Navitas Petroleum Limited Partnership

Consolidated Interim Financial Statements as at March 31, 2023

USD thousands

Unaudited

Contents

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Independent Auditors' Review Report to the Partners of Navitas Petroleum - Limited Partnership

Introduction

We have reviewed the accompanying financial information of Navitas Petroleum - Limited Partnership and its consolidated companies (hereinafter - the "Partnership"), which includes the condensed consolidated statement of financial position as of March 31 2023, and the condensed consolidated statements of comprehensive income, changes in the Partnership's equity and cash flows for the three-month period then ended. The board of directors and management of the General Partner are responsible for the preparation and presentation of financial information for this interim period in accordance with IAS 34, "Interim Financial Reporting", and are also responsible for the preparation of financial information for this interim period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express an opinion on the financial information for this interim period based on our review.

Scope of the Review

We performed our review pursuant to Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of inquiries, mostly of persons responsible for financial and accounting issues, and of applying analytical and other review procedures. A review is substantially smaller in scope than an audit performed pursuant to Israeli GAAP and, as a result, does not enable us to obtain assurance that we would become aware of all significant matters that may be identified in an audit. Consequently, we are not expressing an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the abovementioned financial information is not prepared, in all material respects, in accordance with IAS 34.

Additionally, based on our review, nothing has come to our attention that causes us to believe that this financial information is not prepared, in all material respects, in accordance with the disclosure provisions of Chapter D to the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,
May 23, 2023

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Consolidated Statements of Financial Position

	As of March 31		As at December 31
	2023	2022	2022
	Unaudited		Audited
	USD thousand		
Current assets			
Cash and cash equivalents	68,380	43,167	65,866
Short-term deposits	13,989	15,673	14,846
Trade receivables	8,619	14,958	8,612
Other receivables	1,841	1,111	2,616
Financial derivatives	991	703	737
	93,820	75,612	92,677
Non-current assets			
Investments in oil and gas assets, net	666,448	270,772	632,672
Restricted amounts	103,205	386,312	109,354
Deferred costs	36,596	34,202	36,993
Financial derivatives	1,117	516	776
Other receivables	1,798	1,943	1,524
Right-of-use assets	2,822	721	2,138
Property, plant, and equipment, net	258	190	179
	812,244	694,656	783,636
	906,064	770,268	876,313

The accompanying notes are an integral part of the consolidated Interim Financial Statements.

Consolidated Statements of Financial Position

	As of March 31		As at December 31
	2023	2022	2022
	Unaudited		Audited
	USD thousand		
Current liabilities			
Trade payables and other payables	23,246	14,772	25,531
Interest payable for debentures and long-term loans	6,715	5,432	2,280
Financial derivatives	378	10,060	1,807
Current maturity of a long-term loan	3,943	11,488	11,456
Current maturity of lease liabilities	924	403	455
	35,206	42,155	41,529
Non-current liabilities			
Debentures	328,536	330,445	335,963
Long-term borrowings from banking corporations and financial institutions	128,808	90,558	101,704
Provision for a commitment to dispose of oil and gas assets	35,014	6,570	34,910
Financial derivatives	-	2,416	-
Deferred taxes	12,899	2,280	11,127
Lease liabilities	1,852	367	1,694
	507,109	432,636	485,398
Partnership's equity capital			
Capital of participation units	310,027	309,936	309,957
Conversion component of debentures	3,318	3,318	3,318
Capital reserve for share-based payment	6,406	3,245	5,271
Capital reserve for transactions with a controlling shareholder	8,004	8,004	8,004
Capital reserve for cash flow hedges	(2,375)	(11,072)	(3,639)
Retained loss	(22,603)	(68,097)	(31,827)
	302,777	245,334	291,084
Non-controlling interests	60,972	50,143	58,302
Total equity capital	363,749	295,477	349,386
	906,064	770,268	876,313

May 23, 2023 Approval date of the financial statements	Gideon Tadmor Chairman of the Board of Directors FLR Oil and Gas Management Ltd. The General Partner	Amit Kornhauser CEO FLR Oil and Gas Management Ltd. The General Partner	Tamar Rosenberg CFO FLR Oil and Gas Management Ltd. The General Partner

The accompanying notes are an integral part of the consolidated Interim Financial Statements.

Consolidated Statements of Comprehensive Income

	For the 3 months ended March 31		For the year ended December 31
	2023	2022	2022
	Unaudited		Audited
	USD thousand (excluding net income per participation unit)		
Revenue from oil and gas sales, net of royalties	23,609	35,697	120,116
Cost of oil and gas production	(7,755)	(7,827)	(33,212)
Depreciation and depletion expenses	(4,081)	(3,580)	(14,334)
Gross profit	11,773	24,290	72,570
Expenses for oil and gas exploration and project development	(294)	(405)	(953)
Derecognition of exploration and evaluation assets	-	-	(355)
General and administrative expenses	(4,063)	(2,966)	(12,931)
Operating profit	7,416	20,919	58,331
Finance income	9,734	6,410	38,098
Finance expenses	(3,819)	(8,313)	(26,113)
Profit before taxes on income	13,331	19,016	70,316
Taxes on income	(1,437)	(3,813)	(10,684)
Net income	11,894	15,203	59,632
Other comprehensive income (loss) (post-tax):			
Amounts classified or reclassified to profit or loss under specific conditions:			
Profit (loss) for cash flow hedges	248	(6,357)	(7,596)
Transfer to profit or loss for cash flow hedges	1,016	502	9,174
Total other comprehensive income (loss)	1,264	(5,855)	1,578
Total comprehensive income	13,158	9,348	61,210
Net profit attributable to:			
Owners of the Partnership's participation units	9,224	12,532	48,802
Non-controlling interests	2,670	2,671	10,830
	11,894	15,203	59,632
Total comprehensive income attributed to:			
Owners of the Partnership's participation units	10,488	6,677	50,380
Non-controlling interests	2,670	2,671	10,830
	13,158	9,348	61,210
Net income per participation unit (in USD):			
Basic earnings	0.099	0.134	0.521
Diluted earnings	0.098	0.133	0.520

The accompanying notes are an integral part of the consolidated Interim Financial Statements.

Consolidated Statements of Changes in Equity of the Partnership

	Attributable to owners of the Partnership's participation units								
	Partnership's equity capital	Conversion component of debentures	Capital reserve for transactions with a controlling shareholder	Capital reserve for share-based payment	Capital reserve for hedging transactions	Retained loss	Total	Non-controlling interests	Total equity capital
	Unaudited								
	USD thousand								
Balance as at December 31, 2022 (audited)	309,957	3,318	8,004	5,271	(3,639)	(31,827)	291,084	58,302	349,386
Net income	-	-	-	-	-	9,224	9,224	2,670	11,894
Other comprehensive income	-	-	-	-	1,264	-	1,264	-	1,264
Total comprehensive income	-	-	-	-	1,264	9,224	10,488	2,670	13,158
Share-based payment	-	-	-	1,205	-	-	1,205	-	1,205
Issue of participation units from the exercise of RSUs	70	-	-	(70)	-	-	-	-	-
Balance as at March 31, 2023	310,027	3,318	8,004	6,406	(2,375)	(22,603)	302,777	60,972	363,749

The accompanying notes are an integral part of the consolidated Interim Financial Statements.

Consolidated Statements of Changes in Equity of the Partnership

	Attributable to owners of the Partnership's participation units								
	Partnership's equity capital	Conversion component of debentures	Capital reserve for transactions with a controlling shareholder	Capital reserve for share-based payment	Capital reserve for hedging transactions	Retained loss	Total	Non-controlling interests	Total equity capital
	Unaudited								
	USD thousand								
Balance as at December 31, 2021 (audited)	309,936	3,318	8,004	2,437	(5,217)	(80,629)	237,849	47,472	285,321
Net income	-	-	-	-	-	12,532	12,532	2,671	15,203
Other comprehensive loss	-	-	-	-	(5,855)	-	(5,855)	-	(5,855)
Total comprehensive income (loss)	-	-	-	-	(5,855)	12,532	6,677	2,671	9,348
Share-based payment	-	-	-	808	-	-	808	-	808
Balance as at March 31, 2022	309,936	3,318	8,004	3,245	(11,072)	(68,097)	245,334	50,143	295,477

The accompanying notes are an integral part of the consolidated Interim Financial Statements.

Consolidated Statements of Changes in Equity of the Partnership

	Attributable to owners of the Partnership's participation units								
	Partnership's equity capital	Conversion component of debentures	Capital reserve for transactions with a controlling shareholder	Capital reserve for share-based payment	Capital reserve for hedging transactions	Retained loss	Total	Non-controlling interests	Total equity capital
	Audited								
	USD thousand								
Balance as at January 1, 2022	309,936	3,318	8,004	2,437	(5,217)	(80,629)	237,849	47,472	285,321
Net income	-	-	-	-	-	48,802	48,802	10,830	59,632
Other comprehensive income	-	-	-	-	1,578	-	1,578	-	1,578
Total comprehensive income	-	-	-	-	1,578	48,802	50,380	10,830	61,210
Share-based payment	-	-	-	2,855	-	-	2,855	-	2,855
Issue of participation units from the exercise of RSUs	21	-	-	(21)	-	-	-	-	-
Balance as at December 31, 2022	309,957	3,318	8,004	5,271	(3,639)	(31,827)	291,084	58,302	349,386

The accompanying notes are an integral part of the consolidated Interim Financial Statements.

Consolidated Statements of Cash Flows

	For the 3 months ended March 31		For the year ended December 31
	2023	2022	2022
	Unaudited		Audited
	USD thousand		
Cash flows from operating activities			
Net income	11,894	15,203	59,632
Adjustments to reconcile cash flows from operating activities:			
Adjustments to profit and loss line items:			
Depletion, depreciation and amortization	4,223	3,716	15,236
Share-based payment	1,205	808	2,855
Deferred taxes	1,437	3,813	10,688
Finance expenses (income), net	(6,251)	817	(20,609)
Exchange differences for cash balances, net	1,007	502	2,359
	1,621	9,656	10,529
Changes in assets and liabilities:			
Increase in trade receivables	(7)	(7,815)	(1,468)
Decrease (increase) in receivables and debit balances	775	274	(1,231)
Cash flow hedges	(1,069)	(1,068)	(3,994)
Increase (decrease) in trade payables and other payables	(1,811)	3,230	6,336
	(2,112)	(5,379)	(357)
Interest received	490	32	2,769
Interest paid	(29)	(1,743)	(10,256)
Net cash from operating activities	11,864	17,769	62,317
Cash flows from investing activities			
Investment in oil and gas assets	(28,534)	(25,477)	(345,915)
Interest paid and capitalized to oil and gas assets, net	(2,535)	-	(14,745)
Movements in restricted amounts	5,870	18,399	297,137
Investment in deposits	(885)	-	(2,645)
Purchase of property, plant and equipment	(95)	(17)	(69)
Net cash used for investing activities	(26,179)	(7,095)	(66,237)

The accompanying notes are an integral part of the consolidated Interim Financial Statements.

	For the 3 months ended March 31		For the year ended December 31
	2023	2022	2022
	Unaudited		Audited
	USD thousand		
Cash flow from financing activities			
Receipt of loan from banks and a financial institution	21,408	-	23,737
Repayment of loan from banks and a financial institution	-	-	(11,482)
Repayment of lease liabilities	(154)	(146)	(530)
Issue of debentures, net	-	-	33,375
Costs of raising loans and debentures	(3,418)	(5,483)	(11,579)
Net cash provided by financing activities (used in financing activities)	17,836	(5,629)	33,521
Effect of changes in exchange rates on cash balances held in foreign currency	(1,007)	(502)	(2,359)
Increase in cash and cash equivalents	2,514	4,543	27,242
Cash and cash equivalent balance at the beginning of the period	65,866	38,624	38,624
Cash and cash equivalent balance at the end of the period	68,380	43,167	65,866
Significant non-cash activities			
Investment in oil and gas assets against other payables (including capitalized interest expenses)	17,220	1,396	8,691
Deferred charges against long-term loan	1,013	1,092	2,818

The accompanying notes are an integral part of the consolidated Interim Financial Statements.

NOTE 1 - GENERAL

A. These financial statements have been prepared in condensed format as at March 31, 2023 and for the three-month period then ended (hereinafter - “the Consolidated Interim Financial Statements”). The financial statements should be read in the context of the Partnership’s annual financial statements as at December 31, 2022 for the year then ended, and their accompanying notes (hereinafter - “the Consolidated Annual Financial Statements”).

B. Navitas Petroleum - Limited Partnership (hereinafter - the “Partnership") was established under a limited partnership agreement signed on August 30, 2015, amended from time to time. The Partnership was registered on September 8, 2015 under the Partnership Ordinance, 1975. The purpose of the Partnership is oil and gas exploration, development, and production.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Preparation format of the Interim Financial Statements

The Interim Financial Statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”, as well as in accordance with the disclosure provisions outlined in Chapter D to the Securities Regulations (Periodic and Immediate Reports), 1970.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the Consolidated Annual Financial Statements, with the exception of the following:

B. First-time application of amendments to existing accounting standards

1. Amendment to IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”

In February 2021, the IASB issued an amendment to IAS 8: “Accounting Policies, Changes in Accounting Estimates and Errors” (hereinafter - the “Amendment”). The purpose of the Amendment is to introduce a new definition of the term "accounting estimates".

Accounting estimates are defined as "financial amounts in the financial statements subject to measurement uncertainty”. The Amendment clarifies what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

The Amendment has been applied prospectively to annual periods beginning on January 1, 2023 and shall apply to changes in accounting policies and accounting estimates that occur at the beginning of that period or thereafter.

The Amendment did not materially affect the Partnership’s Consolidated Interim Financial Statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. First-time application of amendments to existing accounting standards (cont.)

2. Amendment to IAS 12, Taxes on income

In May 2021, the IASB published an amendment to International Accounting Standard 12, Income Taxes (hereinafter - "IAS 12" or the "Standard”), which narrows the scope of the “initial recognition exemption" (hereinafter - the “Exemption”) to deferred taxes set forth in Sections 15 and 24 of IAS 12 (hereinafter - the “Amendment").

Under the provisions for recognition of deferred tax assets and liabilities, IAS 12 provides for an exemption from recognizing deferred tax assets and liabilities in respect of certain temporary differences arising from initial recognition of assets and liabilities in certain transactions. The Amendment narrows the scope of the Exemption and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from a transaction that is not a business combination, and which gives rise to equal taxable and deductible temporary differences, even if they meet the other terms and conditions of the Exemption.

The Amendment has been applied as from annual periods beginning on January 1, 2023. Regarding lease transactions and recognition of a liability for liquidation and rehabilitation - the Amendment has been implemented from the beginning of the earliest reporting period presented in the financial statements on first-time application, imputing the cumulative effect of the first-time application to the opening balance of the retained earnings (or other capital component, as applicable).

The Amendment did not materially affect the Partnership’s Consolidated Interim Financial Statements.

3. Amendment to IAS 1, Disclosure of Accounting Policies

In February 2021, the IASB issued an amendment to IAS 1: Presentation of Financial Statements (hereinafter - the “Amendment”). According to the Amendment, companies are required to disclose their material accounting policy rather than their significant accounting policies. One of the main reasons for this Amendment is due to the fact that the term “significant” is not defined in IFRS whereas the term “material” is defined in various standards, particularly in IAS 1.

The Amendment has been applied as from annual periods beginning on January 1, 2023.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. First-time application of amendments to existing accounting standards (cont.)

3. Amendment to IAS 1, Disclosure of Accounting Policies (cont.)

The Amendment did not materially affect the Partnership's Condensed Consolidated Interim Financial Statements, but it is examining its implications on the disclosure of its financial policy in the Partnership's annual financial statements.

NOTE 3 - INVESTMENTS IN OIL AND GAS ASSETS

A. Composition:

	March 31		December 31
	2023	2022	2022
	Unaudited		Audited
	USD thousand		
Oil and gas assets			
Shenandoah project	486,504	128,473	458,556
Sea Lion project	16,728	-	14,025
Buckskin project	51,600	44,132	53,197
Denbury project	93,806	79,378	88,592
Neches project	15,749	16,973	16,229
Yucatan project	990	837	990
	665,377	269,793	631,589
Exploration and evaluation assets	1,071	979	1,083
	666,448	270,772	632,672

B. The Monument Transaction

Subsequent to the date of the statement of financial position, on May 11, 2023, the Partnership announced that it has signed a non-binding MOU for the provision of production and handling services of oil and natural gas to be produced from the Monument discovery (hereinafter - "Monument" or the "Oil Asset"), a proven discovery 27 kilometers south of the Shenandoah project (hereinafter - "FPS"), as well as an agreement for the purchase of rights in Monument, as follows:

NOTE 3 - INVESTMENTS IN OIL AND GAS ASSETS (CONT.)

B. The Monument Transaction (cont.)

1. MOU for the provision of production and handling services

The Partnership, through Shenhai LLC, a wholly owned subsidiary, together with the Shenandoah partners signed an MOU for the provision of production and handling services of oil and natural gas to be produced from Monument, throughout the duration of the Oil Asset, for the consideration and under the terms set out below.

For the purpose of providing the production and handling services, additional equipment and adjustments to Shenandoah's FPS will be required (hereinafter - the "Upgrading Work"), which will increase the total planned production and handling capacity from 100,000 barrels of oil per day to 120,000 barrels per day. The Monument Partners shall bear all the costs of the upgrading work. This additional capacity of 20,000 barrels per day will be allocated to the Monument project.

The Upgrading Work will be conducted as part of the construction process of the FPS, which is presently underway, and is not expected to cause delays in the timetables of the FPS construction and installation work of the Shenandoah project. It is clarified that the Upgrading Work does not create any additional liability and costs to the Shenandoah partners beyond the budgeted costs of the FPS for the Shenandoah project. All other facilities to be installed on the FPS as part of the Upgrading Work will be wholly owned by the Shenandoah partners.

The Monument Partners will pay a one-off payment for the production and handling services to the Shenandoah partners, and a monthly payment that will be set in accordance with the quantities of oil and natural gas actually piped from the Monument project for handling in the FPS, and will be subject to a minimum monthly amount. In addition, the Monument Partners shall bear their pro-rata share in the monthly expenses of the FPS activation.

Signing of binding agreements for the provision of production and handling services by the Partnership is subject, among other things, to the Partnership (through an entity on its behalf) purchasing rights in the Monument project as specified below.

2. Agreement for the purchase of rights in the Monument project

The Partnership, through Navitas Monument US, LLC, a wholly owned subsidiary (hereinafter - "Navitas Monument") and Beacon Offshore Energy Exploration, LLC (hereinafter - "Beacon"), which holds 50% of the rights in the Oil Asset of the Monument project, entered into an agreement for the purchase of 40% of Beacon's rights in the Oil Asset, such that after the completion of the transaction, Beacon will hold 30% and Navitas Monument 20% of the rights in the Oil Asset (hereinafter - the "Purchased Rights" and the "Purchase Agreement", respectively).

NOTE 3 - INVESTMENTS IN OIL AND GAS ASSETS (CONT.)

B. The Monument Transaction (cont.)

2. Agreement for the purchase of rights in the Monument project (cont.)

In February 2023, Beacon purchase from Equinor Gulf of Mexico LLC all of its rights in the Oil Asset (hereinafter - "Equinor" and the "Beacon and Equinor Agreement"), which constitutes 50% of the rights in the Oil Asset, and an associate of Beacon was appointed as the Oil Asset operator (hereinafter - "Monument's Operator"). As aforesaid, Monument's Operator is presently working on signing a production and handling service agreement from Shenandoah's FPS based on the terms of the MOU, in order to apply to the regulator for the status of the Suspension of Production (hereinafter - "SOP") in respect of the Monument project licenses, which are due to expire on July 30, 2023, to enable the project to be developed.

It should be noted that the Monument project development plan has not yet been finalized and approved by the Monument partners, and neither have the expected costs thereof.

Once the development plan has been finalized and a contingent resources report has been received from an independent appraisers of reserves, the Partnership will complete the process of examining the investment in the development of the Monument project. Until the date of the final investment decision (FID) regarding development of the Monument project, which Monument's Operator is expected to make at the end of 2023, the costs which the Partnership is expected to cover are not material.

The Purchase Agreement stipulates that the purchase will become effective on January 1, 2023 (hereinafter - the "Purchase Effective Date"), and accordingly, after the finalization of the transaction, Navitas Monument will assume all liabilities relating to the Purchased Rights created as from the Purchase Effective Date. It should be clarified that Navitas Monument will not cover any liability prior to the Purchase Effective Date.

Under the Purchase Transaction, Navitas Monument will sign the reassignment documents of the Purchased Rights to Equinor (hereinafter - the "Reassignments" or "Rights Reassignment Documents"), which will be held in trust by Beacon and will only be used if any of the following events takes place: (a) failure to sign the Binding Production and Handling Service Agreement by July 15, 2023 (or a later date as will be agreed between Beacon and Equinor); or (b) Beacon being required to reassign to Equinor the rights it purchased in accordance with the terms of the Beacon-Equinor Agreement (hereinafter - "Rights Reassignment Event"). A Rights Reassignment Event will occur if Beacon fails to obtain the regulator's approval for consolidation of the Monument licenses, in respect of one or more of the Oil Asset's licenses, and begins operations in the approved consolidated unit; if Beacon fails to file a SOP application to the regulator by July 31, 2023; or if the SOP application filed is rejected. If no Rights Reassignment Event occurs by August 31, 2023, the Rights Reassignment Documents will be canceled.

NOTE 3 - INVESTMENTS IN OIL AND GAS ASSETS (CONT.)

B. The Monument Transaction (cont.)

2. Agreement for the purchase of rights in the Monument project (cont.)

On the date of signing of the Purchase Agreement and finalization of the Purchase Transaction, no consideration will be paid to Beacon in respect of the purchase of the Purchased Rights. The future amounts that the Partnership undertook to pay under the Purchase Transaction as described below, are amounts determined according to Navitas Monument's proportionate share (40%) of Beacon's undertakings under the Beacon-Equinor Agreement. Beacon will transfer back-to-back to Equinor the future consideration to be paid by the Partnership in respect of the Purchased Rights.

- FID payment - Navitas Monument will pay a total of USD 2 million on the date of the final investment decision (FID) in the Monument Project.
- First Oil payment - Navitas Monument will pay Beacon USD 10 million on the date on which commercial production from the Oil Asset commences.

Equinor will be eligible for a 1% royalty on all Purchased Rights.

Conditions precedent for completion of the Purchase Transaction:

- Obtaining the required approvals from third parties - including waiver of first right of refusal from the other Monument Partners.
- Filing the transfer of rights documents to the regulator.
- Signing the Rights Reassignment Documents.
- Navitas Monument's signature on a joint operating agreement (hereinafter - the "Operation Agreement"), applicable to the Oil Asset partners.

Termination of the Purchase Agreement:

Beacon and Navitas Monument may each cancel the Purchase Agreement in the following cases: (a) If the purchase is not finalized before the occurrence of a Rights Reassignment Event or before July 15, 2023 (or a later date if agreed between the parties); (b) if a competent regulator prevents finalization of the transaction; (c) a breach of any of the representations or undertakings of the agreement by the other party, which cannot be remedied by the transaction finalization date.

NOTE 4 - SHARE-BASED PAYMENTS

A. Further to that said in Note 14 to the Annual Consolidated Financial Statements:

1) Subsequent to the statement of financial position date, on April 9, 2023, 105,000 RSU units were allotted under a private placement to an officer on behalf of the General Partner, further to approval by the general meeting on March 23, 2023. The fair value of the allotted equity instruments was estimated at USD 448 thousand at the allotment date.

2) Subsequent to date of the statement of financial position, 105,740 RSUs were allotted under a private placement to non-officer employees of the Partnership and its wholly owned subsidiaries. The fair value of the allotted equity instruments was estimated at USD 408 thousand at the allotment date.

B. Further to that said in Note 13 to the Annual Consolidated Financial Statements:

1) During the reporting period, 26,598 RSUs vested into 26,598 participation units of the Partnership after the offerees had met the vesting conditions set out in the Plan.

2) Subsequent to date of the statement of financial position, 79,020 RSUs granted to employees whose employment has ended, expired.

3) Subsequent to the date of the statement of financial position, 126,290 RSUs vested into 126,290 participation units of the Partnership after the offerees had met the vesting conditions set out in the Plan.

NOTE 5 - LOANS FOR FUNDING THE DENBURY PROJECT

Further to Note 8(2) of the Consolidated Annual Financial Statements, on March 31, 2023, NPO signed a loan facility to finance the Denbury project with a bank and an institutional entity in Israel for the provision of another loan of USD 10 million, as well as an amendment to that agreement. Below are the main points of the amendment and terms of the other loan taken:

- The loan principal will be repaid in equal semi-annual installments, from December 31, 2023 to December 31, 2028. This is in lieu of repayment in semi-annual installments, in accordance with a sculpted amortization schedule, from June 30, 2020 to December 31, 2025.

- The Project Loans will bear annual interest at the rate of SOFR plus a margin of 5.11%, in lieu of annual interest at the rate of LIBOR plus a margin of between 4.5% and 5%. The interest will be paid twice a year, on April 4, 2023, June 30 in each of the years from 2024 to 2028, and on December 31 - in each of the years from 2023 to 2028. This is in lieu of semi-annual interest payments, from June 30, 2020 to December 31, 2025.

- Under the amendment to the Agreement, NPO undertook, among other things, to comply with a minimum debt service coverage ratio (DSCR) of 1.35 (1.25 before the amendment).

The said change to the loan terms did not materially affect the Financial Statements.

NOTE 6 - LOANS FOR FUNDING THE SHENANDOAH PROJECT

Further to Note 8(3) of the Consolidated Annual Financial Statements regarding loans for funding the Shenandoah Project, out of the project financing amount of USD 544 million which ShenHai may withdraw, up to March 31, 2023 a total of USD 55.3 million were withdrawn (of which a total of USD 10.1 million were advanced by ShenHai Financing), and through the report approval date, a further USD 81 million were withdrawn (of which a total of USD 15 million were advanced by ShenHai Financing).

NOTE 7 - FINANCIAL INSTRUMENTS

Fair value

Following are carrying amounts and fair values of financial instruments measured at amortized cost (excluding those whose amortized cost is not materially different from their fair value):

	March 31, 2023		March 31 2022		December 31, 2022	
	Carrying amount	Fair value *)	Carrying amount	Fair value *)	Carrying amount	Fair value *)
	Unaudited				Audited	
	USD thousand					
Financial liabilities:						
Debentures (Series B)	195,733	195,438	186,207	200,996	197,845	201,804
Debentures (Series C)	91,254	84,714	103,627	105,639	94,942	90,663
Debentures (Series D)	49,623**)	47,593	48,738**)	56,319	48,774(**	50,213
	336,610	327,745	338,572	362,954	341,561	342,680

*) According to quoted market price.
**) Represents the liability value (including the conversion component).

Hedging transactions

1) As at March 31, 2023, Navitas Buckskin has open put options to hedge WTI oil prices in the period between April 2023 and January 2024, for a total volume of 340 thousand barrels of oil at a minimum price of USD 60 per barrel.

   The fair value of the asset in respect of the foregoing hedging transactions as at March 31, 2023 was USD 803 thousand.

   Subsequent to date of the statement of financial position, in April 2023, Navitas Buckskin entered into an additional hedging transaction that is a put option for hedging WTI oil prices in February and March 2024 for a volume of 70 MBBL at a minimum price of USD 60 per barrel.

2) Further to what is stated in Note 8(2) to the annual consolidated financial statements regarding NPO's undertaking to hedge the oil prices under the financing agreement, as of March 31, 2023, NPO has open hedge transactions amounting to 435 thousand barrels of oil, as outlined below:

NOTE 7 - FINANCIAL INSTRUMENTS (CONT.)

2) (cont.)
- Collar hedges for approximately 176 thousand barrels of oil in the period from April 2023 and December 2023, at a minimum price per barrel of USD 55 and a maximum price of USD 85 per barrel.
- Put options to hedge a volume of 210 thousand barrels of oil in 2024, at a minimum price of USD 55 per barrel.
- A put option hedge for approximately 49 thousand barrels of oil in the first quarter of 2025, at a minimum price of USD 55 per barrel.

The fair value of the net liability for the said hedging transactions as of March 31, 2023 amounts to USD 927 thousand.

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