposition of the moratorium on hydraulic fracturing for shale gas by the UK Government in October 2022. Adjusted EBITDA was £21.1 million (2021: £5.9 million) and the underlying operating profit was £16.1 million (2021: £2.0 million), with the increases resulting primarily from improved revenues and gross margin.

Higher operating cash flows resulted in a significant reduction in the Group's net debt to £6.1 million as at 31 December 2022 (31 December 2021: £12.2 million). The Group's Reserves Based Lending facility (RBL) is subject to a semi-annual redetermination which confirmed an available facility limit of £14.0 million (\$17.0 million) as at 1 January 2023.

Income Statement

The Group recognised revenues of £59.2 million for the year (2021: £37.9 million). Group production for the year averaged 1,898 boepd (2021: 1,962 boepd). Revenues included £2.7 million (2021: £1.1 million) relating to the sale of third party oil, the bulk of which is processed through our gathering centre at Holybourne in the Weald Basin.

The average pre-hedge realised price for the year was \$98.6/bbl (2021: \$68.5/bbl) and post-hedge \$82.7/bbl (2021: \$54.3/bbl). A loss of £8.0 million was realised on hedges due to an increase in oil prices during the year (2021: £6.6 million). The average GBP/USD exchange rate for the year was £1: \$1.23 (2021: £1: \$1.38).

Cost of sales for the year were £30.3 million (2021: £23.9 million) including DD&A of £6.3 million (2021: £4.8 million), and other costs of sales of £24.0 million (2021: £19.1 million). The DD&A charge has increased by £1.5 million in the year due to the increase in the carrying amount of the underlying oil and gas assets as a result of the reversal of impairment on the South CGU in June 2022. Other costs of sales were £4.9 million higher than the prior year. £1.5 million of the increase related to the purchase of third party oil which was offset by higher revenue from related sales. The remaining increase was due to inflationary increases in materials and equipment costs, supply chain disruptions, additional workover and maintenance activity and an increase in electricity costs.

Underlying operating costs per barrel of oil equivalent (boe), excluding third party oil but including costs relating to leases capitalised under IFRS 16, increased to £33.4 (\$41.5), (2021: £27.1 (\$37.4) per boe) as a result of the higher operating costs in the year.

Adjusted EBITDA in the year was £21.1 million (2021: £5.9 million). The gross profit for the year was £28.8 million (2021: £14.0 million).

Administrative costs increased by £0.5 million to £6.3 million (2021: £5.8 million). The increase was due to higher staff costs arising as a result of inflation increases and redundancy costs incurred during the year. This was partially offset by lower legal and professional costs and a higher allocation to capital projects.

A net impairment reversal of £0.03 million was recorded on oil and gas assets during the year (2021: £nil). The impairment assessment at year end was based on a discounted cash flow model prepared using price assumptions for Brent of \$70-80/bbl for the years 2023-2027 and \$65/bbl thereafter. Management also performed sensitivity analysis on the key assumptions. Whilst the impairment assessment supported a reversal of the previously recorded impairment of £10.5 million for the South CGU, an impairment charge of £8.9 million was recognised in the North CGU as a result of the impact of an increase in the discount rate, higher operating costs and the expansion of the Energy Profits Levy scheme, which more than offset the benefits from higher oil price forecasts for that CGU. In addition, an impairment charge of £1.5 million was recorded against the Scotland CGU in respect of past costs as these are not expected to be recovered in any future development of the site. See note 10 of the financial statements for further details.

Exploration and evaluation assets impairments during the year were £30.0 million. This included £6.0 million relating to PEDL 184 following the rejection of planning consent on appeal for a well test of the Ellesmere Port-1 well and, as the Group has no plans for further activity on the licence, the full capitalised amount has been written off (2021: £10.5 million). In addition, £23.8 million was written off primarily related to PEDLs 12, 139, 140, 169 and 210 in the Gainsborough Trough area following the reimposition of the moratorium on hydraulic fracturing for shale gas by the UK Government in October 2022, a month after it was temporarily lifted. The Board assessed that, given the broad political consensus in the UK on this issue, the moratorium is unlikely to be lifted in the near to medium term and therefore that the Group is unlikely to be able to proceed with the commercial development of this asset, hence the full capitalised value was written off.

Net finance costs were £5.1 million (2021: £3.9 million). Interest and amortisation of finance fees on borrowings were £1.2 million (2021: £1.1 million) with the impact of a reduction in the amount drawn being offset by higher interest rates. Finance costs also included the unwinding of discount on provisions of £1.7 million (2021: £1.9 million) and a foreign exchange loss of £1.4 million (2021: £0.2 million) due to the revaluation of our USD denominated loan at a stronger USD/GBP rate. Interest on leases was £0.7 million (2021: £0.7 million).

The increase in oil prices during the year generated a net loss on oil price derivatives of £6.0 million (2021: £6.7 million).

A net tax credit of £6.6 million (2021: £6.2 million) was recognised during the year, mainly due to the increase in a deferred tax asset relating to tax losses following an improved short-term oil price and foreign exchange environment (£14.1 million), partially offset by a deferred tax charge arising as a result of the Energy Profits Levy (£4.6 million) and accelerated capital allowances of (£3.0 million).

	2022 £m	2021 £m
Revenues	59.2	37.9
Adjusted EBITDA ¹	21.1	5.9
Underlying operating profit ¹	16.1	2.0
Net cash from operating activities	18.1	7.1
Loss after tax	(11.8)	(6.0)
Net debt ¹	6.1	12.2
Cash and cash equivalents	3.1	3.3
Net assets	58.3	68.6

1 These are non-IFRS alternative performance measures which are further explained on page 17.

	2022 \$	2021 \$
Realised Price Per Barrel		
Realised price per barrel	82.7	54.3
G&A per BOE	11.7	11.4
Other operating costs (underlying)	30.8	29.0
Well services	8.0	5.3
Transportation and storage	2.7	3.1

	2022 £m	2021 £m
Adjusted EBITDA		
Loss before tax	(18.4)	(12.3)
Net finance costs	5.1	3.9
Changes in fair value of contingent consideration	–	(0.6)
Depletion, depreciation & amortisation	6.3	4.9
Oil and gas assets net impairment (reversal)/charge	–	–
Exploration and evaluation assets impairment charge	30.0	10.5
EBITDA	23.0	6.4
Lease rentals capitalised under IFRS 16	(1.7)	(1.5)
Share-based payment charge	1.0	0.9
Unrealised (gain)/loss on hedges	(1.9)	0.1
Redundancy costs (net of capitalisation)	0.7	–
Adjusted EBITDA	21.1	5.9

	2022 £m	2021 £m
Underlying operating profit		
Operating loss	(13.3)	(9.0)
Lease rentals capitalised under IFRS 16	(1.7)	(1.5)
Depreciation charge of right-of-use assets	1.3	1.0
Share-based payment charge	1.0	0.9
Oil and gas assets net impairment (reversal)/charge	–	–
Exploration and evaluation assets impairment charge	30.0	10.5
Unrealised (gain)/loss on hedges	(1.9)	0.1
Redundancy costs (net of capitalisation)	0.7	–
Underlying operating profit	16.1	2.0

	31 December 2022 £m	31 December 2021 £m
Debt (nominal value excluding capitalised expenses)	(9.2)	(15.5)
Cash and cash equivalents	3.1	3.3
Net debt	(6.1)	(12.2)

FINANCIAL REVIEW CONTINUED

Cash Flow

Net cash generated from operating activities for the year was £18.1 million (2021: £7.1 million). The increase was primarily due to higher revenue partially offset by a realised hedge loss, higher operating costs and working capital movements. We also spent £2.2 million on our abandonment programme during the year related to wells in the Stockbridge and Egmonton fields (2021: £0.4 million).

The Group invested £7.9 million across its asset base during the year (2021: £4.8 million). £7.2 million was invested in our conventional assets primarily to convert an existing, suspended well in the Stockbridge field to a water disposal well allowing c.200 bbls/d of suspended production to be brought back on line, and in smaller projects to generate near-term production and offset field declines by upgrading existing facilities and systems and optimising production at a number of sites. £0.5 million was spent on working up additional exploration opportunities on conventional assets as well as maintenance costs relating to shale licences.

The Group made a repayment of £8.0 million (\$10 million) (2021: £0.7 million (\$1.0 million)) under the RBL and paid £1.0 million (\$1.2 million) in loan interest (2021: £0.8 million (\$1.0 million)).

To protect against the volatile oil price and in accordance with the requirements of our RBL facility, the Group placed commodity hedges for a period of up to 12 months. As at 31 December 2022, the Group had hedged a total of 60,000 bbls for 2023, using fixed price swaps at an average fixed price of \$94.93/bbl.

Cash and cash equivalents were £3.1 million at the end of the year (2021: £3.3 million).

Balance Sheet

Net assets reduced by £10.3 million to £58.3 million at 31 December 2022 (2021: £68.6 million), primarily due to the impairment of capitalised exploration costs related to our shale assets, offset by a reduction in borrowings and in our decommissioning provision.

Property, plant and equipment increased by £0.1 million during the year as a result of capital expenditure of £7.8 million, offset by a DD&A charge of £5.0 million and a reduction in the value of decommissioning assets of £2.7 million.

Intangible assets reduced by £29.1 million following an impairment of shale assets of £30.0 million. Additions to oil and gas exploration and evaluation assets and geothermal development assets were £0.7 million and £0.2 million, respectively.

The provision for decommissioning costs decreased by £3.2 million (2021: increase of £3.3 million) as a result of abandonment activity during the year (£2.3 million), an increase in discount rates and a change in inflation assumptions and the expected timing of abandonments (£2.7 million), offset by the unwinding of the discount on the provision of £1.7 million.

At 31 December 2022, right-of-use assets were £7.4 million (2021: £7.0 million) and related lease liabilities were £7.8 million (2021: £7.2 million).

We repaid \$10.0 million (£8.0 million) on our RBL loan facility during the year reducing net debt to £6.1 million by year end (2021: £12.2 million).

2023 Capital Expenditure

We are forecasting cash capex of £15.3 million in 2023, subject to financing. This includes £5.7 million for near-term incremental projects to generate c.150-170 boepd, including 110 bbls/d from our Corringham project which is expected to be online at the end of 2023. The remaining expenditure includes £4.0 million to develop the Bletchingley gas-to-wire project which is expected to generate circa 47 GWh of power from late 2024/early 2025, £1.0 million to progress development projects at Singleton and Glentworth, and expenditure on the maintenance and optimisation of our existing conventional sites.

We expect a cash outflow of c.£6.5 million for our abandonment programme in 2023 to be spent primarily in carrying out abandonment works in the Egmonton field and abandoning two shale wells. We are also in the process of purchasing a rig as part of setting up a dedicated abandonment division.

Going Concern

The Group continues to closely monitor and manage its liquidity risks. Cash flow forecasts for the Group are regularly produced based on, inter alia, the Group's production and expenditure forecasts, management's best estimate of future oil prices and foreign exchange rates and the Group's available loan facility under the RBL.

Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, strengthening of sterling and reductions in forecast oil and gas production rates.

Crude oil prices rose during 2022 as loosening pandemic-related restrictions and growing economies resulted in global petroleum demand rising faster than supply. The war in Ukraine and sanctions imposed on Russia have led to concerns about oil and gas supply disruption while also adding support to prices. Going forward, prices remain volatile with cost of living and recession concerns in many economies increasing risks on the demand side, whereas China's relaxing of COVID-19 restrictions and resumption of normal economic activity will support prices.

The Group's operating cash flows have improved in 2022 as a result of improving commodity prices and we have successfully completed the November 2022 redetermination. A successful production drive and reorganisation was undertaken in the last quarter of 2022, which resulted in a significant increase in production and we have seen the benefit of this extending into 2023, putting the business on a resilient and sustainable footing, able to withstand a wider range of commodity prices. However, the ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its RBL, which is redetermined semi-annually based on various parameters (including oil price and level of reserves) and is also dependent on the Group not breaching its RBL covenants.

The Group's base case cash flow forecast was run with average oil prices of \$84/bbl for H1 2023 and \$83/bbl for H2 2023, falling to \$80/bbl for H1 2024 and \$77/bbl for Q3 2024, and a foreign exchange rate of an average \$1.23/£1 for 2023 and \$1.25/£1 for 2024. We also assumed that our existing RBL facility is amortised in line with its terms, but is not refinanced or extended, resulting in a reduction in the facility to \$nil million from 30 June 2024. Our forecasts show that the Group will have sufficient financial headroom to meet its financial covenants based on the existing RBL facility for a period of at least 12 months from the date of approval of the financial statements.

Management has also prepared a downside case with average oil prices at \$80/bbl for H1 2023, \$72/bbl for Q3 2023 and \$68/bbl for Q4 2023, falling further to \$65/bbl for H1 2024 and \$62/bbl for Q3 2024. We used an average exchange rate of \$1.25/£1 for the remainder of H1 2023, \$1.27/£1 for H2 2023 and H1 2024 and \$1.30/£1 for Q3 2024. Our downside case also included an average reduction in production of 5% over the period. In the event of the downside scenario, management would take mitigating actions including delaying capital expenditure and reducing costs, in order to remain within the Group's debt liquidity covenants over the remaining facility period, should such actions be necessary. All such mitigating actions are within management's control. We have not assumed any extensions or refinancing to the RBL. In this downside scenario, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants for the 12 months from the date of approval of the financial statements. Management remain focused on maintaining a strong balance sheet and funding to support our strategy. As part of this financial policy, management continue to assess funding opportunities and plan to refinance the existing RBL before its expiry date.

Based on the analysis above, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for at least the next 12 months from the date of the approval of the Group financial statements and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

Frances Ward

Frances Ward

Chief Financial Officer

Non-IFRS Measures

The Group uses non-IFRS measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. The non-IFRS measures include net debt, adjusted EBITDA and underlying operating profit.

These non-IFRS measures are used by the Group, alongside IFRS measures, for both internal performance analysis and to help shareholders, lenders and other users of the Annual Report to better understand the Group's performance in the period in comparison to previous periods and to industry peers.

Net debt is defined as borrowings excluding capitalised fees less cash and cash equivalents and does not include the Group's lease liabilities.

Adjusted EBITDA and underlying operating profit includes adjustments in relation to non-cash items such as share-based payment charges and unrealised gain/loss on hedges.

Lease costs for the period which have been capitalised under IFRS 16 have been added to underlying operating costs and deducted in the calculation of adjusted EBITDA to be consistent with previous periods.

KEY PERFORMANCE INDICATORS (KPIs)

Measuring our progress

IGas tracks both financial and non-financial metrics to help the Group manage its long-term performance and measure progress against its strategy.

NON-FINANCIAL

Lost Time Injuries (LTI) (number)

Progress on Development – asset optimisation, oil and gas opportunities and diversification

Two

2022		Two	2022	Glentworth planning submitted. Corringham EA permit granted. Submission to GHNF for Stoke-on-Trent geothermal. Geothermal tenders for five NHS Trusts.
2021		Two		
2020		Nil	2021	Albury & Bletchingley planning submitted. Solar agreement with Iona Capital. Stockbridge water disposal underway.
2019		Nil		
2018		One	2020	Completed the acquisition of GTE, a geothermal developer with a flagship project in Stoke-on-Trent. Signed partnership agreement with BayoTech for development of hydrogen on existing sites. Scampton waterflood project online.
			2019	Drilled a vertical well at Springs Road and announced a world-class shale discovery in June.
			2018	Completed site construction at both Tinker Lane and Springs Road; drilled a vertical well at Tinker Lane and plugged and abandoned the well following completion of drilling; and appealed the decision for flow tests at Ellesmere Port following rejection of the application by Chester West and Chester Council.

Reasons for choice

Health and safety is of paramount importance to us in providing the highest level of protection to all our stakeholders.

The Group intends to play an important role in the UK's energy transition through the development of geothermal energy whilst maximising opportunities in its existing business.

How we measure

We tracked nine leading and 11 lagging indicators during the year and these are reported to the Board on a monthly basis. We aim to have zero LTIs but when we do have an LTI this is fully investigated with clear remedial action as required and communication of learnings to the organisation.

Progress against budgeted work programmes is tracked on a monthly basis and reported to the Board. Where progress is slower than expectations, actions are taken to understand the reasons and issues addressed.

Target and results for 2022

The target of 0 LTIs was not met.

An application to the GHNF was submitted in partnership with SSE.

Any incident where injury occurs automatically triggers an in-depth review of our existing procedures and subsequent implementation of improvements.

A planning application was submitted and validated for the Glentworth oil project.

Tenders submitted for the provision of geothermal heat systems to five NHS trusts.

We maintained ISO 9001 and 14001 accreditation.

Remuneration & strategy link

This measure is used to determine the level of annual cash bonus.

This measure is used to determine the level of annual cash bonus.

FINANCIAL

Production (boepd)

1,898 boepd

2022	1,898 boepd
2021	1,962 boepd
2020	1,907 boepd
2019	2,325 boepd
2018	2,258 boepd

Operating costs (\$/boe)

\$41.5/boe

2022	\$41.5/boe
2021	\$37.4/boe
2020	\$33.3/boe
2019	\$30.1/boe
2018	\$32.0/boe

Operating cash flow before working capital movements (£m)

£19.4m

2022	£19.4m
2021	£7.4m
2020	£3.3m
2019	£14.3m
2018	£11.6m

Reasons for choice

The Group aims to maintain production levels to provide operating cash flow for funding of the Group. To ensure this target is met an appropriate level of capital investment is planned to mitigate against the underlying decline in our mature fields.

Operating costs per boe is a key focus for the Group as keeping costs low will improve the cash that we generate from our producing assets.

Operating cash flow is key to providing funding for investing in the business as we pursue our growth strategy.

How we measure

Daily and weekly production is monitored for all producing assets and reported weekly to senior management and monthly to the Board. Monthly production forecasts are prepared during the year to measure progress against the production target.

Operating costs are monitored closely to ensure that budget targets are being met. Operating costs are reported on a monthly basis to the Board and actions are taken, as required, to control costs in line with the budget.

Operating cash flow is reported to the Board on a monthly basis. Regular forecasts are undertaken to ensure operating cash flow is in line with budget, as well as longer-term forecasts to ensure that the strategy of the business can be adequately funded.

Target and results for 2022

Net production for the year was 1,898 boepd. First half was heavily impacted by supply chain issues. This was resolved and a production drive in Q4 led to a strong recovery.

Operating costs were \$41.5/boe, exceeding the target set for the year. Total operating costs were higher than the target due to higher energy costs, inflationary increases in materials and equipment and additional maintenance and workover activity. Operating costs per boe were also impacted by lower production volumes.

Operating cash flow before working capital movements was £19.4 million which exceeded the target set for the year. Higher commodity prices, net of hedges, more than offset the impact of lower production. We continued to focus on cost savings to offset inflationary pressures and made significant improvements in Q4 on production rates.

Remuneration & strategy link

This measure is used to determine the level of annual cash bonus.

This measure is used to determine the level of annual cash bonus.

This measure is used to determine the level of annual cash bonus.

RISK MANAGEMENT

Understanding the risks associated with our operations

Risk	Executive Ownership	Mitigation	Change
Strategic			
1. Exposure to political risk This can include changes in Government or the effect of a local or national referendum. These political risks can result in changes in the regulatory or fiscal environment (including taxation) which could affect the Group's ability to deliver its strategy. This can also include geopolitical risk such as the war in Ukraine, which has the potential to impact commodity prices.	CCO – Ann-marie Wilkinson	The Group engages with Government and other appropriate organisations, directly and through its trade body, UKOOG, and other industry associations, to ensure the Group is kept abreast of expected potential changes and takes an active role in making appropriate representations. The Group also monitors geopolitical impacts on oil and gas prices (see risks 9 and 10).	▲
2. Strategy performance Strategy fails to meet shareholder expectations.	IEC – Chris Hopkinson	Management regularly communicates its strategy to shareholders. Focus is placed on building a diverse and resilient asset portfolio.	—
3. Climate change Changes in laws, regulations, policies, obligations and social attitudes relating to the transition to a lower carbon economy could lead to higher costs, or reduced demand and prices for hydrocarbons, impacting the profitability of the Group.	IEC – Chris Hopkinson	The Group works closely with regulators to ensure that all required planning consents and permits for operations are in place and maintains continual dialogue with all stakeholders to understand emerging requirements. The Board actively reviews the Group's strategy to ensure it remains relevant and will provide long-term returns to shareholders. The Group's strategy includes diversification into the geothermal energy market which it believes can form a key part of the UK's transition to net zero in 2050, developing a competitive advantage and distinguishing IGas from its peers.	▲
4. Cyber security Exposure to a serious cyber-attack which could affect the confidentiality of data, the availability of critical business information and cause disruption to our operations.	CCO – Ann-marie Wilkinson	The Group outsources its provision of IT equipment and help desk services to a third party and ensures that staff are trained in security awareness. The Group has been accredited with Cyber Essential Plus which demonstrates commitment to cyber security.	—
Operational			
5. Planning, environmental, regulatory, licensing and other permitting risks Planning, environmental, licensing and other permitting risks associated with operations and, in particular, with drilling and production operations.	COO – Ross Glover	The Group considers that such risks are partially mitigated through compliance with regulations, proactive engagement with regulators, communities and the expertise and experience of its team. Continual dialogue with local authorities to understand requirements.	▲
6. Failure to deliver production targets Oil or gas is not produced in the anticipated quantities from any or all of the Group's assets or that oil or gas cannot be delivered economically.	COO – Ross Glover	The Group considers that such risks are mitigated given that its producing assets are located in established oil and gas producing areas, there is a portfolio of producing assets and its operating staff have extensive expertise and experience. The Company seeks to diversify its revenue streams.	—

Key to direction of change



Increase



Decrease



No change

Risk	Executive Ownership	Mitigation	Change
Operational continued			
7. Loss of key staff Loss of key staff.	CCO – Ann-marie Wilkinson	The Remuneration Committee regularly evaluates incentivisation schemes to ensure they remain competitive. The Company seeks to build depth of experience in all key functions to ensure continuity.	
8. Pandemic Exposure to a global pandemic, such as COVID-19, that leads to reduction in staff availability, disruption to the Group's operations and delays to the supply chain.	IEC – Chris Hopkinson	The Group has business continuity plans in place to manage any disruption to operations. These include procedures to ensure staff are kept healthy and safe and that the Group complies with all guidance issued by the Government. Office staff work from home where appropriate and the necessary technology and equipment are in place to maintain this. Liaison with all regulators to ensure that the Group remains compliant with all permits and regulatory standards.	
Financial			
9. Oil market price risk Exposure to market price risk through variations in the wholesale price of oil in the context of the production from oil fields it owns and operates.	CFO – Frances Ward	The Board seeks to underpin the Group's future cash flows by entering into a hedging programme as appropriate. The Board continues to monitor the benefits of such hedging.	
10. Gas and electricity market price risk Exposure to market price risk through variations in the wholesale price of gas and electricity in the context of its future unconventional production volumes.	CFO – Frances Ward	The Board monitors the benefit of entering into contracts at the appropriate time to protect against gas and electricity price volatility.	
11. Exchange rate risk Exposure to exchange rate risk through both its major source of revenue and its major borrowings being priced in US dollars whereas the majority of costs are denominated in Sterling.	CFO – Frances Ward	The Board monitors the cash flows and currency exposures of the Group. Exchange rate hedges are executed as appropriate to mitigate the exchange rate risk.	
12. Liquidity risk Exposure, through its operations, to liquidity risk.	CFO – Frances Ward	The Board regularly reviews the Group's cash forecasts and the adequacy of available facilities to meet the Group's cash requirements.	
13. Capital risk The Group is exposed to capital risk resulting from its capital structure, including operating within the covenants of its RBL.	CFO – Frances Ward	The capital structure is continually monitored to ensure it is in line with the business needs and ongoing asset development. Further details of the Group's capital management policy are disclosed in note 22 to the consolidated financial statements.	

SUSTAINABLE AND RESPONSIBLE BUSINESS

A socially and environmentally responsible energy producer

Environmental and social responsibility are central to our vision, strategy and day-to-day operations.

The United Nations' Sustainable Development Goals (SDGs) form a universal blueprint for achieving a better and more sustainable future for all by 2030.

We support the United Nations' Sustainable Development Goals with an active focus on:



Engaging with Society



Guided by moral principles and values, we make ethical decisions, manage risk and conduct our business in full compliance with all legal and regulatory requirements, in a way that achieves a balance between environmental, societal and economic needs.

We train employees annually on anti-corruption, bribery, modern slavery, unconscious bias and equality and diversity.

UN Global Compact

The UN Global Compact (UNGC) is the world's largest corporate sustainability initiative which aims to support companies to do business responsibly by aligning their strategies and operations with the ten principles on human rights, labour, environment, and anti-corruption. Alongside this, the Compact actively encourages further action regarding the UNSDGs, emphasising collaboration and innovation to advance broader societal goals. IGas joined as a signatory to the Global Compact in 2021 and will fulfil the three requirements within the annual Communications on Progress (CoP); stating our continued support for the UNGC; describing the actions taken by the Company and measuring the outcomes.

Health & Safety



Health and safety is integral to our business and we are committed to maintain a positive safety culture across our business. We work hand-in-hand with our contractors as one team, striving to keep everyone safe and healthy. We adhere to all laws and regulations governing safe working and, in many cases, our internal standards go above the requirements of the law.

It was, therefore, disappointing that we had Lost Time Injuries (LTIs) during 2022. We continually strive to eliminate injuries to people working on our operations. Any incident where injury occurs automatically triggers an in-depth review of our existing procedures and subsequent implementation of improvements.

Safety related campaigns, launched during 2021, have continued throughout 2022. Engagement has improved and as a result this year we have exceeded in all but one of our safety related Leading Management KPIs. The campaigns continue to have a measurable impact, reducing incident rates and improving both the quantity and quality of internal HSE type reports.

One such campaign has been to encourage all those that work in the field to regularly take time out to inspect operational sites for their potential hazards. As a result, sites have become less cluttered, tidier and safer.

We ensure our colleagues have access to affordable healthcare and aim to achieve top quartile industry performance on our occupational safety measures.

2022 saw a more muted response to COVID-19. Offices have reopened, and many office-based employees now split their time between working from home and working from an office.

The programme of Emergency Response Exercises continued throughout 2022. Regularly testing our response plans ensures that they constantly improve and that they work in the event of an emergency.

Environment

We are determined to play a vital part in the UK energy transition and lowering our impact on the environment is a key step in that journey.

We operate in a highly regulated environment and there are strict rules in place to help us monitor and minimise our impact. For further information on our regulators please see page 8.

Our Stakeholders

IGas operates an ISO 14001 certified Environmental Management System and by doing so demonstrates, via external assurance, that the systems and processes which we apply to our business in the management and determination of environmental risk are robust. During 2021, our certification for both ISO 9001 and 14001 were successfully renewed and then maintained throughout 2022.

Climate Change and GHG Emissions

Climate action is now a global priority, with the UK targeting net zero. IGas is resolved to being part of that transition, delivering low-carbon solutions such as geothermal whilst delivering domestic oil in a responsible way, constantly looking to reduce its impact on the environment.

IGas recognises the risk that climate change poses to society and to its business.

We support the UK's transition to a low carbon economy, through the responsible development and production of domestic onshore oil and gas in alignment with the Committee on Climate Change recommendations and also through our investment in low carbon technologies such as geothermal.

Our approach to managing our GHG emissions involves:

- The efficient operation of our existing equipment and infrastructure, including minimising flaring and venting; and
- The installation of best available technology into all new projects to minimise their carbon intensity.

Streamlined Energy and Carbon Reporting (SECR) Disclosure

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the Government's policy on SECR, requiring disclosure of the environmental performance of the Group's assets through calculating the Group's GHG emissions. Our disclosure presents our carbon footprint across Scope 1 and 2 together with an appropriate intensity metric and total energy use.

Methodology

GHG emissions are quantified and reported according to the Greenhouse Gas Protocol. Consumption and production data has been collated and converted into CO₂ equivalent using the UK Government 2020 Conversion Factors¹ for Company Reporting to calculate emissions from corresponding activity data. To collect both consumption and production data, the Group has reviewed emissions data related to production, electricity purchases, fuel purchases related to mileage in Group-owned vehicles as well as staff expenses related to business mileage in private vehicles.

This information has been prepared in accordance with the GHG Protocol's Guidance. Data collected relates to the most recent 12 month period where data was available.

The GHG sources that constitute our operational boundary for the reporting period are:

- Scope 1: Direct emissions from company-owned and controlled resources;
- Scope 2: Indirect emissions from purchased energy;
- Emissions intensity; and
- Energy consumption.

As a result of a campaign throughout 2022 to reduce the back pressure on wells and so increase production, relative to oil production, gas production has increased and so then has GHG emissions.

Projects planned for 2023 and beyond to utilise the increased gas production and lower GHG emissions include: Singleton & Bletchingley gas-to-wire, as well as lowering flares at Cold Hanworth and replacing cold venting at Rempstone.

IGas complies with all of its environmental permits in respect to emissions.

		2020	2021	2022
Scope 1 emissions	kg CO _{2eq} /boe	45.55	45.23	47.62
Scope 2 emissions	kg CO _{2eq} /boe	0.18	0.23	0.33
Emissions intensity	kg CO _{2eq} /boe	47.0	46.2	48.7
Energy consumption	MWh	10,572	12,976	13,068

Energy Efficiency Action

The Company has made efforts to improve its operational energy efficiency and we are committed to identifying, monitoring and mitigating any negative impact we may have on our surrounding environment.

During 2022 we completed our assessment of gas emissions at each of our sites and in so doing have identified opportunities to further lower our GHG emissions in the future.

- At Bletchingley and Folly Farm, energy hungry jet pumps have been replaced with more efficient beam pumps.

Projects during 2023 include:

- Gas-to-wire at Bletchingley and Singleton where we plan to capture the gas which is currently flared and convert it to electricity.
- Lowering flaring emissions at Cold Hanworth.
- Installation of a flare at Rempstone to replace cold venting which has a higher GHG impact.
- Decreased venting across the Gainsborough/Beckingham field with a higher % of gas being driven towards gas-to-wire and heat generation.

The Company is continually reviewing its energy consumption and developing new technologies such as geothermal with the aim of delivering ongoing reductions in emissions and thereby reducing its emissions intensity ratio. Further information on our geothermal business can be found on pages 2 to 3.

¹ Where conversion factors for specific compounds are not published by the UK Government suitable values have been sourced from reputable alternative sources.

CORPORATE GOVERNANCE STATEMENT

Introduction to Governance



The Company continues to adopt and comply with the Quoted Companies Alliance Corporate Governance Code (QCA Code) and implement its ten principles of corporate governance. We report our compliance with the QCA Code through pages 25 to 27 of this Annual Report and the Corporate Governance section of our website. Governance for us includes a broad number of structures, activities and controls, as well as different levels of accountability and responsibility.

Dear Shareholder,

As Interim Executive Chairman, I have responsibility for providing overall leadership to the Board and ensuring that good corporate governance is embraced by IGas and the Group as a whole. In doing so, I work with, and consider, the views of all Board members, the Executive Committee (Excom) and the Company's advisers. The Board is fully committed to ensuring that high standards of governance, values and behaviours are consistently applied throughout the Group, helping to ensure the integrity of our business, the successful delivery of our strategy and the long-term success of the Group as a whole.

The Company continues to adopt and comply with the Quoted Companies Alliance Corporate Governance Code (QCA Code) and implement its ten principles of corporate governance. We report our compliance with the QCA Code through pages 25 to 27 of this Annual Report and the Corporate Governance section of our website. Governance for us includes a broad number of structures, activities and controls, as well as different levels of accountability and responsibility.

Throughout the year, the Company continued to engage with its shareholders and stakeholders on the current position of the business and its future strategy. Further information on our stakeholder engagement can be found on pages 6 to 9. Our primary means of communicating the Group's corporate governance structure is through the Annual Report and various disclosures made on our website. Nevertheless, where specific questions are raised by private individual shareholders and institutional investors, we engage directly with those shareholders, principally through the Interim Executive Chairman, the Chief Financial Officer (CFO), the Chief Communications Officer (CCO) and the Chief Operations Officer (COO).

We seek to communicate our corporate culture through staff presentations and inductions. We rely on our management structure and our internal reporting structures to assess whether these core values have been respected.

In addition to regular monthly "all staff" updates, the Company held a number of town hall meetings. Throughout the year, we encouraged staff to utilise regular scheduled meetings with their supervisors and managers to raise questions, issues, ideas and concerns as well as maintaining small group "safety initiative" meetings across the operations division.

The Nomination Committee reviewed the Board's composition during the year. On 15 June 2022, after ten years of service as an independent Non-executive Director, Cuth McDowell stepped down as interim chairman of the Board and I took over as Non-executive Chairman. Then on 14 September, I then took the role of Interim Executive Chairman.

IGas is committed to diversity, including gender diversity, and we have a number of women in senior management roles. On 7 February 2022, we announced the appointment of another independent Non-executive Director, Kate Coppinger, to the Board. Kate joined as a member of the Audit and Remuneration Committees. Then, on 14 September 2022, Frances Ward, CFO, was appointed to the Board.

In order to maintain an appropriate balance of independent Non-executive Directors and ensure suitable representation and oversight for the Board committees, on 4 January 2023, we announced the appointment of Doug Fleming as Non-executive Director to the Board. Doug joined as a member of the Audit Committee. Following these appointments, the Board meets the best practice recommendation of the QCA Code in having two independent Non-executive Directors on the Board.

The Board continues to review the composition of the Board and the Committees as the Company grows and evolves, and will consider to re-balance the Board and Committees' membership as and when necessary.

I look forward to welcoming you to our Annual General Meeting on 14 June 2023.

Chris Hopkinson
Interim Executive Chairman

Corporate Governance Principles Applicable to IGas

The ten QCA Code corporate governance principles are:

1. Establish a strategy and business model which promotes long-term value for shareholders
2. Seek to understand and meet shareholder needs and expectations
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation
5. Maintain the board as a well-functioning, balanced team led by the chair
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
8. Promote a corporate culture that is based on ethical values and behaviours
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

CORPORATE GOVERNANCE STATEMENT CONTINUED

Application of the QCA Code

The Company has adopted the QCA Code since 2018 on the basis that it is the corporate governance code most suited to our requirements, size, strategy, resources and stage of development, as it offers a flexible but rigorous outcome-oriented framework in which we can continue to develop our governance model to support our business.

The QCA Code requires us to apply the principles as set out above and to publish certain related disclosures in our Annual Report, on our website, or a combination of the two. We have followed the QCA Code's recommendations and have therefore provided disclosure relating to Principles 2, 3 and 9, as well as those aspects of Principles 8 and 10 recommended to be disclosed on our website, in a corporate governance statement on our website and cover the remaining principles in this Annual Report. We depart from the recommendation of the QCA Code in respect of Principle 7 as we cover all aspects recommended to be disclosed by the QCA Code in respect of that principle, including those aspects which the QCA Code recommends be covered on our website, in this Annual Report. An index setting out where each required disclosure can be found is situated at the end of the corporate governance statement on our website at: <http://www.igasplc.com/media/49823/qca-code-corporate-governance-statement-2022-.pdf>.

Strategy and Business Model – QCA Principle One

The Group's strategy and business model is described in the Strategic Report on pages 1 to 22.

Effective Risk Management – QCA Principle Four

The Group embeds risk management throughout the organisation and this is described on pages 20 and 21.

Board Balance – QCA Principle Five

See page 29 for information on those Directors who are considered to be independent, the time commitment required for Directors to conduct their role and the number of meetings of the Board, its committees and the relevant Directors' attendance record.

Board Skills – QCA Principle Six

Information on each of the Directors is provided on pages 28 and 29.

The Board, led by the Chair, has the necessary skills and knowledge to discharge its duties and responsibilities effectively, setting clear expectations and ensuring stringent measures for corporate governance standards are met, particularly in relation to executive remuneration, accountability and audit.

The Executive and Non-executive Directors' skill sets are complementary, and together provide a blend of commercial, operational, legal and financial expertise. The skill set is suitably broad and sufficiently high calibre such that all decision making at Board level is robust and mindful of the fiduciary responsibilities that need to be discharged to all shareholders. In addition, the Directors are aware of the importance of keeping abreast of the industry's current activities and attend oil and gas conferences and events globally throughout the year to keep their skills, contacts and knowledge current and simultaneously engage with governments, global operators and service providers in the oil and gas industry.

Details of the Company's advisers can be found on the Company's website at <https://igasplc.com/investors/shareholder-information/registrars-and-advisors>.

See the corporate governance statement on our website for further details of the internal advisory responsibilities performed by certain individuals in advising and supporting the Board.

Board Effectiveness – QCA Principle Seven

The Board considered the need for an evaluation exercise during 2022 and concluded that due to changes in Board composition during the year it was inappropriate to conduct such a process at the present time but that the position should be revisited in the following year.

The Chairman has responsibility to lead the Board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model. It is imperative that the relationship between all Board members and Excom remains collaborative, cordial and robust. The Board members work together in the best interests of the Company, while remaining comfortable to engage in rigorous and constructive debate. There is a strong flow of communication between the Directors with consideration being given to both standing agenda items and the strategic and operational needs of the business.

As a Board we consider the independence of all members and have an effective conflict of interests procedure in place. Any conflicts are declared by Directors at commencement of each Board meeting and appropriate information protocols are put in place in order to govern information flows. Comprehensive Board papers are circulated in advance of meetings, giving Directors due time to review the documentation and enabling an effective meeting. Minutes are drawn up to reflect the true record of the discussions and decisions made. Resulting actions are tracked for appropriate delivery and follow up.

The Board has a formal schedule of matters reserved for it to decide on, which is available on our website.

The Directors have a wide knowledge of the Company's business and understand their duties as Directors of a company quoted on AIM. The Directors have access to the Company's Nominated Adviser (Nomad), auditors and solicitors as and when required. The Company's Nomad provides annual boardroom training on the AIM Rules and its governance requirements. These advisers are available to provide formal support and advice to the Board from time to time and do so in accordance with good practice. The General Counsel and Company Secretary has frequent communication with the Chairman and is available to other members of the Board as required. The Directors are also able, at the Company's expense, to obtain advice from external advisers if required.

The Board is committed to ensuring effective succession planning. The Nomination Committee is responsible for reviewing Board and senior management succession planning to ensure that the Company has the appropriate level of skills and diversity. Where appropriate, the Nomination Committee uses external advisers to assist with candidate identification and benchmarking. The Nomination Committee reviewed the Board's composition during the year, following which Chris Hopkinson joined the Board as an independent Non-executive Director on 10 January 2022. After ten years of service as an independent Non-executive Director, the previous chairman stepped down from the Board following the conclusion of the 2022 AGM and Chris Hopkinson succeeded him as the Non-executive Chairman. Chris Hopkinson joined as a member of the Audit, Nomination and Remuneration Committees. On 14 September 2022, following the departure of Stephen Bowler, Chief Executive Officer, the Board appointed Chris Hopkinson as Interim Executive Chairman.

As noted in the Chairman's introduction on page 24 of this Annual Report, IGas is committed to diversity, including gender diversity, and we have a number of women in senior management roles. On 7 February 2022, we announced the appointment of another independent Non-executive Director, Kate Coppinger, to the Board and to the Audit Committee. Then on 14 September 2022, Frances Ward, CFO, was appointed to the Board. In order to maintain an appropriate balance of independent Non-executive Directors and ensure suitable representation and oversight for the Board committees, on 4 January 2023, we announced the appointment of Doug Fleming as Non-executive Director to the Board and to the Audit Committee. Following these appointments, the Board meets the best practice recommendation of the QCA Code in having two independent Non-executive Directors on the Board.

The Nomination Committee continues to ensure that there is a robust succession plan for the Excom and senior management positions.

The Excom and, at a more junior level, senior departmental managers address progression of employees through annual appraisals and competency reviews.

Governance and Shareholder Dialogue – QCA Principle Ten

See below for an overview of the work of the committees of the Board undertaken in 2022.

See pages 33 and 34 of this Annual Report for the Remuneration Committee Report.

Consistent with previous years, this Annual Report does not include a separate Audit Committee Report. However, page 33 of this Annual Report outlines the key areas of focus of the Audit Committee in the year ended 31 December 2022. The Group will keep under review whether it is necessary and appropriate to make further disclosures under the QCA Code, either through a report of the Audit Committee or more likely in sections of the next Annual Report.

How We Manage Our Company

The Board

The Board is responsible for the overall governance of the Group. Its responsibilities include reviewing and approving the Group's strategy, budgets, major items of capital expenditure and senior personnel appointments.

Read more on pages 28 and 29

Executive Committee (Excom)

The Excom is responsible for the day-to-day running of the operational business with a focus on performance management and ensuring that the Group's key performance indicators are being met.

Read more on pages 30 and 31

Audit Committee

The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting processes and ensuring the financial statements give a true and fair view of the Company. Whilst the Board is ultimately responsible for risk management and internal controls in the Company, the Audit Committee is responsible for ensuring that executive management takes responsibility for internal controls being appropriately designed and both efficient and effective in practice. In addition to its natural focus on the preparation of the Company's Annual Report and Accounts and condensed consolidated interim financial statements, the Audit Committee monitors the integrity of the Company's broader corporate reporting, risk management systems (including the identification of future opportunities) and internal control environment, and has a continued role in determining the Company's approach to risk and the extent to which the Company is willing to take risks.

Read more on pages 32 and 33

Remuneration Committee

The Remuneration Committee is responsible for determining and agreeing the remuneration policy for the Executive Directors and senior managers.

Read more on pages 33 and 34

Nomination Committee

The Nomination Committee is responsible for reviewing the size, structure and composition of the Board and ensuring the balance and expertise of the Board remains appropriate to meet the needs of the Company.

Read more on page 34

BOARD OF DIRECTORS

Leading the Company the right way



Chris Hopkinson

Interim Executive Chairman



Appointed 2022

Skills and experience

Chris is currently Non-executive Chairman of Enwell Energy, an AIM-quoted oil and gas exploration and production group, and a Non-executive Director of Nostrum Oil and Gas plc. He is also the founder of Astra Resources Management.

Chris began his career with Shell International, followed by technical and management roles with Yukos and Lukoil Overseas, before becoming Chief Executive Officer of Imperial Energy Group up until its acquisition by ONGC in 2009. He was then Vice-President Western Siberia for TNK-BP, Senior Vice-President North Africa for BG Group, Chief Executive Officer of International Petroleum Limited, and Chief Operating Officer for JSC National Company KazMunayGas.

Chris holds a BSc Honours degree in Applied Physics from St Andrews University.



Frances Ward

Chief Financial Officer

Appointed 2022

Skills and experience

Frances is a qualified accountant with over 15 years' senior management experience within the international oil and gas sector.

Her previous experience includes 11 years at Nexen Energy (now part of CNOOC) in various senior finance roles in their London and Calgary offices.

Frances joined IGas in 2017 as Group Financial Controller, then assuming overall responsibility for the finance function as Finance Director in July 2020 and was appointed as CFO in September 2022.



Philip Jackson

Non-executive Director



Appointed 2017

Skills and experience

Philip Jackson has over 35 years' experience in investments and corporate finance in energy and infrastructure projects.

He was the founder and former Chief Executive of J.P. Morgan Asset Management's \$860 million Asian Infrastructure and Related Resources Opportunity Fund and until March 2020 he was a partner of Kerogen Capital Partners Limited. Since March 2021 he is a senior advisor to and has been asked to join the board of Arctic Green Energy Corporation (one of the world's leading geothermal district heating businesses, primarily in Asia). He is also chairman of OneWater Group Limited which provides utility water treatment technologies around the world. He started his career with the energy team at Ashurst LLP before moving to its client Trafalgar House plc, then one of the UK's leading independent oil and gas companies.

Philip is a Fellow of the Energy Institute. He graduated with an MA in law from the University of Cambridge and qualified as a solicitor of the Supreme Court in England.

Committee member key

A Audit Committee	R Remuneration Committee	N Nomination Committee	Chair
			Member



Kate Coppinger

Non-executive Director



Appointed 2022

Skills and experience

Kate is currently Non-executive Director at Serica Energy plc, an AIM listed, independent UK natural gas producer, and Plant Healthcare plc.

Kate initially worked for CIBC World Markets as a research analyst before joining Harrison Lovegrove in 2000 where she moved into transaction execution. Following the acquisition of Harrison Lovegrove by Standard Chartered Bank in September 2007, Kate continued in oil and gas M&A transactions. In 2014, she was appointed Managing Director, Oil & Gas Corporate Finance, where she was responsible for origination and execution of transactions for European clients, a position she held until leaving Standard Chartered Bank in 2020.



Doug Fleming

Non-executive Director



Appointed 2023

Skills and experience

Doug was Chief Financial Officer at private equity backed Siccar Point Energy, an E&P company with assets in the UK sector of the North Sea.

Doug was part of the team that founded the business in 2014. Siccar Point Energy went from start-up in 2014 to production of c.9,000 boepd in 2021 before being sold to Ithaca Energy in 2022 for a consideration of up to \$1.46 billion. Prior to Siccar Point Energy, Doug held senior roles at Centrica Energy E&P and Venture Production plc.

EXECUTIVE COMMITTEE



Chris Hopkinson

Interim Executive Chairman

Skills and experience

Chris is currently Non-executive Chairman of Enwell Energy, an AIM-quoted oil and gas exploration and production group, and a Non-executive Director of Nostrum Oil and Gas plc. He is also founder of Astra Resources Management.

Chris began his career with Shell International, followed by technical and management roles with Yukos and Lukoil Overseas, before becoming Chief Executive Officer of Imperial Energy Group up until its acquisition by ONGC in 2009. He was then Vice-President Western Siberia for TNK-BP, Senior Vice-President North Africa for BG Group, Chief Executive Officer of International Petroleum Limited, and Chief Operating Officer for JSC National Company KazMunayGas.

Chris holds a BSc Honours degree in Applied Physics from St Andrews University.



Frances Ward

Chief Financial Officer

Skills and experience

Frances is a qualified accountant with over 15 years' senior management experience within the international oil and gas sector.

Her previous experience includes 11 years at Nexen Energy (now part of CNOOC) in various senior finance roles in their London and Calgary offices.

Frances joined IGas in 2017 as Group Financial Controller and assumed overall responsibility for the finance function as Finance Director in July 2020 and was appointed as CFO in September 2022.



Ross Glover

Chief Operating Officer

Skills and experience

Appointed in 2017, Ross is responsible for both new business and project development. His current focus is leading the diversification of the Company into complementary sectors.

Prior to joining IGas, he ran a UK based renewable energy project development company with a focus on onshore wind. Ross started his career in Southern Africa managing capital projects in the mineral processing and mining sector. After moving to the UK in 2003, he worked for one of the UK's largest public sector leasing and managed equipment services companies where he was responsible for corporate acquisitions, disposals and structured finance.

Ross holds a BSc in Mechanical Engineering from the University of Cape Town and an MBA from Warwick Business School.



Thamala Perera Schuetze

General Counsel and Company Secretary

Skills and experience

Thamala is a General Counsel with over 20 years' experience. Prior to the reverse takeover of Star Energy Group Limited (then a wholly-owned subsidiary of PETRONAS) by the Company in 2011, Thamala was a member of the management team and the General Counsel of Star Energy responsible for the European Infrastructure Group of PETRONAS, with a primary focus on gas storage.

Thamala was called to the Bar of England and Wales in 2000 and during her career has held (among others) positions at the regulator, Ofgem, where she advised on electricity, gas and LNG projects and at Freshfields Bruckhaus Deringer LLP in the telecoms sector.

Thamala holds a Master of Laws (LLM) in European Law from King's College London.



Ann-marie Wilkinson

Chief Communications Officer

Skills and experience

Appointed in 2013, Ann-marie is a communications and investor relations professional with over 25 years' experience in providing advice on both external and internal communications strategies.

Ann-marie has advised many energy sector companies as a financial public relations and corporate relations consultant having previously worked at M Communications, Bell Pottinger and Beattie Media. She also worked as a PRO at Smith New Court having joined from the Corporate Finance department at Touche Ross.

CORPORATE GOVERNANCE

The Directors are committed to meeting high standards of corporate governance, believing that the QCA Code provides the Company with the right framework to maintain a strong level of governance.

The Company has adopted a code of dealings in securities which the Board regards as appropriate for an AIM listed company and is compliant with the UK Market Abuse Regulations. The Company takes all reasonable steps to ensure compliance by the Directors, employees and agents with the provisions of the AIM Rules relating to dealings in securities.

The Board has in place Audit, Remuneration and Nomination Committees, all of which have specific mandates contained in approved terms of reference. These cover the composition, key activities and responsibilities of the relevant committee, are reviewed annually, and can be viewed on our website. All committees are committed to reporting back to the Board following a committee meeting. The membership of each of the committees is set out below.

The Board and its Committees

In 2022, following the appointment of Chris Hopkinson on 10 January and Kate Coppinger on 7 February there were three independent Non-executive Directors on the Board. Cuth McDowell stepped down as interim chairman and independent Non-executive Director at the Annual General Meeting on 15 June 2022 and Chris Hopkinson took over as Non-executive Chairman. Chris Hopkinson was subsequently appointed Interim Executive Chairman on 14 September 2022. Since then, steps have been taken to adjust and improve the balance of the Board. On 4 January 2023, the Company announced the appointment of a further independent Non-executive Director, Doug Fleming, to the Board.

The Company is cognisant that the QCA Code recommends that the chair has adequate day-to-day separation from the business and therefore the Company is not in compliance with this while there is an executive chairman for an interim period. The Company is however satisfied that it has a well-functioning Board led by the Interim Executive Chairman, with suitable independence on the one hand, and knowledge of the Company on the other.

Biographies of all the Directors are included within the Annual Report on pages 28 and 29.

The Board retains full and effective control over the Group. The Board meets regularly to consider reports on the operational and financial performance of the Group and to decide on matters reserved unto itself, which include reviewing and approving the Group's strategy, budgets, major items of capital expenditure and senior personnel appointments.

The Board generally has one scheduled Board meeting every month over the course of the financial year with informal discussions scheduled as required. Additional meetings are held depending upon opportunities or issues to be dealt with by the Company from time to time.

The Non-executive Directors hold informal meetings during the course of the year at which members of Excom are not in attendance.

The Directors' attendance at scheduled Board meetings during 2022 is detailed in the table below:

Board Membership

Board member	Meetings attended (out of a total possible)
Cuth McDowell (interim chairman) (retired 15 June 2022)	6/6
Stephen Bowler (resigned 14 September 2022)	7/7
Philip Jackson	10/10
Tushar Kumar (resigned 1 July 2022)	6/6
Kate Coppinger (appointed 7 February 2022)	9/9
Chris Hopkinson (appointed 10 January 2022)	10/10
Frances Ward (appointed 14 September 2022)	2/2

In addition to the Directors, the General Counsel and Company Secretary has been invited to attend each meeting of the Board. The Board invites other members of Excom to attend its meetings as necessary and appropriate to the agenda to be discussed at the relevant Board meeting.

The Board has the following committees, each chaired by a Non-executive Director as follows:

Audit Committee

The Committee comprised only Non-executive Directors in the beginning of 2022 being chaired by Cuth McDowell and having as its other member, Tushar Kumar. Chris Hopkinson and Kate Coppinger became members of the Committee following their appointments on 10 January and 7 February 2022, respectively. When Cuth McDowell retired on 15 June 2022, the Committee was comprised of Kate Coppinger and Chris Hopkinson. Then Chris Hopkinson became Interim Executive Chairman on 14 September 2022 and the Committee was comprised for a period of time of one Non-executive Director (Kate Coppinger as chair) and one Executive Director (Chris Hopkinson). Since the QCA Code recommends that the most effective audit committees are made up of at least two independent non-executive directors, in order to maintain an appropriate balance of independent Non-executive Directors and ensure suitable representation and oversight by the Committee, Doug Fleming (an independent Non-executive Director) was appointed to the Committee on 4 January 2023 and Chris Hopkinson stepped down from the Committee on 10 January 2023. Accordingly, the Committee is now comprised of two independent Non-executive Directors, with Kate Coppinger as chairperson.

Meetings are aligned with the Group's financial reporting calendar and, in the year ended 31 December 2022, the Committee met on three occasions. The Chief Financial Officer is invited to attend each meeting of the Committee and participated in all of the meetings during the year. The external auditors are also invited to attend meetings of the Committee as appropriate and also meet the Committee without the presence of management at least annually.

The Directors' attendance at scheduled Committee meetings during 2022 is detailed in the table below:

Audit Committee Membership

Committee member	Meetings attended (out of a total possible)
Cuth McDowell (chairman) (retired 15 June 2022)	1/1
Tushar Kumar (resigned 1 July 2022)	1/1
Chris Hopkinson (appointed 10 January 2022)	2/2
Kate Coppinger (appointed 7 February 2022)	3/3

Summary of the Committee's Responsibilities

The Committee's responsibilities include the following:

- The Committee reviews reports from management and the Group's auditors relating to the Group's Annual Report and Accounts and the interim results announcements. The Committee advises the Board on whether the Annual Report and interim announcement are fair, balanced and understandable and provide the information necessary for IGas' stakeholders to assess performance against the Group's strategy;
- The Committee reviews compliance with legal requirements, accounting standards and the AIM Rules and is focused on ensuring that effective systems of internal financial and non-financial controls (including for the management of risk and whistle-blowing) are maintained. However, the ultimate responsibility for reviewing and approving the Annual Report and Accounts remains with the Board;
- The Committee keeps under review the external auditors' independence and considers the nature, scope, and results of the auditors' and develops a policy on and reviews (reserving the right to approve) any non-audit services that are provided by the external auditors. The Committee is responsible for making recommendations to the Board on their appointment and remuneration; and
- The Committee considers the continued implications of the coronavirus pandemic, the war in Ukraine and other macroeconomic effects on the Group.

Key Areas of Focus in the Year Ended 31 December 2022

The Committee's particular areas of focus during the year were as follows:

- Review of the 2021 Annual Report and of the significant risks identified which included the going concern assessment, including covenant compliance, impairment of oil and gas properties, impairment of exploration and evaluation assets, impairment of development assets, and the decommissioning provision;
- Review of the six months ended 30 June 2022 interim results announcement and of the significant risks which included the going concern assessment, covenant compliance and impairment assessment of oil and gas properties; and
- Review and approval of the 2022 audit plan and the approach being taken by the Group's auditors towards the 2022 audit.

Remuneration Committee

The Committee comprised only Non-executive Directors in the beginning of 2022 being chaired by Philip Jackson and having as its other member Cuth McDowell. Chris Hopkinson and Kate Coppinger became members of the Committee following their appointments on 10 January and 7 February 2022, respectively and Cuth retired on 15 June 2022. Then, when Chris Hopkinson became Interim Executive Chairman on 14 September 2022, the Committee became comprised of two Non-executive Directors (Philip Jackson and Kate Coppinger) and one Executive Director (Chris Hopkinson). The Committee met on 7 occasions in the year ended 31 December 2022.

From time to time other Non-executive Directors, Executive Directors, members of the Excom and senior management may be invited to attend part or all of the meetings.

In accordance with the Committee's terms of reference, no Director may participate in discussions relating to their own terms and conditions of service or remuneration.

The Directors' attendance at scheduled Committee meetings during 2022 is detailed in the table below:

Remuneration Committee Membership

Committee member	Meetings attended (out of a total possible)
Philip Jackson (chairman)	7/7
Cuth McDowell (retired 15 June 2022)	2/2
Chris Hopkinson (appointed 10 January 2022)	7/7
Kate Coppinger (appointed 7 February 2022)	6/6

CORPORATE GOVERNANCE CONTINUED

Summary of the Committee's Responsibilities

The Committee's responsibilities include the following:

- Making recommendations to the Board on the Company's policy on the remuneration of the Chairman, Executive Director(s) and such other senior executives as are delegated to the Committee to consider;
- Determining, within agreed terms of reference, the remainder of the remuneration packages for each of them, including pension rights, any compensation payments and the implementation of executive incentive schemes;
- Monitoring the level and structure of remuneration for senior management;
- Reviewing the design of share incentive plans for approval by the Board and determining the policy on annual awards to Executive Directors and senior executives; and
- Reviewing progress made against performance targets and agreeing incentive awards.

Key Areas of Focus in the Year Ended 31 December 2022

The Committee's particular areas of focus during the year were as follows:

- Review of performance against the Group's key performance indicators in the year ended 31 December 2021 and recommending to the Board that a pay-out factor of 54% be applied to all employees of the Group. Staff bonuses were paid in February 2022;
- Ongoing review of long-term incentive plans and approving the issue of shares under the Management Retention Plan (MRP) in respect of the 2021 bonus payment for awards in excess of £30,000; and
- Ongoing review of level and structure of remuneration for senior management to be concluded in 2023.

Nomination Committee

The Committee comprised only of Non-executive Directors in the beginning of 2022 being chaired by Cuth McDowell and having as its other member, Philip Jackson. Chris Hopkinson became a member of the Committee following his appointment on 10 January 2022 and when Cuth McDowell retired on 15 June 2022, Chris Hopkinson became the chairman of the Committee. The Committee meets as required during the year but at least to consider any Director's resignation.

The Directors' attendance at scheduled Committee meetings during 2022 is detailed in the table below:

Nomination Committee Membership

Committee member	Meetings attended (out of a total possible)
Cuth McDowell (retired on 15 June 2022)	1/1
Philip Jackson	3/3
Chris Hopkinson (appointed 10 January 2022)	3/3

Summary of the Committee's Responsibilities

The Committee's responsibilities include the following:

- Considering the size, structure and composition of the Board and Excom, retirements and appointments of additional and replacement Directors and making appropriate recommendations to the Board;
- Making recommendations to the Board regarding membership of the Audit and Remuneration Committees; and
- Ensuring that plans are in place for orderly succession to the Board and senior management positions, so as to maintain an appropriate balance of skills and experience within the Group and the Board.

Key Areas of Focus in the Year Ended 31 December 2022

The principal activities of the Committee during the year were as follows:

- Review the composition of the Board and identify potential Non-executive appointments;
- Review the structure and size of the Excom to facilitate improved strategic planning and more efficient decision making commensurate with the size of the Company; and
- Continue to ensure that appropriate succession plans are in place for Excom and senior management.

Internal Control

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The procedures that include, inter alia, financial, operational, health & safety, compliance matters and risk management (as detailed in the Strategic Report) are reviewed on an ongoing basis.

The Group's internal control procedures include the following:

- Board approval for all significant projects, including corporate transactions and major capital projects;
- The Board receives and reviews regular reports covering both the technical progress of projects and the Group's financial affairs to facilitate its control;
- There is a comprehensive budgeting and planning system for all items of expenditure with an annual budget approved by the Board. Risk assessment and evaluation is an integral part of the annual planning cycle;
- The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the Group's process for preparing consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of consolidated financial statements in accordance with UK-adopted International Accounting Standards; and
- The Audit Committee reviews draft annual and interim reports before recommending their publication to the Board. The Audit Committee discusses with the CFO and external auditors the significant accounting policies, estimates and judgements applied in preparing these reports.

The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for a separate internal audit function but, bearing in mind the present size and composition of the Group, does not consider it necessary at the current time.

Anti-bribery and Corruption/Ethical Conduct

The Directors take the issue of bribery and corruption seriously. The Directors acknowledge the importance of ensuring that the Company, its employees and those third parties with which the business engages are operating within the requirements of the Bribery Act. The Company has a zero-tolerance approach to bribery and corruption and has adopted an anti-bribery policy to protect the Group, its employees and those third parties with which the Company engages. IGas has reviewed the policies and procedures to ensure compliance with the UK Bribery Act, Modern Slavery Act and Criminal Finances Act. The Company continues actively to promote good practice and compliance throughout the Group and has continued its rolling online programme of anti-bribery and corruption and anti-facilitation of tax evasion, as well as anti-slavery and human trafficking training for all relevant employees.

The Group's Modern Slavery Statement can be accessed here: <https://www.igasplc.com/media/50119/igas-energy-plc-modern-slavery-transparency-statement-19-october-2022.pdf>

Relations with Shareholders

Communications with shareholders are considered important by the Directors. The primary contact with shareholders, investors and analysts is the Chairman. Other senior management, however, regularly speak to investors and analysts during the year. Company circulars and press releases have also been issued throughout the year for the purpose of keeping investors informed about the Group's progress and in accordance with AIM regulations.

The Company also maintains a website www.igasplc.com that is regularly updated and contains a wide range of information about the Group.

See also the Company's disclosure in relation to Principle Ten in the corporate governance statement on the Company website.

Engaging with Stakeholders

The ways in which IGas solicits information from its stakeholder groups include, inter alia, public relations activities, regular formal contact via written communications, meetings, and conference calls. Informal contact is promoted through the use of social media where appropriate.

The Board seeks to understand the Company's stakeholders' needs, interests and expectations by ensuring open channels of communication at all times and permitting all parties to openly discuss any issues or concerns they may have with the Company.

The Company considers and acts on the information and feedback received by way of bilateral discussions or investor conference calls or RNS announcements when required.

DIRECTORS' REMUNERATION REPORT

This report explains our remuneration policy for Directors and sets out how decisions regarding Directors' pay for the period under review have been taken.

Directors' Remuneration Policy

The Company's policy is to maintain levels of remuneration sufficient to attract, motivate and retain senior executives of the highest calibre who can deliver growth in shareholder value. Executive Directors' remuneration currently consists of basic salary, pensions, benefits, annual bonus (based on annually set targets), and long-term incentives (to reward long-term performance). The Company seeks to strike an appropriate balance between fixed and performance-related reward so that the total remuneration package is structured to align a significant proportion to the achievement of performance targets, reinforcing a clear link between pay and performance. The performance targets for staff, senior executives and the Executive Directors are each aligned to the key drivers of the business strategy, thereby creating a strong alignment of interest between staff, senior executives, the Executive Directors and shareholders.

The Committee is undertaking a review of the Company's remuneration policy to ensure it remains fit for purpose, continues to drive high levels of executive performance and remains both affordable to the Company and competitive in the market.

The Committee also aims to ensure that all employees receive rewards that fairly reflect their seniority, level of work and contribution to the Company.

The elements of the reward package are detailed below:

Element of reward	Operation and performance conditions	Maximum opportunity
Base salary The purpose of the base salary is to: • Help recruit and retain key individuals; • Reflect the individual's skills, knowledge and abilities; and • Ensure fair reward for "doing the job".	The Committee reviews base salaries annually to ensure that Executive Director pay remains competitively aligned with external market practices. In determining whether to increase levels the Committee will take the following into consideration: • The performance of the individual Director; • The individual Director's experience and responsibilities; • Impact on fixed costs of any increase; and • Pay and conditions throughout the Company.	The Committee will retain the discretion to increase an individual's salary where there is a significant difference between current levels and a market competitive rate for similar positions in similar organisations (based on size, complexity and industry sector).
Other benefits including pension	The Company currently provides Executive Directors with an annual pension contribution equivalent to 7.5% of base salary but requires the Executive Directors to make annual contributions equivalent to 1.5% of basic salary, part or all of which may be waived in favour of a taxable cash payment (less offset for employers NI) if the pension contribution resulted in a breach of the Annual or Lifetime Pension Earnings Cap. S Bowler was provided with a pension contribution of 12.5% of base salary, until his departure in September 2022. Other benefits in kind include medical insurances and income protection or lump sum payments in the event of extended sickness absence, disability and/or death in service. The Interim Executive Chairman has elected to not receive pension and private medical insurance benefits.	

Element of reward	Operation and performance conditions	Maximum opportunity
Annual cash bonus	Executive Directors (excluding the Interim Executive Chairman) and staff are eligible to participate in a discretionary bonus plan. The Committee will determine on an annual basis whether a proportion of the bonus payment (currently 50% of any award in excess of £30,000) will be paid in Company shares. Maximum bonus levels and the proportion payable for target performance are considered in the light of market bonus levels for similar roles among the industry sector. Bonuses paid in cash (and where applicable, shares) are not pensionable. In terms of bonus targets a balanced scorecard approach is operated which focuses on a mixture of strategic, operational, financial and non-financial metrics.	The percentage of maximum bonus entitlement received is based on the achievement of individually challenging targets supporting corporate objectives. The maximum potential bonus entitlement for Executive Directors under the plan is up to 100% of base salary.
Long Term Incentive Plan (LTIP)	Under the Long Term Incentive Plan, adopted by the Board in 2011, participants can each be granted two types of award: an Initial Award and an Annual Award. Both types of award are in the form of a nil cost option. If the relevant conditions attaching to the awards are met at the end of a three-year vesting period, then the participant has a further seven years in which to exercise the award. The primary purpose of the Initial Awards is to aid the recruitment of key executives. These awards vest at the end of a three-year performance period provided the Company's share price performance exceeds 10%. The LTIP also provides for Annual Awards to be granted which will vest at the end of a three-year period provided certain challenging corporate performance conditions have been met. The purpose of the Annual Award is to provide a competitive annual total remuneration package which retains and motivates the Executive Directors and other selected executives.	The maximum individual limit for an Initial Award is 300% of salary. The maximum individual limit for an Annual Award in any financial year is 200% of salary (this limit was increased from 150% during the 2014/15 financial year). No awards have been made under this Plan since November 2015.

DIRECTORS' REMUNERATION REPORT CONTINUED

Element of reward	Operation and performance conditions	Maximum opportunity	
Executive Incentive Plan (EIP)	Under the EIP adopted by the Board in March 2016, participants were granted a share award in the form of a nil-cost option, released at the end of a three-year holding period provided that the Executive remain in employment and that the Remuneration Committee is satisfied that corporate performance has been satisfactory (with reference to share price). A multiplier will also apply to this share award to ensure that management are focused on the execution of the business strategy and the creation of long-term value for shareholders. For the first share award (March 2016) the multiplier was set as follows:	Annual award to the current Executive Directors of no more than up to 100% of salary subject to two times multiplier (i.e. the maximum number of shares which could vest is equal to 200% of salary) for awards made between 2016 and 2020 and to a one times multiplier (i.e. the maximum number of shares which could vest is equal to up to 100% of salary) for the award made in 2021.	
	Share price target		Multiplier
	£10.00		1.50 x shares awarded
	£15.00		2.00 x shares awarded
	For the subsequent three share awards (October 2017, March 2018 and March 2019) the multiplier was set as follows:		
	Share price target		Multiplier
	< £1.13		0.00 x shares awarded
	£1.13 – £1.25		0.25 x shares awarded
	£1.26 – £1.39		0.50 x shares awarded
	£1.40 – £1.54		0.75 x shares awarded
£1.55 – £1.74	1.00 x shares awarded		
£1.75 – £1.96	1.50 x shares awarded		
> £1.96	2.00 x shares awarded		
For the March 2020 award the multiplier was set as follows:			
Share price target	Multiplier		
< £0.36	0.00 x shares awarded		
£0.36 – £0.39	0.25 x shares awarded		
£0.40 – £0.43	0.50 x shares awarded		
£0.44 – £0.48	0.75 x shares awarded		
£0.49 – £0.55	1.00 x shares awarded		
£0.56 – £0.62	1.50 x shares awarded		
> £0.63	2.00 x shares awarded		
For the April 2021 award the multiplier was set as follows:			
Share price target	Multiplier		
< £0.35	0.000 x shares awarded		
£0.35 – £0.39	0.333 x shares awarded		
£0.40 – £0.49	0.666 x shares awarded		
£0.50 +	1.000 x shares awarded		
No awards of restricted stock under the Executive Incentive Plan (EIP) were made in 2022.			

Element of reward	Operation and performance conditions	Maximum opportunity
Executive Director Retention Plan (EDRP)	Under the EDRP, participants are granted nil cost options which vest and become exercisable on the first anniversary of grant subject to the Directors' continued employment and to a one-year holding period following the date of vesting. The grant of stock options to C Hopkinson are in three tranches as follows: - Tranche 1: An option over 250,000 shares with an exercise price of 0.002 pence per share (being the nominal value of a share); - Tranche 2: An option over a further 500,000 shares with an exercise price of 89.8p per share (equal to the closing middle market quotation of a share on 14 September 2022); and - Tranche 3: An option over a further 500,000 shares with an exercise price of 89.8p per share. The options will ordinarily vest on 14 September 2023 subject to: (in the case of Tranche 2) the volume-weighted average closing middle market quotation for the 30-day period ending on 13 September 2023 being at least 115% of the exercise price applicable to Tranche 2 and (in the case of Tranche 3) the volume-weighted average closing middle market quotation for the 30-day period ending on 13 September 2023 being at least 130% of the exercise price applicable to Tranche 3.	The EDRP was adopted as an exceptional share arrangement and S Bowler was granted an award of options over 175,000 ordinary shares in July 2015. C Hopkinson was granted an award of options over a maximum of 1,250,000 ordinary shares in October 2022 in relation to his appointment as Interim Executive Chairman. Whilst the options were granted outside of the EDRP, certain rules of the EDRP apply.
Share Investment Plan (SIP)	In 2013, the Company adopted an HMRC approved Share Investment Plan for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to subscribe for up to £150 (or 10% of salary, if less) worth of IGas ordinary shares per month. Shares are acquired on a quarterly basis and the Company automatically matches the employee contribution, acquiring matching "Partnership" shares on a 1-to-1 basis. Subject to the Company achieving pre-defined quarterly production targets, the Company increases the Partnership share matching element for that quarter to 2-to-1. In order to receive their allocation of Company Partnership shares, employees must ordinarily remain employed by the Company for a period of three years from the date of grant of the matching award.	Employees are eligible to acquire up to £150 (or 10% of salary, if less) worth of IGas ordinary shares per month from gross salary. The Company will match the shares purchased on a 1-to-1 basis and, subject to the Company having met pre-defined quarterly production targets, will increase the matching element for that quarter to 2-to-1.

Annual Report on Remuneration

Remit of the Remuneration Committee

The remit of the Remuneration Committee (the "Committee") is provided in the Corporate Governance section.

Share price movements during the year

The Group's share price as at 31 December 2022 was 16.48p per share. The highest price during the year was 112.00p per share and the lowest share price during the year was 12.69p per share.

DIRECTORS' REMUNERATION REPORT CONTINUED

Annual Report on Remuneration continued

Current arrangements in financial year (Audited)

Executive Directors

Executive Directors are employed under rolling contracts with notice periods of 12 months from the Company or executive.

Directors' emoluments for the year were as follows:

	Year ended 31 December 2022						Year ended 31 December 2021					
	Salary £'000	Payment in lieu of pension £'000	Bonus (Cash) £'000	Bonus (Shares) £'000	Pensions £'000	Total £'000	Salary £'000	Payment in lieu of pension £'000	Bonus (Cash) £'000	Bonus (Shares) £'000	Pensions £'000	Total £'000
Executive Directors												
S Bowler – CEO*	779	26	94	–	3	902	364	37	113	83	3	600
C Hopkinson – Interim Executive Chairman	99	–	–	–	–	99	–	–	–	–	–	–
F Ward – CFO	68	–	15	6	5	94	–	–	–	–	–	–
Total – Executive Directors	946	26	109	6	8	1,095	364	37	113	83	3	600

* S Bowler left the Company as CEO on 14 September 2022. S Bowler's disclosed salary above includes a £515K payment in lieu of notice.

C Hopkinson was appointed as Interim Executive Chairman on 14 September 2022.

F Ward was appointed as CFO on 14 September 2022.

On 12 October 2022 C Hopkinson was made a base award outside of the 2015 Executive Director Retention Plan (the EDRP) scheme of 1,250,000 shares in the Company.

As at 31 December 2022, the outstanding long-term incentives held by the Executive Directors who served during the year are set out in the table below:

Executive Director Retention Plan

	Date of grant	At 1 January 2022	Share options granted	Share options exercised	Share options lapsed	As at 31 December 2022	Earliest vesting date	Lapse date
S Bowler	13/07/2015	175,000	–	175,000	–	–	13/07/2016	13/07/2023
C Hopkinson	14/09/2022	–	1,250,000	–	–	1,250,000	14/09/2023	14/09/2026

2016 Executive Incentive Plan

	Date of grant	At 1 January 2022	Share options granted	Share options exercised	Share options lapsed	As at 31 December 2022	Earliest vesting date	Lapse date
S Bowler	30/03/2016	74,076	–	74,076	–	–	30/03/2019	30/03/2026
	16/10/2017	–	–	–	–	–	Failed to Vest	16/10/2020
	21/03/2018	–	–	–	–	–	Failed to Vest	21/03/2021
	28/03/2019	469,435	–	–	469,435	–	Failed to Vest	25/02/2022
	09/04/2020	1,277,685	–	–	–	1,277,685	09/04/2023	09/04/2030
	07/04/2021	725,000	–	–	–	725,000	07/04/2024	07/04/2031
		2,546,196	–	74,076	469,435	2,002,685		
F Ward	16/10/2017	–	–	–	–	–	Failed to Vest	16/10/2020
	21/03/2018	–	–	–	–	–	Failed to Vest	21/03/2021
	28/03/2019	77,350	–	–	77,350	–	Failed to Vest	25/02/2022
	09/04/2020	225,439	–	–	–	225,439	09/04/2023	09/04/2030
	17/09/2020	90,251	–	–	–	90,251	09/04/2023	09/04/2030
	07/04/2021	150,000	–	–	–	150,000	07/04/2024	09/04/2031
		543,040	–	–	77,350	465,690		

2016 Management Retention Plan (Bonus Scheme Shares)

	Date of grant	At 1 January 2022	Share options granted	Share options exercised	Share options lapsed	As at 31 December 2022	Earliest vesting date	Lapse date
S Bowler	21/03/2018	33,431	–	33,431	–	–	17/01/2019	21/03/2026
	28/03/2019	56,036	–	56,036	–	–	25/02/2020	28/03/2027
	09/04/2020	161,777	–	161,777	–	–	22/01/2021	22/01/2028
		251,244	–	251,244	–	–		
F Ward	09/04/2020	6,915	–	–	–	6,915	22/01/2021	22/01/2028
	12/10/2022	–	127,473	–	–	127,473	28/01/2023	25/08/2030
		6,915	127,473	–	–	134,388		

2016 Management Retention Plan (Salary Replacement Shares)

	Date of grant	At 1 January 2022	Share options granted	Share options exercised	Share options lapsed	As at 31 December 2022	Earliest vesting date	Lapse date
S Bowler	24/07/2020	39,641	–	39,641	–	–	24/07/2020	24/07/2028
	25/08/2020	40,310	–	40,310	–	–	25/08/2020	25/08/2028
	25/09/2020	53,938	–	53,938	–	–	25/09/2020	25/09/2028
	23/10/2020	59,083	–	59,083	–	–	23/10/2020	23/10/2028
	25/11/2020	49,011	–	49,011	–	–	25/11/2020	25/11/2028
	21/12/2020	47,675	–	47,675	–	–	21/12/2020	21/12/2028
		289,658	–	289,658	–	–		

Non-executive Directors

The Non-executive Directors are employed under rolling contracts with notice periods of three months, under which they are not entitled to any pension, benefits or bonuses.

	Year ended 31 December 2022				Year ended 31 December 2021			
	Emoluments £'000	Taxable benefits £'000	Pensions £'000	Total £'000	Emoluments £'000	Taxable benefits £'000	Pensions £'000	Total £'000
Non-executive Directors								
C McDowell ¹	46	–	–	46	100	–	–	100
P Jackson ²	59	–	–	59	55	–	–	55
T Kumar ^{2,3}	23	–	–	23	45	–	–	45
K Coppinger ⁴	52	–	–	52	–	–	–	–
C Hopkinson ⁵	45	–	–	45	–	–	–	–
Total – Non-executive Directors	225	–	–	225	225	–	–	200

1 Appointed Interim Chairman with effect from 11 October 2019, C McDowell resigned as a Director on 14 June 2022.

2 Under the terms of his appointment IGas Energy plc paid a fee of £23,000 to Kerogen Capital in respect of T Kumar. The fee for P Jackson is payable to Pangaea Capital Partners Limited, a company controlled by P Jackson.

3 T Kumar resigned as a Director on 1 July 2022.

4 Appointed as Non-executive Director on 7 February 2022.

5 Appointed as Non-executive Director on 10 January 2022 and Interim Executive Chairman as of 14 September 2022.

DIRECTORS' REMUNERATION REPORT CONTINUED

	Date of grant	At 1 January 2022	Share options granted	Share options exercised	Share options lapsed	As at 31 December 2022	Earliest vesting date	Lapse date
C McDowell	24/07/2020	10,887	–	–	–	10,887	24/07/2020	24/07/2028
	25/08/2020	11,070	–	–	–	11,070	25/08/2020	25/08/2028
	25/09/2020	14,813	–	–	–	14,813	25/09/2020	25/09/2028
	23/10/2020	16,226	–	–	–	16,226	23/10/2020	23/10/2028
	25/11/2020	13,460	–	–	–	13,460	25/11/2020	25/11/2028
	21/12/2020	13,093	–	–	–	13,093	21/12/2020	21/12/2028
		79,549	–	–	–	79,549		

Philip Jackson

Chairman Remuneration Committee

30 March 2023

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the Group and Parent Company financial statements for the year ended 31 December 2022. The Corporate Governance Statement set out on pages 24 to 27 of this Annual Report forms part of this report.

Business Review and Future Developments

A review of the business and the future developments of the Group are presented in the Chairman's Statement, the Operating Review and the Financial Review, which are all sections within the Strategic Report.

Dividends

The Directors do not recommend the payment of a dividend for the year (year ended 31 December 2021: £nil).

Principal Activity

The Group's principal activities are exploring for, appraising, developing and producing oil and gas and developing geothermal projects.

Share Capital

Details of changes to share capital in the period are set out in note 23 to the consolidated financial statements.

Directors and Their Interests

The Directors who served during the year were as follows:

C Hopkinson	Non-executive Chairman (from 10 January 2022) and Interim Executive Chairman (from 14 September 2022)
P Jackson	Non-executive
K Copping	Non-executive
F Ward	Chief Financial Officer
C McDowell (retired 15 June 2022)	Interim Non-executive Chairman
S Bowler (resigned 14 September 2022)	Chief Executive Officer
T Kumar (resigned 1 July 2022)	Non-executive

The beneficial interest of each of the Directors' and their immediate families in the ordinary share capital of the Company are shown below:

	31 December 2022 Ordinary 0.002p shares		31 December 2021 Ordinary 0.002p shares	
	Number	%	Number	%
C Hopkinson	–	–	–	–
P Jackson	–	–	–	–
K Copping	–	–	–	–
F Ward	83,906	0.07	68,818	0.05
C McDowell	–	–	219,170	0.18
S Bowler	–	–	126,417	0.10
T Kumar	–	–	–	–

In addition, on 24 January 2023, F Ward subscribed to her full entitlement under the Group's Share Investment Plan and accordingly was allotted 6,684 shares.

Annual General Meeting 2023

The AGM will be held at the offices of Pinsent Masons LLP, 30 Crown Place, Earl Street, London, EC2A 4ES on 14 June 2023, commencing at 10:30 a.m.

The resolutions to be proposed at the AGM are set out and fully explained in the notice of AGM available on the Company's website at:

<https://www.igasplc.com/investors/publications-and-reports>.

Rotation and Re-election of Directors

In accordance with the Company's Articles of Association, P Jackson retires by rotation and F Ward and D Fleming, having been appointed after the date of the Company's 2022 Annual General Meeting, retire and they each offer themselves for re-election at the AGM on 14 June 2023.

Directors' Insurance and Indemnity Provisions

Subject to the conditions set out in the Companies Act 2006, the Company has arranged appropriate directors' and officers' insurance to indemnify the Directors and officers against liability in respect of proceedings brought by third parties. Such provision remains in force at the date of this report.

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or officers of any Group company, to the extent permissible for such indemnities to meet the test of a qualifying third party indemnity provision as provided for by the Companies Act 2006. The nature and extent of the indemnities is as described in Section 58 of the Company's Articles of Association as adopted on 5 June 2020 (and this remains unchanged from the position pursuant to the Company's previous Articles of Association, adopted on 8 August 2013). Therefore, these provisions remained in force throughout the period and remain in place at the date of this report.

DIRECTORS' REPORT CONTINUED

Substantial Shareholders

As at 30 March 2023, the Company had been notified in accordance with the requirements of provision 5.1.2 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules of the following significant holdings in the Company's ordinary share capital:

	Number of shares	%
Kerogen General Partner II Limited	34,214,615	26.9
HSBC	8,502,008	6.7
Bank of America	8,072,334	6.4
Royal London Asset Management	8,055,760	6.3
J.O. Hambro	6,500,000	5.1

Financial Instruments

The Group's principal financial instruments comprise cash balances, borrowings, derivative instruments and other debtors and creditors that arise through the normal course of business as set out in note 22 to the consolidated financial statements. The Group's financial risk management objectives are also set out in note 22 to the consolidated financial statements.

Employment Policy

It is the policy of the Group to operate a fair employment policy. No employee or job applicant is less favourably treated than another on the grounds of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely on merit. The Directors encourage employees to be aware of all issues affecting the Group and place considerable emphasis on employees sharing in its success.

Political Contributions

The Group made no political donations during the year (year ended 31 December 2021: £nil).

Status

The Company is not a close company as defined in the Income and Corporation Taxes Act 1988.

The Company is domiciled in the UK and incorporated and registered in England.

Board Committees

Information on the Audit, Remuneration and Nomination Committees is included in the Corporate Governance Statement in this Annual Report.

Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as independent auditors will be proposed at the AGM on 14 June 2023.

Directors' Statement as to Disclosure of Information to the Auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that a Director might reasonably be expected to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



Thamala Perera Schuetze

General Counsel and Company Secretary

IGas Energy plc

Registered Office:

Welton Gathering Centre

Barfield Lane off Wragby Road

Sudbrooke

Lincoln

LN2 2QX

Registered in England (company number: 04981279)

30 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted International Accounting Standards.

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

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

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Directors' Confirmations

In the case of each Director in office at the date the Directors' report is approved:

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

On behalf of the Board,



Chris Hopkinson
Interim Executive Chairman

30 March 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IGAS ENERGY PLC

Report on the audit of the financial statements

Opinion

In our opinion, IGas Energy plc's Group financial statements and Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss and the Group's and Parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2022 (the "Annual Report"), which comprise: the Consolidated and Parent Company Balance Sheets as at 31 December 2022; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Cash Flow Statements and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- We scoped in all components for the purpose of the Group audit.
- This enabled us to obtain coverage of 100% of the Group's consolidated revenue, consolidated comprehensive loss for the year and consolidated total assets.

Key audit matters

- Carrying value of conventional oil & gas assets (Group)
- Carrying value of exploration and evaluation assets (Group)
- Carrying value of development costs (Group)
- Carrying value of the decommissioning provision (Group)
- Carrying value of Investments in subsidiaries and amounts due from subsidiary undertakings (Parent Company)

Materiality

- Overall Group materiality: £1,400,000 (2021: £1,200,000) based on 0.9% of total assets.
- Overall Parent Company materiality: £207,000 (2021: £390,000) based on 1% of net assets.
- Performance materiality: £1,050,000 (2021: £900,000) (Group) and £155,000 (2021: £292,500) (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Carrying value of conventional oil & gas assets (Group) Refer to note 1 Accounting policies and note 10 Property, plant and equipment. As at 31 December 2022, the carrying value of oil and gas assets, net of the impairment charge and impairment reversal recognised in 2022, totalled £73.3 million (2021: £73.2 million). For oil & gas assets, IAS 36 requires management to consider whether there are indicators of an impairment or the reversal of a previously recognised impairment on a CGU basis and if any are identified, to carry out a full impairment assessment of the relevant assets. During the year, management performed this assessment as at 30 June 2022 and 31 December 2022. Following these assessments, management recorded a pre-tax impairment reversal in the South CGU of £10.5 million (recognised at 30 June 2022), a pre-tax impairment of £1.5 million in the Scotland CGU (recognised at 30 June 2022) and a pre-tax impairment of £8.9 million in the North CGU (recognised at the year-end). Impairment assessments and impairment trigger reviews under IAS 36 require significant judgement and estimation and there is a risk that the recoverable amounts of the CGUs may be incorrect, and any potential impairment charge or reversal misstated. As such, this was a key area of focus for our audit due to the material nature of the respective balances and the estimates and judgements involved.	We obtained management's assessment for indicators of impairments or the reversal of prior year impairments and performed the following procedures: - assessed the appropriateness of management's identification of the Group's CGUs; - understood and evaluated management's processes in respect of the impairment trigger assessment process; and - evaluated and challenged management's assessment and judgements in respect of impairment reversal indicators. As a result of our work, we note that: - in the South CGU, management has appropriately reversed the impairment recognised in the prior years; and - in the North and Scotland CGUs, management has recorded an impairment charge to reduce the carrying amount of the CGUs to its recoverable amount. We have performed the following procedures to audit the key assumptions used in management's assessment: - evaluated the cash flow forecasts and the process by which they were drawn up, compared them to the latest board approved budget and verified mathematical accuracy. - used our independent valuation experts to assist us in evaluating the appropriateness of key market related assumptions of oil prices and discount rates in management's valuation model, and concluded that management's oil price assumption and discount rate are within our experts' acceptable range. - compared management's production forecasts to the independent reserves report prepared by DeGolyer and MacNaughton (D&M) in February 2023. - assessed the competence and objectivity of D&M by considering factors including professional qualifications and the experience of their team. - held discussions with D&M regarding the key judgements and estimates considered during the preparation of the reserves report. - compared operating expenses and capital expenditure considered in the cash flows to prior years and management's forecasts. - verified that the exchange rate used is comparable with the actual exchange rate as at 31 December 2022 and historical exchange rates. As a result of our work performed, we are satisfied that management's impairment assessment of oil and gas assets is appropriate and in line with IAS 36. Finally, we considered the adequacy of management's disclosures in relation to the impairment assessment in note 10 and concluded that these are in line with the requirements of IAS 36.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IGAS ENERGY PLC CONTINUED

Key audit matter	How our audit addressed the key audit matter
Carrying value of exploration and evaluation assets (Group) Refer to note 1 Accounting policies and note 9 Intangible assets. As at 31 December 2022, the carrying value of the Group's exploration and evaluation assets net of impairment was £5.6 million (2021: £34.8 million). In accordance with the requirements of IFRS 6, management assessed the exploration and evaluation assets for impairment as at 31 December 2022. Following this assessment, they concluded that the carrying value of the licences relating to Ellesmere Port (£6.0 million) and the Gainsborough Trough (£23.8 million) were not supportable and accordingly impairments for the full amount of the carrying values were recognised at 31 December 2022. We focused on this area due to the material nature of the balance and the estimates and judgements involved in the impairment assessment.	We obtained management's impairment assessment of each exploration and evaluation licence in accordance with IFRS 6. We have evaluated management's assessment which supports the carrying value of the exploration and evaluation assets. This included confirming that there was an on-going work programme for each licence and that the carrying amount of the licence was likely to be recovered in full from the successful development based on 3P reserves estimated by D&M. Based on the audit procedures performed, we concur with management that: - the Ellesmere Port licence, with a carrying value of £6.0 million, should be written off as the planning consent for a well test on appeal was rejected and management have decided not to pursue further development; and - the licences in the Gainsborough Trough, with a carrying value of £23.8 million, should be written off following the reintroduction of the fracking moratorium in October 2022 and the Board's subsequent conclusion that they will not be able to proceed with the commercial development of the licences. We also considered the adequacy of management's disclosure in note 9 and concluded that this is in line with the requirements of IFRS 6.
Carrying value of development costs (Group) Refer to note 1 Accounting policies and note 9 Intangible assets. As at 31 December 2022, the carrying value of the Group's development costs was £3.7 million. Development costs are intangible assets which are currently not available for use within the scope of IAS 36 and hence should be tested for impairment at least annually or sooner when circumstances indicate that the carrying value may be impaired. As disclosed in note 9, management reviewed the carrying value of development costs for impairment as at 31 December 2022 and noted no impairment. We focused on this area due to the material nature of the balance and the estimates and judgements involved in assessing any potential impairment.	We obtained management's impairment assessment prepared in accordance with IAS 36 and performed the following audit procedures: - audited management's discounted cash flow model and the underlying assumptions including price/ MWh, demand, capital expenditure and the discount rate used in the determination of the recoverable amount by verifying to underlying supporting evidence, which we consider to be reasonable; and - evaluated management's qualitative assessment of the status of the project, which included consideration of government policies and regulatory approvals as well as the technological feasibility and overall viability of the project. Considering both the quantitative and qualitative factors in favour of the project, we concur with management's position that there is no evidence of an impairment at 31 December 2022. We also considered the adequacy of management's disclosures in relation to the impairment assessment in note 9. These were deemed to be in line with the requirements of IAS 36.

Key audit matter	How our audit addressed the key audit matter
Carrying value of the decommissioning provision (Group) Refer to note 1 Accounting policies and note 19 Provisions. As at 31 December 2022, the carrying value of the decommissioning provision was £62.8 million (2021: £66.0 million). The extent and timing of actual outflows incurred in the future may differ due to changes in law, regulations, technology, prices and conditions at the time of decommissioning. The decommissioning provision involves significant estimation and judgement – particularly in the cost and timing of decommissioning, as well as inflation and discount rates – which underpins both the fair value of the provision at 31 December 2022 and the discount unwind to the income statement over the year. As the decommissioning provision is highly material, this was a key area of focus for our audit.	We obtained management's decommissioning provision calculation and assessed the reasonableness of each of the key assumptions. As part of our audit procedures, we have: - assessed the completeness of the number of wells included in management's estimate by comparing with management's underlying well register; - assessed management's cost per well estimate against the results of the actual decommissioning costs incurred; - verified the work performed by management's experts on estimating the cost for decommissioning and challenged them on the estimates used; - assessed the objectivity, independence and competency of management's experts; - benchmarked management's discount rate with the Bank of England risk free rate and compared the inflation rate with industry practice and available forecasts; and - tested the mathematical accuracy and methodology of the decommissioning model, assessing the application of cost, timing, inflation and discount rate assumptions when calculating the final provision. Based on the procedures performed we concur with management that their assessment of the decommissioning provision is reasonable. We have assessed management's disclosures and consider the disclosures made to be in accordance with IFRS and to present the sensitivities relevant to the provision appropriately.
Carrying value of Investments in subsidiaries and amounts due from subsidiary undertakings (Parent Company) Refer to note 1 Accounting policies, note 2 Investments in subsidiaries and note 4 Trade and other receivables. As at 31 December 2022, the carrying value of the Parent Company's Investments in subsidiaries was £195.1 million, comprising £33.1 million of Investments in subsidiaries and £162.0 million of loans to Group companies; in addition, there were amounts due from subsidiary undertakings of £27.8 million (net of expected credit loss) at 31 December 2022. We focused on this area due to the material nature of the balance and the estimates and judgements involved in assessing any potential impairment.	In respect of the Parent Company's investments in subsidiaries and amounts due from subsidiary undertakings, we evaluated and challenged management's assessment of the carrying values. In evaluating management's impairment assessment of the Parent Company's investments in subsidiaries and amounts due from subsidiary undertakings, we have: - evaluated management's determination of whether any indicators of impairment existed by comparing the carrying value of Investments in subsidiaries to the market capitalisation of the Group at 31 December 2022 and agreed that an impairment assessment was necessary; - obtained management's assessment which included comparing the fair value of the net assets of each entity with the carrying value of the Parent Company's investments and amounts due from subsidiary undertakings to determine if there is an impairment or a credit loss allowance, respectively, to be recognised; - evaluated management's assessment of the expected credit loss on the Parent Company's amounts due from subsidiary undertakings by assessing their potential recovery scenario performed in accordance with IFRS 9 'Financial Instruments'; - verified the mathematical accuracy of the calculations; and - considered the adequacy of the disclosures made. Based on the procedures performed we concur with management that, after impairment and credit loss allowance, the carrying value of Investments in subsidiaries is supportable and the disclosures are adequate.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IGAZ ENERGY PLC CONTINUED

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured along two segments being operational, which includes the operations related to the conventional, unconventional and geothermal licences, and 'unallocated', which comprises mainly corporate assets and head office expenses. For the purposes of financial reporting, the Group considers two reporting components - the Parent Company financial statements and the Group's financial statements where all of the Group's operations are together viewed as one reporting component. All of the Group's operating businesses are located in the UK. All the Group entities have central management and centralised processes and controls and therefore our audit work was all conducted solely in the UK.

We scoped in both reporting components for the purpose of the Group audit. This gave us 100% coverage over the Group's consolidated revenue, consolidated comprehensive loss for the year and consolidated total assets and gave us the evidence we needed for our opinion on the Group financial statements as a whole.

The impact of climate risk on our audit

As part of our audit, we made enquiries of management to understand their process to assess the extent of the potential impact of climate change risks on the Group and its financial statements. We used our knowledge of the Group to consider the completeness of the risk assessment performed by management, giving consideration to both physical and transition risks, and management's own reporting and announcements.

Management recognises that the changes in laws, regulations, policies, obligations and social attitudes relating to the transition to a lower carbon economy could lead to higher costs, or reduced demand and prices for hydrocarbons, impacting the profitability of the Group. This is a strategic risk which the Group is mitigating by working closely with regulators to ensure that all required planning consents and permits for operations are in place and by maintaining continual dialogue with all stakeholders to understand emerging requirements. The Board actively reviews the Group's strategy to ensure it remains relevant and will provide long-term returns to shareholders. The Group's strategy includes diversification into the geothermal energy market which it believes can form a key part of the UK's transition to net zero in 2050 developing a competitive advantage and distinguishing IGaz from its peers.

Whilst the impact is uncertain, we particularly considered the impact of both physical and transition risks arising due to climate change on the recoverable value of the Group's oil and gas properties.

We also read the disclosures made in relation to climate change, in the other information within the Annual Report, and considered their consistency with the financial statements and our knowledge from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial Statements – Group	Financial Statements – Parent Company
Overall materiality	£1,400,000 (2021: £1,200,000)	£207,000 (2021: £390,000)
How we determined it	0.9% of total assets	1% of net assets
Rationale for benchmark applied	This benchmark reflects the Group's primary focus to continue to enlarge its assets through significant investment in its producing and development assets, and that the Group's value is contained within the hydrocarbon reserves.	We believe that net assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

The range of materiality allocated across components was £1,400,000 to £207,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £1,050,000 (2021: £900,000) for the Group financial statements and £155,000 (2021: £292,500) for the Parent Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £70,000 (Group audit) (2021: £60,000) and £10,300 (Parent Company audit) (2021: £19,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- checking the mathematical accuracy of management's cash flow forecast;
- challenging and evaluating management's underlying cash flow projections including comparing forecast sales volumes, operating costs, capital expenditure and abandonment expenditure to recent actuals and internal forecasts and comparing forecast future oil prices and foreign exchange rates to external data;
- assessing the reasonableness of management's downside case, including assessing management's ability to take mitigating actions, including delaying capital expenditure and reducing costs; and
- reviewing the completeness and appropriateness of management's going concern disclosures in the financial statements.

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

In 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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IGAZ ENERGY PLC CONTINUED

Auditors' responsibilities for the audit of the financial statements continued

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.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax regulations and UK oil and gas regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance;
- Challenging the assumptions and judgements made by management in determining their significant accounting estimates (as outlined further in the "Key audit matters" section of this report); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or unusual words.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

30 March 2023

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2022

	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Revenue	2	59,171	37,916
Cost of sales:			
Depletion, depreciation and amortisation		(6,302)	(4,794)
Other cost of sales		(24,019)	(19,105)
		(30,321)	(23,899)
Gross profit		28,850	14,017
Administrative expenses		(6,329)	(5,827)
Exploration and evaluation assets written-off	9	(30,018)	(10,463)
Oil and gas assets impairment	10	(10,457)	–
Reversal of oil and gas assets impairment	10	10,489	–
Loss on derivative financial instruments	4	(6,027)	(6,715)
Other income		159	–
Operating loss	3	(13,333)	(8,988)
Finance income	6	8	2
Finance costs	6	(5,091)	(3,850)
Changes in fair value of contingent consideration	19	–	570
Loss from continuing activities before tax		(18,416)	(12,266)
Income tax credit	7	6,638	6,230
Loss after tax from continuing operations attributable to shareholders' equity		(11,778)	(6,036)
Loss after taxation from discontinued operations	16	–	(203)
Net loss for the year attributable to shareholders' equity		(11,778)	(6,239)
<u>Loss attributable to equity shareholders from continuing operations:</u>			
Basic loss per share	8	(9.35p)	(4.82p)
Diluted loss per share	8	(9.35p)	(4.82p)
<u>Loss attributable to equity shareholders including discontinued operations:</u>			
Basic loss per share	8	(9.35p)	(4.98p)
Diluted loss per share	8	(9.35p)	(4.98p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Loss for the year		(11,778)	(6,239)
Other comprehensive income for the year:			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Currency translation adjustments recycled to the income statement	16	–	326
Total comprehensive loss for the year		(11,778)	(5,913)

The notes on pages 57 to 89 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2022

	Note	31 December 2022 £000	31 December 2021 £000
ASSETS			
Non-current assets			
Intangible assets	9	9,268	38,322
Property, plant and equipment	10	74,731	74,583
Right-of-use assets	12	7,383	7,017
Restricted cash	15	410	410
Deferred tax asset	7	44,813	38,176
		136,605	158,508
Current assets			
Inventories	13	1,667	1,092
Trade and other receivables	14	7,098	5,509
Cash and cash equivalents	15	3,092	3,289
Derivative financial instruments	22	525	–
		12,382	9,890
Total assets		148,987	168,398
LIABILITIES			
Current liabilities			
Trade and other payables	17	(8,264)	(6,863)
Borrowings	18	(3,325)	–
Derivative financial instruments	22	–	(1,410)
Lease liabilities	12	(738)	(815)
Provisions	19	(6,840)	(2,419)
		(19,167)	(11,507)
Non-current liabilities			
Borrowings	18	(5,418)	(14,836)
Other payables	17	(369)	(770)
Lease liabilities	12	(7,042)	(6,362)
Provisions	19	(58,716)	(66,307)
		(71,545)	(88,275)
Total liabilities		(90,712)	(99,782)
Net assets		58,275	68,616
EQUITY			
Capital and reserves			
Called up share capital	23	30,334	30,333
Share premium account	23	103,068	102,992
Foreign currency translation reserve		3,799	3,799
Other reserves	24	37,617	36,257
Accumulated deficit		(116,543)	(104,765)
Total equity		58,275	68,616

These financial statements on pages 53 to 89 were approved and authorised for issue by the Board on 30 March 2023 and are signed on its behalf by:



Chris Hopkinson
Interim Executive Chairman



Frances Ward
Chief Financial Officer

The notes on pages 57 to 89 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Called up share capital (note 23) £000	Share premium account (note 23) £000	Foreign currency translation reserve* £000	Other reserves** (note 24) £000	Accumulated deficit £000	Total equity £000
At 1 January 2021	30,333	102,906	3,473	35,117	(98,526)	73,303
Loss for the year	—	—	—	—	(6,239)	(6,239)
Share options issued under the employee share plan (note 24)	—	—	—	1,140	—	1,140
Issue of shares (note 23)	—	86	—	—	—	86
Currency translation adjustments	—	—	326	—	—	326
At 31 December 2021	30,333	102,992	3,799	36,257	(104,765)	68,616
Loss for the year	—	—	—	—	(11,778)	(11,778)
Share options issued under the employee share plan (note 24)	—	—	—	1,360	—	1,360
Issue of shares (note 23)	1	76	—	—	—	77
At 31 December 2022	30,334	103,068	3,799	37,617	(116,543)	58,275

* The foreign currency translation reserve represents exchange gains and losses on translation of net assets and results, and intercompany balances, which formed part of the net investment of the Group, in respect of subsidiaries which previously operated with a functional currency other than UK pound sterling.

During the year ended 31 December 2022, we also continued the liquidation process for certain subsidiaries registered in foreign jurisdictions and control over these entities remains with the administrators (see note 16).

** Other reserves include: 1) Share plan reserves comprising EIP/MRP/LTIP/VCP/EDRP reserve representing the cost of share options issued under the long-term incentive plans and share incentive plan reserve representing the cost of the partnership and matching shares; 2) treasury shares reserve which represents the cost of shares in IGas Energy plc purchased in the market to satisfy awards held under the Group incentive plans (see note 24); 3) capital contribution reserve which arose following the acquisition of IGas Exploration UK Limited (see note 24); and 4) merger reserve which arose on the reverse acquisition of Island Gas Limited (see note 24).

The notes on pages 57 to 89 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2022

	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Cash flows from operating activities:			
Loss from continuing activities before tax for the year		(18,416)	(12,266)
Depletion, depreciation and amortisation*	3	6,338	4,903
Abandonment costs/other provisions utilised		(2,579)	(356)
Share-based payment charge		934	878
Exploration and evaluation assets written-off	9	30,018	10,463
Reversal of oil and gas assets impairment	10	(10,489)	–
Oil and gas assets impairment	10	10,457	–
Unrealised (gain)/loss on oil price derivatives	4	(1,934)	138
Unrealised loss on foreign exchange contracts	4	–	315
Changes in fair value of contingent consideration	19	–	(570)
Finance income	6	(8)	(2)
Finance costs	6	5,091	3,850
Other non-cash adjustments		–	9
Operating cash flow before working capital movements		19,412	7,362
Increase in trade and other receivables and other financial assets		(1,607)	(1,637)
Increase in trade and other payables		919	1,699
Increase in inventories		(575)	(69)
Cash from continuing operating activities		18,149	7,355
Cash used in discontinued operating activities		–	(221)
Taxation paid – continuing operating activities		–	–
Net cash from operating activities		18,149	7,134
Cash flows from investing activities:			
Purchase of intangible exploration and evaluation assets		(516)	(734)
Purchase of property, plant and equipment		(7,196)	(3,905)
Purchase of intangible development assets		(202)	(167)
Interest received	6	8	2
Net cash used in investing activities		(7,906)	(4,804)
Cash flows from financing activities:			
Cash proceeds from issue of ordinary share capital	23	44	40
Drawdown on Reserves Based Lending facility	15	–	1,432
Repayment of Reserves Based Lending facility	15	(7,985)	(756)
Repayment of principal portion of lease liability	12	(1,059)	(747)
Repayment of interest on lease liabilities	12	(707)	(684)
Interest paid	15	(950)	(812)
Net cash used in financing activities		(10,657)	(1,527)
Net (decrease)/increase in cash and cash equivalents in the year		(414)	803
Net foreign exchange difference		217	48
Cash and cash equivalents at the beginning of the year		3,289	2,438
Cash and cash equivalents at the end of the year	15	3,092	3,289

* Depletion, depreciation and amortisation includes £1.3 million (2021: £1.0 million) relating to right-of-use assets (note 12).

The notes on pages 57 to 89 form an integral part of these financial statements.

CONSOLIDATED FINANCIAL STATEMENTS – NOTES

for the year ended 31 December 2022

1 Accounting policies

(a) Basis of preparation of financial statements

The consolidated financial statements of IGas Energy plc and subsidiaries (the “Group”) have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The financial statements were approved by the Board and authorised for issue on 30 March 2023. IGas Energy plc is a public limited company (limited by shares) incorporated and registered in England, United Kingdom, and listed on the Alternative Investment Market (AIM).

The Group financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value at each reporting date. The Group financial statements are presented in UK pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated. Certain prior year numbers have been reclassified to conform to the current year presentation.

Subsidiary undertakings exemption from audit

For the year ending 31 December 2022, the subsidiaries listed below were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The exemption requires IGas Energy plc to guarantee the liabilities of these subsidiaries, which are as follows:

Star Energy Group Limited – 05054503
 Star Energy Limited – 03806814
 Star Energy Weald Basin Limited – 06293763
 IGas Energy Enterprise Limited – 05457589
 Island Gas Limited – 04962079
 Island Gas (Singleton) Limited – 01021095
 Dart Energy (Europe) Limited – SC259898
 Dart Energy (East England) Limited – 06760546
 IGas Energy Production Limited – SC298739
 Dart Energy (West England) Limited – 06760557
 IGas Energy Development Limited – 07240286
 GT Energy UK Limited – 08451346

New and amended IFRS Standards that are effective for the current year

During the year, the Group adopted the following new and amended IFRSs for the first time for its reporting financial year commencing 1 January 2022:

Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts—Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements to IFRS Standards 2018–2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The adoption of the standards listed above did not have a material impact on the financial statements of the Group.

New and revised IFRS Standards in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future financial years.

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

1 Accounting policies continued

(b) Going concern

The Group continues to closely monitor and manage its liquidity risks. Cash flow forecasts for the Group are regularly produced based on, inter alia, the Group's production and expenditure forecasts, management's best estimate of future oil prices and foreign exchange rates and the Group's available loan facility under the RBL. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, strengthening of sterling and reductions in forecast oil and gas production rates.

Crude oil prices rose during 2022 as loosening pandemic-related restrictions and growing economies resulted in global petroleum demand rising faster than supply. The war in Ukraine and sanctions imposed on Russia have led to concerns about oil and gas supply disruption while also adding support to prices. Going forward, prices remain volatile with cost of living and recession concerns in many economies increasing risks on the demand side whereas China's relaxing of COVID-19 restrictions and resumption of normal economic activity will support prices.

The Group's operating cash flows have improved in 2022 as a result of improving commodity prices and we have successfully completed the November 2022 redetermination. A successful production drive and reorganisation was undertaken in the last quarter of 2022, which resulted in a significant increase in production and we have seen the benefit of this extending into 2023, putting the business on a resilient and sustainable footing, able to withstand a wider range of commodity prices. However, the ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its RBL, which is redetermined semi-annually based on various parameters (including oil price and level of reserves) and is also dependent on the Group not breaching its RBL covenants.

The Group's base case cash flow forecast was run with average oil prices of \$84/bbl for H1 2023 and \$83/bbl for H2 2023, falling to \$80/bbl for H1 2024 and \$77/bbl for Q3 2024, and a foreign exchange rate of an average \$1.23/£1 for 2023 and \$1.25/£1 for 2024. We also assumed that our existing RBL facility is amortised in line with its terms, but is not refinanced or extended, resulting in a reduction in the facility to \$nil million from 30 June 2024. Our forecasts show that the Group will have sufficient financial headroom to meet its financial covenants based on the existing RBL facility for a period of at least 12 months from the date of approval of the financial statements.

Management has also prepared a downside case with average oil prices at \$80/bbl for H1 2023, \$72/bbl for Q3 2023 and \$68/bbl for Q4 2023, falling further to \$65/bbl for H1 2024 and \$62/bbl for Q3 2024. We used an average exchange rate of \$1.25/£1 for the remainder of H1 2023, \$1.27/£1 for H2 2023 and H1 2024 and \$1.30/£1 for Q3 2024. Our downside case also included an average reduction in production of 5% over the period. In the event of the downside scenario, management would take mitigating actions including delaying capital expenditure and reducing costs, in order to remain within the Group's debt liquidity covenants over the remaining facility period, should such actions be necessary. All such mitigating actions are within management's control. We have not assumed any extensions or refinancing to the RBL. In this downside scenario, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants for the 12 months from the date of approval of the financial statements. Management remain focused on maintaining a strong balance sheet and funding to support our strategy. As part of this financial policy, management continue to assess funding opportunities and plan to refinance the existing RBL before its expiry date.

Based on the analysis above, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for at least the next 12 months from the date of the approval of the Group financial statements and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

(c) Basis of consolidation

The consolidated financial statements present the results of IGas Energy plc and its subsidiaries as if they formed a single entity. The financial statements of subsidiaries used in the preparation of consolidated financial statements are based on consistent accounting policies to the parent. All intercompany transactions and balances between Group companies, including unrealised profits arising from them, are eliminated in full. Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, it is treated as an extension of the entity.

At 31 December 2022, the Group comprised the Company and entities controlled by IGas Energy plc (its subsidiaries). No new subsidiaries were acquired during the year but certain were dissolved/struck off or liquidated, as disclosed in note 2 of the Parent Company financial statements.

1 Accounting policies continued

(d) Business combinations

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets transferred, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement. Acquisition costs are expensed in the income statement.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments are accounted for depending on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is re-measured to fair value at subsequent reporting dates with changes in fair value recognised in the income statement.

(e) Joint arrangements

Certain of the Group's licence interests are held jointly with others under arrangements whereby unincorporated and jointly controlled ventures are used to explore, evaluate and ultimately develop and produce from its oil and gas interests. Accordingly, the Group accounts for its share of assets, liabilities, income and expenditure of these joint operations, classified in the appropriate balance sheet and income statement headings, except where its share of such amounts remain the responsibility of another party in accordance with the terms of carried interests as described at (i) below.

Where the Group enters into a farm-in agreement involving a licence in the exploration and evaluation phase, the Group records all costs that it incurs under the terms of the joint operating agreement as amended by the farm-in agreement as they are incurred.

Where the Group enters into a farm-out agreement involving a licence in the exploration and evaluation phase, the Group does not record any expenditure made by the farmee on its account. It also does not immediately recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

When the Group, acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on profit or loss.

(f) Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements in conformity with IFRSs requires management to make judgements and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting financial year. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, the Group has identified the following areas where significant judgements and estimates are required, and where if actual results were to differ, this could materially affect the financial position or financial results reported in a future financial year. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.

Estimates:

Recoverable value of intangible assets

The Group has capitalised intangible exploration and evaluation assets in accordance with IFRS 6. Significant judgement is required in considering whether it is appropriate to continue to carry these costs on the balance sheet and whether the assets have been impaired. The key areas in which management has applied judgement and estimation include the Group's intention to proceed with a future work programme for a prospect or licence, the likelihood of licence renewal or plans for relinquishment, the assessment of results from wells or geological or geophysical studies, the likely impact of political factors including planning permissions and the assessment of whether the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. Details of the Group's intangible exploration and evaluation assets are disclosed in note 9 to the financial statements.

The Group assesses intangible development costs at each reporting financial year end to determine whether there is any impairment. The assessment requires the use of estimates and assumptions such as long-term prices, discount rates, heat generation capacity and capital expenditure. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable value of intangible development costs. Details of the Group's capitalised development costs are disclosed in note 9 to the financial statements.

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

1 Accounting policies continued

(f) Significant accounting judgements and estimates continued

Estimates continued:

Recoverable value of property, plant and equipment

Management reviews the Group's property, plant and equipment at least annually for impairment indicators. The determination of recoverable amounts in any resulting impairment test requires judgement around key assumptions. Key assumptions in the impairment models include those related to GBP to US dollar foreign exchange rates, impact of climate change on cash flows and prices that are based on forward curves and long-term corporate assumptions thereafter, discount rates that are risked to reflect conditions specific to individual assets, future costs, both capital and operating, that are based on management's estimates having regard to past experience and the known characteristics of the individual assets, reserves (discussed below) and future production. Details of the Group's property, plant, and equipment are disclosed in note 10 to the financial statements.

Proved and probable reserves and contingent resources

The volume of proved and probable oil and gas reserves is an estimate that affects the unit of production depletion of producing oil and gas assets as well as being a significant estimate affecting decommissioning provisions, impairment calculations and the valuation of oil and gas assets in business combinations. Contingent resources affect the valuation of exploration and evaluation assets acquired in business combinations and the estimation of the recoverable value of those assets in impairment tests. Proved and probable reserves and contingent resources are estimated using standard recognised evaluation techniques. Estimates are reviewed at least annually and are regularly estimated by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Deferred tax asset recognition

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which losses can be utilised. Determining the amount of deferred tax assets that can be recognised requires an estimation of the likely timing and the level of future taxable profits based on cash flows expected to be generated from internal estimates of projected production and costs along with consideration of future tax planning strategies. Details of the Group's deferred tax assets, including those not recognised due to uncertainty regarding the future utilisation, are disclosed in note 7 to the financial statements.

Decommissioning costs

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed periodically and is based on forecast price levels and technology at the balance sheet date. Provision is made for the estimated cost at the balance sheet date, using a discounted cash flow methodology and a risk free rate of return. Details of the Group's decommissioning provisions are disclosed in note 19 to the financial statements.

Judgements:

Functional currency

The determination of functional currency often requires significant judgement where the primary economic environment in which a company operates may not be clear. The parent entity reconsiders the functional currency of its entities if there is a change in the underlying transactions, events and conditions, which determines the primary economic environment. Whilst the majority of the Group's revenue and all of the borrowings are denominated in USD, the Group has determined UK pound sterling to be its functional currency given the Group's operations are carried out entirely in the UK and its operational transactions other than revenue and borrowings are primarily denominated in that currency.

(g) Revenue

Revenue comprises the invoiced value of goods and services supplied by the Group, net of value added tax and trade discounts. Revenue is recognised at a point in time when the control of the goods has passed onto the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. In the case of oil, gas and electricity sales, these are recognised when goods are delivered and title has passed to the customer. This generally occurs when the product is physically delivered to the customer's premises or transferred into a vessel, pipe or other delivery mechanism.

Revenue from the production of oil from fields in which the Group has an interest with other producers is recognised based on the Group's working interest and the terms of the relevant production sharing contracts. Where oil produced by third parties is processed and delivered to a refinery by the Group, the measurement of the revenue depends upon whether physical title to the oil passes to the Group or whether the Group simply acts as an agent for the producer.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the income statement in the financial year in which the circumstances that give rise to the revision become known by management. In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the invoiced value of goods or services rendered exceeds the payment, a contract asset will be recognised. If the payments exceed the invoiced value of goods or services rendered, a contract liability will be recognised.

1 Accounting policies continued

(h) Non-current assets

Development costs

Acquired development costs are initially recorded at fair value on acquisition date. After initial recognition, capitalised development costs are recorded at cost less accumulated impairment losses, as applicable, and represent costs incurred for the design and development of deep geothermal heat projects.

Costs on development activities are capitalised if the project is technically and commercially feasible, the entity intends and has the technical ability and sufficient resources to complete development, future benefits are probable and if the entity can measure reliably the expenditure attributable to the intangible assets during its development. Expenditure capitalised includes direct labour, costs directly relating to the project such as geological studies and planning permits and an appropriate proportion of relevant overheads and capitalised borrowing costs. When it is no longer probable that a project will be carried out, the project's development costs incurred to that date are expensed. Other expenditure is recognised in the profit and loss account as incurred.

Development costs are tested for impairment at least annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each Cash Generating Unit (the "CGU") or group of CGUs to which the development costs relate. Recoverable amount is the higher of fair value less costs of disposal and value-in-use. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

Intangible exploration and evaluation assets

The Group accounts for exploration and evaluation costs in accordance with the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources as follows:

- Any costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the income statement;
- Expenditures recognised as exploration and evaluation assets comprise those related to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling (including coring and sampling), activities in relation to evaluating the technical feasibility and commercial viability of extracting hydrocarbons (including appraisal drilling and production tests) and any land rights acquired for the sole purpose of effecting these activities. These costs include employee costs, directly attributable overheads, materials and consumables, equipment costs and payments made to contractors;
- Tangible assets acquired for use in exploration and evaluation activities are classified as property, plant and equipment. However, to the extent that such tangible assets are consumed in developing an intangible exploration and evaluation asset, the amount reflecting that consumption is recorded as part of the exploration and evaluation asset;
- Expenditures recognised as exploration and evaluation assets are initially accumulated and capitalised by reference to appropriate geographic areas. Expenditures recognised as exploration and evaluation assets are transferred to property, plant and equipment and classified as oil and gas assets when technical feasibility and commercial viability of extracting hydrocarbons is demonstrable; and
- Exploration and evaluation assets are assessed for impairment (on the basis described below), and any impairment loss recognised, before reclassification.

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

1 Accounting policies continued

(h) Non-current assets continued

Impairment testing of exploration and evaluation assets

Expenditures recognised as exploration and evaluation assets are tested for impairment whenever facts and circumstances suggest that they may be impaired, which includes when a licence is approaching the end of its term and is not expected to be renewed, when there are no substantive plans for continued exploration or evaluation of an area, when the Group decides to abandon an area, or where development is likely to proceed in an area but there are indications that the exploration and evaluation asset costs are unlikely to be recovered in full either by development or through sale.

Where the Group identifies any such indications that an asset may be impaired, the Group performs an assessment of the recoverable value in accordance with the requirements of IAS 36. Any impairment loss is recognised immediately in the income statement.

Property, plant and equipment – oil and gas assets

- Oil and gas assets and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses;
- The cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and, for qualifying assets where relevant, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The cost of oil and gas assets also includes an amount equal to the decommissioning cost estimate;
- Oil and gas assets are depleted either on a unit of production basis, commencing at the start of commercial production, or depreciated on a straight-line basis over the relevant asset's estimated useful life. Where expenditure is depreciated on a unit of production basis, the depletion charge is calculated according to the proportion that production bears to the proven and probable reserves for each property, after taking account of estimated future development expenditure relating to those reserves; and
- Net proceeds from any disposal of development/producing assets are compared to the previously capitalised costs for the relevant asset or group of assets. A gain or loss on disposal of a development/producing asset is recognised in the income statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset or group of assets.

The Group's interests in oil and gas assets are assessed for indications of impairment including events or changes in circumstances which indicate that the carrying value of an asset may not be recoverable. Any impairment in value is charged to the income statement.

Impairment tests are carried out on the following basis:

- By comparing the sum of any amounts carried in the books as compared to the recoverable amount;
- The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The Group generally assesses the fair value less costs of disposal using the estimated future cash flows which are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU; and
- Where there has been a charge for impairment in an earlier financial year that charge will be reversed in a later financial year where there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

Decommissioning

Where a liability for the removal of production facilities or site restoration exists, a provision for decommissioning is recognised. The amount recognised is discounted to its present value and is reflected in the Group's non-current liabilities, unless the decommissioning activity is expected to be undertaken in the next 12 months in which case it is reflected as a current liability. A corresponding asset is included in the appropriate category of the Group's non-current assets (intangible exploration and evaluation assets and property, plant and equipment), depending on the accounting treatment adopted for the underlying operations/asset leading to the decommissioning provision. The asset is assessed for impairment and depleted in accordance with the Group's policies as set out above.

Carried interests

Where the Group has entered into carried interest agreements in exploration and evaluation projects and the Group's interest is being carried by a third party, no amounts are recorded in the financial statements where expenditure incurred under such agreements is not refundable. Where expenditure is refundable, out of what would but for the carry agreements have been the Group's share of production, the Group records amounts as non-current assets, with a corresponding offset in current liabilities or non-current liabilities, as appropriate, but only once it is apparent that it is more likely than not that future production will be adequate to result in a refund under the terms of any carry agreement; the Group records refunds only to the extent that they are expected to be repayable.

1 Accounting policies continued

(h) Non-current assets continued

Other property, plant and equipment

Other property, plant and equipment is stated at cost to the Group less accumulated depreciation. Depreciation is provided on such assets, with the exception of freehold land, at the following rates calculated to write off the cost of fixed assets, less their estimated residual values, over their estimated useful lives, with any impairment being accounted for as additional depreciation:

Equipment used for exploration and evaluation	– between six and twelve years on a straight-line basis
Freehold land	– indefinite useful life
Buildings/leasehold property improvements	– over five to ten years on a straight line basis/over the period of the lease
Fixtures, fittings and equipment	– between three and twenty years on a straight-line basis
Motor vehicles	– over four years on a straight-line basis

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The Group does not capitalise amounts considered to be immaterial.

(i) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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.

Other financial assets – Restricted cash

Restricted cash relates to bond guarantees issued to government bodies in relation to decommissioning liabilities. Funds are only classified as cash and cash equivalents when monies are transferred to and under the control of the Group.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are initially recognised at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. Details about the Group's impairment policy and the calculation of loss allowance are provided in the Impairment of financial assets accounting policy below.

Trade and other payables

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

Derivative financial instruments and hedge accounting

The Group enters into derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates and variability in the price realised on a proportion of its crude oil production. All derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each financial year end. Apart from those derivatives designated as qualifying cash flow hedging instruments, all changes in fair value are recorded within operating profit/loss in the year in which they arise, otherwise they are recognised in other comprehensive income.

Fair value is the amount for which a financial asset, liability or instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction. It is determined by reference to quoted market prices adjusted for estimated transaction costs that would be incurred in an actual transaction, or by the use of established estimation techniques such as option pricing models and estimated discounted values of cash flows. The fair value of derivative financial instruments has been calculated on a discounted cash flow basis by reference to forward market prices and risk free returns adjusted in the case of derivative financial liabilities by an appropriate credit spread.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) on financial assets measured at amortised cost. These are measured at an amount equal to lifetime ECL as these relate to trade and other receivables and a simplified approach can be adopted. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

1 Accounting policies continued

(i) Financial instruments continued

Impairment of financial assets continued

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(j) Borrowings

Borrowings are measured initially at fair value. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. When management estimates of the amounts or timings of cash flows are revised, borrowings are re-measured using the revised cash flow estimates under the original effective interest rate with any consequent adjustment being recognised in the income statement.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the financial years in which they are incurred.

De-recognition

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.

(k) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liabilities

The Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index. The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Right-of-use assets are subject to and reviewed regularly for impairment. Depreciation on right-of-use assets is included in depletion, depreciation and amortisation within cost of sales or in administrative expense in the consolidated income statement based on the nature of the asset.

1 Accounting policies continued

(k) Leases continued

Extension renewal and termination options

Extension, renewal and termination options are included in a number of land, property, motor vehicles and other equipment leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an option to extend or renew, or not exercise a termination option. Extension and renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Amounts recognised in cash flow statement

Lease payments represent repayment of principal and interest and are classified within financing cash flows in the cash flow statement.

(l) Inventories

Inventories, consisting of crude oil, and drilling and maintenance materials, are stated at the lower of cost and net realisable value. Costs comprise costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily inter-changeable items.

(m) Taxation

The tax charge/credit includes current and deferred tax.

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities. Taxable profit/(loss) differs from the profit/(loss) before taxation as reported in the income statement as it excludes items of income or expense that are taxable or deductible in different financial years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Temporary differences arise from differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are not discounted. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered and the carrying amount is reviewed at each reporting date. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the financial year when the asset is realised or the liability is settled, based on the tax rates and laws that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside the income statement are recognised in correlation to the underlying transaction, either in other comprehensive income or directly in equity.

(n) Share-based payments

Where share options are awarded to employees including Directors, the fair value of the options at the date of the grant is recorded in equity (share plan reserves) over the vesting period. Non-market vesting conditions, but only those related to service and performance, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. All other vesting conditions, including market vesting conditions, are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, the amount recorded is computed irrespective of whether the market vesting conditions are satisfied. The cumulative amount recognised is not adjusted for the failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured by the change from immediately before to after the modification, is also recorded in equity over the remaining vesting period.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised on the award is recognised immediately.

Where an equity-settled award is identified as a replacement it will be treated as a modification to the original plan where the incremental fair value of the replacement award is expensed over the vesting period of the replacement award. The fair value of the original award on its grant date continues to be recognised over its original vesting period.

Where equity instruments are granted to persons other than employees, the amount recognised in equity is the fair value of goods and services received.

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

1 Accounting policies continued

(n) Share-based payments continued

Charges corresponding to the amounts recognised in equity are accounted for as a cost in the income statement unless the services rendered qualify for capitalisation as a non-current asset. Costs may be capitalised within non-current assets in the event of services being rendered in connection with an acquisition of intangible exploration and evaluation assets or property, plant and equipment.

Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, the value of such shares at issue will be recorded in share capital and share premium account in the ordinary way, but will not affect shareholders' funds since this same value will be shown as a deduction from shareholders' funds by way of a separate component of equity (treasury shares reserve).

Amounts recognised in the share plan reserves and treasury share reserve are not subsequently reclassified within equity.

(o) Post-retirement benefits

A subsidiary within the Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the income statement represents the contributions paid/payable to the scheme in respect of the accounting financial year.

(p) 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.

(q) Foreign currency

The consolidated financial statements are presented in UK pound sterling, the functional currency of the Group. Transactions denominated in currencies other than the 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 income statement.

For the purposes of consolidation, the income statement items of those entities for which the UK pound sterling is not the functional currency are translated into UK pound sterling at the average rates of exchange during the financial year. The related balance sheets are translated at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of such operations are reported in other comprehensive income and accumulated in equity.

The exchange differences arising on intercompany balances that form part of an entity's net investment in a foreign operation are recognised in other comprehensive income and accumulated in foreign currency translation reserve until the disposal of the foreign operation.

On disposal of entities with a different functional currency to the Company's functional currency, the deferred cumulative exchange differences recognised in equity relating to that particular operation would be recognised in the income statement.

(r) Government grants

Government grants are recognised in the income statement on a systematic basis over the financial years in which the Group recognises as expenses the related costs for which the grants are intended to compensate and are presented net against the related costs.

2 Revenue

The Group derives revenue solely within the United Kingdom from the transfer of control over the goods and services to external customers, which is recognised at a point in time when the performance obligation has been satisfied by the transfer of goods. The Group's major product lines are:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Oil sales	52,409	33,254
Electricity sales	2,645	2,048
Gas sales	4,117	2,614
	59,171	37,916

Revenues of approximately £26.4 million and £26.0 million were derived from the Group's two largest customers (2021: £17.4 million and £15.9 million) and are attributed to the oil sales.

As at 31 December 2022, there are no contract assets or contract liabilities outstanding (2021: nil).

3 Operating loss

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Operating loss is stated after charging:		
Staff costs (note 5)	(12,899)	(11,592)
Depletion, depreciation and amortisation*	(6,338)	(4,903)
Remuneration payable to the Group's external auditors:		
Fees payable to the Group's external auditors for the audit of the consolidated financial statements:		
Audit of the consolidated financial statements	(298)	(254)
Fees payable to the Group's external auditors for other services:		
Audit-related assurance services	(50)	(45)
Other non-audit services	—	(57)

* Reconciliation of depletion, depreciation and amortisation is as follows:

Depletion, depreciation and amortisation

	Property, plant and equipment (note 10) £000	Right-of- use assets (note 12) £000	Year ended 31 December 2022 £000	Property, plant and equipment (note 10) £000	Right-of- use assets (note 12) £000	Year ended 31 December 2021 £000
Cost of sales	(5,032)	(1,270)	(6,302)	(3,832)	(962)	(4,794)
Administrative expenses	(10)	(26)	(36)	(21)	(88)	(109)
Total depletion, depreciation and amortisation	(5,042)	(1,296)	(6,338)	(3,853)	(1,050)	(4,903)

4 Derivative financial instruments

Loss on oil price derivatives

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Realised loss on oil price derivatives	(7,961)	(6,577)
Unrealised gain/(loss) on oil price derivatives	1,934	(138)
	(6,027)	(6,715)

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

5 Employee information

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Staff costs comprised:		
Wages and salaries	8,843	8,930
Social security costs	1,121	979
Other pension costs	538	523
Redundancy and termination benefits	1,016	–
Employee share-based payment cost	1,381	1,160
	12,899	11,592

	Year ended 31 December 2022 No.	Year ended 31 December 2021 No.
Average monthly number of employees including Directors in the year		
Operations, including services	107	109
Administrative	32	31
	139	140

Details of Directors' remuneration, Directors' transactions and Directors' interests are set out in the audited section of the Directors' Remuneration Report, which forms part of these financial statements.

A proportion of the Group's staff costs shown above is capitalised as additions to intangible assets and property, plant and equipment or charged to joint venture partners as part of our time writing rate and in accordance with the Group's accounting policies.

The Group received grants of £nil (2021: £0.01 million) from the UK Government as part of the Coronavirus Job Retention Scheme (furlough scheme). The income is recognised in the income statement against the related wages and salaries cost. There are no unfulfilled conditions or other contingencies attached to this grant.

6 Finance income/(costs)

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Finance income:		
Interest on short-term deposits	8	2
Finance income	8	2
Finance costs:		
Interest on borrowings	(950)	(812)
Amortisation of finance fees on borrowings	(268)	(267)
Net foreign exchange loss	(1,417)	(151)
Unwinding of discount on decommissioning provision (note 19)	(1,749)	(1,659)
Unwinding of discount on contingent consideration (note 19)	–	(277)
Interest charge on lease liability (note 12)	(707)	(684)
Finance costs	(5,091)	(3,850)

7 Income tax

(i) Tax credit on loss from continuing ordinary activities

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Current tax:		
Charge on loss for the year	–	–
Total current tax charge	–	–
Deferred tax:		
Credit relating to the origination or reversal of temporary differences	(8,160)	(6,360)
Debit/(credit) due to tax rate changes	1,465	(393)
Debit in relation to prior years	57	523
Total deferred tax credit	(6,638)	(6,230)
Tax credit on loss from continuing activities	(6,638)	(6,230)

(ii) Factors affecting the tax charge

The majority of the Group's profits are generated by "ring-fence" businesses which attract UK corporation tax and supplementary charges at a combined average rate of 40% (2021: 40%), in addition to the Energy Profit Levy introduced in May 2022 with an average rate of 15% for the year (2021: 0%).

A reconciliation of the UK statutory corporation tax rate (applicable to oil and gas companies) applied to the Group's loss before tax to the Group's total tax credit is as follows:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Loss from continuing ordinary activities before tax	(18,416)	(12,266)
Expected tax credit based on loss from continuing ordinary activities multiplied by an average combined rate of corporation tax and supplementary charge and Energy Profit Levy in the UK of 55% (2021: 40%)	(10,141)	(4,906)
Deferred tax debit in respect of prior years	57	523
Tax effect of expenses not allowable for tax purposes	2,105	2,085
Tax effect of differences in amounts not allowable for supplementary charge purposes*	(100)	24
Impact of profits or losses taxed or relieved at different rates	4,499	(2)
Net decrease in unrecognised losses carried forward	(1,864)	(6,911)
Net (decrease)/increase in unrecognised temporary taxable differences	(2,659)	3,422
Tax rate change	1,465	(393)
Other	–	(72)
Tax credit on loss from continuing activities	(6,638)	(6,230)

* Amounts not allowable for supplementary charge purposes relate to net financing costs disallowed for supplementary charge offset by investment allowance, which is deductible against profits subject to supplementary charge.

(iii) Deferred tax

The movement on the deferred tax asset in the year is shown below:

	2022 £000	2021 £000
Asset at 1 January	38,176	31,945
Tax charge relating to prior year	(57)	(523)
Tax credit during the year	8,160	6,360
Tax charge arising due to the changes in tax rates	(1,465)	393
Other	(1)	1
Asset at 31 December	44,813	38,176

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

7 Income tax continued

(iii) Deferred tax continued

The following is an analysis of the deferred tax asset by category of temporary difference:

	31 December 2022 £000	31 December 2021 £000
Accelerated capital allowances	(20,685)	(18,620)
Tax losses carried forward	50,659	44,388
Investment allowance unutilised	2,265	1,837
Decommissioning provision	12,524	8,263
Unrealised gains or losses on derivative contracts	(394)	2,083
Share-based payments	155	162
Right-of-use asset and liability	289	63
Deferred tax asset	44,813	38,176

During the period an adjustment was made to how impairment losses were allocated to different asset classes for tax purposes. This has resulted in an increase in the deferred tax liability arising on qualifying fixed assets of £9.6 million which supports the recognition of additional deferred tax assets arising on losses of the same amount. This has no impact on the deferred taxes recognised in prior periods.

(iv) Tax losses

The Group has gross total tax losses and similar attributes carried forward of £355.3 million (2021: £358.3 million). Deferred tax assets have been recognised in respect of tax losses and other temporary differences where the Directors believe it is probable that these assets will be recovered based on a five-year profit forecast or to the extent that there are offsetting deferred tax liabilities. Such recognised tax losses include £123.2 million (2021: £113.2 million) of ringfence corporation tax losses which will be recovered at 30% of future taxable profits, £119.8 million (2021: £103.4 million) of supplementary charge tax losses which will be recovered at 10% of future taxable profits and £1.9 million (2021: £nil) of losses arising under the EPL regime which will be recovered at 35% of future taxable profits.

8 Earnings per share (EPS)

Continuing

Basic EPS amounts are based on the loss for the year after taxation from continuing operations attributable to ordinary equity holders of the parent of £11.8 million (2021: a loss after taxation from continuing operations attributable to shareholders' equity of £6.0 million) and the weighted average number of ordinary shares outstanding during the year of 125.9 million (2021: 125.3 million).

Diluted EPS amounts are based on the loss for the year after taxation from continuing operations attributable to the ordinary equity holders of the parent and the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the potentially dilutive ordinary shares into ordinary shares, except where these are anti-dilutive.

As at 31 December 2022, there are 11.9 million potentially dilutive share options (31 December 2021: 11.7 million potentially dilutive share options) which were not included in the calculation of diluted earnings per share as their conversion to ordinary shares would have decreased the loss per share.

The following reflects the income and share data used in the basic and diluted earnings per share from continuing operations:

	Year ended 31 December 2022	Year ended 31 December 2021
Basic loss per share – ordinary shares of 0.002 pence each	(9.35p)	(4.82p)
Diluted loss per share – ordinary shares of 0.002 pence each	(9.35p)	(4.82p)
Loss for the year attributable to equity holders of the parent from continuing operations – £000	(11,778)	(6,036)
Weighted average number of ordinary shares in the year – basic EPS	125,923,609	125,269,135
Weighted average number of ordinary shares in the year – diluted EPS	125,923,609	125,269,135

8 Earnings per share (EPS) continued

Discontinued

The following reflects the income and share data used in the basic and diluted earnings per share including discontinued operations:

	Year ended 31 December 2022	Year ended 31 December 2021
Basic loss per share – ordinary shares of 0.002 pence each	(9.35p)	(4.98p)
Diluted loss per share – ordinary shares of 0.002 pence each	(9.35p)	(4.98p)
Loss for the year attributable to equity holders of the parent – £000	(11,778)	(6,239)
Weighted average number of ordinary shares in the year– basic EPS	125,923,609	125,269,135
Weighted average number of ordinary shares in the year– diluted EPS	125,923,609	125,269,135

9 Intangible assets

	2022			2021		
	Exploration and evaluation assets £000	Development costs £000	Total £000	Exploration and evaluation assets £000	Development costs £000	Total £000
At 1 January	34,844	3,478	38,322	43,421	3,290	46,711
Additions	722	232	954	888	188	1,076
Changes in decommissioning*	10	–	10	998	–	998
Impairment	(30,018)	–	(30,018)	(10,463)	–	(10,463)
At 31 December	5,558	3,710	9,268	34,844	3,478	38,322

* The decommissioning asset increased in line with the decommissioning liability following a review of the estimate at 31 December 2022 (note 19).

Exploration and evaluation assets

Exploration costs impaired in the financial year to 31 December 2022 were £30.0 million (2021: £10.5 million) of which £23.8 million related to our shale assets in the Gainsborough Trough, £6.0 million related to PEDL 184 (Ellesmere Port) and £0.2 million related to trailing costs on relinquished licences. The capitalised costs remaining on our exploration and evaluation assets at the end of the year relate to our conventional assets. The 2021 exploration costs written off substantially all related to the relinquishment of the PEDL 200 (Tinker Lane) licence.

Further analysis by location of assets is as follows:

North West: The Group impaired previously capitalised exploration expenditure relating to Ellesmere Port of £6.0 million resulting in a nil balance at the end of the year (2021: £6.4 million). This follows the rejection of planning consent on appeal for a well test in the Ellesmere Port-1 well and, as the Group has no plans for further activity on the licence, the full capitalised amount has been written off. Despite the rejection of the planning consent, Cheshire West and Chester Council reimbursed previously capitalised costs to appeal their decision to refuse the initial planning application of £0.4 million which has been netted off against the additions to exploration and evaluation assets in these financial statements.

East Midlands: The Group has impaired previously capitalised exploration expenditure relating to the Gainsborough Trough which includes PEDLs 12, 139, 140, 169 and 210 of £23.8 million resulting in a nil balance at the end of the year (2021: £23.2 million). The decision to impair was taken following the reintroduction of the moratorium on hydraulic fracturing for shale gas by the UK Government in October 2022, a month after it was temporarily lifted. Whilst disappointed by the decision, the Board concluded that, given the broad political consensus in the UK on this issue, the moratorium is unlikely to be lifted in the near to medium term and therefore that the Group is unlikely to be able to proceed with the commercial development of this asset.

Conventional assets: The Group has £5.6 million (2021: £5.2 million) of capitalised exploration expenditure which relates to our conventional assets including PEDL 235 and PL 240.

Development costs

The development costs relate to assets acquired as part of the GT Energy acquisition in 2020. The costs relate to the design and development of deep geothermal heat projects in the United Kingdom, with the principal project being at Etruria Valley, Stoke-on-Trent.

The Group reviewed the carrying value of development costs as at 31 December 2022 and assessed it for impairment. The development of the Stoke-on-Trent project has taken longer than anticipated due to COVID-19 related delays and the delay in the Government establishing a replacement for the Renewable Heat Incentive scheme which expired in March 2021.

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

9 Intangible assets continued

Development costs continued

The UK Government launched the Green Heat Network Fund (GHNF) in March 2022 and confirmed that it will fund up to 50% of a project's total combined commercialisation and construction costs.

GT Energy applied jointly with SSE for a grant from the GHNF in the second half of 2022. We are awaiting the outcome of the grant award imminently.

Although the development of the project has been delayed, this does not materially impact the overall economics and, therefore, no impairment of development costs has been recognised for the year (2021: £nil). The principal assumptions are the heat sale volumes, unit price and discount rate. A 10% reduction in sales volume would result in a decline of the recoverable amount by £2.5 million. A 10% reduction in price would result in a decline of the recoverable amount by £2.9 million. An increase in the discount rate assumed of 1% (from 10% to 11%) would result in a decline of the recoverable amount by £2.6 million. There would be no impairment in any of these cases.

10 Property, plant and equipment

	2022			2021		
	Oil and gas assets £'000	Other property, plant and equipment £'000	Total £'000	Oil and gas assets £'000	Other property, plant and equipment £'000	Total £'000
Cost						
At 1 January	215,222	2,430	217,652	209,225	2,951	212,176
Additions	7,757	79	7,836	3,700	–	3,700
Disposals/write-offs	–	(463)	(463)	–	(521)	(521)
Changes in decommissioning*	(2,678)	–	(2,678)	2,297	–	2,297
At 31 December	220,301	2,046	222,347	215,222	2,430	217,652
Accumulated depreciation, depletion and impairment						
At 1 January	142,034	1,035	143,069	138,233	1,504	139,737
Charge for the year	5,020	22	5,042	3,801	52	3,853
Disposals/write-offs	–	(463)	(463)	–	(521)	(521)
Impairment	10,457	–	10,457	–	–	–
Impairment reversal	(10,489)	–	(10,489)	–	–	–
At 31 December	147,022	594	147,616	142,034	1,035	143,069
NBV at 31 December	73,279	1,452	74,731	73,188	1,395	74,583

* The decommissioning asset reduced in line with the decommissioning liability following a review of the estimate at 31 December 2022 (note 19).

Capital expenditure incurred during the year related to conversion of a suspended well in the Stockbridge field to a water disposal well, a number of projects to generate near-time production and work to offset field declines by upgrading existing facilities and systems and optimising production at a number of sites.

Impairment of oil and gas assets

Year ended 31 December 2022

Cash Generating Units (CGUs) for impairment purposes are the group of fields whereby technical, economic and/or contractual features create underlying interdependence in the cash flows. The Group has identified the three main producing CGUs as: North, South and Scotland. At each balance sheet date, the Group assesses its CGUs for impairment whenever events or changes in circumstances indicate that the carrying amount of the CGU may not be recoverable. If any such indication exists, the Group makes an estimate of the asset's recoverable amount.

At 30 June 2022, due to the high oil and gas prices and favourable foreign exchange rates, management identified impairment reversal indicators for the North and South CGUs and performed a detailed exercise to determine the amount of reversal at that date.

Due to subsequent increases in interest rates, the imposition of the Energy Profits Levy and a reduction in commodity price forward curves in the second half of the year, management identified impairment indicators at the North and South CGUs and performed an impairment assessment as at 31 December 2022.

10 Property, plant and equipment continued

Impairment of oil and gas assets continued

Year ended 31 December 2022 continued

The Scotland CGU comprising the Lybster field is currently undergoing a redevelopment plan. Possible increased development costs under the plan indicated a potential impairment for this CGU leading to an impairment assessment being performed at 30 June 2022. No further impairment assessment was performed at year end, given no impairment indicators were identified at 31 December 2022.

The future cash flows in the impairment assessments at 30 June 2022 and 31 December 2022 were estimated using the following key assumptions:

	31 December 2022	30 June 2022
Oil price (Brent)	\$70-\$80/bbl for the years 2023-2027 and \$65/bbl thereafter	\$80-\$100/bbl for the years 2022-2026 and \$65/bbl thereafter
USD/GBP foreign exchange rate	Range of \$1.22:£1.00 - \$1.30:£1	Range of \$1.25:£1.00 - \$1.35:£1
Post-tax discount rate	10.5%	9%

Outcome of impairment reviews:

The 30 June 2022 impairment assessment resulted in a recoverable amount greater than the carrying amount by £16.0 million in the South CGU (recoverable amount of £44.8 million) and £0.8 million in the North CGU (recoverable amount of £39.7 million). We capped the impairment reversal recorded in the South CGU to £10.5 million, comprising the net book value of the full amount previously impaired, in line with the requirements in IAS 36. No impairment reversal was recorded in the North CGU as reasonable downside cases indicated that an impairment could be required if certain sensitivities were applied. Therefore, the factors that led to the initial impairment were assessed to have not fully reversed and management did not consider it appropriate to reverse a portion of the past impairment.

At the Scotland CGU, an impairment of £1.5 million was recognised as at 30 June 2022 (with a recoverable amount of £1.3 million), as it is not expected that all past costs would be recovered through the development of the site.

The 31 December 2022 impairment assessment resulted in an impairment in the North CGU of £8.9 million, with a final recoverable amount of £34.5 million. However, in the South CGU, the recoverable amount increased to £45.9 million as a result of change in the reserves profile, hence no impairment was recorded.

Sensitivity of changes in assumptions

The principal assumptions are future production, estimated Brent prices, the USD/GBP foreign exchange rate, and the discount rate. The impact on the recoverable amount that would result from changes to the key assumptions at 31 December 2022 are shown below:

CGU	10% reduction in price £m	10% reduction in production £m	USD/GBP foreign exchange rate @ \$1.4 £m	Increase in discount rate by 1% £m
North	(7.67)	(7.82)	(5.99)	(1.39)
South	(5.49)	(5.39)	(6.65)	(2.03)

The sensitivity analysis above does not take into account any mitigating actions available to management should these changes occur.

Year ended 31 December 2021

The Group reviewed the carrying value of oil and gas assets as at 31 December 2021 and assessed it for impairment indicators. The impact of the downward revision of the reserves estimate was offset by an improving economic outlook and a significantly improved oil price environment at the reporting date. On this basis, management concluded that there were no impairment indicators as at 31 December 2021. However, as at 31 December 2021, continued uncertainty existed regarding the future impact of the COVID-19 pandemic including the emergence of new variants which may have a negative impact on economic activity and therefore on the demand for oil. As a result, management concluded that there were no impairment reversal indicators as at 31 December 2021 and that a reversal of prior years' impairments was not appropriate.

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

11 Interest in joint arrangements

The Group's material joint operations as at 31 December 2022 are set out below:

Licences	Partner	IGas' interest	Operator
East Midlands			
PEDL 169	Egdon	80%	IGas
PEDL 210	INEOS	75%	IGas
PEDL 012	INEOS	55%	IGas
PEDL 278	Egdon	50%	IGas
PEDL 273	INEOS, Egdon	55%	IGas
PEDL 305	INEOS, Egdon	55%	IGas
PEDL 316	INEOS, Egdon	55%	IGas
PEDL 139	INEOS, Egdon, eCorp	32%	IGas
PEDL 140	INEOS, Egdon, eCorp	32%	IGas
North West			
PEDL 145	INEOS	40%	INEOS
PEDL 147	INEOS	25%	IGas
PEDL 184	INEOS	50%	IGas
PEDL 189	INEOS	25%	IGas
PEDL 190	INEOS	50%	IGas
PEDL 193	INEOS	40%	INEOS
PEDL 293	INEOS	30%	INEOS
PEDL 295	INEOS	30%	INEOS
EXL 273	INEOS	15%	INEOS
Weald			
PL 211	UKOG	90%	IGas
PEDL 070	UKOG, Egdon, Aurora, Corfe	54%	IGas

12 Right-of-use assets and lease liabilities

(a) Amounts recognised in the balance sheet

The Group has identified lease portfolios for land, motor vehicles and other equipment as follows:

	31 December 2022 £000	31 December 2021 £000
Right-of-use assets		
Land	7,190	6,872
Motor vehicles and other equipment	193	145
	7,383	7,017

Additions to the right-of-use assets during the 2022 financial year were £1.7 million (2021: £0.4 million).

	31 December 2022 £000	31 December 2021 £000
Lease liabilities		
Current	(738)	(815)
Non-current	(7,042)	(6,362)
	(7,780)	(7,177)

(b) Amounts recognised in the income statement

The income statement includes the following amounts relating to leases:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Depreciation charge of right-of-use assets		
Land	1,194	903
Motor vehicles and other equipment	102	85
Property	–	62
	1,296	1,050
Other		
Interest expense (note 6)	707	684
Expense relating to leases of low-value and short-term leases (included in cost of sales and administrative expense)	605	361

(c) Amounts recognised in the cash flow statement

The cash flow statement includes the following amounts relating to leases:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Repayment of interest on lease liabilities	707	684
Repayment of principal portion of lease liability	1,059	747
Total cash outflow	1,766	1,431

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

13 Inventories

	31 December 2022 £000	31 December 2021 £000
Oil stock	787	580
Drilling and maintenance materials	880	512
	1,667	1,092

Inventories approximating the value of other cost of sales in the consolidated income statement were recognised as an expense during the current and prior periods.

14 Trade and other receivables

	31 December 2022 £000	31 December 2021 £000
Trade debtors	5,171	3,945
Prepayments	999	1,045
Other debtors	143	293
VAT recoverable	785	226
	7,098	5,509

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally non-interest bearing and due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's consideration of credit risk are provided in note 22.

Due to the short-term nature of trade and other receivables, their carrying amount is considered to be the same as their fair value.

15 Cash and cash equivalents

	31 December 2022 £000	31 December 2021 £000
Cash at bank and in hand	3,092	3,289

The cash and cash equivalents do not include restricted cash.

Restricted cash

	31 December 2022 £000	31 December 2021 £000
Non-current	410	410

The restricted cash represents restoration deposits paid to Nottinghamshire County Council, which serve as collateral for the restoration of drilling sites at the end of their life. The restoration deposits are subject to regulatory and other restrictions and are therefore not available for general use of the Group.

15 Cash and cash equivalents continued

Net debt reconciliation

	31 December 2022 £000	31 December 2021 £000
Cash and cash equivalents	3,092	3,289
Borrowings – including capitalised fees	(8,743)	(14,836)
Net debt	(5,651)	(11,547)
Capitalised fees	(401)	(669)
Net debt excluding capitalised fees	(6,052)	(12,216)

	2022			2021		
	Cash and cash equivalents £000	Borrowings £000	Total £000	Cash and cash equivalents £000	Borrowings £000	Total £000
At 1 January	3,289	(14,836)	(11,547)	2,438	(13,695)	(11,257)
Interest paid on borrowings	(950)	–	(950)	(812)	–	(812)
Drawdown of RBL (note 18)	–	–	–	1,432	(1,432)	–
Repayment of RBL (note 18)	(7,985)	7,985	–	(756)	756	–
Foreign exchange adjustments	217	(1,624)	(1,407)	48	(198)	(150)
Other cash flows	8,521	–	8,521	939	–	939
Other non-cash movements	–	(268)	(268)	–	(267)	(267)
At 31 December	3,092	(8,743)	(5,651)	3,289	(14,836)	(11,547)

16 Discontinued operations

The divestment of assets acquired as part of the Dart Acquisition, namely the Rest of the World segment, was completed in 2016. The Group previously had a presence in a small number of Australian and Singaporean registered operations. During the year ended 31 December 2022, we finalised the liquidation process for the remaining of these overseas dormant subsidiaries. The total loss after tax in respect of discontinued operations was £nil (2021: loss after tax from discontinued operations of £0.2 million, primarily relating to the recycling of the currency translation reserve on liquidation/strike off and administration costs).

Effect of liquidation/strike off on the financial statements:

	31 December 2022 £000	31 December 2021 £000
Other receivables	–	(11)
Cash and cash equivalents	–	(118)
Other payables	–	15
Net assets and liabilities disposed	–	(114)
Disposal consideration	–	–
Translation reserve re-classification to income statement on liquidation/strike off	–	(326)
Loss on liquidation/strike off charged to the income statement	–	(440)

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

17 Trade and other payables

	31 December 2022 £000	31 December 2021 £000
Current		
Trade creditors	(2,738)	(1,117)
Employment taxes	(328)	(255)
Other creditors and accruals	(5,198)	(5,491)
	(8,264)	(6,863)
Non-current		
Amounts due to partner in joint arrangement	(369)	(371)
Other creditors and accruals	–	(399)
	(369)	(770)

Trade creditors are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of each of the Group's financial liabilities included within trade and other payables are considered to be a reasonable approximation of their fair value.

18 Borrowings

	31 December 2022 £000	31 December 2021 £000
Reserves Based Lending facility (RBL) – secured (current)	(3,325)	–
Reserves Based Lending facility (RBL) – secured (non-current)	(5,418)	(14,836)
	(8,743)	(14,836)

The carrying amounts of each of the Group's financial liabilities included within borrowings are considered to be a reasonable approximation of their fair value.

Reserves Based Lending facility (RBL)

On 3 October 2019, the Group announced that it had signed a \$40.0 million RBL with BMO Capital Markets (BMO). In addition to the committed \$40.0 million RBL, a further \$20.0 million is available on an uncommitted basis, and can be used for any future acquisitions or new conventional developments. The RBL has a five-year term, an interest rate of USD LIBOR plus 4.0%, matures in June 2024 and is secured on IGas Energy plc's assets. USD LIBOR will cease to be published from 30 June 2023 and the Group is therefore continuing its preparation for transition to incorporate alternative risk-free rates and is monitoring the market and discussing the potential changes with its counterparties in order to effectively transition from USD LIBOR to alternative risk-free rates. Management does not expect any material impact on its financial position and performance resulting from this transition.

The RBL is subject to a semi-annual redetermination in May and November when the loan availability will be recalculated taking into account forecast commodity prices, remaining field reserves (assessed by an independent reserves auditor annually) and the latest forecast of operating and capital costs. Subsequent to the reporting date, the Group had successfully completed the November 2022 redetermination which confirmed an available facility limit of \$17 million; £14.1 million (2021: \$26.2million; £19.3 million) until the next scheduled redetermination. The current portion of the borrowings have been assessed on the basis of the RBL loan facility amortising in line with the contractual terms.

We made a repayment on the loan of £8.0 million during the year (2021: net drawdown of £ 0.7 million).

Under the terms of the RBL, the Group is subject to a financial covenant whereby, as at 30 June and 31 December each year, the ratio of Net Debt at the period end to Earnings before Interest, Tax, Depreciation, Amortisation and Exceptional items (EBITDAX as defined in the RBL agreement) for the previous 12 months shall be less than or equal to 3.5:1. The Group complied with its covenants for the financial years ended 31 December 2022 and 31 December 2021.

18 Borrowings continued

Collateral against borrowing

A Security Agreement was executed between BMO and IGas Energy plc and some of its subsidiaries, namely: Island Gas Limited, Island Gas Operations Limited, Star Energy Weald Basin Limited, Star Energy Group Limited, Star Energy Limited, Island Gas (Singleton) Limited, Dart Energy (East England) Limited, Dart Energy (West England) Limited, IGas Energy Development Limited, IGas Energy Enterprise Limited, Dart Energy (Europe) Limited and IGas Energy Production Limited.

Under the terms of this Agreement, BMO have a floating charge over all of the assets of these legal entities, other than property, assets, rights and revenue detailed in a fixed charge. The fixed charge encompasses the real property (freehold and/or leasehold property), the specific petroleum licences, all pipelines, plant, machinery, vehicles, fixtures, fittings, computers, office and other equipment, all related property rights, all bank accounts, shares and assigned agreements and rights including related property rights (hedging agreements, all assigned intergroup receivables and each required insurance and the insurance proceeds).

19 Provisions

	2022			2021		
	Decommissioning provisions £'000	Contingent consideration £000	Total £000	Decommissioning provisions £'000	Contingent consideration £000	Total £000
At 1 January	(65,995)	(2,731)	(68,726)	(61,819)	(3,024)	(64,843)
Utilisation of provision	2,251	–	2,251	778	–	778
Unwinding of discount (note 6)	(1,749)	–	(1,749)	(1,659)	(277)	(1,936)
Reassessment of decommissioning provision (notes 9 and 10)	2,668	–	2,668	(3,295)	–	(3,295)
Changes in fair value of contingent consideration	–	–	–	–	570	570
At 31 December	(62,825)	(2,731)	(65,556)	(65,995)	(2,731)	(68,726)

	2022			2021		
	Decommissioning provisions £'000	Contingent consideration £000	Total £000	Decommissioning provisions £'000	Contingent consideration £000	Total £000
Current	(6,560)	(280)	(6,840)	(2,139)	(280)	(2,419)
Non-current	(56,265)	(2,451)	(58,716)	(63,856)	(2,451)	(66,307)
At 31 December	(62,825)	(2,731)	(65,556)	(65,995)	(2,731)	(68,726)

Decommissioning provision

The Group spent £2.3 million on decommissioning activities during the year (2021: 0.8 million) related primarily to plugging and abandoning wells at the Stockbridge and Egmonton sites.

Provision has been made for the discounted future cost of abandoning wells and restoring sites to a condition acceptable to the relevant authorities. This is expected to take place between 1 to 30 years from year end (2021: 1 to 40 years). The provisions are based on the Group's internal estimate as at 31 December 2022. Assumptions are based on our cumulative experience from decommissioning wells which management believes is a reasonable basis upon which to estimate the future liability. The estimates are based on a planned programme of abandonments but also include a provision to be spent in 2023-2024 on preparing for the abandonment campaign, abandoning wells and restoring sites which for regulatory, integrity or other reasons fall outside the planned campaign. The wells to be decommissioned in 2023 and 2024 are in line with management's discussions with the regulator. The estimates are reviewed regularly to take account of any material changes to the assumptions. Actual decommissioning costs will ultimately depend upon future costs for decommissioning which will reflect market conditions and regulations at that time. Furthermore, the timing of decommissioning is uncertain and is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend on factors such as future oil and gas prices, which are inherently uncertain.

The Group applies an inflation adjustment to the current cost estimates and discounts the resulting cash flows using a risk free discount rate. The provision estimate reflects a higher inflation percentage in the near term for the period 2022 – 2024 and thereafter incorporates the long-term UK target inflation rate for the period 2025 and beyond.

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

19 Provisions continued

Decommissioning provision continued

The discount rate used in the provision calculation as at 31 December 2022 ranged from 3.0% to 5.1% (2021: 1.2% to 3.00%). The increase in the risk free discount rate during the year is mainly due to the increase in the yield on UK Government bond for periods comparable to the life of the provision.

At 31 December 2022, the Group reassessed the decommissioning provision which resulted in a reduction of £2.7 million to the value of the liability. The reduction is comprised of £7.4 million due to the increase in the risk free rate, partially offset by an increase of £0.9 million due to the change in expected timing of the utilisation of provision and an increase of £3.8 million due to the change in inflation assumptions used in the provision calculation.

Sensitivity of changes in assumptions

Management performed sensitivity analysis to assess the impact of changes to the risk free rate and short-term inflation assumption on the Group's decommissioning provision balance. A 0.5% decrease in the risk free rate assumption would result in an increase in the decommissioning provision by £3.4 million whereas a 1% increase in inflation applied to each of the next three years would result in an increase in the decommissioning provision by £1.7 million.

Management also performed sensitivity analysis to assess the impact of changes to the undiscounted future cost of abandoning wells and restoring sites on the Group's decommissioning provision balance. A 10% increase in the undiscounted future cost would result in an increase in the decommissioning provision by £6.5 million.

Contingent consideration

The contingent consideration relates to the acquisition of GT Energy. The contingent consideration is payable in shares, and is dependent on the timing of various milestones being achieved. It is also dependent on the inputs to an agreed-form economic model which determines the level of the consideration for each milestone in accordance with the SPA. These inputs relate to targets for aspects of the Stoke-on-Trent project, including funding, amount of heat delivered, and costs and revenues achieved. The fair value of the consideration for each milestone recognised was calculated by determining the probability weighted value of each payment and discounted using a WACC of 8.3%. In addition, there is a business development milestone relating to securing and achieving targets for a second geothermal project or generating additional capacity for the Stoke-on-Trent project. The acquisition agreement and economic model assumed the availability of the Renewable Heat Incentive (RHI), which closed to applications from 31 March 2021. In March 2022, the UK Government launched the GHNF and we have applied for funding for the Stoke-on-Trent project in the first round. The change in nature of the government support for the project is not provided for in the economic model or the SPA. Whilst the contractual implications on the acquisition agreement are being assessed, management believes that the current value provides the best estimate of the contingent consideration at this time. The estimated fair value will be reviewed as the project progresses and more information becomes available.

20 Pension scheme

The Group operates a defined contribution pension scheme. Contributions made by the Group for the year ended 31 December 2022 were £0.54 million (2021: £0.52 million). Contributions amounting to £0.06 million were accrued at 31 December 2022 (2021: £0.05 million) and are included in trade and other payables.

21 Commitments

Capital commitments

The Group's capital commitments relate to expenditure committed but not spent on conventional and unconventional licences as follow:

	31 December 2022 £000	31 December 2021 £000
Conventional capex	222	310
Unconventional capex	4	6
Total capital commitments	226	316

22 Financial instruments and risk management

Fair value hierarchy

Assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There are no non-recurring fair value measurements nor have there been any transfers of financial instruments between levels of the fair value hierarchy.

Financial assets and liabilities measured at fair value

	Level	31 December 2022 £000	31 December 2021 £000
Financial assets:			
Derivative financial instruments – oil hedges	2	525	–
		525	–
Financial liabilities:			
Derivative financial instruments – oil hedges	2	–	(1,410)
Contingent consideration (note 19)	3	(2,731)	(2,731)
		(2,731)	(4,141)

Fair value of derivative financial instruments

Commodity price hedges

The fair values of the commodity price hedges were provided by counterparties with whom the trades have been entered into. These consist of Asian style put options and swaps to sell/buy oil. The hedges are valued using a Black-Scholes methodology; however, certain adjustments are made to the spot-price volatility of oil prices due to the nature of the contracts. These adjustments are made either through Monte Carlo simulations or through statistical formulae. The inputs to these valuations include the price of oil, its volatility, and risk free interest rates.

During the year, the Group entered into certain fixed price swaps and put options in order to manage its exposure to commodity price risk associated with sales of oil. The outstanding oil hedge contracts as at 31 December 2022 were as follows:

		2023 Q1	2023 Q2	2023 Q3	2023 Q4	Total	Fair value at 31 December 2022
Type	Strike price/ fixed and floating price	Contract amount bbls oil	Contract amount bbls oil	Contract amount bbls oil	Contract amount bbls oil	Contract amount bbls oil	£000
US dollar fixed price swap	95.00	15,000	–	–	–	15,000	128
US dollar fixed price swap	96.65	15,000	–	–	–	15,000	149
US dollar fixed price swap	93.05	–	15,000	–	–	15,000	112
US dollar fixed price swap	95.00	–	15,000	–	–	15,000	136
		30,000	30,000	–	–	60,000	525
						Derivative Asset	525

The above derivatives mature over the financial year from 1 January 2023 until 31 December 2023. A loss of £8.0 million was realised on hedges during the year to 31 December 2022 (see note 4).

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

22 Financial instruments and risk management continued

Fair value of derivative financial instruments continued

Commodity price hedges continued

The outstanding oil hedge contracts as at 31 December 2021 were as follows:

Type	Strike price/ fixed and floating price	2022 Q1	2022 Q2	2022 Q3	2022 Q4	Total	Fair value at 31 December 2021
		Contract amount bbls oil	Contract amount bbls oil	Contract amount bbls oil	Contract amount bbls oil	Contract amount bbls oil	£000
US dollar Asian put	50.00	–	54,000	–	–	54,000	(74)
US dollar Asian put	43.25	–	–	30,000	–	30,000	(41)
US dollar Asian put	47.00	–	–	30,000	–	30,000	(30)
US dollar fixed price swap	60.00	30,000	–	–	–	30,000	(377)
US dollar fixed price swap	60.00	30,000	–	–	–	30,000	(377)
US dollar fixed price swap	65.25	30,000	–	–	–	30,000	(261)
US dollar fixed price swap	65.25	–	18,000	–	–	18,000	(141)
US dollar fixed price swap	69.00	–	18,000	–	–	18,000	(91)
US dollar fixed price swap	70.00	–	–	30,000	–	30,000	(96)
US dollar fixed price swap	78.10	15,000	15,000	–	–	30,000	37
US dollar fixed price swap	74.85	–	–	–	30,000	30,000	43
		105,000	105,000	90,000	30,000	330,000	(1,410)
						Derivative Liability	(1,410)

The above derivatives matured over the financial year from 1 January 2022 until 31 December 2022. A loss of £6.6 million was realised on hedges during the year to 31 December 2021 (see note 4).

Fair value of financial assets and financial liabilities

The carrying values of the financial assets and financial liabilities are considered to be materially equivalent to their fair values.

Financial risk management

The Group's principal financial liabilities comprise borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations, including the Group's capital expenditure programme. The Group's financial assets include trade and other receivables, cash and cash equivalents and restricted cash that are derived directly from its operations. The Group also enters into derivative transactions to manage its commodity price exposure.

The Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the Group's financial targets while protecting future financial security. The Group is exposed to the following risks:

- Interest rate risk
- Market risk, including commodity price and foreign currency risks
- Credit risk
- Liquidity risk

Management reviews and agrees policies for managing each of these risks, which are summarised below. The Group's policy is that all transactions involving derivatives must be directly related to the underlying business of the Group and it does not use derivative financial instruments for speculative purposes.

22 Financial instruments and risk management continued

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the RBL facility with BMO Capital Markets (BMO) (see note 18 for further details).

The following table summarises the impact on loss before tax for changes in interest rates on the fair value of the drawn RBL balance. The analysis is based on the assumption that USD LIBOR moves 50 basis points, with all other variables held constant.

	Increase/(decrease) in loss before tax for the year ended and to equity as at	
	31 December 2022	31 December 2021
	£000	£000
50 basis point increase in USD LIBOR	(79)	(74)
50 basis point decrease in USD LIBOR	79	74

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market factors, such as commodity prices and foreign currency exchange rates.

The sensitivity analyses below have been prepared on the basis that the amount of net debt and the proportion of financial instruments in foreign currencies are all constant and that financial derivatives are held to maturity. The sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable.

The following assumptions have been made in preparing the sensitivity analyses:

- The sensitivity of the relevant loss before tax item is the effect of the assumed changes in market risks. This is based on the financial assets and financial liabilities held at 31 December 2022 and 31 December 2021; and
- The impact on equity is the same as the impact on loss before tax and ignores the effects of deferred tax, if any.

Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices (primarily crude oil) on the oil and gas it produces. The Group's policy is to manage these risks through the use of derivative financial instruments.

The following table summarises the impact on loss before tax for changes in commodity prices on the fair value of derivative financial instruments. The impact on equity is the same as the impact on loss before tax as these derivative financial instruments have not been designated as hedges and are classified as held-for-trading.

The analysis is based on derivative contracts existing at the balance sheet date, the assumption that crude oil price moves 10% over future financial years, with all other variables held constant. Management believe that 10% is a reasonable sensitivity based on forward forecasts of estimated oil price volatility.

	Increase/(decrease) in loss before tax and equity	
	31 December 2022	31 December 2021
	£000	£000
10% increase in the price of oil	(414)	(1,241)
10% decrease in the price of oil	414	1,254

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

22 Financial instruments and risk management continued

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales, purchases or financing in currencies other than the UK pound sterling, the functional currency of all Group companies. The majority of the Group's sales are denominated in US dollars, and approximately 5% of costs are denominated in currencies other than the functional currency of the Group, primarily US dollars. The Group's borrowings are also denominated in US dollars. The Group's exposure to other currencies is not considered to be material.

The following table summarises the impact on loss before tax for changes in the pound sterling/US dollar exchange rate on the financial assets and liabilities at year end, principally relating to the Group's borrowings which are denominated in US dollars. The impact on equity is the same as the impact on loss before tax.

The analysis is based on the assumption that the pound moves 10%, with all other variables held constant.

	Increase/(decrease) in loss before tax and equity	
	31 December 2022 £000	31 December 2021 £000
10% strengthening of the pound against the US dollar	410	1,482
10% weakening of the pound against the US dollar	(410)	(1,482)

Credit risk

The Group has a credit policy to assess and manage the credit risk of counterparties before entering contracts, including credit checks through external credit agencies, the establishment of credit limits, a requirement for security, payment terms and specific transaction approvals. The primary credit exposures of the Group are its receivables from crude oil, electricity and gas sales, amounts due from joint venture partners and exposure with respect to derivative contracts. These exposures are managed at the corporate level. The Group has two main customers and only trades with established counterparties who have been approved in accordance with the Group's credit policy.

At 31 December 2022, two customers (2021: two) accounted for approximately 79% (2021: 76%) of total trade receivables outstanding of £5.2 million (2021: £3.9 million).

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and derivative contracts, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent other than if the UK Government is a majority shareholder. At 31 December 2022, the maximum exposure was £3.6 million (2021: £3.3 million).

Liquidity risk

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities and future capital and operating commitments. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On demand £000	<1 year £000	1–2 years £000	2–3 years £000	>3 years £000	Total £000
At 31 December 2022						
Borrowings	–	(3,325)	(5,819)	–	–	(9,144)
Lease liabilities	–	(1,544)	(1,328)	(1,302)	(10,501)	(14,675)
Trade creditors	–	(2,738)	–	–	–	(2,738)
Other creditors and accruals	–	(5,198)	–	–	(369)	(5,567)
	–	(12,805)	(7,147)	(1,302)	(10,870)	(32,124)
At 31 December 2021						
Borrowings	–	–	(6,645)	(8,860)	–	(15,505)
Lease liabilities	–	(1,586)	(1,404)	(1,190)	(10,853)	(15,033)
Trade creditors	–	(1,117)	–	–	–	(1,117)
Other creditors and accruals	–	(5,491)	(399)	–	(371)	(6,261)
	–	(8,194)	(8,448)	(10,050)	(11,224)	(37,916)

Management considers that the Group has adequate current assets and forecast cash from operations to manage liquidity risks arising from current and non-current liabilities.

22 Financial instruments and risk management continued

Capital management

The Group manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The Group's funding requirements are met through a combination of debt and equity and adjustments are made in light of changes in economic conditions. The Group's strategy is to maintain ratios in line with covenants associated with its secured Reserves Based Lending facility (see note 18).

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group includes interest-bearing loans less cash, cash equivalents and restricted cash in net debt. Capital includes share capital, share premium, other reserves and accumulated profits/losses.

The Group signed a \$40.0 million RBL with BMO Capital Markets (BMO) on 3 October 2019 which will be fully repayable by June 2024. Management remain focused on maintaining a strong balance sheet and funding to support our strategy. As part of this financial policy, management continue to assess funding opportunities and plan to refinance the existing RBL before its expiry date.

23 Share capital and share premium

On 3 April 2017, the shareholders approved the subdivision of each of the 303,305,534 ordinary shares of 10p each of the Company into one new ordinary share of 0.0001p each and one deferred share of 9.9999p each. At the Annual General Meeting of the Company on 14 June 2017, the shareholders approved a consolidation and subdivision of the Company's share capital in order to reduce the number of shares in issue to that more appropriate for the size of the Company. Following the consolidation, every 200 ordinary shares of 0.0001 pence each were consolidated into one new ordinary share of 0.02 pence each and immediately sub-divided into 10 ordinary shares of 0.002 pence. The consolidation and subdivision reduced the number of shares in issue from 2.4 billion to 121 million.

	Ordinary shares		Deferred shares*		Share capital	Share premium
	No.	Nominal value £000	No.	Nominal value £000	Nominal value £000	Value £000
Issued and fully paid						
At 1 January 2021	124,797,169	2	303,305,534	30,331	30,333	102,906
2021 SIP share issue – partnership	303,767	–	–	–	–	40
2021 SIP share issue – matching	381,026	–	–	–	–	46
Shares issued in respect of MRP exercises	13,543	–	–	–	–	–
At 31 December 2021	125,495,505	2	303,305,534	30,331	30,333	102,992
2022 SIP share issue – partnership	217,861	1	–	–	1	43
2022 SIP share issue – matching	185,620	–	–	–	–	33
Shares issued in respect of MRP exercises	583,467	–	–	–	–	–
Shares issued in respect of EDRP exercises	175,000	–	–	–	–	–
Shares issued in respect of EIP exercises	74,076	–	–	–	–	–
At 31 December 2022	126,731,529	3	303,305,534	30,331	30,334	103,068

* Deferred shares were created on capital restructuring which completed in April 2017.

Accordingly, the Group share capital account comprised:

	£000
Share capital account	
At 1 January 2021	30,333
Shares issued during the year	– ¹
At 31 December 2021	30,333
Shares issued during the year	1
At 31 December 2022	30,334

1 Given the low par value, the financial impact of share issues in the prior year rounds to zero.

Share premium

The share premium account arises from the Company issuing shares for consideration in excess of their nominal value less the cost of such issues.

During the year, the Company issued 1,236,024 ordinary shares (2021: 698,336 ordinary shares), resulting in an increase in share premium of £0.1 million (2021: £0.1 million). No costs in relation to the share issues were incurred during the year (2021: £nil).

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

24 Other reserves

Other reserves are as follows:

	Share plan reserves £000	Treasury shares reserve £000	Capital contribution reserve £000	Merger reserve £000	Total £000
Balance at 1 January 2021	14,231	(1,383)	47	22,222	35,117
Share options issued under the employee share plan	1,110	–	–	–	1,110
Shares issued under the SIP	–	30	–	–	30
Balance at 31 December 2021	15,341	(1,353)	47	22,222	36,257
Share options issued under the employee share plan	1,334	–	–	–	1,334
Shares issued under the SIP	–	26	–	–	26
Balance at 31 December 2022	16,675	(1,327)	47	22,222	37,617

Employee share plans – Equity settled

Details of the share options under employee share plans outstanding are as follows:

	EIP Number of units	MRP Number of units	EDRP Number of units
Outstanding at 1 January 2021	9,305,083	1,254,960	325,000
Exercisable at 1 January 2021	9,305,083	1,254,960	325,000
Awarded during the year	2,500,000	–	–
Exercised during the year	–	(13,532)	–
Lapsed during the year	(1,678,077)	–	–
Outstanding at 31 December 2021	10,127,006	1,241,428	325,000
Exercisable at 31 December 2021	10,127,006	1,241,428	325,000
Awarded during the year	–	1,655,801	1,250,000
Exercised during the year	(74,076)	(583,467)	(175,000)
Lapsed during the year	(1,896,572)	–	–
Outstanding at 31 December 2022	8,156,358	2,313,762	1,400,000
Exercisable at 31 December 2022	8,156,358	2,313,762	1,400,000

Note – all options are nil cost and therefore the weighted average exercise price is nil. In addition to the share plans above, included in other reserves are also historic costs relating to the Long Term Incentive Plan 2011 (2011 LTIP) and Value Creation Plan (2014 VCP).

Executive Incentive Plan (EIP)

In March 2016, the Group introduced a Long-Term Incentive Plan in order to motivate and retain the Executive Directors of the Company and certain other key employees of the Group. On a yearly basis since 2016, nil cost options were issued which vest, subject to meeting certain criteria, three years from grant. The options granted under the EIP are subject to a multiplier, which is defined by a share price target as explained in the Directors' Remuneration Report.

24 Other reserves continued

Executive Incentive Plan (EIP) continued

The following table details the awards made under the Long Term Incentive Plan to the Executive Directors of the Company and other key employees of the Group and the fair value of the grants, with awards made to Executive Directors further detailed in the Directors' Remuneration Report.

Award date	Awarded number of options No.	Share price as of date of grant £	Risk free interest rate %	Implied share price volatility %	Fair value of EIP awards £million
March 2016 ^{1,2}	377,435 ¹	0.15	0.52	68.8	1.4
October 2017 ²	1,756,923	0.68	0.54	63.95	1.0
March 2018 ²	1,911,057	0.76	0.98	58.3	1.3
March 2019 ²	2,033,093	0.78	0.74	80.9	1.8
April 2020	5,434,470	0.29	0.10	81.0	1.8
April 2021	2,500,000	0.25	0.15	102.7	0.5

1 On the award date a total of 7,548,701 options were issued. On 14 June 2017 these awards were subdivided in line with the subdivision and consolidation of the Group's share capital, (see note 23), which is the number of awards presented in the table above.

2 All grants made under these awards have now reached the end of the relevant vesting period. The exercise period extends until ten years after the award date.

The EIPs outstanding at 31 December 2022 had both a weighted average remaining contractual life and maximum term remaining of 7.5 years (2021: 8.2 years).

The total charge for the year was £0.90 million (2021: £1.11 million). Of this amount, £0.05 million (2021: £0.03 million) was capitalised or recharged to joint venture partners and £0.85 million (2021: £1.08 million) was charged to the income statement.

Management Retention Plan (MRP)

In December 2015, the Group adopted a new share-based payment scheme, the MRP. Under the MRP, participants are granted nil cost options which vest and become exercisable on the first anniversary of grant subject to the Directors' continued employment and to a one-year holding period following the date of vesting.

Employees were granted 7,143,610 options in the MRP in lieu of waived options granted under the 2011 Long Term Incentive Plan (LTIP) and 2016 cash bonuses. The options designated by the Group as replacement awards were accounted for as a modification of the original scheme and were valued at grant date and the options awarded in lieu of cash bonuses were measured with reference to the fair value of the services received.

The fair value of the cancelled awards was re-measured at the replacement date based on the Monte Carlo valuation model. The key inputs into the model were: replacement date share price of between £0.14 and £0.24, threshold price of between £1.351 and £1.664, a risk free interest rate of between 0.37% and 0.42% and an implied share price volatility of between 73% and 86%. It was also assumed that no dividends would be paid during the life of the options. This resulted in an incremental fair value of £0.17 million.

From March 2018 the Group has awarded ordinary shares to the former CEO and other key employees of the Group as follows, with awards made to Executive Directors further detailed in the Directors' Remuneration Report:

Award date	Awarded number of ordinary shares No.
March 2018	76,310
March 2019	157,624
March and July 2020	2,326,743
March 2022	1,655,801

The fair value of the awards is based on the fair value of the services rendered.

There were also a number of share exercises during each year relating to other employees of the Company.

The MRPs outstanding at 31 December 2022 had both a weighted average remaining contractual life and maximum term remaining of 6.7 years (2021: 5.6 years). The total charge for the year was £0.2 million (2021: £nil). Of this amount, £nil (2021: £nil) was capitalised or recharged to joint venture partners and £0.2 million (2021: £nil) was charged to the income statement.

CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

24 Other reserves continued

Executive Director Retention Plan (EDRP)

In July 2015, the Group adopted a new share-based payment scheme, the EDRP. Under the EDRP, participants are granted nil cost options which vest and become exercisable on the first anniversary of grant subject to the Directors' continued employment and to a one-year holding period following the date of vesting.

Executives were granted 6,500,000 options in the EDRP in lieu of waived options granted under the 2011 Long Term Incentive Plan (LTIP) and the Value Creation Plan (VCP). The options have been designated by the Group as replacement awards at grant date and were accounted for as a modification of the original scheme.

The fair value of the cancelled awards was re-measured at the replacement date based on the Monte Carlo valuation model. The fair value of replacement awards was based on the Monte Carlo valuation model. The key inputs into the model were: replacement date share price of £0.23, threshold price of between £0.945 and £1.664, a risk free interest rate of between 0.49% and 0.60% and an implied share price volatility of between 70% and 78%. It was also assumed that no dividends would be paid during the life of the options. This resulted in an incremental fair value of £1.5 million.

In October 2022, the Group awarded 1,250,000 ordinary shares to the new Interim Executive Chairman of the Group on appointment. The fair value of the award was calculated based on a Monte Carlo valuation model. The key inputs into the models were: share price as of date of grant of £0.898, a risk free interest rate of 3% and an implied share price volatility of 150.4%. It was also assumed that no options would be forfeited and no dividends would be paid during the life of the options. This resulted in a fair value of EIP awards of £0.7 million.

The EDRPs outstanding at 31 December 2022 had both a weighted average remaining contractual life and maximum term remaining of 3.4 years (2021: 1.5 years). The total charge for the year was £0.21 million (2021: £nil). Of this amount, £0.04 million (2021: £nil) was capitalised or recharged to joint venture partners and £0.17 million (2021: £nil) was charged to the income statement.

Other share-based payments

Share Incentive Plan (SIP)

In 2013, the Group adopted an Inland Revenue approved SIP for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to acquire up to £150 (or 10% of salary, if less) worth of IGas ordinary shares per month or £1,800 per annum. Under the SIP, employees are invited to make contributions to buy partnership shares. If an employee agrees to buy partnership shares the Company currently matches the number of partnership shares bought with an award of shares (matching shares), on a one-for-one or two-for-one basis subject to the pre-defined quarterly production targets being met.

The total charge for the year was £0.06 million (2021: £0.08 million). Of this amount, £nil (2021: £nil) was capitalised and £0.06 million (2021: £0.08 million) was charged to the income statement.

Treasury shares reserve

The treasury shares reserve consisted of shares issued to the IGas Energy Employee Benefit Trust (the "Trust"), of which the Company was the sponsoring entity. The value of such shares was recorded in the share capital and share premium accounts in the ordinary way and was also shown as a deduction from equity in this separate reserve account. There is therefore no net effect on shareholders' funds.

During the year ended 31 December 2020, all remaining shares in the Trust were disposed of and the Trust was terminated on 15 January 2021.

Capital contribution

The capital contribution relates to cash received following the acquisition of IGas Exploration UK Limited.

Merger reserve

The merger reserve arose as a result of a reverse acquisition on 31 December 2007 whereby Island Gas Limited (IGL) became a wholly owned subsidiary of the Company but with IGL's shareholders acquiring 94% of the ordinary share capital of the Company. The reserve represents the difference in the fair value and the nominal value of the shares issued. The reserve is not distributable.

25 Related party transactions

The information below sets out transactions and balances between the Group and related parties in the normal course of business for the year ended 31 December 2022. All related party transactions were entered into on an arm's length basis.

The Non-executive Directors, Interim Executive Chairman, Chief Executive Officer and Chief Financial Officer of the Company are considered to be the only key management personnel as defined by IAS 24 – Related Party Disclosures.

25 Related party transactions continued

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Short-term employee benefits	611	614
Termination benefits	697	–
Share plan	638	336
Social security costs	89	80
Fees	82	128
	2,117	1,158

Short-term employee benefits: These amounts comprise fees paid to the key management personnel in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Share plan: This is the cost to the Group of key management personnel's participation in SIP, MRP and EIP plans, as measured by the fair value of SIP, MRPs and EIPs granted, accounted for in accordance with IFRS 2.

26 Subsequent events

On 25 January 2023, the Group issued 144,205 ordinary £0.00002 shares in relation to the Group's SIP scheme. The shares were issued at £0.202 resulting in share premium of £29,129.

27 Operating segments

An operating segment is a component of the Group that engages in a business activity from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment's operating results are reviewed regularly to make decisions about resources to be allocated to the segment and to assess its performance by the Chief Operating Decision Maker, which for the Group is the Board of Directors. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses. The Group only has one reportable geographical segment with continuing operations, being the UK.

	2022			2021		
	Operating segment £000	Unallocated £000	Total £000	Operating segment £000	Unallocated £000	Total £000
External revenues	59,171	–	59,171	37,916	–	37,916
Cost of sales	(30,321)	–	(30,321)	(23,899)	–	(23,899)
Gross profit	28,850	–	28,850	14,017	–	14,017
Administrative expenses	(4,676)	(1,653)	(6,329)	(3,935)	(1,892)	(5,827)
Exploration and evaluation assets written off	(30,018)	–	(30,018)	(10,463)	–	(10,463)
Oil and gas assets impairment	(10,457)	–	(10,457)	–	–	–
Reversal of oil and gas assets impairment	10,489	–	10,489	–	–	–
Loss on derivative financial instruments	(6,027)	–	(6,027)	(6,715)	–	(6,715)
Other income	159	–	159	–	–	–
Segment operating loss	(11,680)	(1,653)	(13,333)	(7,096)	(1,892)	(8,988)
Changes in fair value of contingent considerations	–	–	–	–	–	570
Finance income	–	–	8	–	–	2
Finance costs	–	–	(5,091)	–	–	(3,850)
Finance costs – net	–	–	(5,083)	–	–	(3,848)
Loss before income tax	–	–	(18,416)	–	–	(12,266)
Total assets	147,663	1,324	148,987	167,326	1,072	168,398
Total liabilities	(90,261)	(451)	(90,712)	(99,245)	(537)	(99,782)

PARENT COMPANY BALANCE SHEET

as at 31 December 2022

	Note	31 December 2022 £000	31 December 2021 £000
ASSETS			
Non-current assets			
Investments in subsidiaries	2	195,124	182,011
		195,124	182,011
Current assets			
Trade and other receivables	4	28,000	23,128
Cash and cash equivalents	5	1,208	255
		29,208	23,383
Total assets		224,332	205,394
LIABILITIES			
Current liabilities			
Trade and other payables	6	(192,154)	(148,046)
Borrowings	8	(3,325)	–
Provisions	9	(280)	(280)
		(195,759)	(148,326)
Non-current liabilities			
Borrowings	8	(5,418)	(14,836)
Provisions	9	(2,451)	(2,451)
		(7,869)	(17,287)
Total liabilities		(203,628)	(165,613)
Net assets		20,704	39,781
EQUITY			
Capital and reserves			
Called up share capital	11	30,334	30,333
Share premium account	11	103,068	102,992
Other reserves	12	37,617	36,257
Accumulated deficit		(150,315)	(129,801)
Total equity		20,704	39,781

As a consolidated income statement is published in this Annual Report, a separate income statement for the Company is not presented within these financial statements as permitted by Section 408 of the Companies Act 2006. The Company reported a loss for the year of £20.5 million (2021: a loss of £9.3 million).

These financial statements on pages 90 to 107 were approved and authorised for issue by the Board on 30 March 2023 and are signed on its behalf by:



Chris Hopkinson
Interim Executive Chairman



Frances Ward
Chief Financial Officer

The notes on pages 93 to 107 form an integral part of these financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Called up share capital (note 11) £000	Share premium account (note 11) £000	Other reserves* (note 12) £000	Accumulated deficit £000	Total equity £000
Balance at 1 January 2021	30,333	102,906	35,117	(120,459)	47,897
Loss for the year	—	—	—	(9,342)	(9,342)
Employee share plans (note 12)	—	—	1,140	—	1,140
Issue of shares (note 11)	—	86	—	—	86
Balance at 31 December 2021	30,333	102,992	36,257	(129,801)	39,781
Loss for the year	—	—	—	(20,514)	(20,514)
Employee share plans (note 12)	—	—	1,360	—	1,360
Issue of shares (note 11)	1	76	—	—	77
Balance at 31 December 2022	30,334	103,068	37,617	(150,315)	20,704

* Other reserves include: 1) Share plan reserves comprising EIP/MRP/LTIP/VCP/EDRP reserve representing the cost of share options issued under the long-term incentive plans and share incentive plan reserve representing the cost of the partnership and matching shares; 2) treasury shares reserve which represents the cost of shares in IGas Energy plc purchased in the market to satisfy awards held under the Group incentive plans (see Group note 24); 3) capital contribution reserve which arose following the acquisition of IGas Exploration UK Limited (see note 12); and 4) merger reserve which arose on the reverse acquisition of Island Gas Limited (see note 12).

The notes on pages 93 to 107 form an integral part of these financial statements.

PARENT COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2022

	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Cash flows from operating activities:			
Loss before tax for the year		(20,514)	(9,342)
Depreciation		–	21
Share-based payment charge		276	70
Impairment of investments	2	324	5,761
(Decrease)/increase in credit loss allowance	10	(5,758)	7,749
Change in fair value of contingent consideration	9	–	(570)
Finance income		(6,496)	(8,258)
Finance costs		30,122	2,652
Other non-cash adjustments		–	2
Operating cash flow before working capital movements		(2,046)	(1,915)
Increase in trade and other receivables		(4,697)	(4,359)
Increase in trade and other payables		16,582	6,352
Net cash generated from operating activities		9,839	78
Cash flows from investing activities:			
Interest received		1	–
Net cash generated from investing activities		1	–
Cash flows from financing activities:			
Cash proceeds from issue of ordinary share capital	11	44	40
Drawdown on Reserves Based Lending facility	5	–	1,432
Repayment on Reserves Based Lending facility	5	(7,985)	(756)
Interest paid	5	(950)	(812)
Net cash used in financing activities		(8,891)	(96)
Net increase/(decrease) in cash and cash equivalents in the year		949	(18)
Net foreign exchange difference		4	(7)
Cash and cash equivalents at the beginning of the year		255	280
Cash and cash equivalents at the end of the year	5	1,208	255

The notes on pages 93 to 107 form an integral part of these financial statements.

PARENT COMPANY FINANCIAL STATEMENTS – NOTES

for the year ended 31 December 2022

1 Accounting policies

(a) Basis of preparation of financial statements

The Parent Company financial statements of IGas Energy plc (the “Company”) have been prepared in accordance with UK-adopted International Accounting Standards. The financial statements were approved by the Board and authorised for issue on 30 March 2023. IGas Energy plc is a public limited company (limited by shares) incorporated and registered in England, United Kingdom, and listed on the Alternative Investment Market (AIM).

The Company financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting financial year. The Company’s financial statements are presented in UK pound sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

New and amended IFRS Standards that are effective for the current year

During the year, the Company adopted the following new and amended IFRSs for the first time for its reporting financial year commencing 1 January 2022:

Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts—Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements to IFRS Standards 2018–2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The adoption of the standards listed above did not have a material impact on the financial statements of the Company.

New and revised IFRS Standards in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future financial years.

(b) Going concern

The Company is reliant on the performance of IGas plc and its subsidiaries (the “Group”) for liquidity.

The Group continues to closely monitor and manage its liquidity risks. Cash flow forecasts for the Group are regularly produced based on, inter alia, the Group’s production and expenditure forecasts, management’s best estimate of future oil prices and foreign exchange rates and the Group’s available loan facility under the RBL. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, strengthening of sterling and reductions in forecast oil and gas production rates.

Crude oil prices rose during 2022 as loosening pandemic-related restrictions and growing economies resulted in global petroleum demand rising faster than supply. The war in Ukraine and sanctions imposed on Russia have led to concerns about oil and gas supply disruption while also adding support to prices. Going forward, prices remain volatile with cost of living and recession concerns in many economies increasing risks on the demand side whereas China’s relaxing of COVID-19 restrictions and resumption of normal economic activity will support prices.

The Group’s operating cash flows have improved in 2022 as a result of improving commodity prices and we have successfully completed the November 2022 redetermination. A successful production drive and reorganisation was undertaken in the last quarter of 2022, which resulted in a significant increase in production and we have seen the benefit of this extending into 2023, putting the business on a resilient and sustainable footing, able to withstand a wider range of commodity prices. However, the ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its RBL, which is redetermined semi-annually based on various parameters (including oil price and level of reserves) and is also dependent on the Group not breaching its RBL covenants.

The Group’s base case cash flow forecast was run with average oil prices of \$84/bbl for H1 2023 and \$83/bbl for H2 2023, falling to \$80/bbl for H1 2024 and \$77/bbl for Q3 2024, and a foreign exchange rate of an average \$1.23/£1 for 2023 and \$1.25/£1 for 2024. We also assumed that our existing RBL facility is amortised in line with its terms, but is not refinanced or extended, resulting in a reduction in the facility to \$nil from 30 June 2024. Our forecasts show that the Group will have sufficient financial headroom to meet its financial covenants based on the existing RBL for a period of at least 12 months from the date of approval of the financial statements.

PARENT COMPANY FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

1 Accounting policies continued

(b) Going concern continued

Management has also prepared a downside case with average oil prices at \$80/bbl for H1 2023, \$72/bbl for Q3 2023 and \$68/bbl for Q4 2023, falling further to \$65/bbl for H1 2024 and \$62/bbl for Q3 2024. We used an average exchange rate of \$1.25/£1 for the remainder of H1 2023, \$1.27/£1 for H2 2023 and H1 2024 and \$1.30/£1 for Q3 2024. Our downside case also included an average reduction in production of 5% over the period. In the event of the downside scenario, management would take mitigating actions including delaying capital expenditure and reducing costs, in order to remain within the Group's debt liquidity covenants over the remaining facility period, should such actions be necessary. All such mitigating actions are within management's control. We have not assumed any extensions or refinancing to the RBL. In this downside scenario, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants for the 12 months from the date of approval of the financial statements. Management remain focused on maintaining a strong balance sheet and funding to support our strategy. As part of this financial policy, management continue to assess funding opportunities and plan to refinance the existing RBL before its expiry date.

Based on the analysis above, the Directors have a reasonable expectation that the Company has adequate resources to continue as a going concern for at least the next 12 months from the date of the approval of the Company financial statements and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

(c) Significant accounting judgements and estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Estimates:

Recoverable value of investment in subsidiaries

The Company evaluates investments in subsidiaries for indicators of impairment as described in (d) below. Any impairment test, where required, involves estimates and associated assumptions related to matters (when appropriate), such as recoverable reserves; production profiles; forward oil, gas and electricity prices; development, operational and offtake costs; nature of land access agreements and planning permissions; application of taxes; and other matters. Where the final outcome or revised estimates related to such matters differ from the estimates used in any earlier impairment reviews, the results of such differences, to the extent that they actually affected any impairment provisions, are accounted for when such revisions are made. Details of the Company's investments are disclosed in note 2.

Expected credit losses

The Company applies the IFRS 9 expected credit losses approach, assessing lifetime expected credit loss allowance for trade and other receivables where the simplified approach can be adopted, and assessing a 12-month expected credit loss allowance for intercompany loans where the credit risk has not increased significantly since initial recognition. The Company recognises lifetime expected credit loss on intercompany loans where there has been a significant increase in credit risk since initial recognition. The term and nature of these loans and receivables and the net asset position of the borrowing entity is considered when performing the expected credit loss calculation.

Judgement:

Functional currency

The determination of a Company's functional currency often requires significant judgement where the primary economic environment in which it operates may not be clear. The Company's financial statements are presented in UK pounds sterling, the primary economic environment of the Company.

(d) Non-current assets

Investments in subsidiaries

Investments in Group companies held as non-current assets are held at cost less provision for impairment unless the investments were acquired in exchange for the issue or part issue of shares in the Company, when they are initially recorded in the Company's balance sheet at the fair value of the shares issued together with the fair value of any consideration paid, including costs of acquisition less any provision for impairment.

The Company's investments in Group companies held as non-current assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable, when impairment is calculated on the basis as set out below. Any impairment is charged to the income statement.

Loans to Group companies are stated at amortised cost.

Impairment

Impairment tests, when required, are carried out on the following basis:

- By comparing any amounts carried as investments held as non-current assets with the recoverable amount.
- The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The Company generally assesses value in use using the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

1 Accounting policies continued

(d) Non-current assets continued

Impairment continued

Where there has been a charge for impairment in an earlier financial year that charge will be reversed in a later financial year where there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. In reversing impairment losses, the carrying amount of the investment will be increased to the lower of its original carrying value and the carrying value that would have been determined had no impairment loss been recognised in prior financial years.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual values, over their estimated useful lives, with any impairment being accounted for as additional depreciation as follows:

Buildings	– over five years on a straight-line basis
Fixtures, fittings and equipment	– between three and five years on a straight-line basis
Motor vehicles	– over four years on a straight-line basis

(e) Financial instruments

Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded either in the income statement or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date (that is, the date on which the Company commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the income statement.

The Company holds financial assets at amortised cost being trade and other receivables, and cash and cash equivalents.

The Company classifies its financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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 receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are initially recognised at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. Details about the Company's impairment policy and the calculation of loss allowance is provided in the Impairment accounting policy below.

PARENT COMPANY FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

1 Accounting policies continued

(e) Financial instruments continued

Trade and other payables

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

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) on financial assets measured at amortised cost. These are measured at an amount equal to lifetime ECL where these relate to trade and other receivables and a simplified approach can be adopted. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

For all other financial instruments, the Company recognises lifetime ECL where there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Borrowings

Borrowings are measured initially at fair value. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. When management's estimates of the amounts or timings of cash flows are revised, borrowings are re-measured using the revised cash flow estimates under the original effective interest rate with any consequent adjustment being recognised in the income statement.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the financial year in which they are incurred.

(f) Taxation

The tax expense represents the sum of current tax and deferred tax.

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities. Taxable profit/(loss) differs from the profit/(loss) before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Temporary differences arise from differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are not discounted. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

The carrying amount of deferred tax is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside the income statement is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

1 Accounting policies continued

(g) Share-based payments

Where share options are awarded to employees (including Directors), the fair value of the options at the date of the grant is recorded in equity over the vesting period. Non-market vesting conditions, but only those related to service and performance, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. All other vesting conditions, including market-vesting conditions, are factored in to the fair value of the options granted. As long as all other vesting conditions are satisfied, the amount recorded is computed irrespective of whether the market vesting conditions are satisfied. The cumulative amount recognised is not adjusted for the failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured by the change from immediately before to after the modification, is also recorded in equity over the remaining vesting period.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Where an equity settled award is identified as a replacement it will be treated as a modification to the original plan where the incremental fair value of the replacement award is expensed over the vesting period of the replacement award. The fair value of the original award on its grant date is continued to be recognised over its original vesting period. Where equity instruments are granted to persons other than employees, the amount recognised in equity is the fair value of goods and services received.

Charges corresponding to the amounts recognised in equity are accounted as a cost in the income statement unless the services rendered qualify for capitalisation as a non-current asset. Costs may be capitalised within non-current assets in the event of services being rendered in connection with an acquisition of intangible exploration and evaluation assets or property, plant and equipment.

Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, the value of such shares at issue will be recorded in share capital and share premium account in the ordinary way, but will not affect shareholders' funds since this same value will be shown as a deduction from shareholders' funds by way of a separate component of equity (treasury shares).

Amounts recognised in the share plan reserves and treasury share reserve are not subsequently reclassified within equity.

(h) 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, share premium accounts or merger reserve as appropriate.

(i) Foreign currency

Transactions denominated in currencies other than the functional currency UK pound sterling 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 date of transactions. All differences that arise are recorded in the income statement.

2 Investments in subsidiaries

Investments in subsidiaries comprises:

	2022			2021		
	Investment in Group companies £000	Loans to Group companies* £000	Total £000	Investment in Group companies £000	Loans to Group companies* £000	Total £000
Parent Company						
At 1 January	32,305	257,557	289,862	37,049	249,299	286,348
Additions	1,124	6,495	7,619	1,017	8,258	9,275
Impairments	(324)	–	(324)	(5,761)	–	(5,761)
At 31 December	33,105	264,052	297,157	32,305	257,557	289,862
Credit loss allowance*	–	(102,033)	(102,033)	–	(107,851)	(107,851)
At 31 December	33,105	162,019	195,124	32,305	149,706	182,011

* Refer to note 10 for credit risk.

Loans to Group companies are repayable on demand and bear interest at either 1.2% above benchmark rate or at a fixed rate of 6% and 12%. GBP LIBOR rates are being replaced by alternative risk-free rates as part of the inter-bank offer rate (IBOR) reform and are no longer published by the FCA with effect from 31 December 2021. The Company has therefore undertaken amendments to its loan agreements, where required, to incorporate SONIA as the new benchmark rate.

PARENT COMPANY FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

2 Investments in subsidiaries continued

Additions represent investment of £1.1 million (2021: £1.0 million) relating to employee share-based payment costs under IFRS 2 and £6.5 million (2021: £8.3 million) interest accrued on existing loans to Group companies.

The Company's investments in subsidiaries were reviewed for indicators of impairment as at 31 December 2022. Impairments of £0.3 million (2021: £5.8 million) are recorded against the investments which are not supported by the fair value of the subsidiaries' underlying net asset values. The fair value is determined using the same assumptions as noted in note 10 of the consolidated financial statements.

The Company's loans to Group companies were reviewed for expected credit loss as at 31 December 2022. Credit loss allowances of £102.0 million (2021: £107.8 million) are recorded against the loans to Group companies arising from the estimated discounting by applying the contractual rate of interest in respect of the likely timing and amounts of future receipts against balances that are technically repayable on demand, except where the loan is considered to be credit-impaired due to the underlying net assets of the borrower group entity not being sufficient to repay the loan, in which case an expected credit loss is recognised to the extent of the credit loss incurred by the Company.

At 31 December 2022, the Company had investments in the following 100% owned subsidiaries:

Name of company	Principal activity and Country of incorporation	Registered office address
Subsidiaries directly held by the Company:		
Dart Energy Pty Ltd*	Investment holding, Australia	c/o PwC Level 23, 480 Queen Street, Brisbane QLD 4000
Island Gas Limited	Oil and gas exploration, development and production, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Island Gas Operations Limited	Dormant, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
IGas Energy Enterprise Limited	Oil and gas exploration, development and production, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Star Energy Group Limited	Service company, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Star Energy Limited	Service company, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Star Energy Weald Basin Limited	Oil and gas processing, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
GT Energy UK Limited	Development of deep geothermal heat projects, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Subsidiaries indirectly held by the Company:		
Island Gas (Singleton) Limited	No operations but not dormant, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Dart Energy (Europe) Limited	Investment holding, Scotland	c/o Womble Bond Dickinson (UK) LLP, 2 Semple Street, Edinburgh, EH3 8BL
Dart Energy (East England) Limited	Shale gas exploration, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Dart Energy (West England) Limited	Shale gas exploration, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
IGas Energy Development Limited	Oil and gas exploration, development and production, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
IGas Energy Production Limited	Oil and gas exploration, development and production, Scotland	c/o Womble Bond Dickinson (UK) LLP, 2 Semple Street, Edinburgh, EH3 8BL
Greenpark Energy Transportation Limited	Dormant, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Dart Energy (India) Pty Limited**	N/a	N/a
Dart Energy India Services Pvt Limited**	N/a	N/a
Dart Energy (ST) Pte Limited**	N/a	N/a
Dart Energy (AS) Pte Limited**	N/a	N/a

* This entity is in the process of being struck-off/liquidated.

** These entities have been struck-off/dissolved during the financial year.

3 Property, plant and equipment

	2022				2021			
	Buildings £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000	Buildings £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost								
At 1 January	–	44	20	64	464	86	20	570
Disposals/write-offs	–	–	–	–	(464)	(42)	–	(506)
At 31 December	–	44	20	64	–	44	20	64
Accumulated depreciation and impairment								
At 1 January	–	44	20	64	444	85	20	549
Charge for the year	–	–	–	–	20	1	–	21
Disposals/write-offs	–	–	–	–	(464)	(42)	–	(506)
At 31 December	–	44	20	64	–	44	20	64
NBV at 31 December	–	–	–	–	–	–	–	–

4 Trade and other receivables

	31 December 2022 £000	31 December 2021 £000
Amounts falling due within one year:		
Amounts due from subsidiary undertakings	53,551	48,674
Less: Credit loss allowance*	(25,796)	(25,736)
VAT recoverable	20	12
Prepayments and other debtors	225	178
	28,000	23,128

* Refer to note 10 for credit risk.

Amounts due from subsidiary undertakings are unsecured, interest free and payment terms are as mutually agreed between Group companies. Amounts due from subsidiary undertakings are stated after the expected credit loss allowance of £25.8 million (31 December 2021: £25.7 million). The allowance is determined by comparing the carrying amount of the receivable with the fair value of the net assets of the counterparty. The fair value is determined using the same assumptions as noted in note 10 of the Group financial statements. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

5 Cash and cash equivalents

	31 December 2022 £000	31 December 2021 £000
Cash at bank and in hand	1,208	255

Net debt reconciliation

	31 December 2022 £000	31 December 2021 £000
Cash and cash equivalents	1,208	255
Borrowings	(8,743)	(14,836)
Net debt	(7,535)	(14,581)
Borrowings – capitalised fees	(401)	(669)
Net debt excluding capitalised fees	(7,936)	(15,250)

PARENT COMPANY FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

5 Cash and cash equivalents continued

Net debt reconciliation continued

	2022			2021		
	Cash and cash equivalents £000	Borrowings £000	Total £000	Cash and cash equivalents £000	Borrowings £000	Total £000
At 1 January	255	(14,836)	(14,581)	280	(13,695)	(13,415)
Interest paid on borrowing	(950)	–	(950)	(812)	–	(812)
Drawdown of RBL (note 8)	–	–	–	1,432	(1,432)	–
Repayment of RBL (note 8)	(7,985)	7,985	–	(756)	756	–
Foreign exchange adjustments	4	(1,624)	(1,620)	(7)	(198)	(205)
Other cash flows	9,884	–	9,884	118	–	118
Other non-cash movements	–	(268)	(268)	–	(267)	(267)
At 31 December	1,208	(8,743)	(7,535)	255	(14,836)	(14,581)

6 Trade and other payables

	31 December 2022 £000	31 December 2021 £000
Trade creditors	(75)	(13)
Taxation and social security	(29)	(23)
Amounts due to subsidiary undertakings	(191,853)	(147,555)
Accruals and other creditors	(197)	(455)
	(192,154)	(148,046)

Trade creditors are unsecured and usually paid within 30 days of recognition. Amounts due to subsidiary undertakings are unsecured, interest free and are repayable on demand.

The carrying value of each of the Company's financial liabilities included within trade and other payables are considered to be a reasonable approximation of their fair value.

7 Taxation

Tax losses, none of which are considered sufficiently certain of utilisation to recognise deferred tax assets, amount to:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Excess management expenses	20,060	19,134
Non-trade loan relationship debits	43,390	47,905
	63,450	67,039

8 Borrowings

	31 December 2022 £000	31 December 2021 £000
Reserves Based Lending facility (RBL) – secured (current)	(3,325)	–
Reserves Based Lending facility (RBL) – secured (non-current)	(5,418)	(14,836)

The carrying amounts of each of the Company's borrowings are considered to be a reasonable approximation of their fair value.

8 Borrowings continued

Reserves Based Lending facility

On 3 October 2019, the Company announced that it had signed a \$40.0 million RBL with BMO Capital Markets (BMO). In addition to the committed \$40.0 million RBL, a further \$20.0 million is available on an uncommitted basis, and can be used for any future acquisitions or new conventional developments. The RBL has a five-year term, an interest rate of USD LIBOR plus 4.0%, matures in June 2024 and is secured on IGas Energy plc's assets. USD LIBOR will cease to be published from 30 June 2023 and the Company is therefore continuing its preparation for transition to incorporate alternative risk-free rates and is monitoring the market and discussing the potential changes with its counterparties in order to effectively transition from USD LIBOR to alternative risk-free rates. Management does not expect any material impact on its financial position and performance resulting from this transition.

The RBL is subject to a semi-annual redetermination in May and November when the loan availability will be recalculated taking into account forecast commodity prices, remaining field reserves (assessed by an independent reserves auditor annually) and the latest forecast of operating and capital costs. Subsequent to the reporting date, the Company had successfully completed the November 2022 redetermination which confirmed an available facility limit of \$17 million; £14.1 million (2021: \$26.2million; £19.3 million) until the next scheduled redetermination. The current portion of the borrowings has been assessed on the basis of the RBL amortising in line with the contractual terms.

We made a repayment on the loan of £8.0 million during the year (2021: net drawdown of £0.7 million).

Under the terms of the RBL, the Company is subject to a financial covenant whereby, as at 30 June and 31 December each year, the ratio of Group Net Debt at the period end to Group Earnings before Interest, Tax, Depreciation, Amortisation and Exceptional items (EBITDAX as defined in the RBL agreement) for the previous 12 months shall be less than or equal to 3.5:1. The Company complied with its covenants for the financial years ended 31 December 2022 and 31 December 2021.

Collateral against borrowing

A Security Agreement was executed between BMO and IGas Energy plc and some of its subsidiaries, namely: Island Gas Limited, Island Gas Operations Limited, Star Energy Weald Basin Limited, Star Energy Group Limited, Star Energy Limited, Island Gas (Singleton) Limited, Dart Energy (East England) Limited, Dart Energy (West England) Limited, IGas Energy Development Limited, IGas Energy Enterprise Limited, Dart Energy (Europe) Limited and IGas Energy Production Limited.

Under the terms of this Agreement, BMO have a floating charge over all of the assets of these legal entities, other than property, assets, rights and revenue detailed in a fixed charge. The fixed charge encompasses the real property (freehold and/or leasehold property), the specific petroleum licences, all pipelines, plant, machinery, vehicles, fixtures, fittings, computers, office and other equipment, all related property rights, all bank accounts, shares and assigned agreements and rights including related property rights (hedging agreements, all assigned intergroup receivables and each required insurance and the insurance proceeds).

9 Provisions

	2022 £000	2021 £000
At 1 January	(2,731)	(3,024)
Unwinding of discount	–	(277)
Changes in fair value of contingent consideration	–	570
At 31 December	(2,731)	(2,731)
Current at 31 December	(280)	(280)
Non-current at 31 December	(2,451)	(2,451)

The contingent consideration relates to the acquisition of GT Energy. The contingent consideration is payable in shares, and is dependent on the timing of various milestones being achieved. It is also dependent on the inputs to an agreed-form economic model which determines the level of the consideration for each milestone in accordance with the SPA. These inputs relate to targets for aspects of the Stoke-on-Trent project, including funding, amount of heat delivered, and costs and revenues achieved. The fair value of the consideration for each milestone recognised was calculated by determining the probability weighted value of each payment and discounted using a WACC of 8.3%. In addition, there is a business development milestone relating to securing and achieving targets for a second geothermal project or generating additional capacity for the Stoke-on-Trent project. The acquisition agreement and economic model assumed the availability of the Renewable Heat Incentive (RHI), which closed to applications from 31 March 2021. In March 2022, the UK Government launched the GHNF and we have applied for funding for the Stoke-on-Trent project in the first round. The change in nature of the government support for the project is not provided for in the economic model or the SPA. Whilst the contractual implications on the acquisition agreement are being assessed, management believes that the current value provides the best estimate of the contingent consideration at this time. The estimated fair value will be reviewed as the project progresses and more information becomes available.

PARENT COMPANY FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

10 Financial instruments and risk management

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There are no non-recurring fair value measurements nor have there been any transfers between levels of the fair value hierarchy.

The financial assets and liabilities measured at fair value are categorised into the fair value hierarchy as at the reporting dates as follows:

		31 December 2022 £000	31 December 2021 £000
	Level		
Financial liabilities:			
Contingent consideration (note 9)	3	(2,731)	(2,731)

Financial risk management

The Company's principal financial liabilities comprise borrowings, and trade and other payables, including amounts due to subsidiary undertakings. The main purpose of these financial liabilities is to finance the operation of the Company's subsidiaries and to fund acquisitions. The Company has trade and other receivables, and cash and cash equivalents that are derived directly from its operations.

The Company manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the Company's financial targets while protecting future financial security. The Company is exposed to the following risks:

- Market risk including interest rate, and foreign currency risks;
- Credit risk; and
- Liquidity risk.

Management reviews and agrees policies for managing each of these risks which are summarised below. It is the Company's policy that all transactions involving derivatives must be directly related to the underlying business of the Company. The Company does not use derivative financial instruments for speculative purposes.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market factors, such as interest rate and foreign currency exchange rates.

The sensitivity analyses below have been prepared on the basis that the amount of net debt and the proportion of financial instruments in foreign currencies are all constant. The sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans with related parties and the RBL with BMO (see note 8 for further details).

The following table summarises the impact on loss before tax for changes in interest rates on the fair value of the loans to related parties and the drawn RBL balance. The analysis is based on the assumption that LIBOR moves 50 basis points, with all other variables held constant.

	Increase/(decrease) in loss before tax for the year ended and to equity as at	
	31 December 2022 £000	31 December 2021 £000
50 basis point increase in LIBOR	309	314
50 basis point decrease in LIBOR	(309)	(314)

10 Financial instruments and risk management continued

Foreign currency risk

The Company has transactional currency exposures. Such exposure arises from purchases in currencies other than the UK pounds sterling, the functional currency of the Company. The Company's borrowings are also denominated in US dollars.

The following table summarises the impact on loss before tax for changes in the US dollar/UK pound sterling exchange rate on financial assets and liabilities as at the year end, principally relating to the Company's borrowings which are denominated in US dollars. The impact on equity is the same as the impact on loss before tax.

The analysis is based on the assumption that the pound moves 10%, with all other variables held constant.

	Increase/(decrease) in loss before tax for the year ended and to equity as at	
	31 December 2022 £000	31 December 2021 £000
10% strengthening of the pound against the US dollar	908	1,538
10% weakening of the pound against the US dollar	(908)	(1,538)

Credit risk

With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents and amounts due from subsidiary undertakings, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The expected credit loss allowance against amounts due from subsidiary undertakings amounts to £25.8 million (31 December 2021: £25.7 million). The Company limits its counterparty credit risk on cash and cash equivalents by dealing only with financial institutions with credit ratings of at least A or equivalent other than if the UK Government is a majority shareholder. £1.2 million (2021: £0.3 million) of cash and cash equivalents were held with two institutions.

The loans to subsidiaries are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses apart from one loan which was provided for in full. The expected credit loss allowance against loans to subsidiaries amounts to £102.0 million (2021: £107.9 million). Management consider "low credit risk" to be when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The loss allowance for the loan to subsidiary and amounts due from subsidiary undertakings as at 31 December reconciles to the opening loss allowance as follows:

	Loan to subsidiary	
	2022 £000	2021 £000
Opening loss allowance at 1 January	133,587	125,838
Increase in 12-month expected loss allowance recognised in income statement during the year	364	364
(Decrease)/increase in lifetime expected credit loss allowance recognised in income statement during the year	(6,122)	7,385
Closing loss allowance at 31 December	127,829	133,587

PARENT COMPANY FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

10 Financial instruments and risk management continued

Liquidity risk

The Company manages liquidity risk by maintaining adequate banking and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities and future capital and operating commitments.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	On demand £000	<1 year £000	1–2 years £000	2–3 years £000	>3 years £000	Total £000
At 31 December 2022						
Borrowings	–	(3,325)	(5,819)	–	–	(9,144)
Trade and other payables	–	(75)	–	–	–	(75)
Accruals and other creditors	–	(197)	–	–	–	(197)
Amounts due to subsidiary undertakings	(191,853)	–	–	–	–	(191,853)
	(191,853)	(3,597)	(5,819)	–	–	(201,269)
At 31 December 2021						
Borrowings	–	–	(6,645)	(8,860)	–	(15,505)
Trade and other payables	–	(13)	–	–	–	(13)
Accruals and other creditors	–	(455)	–	–	–	(455)
Amounts due to subsidiary undertakings	(147,555)	–	–	–	–	(147,555)
	(147,555)	(468)	(6,645)	(8,860)	–	(163,528)

Capital management

The Company manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The Company's funding requirements are met through a combination of debt and equity and adjustments are made in light of changes in economic conditions. The Company's strategy is to maintain ratios in line with covenants associated with its secured RBL (see note 8). The Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Company includes within net debt, interest-bearing loans less cash, cash equivalents and restricted cash. Capital includes share capital, share premium, other reserves and accumulated profits/losses.

The Company signed a \$40.0 million RBL with BMO on 3 October 2019 which will be fully repayable by June 2024. Management remain focused on maintaining a strong balance sheet and funding to support our strategy. As part of this financial policy, management continue to assess funding opportunities and plan to refinance the existing RBL before its expiry date.

11 Share capital and share premium

On 3 April 2017, the shareholders approved the subdivision of each of the 303,305,534 ordinary shares of 10p each of the Company into one new ordinary share of 0.0001p each and one deferred share of 9.9999p each. At the Annual General Meeting of the Company on 14 June 2017, the shareholders approved a consolidation and subdivision of the Company's share capital in order to reduce the number of shares in issue to that more appropriate for the size of the Company. Following the consolidation, every 200 ordinary shares of 0.0001 pence each were consolidated into one new ordinary share of 0.02 pence each and immediately sub-divided into 10 ordinary shares of 0.002 pence. The consolidation and subdivision reduced the number of shares in issue from 2.4 billion to 121 million.

	Ordinary shares		Deferred shares*		Share capital	Share premium
	Nominal value		Nominal value		Nominal value	Value
	No.	£000	No.	£000	£000	£000
Issued and fully paid						
At 1 January 2021	124,797,169	2	303,305,534	30,331	30,333	102,906
2021 SIP share issue – partnership	303,767	–	–	–	–	40
2021 SIP share issue – matching	381,026	–	–	–	–	46
Shares issued in respect of MRP exercises	13,543	–	–	–	–	–
At 31 December 2021	125,495,505	2	303,305,534	30,331	30,333	102,992
2022 SIP share issue – partnership	217,861	1	–	–	1	43
2022 SIP share issue – matching	185,620	–	–	–	–	33
Shares issued in respect of MRP exercises	583,467	–	–	–	–	–
Shares issued in respect of EDRP exercises	175,000	–	–	–	–	–
Shares issued in respect of EIP exercises	74,076	–	–	–	–	–
At 31 December 2022	126,731,529	3	303,305,534	30,331	30,334	103,068

* Deferred shares were created on capital restructuring which completed in April 2017.

Accordingly, the Company share capital account comprised:

	£000
Share capital account	
At 1 January 2021	30,333
Shares issued during the year	– ¹
At 31 December 2021	30,333
Shares issued during the year	1
At 31 December 2022	30,334

1 Given the low par value, the financial impact of share issues in the prior year rounds to zero.

PARENT COMPANY FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2022

12 Other reserves

Other reserves are as follows:	Share plan reserves £000	Treasury shares reserve £000	Capital contribution reserve £000	Merger reserve £000	Total £000
Balance at 1 January 2021	14,231	(1,383)	47	22,222	35,117
Share options issued under the employee share plan	1,110	–	–	–	1,110
Shares issued under the SIP	–	30	–	–	30
Balance at 31 December 2021	15,341	(1,353)	47	22,222	36,257
Share options issued under the employee share plan	1,334	–	–	–	1,334
Shares issued under the SIP	–	26	–	–	26
Balance at 31 December 2022	16,675	(1,327)	47	22,222	37,617

Employee share plans – Equity settled

Details of the share options under employee share plans outstanding are as follows:

	EIP Number of units	MRP Number of units	EDRP Number of units
Outstanding at 1 January 2021	9,305,083	1,254,960	325,000
Exercisable at 1 January 2021	9,305,083	1,254,960	325,000
Awarded during the year	2,500,000	–	–
Exercised during the year	–	(13,532)	–
Lapsed during the year	(1,678,077)	–	–
Outstanding at 31 December 2021	10,127,006	1,241,428	325,000
Exercisable at 31 December 2021	10,127,006	1,241,428	325,000
Awarded during the year	–	1,655,801	1,250,000
Exercised during the year	(74,076)	(583,467)	(175,000)
Lapsed during the year	(1,896,572)	–	–
Outstanding at 31 December 2022	8,156,358	2,313,762	1,400,000
Exercisable at 31 December 2022	8,156,358	2,313,762	1,400,000

Note – all options are nil cost and therefore the weighted average exercise price is nil.

Detailed disclosure of each employee share plan scheme is in the Group consolidated financial statements note 24.

Executive Incentive Plan (EIP)

The total charge for the year was £0.14 million (2021: £0.17 million). Of this amount, £nil (2021: £nil) was capitalised or recharged to joint venture partners and £0.14 million (2021: £0.17 million) was charged to the income statement.

Management Retention Plan (MRP)

The total charge for the year was £0.14 million (2021: £nil). Of this amount, £nil (2021: £nil) was capitalised or recharged to joint venture partners and £0.14 million (2021: £0.17 million) was charged to the income statement.

Executive Director Retention Plan (EDRP)

The total charge for the year was £0.08 million (2021: £nil). Of this amount, £nil (2021: £nil) was capitalised or recharged to joint venture partners and £0.08 million (2021: £nil) was charged to the income statement.

Other share-based payments

Detailed disclosure of other share-based payments is in the Group consolidated financial statements note 24.

Share Incentive Plan (SIP)

The total charge for the year was £nil (2021: £nil).

12 Other reserves continued

Merger reserve

The merger reserve arose as a result of a reverse acquisition on 31 December 2007 whereby Island Gas Limited (IGL) became a wholly owned subsidiary of the Company but with IGL's shareholders acquiring 94% of the ordinary share capital of the Company. The reserve represents the difference in the fair value and the nominal value of the shares issued. The reserve is not distributable.

Treasury shares reserve

The treasury shares reserve consisted of shares issued to the IGas Energy Employee Benefit Trust (the "Trust"), of which the Company was the sponsoring entity. The value of such shares was recorded in the share capital and share premium accounts in the ordinary way and was also shown as a deduction from equity in this separate reserve account. There is therefore no net effect on shareholders' funds.

During the year ended 31 December 2020, all remaining shares in the Trust were disposed of and the Trust was terminated on 15 January 2021.

Capital contribution

The capital contribution relates to cash received following the acquisition of IGas Exploration UK Limited.

13 Related party transactions

(a) With Group companies

A summary of the transactions in the year is as follows:

	2022 £000	2021 £000
Amounts due from/(to) subsidiaries:		
At 1 January	25,089	27,261
Services performed for subsidiary	492	396
Net cash advances	(12,627)	(1,986)
Group loan interest	6,495	8,258
Allowance for credit loss	5,759	(7,749)
Revaluations	(27,287)	(1,091)
At 31 December	(2,079)	25,089
	31 December 2022 £000	31 December 2021 £000
Amounts due from subsidiary undertakings (note 4)	27,755	22,938
Amounts due to subsidiary undertakings (note 6)	(191,853)	(147,555)
Loans to Group companies (note 2)	162,019	149,706
Total	(2,079)	25,089

Payment terms for balances due to or from subsidiaries are as mutually agreed between the Group companies. The payment terms in respect of loans are detailed in note 2.

(b) With Directors

Key management as defined by IAS 24 – Related Party Disclosures are those persons having authority and responsibility for planning, controlling and directing the activities of the Company. In the opinion of the Board, the Company's key management are the Directors of the Company. Information regarding their compensation is given in the Directors' Remuneration Report.

14 Subsequent events

On 25 January 2023, the Company issued 144,205 ordinary £0.00002 shares in relation to the Group's SIP scheme. The shares were issued at £0.202 resulting in share premium of £29,129.

OIL AND GAS RESERVES

as at 31 December 2022

The Group's estimate of proved plus probable reserves at 31 December 2022 is based on an independent evaluation of IGas's conventional oil and gas interests prepared by D&M, a leading international reserves and resources auditor. Proved reserves are estimated reserves that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years under existing economic and operating conditions, while probable reserves are estimated reserves determined to be more likely than not to be recoverable in future years under existing economic and operating conditions.

All of the Group's oil and gas assets are located in the United Kingdom.

Group proved plus probable reserves

	Oil mmbbls	Gas Bcf	Total mmboe
At 1 January 2022	14.27	8.79	15.79
Additions during the year	1.32	–	1.32
Revision of previous estimates	0.16	2.65	0.61
Production	(0.62)	(0.34)	(0.68)
Total change during the year	0.86	2.31	1.25
At 31 December 2022	15.13	11.1	17.04

IGAS ONSHORE UK LICENCE INTERESTS

Licence	Fields	Area km ²	IGas interest	Operator	Other partners
East Midlands					
AL 009	Dunholme	9	100%	IGas	
ML 3	Egmanton	26	100%	IGas	
ML 4	Gainsborough, Beckingham, Corringham, Glentworth	72	100%	IGas	
ML 6	Bothamsall	11	100%	IGas	
ML 7	South Leverton	11	100%	IGas	
PEDL 006	Cold Hanworth	136	100%	IGas	
PEDL 012		33	55%	IGas	INEOS
PEDL 139		100	32%	IGas	INEOS, Egdon, Ecorp
PEDL 140		142	32%	IGas	INEOS, Egdon, Ecorp
PEDL 169		62	80%	IGas	Egdon
PEDL 210	Hemswell	116	75%	IGas	INEOS
PEDL 273		194	55%	IGas	Egdon, INEOS
PEDL 278		38	50%	IGas	Egdon
PEDL 305		143	55%	IGas	Egdon, INEOS
PEDL 316		111	55%	IGas	Egdon, INEOS
PL 178	West Beckingham	2	100%	IGas	
PL 179	Welton, Stainton, Nettleham, Scampton South, Scampton North, East Glentworth	107	100%	IGas	
PL 199	Nettleham	4	100%	IGas	
PL 220	Long Clawson, Rempstone	13	100%	IGas	
Weald Basin					
DL 002	Stockbridge	10	100%	IGas	
DL 004	Albury	14	100%	IGas	
ML 18	Bletchingley	8	100%	IGas	
ML 21	Bletchingley	9	100%	IGas	
PEDL 021	Goodworth	50	100%	IGas	
PEDL 070	Avington	18	54%	IGas	Egdon, Aurora, UKOG, Corfe
PEDL 235	Godley Bridge	100	100%	IGas	
PL 182	Palmers Wood	55	100%	IGas	
PL 205	Storrington	18	100%	IGas	
PL 211	Horndean	27	90%	IGas	UKOG
PL 233	Stockbridge	58	100%	IGas	
PL 240	Singleton	46	100%	IGas	
PL 249	Stockbridge	16	100%	IGas	

IGAS ONSHORE UK LICENCE INTERESTS CONTINUED

Licence	Fields	Area km ²	IGas interest	Operator	Other partners
North West					
EXL 273		48	15%	INEOS	
PEDL 145		74	40%	INEOS	
PEDL 147		89	25%	IGas	INEOS
PEDL 184		286	50%	IGas	INEOS
PEDL 189		100	25%	IGas	INEOS
PEDL 190		94	50%	IGas	INEOS
PEDL 193		296	40%	INEOS	
PEDL 293		200	30%	INEOS	
PEDL 295		200	30%	INEOS	
Scotland					
P 1270	Lybster	16	100%	IGas	
PEDL 158	Lybster	46	100%	IGas	

GLOSSARY

£	The lawful currency of the United Kingdom
\$	The lawful currency of the United States of America
1P	Low estimate of commercially recoverable reserves
2P	Best estimate of commercially recoverable reserves
3P	High estimate of commercially recoverable reserves
1C	Low estimate or low case of Contingent Recoverable Resource quantity
2C	Best estimate or mid case of Contingent Recoverable Resource quantity
3C	High estimate or high case of Contingent Recoverable Resource quantity
AIM	AIM market of the London Stock Exchange
BCF	billions of standard cubic feet of gas
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
Contingent Recoverable Resource	Contingent Recoverable Resource estimates are prepared in accordance with the Petroleum Resources Management System (PRMS), an industry recognised standard. A Contingent Recoverable Resource is defined as discovered potentially recoverable quantities of hydrocarbons where there is no current certainty that it will be commercially viable to produce any portion of the contingent resources evaluated. Contingent Recoverable Resources are further divided into three status groups: marginal, sub-marginal, and undetermined. IGas' Contingent Recoverable Resources all fall into the undetermined group. Undetermined is the status group where it is considered premature to clearly define the ultimate chance of commerciality.
GIIP	Gas initially in place
m	Million
Mbbl	Thousands of barrels
MMboe	Millions of barrels of oil equivalent
MMscfd	Millions of standard cubic feet per day
NBP	National balancing point – a virtual trading location for the sale and purchase and exchange of UK natural gas
PEDL	United Kingdom petroleum exploration and development licence
PL	Production licence
TCF	Trillions of standard cubic feet of gas
UK	United Kingdom

GENERAL INFORMATION

Directors

C Hopkinson – Interim Executive Chairman
F Ward – Chief Financial Officer
P Jackson – Non-executive
K Coppinger – Non-executive
D Fleming – Non-executive

Company Secretary

Thamala Perera Schuetze

Nominated Adviser and Joint Broker

Investec Bank plc

30 Gresham Street
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EC2V 7QP

Joint Broker

Canaccord Genuity Limited

88 Wood Street
London
EC2V 7QR

Registrar

Computershare Investor Services plc

The Pavillions
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Independent Auditors

PricewaterhouseCoopers LLP

1 Embankment Place
London
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Banker

Barclays Bank

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Registered office

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IGas Energy plc

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