

Navitas Petroleum Limited Partnership

Consolidated Interim Financial Statements as at September 30, 2023

USD thousands

Unaudited

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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, 2023 and the condensed statements of comprehensive income, changes in equity of the Partnership and cash flows for the nine-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 these interim periods under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion regarding the financial information for these interim periods 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 26, 2023

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Consolidated Statements of Financial Position

	As at September 30		As at December 31
	2023	2022	2022
	Unaudited		Audited
	USD thousand		
<u>Current assets</u>			
Cash and cash equivalents	117,062	81,052	65,866
Short-term deposits	17,370	13,937	14,846
Trade receivables	9,676	9,325	8,612
Other receivables	2,512	1,214	2,616
Financial derivatives	646	1,652	737
	<u>147,266</u>	<u>107,180</u>	<u>92,677</u>
<u>Non-current assets</u>			
Investments in oil and gas assets, net	850,616	475,963	632,672
Restricted amounts	62,664	205,240	109,354
Deferred costs	26,812	37,559	36,993
Financial derivatives	1,378	870	776
Other receivables	1,345	-	1,524
Right-of-use assets, net	2,268	478	2,138
Property, plant, and equipment, net	272	177	179
	<u>945,355</u>	<u>720,287</u>	<u>783,636</u>
	<u><u>1,092,621</u></u>	<u><u>827,467</u></u>	<u><u>876,313</u></u>

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
	2023	2022	2022
	Unaudited		Audited
USD thousand			
<u>Current liabilities</u>			
Trade payables and other payables	17,279	17,679	25,531
Interest payable for debentures and long-term loans	12,498	5,368	2,280
Financial derivatives	308	2,447	1,807
Current maturities of long-term borrowings from banking corporations and financial institutions	9,703	10,596	11,456
Current maturity of lease liabilities	965	253	455
	<u>40,753</u>	<u>36,343</u>	<u>41,529</u>
<u>Non-current liabilities</u>			
Debentures	407,376	324,374	335,963
Long-term borrowings from banking corporations and financial institutions	197,542	87,366	101,704
Provision for a commitment to dispose of oil and gas assets	36,096	22,553	34,910
Financial derivatives	-	30	-
Deferred taxes	15,372	10,290	11,127
Lease liabilities	1,254	223	1,694
	<u>657,640</u>	<u>444,836</u>	<u>485,398</u>
<u>Partnership's equity capital</u>			
Capital of participation units	311,613	309,957	309,957
Conversion component of debentures	3,318	3,318	3,318
Capital reserve for share-based payment	7,345	4,338	5,271
Capital reserve for transactions with a controlling shareholder	8,004	8,004	8,004
Reserve for cash flow hedges	(3,171)	(3,368)	(3,639)
Retained earnings (loss)	717	(31,533)	(31,827)
	<u>327,826</u>	<u>290,716</u>	<u>291,084</u>
<u>Non-controlling interests</u>	<u>66,402</u>	<u>55,572</u>	<u>58,302</u>
<u>Total equity capital</u>	<u>394,228</u>	<u>346,288</u>	<u>349,386</u>
	<u>1,092,621</u>	<u>827,467</u>	<u>876,313</u>

November 26, 2023

Approval date of the financial statements

Gideon Tadmor

Chairman of the Board
FLR Oil and Gas
Management Ltd.
the General Partner

Amit Kornhauser

CEO and Director
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
	2023	2022	2023	2022	2022
	Unaudited				Audited
USD thousand (excluding net income per participation unit)					
Revenue from oil and gas sales, net of royalties	69,472	97,797	27,087	26,489	120,116
Cost of oil and gas production	(22,819)	(24,289)	(7,703)	(8,143)	(33,212)
Depreciation and depletion expenses	(11,245)	(11,119)	(4,005)	(3,666)	(14,334)
Gross profit	35,408	62,389	15,379	14,680	72,570
Expenses for oil exploration and project development	(859)	(692)	(277)	(83)	(953)
Derecognition of exploration and evaluation assets	-	(355)	-	-	(355)
General and administrative expenses	(11,480)	(9,622)	(3,444)	(3,082)	(12,931)
Operating profit	23,069	51,720	11,658	11,515	58,331
Finance income	36,400	34,459	17,920	3,762	38,098
Finance expenses	(14,211)	(19,207)	(7,044)	(4,054)	(26,113)
Profit before taxes on income	45,258	66,972	22,534	11,223	70,316
Taxes on income	(4,614)	(9,776)	(2,571)	(2,168)	(10,684)
Net profit	40,644	57,196	19,963	9,055	59,632
Other comprehensive income (loss) (post-tax):					
<u>Amounts classified or reclassified to profit or loss under specific conditions:</u>					
Profit (loss) for cash flow hedges	(2,143)	(4,553)	(1,934)	3,815	(7,596)
Transfer to profit or loss for cash flow hedges	2,611	6,402	868	2,209	9,174
Total other comprehensive income (loss)	468	1,849	(1,066)	6,024	1,578
Total comprehensive income	41,112	59,045	18,897	15,079	61,210
Net profit attributable to:					
Owners of the Partnership's participation units	32,544	49,096	17,234	6,326	48,802
Non-controlling interests	8,100	8,100	2,729	2,729	10,830
	40,644	57,196	19,963	9,055	59,632
Total comprehensive income attributed to:					
Owners of the Partnership's participation units	33,012	50,945	16,168	12,350	50,380
Non-controlling interests	8,100	8,100	2,729	2,729	10,830
	41,112	59,045	18,897	15,079	61,210
<u>Net profit per participation unit attributable to owners of the Partnership's participation units (USD):</u>					
Basic earnings	0.347	0.525	0.183	0.068	0.521
Diluted earnings	0.346	0.514	0.179	0.067	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 earnings (loss)	Total	Non-controlling interests	Total equity capital
	Unaudited								
	USD thousand								
<u>Balance as at January 1, 2023</u> (audited)	309,957	3,318	8,004	5,271	(3,639)	(31,827)	291,084	58,302	349,386
Net profit	-	-	-	-	-	32,544	32,544	8,100	40,644
Other comprehensive income	-	-	-	-	468	-	468	-	468
Total comprehensive income	-	-	-	-	468	32,544	33,012	8,100	41,112
Share-based payment, net	-	-	-	3,730	-	-	3,730	-	3,730
Issue of participation units from vesting of RSUs	1,656	-	-	(1,656)	-	-	-	-	-
<u>Balance as at September 30, 2023</u>	<u>311,613</u>	<u>3,318</u>	<u>8,004</u>	<u>7,345</u>	<u>(3,171)</u>	<u>717</u>	<u>327,826</u>	<u>66,402</u>	<u>394,228</u>

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								
<u>Balance as at January 1, 2022 (audited)</u>	<u>309,936</u>	<u>3,318</u>	<u>8,004</u>	<u>2,437</u>	<u>(5,217)</u>	<u>(80,629)</u>	<u>237,849</u>	<u>47,472</u>	<u>285,321</u>
Net profit	-	-	-	-	-	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
Share-based payment, net	-	-	-	1,922	-	-	1,922	-	1,922
Issue of participation units from vesting of RSUs	21	-	-	(21)	-	-	-	-	-
<u>Balance as at September 30, 2022</u>	<u>309,957</u>	<u>3,318</u>	<u>8,004</u>	<u>4,338</u>	<u>(3,368)</u>	<u>(31,533)</u>	<u>290,716</u>	<u>55,572</u>	<u>346,288</u>

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 earnings (loss)	Total	Non-controlling interests	Total equity capital
	Unaudited								
	USD thousand								
<u>Balance as at July 1, 2023</u>	<u>310,363</u>	<u>3,318</u>	<u>8,004</u>	<u>7,108</u>	<u>(2,105)</u>	<u>(16,517)</u>	<u>310,171</u>	<u>63,673</u>	<u>373,844</u>
Net profit	-	-	-	-	-	17,234	17,234	2,729	19,963
Other comprehensive loss	-	-	-	-	(1,066)	-	(1,066)	-	(1,066)
Total comprehensive income (loss)	-	-	-	-	(1,066)	17,234	16,168	2,729	18,897
Share-based payment, net	-	-	-	1,487	-	-	1,487	-	1,487
Issue of participation units from vesting of RSUs	<u>1,250</u>	-	-	<u>(1,250)</u>	-	-	-	-	-
<u>Balance as at September 30, 2023</u>	<u>311,613</u>	<u>3,318</u>	<u>8,004</u>	<u>7,345</u>	<u>(3,171)</u>	<u>717</u>	<u>327,826</u>	<u>66,402</u>	<u>394,228</u>

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									
<u>Balance as at July 1, 2022</u>	309,957	3,318	8,004	3,681	(9,392)	(37,859)	277,709	52,843	330,552
Net profit	-	-	-	-	-	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
<u>Balance as at September 30, 2022</u>	<u>309,957</u>	<u>3,318</u>	<u>8,004</u>	<u>4,338</u>	<u>(3,368)</u>	<u>(31,533)</u>	<u>290,716</u>	<u>55,572</u>	<u>346,288</u>

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						Total	Non-controlling interests	Total equity capital
	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			
	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 profit	-	-	-	-	-	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, net	-	-	-	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 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	USD thousand				
<u>Cash flows from operating activities</u>					
Net profit	40,644	57,196	19,963	9,055	59,632
Adjustments to reconcile cash flows from operating activities:					
Adjustments to profit and loss line items:					
Depletion, depreciation and amortization	11,681	11,884	4,154	3,798	15,236
Share-based payment	3,558	1,922	1,315	657	2,855
Deferred taxes	4,116	9,776	2,073	2,147	10,688
Finance expenses (income), net	(24,287)	(12,901)	(9,655)	2,007	(20,609)
Exchange differences for cash balances, net	4,816	2,395	3,001	752	2,359
	(116)	13,076	888	9,361	10,529
Changes in assets and liabilities:					
Decrease (increase) in trade receivables	(1,064)	(2,182)	(3,770)	3,561	(1,468)
Decrease (increase) in receivables and debit balances	241	171	(758)	135	(1,231)
Cash flow hedges	(6,328)	(2,860)	(4,472)	682	(3,994)
Increase (decrease) in payables and credit balances	(380)	5,690	2,415	(1,131)	6,336
	(7,531)	819	(6,585)	3,247	(357)
Interest received	2,648	1,141	1,316	1,079	2,769
Interest paid	(74)	(14,184)	(31)	(3,484)	(10,256)
Taxes paid	(137)	-	(137)	-	-
Net cash from operating activities	35,434	58,048	15,414	19,258	62,317
<u>Cash flows from investing activities</u>					
Investment in oil and gas assets	(202,227)	(222,971)	(51,546)	(71,251)	(345,915)
Interest paid and capitalized to oil and gas assets, net	(16,263)	-	(4,397)	-	(14,745)
Movements in restricted amounts	46,427	202,076	21,272	67,774	297,137
Movements in deposits, net	(5,172)	(111)	(2,759)	4,014	(2,645)
Purchase of property, plant and equipment, net	(181)	(51)	(60)	(23)	(69)
Net cash provided by (used in) investing activities	(177,416)	(21,057)	(37,490)	514	(66,237)

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
	2023	2022	2023	2022	2022
	Unaudited				Audited
	USD thousand				
<u>Cash flow from financing activities</u>					
Receipt of loans from banks and financial institutions	157,099	-	39,524	-	23,737
Repayment of loans from banks and financial institutions	(50,000)	(5,127)	(50,000)	-	(11,482)
Repayment of lease liabilities	(726)	(394)	(344)	(121)	(530)
Issue of debentures	100,473	23,583	100,473	-	33,375
Costs of raising loans and debentures	(8,852)	(10,230)	(5,180)	(3,250)	(11,579)
Net cash provided by (used in) financing activities	197,994	7,832	84,473	(3,371)	33,521
Effect of changes in exchange rates on cash balances held in foreign currency	(4,816)	(2,395)	(3,001)	(752)	(2,359)
<u>Increase in cash and cash equivalents</u>	51,196	42,428	59,396	15,649	27,242
<u>Cash and cash equivalent balance at the beginning of the period</u>	65,866	38,624	57,666	65,403	38,624
<u>Cash and cash equivalent balance at the end of the period</u>	117,062	81,052	117,062	81,052	65,866
<u>Significant non-cash activities</u>					
Investment in oil and gas assets against other payables (including discounted interest)	17,069	2,956	17,069	2,956	8,691
Deferred costs against long-term loan	676	1,127	676	1,127	2,818

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

Notes to the Consolidated Interim Financial Statements

NOTE 1 - GENERAL

- A. These financial statements were prepared in condensed format as at September 30, 2023 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, 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.
- C. Subsequent to the date of the statement of financial position, on October 7, 2023, the Iron Swords War broke out in Israel (hereinafter - the "War"), following a murderous attack by the Hamas terror organization on Gaza Envelope localities in southern Israel. At the same time, tensions began with additional Arab countries in the Middle East, especially in northern Israel. The War led to restrictions on the Israeli economy, which included, among other things, a reduction in economic activity, a substantial recruitment of reservists, restrictions on gatherings in work places and public places, limitations on school activity, and more. The continuation of the War could lead to extensive consequences for multiple industries and different geographical areas of Israel.
- In addition, the effects of the War include significant uncertainty regarding its consequences for the financial condition of the State of Israel, including possible adverse changes in Israel's credit rating, sharp changes in exchange rates, volatility in commodity prices, as well as instability in the Israeli capital market.
- Since all of the Partnership's assets are outside Israel, the Partnership does not expect the War to have a material impact on its operating activities.

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.

Notes to the 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.

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.

Notes to the Consolidated Interim Financial Statements

NOTE 3 - INVESTMENTS IN OIL AND GAS ASSETS

A. Composition

	September 30		December 31
	2023	2022	2022
	Unaudited		Audited
	USD thousand		
<u>Oil and gas assets</u>			
Shenandoah project	652,905	315,437	458,556
Sea Lion project	23,544	11,103	14,025
Buckskin project	58,883	50,067	53,197
Denbury project	94,224	80,263	88,592
Neches project	15,753	16,530	16,229
Yucatan project	1,029	964	990
Monument project	1,879	-	-
	848,217	474,364	631,589
Exploration and evaluation assets	2,399	1,599	1,083
	850,616	475,963	632,672

B. Shenandoah project

Further to what is stated in Note 7.D(1) to the annual financial statements regarding the approval by the Board of Directors of the Partnership's General Partner of the execution of the four development and production projects in the Shenandoah oil asset, and the commencement of the combined execution of the four wells, through the approval date of the financial statements, the operator had successfully completed the drilling of three development and production wells (out of a total of 4 development wells) to their final depth.

C. Buckskin project

Further to Note 7.D(3) to the Annual Financial Statements, regarding the execution of a fourth development drilling in the Buckskin North Reservoir, subsequent to the statement of financial position, in October 2023, the operator of the Buckskin project informed the Partners that the drilling had been successfully completed and that drillship Faye Kozak had left the drilling site after completing the execution of electrical logs and additional tests.

The Partnership's share in the cost of all drilling works amounted to USD 8.5 million.

In addition, the completion works for the production of the drilling are scheduled to commence during the first quarter of 2024.

D. Denbury project

- Further to what is stated in Note 7.D(4) to the annual financial statements, in the reporting period the execution of the four horizontal development wells in the Webster onshore oil field was completed, and production commenced.
- According to the resources report prepared by an independent reserves assessor as at June 30, 2023, the proven reserves (1P) of the Denbury Project (100%) are estimated at 17.6 MMBBL of oil and 13.6 BCF of natural gas. The proven and projected reserves (2P) of the Denbury Project (100%) are estimated at 28.3 MMBBL of oil and 17.7 BCF of natural gas.

Notes to the Consolidated Interim Financial Statements

NOTE 3 - INVESTMENTS IN OIL AND GAS ASSETS (CONT.)**E. The Monument Transaction**

The Monument oil asset is a proven discovery located 27 kilometers south of the Shenandoah project (hereinafter - "Monument" or the "Oil Asset"). The Partnership entered into two agreements in connection with the said Oil Asset through Shenhai LLC, a wholly-owned subsidiary (hereinafter- "Shenhai"), as follows:

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

In February 2023, Beacon Offshore Energy Exploration LLC (hereinafter - "Beacon") acquired 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").

The Partnership, through Navitas Monument US, LLC, a wholly owned subsidiary (hereinafter - "Navitas Monument") and Beacon 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).

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, 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.

The transaction for the purchase of 20% of the rights in the Monument discovery was completed on June 5, 2023. Under the purchase transaction, Navitas Monument signed 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 events set out in the purchase agreement takes place. The Rights Reassignment Documents are due to be canceled on August 31, 2023.

On the date of signing of the Purchase Agreement and finalization of the Purchase Transaction, no consideration was paid to Beacon in respect of the purchase of the Purchased Rights. The future amounts that Navitas Monument 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 Navitas Monument 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% overriding royalty on all Purchased Rights.

Notes to the Consolidated Interim Financial Statements

NOTE 3 - INVESTMENTS IN OIL AND GAS ASSETS (CONT.)E. The Monument Transaction (cont.)2. Binding agreement for the provision of production and handling services

On July 15, 2023, the Partnership - together with the other Shenandoah partners - engaged (through ShenHai) in a binding agreement for the provision of production and handling services in respect of the oil and natural gas that will be produced from Monument; those services are to be provided through the floating production system (hereinafter - "FPS") of the Shenandoah project (hereinafter - the "Production and Handling Services"). The Production and Handling Services will be provided over the life of the oil asset, for the consideration and under the terms stated 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.

3. According to the resources report prepared by an independent reserves assessor as at June 30, 2023, the best estimate of contingent resources (2C) in the Oil Asset (100%) is estimated at 106.9 MMBBL of oil and 69.5 BCF of natural gas.

F. The Neches Project

Further to Note 7.D.5 to the Annual Financial Statements, according to the resources report prepared by an independent reserves assessor as at June 30, 2023, the proven reserves (1P) of the Neches Project (100%) are estimated at 3.6 MMBBL of oil and 3.7 BCF of natural gas. The proven and projected reserves (2P) of the Neches Project (100%) are estimated at 5.9 MMBBL of oil and 5.3 BCF of natural gas.

Notes to the Consolidated Interim Financial Statements

NOTE 4 - DEBENTURES

On July 13, 2023, the Partnership completed a public offering of NIS 395,000,000 par value Debentures (Series E) of the Partnership. The Debentures (Series E) were offered by way of a tender on the price of Debentures (Series E) units, with the composition of each unit being NIS 1,000 par value. The unit price set in the tender is NIS 918 per unit. The debentures' annual interest rate is 6.5%. The immediate gross proceeds received by the Partnership as part of the public offering amounted to NIS 362,610 thousand (approx. USD 100 million). Among other things, the offering proceeds were used to repay a bank loan taken by the Partnership (for more information, see Note 5(3) below). The debentures are not linked to the CPI or any currency.

The effective interest rate in the said issuance is 9.3%.

The registered Debentures (Series E), of NIS 1 p.v. each, are payable in three unequal annual installments, as follows: two payments on December 31 of each of the years 2026 and 2027, such that each of the two payments will constitute 25% of the total par value of the Debentures (Series E), and the third and final payment, to be paid on December 31, 2028, will constitute 50% of the total par value of the Debentures (Series E).

The interest on the outstanding balance of the debentures' principal will be paid in semi-annual installments, on June 30 and December 31 of each of the years from 2024 to 2028, except for payments in respect of the first interest period. Payment for the first interest period will be made for the period beginning on July 16, 2023 and ending on December 31, 2023.

The Debentures are rated Ila by Standard & Poor's Maalot.

Collateral and other liabilities

The Debentures (Series E) are secured by a second-degree collateral, placed on the Partnership's rights in the oil assets of Buckskin North, Denbury, and Neches.

Under the deed of trust deed, the Partnership assumed the following main obligations:

- The Partnership's economic capital, as defined in the deed of trust, will fall below USD 1,100 million for two consecutive quarters.
- The net financial debt to net CAP ratio, as defined in the deed of trust, will not exceed a rate of 70% for two consecutive quarters.
- The Partnership's equity will not fall below USD 130 million for two consecutive quarters.
- The loan to collateral ratio, as defined in the deed of trust, will not exceed 75% for two consecutive quarters.
- The Partnership undertook not to pledge all of its existing or future assets and property (held directly) in a general floating charge, without the prior consent of the general meeting of holders of Debentures (Series E) by special resolution.
- The Partnership has undertaken to ensure that Debentures (Series E) are rated by at least one rating agency approved by the Commissioner of the Capital Markets, until the date of full, final and accurate repayment of the debt.
- The Partnership will not make any distribution that is one of the following: 1) a distribution that is contrary to the provisions of the Partnership Ordinance; 2) a distribution that will result in the Partnership's economic capital falling below USD 1,300 million; 3) a distribution that will result in the net financial debt to net CAP ratio increasing beyond a rate of 65%; 4) a distribution that will result in the Partnership's equity (excluding non-controlling interests) falling below USD 170 million; 5) on the date on which the Board of Directors passes the distribution decision there are warnings signs as defined in Section 10(B)(14(a) to the Securities Regulations (Periodic and Immediate Reports), 1970.

Notes to the Consolidated Interim Financial Statements

NOTE 4 - DEBENTURES (cont.)Collateral and other liabilities (cont.)

- The issuance of additional Debentures (Series E) by way of expanding the series will be subject to fulfillment of all the following conditions: 1) prior to the expansion date of the series and immediately after the expansion of the series, the Partnership meets and will meet all the financial covenants to which it has committed; 2) none of the grounds for immediate repayment set out in the deed of trust have materialized, and extension of the series will not result in the materialization of any of the grounds for immediate repayment; 3) the Partnership does not violate any of its material obligations to the debenture holders, and expansion of the series will not result in any violation of the Partnership's material obligations to the debenture holders; 4) the loan to collateral ratio on expansion of the series, taking into account the scope of expansion of the series, will not exceed 70%; 5) expansion of Debentures (Series E) will not result in a downgrading of the rating for Debentures (Series E) compared with the rating for Debentures (Series E) shortly before the expansion of the series; 6) the scope of Debentures (Series E) in circulation after expansion of the series will not exceed NIS 500 million par value.

NOTE 5 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS(1) Loan 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's principal will be repaid in semi-annual equal installments, as from December 31, 2023 through December 31, 2028 (instead of semi-annual installments in accordance with a sculpted amortization schedule, as 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 in semi-annual installments, on April 4, 2023, on June 30 in each of the years from 2024 to 2028, and on December 31 in each of the years from 2023 to 2028 (instead of semi-annual installments as 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.

(2) 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 September 30, 2023 a total of USD 209.1 million were withdrawn (of which a total of USD 38.2 million were advanced by ShenHai Financing), and through the report approval date, a further USD 33.9 million were withdrawn (of which a total of USD 6.2 million were advanced by ShenHai Financing).

(3) Loan from a banking corporation

Further to what is stated in Note 8(1) to the consolidated annual financial statements, in July 2023, the Partnership repaid the outstanding balance of the loan and the interest accrued thereon amounting to USD 50 million. The repayment was made out of the proceeds from the issuance of the Debentures (Series E), as stated in Note 4 above. As a result of the repayment of the loan as stated above, in the reporting period, the Partnership recognized an expense of USD 0.8 million in respect of the amortization of the balance of the loan's raising costs.

Notes to the Consolidated Interim Financial Statements

NOTE 6 - SHARE-BASED PAYMENTS

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

- 1) On April 9, 2023, the Partnership allotted 105,000 RSUs 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) On April 20, 2023, the Partnership allocated - as part of a private placement - 105,740 RSUs to non-executive employees. The fair value of the allotted equity instruments was estimated at USD 408 thousand at the allotment date.
- 3) On August 31, 2023, the Partnership allocated - as part of a private placement - 198,300 RSUs to an officer and to non-executive employees. The fair value of the allotted equity instruments was estimated at USD 1.1 million at the allotment date.

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

- 1) During the reporting period, 428,555 RSUs vested into 428,555 participation units of the Partnership after the offerees had met the vesting conditions set out in the Plan.
- 2) During the reporting period, 79,020 RSUs expired, that were awarded to offerees whose employment ended, expired.
- 3) Subsequent to the date of the statement of financial position, 60,956 RSUs vested into 60,956 participation units of the Partnership after the offerees had met the vesting conditions set out in the Plan.

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, 2023		September 30, 2022		December 31, 2022	
	Carrying amount	Fair value*)	Carrying amount	Fair value*)	Carrying amount	Fair value*)
	Unaudited				Audited	
	USD thousand					
<u>Financial liabilities</u>						
Debentures (Series B)	185,179	184,903	190,255	194,678	197,845	201,804
Debentures (Series C)	86,379	80,843	93,004	89,481	94,942	90,663
Debentures (Series D)	50,126 **)	54,720	45,829 **)	50,967	48,774 **)	50,213
Debentures (Series E)	95,037	98,182	-	-	-	-
	<u>416,721</u>	<u>418,648</u>	<u>329,088</u>	<u>335,126</u>	<u>341,561</u>	<u>342,680</u>

*) According to quoted market price (Level 1).

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

Notes to the Consolidated Interim Financial Statements

NOTE 7 - FINANCIAL INSTRUMENTS (cont.)**B. Oil price hedge transactions**

- 1) As at September 30, 2023, Navitas Buckskin has open put options to hedge WTI oil prices in the period between October 2023 and January 2025, for a total volume of 545 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, 2023 is USD 1,017 thousand.

Subsequent to date of the statement of financial position, in November 2023, Navitas Buckskin entered into an additional hedging transaction that is a put option for hedging WTI oil prices in February 2025 for a volume of 35 MBBL at a minimum price of USD 60 per barrel.

- 2) Further to what is stated in Note 8(2) to the consolidated annual financial statements regarding NPO's undertaking to hedge the oil prices under the financing agreement, as of September 30, 2023, NPO has open hedge transactions amounting to 457 thousand barrels of oil, as outlined below:
 - Collar hedges for approximately 57 thousand barrels of oil in the period from October 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 190 thousand barrels of oil in 2025, at a minimum price of USD 55 per barrel.

The fair value of the net asset for the said hedging transactions as at September 30, 2023 is USD 698 thousand.

C. Transactions to hedge the NIS/USD exchange rate

After the date of the statement of financial position, in November 2023, the Partnership entered into forward hedging transactions in order to mitigate the exposure to fluctuations in the NIS/USD exchange rate in the amount USD 18 million for the month of December 2024 ranging from NIS 3.702 to 3.747 per USD 1. The Partnership also entered into a put option for December 2024 in the amount of USD 10 million at a price of NIS 3.7 per USD 1.
