



# **i3 ENERGY**

**UNAUDITED CONSOLIDATED INTERIM  
FINANCIAL REPORT FOR THE SIX MONTHS  
ENDED 30 JUNE 2021**

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## HIGHLIGHTS AND OUTLOOK

### H1 2021 HIGHLIGHTS

Average Production	<b>9,095 BOEPD</b>
2P Reserves	<b>53 MMBOE</b>
Revenue	<b>£26.5 MILLION</b>
Net Operating Income (“NOI”) <sup>(1)</sup>	<b>£12.5 MILLION</b>
Acquisitions & Capex <sup>(1)</sup>	<b>£9.7 MILLION</b>
Loss After Tax	<b>£7.0 MILLION</b>
Basic and Diluted EPS	<b>(0.99) PENCE</b>
Special Dividend Announced (paid 6 August 2021)	<b>£1.16 MILLION</b>
H1 2021 Dividend Declaration	<b>£2.20 MILLION</b>

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

## Highlights

### Dividend Declaration

- Concurrent with this Interim Report, i3 announces an H1 2021 dividend of £2.20 million or 0.2 p/share. The Ex-Dividend Date, Record Date and Payment Date will be 7 October 2021, 8 October 2021, and 29 October 2021, respectively
- Including the 0.16 p/share special dividend announced in July, total dividends of 0.36 p/share have been declared during the year to date. These dividends do not include the benefit of the enlarged portfolio following the completion of the acquisition of the assets from Cenovus Energy Inc., which completed post period end. The H2 2021 dividend will benefit from the enlarged cash flow resulting from this transaction

### Financial Highlights

- H1 revenue of £26.5mm (net) and net operating income (Revenue less royalties, opex, processing and transportation) of £12.5mm and cash flow from operations of £8mm

- Concluded a reduction of the Company's share premium account and announced an intended special dividend of £1.16 million (or 0.16 p/share which was subsequently paid on 6 August 2021)

### **Operational Highlights**

- Sustained average production above 9,000 boepd for the sixth month period, offsetting expected natural decline through excellent operations management and targeted maintenance capital allocation
- H1 volumes do not include any production from the assets acquired from Cenovus Energy Inc., as the transaction closed post period end. Including production from these assets, production for the week ending 18 September 2021 averaged 18,741 boepd
- Increased exposure to Alberta's premier Clearwater play
  - Confirmed presence of oil in three gas wells in i3's extensive Marten Creek acreage, providing a green light for a winter 2021/22 oil appraisal and development programme
  - Farmed-in to a 50% working interest in the Marten Hill's Clearwater area and participated in two successful development wells which added c.120 boepd net production, with an option to drill seven additional wells on the acreage
  - Participated in Crown Land Sales, bolstering acreage through a 15-year lease on seven sections (17.9 km<sup>2</sup>) of land in the emerging Cadotte area
- Acquired a 49.5% interest in South Simonette at a cost of CAD4.7 million, increasing i3's operated interest in this Montney oil play to 99% and allowing it to bring back on three wells to increase its corporate production by c.720 boepd and adding reserves of 4.9 MMboe at a before-tax NPV<sub>10</sub> valuation of US\$30.9 million
- Elected to drill two oil-weighted wells with a partner at its Wapiti Elmworth acreage, expected to initially increase i3's production by c.175 boepd, with payback estimated in 1.3 years
- Acquired c.230 boepd of Wapiti production, conducted six reactivations to increase production to 471 boepd, significantly exceeding the expected 310 boepd
- Brought on stream a gas well located on the Company's Noel acreage in Northeast British Columbia at an average rate of 650 boepd, exceeding expectations by 30%

### **Post Period-End Highlights**

- Acquired circa 8,400 boepd (51% oil and NGLs) of low decline production from Cenovus Energy Inc, located within i3's Central Alberta core area, for a total consideration of CAD65 million (US\$53.7 million). The assets were acquired on excellent metrics of 1.73x next twelve months cashflow, US\$6,381/boepd and US\$0.68/boe of 2P reserves and contain 79.5 MMboe of 2P reserves with an NPV<sub>10</sub> of US\$193 million as at 1 April 2021, an inventory of greater than 140 net drilling locations, 80 net reactivation opportunities and 1,140 km network of operated pipelines, and key processing facilities. The transaction closed on 7 July 2021
- To fund the Cenovus acquisition on 7 July 2021, i3 raised approximately £40 million through the Placing and Subscription of 363,700,000 Placing Shares at the Issue Price of 11 pence per Placing Share, a 3% discount to the 15-day average closing price of 11.4 pence
- On 8 July 2021, i3 announced the declaration of its Maiden Special Dividend of 0.16 pence/share
- The Company commenced a hedging program which will result in approximately 50% of corporate volumes being hedged on a rolling 12 month forward looking basis. Currently through a combination of physical and financial swaps, circa 24% to 26% of forecast production is hedged through to the end of 2021, circa 22% hedged in Q1 2022 and 4.5% in Q2 2022
- Agreed terms with farm-in partners for the Serenity field appraisal drilling programme. We await confirmation of funding commitments from those potential farm-in partners before finalising and executing documentation

## Post Period and Outlook

On 6 July 2021 the Registrar of Companies registered the cancellation of i3's share premium account. The £64.1 million balance of the Group's share premium will be transferred to retained earnings in the second half of 2021.

On 7 July 2021, i3 announced that it had reached a definitive agreement with Cenovus Energy Inc., a senior Canadian oil and gas producer, to acquire certain petroleum and infrastructure assets within i3's Central Alberta core area (the "Cenovus Assets"), for a total consideration of CAD65 million (US\$53.7 million) (the "Acquisition"). The strategic Acquisition delivers extensive operational synergies, a large reserve base with multi-year development inventory and expected strong free cash flow. The Acquisition includes approximately 8,400 boepd (51% oil and NGLs) of predictable low-decline production, 79.5 MMboe of 2P reserves with an NPV<sub>10</sub> of US\$193 million as at 1 April 2021 (inclusive of undiscounted asset retirement obligations ("ARO") of US\$92 million, inflated at 2% and discounted at 10% for an NPV<sub>10</sub> ARO value of US\$23 million), an inventory of greater than 140 net drilling locations and 80 net reactivation opportunities across approximately 212,000 net acres, an 1,140 km network of operated pipelines, and key processing facilities.

Also on 7 July 2021, i3 announced the conditional Placing and Subscription of 363,700,000 Placing Shares at the Issue Price of 11 pence per Placing Share, a 3% discount to the 15-day average closing price of 11.4 pence. This includes shares placed through a PrimaryBid offering. The total fundraising was for approximately £40 million. The Placing and Subscription was approved by the Shareholders on 26 July 2021 and admitted to trading on AIM on 27 July 2021. Following the Placing and Subscription, the Company's issued share capital stood at 1,091,424,766 ordinary shares with a nominal value of £0.0001 each.

Further details of the Acquisition and the equity fundraise are available at <https://i3.energy/investor-relations/regulatory-news>.

On 8 July 2021, i3 announced the declaration of its Maiden Special Dividend of 0.16 pence/share with an Ex-Dividend date of 15 July 2021, Record Date of 16 July 2021, and Payment Date of 6 August 2021.

On 30 July 2021, the Company issued options over a total of 53,705,491 ordinary shares to i3 staff and board and has additionally issued 1,750,000 options to incoming staff and conditionally allocated 3,750,000 for additional hires as part of the Acquisition. The options were issued in accordance with the rules of the Company's Employee Share Option Plan at an exercise price of £0.11 per share. Of the options issued to employees of i3 Canada, one-third of the options vested immediately, with a further one-third vesting if production of 20,000 boepd is achieved prior to July 2022 (substantially funded from internally generated cash flow), and 100 per cent will vest upon the addition of 9,250 boepd or 50 MMboe 2P reserves. Of the options issued to employees of i3 North Sea Limited, one-third of the options vested immediately, with a further one-third vesting at spud of the earlier of a second appraisal well or first development well at either Serenity or Liberator, and 100 per cent will vest upon the addition of 2,500 boepd of European production. Of the options issued to the executive and non-executive directors and one corporate employee, one-third of the options vested immediately, with a further one-third vesting (i) at spud of the earlier of a second appraisal well or first development well at either Serenity or Liberator; or (ii) if production of 20,000 boepd is achieved prior to July 2022 (substantially funded from internally generated cash flow), whichever is first to occur, and 100 percent upon (i) the addition of 2,500 boepd of European production; or (ii) the addition of 9,250 boepd or 50 MMboe 2P reserves, whichever is first to occur. The options will otherwise fully vest on the third anniversary.

On 20 August 2021, the Company closed the Acquisition previously announced on 7 July 2021.

On 15 September 2021, the Company announced that certain Loan Noteholders had exercised warrants over 9,828,010 shares in the Company. These shares were admitted to trading on AIM on 17 September 2021.

On 27 September 2021 and concurrent with this Interim Report, i3 announces an H1 2021 dividend of £2.20 million (0.2p/sh). The Company confirms the following for its H1 2021 dividend:

Dividend:	0.20 pence/share
Ex-Dividend Date:	7 October 2021
Record Date:	8 October 2021
Payment Date:	29 October 2021

Payment to shareholders holding their shares on the TSX will be made in Canadian dollars, using the exchange rate from the Bank of England, at close on the Dividend announcement date, 27 September 2021.

Following the Placing and Subscription, the Warrant Exercise, and as at the date of this report, the Company's issued share capital stands at 1,101,252,776 ordinary shares with a nominal value of £0.0001 each.

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

Type	Effective date	Termination date	Total Volume	Avg. Price
AECO 5A Financial Swaps	1 Nov 2021	31 Mar 2022	10,000 GJ/day	CAD 4.0975/GJ
AECO 5A Physical Swaps	1 Nov 2021	31 Mar 2022	15,000 GJ/day	CAD 4.3313/GJ
AECO 5A Physical Swaps	1 Apr 2022	31 Dec 2022	4,000 GJ/day	CAD 3.4900/GJ
WTI Financial Swaps	1 Jan 2022	31 Mar 2022	350 bbl/day	CAD 83.04/bbl
WTI Financial Swaps	1 Apr 2022	31 Dec 2022	200 bbl/day	CAD 83.00/bbl

Terms have been agreed in principle with farm-in partners for the Serenity field appraisal drilling programme. We await confirmation of funding commitments from those potential farm-in partners before finalising and executing documentation.

The Company's focus for the remainder of 2021 will be on 5 key areas:

- 1 The growth of i3's Canadian business by way of operational excellence, capital deployment and strategic upsizing in core areas;
- 2 The farmout of its UK licences to conduct further appraisal drilling at Serenity and/or Liberator;
- 3 Dividend distributions to its shareholders of up to 30% of free cash flow;
- 4 Conducting our operations safely and in an environmentally secure manner; and
- 5 Continuing to develop our ESG strategy and publishing our maiden annual sustainability report.

## CHAIRPERSON'S AND CHIEF EXECUTIVE'S STATEMENT

### Overview of the year to date

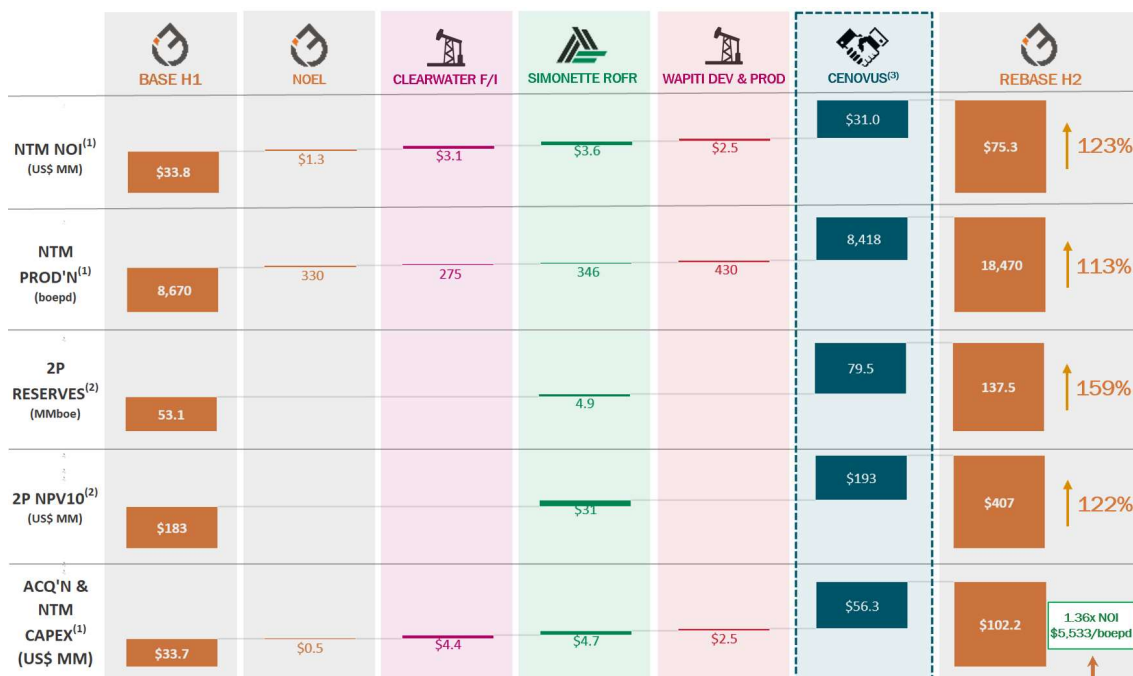
i3 is very pleased with the results of the first half of 2021 after a busy period of corporate, financial, and operational integration following its 2020 acquisition-based entry into the Western Canadian Sedimentary Basin. January through June saw the Company executing on its stated strategy of using acquisitions, operational focus, and the drill-bit to create a portfolio of producing assets with realisable upside, from which shareholder value could be created and returned in the form of share price growth and a cash yield.

Since securing our foundational Canadian asset base in H2 2020 through the corporate and asset acquisitions of Toscana Energy Income Corporation and Gain Energy Ltd, respectively, the Company has been very active in the basin. On 17 June, i3 announced that the numerous acquisition and drilling initiatives it had concluded or committed to during the course of H1 were expected to increase the Company's next twelve months ("NTM") net operating income ("NOI" = revenue minus royalties, opex, transportation and processing) to an estimated US\$44 million (a 42% increase over the guidance announced on 5 May), and were expected to see i3's production surpass 10,000 boepd during the second half of the year. In these initial transactions i3 had been able to capture its entire Canadian portfolio at an average of 1.0x NTM NOI (from June 2021) and US\$4,557/boepd. The directors believe these to be exceptional metrics in the context of the market.

Immediately following the period on 6 July, i3 announced that it had signed an Asset Sale Agreement ("ASA") with Cenovus Energy Inc., a senior Canadian oil and gas producer, to acquire certain conventional central Alberta petroleum and infrastructure assets. The acquisition would include approximately 8,400 boepd (51% oil and NGLs) of predictable low-decline production, 79.5 MMboe of 2P reserves with an NPV<sub>10</sub> of US\$193 million, as at 1 April 2021, an inventory of greater than 140 net drilling locations and 80 net reactivation opportunities across approximately 212,000 net acres, a 1,140 km network of operated pipelines, and key processing facilities. The Cenovus assets complement i3's existing area assets with approximately 3,090 boepd of overlapping joint working interest production and associated land positions. The CAD65 million acquisition was funded through an equity issuance of 363,700,000 shares at an issue price of 11 pence per share, representing a 3% discount to the 15-day average closing price to 7 July of 11.4p.

We see the Cenovus acquisition as a continuation of i3's stated strategy of capitalizing on the recent market conditions to create a cash-generative, all-weather portfolio by efficiently consolidating high quality undercapitalized assets within our core operating areas. The production, infrastructure and lands associated with the acquisition directly overlap our current Central Alberta asset base and provide meaningful operational synergies. Through this strategic acquisition, i3 significantly enhances its production, cash flow and reserve base while strengthening its balance sheet. Furthermore, the Cenovus acquisition enhances i3's ability to grow future production, free cash flow, and its planned return of capital to shareholders.

As graphically presented below, the abovementioned transactional and operational activity in the first half of the year has resulted in i3's forecasted NTM NOI and production increasing by 123% and 113%, respectively, at exceptional effective acquisition metrics of 1.36x NTM NOI, or US\$5,533/boepd.



### DISCIPLINED GROWTH DELIVERED ON EXCEPTIONAL METRICS

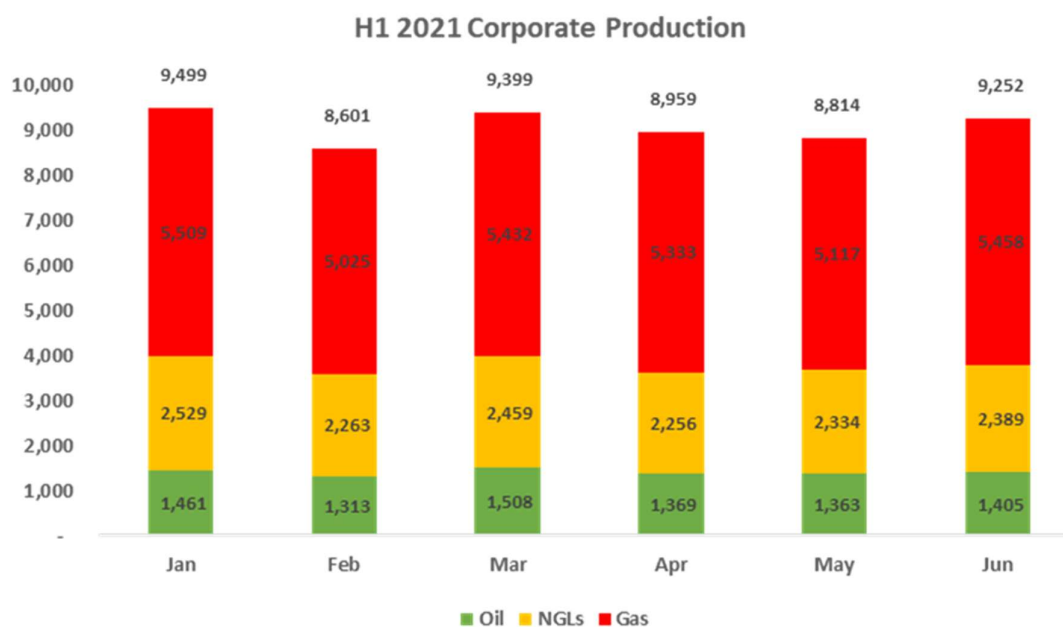
- 1) Figures are i3 management estimates from 1 June 2021 (based on 2 June 2021 forward strip (see Appendix))
- 2) Figures based on GLJ reports of 31 Dec 2020 (i3) and 1 April 2021 (Cenovus)
- 3) Includes the drilling of two pre-elected, post transaction wells

The market conditions of the last 18 months have provided an unusual opportunity to acquire high quality production assets at historically low valuations. Importantly though, i3's acquisitions have also garnered numerous Proven Undeveloped (PUD) and/or Proven plus Probable (2P) development opportunities, resulting in several highly prospective projects now existing within our portfolio. The upside potential within our South Simonette, North Simonette and Clearwater positions, as well as redevelopment options of some of our more mature assets via secondary recovery and infill drilling, present company-making opportunities that have the potential to deliver multiples of i3's current production, reserves and cash flow. Once the Management has concluded the process of fully integrating the newly acquired assets into the Company, it will be high-grading opportunities that can be unlocked via farm-down or through internal capital allocation. As it has done, the Company will continue to balance its pursuit of organic and inorganic opportunities, directing disciplined capital allocation towards its core operating areas. i3 remains confident that this strategy will deliver to its shareholders meaningful value through both share price appreciation and long-term cash distributions.

In the UK, our team remains confident in its belief that the Serenity discovery also holds a company-making resource, and we expect that the next appraisal drilling there will prove this premise. Discussions continue with potential farm-in partners for a 2022 Serenity field appraisal drilling programme. Indicative terms have been agreed in principle, but we await confirmation of funding commitments from those potential farm-in partners before finalising and executing documentation.



## Production Operations



*Note: The above figures are unaudited and demonstrate volumes by accounting month on an accruals basis*

Following the closing of the Gain asset transaction on 4 September 2020 and the Toscana corporate transaction on 30 October 2020 our initial focus was the integration of these businesses in Canada and into i3 Energy plc. In parallel with that process, we immediately began a detailed review of the asset portfolio to identify production optimisation and cost reduction opportunities. We focussed on maintaining high uptime, minimising operating costs, optimising operated processing facilities and infrastructure, and actively implementing high return workovers to offset natural production declines. These efforts continue to substantially increase aggregate average net production and approximately halved the aggregate decline rates predicted within the Company's competent persons reports. This is a testament to the quality of the assets in the portfolio and the dedication of our workforce. In parallel with operational activity, we continue to review the reservoir performance for the producing assets and identify mature fields where redevelopment, particularly through the implementation of relatively low-cost secondary recovery projects, could materially increase production and ultimate hydrocarbon recovery. Operating our assets in a safe and secure manner is fundamental to our business and we continue to advance our health and safety policies and procedures as we acquire and integrate additional production assets. There were 71 routine regulatory government inspections during the first half. 58 returned satisfactory results, 12 were categorised as low risk, and only one of was deemed to be high risk and has been subsequently remedied.

## Financial discipline

The Board and Management are focused on delivering consistent value to shareholders. i3 is committed to being a dividend payer that distributes up to 30% of its free cash flow, and it is protecting this commitment through a conservative hedging program. The Company has and continues to keep a substantial portion of its production hedged to manage commodity price risk, with additional free cash being redeployed to acquire production assets conditional on the associated acquisition metrics competing with the organic returns achievable through the development of our proven undeveloped (PUD) and 2P inventory. As i3 continues to aggressively grow its portfolio, a proportion of all incremental production will be hedged in order to secure future cash flow, and the Company will remain commercial in monetizing assets when third-party interest warrants consideration.

Having strategically acquired a large production package at the bottom of the market in 2020, the Company's assets have outperformed the directors' expectations. As a result, during H1, i3 reclassified its previously announced dividend of CAD2 million (initially associated with Q1 2021 FCF) as a "special dividend" which was paid after court proceedings approved the cancellation of i3's share premium account. Moving forward, scheduled half-yearly dividends will be declared alongside the Company's release of each of its Interim and Annual Reports.

The Company's rapid Canadian growth has come with a material increase in expenditure as we operate a quickly growing business; we will look to optimise this as we move from integration to operation. With the continued delays to securing appraisal partners at Serenity, i3's UK staff remain at half-time.

Having announced on 23 February that the Company forecasted full-year 2021 net operating income of US\$27.6 million (later updated to US\$33.8 million in June), we were pleased to deliver from that same asset base total NOI of US\$17.1 million (£12.467 million) during the first half alone. With Operating Cash Flow of £7.978 million and Capex totalling £5.797 million, free cash flow for the period – the basis for which i3's bi-annual dividend is determined – is £2.181 million. As previously stated, we would typically commit to paying up to 30% of this figure. However, given cash flow associated with the Cenovus transaction was not included in the period and instead was netted from the acquisition price at close in August, and that a high proportion of H1 Capex was deployed late in the period, i3 will declare a dividend of £2.20 million (0.2p/sh) for H1 2021, showing the Board's confidence in the cash flow generating ability of our portfolio, with the residual for the full year to be paid at the announcement of the Company's 2021 Annual Report in Q2 2022.

## Governance

The Board recognises its responsibility for the proper management of the Company and is committed to maintaining a high standard of corporate governance. The Directors also recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its shareholders. The Quoted Companies Alliance has published a set of corporate governance guidelines for AIM companies, which include a code of best practice comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. The Directors intend to comply with the QCA Corporate Governance Guidelines for Smaller Quoted Companies so far as it is practicable having regard to the size and current stage of development of the Company. The Board currently comprises two executive Directors (being the Chief Executive Officer and the Chief Financial Officer) and four non-executive Directors (including the Chairperson).

The Board's decision-making process is not dominated by any one individual or group of individuals. The composition of the Board will be reviewed regularly and modified as appropriate in response to the Company's changing requirements. The Board has established an Audit Committee, Corporate Governance Committee, Health, Safety, Environment and Security Committee, Reserves Committee, and Remuneration Committee to ensure proper adherence to sound governance and decision making.

## Environmental Stewardship

i3 is committed to conducting its operations to be in full compliance with both provincial and state environmental regulations and reporting obligations. In Q4 2020 we commenced the integration of the reporting systems and databases inherited from Toscana and with the Gain assets into i3's ESG management system and the development of a corporate ESG strategy. Central to that strategy is a commitment to achieve net zero carbon emissions by 2050. We continue to develop our ESG strategy and plan to publish our maiden annual sustainability report at the end of 2021. In December 2020 we commenced the development of a strategy to minimise fugitive GHG emissions from our production infrastructure. The first element of this was a plan to replace hi-bleed natural gas pneumatic controllers with low-bleed models across our portfolio in addition to conversions to instrument air; these projects commenced in December. These initiatives qualify for carbon credits which can be sold or used to offset future carbon tax obligations. The Company also takes very seriously its asset retirement obligations and is an active participant in the Government of Alberta's Site Rehabilitation Program ("SRP") and Saskatchewan's Accelerated Site Closure Program ("ASCP"). We received grants totalling CAD2.4 million in H1 2021 which contributed to certain decommissioning operations in our Wapiti, Simonette, Marten Creek and Clair field locations.

## Looking ahead

The Company is very proud of what it has and continues to accomplish since reinventing itself in 2020 and expects to deliver more of the same. We carry on growing our Canadian production business by employing our stated strategy of being acquisitive when systemic or situational drivers offer good value, while drilling our ever-growing inventory of high-quality proven undeveloped and 2P reserves when doing so offers better returns than the M&A market. In the UK, we remain committed to the further appraisal and development of Serenity as and when capital becomes available from potential partners.

Beyond our current business as an oil and gas company, we see climate change as the most urgent matter of our time and deem it critical to act in a manner that exhibits this concern. Though the world will undoubtedly require oil and gas for some time yet, we understand the crucial role that hydrocarbon-based corporates have to play in the

transition to net zero and we remain committed to an evolution of our energy company into one that continues to benefit society for generations to come.

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

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

*"Linda Beal"*

*"Majid Shafiq"*

Linda Beal  
Interim Non-Executive Chairperson  
27 September 2021

Majid Shafiq  
Chief Executive Officer  
27 September 2021

## FINANCIAL REVIEW

### Production and revenue

i3's production in the first half of 2021 averaged 9,095 boepd. Production over this period reflected a full six months of production attributed to the purchase of the GAIN Assets on 3 September 2020 and the subsequent acquisition of Toscana on 30 October 2020. Production was comprised of 58% natural gas and 42% oil and natural gas liquids.

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

### Expenses

Production costs in the first half of 2021 associated with the extraction and processing of the Group's Canadian oil and gas assets totalled £14.0 million, or £8.50/boe. These costs are primarily comprised of field labour and general field maintenance, land retention and taxes, well repairs and workovers, processing, and product transportation.

Administrative expenses increased from £1.7 million to £6.8 million from the first half of 2020 to the first half of 2021. The increase is largely due to the increased overhead resulting from the expansion of the Group's Canadian business in the second half of 2020, and employee share payment expense of £1.3 million.

### Risk management contracts

In the first half of 2021, the Group entered a variety of risk management contracts to hedge a portion of the Group's exposure to fluctuations in prevailing commodity prices for oil, gas, and natural gas liquids throughout 2021. The risk management contracts include natural gas swaps ranging from CAD2.4500 to CAD2.7925 per GJ, oil swaps ranging from CAD64.50 to CAD75.20 per barrel, and propane swaps at USD0.7725 per gallon. For the 6 months ended 30 June 2021, the group incurred realised and unrealised losses on risk management contracts of £0.9 million and £1.9 million, respectively, as a result of improving commodity prices over the period (2020: nil).

Through July, August, and September, the Group entered various risks management contracts to hedge a portion of the Group's exposure to fluctuations in prevailing commodity prices for oil, gas, and natural gas liquids throughout late 2021 and across 2022. Further details are in Note 19 of the financial statements.

### Finance costs

The Group incurred finance costs of £3.6 million (six months ended 30 June 2020 - £4.8 million). The decrease is largely attributable to reduced warrant modification costs due to the re-pricing of the loan note warrants in the first half of 2020, and a fair value gain on a non-current accounts payable which was restructured in May 2021 and will now reduce by the market value of i3 shares held by the counterparty. The decrease was offset by increases in accretion and interest expense on loan notes, the unwinding of the decommissioning provision, and bank charges and interest on creditors.

### Exploration & Evaluation and Property, Plant, & Equipment

The Group had PP&E assets of £110.1 million (31 December 2020 - £108.5 million) and intangible E&E assets of £49.4 million (31 December 2020 - £48.8 million) as at 30 June 2021. Total PP&E additions of £3.2 million were comprised of work associated with the Group's Canadian oil and gas assets. Major expenditures related to the following projects: i3 spent £1.5 million in the Marten Hills area, Clearwater play. In the first quarter of 2021, i3 recompleted three oil appraisal wells and acquired additional Clearwater lands in Marten Hills. In the second quarter of 2021, i3, along with an existing Clearwater partner, commenced a Marten Hills drilling programme targeting the Clearwater play. i3 also spent £0.4 million in the Clair area, constructing a trucking off-loading terminal to increase operational treating efficiencies. An additional £0.4 million was spent in Northeast British Columbia on a tie-in project for a Noel gas well, which commenced production in late June 2021. In the Group's Simonette area, £0.6 million was spent on various equipping, pipeline, and workover projects. The remaining £0.3 million related to miscellaneous equipment optimization expenditures. The Group also completed acquisitions of £3.4 million, primarily through the acquisition of additional working interest in i3's South Simonette property. The increase due

to additions and acquisitions was offset by various disposals and the depletion charge for the payment. Further details are in Note 8 of the financial statements.

The increase in intangible E&E assets was due to £0.6 million of capitalised costs during the period.

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

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

	Six-months Ended 30 June 2021 £'000	Six-months Ended 30 June 2020 £'000	Year Ended 31 December 2020 £'000
(Loss) / profit for the period	(7,030)	(6,611)	11,718
Basic (loss) / earnings per share	(0.99)	(6.14)	3.78
Diluted (loss) / earnings per share	(0.99)	(6.14)	3.46
EBITDA <sup>(1)</sup>	2,773	(1,763)	22,830
Adjusted EBITDA <sup>(1)</sup>	2,973	(1,564)	(839)
Net operating income <sup>(1)</sup>	12,467	–	4,916

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

### Post-period fundraise and acquisition

In July 2021, the Group completed the conditional Placing and Subscription of 363,700,000 Placing Shares at the Issue Price of 11 pence per Placing Share, a 3% discount to the 15-day average closing price of 11.4 pence. This includes shares placed through a PrimaryBid offer. The total fundraising was for approximately £40 million. The Placing and Subscription was approved by the Shareholders on 26 July 2021 and admitted to trading on AIM on 27 July 2021.

The fundraising proceeds were used to acquire certain petroleum and infrastructure assets within i3's Central Alberta core area from Cenovus Energy Inc., for a total consideration of CAD65 million (US\$53.7 million) (the "Acquisition"). The strategic Acquisition delivers extensive operational synergies, predictable low-decline production, a large reserve base with multi-year development inventory and expected strong free cash flow. The Acquisition includes approximately 8,400 boepd (51% oil and NGLs) of predictable low-decline production, 79.5 MMboe of 2P reserves with an NPV<sub>10</sub> of US\$193 million as at 1 April 2021 (inclusive of undiscounted asset retirement obligations ("ARO") of US\$92 million, inflated at 2% and discounted at 10% for an NPV<sub>10</sub> ARO value of US\$23 million), an inventory of greater than 140 net drilling locations and 80 net reactivation opportunities across approximately 212,000 net acres, an 1,140 km network of operated pipelines, and key processing facilities.

### Principal risks and uncertainties

The Group operates in the oil and gas industry in an environment subject to a range of inherent risk and uncertainties. The principal risks and uncertainties, being those determined to be the most significant, are set out in the annual report for the year ended 31 December 2020, along with the way they are mitigated. The directors have reconsidered the principal risks and uncertainties and have concluded that the risks published in the 2020 annual report remain appropriate.

### Going concern

The Directors have considered the going concern of the Group and are satisfied that the Group has sufficient resources to operate and to meet their commitments as they come due over the going concern period. The Group continues to closely monitor its cash balances which stood at £4.7 million as at 30 June 2021. Refer to Note 2 of the financial statements for further discussion.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six-months Ended 30 June 2021	Six-months Ended 30 June 2020 Restated *	Year Ended 31 December 2020
		£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Revenue	4	26,479	–	12,991
Production costs		(14,012)	–	(8,075)
Loss on risk management contracts	14	(2,715)	–	–
Depreciation and depletion	8	(7,036)	–	(4,854)
<b>Gross profit</b>		<b>2,716</b>	–	62
Administrative expenses		(6,779)	(1,747)	(5,755)
Acquisition costs		(200)	(199)	(1,542)
Gain on bargain purchase		–	–	25,211
<b>Operating (loss) / profit</b>		<b>(4,263)</b>	(1,946)	17,976
Finance costs	5	(3,583)	(4,848)	(7,368)
<b>(Loss) / profit before tax</b>		<b>(7,846)</b>	(6,794)	10,608
Tax credit for the period	6	816	183	1,110
<b>(Loss) / profit for the period</b>		<b>(7,030)</b>	(6,611)	11,718
<b>Other comprehensive income / (loss):</b>				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Foreign exchange differences on translation of foreign operations		732	–	(147)
<b>Other comprehensive income / (loss) for the period, net of tax</b>		<b>732</b>	–	(147)
<b>Total comprehensive (loss) / income for the period</b>		<b>(6,298)</b>	(6,611)	11,571
<b>(Loss) / earnings per share</b>				
		<b>Pence</b>	Pence	Pence
(Loss) / earnings per share – basic	7	(0.99)	(6.14)	3.78
(Loss) / earnings per share - diluted	7	(0.99)	(6.14)	3.46

All operations are continuing.

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

\* The presentation, description, and classification of certain comparative lines have been restated – see Note 2.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	Notes	30 June 2021	30 June 2020	31 December 2020
		£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
<b>Non-current assets</b>				
Property, plant & equipment	8	110,149	8	108,509
Exploration and evaluation assets	9	49,382	48,640	48,809
Loan receivable		–	2,007	–
Deferred tax asset	6	1,398	–	1,052
Deposit		716	–	678
<b>Total non-current assets</b>		<b>161,645</b>	50,655	159,048
<b>Current assets</b>				
Cash and cash equivalents		4,717	1,516	6,178
Trade and other receivables	10	8,892	106	8,731
Inventory		229	–	164
<b>Total current assets</b>		<b>13,838</b>	1,622	15,073
<b>Current liabilities</b>				
Trade and other payables	11	(12,926)	(6,403)	(13,156)
Risk management contracts	14	(1,864)	–	–
Borrowings and leases	12	(29)	–	(28)
Decommissioning provision	13	(1,988)	–	(1,234)
<b>Total current liabilities</b>		<b>(16,807)</b>	(6,403)	(14,418)
<b>Net current assets</b>		<b>(2,969)</b>	(4,781)	655
<b>Non-current liabilities</b>				
Non-current accounts payable	11	(1,899)	(3,000)	(3,000)
Borrowings and leases	12	(20,911)	(15,413)	(17,958)
Decommissioning provision	13	(67,161)	–	(65,549)
<b>Total non-current liabilities</b>		<b>(89,971)</b>	(18,413)	(86,507)
<b>Net assets</b>		<b>68,705</b>	27,461	73,196
<b>Capital and reserves</b>				
Ordinary shares	15	73	11	70
Deferred shares	15	50	50	50
Share premium	15	64,057	32,572	61,605
Share-based payment reserve	16	7,223	6,215	6,337
Warrants – LNs	16	8,180	11,375	9,714
Foreign currency translation reserve		585	–	(147)
Accumulated deficit		(11,463)	(22,762)	(4,433)
<b>Shareholders' funds</b>		<b>68,705</b>	27,461	73,196

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

The consolidated financial statements of i3 Energy plc, company number 10699593, were approved by the Board of Directors and authorized for issue on 27 September 2021.

Signed on behalf of the Board of Directors by:

“Majid Shafiq”

Majid Shafiq  
Director

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary shares	Share premium	Deferred shares	Share- based payment reserve	Warrants - LN	Foreign currency translation reserve	(Accumul- ated deficit)	Total (unaudite d)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2020</b>	11	32,572	50	3,802	11,375	–	(16,151)	31,659
Total comprehensive loss for the period	–	–	–	–	–	–	(6,611)	(6,611)
Transactions with owners:								
Warrants – LNs	–	–	–	–	–	–	–	–
Share-based payment expense	–	–	–	2,413	–	–	–	2,413
<b>Balance at 30 June 2020</b>	11	32,572	50	6,215	11,375	–	(22,762)	27,461
<b>Balance at 1 January 2021</b>	70	61,605	50	6,337	9,714	(147)	(4,433)	73,196
Total comprehensive loss for the period	–	–	–	–	–	732	(7,030)	(6,298)
Transactions with owners:								
Exercise of options	16	2	15	–	–	–	–	17
Exercise of warrants	16	1	2,437	(452)	(1,534)	–	–	452
Share-based payment expense	16	–	–	1,338	–	–	–	1,338
<b>Balance at 30 June 2021</b>	<b>73</b>	<b>64,057</b>	<b>50</b>	<b>7,223</b>	<b>8,180</b>	<b>585</b>	<b>(11,463)</b>	<b>68,705</b>

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

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

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

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



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	Six-months Ended 30 June 2021	Six-months Ended 30 June 2020 Restated *	Year Ended 31 December 2020
		£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
<b>OPERATING ACTIVITIES</b>				
(Loss) / profit before tax		(7,846)	(6,794)	10,608
Adjustments for:				
Depreciation and depletion	8	7,036	–	4,854
Gain on bargain purchase		–	–	(25,211)
Finance costs	5	3,583	4,848	7,368
Unrealised loss on risk management contracts	14	1,858		
Unrealised FX (gain) / loss		(157)	(46)	68
Share-based payments expense - employees	16	1,338	–	336
Operating cash flows before movements in working capital:				
(Increase) / decrease in trade and other receivables		(441)	199	(7,217)
Increase / (decrease) in trade and other payables		2,671	(1,706)	4,974
(Increase) / decrease in inventory		(64)	–	69
<b>Net cash from / (used in) operating activities</b>		<b>7,978</b>	<b>(3,499)</b>	<b>(4,151)</b>
<b>INVESTING ACTIVITIES</b>				
Acquisitions		(3,850)	(967)	(18,474)
Cash assumed on business acquisitions		–	–	262
Expenditures on property, plant & equipment		(2,283)	–	(229)
Disposal of property, plant & equipment		50	–	–
Expenditures on exploration and evaluation assets		(3,514)	(13,243)	(17,403)
Expenditure on decommissioning oil and gas assets		(175)	–	(131)
Tax credit for R&D expenditure	6	487	383	383
<b>Net cash used in investing activities</b>		<b>(9,285)</b>	<b>(13,827)</b>	<b>(35,592)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds on issue of ordinary shares, net of issue costs	15	17	–	27,253
Interest and other finance charges paid	5	(356)	(269)	(114)
Lease payments	12	(15)	–	(10)
<b>Net cash (used in) / from financing activities</b>		<b>(354)</b>	<b>(269)</b>	<b>27,129</b>
Effect of exchange rate changes on cash		200	41	(278)
<b>Net (Decrease) / Increase in cash and cash equivalents</b>		<b>(1,461)</b>	<b>(17,554)</b>	<b>(12,892)</b>
Cash and cash equivalents, beginning of period		6,178	19,070	19,070
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		<b>4,717</b>	<b>1,516</b>	<b>6,178</b>

Included within cash and cash equivalents is £248 thousand of restricted cash, which relates to guarantees for product marketing.

Net debt reconciliation is shown in Note 12

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

\* The presentation, description, and classification of certain comparative lines have been restated – see Note 2.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1 Summary of significant accounting policies

### General Information and Authorisation of Financial Statements

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

The Company and its subsidiaries (together, “the Group”) principal activities consist of the development and production of oil and gas on the UK Continental Shelf and the Western Canadian Sedimentary Basin.

## 2 Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ (“IAS 34”) and the AIM rules. These condensed consolidated interim financial statements have been prepared using the accounting policies that were applied in the Group’s statutory financial statements for the year ended 31 December 2020 and are expected to be applied in the preparation of the financial statements for the year ended 31 December 2021. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with international financial reporting standards in conformity with the requirements of the companies Act 2006.

The reports for the six months ended 30 June 2021 and 30 June 2020 are unaudited and do not constitute statutory accounts as defined by the Companies Act 2006. The financial statements for 31 December 2020 have been prepared and delivered to the Registrar of Companies. The auditor report of these financial statements was unqualified.

The financial information is presented in Pounds Sterling (£, GBP), which is the Company’s functional currency, and rounded to the nearest thousand unless otherwise stated. The functional currency of the Company’s UK subsidiary, i3 Energy North Sea Limited, is GBP, and the functional currency of its Canadian subsidiary, i3 Energy Canada Limited, is CAD.

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those disclosed in the Group’s statutory financial statements for the year ended 31 December 2020 except for ‘Fair value judgements for business acquired’ as there were no business combinations completed during the period ended 30 June 2021.

The principal accounting policies applied in the preparation of these consolidated interim financial statements are consistent with those that were applied in the Group’s statutory financial statements for the year ended 31 December 2020 and are expected to be applied in the preparation of the financial statements for the year ended 31 December 2021, except for *Property, plant and equipment – disposals* and *Risk management contracts* which are applicable to the Group for the first time in H1 2021:

### *Property, plant, and equipment – disposals*

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

## 2 Basis of presentation - continued

### *Risk management contracts*

Financial risk management contracts are measured and recognised in accordance with the Group's accounting policy for financial liabilities at fair value through profit or loss as disclosed in the financial statements for the year ended 31 December 2020.

Physical risk management contracts represent physical delivery sales contracts in the ordinary course of business and are therefore not recorded at fair value in the consolidated interim financial statements. Settlements on these physical risk management contracts are recognised within realised gains or losses on risk management contracts at the time of settlement.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairperson's and Chief Executive's Statement. The financial position of the Group, its net cash position and liabilities are described in these consolidated interim financial statements and in the Financial Review.

The Directors have given careful consideration to the appropriateness of the going concern assumption, including cash forecasts through the end of 2022, committed capital expenditure, and the principal risks and uncertainties faced by the Group. This assessment also considered various downside scenarios including oil and gas commodity prices and production rates. Following this review, the Directors are satisfied that the Group has sufficient resources to operate and to meet their commitments as they come due over the going concern period which considers at least 12 months from the date of approval of the financial statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the consolidated interim financial statements.

### Restatement and reclassification of comparative information

Following the acquisitions completed in 2020, commencement of production, and a review of the financial statements, the Group has elected to change the presentation and classification of certain items within the Statement of Consolidated Income and the Statement of Cash Flow. There has been no change to the reported total comprehensive loss for the half-year ended 30 June 2020 or the year ended 31 December 2020.

Expense related to the issuance of warrants of £2,413 thousand in H1 2020 was previously presented within administrative expenses. This expense is now presented within finance costs.

Acquisition costs related to the Gain and Toscana acquisitions of £199 thousand in H1 2020 was previously presented within administrative expense. These costs are not presented separately on the statement of comprehensive income.

Interest and other finance charges paid of £269 thousand was previously presented as a cash outflow from operating activities. This is now presented as a cash outflow from financing activities.

Deferred consideration for the Toscana debt acquisition of £1,040 thousand was previously presented as a cash outflow from investing activities. This is now presented within the movement in trade and other payables within operating activities.

Tax credit for R&D expenditure of £383 thousand was previously presented as a cash inflow from operating activities. This is now presented as a cash inflow from investing activities.

All of the reclassification adjustments are consistent with the presentation in the audited financial statements for the year ended 31 December 2020.

## 3 Segmental reporting

The Chief Operating Decision Maker (CODM) is the Board of Directors. In the first half of 2020, they considered that the Group operated in a single segment, that of corporate activities in the UK and oil and gas exploration, appraisal, and development on the UKCS, and therefore comparative H1 2020 information has not been presented. Following the Gain acquisition which completed on 3 September 2020 and the Toscana acquisition which completed on 30 October 2020, they consider that the Group operates as two segments, as follows:

### 3 Segmental reporting - continued

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

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

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

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

The following is an analysis for the Group's revenue and results by reportable segment for the 12 months ended 31 December 2020:

	UK / Corporate £'000	Canada £'000	Total £'000
Revenue	–	12,991	12,991
Production costs	–	(8,075)	(8,075)
Depreciation and depletion	(5)	(4,849)	(4,854)
<b>Gross (loss) / profit</b>	<b>(5)</b>	<b>67</b>	<b>62</b>
Administrative expenses	(3,335)	(2,420)	(5,755)
Acquisition costs	(989)	(553)	(1,542)
Bargain purchase gain	5,962	19,249	25,211
<b>Operating profit</b>	<b>1,633</b>	<b>16,343</b>	<b>17,976</b>
Finance costs	(7,108)	(260)	(7,368)
<b>(Loss) / profit before tax</b>	<b>(5,475)</b>	<b>16,083</b>	<b>10,608</b>
Tax credit for the period	383	727	1,110
<b>(Loss) / profit for the period</b>	<b>(5,092)</b>	<b>16,810</b>	<b>11,718</b>

### 3 Segmental reporting - continued

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

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

The following is an analysis of the Group's assets and liabilities by reportable segment as at 31 December 2020 and the capital expenditure for the year then ended:

	UK / Corporate £'000	Canada £'000	Total £'000
Total assets	48,932	125,189	174,121
Total liabilities	(24,160)	(76,765)	(100,925)
Capital expenditure – E&E	2,281	–	2,281
Capital expenditure – PP&E	–	697	697

## 4 Revenue

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

	Six-months Ended 30 June 2021 £'000	Six-months Ended 30 June 2020 £'000	Year Ended 31 December 2020 £'000
Oil and natural gas liquids	17,424	–	7,274
Natural Gas	10,820	–	5,978
Royalties	(2,908)	–	(830)
<b>Revenue from the sale of oil and gas</b>	<b>25,336</b>	–	12,422
Processing income	1,143	–	569
<b>Total revenue</b>	<b>26,479</b>	–	12,991

All revenue is from the Group's Canadian operations and is recognised at the point in time when title transfers to the purchaser.

## 5 Finance costs

	Six-months Ended 30 June 2021 £'000	Six-months Ended 30 June 2020 £'000 Restated *	Year Ended 31 December 2020 £'000
Accretion of loan notes	1,348	1,132	2,355
Interest expense on loan notes	1,619	1,303	2,487
Share-based compensation – warrants (Note 16)	451	2,413	2,198
Unwinding of discount on decommissioning provision (Note 13)	535	–	214
Bank charges and interest on creditors	356	–	114
Gain on financial instrument at FVTPL (Note 11)	(726)	–	–
<b>Total finance costs</b>	<b>3,583</b>	<b>4,848</b>	<b>7,368</b>

\* The presentation, description, and classification of certain comparative lines have been restated – see Note 2.

## 6 Taxation

### Taxation credit

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

	<b>Six-months Ended 30 June 2021 £'000</b>	Year Ended 31 December 2020 £'000
(Loss) / profit before income tax	(7,846)	10,608
Rate of Corporate Tax	40%	40%
Expected tax (credit) / charge	(3,138)	4,243
Effects of:		
Interest and other not deductible for SCT	293	491
Permanent differences	708	(4,415)
Foreign tax rate difference	244	(3,747)
Change in deferred tax asset	1,564	2,701
R&D tax credit received	(487)	(383)
<b>Total income tax (credit)</b>	<b>(816)</b>	<b>(1,110)</b>
Of which:		
	<b>Six-months Ended 30 June 2021 £'000</b>	Year Ended 31 December 2020 £'000
Current tax – prior years	(487)	(383)
Deferred tax – current year	(329)	(727)
<b>Total income tax (credit)</b>	<b>(816)</b>	<b>(1,110)</b>

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

## 6 Taxation - continued

### Deferred tax

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

	At 31 December 2020	Recognised in income	FX movement	At 30 June 2021
	£'000	£'000	£'000	£'000
<b>UK:</b>				
<i>Deferred tax assets:</i>				
Losses	25,764	1,794	–	27,558
Valuation allowance	(6,238)	(1,564)	–	(7,802)
<i>Deferred tax liabilities:</i>				
PP&E	(19,526)	(230)	–	(19,756)
Net deferred tax asset	–	–	–	–
<b>Canada:</b>				
<i>Deferred tax assets:</i>				
Decommissioning provision	15,360	304	240	15,904
Losses	5,625	(621)	85	5,089
Other	157	(4)	3	156
Risk management contracts	–	427	1	428
Valuation allowance	(7,912)	–	(123)	(8,035)
<i>Deferred tax liabilities:</i>				
PP&E	(12,178)	223	(189)	(12,144)
Net deferred tax asset	1,052	329	17	1,398
<b>Net deferred tax asset</b>	<b>1,052</b>	<b>329</b>	<b>17</b>	<b>1,398</b>

A deferred tax asset has not been recognised in respect of tax losses and allowances in the UK due to uncertainty over the availability of future taxable profits in the UK to offset these losses against.

The Group recognised a deferred tax recovery of £329 thousand for changes in net deductible temporary differences in the period. The deferred tax asset has been recognised in Canada to the extent that the Group anticipates probable future taxable profits to against which the assets can be utilised.

## 6 Taxation - continued

The Group's estimated tax pools are summarised in the following table. The non-capital tax loss pools in Canada expire over a period of 20 years. All other tax pools do not expire.

	30 June 2021 £'000	31 December 2020 £'000
<b>UK:</b>		
Taxable losses	25,227	20,585
Mineral extraction allowances	49,382	48,809
<b>Total – UK</b>	<b>74,609</b>	69,394
<b>Canada:</b>		
Canadian exploration expense	3,116	3,068
Canadian development expense	5,405	4,698
Canadian oil and gas property expense	39,614	39,311
Undepreciated capital cost	9,111	8,383
Non-capital losses	22,127	24,456
Other	674	684
<b>Total – Canada</b>	<b>80,047</b>	80,600

## 7 Earnings per share

### From continuing operations

Basic earnings or loss per share is calculated as profit/(loss) for the period, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

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

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

	Six-months Ended 30 June 2021 £'000	Six-months Ended 30 June 2020 £'000	Year Ended 31 December 2020 £'000
<b>Earnings</b>			
(Loss) / earnings for the purposes of basic and diluted earnings per share being net loss attributable to owners of i3 Energy	(7,030)	(6,611)	11,718
<b>Weighted average number of shares</b>			
Weighted average number of Ordinary Shares – basic	708,565,347	107,719,400	309,889,077
<i>Effect of dilutive potential ordinary shares:</i>			
Share options	–	–	2,399,909
Warrants	–	–	26,700,708
Weighted average number of Ordinary Shares – diluted	708,565,347	107,719,400	338,989,694
Basic (loss) / earnings per share (pence)	<b>(0.99)</b>	(6.14)	3.78
Diluted (loss) / earnings per share (pence)	<b>(0.99)</b>	(6.14)	3.46



## 7 Earnings per share - continued

The Share options and Warrants were anti-dilutive for the six months ended 30 June 2020 and 30 June 2021 as the Group incurred a loss. As at 30 June 2021, the number of potentially dilutive Share options and Warrants outstanding was 88,904,264 and 46,628,357, respectively (Note 16).

## 8 Property, plant, and equipment

	Oil and gas assets £'000	Right of use assets £'000	Other fixed assets £'000	Total £'000
<b>Cost</b>				
As at 1 January 2020	–	–	22	22
Additions	–	–	–	–
As at 30 June 2020	–	–	22	22
Acquisitions	114,826	–	–	114,826
Additions	697	110	–	807
Changes to decommissioning estimates	(2,310)	–	–	(2,310)
Decommissioning settlements under SRP (Note 13)	(104)	–	–	(104)
Exchange movement	84	(2)	–	82
As at 31 December 2020	113,193	108	22	113,323
Acquisitions	3,412	–	–	3,412
Additions	3,192	–	4	3,196
Disposals	(826)	–	–	(826)
Changes to decommissioning estimates	1,301	–	–	1,301
Decommissioning settlements under SRP (Note 13)	(87)	–	–	(87)
Exchange movement	1,779	1	–	1,780
<b>As at 30 June 2021</b>	<b>121,964</b>	<b>109</b>	<b>26</b>	<b>122,099</b>
<b>Accumulated depreciation</b>				
As at 1 January 2020	–	–	(14)	(14)
Charge for the period	–	–	(3)	(3)
As at 30 June 2020	–	–	(17)	(17)
Charge for the period	(4,843)	(6)	(2)	(4,851)
Exchange movement	54	–	–	54
As at 31 December 2020	(4,789)	(6)	(19)	(4,814)
Charge for the period	(7,022)	(13)	(1)	(7,036)
Exchange movement	(100)	–	–	(100)
<b>As at 30 June 2021</b>	<b>(11,911)</b>	<b>(19)</b>	<b>(20)</b>	<b>(11,950)</b>
Carrying amount at 30 June 2020	–	–	8	8
Carrying amount at 31 December 2020	108,404	102	3	108,509
<b>Carrying amount at 30 June 2021</b>	<b>110,053</b>	<b>90</b>	<b>6</b>	<b>110,149</b>

Right of use assets consist of certain field vehicles whose leases commenced in September 2020.

## 9 Exploration and evaluation assets (Intangible)

	Six-months Ended 30 June 2021 £'000	Six-months Ended 30 June 2020 £'000	Year Ended 31 December 2020 £'000
At start of period	48,809	46,528	46,528
Additions	573	2,112	2,281
<b>At end of period</b>	<b>49,382</b>	<b>48,640</b>	<b>48,809</b>

The Directors have considered the carrying value of the exploration and evaluation assets as at 30 June 2021 and concluded that no indicators of impairment arose during the period. In reaching this conclusion, the Directors have given particular attention to the relinquishment of UKCS Licence P.1987 which reached the end of its two-year second term on 31 December 2020. Licence P.1987 encompasses UK Block 13/23d which contains contingent resources for the Group's Liberator asset, which have been evaluated as sub-commercial by i3 and in an 'independent competent person' report and as such do not represent a viable commercial development. i3 may choose to re-apply for Licence P.1987 licence in the future if justified by its appraisal of the Liberator West / Minos High prospective areas and/or the Serenity discovery. The relinquishment will result in a significant saving in licence fees whilst i3 progresses its appraisal of resources on its adjoining P.2358 Licence.

This relinquishment has no impact on Licence P.2358, which commenced its four-year second term on 30 September 2020 and contains the vast majority of the resources and potential reserves in the Company's UK acreage. Licence P.2358 includes the Serenity discovery and the Liberator West and Minos High prospective areas, which will be the focus of plans for appraisal and exploration drilling.

## 10 Trade and other receivables

Other receivables are all due within one year.

	30 June 2021 £'000	30 June 2020 £'000	31 December 2020 £'000
Trade receivables	6,052	–	6,295
Sales tax receivables	–	70	46
Joint venture receivables	1,178	–	864
Prepayments & other receivables	1,662	36	1,526
<b>Total trade and other receivables</b>	<b>8,892</b>	<b>106</b>	<b>8,731</b>

Other receivables are all due within one year.

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

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

## 11 Trade and other payables

	30 June 2021 £'000	30 June 2020 £'000	31 December 2020 £'000
Trade creditors	3,192	3,523	7,780
Sales tax payable	25	–	–
Accruals	9,247	2,880	5,146
Joint venture payables	462	–	230
<b>Total trade and other payables</b>	<b>12,926</b>	<b>6,403</b>	<b>13,156</b>

## 11 Trade and other payables - continued

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

### Non-current accounts payable

On 2 July 2019 the Group agreed with Baker Hughes, a GE Company, and GE Oil & Gas Limited (collectively referred to as "BHGE" hereafter) that £3.0 million of oilfield service and oilfield equipment contract payments will not become payable until such time as i3 has received its first sales revenues from Liberator Phase I. This payable has been recorded as a non-current accounts payable.

On 17 May 2021, i3 announced that it had successfully restructured legacy contracts and agreements for equipment, oil field services, and warrants with BHGE. In summary, the remainder of a £5.8 million contract for subsea trees and wellheads was cancelled, 5,277,045 warrants had an exercise price reduction to £0.0001 per share (the "Warrant Shares"), and an outstanding contingent payment for £3.0 million ("Deferred Payment Invoice Balance", or "DPIB") in oil field services and equipment that becomes payable at such time as the Company receives consideration from any sale or farm-down of its Serenity or Liberator assets will be reduced by the exercise value of the Warrant Shares, the market value of the Warrant Shares from time to time, all dividends received by BHGE associated with the Warrant Shares, and certain payments to be made to BHGE across 2021 totalling £374 thousand. The purpose of this restructuring was to enable i3 to become a dividend payer, as certain conditions of the abovementioned contracts prevented it from reducing its share premium account – a required step in order for i3 to effect dividend distributions to its shareholders.

The future Market Value reduction of the payable amount will vary with the trading value of i3 shares and therefore represents an embedded derivative. The entire combined contract is designated as at FVTPL. The fair value of £2,273 thousand has been calculated as the £3.0 million payable amount, less the exercise value of the Warrant Shares of £1 thousand, less the Market Value of the Warrant Shares of £726 thousand as at the 30 June 2021 share price of 13.75p/share. The fair value of the combined contract is classified as Level 2 in the fair value hierarchy as defined by IFRS 13 'Fair value measurements'. £374 thousand expected to be paid within 2021 has been classified as a current liability (30 June and 31 December 2020: nil), and the remaining £1,899 thousand has been classified as a non-current liability (30 June and 31 December 2020: £3.0 million). A reconciliation of the balance is as follows:

	30 June 2021 £'000
Opening payable amount	3,000
Exercise value of the Warrant Shares	(1)
Market value of the Warrant Shares as at 30 June 2021	(726)
<b>Total</b>	<b>2,273</b>

	30 June 2021 £'000
Of which:	
Current, within trade accounts payable	374
Non-current	1,899
<b>Total</b>	<b>2,273</b>

## 12 Borrowings

### H1-2019 loan note facility

In May 2019, the Company completed a £22 million H1-2019 loan note facility ("H1-2019 LN"). The H1-2019 LNs have a term of 4 years, maturing on 31 May 2023 and bearing interest, payable on a quarterly basis at the Company's option (i) in cash at a rate of 8% per annum, or (ii) in kind at a rate of 11% per annum by the issuance of additional H1-2019 LNs.

## 12 Borrowings - continued

Interest expense and accretion expense to 30 June 2021 was £1,619 thousand and £1,348 thousand respectively.

### Borrowings reconciliation

	H1-2019 LN £'000	Leases £'000	Total £'000
At 31 December 2019	13,046	–	13,046
New leases	–	110	110
Increase through interest	2,486	1	2,487
Accretion expense	2,355	–	2,355
Lease payments	–	(10)	(10)
Exchange movement	–	(2)	(2)
At 31 December 2020	17,887	99	17,986
Increase through interest	1,619	1	1,620
Accretion expense	1,348	–	1,348
Lease payments	–	(15)	(15)
Exchange movement	–	1	1
At 30 June 2021	<b>20,854</b>	<b>86</b>	<b>20,940</b>

	H1-2019 LN £'000	Leases £'000	Total £'000
Of which:			
Current	–	29	29
Non-current	20,854	57	20,911
At 30 June 2021	<b>20,854</b>	<b>86</b>	<b>20,940</b>

## 13 Decommissioning provision

	30 June 2021 £'000	30 June 2020 £'000	31 December 2020 £'000
At start of period	66,783	–	–
Liabilities assumed through acquisitions	540	–	69,092
Liabilities incurred	11	–	–
Liabilities disposed	(776)	–	–
Liabilities settled	(196)	–	(109)
Liabilities settled under SRP	(87)	–	(104)
Change in estimates	1,301	–	(2,310)
Unwinding of discount (Note 5)	535	–	214
Exchange movement	1,038	–	–
At end of period	<b>69,149</b>	–	66,783

### 13 Decommissioning provision - continued

	30 June 2021 £'000	30 June 2020 £'000	31 December 2020 £'000
Of which:			
Current	1,988	–	1,234
Non-current	67,161	–	65,549
<b>Total</b>	<b>69,149</b>	<b>–</b>	<b>66,783</b>

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

	30 June 2021	30 June 2020	31 December 2020
Undiscounted / uninflated cash flows (CAD, thousands)	121,910	N/A	122,926
Inflation rate	1.73%	N/A	1.00%
Discount rate	1.84%	N/A	1.21%
Timing of cash flows	1-50 years	N/A	1-50 years

Liabilities settled reflect work undertaken in the period. This includes wells decommissioned under Alberta's Site Rehabilitation Program ("SRP") whereby certain costs of settling the Group's liabilities were borne by the Government of Canada. Where liabilities were settled through the SRP a corresponding decrease to the decommissioning asset was recorded. The change in estimate for the 6 months ended 30 June 2021 resulted from a change in market interest and inflation rates.

### 14 Risk management contracts

In the first half of 2021, the Group entered a variety of risk management contracts to hedge a portion of the Group's exposure to fluctuations in prevailing commodity prices for oil, gas, and natural gas liquids. The Group's physical commodity contracts represent physical delivery sales contracts in the ordinary course of business and are therefore not recorded at fair value in the consolidated interim financial statements. The Group's financial risk management contracts have not been designated as hedging instruments in a hedge relationship under IFRS 9 and are carried at fair value through profit and loss. The financial risk management contracts are classified as Level 2 in the fair value hierarchy as defined by IFRS 13 'Fair value measurements'.

The principal terms of the derivative financial instruments are presented in the table below.

Type	Effective date	Termination date	Total Volume	Avg. Price
AECO 5A Financial Swaps	1 Jun 2021	31 Oct 2021	24,000 GJ/Day	CAD 2.6538 / GJ
AECO 5A Physical Swaps	1 Jun 2021	31 Oct 2021	14,000 GJ/Day	CAD 3.2661 / GJ
WTI Financial Swaps	1 Apr 2021	31 Dec 2021	400 bbl/Day	CAD 74.45 / bbl
WTI Physical Swaps	1 Mar 2021	31 Dec 2021	350 bbl/Day	CAD 64.50 / bbl
Conway Financial Swaps	1 Apr 2021	31 Dec 2021	200 bbl/Day	USD 0.7725 / gal

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

	Six-months Ended 30 June 2021 £'000	Six-months Ended 30 June 2020 £'000	Year Ended 31 December 2020 £'000
Unrealised loss on risk management contracts	1,858	–	–
Realised loss on risk management contracts	857	–	–
<b>Total</b>	<b>2,715</b>	<b>–</b>	<b>–</b>

## 15 Authorised, issued and called-up share capital

	Issuance date	Ordinary shares	Deferred shares	Nominal value per Share	Ordinary shares	Deferred shares	Share premium before share issuance costs	Share issuance costs	Share premium after Share issuance costs
		Shares	Shares	£	£'000	£'000	£'000	£'000	£'000
As at 31 December 2019		107,719,400	5,000	–	11	50	33,965	(1,393)	32,572
Warrants exercised at 0.01 pence/share	24 Aug 20	6,788,945	–	0.0001	1	–	–	–	1,661
Issued at 5 pence/share	28 Aug 20	581,147,255	–	0.0001	58	–	28,999	(1,806)	27,194
Issued for Toscana acquisition	30 Oct 20	4,399,215	–	0.0001	–	–	178	–	178
As at 31 December 2020		700,054,815	5,000	–	70	50	64,804	(3,199)	61,605
Issued on exercise of 0.01 pence H1-2019 warrants	16 Apr 21	6,788,946	–	0.0001	1	–	1,534	–	1,534
Issued on exercise of 0.01 pence options	Various	15,303,960	–	0.0001	1	–	–	–	–
Issued on exercise of 5 pence options	28 Apr 21	300,000	–	0.0001	–	–	15	–	15
Issued on exercise of 0.01 pence BHGE warrants	4 Jun 21	5,277,045	–	0.0001	1	–	903	–	903
As at 30 June 2021		<b>727,724,766</b>	<b>5,000</b>	<b>–</b>	<b>73</b>	<b>50</b>	<b>67,256</b>	<b>(3,199)</b>	<b>64,057</b>

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

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

No dividends were proposed during the period. (2019 - Nil). In July 2021 the Company declared its Maiden Special Dividend. Further details are provided in Note 19.

## 16 Share-based payments

During the period the Group had share based payment expense of £1,789 thousand (Six-months ended 30 June 2020: £2,413 thousand; Year ended 31 December 2020: £2,533 thousand).

### Employee and NED Share Options

During the period the Group had share based payment expense relating to the issuance of share options of £1,338 thousand (Six-months ended 30 June 2020: £nil; Year ended 31 December 2020: £335 thousand). Details on the employee and NED share options outstanding during the period are as follows:

	Number of options	Weighted average exercise price (pence)	Weighted average contractual life
At 31 December 2019 and 30 June 2020	12,252,013	46.03	8.91
Cancelled – 28 October 2020	(12,252,013)	46.03	8.09
Issued – 28 October 2020	12,128,955	0.01	4.00
Issued – 3 December 2020	4,028,659	0.01	4.00
At 31 December 2020	16,157,614	0.01	3.85

**16 Share-based payments - continued**

Issued – 10 January 2021	13,166,358	6.10	10.00
Issued – 10 January 2021	75,184,252	5.00	10.00
Exercised during the period	(15,603,960)	0.11	3.48
At 30 June 2021	<b>88,904,264</b>	<b>5.11</b>	<b>9.48</b>

On 10 January, the Company issued options over a total of 13,166,358 ordinary shares to key staff that joined its Canadian subsidiary, i3 Energy Canada Ltd., following the acquisition of Gain's oil & gas assets. The options were issued in accordance with the rules of the Company's Employee Share Option Plan at an exercise price of 6.1 pence per share, the closing price on 8 January 2021. One-third of the options vested immediately, with a further one-third vesting in July 2021 if production exits at or above 9,000 boepd, and 100 per cent will vest if there is an addition of 5,000 boepd or, alternatively, 25 MMboe 2P reserves. The options will otherwise fully vest on the third anniversary. The fair value was calculated using the Black Scholes model with inputs for share price of 6.1 pence, exercise price of 6.1 pence, time to maturity of 10 years, volatility of 114%, the Risk-Free Interest rate of 0.360%, and a dividend yield of 11%. The resulting fair value of £240 thousand will be expensed over the expected vesting period.

On 10 January, the Company also issued options over a total of 75,184,252 ordinary shares as described in the Gain-related Readmission document released on 11 August 2020. The options were issued in accordance with the rules of the Company's Employee Share Option Plan at an exercise price of 5 pence per share. Options issued to employees of i3 Canada contain the same vesting conditions as the 6.1 pence options described in the paragraph above. Of the options issued to employees of i3 North Sea Limited, one-third of the options vested immediately, with a further one-third vesting at the spud of the next Serenity / Liberator appraisal well, and 100 per cent will vest upon a third-party reserve auditor attributing 25 MMbbls 2P post drilling of a Serenity / Liberator appraisal well. The options will otherwise fully vest on the third anniversary. Of the options issued to the executive and non-executive directors and one corporate employee, one-third of the options vested immediately, with a further one-third vesting upon the earlier of spud of the next Serenity or Liberator appraisal well; and July 2021 production exits being at or above 9,000 boepd, and 100% will vest upon the earlier of a third-party reserve auditor attributing 25 MMbbls 2P post drilling of a Serenity or Liberator appraisal well and the addition of 5,000 boepd or 25 MMboe 2P reserves. The options will otherwise fully vest on the third anniversary. The fair value was calculated using the Black Scholes model with inputs for stock price of 6.10 pence, exercise price of 5.0 pence, time to maturity of 10 years, volatility of 114%, the Risk-Free Interest rate of 0.360%, and a dividend yield of 11%. The resulting fair value of £1,384 thousand will be expensed over the expected vesting period.

30,003,857 outstanding employee share options as at 30 June 2021 were fully vested and exercisable.

## 16 Share-based payments - continued

### Warrants

During the period the Group had share based payment expense relating to the modification and issuance of warrants of £451 thousand (Six-months ended 30 June 2020: £2,413 thousand; Year ended 31 December 2020: £2,198 thousand). Details on the warrants outstanding during the period are as follows:

	Number of warrants	Weighted average exercise price (pence)	Weighted average contractual life
At 31 December 2019	65,483,293	46.98	3.04
Modified – 23 June 2020	(55,981,044)	46.09	2.67
Modified – 23 June 2020	55,981,044	0.01	2.67
At 30 June 2020	65,483,293	0.01	2.01
Exercised – 24 August 2020	(6,788,945)	0.01	2.77
At 31 December 2020	58,694,348	5.27	1.98
Exercised – 16 April 2021	(6,788,946)	0.01	2.12
Modified – 17 May 2021	(5,277,045)	56.85	0.34
Modified – 17 May 2021	5,277,045	0.01	0.34
Exercised – 17 May 2021	(5,277,045)	0.01	0.3
At 30 June 2021	<b>46,628,357</b>	0.04	1.63

On 17 May, i3 announced that it had successfully restructured legacy contracts and agreements for equipment, oil field services, and warrants with BHGE. This resulted in the exchange of 5,277,045 warrants with a strike price of 56.85 pence for Ordinary Shares with a nominal value of 0.01 pence. Further details are provided in Note 11.

## 17 Related party transactions

### Remuneration of Key Management Personnel

Directors of the Group are considered to be Key Management Personnel. The remuneration of the Directors will be set out in the annual report for the year-ending 31 December 2021.

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

### Ultimate parent

There is no ultimate controlling party of the Group.

## 18 Commitments

	1 year £'000	1-2 years £'000	3-4 years £'000	5+ years £'000	Total £'000
Operating	57	11	–	–	68
Transportation	1,605	1,099	340	121	3,165
<b>Total</b>	<b>1,662</b>	<b>1,110</b>	<b>340</b>	<b>121</b>	<b>3,233</b>

Operating commitments relate to offices leases in the UK that expire in April 2022 and a field office lease in Canada that expires in July 2021. Transportation commitments relate to take-or-pay pipeline capacity in Alberta.



## 19 Events after the reporting period

On 6 July 2021 the Registrar of Companies registered the cancellation of i3's share premium account. The £64.1 million balance of the Group's share premium will be transferred to retained earnings in the second half of 2021.

On 7 July 2021, i3 announced that it had reached a definitive agreement with Cenovus Energy Inc., a senior Canadian oil and gas producer, to acquire certain petroleum and infrastructure assets within i3's Central Alberta core area (the "Cenovus Assets"), for a total consideration of CAD65 million (US\$53.7 million) (the "Acquisition"). The strategic Acquisition delivers extensive operational synergies, predictable low-decline production, a large reserve base with multi-year development inventory and expected strong free cash flow. The Acquisition includes approximately 8,400 boepd (51% oil and NGLs) of predictable low-decline production, 79.5 MMboe of 2P reserves with an NPV<sub>10</sub> of US\$193 million as at 1 April 2021 (inclusive of undiscounted asset retirement obligations ("ARO") of US\$92 million, inflated at 2% and discounted at 10% for an NPV<sub>10</sub> ARO value of US\$23 million), an inventory of greater than 140 net drilling locations and 80 net reactivation opportunities across approximately 212,000 net acres, an 1,140 km network of operated pipelines, and key processing facilities.

Also on 7 July 2021, i3 announced the conditional Placing and Subscription of 363,700,000 Placing Shares at the Issue Price of 11 pence per Placing Share, a 3% discount to the 15-day average closing price of 11.4 pence. This includes shares placed through the PrimaryBid offer. The total fundraising was for approximately £40 million. The Placing and Subscription was approved by the Shareholders on 26 July 2021 and admitted to trading on AIM on 27 July 2021. Following the Placing and Subscription, the Company's issued share capital stood at 1,091,424,766 ordinary shares with a nominal value of £0.0001 each.

Further details of the Acquisition and the equity fundraise are available at <https://i3.energy/investor-relations/regulatory-news>.

On 8 July 2021, i3 announced the declaration of its Maiden Special Dividend of 0.16 pence/share with an Ex-Dividend Date of 15 July 2021, Record Date of 16 July 2021, and Payment Date of 6 August 2021.

On 30 July 2021, the Company issued options over a total of 53,705,491 ordinary shares to i3 staff and board and has additionally issued 1,750,000 options to incoming staff and conditionally allocated 3,750,000 for additional hires as part of the Acquisition. The options were issued in accordance with the rules of the Company's Employee Share Option Plan at an exercise price of £0.11 per share. Of the options issued to employees of i3 Canada, one-third of the options vested immediately, with a further one-third vesting if production of 20,000 boepd is achieved prior to July 2022 (substantially funded from internally generated cash flow), and 100 per cent will vest upon the addition of 9,250 boepd or 50 MMboe 2P reserves. Of the options issued to employees of i3 North Sea Limited, one-third of the options vested immediately, with a further one-third vesting at spud of the earlier of a second appraisal well or first development well at either Serenity or Liberator, and 100 per cent will vest upon the addition of 2,500 boepd of European production. Of the options issued to the executive and non-executive directors and one corporate employee, one-third of the options vested immediately, with a further one-third vesting (i) at spud of the earlier of a second appraisal well or first development well at either Serenity or Liberator; or (ii) if production of 20,000 boepd is achieved prior to July 2022 (substantially funded from internally generated cash flow), whichever is first to occur, and 100 percent upon (i) the addition of 2,500 boepd of European production; or (ii) the addition of 9,250 boepd or 50 MMboe 2P reserves, whichever is first to occur. The options will otherwise fully vest on the third anniversary.

On 20 August 2021, the Company closed the Acquisition previously announced on 7 July 2021.

On 15 September 2021, the Company announced that certain Loan Noteholders had exercised warrants over 9,828,010 shares in the Company. These shares were admitted to trading on AIM on 17 September 2021.

On 27 September 2021 and concurrent with this Interim Report, i3 announces an H1 2021 dividend of £2.20 million (0.2p/sh). The Company confirms the following for its H1 2021 dividend:

Dividend:	0.20 pence/share
Ex-Dividend Date:	7 October 2021
Record Date:	8 October 2021
Payment Date:	29 October 2021

## 19 Events after the reporting period - continued

Payment to shareholders holding their shares on the TSX will be made in Canadian dollars, using the exchange rate from the Bank of England, at close on the Dividend announcement date, 27 September 2021.

Following the Placing and Subscription, the Warrant Exercise, and as at the date of this report, the Company's issued share capital stands at 1,101,252,776 ordinary shares with a nominal value of £0.0001 each.

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

Type	Effective date	Termination date	Total Volume	Avg. Price
AECO 5A Financial Swaps	1 Nov 2021	31 Mar 2022	10,000 GJ/day	CAD 4.0975/GJ
AECO 5A Physical Swaps	1 Nov 2021	31 Mar 2022	15,000 GJ/day	CAD 4.3313/GJ
AECO 5A Physical Swaps	1 Apr 2022	31 Dec 2022	4,000 GJ/day	CAD 3.4900/GJ
WTI Financial Swaps	1 Jan 2022	31 Mar 2022	350 bbl/d	CAD 83.04/bbl
WTI Financial Swaps	1 Apr 2022	31 Dec 2022	200 bbl/d	CAD 83.00/bbl

## 20 Operating income statement of the Cenovus Assets

The acquisition by the Company of the Cenovus Assets closed after the end of the reporting period. The operating income statement of the Cenovus Assets for the six months to 30 June 2021 are presented below:

Cenovus Assets estimated Operating Statement of Income Before Depletion and Taxation:

	Six-months Ended 30 June 2021 (unaudited)
	£'000
<b>Revenue</b>	
Production Revenue	27,813
Net Royalties	(3,304)
<b>Net Revenues</b>	<b>24,509</b>
Operating Expense	(10,871)
<b>Net Income Before Depletion and Taxation</b>	<b>13,638</b>

The figures above are derived from financial data provided by the vendor. The Group is currently assessing the fair value of the assets acquired and liabilities assumed.

## CORPORATE INFORMATION

<b>Registered number</b>	<b>10699593</b>
<b>Directors</b>	<b>Linda Janice Beal</b> – Non-Executive Director and Interim Non-Executive Chairperson <b>Majid Shafiq</b> – Chief Executive Officer <b>Graham Andrew Heath</b> – Chief Financial Officer <b>Richard Millington Ames</b> – Non-Executive Director <b>Neill Ashley Carson</b> – Non-Executive Director <b>John Festival</b> – Non-Executive Director
<b>Company Secretary</b>	<b>Burness Paull LLP</b>
<b>Registered Office</b>	New Kings Court Tollgate Chandler's Ford Eastleigh, Hampshire United Kingdom S053 3LG
<b>Independent Auditor</b>	<b>PKF Littlejohn LLP (Registered Auditor)</b> 15 Westferry Circus Canary Wharf London E14 4HD United Kingdom
<b>Solicitors</b>	<b>Burness Paull LLP</b> 50 Lothian Road Festival Square Edinburgh EH3 9WJ
<b>Nominated Advisor and Broker</b>	<b>WH Ireland Limited</b> 24 Martin Lane London EC4R 0DR
<b>Brokers</b>	<b>Tennyson Securities</b> 23 Floor 20 Fenchurch Street London EC3M 3BY <b>Canaccord Genuity Limited</b> 88 Wood Street London EC2V 7QR
<b>Registrars</b>	<b>Link Group</b> 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL
<b>Principal Bankers</b>	<b>Royal Bank of Scotland</b>
<b>Company Website</b>	<a href="http://www.i3.energy">www.i3.energy</a>
<b>Company Telephone Number</b>	+44 (0) 1224 945 980

## APPENDIX A: GLOSSARY

1P	Proved reserves
2P	Proved plus probable reserves
AER	Alberta Energy Regulator
AIM	The Alternate Investment Market of the London Stock Exchange
APM	Alternate Performance Measure
ARO	Asset Retirement Obligation
ASCP	Saskatchewan's Accelerated Site Closure Program
BHGE	Baker Hughes, a GE Company, and GE Oil & Gas Limited
BOE	Barrels of Oil Equivalent
BOEPD	Barrels of Oil Equivalent Per Day
CAD	Canadian Dollars
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLNs	Convertible Loan Notes
Company	i3 Energy plc
E&E	Exploration and evaluation
FCF	Free cash flow
FVTPL	Fair Value through Profit or Loss
Gain	Gain Energy Ltd.
Gain Acquisition Date	3 September 2020
Gain Assets	Assets retained by i3 following the purchase from Gain and sale to Harvard
GBP	British Pounds Sterling
Group	i3 Energy plc, together with its subsidiaries
Harvard	Harvard Resources Inc.
i3	i3 Energy plc, together with its subsidiaries
i3 Canada	i3 Energy Canada Limited
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
LLR	The licensee's deemed asset to deemed liability ratio as determined under Directive 006 (Licensee Liability Rating (LLR) Program and Licence Transfer Process) of the Alberta Energy Regulator (AER). The deemed asset value is



## Appendix A: Glossary

	calculated by multiplying the licensee's reported production of oil and gas for the prior 12 months by the rolling 3-year provincial industry average netback (determined by the AER). The deemed liability is the total cost for the future abandonment and site reclamation of all a licensee's wells and upstream facilities based on provincial industry average costs (determined by the AER).
MMboe	Million Barrels of Oil Equivalent
NED	Non-executive Director
NOI	Net Operating Income
NTM	Next Twelve Months
OGA	UK Oil and Gas Authority
PDP	Proved, developed, producing reserves
PP&E	Property, plant and equipment
RTO	Reverse Take-over
SRP	Alberta's Site Rehabilitation Program
TEIC	Toscana Energy Income Corporation
Toscana	Toscana Energy Income Corporation
Toscana Acquisition Date	30 October 2020
TSX	Toronto Stock Exchange
UKCS	UK Continental Shelf
USD (US\$)	United States Dollar
WCSB	Western Canadian Sedimentary Basin
WTI	West Texas Intermediate

## APPENDIX B: ALTERNATE PERFORMANCE MEASURES

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

### EBITDA and Adjusted EBITDA

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

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

	<b>Six-months Ended 30 June 2021</b>	Six-months Ended 30 June 2020	Year Ended 31 December 2020
	<b>£'000</b>	£'000	£'000
(Loss) / profit for the period	(7,030)	(6,611)	11,718
Depreciation and depletion	7,036	–	4,854
Finance costs	3,583	4,848	7,368
Tax	(816)	–	(1,110)
<b>EBITDA</b>	<b>2,773</b>	<b>(1,763)</b>	<b>22,830</b>
Acquisition costs	200	199	1,542
Gain on bargain purchase	–	–	(25,211)
<b>Adjusted EBITDA</b>	<b>2,973</b>	<b>(1,564)</b>	<b>(839)</b>

### Net operating income

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

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

	<b>Six-months Ended 30 June 2021</b>	Six-months Ended 30 June 2020	Year Ended 31 December 2020
	<b>£'000</b>	£'000	£'000
Gross profit for the period	2,716	–	62
Depreciation and depletion	7,036	–	4,854
Loss on risk management contracts	2,715	–	–
<b>Net operating income</b>	<b>12,467</b>	<b>–</b>	<b>4,916</b>

### Acquisitions & Capex

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

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



## Appendix B: Alternate performance measures

	<b>Six-months Ended 30 June 2021 £'000</b>	Six-months Ended 30 June 2020 £'000	Year Ended 31 December 2020 £'000
Acquisitions	3,850	967	18,474
Expenditures on property, plant & equipment	2,283	–	229
Expenditures on exploration and evaluation assets	3,514	13,243	17,403
<b>Acquisitions &amp; Capex</b>	<b>9,647</b>	<b>14,210</b>	<b>36,106</b>

**Free cash flow (FCF)**

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

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

	<b>Six-months Ended 30 June 2021 £'000</b>	Six-months Ended 30 June 2020 £'000	Year Ended 31 December 2020 £'000
Net cash from / (used in) operating activities	7,978	(3,499)	(4,151)
Expenditures on property, plant & equipment	(2,283)	–	(229)
Expenditures on exploration and evaluation assets	(3,514)	(13,243)	(17,403)
<b>FCF</b>	<b>2,181</b>	<b>(16,742)</b>	<b>(21,783)</b>