Navitas Petroleum Limited Partnership

Consolidated Interim Financial Statements as at September 30, 2022

USD thousands

Unaudited

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Building a better working world

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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 September 30, 2022, and the condensed statements of income and comprehensive income, changes in equity of the Partnership and cash flows for the nine-month and three-month periods then ended. The Board of Directors and management of the General Partner are responsible for preparing and presenting financial information for these interim periods in accordance with IAS 34, Interim Financial Reporting, and are also responsible for preparing financial information for this interim period under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion regarding 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,
November 23, 2022

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Consolidated Statements of Financial Position

	As at September 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	USD thousand		
Current assets			
Cash and cash equivalents	81,052	58,979	38,624
Short-term deposits	13,937	8,002	14,970
Trade receivables	9,325	8,896	7,144
Other receivables	1,214	1,846	2,004
Financial derivatives	1,652	342	1,007
	107,180	78,065	63,749
Non-current assets			
Investments in oil and gas assets, net	475,963	197,527	251,239
Restricted amounts	205,240	291,916	406,568
Deferred costs	37,559	29,408	31,661
Financial derivatives	870	303	401
Deferred tax assets	-	2,221	-
Right-of-use assets	478	838	712
Property, plant, and equipment, net	177	211	197
	720,287	522,424	690,778
	827,467	600,489	754,527

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

Consolidated Statements of Financial Position

	As at September 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	USD thousand		
Current liabilities			
Trade payables and other payables	17,679	19,304	16,307
Interest payable for debentures and long-term loans	5,368	3,267	794
Financial derivatives	2,447	5,981	5,255
Current maturity of a long-term loan	10,596	11,121	11,488
Current maturity of lease liabilities	253	499	460
	36,343	40,172	34,304
Non-current liabilities			
Debentures	324,374	180,628	336,245
Long-term borrowings from banking corporations and financial institutions	87,366	93,677	90,289
Financial derivatives	30	1,188	1,533
Provision for a commitment to dispose of oil and gas assets	22,553	6,886	6,467
Deferred taxes	10,290	-	23
Lease liabilities	223	415	345
	444,836	282,794	434,902
Equity attributable to owners of the Partnership's participation units			
Capital of participation units	309,957	309,357	309,936
Conversion component of convertible debentures	3,318	-	3,318
Capital reserve for share-based payment	4,338	2,862	2,437
Capital reserve for transactions with a controlling shareholder	8,004	8,004	8,004
Reserve for cash flow hedges	(3,368)	(4,839)	(5,217)
Retained loss	(31,533)	(67,956)	(80,629)
	290,716	247,428	237,849
Non-controlling interests	55,572	30,095	47,472
Total equity	346,288	277,523	285,321
	827,467	600,489	754,527

November 23, 2022			
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 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	USD thousand (excluding profit data per participation unit)				
Revenue from oil and gas sales, net of royalties	97,797	61,590	26,489	20,568	86,356
Cost of oil and gas production	(24,289)	(20,146)	(8,143)	(6,353)	(26,676)
Depreciation and depletion expenses	(11,119)	(7,786)	(3,666)	(2,548)	(10,830)
Gross profit	62,389	33,658	14,680	11,667	48,850
Expenses for oil exploration and project development	(692)	(702)	(83)	(196)	(1,003)
Derecognition of exploration and evaluation assets	(355)	-	-	-	(355)
General and administrative expenses	(9,622)	(6,350)	(3,082)	(2,371)	(10,777)
Other income	-	5,773	-	3,319	5,836
Operating profit	51,720	32,379	11,515	12,419	42,551
Finance income	34,459	8,795	3,762	1,314	8,885
Finance expenses	(19,207)	(19,395)	(4,054)	(5,926)	(38,508)
Reversal of impairment of financial assets	-	1,313	-	197	1,313
Profit before taxes on income	66,972	23,092	11,223	8,004	14,241
Taxes on income	(9,776)	(5,733)	(2,168)	(2,340)	(7,086)
Net income	57,196	17,359	9,055	5,664	7,155
Other comprehensive income (loss) (post-tax):					
Amounts classified or reclassified to profit or loss under specific conditions:					
Profit (loss) for cash flow hedges	(4,553)	(7,336)	3,815	(973)	(8,014)
Transfer to profit or loss for cash flow hedges	6,402	3,955	2,209	1,375	4,255
Total other comprehensive income (loss)	1,849	(3,381)	6,024	402	(3,759)
Total comprehensive income	59,045	13,978	15,079	6,066	3,396
Net profit attributable to:					
Owners of the Partnership's participation units	49,096	16,594	6,326	4,899	3,921
Non-controlling interests	8,100	765	2,729	765	3,234
	57,196	17,359	9,055	5,664	7,155
Total comprehensive income attributed to:					
Owners of the Partnership's participation units	50,945	13,213	12,350	5,301	162
Non-controlling interests	8,100	765	2,729	765	3,234
	59,045	13,978	15,079	6,066	3,396
Net profit per participation unit attributable to owners of the Partnership's participation units (USD):					
Basic earnings	0.525	0.247	0.068	0.061	0.053
Diluted earnings	0.514	0.246	0.067	0.061	0.053

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 January 1, 2022 (audited)	309,936	3,318	8,004	2,437	(5,217)	(80,629)	237,849	47,472	285,321
Net income	-	-	-	-	-	49,096	49,096	8,100	57,196
Other comprehensive income	-	-	-	-	1,849	-	1,849	-	1,849
Total comprehensive income	-	-	-	-	1,849	49,096	50,945	8,100	59,045
Issue of participation units from vesting of RSUs	21	-	-	(21)	-	-	-	-	-
Share-based payment, net	-	-	-	1,922	-	-	1,922	-	1,922
Balance as at September 30, 2022	309,957	3,318	8,004	4,338	(3,368)	(31,533)	290,716	55,572	346,288

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	Options	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 at January 1, 2021 (audited)	160,469	603	8,004	2,377	(1,458)	(84,550)	85,445	-	85,445
Net income	-	-	-	-	-	16,594	16,594	765	17,359
Other comprehensive loss	-	-	-	-	(3,381)	-	(3,381)	-	(3,381)
Total comprehensive income (loss)	-	-	-	-	(3,381)	16,594	13,213	765	13,978
Issue of capital to the public, net	148,278	-	-	-	-	-	148,278	-	148,278
Issuance of preferred shares to non-controlling interests	-	-	-	-	-	-	-	29,330	29,330
Share-based payment	-	-	-	485	-	-	485	-	485
Exercise of marketable options	8	(1)	-	-	-	-	7	-	7
Expiry of marketable options	602	(602)	-	-	-	-	-	-	-
Balance as at September 30, 2021	309,357	-	8,004	2,862	(4,839)	(67,956)	247,428	30,095	277,523

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 July 1, 2022	309,957	3,318	8,004	3,681	(9,392)	(37,859)	277,709	52,843	330,552
Net income	-	-	-	-	-	6,326	6,326	2,729	9,055
Other comprehensive income	-	-	-	-	6,024	-	6,024	-	6,024
Total comprehensive income	-	-	-	-	6,024	6,326	12,350	2,729	15,079
Share-based payment, net	-	-	-	657	-	-	657	-	657
Balance as at September 30, 2022	309,957	3,318	8,004	4,338	(3,368)	(31,533)	290,716	55,572	346,288

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	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 July 1, 2021	161,079	8,004	2,626	(5,241)	(72,855)	93,613	-	93,613
Net income	-	-	-	-	4,899	4,899	765	5,664
Other comprehensive income	-	-	-	402	-	402	-	402
Total comprehensive income	-	-	-	402	4,899	5,301	765	6,066
Issue of capital to the public, net	148,278	-	-	-	-	148,278	-	148,278
Issuance of preferred shares to non-controlling interests	-	-	-	-	-	-	29,330	29,330
Share-based payment	-	-	236	-	-	236	-	236
Balance as at September 30, 2021	309,357	8,004	2,862	(4,839)	(67,956)	247,428	30,095	277,523

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	Options and conversion component	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, 2021	160,469	603	8,004	2,377	(1,458)	(84,550)	85,445	-	85,445
Net income	-	-	-	-	-	3,921	3,921	3,234	7,155
Other comprehensive loss	-	-	-	-	(3,759)	-	(3,759)	-	(3,759)
Total comprehensive income (loss)	-	-	-	-	(3,759)	3,921	162	3,234	3,396
Share-based payment	-	-	-	639	-	-	639	-	639
Issue of participation units from the exercise of RSUs	579	-	-	(579)	-	-	-	-	-
Issue of capital to the public	148,278	-	-	-	-	-	148,278	-	148,278
Issuance of preferred shares to non-controlling interests	-	-	-	-	-	-	-	44,238	44,238
Proceeds for conversion option in the issue of convertible debentures	-	3,318	-	-	-	-	3,318	-	3,318
Exercise of marketable options	8	(1)	-	-	-	-	7	-	7
Expiry of marketable options	602	(602)	-	-	-	-	-	-	-
Balance as at December 31, 2021	309,936	3,318	8,004	2,437	(5,217)	(80,629)	237,849	47,472	285,321

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

Consolidated Statements of Cash Flows

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	USD thousand				
Cash flows from operating activities					
Net income	57,196	17,359	9,055	5,664	7,155
Adjustments to reconcile cash flows from operating activities:					
Adjustments to profit and loss line items:					
Depletion, depreciation and amortization	11,884	8,223	3,798	2,674	11,760
Share-based payment	1,922	485	657	236	639
Reversal of impairment of financial assets	-	(1,313)	-	(197)	(1,313)
Profit from exercise of rights in oil and gas assets	-	(3,319)	-	(3,319)	(3,319)
Deferred taxes	9,776	5,729	2,147	2,342	7,081
Finance expenses (income), net	(12,901)	8,815	2,007	4,634	23,472
Exchange differences for cash balances, net	2,395	308	752	96	684
	13,076	18,928	9,361	6,466	39,004
Changes in assets and liabilities:					
Decrease (increase) in trade receivables	(2,182)	(3,285)	3,561	(1,518)	(1,533)
Decrease (increase) in receivables and debit balances	171	142	135	(496)	(16)
Cash flow hedges	(2,860)	3,800	682	637	3,015
Increase (decrease) in payables and credit balances	5,690	20	(1,131)	(2,239)	(3,827)
	819	677	3,247	(3,616)	(2,361)
Interest received	1,141	12,704	1,079	6,321	12,717
Interest paid	(14,184)	(18,063)	(3,484)	(6,176)	(26,628)
Net cash from operating activities	58,048	31,605	19,258	8,659	29,887
Cash flows from investing activities					
Investment in oil and gas assets	(222,971)	(63,104)	(71,251)	(38,079)	(122,772)
Consideration from exercise of rights in oil and gas assets	-	6,304	-	6,304	6,304
Repayment of loans provided	-	161,058	-	161,058	161,058
Movements in restricted amounts	202,076	(290,294)	67,774	(290,294)	(404,775)
Repayment (investment) of deposits	(111)	2,777	4,014	2,777	(4,223)
Acquisition of property, plant and equipment	(51)	-	(23)	-	(15)
Net cash provided by (used in) investing activities	(21,057)	(183,259)	514	(158,234)	(364,423)

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

Consolidated Statements of Cash Flows

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	USD thousand				
Cash flow from financing activities					
Receipt of loans from banks and financial institutions	-	69,688	-	60,086	69,688
Repayment of loans from banks and financial institutions	(5,127)	(5,562)	-	-	(8,887)
Repayment of lease liabilities	(394)	(346)	(121)	(284)	(454)
Issue of debentures	23,583	56,117	-	56,117	210,841
Costs of raising loans and debentures	(10,230)	(29,527)	(3,250)	(29,527)	(32,823)
Repayment of debentures	-	(161,058)	-	(161,058)	(161,058)
Issue of capital to the public	-	151,528	-	151,528	151,528
Exercise of options for participation units	-	7	-	-	7
Costs of raising capital	-	(3,250)	-	(3,250)	(3,250)
Issuance of preferred shares to non-controlling interests	-	29,330	-	29,330	44,238
Net cash provided by (used in) financing activities	7,832	106,927	(3,371)	102,942	269,830
Effect of changes in exchange rates on cash balances held in foreign currency	(2,395)	(308)	(752)	(96)	(684)
Increase (decrease) in cash and cash equivalents	42,428	(45,035)	15,649	(46,729)	(65,390)
Cash and cash equivalent balance at the beginning of the period	38,624	104,014	65,403	105,708	104,014
Cash and cash equivalent balance at the end of the period	81,052	58,979	81,052	58,979	38,624
Significant non-cash activities					
Investment in oil and gas assets against other payables	2,956	5,175	2,956	5,175	3,897
Deferred costs against other payables	1,127	2,531	1,127	2,531	3,823
Deferred consideration from exercise of rights in oil and gas assets	-	1,220	-	1,220	1,214

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

NOTE 1 - GENERAL

A. These financial statements were prepared in condensed format as at September 30, 2022, and for the nine- and three-month periods 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, 2021, for the year then ended, and their accompanying notes (hereinafter - the "Annual Consolidated 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.

C. Further to Note 1D to the Annual Consolidated Financial Statements regarding Covid-19 and its economic consequences, in the reporting period, Covid-19 had no adverse effect on the Partnership's business results and activities continued as usual.

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 Annual Consolidated Financial Statements.

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

1. Amendment to IAS 16, Property, Plant and Equipment

In May 2020, the IASB published an amendment to IAS 16 (hereinafter - the "Amendment"). The Amendment prohibits the deduction from cost of any proceeds received from selling items produced while the entity is preparing the property, plant and equipment for its intended use. Instead, the entity will recognize the proceeds from the sale and the associated costs in profit or loss.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

1. Amendment to IAS 16, Property, Plant and Equipment (cont.)

The Amendment is applied for annual reporting periods beginning on January 1, 2022.

The above amendment did not affect the Partnership's Interim Financial Statements.

2. Amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued an amendment to IAS 37 to clarify which costs an entity is to include when assessing whether a contract is onerous (hereinafter - the “Amendment”).

According to the Amendment, this assessment should include costs that relate directly to fulfilling the contract; such costs include both incremental costs (such as raw materials and direct working hours) and the allocation of other costs that relate directly to fulfilling the contract (such as depreciation of property, plant, and equipment used in fulfilling the contract).

The Amendment is applied for annual reporting periods beginning on January 1, 2022. The Amendment applies to contracts for which all the obligations have not yet been fulfilled as at January 1, 2022. Upon application of the Amendment, entities are not required to present comparative amounts, but rather to adjust the opening balance of retained earnings upon first-time application, by the amount representing the cumulative effect of the Amendment.

The above-mentioned Amendment did not affect the Partnership’s Interim Financial Statements.

3. Improvements to IFRS in 2018-2020

In May 2020, the IASB issued certain amendments as part of its annual improvements project for 2018-2020, with the main amendment relating to IFRS 9.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

3. Improvements to IFRS in 2018-2020 (cont.)

The amendment to IFRS 9 clarifies which commissions the entity is to include when it conducts the “10 Percent” test according to Paragraph B.3.3.6 of IFRS 9, for the purpose of testing, whether the terms of a debt instrument that was amended or exchanged are materially different from the original debt instrument.

In accordance with the Amendment, when determining fees paid net of fees received, a borrower includes in the cash flows only fees paid or received between the borrower and the lender, including fees paid or received by the borrower or the lender on the other's behalf.

The Amendment is applied for annual reporting periods beginning on January 1, 2022. The Amendment is applied with respect to financial liabilities that were amended as of the year in which the amendment to the standard was first applied, i.e., January 1, 2022.

The above-mentioned Amendment did not materially affect the Partnership’s Interim Financial Statements.

NOTE 3 - INVESTMENTS IN OIL AND GAS ASSETS

A. Composition

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
	USD thousand		
Oil and gas assets			
Buckskin project	50,067	40,311	41,927
Shenandoah project	315,437	65,174	111,484
Sea-Lion Project	11,103	-	-
Yucatan project	964	836	836
Denbury project	80,263	72,158	78,735
Neches project	16,530	17,723	17,283
	474,364	196,202	250,265
Exploration and evaluation assets	1,599	1,325	974
	475,963	197,527	251,239

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

B. Buckskin project

1. On September 19, 2021, drilling of a third development well began in the reservoir. The drilling was successfully completed in early February 2022.

   According to the operator's estimates and initial analysis of the data collected when drilling, it appears that the thickness of the oil-bearing layers in the reservoir is consistent with the pre-drilling estimates; the Partnership's share in the cost of insurance amounted to USD 8 million. In addition, the preparation work for the drilling's production ended in September 2022 and production therefrom began on that date.

2. On August 16, 2022, the General Partner's Board of Directors approved the execution of a fourth development drilling in the Buckskin North reservoir (hereinafter - the "Drilling" and the "Oil Asset", respectively). The development budget (100%) is estimated at USD 100 million (the Partnership's share of the drilling budget (7.5%) is USD 7.5 million).

3. Following on Note 7D1 to the Annual Consolidated Financial Statements regarding the approval of the board of directors of the General Partner in the Partnership to carry out an appraisal and verification drilling in the Buckskin South oil asset, subsequent to the statement of financial position, on October 19, 2022, the Partnership was updated by the project operator, LLC Offshore Exploration LLOG (hereinafter - the "Operator") on the arrival of drilling vessel Neptune West at the drilling point and the launch of the drilling work. The purpose of the drilling was to verify the assessments of the Operator and the partners to the Oil Asset regarding to volume and quality of the reservoir. The drilling is expected to become a production drilling, under the development plan that will be formulated for the oil asset.

C. Denbury project

In August 2022, and at the recommendation of the Denbury (the operator), the General Partner's Board of Directors approved the execution of four horizontal drillings in the Webster onshore oil field (hereinafter - the "Drillings" and the "Field", respectively). The development budget (100%) is estimated at USD 20.5 million (the Partnership's share of the drilling budget (49.8%) is USD 10.2 million).

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

D. Completion of transaction for the acquisition of oil discoveries in the Falkland Islands and the development of the Sea-Lion project

Further to what is stated in Note 12E to the Annual Consolidated Financial Statements regarding the Partnership’s engagement in a memorandum of understanding for the purchase of 65% of the rights in a number of offshore oil discoveries in the Falkland Islands, the principal of which is the Sea Lion discovery (hereinafter, jointly - the “Project” or the “Oil Asset”) by the Partnership, and further to the appointment of the Partnership as the project operator, on April 15, 2022 the binding Transaction Agreements were signed, and on September 22, 2022, the Transaction was completed. Following are details regarding the main terms and conditions of the transaction:

Agreement for the purchase of the shares of Navitas Petroleum Development and Production Ltd. (hereinafter - “NPDP”) (formerly Premier Oil Exploration and Production Limited).

- An agreement between Navitas Petroleum Limited, a wholly-owned UK subsidiary of the Partnership (hereinafter - “Navitas UK”), and Premier Oil Holdings Limited (hereinafter - the "Seller"), that held all of NPDP's share capital, for the purchase NPDP’s entire equity capital by Navitas UK. Upon completion of the transaction, Navitas UK became the project operator (through NPDP).
- The agreement also stipulates that the Partnership will enter into the shoes of Harbour Energy plc (hereinafter - “HBR”) regarding the ownership (through NPDP) of the temporary dock facility (hereinafter - the "Temporary Dock Facility"), that was built as part of the drilling activities previously carried out in the Oil Asset (hereinafter - the “Temporary Dock”), including liabilities related to its maintenance and future dismantling. The Temporary Dock may be used in the development of the Project and Navitas UK provided the Falkland Islands Government a company guarantee to secure the above-mentioned liabilities.
- As part of the terms of the Share Purchase Agreement, Navitas UK received USD 6 million from the Seller on the transaction completion date.
- The acquired company, NPDP, has past investments in the Oil Asset for tax purposes in the total amount of USD 700 million, that can be utilized in the future against a taxable income from the Oil Asset. In the financial statements, no deferred tax assets were credited in respect of these losses.

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

D. Completion of transaction for the acquisition of oil discoveries in the Falkland Islands and the development of the Sea-Lion project (cont.)

- The Partnership and HBR have each provided the other company a guarantee to ensure fulfillment of the obligations made by their related parties in the agreement for the purchase of NPDP's shares.

The Farm Out agreement (hereinafter - the "FOA")

- An agreement between Rockhopper Exploration plc (hereinafter - "RKH") and Navitas UK, to transfer - to PMO - parts of the rights to the Oil Asset's leases owned by RKH on the Transaction completion date, such that immediately after completing the Transaction, Navitas holds 100% of NPDP's shares, and NPDP holds 65% of the oil asset and has been appointed the Project's operator.
- The agreement further stipulates that if NPDP does not reach a final investment decision (hereinafter - "FID") to develop the Project within 5 years from the Transaction completion date (with an option for an 18-month extension, depending on the conditions stated in the agreement), RKH will be entitled to receive Navitas UK's participation rights in the Project, on the condition that all loans extended to it by that date by the Partnership are repaid.
- On the transaction completion date, the Oil Asset Leases holders signed a joint operating agreement (hereinafter - "JOA").
- The Partnership and RKH have each provided the other a company guarantee to ensure fulfillment of the obligations made by their related parties in the FOA and in the Loans Agreement (as the term is defined below).

The Loans Agreement

- As part of the Transaction's terms, Navitas UK has undertaken that as part of the financing of Phase A of the Sea-Lion discovery, NPDP (or the Partnership or another company owned by the Partnership) will extend loans to RKH (through subsidiaries through which RKH holds the leases), the key terms of which (hereinafter - the "Loans Agreement") are as follows:

  1. The "Pre-FID" loan - a USD-denominated loan, which will bear annual interest of 8%, for RKH's share in all costs of Phase A of the Sea-Lion discovery from the moment the Transaction is completed until a Final Investment Decision (FID) is made for the development of Phase A of the Sea-Lion discovery (above and hereinafter - "FID").

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

D. Completion of transaction for the acquisition of oil discoveries in the Falkland Islands and the development of the Sea-Lion project (cont.)

The Loans Agreement (cont.)

2. The "Post-FID" Loan – a USD-denominated loan for 2/3 of RKH's share of the capital required to develop the Sea-Lion discovery from the FID date to the earliest of: (a) 12 months of the start of production (as defined in the agreement); (b) the completion of the development of the Sea-Lion discovery, as defined in future financing agreements; (c) the agreement termination.

- RKH's voting rights over operations pertaining to Phase A of the development of the Sea-Lion discovery will be fully assigned to Navitas UK by the FID, and at the rate of 2/3 after the FID, until the entire loan is repaid or until the loan agreement is terminated, except regarding the issues excluded specifically.
- Both loans shall be repaid from 85% of RKH’s free cash flow from Phase A of the development of the Sea-Lion discovery. Moreover, RKH will be limited in its ability to raise capital for objectives that do not serve development of the Oil Asset and/or that impede its financial capability.
- Collateral in connection with the loans:
  1. Pre-FID – a second lien on RKH's rights in the relevant Oil Asset, after the lien to the benefit of the Falkland Islands Government.
  2. Post-FID – a second lien on RKH's rights in Phase A of the development of the Sea-Lion discovery, after the lien made to the financiers.
  3. A first lien in favor of Navitas UK on RKH's available cash flow from the development of Phase A of the Sea-Lion discovery.

As part of the completion of the transaction, the license period was extended by two additional years, until November 2024.

At this stage, the Partnership recognized the completion of the transaction in the oil and gas asset in the amount of USD 9 million and a liability in the amount of USD 15 million in respect of the obligation to decommission the Temporary Dock, as mentioned above.

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

E. Shenandoah project

Further to that said in Note 7D2 to the Annual Consolidated Financial Statements, on receiving an FID to develop the Shenandoah Oil Asset, subsequent to the statement of financial position date, on October 24, 2022, the General Partner's Board of Directors authorized the execution of four development and production drillings in the oil asset, and on November 1, 2022, the Shenandoah Project Operator, BOE Exploration & Production LLC, informed the Partnership of the drilling ship Transocean Atlas's arrival at the first of four drilling sites, and of commencing the combined execution of the four drillings.

In addition, the construction works on the Shenandoah Project's floating production and storage (FPS) system at the Hyundai Shipyard in South Korea have commenced.

NOTE 4 - DEBENTURES

On June 27, 2022, the Partnership issued NIS 80,000,000 p.v. Series B debentures by way of series expansion, as part of a private placement, and at a price of NIS 1.017 per each NIS 1 p.v. of Series B debentures; the overall issuance proceeds amounted to NIS 81,360 thousand (approx. USD 23,951 thousand), and the issuance costs amounted to USD approx. 138 thousand. The effective interest rate in the said series expansion is 6.25%. For more information regarding the Series B debentures, see Note 11(1) to the Partnership's annual consolidated financial statements.

NOTE 5 - SHARE-BASED PAYMENTS

A. 1) On January 30, 2022, the board of directors of the General Partner of the Partnership approved the award of 393,000 RSUs to an officer and a number of employees of the Partnership. The fair value of the allotted equity instruments was estimated at USD 1.9 million at the allotment date.

On March 17, 2022, the board of directors of the General Partner of the Partnership allotted 306,385 RSUs to officers of the Partnership and non-executive employees of the Partnership and its wholly owned subsidiaries. The fair value of the allotted equity instruments was estimated at USD 1.6 million at the allotment date.

2) Subsequent to the date of the statement of financial position, the board of directors of the General Partner of the Partnership approved the award of 135,000 RSUs to employees of the Partnership.

NOTE 5 - SHARE-BASED PAYMENTS (cont.)

A. (cont.)

3) See Note 6A regarding the RSUs allocated to the CEO.

The RSUs were awarded in accordance with the equity compensation plan adopted by the General Partner's board of directors as described in Note 14(2) to the Annual Consolidated Financial Statements.

B. Further to that said in Note 14(2) to the Annual Consolidated Financial Statements:

1) During the reporting period, 49,304 RSUs vested into 49,304 participation units of the Partnership after the offerees had met the vesting conditions set out in the Plan.

2) During the reporting period, 119,283 RSUs expired.

3) Subsequent to the date of the statement of financial position, 40,837 vested into 40,837 participation units of the Partnership and 39,000 units expired.

NOTE 6 - TRANSACTIONS AND BALANCES WITH INTERESTED PARTIES, RELATED PARTIES, AND CONTROLLING SHAREHOLDERS

A. Appointment of a CEO

Further to what is stated in Note 18D to the Annual Consolidated Financial Statements concerning the termination of the employment of one of the shareholders of the General Partner as the General Partner's CEO, on December 16, 2021, the board of directors of the General Partner approved the appointment of Mr. Amit Kornhauser as CEO of the General Partner, effective January 1, 2022. Prior to this date, since July 10, 2016, Mr. Amit Kornhauser served as CFO of the General Partner and of the Partnership, and as a director and officer at subsidiaries of the Partnership.

On March 9, 2022, the general meeting of holders of participation units approved the terms of office and employment of Mr. Kornhauser (following his appointment by the board of directors of the General Partner), which will apply retroactively from the date of commencement of office.

Salary and appointment percentage

Mr. Kornhauser shall be entitled to a monthly salary in the gross amount of NIS 92 thousand (hereinafter - the "Basic Salary"), for a full-time position (100%). Mr. Kornhauser shall not be entitled to additional compensation from the Partnership and/or its subsidiaries for his role as a director.

NOTE 6 - TRANSACTIONS AND BALANCES WITH INTERESTED PARTIES, RELATED PARTIES, AND CONTROLLING SHAREHOLDERS (cont.)

A. Appointment of a CEO (cont.)

Benefits and related benefits

Mr. Kornhauser shall be entitled to social benefits in accordance with the law, and to perquisites according to common practice for executives in the Israeli economy, including employer contributions to a pension fund and/or executive insurance; employer contributions to a study fund; disability insurance; a vehicle (including gross-up of tax in respect thereof and maintenance at the expense of the Partnership); participation in professional education; annual vacation; convalescence pay; sick leave; indemnity exemption and officers' insurance, etc.

Equity compensation

The total securities to be allocated to Mr. Kornhauser are 362,000 RSU, each of which confers the right to receive one participation unit of the Partnership, and which in total confer the right to receive 362,000 participation units of the Partnership, constituting approximately 0.39% of the issued capital of the Partnership and of the voting rights (approximately 0.36% fully diluted). (Hereinafter in this section - the "RSU" or the "Offered Securities"), all as detailed below.

The RSUs will vest in three tranches on the date of compliance with two cumulative conditions: (a) continuous employment of the Offeree by the Partnership and/or an affiliate for a period from the commencement of office (hereinafter - the "Employment Period"); and (b) attaining the target price per participation unit: first tranche - NIS 21.18; second tranche - NIS 22.95; third tranche - NIS 24.71. Fulfillment of the parameter of market conditions shall be examined only after the Employment Period parameter is fulfilled. If the conditions are not fulfilled by the date set for each lot, the RSU units for that lot will expire without consideration.

The fair value of the RSU, at the date of approval by the Board of Directors, is estimated using a Monte Carlo simulation. The participation unit price used to calculate the price as at January 24, 2022, is NIS 17.65. Annual volatility - 60.8%. Range of risk-free interest rate - 0.2%-1.21%. Dividend yield - 0%:

1. First tranche – economic value of each RSU – NIS 15.28.
2. Second tranche – economic value of each RSU – NIS 15.20.
3. Third tranche – economic value of each RSU – NIS 15.18.

NOTE 6 - TRANSACTIONS AND BALANCES WITH INTERESTED PARTIES, RELATED PARTIES, AND CONTROLLING SHAREHOLDERS (cont.)

B. Authorization of the bonus to Mr. Chanan Wolf

On May 15, 2022, the General Meeting of the holders of participation units approved the award of a bonus of USD 400 thousand, to Mr. Chanan Wolf, one of the General Partners' owners, in accordance with the provisions of the compensation policy.

C. Approval of Terms of Office and Employment of the Officers of the General Partner of the Partnership

Following on Note 7D2 to the Annual Consolidated Financial Statements regarding management fees to which the General Partner is entitled, subsequent to the date of the statement of financial position, on November 14, 2022, the general meeting of the Partnership approved that, instead of paying the management fees to the General Partner, payable under the Management Agreement that terminated on September 12, 2022, the Partnership will directly engage with the Officers on Behalf of the General Partner, under an agreement to provide management services in exchange for a salary or fixed annual management fees and equity compensation, as set forth below:

The officers on behalf of the general partner will provide management services, consultation services, business development services, and other services to the Partnership, as required to manage the Partnership's business, and will serve as Chairman of the Board (Mr. Gideon Tadmor), Deputy Chairman of the Board and senior business development manager and Deputy CEO and director in the General Partner, full time (100%).

The engagement period with each Officer on Behalf of the General Partner will commence on September 12, 2022, and will end when three years will have elapsed from the approval by the general meeting, as outlined above.

In exchange for the officers on behalf of the general partner providing management services, the Partnership will pay each of the officers on behalf of the general partner a salary or management fee equal to NIS 138,000 a month, in terms of cost (plus VAT).

NOTE 6 - TRANSACTIONS AND BALANCES WITH INTERESTED PARTIES, RELATED PARTIES, AND CONTROLLING SHAREHOLDERS (cont.)

C. Approval of Terms of Office and Employment of the Officers of the General Partner of the Partnership (cont.)

Moreover, each of the officers on behalf of the General Partner will be allotted non-marketable options, without consideration (each exercisable into one participation unit), equal to 1,750,410 units to the Chairman of the Board (the value of the annual economic benefit on the award date is NIS 2,933 thousand), and at a number equal to 350,057 units for each of the other two officers on behalf of the General Partner (the value of the annual economic benefit on the award date is NIS 586 thousand for each of them).

The options will vest in 3 annual tranches over 4 years, from September 15, 2022, such that 50% will vest two years after the award date, 35% will vest after 3 years, and 15% will vest after 4 years.

In addition to the management fees, each of the officers on behalf of the General Partner is entitled to additional customary benefits, including: coverage of communication expenses (cell phone, internet, newspapers, etc.), and all the reasonable business expenses incurred in the context of the position thereof (such as: flights, accommodation, etc.).

NOTE 7 - FINANCIAL INSTRUMENTS

A. 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):

	September 30, 2022		September 30, 2021		December 31, 2021	
	Carrying amount	Fair value*)	Carrying amount	Fair value*)	Carrying amount	Fair value*)
	Unaudited				Audited	
	USD thousand					
Financial liabilities						
Debentures (Series B)	190,255	194,678	183,238	203,150	187,086	207,621
Debentures (Series C)	93,004	89,481	-	-	105,423	107,913
Debentures (Series D)	45,829 **)	50,967	-	-	44,530 **)	49,490

*) According to quoted market price.

**) Represents the liability value (excluding the conversion component).

NOTE 7 - FINANCIAL INSTRUMENTS (cont.)

B. Hedging transactions

1) As at September 30, 2022, Navitas Buckskin has open hedging transactions on put options to hedge WTI oil prices of October 2022 and January to August 2023, for a total volume of 380 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 September 30, 2022, was USD 1,652 thousand.

Subsequent to date of the statement of financial position, in October 2022, Navitas Buckskin entered into an additional hedging transaction that is a put option for hedging WTI oil prices in September 2023 for a volume of 30 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 September 30, 2022, NPO has open hedge transactions amounting to 406 thousand barrels of oil, as outlined below:

- Collar hedges for approximately 63 thousand barrels of oil in the period from September 2022 and December 2022, at a minimum price per barrel of USD 45 and a maximum price of USD 55 per barrel.

- Collar hedges for approximately 236 thousand barrels of oil in 2023, at a minimum price per barrel of USD 55 and a maximum price of USD 85 per barrel.

- A put option hedge for approximately 107 thousand barrels of oil in the first half of 2024, at a minimum price of USD 55 per barrel.

The fair value of the net liability for the said hedging transactions as of September 30, 2022, amounts to USD 1,607 thousand.

Subsequent to date of the statement of financial position, NPO entered into an additional hedging transaction that is a put option for hedging WTI oil prices in the third quarter of 2024 for a volume of 52 MBBL at a minimum price of USD 55 per barrel.

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