



A new era...

Energiean Oil & Gas plc
Annual Report 2017


ENERGEAN
OIL & GAS

A new era...

...in our growth story



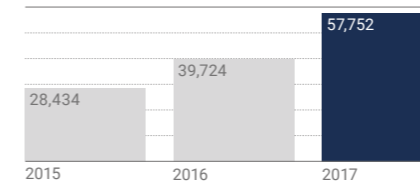
2018 is set to be a very exciting chapter in our growth story. We are entering a new stage in our development towards becoming the leading independent oil and gas E&P company in the Eastern Mediterranean. In March this year, we completed a successful IPO raising US\$460 million for investment in our business, principally our Karish and Tanin fields, offshore Israel.

Our long-term strategy is to create sustainable growth by leveraging the Group's experience and expertise in identifying, acquiring, developing and operating oil and gas assets in this region, and by meeting the economic, social and environmental challenges of what is a fast-growing energy market.

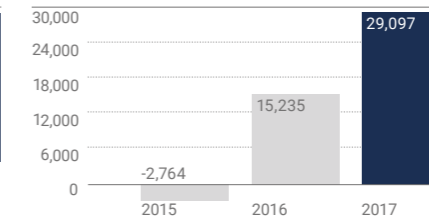
Key highlights

Financial

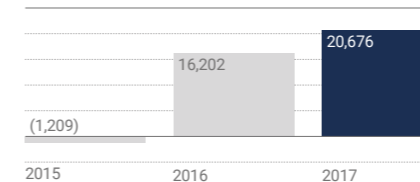
Revenue
US\$ '000s



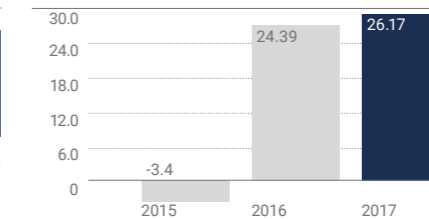
Cash flow from operating activities
US\$ '000s



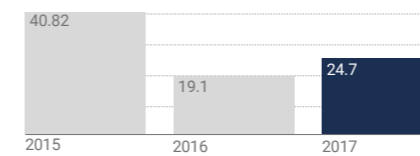
Adjusted EBITDAX¹
US\$ '000s



Gearing ratio
(%)



Cost of oil production per barrel
US\$/bbl



Operational

Average daily production

2,803 bopd
2016: 3,490 bopd

2C resources

1.2 Tcf gas¹
2016: 1.05 Tcf
¹ 50% of the Group working interest

2P reserves

51 MMbbls oil
2016: 41 MMbbls oil

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Leading E&P player in the Eastern Mediterranean

We are an independent oil and gas E&P company focused on developing resources in the Eastern Mediterranean, where we hold 13 licences and operate assets with a production track record of more than 37 years.

Energean's operations began when the Group acquired the Prinos licences, offshore North East Greece, in 2007. At the time, these licences contained 2 mboe of audited 2P reserves. Ten years later, the Group has built up a balanced portfolio of producing and development assets, containing a total of 51 MMbbls of oil 2P reserves in Greece; 1.2 Tcf of natural gas 2C resources in Israel; and 39.4 MMbbls of oil 2C resources in both countries. Energean is committed to realising the significant growth potential of its development and exploration projects, such as the Karish and Tanin fields, offshore Israel, and other licence blocks in Greece and Montenegro.

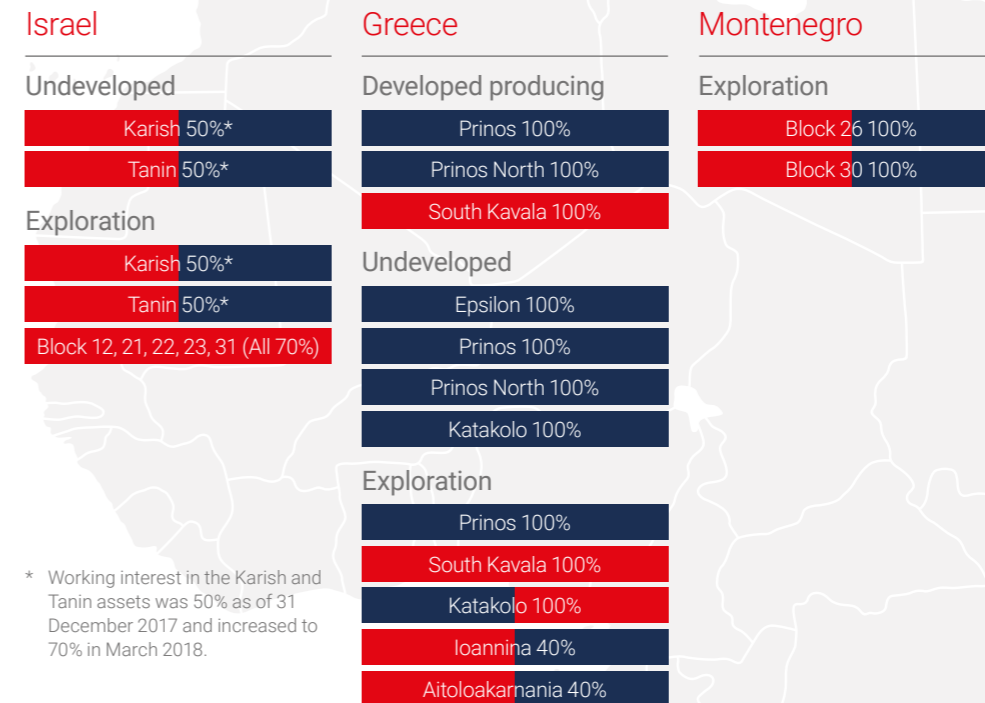


* Offices in the UK, Israel, Greece, Cyprus, Egypt and Montenegro
** Excluding sub-contractors

Where we operate

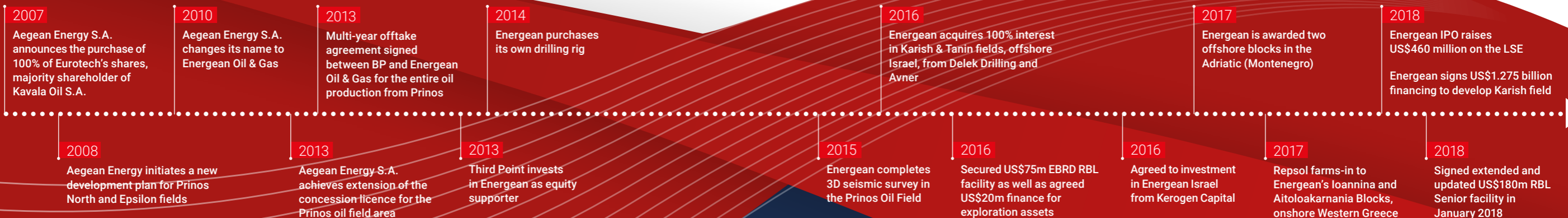
Energean currently holds 13 licences across the Eastern Mediterranean, with a balanced mix of producing, development and exploration assets, creating near and long-term value.

Oil Gas
% Ownership



* Working interest in the Karish and Tanin assets was 50% as of 31 December 2017 and increased to 70% in March 2018.

Our History



Embarking on an exciting chapter in our history



Simon Heale
Chairman

Our portfolio offers both near-term value delivery, significant mid-term value and longer-term potential upside from which we are well-positioned to benefit.

Key Board agenda focus for 2018

- ▶ Health & safety
- ▶ Corporate culture
- ▶ Delivering on key project milestones for Karish and Tanin
- ▶ Maximising production through the Prinos development programme
- ▶ Maintaining capital discipline
- ▶ Compliance with Corporate Governance Code
- ▶ Progressing our CSR programme

Dear Shareholder,

I was delighted to join the Board of Energean as Chairman in July 2017. Since then, I have been impressed by how much the Company has achieved in a few months in running the day-to-day business, making significant progress on both the Karish and Tanin project and the Prinos Basin expansion, and, most recently, becoming a Premium Listed Company on the London Stock Exchange ('LSE') in March 2018, the first significant European oil and gas E&P listing since 2014 and the largest ever primary raise for a Premium-Listed E&P company on the LSE.

These achievements are driven by a strong corporate culture and an equally strong health, safety and environmental ('HSE') focus, backed by a professional management team. The staff of Energean are determined to make the Company the leading independent operator in the Eastern Mediterranean.

Our Board and Management are focused on this goal and are committed to achieving it while delivering value for shareholders and stakeholders.

Our Board and governance

Our Board was chosen to ensure that, as a fast-growing public Company, Energean demonstrates best practice governance standards and provides sound stewardship.

We are fortunate to have deep sector, financial, HSE and capital markets expertise on the Board to guide the Company going forward.

As a Premium Listed Company, the Board will comply with the UK Corporate Governance Code. We have appointed audit, risk, governance and remuneration committees to safeguard shareholders' interests and provide a strong governance framework.

Our people

The depth and breadth of skills across our technical, engineering, geological and financial teams and wider workforce, enables us to be agile in our decision making and to deliver our growth projects while remaining open to future opportunities.

Energean's management team has over 200 years' combined experience in the oil and gas industry encompassing a broad range of projects, asset types (including offshore, shallow and deepwater), and exploration and production technology. Our senior management team are also significant shareholders in the business and are therefore fully aligned with the interests of other shareholders.

All the Company's staff have worked with dedication and commitment over the last few months to deliver the IPO and our new projects. I am very grateful to them all for everything they have done.

Dividend policy

We are in a growth phase and our investors have bought into an ambitious, fast-moving Company in an exciting region. We therefore do not anticipate that the Company will pay a dividend until the Karish and Tanin development is completed. Until then, any earnings will be reinvested in developing the businesses of the Group. The Board will review how it provides returns to shareholders regularly and will take a prudent approach that has regard to the level of profit generated by the Group's operations and the funding requirements for our operations and exploration and development programmes.

The future

We have a clear and substantially de-risked pathway to production growth ahead of us with the Karish and Tanin, Prinos Basin and Katakolo development programmes.

Our portfolio offers both near-term value delivery, significant mid-term value and longer-term potential upside from which we are well-positioned to benefit. I look forward to reporting on further progress over the coming year.

Simon Heale
Chairman

A sustainable growth story



Mathios Rigas
Chief Executive Officer

We are embarking on a new era for the Company and for the emerging oil and gas industry in the Eastern Mediterranean.

A new era...

When Energean was established in 2007, it was with a clear vision to build the leading independent E&P company in the Eastern Mediterranean. We saw a region which had been overlooked and under-exploited by the international oil and gas majors, and one that would inevitably need more gas development to cater for growing demand for cleaner energy in the surrounding states.

The past decade has been one of considerable growth, learning, investment and achievement for Energean.

We are embarking on a new era for the Company and for the emerging oil and gas industry in the Eastern Mediterranean – a region which could soon become a globally significant gas hub.

Since 2008, we have steadily expanded our operating footprint from one country to four; from two licences in Greece to 13 licences in the Eastern Mediterranean; and from 2 mmboe (2P) reserves in our Prinos licence to 51 mmboe (2P) reserves and 339 mmboe (2C) resources across our portfolio. In a very short period, we have taken the prospective Karish and Tanin gas fields, offshore Israel, from acquisition in December 2016, through a Field Development Plan (FDP) and financing, to a Final Investment Decision (FID). This is a remarkable achievement, of which we are very proud.

Advancing our flagship project: Karish and Tanin

Having signed 12 Long Term Gas Sales & Purchase Agreements with the leading Independent Power Producers (IPPs) and industrial companies in Israel, we have secured substantial revenues underpinning Energean's performance over the next two decades and will meet the Israeli Government's objectives of encouraging competition in the domestic Gas market and improving supply security from 2021, when we plan to produce first gas from Karish.

Delivering the project on time and on budget has been affirmed through an Engineering, Procurement, Construction, Installation & Commissioning (EPCIC) turnkey contract, signed with TechnipFMC, protecting our shareholders against risks of delays and cost overruns.

We have attained the necessary financing to complete our major development projects in Israel and Greece, which allowed us to take FIDs on both the Karish and Tanin project in Israel and our Epsilon development project in Greece.



Post-period developments

2017 has provided us with a platform to move quickly, and since the reporting period, we have delivered on these key strategic milestones:

- ▶ Proceeded with Final Investment Decision ('FID') on the Karish and Tanin project on schedule
- ▶ Signed the US\$1.275 billion senior credit facility for the Karish and Tanin project
- ▶ Completed the successful Premium Listing on the London Stock Exchange, raising US\$460 million through the Global Offer – the first significant European oil and gas E&P listing since 2014 and the largest ever primary raise for a Premium-Listed E&P company on the London Stock Exchange
- ▶ Signed a US\$180 million RBL facility with the European Bank for Reconstruction and Development ('EBRD') and other international institutions to fund the development programme for the Prinos, Prinos North and Epsilon oil fields
- ▶ Completed the subscription of additional shares in Energean Israel in March 2018 for the amount of US\$266.7 million resulting in the Group increasing its holding in Energean Israel to 70%
- ▶ Awarded TechnipFMC an integrated Engineering, Procurement, Construction and Installation contract for the Karish full field development, covering the design and installation of the complete subsea system, Floating Production Storage and Offloading unit (FPSO), designed to allow the subsequent tie back of Tanin field, the pipeline system, and the onshore pipeline and valve station at the receiving station
- ▶ Appointed Stena Drilling to commence a three development well drilling programme in 2019
- ▶ Signed extension to the BP Offtake Agreement from July 2021 to November 2025
- ▶ Successfully completed the c4km extended reach well in Prinos North field ahead of schedule in late March. The well is currently producing approximately 1,000bpd on a 41% choke
- ▶ Production averaged 3,673 bopd in Q1 2018, an increase of 31.6% year-on-year (Q1 2017: 2,790 bopd) and 7.9% quarter-on-quarter (Q4 2017: 3,405 bopd)
- ▶ Progressed plans for a secondary listing on the Tel Aviv Stock Exchange in Israel, on which the Group will be filing an application in the near future

A sustainable growth story

Successful IPO and project financing

Energean's Premium Listing on the London Stock Exchange in March 2018, raising US\$460 million, was a landmark accomplishment for the Company. It has effectively reopened the upstream IPO market after four years of relative stagnation and is a strong indicator that positive sentiment is returning to the London oil and gas sector.

Signing the US\$1.275 billion Facility Agreement in the same month was a key milestone in financing the development of the Karish and Tanin project and testament to the confidence placed in us by leading international banks.

Our investment proposition to the London market attracted substantial institutional interest, despite challenging market conditions. This proposition is characterised by the quality of our asset portfolio, our strategic position in the Eastern Mediterranean, our offshore experience and our management's track record of value creation.

Our priority now is to deliver significant growth in our first year as a listed business.

Our strategy

Our aim is to maximise production, reserves and cash flow from our existing low-cost production base, while pursuing sustainable growth and returns through active development and exploration programmes in the Eastern Mediterranean. We will achieve this while maintaining a disciplined financial framework and a conservative balance sheet. This strategy is underpinned by our key competitive strengths:

- ▶ We are an experienced offshore operator, operating the majority of assets in our portfolio
- ▶ We are well-positioned as an independent, Eastern Mediterranean E&P to move quickly in an increasingly active region
- ▶ We have a track record of value creation through timely acquisitions and efficient development
- ▶ We have the depth and diversity across a series of assets at various stages of development to position us as a full-cycle, sustainable business
- ▶ We have an experienced management team, with an international oil industry track record, who are significantly invested in Energean
- ▶ We have a strong health and safety track record
- ▶ We have world class industry partners such as TechnipFMC, BP and Repsol and strong financial capacity

1 Maximising output and cash flow from our producing assets

The Prinos and Prinos North oil fields, offshore North Eastern Greece, are low-cost producing assets that have already delivered 115 million barrels of oil to date. The Prinos Basin licence was acquired in 2007. Since then, we have secured a 25-year licence extension and have increased reserves through the technical reappraisal of the reservoir, with a new 3D campaign undertaken in 2015 as well as further drilling activity enabling us to implement our fully-funded development plan to significantly increase production over the next three years.

Energean's long track record in the Prinos basin, operatorship of the majority of our assets, and low operating costs per barrel, underpins our ability to maximise cash flow from our reserves and resources.

Prinos development programme

In the Prinos Basin, we are delivering an investment plan of approximately US\$350 million through 2021, which we expect to significantly increase production over the next few years, tapping the 39.5 MMbbls of discovered 2P oil reserves and 6 Bcf of 2P gas in the Prinos, Prinos North and Epsilon oil fields.

This development plan includes drilling 24 new wells (with eight wells already drilled since December 2015); the construction of an unmanned platform to exploit the Epsilon field adjacent to Prinos; and infill drilling in the existing producing fields.

We regard Prinos as a low-risk development, due to our extensive knowledge and experience of the Basin and its geology, the secured offtake agreement with BP that will fully cover the expected increase in production, and the control we enjoy as operator over the related infrastructure.

2 Developing Karish and Tanin

A material de-risked opportunity

Our most significant undeveloped assets are the Karish and Tanin gas fields located offshore Israel, which we acquired in December 2016 for US\$148.5 million and which are set to transform our business over the next few years. The fields have an estimated 2.4 Tcf of natural gas and 32.8 MMbbls of condensate and light oil (contingent 2C resources).

At the time of acquisition, Karish and Tanin were stranded assets with no gas contracts in place. Along with receiving approval of our FDP from the Israeli government in August, last year we aimed to secure gas sale and purchase agreements with leading industrial companies and power producers in Israel. By December 2017, the Company had secured contracts with 12 leading domestic industrial and independent power producers in Israel for the sale of 61 BCM of gas (up to 74 BCM including the OR gas supply agreement) over a period of 16 years on a weighted

average basis. The annual production rate is estimated at approximately 4.2 BCM per year on an ACQ basis (up to 5.1 BCM per year including the OR gas supply agreement). This was 1.2 BCM above the amount required to proceed with FID for Karish and Tanin and reflects the increasing energy demand in Israel.

Currently discovered 2C discounted cash flows from Karish and Tanin equate to an estimated NPV of US\$830 million net to Energean (70% working interest (WI)) according to the NSAI CPR. This uplift in value has been realised in the space of 15 months, due to Energean's ability to execute key project milestones quickly and effectively.

The development of the Karish field, which is fully-funded to first gas in 2021, will materially increase the scale of the Group's operations and support Energean's strategy to become a major player in the Eastern Mediterranean gas market. Production from Karish will be solely used to supply Israel. Therefore, these assets are highly strategic for the development of the Israeli energy market and can help to meet increasing Israeli demand, increase market competition and improve security of supply.

We have de-risked the project through a scalable development plan. Our new-build FPSO will allow Energean to develop its assets in the region and will be available to be used as a tie back option for future third party discoveries. The FPSO is currently the only such vessel earmarked for operation in the region, presenting us with an advantage to quickly capitalise on suitable adjacent discoveries.

3 Capitalising on growth opportunities in the Eastern Mediterranean

Katakolo

In addition to the Prinos Basin, we are also advancing the development of Katakolo in Western Greece in 2018, which we received government approval to develop in 2017 and which holds 10.5 MMbbls of 2P oil reserves and 6.2 Bcf of 2C gas resources. On approval of an Environmental and Social Impact Assessment, we expect to take our FID on the project in the second half of 2018, and drill the first pilot well in the second half of 2019. First oil is expected in 2020.

Exploration prospects

Energean has a focused exploration strategy with several exploration prospects in Greece, Montenegro and Israel. Our strategy revolves around identifying and exploring undeveloped areas where we have technical experience of similar geologies to minimise exploration risk. Our exploration portfolio has best estimate unrisks prospective resources of 3.1 Tcf of natural gas and 375.3 MMbbls of liquids.

We deploy a controlled approach to managing exploration risk. This is evidenced in our two onshore Greek exploration assets, Aitolokarnania and Ioannina, which we recently farmed out to Repsol as operator (60% WI), and who will carry 90% of the exploration costs.

In March 2017, Energean signed a concession contract to explore blocks 26 and 30 offshore Montenegro, which hold best estimate unrisks prospective resources of 1.8 Tcf of natural gas and 143.9 MMbbls of liquids. While the Eastern Adriatic remains substantially underexplored, Western offshore Adriatic has been a prolific hydrocarbon producing province for over 50 years for both oil and gas. We believe Montenegro has significant exploration potential for future oil and gas discoveries and the entry of ENI into the four blocks neighbouring those held by Energean, with significant exploration commitments, is an indication of the area's potential. We plan to begin the 3D seismic acquisition at the end of this year, to be completed in the first half of 2019.

In November 2017, Energean Israel participated in Israel's First Offshore Bid Round, and in December was awarded five licences for blocks 12, 21, 22, 23 and 31. The award of these exploration licences, adjacent to our Karish and Tanin project, further bolsters our exploration portfolio and long-term value potential in the region. Block 12 is on trend with the Karish and Tanin discoveries, presenting an opportunity for low-risk exploration, which could be developed via a tie back to the FPSO.

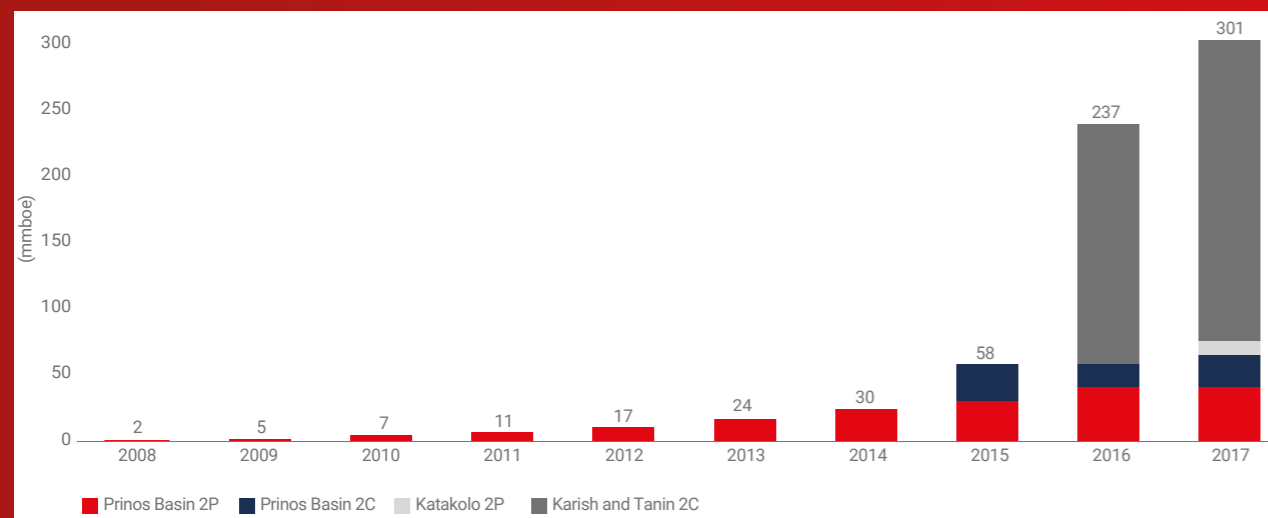
4 Maintaining a disciplined financial framework

We have successfully maintained a conservative balance sheet throughout the commodity down-cycle, through careful management of working capital and low levels of bank debt. We aim to preserve our balance sheet flexibility, alongside disciplined capital deployment, backed by strong cash flow from our producing assets.

As our track record demonstrates, Energean continually assesses ways to create further sustainable value and act upon value-accretive opportunities. We have strict investment criteria for new projects, typically targeting an unlevered internal rate of return of more than 15%. This approach, alongside the Group's production, development and exploration prospects, will underpin Energean's sustainable growth in the future.

A sustainable growth story

Continuous increase in reserves & resources



Health, safety and the environment

We see our health, safety and environmental (HSE) performance as a key aspect of the overall success of our business. We are committed to the highest standards of HSE regarding our employees, contractors, partners, the general public and the mitigation of our environmental impact.

Our experience of operating in environmentally sensitive areas without compromising them is something we are incredibly proud of. Energean's HSE record has been an important factor in our successful bids for licences, including Karish and Tanin.

Energean is the only oil and gas producer in Greece and, together with its predecessor business, has a 37-year track record of operating offshore and onshore assets in environmentally sensitive areas. Energean's experience and conscientious approach towards the management of its assets is a key differentiator in the sector.

As we continue to scale up operations, we will remain focused on our key HSE performance indicators and the safety of our employees. These are key aspects of how we operate as a business and are integral to our culture and engagement with our stakeholders.

Karish & Tanin project milestones 2018



Outlook

Energean is currently the only upstream Company on the LSE with considerable exposure to the Eastern Mediterranean, an area which is attracting increasing interest from global oil and gas majors. As a fast-moving independent, our aim is to take advantage of this trend and be part of the substantial infrastructure developments that will connect the region to local and wider markets.

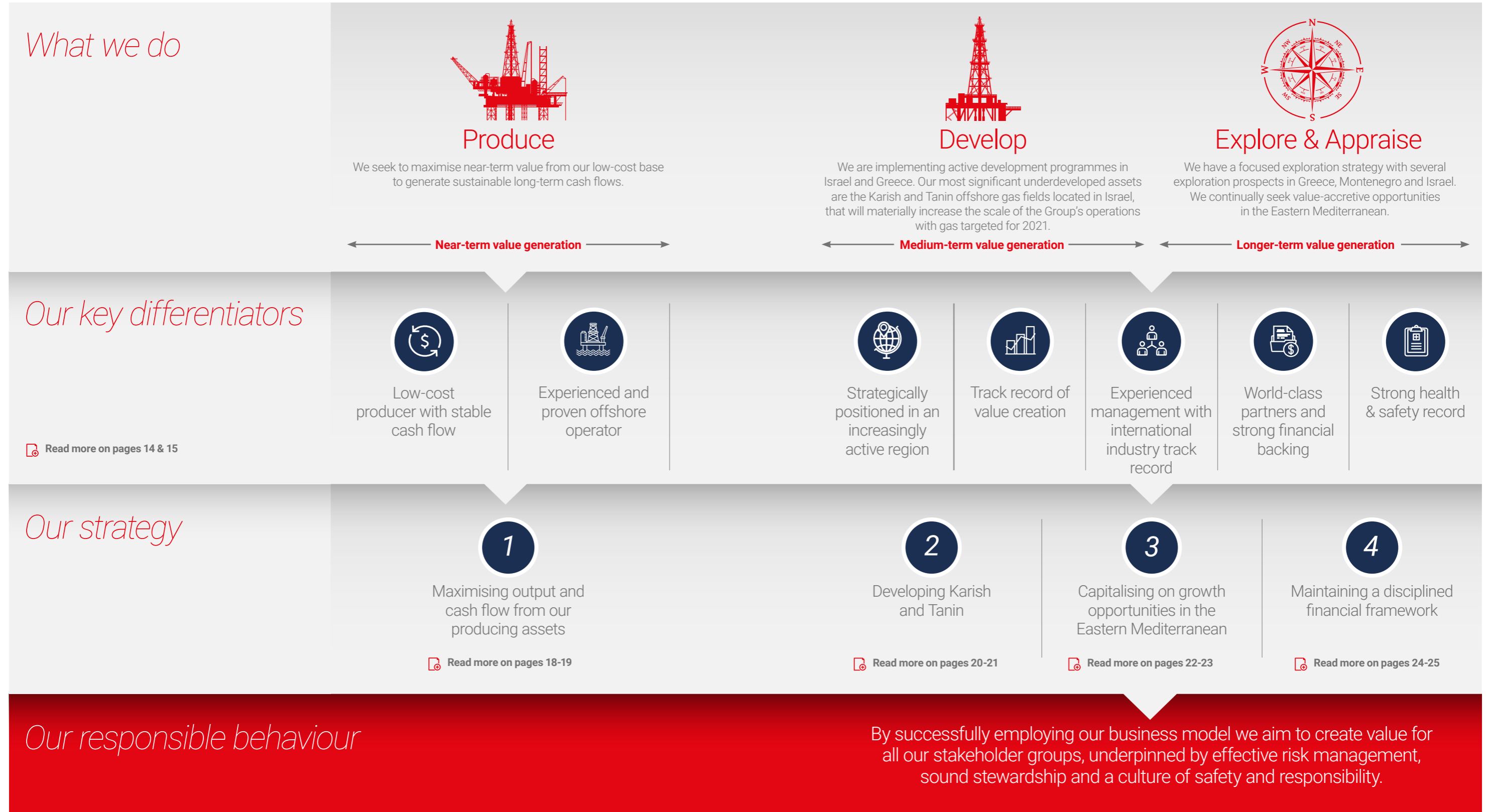
As we progress through 2018, we are confident that our ability to acquire, de-risk and develop projects of significant scale can deliver a flow of new opportunities in the region.

We are well placed to capitalise on our growth plans and have the infrastructure, local relationships and track record to move swiftly on future value-accretive opportunities for all our stakeholders.

Mathios Rigas
Chief Executive Officer

Unlocking our value potential in the Eastern Mediterranean

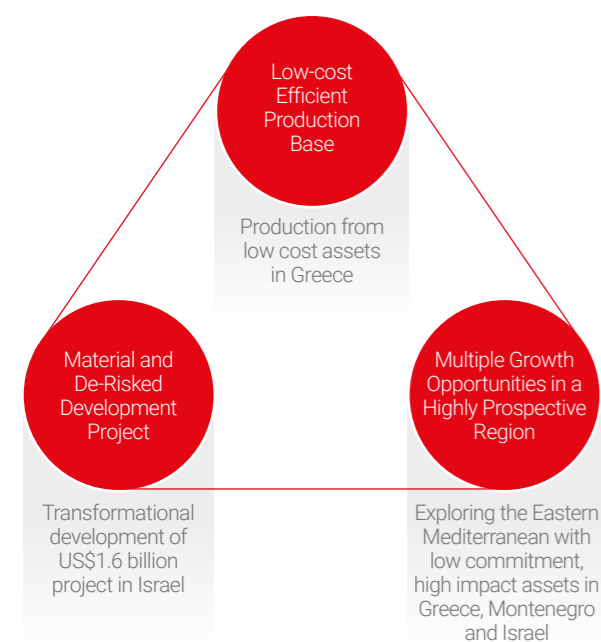
Our business model explains how we create value over the short, medium and long term. We believe the following factors combine to deliver a compelling investment proposition.



Building on our key differentiators

The Energean story began in 2007. Since then, we have gone from strength to strength. Our recent Premium Listing on the Main Board of the London Stock Exchange has provided us with the platform to enhance our continuing growth and deliver our strategy of becoming the leading independent E&P in the Eastern Mediterranean.

Our strong investment proposition and key differentiators set us apart in a competitive industry. Energean's growth story is one underpinned by long-term contracts to supply oil and gas to growing markets and is backed by leading financial and industry partners.



Low-cost producer with stable cash flow

Historically, we have been able to respond to oil price volatility by reducing our cost of production per barrel (excluding depreciation) at Prinos, largely through increased production. This approach led to our cost of oil production per barrel falling from US\$63/bbl in 2014 to US\$25/bbl in 2017.

Our aim is to maximise production, reserves and cash flow from our existing low-cost production base, while pursuing sustainable growth and returns through active development and exploration programmes in the Eastern Mediterranean.

Experienced and proven offshore operator

Energean is the operator of the majority of its assets, including Prinos, Prinos North, South Kavala, Epsilon and Katakolo in Greece; Karish, Tanin and Blocks 12, 21, 22, 23 and 31 in Israel; and blocks 26 and 30 in Montenegro.

Our operational and technical knowledge is core to our business, including our dedicated teams of geologists, geophysicists and production and reservoir engineers, which will help us to rapidly develop projects. This extensive knowledge has been built up across the business during more than 36 years of offshore operating experience in the Prinos Basin.

This experience and in-house capability have supported the Group in maintaining stable and risk-controlled production from Prinos and provided a platform to acquire attractive assets and de-risk key development projects.

The Directors believe that operatorship affords us the flexibility to progress projects at the most advantageous rates.

We intend to maintain a flexible and prudent approach to retaining or farming out operatorship, depending on the nature of each asset and its financing structure.

Strategically positioned in an increasingly active region

Our operations are focused on the Eastern Mediterranean, with the most significant assets located in Israel and Greece, which are both OECD countries and strategically attractive for investment. By maintaining a focused approach to this region, we believe the Group has developed strong relationships with all key stakeholders.

The Eastern Mediterranean has become an increasingly active area for E&P. Recent discoveries of material gas fields in Egypt and Israel (the Zohr and Leviathan fields, respectively) have drawn attention and investment to the region. In Greece, Exxon Mobil, Total, Edison and Repsol have been attracted to the hydrocarbon sector and have acquired, or expressed an interest in acquiring, Greek exploration blocks.

As an independent, locally-based E&P company, Energean is well positioned to move swiftly on opportunities in the Eastern Mediterranean.

Track record of value creation

Energean has a strong track record of value creation through timely acquisitions and efficient development.

The Prinos Basin licence was acquired in 2007, at what the Directors believe was a relatively advantageous valuation level. We have since been able to secure a licence extension and have increased reserves through technical reappraisal of the reservoir and drilling activity, enabling the implementation of a low-cost development plan.

The most recent Netherland, Sewell & Associates, Inc. Competent Person's Report ('NSAI CPR') for Prinos estimates that Prinos Basin 2P assets will have a cumulative net cash flow (discounted at 10%) of approximately US\$0.7 billion through 2035.

The value of Prinos to the Group is further enhanced by a four-year extension of Energean's long-term offtake agreement with BP, from 2021 to 2025, for 100% of Prinos production. BP has been the Group's offtaker in the Prinos Basin since 2013.

The Karish and Tanin leases were acquired in 2016 for US\$148.5 million. The assets were sold due to a regulatory requirement relating to the seller.

The acquisition of Karish and Tanin was completed at a lower US\$/boe value than other discoveries in the region, at a US\$/boe value of 0.4 (excluding royalties), while Zohr (Egypt) and Aphrodite (Cyprus) have US\$/boe values of 1.4 and 0.8, respectively (source: IHS Energy database – Herold).

At the time Energean acquired them, Karish and Tanin were stranded assets with no gas contracts in place. Since the acquisition of these leases, the Group has achieved a number of key milestones, including the approval of the Karish and Tanin Field Development Plan ('FDP') in August 2017. We have also signed 12 Gas Supply Agreements, totalling an estimated 4.2 BCM per annum on an annual contract quantity ('ACQ') basis, or 3.1 BCM per annum on a take or pay basis.

Currently discovered 2C from Karish and Tanin equate to an estimated NPV of US\$830 million net to Energean (70% ('WI')). This uplift in value has been realised in the space of 15 months, due to Energean's ability to execute key project milestones quickly and effectively.

In addition, Energean has secured a number of attractive exploration licences in Israel, Western Greece and Montenegro, where we believe we can add value.

As our track record demonstrates, Energean continually assesses ways to create further sustainable value and act upon value-accretive opportunities.

Experienced management with international industry track record

Energean's management team and staff are drawn from international and national oil companies, major and smaller independents and engineering contractors.

Management's experience encompasses a broad range of projects, asset types – including offshore (shallow and deep water) assets – and E&P technology, with over 200 years' combined experience in the oil and gas industry.

We have offices in the UK, Israel, Greece, Cyprus, Egypt and Montenegro and our technical team has recently been expanded to support the move into deep water operations at Karish and Tanin.

World-class partners and strong financial backing

The growth and success of our business has been supported by our strong partnerships with industry-leading technical experts and the financial backing of major banks and specialist investors.

These world-class partners, in addition to our strong customer relationships, have enabled us to realise our potential and will be integral to our future as we transform Energean into a leading international oil and gas business.

Strong health & safety record

Energean's exemplary HSE performance is a key aspect of our overall success. We have operated in the Kavala and Thassos Island areas in Greece, both of which are environmentally sensitive locations with high tourist activity, for over 37 years.

Energean Gas benefitted from this experience and we believe that the Gulf of Kavala's continued biodiversity and popularity with tourists are testament to our ability to conduct our operations in an environmentally sound and responsible manner.

Our HSE record has been an important factor in our success in bidding for licences and we are committed to maintaining the health and safety of all our employees and other stakeholders.

Maximising opportunities in a highly prospective region

The Eastern Mediterranean

The Eastern Mediterranean is an increasingly active E&P region. Recent discoveries in Egypt and Israel (the Zohr and Leviathan gas fields, respectively), as well as the Aphrodite and Calypso fields in Cyprus, have drawn investment from global oil and gas majors.

The region represents a large captive market in which governments are seeking to transition to cleaner sources of energy and are keen to expand sovereign resources. Growing demand from Western Europe for alternative sources of gas has raised the prospect of strategic pipelines being put in place that will considerably increase the economic importance of Eastern Mediterranean assets.

Our opportunity

Energean is well positioned to target and compete for opportunities in this region. In addition to our strong track record of value creation from assets in the Prinos Basin, we have secured world class industry partners (such as BP, Repsol and Prime Marine) and strong financial backing from the European Bank for Reconstruction and Development (EBRD), Kerogen Capital and Third Point.

Our expanding presence in the Eastern Mediterranean will strengthen our ability to create new opportunities.

Game-changing gas discoveries

The Eastern Mediterranean has seen a number of major gas discoveries in the last decade. These include the Tamar gas field, currently estimated to contain 11.2 Tcf of gas reserves, in 2009 and the Leviathan gas field, estimated to contain 21.4 Tcf of gas, in 2010, both off the coast of Israel.

Cyprus' oil and gas sector has experienced significant expansion following the discovery of the Aphrodite gas field, with an estimated 4 Tcf of natural gas, in January 2012. ENI, Total, Exxon Mobil and Qatar Petroleum are currently operating in the country.

In February 2018, ENI announced the Calypso 1 gas discovery, offshore Cyprus, which it described as 'a promising gas discovery that could contain more than 230 BCM of gas'.

Increasing M&A activity

The Eastern Mediterranean has recently received investment from world class companies.

Landmark deals in the region include Tamar Petroleum's purchase of a 7.5% stake in the Tamar natural gas reserve in January 2018, for US\$560 million and 38.5 million shares. Two Zohr field deals were concluded in Q4 2016, with Rosneft acquiring a 30% share in the field for US\$1.125 billion and BP securing a 10% interest in the Shorouk concession, offshore Egypt, which contains the Zohr gas field, for US\$375 million. In March this year, UAE's Mubadala Petroleum acquired a 10% stake in Shorouk for US\$934 million. In February 2018, two Israeli

firms signed a US\$15 billion agreement to export gas to Egypt from Leviathan and Tamar. The deal will see 64 BCM of gas supplied over 10 years with an implied price of c.US\$6.6/mmbtu.

East Med Pipeline and export routes to Europe

A 1,700km pipeline connecting the Eastern Mediterranean's Levantine Basin (Israel) with the European gas network, via Greece and Italy, is due for completion in 2025.

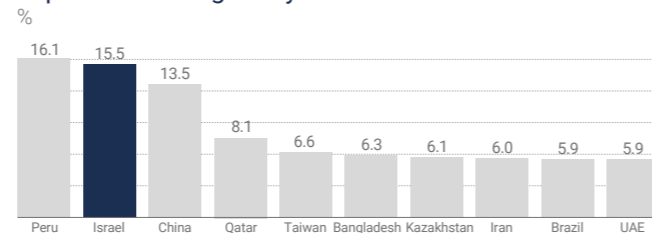
Known as the East Med Pipeline, this development has been classified as a European Project of Common Interest. A MoU has already been signed between Israel, Greece, Italy and Cyprus to support the expected US\$6-7 billion pipeline construction.

Regional market overview

Israel

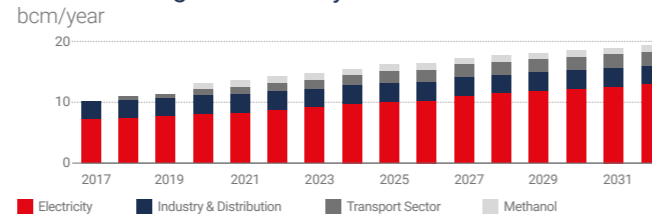
Over the last decade, Israeli natural gas demand has been among the fastest growing globally. Future demand is forecast to increase substantially, primarily driven by the electricity sector to serve population growth, rising living standards, increased water desalination, electrification of the railway system, and the adoption of electric vehicles and compressed natural gas ('CNG') for transportation. Israel consumed 10.4 BCM of gas in 2017. The Israeli Ministry of Energy anticipates that demand will increase to 12.5 BCM in 2020 and to 18 BCM by 2030, of which 85% will be for electricity generation and industrial use.

Gas demand increase 2006-2016 CAGR Top 10 countries globally

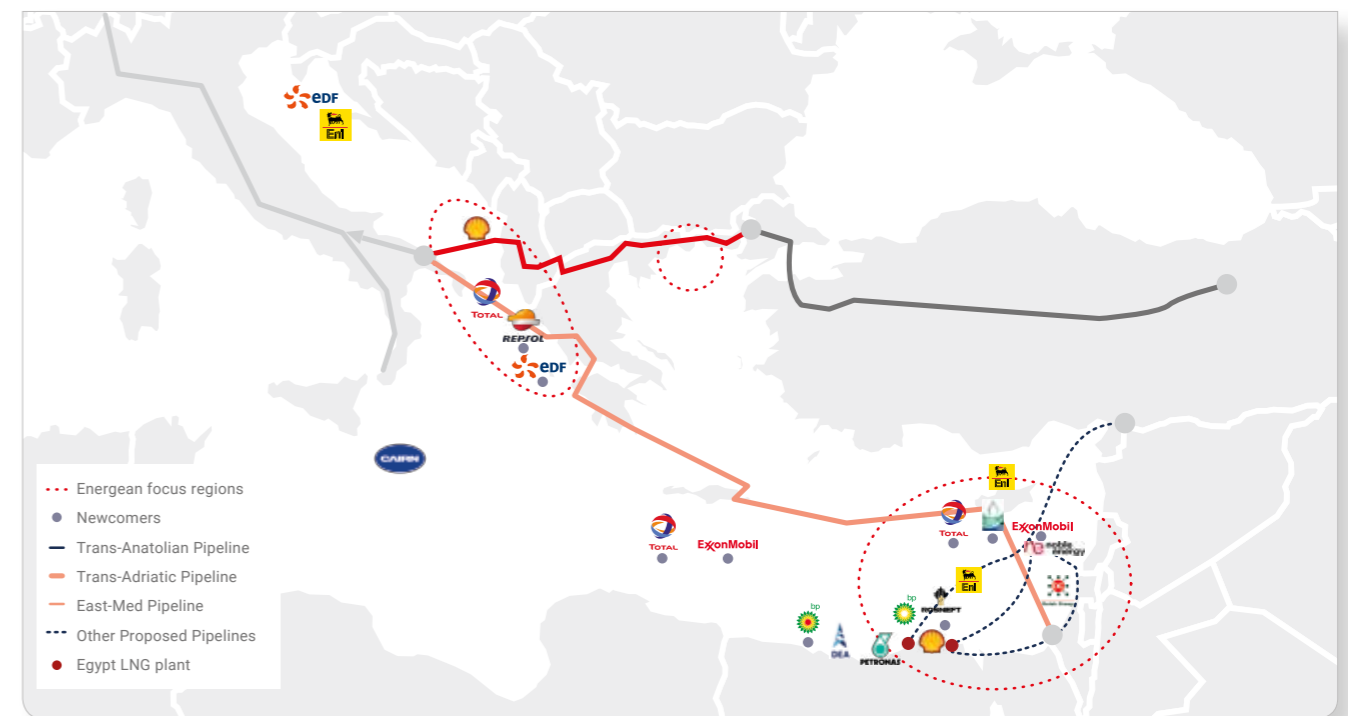


In a move to break up the Noble and Delek monopoly and foster competition, the Israeli government introduced various legislative measures, such as the Natural Gas Framework ('NGF'), which enabled Energean to acquire the Karish and Tanin fields.

Israeli natural gas demand by sector



Source: Israeli Electric Corporation; Israeli Ministry of Energy; BP Statistical Review of World Energy June 2017



Greece

Energean is currently the only company in Greece operating producing oil and gas assets.

Interest in the country from international oil and gas companies is growing. A consortium of Exxon Mobil, Total and Hellenic Petroleum has bid for two licences offshore Crete, and Repsol and Hellenic have jointly bid for a block in the Ionian Sea.

Energean also operates four development stage fields at Prinos and Prinos North in Kavala, Epsilon in Northern Greece and Katakolo in Western Greece.

Montenegro

The Eastern Adriatic remains underexplored, despite having what appear to be all the necessary hydrocarbon-generating components. Large prospects have been identified offshore Montenegro. These are on a par with recent oil discoveries in northern Albania, such as the onshore Shpirag-2 discovery. To date, over 5 billion barrels of oil in place have been discovered within this prolific carbonate play.

In March 2017, Energean signed a concession agreement with Montenegro for offshore Blocks 30 and 26. The NSAI Ioannina and Montenegro CPR indicates that the two blocks hold best estimate unrisks prospective resources of 1.8 Tcf of natural gas and 143.9 MMBbls of liquids.

Future pipeline developments

There are currently three major pipeline projects which could traverse Greece. The Trans-Anatolian pipeline is planned to run from the Turkish border with Georgia, to the Greek border at Edirne. Here, the pipeline will connect to the Trans-Adriatic pipeline, which is planned to run across Greece to Albania in the west. The East Med pipeline is planned to run from the Levantine basin (Israel) to Cyprus then to Crete, the Peloponnese and finally connect with the Poseidon pipeline to Italy.

A floating gas storage and regasification unit offshore Alexandroupolis is expected to begin operations in 2020, creating a fourth import route to Greece.

Oil price outlook

Oil prices began to recover in 2017 following the oil price crash in mid-2014. However, prices remained volatile, ranging from US\$44.82/bbl (21 June 2017) to US\$67.02/bbl (26 December 2017).

Energean's conservative financial management and its focus on operating costs give the Group confidence that it can prosper under a range of oil prices.

Maximising output and cash flow from our producing assets

Energean is focused on a clear strategy of producing, developing and exploring existing and new assets in the Eastern Mediterranean. By maximising the potential of our assets and building momentum in this increasingly active region, we aim to deliver real value in this new era of our growth story.

Maximising our low-cost production base

A key strategic priority is to increase Prinos Basin production and cash flow. Our existing development plan targets the monetisation of 2P reserves of 39.5 MMbbls of oil and 6.0 Bcf of gas, as well as 2C resources of 22.9 MMbbls of oil and 5.3 Bcf of gas, as of 31 October 2017, according to the NSAI Prinos CPR. Our long-term development plan from 2018–2021 includes: drilling 24 new wells; constructing an unmanned platform to exploit the Epsilon Field, adjacent to Prinos; and infill drilling in the existing producing fields. We estimate average 2P production rates to increase to 4,000–4,500 bopd in 2018 as new infill wells are brought on stream in the Prinos complex.

Our focus for the next 12 months

- ▶ Complete Prinos Alpha in-fill programme (PA-32 drill, PA41 w/o, PA-33 maint)
- ▶ Deepen PA-32 to Kazaviti and undertake production test
- ▶ Add to the Alpha programme an ERD well drilled to Epsilon
- ▶ Commence fabrication of Lamda jacket for the Epsilon field

Developing Karish and Tanin

The development of the Karish and Tanin 2.4 Tcf gas project, offshore Israel, will ultimately transform the Group's business and position us as a significant player within the Eastern Mediterranean.

Our focus for the next 12 months

- ▶ Complete detailed design (Subsea and FPSO)
- ▶ First steel cut – FPSO hull and topsides
- ▶ Commence construction of pipeline beach crossing
- ▶ Mobilise Stena Forth drill ship and spud first well

Working in partnership with world-class contractors

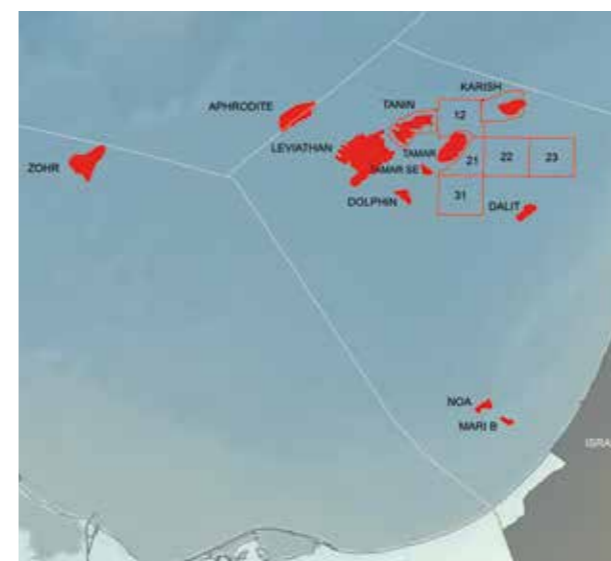
TechnipFMC
EPCIC contract for FPSO

Stena Drilling
Contracted for 3 firm and 5 optional wells

Wood Group
Pipeline operations service contract

Halliburton
Drilling services

A transformational project in Israel



World-class asset

2.4 Tcf
2C resources

World-class exploration potential

2.5 Tcf
Unrisked prospective resources

Gas sales

4.2 BCM
per year
Gas contracts in place

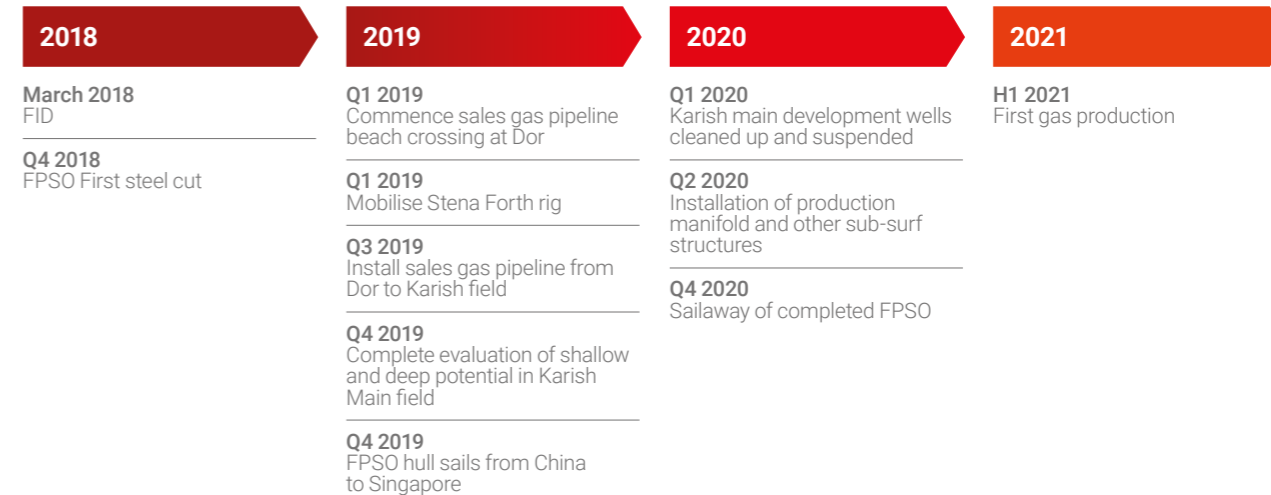
Substantially de-risked project

FID
Achieved March 2018

Delivering commercial production from Karish and Tanin will ultimately transform our business. With an estimated 2.4 Tcf of natural gas and 32.8 MMbbls of liquids (2C resources) and 2.4 Tcf of natural gas and 70.9 MMbbls of liquids (prospective resources), these assets are highly strategic for the development of the Israeli energy market and can help to meet increasing Israeli demand, increase market competition and improve security of supply.

The Karish and Tanin development will position Energean as a significant player within the region. The FDP for Phase 1 of the project was approved by the Israeli government on 27 August 2017, with the final investment decision taken in the first quarter of 2018 and first gas expected in the first half of 2021.

Key milestones to Karish and Tanin first gas



Capitalising on growth opportunities in the Eastern Mediterranean

Energean is well positioned, as an independent operator in an increasingly active region, to advance existing and future development and exploration prospects.

Upside potential

Energean has a number of development and exploration opportunities within our current portfolio, including, but not limited to further Prinos Basin development and exploration potential; development and exploration blocks in Western Greece, Katakolo, Aitolokarnania and Ioannina; blocks 26 and 30 offshore Montenegro; and various inorganic growth opportunities aligned with our strategy. These include five blocks for which Energean Israel was awarded licences in Israel's First Offshore Bid Round, which concluded on 15 November 2017.

One example of the inorganic growth opportunities available to the Group is the oil and gas industry in Cyprus, which has experienced significant growth following the discovery of the Aphrodite gas field, with an estimated 4 Tcf of natural gas, in January 2012. ENI, Total, Exxon Mobil and Qatar Petroleum are currently operating in the country, with Total and ENI having commenced drilling in Cyprus in July 2017. In February 2018, ENI announced the Calypso 1 gas discovery, offshore Cyprus. Accordingly, Cyprus represents a further opportunity to expand our operations within the Eastern Mediterranean.

Greece

Exploration upside in Western Greece (Aitolokarnania, Ioannina and Katakolo)

Additional reserves at Katakolo

Montenegro

Blocks 26 and 30 awarded to Energean in March 2017

Israel

The Israeli Petroleum Council awarded Energean 5 new licences (for Blocks 12, 21, 22, 23 and 31) in December 2017

Our focus for the next 12 months

- ▶ Plan two low-risk exploration wells to bracket the Karish-Main development drilling campaign.
- ▶ Drill two wells to identify Epsilon upside potential in discovered and deeper horizons
- ▶ Shoot 3D seismic surveys in Israel and Montenegro
- ▶ Shoot 2D seismic survey in Western Greece (Repsol operator)
- ▶ Secure operatorship of an additional development project
- ▶ Gather data to underpin plans for Prinos EOR (tertiary) development
- ▶ Take FID on Katakolo or farm down
- ▶ Expand Greek portfolio of low-cost, near-field, exploration prospects

Maintaining a disciplined financial framework

We have successfully built a conservative balance sheet by careful working capital management and maintaining low levels of bank debt throughout the commodity down-cycle and periods of subdued oil prices.

Market Open

Leveraging financial flexibility

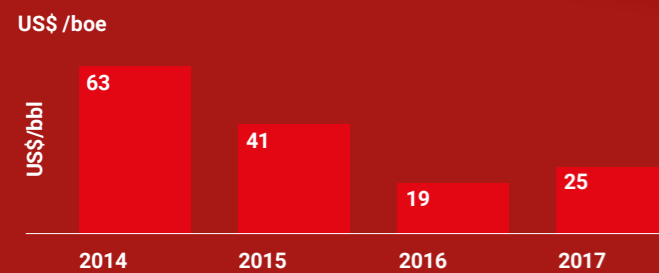
A key strategic priority is to maintain balance sheet flexibility going forward, with leverage minimised at the corporate level by managing contractor payables alongside disciplined capital deployment.

We will seek to maintain strict investment criteria for new projects, typically targeting an unlevered internal rate of return of more than 15%. We are confident that this approach, alongside our production, development and exploration opportunities, will underpin our sustainable growth in the future.

Our focus for the next 12 months

- ▶ Delivering Karish and Epsilon development programme in line with capital expenditure budget
- ▶ Optimise the use of capital by ensuring the highest possible return
- ▶ Maintain liquidity to enable the Company to capture exploration or business development opportunities as they may arise
- ▶ Grow production to maximise cash from operating activities

Focus on cost control over production



London Stock Exchange

How we measure our success

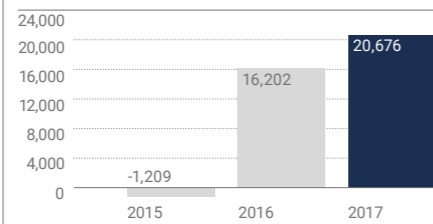
We measure our performance over a range of financial, operational and non-financial metrics to ensure we are managing our long-term success in a sustainable way and in line with our strategic objectives.

Financial

Adjusted EBITDAX
(US\$ 000)

20,676

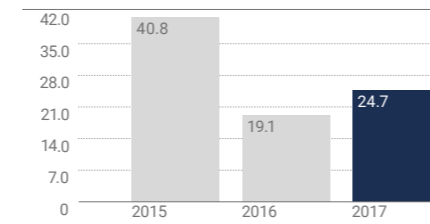
2016: 16,202



Cost of oil production per boe
(US\$)

24.7

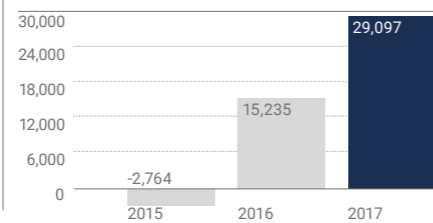
2016: 19.1



Cash flow from operating activities
(US\$ 000)

29,097

2016: 15,235

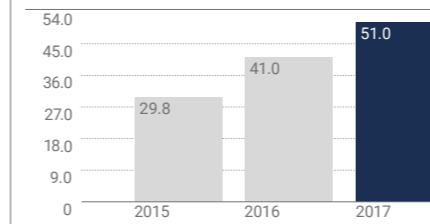


Operational

2P reserves
(mboe)

51.0

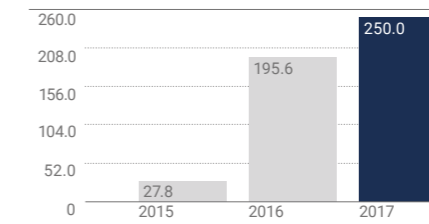
2016: 41.0



2C resources
(mboe)

250.0

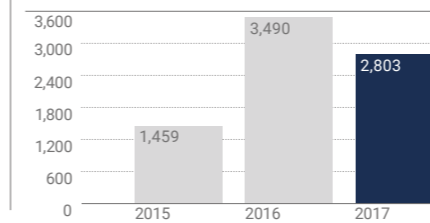
2016: 195.6



Average production per day
(bopd)

2,803

2016: 3,490

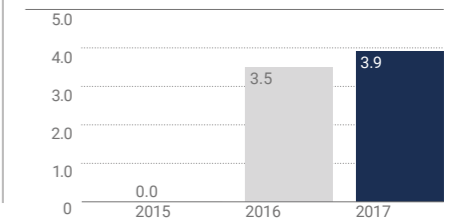


HSE

Lost time injury frequency rate
(Average number per million hours worked)

3.9

2016: 3.5



Building a balanced portfolio

2017 was a significant year in Energean's development. Our focus was on establishing a foundation for further growth across all stages of the upstream life cycle.

Operational achievements in 2017

- ▶ Preparation and approval by the Israeli Government Authorities of a Field Development Plan ("FDP") for our first deep water gas developments – Karish and Tanin
- ▶ Completion of financing arrangements for the Epsilon Field Development project in Greece
- ▶ Drilled 3 new side tracks and undertook 2 workovers increasing production from 2650 bbls/day in January to 3758 bbls/day in December
- ▶ Establishment of an office in Montenegro and the commencement of planning for seismic evaluation of our two highly promising exploration Blocks 26 and 30, awarded to Energean in March 2017
- ▶ Undertaking environmental studies ready for submission of an Environmental Impact Assessment to the Montenegrin government, as well as a 3D survey design
- ▶ Participated in 1st Israeli Offshore Exploration License round. Awarded blocks 12, 21, 22, 23 and 31 in December



Prinos operations

The first half of the year was operationally challenging for our producing Prinos Basin assets. Problems related to asphalt precipitation prevented us from maintaining the production growth we achieved in 2016.

As a consequence of these measures, average yearly production fell to 2,803 bopd in 2017, from 3,490 bopd in 2016. This contributed to an increase in our cost of production to US\$24.7/boe from US\$19.1/boe year on year. Following modifications to the well completion design and refinement of certain operational practices, these issues were largely eradicated and production growth restarted. We finished 2017 with production in Q4 averaging 3,405 bopd.

Production, maintenance and marine operations at Prinos were executed successfully during 2017. No significant incidents occurred. A bi-annual shutdown campaign was completed with the main underwater pipelines successfully pigged.

To prevent future asphaltene issues, single string completion designs have been adjusted to allow deeper injection of inhibitor, improved asphalt prediction curves have been developed based on samples from the new wells and drawdown rates are being better managed to maintain bottom hole pressure above asphalt onset point.

We expect to achieve average production rate of between 4,000-4,500 bopd from Prinos for 2018, an increase of 40-60% compared to 2017. During 2018, a further five development infill wells are planned to be drilled.

All of the Group's production from the Prinos Basin assets in 2017 was sold through a long-term offtake agreement with BP, under which BP typically collects on a quarterly basis. Energean's average realised sales price for 2017 was US\$46.73/bbl. This offtake agreement was recently extended to November 2025, eliminating our offtake risk for the foreseeable future as we scale up production in the Basin.





Following the successful appraisal well drilled into the Kazaviti structure in 2016 (deepening of development well PA-36) contingent resources were recognised and a development well is being planned for inclusion in the ongoing Prinos infill drilling campaign.

Work on the Katakolo project in the Greek Peloponnese focused on execution of the necessary environmental studies required to obtain approval for the construction of the initial two wells and associated pilot production facilities. Further sub-surface studies were completed, allowing 10 MMbbls of proved and probable reserves to be recognised.

Resources were also recognised on the 1990s Delta discovery that sits below the partly developed Prinos North satellite. A proposal for an extended reach well from the Prinos platform has been prepared.

In Western Greece, Energean successfully farmed out 60% of our interest and operatorship for our Ioannina and Aitolokarnania Blocks, onshore Western Greece, to Repsol in September 2017, who will carry 90% of the gross exploration costs, up to US\$49.9 million.

Montenegro

In March 2017, Energean signed a concession contract to explore blocks 26 and 30, offshore Montenegro, which hold best estimate unrisks resources of 1.8 Tcf natural gas and 143.9 MMbbls of liquids.¹

We established an office in Montenegro and commenced work to allow a 3D seismic survey to be performed in 2018. Environmental baseline studies have been completed and an Environmental Impact Assessment is in preparation.

Egypt

In 2017, the Group drilled just one exploration well – in the West Kom Ombo licence in Egypt. This proved to be a dry hole and the licence was subsequently relinquished.

¹ Based on NSAI Ionina and Montenegro CPR, October 2017

Karish and Tanin

In Israel, we made major steps forward in the development of the Karish and Tanin gas fields, acquired from Delek Energy in 2016. Engineering work commenced in January 2017 and ran through the entire year. Feasibility work completed during 2016 demonstrated the attractiveness of developing the project through an FPSO located at the Karish field. This approach removes the need to land hydrocarbon liquids in Israel, minimising environmental impacts, and will establish a hub through which other discoveries could be developed.

To fast-track the development of Karish to produce first gas in 2021, Energean contracted TechnipFMC to design, procure, construct, install and commission all facilities from the wellhead to the entry point of the Israeli gas grid. This approach minimises interfaces and hence execution risk for the Group.

An FDP for Karish and Tanin was submitted in June 2017 and approved by the Israeli authorities in August. FEED work was undertaken between June and December.

In parallel with preparing the FDP, we secured gas supply contracts for around 4.2 BCM per year for 16 years to Israeli gas buyers. Options for a further 12 BCM were also agreed.

Detailed design work for the Karish and Tanin development commenced towards the end of 2017 and will continue throughout 2018, with first steel cuts on the hull and topsides expected towards the end of this year.

In January 2018, Energean announced it had selected Stena Drilling as its preferred drilling contractor, following a competitive tendering process. Three development wells will be drilled at Karish in 2019. Drilling services will be provided by Halliburton and well engineering by Lloyds Register.

A contract to cover all operations readiness and assurance work was tendered and awarded to Wood Group in March 2017.

In addition, we have been gradually extending our team in Israel and recruiting local staff to deliver the in-country scope and to manage all local interfaces and stakeholders.

Exploration, appraisal and development activities

Exploration represents an important element in the Company's growth portfolio. The main focus in 2017 was on extending and upgrading our exploration portfolio in Israel and Greece, in preparation for further drilling when cash flow from increased Greek production will be available.

Israel

The Israeli government announced and executed the country's First Israeli Offshore Bid Round in 2017. Energean decided to bid only on blocks within a 40km radius of the Karish field, namely Blocks 12, 21, 22, 23 and 31. Following the conclusion of the Bid Round in November, Energean was awarded licences for all five blocks in December. No firm well commitments were required.

In parallel with winning these new blocks, work also continued on maturing the significant exploration prospects mapped in the Karish lease. Well proposals for Karish North and Karish East were prepared and options secured in the drilling contract with Stena to allow them to be added onto the Karish Main Development drilling sequence.

Greece

In Greece, work continued throughout the year on the infill development campaign of our main producing field: Prinos. Three new wells were completed – PA-33, PA-37 and PA-38 – and wells PA-40 and PA-19 were worked over. Well PN-H4 – the first extended reach well to be drilled by our own rig – was drilled towards the end of 2017. Development drilling activities were generally successful, with unswept oil being found as targeted. Reserves developed per well were in line with expectations.

Meanwhile, work continued on the development of the Epsilon satellite. This requires the installation of a new drilling platform plus three 3.5km long pipelines connecting it to Prinos. The design was adjusted to allow the contractor, GSP, to build the jacket, topsides and pipelines, while also drilling three early appraisal/development wells. Finance for this work was secured with the Black Sea Development Bank and Romanian Export Import Bank. Costs were in line with the earlier development concept.

Work addressing the potential installation of a new platform at the Prinos complex was also progressed. Options to extend the existing B platform were generated and will be compared with a new bridge-linked jacket. This new facility will be required after the drilling of Epsilon development wells is completed.

Building the financial framework for growth



Panos Benos
Chief Financial Officer

We remain focused on capital discipline, cost control and efficiency.

2017 found Energean with a major task of converting its newly acquired Karish & Tanin gas discoveries, offshore Israel, into a commercial project. In order to achieve Final Investment Decision Energean met the following key milestones:

- ▶ finalisation of Field Development Plan that was submitted to and approved by the Israeli authorities
- ▶ execution of 12 long term gas sales agreements totalling an estimated 61 BCM on an ACQ basis (up to 74 BCM including OR gas supply agreement) with reputable and credible counterparties
- ▶ agreement of financing terms for a US\$1.275m Project Finance with major international banks.

In Greece, oil production from the Prinos licence was materially impacted by the scheduled turnaround of the Prinos facilities in September 2017, with production being shut for 18 days, and the well performance issues experienced in the first half of the year which resulted in an unplanned recompletion programme of a number of producers and the delay of the infill drilling schedule. Post September both the production from existing wells and the drilling operations resumed with PA 37 and PNH4 wells coming on-stream in December 2017 and March 2018 respectively.

Furthermore, the Group progressed with the Epsilon development plan delivering the following:

- ▶ Signing of a US\$88.3 million turnkey EPCIC contract with GSP Offshore S.R.L. which includes the drilling of the first three development wells, the construction and installation of an unmanned satellite platform to the main Prinos complex and procurement and installation of the pipelines and umbilical to connect the new Lamda platform to the Prinos Delta platform
- ▶ Agreeing terms for the upsizing of the Reserve Based Lending facility with the EBRD from US\$75million to US\$180 million with the participation of other lenders including the Black Sea Trade and Development Bank, Banca Comerciala Intesa Sanpaolo Romania S.A. and the Export-Import Bank of Romania Eximbank SA. The tenor of the loan was extended to 2024 with first repayment in Q2 2020.

The Group continued its prudent and cautious exploration expenditure and commitment strategy, underpinned by key commercial agreements and strategic decisions:

- ▶ Farm-out of a 60% interest in the Ioannina and Aitolokarnania licences to Repsol for a consideration of US\$1.0 million in cash and a carry of 90% of the first exploration phase costs, up to a pre-agreed maximum of US\$49.9 million.
- ▶ Signed an exploration and production concession contract with the State of Montenegro covering offshore blocks 4219-26 and 4218-30 for work commitment amount €3.0 million
- ▶ Awarded five exploration licences for blocks 12, 21, 22, 23 and 31 offshore Israel, near to the existing Karish and Tanin fields
- ▶ Received approval for the Field Development Plan of the Katakolo field in Western Greece from Hellenic Hydrocarbons Resources Management
- ▶ Relinquishment of West Kom Ombo licence in Egypt and recognition of impairment of US\$9.3 million.

Energean funded its operations and activities in 2017 by a combination of:

- ▶ Operating Cash Flow of US\$29.1 million generated from the Prinos and Prinos North fields
- ▶ Kerogen Capital committed funds of US\$20 million for the Karish Tanin pre-FID work
- ▶ Available funds of US\$33 million from the EBRD committed facilities to fund our operations in Greece.

In spite of the Group's expansion and growth during the year, we remained focused on capital discipline, cost control and efficiency by:

- ▶ Total third party Net Debt of US\$75.6 million (2016: US\$48.5 million) resulting in a very low Gearing ratio of 26.17% (2016: 24.39%). The increase in Net Debt is driven by the drawdown of available funds under the RBL Facility, but the Gearing ratio has remained well below 30%
- ▶ Production cost of US\$25.3 million (2016: US\$24.3 million), and production cost per barrel for the year of US\$24.7 (2016: US\$19.1). The production cost in 2017 when adjusted for the \$0.8m scheduled shutdown has remained steady. The production cost per barrel has been affected by the lower production delivered through the year but is still at very competitive levels
- ▶ Total Group G&A of US\$6.0 million (2016: US\$4.1 million), The G&A increase, reflects the additional staffing and administrative costs caused by the rapid growth of the Group's portfolio with the acquisition of Karish and Tanin and the efforts to bring the asset to Final Investment Decision in early 2018.

The above, coupled with the improved oil price environment during 2017 with a realised sales price of \$46.7/barrel (2016: US\$34.3) resulted in significantly improved financial performance as reflected below:

Financial results summary

	For the year ended 31 December		
	2017	2016	Change
Adjusted EBITDAX (US\$ 000) ¹	20,676	16,202	28%
Net cash from operating activities (US\$ 000)	29,097	15,235	91%
Cash capex (US\$ 000) ¹	54,003	110,680	-51%
Capital expenditure (000 US\$) ¹	67,635	104,764	-35%
Total production for the period (boe) ³	1,023,072	1,273,751	-20%
Average production per day (bopd) ³	2,803	3,490	-20%
Sales volume (boe)	1,179,368	1,133,987	4%
2P reserves (mboe) ²	51	41	24%
2C resources (mboe) ²	250	196	28%
Cost of oil production (US\$ 000) ¹	25,262	24,303	4%
Cost of oil production per boe (US\$) ¹	24.7	19.1	29%
Gross profit (US\$ 000)	9,104	(827)	1201%
Operating loss (US\$ 000)	(13,696)	(10,870)	26%
Income/(loss) before tax (US\$ 000)	25,407	(49,897)	151%
Net debt (US\$ 000) ¹	75,639	48,458	56%
Gearing ratio (net debt/capital) ¹	26.17%	24.39%	7%
Realised sales price (US\$)	46.7	34.3	36%

¹ Underlying Adjusted EBITDAX, cost of oil production per boe, capital expenditure, cash capex, net debt and gearing are non-IFRS measures and are explained later in this section.

² 2P reserves and 2C resources figures as per NSAI CPR 31 October 2017 and include gas and liquids volumes with gas volumes converted from Bcf at the rate of 5.8. Includes 50% of volumes set out in the Karish and Tanin CPR, of total 449 mboe. Energean Israel Limited's working interest was 50% as of the year ended 31 December 2017 and rose to 70% in March 2018 reflecting an increase in 2C resources to 340 mboe.

³ Production levels refer to total oil production for the periods. Oil volumes are STOB and include natural gas liquids. Average production per day for the year ending 31 December 2017 would be 2,948 bopd if excluding 18 days of scheduled maintenance during which the plant was shut down.

Revenue

The Group's revenue increased by 45.4% to US\$57.8 million for the reporting period (2016: US\$39.7 million). This is mainly explained by the increase in the average realised crude oil price from US\$34.25/bbl during 2016 to US\$46.73/bbl during the reporting period.

Cost of oil production, depreciation and impairments

Cost of oil production amounted to US\$25.3 million; US\$24.7/boe (2016: US\$24.3 million; US\$19.1/boe). Cost of production in 2017 includes an amount of US\$0.8 million for turnaround expenditures.

Depreciation charges in cost of oil production decreased by 16.9% primarily as a result of an increase in 2P reserves.

During 2017, the Group relinquished West Kom Ombo licence in Egypt and wrote off US\$8.0 million in relation to exploration expenditure and US\$1.3 million for the licence's letter of guarantee.

Exploration costs written off

	2017 (US\$ 000)	2016 (US\$ 000)
Exploration costs written off	8,007	–
Provision for bank guarantee	1,285	–
Total cost related to West Kom Ombo licence written off	9,292	–

Gain on derivative

The gain on derivative of US\$25.8 million is a result of the valuation of a derivative financial instrument, measured at fair value at the end of each reporting date, which related to the Energean Israel Limited Class B Shares the Group had a contingent commitment to acquire. Pursuant to the Reorganisation Agreement, the Group had committed to acquire in an exit event 50% of the Energean Israel Limited Class B Shares of Energean Israel Limited held by the Founders. The valuation technique used to value this asset multiplies the estimated likelihood of an exit (being an IPO or a sale) by the estimated difference between the consideration payable under the commitment and the estimated value of the B shares to be acquired under the commitment. Pursuant to the Reorganisation Agreement, the Group acquired the Founders' 50% economic interest in Energean Israel on 16 March 2018 in exchange for US\$10 million, leaving the Group with a 50% economic interest and 50.0001% voting rights in Energean Israel. Pursuant to Second Subscription Agreement with Kerogen and after taking a final investment decision in respect of the Karish and Tanin assets the Group's interest in Energean Israel was further increased to 70% on 29 March 2018.

Financing costs

Financing costs for the year were US\$22.9 million (2016: US\$ 29.3). The decrease in financing costs is associated with shareholders loan conversion to preference shares at the end of H1 2017.

Taxation

Taxation expense was US\$14.1 million in the year (2016: income of US\$11.5 million). The higher taxation expense is mainly due to higher deferred tax credits in unrealised foreign exchange differences in the Greek entities and due to recognition of income tax liabilities in relation to the Kavala Oil tax appeal.

Income after tax from continuing activities and profit per share

Income for the year from continuing activities amounted to US\$9,943 million (2016: loss of US\$38.6 million). Profit per share was 14 cents (2016: loss of 0.54 cents).

Cash from operating activities

Net cash flows from operating activities increased to US\$29.1 million for the reporting period (2016: US\$15.2 million) and was primarily attributable to an increase in the realised oil price and decrease in inventory balance. This cash flow together with increased debt facilities funded the Group's US\$54 million capital expenditure on exploration and development.

Capital expenditures

2017 capital expenditures amounted to US\$67.6 million (2016: US\$104.8 million) with US\$64.4 million invested in development activities and US\$3.2 million in exploration and appraisal activities. More than 90% of the total capital expenditure was invested in Greece, with three new wells completed – PA-33, PA-37 and PA-38 – and wells PA-40 and PA-19 were worked over. Well PN-H4 – the first extended reach well to be drilled by our own rig – was being drilled at year end.

Liquidity risk management and going concern

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices and different production rates from the Group's producing assets.

The Directors have assessed the current financial position and the profitability of the Group as well their expectations in relation to future business prospects, and future profitability and cash flows of the Group.

The Group's forecasts show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the following 12 months. Another important factor for determining that the going concern basis remains appropriate is the ability of raising necessary funding as and when needed. Subsequent to the balance sheet date, the Group having successfully completed an IPO on the London Stock Exchange raised \$460 million gross proceed. Furthermore the Group's liquidity position has been significantly improved by the amendment of the Group's existing EBRD Senior Facility agreement signed on 30 January 2018, increasing the facility size to US\$180 million from US\$75 million and the addition of a US\$1.275 billion Senior Credit Facility agreement, which will be used to fund the Karish and Tanin development costs.

Non-IFRS measures

The Group uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. These non-IFRS measures include adjusted EBITDAX, cost of oil production capital expenditure, cash capex, net debt and gearing ratio are explained overleaf.

Adjusted EBITDAX

Adjusted EBITDAX is calculated by the Group as profit or loss for the period adjusted for profit or (loss) for the period from discontinued operations, taxation (expense) / income, total depreciation, amortisation of intangible assets, other income, other expenses, finance income, finance costs, gain on derivative, net foreign exchange gain / (loss) and exploration and evaluation expenses. The Group presents adjusted EBITDAX as it is used in assessing the Group's growth and operational efficiencies as it illustrates the underlying performance of the Group's business by excluding items considered by management not to be reflective of the underlying operations of the Group.

	2017 (US\$ 000)	2016 (US\$ 000)
Adjusted EBITDAX	20,676	16,058
Reconciliation to profit before tax:		
Depreciation and amortisation expenses	(18,008)	(21,355)
Exploration and evaluation expenses	(9,966)	(1,133)
Other expenses	(8,187)	(4,688)
Other income	1,789	248
Finance income	14	327
Finance costs	(22,940)	(29,311)
Gain on derivative	25,786	-
Net foreign exchange (loss)/gain	36,243	(10,043)
Profit/(loss) from continuing operations before tax	25,407	(49,897)

Cost of oil production

Cost of oil production is defined as cost of oil sales, less cost of services, depreciation and change in inventory (defined as the difference between opening inventory and closing inventory). Cost of oil production per boe represents cost of oil production divided by total production for the respective period.

Cost of oil production is a useful indicator of the Group's underlying cash costs incurred to produce oil and gas. Cost of oil production eliminates certain non-cash accounting adjustments to the Group's cost of sales to produce oil and gas. The Group uses these measurements to compare the performance of the Group's operations period-to-period, to monitor costs and to evaluate operating efficiency.

	2017 (US\$ 000)	2016 (US\$ 000)
Cost of oil sales	47,905	40,551
Less		
Depreciation	(17,640)	(21,218)
Change in inventory	(5,003)	4,970
Cost of oil production	25,262	24,304
Total production for the period (boe)	1,023,072	1,273,751
Cost of oil production per boe (US\$)	24.7	19.1

Net debt and gearing ratio

Net debt is defined as the Group's total borrowings (including current and non-current borrowings) less shareholders' subordinated debt, cash and cash equivalents and bank deposits. Management believes that net debt is a useful indicator of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of borrowings after taking account of cash and cash equivalents within the Group's business that could be utilised to pay down the outstanding borrowings. The Group defines capital as the Group's total equity plus shareholders' subordinated debt. The Group calculates the gearing ratio (net debt to capital) as net debt divided by capital.

	2017 (US\$ 000)	2016 (US\$ 000)
Current borrowings	12,500	21,130
Non-current borrowings	78,831	255,118
Less: Shareholders' Subordinated Debt	-	(214,813)
Total third party borrowings	91,331	61,435
Less: Cash and cash equivalents and bank deposits	(15,692)	(12,977)
Net debt (1)	75,639	48,458
Total equity	288,982	(16,120)
Plus: Shareholders' Subordinated Debt	-	214,813
Capital (2)	288,982	198,693
Gearing ratio (1/2):	26.17%	24.39%

Capital expenditures

Capital expenditure is a useful indicator of the Group's organic expenditure on oil and gas assets and exploration and appraisal assets incurred during a period. Capital expenditure is defined as additions to property, plant and equipment and intangible exploration and evaluation assets excluding decommissioning asset additions, disposal and capitalised depreciation, less capitalised borrowing cost.

	2017 (US\$ 000)	2016 (US\$ 000)
Additions to property, plant and equipment	65,741	62,728
Additions to intangible exploration and evaluation assets	3,152	46,028
Less:		
Capitalised finance costs	(1,258)	(3,992)
Total	67,635	104,764

Being a responsible business and building trust

As an international oil and gas company, we recognise that we need to earn our social and legal licence to operate through a consistent track record of responsible, safe and effective performance.

Corporate social responsibility (CSR) lies at the heart of our business. We are here for the long-term and we understand that sustained commercial success and disciplined CSR go hand-in-hand.

Operating in the oil and gas sector demands that we adhere to the highest international standards to ensure we manage the impact of our business and its contribution to society. It is not just about acting in an ethical way, it is about understanding that CSR makes sound business sense and builds reputation.

It is also integral in helping us to:

- ▶ **Build** strong and productive relationships with our customers, partners and suppliers by understanding their needs
- ▶ **Manage** risk more effectively by strengthening our procedures and processes
- ▶ **Engage** our employees through a culture of collaboration, trust and safety
- ▶ **Improve** our performance by maintaining the integrity of our assets, our environment and our communities wherever we operate
- ▶ **Earn** trust to sustain our reputation long term.

Operating in a responsible and sustainable manner is essential to Energean Oil & Gas.

In addition to the expectations of stakeholders, CSR is a fundamental guiding principle of how we run our business. We believe that striving for the best possible CSR helps us to manage risks and fully capitalise on the opportunities presented to us in a changing world.

Our objective is to generate sustainable prosperity through our business operations.

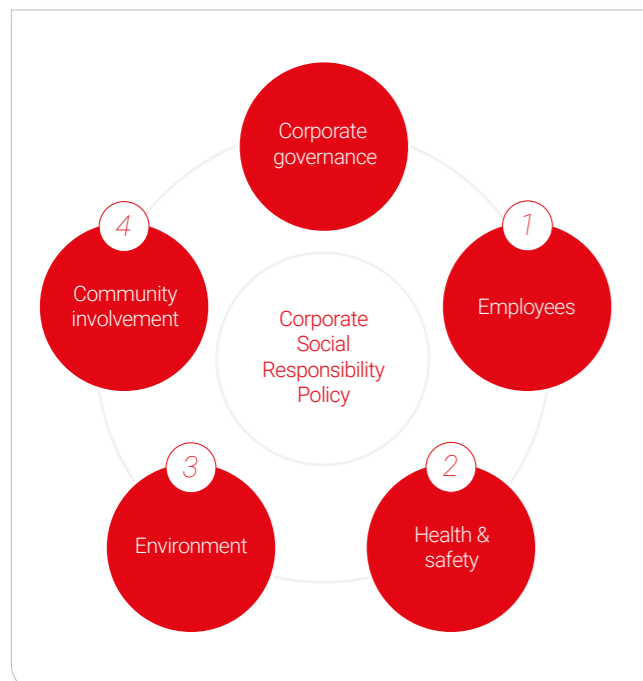
We are therefore committed to conducting our operations responsibly, which means supporting local communities and caring for the environment, as well as looking after the health and safety of our employees.

CSR policy

Our CSR policy is rooted in our company values, guided by international standards and best practice, and driven by our aspiration for excellence in every area of our business.

Our Chief Executive is ultimately accountable for CSR, supported by our CSR Team. The Board has ultimate responsibility for reviewing and approving the CSR strategy and for monitoring our progress in achieving sustainability objectives through regular performance reviews and reporting.

All our business units are accountable for developing and implementing the CSR strategy and, where appropriate, our progress against our targets is independently assured.



Our approach to CSR

Corporate governance

We are committed to maintaining the highest standards of integrity and corporate governance practices in order to maintain excellence in our daily operations, and to promote confidence in our governance systems.

We aim to conduct our business in an open, honest and ethical manner.

[Read more on pages 55–67](#)



We focus our CSR activities in the following key impact areas:

Employees

We are focused on attracting, developing and retaining the best people and creating an environment where our employees can fulfil their true potential.



[Read more on pages 40–41](#)

Health & safety

The health and safety of our workforce remains our top priority. We invest in safety training and strive to meet the most stringent international standards. Our goal is to promote a safety culture where zero harm is of paramount importance.



[Read more on pages 42–43](#)

Environment

We are committed to conducting our business in an environmentally responsible way by mitigating risks and minimising the impact of our operations on the natural environment.



[Read more on pages 44–45](#)

Community involvement

As our business grows, so does our responsibility to the local communities where we operate. We work hard to support our local communities and work with them to make a real difference.



[Read more on page 46](#)

Creating a fair and inclusive culture

Our people are vital to the success of our business. They are our greatest asset and deliver sustainable value that makes a real difference. Guided by our values of responsibility, excellence, integrity, commitment, caring and engagement our people apply their skills and expertise every day to ensure we operate both responsibly and successfully.

Inclusivity and diversity

We create a fair and inclusive environment to attract the best people and keep them engaged and inspired to stay with us. By enhancing our employees' skills through training and development, we keep them motivated to progress through the business and achieve their personal objectives.

Energean is committed to equal opportunities and terms of employment, we offer competitive salary packages and the health and safety of all our employees is paramount in everything we do. We are fully committed to the elimination of unlawful and unfair discrimination and we value the differences that a diverse workforce brings to the business.

We believe in supporting diversity and creating an inclusive culture where all our people feel valued and able to fulfil their potential.

As of 31 December 2017, we employed 393 staff in six countries. The majority of the personnel is based in Greece, 365 staff, of which 336 are based in Kavala working onshore and offshore, and we are one of the largest employers of the prefecture. The remaining staff are employed in our offices in Israel, UK, Montenegro, Egypt and Cyprus.

Diversity

The Board of Directors is composed of nine members, one of whom is a woman. Out of the 393 employees of the Group, 32 are women.

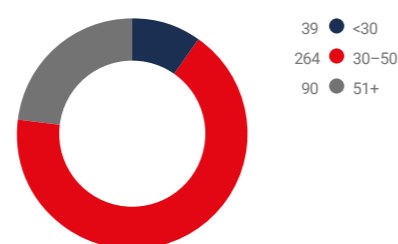
Employees by gender

	Male	Female
Board level	8	1
Senior management	14	4
Rest of staff	347	28

Age distribution

The majority of our employees (67%) are in the 30 to 50 age group, with the remaining 23% and 10% being in the age groups of 51+ and under 30 respectively.

Employee age distribution



Anti-corruption and bribery policy

The Group has an anti-corruption and bribery policy which sets out our responsibilities, as well as the responsibilities of those working for us, in observing and upholding our position on bribery. It also provides information and guidance to those working for us on how to recognise and deal with bribery and corruption issues.

Our Code of Conduct contains provisions relating to bribery and corruption which set out our policy of conducting all our business in an honest and ethical manner and in compliance with all applicable anti-bribery laws, including but not limited to all applicable local laws where the Group operates and the UK Bribery Act 2010 (the 'Bribery Act'), and to accurately reflect all transactions on the Group's books and records.

We take a zero tolerance approach to bribery and corruption and we are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate. Our Code of Conduct prohibits bribery and corruption in any form by employees, contract staff or industry partners working on our behalf.

Whistleblowing

As part of our commitment to conducting our business with honesty and integrity, the Group has adopted a Whistleblowing Policy that encourages the detection and reporting of malpractice throughout all levels of the organisation.

The Whistleblowing Policy takes into account the Whistleblowing Arrangements Code of Practice issued by the British Standards Institute and Public Concern at Work and is applicable to all individuals working within the Group including consultants and contractors. The Whistleblowing Policy sets out procedures for the reporting of any matter that a person would like to report in good faith and ensures that that person will be protected from any sanctions. At the time of reporting we have received no reports under our Whistleblowing Policy.

Our values

- ▶ **Responsibility** in all our actions and areas where we conduct our business
- ▶ **Excellence** in everything we do; deploying best practices to achieve profitable and sustainable growth
- ▶ **Integrity** by respecting our shareholders, employees and business; promoting transparency and accountability; cultivating a unique corporate sustainability culture
- ▶ **Commitment** to a talented workforce; investing in our people's development
- ▶ **Caring** for the environment; reducing our environmental footprint.
- ▶ **Engagement** with local communities; meeting their expectations and needs

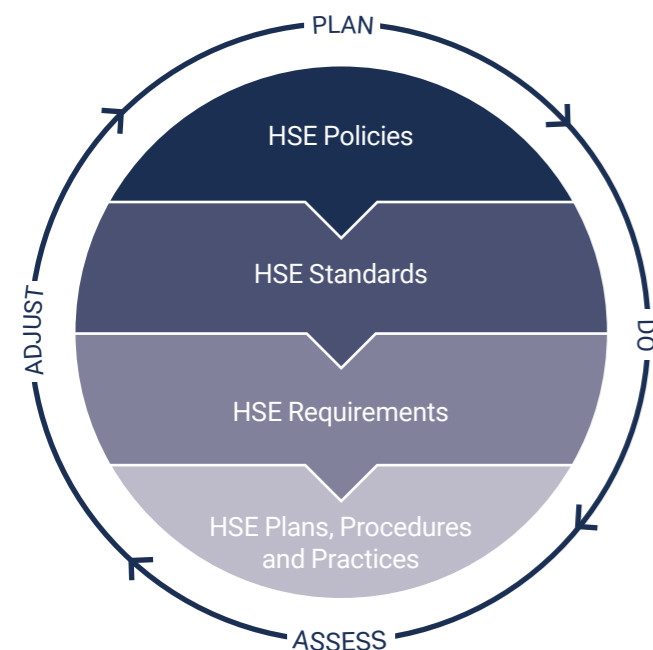
Building a culture of responsibility and safety

Energean is committed to protecting the health and safety of all individuals affected by its corporate activities, including employees, contractors and the general public.

We have established a comprehensive and integrated Health and Safety Management System (H&S MS) aligned with the requirements of international standards and European safety directives.

We are committed to the implementation, maintenance and continual improvement of our H&S MS and aim to achieve accreditation for international safety standards and best practices.

Our H&S MS is based on tried and tested, internationally recognised best practices in managing H&S risks in the E&P industry, structured around a classic 'Plan-Do-Assess-Adjust' cycle.



By implementing this structure we seek to ensure that we:

- ▶ Understand all hazards associated with our operations;
- ▶ Undertake activities to manage those hazards and minimise the risk levels;
- ▶ Measure the effectiveness of our HSE performance; and
- ▶ Adjust our plans and procedures in response to those assessments.

Key metrics monitored

- ▶ Total man-hours worked
- ▶ Number of Lost Time Injuries (LTI)
- ▶ Lost Time Injury Frequency (LTIF)
- ▶ Total Recordable Injury Rate (TRIR)
- ▶ Fatal Accident Rate (FAR)

Total man-hours worked

	2016	2017
Employees	570,410	778,008
Contractors	281,640	161,280

Total LTIs

	2016	2017
Employees	2	3
Contractors	0	0

LTIF*

	2016	2017
Employees	3.51	3.86
Contractors	0	0

* The number of lost time injuries (fatalities + LTIs) per million hours worked

TRIR*

	2016	2017
Employees	8.77	10.28
Contractors	3.55	0

* The number of recordable injuries (fatalities + LTIs + restricted work day cases + medical treatment cases) per million hours worked

FAR*

	2016	2017
Employees	0	0
Contractors	0	0

* The number of fatalities per 100 million hours worked

Corporate Major Accident Prevention Policy

The Board has approved a Corporate Major Accident Prevention Policy (CMAPP), recognising:

- ▶ Its responsibility to comply with the Offshore Safety Directive and with the Seveso Directive;
- ▶ That the nature of Energean's offshore oil and gas operations may give rise to major accidents;
- ▶ Its responsibility to control the risks of major accidents and to continuously improve these controls in line with advancements in technology and good oilfield practices;
- ▶ Its commitment – as laid out in the Code of Conduct – to achieve high standards of HSE performance and to make available all necessary resources to achieve these goals.

Energean controls risks of major accidents arising from its onshore and offshore oil and gas operations so far as is reasonably practicable, ensuring that such risks are within the 'acceptable' or 'tolerable' ALARP region (As Low As Reasonably Practicable).

'Stop work' policy

Any person employed and/or contracted by Energean may invoke the 'stop work' policy if they feel that any employee, a company asset or the local environment is at risk. There shall be no fault put on any employee calling for a 'stop work' order in good faith even if, upon investigation, the stop order proves to be unnecessary.

Leadership and commitment

HSE leadership and accountability for H&S starts with the CEO who takes all necessary steps to ensure that the highest possible level of H&S performance is achieved within the Company. We regard Health and Safety as a line responsibility and an integral part of the duties of all personnel.

Legal compliance

Compliance with all applicable H&S legislation and regulations is a fundamental requirement of the Energean H&S MS. All work carried out at our company offices and premises, and all work activities undertaken at project locations and operational sites, is carried out in accordance with applicable local laws and European regulations.

Competence management and training

Energean and its contractors implement an ongoing competence and assurance management scheme, and provide appropriate HSE training to all employees. Formal H&S training is provided to all employees and contractors either annually, or every 2–3 years, depending on the specific training required.

Operational framework and control

We develop, implement, monitor and review procedures and instructions for safe operation, enabling our adaptation to changes in operations, regulations, industry standards and advances in technology. The main components of this framework are:

- ▶ Pre-shift briefings and shift handovers
- ▶ Toolbox talks
- ▶ Site HSE inspections & audits
- ▶ Incident reporting & investigation
- ▶ Task risk assessments
- ▶ HSE meetings
- ▶ Permit to Work system
- ▶ Emergency response
- ▶ Safety inductions

Occupational health

We take all necessary steps to ensure the health of our employees and contractors. An annual health programme is implemented for all employees, which includes biochemical analysis, physical examinations, and heart and lung screenings. All employees and contractors hold medical certificates relevant to the requirements of their position. Private health insurance is provided to all employees, except in Israel where public health services are of a high standard.

Protecting our environment

Energean recognises the importance of understanding the impact of its activities on the environment and we are therefore working to continually improve our Environmental Management System. Our aim is to achieve accreditation for international environmental standards and best practices.

Our environmental responsibilities are addressed throughout the value chain and we are constantly investing in ways to reduce our carbon footprint and waste, as well as enhance our energy and water efficiency.

Environmental protection is a top priority and we are committed to ensuring that all necessary measures are being taken to minimise the possibilities of any environmental impact. Additionally, management and staff are committed to vigorous supervision and the implementation of applicable Greek and European legislation.



Marine Antipollution Response Drill, Prinos – Air quality monitoring

Key metrics monitored

- ▶ Greenhouse gas emissions
- ▶ Specific direct/indirect emissions
- ▶ Specific energy consumption
- ▶ Specific water usage
- ▶ Waste quantities

Environmental expenditure

	2016	2017
Total cost (€)	112,158	525,318

Crude oil production

	2016	2017
Product tn	178,209	143,137

Specific energy consumption*

	2016	2017
Electrical	338	338
Thermal	928	1,202

* kWh/product tn

Specific emissions*

	2016	2017
Direct	208	262
Indirect	297	341

* kg CO₂/product tn

Specific water usage*

	2016	2017
m ³ /product tn	9,270	10,096

Non-hazardous waste disposal

	2016	2017
Total tn	398,190	276,285

Hazardous waste disposal

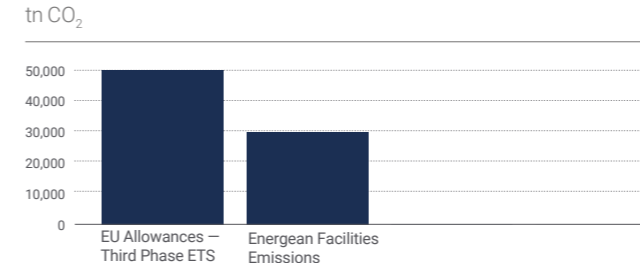
	2016	2017
Total tn	170	1,191

* It should be noted that increase of production due to the Prinos development plan will reduce the above specific values since the plant is designed to operate with higher production rates, with similar energy consumption data and raw material quantities.

Air quality

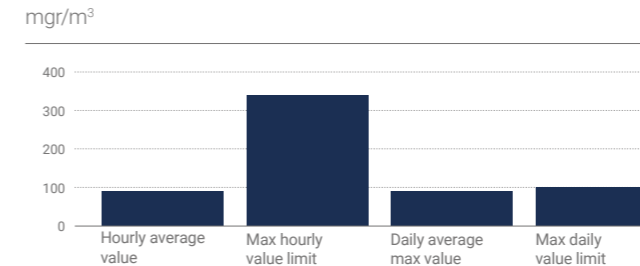
To ensure we meet all our environmental objectives we are continuously monitoring air quality. In the wider area of Thassos and Kavala, 12 stations monitor the total sulphation of the atmosphere on a monthly basis, and a central environmental station monitors H₂S, SO₂ and HC levels and meteorological parameters (wind speed and direction, ambient temperature, and relative humidity).

CO₂ emissions*



* point sources

SO₂ emissions**



** Air Quality Monitoring Station data

Marine environment

We have an excellent track record of environmental risk management. In 38 years of operation, in the sensitive environment of the Gulf of Kavala, no environmental damage has been recorded.

Our environmental policy and management are in line with all applicable national laws and European directives.

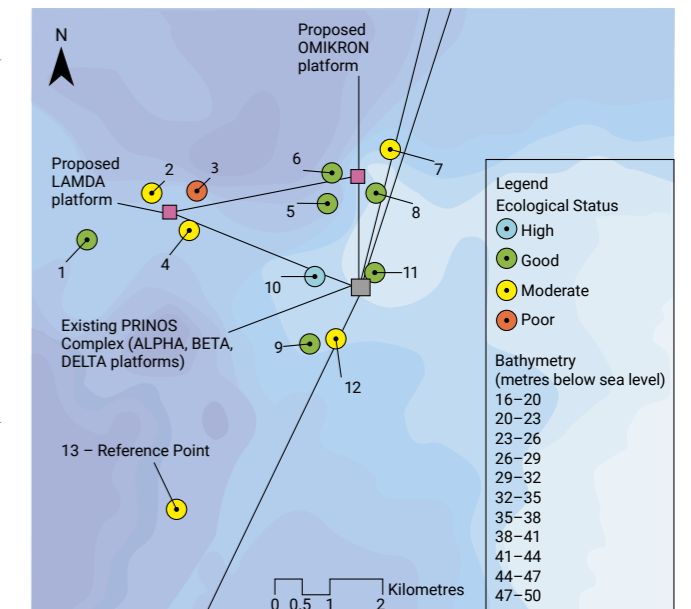
Our onshore and offshore water discharges are continuously monitored to meet the requirements of the Water Framework Directive, the Marine Strategy Framework Directive, the Barcelona Convention and the International Convention for the Prevention of Pollution from Ships (MARPOL).

Biodiversity protection

We aim to conserve the biological diversity of terrestrial, marine and avian migratory species throughout their range. We manage our operations by taking into account the fundamental ecological functions of wetlands and their economic, cultural, scientific and recreational value.

The Bonn Convention, the Ramsar Convention, the Convention on Biological Diversity, and the Birds and Habitats Directives are considered throughout the execution of environmental impact assessments and environmental monitoring plans.

An independent offshore specific study showed that benthic communities have not been affected by Energean's offshore operations in the Gulf of Kavala.



Marine contingency plan

We have developed and tested emergency response procedures for handling specific incidents such as oil spills. Our well-structured management plan, which includes regular, comprehensive training for staff and the necessary oil spill fighting equipment, ensures we have the confidence that we can manage any potential oil spill. The effectiveness of these emergency management procedures is demonstrated by the fact that we have never had to put them into practice.

Oil, tourism and the environment can co-exist

Since 2009, we have invested more than US\$300 million in the Prinos oil field in the Gulf of Kavala. Our track record of zero environmental incidents during our operations in the Gulf demonstrates that heavy industry can be compatible with both the natural environment and the activities of local communities. Our ability to operate in environmentally sensitive areas is also reflected by the award of more than 10 blue flags by the Hellenic Society for the Protection of Nature (representing Greece in the International Foundation for Environmental Education) every year since 2008 to beaches and marinas in the areas surrounding the Prinos basin.

A socially conscious business

Energean seeks to promote and reinforce its relationships within the community. We are committed to supporting local causes that are close to the hearts of our employees and the communities in which we work, aspiring to make a real difference.

Community initiatives 2017

Education



Close collaboration with the Eastern Macedonia and Thrace Institute of Technology including providing industrial training, lectures, and internships for the MSc in Oil and Gas Technology and the MSc in Petroleum Engineering Technology.

Professors and students from the Polytechnic Institute of Thessaloniki's Aristotle University (School of Chemical Engineering) were hosted and given guided tours on our onshore installations (Sigma plant) in Kavala.

Lectures and seminars for University students and professionals in Athens and Thessaloniki, provided by Energean Oil & Gas.

Two scholarships for the two valedictorians of the graduating class of the academic year 2015–2016, Graduate Department (MSc in Oil and Gas Technology) of the Eastern Macedonia and Thrace Institute of Technology.

Professionals and executives from the Cyprus Hydrocarbons Company (CHC) were hosted and given guided tours at our Athens Headquarters and the Prinos Oil Field (our offshore installation in the Gulf of Kavala).

Society



During 2017, Energean's Athens Headquarters offered 1,445 meals for vulnerable people. We delivered these through our membership of the NGO 'BOROUME' ('We Can') with the motto 'Saving food – Saving lives'.

Donation of bulletproof vests as well as auxiliary logistical equipment to the Police Department of Kavala. Energean Oil & Gas supports the work of Kavala Police Directorate.

Donation of gift vouchers to 15 families in need, in order to have everything necessary to celebrate Easter in association with the Church of Saint Gregory the Theologian (Nea Karvali, Kavala).

Donation of heating oil to the Care Unit for the Elderly 'Agios Silas' ('Saint Silas'), a nursing home under the auspices of the Holy Metropolis Filippou, Neapoleos and Thassos.

Sports



Sponsorship of Kavala Basketball Team

Sponsorship of Kavala Football Club

Main Sponsor of the 3rd Olympia Marathon

Culture



Thassos Municipality Sponsorship of the 1st Christmas Village on Thassos island

Ioannina Prefecture, Kalpaki Sponsorship of 'Kalpakia', the Epirus Annual Memorial Day for World War II victims

Ioannina Prefecture, Support of the 1st Dodoni Festival

Risk management framework

Effective risk management is fundamental to achieving our strategic objectives and protecting shareholder value. The Directors have carried out a robust assessment of the Group's principal risks and a description of these risks, together with details of how they impact our strategy and how they are managed is provided on pages 49-52.

Overview

The Board has overall responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, and for ensuring that risks are managed effectively. A key aspect of this is designing and monitoring an internal control system in order to manage these risks.

In preparation for Admission, the Board established a risk management framework for the Group in order to identify, assess, control and monitor the risks to the business and allow it to achieve its strategic objectives.

The risk management framework sets out the inputs into the internal controls and risk management process and includes detail around the following matters:

- ▶ Risk reporting structure
- ▶ Identification
- ▶ Methodology and classification
- ▶ Risk appetite
- ▶ Group Risk Register
- ▶ Reporting and monitoring framework.

The Board has approved a Group Risk Register identifying significant risks of the following kinds:

- ▶ Strategic risk
- ▶ Health, safety and environmental risk
- ▶ Human resource risk
- ▶ Technology risk
- ▶ Regulation & compliance risk
- ▶ Operational and execution risk
- ▶ Financial and reporting risk.

The Board has put in place a monitoring system to ensure that risk management and all aspects of internal control are considered on a regular basis, and fully reviewed at least annually. The monitoring system assists in determining the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives.

Risk management processes

The Board and the senior management team use a combination of different and complementary skills to assess the risks facing the business. In determining its risk appetite, the Board considers a variety of information when reviewing the Group's operations and in approving key matters reserved for its decision. This information includes:

- ▶ Updates provided by senior management on key strategic and operational matters
- ▶ Discussion and approval by the Board of the Group budget (including its working capital)
- ▶ Information provided for the purposes of deciding whether to approve those significant matters which have been reserved for the Board;
- ▶ Group risk assessments facilitated by the Group's management and monitored by the Internal Audit function
- ▶ The reports of the external auditors.

Risk reporting

The Board has delegated to the Audit and Risk Committee the responsibility for reviewing the effectiveness of the Group's systems of internal control and risk management methodology.

As part of this review, the Audit and Risk Committee considers the principal risks facing the Group and the nature and extent of these risks, based on assessments by management and the Group's Internal Auditors. The Group outsources its Internal Audit function, which also provides independent assurance over the effectiveness of the systems of risk management and internal control. The detailed assessments are then consolidated to provide input into the overall Group risk assessment.



Principal risks

Principal risks and uncertainties

Strategy:

- 1 Maximising output and cash flow from our producing assets
- 2 Developing Karish and Tanin
- 3 Capitalising on growth opportunities in the Eastern Mediterranean
- 4 Maintaining a disciplined financial framework

Principal risks and uncertainties

This section describes the material existing and emerging risks which the Board believes could significantly impact the ability of the Group to meet its strategic objectives.

The Directors of the Company confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

Principal Risk	Potential Impact	Mitigation
Strategic Risks		
Reserve replacement The Group's long term future success depends on its ability to find, develop and acquire additional oil and gas reserves that are economically recoverable. Link to strategy: 1	Generally, while the Group's current reserves are being depleted by production, unsuccessful exploration activities, such as dry wells, would mean that the Group would not be able to replace such reserves and the Group's revenue would decline. The Group may not be able to find or acquire additional reserves at acceptable costs which could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects. The Group's current reserves are being depleted at a low rate. Once production from Karish and Epsilon commences, depletion is expected to be significantly increased and hence the Group may have to increase the number of exploration wells drilled or discovered reserves acquired through M&A activity to maintain the same reserves position.	<ul style="list-style-type: none"> ▶ Drilling of low risk, material exploration prospects in the Group's portfolio. ▶ Seeking new venture opportunities and other projects, including additions to the Group's exploration portfolio and the acquisition of additional stranded oil/gas Resources and conversion to Reserves via maturation of development projects. ▶ Continuing to manage exploration at an acceptable cost level. ▶ De-risking of the Group's existing exploration portfolio by acquisition of additional seismic data. ▶ Continuing to maintain a strong technical and commercial team with successful track record in exploration and marginal field development.
Geopolitical The geopolitical situation in Israel may adversely affect the Group's business. Link to strategy: 2	As the Group has assets located in and offshore Israel, political, economic and military conditions in Israel may directly affect the Group's business. The Group's development and/or future production operations with respect to the Karish-Tanin Development, although subject to security measures required by law and under the Lease requirements, could be specifically targeted.	<ul style="list-style-type: none"> ▶ Active monitoring of the political, economic and social situation in Israel. ▶ Ensuring that the offshore facilities are appropriately equipped and protected. ▶ Monitoring and adhering to local laws and regulations.
Health, Safety and Environmental Risks		
Health, Safety and the Environment The Group is obliged to comply with health and safety and environmental regulations and cannot guarantee that it will be able to comply with these regulations. Link to strategy: 1 2	The Group operates in an industry that is inherently hazardous and consequently subject to comprehensive regulation. Although the Group considers that it has adequate procedures in place to mitigate operational risks and keeps these under review, there can be no assurances that these will be adequate and failure to adequately mitigate risks may result in loss of life, injury, or adverse impacts on the health of employees, contractors or third parties or the environment. Failure, whether inadvertent or otherwise, by the Group to comply with applicable legal or regulatory requirements may give rise to significant liabilities and may result in loss of life, injury, or adverse impacts on the health of employees, contractors and third parties or the environment.	<ul style="list-style-type: none"> ▶ Compliance with the Group's Health, Safety and Environment ('HSE') policy which observes local and national, legal and regulatory requirements and generally applies best practices where local legislation does not exist or where environmental regulation does not presently occur. ▶ Ongoing monitoring of the changes in relevant legislation and regulation. ▶ Implementation, maintenance and continual improvement of the applied HSE Management System. ▶ Accreditation for Environmental International Standard ISO 14001 for all existing installations. ▶ Continuous monitoring of air quality in existing plants' locations. ▶ Improvement of oil spill fighting equipment and services. ▶ Implementation of an ongoing competence assurance and assessment scheme. ▶ Implementation of an internal annual safety training for all onsite personnel and contractors. ▶ Incidents' investigation and communication of lessons learned. ▶ KPIs monitoring and management review of HSE performance. ▶ Implementation of a health monitoring programme and personnel fitness for workers onsite.

Principal Risk	Potential Impact	Mitigation
Project Execution & Production Operations Risks		
Project Execution The Group's success will be partly dependent upon completing the Karish-Tanin Development on budget and on schedule. <i>Link to strategy:</i> 1 2	The Karish-Tanin Development is in its early stages. Whilst the design and execution strategy have been developed so as to mitigate risk, in particular in a country with a strong environmental lobby, by carrying out processing offshore, there remain risks in ensuring that project delivery is on budget and on schedule. Any delay in project delivery could have an impact under the Group's Gas Sales and Purchase Contracts.	<ul style="list-style-type: none"> ▶ Strong compliance with local law requirements, regular interface meetings with the authorities and pro-active engagement with local stakeholders, to ensure environmental approvals are obtained in a timely manner. ▶ Disciplined lump sum, turnkey engineering, procurement, construction, installation and commissioning 'EPCIC' Contract with TechnipFMC for the construction of the FPSO and subsurface facilities (which Contract includes liquidated damages, including for the event of delay). ▶ Monthly reporting on the status, risks, opportunities and budget of the Karish-Tanin development. ▶ Effective contract management, with a focus on minimising variations and close management of contingencies and variable items. ▶ Focus on the critical path and regular progress meetings.
Production The Group's success will be partly dependent upon continuing production from Prinos. <i>Link to strategy:</i> 1	The Group's current oil and gas production and related revenue are obtained entirely from the Prinos basin, located offshore in northeast Greece. The Group is therefore exposed to the effect of disruption, delays or interruptions of production from wells in this area.	<ul style="list-style-type: none"> ▶ Continuous focus on and investment in HSE. ▶ Committed in house reservoir engineers and production technologists working on Prinos reservoir management, supplemented with outsourced consultants/experts. ▶ Continuous review of well design and performance, in particular with a view to minimise unexpected or additional well maintenance. ▶ Monthly reporting on the status, risks, opportunities and budget of the Prinos development. ▶ Management and maintenance of facilities, with a focus on ensuring that unplanned work-overs, shutdowns and expenditure are minimised. ▶ Compliance with asset licence and applicable laws and regulations. ▶ Continuous and rigorous focus on cost control.
Major cyber or information security incident <i>Link to strategy:</i> 1 2	A cyber-attack could compromise the Group's network and have a disruptive or destructive impact resulting in stopped production, explosion or loss of life. Any loss or theft of confidential information could lead to loss of competitive advantage and intellectual property and reputational damage.	<ul style="list-style-type: none"> ▶ Continuous implementation and monitoring of the Company's IT Security Policy, which includes measures to protect against cyber-attacks. ▶ Vulnerability Assessment and Penetration Testing. ▶ Employee awareness of confidentiality through internal policies (including the Group's Corporate Culture and Business Ethics policy) and awareness training. ▶ Control of disclosures and protection of any disclosed confidential information in third party contracts.

Principal Risk	Potential Impact	Mitigation
Financial Risks		
Compliance with Financial Covenants The Group has secured loan agreements and is subject to restrictive debt covenants and security arrangements that may limit its ability to finance its future operations and capital needs and to pursue business opportunities and activities. Breach of financial covenants may lead to default and/or liquidity risk. <i>Link to strategy:</i> 4	Under the terms of the Reserve Based Lending ('RBL') Senior Facility Agreement and the Subordinated Facility Agreement and the Karish-Tanin Project Financing, the Group must comply with a number of covenants including financial maintenance covenants and restrictions on, among other matters, dividends and other distributions, cash movements, capital expenditure, additional future borrowings and indebtedness, and disposals and acquisitions. The breach of any of these covenants could result in part of the loan amounts becoming unavailable or to an event of default, in which case all amounts owed to the lenders would be due and payable immediately.	<ul style="list-style-type: none"> ▶ All loans are project based, not corporate loans, that have been sized and structured on conservative price, cost and production assumptions. ▶ Regular monitoring of financial covenants on an actual and forecast basis as part of the monthly reporting to management and the Board. ▶ Adhering to the Facility Compliance Calendar, which outlines covenant requirements, due dates and the frequency of reporting.
Treasury and trading The Group is exposed to treasury and trading risks, including foreign exchange and commodity price risk. <i>Link to strategy:</i> 4	The Group is exposed to changes in currency values as a result of its international operations in various foreign currencies. The key sources of the risk include loan agreements denominated in the U.S. dollar, sales of crude oil remunerated in U.S. dollar, ongoing operating costs and capital expenditures incurred in EUR, USD and to a lesser extent GBP and NOK. The Group is exposed to commodity prices in relation to its sales and revenues under the crude and gas sales, which are subject to variable market factors. A decrease in these commodity prices could significantly impact the Group's cash flows and results.	The Group has a centralised Treasury function which manages currency exchange, interest rate and commodity risks, with mitigations including: <ul style="list-style-type: none"> ▶ Currency risk <ul style="list-style-type: none"> - Regular updates and revisions of short and long term expenditure budgets and cash flow projections, applying 15% sensitivity on EUR: USD movements - Short term EUR: USD hedging for fixed inelastic EUR denominated expenditures. - Negotiation of large capital expenditure, commitments and contractual obligations in USD denominations. The Group plans to exercise the option under the Technip EPCIC contract and fix the non USD component of the payment plan in USD. - All Group loans are USD denominated. ▶ Commodity price risk <ul style="list-style-type: none"> - The Group has hedged 450 thousand bbls of production for 2018 at a price of approximately USD69.4/bbl. - The Group actively monitors oil price movements and will proceed in hedging part of its proved and producing barrel sales profile for a tenor of no more than 12 months. - All Karish-Tanin gas contracts are based on pricing formulas which include floor prices; that ensures a minimum price for gas sales whatever the market conditions or pricing formulas outcome. - Group's debt facilities have been sized and structured on conservative oil and gas price assumptions versus the prevailing market prices.

Principal Risk	Potential Impact	Mitigation
Financial Risks		
Liquidity risk and restricted funding The Group not having adequate liquidity and/or access to the necessary funding sources in order to meet its minimum opex, capex and financing commitments as well as its growth and expansion plans. Link to strategy: 4	Lack of necessary liquidity and access to funding may materially impact the Group's plans to develop its existing assets, meet production targets and execute its strategic growth plan.	<ul style="list-style-type: none"> ▶ At least monthly monitoring of 6-18 month cash flow projections under a number of reasonable worst case assumptions, which include downside sensitivities on oil price, cost and production levels. ▶ Optimisation of debt capital structure. ▶ Strong long term relationship with major international and local financial institutions. ▶ The Karish-Tanin development has secured funding to First Gas by a combination of committed equity funding and the Karish-Tanin project finance. ▶ Epsilon development has secured funding to First Oil by a combination of ongoing operating cash flow from Prinos field and the RBL Facility. ▶ Major turnkey EPCIC contracts for both Karish-Tanin and Epsilon development to minimise the risk of cost overruns and ensure adequate liquidated damages are payable in case of project execution delays.
Counterparty Risk The Group being exposed to delayed payment, counterparty default or suspension or termination of sales. Link to strategy: 4	All of the Group's production of crude oil from the Prinos basin is currently sold to a single Buyer, BP, under a long-term offtake agreement. The Group is consequently reliant on BP for substantially all of its revenue. If the offtake agreement with BP was terminated, the Group would need to negotiate and enter into a new offtake contract. During any such negotiations, the Group may not be able to sell any of its oil from the Prinos basin, which would have an adverse effect on the Group's business, results of operations, financial condition and/or prospects.	<ul style="list-style-type: none"> ▶ In Q1 2018, the offtake agreement was extended to 2025 on same terms. ▶ The Group has built a strong relationship with BP and the contractual terms have been applied since 2013 without disputes and/or payment defaults and/or lifting delays. ▶ Focus on maintaining delivery of production. ▶ BP is an investment grade A- credit rated company with minimal risk of being unable to meet its lifting and payment obligations under the Prinos offtake agreement.
Governance and Compliance Risks		
Fraud, bribery and corruption The Group has an obligation to comply with fraud, anti-bribery, anti-corruption and anti-money laundering laws and violations of these laws expose the Group and / or its employees to criminal ramifications. Link to strategy: 1 2 3 4	The Group is exposed to bribery and corruption risk through its business operations. Any instances of non-compliance with applicable laws and regulations, including those laws around fraud, anti-bribery, anti-corruption and anti-money laundering, could damage the reputation of the Group. In addition, these could result in litigation, regulatory action and fines which may have a material adverse impact on our cash flows and the financial condition of the Group.	<ul style="list-style-type: none"> ▶ Strong oversight and leadership from the Executive Management and the Board. ▶ Robust framework of controls to monitor all payment approvals. ▶ Compliance with governance policies, including the Group's Anti-Corruption and Bribery Policy, which sets out the Group's responsibilities, as well as those of its employees, in observing and upholding its position on bribery. The policy also provides information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues. ▶ Anti-Bribery training of Group personnel. ▶ Compliance with the Group's Corporate Culture and Business Ethics Policy which includes the Group's policy of conducting all its business in an honest and ethical manner and in compliance with all applicable laws, including but not limited to all applicable local laws where the Group operates and the Bribery Act 2010.

Viability statement

The Directors have assessed the viability of the Group over a three-year period to December 2020, taking account of the Group's current position and the potential impact of the principal risks documented in this report. To support the Viability Statement the Directors have prepared monthly projected cash, profit, balance sheet and headroom under financing facilities available for 36 months ending 31 December 2020 supported by the basis of preparation, the underlying assumptions, the computation of financial covenants applicable during the period and sensitivity analysis.

The Directors have determined that the three-year period to December 2020 is an appropriate period to underpin their Viability Statement. In the first quarter of 2021 the Group's Karish asset is expected to be on-stream delivering a long-term source of funds.

For the purpose of our viability assessment a three-year financial model was used as a base-case scenario. Considering the shorter assessment period as compared to the impairment testing model, we assessed that the base-case scenario is most sensitive to the following assumptions:

- ▶ Implementation of the drilling programme in Prinos, which is based on the most recent NSAI reserve report. The drilling programme is based on the required programme to produce all 2P reserves and does not cover any of the contingent resource base;
- ▶ No commercial gas is assumed to be produced; and
- ▶ Having signed the US\$1.275bn Facility Agreement and raised the equity required to develop Karish through a premium listing on the London Stock Exchange, the Group has limited its balance sheet and capital expenditure exposure to the project over the period to first quarter of 2021 when the asset will be ready to come on-stream.

For the purpose of sensitivity testing, several principal risks and uncertainties were selected (from those described on pages 49–52), which were deemed to have the highest potential financial impact on the Group's future performance and liquidity, taking into account prior period assessments.

The effect of those principal risks and uncertainties or their combination on the base-case scenario were analysed within following scenarios:

- ▶ Deterioration in the business and market environment: taking into account that the oil price assumptions applied in the base case scenario were based on conservative projections by institutional analysts, this scenario was aimed at analysing the sensitivity to a further 15% reduction in the oil prices over the period of assessment;
- ▶ a 20% decrease in development of proved and probable reserves (2P); and analysing the sensitivity to a further 15% reduction in the production volumes over the period of assessment;
- ▶ a Reasonable Worst Case (RWC) scenario: a combination of 15% reduction in the base case price, 20% decrease in production volumes together with impact of a 2 month delay in production from new wells to come on stream during the forecast period;

The scenarios took into account the availability and likely effectiveness of any mitigating actions that are in place or could be implemented such as hedging, additional funding options and further rationalisation of our cost base including cuts to discretionary capital expenditure.

Based on the results of the analysis the Board of Directors has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of its assessment.

Corporate Governance

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Corporate governance

Chairman's letter



Dear Shareholders,

I am pleased to welcome you to our first Corporate Governance report on behalf of the Board. In this, we provide a description of our governance arrangements and explain how we will apply the main principles of the provisions set out in the UK Corporate Governance Code (the 'Governance Code') issued by the Financial Reporting Council (FRC). We believe it is important that the governance structure supports the success of the Company's strategy and ensures the creation and preservation of shareholder value, as well as benefiting other stakeholders.

I look forward to working with the Board, management and all of our stakeholders as we become a leading independent oil and gas exploration and production company in the Eastern Mediterranean.

The Board and governance

Our Board was formed in 2017, following incorporation of the Company and prior to the IPO in March 2018. In preparation for listing, the Board reviewed and expanded its policies, where necessary, with the aim of strengthening the Group's governance framework.

The Board plays a vital role in developing and maintaining the Group's culture and values by setting the 'tone from the top', determining the behaviours expected by the Board and ensuring that ethical standards are maintained. In doing so, the Board aims to strike the right balance between entrepreneurial leadership and the prudent and effective management of risk, both of which are essential to maintaining a sustainable business and creating value for shareholders.

Diversity

The Board understands the benefits of diversity in maintaining and improving the quality of performance and all Board appointments are made against objective criteria and with due regard to the benefits of diversity, in all senses.

The Board will be establishing a Board diversity policy in 2018 and we look forward to presenting the key principles of the new policy and how it has been implemented in the 2018 Annual Report.

Board evaluation

As the IPO took place in March 2018, the Board did not undertake an evaluation during 2017. However, the Board has discussed the benefits of undertaking a review and an internal review of Board effectiveness will be undertaken in 2018. The internal review will focus on the governance policies and procedures which we have introduced and will play a key role in identifying any areas for further improvement in our corporate governance framework.

Engagement with shareholders

We place emphasis on active engagement with our shareholders and aim to maintain open and transparent communication. We laid the foundations for this ongoing shareholder dialogue as we progressed through the listing process, and look to continue this through 2018 and beyond.

Looking ahead, I expect 2018 to be an important year for Energean as the Group continues to grow and focus on the development of Karish and Tanin. In this context, developing and maintaining the high standards of governance established to date will be of critical importance.

I look forward to engaging with many shareholders throughout the year and welcoming all shareholders to our first Annual General Meeting on 28 June 2018.

Simon Heale

Chairman
30 April 2018

Board of Directors

An experienced Board with extensive expertise in sector, financial, HSE and capital markets.



Simon Heale
Non-Executive Chairman

Independent
On Appointment

Commencement of Appointment
July 2017

Committee Membership
▶ Nomination and Governance (Chair)

Key Skills & Experience

Simon Heale is a Chartered Accountant with a degree in Philosophy, Politics and Economics from Oriel College, Oxford.

Simon has significant business operations and management experience gained through a diverse range of industries, previously serving as chairman of Kaz Minerals (previously known as Kazakhmys plc) until December 2017.

He has also served on the boards of Carlton Commodities Capital Corporate Member Limited from 2011 to 2016, Coats plc from 2011 to 2014, Morgan Advanced Materials from 2005 to 2014, PZ Cussons from 2008 to 2013 and Panmure Gordon & Co from 2010 to 2011.

Simon has extensive experience in senior executive roles, including as chief executive of the London Metal Exchange from 2001 to 2006, as chief operating officer of Jardine Fleming Ltd from 1999 to 2001, and as deputy managing director at Cathay Pacific Airways from 1994 to 1997.

Current External Appointments
▶ Chairman of GMS.
▶ Chairman of Marex Spectron.



Matthaios (Mathios) Rigas
Chief Executive Officer

Independent
Not Applicable

Commencement of Appointment
May 2017, previously the CEO of the Group since 2007

Committee Membership
Not Applicable

Key Skills & Experience

Mathios Rigas holds a degree in Mining and Metallurgical Engineering from the National Technical University of Athens and an MSc / DIC degree in Petroleum Engineering from Imperial College London.

Mathios has 20 years of investment banking and private equity experience and is a founding shareholder of the Group.

During the years 2001 to 2007 he set up, and was managing partner of, Capital Connect Venture Partners, a private equity fund in Greece with investments in innovative enterprises in IT, healthcare, waste management and food industries.

From 1999 to 2001 Mathios was in charge of Piraeus Bank's shipping division, and from 1993 to 1999, he was vice president of shipping, energy & project finance at Chase Manhattan Bank. He was formerly the chairman of the board of Tyres Herco S.A. and MAVIN S.A. in Greece.

Current External Appointments
Not applicable



Panagiotis (Panos) Benos
Chief Financial Officer

Independent
Not Applicable

Commencement of Appointment
May 2017, previously the CFO of the Group since 2011

Committee Membership
Not Applicable

Key Skills & Experience

Panos Benos is a Chartered Accountant and holds an MSc in Shipping, Trade and Finance from Cass Business School.

Panos has 15 years of international experience in the oil and gas sector, both in banking and industry, with a long track record of upstream financing in emerging markets.

He was previously a director in the oil and gas team in London with Standard Chartered Bank, delivering a number of award winning projects and acquisition finance deals in Africa, Asia and the Middle East.

Prior to that Panos worked for ConocoPhillips from 2002 to 2006, where he held positions in European treasury, North Sea economics and international downstream with a focus on the North Sea, Central Europe and the Middle East. He commenced his career at Royal Bank of Scotland in shipping finance.

Current External Appointments
Not applicable



Andrew Bartlett
Senior Independent Director

Independent
Yes

Commencement of Appointment
August 2017

Committee Membership
▶ Audit and Risk (Chair)
▶ Nomination and Governance
▶ Remuneration

Key Skills & Experience

Andrew Bartlett holds an MSc in Petroleum Engineering from Imperial College London.

Andrew has over 30 years' experience in the upstream oil and gas industry.

Andrew served as the chairman and non-executive director of Azonto Energy from 2013 to 2015.

He was also previously the global head of Oil & Gas M&A and Project Finance for Standard Chartered Bank between 2004 and 2011. Prior to this, Andrew worked on the trading and derivatives desk of Standard Bank in South Africa.

Before joining the investment banking industry, Andrew worked for Royal Dutch Shell between 1981 and 2001, as a petroleum engineer and development manager, where he gained extensive experience in the operation of oil and gas fields.

Current External Appointments
▶ Non-Executive Director for Africa Oil Corporation
▶ Non-Executive Director for Impact Oil & Gas
▶ Adviser to Helios Investment Partners LLP



Karen Simon
Independent Non-Executive Director

Independent
Yes

Commencement of Appointment
September 2017

Committee Membership
▶ Health, Safety and Environment

Key Skills & Experience

Karen Simon holds a Masters in International Management, an MBA and BA in Economics & International Studies.

Karen has been with J.P. Morgan for over 34 years.

Her career includes senior roles in Oil & Gas, Debt Capital Markets and Private Equity coverage.

Karen was the Head of Financial Sponsor Coverage for J.P. Morgan in both New York and in London from 2007 to 2016, serving further as Global co-head including Asia.

Prior to this, she was co-head of Debt Capital Markets for EMEA and spent the first 15 years of her career in various positions in the Oil & Gas division in Houston and London.

Current External Appointments
▶ A Vice Chairman of Investment Banking, J.P. Morgan
▶ Non-Executive Director for Aker ASA
▶ Board Member of the non-profit Dallas Women's Foundation

Board of Directors



Efstathios (Stathis) Topouzoglou
Non-Executive Director

Independent
No

Commencement of Appointment
May 2017

Committee Membership
▶ Nomination and Governance

Key Skills & Experience
Stathis Topouzoglou holds a B.A. in Business Administration and Economics from the University of Athens, Greece.

He is a founding shareholder of the Group. Stathis is also co-founder of Prime Marine Corporation, a leading worldwide product tanker company and major global provider of seaborne transportation for refined petroleum products, LPG and ammonia.

Stathis has more than 35 years of experience in founding and growing companies in the energy transportation sector.

Current External Appointments

- ▶ Chief Executive Officer and Managing Director of PRIME
- ▶ Chairman of FSL Trust



Ohad Marani
Independent Non-Executive Director

Independent
Yes

Commencement of Appointment
July 2017

Committee Membership
▶ Audit and Risk
▶ Remuneration (Chair)
▶ Health, Safety and Environment

Key Skills & Experience
Ohad Marani holds an MA in Public Administration from Harvard University. He also holds an MBA (major in Finance) and a BA in Economics, both from the Hebrew University of Jerusalem.

Ohad was Chief Executive Officer of the Israel Land Development Company Energy Ltd from April 2010 to September 2015, Chairman of the board of Emmanuelle Energy from 2010 to 2015, and Chairman of the board of Israel Natural Gas Lines Ltd from 2008 to 2010.

He was the Executive Chairman of the board of ORL Ltd from 2004 to 2007.

Ohad has also served in the Israeli government, including as Director General of the Israeli Finance Ministry from 2001 to 2003, Director General of the Budget Department of the State of Israel from 2000 to 2001, and Minister of Economic Affairs at the Israeli Embassy in Washington from 1995 to 2000.

Current External Appointments

- ▶ Board member of Bank Leumi of Israel Ltd.
- ▶ Member of the Investment Committee of Israel's Infrastructure Fund



Robert Peck
Independent Non-Executive Director

Independent
Yes

Commencement of Appointment
July 2017

Committee Membership
▶ Audit and Risk
▶ Remuneration
▶ Health, Safety and Environment (Chair)

Key Skills & Experience
Former Ambassador Robert Peck holds a B.A. in History and Journalism from Concordia University in Montréal.

Robert was Canada's Ambassador to Greece and High Commissioner to the Republic of Cyprus from 2011 to 2015, Chief of Protocol of Canada from 2007 to 2010, and Canada's Ambassador to the People's Democratic Republic of Algeria from 2004 to 2007.

He was Senior Advisor in the Human Resources Bureau at Global Affairs Canada, a department of the Government of Canada, from 2015 to 2017.

During a two-year leave of absence from the Government of Canada, Robert was Director of Corporate Communications and Investor Relations at CAE Inc., from 2000 to 2002.

He was also Counsellor to the Canadian Embassy in Greece from 1995 to 1998.



David Bonanno
Non-Executive Director

Independent
No

Commencement of Appointment
May 2017

Committee Membership
▶ Remuneration

Key Skills & Experience
David Bonanno graduated cum laude from Harvard University with a B.A. in Psychology.

In 2008, David joined Third Point, where he is managing director, focusing on special situation opportunities in the US and Europe and where he acts as the primary investment professional responsible for all Third Point's Hellenic Recovery Fund L.P. activities in Greece.

Prior to joining Third Point, David was an associate in the private equity and distressed investments group at Cerberus Capital Management, L.P. from 2006 to 2008.

Prior to this, he was an analyst in the restructuring and reorganisation advisory group at Rothschild Inc. from 2004 to 2006.

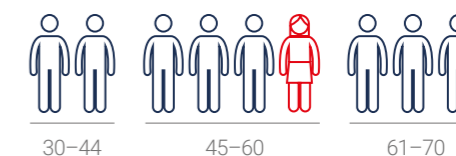
Current External Appointments

- ▶ Managing Director, Third Point

Board diversity

The mix in our membership

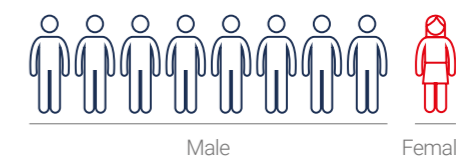
Board diversity by age (years)



Board diversity by nationality



Board diversity by gender



Corporate governance report

Statement of compliance

The Board is committed to the highest standards of corporate governance. Since Admission on 21 March 2018, the Board has and will continue to comply with the provisions of the UK Corporate Governance Code ('the Code'). In this report, we describe our corporate governance arrangements and explain how the Group applies the principles of the Code. The Code is available from www.frc.org.uk.

Directors

New Directors were appointed to the Board in 2017 in anticipation of the admission of the Company's ordinary shares to the premium listing segment of the FCA and to trading on the London Stock Exchange's main market of listed securities. Following the appointment of the Independent Non-Executive Directors in 2017, the Board believes it has an appropriate balance of skills and experience and meets Code provision B.1.2 for at least half the board, excluding the Chairman, to comprise Independent Non-Executive Directors.

The roles of Chairman and Chief Executive Officer are separate and the responsibilities of the Chairman and Chief Executive Officer are independently defined. It is the Chairman's responsibility to provide leadership of the Board and set the board agenda as well as to ensure that the Board is provided with accurate, timely and clear information in relation to the Group and its business. The Chief Executive Officer is responsible for setting the overall objectives and strategic direction of the Group as well as having day-to-day executive responsibility for the running of the Company's businesses. The Chairman and Chief Executive Officer will share responsibility for the representation of the Company to third parties.

Non-Executive Directors

The Non-Executive Directors have a broad range of business and commercial experience. They provide independent and constructive challenge to the Group and monitor the performance of the Chief Executive Officer and the Chief Financial Officer against the Group's strategy and key objectives.

Each appointment is for an unlimited term, subject to being re-elected as a director at each annual general meeting. A Non-Executive Director or the Company may terminate the appointment at any time upon three months' written notice. These appointments are subject to the provisions of the Articles, the UK Corporate Governance Code, the Companies Act and related legislation.

The role of the Senior Independent Director, Andrew Bartlett, is to provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary. The Senior Independent Director is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve or for which such contact is inappropriate.

Independence of Directors

The Board comprises a Non-Executive Chairman, who was independent on appointment, two Executive Directors and six Non-Executive Directors. The Company considers all of the Non-Executive Directors to be independent within the meaning of 'independent' as defined in the Code, other than David Bonanno and Efstathios Topouzoglou.

While each of Mr Bonanno and Mr Topouzoglou are considered to be independent in character and judgement, David Bonanno is not deemed to be independent by reference to the criteria set out in the Code as a result of representing Third Point Hellenic Recovery (Lux) S.Á. R.L., which holds approximately 26.7% of the shares of the Company, while Efstathiou Topouzoglou is not deemed to be independent by reference to the criteria set out in the Code as a result of owning in aggregate (as an individual and by his indirect holdings in both Oilco Investments Limited and HIL Hydrocarbon Investments Limited) approximately 11.7% of the shares of the Company.

The Board

The Board plans to meet on at least five occasions during the course of 2018 to review trading performance and budgets, funding, to set and monitor strategy, examine acquisition opportunities and report to shareholders. The Board may also meet at other times at the request of one or more of the Directors. The Board has a formal schedule of matters that can only be decided by the Board, and this schedule is reviewed by the Board each year. The key matters reserved are the consideration and approval of:

- ▶ Business plan and budgets
- ▶ Group strategy
- ▶ Performance review
- ▶ Operation as a listed company
- ▶ Financial reporting and controls
- ▶ Distributions and dividends
- ▶ Changes in capital structure
- ▶ Capital expenditure
- ▶ Board membership
- ▶ Acquisitions and disposals
- ▶ Material contracts
- ▶ Material tenders
- ▶ The appointment and removal of internal and external auditors
- ▶ Material litigation
- ▶ Compliance with statutory and regulatory obligations
- ▶ Approval of press releases
- ▶ Internal controls and risk management
- ▶ Significant transactions
- ▶ Executive remuneration
- ▶ Delegations of authority

Leadership structure

Audit and Risk Committee	Nomination and Governance Committee	Remuneration Committee	Health, Safety and Environment Committee
Chair Andrew Bartlett	Chair Simon Heale	Chair Ohad Marani	Chair Robert Peck
Members Ohad Marani Robert Peck	Members Andrew Bartlett Efstathios Topouzoglou	Members Andrew Bartlett David Bonanno Robert Peck	Members Ohad Marani Karen Simon

Appointments to the Board

The Nomination and Governance Committee reviews the structure, size and composition of the Board and makes recommendations to the Board about any changes required. The Executive Directors, Mathios Rigas and Panos Benos, were appointed as directors on incorporation of the Company.

Development needs are discussed during annual performance reviews with the Chairman. In 2017, Board members were provided with training on a number of topics including their obligations under the Listing Rules, Prospectus Rules, The Disclosure Guidance & Transparency Rules and the Market Abuse Regulation.

Board committees

The Board has established four committees made up principally of Independent Non-Executive Directors and all appointments to these committees shall be for an initial period of up to three years and may be extended by no more than two additional three year periods. These committees are:

- ▶ Audit and risk committee (pages 62–63)
- ▶ Nomination and governance committee (page 64)
- ▶ Health, safety and environment committee (page 65)
- ▶ Remuneration committee (pages 66–67)

The page numbers above denote the location of each committee report which describes the composition and focus for each of the committees. The terms of reference of the committees have been drawn up in accordance with the provisions of the Code. A copy of each committee's terms of reference is available from the Company Secretary and can be found at www.energean.com.

Board effectiveness

Evaluations

The Board is committed to undertaking regular reviews of its effectiveness and believes such a process can add value to the way the Board, committees and individual directors operate.

The Board plans for a formal, internal evaluation of its own performance, that of its committees and the individual directors to take place for the year 2018. More generally, it will also review the Group's overall corporate governance arrangements, and the Group will report on these matters in the 2018 Annual Report.

Training and development

Board members are provided with ongoing training and development opportunities.

Induction

On joining the Board all new Directors will receive an induction programme that is tailored to their individual requirements. The induction schedule is facilitated by the Company Secretary in consultation with the Chairman and the new Director.

The objective of each induction programme is to provide an overview of the business, strategy, finances, the Group's history and culture and values and to ensure that the new Director gains sufficient knowledge of the business to allow them to carry out their role effectively.

Relationship with shareholders

Engagement with shareholders

We are committed to regular dialogue with our shareholders and the wider investment community and this process commenced with the IPO preparations. Ongoing communications will be through regulatory announcements, regular meetings, presentations, investor conferences and ad hoc events.

Shareholders can access details of the Group's results and other new releases through the London Stock Exchange's Regulatory News Service, and all news releases are published on the Investors and Media sections of the Group's website: www.energean.com.

Annual General Meeting

The 2018 AGM will be held on 28 June 2018 and shareholders will receive presentations setting out the key developments in the Group and have an opportunity to ask questions of the Board.

A poll will be used to for all resolutions and the final results will be announced via the London Stock Exchange Regulatory News Service and on the Group's website.

Audit and risk committee report



I am pleased to present this Audit and Risk Committee Report for the year ended 31 December 2017, which sets out the role of the committee and key areas of focus for 2018 since the committee recently became effective in March 2018.

Membership of the committee

The other members of the Audit and Risk Committee are Ohad Marani and Robert Peck.

The committee's members are all Independent Non-Executive Directors, and therefore the composition of the committee complies with the Code. Members' skills and experience are documented on pages 56–59. The Board is satisfied that the committee meets the requirement to have recent and relevant financial experience and that as a whole we have sufficient experience of the oil and gas sector.

Role of the committee

The Audit and Risk Committee's role is to assist the Board with discharging its responsibilities in relation to financial reporting, including monitoring the integrity of the Group's annual and half year financial statements, reviewing the Group's accounting policies, reviewing the Group's internal financial controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit, whistleblowing and fraud systems in place within the Group.

The Audit and Risk Committee shall additionally review the Group's capability to identify and manage new types of risk, and keep under review the Group's overall risk assessment processes that inform the Board's decision making.

The Audit and Risk Committee will consider annually how the Group's internal audit requirements shall be satisfied and make recommendations to the Board accordingly as well as on any area it deems needs improvement or action.

Meetings

The Audit and Risk Committee became effective upon Admission in March 2018, therefore no meetings were held in 2017. The committee plans to meet three times in 2018. Any member of the committee, the Company's external auditors or its internal auditors may however request a meeting if he/she considers that one is necessary or expedient.

Key matters considered in relation to the consolidated financial statements

The Audit and Risk Committee focused on a number of key judgements and reporting issues in the preparation of the full year results and the annual report. In particular, the committee considered, discussed and where appropriate challenged:

- ▶ As at 31 December 2017, the Group held a commitment to acquire 70% of preference shares in Energean Israel Limited from the Founders¹ (50%) and Kerogen Investments No. 38 Limited (20%). A derivative asset of USD 93.4 million was recognised in the accounts, using an estimate as at 31 December 2017 of the likelihood of the IPO being successful and the exercise price. The committee challenged and supported this valuation. The IPO and consequently this transaction were successfully executed after the end of the accounting period.
- ▶ The viability statement in the 2017 annual report and the going concern basis of accounting including consideration of evidence of the Group's capital, liquidity and funding position. The committee considered the assessment of principal risks, assessed the Group's prospects in light of its current position and reviewed the disclosures on behalf of the Board. The committee supported the viability statement and the Directors' going concern conclusion.

Assessment of annual report

A requirement of the Code is that the annual report is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy. This is the Group's first annual report and, in order to support the assessment, the Committee reviewed the principal risks, business model, financial review and KPIs to ensure these were representative of the business and consistent throughout the report and that areas requiring significant judgement and explanation have due prominence.

The Committee believes that the disclosures set out in the annual report provide the information necessary for shareholders to assess the Group's position, performance, business model and strategic outlook.

Internal controls and risk management

The Audit and Risk Committee is responsible for the oversight of the Group's system of internal controls, including the risk management framework and the work of the internal audit function. Details of the risk management framework are discussed within the risk management section on pages 47–48. The Group's principal risks and uncertainties, which provide a framework for the committee's focus, are discussed on pages 49–52. Management has identified the key operational and financial processes which exist within the business and has developed an internal control framework. This is structured around a number of Group policies and procedures and includes a delegated authority framework.

Internal auditors

The Audit and Risk Committee is responsible for the review and approval of the role and mandate of Internal Audit, including the approval of the annual internal audit plan and monitoring the effectiveness of Internal Audit.

PwC LLP was appointed in January 2018 for a term of three years as the Group's outsourced internal audit function ('Internal Audit') following a tender process. Its key objectives are to provide independent and objective assurance on risks and controls, to the Board, the Audit and Risk Committee and senior management, and to assist the Board in meeting its corporate governance responsibilities. The long term Internal Audit plan for 2018, 2019 and 2020 was approved by the Audit and Risk Committee in April 2018, as well as a short term Internal Audit plan for 2018. Going forward, the plans will be reviewed annually. The committee's chair has established a positive and effective working relationship with Internal Audit.

In its annual assessment of the effectiveness of Internal Audit, the Audit and Risk Committee will:

- ▶ Meet with Internal Audit without the presence of management to discuss the effectiveness of the function
- ▶ Review and re-assess the internal audit work plan; and
- ▶ Monitor and assess the role and effectiveness of Internal Audit in the overall context of the Group's risk management.

External auditors

Ernst and Young LLP ('EY' and the 'External Auditor') were appointed as auditors in 2018 and undertook their first audit for the year ended 31 December 2017. Energean Oil and Gas plc became a Public Interest Entity in 2018 on admission to trading on the London Stock Exchange. The Company has to comply with the EU Audit Directive (2014/56/EU) and Audit Regulation (537/2014) and will be required to put the external audit contract out to tender by 2028. The current lead audit partner is Andrew Smyth.

The External Auditor will attend each meeting of the Audit and Risk Committee and will report on their audit work and conclusions including the appropriateness of the judgements made by management and their compliance with International Financial Reporting Standards.

The Audit and Risk Committee has responsibility for the oversight of the external audit plan. This includes monitoring the independence and objectivity of EY, the quality of the audit services and their effectiveness, the level of fees paid, approval of non-audit services provided by EY and re-appointment.

The committee concluded that EY are objective, and operate at a high standard and will be recommending to the Board that the External Auditor be re-appointed at this year's AGM for the financial year ending 31 December 2018.

Non-audit services

In order to safeguard the auditor's independence and objectivity, the Group has in place a policy setting out the circumstances in which the auditor may be engaged to provide services other than those covered by the Group audit. The policy complies with the FRC's Ethical Standard for Auditors, published in September 2015, which implemented the EU's revised Statutory Audit Directive.

The Policy sets out those types of services that are strictly prohibited and those that are allowable in principle (permissible services). Any service types that do not fall within either list are considered by the Audit and Risk Committee Chairman on a case by case basis, supported by a risk assessment prepared by management.

No fees were paid during 2017 to EY, for audit or non-audit services.

Whistleblowing policy

The Group has a Whistleblowing policy in place and the committee is responsible for overseeing the arrangements and the effectiveness of the processes. The policy exists to enable employees to raise concerns in confidence about wrongdoing or impropriety within the Group.

Performance of the committee

The performance of the Audit and Risk Committee will be assessed by way of an internal process in 2018.

Our priorities for 2018

Looking forward to 2018, the committee will focus on monitoring the implementation of the short term Internal Audit plan for 2018 and it will review this towards the end of 2018.

Andrew Bartlett

Audit and Risk Committee Chairman
30 April 2018

¹ Founders means Oilco Investments Limited, Growthy Holdings Co. Limited and Adobelero Holdings Co. Limited

Nomination and governance committee report



It is my pleasure to introduce the Nomination and Governance Committee Report for 2017, which sets out the composition and role of the committee and the areas of focus for 2018.

Membership

The other members of the Nomination and Governance Committee are Andrew Bartlett and Efstathios Topouzoglou.

The Code recommends that a majority of the members of the Nomination and Governance Committee be Independent Non-Executive Directors and that the Chairman (other than where the committee is dealing with the appointment of a successor to the chairmanship) or an Independent Non-Executive Director should chair the committee. As I was considered to be independent upon appointment as Chairman and Andrew Bartlett is considered to be an Independent Non-Executive, we believe that the Company complies with the requirements of the Code in this respect.

Role of the committee

The Nomination and Governance Committee assists the Board in reviewing the structure, size and composition of the Board, including providing advice to the Board on the retirement and appointment of additional and/or replacement Directors. It is also responsible for reviewing succession plans for the Directors, including the Chairman and Chief Executive and other senior executives.

Meetings

The Nomination and Governance Committee became effective upon Admission in March 2018, therefore no meetings were held in 2017. The committee plans to meet once in 2018. Any member of the committee may however request a meeting if he/she considers that one is necessary or expedient.

Diversity

The committee's key area of responsibility is to ensure the composition of the Board is appropriate for oversight of the strategic direction of the Group and this includes reviewing the balance of skills and knowledge. The Nomination and Governance Committee is aware of the benefits of diversity in the boardroom and believes that a wide range of experience, backgrounds, perspectives and skills generates effective decision-making.

The Board will be establishing a board diversity policy in 2018 and we look forward to presenting the key principles of the new policy and how it has been implemented in the 2018 Annual Report.

Board effectiveness

As reported earlier on page 55, an evaluation of Board effectiveness will take place during 2018. The Company Secretary will facilitate an internal self-assessment of the Board and committees.

Performance of the committee

The performance of the Nomination and Governance Committee will be assessed by way of an internal process in 2018.

Our priorities for 2018

In 2018, the Nomination and Governance Committee will focus on succession planning to ensure the Group retains senior executives with the necessary skills and knowledge to remain effective and the committee will work alongside the Board to prepare and implement the board diversity policy.

Simon Heale

Nomination and Governance Committee Chairman
30 April 2018

Health, safety and environment committee report



As Chairman of the Health, Safety and Environment Committee, it is my responsibility to ensure that the committee is rigorous and effective in carrying out its role.

Membership

The other members of the Health, Safety and Environment Committee are Karen Simon and Ohad Marani.

Role of the committee

The Health, Safety and Environment Committee evaluates the effectiveness of the Group's policies and systems for identifying and managing environmental, health, safety and security risks as well as matters relating to equality, diversity, business ethics and corporate social responsibility. Additionally, the committee assesses the performance of the Group with regard to the impact of decisions and related actions in these areas upon employees, communities and other third parties, as well as upon the reputation of the Group.

Meetings

The Health, Safety and Environment Committee became effective upon Admission in March 2018, therefore no meetings were held in 2017. The committee plans to meet once in 2018. Any member of the committee may however request a meeting if he/she considers that one is necessary or expedient.

Performance of the committee

The performance of the Health, Safety and Environment Committee will be assessed by way of an internal process in 2018.

Our priorities for 2018

In 2018, the Health, Safety and Environment Committee will focus on reviewing the effectiveness of the Group's policies and systems for identifying the risk of major accidents and conduct assurance of the key health, safety and environmental controls designed to prevent occurrence of accidents. The committee also expects to review the Group's plans for an enhanced Corporate Social Responsibility (CSR) strategy.

Robert Peck

Health, Safety and Environment Committee Chairman
30 April 2018

Remuneration report



I am pleased to present the Remuneration Committee Report which sets out the executive remuneration policy.

The Company was only recently admitted to the main market of the London Stock Exchange, on 21 March 2018. Consequently, as the Company was not listed during 2017, the Companies Act does not require the production of a Remuneration Report in respect of 2017. However, in the interests of transparency, the Board has decided that it would be appropriate to include a form of Remuneration Report in this Annual Report in order to outline the remuneration structure for 2018.

Membership of the Remuneration Committee

The other members of the Remuneration Committee are Andrew Bartlett, David Bonanno and Robert Peck.

Role of the Remuneration Committee

The Remuneration Committee's primary role is to determine and agree with the Board the executive remuneration policy and approve individual remuneration arrangements for the Chairman and Executive Directors with the objective of ensuring that the levels of remuneration are sufficient to promote the long-term success of the Company.

Remuneration strategy

The Company's remuneration strategy is to provide pay packages that will:

- ▶ motivate and retain industry leading employees;
- ▶ attract high quality individuals to join the Company;
- ▶ encourage and support a high performance culture;
- ▶ reward delivery of the Company's business plan and key strategic goals; and
- ▶ align employees with the interests of shareholders and other external stakeholders.

Executive Directors' remuneration

Consistent with the remuneration strategy, the Remuneration Committee has agreed a remuneration policy for the Executive Directors, whereby:

- ▶ salaries are set at competitive, but not excessive, levels compared to peers and other companies of an equivalent size and complexity;
- ▶ performance-related pay, based on stretching targets, forms a significant part of remuneration packages; and
- ▶ there is an appropriate balance between rewards for delivery of short-term and longer-term performance targets.

The remuneration framework intended to deliver this policy for the Executive Directors will be a combination of base salary, benefits, annual and deferred bonuses and awards under the Long-Term Incentive Plan (LTIP).

Due to the provisions of the City Code on Takeovers and Mergers as regards shareholders who may act in concert with each other, it is currently intended that the Executive Directors' deferred bonus and LTIP awards will be granted as phantom share awards to be settled in cash. As and when those provisions are no longer applicable, a more standard equity settlement approach will be adopted.

Executive Directors' remuneration will usually be reviewed annually and assessed taking into account the scope and requirements of the role, experience of the individual and the total remuneration package. Account will also be taken of remuneration arrangements in peer companies and the wider employee group.

Remuneration arrangements for 2018 are summarised below.

	2018 base salary
Mathios Rigas (Chief Executive Officer)	£675,000
Panos Benos (Chief Financial Officer)	£450,000

Benefits

Mathios Rigas receives a benefits package worth £75,000 per annum and Panos Benos receives a benefits package worth £50,000 per annum.

Annual bonus

Consistent with best practice for UK listed companies, a cap has been introduced on the maximum annual bonus opportunity. In 2018 the Executive Directors will be able to earn a bonus up to a maximum of 150% of base salary. At least one-third of any bonus earned by the Executive Directors in 2018 will be deferred for two years.

Bonuses in 2018 will be determined by a combination of financial, strategic and operational Company measures and performance measures appropriate to the individual Executive Director's role. These measures are currently commercially sensitive. However, retrospective disclosure will be provided in the next Remuneration Report to the extent that they do not remain commercially sensitive at that time.

Malus and clawback provisions may be applied to a bonus up to three years from the determination of the bonus.

LTIP

An LTIP award will be granted to the Executive Directors during 2018 worth (at grant) 200% of salary. Performance conditions for this award will be determined by the Remuneration Committee at the time of grant and will be disclosed in the next Remuneration Report. At least 50% of this award will be based on relative Total Shareholder Return.

The LTIP award granted to the Executive Directors in 2018 will be subject to a three year performance period and two year holding period.

Malus and clawback provisions may be applied to LTIP awards up to the fifth anniversary of grant.

Shareholding guideline

Executive Directors are subject to share ownership guidelines that require them to build up and retain a shareholding worth 200% of their base salary. Until an Executive Director has satisfied their guideline, they are required to retain at least 50% of vested share awards (after selling sufficient shares to satisfy any tax liabilities upon vesting).

Notice period

The Company, or the relevant Executive Director, may terminate the appointment of that Executive Director at any time upon six months' written notice.

Non-Executive Directors

Non-Executive Directors receive a basic fee plus supplementary fees for roles with additional time commitment. The fee structure that has applied since Admission is summarised below.

	Annual fee
Company Chairman	£150,000
Basic Non-Executive Director fee	£50,000
Supplementary fees	
▶ Audit Committee Chairman	£5,000
▶ Remuneration Committee Chairman	£5,000
▶ Health, Safety and Environment Committee Chairman	£5,000
▶ Senior Independent Director	£7,500

Fees may be paid in cash and / or shares. In addition, the Non-Executive Directors are reimbursed for expenses that are reasonably required for the performance of their duties.

The Company, or the relevant Non-Executive Director, may terminate the appointment of that Non-Executive Director at any time upon three months' written notice.

No fee is paid to David Bonanno who is employed and remunerated by Third Point.

2019 Annual General Meeting

The Company will be required to submit a remuneration policy (as it relates to the Directors) to a binding shareholder vote at the 2019 Annual General Meeting.

Accordingly, the Company will outline its future policy relating to the Directors' remuneration in its Report and Accounts for its financial year ending 31 December 2018.

On behalf of the Board

Ohad Marani
Remuneration Committee Chairman
30 April 2018

Directors' report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2017. The Corporate Governance Statement set out on pages 55–67 forms part of this report.

Details of significant events since the balance sheet date are contained in note 38 to the financial statements. An indication of likely future developments in the business of the Company and details of research and development activities are included in the strategic report.

Admission to the Main Market of the London Stock Exchange

On 21 March 2018, all of the Company's issued ordinary shares were admitted to trading on the main market for listed securities of the London Stock Exchange.

Dividends

No dividends were paid during the year 2017.

Capital structure

Details of the issued share capital are shown in note 14 to the Financial Statements. Following Admission, the Company's share capital consisted of 152,823,238 issued ordinary shares of £0.01 each. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

As at 31 December 2017, the Group did not have any employee share scheme in place.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Articles of Association and the Schedule of Matters Reserved for the Board, copies of which are available on request, and the Corporate Governance Statement on page 60.

The authority to issue shares in the Company may only be granted by the Company's shareholders and once granted such authority shall be exercised by the Directors.

There are a number of agreements entered into by members of the Group that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts and bank loan agreements. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Directors

The biographical details and appointments of the Directors are set out on pages 56–59. All of the Directors will offer themselves for election or re-election at the AGM on 28 June 2018.

All of the current Directors served from incorporation of the Company on 8 May 2017, except as noted below:

- ▶ Simon Heale (Non-Executive Chairman) (appointed 11 July 2017)
- ▶ Andrew Bartlett (Senior Independent Director) (appointed 22 August 2017)
- ▶ Robert Peck (Independent Non-Executive Director) (appointed 11 July 2017)
- ▶ Ohad Marani (Independent Non-Executive Director) (appointed 11 July 2017)
- ▶ Karen Simon (Independent Non-Executive Director) (appointed 15 September 2017)

Note that Mr Scott Leslie was appointed 8 May 2017 and resigned 22 August 2017.

Directors' interests

The interests of the Directors in the Ordinary Shares of the Company are shown below:

Director	Number of shares as at publication of this Annual Report and Accounts 2017
Mathios Rigas	19,437,816 ¹
Panos Benos	4,055,713 ²
Simon Heale	52,478 ³
Andrew Bartlett	2,126
Efstathios Topouzoglou	17,819,893 ⁴
Robert Peck	2,690
Ohad Marani	2,690
Karen Simon	89,949
David Bonanno	0 ⁵

- 1 The shares are held by Mathios Rigas, Growthy Holdings Co. Limited and Capital Energy Investments Limited, each of which is beneficially owned and controlled by Mathios Rigas.
- 2 The shares are held by Adobelero Holdings Co. Limited, beneficially owned and controlled by Panos Benos.
- 3 Mrs. C.J. Heale, wife of Simon Heale, holds 10,500 of the shares set out here and Simon Heale holds the balance, being 41,978 shares.
- 4 The shares are held by Efstathios Topouzoglou, Oilco Investments Limited and HIL Hydrocarbon Investments Limited, each of which is beneficially owned and controlled by Efstathios Topouzoglou.
- 5 David Bonanno is an employee of Third Point LLC, which manages its investment in the Company through Third Point Hellenic Recovery Fund L.P., the parent company of Third Point Hellenic Recovery (Lux) S.Á.R.L., a substantial shareholder of the Company.

Directors' indemnities

Under the Company's Articles, the Directors of the Company may be indemnified out of the assets of the Company against certain liabilities which may be incurred in relation to the affairs of the Company or in relation to the duties, powers and office of each Director. Such qualifying third party indemnity provisions for the benefit of the Directors were implemented upon incorporation of the Company on 8 May 2017 and remain in force at the date of this report.

Political contributions

No political donations were made during the year.

Substantial shareholdings

Following Admission on 21 March 2018 and up to 26 April 2018, the Company has been notified in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules (or otherwise) of the following holdings in the Company's issued share capital:

	Number of shares	% of issued share capital
Third Point Hellenic Recovery (Lux) S.Á.R.L.	40,782,418	26.7%
Growthy Holdings Co. Limited	18,661,564	12.2%
Oilco Investments Limited	17,053,253	11.2%
Clal Insurance	15,780,878	10.3%
The Capital Group Companies, Inc.	10,874,957	7.1%
Pelham Capital	7,251,942	4.7%
Kerogen Investments No. 9 Limited	5,523,308	3.6%

Annual General Meeting ('AGM')

The Company's AGM will be held in London on 28 June 2018. Formal notice of the AGM will be issued separately from this Annual Report and Accounts.

Registrars

The Company's share registrar in respect of its ordinary shares traded on the London Stock Exchange is Computershare Investor Services PLC, full details of whom can be found in the Company Information section on page 156.

Greenhouse gas emissions (GHG) reporting

Following Admission on 21 March 2018, the Company intends to provide GHG emissions data for the period 1 January 2018 to 31 December 2018 in the Annual Report and Accounts 2018.

Directors' statement of disclosure of information to auditor

Each of the Directors in office at the date of the approval of this Directors' Report have confirmed that so far as such Director is aware, there is no relevant audit information (as defined in Section 418 of the Companies Act 2006) of which the Company's auditor is unaware; and such Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Directors' report continued

Independent auditor

Having reviewed the independence and effectiveness of the auditor, the Audit & Risk Committee has recommended to the Board that the existing auditor, Ernst & Young LLP ('EY'), be reappointed. EY have expressed their willingness to continue in office as auditor. An ordinary resolution to reappoint EY as auditor of the Company will be proposed at the forthcoming AGM.

Requirements of the Listing Rules

The following table provides references to where the information required by Listing Rule 9.8.4R is disclosed.

Listing Rule requirement	Listing Rule Reference	Section
Capitalisation of interest	LR 9.8.4R (1)	Note 28/page 129
Publication of unaudited financial information	LR 9.2.4R (2)	Not applicable
Long-term incentive schemes	LR 9.2.4R (4)	Directors' remuneration report/ pages 66–67
Director emoluments	LR 9.2.4R (5), (6)	No such waivers. David Bonanno does not receive any fee for acting as a Director.
Allotment of equity securities	LR 9.2.4R (7), (8)	No such share allotments.
Listed shares of a subsidiary	LR 9.2.4R (9)	Not applicable
Significant contracts with Directors and controlling shareholders	LR 9.2.4R (10), (11)	Directors' report/pages 68–70
Dividend waiver	LR 9.2.4R (12), (13)	Not applicable
Board statement in respect of relationship agreement with the controlling shareholder	LR 9.2.4R (14)	Not applicable

The Directors' Report was approved by the Board and signed on its behalf by the Company Secretary on 30 April 2018.

21 Gloucester Place
London
W1U 8HR

By order of the Board

Michelle Churchward
Company Secretary
30 April 2018

Statement of Directors' responsibilities for the Group financial statements

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgements and accounting estimates that are reasonable and prudent;
- ▶ state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the parent company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- ▶ properly select and apply accounting policies;
- ▶ present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- ▶ provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- ▶ make an assessment of the Group's ability to continue as a going concern.

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the board of directors on 30 April 2018 and is signed on its behalf.

By order of the Board

Mathios Rigas
Chief Executive Officer
30 April 2018

Panos Benos
Chief Financial Officer
30 April 2018

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Financial statements

Independent auditor's report to the members of Energean Oil & Gas Plc

Opinion

In our opinion:

- ▶ Energean Oil & Gas 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 2017, of the group's profit for the year then ended, and of the parent company's profit for the period then ended;
- ▶ the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- ▶ the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards to the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Energean Oil & Gas plc (Energean) that comprise:

Group	Parent
Consolidated statement of financial position as at 31 December 2017	Company statement of financial position as at 31 December 2017
Consolidated statement of profit or loss for the year then ended	Company statement of profit or loss and other comprehensive income for the period then ended
Consolidated statement of comprehensive income for the year then ended	
Consolidated statement of changes in equity for the year then ended	Company statement of changes in equity for the period then ended
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 38 to the group financial statements, including a summary of significant accounting policies	Company accounting policies and the related notes 1 to 9 to the company financial statements

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- ▶ the disclosures in the annual report set out on pages 49–52 that describe the principal risks and explain how they are being managed or mitigated;
- ▶ the directors' confirmation set out on page 49 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- ▶ the directors' statement set out on page 35 in the Financial Review section about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- ▶ whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- ▶ the directors' explanation set out on page 53 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Auditor's report continued

Overview of our audit approach	
Key audit matters	<ul style="list-style-type: none"> ▶ Recoverability of oil and gas assets, including estimation of oil and gas reserve volumes; ▶ Assessment of impairment indicators within exploration and evaluation intangible assets; and ▶ Impact of the Energean Israel reorganisation.
Audit scope	<ul style="list-style-type: none"> ▶ We performed an audit of the complete financial information of three components and audit procedures on specific balances for a further four components. ▶ The components where we performed full or specific audit procedures accounted for 99% of profit before tax, 99% of revenue and 99% of total assets.
Materiality	▶ Overall group materiality of \$1.9 million which represents 0.5% of Total Assets, adjusted to remove the derivative financial asset connected with the Energean Israel Reorganisation.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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. We communicated key audit matters and our planned response to each risk to the Audit and Risk Committee in our March audit planning report. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Recoverability of oil and gas assets, including estimation of oil and gas reserve volumes</p> <p>Tangible oil and gas properties: \$248.9 million (2016: \$179.4 million)</p> <p>Refer to the <i>Audit and Risk Committee Report</i> (pages 62-63); <i>Accounting policies</i>; and <i>Notes 3.5, 3.7, 4.2, 6 and 22 of the Consolidated Financial Statements</i> (pages 90-126)</p> <p>This refers to the risk that capitalised costs associated to tangible oil and gas assets may be recorded at a level that exceeds future recoverable value. In the Energean group, we consider this risk to exist predominantly for the established assets in Greece.</p> <p>Accounting standards require management to assess at each reporting date whether indicators of asset impairment exist. Where indicators of impairment (or reversal) exist, management must carry out an impairment test.</p> <p>Management prepare their tangible asset impairment tests under the value-in-use methodology. The models include a number of accounting estimates and judgements performed by management including: reserve and resources volume estimates, future oil and gas prices, discount rates, production forecasts and operating and capital expenditures for each cash generating unit (CGU). Changes to one or more of these key inputs could lead to a potential impairment or a reversal of impairment.</p>	<p>Procedures to evaluate management's assessment of impairment indicators, in accordance with the requirements of IAS 36, for the tangible oil and gas assets in Greece, included:</p> <ul style="list-style-type: none"> ▶ Assessing the completeness of management's third party reserves and resources report, as well as the objectivity and competency of the report authors, and verifying input data used within the report; ▶ Inspecting management's reconciliation of the third party reserves and resources report with Energean's valuation model to assess economic cut off; ▶ The use of EY valuation specialists to assist the audit team in assessing the reasonableness of other key accounting estimates and judgements prepared by management, as well as the valuation methodology used by Energean management in the valuation model; ▶ Reperforming calculations in management's valuation model to ensure there is a sufficient headroom over the carrying value of the oil and gas assets; and ▶ Challenging the reasonableness of future production assumptions used in management's valuation model. 	<p>We reported to the Audit and Risk Committee in the April 2018 meeting that:</p> <ul style="list-style-type: none"> ▶ With respect to the developed producing and the undeveloped tangible assets, we did not identify any further impairment indicators that gave rise to issues with recoverable value; and ▶ Management's estimates of reserves and resources, as well as key assumptions used in the valuation model, were found to be reasonable.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Assessment of impairment indicators for exploration and evaluation intangible assets</p> <p>Impairment charge: \$6.7 million (2016: \$0.0 million)</p> <p>Intangible exploration and evaluation ('E&E') assets: \$3.4 million (2016: \$7.7 million)</p> <p>Refer to the <i>Audit and Risk Committee Report</i> (pages 62-63); <i>Accounting policies</i>; and <i>Notes 3.7, 7 and 22 of the Consolidated Financial Statements</i> (pages 90-126)</p> <p>The Group's E&E assets need to be considered for impairment in each reporting period in line with the requirements of IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i> ('IFRS 6'). The recoverability of capitalised costs will depend upon internal and external factors, including the terms of the exploration rights and allocation of future capital by management, as well as technical and economic prospects which could pose a risk to the ability to progress intangible assets to the development stage.</p> <p>A lack of consideration of the above factors could lead to inappropriate valuation of the assets in the financial statements.</p> <p>Impact of the Energean Israel reorganisation</p> <p>Derivative asset: \$93.3 million.</p> <p>Investment in Joint Ventures: \$0.0 million (2016: \$0.0 million).</p> <p>Refer to the <i>Audit and Risk Committee Report</i> (page 62-63); <i>Accounting policies</i>; and <i>Notes 4.2, 9, 31.4, 34.2 and 38 of the Consolidated Financial Statements</i> (pages 103-140); and <i>Note 4 of the Company financial statements</i> (page 147).</p> <p>During 2017 and in the post balance sheet period, Energean's interests in Energean Israel Limited have been subject to several structural changes.</p> <p>At 31 December 2017, the Energean group held certain voting rights over Energean Israel Limited but held no rights to the economic interests.</p> <p>During 2017, the Group entered into several contractual agreements concerning the ownership of Energean Israel Limited. At 31 December 2017, the Energean group held a commitment to acquire 70% of preference shares in Energean Israel Limited from the Energean founders (50%) and from Kerogen Investments No.38 Limited (20%). This commitment related to the post balance sheet period and would crystallise upon a successful Initial Public Offering ('IPO') or in the event of a sale transaction.</p> <p>Management has recognised a derivative financial instrument in the 2017 financial statements (\$93.3m derivative asset), using an estimate as at 31 December 2017 of the likelihood of the IPO process being successful and the exercise price related to the commitment.</p> <p>There exists a risk that this arrangement, or the Group's financial interests in Energean Israel Limited, are inappropriately accounted for and/or materially misstated within the financial statements, due to the complexity of the reorganisation agreements and their significance to the Group.</p>	<p>Our response was led by the Group audit team, with significant input from our two component audit teams responsible for two full scope components.</p> <p>For exploration costs held as intangible assets relating to future oil and gas prospects, our procedures included:</p> <ul style="list-style-type: none"> ▶ Verifying remaining exploration periods, rights and associated costs capitalised under licence agreements; and ▶ Evaluating management's identification and assessment of future development potential and whether the impairment recognised is appropriate and in line with IFRS 6. 	<p>We reported to the Audit and Risk Committee in the April 2018 meeting that:</p> <ul style="list-style-type: none"> ▶ With respect to capitalised exploration costs held at the balance sheet date, we did not identify any further indicators of impairment in the remaining intangible assets; and ▶ The calculated impairment charge of \$1.2 million was considered to be appropriate. <p>We reported to the Audit and Risk Committee in the April 2018 meeting that:</p> <ul style="list-style-type: none"> ▶ We concluded that it is appropriate to recognise a derivative financial asset in respect of the Energean Israel Reorganisation; ▶ Management's estimation of the derivative financial asset valuation and corresponding profit recognised within the year was materially reasonable; and ▶ Disclosure of the Energean Israel Reorganisation and the impact of the post balance sheet event relating to the Energean Israel reorganisation within the financial statements was considered appropriate.

Auditor's report continued

Revenue recognition is a significant risk presumed by ISAs (UK). It is not included above, as Energean's revenue streams are largely routine in nature and do not involve significant judgement or use of significant estimates. Consequently, the auditing of revenue recognition did not have the greatest effect on our overall audit strategy, the allocation of resources in the audit or in directing the efforts of the engagement team.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, and changes in the business environment when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the ten reporting components of the group, we selected all ten components covering entities within Greece, Cyprus, Egypt, Montenegro, Israel and the United Kingdom, which represent the principal business units within the group.

Of the ten components selected, we performed an audit of the complete financial information of three components ('full scope components') which were selected based on their size or risk characteristics. For the remaining seven components, we performed audit procedures on specific accounts within four components ('specific scope components') that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of the group tested.

The reporting components where we performed full scope and specific scope audit procedures accounted for 99% of the group's profit before tax, 99% of revenue and 99% of total assets.

For the remaining 3 components, we performed other procedures including the following to respond to any potential risks of material misstatement of the consolidated financial statements:

- ▶ Inspected key documentation surrounding the post balance sheet events connected with the Energean Israel Reorganisation;
- ▶ Analytical review procedures on a legal entity basis;
- ▶ Tested consolidation journals, intercompany eliminations and foreign currency translation recalculations;
- ▶ Made inquiries of management about unusual transactions in these components; and
- ▶ Reviewed minutes of Board meetings held throughout the period.

Involvement with component teams

In establishing our overall approach to the group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the group audit engagement team, or by component auditors from other EY global network firms operating under our instruction. For two full scope components where the work was performed by two EY component teams (Athens and Thessaloniki), we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the group as a whole.

The group audit team interacted regularly with the EY component teams during each stage of the audit, were responsible for the scope and direction of the audit process and reviewed key working papers. The group audit team followed a programme of planned visits that was designed to ensure that the group audit team members visited the full scope component teams during the current year's audit cycle. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, and reviewing key audit working papers on risk areas. The group team interacted regularly with the component teams during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at group level, gave us appropriate evidence for our opinion on the consolidated financial statements. We maintained continuous and open dialogue with our EY component teams in addition to holding formal meetings to ensure that we were fully aware of their progress and results of their procedures.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be \$1.9 million, which is 0.5% of total assets as at 31 December 2017, adjusted to remove the derivative financial asset connected with the Energean Israel Reorganisation (\$93.3m) as this was not considered part of the underlying business at the year end. We believe that adjusted total assets provides us with a suitable basis for setting materiality for immature emerging oil and gas exploration and production companies, providing a reliable measure to assess the size of the group's operations.

We determined materiality for the parent company to be \$4,000, which is 1% of net assets.

During the course of our audit, we reassessed initial materiality and no changes were made.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely \$950,000. We have set performance materiality at this percentage based on our assessment of likelihood of misstatements based on our understanding of the group as part of our planning procedures.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was \$200,000 to \$800,000.

We determined performance materiality for the parent company to be \$2,000, based on the same judgement made for the Group.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of \$95,000, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

For the parent company, we agreed with the Audit & Risk Committee that we would report to them all uncorrected differences in excess of \$200, based on the same judgement made for the Group.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 01-71 and 149-156, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- ▶ **Fair, balanced and understandable**, set out on page 71 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- ▶ **Audit and Risk Committee reporting**, set out on pages 62-63 – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- ▶ **Directors' statement of compliance with the UK Corporate Governance Code**, set out on page 60 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Auditor's report continued

Opinions on other matters prescribed by the Companies Act 2006

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

- ▶ the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 71, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to Energean and determined that the most significant are those that relate to the reporting framework (IFRSs, Companies Act 2006, the UK Corporate Governance Code and Listing Rules of the UK Listing Authority) and the relevant tax compliance regulations in the jurisdictions in which the group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and laws and regulations relating to health and safety, employee matters, environmental and bribery and corruption practices.
- ▶ We understood how the group is complying with those frameworks by making enquiries of management and with those responsible for legal and compliance procedures. We designed audit procedures to identify non-compliance with such laws and regulations identified in the paragraph above, including corroborating our enquiries through our review of Board minutes, papers provided to the Audit and Risk Committee and correspondence received from regulatory bodies, and noted that there was no contradictory evidence.
- ▶ We assessed the susceptibility of Energean's consolidated financial statements to material misstatement, including how fraud might occur, focussing on opportunities for management to reflect bias in key accounting estimates. We have reported our findings in our key audit matters section of our report. We also incorporated data analytics and manual journal entry testing into our audit approach.
- ▶ Other procedures performed to address the risk of management override included evaluating the business rationale for significant unusual and one-off transactions, reviewing the minutes of the Board of Directors and Audit and Risk Committee, and including a level of unpredictability in our testing.

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

Other matters we are required to address

- ▶ We were appointed by the company on 21 February 2018 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods.
- ▶ The period of total uninterrupted engagement including previous renewals and reappointments is one year, covering the year ending 31 December 2017.
- ▶ The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- ▶ The audit opinion is consistent with the report of the Audit and Risk Committee.

Andrew Smyth

Senior statutory auditor
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
30 April 2018

1 The maintenance and integrity of the Energean Oil & Gas plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated statement of financial position

	Notes	As at 31 December	
		2017 (US\$ 000)	2016 (US\$ 000)
Assets			
Non-current assets			
Property-plant and equipment	6	309,976	230,180
Intangible assets	7	4,000	8,278
Other non-current assets		591	382
Deferred tax asset	16	13,473	20,678
Bank deposits	13	1,899	1,116
		329,939	260,634
Current assets			
Inventories	11	9,529	12,757
Trade and other receivables	12	24,684	13,739
Current tax assets		–	92
Cash and cash equivalents	13	13,793	11,861
Derivative asset	34	93,292	–
Assets classified as held for sale	9	–	45,203
		141,298	83,652
Total assets		471,237	344,286
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	14	917	14,904
Equity reserves		62,323	117,080
Merger reserves	14	139,903	–
Retained earnings		(138,455)	(148,407)
Equity attributable to equity holders of the parent		64,688	(16,423)
Non-controlling interests	10	224,294	303
Total equity		288,982	(16,120)
Non-current liabilities			
Borrowings	15	78,831	255,118
Deferred tax liabilities	16	3,570	2,989
Retirement benefit liabilities	18	3,288	2,425
Provisions	17	5,688	2,240
Other long-term liabilities	19	2,544	2,737
		93,921	265,509
Current liabilities			
Trade and other payables	19	66,528	29,082
Borrowings	15	12,500	21,130
Provisions	17	9,306	–
Liabilities directly associated with assets classified as held for sale	9	–	44,685
		88,334	94,897
Total liabilities		182,255	360,406
Total equity and liabilities		471,237	344,286

Notes 1 to 38 are an integral part of the financial statements. The consolidated financial statements of Energean Oil & Gas plc for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 30 April 2018 and were signed on its behalf by:

Mathios Rigas
Chief Executive Officer

Panos Benos
Chief Financial Officer

Consolidated income statement

	Notes	For the year ended 31 December	
		2017 (US\$ 000)	2016 (US\$ 000)
Revenue	20	57,752	39,724
Cost of sales	21	(48,648)	(40,551)
Gross profit/(loss)		9,104	(827)
Administration expenses	23	(5,991)	(4,134)
Selling and distribution expenses	24	(445)	(336)
Exploration and evaluation expenses	22	(9,966)	(1,133)
Other income	26	1,789	248
Other expenses	25	(8,187)	(4,688)
Operating loss		(13,696)	(10,870)
Finance income	28	14	327
Finance costs	28	(22,940)	(29,311)
Gain on derivative	34	25,786	–
Net foreign exchange gain/(loss)		36,243	(10,043)
Profit/(loss) from continuing operations before tax		25,407	(49,897)
Taxation (expense)/income	29	(14,061)	11,517
Profit/(loss) from continuing operations		11,346	(38,380)
Discontinued operations			
Profit/(loss) from discontinued operations	9	(1,403)	(229)
Profit/(loss) for the period		9,943	(38,609)
Attributable to:			
Owners of the parent		9,952	(38,608)
Non-controlling interests		(9)	(1)
		9,943	(38,609)
Profit/(loss) per ordinary share from continuing activities (cents per share)			
From continuing operations	30	\$0.16	(\$0.54)
From total earnings	30	\$0.14	(\$0.54)

Consolidated statement of comprehensive income

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Profit/(loss) for the period	9,943	(38,609)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit pension plan	(258)	(148)
Exchange difference on the translation of the parent to presentation currency	-	(2,587)
Income taxes on items that will not be reclassified to profit or loss	74	41
	(184)	(2,694)
Items that may be reclassified subsequently to profit or loss		
Exchange difference on the translation of foreign operations, tax effect nil	(2,252)	4,347
	(2,252)	4,347
Other comprehensive (loss)/income after tax	(2,436)	1,653
Total comprehensive income/(loss) for the period	7,507	(36,956)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	7,516	(36,955)
Non-controlling interests	(9)	(1)
	7,507	(36,956)

Consolidated statement of changes in equity

	Share capital (US\$ 000)	Share premium (US\$ 000)	Other reserves (US\$ 000)	Translation reserves (US\$ 000)	Accumulated losses (US\$ 000)	Total (US\$ 000)	Non-controlling interests (US\$ 000)	Total (US\$ 000)
At 1 January 2016	14,904	125,851	(226)	(10,935)	(109,799)	19,795	304	20,099
Comprehensive loss								
Loss for the year	-	-	-	-	(38,608)	(38,608)	(1)	(38,609)
Exchange difference on the translation of foreign operations	-	-	-	4,347	-	4,347	-	4,347
Exchange difference on the translation of the parent to presentation currency	-	-	-	(2,587)	-	(2,587)	-	(2,587)
Remeasurement of defined benefit pension plan	-	-	(148)	-	-	(148)	-	(148)
Income taxes on other comprehensive income	-	-	41	-	-	41	-	41
Total comprehensive (loss)/income			(107)	1,760	(38,608)	(36,955)	(1)	(36,956)
Transactions with owners								
Option for conversion to share capital (Note 9.1)	-	-	737	-	-	737	-	737
	-	-	737	-	-	737	-	737
At 31 December 2016	14,904	125,851	404	(9,175)	(148,407)	(16,423)	303	(16,120)
At 1 January 2017	14,904	125,851	404	(9,175)	(148,407)	-	303	(16,120)
Profit for the period	-	-	-	-	9,952	9,952	(9)	9,943
Exchange difference on the translation of foreign operations	-	-	-	(2,252)	-	(2,252)	-	(2,252)
Remeasurement of defined benefit pension plan	-	-	(258)	-	-	(258)	-	(258)
Income taxes on other comprehensive income	-	-	74	-	-	74	-	74
Total comprehensive income	-	-	(184)	(2,252)	9,952	7,516	(9)	7,507
Transactions with owners of the Company								
Issuance of shares	65	-	-	-	-	65	-	65
Group restructuring	(14,052)	(125,851)	-	-	-	139,903	-	-
Modification of derivative (Note 34.2)	-	-	67,506	-	-	67,506	-	67,506
Transaction with non-controlling interests (Note 10)	-	-	6,761	-	-	6,761	224,000	230,761
Transfer due to disposal of subsidiary (Note 9.1)	-	-	(737)	-	-	(737)	-	(737)
At 31 December 2017	917	-	73,750	(11,427)	(138,455)	139,903	224,294	288,982

Consolidated statement of cash flows

	Notes	For the year ended 31 December	
		2017 (US\$ 000)	2016 (US\$ 000)
Operating activities			
Profit/(loss) before tax		24,004	(50,126)
Adjustments:			
Depreciation of property, plant and equipment	6	17,808	21,355
Amortisation of intangible assets	7	200	144
Loss from the sale of property, plant and equipment		–	1,577
Impairment loss on inventory		–	403
Impairment loss on property, plant and equipment	6	1,433	1,947
Impairment loss on intangible assets	7	6,663	–
Gain from disposal of subsidiary	26	(1,540)	–
Increase in provisions		8,748	738
Finance income	28	(14)	(327)
Finance costs	28	22,940	29,311
Gain from financial instruments	34	(25,786)	–
Net foreign exchange (loss)/gain		(36,243)	10,039
		18,124	15,061
Changes in working capital:			
Inventories		4,985	(4,952)
Trade and other receivables		(10,958)	(1,530)
Trade and other payables		17,157	6,314
Other non-current asset		(210)	416
Cash flows from operations		29,097	15,309
Tax paid		–	–
Payments in relation to provisions		–	(74)
Net cash from operating activities		29,097	15,235
Investing activities			
Payment for purchase of intangible assets		(5,259)	(44,745)
Payment for purchase of property, plant and equipment		(48,744)	(65,935)
Disposal of subsidiary, net of cash disposed		(5,610)	–
Acquisition of subsidiary, net of cash acquired	9	–	47
Payment for purchase of investments in joint ventures		–	(41)
Proceeds from disposal of property, plant and equipment	6	–	1,747
Proceeds from disposal of intangible assets	7	1,000	–
Interest received		14	83
Net cash used in investing activities		(58,599)	(108,844)
Financing activities			
Repayments of loans	15	–	(20,000)
Proceeds from new loans		33,915	127,312
Finance cost paid		(4,019)	(2,692)
Transaction costs		(1,475)	(1,564)
Net cash from financing activities		28,421	103,056

	Notes	For the year ended 31 December	
		2017 (US\$ 000)	2016 (US\$ 000)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents:		(1,081)	9,447
At beginning of the year		17,586	8,238
Effect of exchange rate fluctuations on cash and cash equivalents		(813)	(99)
At end of the period	13, 9	15,692	17,586
Current cash and cash equivalents			
		13,793	11,861
Non-current bank deposits			
		1,899	1,116
Current cash and cash equivalents held for sale			
		–	4,609
Cash and cash equivalents at end of the period		15,692	17,586

Supplemental cash flow information:

	Notes	For the year ended 31 December	
		2017 (US\$ 000)	2016 (US\$ 000)
Non-cash investing and financing activities			
Settlement of loan for issuance of preference shares	10	230,761	–
Capitalisation of depreciation to oil & gas properties	6	2,388	7,014
Capitalised borrowing costs		1,258	3,992

Accounting policies

(Amounts in thousands US\$ except for share and per share amounts, unless otherwise stated)

1. Incorporation and principal activities

1.1 Incorporation

Energean Oil & Gas plc (the 'Company') was incorporated in England & Wales on 8 May 2017 as a public company with limited liability, under the Companies Act 2006. On incorporation, the Company issued 50,000 ordinary shares of a nominal value of £1.00 per share. Its registered office is at 21 Gloucester Place, London W1U 8HR, United Kingdom. The Company and all subsidiaries controlled by the Company, are together referred to as 'the Group'.

On 30 June 2017, the Company reorganised the business and became the parent company of the Group through the acquisition of the full share capital of Energean E&P Holdings Limited in exchange for 65,643,120 £0.01 shares in the Company (the 'transaction'). This transaction, which resulted in Energean E&P Holdings Limited becoming a wholly-owned subsidiary of the Company and the Company becoming the new immediate holding company of Energean E&P Holdings Limited, constitutes a group reconstruction and a transaction between entities under common control. This transaction falls outside the scope of IFRS 3 'Business Combinations'. There is no other authoritative guidance for such situations under IFRS. In the absence of such authoritative guidance under IFRS, the transaction has been accounted for in these consolidated financial statements using the principles of merger accounting under Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, which results in the net assets of Energean E&P Holdings Limited being recorded at carrying value and presented as if the Company and Energean E&P Holdings Limited had always been part of the same consolidated group. This policy, which does not conflict with International Financial Reporting Standards (IFRS), reflects the economic substance of the transaction. The effect of this transaction is reflected in the share capital of the Group on the date it became effective.

1.2 Principal activities

The Group has been established with the objective of exploration, production and commercialisation of crude oil and natural gas in Greece, Israel, North Africa and the wider Eastern Mediterranean. The Group's core assets as of 31 December 2017 comprise:

	Asset	Country	Group's working interest	Partner's working interest	Field phase
1.	Karish ¹	Israel	50%	50%	Development
2.	Tanin ¹	Israel	50%	50%	Development
3.	Blocks 12, 21, 22, 23, 31	Israel	100%	N/A	Exploration
4.	Prinos	Greece	100%	N/A	Production
5.	Prinos North	Greece	100%	N/A	Production/undeveloped
6.	South Kavala	Greece	100%	N/A	Production
7.	Epsilon	Greece	100%	N/A	Undeveloped
8.	Prinos exploration area	Greece	100%	N/A	Exploration
9.	Katakolo	Greece	100%	N/A	Undeveloped
10.	Ioannina ²	Greece	40%	60%	Exploration
11.	Aitoloakarnania ³	Greece	40%	60%	Exploration
12.	West Kom Ombo	Egypt	60%	40% (Pan Pacific Petroleum)	Exploration
13.	Block 26	Montenegro	100%	N/A	Exploration
14.	Block 30	Montenegro	100%	N/A	Exploration

1 Energean Israel holds 50% interests in Karish and Tanin licences, Kerogen Capital held the remaining 50% (Note 9). At 31 December 2017 Energean Israel is an associate in which the Group has 0% economic interest.

2 In March 2017 the Group agreed to farm out a 60% working interest to Repsol (operator) in Ioannina block.

3 Subject to ratification of lease agreement by Greek Parliament.

The principal operations of the Group are in Greece, Israel, Montenegro and Egypt.

2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The consolidated financial information is presented in US dollars and all values are rounded to the nearest thousand dollars except where otherwise indicated.

Going concern

The Directors have exercised significant judgement in assessing that the preparation of the consolidated financial statements on a going concern basis is appropriate. In making this assessment, the important factors considered, among others, include the current financial position and the profitability of the Group as well their expectations in relation to future business prospects, and future profitability and cash flows of the Group. Another important factor for determining that the going concern basis remains appropriate is the ability of raising necessary funding as and when needed. Subsequent to the balance sheet date, the Group successfully completed an IPO on the London Stock Exchange and raised \$460 million in gross proceeds. Furthermore the Group's liquidity position has been significantly improved by the amendment of the Group's existing EBRD Senior Facility agreement signed on 30 January 2018, increasing available funds to US\$180 million and the addition of a US\$1.275 billion Senior Credit Facility agreement, which will be used to fund Karish and Tanin development costs. Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and consider it appropriate to adopt the going concern basis in preparing the consolidated financial statements.

3. Accounting policies

The principal accounting policies and measurement bases used in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all periods presented in the consolidated financial statements unless otherwise stated.

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as detailed in Note 8. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- ▶ Power over the investee
- ▶ Exposure, or rights, to variable returns from its involvement with the investee, and
- ▶ The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ The Group's voting rights and potential voting rights

The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Accounting policies continued

3.1 Basis of consolidation continued

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

Transactions with non-controlling interests that do not result in loss of control of a subsidiary are accounted for as transactions with the owners (i.e. as equity transactions). The difference between the fair value of any consideration and the resulting change in the non-controlling interests' share of the net assets of the subsidiary is recorded in equity.

3.2 Functional and presentation currency and foreign currency translation

► Functional and presentation currency

Items included in the consolidated financial statements of the Company and its subsidiaries are measured using the currency of the primary economic environment in which each entity operates ('the functional currency').

The functional currency of the Company is US dollars ('US\$'). The US dollar is the currency that mainly influences sales prices and revenue estimates, and also highly affects its operations. The functional currencies of the Group's main subsidiaries are as follows: for Energean E&P Holdings Ltd, Energean Oil & Gas S.A., Kavala Oil SA and Energean Montenegro is Euro, for Energean International Limited and Energean Israel Limited is US\$.

► Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Such monetary assets and liabilities are translated at year end foreign exchange rates. Non-monetary items denominated in a foreign currency are translated at the exchange rates prevailing at the date of the transaction and are not subsequently remeasured.

► Translation to presentation currency

For the purpose of presenting consolidated financial statements information, the assets and liabilities of the Group are expressed in US\$. The Company and its subsidiaries' assets and liabilities are translated using exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in the Group's translation reserve. Such translation differences are reclassified to profit or loss in the period in which the foreign operation is disposed of.

3.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity interests issued by the Group in exchange for control of the acquiree. For each business combination the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognised in the consolidated statement of profit or loss as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified are accounted for in profit or loss. Contingent consideration classified as equity is not remeasured.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* (revised 2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements, are recognised and measured in accordance with IAS 12, 'Income Taxes' and IAS 19, 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-Based Payment* at the acquisition date; and
- non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', are measured at fair value less costs to sell.

If the initial accounting for a business combination is incomplete by the end of the reporting year in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

The measurement period is the year from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as at the acquisition date, and is subject to a maximum of one year.

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

3.4 Investments in joint ventures

A joint arrangement is one in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have the right to the assets and obligations for the liabilities relating to the arrangement. In relation to its interests in joint operations, the Group recognises its share of:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Accounting policies continued

3.4 Investments in joint ventures continued

Joint venture

A joint venture is an arrangement (which usually involves the establishment of a separate entity) that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

The investments in joint ventures are initially recognised at cost and are accounted for by the equity method of accounting. Under the equity method, the investments in joint ventures are carried in the consolidated statement of financial position at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of the net assets of a joint venture since the acquisition date less any impairment in the value of individual investments. The Group's share of post-acquisition profits or losses of a joint venture is recognised in profit or loss. The aggregate of the Group's share of profit or loss of the joint venture is shown on the face of the consolidated statement of profit and loss and represents profit or loss after tax and non-controlling interest in the subsidiaries of the joint venture. Unrealised gains and losses on transactions between the Group and a joint venture are eliminated to the extent of the Group's interest in the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a joint venture at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the joint venture.

At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group determines the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss in the consolidated statement of profit or loss.

The accounting policies of a joint venture are aligned with those adopted by the Group where necessary, to ensure consistency.

3.5 Property, plant and equipment

Property, plant and equipment comprises oil and gas properties, machinery, furniture and fixtures and vessel costs.

Initial recognition

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and 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.

Depreciation

Property, plant and equipment related to hydrocarbon production activities are generally depreciated on a unit of production basis over the proved and probable developed and undeveloped commercial reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. For the purposes of calculating depreciation, the value of oil and gas properties includes both historical capital expenditure and estimated future capital expenditure related to the development of undeveloped 2P reserves. Depreciation of other property, plant and equipment is calculated on the straight-line method so as to write off the cost amount of each asset to its residual value, over its estimated useful life. The useful life of each class is estimated as follows:

	Years
Buildings	12
Vessel cost	5-14
Plant and machinery	7-30
Furniture, fixtures and equipment	7

3.5 Property, plant and equipment continued

Depreciation of the assets in the course of construction commences when the assets are ready for their intended use, on the same basis as other assets of the same class.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells is capitalised within oil and gas properties in property, plant, and equipment on the consolidated statement of financial position.

Repairs, maintenance, and renovations

Expenditure for routine repairs and maintenance of property, plant and equipment is charged to the profit or loss in the year in which it is incurred. The cost of major improvements and renovations and other subsequent expenditure are included in the carrying amount of the asset when the recognition criteria of IAS 16 'Property, Plant and Equipment' are met. Major improvements and renovations capitalised are depreciated over the remaining useful life of the related asset.

3.6 Intangible assets

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses.

Costs associated with maintenance of computer software programs are recognised as an expense when incurred.

Computer software costs are amortised using the straight-line method over their useful lives, which commence when the computer software is available for use. Their amortisation expense is included in administration expenses.

Exploration and evaluation costs

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation assets are accounted for using the successful efforts method of accounting.

Once the legal right to explore has been acquired, costs directly associated with exploration and evaluation are capitalised as exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include licence acquisition costs, directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors and suppliers.

If no potentially commercial reserves are found, the exploration asset is tested for impairment. If potentially extractable hydrocarbons are found and, subject to further appraisal activity (e.g. by drilling further wells), have the potential to be developed commercially, the costs continue to be carried as exploration and evaluation cost while sufficient and continued progress is made in assessing the commerciality of the hydrocarbons. All such capitalised costs are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year, to confirm the continued intention to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off to profit or loss.

When proved reserves of oil are identified and development is sanctioned by management, the relevant expenditure is assessed for impairment and any resulting impairment loss is recognised before reclassifying the balance to oil and gas properties within property, plant and equipment.

Accounting policies continued

3.7 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its depreciable property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Impairment is assessed at the level of cash-generating units (CGUs) which, in accordance with IAS 36 'Impairment of Assets', are identified as the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets. This is usually at the individual royalty, stream, oil and gas or working interest level for each property from which cash inflows are generated.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, which is the higher of fair value less costs of disposal (FVLCD) and value-in-use (VIU). The future cash flow expected is derived using estimates of proven and probable reserves, a portion of resources that is expected to be converted into reserves and information regarding the mineral, stream and oil & gas properties, respectively, that could affect the future recoverability of the Company's interests. Discount factors are determined individually for each asset and reflect their respective risk profiles.

Assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the conditions that gave rise to the recognition of an impairment loss are subsequently reversed and the asset's recoverable amount exceeds its carrying amount. Impairment losses can be reversed only to the extent that the recoverable amount does not exceed the carrying value that would have been determined had no impairment been recognised previously.

Exploration and evaluation assets are tested for impairment when there is an indication that a particular exploration and evaluation project may be impaired. Examples of indicators of impairment include a significant price decline over an extended period, the decision to delay or no longer pursue the exploration and evaluation project, or an expiration of rights to explore an area. In addition, exploration and evaluation assets are assessed for impairment upon their reclassification to producing assets (oil and gas interest in property, plant and equipment). In assessing the impairment of exploration and evaluation assets, the carrying value of the asset would be compared to the estimated recoverable amount and any impairment loss recognised immediately in profit or loss.

3.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating leases

The Group as lessee:

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease as well as prepayments and any other premiums paid are spread on a straight-line basis over the lease term.

3.9 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value, plus transaction costs that are directly attributable to the acquisition of financial assets or the issuance of financial liabilities that are recorded at other than fair value through profit and loss.

Financial assets are classified into the following specified categories: financial instruments 'at fair value through profit and loss' (FVTPL); 'held to maturity investments'; 'available for sale (AFS) financial assets' and 'loans and receivables'. Financial liabilities are classified as FVTPL and other liabilities. The classification of financial instruments depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. For the periods presented the Group's financial assets consist of 'loans and receivables' and FVTPL, and financial liabilities consist of FVTPL and other liabilities.

Financial instruments at fair value through profit or loss

FVTPL includes financial instruments held for trading (HFT) and financial instruments designated upon initial recognition at fair value through profit or loss. Financial instruments are classified as HFT if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as HFT. The Group has not designated any financial instruments at fair value through profit or loss. Financial instruments at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as a gain or loss in the consolidated statement of profit or loss. The Group's financial instruments that have been classified as HFT are derivative instruments.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not HFT or designated at fair value through profit or loss.

Loans and receivables

Loans and receivables that have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at initial recognition at fair value plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial in the consolidated statement of profit and loss. The Group's loans and receivables consist of other non-current assets, cash and cash equivalents and trade and other receivables.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

Accounting policies continued

3.9 Financial instruments *continued*

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited consistent with where the impairment was recorded in the statement of profit or loss.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and other financial liabilities, which include borrowings and trade and other payables. The Group does not have any financial liabilities classified as fair value through profit or loss except derivative instruments.

Other liabilities

Other financial liabilities are recognised initially at fair value, net of directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts the expected cash flows over the estimated life of the instrument to its net carrying amount. The effective interest rate amortisation is included as finance costs in the consolidated statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or it expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Ordinary shares

Ordinary shares are classified as equity and measured at their nominal value. Any premiums received on issue of share capital above its nominal value are recognised as share premium within equity. Associated issue costs are deducted from share premium.

3.9 Financial instruments *continued*

Compound instruments

The component parts of compound instruments (convertible notes) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability at fair value and measured at amortised cost using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to other equity reserves. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

If a conversion option does not meet the definition of an equity instrument, it is classified as a derivative. The conversion option is initially recorded at fair value. The derivative is initially recorded at fair value with the difference between the fair value and the proceeds of issuance recorded as a liability. The derivative is subsequently remeasured with changes to fair value recorded in the consolidated statement of profit or loss.

3.10 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- ▶ Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ▶ Level 2 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
- ▶ Level 3 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Accounting policies continued

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits and also cash reserves retained as a bank security pledge in respect of bank guarantees (Note 13.2), with a maturity of three months or less that are subject to an insignificant risk of changes in their fair value.

The cash reserves retained as a bank security pledge in respect of bank guarantees are defined as restricted cash and held in designated bank deposits accounts to be used only for the purposes of the capital commitments. Release of cash from the accounts can only be made with the approval of the lender when specified expenditure milestones are met. The current and non-current classification of the bank security pledges is determined by the forecast expenditure of the capital commitments.

3.12 Inventories

Inventories comprise crude oil and by-product (sulphur), consumables and other spare parts. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the monthly weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It does not include borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Spare parts consumed within a year are carried as inventory and recognised in profit or loss when consumed.

The Group assesses the net realisable value of the inventories at the end of each year and recognises in the consolidated statement of profit or loss the appropriate valuation adjustment if the inventories are overstated. When the circumstances that previously caused impairment no longer exist or when there is clear evidence of an increase in the inventories' net realisable value due to a change in the economic circumstances, the amount thereof is reversed.

3.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Decommissioning provision

The Group recognises a provision for decommissioning cost and, more specifically, a provision for future restoration of environment disturbed, as of the reporting date, as a result of past drilling activity and in line with prevailing environmental legislation or binding practices. According to the Prinos concession agreement ratified by Greek law, the Group is obliged to plug only the wells opened resulting from own drilling activities. The amount recognised is the estimated cost of restoration, discounted to its present value. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil & gas property. The provision is measured at each reporting date and is appropriately adjusted to reflect the present value of the expenses required to fulfil the obligation. Changes in the estimated timing of restoration or restoration cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment.

The unwinding of the discount on the decommissioning provision is recognised in profit or loss within finance costs.

3.14 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and revenue indirect taxes.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group, the costs incurred or to be incurred can be measured reliably, and the recognition criteria for each of the Group's different activities have been met. These activity-specific recognition criteria are described below.

Sale of crude oil and by-products

Revenue from sale of crude oil and by-products is recognised when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism.

Rendering of services

Revenue from technical advisory services is recognised in the period in which the services are rendered by reference to the stage of completion of the specific service transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Finance income

Finance income is accrued by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.15 Retirement benefit costs

State-managed retirement benefit scheme

Payments made to state-managed retirement benefit schemes (e.g. Government Social Insurance Fund) are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan. The Group's contributions are expensed as incurred and are included in staff costs. The Group has no legal or constructive obligations to pay further contributions if the government scheme does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

Defined benefit plan

The Group operates an unfunded defined benefit plan in which a lump sum amount is specified and is payable at the termination of employees' service based on such factors as the length of the employees' service and their salary. The liability recognised for the defined benefit plan is the present value of the defined benefit obligation at the reporting date.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. The assumptions used in the actuarial valuations are developed by management with the assistance of independent actuaries.

Service costs on the defined benefit plan are included in staff costs. Interest expense on the defined benefit liability is included in finance costs. Gains and losses resulting from other remeasurements of the defined benefit liability are included in other comprehensive income.

3.16 Borrowing costs

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 those 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.

Excluded from the above capitalisation policy are any qualifying assets that are inventories that are produced in large quantities on a repetitive basis.

Borrowing costs include interest expense on loans, and bank overdrafts on an effective rate basis, and other bank charges, and are included in the consolidated statement of profit or loss.

Accounting policies continued

3.17 Tax

Income tax expense represents the sum of current and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated financial statements 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. No deferred tax is recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Current and deferred tax assets and corresponding liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its tax assets and liabilities on a net basis.

Significant estimates are made in determining the tax liability for income taxes. The tax treatment of some transactions and calculations is uncertain and is yet to be agreed with the tax authorities in a number of jurisdictions. The Group recognises tax provision liabilities for anticipated tax issues based on whether it is probable – defined as more likely than not – that additional taxes will be due. This assessment is based on all available evidence and, where appropriate, in the light of external advice. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax liability in the period in which such determination is made.

The Group has recognised deferred tax assets in respect of losses and other temporary differences to the extent that it is probable that there will be future taxable profits against which the losses and other temporary differences can be utilised. The Group has considered their carrying value at each balance sheet date and concluded that, based on management's estimates, sufficient taxable profits will be generated in future years to recover such recognised deferred tax assets. These estimates are based on forecast performance and, where tax losses are subject to expiration, the estimates take into account the expected reversal patterns of taxable temporary differences compared to the future reversal of deductible temporary differences.

3.18 Non-current assets and liabilities classified as held for sale and discontinued operations

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year of the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate, or a portion of an investment in an associate, the investment or the portion of the investment in the associate that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate. After the disposal takes place, the Group accounts for any retained interest in the associate in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' unless the retained interest continues to be an associate, in which case the Group uses the equity method (see the accounting policy regarding investments in associates above) (please refer also to Note 9).

3.19 Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:

- ▶ remeasurement of net defined benefit liability – comprises the actuarial losses from changes in demographic and financial assumptions and the return on plan assets (see Note 3.15)
- ▶ translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into euros and translation reserves from the translation to the Group's presentation currency US\$ (see Note 3.2).

Retained earnings includes all current and prior period retained profits.

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

3.20 New standards, amendments to standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group and Company as of 1 January 2017:

The below amendments did not have a significant impact on the Company and consolidated financial statements for the year ended 31 December 2017.

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

▶ IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The objective of the amendments is to clarify the requirements of deferred tax assets for unrealised losses, in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to: the existence of a deductible temporary difference upon a decrease in fair value, recovering an asset for more than its carrying amount, probable future taxable profit and combined versus separate assessment.

▶ IAS 7: Disclosure Initiative (Amendments)

The objective of the amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes.

▶ The IASB has issued the Annual Improvements to IFRSs 2014-2016 Cycle, which is a collection of amendments to IFRSs.

The following annual improvement has not yet been endorsed by the EU. This improvement did not have an effect on the Group financial statements:

- **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, held for distribution, or as discontinued operations in accordance with IFRS 5.

Accounting policies continued

3.21 Standards issued but not yet effective and not early adopted

► IFRS 9 Financial Instruments: Classification and Measurement

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, an impact assessment of IFRS 9 was performed.

Based on the above assessment the following impact from the adoption of the new standard is expected:

- There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.
- Financial assets currently held will continue to be measured on the same basis under IFRS 9, and accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.
- The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. Based upon an assessment carried out, the Group has determined that, upon adoption, the loss allowance will not increase.
- The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. It appears that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.
- The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments, particularly in the year of the adoption of the new standard.

► IFRS 15: Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g. sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including: disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods, and key judgements and estimates.

The Group plans to adopt the new standard on the required effective date using the modified retrospective method. Based on the Group's assessment of IFRS 15 completed in 2017, no material differences from the current accounting policies were identified. Therefore, the new standard is not expected to have a significant impact on the Group's consolidated financial statements upon adoption.

► IFRS 15: Revenue from Contracts with Customers (clarifications)

The clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the 'separately identifiable' principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Management has assessed that the amendments do not affect the consolidated financial statements.

► IFRS 16: Leases

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognise most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

3.21 Standards issued but not yet effective and not early adopted *continued*

The standard will affect primarily the accounting for the Group's operating leases. However, the Group has assessed that the amendments will not have a material impact on the consolidated financial statements. This is due to the fact that some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

► Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

► IAS 19: Plan Amendment, Curtailment or Settlement (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These amendments have not yet been endorsed by the EU. The Group will examine the impact of the above on its consolidated financial statements.

► IFRS 2: Classification and Measurement of Share-based Payment Transactions (amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

► IAS 40: Transfers to Investment Property (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The amendments clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

► IFRS 9: Prepayment Features with Negative Compensation (amendment)

The amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The Group will examine the impact of the above on its financial statements, though it is not expected to have any.

► IAS 28: Long-term Interests in Associates and Joint Ventures (amendments)

The amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The amendments relate to whether the measurement, in particular impairment requirements, of long-term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These amendments have not yet been endorsed by the EU. The Group will examine the impact of the above on its financial statements, though it is not expected to have any.

Accounting policies continued

3.21 Standards issued but not yet effective and not early adopted *continued*

► IFRIC INTERPRETATION 22: Foreign Currency Transactions and Advance Consideration

The interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date for the transactions for each payment or receipt of advance consideration. The Group will examine the impact of the above on its financial statements.

► The IASB has issued its **Annual Improvements to IFRSs (2014-2016 cycle)**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. The Group will examine the impact of the above on its financial statements, though it is not expected to have any.

– **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

► IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments

The interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation provides guidance on: considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty, and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. The Group will examine the impact of the above on its financial statements.

The IASB has issued its **Annual Improvements to IFRSs (2015-2017 cycle)**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. The Group will examine the impact of the elements below on its financial statements:

– **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

– **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits has been recognised.

– **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

4. Critical accounting estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires the use of accounting estimates and assumptions, and also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Estimates, assumptions and judgement applied are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates, assumptions and judgement are based on management's best knowledge of current events and actions, actual results may ultimately differ.

4.1 Critical judgements in applying the Group's accounting policies

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements:

Determination of a business

Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Group to make certain judgements. A business is a group of assets that includes inputs, outputs and processes that are capable of being managed together to provide a return to the Group and its shareholders. Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on or after acquisition.

In 2016, the Group acquired the remaining 50% of the equity in Energean Israel Limited. The Group concluded that the acquisition did not meet the definition of a business since in acquisition the fair value of the gross assets acquired was not concentrated in a single identifiable asset, and accordingly, the acquisition was accounted for as the acquisition of an asset. The accounting and further detail on the judgement made is set out in Note 9.

Functional currency

The functional currency for the Company and each of its subsidiaries is the currency of the primary economic environment in which the entity operates. Note 3.2 describes the functional currency of each of the entities within the Group. The determination of the functional currency of Energean Oil and Gas S.A. involves certain judgements to determine the primary economic environment. As Energean Oil and Gas S.A.'s capital expenditure, payroll cost, energy costs and exploration and evaluation costs are all predominantly denominated in euro, the Group has determined that the functional currency of the company is the euro. The Group reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

4.2 Estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability the Group uses market-observable data to the extent that it is possible. Where Level 1 inputs are not available, as is the case for estimating a fair value for the convertible loan notes (see Note 9) and the option to purchase Energean Israel Class B shares (see Note 31.4) the Group has used a combination of Level 2 and Level 3 inputs to estimate the fair value.

The Chief Financial Officer reports the valuations to the Board of Directors of the Group every six months to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation technique and inputs used in determining the fair value of the convertible loan notes and the option to purchase Energean Israel Class B shares is disclosed in Note 34.2.

Accounting policies continued

4.2 Estimation uncertainty continued

Impairment of non-financial assets

► Impairment assessment of property, plant and equipment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an indicator of impairment exists, the recoverable amount (which is the higher of fair value less costs to sell and value in use) of the cash-generating unit to which the assets belong is then estimated based on the present value of future discounted cash flows. For oil and gas assets, the expected future cash flow estimation is based on a number of factors, variables and assumptions, the most important of which are estimates of reserves, future production profiles, oil prices and costs. In most cases, the present value of future cash flows is most sensitive to estimates of future oil price, estimates of reserves, estimates of development costs and discount rates. A change in the assumptions could materially change the recoverable amount. In the event that future circumstances vary from these assumptions, the recoverable amount of the Group's development and production assets could change materially and result in impairment losses or the reversal of previous impairment losses.

The fields of Prinos, Prinos North and Epsilon are grouped together in one cash-generating unit (CGU) and reviewed annually for impairment. The carrying value of Prinos CGU as of 31 December was US\$303.9 million. The recoverable amount of the Prinos CGU as of 31 December was estimated above its carrying value therefore no impairment losses were recorded in the Group's profit or loss.

Further details of the Group's economic environment are provided in Note 33. Based on the evaluation performed, No reasonably possible change in any of these key assumptions would cause the unit's carrying amount to exceed its recoverable amount. Further details about the carrying value of property, plant and equipment are shown in Note 6 of the consolidated financial statements.

► Impairment assessment of exploration and evaluation costs

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves, or whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when this new information becomes available. Further details about the carrying value of exploration and evaluation costs are shown in Note 6 to the consolidated financial statements.

Hydrocarbon reserve and resource estimates

The Group's oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to developed and undeveloped proved and probable commercial reserves (2P developed and undeveloped) which are estimated to be recoverable with existing and future developed facilities using current operating methods, as determined in accordance with Petroleum Resources Management System published by Society of Petroleum Engineers, the World Petroleum Congress and the American Association of Petroleum Geologists.

Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices. The level of estimated commercial reserves is also a key factor in assessing whether the carrying value of any of the Group's oil and gas properties has been impaired.

As the economic assumptions used may change and as additional geological information is produced during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results which include:

- Depreciation and amortisation charges in profit or loss may change, where such charges are determined using the unit of production method, or where the useful life of the related assets changes
- Impairment charges in profit or loss
- Provisions for decommissioning may change where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities
- The recognition and carrying value of deferred tax assets and liabilities may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

4.2 Estimation uncertainty continued

The impact upon commercial reserves and the aggregate depletion charge for the year of a +/- 10% fluctuation in the forward Brent oil price assumption as well as a +/-10% fluctuation in the forward foreign exchange rate (euro to USD) are presented in the table below. Management monitors the impact on the commercial reserves and the depletion charge at a Group level. The Group's carrying amount of oil and gas properties for all periods presented is shown in Note 6.

Average forward floating Brent price (amounts in US\$) per annum	Developed and Undeveloped, proved and probable commercial reserves in thousands of barrels	Depreciation (in US\$ 000)
-20% fluctuation of the forward Brent oil price assumption	37,322	17,227
Base scenario	38,191	16,820
+20% fluctuation of the forward Brent oil price assumption	38,191	16,820

Average forward floating FX rate (USD to euro) per annum (based on above forward floating Brent prices)	Developed and undeveloped, Proved and probable commercial reserves in thousands of barrels	Depreciation (in US\$ 000)
-30% fluctuation of the forward foreign exchange rate (Euro to USD)	38,191	13,343
Base scenario	38,191	16,820
+30% fluctuation of the forward foreign exchange rate (Euro to USD)	37,322	19,774

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether future economic benefits are likely from either future exploitation or sale, or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification, and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

Retirement benefit obligation

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases where necessary. The Group sets these assumptions with the assistance of independent professional actuaries. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumptions used may vary from year to year which would affect future net income and net assets. Any differences between these assumptions and the actual outcome also affect future net income and net assets. Further details are shown in Note 18 to the consolidated financial information.

Accounting policies continued

4.2 Estimation uncertainty continued

Income taxes

Significant estimates are made in determining the tax liability for income taxes. The tax treatment of some transactions and calculations is uncertain and has yet to be agreed with the tax authorities in a number of jurisdictions. The Group recognises tax provision liabilities for anticipated tax issues based on whether it is probable, defined as more likely than not, that additional taxes will be due. This assessment is based on all available evidence and, where appropriate, in the light of external advice. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax liability in the period in which such determination is made.

The Group has recognised deferred tax assets in respect of losses and other temporary differences to the extent that it is probable that there will be future taxable profits against which the losses and other temporary differences can be utilised. The Group has considered their carrying value at each balance sheet date and concluded that, based on management's estimates, sufficient taxable profits will be generated in future years to recover such recognised deferred tax assets. These estimates are based on forecast performance and where tax losses are subject to expiration, the estimates take into account the expected reversal patterns of taxable temporary differences compared to the future reversal of deductible temporary differences.

Deferred tax assets recognised from carried forward unused tax losses for the Group amounted to US\$80,571 for the year ended 31 December 2017 (year ended 31 December 2016: US\$56,296).

The Directors regard the deferred tax asset in relation to tax losses and other temporary differences as recoverable, despite the loss-making situation that currently exists, based on their best estimate of future sources of taxable income for the Group.

Recoverability of Kavala subsidies receivable

In December 2015, Kavala Oil SA filed a petition against OAED, the public body for employment and social inclusion in Greece, and the Greek state itself, seeking the payment of €2.5 million (plus interest). This claim is based on the provisions of Art. 21 of the Law Act No 1767/1988 and the Ministerial Decree No 31370/1988, by which Kavala Oil SA believes it was entitled to receive the abovementioned sum as financial support under the action plan (co-funding by national and EU instruments) for promoting sustainable employment in underdeveloped or deprived districts of Greece, such as the area of Kavala.

Following several postponements of the hearing initiated by the Greek state, the hearing took place on 14 June 2017. The Group is of the view, based on legal advice, this petition will prevail and has therefore included a balance within trade and other receivables (Note 12).

Notes to the consolidated financial statements

5. Segmental reporting

The information reported to the Group's Chief Executive Officer and Chief Financial Officer (Chief Operating Decision Makers) for the purposes of resource allocation and assessment of segment performance is focused on five operating segments: Greece (including the production asset of Prinos and the non-producing exploration assets of Ioannina and Katakolo), Israel (including 50% of the Karish and Tanin assets), Egypt (including the non-producing exploration asset of West Kom Ombo), Montenegro (including two non-producing exploration assets) and new ventures. Factors considered to identify the operating segments of the Group are geographical and stage of development.

The operating results of each operating segment are regularly reviewed by the Group's Chief Operating Decision Makers in order to make decisions about the allocation of resources and to assess their performance. The Group's Chief Operating Decision Makers evaluate segmental performance on the basis of adjusted EBITDAX, which is defined as profit/(loss) from continuing operations before tax less depreciation and amortisation, exploration and evaluation expenses, other income, other expenses, finance costs, finance income, gain/(loss) on derivative instruments and net foreign exchange gain/(loss). Adjusted EBITDAX is used by the Chief Operating Decision Makers as the profit measure for the review of the segment operations. The Greece segment comprises the production asset of the Prinos area (including Prinos, Prinos North, South Kavala and Epsilon fields) and north-east Greece (exploration assets of Ioannina and Katakolo). The Group's reportable segment under IFRS 8 Operating Segments is Greece. Segments that do not exceed the quantitative thresholds for reporting information about operating segments have been included in Other.

The following tables present revenue and certain asset information regarding the Group's reportable segments for the years ended 31 December 2017 and 2016.

Segment revenues, results and reconciliation to profit before tax

The following is an analysis of the Group's revenue, results and reconciliation to profit before tax by reportable segment:

	Greece (US\$ 000)	Other (US\$ 000)	Intercompany transactions and elimination adjustments (US\$ 000)	Total (US\$ 000)
Year ended 31 December 2017				
Revenue	55,445	4,379	(2,072)	57,752
Adjusted EBITDAX	21,125	(943)	494	20,676
<i>Reconciliation to profit/(loss) before tax:</i>				
Depreciation and amortisation expenses	(17,946)	(62)	–	(18,008)
Exploration and evaluation expenses	(340)	(9,664)	38	(9,966)
Other expenses	(7,690)	(497)	–	(8,187)
Other income	245	1,540	4	1,789
Finance income	22,130	23,590	(45,706)	14
Finance costs	(29,814)	(38,552)	45,426	(22,940)
Gain on derivative	–	25,786	–	25,786
Net foreign exchange gain/(loss)	36,198	272	(227)	36,243
Profit/(loss) from continuing operations before tax	23,908	1,470	29	25,407
Year ended 31 December 2016				
Revenue	39,724	2,985	(2,985)	39,724
Adjusted EBITDAX	16,072	999	(869)	16,202
<i>Reconciliation to profit/(loss) before tax:</i>				
Depreciation and amortisation expenses	(21,499)	–	–	(21,499)
Exploration and evaluation expenses	–	(1,953)	820	(1,133)
Other expenses	(4,480)	(208)	–	(4,688)
Other income	387	55	(194)	248
Finance income	327	29,375	(29,375)	327
Finance costs	(30,068)	(28,730)	29,487	(29,311)
Net foreign exchange gain/(loss)	(9,982)	(96)	35	(10,043)
Profit/(loss) from continuing operations before tax	(49,243)	(558)	(96)	(49,897)

The Group supplies the produced Prinos crude oil to BP Oil International Ltd until the later of: a) the expiry of the agreement on 31 July 2021 or b) the delivery of ten million barrels.

Notes to the consolidated financial statements continued

5. Segmental reporting continued

The revenue recorded in Other Segments includes revenue from technical services provided by Energean International Limited to Energean Israel Limited subsequent to disposal of 50% of the shares in Energean Israel according to a Technical Services Agreement between the two companies (note 31).

The Exploration and evaluation expenses of 'Other Segment' in the period ended 31 December 2017 includes impairment losses of total amount US\$8,007, (2016: US\$nil) US\$6,663 written off from intangible assets and US\$1,344 from property plant and equipment, relating to exploration expenditure for West Kom Ombo in Egypt, the licence for which expired on 2 October 2017. There are no recoverable costs associated with West Kom Ombo and the asset has been fully written off in 2017. Furthermore the Group recognised a provision of US\$1,285 for the remaining amount of the financial commitment.

6. Property, plant and equipment

Property, plant and equipment at cost	Oil and gas properties (US\$ 000)	Land and buildings (US\$ 000)	Property under construction (US\$ 000)	Vessel and transportation means (US\$ 000)	Plant and machinery (US\$ 000)	Furniture, fixtures and equipment (US\$ 000)	Total (US\$ 000)
1 January 2016	237,034	490	24,241	5,939	47,956	1,455	317,115
Additions	60,902	20	972	3	663	168	62,728
Exploration cost transferred from intangible assets	1,154						1,154
Capitalised depreciation	7,014						7,014
Disposals	-	-	-	(4,574)	-	-	(4,574)
Change in environmental rehabilitation provision	1,205	-	-	-	-	-	1,205
Foreign exchange impact	(10,647)	(16)	(816)	(128)	(1,556)	(44)	(13,207)
At 31 December 2016	296,662	494	24,397	1,240	47,063	1,579	371,435
Additions	61,113	13	2,354	213	1,903	145	65,741
Capitalised depreciation	2,388	-	-	-	-	-	2,388
Change in environmental rehabilitation provision	2,876	-	-	-	-	-	2,876
Foreign exchange impact	33,077	81	7,054	443	1,464	(103)	42,016
31 December 2017	396,116	588	33,805	1,896	50,430	1,621	484,456

Accumulated depreciation and impairment	Oil and gas properties (US\$ 000)	Land and buildings (US\$ 000)	Property under construction (US\$ 000)	Vessel and transportation means (US\$ 000)	Plant and machinery (US\$ 000)	Furniture, fixtures and equipment (US\$ 000)	Total (US\$ 000)
At 1 January 2016	100,681	178	39	1,217	12,836	1,155	116,106
Charge for the year	20,673	56	-	115	411	100	21,355
Disposals	-	-	-	(299)	-	-	(299)
Impairments	-	-	1,007	-	940	-	1,947
Capitalised depreciation to oil and gas properties	-	-	-	-	7,014	-	7,014
Foreign exchange impact	(4,106)	(7)	45	39	(807)	(32)	(4,868)
31 December 2016	117,248	227	1,091	1,072	20,394	1,223	141,255
Charge for the period	17,020	69	-	34	612	73	17,808
Capitalised depreciation to oil and gas properties	-	-	-	-	2,388	-	2,388
Impairment	-	-	1,344	-	-	-	1,344
Foreign exchange impact	12,952	(21)	0	423	(1,530)	(139)	11,685
At 31 December 2017	147,220	275	2,435	1,529	21,864	1,157	174,480
Net carrying amount							
At 31 December 2017	248,895	313	31,370	367	28,567	464	309,976
At 31 December 2016	179,414	267	23,306	168	26,669	356	230,180

6. Property, plant and equipment continued

The oil and gas properties opposite related to the Greek segment (the fields of Prinos, Prinos North and Epsilon) are depreciated at the same rate (see Note 3.5).

Borrowing costs capitalised for qualifying assets, included in 'Additions' of oil & gas properties and property under construction for the year ended 31 December 2017, amounted to US\$1,258 (year ended 31 December 2016: US\$3,992). The interest rates used were:
 ▶ 7.03% (for the year ended 31 December 2017)
 ▶ 15.66% (for the period 1 January 2016 to 31 May 2016) and 6.97% (for the period 1 June 2016 to 31 December 2016).

During the year ended 31 December 2014 and in view of its future drilling campaigns, the Group acquired and initiated the upgrade work of a drilling rig (Energean Force). The Group has issued a first preferred mortgage on the aforementioned Energean Force, in favour of the European Bank for Reconstruction and Development (EBRD) (see Note 15). The depreciation charge of the Energean Force has been capitalised in the oil and gas properties.

The Group recorded impairment and write-off charges on PP&E of US\$1,344 for the year ended 31 December 2017 (year ended 31 December 2016: US\$1,947). The impairment charges in 2017 relates to impairment of drilling materials in West Kom Ombo license and are recorded under 'exploration and evaluation expenses' in the profit or loss. The impairment charges in 2016 relate to machinery and other equipment used in operations.

Depreciation and impairment expenses for the periods has been recognised as follows:

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Cost of sales	17,640	21,218
Exploration and evaluation expenses	1,344	-
Administration expenses	168	137
Capitalised depreciation in oil & gas properties	2,388	7,014
Total	21,540	28,369

6.1 Loss from disposal of property, plant and equipment

In the cash flow statement, loss from the disposal of sale of property, plant and equipment comprise:

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Supply vessel (net book value)	-	4,275
Proceeds from sale	-	(2,698)
Loss from disposal	-	1,577

7. Intangible assets

Intangibles at cost	Computers and software (US\$ 000)	Exploration and evaluation costs (US\$ 000)	Total (US\$ 000)
At 1 January 2016	1,081	4,019	5,100
Additions	299	5,201	5,500
Foreign exchange impact	(81)	(103)	(184)
Exploration cost transferred to oil & gas properties	-	(1,154)	(1,154)
31 December 2016	1,299	7,963	9,262
Additions	281	2,871	3,152
Write-off of exploration and evaluation costs	-	(6,663)	(6,663)
Disposal of exploration and evaluation cost	-	(1,000)	(1,000)
Exchange differences	82	440	522
31 December 2017	1,662	3,611	5,273

Notes to the consolidated financial statements continued

7. Intangible assets continued

	Computers and software (US\$ 000)	Exploration and evaluation costs (US\$ 000)	Total (US\$ 000)
Accumulated amortisation and impairment			
At 1 January 2016	648	249	897
Charge for the year	144		144
Exchange differences	(48)	(9)	(57)
31 December 2016	744	240	984
Charge for the period	200	–	200
Exchange differences	68	21	89
31 December 2017	1,012	261	1,273
Net carrying amount			
At 31 December 2017	650	3,350	4,000
At 31 December 2016	555	7,723	8,278

Disposal of exploration and evaluation cost

In March 2017, the Group agreed to farm out a 60% working interest and operatorship of the Ioannina licence to Repsol. The Group retains a 40% working interest as of 31 December 2017 (Note 1.2). According to the farm-out agreement:

- ▶ On the completion date Repsol paid to the Group the consideration of US\$1 million for all past costs regarding the licence.
- ▶ Repsol will conduct the exploration of the Ioannina block, providing 90% of the committed investment up to US\$25 million and 60% thereafter, in exchange for a 60% interest.

The disposal of exploration and evaluation cost included in the period ended 31 December 2017 relates to 60% of past expenditure in the Ioannina lease area. The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but re-designates 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.

Write-off and impairments

The Group recognised US\$6,663 million in exploration and evaluation expenses in the period ended 31 December 2017, relating to exploration expenditure for West Kom Ombo in Egypt. West Kom Ombo is an exploration block in Upper Egypt, the licence for which expired on 2 October 2017. There are no recoverable costs associated with West Kom Ombo and the asset has been fully written off in 2017.

Amortisation and impairment expenses and write-offs for the period have been recognised in profit or loss as follows:

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Write-off of exploration and evaluation costs	6,663	–
Administration expenses	200	144
Total	6,863	144

8. Subsidiary companies

8.1 Details of subsidiaries

Name of subsidiary	Country of incorporation/registered office	Principal activities	At 31 December 2017 (%)	At 31 December 2016 (%)
Energean E&P Holdings Ltd ¹	36 Vyronos Avenue, 1506 Nicosia, Cyprus	Holding company	100	N/A
Energean Oil & Gas S.A. ²	32 Kifissias Avenue, 151 25 Marousi Athens, Greece	Oil and gas exploration, development and production	100	100
Energean Drilling S.A. ³	32 Kifissias Avenue, 151 25 Marousi Athens, Greece	Oil and gas exploration, development and production	N/A	N/A
Kavala Oil S.A. ⁴	P.O. BOX 8, 64006 Nea Karvali, Kavala, Greece	Provision of oil and gas support services	99.92	99.92
Energean International Limited ⁵	36 Vyronos Avenue, 1506 Nicosia, Cyprus	Oil and gas exploration, development and production	100	100
Energean Israel Limited ⁶ (Note 9)	36 Vyronos Avenue, 1506 Nicosia, Cyprus	Oil and gas exploration, development and production	0	100
Energean Montenegro Limited ⁷	36 Vyronos Avenue, 1506 Nicosia, Cyprus	Oil and gas exploration, development and production	100	100

- 1 Energean E&P Holdings Limited was the holding company of the Group until 30 June 2017, when it became a wholly-owned subsidiary of Energean Oil & Gas plc.
- 2 Energean Oil & Gas S.A. is a subsidiary of Energean E&P Holdings Limited. On 8 December 2014, Energean Oil & Gas S.A. exercised its right to convert its preference shares in Kavala Oil S.A. to common shares to hold a 99.9% participating interest. This conversion was effective in March 2015 (as described in Note 10).
- 3 On 15 June 2016 Energean Drilling S.A. was merged with Energean Oil & Gas S.A.
- 4 Kavala Oil S.A. is a subsidiary of Energean Oil & Gas S.A.
- 5 Energean International Limited is a subsidiary of Energean E&P Holdings Limited.
- 6 As of 31 December 2017, the Group owns 0% of the economic interest and 50% of the voting rights in Energean Israel Limited. As of 31 December 2016, the Group owned 100% of the economic interest in Energean Israel Limited. The Group's interest in the share capital of Energean Israel Limited is described in Note 9.
- 7 On 29 June 2016 Energean Montenegro Limited was formed as the licence-holding vehicle for the application and subsequent award of Blocks 26 and 30 in Montenegro.

8.2 Corporate information and activities of main subsidiaries

Energean Oil & Gas S.A.

Energean Oil & Gas S.A. is engaged in the exploration, extraction and trading of oil and gas. Energean Oil & Gas S.A. was established in 2007 in Greece.

In December 2007, Energean Oil & Gas S.A. acquired Kavala Oil S.A. ('Kavala Oil'), the sole oil and gas production company in Greece, under a licence granted by the Greek State under Law 2779/1999 ('the Licence') for the exploration and production of the crude oil and gas reserves of Prinos and the South Kavala field ('the exploitation areas').

In June 2009, the exploitation areas were assigned by Kavala Oil to Energean Oil & Gas S.A. under an assignment agreement entered into in line with the licence. Under the assignment agreement Kavala Oil remained the Group operating company in respect of the exploitation areas of Prinos. From June 2009 Energean Oil & Gas S.A. became the concession holder of the Prinos, Prinos North, Epsilon and South Kavala oil & gas licences as per Law 2779/1999 as amended by Law 4135/2013. Both Energean Oil & Gas S.A. and Kavala Oil remain jointly and severally liable towards the Greek state in complying with all terms and obligations.

Energean Oil & Gas S.A. also holds a 60% working interest in the Ioannina onshore block in western Greece, as well as a 100% working interest in the 25-year exploitation licence of the Katakolo offshore field.

Notes to the consolidated financial statements continued

8.2 Corporate information and activities of main subsidiaries *continued*

Energean Israel Limited
Please refer to Note 9 below.

9. Investments in Energean Israel

9.1 Details of the joint venture

Energean Israel Limited (formerly Ocean Energean Oil and Gas Limited) was incorporated in Cyprus on 22 July 2014 as a private company with limited liability under the Companies Law, Cap. 113. Its registered office is at Vyronos 36, Nicosia Tower Center, 8th floor, 1096, Nicosia, Cyprus.

The principal activity of Energean Israel Limited is to act, work and operate as an international offshore drilling contractor and/or oil operator, providing oilfield services for offshore oil and gas mining, exploration and production.

As of 31 December 2015 and 2014, Energean Israel Limited was a 50% investment in a joint venture. On 16 August 2016, the Group acquired the remaining 50% of the share capital of Energean Israel Limited for the purpose of investing in the Karish and Tanin licences. The acquisition of the additional 50% did not, however, meet the definition of a business combination as Energean Israel Limited had 0 employees, did not own the Karish and Tanin licences, and the development plan for the offshore fields had not commenced.

Below represents the consideration transferred to acquire the remaining share capital of Energean Israel Limited on 16 August 2016:

Consideration transferred	
Cash paid	41
Fair value of equity interest already held	40
Total consideration transferred	81

Assets and liabilities acquired

	Fair value
Trade and other receivables	2
Cash at bank and in hand	88
Trade and other payables	(9)
Net assets acquired	81
Cash consideration paid	(41)
Cash and cash equivalents acquired	88
Net cash flow on acquisition	47

Acquisition of leasehold rights

On 16 August 2016, Energean Israel Limited entered into a Sale and Purchase Agreement to acquire interests in each of the Tanin and Karish offshore Israel leases issued by the Israel Petroleum Commissioner on 24 December 2015.

Following approval from the Israel Petroleum Commissioner obtained in December 2016, Energean Israel Limited has paid an initial and closing payment of forty million dollars (US\$40,000) and has assumed the obligation to pay the remainder of the consideration being a total additional amount of one hundred and eight million and five hundred thousand dollars (US\$108,500) in ten equal annual payments and ongoing royalties to the sellers. The additional consideration is due on the earlier of the date on which a final investment decision of Energean Israel Limited has been made or the date on which aggregate expenditures in connection with the leases exceed one hundred and fifty million dollars (US\$150,000). The US\$108,500 remaining consideration is not recognised in the consolidated financial statements and does not form part of the consideration.

9.1 Details of the joint venture *continued*

In August 2016, Energean E&P Holdings Limited entered into loan agreements with its founding shareholders Oilco Investments, Growthy Holdings and Adobelero Holdings for loans of US\$4,750, US\$4,750 and US\$500 respectively to fund the US\$10,000 initial payment pursuant to the sale and purchase agreement for the acquisition of the Karish and Tanin rights. Each of the loans bears interest at 2.0% and had an initial term of 90 days. On 21 December 2016, the Group entered into a subscription agreement with Kerogen Capital Limited ('Kerogen'), a private equity fund manager focused on oil and gas, for the investment of US\$50 million to Energean Israel Limited. The initial capital was funded by a US\$35 million convertible loan in December 2016 and a further US\$5 million loan in the first quarter of 2017, to be converted to equity, together with a further equity investment by Kerogen of US\$10 million subject to (i) approval from the Petroleum Commissioner and (ii) the closing of the sale and purchase of the subject interest in accordance with the provisions of the Delek sale and purchase agreement. The loan bears no interest and was repayable by 19 June 2017 in the case that no conversion occurred. The net proceeds received from the issue of the Kerogen convertible loan have been allocated between the financial liability component (\$34,167 as of 31 December 2016) and an equity component (\$737k as of 31 December 2016). The conversion reserve represents the difference between the fair value of the discounted cash outflows to repay the loan from Kerogen, discounted using the market interest rate, and the total proceeds from the convertible loans of US\$40 million.

On 13 June 2017 the Kerogen convertible loan interim facility and founding shareholders' loans were discharged in consideration for the issue of shares in Energean Israel Limited, whereby Kerogen acquired a 50% equity voting interest and a 50% economic interest and the founding shareholders acquired a 50% economic interest in Energean Israel Limited. Energean E&P Holdings Limited retained the remaining 50% of the voting rights of Energean Israel. The shareholders' agreement governing the control and management of Energean Israel Limited specifies that the Group's strategy for the development and operation of the Karish and Tanin fields and the implementation of such strategy are subject to consulting with and obtaining the consent of Kerogen. Accordingly, Energean Israel Limited was classified as a discontinued operation and assets and liabilities held for sale as of 31 December 2016 and ceased to be a subsidiary of the Group on 13 June 2017. Energean Israel Limited was deconsolidated at 13 June 2017.

9.2 Discontinued operations

At 31 December 2016, Energean Israel Limited was presented as a wholly owned subsidiary of Energean E&P Holdings Limited. Based on the Kerogen convertible loan and founding shareholder loans as described above, the Group lost control of Energean Israel Limited on 13 June 2017 and was therefore presented as a discontinued operation in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.

The results of the discontinued operations, which have been included in the consolidated statement of profit or loss, were as follows:

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Administration expenses	(1,112)	(107)
Exploration and evaluation expenses	-	-
Operating loss	(1,112)	(107)
Finance costs	(304)	(126)
Finance income	11	-
Income from foreign exchange transactions	2	4
Share of results of joint venture	-	-
Profit/(loss) from discontinued operations	(1,403)	(229)

A US\$1.5 million gain on disposal of the subsidiary was recognised in other income in profit or loss, based on the difference between the consideration received (nil) and the net liability position of Energean Israel Limited as of 13 June 2017 of US\$1.5 million.

Notes to the consolidated financial statements continued

9.2 Discontinued operations continued

Details of the cash flows of the discontinued operations which are included in the consolidated statement of cash flows are as follows:

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Operating activities	(985)	193
Investing activities	(2,715)	(40,527)
Financing activities	4,702	44,854
Net cash from discontinued operation	1,002	4,520

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	As at 31 December 2016 (US\$ 000)		As at 31 December 2016 (US\$ 000)
Intangible assets	40,528		
Other receivables	66	Other payables	423
Cash and cash equivalents	4,609	Borrowings	44,262
Total assets classified as held for sale	45,203	Total liabilities directly associated with assets classified as held for sale	44,685

9.3 Summarised financial information for Energean Israel Limited at 31 December 2017

On 13 June 2017, Energean Israel Limited was deconsolidated and presented as an investment in associate, in which the Group holds no economic interest. Summarised financial information of Energean Israel Limited as at 31 December 2017 is provided below:

	As at 31 December 2017 (US\$ 000)
Assets	
Non-current assets	61,622
Cash and cash equivalents	6,791
Other current assets	2,003
Total assets	70,416
Liabilities	
Trade and other payables	12,929
Current liabilities	12,929
Net assets	57,487

	For the year ended 31 December (US\$ 000)
Administrative expenses	(2,659)
Finance income	30
Finance costs	(444)
Tax income	704
Net loss	(2,369)
Other comprehensive income	-
Total comprehensive income	(2,369)

10. Non-controlling interests

10.1 Details of the non-controlling interests

Name of subsidiary	Voting rights		Share of loss		Accumulated balance	
	2017 %	2016 %	2017 (US\$ 000)	2016 (US\$ 000)	2017 (US\$ 000)	2016 (US\$ 000)
Kavala Oil S.A.	0.08	0.08	(9)	(1)	294	303
Energean International Limited	-	-	-	-	224,000	-
			(9)	(1)	224,294	303

Kavala Oil S.A.

At 31 December 2014, Kavala Oil Employees Association held a 33% interest in Kavala Oil S.A. (please refer also to Note 8.1). In the year ended 31 December 2015 the Group exercised its right to convert 8,659,046 preference shares to common shares resulting in the Group holding 99.92% of the voting rights. The conversion of the preference shares was accounted for as an equity transaction with US\$nil cash consideration.

Energean International Limited

On 30 June 2017, as part of the Reorganisation Agreement described in Note 31.4, the loan from Third Point in Energean International Limited (Note 15) was discharged in consideration for the issuance of 224,000 new preference shares in Energean International Limited. The Group derecognised the US\$230,761 carrying value of the loan and recognised US\$224,000 in equity for the preference shares. The difference of US\$6,761 was recognised in other reserves as a capital contribution, as Third Point is an ultimate shareholder of the Group. The US\$224,000 equity recognised for the preference shares represents a non-controlling interest in a subsidiary of the Group.

10.2 Dividends

As at 31 December 2017, the declared dividend for the year was US\$nil for both Group and Company (2016: US\$nil).

11. Inventories

	As at 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Raw materials and supplies	4,956	4,054
Crude oil	4,573	8,703
Total inventories	9,529	12,757

The Group's raw materials and supplies consumption for the year ended 31 December 2017 was US\$1,724 (year ended 31 December 2016: US\$2,226, (Note 21)). The Group recognised impairment losses in the year ended 31 December 2017 of US\$nil (year ended 31 December 2016: US\$403) due to obsolete raw materials and supplies.

Notes to the consolidated financial statements continued

12. Trade and other receivables

	As at 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Financial items		
Trade receivables	9,313	2,143
Receivables from related parties	184	3
	9,497	2,146
Non-financial items		
Deposits and prepayments	9,090	2,799
Government subsidies	3,482	3,077
Advance payment to tax authorities against Mandatory Administrative Appeal (Note 17)	–	3,126
Refundable VAT	2,195	2,591
Reimbursement from insurance contracts	420	–
	24,684	13,739

Government subsidies mainly relate to grants from the Greek Public Body for Employment and Social Inclusion ('OAED') to financially support the Kavala Oil S.A. labour cost from manufacturing under the action plan for promoting sustainable employment in underdeveloped or deprived districts of Greece, such as the area of Kavala.

Kavala Oil S.A. participated in this scheme from July 2010 until subsidies ceased to be in force in January 2016. The subsidy balance still outstanding at 31 December 2017 is for the period commencing 1 July 2010 until 31 December 2015.

In December 2015, the Group filed a petition against OAED, and the Greek state itself, seeking the payment of US\$2,998 (€2,500). Following several postponements of the hearing initiated by the Greek state, the hearing took place on 14 June 2017 and the final decision is expected to be announced within the year 2018.

The Group is of the view, based on legal advice, that its petition will prevail.

12.1 Neither past due nor impaired balances

Trade balances

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates. The Group for this purpose allocates its neither past due nor impaired trade receivables as follows:

	As at 31 December	
	2017	2016
Trade balances		
Existing customers with no defaults in past	9,313	2,143
	9,313	2,143

In April 2013 the Group entered into an exclusive agreement for sale of oil products to one client, BP Oil International Ltd, which represents the largest part of trade receivables. Trade receivables are collected within a 30-day period, after the bill of lading date. There was no allowance for impairment of receivables during the year ended 31 December 2017 (year ended 31 December 2016: US\$ nil). In accordance with the aforementioned agreement the Group supplies its produced Prinos crude oil to BP Oil International Ltd until the later of a) the expiry of the agreement on 31 July 2021 or b) the delivery of ten million barrels. In December 2017, Moodys published an A1 credit rating for BP plc.

The credit quality of non-trade financial receivables that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates. The Group for this purpose allocates its neither past due nor impaired trade receivables as follows:

	As at 31 December	
	2017	2016
Non-trade balances		
Related parties with no defaults in past	184	3
	184	3

13. Cash and cash equivalents

13.1 Bank deposits and cash and cash equivalents

	As at 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Cash in hand	16	27
Bank demand deposits	8,128	7,474
Restricted bank deposits	7,548	5,476
	15,692	12,977
Less: Non-current deposits	(1,899)	(1,116)
Current portion	13,793	11,861

The effective interest rate on short-term bank deposits was 0.34% for the year ended 31 December 2017 (year ended 31 December 2016: 0.34%).

13.2 Restricted bank deposits

Non-current portion

According to Greek Law, the Group is obligated to plug wells resulting from its own drilling activities. For this purpose, a committee comprising representatives of the three parties involved in the above law; one appointed by the Greek state, a member of the contractor and a third member jointly by the Greek state. The contractor assigns and adjusts the amount of environment rehabilitation provision, which is kept in a restricted account, for the fulfilment of the contractor's obligations. For this purpose, the Group maintains respective cash reserves, which amounted to US\$422 as of 31 December 2017 (as of 31 December 2016: US\$305).

As of 31 December 2016 an amount of US\$193 was maintained in an escrow account for legal and other expenses related to the senior secured loan from its shareholder Third Point (Note 15). This amount was released in August 2017 following the loan conversion to preference shares.

As of 31 December 2017 an amount of US\$703 (as of 31 December 2016: US\$619) is retained as a bank security pledge for the performance guarantee (amount €587) issued to the Greek Ministry of Environment, Energy & Climate Change in respect of the lease agreement for the Prinos area and in accordance with Law 2779/1999.

As of 31 December 2017 a US\$3,598 (€3,000) guarantee from Energean Montenegro Limited was provided in favour of the state of Montenegro, due to expire on 14 October 2020, relating to the Group's concession and mandatory work programme in Montenegro. The guarantee is secured by a US\$3,598 (€3,000) cash deposit and according to the submitted work programme for the following year an amount of US\$2,824 has been included as the current portion and an amount of US\$774 as the non-current portion.

Current portion

As of 31 December 2017 an amount of US\$2,680 (as of 31 December 2016: US\$4,131), included within current restricted bank deposits, concerns cash reserves retained as a bank security pledge in respect of the bank guarantees issued for the Group's investments in the Ioannina area and corresponds to the current Minimum Expenditure Obligation.

As of 31 December 2017 an amount of \$120 (as of 31 December 2016: US\$220) concerns bid guarantee provided to the Greek state as part of the tender process for exploration in Western Greece, related to the (then) ongoing bid for the Aitolokarnania (since awarded) and Arta Preveza blocks. On 25 May 2017 the Group entered into a lease agreement for the Aitolokarnania block and will be asked to replace the existing US\$120 million bid guarantee with the performance minimum work programme guarantee upon ratification. The US\$113 bid guarantee for the Arta Preveza block expired on 30 June 2017 as this licence was not awarded to the Group.

Notes to the consolidated financial statements continued

14. Share capital

The Company's initial share capital amounted to £50 (US\$65), consisting of an issuance of 50,000 ordinary shares of a nominal value of £1.00 (US\$1.3) each on 8 May 2017. On 30 June 2017 the Company effected a 100 for 1 share split resulting in 5,000,000 ordinary shares of a nominal value of £0.01 (US\$0.013) each.

On 30 June 2017, the Company also became the parent company of the Group through the acquisition of the full share capital of Energean E&P Holdings Limited, in exchange for 65,643,120 £0.01 (US\$0.013) shares in the Company issued to the previous shareholders. As of this date, the Company's share capital increased from £50 (US\$65) to £706 (US\$917). From that point, in the consolidated financial statements, the share capital became that of Energean Oil & Gas plc. The previously recognised share capital of US\$14,904 thousand and share premium of US\$125,851 thousand was eliminated with a corresponding positive merger reserve recognised of US\$139,903 thousand. The tables below outline the share capital of the Company as at 31 December 2017 and that of Energean E&P Holdings Limited as at 31 December 2016.

	As at 31 December			
	2017 Number of shares	2017 (US\$ 000)	2016 Number of shares	2016 (US\$ 000)
Authorised				
Ordinary shares of €1 each			10,940,520	14,904
Ordinary shares of £0.01 each	70,643,120	917		

	As at 31 December			
	2017 Number of shares	2017 (US\$ 000)	2016 Number of shares	2016 (US\$ 000)
Issued and fully paid				
On 1 January	–	14,904	10,940,520	14,904
Group restructuring	65,643,120	(14,052)	–	–
Issuance of shares and share split	5,000,000	65	–	–
At 31 December	70,643,120	917	10,940,520	14,904

15. Borrowings

	As at 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Current borrowings		
Loans from shareholders	–	21,130
Current portion of non-current loan	12,500	–
	12,500	21,130

	As at 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Non-current borrowings		
Bank loans	77,486	60,253
Other loans	1,345	1,182
Loans from shareholders	–	193,683
	78,831	255,118
Total borrowings	91,331	276,248

Loans in the consolidated statement of financial position are presented net of amortised cost. Please see Note 31.3 for details of loans from related parties.

15.1 Maturity of non current borrowings

	As at 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Between one to two years	48,345	–
Between two and five years	42,986	255,118
	91,331	255,118

Loans from shareholders

In 2014, the Group received a senior secured loan from its shareholder Third Point amounting to US\$125,000 in order for the Group to fund the ongoing drilling campaign. The loan was issued at a discount of 90% of face value, had a five year tenor, paid a fixed interest rate of 9.5% until 31 December 2016 and a fixed interest rate of 15.0% for the remaining tenor. In 2015, the loan was amended to increase the amount to US\$179,653. On 30 June 2017, as part of the Reorganisation Agreement described in Note 31.4, the loan was discharged in consideration for the issuance of 224,000 new preference shares in Energean International Limited. The Group derecognised the loan and recognised the preference shares as equity. The equity recognised represents a non-controlling interest in a subsidiary of the Group.

Bank loans

EBRD Senior Facility

In May 2016, the Group signed a Senior Facility Agreement with the EBRD, subsequently amended on 12 July 2016, for a US\$75 million borrowing base facility to fund the Group's development programme in the Prinos, Prinos North and Epsilon fields. The facility is subject to an interest rate of 4.9% plus LIBOR01, in addition to fees and commission.

EBRD Subordinated Facility

In July 2016, the Group signed a EBRD Subordinated Facility Agreement, a subordinated loan agreement with the EBRD, subsequently amended on 8 March 2017, for a US\$20 million facility to fund the Group's exploration activities. The facility is subject to an interest rate of 4.9% plus LIBOR01, in addition to fees and commission and an EBITDA participation amount of up to 3.5% of EBITDA (if EBITDA is positive) depending on the amount of the facility drawn.

Other loans

On 26 March 2013, Cyprus Popular Bank Public Company Ltd (Greek branch) which Kavala Oil S.A. transacted with on European Emission Allowances credits (hereby referred to as 'EUAs') during previous years, was sold to Piraeus Bank. Since then and as of the date of these consolidated financial statements, there has not been any written or oral communication with the Bank. Therefore, the Group has decided to further investigate, seeking legal advice on how to deal with this matter. The amount of the liability as of 31 December 2017 is US\$1,345 (as of 31 December 2016: US\$1,182). These loans are non-interest-bearing and are due on demand.

15.2 Securities pledged

Bank loans

The bank loans are secured as follows:

- ▶ First ranking and second ranking share pledge agreement over Energean Oil & Gas S.A. shares
- ▶ First ranking and second ranking share pledge agreement over Kavala Oil S.A.'s shares
- ▶ First ranking and second ranking contracts pledge and assignment over material agreements related to Prinos drilling
- ▶ First ranking and second ranking insurances pledge assignment
- ▶ First ranking and second ranking accounts pledge and assignment
- ▶ First ranking and second ranking ship mortgage over the *Energean Force* drilling rig

Notes to the consolidated financial statements continued

15.3 The weighted average effective interest rates were as follows:

	As at 31 December	
	2017	2016
Bank loans	7.16%	6.96%
Loans from shareholders (Note 31)	15.42%	15.39%

16. Net deferred tax (liability)/asset

The deferred taxation movement is as follows:

Deferred tax (liabilities)/assets	Property, plant and equipment (US\$ 000)	Deferred expenses and other receivables (US\$ 000)	Inventory (US\$ 000)	Tax losses (US\$ 000)	Staff leaving indemnities (US\$ 000)	Accrued expenses and other short-term liabilities (US\$ 000)	Total (US\$ 000)
At 1 January 2016	(43,862)	6,605	244	42,817	665	469	6,938
Increase/(decrease) for the year through:							
profit or loss (Note 29)	(9,319)	4,024	692	15,578	142	400	11,517
other comprehensive income	-				41	-	41
Exchange difference	2,081	(402)	(287)	(2,099)	(66)	(34)	(807)
31 December 2016	(51,100)	10,227	649	56,296	782	835	17,689
Increase/(decrease) for the period through:							
profit or loss (Note 29)	(11,191)	(14,404)	(339)	15,565	(44)	711	(9,702)
other comprehensive income					74		74
Exchange difference	(7,726)	522	85	8,710	111	141	1,842
31 December 2017	(70,017)	(3,656)	395	80,571	923	1,687	9,903

At 31 December 2017 the Group has unused tax losses of US\$322,063 (as of 31 December 2016: US\$225,184) available to offset against future profits. A deferred tax asset has been recognised as of 31 December 2017 in respect of US\$80,571 (as of 31 December 2016: US\$56,296) of such tax losses.

Tax losses can be utilised to offset taxable profits for a period of time that is dictated by the tax legislation of each country. The above carried forward unused tax losses arise almost exclusively from the Prinos area. Tax losses incurred under the Prinos licence (Law 2779/1999) can be utilised to offset taxable profits up to the termination of Prinos exploitation area.

According to the Ioannina and Katakolo lease agreements the losses incurred in respect of a particular exploitation area prior to the commencement of any exploitable production shall be carried forward without any restrictions for such period. From the commencement of any exploitable production and thereafter, the general income tax provisions shall apply in relation to the carrying forward of losses (currently five years).

The Group expects that there will be sufficient taxable profit in the following years and that deferred tax assets, recognised in the consolidated financial statements of the Group, will be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group has no unrecognised deferred tax liabilities for taxable temporary differences arising on its investments in subsidiaries and associates, and interest in joint ventures.

17. Provisions for liabilities

	Decommissioning (US\$ 000)	Other provisions (US\$ 000)	Total (US\$ 000)
At 1 January 2016	956	-	956
New provisions and changes in estimates	1,284	-	1,284
Payments	-	-	-
Unwinding of discount	95	-	95
Currency translation adjustment	(95)	-	(95)
At 31 December 2016	2,240	-	2,240
Current provisions	-	-	-
Non-current provisions	2,240	-	2,240
New provisions and changes in estimates	2,897	12,462	15,359
Payments	-	(3,839)	(3,839)
Unwinding of discount	229	-	229
Currency translation adjustment	322	683	1,005
At 31 December 2017	5,688	9,306	14,994
Current provisions	-	9,306	9,306
Non-current provisions	5,688	-	5,688

* Note that for the purposes of the provision for decommissioning discount unwinding is charged in the profit or loss.

17.1 Provision for decommissioning

According to Article 27 of Greece's Law 2779/1999, the Group is obliged to plug only wells drilled pursuant to its own drilling activities. For this purpose, a committee was formed comprised of representatives of the three parties involved in the above law: one appointed by the Greek state, one representing the contractor and a third member jointly chosen by the Greek state and the contractor. The committee assigns and adjust the amount of environment rehabilitation expenditure, which should be kept in restricted accounts, for the fulfilment of the contractor's obligations.

The last meeting of the committee in 2004 defined the amount of obligation as US\$310 (€235) which has been adjusted to US\$ at each balance sheet date (as of 31 December 2017: US\$281, as of 31 December 2016: US\$247). This amount was included in the cost of wells, and an equivalent provision for environmental rehabilitation was established.

In excess of this obligation, the Group recognises an estimated restoration amount for each well drilled in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. The amount recognised as a provision is the present value of the expenditure estimate required to settle the obligation at each balance sheet date, discounted at 6.18% until 2032. The provision is reviewed and adjusted at each balance sheet date as necessary.

Notes to the consolidated financial statements continued

17.2 Legal claims

Tax

During the year ended 31 December 2014, the statutory tax audit of Kavala Oil S.A. for the years 2006-2011 was finalised and the official Tax Report was issued by the Greek tax authorities for tax and transfer pricing penalties amounting to US\$6,673 (€5,564). On 22 April 2015, Kavala Oil S.A. has proceeded in executing its Mandatory Administrative Appeal before the Dispute Resolution Directorate of the Greek Ministry of Finance against certain tax assessment notices.

The Group was required to make a prepayment of 50% of the value of the total exposure, thus a total amount of US\$3,238 (€2,782) was paid by Kavala Oil S.A. during 2015. In the year ended 31 December 2016 this amount was presented in trade and other receivables (see Note 12) as an advance payment to Greek tax authorities. In 2017, the amount was no longer recorded as an advance payment due to a provision being recognised in full for the tax and transfer pricing penalties, as fully explained later in this note. In the year ended 31 December 2016 the Group had not recorded a provision for the initial tax and transfer pricing penalty.

The appeals were rejected implicitly by the Dispute Resolution Directorate of the Greek Ministry of Finance. Against the decisions of the Dispute Resolution Directorate, Kavala Oil S.A. filed on 8 October 2015 equal number of appeals before the Athens Administrative Court of Appeal. The discussion of these actions took place in February 2017 and the final decision is expected in 2018.

Developments in the tax audit framework in Greece, and specifically the repeal of the 18-month period under which an unqualified tax certificate issued by the statutory auditors to audited companies was considered to be final and the respective tax year to be considered as 'finalised', resulted in a change in attitude of many taxpayers during the period ended 31 December 2017, in respect of the approach followed with unaudited tax years.

In addition, the five-year statute of limitation for the unaudited year of 2012 ends by the end of 2018. As of 31 December 2017, the Company has not received a tax audit request for the most recent non-prescribed unaudited year, which in the case of Kavala Oil S.A. is 2012.

Kavala Oil S.A.'s court appeal against the transfer pricing penalties as well as the adjustment of the tax losses of the company is still pending and if a tax audit request is submitted to the company before the issuance of the court decision, it is likely that the tax auditors will follow the same approach as their predecessors and adjust the tax losses of the company accordingly.

Following the developments that took place in this period, the Company recognised a provision for its unaudited tax years 2012-2016 of US\$4,155. This takes into consideration the outcome of the tax audit of the Company's transfer pricing policies finalised for fiscal year 2011. This amount corresponds to a corporate income tax amount of US\$2,303 (Note 29) plus penalties and interest of US\$1,851 (Note 29).

The Company has also recorded a provision of US\$6,935 for the fiscal years 2006-2011 which it is currently appealing. The amount differs from the initial assessment in the Tax Report due to additional interest and penalties accruing during the appeals process. The decision of the court is expected to be issued no sooner than the first half of 2018, if the decision is not in favour of the Company, this amount is payable in two equal monthly instalments. In such case, the Group's intention is to submit an appeal at the higher level court (Council of State). An amount of US\$3,839 of the US\$6,935 has been already paid as prepayment in order to enable the Company to submit an administrative appeal. The total provision amounts for transfer pricing penalties of US\$6,935 are included in other expenses (Note 25) and provision amounts for taxation expenses and income tax penalties of US\$4,155 in taxation (expense)/income (Note 29). The total payable amount under the above provision, out of already paid amount of US\$3,839, is included in current liabilities under 'Provisions for liabilities' in the consolidated statement of financial position, since the Company estimates the final decision will not be announced until 30 June 2018.

Other

The Plaintiff, a State Company entrusted with the Operation of the Electricity Transmission System in Greece ('ADMIE'), commenced a claim against Kavala Oil S.A. in November 2014 seeking payments of €376 as utilities charges for the time period 2009-2011. ADMIE alleges that Kavala Oil, as owner of a power plant within the onshore facilities in Kavala and as the operator of this power plant exclusively for industrial own use, is subject to these charges – as any ordinary energy consumer would be under Greek law (Greek Energy Acts Nos. 2773/1999, 4067/2012 & 4001/2011) and the regulation of electricity distribution and transmission charges, approved by the Greek Energy Regulatory Commission ('RAE') in 2008 and 2009 ('Charge Regulation 2008', 'Charge Regulation 2009', 'CHR 2008 & 2009').

17.2 Legal claims continued

It must be noted that RAES' CHR 2008 & 2009 have been contested (by social organisations and other entities of consumers) before the Greek Supreme Administrative Court (Council of State) and due to constitutional illegality annulled. Thus, the abovementioned Act No. 4001/2011 reintroduced provisions similar to those of RAE's CHR 2008 & 2009.

By the decision of the Court of Appeal No. 91/2017 the Group is ordered to pay €376 (plus interest from the claim filing date, 30 December 2014). Thus the Group proceed with a provision amount US\$405 which is included in 'Other expenses'. Effective December 2017, the Group started the repayment of the awarded amount in ten equal instalments of €49.7 each, bearing no interest, of which the first was paid in November 2017 and the tenth and last on shall be paid in August 2018. The Group reserves all rights against ADMIE based on the outcome of the case brought before the Supreme Court.

Allocated as:

	As at 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Provisions to be used after more than 12 months	8,976	4,665
Provisions to be used within 12 months	8,021	–
	16,997	4,665

18. Retirement benefits obligation

The Group provides retirement benefits in the form of lump sum amounts based on an unfunded fixed benefit retirement plan to its employees. The Group's policy is to carry out an independent actuarial valuation every three years of the liabilities with regard to the retirement benefit plan.

According to the plan, a certain percentage of the current salary is converted into a pension component each year until retirement. Pensions under this scheme are paid out when a beneficiary has reached the age of 65. Eligible employees are required to contribute 2% of their pensionable salary. The pension payments are also linked to the Greek consumer price index (CPI) in euros.

In accordance with the provisions of Greek labour law, employees are entitled to compensation in case of dismissal or retirement. The amount of compensation varies depending on salary, years of service and the manner of termination (dismissal or retirement). Employees who resign are not entitled to compensation. The compensation payable in case of retirement is equal to 40% of the compensation which would be payable in case of unjustified dismissal. These plans are not funded and are defined benefit plans in accordance with IAS 19. The Greek subsidiaries charge the accrued benefits in each period with a corresponding increase in the relative actuarial liability. The payments made to retirees in every period are charged against this liability. The liabilities of the Group arising from the obligation to pay termination indemnities are determined through actuarial studies, conducted by independent actuaries.

18.1 Provision for retirement benefits

	As at 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Defined benefit obligation	3,288	2,425
Provision for retirement benefits recognised	3,288	2,425
Allocated as:		
Non-current portion	3,288	2,425
	3,288	2,425

Notes to the consolidated financial statements continued

18.2 Defined benefit obligation

	As at 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
At 1 January	2,425	2,115
Current service cost	296	253
Interest cost	43	39
Extra payments or expenses	34	43
Actuarial losses – from changes in financial assumptions	258	148
Benefits paid	(86)	(89)
Exchange differences	318	(84)
Total	3,288	2,425

The average duration of the defined benefit obligation at 31 December 2017 is 25 years (year ended 31 December 2016: 25 years). As of 31 December 2017, based on historical data, the Group expects benefits of approximately US\$70 to be paid for 2018.

18.3 Impact on total comprehensive income

Amounts recognised in profit or loss:

	For the year ended 31 December	
	2017	2016
Current service cost	210	253
Interest cost	43	41
Extra payments or expenses/(income)	34	43
Total expense	287	337
Amounts recognised in other comprehensive income:		
Actuarial losses – from changes in financial assumptions	258	148
Total remeasurements	545	485

18.4 Actuarial assumptions and risks

The most recent actuarial valuation was made as at 31 December 2017 and was based on the following key assumptions:

	As at 31 December	
	2017	2016
Discount rate	1.50%	1.50%
Expected rate of salary increases	3.59%	3.59%
Average life expectancy	24.57 years	24.57 years
Inflation rate	1.75%	1.75%

Sensitivity analysis

The sensitivity analysis below shows the impact on the defined benefit obligation of changing each assumption while not changing all other assumptions. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	As at 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Effect of +0.5% change in defined benefit obligation		
Discount rate	+9.0%	+9.0%
Expected rate of salary increases	+14.0%	+14.0%
Effect of -0.5% change in defined benefit obligation		
Discount rate	-9.0%	-9.0%
Expected rate of salary increases	-14.0%	-14.0%

18.4 Actuarial assumptions and risks continued

The amounts presented reflect the percentage increase/(decrease) in the given assumption that is required to impact the defined benefit obligation by +/-0.5%, while holding all other assumptions constant.

The plan exposes the Group to actuarial risks such as interest rate risk, longevity changes and inflation risk.

Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high-quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation and it is denominated in euros. A decrease in market yield on high-quality corporate bonds will increase the Group's defined benefit liability.

Longevity of members

The Group is required to provide benefits for life for the members of the plan. Any increase in the life expectancy of the members will increase the defined benefit liability.

Inflation risk

A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Group's defined benefit liability.

19. Trade and other payables

	As at 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Financial items		
Trade payables	47,965	18,976
Accrued expenses	9,664	5,424
Other creditors	2,281	834
Other finance costs accrued	2,071	970
Staff costs accrued	1,461	1,313
	63,442	26,547
Non-financial items		
Social insurance and other taxes	5,631	5,272
Total	5,631	5,272
Less non-current payables	(2,544)	(2,737)
Current portion	66,528	29,082

The non-current payables include US\$2,544 related to the non-current portion of the social security's liabilities.

Finance cost accrued includes accrued interest expenses related to Group's borrowings.

20. Revenue

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Crude oil sales	55,113	38,843
Sales of scrap	17	25
Rendering of services	1,877	–
Petroleum products sales	1,025	1,389
Gain/(loss) on forward transactions	(280)	(533)
Total sales revenue	57,752	39,724

For the year ended 31 December 2017, the amount of US\$1,877 included in 'Revenue from rendering of services' related to services provided by Energean International Limited under the 19 December 2016 Services Agreement to Energean Israel Limited (please refer to Note 31).

Notes to the consolidated financial statements
continued

21. Cost of sales

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Cost of oil sales		
Opening inventory	9,230	4,074
Closing inventory	(4,227)	(9,044)
	5,003	(4,970)
Direct costs		
Depreciation	17,640	21,218
Staff costs (Note 27)	12,598	11,609
Electricity and fuel	5,767	6,014
Processing materials	1,724	2,226
Machinery repairs and maintenance	2,452	2,046
Insurance	1,258	998
Subcontracted work	915	670
Sundry expenses	372	410
Royalties	176	330
	42,902	45,521
Total cost of oil sales	47,905	40,551

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Cost of services		
Staff costs (Note 27)	600	-
Other professional fees	106	-
Other expenses	37	-
Total cost of services	743	-
Total cost of sales	48,648	40,551

22. Exploration and evaluation expenses

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Staff costs (Note 27)	244	1,133
Impairment of exploration and evaluation costs and property, plant and equipment	8,007	-
Provision for bank guarantee related to exploration licence (Note 33.2)	1,285	-
Third-party fees	430	-
Total	9,966	1,133

23. Administration expenses

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Staff costs (Note 27)	3,048	1,989
Telecommunication and other office expenses	432	153
Operating leases	395	251
Licences and taxes	56	29
Repairs and maintenance	92	1
Audit fees for statutory audit	253	92
Auditors' fees for other assurance services	120	69
Auditors' fees for tax services	45	21
Accounting fees	33	12
Legal fees	274	330
Other professional fees	297	301
Overseas travel	319	203
Corporate social responsibility	22	25
Amortisation of intangibles	200	144
Depreciation of property, plant and equipment	168	137
Other administration expenses	237	377
Total general and administrative expenses	5,991	4,134

The Company has a policy on the provision of non-audit services by the auditor which is aimed at ensuring their continued independence. The use of the external auditor for services relating to accounting systems or financial statement preparations is not permitted.

Auditors' fees for other assurance services relate to interim period audit services from the Group's previous auditors. Auditors' fees for tax services relate to services from Group's statutory auditors to the Greek entities regarding the Tax Compliance Certificate.

24. Selling and distribution expenses

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Staff costs (Note 27)	181	163
Advertising	228	131
Sundry expenses	36	42
Total selling expenses	445	336

Notes to the consolidated financial statements
continued

25. Other expenses

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Other taxes	40	7
Other non-operating expenses	811	754
Provision for litigation expenses	6,935	–
Provision for bad debts	401	–
Loss from sales of property, plant and equipment	–	1,577
Impairment loss on property, plant and equipment	–	1,947
Impairment loss on inventory	–	403
Total other expenses	8,187	4,688

Provision for litigation expenses amounting to US\$6,935 relates to transfer pricing penalties (please refer to Note 17.2).

26. Other income

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Reversal of prior period provision	235	248
Profit from disposal of subsidiary	1,540	–
Other income	14	–
	1,789	248

Reversal of prior period provision concerns mainly reversals of prior period provisions related to employee vacation leave and other, as well as previous period energy cost credits.

27. Staff costs

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Wages and salaries	17,274	13,950
Directors' remuneration (Note 31)	2,089	1,720
Social insurance costs and other funds	4,418	3,547
Other staff costs	1,059	1,167
Expenses related to defined benefit plan (Note 18)	304	296
Payroll subsidies	(91)	(13)
Payroll cost capitalised in oil and gas assets and exploration and evaluation costs	(8,358)	(5,773)
Total payroll cost	16,695	14,894
Staff cost included in:		
Cost of sales	13,198	11,609
Administration expenses	3,048	1,989
Exploration and evaluation costs	244	1,133
Selling and distribution expenses	181	163
Other	24	–
Payroll cost expensed	16,695	14,894
Average number of employees (excluding executive Directors):	386	379

28. Finance income and costs

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Finance income		
Interest income	14	327
	14	327
Finance costs:		
Interest-bearing loans and borrowings	6,151	2,407
Amortisation of related parties' loan interest and issuance fees (Note 31)	16,070	28,652
Capitalisation of borrowing costs to assets	(1,258)	(3,992)
Unwinding of discount on provisions	203	93
Interest expenses of pension benefit obligation	43	39
Fees for Group funding purposes	499	610
Other bank charges	1,232	1,502
Total finance costs	22,940	29,311
Net finance costs	(22,926)	(28,984)

Finance income represents interest income earned on cash at banks and on short-term deposits.

29. Taxation (expense)/income

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Corporation tax – current year	(204)	–
Corporation tax – prior years (Note 17.2)	(4,155)	–
Deferred tax (Note 16)	(9,702)	11,517
Total taxation (expense)/income	(14,061)	11,517

Taxation Cyprus

The Group is subject to corporation tax on its taxable profits at the rate of 12.5%. Any capital gains are taxed at the rate of 20%. Under certain conditions interest is subject either to corporation tax or to defence contribution. The relevant corporation tax rate for the year is 12.5% and the defence contribution rate is 30%.

Companies in Cyprus which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are both tax resident and also domiciled in Cyprus. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable for the account of the shareholders. Given the current tax position of the Group's companies in Cyprus, these deemed distribution rules are not applicable.

Taxation Greece

The nominal tax rates applicable to Energean are exclusively governed per each contract area by the provisions of the lease agreements ratified by Laws 2779/1999 (Prinos), 4298/2014 (Katakolo) and 4300/2014 (Ioannina). The applicable tax rate according to the aforementioned agreements for the years ended 31 December 2017 and 2016 is 25%.

On 12 July 2017 a tax audit order was issued by the Greek tax authorities in respect of FY12 for Energean Oil & Gas S.A. and the request for information commenced on 15 January 2018. For FY12, Energean Oil & Gas S.A. was audited by Grant Thornton, in accordance with Article 82 of Greece's Law 2238/1994 and received an unqualified tax certificate. On this basis should any tax liabilities arise from the audit, they are not expected to have a material effect on the consolidated financial statements.

The nominal tax rate of Kavala Oil S.A. for the years ended 31 December 2017 and 2016 is 29%.

Notes to the consolidated financial statements continued

29. Taxation (expense)/income continued

The tax on the Group's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

Reconciliation to Group tax charge:

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Profit/(loss) before tax	24,004	(50,126)
Tax calculated at the applicable tax rates	(6,001)	12,532
Impact of different tax rates	109	(12)
Reassessment of recognised deferred tax asset in the current period	(549)	–
Permanent differences	(3,258)	(1,076)
Other adjustments	12	73
Prior year tax	(4,155)	–
Taxation (charge)/income	(14,061)	11,517

30. Earnings per share

The earnings per share has been calculated by dividing the net profit or loss for the period by the weighted average number of shares outstanding during the year ended 31 December 2017 and 2016. There were no potentially dilutive instruments outstanding during any period, therefore the basic and diluted earnings per common share were equal.

In accordance with IAS 33 'Earnings Per Share', the comparative weighted average number of shares was restated to apply the number of shares which arose from the Group restructuring described in Note 14.

From continuing and discontinued operations

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

Profit/(loss)

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Profit/(loss) from continuing operations attributable to owners of the parent	11,355	(38,379)
Net results from discontinued operations	(1,403)	(229)

Number of shares

	For the year ended 31 December	
	2017	2016
Weighted average number of ordinary shares in issue during the year (prior to the Group restructure)	10,940,520	10,940,520
Weighted average number of ordinary shares in issue during the year (post the Group restructure)	70,643,120	70,643,120

From continuing operations

	For the year ended 31 December	
	Basic and diluted 2017	Basic and diluted 2016
Total income/(loss) from continuing operation per share (prior to the Group restructure)	\$1.04	(\$3.51)
Total income/(loss) from continuing operation per share (post the Group restructure)	\$0.14	(\$0.54)

30. Earnings per share continued

From discontinued operations

	For the year ended 31 December	
	Basic and diluted 2017	Basic and diluted 2016
Total income/(loss) from discontinued operations per share (prior to the Group restructure)	(\$0.13)	(\$0.02)
Total income/(loss) from discontinued operations per share (post the Group restructure)	(\$0.02)	(\$0.00)

30.1 Dividends paid and proposed

As at 31 December 2017, the dividend for the year was US\$nil for both Group and Company (2016: US\$nil).

31. Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group with its associates and other related parties are disclosed below.

The Group is not controlled by any legal entity or physical person, including its shareholders.

Adobelero Holdings Co Ltd. is a beneficially owned holding company controlled by Panos Benos, the CFO of the Group. Growthy Holdings Co Ltd is a beneficially owned holding company controlled by Mathios Rigas, the CEO of the Group. Oil Co Investments Limited is beneficially owned and controlled by Efstathios Topouzoglou, a non-executive Director of the Group. The nature of the Group's transactions with the above related parties is mainly financing activities.

Seven Maritime Company ('Seven Marine') is a related party company controlled by Efstathios Topouzoglou. Seven Marine owns the offshore supply ships *Valiant Energy* and *Energean Wave* which support the Group's investment programme in northern Greece.

Third Point Hellenic Recovery (Lux) S.À.R.L. is a US-based institutional investor that has historically supported the Group through debt funding and remains one of the Group's largest shareholders.

31.1 Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

Sale of assets

In May 2016, the subsidiary Energean Oil & Gas S.A. sold its Greek flagged supply vessel named *Valiant Energy* for the amount of US\$2,698. The net book value of the vessel at the time of the sale was US\$4,275 and therefore a loss of US\$1,577 was recognised in 2016. Later, in May 2016, the subsidiary leased back the vessel through a time charter agreement (an operating lease agreement) with Seven Marine.

Sale of technical services

A Technical Services Agreement dated 19 December 2016 was signed between Energean International Limited and Energean Israel Limited for the provision of project advisory, technical and commercial consulting services between the two companies.

Services are compensated based on daily rates negotiated on an arm's-length basis.

	Nature of transactions	For the year ended 31 December	
		2017 (US\$ 000)	2016 (US\$ 000)
Other related party (under common control)	Sale of vessel	–	2,911
Energean Israel Ltd	Technical services	1,498	–
		1,498	2,911

Notes to the consolidated financial statements continued

31.1 Trading transactions continued

Purchase of goods or services

	Nature of transactions	For the year ended 31 December	
		2017 (US\$ 000)	2016 (US\$ 000)
Key management	Financial advisory services	–	512
Other related party	Property lease	67	70
Other related party 'Seven Marine'	Vessel leasing	6,430	2,482
Third Point Hellenic Recovery Fund L.P.	Finance cost	16,070	28,652
Growthy Holdings CO	Finance cost	43	35
Oilco Investments Limited	Finance cost	43	35
Adobelero Holdings CO	Finance cost	4	4
		22,657	31,790

During year 2016 the Group received financial advisory services for the Group's funding purposes from a company under the control of one of its executive Directors. The services were rendered at cost plus a mark-up. Property lease to other related party includes rental fees of a flat in London at a monthly rent of £4,300. The flat is used as a company flat for Energean's staff and consultants during London meetings. The flat is beneficially owned by executive director wife. The following amounts were outstanding at each balance sheet date:

Payables to related parties

	Nature of balance	For the year ended 31 December	
		2017 (US\$ 000)	2016 (US\$ 000)
Energean Israel Limited	Technical services	1,477	–
Other related party 'Seven Marine'	Vessel leasing	2,562	214
Key management	Financial advisory services	–	310
		4,039	524

Related party balances are included within trade payables.

Receivables from related parties

	Nature of balance	For the year ended 31 December	
		2017 (US\$ 000)	2016 (US\$ 000)
Other related parties 'Seven Marine'	Sale and leasing of vessel	–	1,747
		–	1,747

Related party balances are included within trade and other receivables. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

31.2 Key management compensation

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group. The definition of key management personnel includes Directors (both executive and non-executive) and other executives from the management team with significant authority and responsibility for planning, directing and controlling the entity's activities. Key management personnel compensation comprises the following:

Directors' remuneration

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Salary and fees	1,771	1,720
Annual bonus	1,657	–
Total	3,428	1,720

31.2 Key management compensation continued

The above amounts for remuneration includes the following in respect of the highest paid director:

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Salary and fees	776	1,173
Annual bonus	1,037	–
Total	1,813	1,173

The directors did not receive any other remuneration.

31.3 Loans from related parties (Note 15)

	Nature of balance	As at 31 December	
		2017 (US\$ 000)	2016 (US\$ 000)
Third Point Hellenic Recovery Fund L.P. (Shareholder – interest 44.61%) – Note 15	Principal	–	179,653
Third Point Hellenic Recovery Fund L.P. (Shareholder – interest 44.61%) – Note 15	Accrued interest, net of discount	–	35,160
Growthy Holdings CO Limited (Shareholder – interest 24.60%) – Note 9	Principal	–	4,750
Growthy Holdings CO Limited (Shareholder – interest 24.60%) – Note 9	Accrued interest	–	35
Oilco Investments Limited (Shareholder – interest 24.60%) Note 9	Principal	–	4,750
Oilco Investments Limited (Shareholder – interest 24.60%) Note 9	Accrued interest	–	35
Adobelero Holdings CO Limited (Shareholder – interest 3.75%) Note 9	Principal	–	500
Adobelero Holdings CO Limited (Shareholder – interest 3.75%) Note 9	Accrued interest	–	4
		–	224,887

31.4 Reorganisation

On 30 June 2017 the Group entered into a Reorganisation Agreement which was subsequently amended by the 'Supplementary Agreement' dated 31 October 2017. The Reorganisation Agreement is between the Company and the existing shareholders of Energean E&P Holdings ('the Existing Shareholders'), Energean E&P Holdings, Energean Israel and Energean International. Under the Reorganisation Agreement, the Company became the holding company of the Group (see Note 1.1) and the senior secured loan from Third Point and certain other parties was discharged in exchange for US\$224 million preference shares in Energean International Limited.

The preference shares in Energean International Limited have no voting rights. Rights to future capital and distributions comprise the right to a return of capital of \$224 million upon winding up of Energean Israel Limited and, as clarified in the Supplementary Agreement dated 31 October, priority over distributions to the Company's ordinary shareholders up to an amount of \$224 million.

Under the Reorganisation Agreement dated 30 June 2017 and the subsequent Supplementary Agreement dated 31 October 2017, the Group also made the following commitments:

- ▶ Under the Reorganisation Agreement dated 30 June 2017, in the event of an Exit transaction as defined in the Reorganisation Agreement, the Group committed to acquire the preference shares in Energean Israel Limited. Consideration would be in the form of ordinary shares of the Company to the value of \$224 million in the event of a Sale transaction or \$240 million in the case of an IPO. Under the Reorganisation Agreement, each of Third Point and the Founders may at any time propose an Exit Event at which time each of the other parties to this Agreement shall: (i) give such co-operation and assistance as such Parties may reasonably request; and (ii) use all reasonable endeavours to procure that such Exit Event is achieved in accordance with such proposal, and therefore the contingent settlement provision of the preference shares represented a financial liability at 30 June 2017, initially recognised at its fair value and subsequently carried at amortised cost (see Note 34.2 for the impact on the consolidated financial statements). Under the Supplementary Agreement dated 31 October 2017, the process for implementation of an Exit Event (whether by reference to an IPO or Sale) requires the consent of each of Third Point, the Founders and the Company, therefore the liability recognised was extinguished on 31 October 2017 with no impact on profit or loss.
- ▶ Under the Reorganisation Agreement dated 30 June 2017, in the event of an Exit transaction as defined in the Reorganisation Agreement, the Group committed to acquire the Founders' 50% interests in the B shares of Energean Israel Limited which represent 50% of the beneficial ownership of Energean Israel. Taken together with the Group's A shares of Energean Israel Limited (see Note 9), this would result in Energean Israel becoming a 50% joint venture investee of the Group. Consideration would be in the form of ordinary shares of the Company to the value of \$50 million in the event of a Sale transaction or \$150 million in the case of an IPO.

Notes to the consolidated financial statements continued

31.4 Reorganisation continued

► Under the Reorganisation Agreement, the Group was contractually obliged to pursue an Exit transaction, and therefore the contingent share purchase represented a derivative financial instrument at 30 June 2017, carried at fair value through profit and loss (see Note 34.2). Pursuant to the terms of the Supplementary Agreement the Company agreed to acquire the Energean Israel Limited Class B Shares from its founder shareholders upon the occurrence of:

- (i) a Sale for US\$10 million in cash (rather than for the issue of New Shares as contemplated by the Reorganisation Agreement); or
- (ii) an IPO for US\$10 million in cash (rather than for the issue of New Shares as contemplated by the Reorganisation Agreement).

The impact of the Supplementary Agreement on the derivative financial instrument was recognised as a credit to equity. In March 2018 the Company completed the admission of its shares to the Premium Segment of the London Stock Exchange.

32. Legal cases and other contingent liabilities

32.1 Other contingent liabilities

The Group had no material contingent liabilities as of 31 December 2017 and 2016.

33. Commitments and contingencies

33.1 Operating lease commitments

The non-cancellable operating lease agreements entered by the Group relate mainly to:

- Lease of supply vessel *Valiant Energy*;
- Lease of supply vessel *Energean Wave*;
- Office rentals; and
- Vehicle leases.

The total operating lease expenses for the year ended 31 December 2017 amounted to US\$395 (year ended 31 December 2016: US\$251).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	For the year ended 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Within one year	6,373	6,546
Between one and five years	6,798	5,904
After five years	165	219
	13,336	12,669

33.2 Performance guarantees

Energean Israel Limited, on 25 December 2016, submitted to the Petroleum Commissioner two irrevocable bank guarantees issued by HSBC of US\$10 million each, for each of the Karish and Tanin leases, to secure compliance with the leases and related liabilities. The guarantees replace the respective guarantees in the amount of US\$7.5 million each given by the previous leaseholders Noble, Delek, and Avner.

The Group has issued a Letter of Guarantee of US\$6,000 to beneficiary Ganoub El Wadi Holding Petroleum ('GANOPE'), which is the Egyptian Oil Commissioning Authority, in respect of the capital and financial commitments of its related entity, Energean International Limited, in the area of West Kom Ombo. As of 31 December 2017, the US\$6,000 guarantee has been reduced to US\$2,225 and is now due to expire on 2 May 2018. The Group relinquished the area in October 2017 and the respective bank guarantee was further reduced in April 2018 to the amount of US\$1,285. The Group in the year ended 31 December 2017, recognised a provision of US\$1,285 for the remaining amount of the financial commitment (note 22).

The Group provided a performance guarantee for the amount of US\$704 (€587) issued to the Greek Ministry of Environment, Energy and Climate Change in respect of the contract with the Greek State for exploitation in the Prinos area. See Note 13.2.

33.2 Performance guarantees continued

In relation to the investment in the areas of Ioannina and Katakolo, Energean Oil & Gas S.A. and its partners proceeded to provide bank guarantees in favour of the Greek Ministry of Environment & Energy for total amounts of US\$8,600 (€7,900), and US\$751 (€690), for each area respectively. The purpose of these guarantees is the security of the minimum expenditure obligation per area, by Energean Oil & Gas S.A. and its partners, as this derives from the provisions of the respective lease agreements.

As of 31 December 2016, the US\$8,600 (€7,900) performance bank guarantee related to Ioannina block was reduced to US\$6,507 (€6,173) while as of 31 December 2017 it has been further reduced to US\$6,666 (€5,558), and will be further reduced from time to time to represent the remaining minimum expenditure obligations. For the security of any bank claim on the aforementioned guarantees, Energean Oil & Gas S.A. proceeded to restricting an amount of US\$2,680 (€2,235), which corresponds to its 40% participating interest as described in Note 13.2.

The performance bank guarantee of US\$379 (€360) related to Katakolo block has already expired, since Energean Oil & Gas S.A. has executed the committed minimum expenditure.

A €3.0 million guarantee from Energean Montenegro Limited in favour of the state of Montenegro, due to expire on 14 October 2020, relates to the Group's concession and mandatory work programme in Montenegro. The guarantee is secured by a €3.0 million cash deposit (see Note 13.2).

33.3 Contingent consideration

Energean Israel Limited has an obligation to pay a total additional amount of one hundred and eight million and five hundred thousand dollars (US\$108,500) in ten equal annual payments for the acquisition of the Tanin and Karish offshore Israel leases as described in Note 9.1. This additional payment represents contingent consideration that is not recognised within the consolidated financial statements. The contingent consideration is due on the earlier of the date on which a final investment decision of Energean Israel Limited has been made or the date on which the aggregate expenditures in connection with the Israeli leases exceed US\$150,000.

34. Financial assets and liabilities

34.1. Carrying amount

The carrying amount of each class of financial assets and liabilities included in the consolidated statement of financial position is as follows:

	Notes	As at 31 December	
		2017 (US\$ 000)	2016 (US\$ 000)
Financial assets			
<i>Measured at amortised cost:</i>			
Cash and cash equivalents and bank deposits	13, 9	15,692	17,586
Trade and other receivables	12	9,497	2,146
<i>Measured at fair value through profit or loss:</i>			
Derivative asset		93,292	–
		118,481	19,732
Financial liabilities at amortised cost			
Borrowings	15, 9	91,331	310,415
Trade and other payables	19	63,442	26,547
		154,773	336,962

34.2. Fair value measurements

The information set out below provides information about how the Group determines fair values of various financial assets and liabilities.

The fair values of the Group's financial assets and liabilities measured at amortised cost approximate to their carrying amounts at the reporting date. The carrying value less any estimated credit adjustments for financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values due to their short term-nature.

Notes to the consolidated financial statements continued

34.2. Fair value measurements continued

The Group has only one material financial asset measured at fair value at 31 December 2017 which relates to the Energean Israel B shares. As part of the reorganisation, the Group on 30 June 2017 committed to acquire the 50% of the class B shares of Energean Israel Limited in an Exit Event (See Note 31.4).

The valuation technique used multiplies the estimated likelihood of an Exit (being an IPO or a Sale) by the estimated difference between the consideration payable under the commitment and the estimated value of the B shares to be acquired under the commitment. The key input assumptions used in the fair value measurement calculation are the estimated likelihood of an IPO event and value of the B shares. An Exit in the form of a Sale is considered to be of negligible likelihood. The other significant inputs are the transaction prices applicable in an Exit Event, which are contractually agreed amounts, and the discount rate assumption used in the calculation which was 11.5%. The fair value of the derivative asset is a Level 3 fair value measurement in the fair value measurement hierarchy, because the valuation relies significantly on input assumptions that are unobservable.

On remeasurement on 31 December 2017, the value of the B shares was estimated based on the price negotiated at a similar time with a third party for another tranche of the B shares in a separate transaction. The likelihood of a future IPO occurring was estimated as of 31 December 2017 to be 50%, having regard to the considerable progress made to prepare for an IPO as of that date, but also to the fact that there were a number of significant steps not wholly under the control of the Group that remained to be achieved, and the inherent uncertainty in achieving any IPO due to capital market conditions.

The change in fair value of US\$25,786 between 30 June 2017 and 31 December 2017 is included in 'Gain on derivative' in the consolidated statement of profit or loss as it is due to changes in measurement assumptions.

Also on 31 October 2017, under the Supplementary Agreement (see Note 31.4) the consideration payable to acquire the B shares in the event of an IPO was reduced from US\$150 million to US\$10 million. The resulting increase in the value of the derivative asset of US\$67,506 (after applying the 50% IPO likelihood assumption and other discounting effects) is recorded in the consolidated statement of changes in equity as the Supplementary Agreement is a transaction with owners, giving the derivative asset a closing value as of 31 October 2017 of US\$91,615. As of 31 December 2017 the derivative asset was further increased to US\$93,292 due to unwinding of the discount applied at the recognition, resulted in additional gain of US\$1,677 recorded in profit or loss.

If the probability of an IPO increased to 100%, whilst the probability of a sale was 0% and the discount rate was held constant, the fair value of the derivative asset to purchase Energean Israel Class B shares at 31 December 2017 would increase by US\$93,292.

If the discount rate increased from 11.5% to 20%, whilst the probability of an IPO and probability of a sale were held constant, the fair value of the derivative asset to purchase Energean Israel Class B Shares at 31 December 2017 would decrease by US\$1,135.

Upon recognition, the derivative was the only instrument in the Level 3 category of the fair value hierarchy. There were no transfers in or out of this category in the period, and the only movement in the category relates to the increase in fair value of the derivative.

The fair value hierarchy of financial assets and financial liabilities that are not measured at fair value (but fair value disclosure is required) is as follows:

	Fair value hierarchy as at 31 December 2017			
	Level 1 (US\$ 000)	Level 2 (US\$ 000)	Level 3 (US\$ 000)	Total (US\$ 000)
Financial assets				
Trade and other receivables	–	9,497	–	9,497
Cash and cash equivalents and bank deposits	15,692	–	–	15,692
Total	15,692	9,497	–	25,189
Financial liabilities				
<i>Financial liabilities held at amortised cost:</i>				
Borrowings	–	91,331	–	91,331
Trade and other payables	–	63,442	–	63,442
Total	–	154,773	–	154,773

34.2. Fair value measurements continued

	Fair value hierarchy as at 31 December 2016			
	Level 1 (US\$ 000)	Level 2 (US\$ 000)	Level 3 (US\$ 000)	Total (US\$ 000)
Financial assets				
Trade and other receivables	–	2,146	–	2,146
Cash and cash equivalents and bank deposits	17,586	–	–	17,586
Total	17,586	2,146	–	19,732
Financial liabilities				
<i>Financial liabilities held at amortised cost:</i>				
Borrowings	–	276,248	–	276,248
Convertible loan notes	–	34,167	–	34,167
Trade and other payables	–	26,547	–	26,547
Total	–	336,962	–	336,962

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the year.

35. Financial risk management

The Group's Treasury function provides services to the business and monitors and manages the financial risks relating to the operations of the Group, through internal reporting which analyses exposures by degree and magnitude of risk. These risks include market risk (interest rate risk, credit risk, foreign exchange risk, liquidity risk).

The Treasury function reports monthly to the Board of Directors to monitor risks and policies implemented to manage risk exposures.

35.1 Interest rate risk

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 December 2017, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-1%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	As at 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Variable rate instruments		
Financial liabilities	89,986	60,253
	89,986	60,253

Interest rate sensitivity

	Profit and equity for the period	
	1%	1%
31 December 2017		
31 December 2016	1,165	(962)
	305	(305)

35.2 Credit risk

Credit risk is the risk of a failure by counterparties to discharge their obligations, which could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has policies in place to ensure that all of its transactions giving rise to credit risk are made with parties having an appropriate credit history, and monitors on a continuous basis the ageing profile of its receivables.

Notes to the consolidated financial statements continued

35.2 Credit risk continued

Also, the Group has policies to limit the amount of credit exposure to any banking institution, considering among other factors the credit ratings of the banks with which deposits are held. Credit quality information in relation to those banks is provided below.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date, without taking account of any collateral obtained, was:

	As at 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Trade receivables	9,313	2,143
Other receivables	184	3
Cash and cash equivalents and bank deposits	15,692	17,586
Total	25,189	19,732

Credit quality of non-impaired bank deposits

The credit quality of the banks in which the Group keeps its non-impaired deposits is assessed by reference to the credit rating of these banks. The credit ratings of the corresponding banks in which of the Group keeps its deposits as follows:

AA/Aa2
AA/Aa3
Lower than B-/B3

The Company has assessed the recoverability of all cash balances and believe they are presented at fair value within the consolidated statement of financial position.

35.3 Foreign exchange risk

The Group is exposed to foreign exchange risk as it undertakes operations in various foreign currencies. The key sources of the risk are attributed to the fact that the Group has certain subsidiaries with euro functional currencies in which a number of loan agreements denominated in US\$ and sales of crude oil are additionally denominated in US\$.

The Group's exposure to foreign currency risk at each reporting date is shown in the table below. The amounts shown are the US\$ equivalent of the foreign currency amounts.

	Liabilities		Assets	
	As at 31 December		As at 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)	2017 (US\$ 000)	2016 (US\$ 000)
US\$ (amounts in US\$'000)	89,985	272,441	17,240	6,423
United Kingdom pounds (amounts in US\$'000)	–	1,741	403	3
Total	89,985	274,182	17,643	6,426

The following table reflects the sensitivity analysis for profit and loss results for the year and equity, taking into consideration for the periods presented foreign exchange variation by +/-10%.

	31 December 2017				31 December 2016			
	USD		GBP		USD		GBP	
	Variation 10%	-10%	10%	Variation -10%	10%	Variation -10%	10%	Variation -10%
Profit or loss (before tax)	9,182	(11,222)	77	(112)	25,395	(31,038)	166	203
Other comprehensive income	(1,595)	828	–	–	1,551	(2,707)	–	–
Equity	7,587	(10,394)	77	(112)	26,946	(33,745)	166	203

The above calculations assume that interest rates remain the same as at the reporting date.

35.4 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially can increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The Group manages its liquidity risk by ongoing monitoring of its cash flows. Management budgets and follows up its cash flows and appropriately acts for available cash deposits and credit lines with the banks.

As part of the derivative asset recognition under the Reorganisation and Supplementary Agreement (Note 31.4), there is a contractual cash flow of US\$10 million to be paid on either a Sale transaction or an IPO. The carrying value of the derivative asset as of 31 December 2017 is US\$93,292.

31 December 2017	Carrying amounts (US\$ 000)	Contractual cash flows (US\$ 000)	3 months or less (US\$ 000)	3-12 months (US\$ 000)	1-2 years (US\$ 000)	2-5 years (US\$ 000)	More than 5 years (US\$ 000)
Bank loans	89,986	90,915	–	12,500	34,500	43,915	–
Other loans	1,345	1,345	–	–	1,345	–	–
Trade and other payables	69,073	69,073	52,689	14,393	526	1,465	–
	160,404	161,333	52,689	26,893	36,371	45,380	–

31 December 2016	Carrying amounts (US\$ 000)	Contractual cash flows (US\$ 000)	3 months or less (US\$ 000)	3-12 months (US\$ 000)	1-2 years (US\$ 000)	2-5 years (US\$ 000)	More than 5 years (US\$ 000)
Investor loans (Note 9.1)	34,167	35,000	–	35,000	–	–	–
Bank loans	60,253	73,169	858	3,024	3,860	65,427	–
Other loans	1,182	1,182	–	–	1,182	–	–
Trade and other payables	26,547	26,547	26,547	–	–	–	–
Loans from shareholders	214,813	324,573	–	21,130	42,263	261,180	–
	336,962	460,471	27,405	59,154	47,305	326,607	–

36. Other risk management

36.1 Inventory market price risk

External market conditions can impact our financial performance. Supply, demand and the prices achieved for our products can be affected by a wide range of factors including political developments, technological change, global economic conditions and the influence of OPEC.

Hedging activity

The Group does not have a formal hedging policy with regard to the oil price and is limited in the scope of its hedging activities under the terms of its facility agreements with the EBRD. Historically, hedging has been undertaken via zero-cost collars for general downside risk and fixed price contracts to set a fixed price for a set number of barrels for a known future BP lifting to protect against either (i) a fall in the oil price and/or (ii) the pricing optionality afforded to BP under the BP Offtake Agreement.

36.2 Customer concentration risk

The Group's revenue is derived from a single major customer. The loss of this customer would adversely affect the Group's financial position and operating results. The Group takes all reasonable steps to maintain a good relationship with that customer.

Notes to the consolidated financial statements continued

37. Capital management

The Group for management purposes determines as capital, defined as total equity, including all reserves, plus its shareholders, subordinated debt.

Shareholders' subordinated debt represents loans from the shareholders of the Group. The Group defines net debt as the Group's total borrowings (including current and non-current borrowings) less cash and cash equivalents.

The Group manages its capital and net debt to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the balance between its net debt and capital.

The Group manages its capital structure and takes reasonable steps in the light of changes in economic conditions and the risk characteristics of its underlying business and assets. In order to maintain or improve its capital structure the Group may issue new shares, sell assets to reduce debt, refinance existing borrowings, and/or adjust the amount of any distribution of dividends.

The net debt at the end of the period is calculated using the following amounts, as shown in the consolidated statement of financial position:

	As at 31 December	
	2017 (US\$ 000)	2016 (US\$ 000)
Bank and other loans	91,331	61,435
Cash and cash equivalents and bank deposits	(15,692)	(12,977)
Net debt	75,639	48,458
Total equity	288,982	(16,120)
Shareholders' subordinated debt	-	214,813
Capital	288,982	198,693
Gearing ratio (net debt/capital)	26.17%	24.39%

38. Subsequent events

On 21 March 2018 the Company completed the admission of its shares to the Premium Segment of the London Stock Exchange and raised gross proceeds of US\$460 million.

On 16 March the Company acquired 50% of the preference shares of Energean Israel from its founder shareholders after paying the total consideration of US\$10 million (please refer to Note 31.4).

In March 2018, further to a subscription agreement pursuant to which the Group agreed to subscribe for additional shares in Energean Israel Limited for an aggregate consideration of US\$266.7 million, the Group acquired an additional 20% of Energean Israel shares, with Kerogen holding the remaining 30%.

In March 2018 the Group proceeded with a Final Investment Decision (FID) on the Karish and Tanin offshore Israel leases. In consequence the Group proceeded with the recognition of a liability in respect of the deferred consideration for the acquisition of the Tanin and Karish leases of US\$108.5 million due in ten equal annual payments.

On 30 January 2018, the Group's existing EBRD Senior Facility Agreement was amended and restated pursuant to the RBL Senior Facility Agreement. The RBL Senior Facility Agreement comprises two facilities – a facility of up to US\$105 million with EBRD and the Black Sea Trade and Development Bank (BSTDB) as lenders (the 'IFI Facility') and a US\$75 million facility pursuant to which the Export-Import Bank of Romania Eximbank SA ('Romanian ECA') and Banca Comerciala Intesa Sanpaolo Romania S.A. (with 95% insurance cover from the Romanian ECA) as lenders (the 'Romanian Club Facility'). Proceeds from the Romanian Club Facility will finance exclusively 85% of the value attributable to goods and services under the GSP Engineering, Procurement, Construction and Installation Contract (EPCIC).

On 12 February 2018, the Group signed an amendment to the BP Offtake Agreement to extend the contract to supply the produced Prinos crude oil to BP Oil International until the later of a) the expiry of the agreement on 1 November 2025 or b) the delivery of twenty-five million barrels. As of 31 December 2017 the Group has delivered 3,974,667 barrels under the BP Offtake Agreement.

Company statement of profit or loss and other comprehensive income

	Notes	For the period from 8 May 2017 to 31 December 2017 (US\$ 000)
General and administrative costs		(779)
Operating profit		(779)
Gains (losses) on derivative financial Instruments, net	4	25,786
Profit/(loss) before taxation		25,007
Income tax		-
Other comprehensive income		-
Total profit/(loss) and other comprehensive income		25,007

All capital and reserves are attributable to the owners of the Company, as there is no non-controlling interest.

Company statement of financial position

As at 31 December 2017

	Notes	2017 (US\$ 000)
Assets		
Non-current assets		
Investment in subsidiaries		852
		852
Current assets		
Trade and other receivables	3	4,848
Derivative asset	4	93,292
		98,140
Total assets		98,992
Liabilities		
Current liabilities		
Trade and other payables	5	5,562
		5,562
Total liabilities		5,562
Capital and reserves		
Capital and reserves		
Share capital	6	917
Other reserves		67,506
Retained earnings		25,007
Total equity		93,430

Approved by the Board and authorised for issue on 30 April 2018.

Mathios Rigas
Chief Executive Officer

Panos Benos
Chief Financial Officer

Company statement of changes in equity

As at 31 December 2017

	Share capital US\$ 000	Other reserves US\$ 000	Retained earnings US\$ 000	Total equity US\$ 000
At 8 May 2017	–	–	–	–
Profit/(loss) for the year	–	–	25,007	25,007
Capital contributions	917	–	–	917
Transactions with owners of the company				
Modification of derivative (Note 4)	–	67,506	–	67,506
At 31 December 2017	917	67,506	25,007	93,430

Company accounting policies

As at 31 December 2017

(a) General information

Energean Oil & Gas plc ('the Company') was incorporated in the England & Wales on 8 May 2017 as a public company with limited liability, under the Companies Act 2006. Its registered number is 10758801 and its registered office is at 21 Gloucester Place, London W1U 8HR, United Kingdom. The financial statements are presented in US dollars and all values are rounded to the nearest US\$ thousand ('000), except where otherwise stated. Energean Oil & Gas plc is the ultimate parent of the Energean Oil & Gas Group.

(b) Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ('FRS 100') issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with Financial Reporting Standard 101 ('FRS 101') 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1 and (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment;
- the requirements of paragraphs 10(d), 16, 38A to 38D, 40A, 40B, 40C and 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

Where relevant, equivalent disclosures have been given in the Group accounts.

During the year the Company made a profit of US\$25.0 million.

(c) Going concern

The Directors have exercised significant judgement in assessing that the preparation of the financial statements on a going concern basis is appropriate. In making this assessment, the factors considered, among others, include the current financial position and the profitability of the Company as well their expectations in relation to future business prospects, and future profitability and cash flows of the Company. Another important factor for determining that the going concern basis remains appropriate is the ability to raise funding as and when needed. Subsequent to the balance sheet date, the Company successfully completed an IPO on the London Stock Exchange and raised \$460 million gross proceeds. Accordingly, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and consider it appropriate to adopt the going concern basis in preparing the financial statements.

(d) Foreign currencies

The US dollar is the reporting currency of the Company. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the income statement.

(e) Investments

Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

Company accounting policies continued

(f) Financial instruments at fair value through profit or loss (FVTPL)

FVTPL includes financial instruments held for trading (HFT) and financial instruments designated upon initial recognition at fair value through profit or loss. Financial instruments are classified as HFT if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as HFT. Financial instruments at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as a gain or loss in the statement of profit or loss. The Company's financial instruments that have been classified as HFT are derivative instruments.

(g) Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Allowance is made when there is objective evidence that the Company will not be able to recover balances in full. Evidence on non-recoverability may include indications that the debtor or group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or default or delinquency in repayments. Balances are written off when the probability of recovery is assessed as being remote. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(h) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obligated to make future payments in respect of the purchase of those goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- ▶ Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ▶ Level 2 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
- ▶ Level 3 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(j) Share issue expenses

Costs of share issues are written off against the premium arising on the issues of share capital.

(k) Capital management

The Company defines capital as the total equity of the Company. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Company's ability to continue as a going concern. The Company is not subject to any externally imposed capital requirements. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, and/or put in place new debt facilities.

(l) Critical accounting judgements and key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability the Company uses market-observable data to the extent that it is possible. Where level 1 inputs are not available, as is the case for the option to purchase Energean Israel Class B shares the Company has used a combination of level 2 and level 3 inputs to estimate the fair value.

The Chief Financial Officer reports the valuations to the Board of Directors of the Company every six months to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation technique and inputs used in determining the fair value of the option to purchase Energean Israel Class B shares is disclosed in Note 4.

Notes to the Company financial statements

Note 1. Subsidiary companies

The following table shows the movement in the investment in subsidiaries during the year

	Investment in subsidiaries US\$ 000
At 8 May 2017	
Additions	852
At 31 December 2017	852

¹ Energean E&P Holdings Limited was the holding company of the Group until 30 June 2017, when it became a wholly-owned subsidiary of the Company.

A complete list of Energean Oil & Gas Plc Group companies at 31 December 2017, and Group's percentage of share capital are set out in Note 8 of the Group financial statements. All of these subsidiaries have been consolidated in the Group's financial statements.

Note 2. Dividends

No dividends were paid during the period.

Note 3. Trade and other receivables

	31 December 2017 US\$ 000
Financial items	
Receivables from shareholders	65
	65
Non-financial items	
Deposits and prepayments	4,783
	4,783
Total trade and other receivables	4,848

The receivable amount from shareholders consists of the nominal value of the initial share capital for the incorporation of the Company. At incorporation, the affiliate company Energean E&P Holdings provided a letter according to which the amount of £50,000 is held available in its bank accounts on behalf of the Company until its shareholders are able to pay the amount. At reporting date, the amount was still outstanding.

The amount included under deposits and prepayments account consists of the costs accrued in 2017 related to the Initial Public Offering (IPO) of the Company, which at reporting date was still in progress. All such costs will be reported in the year the IPO is successfully completed and will be debited against the share capital raised. Such IPO costs are related to the services provided to the Company by the reporting accountants, lawyers and other professionals.

Note 4. Financial instruments

Disclosure exemptions adopted

Where equivalent disclosures for the requirements of IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurements have been included in the 2017 Annual Report and Accounts of Energean Oil & Gas plc, the Company has adopted the disclosure exemptions available to the Company's accounts.

Financial risk management objectives

The Company follows the Group's policies for managing all its financial risks.

Fair values of derivative instruments

The Company has one material financial asset measured at fair value at 31 December 2017 which relates to the Energean Israel B shares. As part of the reorganisation the Company committed on 30 June 2017 to acquire the 50% of the class B shares of Energean Israel Limited in an Exit Event.

The valuation technique used multiplies the estimated likelihood of an Exit (being an IPO or a Sale) by the estimated difference between the consideration payable under the commitment and the estimated value of the B shares to be acquired under the commitment. The key input assumptions used in the fair value measurement calculation are the estimated likelihood of an IPO event and the value of the B shares. An Exit in the form of a Sale is considered to be of negligible likelihood. The other significant inputs are the transaction prices applicable in an Exit Event, which are contractually agreed amounts, and the discount rate assumption used in the calculation, which was 11.5%. The fair value of the derivative asset is a Level 3 fair value measurement in the fair value measurement hierarchy, because the valuation relies significantly on input assumptions that are unobservable.

On remeasurement on 31 December 2017, the value of the B shares was estimated based on the price negotiated at a similar time with a third party for another tranche of the B shares in a separate transaction. The likelihood of a future IPO occurring was estimated as of 31 December 2017 to be 50%, having regard to the considerable progress made to prepare for an IPO as of that date, but also to the fact that there were a number of significant steps not wholly under the control of the Company that remained to be achieved, and the inherent uncertainty in achieving any IPO due to capital market conditions.

The change in fair value of US\$25,786 between 30 June 2017 and 31 December 2017 is included in 'Gain on derivative' in the statement of profit or loss as it is due to changes in measurement assumptions.

Also on 31 October 2017, under the Supplementary Agreement the consideration payable to acquire the B shares in the event of an IPO was reduced from \$150 million to \$10 million. The resulting increase in the value of the derivative asset of US\$67,506 (after applying the 50% IPO likelihood assumption and other discounting effects) is recorded in the statement of changes in equity, as the Supplementary Agreement is a transaction with owners, giving the derivative asset a closing value as of 31 October 2017 of \$91,615. As of 31 December 2017 the derivative asset was further increased to US\$93,292 due to unwinding of the discount applied at the recognition, resulted in additional gain of US\$1,677 recorded in profit or loss.

If the probability of an IPO increased to 100%, whilst the probability of a sale was 0% and the discount rate was held constant, the fair value of the derivative asset to purchase Energean Israel Class B shares at 31 December 2017 would increase by US\$93,292.

If the discount rate increased from 11.5% to 20%, whilst the probability of an IPO and probability of a sale were held constant, the fair value of the derivative asset to purchase Energean Israel Class B shares at 31 December 2017 would decrease by US\$1,135.

Upon recognition, the derivative was the only instrument in the Level 3 category of the fair value hierarchy. There were no transfers in or out of this category in the period, and the only movement in the category relates to the increase in fair value of the derivative.

Notes to the Company financial statements continued

Note 5. Trade and other payables

	31 December 2017 US\$ 000
Financial items	
Accrued expenses	3,674
Staff costs accrued	1,849
Other creditors	36
Trade payables	3
Total trade and other receivables	5,562

The amount reported under accrued expenses related to the IPO costs accrued during the year plus accruals for accounting and statutory audit fees.

The amount reported under staff costs accrued derived from the relevant letters of appointment of the non-executive Directors of the Company as well as the employment agreement with the executive Directors.

Note 6. Share capital

The Company's initial share capital amounted to £50 (US\$65), consisting of an issuance of 50,000 ordinary shares of a nominal value of £1.00 (US\$1.3) each on 8 May 2017. On 30 June 2017 the Company effected a 100 for 1 share split resulting in 5,000,000 ordinary shares of a nominal value of £0.01 (US\$0.013) each.

On 30 June 2017, the Company also became the parent company of the Group through the acquisition of the full share capital of Energean E&P Holdings Limited, in exchange for 65,643,120 £0.01 (US\$0.013) shares in the Company issued to the previous shareholders. As of this date, the Company's share capital increased from £50 (US\$65) to £706 (US\$917).

	Number of shares	31 December 2017 US\$ 000
(a) Authorised		
Ordinary shares of £1 each	70,643,120	917
(b) Fully paid ordinary shares	65,643,120	852

Note 7. Directors' remuneration

Directors' remuneration has been provided in the group financial statements. Please refer to note 31 of the Group financial statements

Note 8. Auditors' remuneration

Auditors' remuneration has been provided in the group financial statements. Please refer to note 23 of the group financial statements for details of the remuneration of the company's auditor on a group basis.

Note 9. Events after reporting period

Please refer to note 38 of the Group financial statements

Payments to governments (unaudited)

Energean pays to several countries numerous taxes, including withholding taxes, PAYE and National Insurance on personnel employed, licence fees, royalties and other taxes.

Transparency disclosure

The Reports on Payments to Governments Regulations (UK Regulations) came into force on 1 December 2014 and require UK companies in the extractive sector to publicly disclose payments made to governments in the countries where they undertake extractive operations. The regulations implement Chapter 10 of EU Accounting Directive (2013/34/EU). The UK Regulations came into effect on 1 January 2015. The 2016 disclosure remains in line with the EU Directive and UK Regulations and we have provided additional voluntary disclosure on withholding taxes, PAYE and other taxes.

The payments disclosed are based on where the obligation for the payment arose: payments raised at a project level have been disclosed at project level and payments raised at a corporate level have been disclosed on that basis. However, where a payment or a series of related payments do not exceed £86,000, they are disclosed at a corporate level, in accordance with the UK Regulations.

The voluntary disclosure has been prepared on a corporate level. All of the payments disclosed in accordance with the Directive have been made to National Governments, either directly or through a Ministry or Department of the National Government, with the exception of Greek payments in respect of production royalties and licence fees, which are paid to the Hellenic Hydrocarbon Resources Management SA.

Royalties – represent cash royalties paid to the Greek Government during the year for the extraction of oil. The terms of the royalty paid described within our Lease Agreement for Prinos area. The cash payment of royalties occurs within a three months' period from the end of the year in which the royalty payment obligation has arisen.

Licence fees – represent licence fees, rental fees, entry fees and other consideration for licences and/or concessions paid for access to an area during the year (with the exception of signature bonuses which are captured within bonus payments).

Withholding tax (WHT) – represent tax charged mainly on services and royalties. The amount disclosed is equal to the WHT return submitted by Energean to governments with the cash payment made in the year the charge is borne.

PAYE and national insurance – represent payroll and employer taxes paid (such as PAYE and national insurance) by Energean as a direct employer. The amount disclosed is equal to the return submitted by Energean to governments with the cash payment made in the year the charge is borne.

Training allowances – comprise payments made in respect of training government or national oil company staff. This can be in the form of mandatory contractual requirements or discretionary training provided by a company.

VAT – Represents net cash VAT received from/paid to governments during the year. The amount disclosed is equal to the VAT refunds/payments made by Energean to governments on a cash basis.

Other taxes – comprise payments made in respect taxes other than the above including annual levies, stamp duties etc.

The main economic value to host governments is from payroll and other withholding taxes on Energean's activities.

\$7.4M
paid to governments

Transparency disclosure (unaudited)

Licence / Company level	European transparency directive disclosure								Voluntary disclosure						Total \$000	Total BBL000
	Production entitlements	Production entitlements	Income taxes	Royalties (cash only)	Dividends	Bonuses payments	Licence fees	Infrastructure improvement payments	VAT	Stamp duty	Withholding tax	PAYE and national insurance	Training allowances duties	Other		
	BBL000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		
Energean Oil & Gas SA																
Greece – Prinos licence	-	-		418.10					(5,973.54)	32.42	690.47	2,896.22		9.56	(1,926.77)	-
Greece – South Kavala licence	-	-													-	-
Greece – Ioannina licence	-	-					58.66								58.66	-
Greece – Katakolo licence	-	-					38.00								38.00	-
Kavala Oil SA	-	-							44.97	1.95	51.51	7,566.43		6.26	7,671.11	-
Greek Government Report	-	-	-	418.10	-	-	96.66	-	(5,928.57)	34.37	741.98	10,462.65	-	15.82	5,841.00	-
Energean Israel Limited																
Israel – Karish licence	-	-					146.47									
Israel – Tanin licence	-	-					149.46									
Israel – Blocks 12, 21, 22, 23 & 31	-	-					105.98									
Israeli Government Report	-	-	-	-	-	-	401.90	-	(246.33)	-	7.33	125.71	-	-	288.61	-
Energean International Limited																
Egypt – West Kom Ombo Block	-	-	-	-	-	-	-	-			6.49	96.37		15.19	118.06	-
Egypt Government Report	-	-	-	-	-	-	-	-	-	-	6.49	96.37	-	15.19	118.06	-
Energean Montenegro Limited																
Montenegro – Block 4218-30	-	-	-	-	-	-	168.62	-								
Montenegro – Block 4219-26	-	-	-	-	-	-	38.63	-								
Montenegrin Government Report	-	-	-	-	-	-	207.25	-	-	-	-	8.86	-	-	216.11	-
Energean E&P Holdings Limited												181.30	-	0.40	181.70	-
Energean International Limited												41.33	-	2.37	43.70	-
Energean Israel Limited												-	-	0.39	0.39	-
Energean Montenegro Limited												-	-	0.79	0.79	-
Cyprus Government Report	-	-	-	-	-	-	-	-	-	-	-	222.63	-	3.95	226.59	-
Energean Oil & Gas plc																
Energean International Limited (UK Branch)									(163.23)	-	-	898.55			735.32	-
UK Government Report	-	-	-	-	-	-	-	-	(163.23)	-	-	898.55	-	-	735.32	-
	-	-	-	418.10	-	-	705.81	-	(6,338.13)	34.37	755.80	11,814.78	-	34.96	7,425.68	-

Glossary

CO₂	Carbon dioxide	E	
H₂S	Hydrogen sulphide	E&P	Exploration and production
SO₂	Sulphur dioxide	EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration expenses
GBP or £	Pound Sterling	EBRD	European Bank for Reconstruction and Development
USD or \$	US Dollar	EIA	Environmental Impact Assessment
EUR or €	Euro	EOR	Enhanced Oil Recovery
NOK	Norwegian Krone	EPCIC	Engineering, Procurement, Construction, Installation and Commissioning
A		F	
ACQ	Annual Contract Quantity	FAR	Fatal Accident Rate – number of fatalities per 100 million hours worked
AGM	Annual General Meeting	FDP	Field Development Plan
ALARP	As low as reasonably practicable (This a term often used in the regulation and management of safety-critical and safety-involved systems.)	FEED	Front-end Engineering and Design
B		FID	Final Investment Decision
Bbl	Barrel	FPSO	Floating Production Storage and Offloading vessel
Bcf	Billion cubic feet	FRC	Financial Reporting Council
BCM	Billion cubic metres	FRS	Financial Reporting Standard
Boe	Barrel of oil equivalent	G	
Boepd	Barrels of oil equivalent per day	G&A	General and Administrative
Bopd	Barrels of oil per day	GSPA	Gas Sale and Purchase Agreement
C		GSP	GSP Offshore S.R.L.
CAGR	Compound annual growth rate	H	
Capex	Capital Expenditure	H&S	Health and Safety
CEO	Chief Executive Officer	HMRC	HM Revenue and Customs
CFO	Chief Financial Officer	HSE	Health, Safety and Environment
CMAPP	Corporate Major Accident Prevention Policy	I	
CNG	Compressed natural gas	IAS	International Accounting Standard
CPR	Competent Person's Report	IASB	International Accounting Standards Board
CSR	Corporate Social Responsibility	IFRS	International Financial Reporting Standards
D		INGL	Israel Natural Gas Lines Ltd
DCQ	Daily Contract Quantity	IPO	Initial Public Offering
		IPP	Independent Power Producers
		IR	Investor Relations

J		O	
JOA	Joint Operating Agreement	OECD	Organisation for Economic Co-operation and Development
JV	Joint Venture	Opex	Operating expenses
K		OR	Or Power Energies
kboepd	Thousands of barrels of oil equivalent per day	P	
km	Kilometres	PP&E	Property, plant and equipment
KPI	Key Performance Indicator	Psi	Pounds per square inch
L		R	
LIBOR	London Interbank Offered Rate	2P reserves	Proven and probable reserves
LSE	London Stock Exchange	RBL	Reserve Based Lending
LTJ	Lost Time Injury	2C resources	Contingent resources
LTIF	Lost Time Injury Frequency	S	
M		Sq km or km²	Square kilometres
M₃	Cubic metre	STOB	Stock Tank Oil Barrels
MARPOL	(Marine pollution) International Convention for the Prevention of Pollution from Ships	T	
MM	Million	Tcf	Trillion cubic feet
MMbbls	Million barrels	TRIR	Total Recordable Injury Rate
MMbo	Million barrels of oil	W	
MMboe	Million barrels of oil equivalents	WI	Working interest
MMbtu	Million British Thermal Units		
MMscf	Million standard cubic feet		
MMscf/day or MMscfd	Million standard cubic feet per day		
MMtoe	Million tonnes of oil equivalent		
MoU	Memorandum of Understanding		
N			
NGF	Natural Gas Framework		
NGO	Non-Governmental Organisation		
NPV	Net Present Value		
NSAI	Netherland, Sewell & Associates, Inc.		

Notes

Notes

Other information

Company information

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Financial calendar

28 June 2018: Annual General Meeting

Forward-looking statements

This annual report may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts and involve predictions. Forward-looking statements may and often do differ materially from actual results.

In addition, even if results or developments are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. Any forward-looking statements reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial position, liquidity, prospects, growth or strategies and the industry in which it operates. Forward-looking statements speak only as of the date they are made and cannot be relied upon as a guide to future performance.

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