Navitas Petroleum, Limited Partnership

(hereinafter - the "Partnership")

May 11, 2023

To:
The Israel Securities Authority (ISA)
Via MAGNA

To:
The Tel Aviv Stock Exchange Ltd.
Via MAGNA

Re: **Memorandum of Understanding for the Provision of Production and Handling Services Through the Shenandoah Platform for the Monument Discovery and the Purchase of Rights in this Discovery**

The partnership (hereinafter: "the **Partnership**") is pleased to report its engagement in a non-binding memorandum of understanding for the provision of production and handling services for oil and natural gas, to be produced from the Monument oil discovery (hereinafter: "**Monument**" or "the **Oil Asset**"), a proven discovery located approximately 27 kilometers from the Shenandoah Project, through the floating production system (hereinafter: "**FPS**") of the Shenandoah Project (hereinafter: "the **Memorandum of Understanding**" and "the **Production and Handling Services**" respectively), and regarding its engagement in an agreement for the acquisition of rights in Monument (hereinafter: "the **Acquisition Agreement**" and "the **Acquisition Transaction**" respectively). Set forth below is a description of the key principles of the Memorandum of Understanding and the Acquisition Agreement.

Memorandum of Understanding for the Provision of Production and Handling Services:

- Background

  Further to Section 8.1.4 of Chapter A of the Partnership's 2022 Periodic Report, published on March 23, 2023[1] regarding the fact that the Shenandoah partners are considering transactions, in which the Shenandoah project's FPS will also be used to provide Production and Handling Services in respect of oil and natural gas to be produced by existing and future discoveries in the Shenandoah Project area, in consideration for payment in respect of the Production and Handling Services, the Partnership—through a wholly-owned subsidiary thereof[2]—together with the

[1] Ref. No. 2023-01-026902.

[2] ShenHai LLC: a wholly owned (indirect) subsidiary of the Partnership, that holds interests in the Shenandoah Oil Asset.

remaining Shenandoah partners (hereinafter: jointly, “the **Shenandoah Partners**) entered into the Memorandum of Understanding with the existing partners in Monument[3] (hereinafter: “the **Monument Partners**”).

- <u>Main terms and Conditions of the Memorandum of Understanding:</u>

  The Shenandoah Partners will enter into an agreement with the Monument Partners (as they may be at the signing date of the Agreement) in an agreement to provide Production and Handling Services through Shenandoah's FPS for oil to be produced by Monument, throughout the life of the oil asset, in consideration of and under the terms and conditions detailed below.

  For the purpose of providing the Production and Handling Services, we will require additional equipment and adjustments to Shenandoah's FPS (hereinafter: “the **Upgrade Works**"), which will increase the total production and handling capacity of in the platform from approximately 100,000 barrels of oil per day to approximately 120,000. The Monument Partners will bear all the costs associated with performing the Upgrade Works.

  The Upgrade Works will be conducted as part of the construction process of the FPS—which is being carried out at this time—and are not expected to cause delays in the completion of the FPS’s construction and installation of the Shenandoah Project. The additional capacity of approximately 20,000 barrels per day will be allocated to the Monument Project. All other facilities that will be installed as part of the Upgrade Works on the FPS will be wholly owned by the Shenandoah Partners.

  It will be clarified that the Upgrade Works will not generate any additional liabilities and costs for the Shenandoah Partners beyond the construction and installation costs budgeted for the FPS for the Shenandoah Project.

  The Monument Partners shall pay the Shenandoah Partners a one-off payment for the Production and Handling Services, as well as a monthly amount that will be set in accordance with the oil and natural gas quantities that will be piped in effect from the Monument Project to be handled in the FPS, with a minimum monthly amount. In addition, the Monument Partners will bear their pro-rata share of the

[3] Progress Resources USA Ltd., Beacon Offshore Energy Exploration LLC, BOE Exploration & Production LLC and Repsol E&P USA LLC.

monthly expenses of the FPS's operation. According to the Partnership's assessment, the expected revenues for the Partnership (as a partner in Shenandoah) from the Production and Handling Services may amount to approximately USD 15–20 million per year (depending on the actual production rates from the Monument Project), from the commencement of commercial production from the Monument oil asset, which is expected in mid-2026.

The Partnership's signing of the binding agreements for the provision of Production and Handling Services is conditioned, among other things, on the Partnership (through an entity acting on its behalf) acquiring rights in the Monument Project, as detailed below.

Agreement for the purchase of rights in the Monument Project:

- Background

The purchase of the rights in the Monument Project is consistent with the Partnership's strategy to invest in oil and gas assets that include proven oil and gas reserves or contingent resources, which have already been discovered and have not yet been developed, as well as to develop them while creating value for the Partnership synergistically with the Partnership's ownership of the Shenandoah Project's FPS, which is expected to provide the Production and Handling Services for the Monument Project, as mentioned above.

Monument is a pre-development proven oil discovery located approx. 27 kilometers south of Shenandoah; to date, a total of USD 300 million has been invested in it.

In February 2023, Beacon Offshore Energy Exploration, LLC purchased from Equinor Golf of Mexico LLC all its rights in the Oil Asset (above, and hereinafter: "**Beacon,**" "**Equinor,**" and "the **Equinor-Beacon Agreement**" respectively), which constitute 50% of the Oil Asset's rights, and an affiliate of Beacon was appointed as the Oil Asset's operator (hereinafter: "the **Monument Operator**"). Monument's operator is currently working towards signing an agreement to receive Production and Handling Services from the Shenandoah FPS, based on the terms and conditions of the Memorandum of Understanding, in order to submit to the regulator (BSEE)[4] a request to receive a suspension of production (hereinafter:

[4] Bureau of Safety and Environmental Enforcement.

"SOP") status for the Monument Project leases that are expected to expire on July 30, 2023; this will enable the project to be developed.

The Monument Project—which is a satellite project of Shenandoah—is expected to be developed similarly to the Buckskin Project. It is noted that the development plan for the Monument Project has yet to be finalized and approved by Monument's partners, as have its expected costs.

Subsequent to finalizing the development plan and receiving a contingent resource report from an independent reserves appraiser, the Partnership will complete the process of evaluating the investment in the development of the Monument Project. Until the final investment decision (FID) is made to develop the Monument Project—which the operator of the Monument Project expects to take place in late 2023—the Partnership is expected incur minor costs.

- Main terms and conditions of the Rights Purchase Agreement:

The Partnership (through a wholly-owned (indirect) subsidiary)[5] and Beacon, which holds 50% of all the rights in the Oil Asset, entered into an agreement for the purchase of 40% of Beacon’s rights in the Oil Asset (hereinafter: “the **Purchased Rights**” and “the **Purchase Agreement**” respectively), such that after the completion of the transaction Beacon will hold 30% of the rights and Navitas will hold 20% of the Oil Asset rights.[6]

According to the Purchase Agreement, the Purchase’s effective date will be January 1, 2023 (hereinafter: “the **Purchase Effective Date**”), and accordingly—subsequent to the completion of the transaction—Navitas will assume all undertakings arising as from the Purchase Effective Date which are associated with the Purchased Rights. It should be clarified that Navitas will not assume any undertaking that had existed prior to the Purchase Effective Date, or any liability stemming from breaches of the Equinor-Beacon Agreement, which will apply to Beacon alone.

Under the Purchase Transaction, Navitas will sign reassignment documents for the Purchased Rights in favor of Equinor (hereinafter: “the **Reassignments**” or “**Reassignment Documents**”), which will be held in trust by Beacon and will only

[5] Navitas Monument US, LLC, above and hereinafter - “**Navitas**”.

[6] In addition, as part of the Purchase Agreement, Navitas will purchase from Beacon rights in leases adjacent to the Monument leases, and will hold 24% and 30%, respectively, of those leases.

be used if any of the following events take place: (a) failure to sign the binding Production and Handling Services Agreement by July 15, 2023 (or by a later date as agreed between Beacon and Equinor); <u>or</u> (b) Beacon is required to reassign to Equinor the rights it had purchased in accordance with the terms and conditions of the Equinor-Beacon Agreement (hereinafter: "the **Reassignment Event**"). A Reassignment Event will take place if Beacon does not receive BSEE's approval for unitization of the Monument leases, with respect to one or more of the Oil Asset's leases, and will begin operations in the approved unitized unit, <u>or</u> if Beacon does not submit an SOP request to BSEE by July 31, 2023, or if the SOP request submitted is not granted. If a Reassignment Event does not take place by August 31, 2023, the Reassignment Documents shall be withdrawn.

- <u>The purchase consideration</u>

On the signing date of the Purchase Agreement and completion of the Purchase Transaction, no consideration shall be paid to Beacon in respect of the purchase of the Purchased Rights. The future amounts that the Partnership has committed to pay under the Purchase Transaction, as detailed below, have been determined according to Navitas's proportionate share (40%) of Beacon's undertakings under the Beacon-Equinor agreement. Beacon has undertaken to transfer to Equinor, back-to-back, the said future consideration that the Partnership will pay in respect of the Purchased Rights.

- <u>Payment upon the FID</u>: Navitas will pay a total of USD 2 million upon making the final investment decision (FID) about the Monument Project.
- <u>Payment upon First Oil</u>: Navitas will pay USD 10 million on the date on which commercial production from the Monument Project commences.

Equinor is entitled to a 1% overriding royalty on all the 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 Reassignment Documents.
  - Navitas's signing of a joint operating agreement (JOA), applicable to the Partners to the Oil Asset (agreement that is according to the format and to the terms and conditions accepted for oil assets of this type in the Gulf of Mexico, USA, which is essentially similar to joint operation agreements to which the Partnership is a party, such as the UOA agreement of the Shenandoah oil asset).
- Termination of the Purchase Agreement:

  Beacon and Navitas can to cancel the Purchase Agreement in the following cases: (a) If the completion of the Purchase did not take place prior to the occurrence of a Reassignment Event or prior to July 15, 2023 (or a later date agreed upon by the parties); (b) if any regulatory body that has the power to do so will prevent the completion of the transaction; (c) the breach of any of the representations or undertakings of the agreement by the other party to the agreement, and this breach cannot be remediated through the purchase completion date.

  Forward-looking information disclaimer: conclusion of the Purchase Transaction and fulfillment of the conditions precedent and signing of the binding agreements for provision of the Production and Handling Services, the expected revenues from the Production and Handling Services, as well as the additional details regarding the Memorandum of Understanding, the Purchase Transaction and the Oil Asset, including the expected date of the final investment decision (FID) in the Monument Project and first oil appearing in this report, are all based on existing information that is in the possession of the Partnership at the time of publishing this report, pursuant to the due diligence conducted to date in respect of the Purchase Transaction and the provision of the Production and Handling Services and the information made available to the Partnership by Beacon, Monument's operator, and the other Monument Partners, which constitute forward-looking information as defined in the Securities Law, 1968. Consequently, they

might not materialize at all, or might materialize in a differing manner than the abovementioned, due to various factors, including the non-fulfillment of the conditions precedent of the Purchase Transaction, developments in the negotiations of the provision of the Production and Handling Services, receipt of additional information regarding the Oil Asset that may be discovered subsequent to the signing or finalizing of the Purchase Transaction, and/or as a result of a combination of various factors related to materialization of the Transaction and conducting development projects of oil discoveries and production from oil assets of this type.

Sincerely,

FLR Oil and Gas Management Ltd.,

General Partner in Navitas Petroleum, Limited Partnership

By Amit Kornhauser, CEO and Member of the Board

Tamar Rosenberg, CFO

Appendix A

Details regarding the Monument Discovery

1. **General**

All details in this report regarding the Oil Asset are, to the best of the Partnership's knowledge, based on information received from the Seller and Monument operator (Beacon and an affiliate).
The information about the Oil Asset appearing below concerns the Partnership's holding rate of the Oil Asset through Navitas Monument US LLC, a wholly-owned (indirect) subsidiary of the Partnership, assuming that the Purchase Transaction is completed.

2. **Details about the Oil Asset**

General information about the oil asset	
Name of oil asset:	Monument
Location:	An offshore asset in the Gulf of Mexico, about 400 miles southwest of New Orleans, Louisiana, USA, at a water depth of approximately 1,930 meters.
Area:	The Oil Asset's total area is 115 square kilometers.
Type of oil asset and description of permitted operations according to the type:	Pre-development discovery. Permitted operations: oil and gas explorations, development and production, subject to submitting a development plan and to the plan's approval.
Original grant date of the oil asset:	G35080 – WR 271 – August 2013 G35081 – WR 272 – August 2013 G36084 – WR 316 – June 2017 G35733 – WR 315 – July 2015 G35732 – WR 227 – July 2015
Original expiry date of the oil asset:	G35080 – WR 271 – July 2023 G35081 – WR 272 – July 2023 G36084 – WR 316 – May 2027 G35733 – WR 315 – June 2025 G35732 – WR 227 – June 2025
Date of decision regarding extension of the term of the oil asset:	-
Current expiry date of the oil asset:	See above the original expiry date of the Oil Asset.

General information about the oil asset	
Note whether there is an additional option of extending the period of the oil asset: if so, note the period of the possible extension:	Extending the validity of leases beyond their original expiry date or beyond the extensions granted, is carried out in one of three primary manners: 1. Executing drilling and/or approved operations in the lease area entitles the lease holders to an automatic extension of up to one year from the date of completion of such work. There are additional operations (such as seismic surveys, etc.) that can be performed in a lease to receive an extension of the lease from BSEE. 2. SOP: Suspension of production approval may be obtained, in the event that oil production from the lease during the lease period (original or extended) did not commence. When granting SOP, a binding work schedule will be set that includes milestones for the development of the asset, from the date it is granted until the start of production. Lease extensions are based on SOP for fixed periods only, usually for a year at a time. As long as the lease holders comply with the work schedule, the SOP will be extended for a further fixed period until first oil. 3. Lease holdings operations: after the commencement of the development drilling work in the Oil Asset, but before the commencement of production, the lease holding operations approval is received, which allows the holders of rights to hold the lease for a year from the end of the drilling work, until the commencement of production from the Oil Asset. HBP: Held by production. From the start of commercial production in the lease area, the lease will be automatically extended until one year from cessation of commercial production.
Note name of operator:	BOE Exploration & Production LLC
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Partnership's knowledge, the names of the controlling shareholders in the partners	Beacon Offshore Energy Exploration LLC (30%) Progress Resources USA Ltd.(30%)[7] Repsol E&P USA LLC[8] (20%) Navitas Monument US LLC[9] (20%)

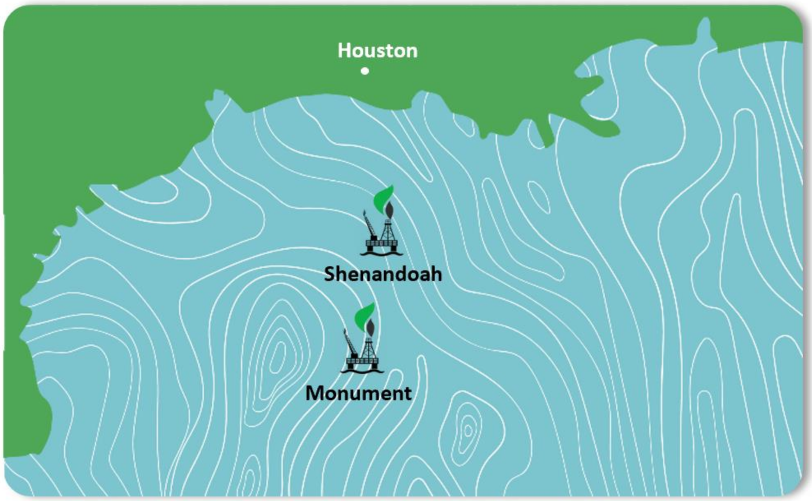
[7] A company wholly owned by Petroliam Nasional Berhad (hereinafter: **"Petronas"**), a company owned by the Malaysian government.

[8] A company wholly owned by Repsol S.A—a publicly-traded energy company, whose securities are listed on a stock exchange in Spain under the ticker (BMAD:REP).

[9] In addition to the aforementioned rights, Navitas has 40% and 32% of the rights in leases adjacent to the Monument discovery, which are not included in the Oil Asset's development plans.

General information about the Partnership's share in the oil asset	
Acquisition date of the lease for the purchased oil asset:	The Purchase Transaction completion date
Description of the Partnership's holding in the oil asset:	Holding 20% of the Oil Asset through Navitas Monument US, LLC, a wholly owned (100%) (indirect) subsidiary of the Partnership.
Effective share of oil asset revenues attributable to equity holders of the Partnership:	14.675%
Total share of equity holders of the Partnership in the cumulative investment in the Oil Asset in the five years preceding March 31, 2023 (whether recognized as an expense or as an asset in the financial statements):	-

3. **Map of the Oil Asset**



4. **Material past actions prior to holding of the Oil Asset**

Identity of the entitled party identity when the operation was performed	**Period in which the operation was carried out**	**Summary of the operation**	**Summary of the operating outcomes**
Equinor	December 2019	Drilling the first discovery well in the License 272 area	Total amount invested in the Oil Asset: approx. USD 300 million
	November 2021	Second appraisal and verification drilling in the area of lease 271	
	Various dates during the years in which the Oil Asset has been held	Purchasing and processing of a seismic survey	

5. **Compliance with work plan**

To the best of the Partnership's knowledge, to date the detailed work scheduled for the leases has been fully implemented.

6. **Actual and planned work plan for the Oil Asset**

Two of the key leases in Monument are expected to expire at the end of July 2023. In view of the above, the Oil Asset’s Operator takes action to complete and approve a development plan for the oil asset, and to file an SOP status application as soon as possible in order to extend the term of the leases.

The Oil Asset’s Operator is preparing to make a final investment decision (FID) in December 2023. According to the Operator, once the development plan is approved, the first oil from the Oil Asset is expected in mid-2026.

Below is a concise description of the scheduled operations, noting the estimated budget for performing each operation and the Partnership equity holders' share of this budget:

Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the Oil Asset (USD thousands)**	**Actual participation of the Partnership's lease holders in the budget (in USD thousands)**
2023	• Formulation and approval of a development plan for the Oil Asset. • Signing binding Production and Handling Services agreements with Shenandoah's partners. • Early procurement of long lead equipment items. • Obtaining the regulator's approval to unitize the leases and to change their status to SOP. • Reaching a final investment decision (FID).	16,500	3,300

Forward-looking information warning

It is emphasized that the estimated costs and time frames are based on general and preliminary estimates only, according to information received by the Monument Operator and Monument Partners, and material deviations therefrom are possible. Note further that the work plan, the costs, and the estimated time frames might vary materially following new findings. It is clarified that the data above and below and the expectations regarding operations, costs, and time frames for performing various operations are considered forward-looking information. This information is not certain; it is based on the information available to the general partner as of the report date, and it includes the general partner's initial estimates or intentions related to performing the operations as of the report date, regarding which, the

general partner has not yet carried out a complete investigation, and that might vary based on new information and/or because of external constraints and/or effects and/or because of decisions that will be made in the future.

7. **Share in the actual expenses and revenues relating to the Oil Asset**

Participation rate	%	Grossed up rate for 100%	Explanations
Actual rate attributable to equity holders of the Partnership in the Oil Asset	20%	100%	See the description of the holdings structure in Section 2 above.
Actual rate attributable to equity holders of the Partnership in revenues from the Oil asset	14.675%	73.375%	See calculation in Section 8 below.
Actual rate of participation of the Partnership's equity holders in expenses arising from development or production operations in the Oil Asset	20%	100%	See calculation in Section 9 below.

8. **<u>Note regarding calculation of actual participation rate attributable to equity holders of the Partnership in revenues from the Oil Asset</u>**

Item	**%**	**Summary of the calculation method for royalties or payments**
Projected annual revenues of the Oil Asset	100%	
Royalties or payment (derived from revenues after the discovery) related to the Oil Asset:		
Overriding royalty to the Government	(18.75%)	
Overriding royalties to third parties	(3%)	1% in overriding royalties to Equinor, 1.5% in overriding royalties to Anadarko US Offshore LLC and 0.5% in royalties to WesternGeco for leases WR 271 and WR 272, and at a rate of 0.49995% for leases WR 227 and WR 315.
Adjusted revenues at the Oil Asset level	78.25%	
The share attributable to the Partnership's equity holders, out of the income from the Oil Asset, neutralized (indirectly)	20%	
Share of the equity holders of the Partnership in the actual rate of revenues, at the Oil Asset level (before other payments at the level of the Partnership)	15.65%	
Information about the royalties or payments (derived from the income after the discovery) in respect of the Oil Asset at the level of the Partnership (the percentages below are calculated according to the rates of the equity holders of the Partnership in the Oil Asset):		
The share of equity holders of the Partnership in payments to the general partner	(0.975%)	An overriding royalty by virtue of the Partnership agreement at a rate of 6% of the Partnership's share in the revenues, net of payments to the federal government, of which 5.25% is held by related parties in the Partnership, and the remaining balance is held by third parties.
Actual rate attributable to equity holders of the Partnership in revenues from the Oil Asset	14.675%	

9. **Note on calculating the Partnership equity holders' actual attributable participation rate of the Oil Asset's exploration, development and production expenses**

Item	**%**	**Summary of the calculation method for royalties or payments**
Theoretical expenses for the Oil Asset (without royalties)	20%	
Payments (derived from the expenses) at the Oil Asset level:		
Total actual rate of expense at the level of the Oil Asset	100%	
Share of the equity holders of the Partnership in the Oil Asset's expenses (linked)	20%	
Total actual rate of the equity holders of the Partnership in expenses, at the Oil Asset level (before other payments at the level of the Partnership)	20%	
Payments (derived from the expenses) in respect of the Oil Asset and at the level of the Partnership (the following percentages will be calculated in accordance with the share of the equity holders of the Partnership in the Oil Asset):		
Rate of the Oil Asset development or production activity expenses actually attributable to the Partnership's equity holders	20%	

10. **Royalties and payments paid during exploration and development operations in the Oil Asset (in USD thousands)**

Item	**The Partnership's equity rights holders' total rate of the investments in the Oil Asset in this period (in USD thousands)**	**Of which, the Partnership's equity holders' rate of payments to the government**
Budget effectively invested in the first three months of 2023	-	-

11. **Contingent resources in the Oil Asset**

Under section 18(a) of the Eleventh Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970, the Partnership will publish information on the Oil Asset reserves and resources under Section 22 of the Third Addendum to the Securities Regulations (Details of a prospectus and

Draft Prospectus – Structure and Form), 1969, within 60 days of the acquisition date.