Navitas Petroleum, Limited Partnership

Consolidated Financial Statements as at December 31, 2023

In USD thousand

Contents

	Page
Independent Auditor's Report	2-4
Report of the Independent Auditor on the Audit of the Components of the Internal Control over Financial Reporting	5-6
Consolidated Statements of Financial Position	7-8
Consolidated Statements of Comprehensive Income	9-10
Consolidated Statements of Changes in Equity of the Partnership	11-13
Consolidated Statements of Cash Flows	14-15
Notes to the Consolidated Financial Statements	16-99
Appendix to the Consolidated Financial Statements – Principal Investee Companies and Partnerships	100

- - - - - - - - - - -

Kost Forer Gabbay & Kasierer
144 Menachem Begin Blvd.,
Tel Aviv 6492102
Tel. 972-3-6232525+
Fax +972-3-5622555
ey.com

Building a better working world

Independent Auditor's Report

To the Partners of

Navitas Petroleum, Limited Partnership

We have audited the accompanying consolidated statements of financial position of Navitas Petroleum (Limited Partnership) (hereinafter - the "Partnership") as at December 31, 2023 and 2022 and the consolidated statements of comprehensive income, changes in equity of the Partnership, and cash flows for each of the three years in the period ended December 31, 2023. These financial statements are the responsibility of the board of directors and management of the Partnership's General Partner. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Certified Public Accountants (Modus Operandi of Certified Public Accountant) Regulations, 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management of the Partnership's General Partner, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Partnership and its consolidated companies as at December 31, 2023 and 2022 and the results of their operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2023, in conformity with International Financial Reporting Standards (IFRS) and with the Israel Securities Regulations (Annual Financial Statements), 2010.

Key audit matters

The key audit matters listed below are those matters that were communicated or should have been communicated to the Partnership's Board of Directors, and which in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters include, among other things, any matter that: (1) Relates, or may relate to material items or disclosures on the financial statements; and (2) our judgment in connection therewith was particularly challenging, subjective or complex. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. Communicating these matters, as set forth below, does not alter our opinion on the consolidated financial statements as a whole, and we do not use their communication to provide a separate opinion on these matters, nor on the items or disclosures to which they relate.

Estimation of the oil and gas reserves and retirement liability for oil and gas assets

As described in Note 2F and Note 7 to the Partnership's financial statements, the balance of investments in oil and gas assets as of December 31, 2023 is USD 919,995 thousand, and the depletion expenses in respect of the investments in oil and gas assets for the year ended December 31, 2023 amount to USD 14,954 thousand. An asset retirement liability as of December 31, 2023 amounts to approx. USD 32,049 thousand.
In accordance with the Partnership's accounting policies, oil and gas assets are depreciated using the depletion method, which is based on the estimated quantity of the proved and probable reserves from those assets (2P); when calculating the depreciation of oil and gas assets, the Group also takes into account the future amount of the investments required to produce those quantities.

An appraisal of the oil and gas reserves and the retirement liability a subjective process involving significant judgments, which are based on management's estimates and assumptions, using the expertise of external experts with knowledge and understanding in the field, in connection with geological data, estimated prices, future production costs, expected production rate, future development costs, if any, asset retirement liability, and an appropriate discount rate.

Due to the extent of the effect of the estimation of the oil and gas reserves on the financial statements and due to the judgments involved in such an estimate and its subjectivity, we identified the matter as a key audit matter. Investments in oil and gas assets, the estimation of the reserves, the depletion expenses, and the commitment to retirement of oil and gas assets as described in Note 7 to the financial statements.

Set forth below are the key audit procedures implemented to address the key audit matter as part of our audit:

- Obtaining an understanding of the Partnership's processes and procedures with regard to the estimation of oil and gas reserves, the estimation of the expected investments in the relevant reservoirs, the estimated cost of retirement of those assets, and an audit of the planning and implementation of in-process controls.

- Assessing the qualifications of the experts acting on behalf of the Partnership, including their objectiveness and ability to estimate the oil and gas assets, and checking whether they have the professional capabilities required to estimate the reserves in oil and gas reservoirs.

- Testing the integrity of the data used to estimate the reserves, including, among other things, by analyzing the key changes in 2023, and comparing the reserves estimated by the Partnership and adjusting them to the information included in the oil and gas reserve report that was prepared by the external experts on behalf of the Partnership.

- Ensuring that the revised estimated oil and gas reserves were included appropriately in the accounting treatment applied to determining the depletion rate of the oil and gas assets and the liability to retirement of oil and gas assets.

- Checking the completeness of the calculations and the appropriateness of the disclosures in the Partnership's financial statements.

We also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel - “Audit of the Components of the Internal Controls Over Financial Reporting” - the Partnership’s components of internal controls over financial reporting as of December 31, 2023, and our report, of March 5, 2024 included an unqualified opinion on the effectiveness of these components.

Tel Aviv,	Kost Forer Gabbay & Kasierer
March 5, 2024	Certified Public Accountants

Kost Forer Gabbay & Kasierer
144 Menachem Begin Blvd.,
Tel Aviv 6492102
Tel. 972-3-6232525+
Fax +972-3-5622555
ey.com

Building a better working world

Report of the Independent Auditor to the Partners of Navitas Petroleum - Limited Partnership

About the Audit of the Internal Controls over Financial Reporting

In accordance with Section 9B(c) to the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited components of internal control over financial reporting of Navitas Petroleum, Limited Partnership (hereinafter - the “Partnership”) as of December 31, 2023. These control components were set as explained in the following paragraph. The Partnership's Board of Directors and management are responsible for maintaining effective internal control over financial reporting, and for assessing the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report for the said date. Our responsibility is to express an opinion on the components of internal control over financial reporting of the Partnership based on our audit.

Components of internal control over financial reporting were audited by us according to Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of the Components of the Internal Control over Financial Reporting" (hereinafter - “Audit Standard (Israel) 911”). These components are: (1) entity-level controls, including close-end period control process of the financial reporting and information technology general controls (ITGCs); (2) controls over the revenues process; (3) controls over the process of debt and cash management; (4) controls over the netting process with the projects’ operators (hereinafter, jointly: the "Audited Control Components").

We conducted our audits in accordance with Auditing Standard (Israel) 911. This standard requires that we plan and perform the audit to identify the audited control components and to obtain reasonable assurance whether these control components have been maintained effectively in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the Audited Control Components, assessing the risk that a material weakness exists in the Audited Control Components, as well as reviewing and evaluating the effectiveness of the planning and maintenance of these control components based on the assessed risk. Our audit of these control components included performing such other procedures as we considered necessary under the circumstances. Our audit focused only on the audited control components, unlike internal control of all material processes relating to financial reporting, and therefore our opinion refers only to the Audited Control Components. In addition, our audit did not take into account the mutual effects between the Audited Control Components and those which are not audited, and therefore our opinion does not take into account such possible effects. We believe that our audit provides a reasonable basis for our opinion in the above context.

Due to inherent limitations, internal control over financial reporting in general, and components of internal controls in particular, may not prevent or detect a misstatement. In addition, making projections on the basis of any evaluation of effectiveness is subject to the risk that controls may become inadequate due to changes in circumstances, or that the degree of compliance with the policies or procedures may be adversely affected.

In our opinion, the Partnership effectively maintained, in all material respects, the Audited Control Components as of December 31, 2023.

We also audited, in accordance with the generally accepted auditing standards in Israel, the Partnership's consolidated financial statements as of December 31 2023 and 2022 and for each of the three years ended on December 31, 2023, and our report, of March 5 2024 included an unqualified opinion on these financial statements.

Tel Aviv,	Kost Forer Gabbay & Kasierer
March 5, 2024	Certified Public Accountants

Consolidated Statements of Financial Position

	Note	As at December 31 2023	As at December 31 2022
		USD thousand	
Current assets			
Cash and cash equivalents	5	86,286	65,866
Short-term investments	6	22,290	14,846
Trade receivables	19E	8,439	8,612
Receivables and debit balances		3,403	2,616
Financial derivatives	19C	2,596	737
		123,014	92,677
Non-current assets			
Investments in oil and gas assets, net	7	919,995	632,672
Restricted amounts	10	55,622	109,354
Deferred costs	2J	24,026	36,993
Financial derivatives	19C	1,242	776
Other receivables		1,404	1,524
Right-of-use assets		2,047	2,138
Property, plant, and equipment, net		288	179
		1,004,624	783,636
		1,127,638	876,313

The accompanying notes and appendix are an integral part of the consolidated financial statements.

	Note	As at December 31 2023	2022
		USD thousand	
Current liabilities			
Trade payables and other payables	9	18,164	25,531
Interest payable for debentures and long-term loans		4,361	2,280
Financial derivatives	19C	-	1,807
Current maturity of long-term loans from banking corporations and financial institutions	8	9,703	11,456
Current maturity of debentures, net	11	47,905	-
Current maturity of lease liabilities		831	455
		80,964	41,529
Non-current liabilities			
Debentures, net	11	380,103	335,963
Long-term loans from banking corporations and financial institutions, net	8	235,034	101,704
Provision for a commitment to dispose of oil and gas assets	7E	32,049	34,910
Deferred taxes	17E	17,424	11,127
Lease liabilities		1,236	1,694
		665,846	485,398
The Partnership's capital	13		
Capital of participation units		311,830	309,957
Conversion component of debentures		3,318	3,318
Reserve for share-based payment		7,807	5,271
Reserve for transactions with a controlling shareholder		8,004	8,004
Reserve for cash flow hedges		(2,110)	(3,639)
Retained loss		(17,153)	(31,827)
		311,696	291,084
Non-controlling interests		69,132	58,302
Total equity		380,828	349,386
		1,127,638	876,313

The accompanying notes and appendix are an integral part of the consolidated financial statements.

March 5, 2024	Gideon Tadmor	Amit Kornhauser	Tamar Rosenberg
Approval date of the financial statements	Chairman of the Board FLR Oil and Gas Management Ltd. the General Partner	CEO and Director FLR Oil and Gas Management Ltd. the General Partner	CFO FLR Oil and Gas Management Ltd. the General Partner

Consolidated Statements of Comprehensive Income

		For the year ended December 31		
		2023	2022	2021
	Note	USD thousand		
Revenue from oil and gas sales, net of royalties	15A	93,791	119,319	86,356
Cost of oil and gas production	15B	(30,872)	(32,415)	(26,676)
Depreciation and depletion expenses	7	(14,954)	(14,334)	(10,830)
Gross profit		47,965	72,570	48,850
Expenses for oil and gas exploration and project development		(1,319)	(953)	(1,003)
Derecognition of exploration and evaluation assets	7D8	(5,510)	(355)	(355)
General and administrative expenses	15C	(14,680)	(12,931)	(10,777)
Other income	15D	-	-	5,836
Operating profit		26,456	58,331	42,551
Finance income	16A	14,169	34,410	8,885
Finance expenses	16B	(9,048)	(22,425)	(38,508)
Reversal of impairment of financial assets		-	-	1,313
Profit before taxes on income		31,577	70,316	14,241
Taxes on income	17C	(6,073)	(10,684)	(7,086)
Net income		25,504	59,632	7,155

The accompanying notes and appendix are an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

	For the year ended December 31		
	2023	2022	2021
	USD thousand (Excluding profit per participation unit)		
Other comprehensive income (loss) (net of tax effect):			
Amounts classified or reclassified to profit or loss under specific conditions:			
Profit (loss) for cash flow hedges	(1,673)	(7,596)	(8,014)
Transfer to profit or loss for cash flow hedges	3,202	9,174	4,255
Total other comprehensive income (loss)	1,529	1,578	(3,759)
Total comprehensive income	27,033	61,210	3,396
Net income attributable to:			
Owners of the Partnership's participation units	14,674	48,802	3,921
Non-controlling interests	10,830	10,830	3,234
	25,504	59,632	7,155
Total comprehensive income attributed to:			
Owners of the Partnership's participation units	16,203	50,380	162
Non-controlling interests	10,830	10,830	3,234
	27,033	61,210	3,396
Net income per participation unit attributable to owners of the Partnership's participation units (in USD)			
Basic earnings	0.156	0.521	0.053
Diluted earnings	0.156	0.520	0.053

The accompanying notes and appendix are an integral part of the consolidated 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
	USD thousand								
Balance as at January 1, 2023	309,957	3,318	8,004	5,271	(3,639)	(31,827)	291,084	58,302	349,386
Net income	-	-	-	-	-	14,674	14,674	10,830	25,504
Other comprehensive income	-	-	-	-	1,529	-	1,529	-	1,529
Total comprehensive income	-	-	-	-	1,529	14,674	16,203	10,830	27,033
Share-based payment	-	-	-	4,409	-	-	4,409	-	4,409
Issue of participation units from vesting of RSUs	1,873	-	-	(1,873)	-	-	-	-	-
Balance as at December 31, 2023	311,830	3,318	8,004	7,807	(2,110)	(17,153)	311,696	69,132	380,828

The accompanying notes and appendix are an integral part of the consolidated 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
	USD thousand								
Balance as at January 1, 2022	309,936	3,318	8,004	2,437	(5,217)	(80,629)	237,849	47,472	285,321
Net income	-	-	-	-	-	48,802	48,802	10,830	59,632
Other comprehensive income	-	-	-	-	1,578	-	1,578	-	1,578
Total comprehensive income	-	-	-	-	1,578	48,802	50,380	10,830	61,210
Share-based payment	-	-	-	2,855	-	-	2,855	-	2,855
Issue of participation units from vesting 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 and appendix are an integral part of the consolidated 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 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
	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 vesting 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 and appendix are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

	For the year ended December 31		
	2023	2022	2021
	USD thousand		
Cash flows from operating activities			
Net income	25,504	59,632	7,155
Adjustments to reconcile cash flows from operating activities:			
Adjustments to profit or loss:			
Depletion, depreciation and amortization	15,539	15,236	11,760
Derecognitions of exploration and evaluation assets	5,510	-	-
Share-based payment	4,169	2,855	639
Reversal of impairment of financial assets	-	-	(1,313)
Profit from exercise of rights in oil and gas assets	-	-	(3,319)
Deferred taxes, net	5,892	10,688	7,081
Finance expenses (income), net	(6,200)	(20,609)	23,472
Exchange rate differences for cash balances, net	3,789	2,359	684
	28,699	10,529	39,004
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	173	(1,468)	(1,533)
Increase in receivables and debit balances	(828)	(1,231)	(16)
Cash flow hedges	(8,351)	(3,994)	3,015
Increase (decrease) in payables and credit balances	(1,116)	6,336	(3,827)
	(10,122)	(357)	(2,361)
Interest received	4,048	2,769	12,717
Interest paid	(93)	(10,256)	(26,628)
Taxes paid	(137)	-	-
Net cash from operating activities	47,899	62,317	29,887
Cash flows from investing activities			
Investment in oil and gas assets	(269,417)	(345,915)	(119,012)
Interest paid and capitalized to oil and gas assets, net	(37,265)	(14,745)	(3,760)
Proceeds from exercise of rights in oil and gas assets	-	-	6,304
Repayment of loans granted	-	-	161,058
Movements in restricted amounts	56,580	297,137	(404,775)
Movements in deposits, net	(5,834)	(2,645)	(4,223)
Movements in participation units in mutual funds (debentures in Israel)	(5,184)	-	-
Purchase of property, plant and equipment, net	(220)	(69)	(15)
Net cash used for investing activities	(261,340)	(66,237)	(364,423)

The accompanying notes and appendix are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

	For the year ended December 31		
	2023	2022	2021
	USD thousand		
Cash flow from financing activities			
Receipt of loans from banks and financial institutions	202,547	23,737	69,688
Repayment of loans from banks and financial institutions	(54,853)	(11,482)	(8,887)
Repayment of lease liabilities	(951)	(530)	(454)
Issue of debentures	100,473	33,375	210,841
Costs of raising loans and debentures	(9,566)	(11,579)	(32,823)
Repayment of debentures	-	-	(161,058)
Issue of capital to the public	-	-	151,528
Exercise of options for participation units	-	-	7
Costs of raising capital	-	-	(3,250)
Issuance of preferred shares to non-controlling interests	-	-	44,238
Net cash from financing activities	237,650	33,521	269,830
Effect of changes in exchange rates on cash balances held in foreign currency	(3,789)	(2,359)	(684)
Increase (decrease) in cash and cash equivalents	20,420	27,242	(65,390)
Balance of cash and cash equivalents at the beginning of the year	65,866	38,624	104,014
Balance of cash and cash equivalents at the end of the year	86,286	65,866	38,624
Significant non-cash activities			
Investment in oil and gas assets against payables and credit balances	9,473	8,691	3,897
Deferred charges against long-term loan	1,712	2,818	3,823
Deferred consideration from exercise of rights in oil and gas assets	-	-	1,214

The accompanying notes and appendix are an integral part of the consolidated financial statements.

NOTE 1 - GENERAL

A. 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.

As at the approval date of the financial statements, the Partnership, through investees, held a number of oil and gas assets that are producing and under various stages of development and a number of leases for oil and gas exploration.

B. The ongoing management of the Partnership is carried out by FLR Oil and Gas Management Ltd. (hereinafter - the “General Partner”). The address of the registered office of the Partnership is 12 Abba Eban Ave., Herzliya.

C. The Partnership's operations involve significant financial investments and a relatively high level of financial risk and uncertainty. For details about the raising of financing sources, see Notes 8, 11, and 13.

D. 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 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, at this stage, the Partnership does not expect the War to have a material impact on its operating activities.

NOTE 1 - GENERAL (cont.)

E. Definitions in these financial statements

The Partnership	-	Navitas Petroleum, Limited Partnership.
The Group	-	The Partnership and its consolidated companies.
Consolidated companies	-	Entities in which the Partnership has control (as defined in IFRS 10) and their financial statements are consolidated with the financial statements of the Partnership. See also the appendix to the financial statements listing the principal consolidated companies.
Controlling shareholder	-	Gideon Tadmor.
Interested parties and controlling shareholders	-	As defined in the Israel Securities Regulations (Annual Financial Statements), 2010.
Related parties	-	As defined in IAS 24 (amended)
USD	-	US dollar.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

A. Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter - "IFRS"). Furthermore, the financial statements have been prepared in accordance with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

The financial statements have been prepared on a cost basis, other than for certain financial assets and liabilities (including derivative instruments and investment in marketable securities) at fair value through profit and loss.

The Partnership has elected to present the items of profit or loss using the function of expense method.

B. Operating cycle

The operating cycle of the Group is one year.

C. Consolidated financial statements

The consolidated financial statements include the statements of entities in which the Partnership has control (subsidiaries). Control exists when the Partnership has the power to affect the investee, is exposed, or has rights, to variable returns from its involvement with the investing entity, and it has the ability to affect those returns arising from the investee. When testing for control, all potential voting rights are taken into account only if they are exercisable. The financial statements are consolidated from the date that control is obtained and ends when such control ceases.

Non-controlling interests for subsidiaries represent the capital of the subsidiaries that cannot be attributed, directly or indirectly, to the Partnership. The non-controlling interests are presented in equity separately from the equity attributable to the Partnership. Profit or loss and any part of other comprehensive income are attributed to the Partnership and the non-controlling interests (see also Note 12B).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Consolidated financial statements (cont.)

The financial statements of the Partnership and its consolidated companies are prepared at the same dates and for the same periods. The accounting policy in the financial statements of the consolidated companies is applied uniformly and consistently with the accounting policy in the Partnership's financial statements.

D. Joint ventures

1. A joint venture is a contractual arrangement where two or more parties undertake an economic activity of oil and gas exploration in a jointly-owned asset. Certain joint ventures often involve joint ownership in one or more assets.
   According to IFRS 11, joint control only exists when there is a formal requirement for unanimous agreement of the joint venture partners. However, a review of the joint ventures in which the Partnership is involved demonstrates that the ventures themselves have no rights in the assets and have no binding commitments on behalf of the participants. Any participant may pledge its rights in the assets and is entitled to the economic benefits arising from the venture. As a result, the participants have a proportionate share in the assets and liabilities attributable to the joint venture. For the Partnership's rights in the joint venture operations, the Partnership recognized in its consolidated financial statements its relative share of assets under joint ownership, the liabilities it assumed and that were assumed jointly in connection with activity involving the assets under jointly-owned assets, and in revenues and expenses of the joint venture.

2. The Partnership presents its share in the payments transferred to the joint ventures' operators, and which have not yet been used, under other receivables, since such amounts do not meet the definition of cash and cash equivalents.

3. The Partnership presents its share in the liabilities of the joint ventures to a third party under trade payables and other payables.

E. Functional currency and presentation currency

The Partnership's functional currency is the US dollar. The presentation currency for the financial statements is the US dollar. The Partnership assesses the functional currency of all Group entities separately.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. Oil and gas exploration, evaluation, and development assets and investments in proved reservoirs

1. Exploration and evaluation assets

IFRS 6, Exploration for and Evaluation of Mineral Resources (hereinafter - "IFRS 6") sets out the accounting treatment for investments in oil and gas exploration. The Group measures oil and gas assets at cost at recognition. Accordingly, the accounting treatment used by the Group is as follows:

a) Investments in exploration and evaluation assets include the cost of leases, geological and seismic surveys, exploration drilling, and engineering planning. Expenses incurred before acquiring the lease are recognized in the statement of comprehensive income.

b) Participation expenses for geological and seismic tests are defined as exploration and evaluation assets and are recognized in the statement of financial position at cost under exploration and evaluation assets.

b) Investments in oil and gas drillings that are in the drilling stage for reservoirs that are not yet proven to produce oil or gas or that are yet to be classified as being non-commercial, are defined as exploration and evaluation assets and are not systematically amortized.

d) Investments in oil and gas drillings, for reservoirs proved to be dry and were abandoned, or that were classified as non-commercial or for which development plans for the near future were not determined, are written off from investment in exploration and evaluation assets in the statement of comprehensive income.

e) Investments for reservoirs that have technical feasibility and commercial viability of oil or gas production, which are included in a range of events and circumstances, are reclassified, subject to impairment testing, from exploration and evaluation assets to oil and gas assets.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. Oil and gas exploration, evaluation, and development assets and investments in proved reservoirs (cont.)

2. Oil and gas assets

The oil and gas assets item in the balance sheet includes costs accumulated for the Group's proven oil and gas assets. These costs include mainly costs for acquisition of rights, exploration drillings, engineering planning, development drilling, acquisition and establishment of production facilities and pipelines for the transmission of the oil and gas, and the estimated costs for disposing of the assets (see Section 6 below). The costs in this section are amortized to the statement of income according to the units of production method, based on the actual production volume in the period compared to the total proved and probable reserves, as appraised by an external expert. When calculating the amortization of oil and gas assets on the basis of total proved and probable reserves, the Group takes into account the future amount (in undiscounted values) of the investments required to produce the same amounts.

3. Farm-in agreements

Farm-in is the acquisition of part of the right in an oil and/or gas field in consideration for an agreement with the owner (hereinafter - the “Farmor”) to sell part of the rights to the transferee (hereinafter - the “Farmee”). In farm-in transactions where the acquired asset does not constitute a business, the accounting treatment is as follows:

As the costs are incurred, the Farmee recognizes the expense or asset, as the case may be, for its share in the oil and gas assets and for the Farmor's remaining rights, in compliance with the accounting policy for exploration and evaluation assets.

The Farmee accounts for the farm-out arrangement as follows:

- The Farmee recognizes its share in the expenses in accordance with the farm-out agreement, including expenses arising from the part that the Farmor imposed on the Farmee under the farm-out agreement.

- The Farmor recognizes expenses in accordance with the farm-out agreement in the same way that it accounts for exploration and evaluation costs that it bears directly.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. Oil and gas exploration, evaluation, and development assets and investments in proved reservoirs (cont.)

4. Farm-out agreements

Farm-out is the transfer of part of the rights in an oil and/or gas field in consideration for an agreement by the transferee (hereinafter - the “Farmee") to meet, absolutely, certain expenses that would otherwise have to be undertaken by the owner (hereinafter - "the “Farmor").

The Farmor accounts for the farm-out arrangement as follows:

- The Farmor does not record any expense made by the Farmee on its behalf.
- The Farmor will derecognize the part of the oil and gas rights sold to the Farmee.
- The Farmor recognizes the farm-out arrangement in the statement of income in the amount of the difference between the consideration received or due and the carrying amount of the derecognized rights.

5. Testing for impairment of exploration and evaluation assets and oil and gas assets

Oil and gas exploration and evaluation assets are tested for impairment when the facts and circumstances indicate that the carrying amount of the exploration and evaluation asset and the oil and gas asset exceeds its recoverable amount in accordance with IFRS 6 and/or IAS 36 (see Section I).

6. Costs for undertaking to dispose of assets

The Group recognizes a liability for its share in the obligation to dispose of assets and at the same time an asset for the Group’s share in the obligation to dispose of assets. The liability is first measured at present value and the expenses arising from the passage of time are recognized in the statement of income. Changes in timing and in the amount of economic resources that are required for settling the obligation, and changes in the discount rate are added or deducted from the asset in the current period together with a change in the liability.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Revenue recognition

Revenue from contracts with customers is recognized in the statement of income when control of the asset or service is transferred to the customer. The transaction price is the amount of the consideration expected to be received in accordance with the terms of the contract, less the amounts collected for third parties (such as taxes and royalties).

The Partnership operates as a principal and therefore recognizes gross revenues in respect of the proceeds.

Revenue from the sale of oil and gas is recognized in the statement of income at a point in time when the goods sold are transferred to the customer. Generally, control is transferred when the goods are delivered to the customer.

H. Taxes on income

The tax results for current or deferred taxes are recognized in profit or loss, except to the extent that the tax arises from items which are recognized in other comprehensive income or equity.

1. Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability for previous years.

2. Deferred taxes

Deferred taxes are computed for temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred tax balances are calculated according to the tax rate that is expected to apply when the asset is disposed of or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

At each reporting date, deferred tax assets are assessed in accordance with their expected use. Carryforward losses and deductible temporary differences for which deferred tax assets were not recognized are tested at each reporting date and the relevant deferred tax asset is recognized if it is expected to be utilized.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

H. Taxes on income (cont.)

2. Deferred taxes (cont.)

Deferred taxes are offset in the statement of financial position if there is a legal right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

The calculation of deferred taxes does not take into account the taxes that would be applicable in the case of disposal of investments in investees, provided that the sale of these investments is not likely in the foreseeable future. In addition, deferred taxes incurred due to the distribution of earnings as dividends by investees were not taken into account, as long as this dividend distribution does not entail an additional tax liability, or due to the Partnership's policy to refrain from distributing dividends by the consolidated partnership that involve an additional tax liability.

I. Impairment of non-financial assets

The Group reviews the need for impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not likely to be recovered.
When, in view of the impairment testing, the carrying amount of the non-financial assets exceeds their recoverable amount, the assets are written down to their recoverable amount. Any net impairment losses are recognized in profit or loss.

An impairment loss of an asset is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

For assets classified as exploration and evaluation assets (see Section 2F above), the unique criteria for impairment testing set out in IFRS 6 are applied.

These assets are tested for impairment when facts and circumstances may indicate that their carrying amount exceeds the recoverable amount attributed to them. Such facts and circumstances may include:

1. The period for which an entity holds an exploration right for specific area expires in the period or will expire in the foreseeable future, and it is not expected to be renewed.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

I. Impairment of non-financial assets (cont.)

2. There are no budgeted or planned substantive expenditures on further exploration for and evaluation of mineral resources in the specific area.

3. The exploration for and evaluation of mineral resources in the specific area did not result in the discovery of proven commercially viable quantities of mineral resources and the entity decided to discontinue these operations in the specific area.

4. Although a development in the specific area is likely to proceed, there is sufficient information indicating that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

J. Financial instruments

1. Financial assets

As at the initial recognition date, financial assets are measured at fair value plus transaction costs that are directly attributable to acquisition of the financial asset, except in the case of a financial asset measured at fair value through profit or loss, when transaction costs are recognized in profit or loss.

The Partnership measures debt instruments at amortized cost when

The Partnership’s business model is the holding of financial assets with the objective of collecting contractual cash flows and their contractual terms give rise on specific dates to cash flows representing solely payments of principal and interest for the amount of the unpaid principle.

Subsequent to initial recognition, instruments in this class will be presented according to their terms at amortized cost plus direct transaction costs, using the effective interest method and less a provision for impairment.

2. Financial liabilities

At the initial recognition date, the Partnership measures the financial liabilities under the scope of the standard at fair value less transaction costs directly attributable to the issuance of the financial liability.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Financial instruments (cont.)

2. Financial liabilities (cont.)

Subsequent to initial recognition, the Partnership measures financial liabilities at amortized cost in their entirety.

The Partnership recognizes costs and commissions paid for securing unutilized long-term credit as deferred costs, provided that the Partnership expects to utilize such credit facilities. When utilizing the credit facilities that were provided, the Partnership offsets a proportionate share of the deferred costs against the loan taken, which impacts the effective interest rate of the loans taken. If the Partnership does not expect to utilize any credit facility, the deferred costs recognized with respect that credit facility are charged to the statement of comprehensive income.

3. Derecognition of financial liabilities

The Partnership derecognizes a financial liability when, and only when, it is settled - that is, when the obligation defined in the contract expires or when it is discharged or canceled.

A financial liability is extinguished when the debtor pays the liability by a cash payment, other financial assets, goods or services, or is legally discharged of the liability.

In the event of a change in the terms of an existing financial liability, the Partnership examines whether the terms of the liability are materially different from the existing conditions.

When there is a material change in the terms of an existing financial liability, the change is accounted for as derecognition of the original liability and recognition of a new liability. The difference between these two financial liabilities in the financial statements is recognized in profit or loss.

In the case of an immaterial change, the Partnership is required to adjust the amount of the liability, meaning to discount the new cash flows at the original effective interest rate, with the differences being recognized in profit or loss.
When assessing whether there is a significant change in the terms of an existing liability, the Partnership takes into account qualitative and quantitative considerations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Financial instruments (cont.)

4. Compound financial instruments

Convertible debentures, which include an equity conversion component and a liability component, are separated into two components. This separation is performed by first determining the carrying amount of the liability component based on the fair value of a similar non-convertible liability, and the carrying amount of the equity conversion component is the residual value. Direct transaction costs are apportioned between the equity component and the liability component based on the allocation of proceeds to the equity and liability components.

5. Issuance of a parcel of securities

When issuing a parcel of securities, the consideration received (before issuance expenses) is attributable to the securities issued in the parcel based on the following allocation hierarchy: Financial derivatives and other financial instruments are presented at fair value in each period. Subsequently, the fair value for financial liabilities measured at amortized cost is determined when the consideration attributed to equity instruments are determined as the residual value. Issuance costs are attributed to each component based on the ratio of the amounts determined for each component of the parcel.

6. Derivative financial instruments for hedge accounting

The Group designates certain derivative financial instruments as hedging instruments to hedge the risks associated with fluctuations in oil prices and in the USD-NIS exchange rate.
Any profits or losses arising from changes in the fair values of derivatives that do not qualify for hedge accounting are recognized directly in the statement of income.

Hedge transactions qualify as hedge accounting when, at the inception of the hedge, there is formal designation and documentation of the hedging relationships and the risk management objectives and strategy of the Group for hedging. The hedge is tested on an ongoing basis and determined in practice when it is highly effective throughout the financial reporting period to which the hedge is assigned. Hedging transactions are accounted for as follows:

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Financial instruments (cont.)

6. Derivative financial instruments for hedge accounting (cont.)

Cash flow hedges

The effective portion of the changes in the fair value of the hedging instrument is recognized in other comprehensive income (loss), while any ineffective portion is recognized immediately in profit or loss.

Other comprehensive income (loss) is transferred to profit or loss when the hedged transaction results are recognized in profit or loss, such as in periods when the interest income or interest expense is recognized or when a forecast sale occurs. Where the hedged item is a non-financial asset or liability, this cost also includes the amount of the profit (loss) from the hedged instrument.

The Partnership discontinues hedge accounting prospectively only when the hedging relationships or part of them no longer comply with the qualifying criteria (after taking into account any rebalancing of hedge relationships, if relevant) including cases where the hedging instrument expires, is sold, canceled or exercised. When the Partnership discontinues hedge accounting, the amount accrued in the hedge fund will remain in the hedge fund until the cash flow occurs or is classified in profit or loss, if the hedged future cash flows are no longer expected to occur.

K. Fair value measurement

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market.

The Group uses valuation techniques that are appropriate to the circumstances and for which sufficient information is available to measure fair value, while maximizing the use of relevant observable data and minimizing the use of unobservable inputs.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

K. Fair value measurement (cont.)

All assets and liabilities measured at fair value, or for which there was fair value disclosure, are categorized within the fair value hierarchy, based on the lowest level of the data, which is significant to fair value measurement of a whole:

Level 1: Quoted prices (unadjusted) in an active market for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
Level 3: Inputs that are not based on observable market data (assessment without using observable market inputs).

L. Earnings (loss) per participation unit

Earnings (loss) per participation unit are calculated in accordance with IAS 33, which determines, among other things, that the Partnership will calculate the basic earnings per participation unit for profit or loss, attributable to the owners of the participation units and will also calculate the basic earnings per participation unit for profit or loss from continuing operations, attributable to the Partnership's participation units, if such earnings are recognized.

Potential ordinary participation units are included in the computation of diluted earnings per participation unit if their effect dilutes the earnings per participation unit from continuing operations. Potential participation units that were converted in the period are included in diluted earnings per participation unit only until the conversion date and from that date, in basic earnings per participation unit. The Partnership's share of earnings of investees is based on the earnings per share of the investees multiplied by the number of shares held by the Partnership.

M. Share-based payment transactions

The Group's employees are entitled to benefits by way of share-based payment settled in the Partnership's equity instruments (participation units).

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments at the grant date. The fair value is determined using a standard pricing model.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

M. Share-based payment transactions (cont.)

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award (hereinafter - the “Vesting Period”). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will eventually vest.

No expense is recognized for awards that do not eventually vest, except where vesting is subject to market conditions accounted for as vested awards irrespective of the existence of the market conditions, assuming that all the other vesting conditions are satisfied.

If the Partnership modifies the terms on which equity-instruments were allotted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment compensation or is otherwise beneficial to the employee according to the fair value at the modification date.

If an allotment of an equity instrument is canceled, it is accounted for as if it had vested on the cancellation date, and any expense not yet recognized for the allotment is recognized immediately. However, if a new allotment replaces the canceled allotment and is identified as a replacement allotment on the allotment date, the canceled and new allotment are accounted for as a modification of the original allotment, as described above.

N. Borrowing costs

The Group capitalizes borrowing costs related to the development of oil and gas assets, for which a significant period of time is required for their development, intended use, or sale.

Capitalization of borrowing costs begins when the costs for the assets itself are expended, the activities attributable to preparation of the qualifying asset are in progress and borrowing costs are incurred, and ceases when substantially all the activities attributable to preparation of the qualifying asset for its intended use or sale are complete. The amount of discounted credit costs in the Reporting Period includes specific credit costs and non-specific credit costs at a weighted discount rate. Other borrowing costs are carried as incurred to finance expenses in profit or loss.

NOTE 3 - CHANGES IN ACCOUNTING POLICIES - FIRST-TIME APPLICATION OF NEW FINANCIAL REPORTING STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

A. 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 Financial Statements.

B. 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.

NOTE 3 - CHANGES IN ACCOUNTING POLICIES - FIRST-TIME APPLICATION OF NEW FINANCIAL REPORTING STANDARDS AND AMENDMENTS TO EXISTING STANDARDS (cont.)

B. Amendment to IAS 12, Taxes on income (cont.)

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 Financial Statements.

C. 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 above Amendment affected the disclosure of Partnership's accounting policies, but did not affect the Partnership's measurement, recognition or presentation or any items in Partnership's consolidated financial statements.

NOTE 4 - SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Below are the key assumptions made in the financial statements concerning uncertainties as at the reporting date and the critical estimates calculated by the Partnership; a material change in the assumptions and estimates may result in a material adjustment to the carrying amounts of assets and liabilities in the financial statements in the subsequent year:

NOTE 4 - SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (cont.)

A. Amortization of oil and gas assets

Investments in oil and gas assets are amortized to the statement of income according to the units of production method, based on the actual production volume in the period compared to the total proved and probable reserves as appraised by an external expert. When calculating the amortization of oil and gas assets on the basis of total proved and probable reserves, the Group takes into account the future amount (in undiscounted values) of the investments required to produce the same amounts. The estimate of the proven and prospective oil and gas reserves are used to determine the amortization rate of the assets used in the operations over the reporting period. Depreciation of investments (also taking into account expected future costs for production of the proven and prospective resources) associated with discovery and production of proven and probable oil and gas reserves is based on the depletion method; according to this method, in each accounting period the assets are depreciated at a rate determined by the number of units of oil and gas actually produced, divided by the proven and prospective oil and gas reserves remaining according to estimates. The estimated oil and gas reserves in the producing reservoirs in the reporting period, and the future anticipated costs are calculated each year based partially on assessments of oil and gas reserves by external experts. The estimated proven and prospective reserves and the future anticipated costs according to these principles is subjective, based on different assumptions and the estimates of experts and might sometimes differ significantly. Given the significant amounts of the depreciation expenses, the changes described above can have a material effect on the operating results and the financial position of the Partnership (including in respect of testing for impairment of oil and gas assets).

B. Testing for impairment of exploration and evaluation assets and oil and gas assets

Exploration, evaluation, and development assets are not systematically depreciated; these assets are tested for impairment when facts and circumstances may indicate that the carrying amount exceeds the recoverable amount attributed to them.

The recoverable amount of exploration and evaluation assets and oil and gas assets is determined by discounting future cash flows, and includes various assumptions and estimates regarding anticipated selling prices, the number of wells used for production, production costs, and the determination of capitalization rates. A change in the assumptions and estimates may affect the recoverable amount of the exploration, evaluation, and development assets.

NOTE 4 - SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (cont.)

C. Liability in respect of retirement of assets

The Partnership recognizes an asset, and concurrently it recognizes a liability in respect of its obligation for retirement of oil and gas assets when they are no longer used. The timing and amount of the economic resources required to settling the obligation is assessed periodically in order to test their appropriateness.

NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
	USD thousand	
Cash balances available for immediate withdrawal	20,754	41,434
Cash equivalents - short-term deposits (1)	65,532	24,432
Total	86,286	65,866

(1) The deposits are held in banking corporations. As of December 31, 2023 bear interest at an annual rate of approx. 5.7% (as at December 31, 2022 - 3.8%).

NOTE 6 - SHORT-TERM INVESTMENTS

	December 31	
	2023	2022
	USD thousand	
A. Bank deposits		
Short-term deposits from banking corporations (*)	11,855	12,619
Restricted deposits and cash (**)	4,777	2,227
Total deposits with banking corporations	16,632	14,846
B. Financial assets designated at fair value and changes therein stated in profit or loss		
Mutual funds (debentures in Israel)	5,658	-
Total	22,290	14,846

(*) Deposits are deposited in banks, and as at December 31, 2023 bear interest at an annual rate of approx. 5.5% (as at December 31, 2022 - 2.15%).

(**) Restricted deposits are deposited in banks, and as at December 31, 2023 bear interest at an annual rate of approx. 4.9% (as at December 31, 2022 - 0.25%).

NOTE 7 - INVESTMENTS IN OIL AND GAS ASSETS

A. Composition

		December 31	
		2023	2022
		USD thousand	
Oil and gas assets			
Shenandoah project	7D1	721,272	458,556
Sea Lion project	7D2	22,072	14,025
Buckskin project	7D3	61,141	53,197
Monument Project	7D4	2,630	-
Denbury project	7D5	94,089	88,592
Neches Project	7D6	16,266	16,229
Yucatan project	7D7	1,029	990
		918,499	631,589
Exploration and evaluation assets		1,496	1,083
		919,995	632,672

NOTE 7 - INVESTMENTS IN OIL AND GAS ASSETS (cont.)

B. Movement

	Oil and gas assets	Exploration and evaluation assets	Total
		USD thousand	
Cost			
Balance as at January 1, 2022	273,802	1,329	275,131
Investment in existing oil and gas assets	355,339	464	355,803
Revision of the provision for a commitment to dispose of oil and gas assets	13,387	-	13,387
Capitalized credit costs	15,479	-	15,479
Acquisition of oil and gas assets (including transaction costs) (see Note 7D(2))	11,453	-	11,453
Derecognition	-	(710)	(710)
Balance as at December 31, 2022	669,460	1,083	670,543
Investment in existing oil and gas assets	260,889	5,923	266,812
Adjustment of the provision for a commitment to dispose of oil and gas assets	(3,912)	-	(3,912)
Capitalized credit costs	44,887	-	44,887
Derecognition (see Note 7D8)	-	(5,510)	(5,510)
Balance as at December 31, 2023	971,324	1,496	972,820
Accumulated depreciation, depletion and amortization			
Balance as at January 1, 2022	(23,537)	(355)	(23,892)
Depletion	(14,334)	-	(14,334)
Derecognition	-	710	710
Impairment	-	(355)	(355)
Balance as at December 31, 2022	(37,871)	-	(37,871)
Depletion	(14,954)	-	(14,954)
Balance as at December 31, 2023	(52,825)	-	(52,825)
Depreciated cost as at December 31, 2023	918,499	1,496	919,995
Depreciated cost as at December 31, 2022	631,589	1,083	632,672

NOTE 7 - INVESTMENTS IN OIL AND GAS ASSETS (cont.)

C. Information about the Partnership's rights in oil and gas assets

	Class	Right valid until	The Partnership's share	Royalties to the State	Royalties to others (1)
USA					
Shenandoah	Offshore	In accordance with the LHO(3) approval	49%	12.5%-16.67%	2%-3%
Sea-Lion	Offshore	November 1, 2024	65%	9%	-
Buckskin	Offshore	HBP (2)	7.5%	12.5%	1%
Monument	Offshore	July 31, 2024	28.57% (4)	18.75%	3%
Denbury	Onshore	HBP (2)	Approx. 50%	-	Approx. 17%
Neches	Onshore	HBP (2)	Approx. 98%	-	Approx. 15%
Yucatan	Offshore	June 30, 2028	41.85%	18.75%	-

(1) Not including 6% in overriding royalties for the shareholders in the General Partner. For further details see Note 18D.

(2) Since production began, all leases in the area of the oil asset are held by production (HBP) and will continue to be valid throughout production. Areas of oil assets with a right of ownership in minerals are not subject to production and will remain in force.

(3) Lease Holding Operations - after the commencement of development drillings in the oil asset, but before the commencement of production, a Lease Holding Operations approval is received, which allows holders of rights to hold the license over a year since the end of the drilling activities until the commencement of production from the oil asset. If production has not started or other development activities have not taken place within a year from the end of the drilling activity, the entity is required to obtain a renewed Suspension of Production (SOP) approval.

(4) After increasing the Partnership's share from 20% subsequent to the statement of financial position date, as stated in Note 7D(4) below.

NOTE 7 - INVESTMENTS IN OIL AND GAS ASSETS (cont.)

D. The Partnership's operations in oil and gas assets

1. Shenandoah

The Shenandoah oil asset is a discovery that includes 3 federal leases for the exploration, development, and production of oil and gas in the waters of the Gulf of Mexico in the United States. The discovery well was drilled in 2009. Following the discovery, nine more discovery wells were drilled for verification and evaluation purposes. The area of the reservoir is estimated at approx. 69.9 sq. km.

On August 25, 2021, the partners to the Shenandoah oil asset made a final investment decision to develop the oil asset at a budget of approx. USD 1.8 billion (for 100% of the rights to the project). The FID was after securing in advance all the amounts required for developing the oil asset, in such a way that the Project would not be exposed to financing risks on the part of any of the partners.

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 (hereinafter - the "Operator"), informed the Partnership of the drillship Transocean Atlas's arrival at the first of four drilling sites, and of commencing the combined execution of the four drillings. 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. Subsequent to the statement of financial position date, in January 2024, the Shenandoah project operator informed the partners in the project of a temporary cessation of drilling works in the fourth development and production well SA007 due to a technical malfunction in the drilling equipment. The activities of this well were temporarily stopped for the purpose of conducting semi-annual maintenance work in the preventer blowout (BOP) during the first quarter of 2024. After completing this work, and before resuming drilling work in SA007, the operator completed successfully required rectification of building-in works in the SA009 well, and is expected to return to the SA007 well in order to continue drilling into the target layers up to the final depth during March 2024.

NOTE 7 - INVESTMENTS IN OIL AND GAS ASSETS (cont.)

D. The Partnership’s operations in oil and gas assets (cont.)

1. Shenandoah (cont.)

In addition, the construction works on the Shenandoah Project’s floating production and storage (FPS) system at the Hyundai Heavy Industries Co Ltd. shipyard (hereinafter - “HHI”) in South Korea have commenced.
Subsequent to the statement of financial position date, in February 2024 a work accident occurred in the HHI shipyard, as part of which there was a malfunction in the onshore handling facility in the shipyard, an consequently the topsides fell from the facility (from a low height). As a result, an investigation was launched and the topsides workplace was shut down temporarily. Other parts of the FPS, including the hull, were not damaged, and work on those parts continues. When the site is opened, the operator and HHI plan to perform comprehensive tests of the topsides, which, according to the operator, will be completed within five weeks. According to the test results, HHI will resume work on the topsides, make the necessary repairs, and complete construction of the FPS. As communicated to the Partnership by the operator, the existing insurance policy provides coverage for potential damages that may be caused by such an event, and the operator is in contact with the insurers in connection with this matter. As of the date of this report, the operator and/or the Partnership are still unable to estimate the consequences of the event, including in relation to the time frames for the development of the project and in relation to the project’s budget.

For more information regarding agreements with respect to the acquisition and development of the Shenandoah oil asset, see Note 12A.

According to the resources report prepared by an independent reserves assessor as at December 31, 2023, the proved reserves (1P) in Shenandoah (100%) are estimated at approx. 152.1 MMBBL of oil and approx. 178.0 BCF of natural gas. The proved and projected reserves (2P) are estimated at 332.6 MMBBL of oil and approx. 389.2 BCF of natural gas.

NOTE 7 - INVESTMENTS IN OIL AND GAS ASSETS (cont.)

D. The Partnership's operations in oil and gas assets (cont.)

2. Sea-Lion project

Sea-Lion, an offshore oil asset in the South Atlantic Ocean, approx. 220 km north of the Falkland Islands, approx. 450 meters underwater. It overall area is estimated at approx. 2,697 sq. km. The oil asset was discovered by Rockhopper Exploration plc (hereinafter - "RKH" or "Rockhopper") in 2010. In 2012, Premier Oil Exploration And Production Limited (hereinafter - "Premier") acquired 60% of the rights in the oil asset from RKH and was appointed operator. Since the discovery drillings, several more appraisal and confirmation wells have been made in the oil asset (a total of 20 drillings), with a total investment of approx. USD 1.3 billion.

In September 2022, the Partnership completed, through Navitas Petroleum Development and Production Ltd., a wholly owned (indirect) subsidiary of the Partnership (hereinafter - "NPDP"), a transaction for the acquisition of 65% of the rights in several oil discoveries in the Falkland Islands, the main of which is the Sea Lion oil discovery. Upon completion of the transaction, the Group became the project operator (through a subsidiary, indirectly).

Subsequent to the statement of financial position date, on February 1, 2024, NPDP filed with the Falkland Islands government an application to extend the term of the oil asset leases.

NPDP formulated a revised development plan that was filed for approval by the government of the Falkland Islands, and which includes the drilling of 23 development wells in two phases: In phase A - drilling of 11 wells, and in phase B - drilling of 12 further wells.

The Partnership operates in a number of levels to promote the development of the project, including:

A. Formulating the financing plan for the project, which may include, among other things, financing by way of issuance of debentures, bank financing and oil traders financing.

B. Receipt of regulatory approvals for the revised development plan from the government of the Falkland Islands.

C. Identifying, negotiating and reaching agreements in connection with the ordering of significant long lead equipment, including the project's floating production storage and offloading (FPSO) facility, and the supply and installation of underwater equipment.

D. Assessing the option of introducing another partner to the project, before or after the date on which the final investment decision (FID) is made.

NOTE 7 - INVESTMENTS IN OIL AND GAS ASSETS (cont.)

D. The Partnership's operations in oil and gas assets (cont.)

2. Sea-Lion project (cont.)

For further information about the acquisition transaction, see Note 12D below.

According to the resources report prepared by an independent reserves assessor as at December 31, 2023, the best estimate of contingent resources (2C) in (100%) is estimated at approx. 790.9 MMBBL of oil.

3. Buckskin project

In 2017, the Group completed two transactions for the acquisition of 7.5% of the rights in the Buckskin project, an oil and gas discovery in the deepwater Gulf of Mexico in the United States; the reservoir's area is estimated at approx. 151.5 sq. km.
In the first half of 2019, all Phase 1 - First Stage development works were completed in the northern end of the Project (hereinafter - "Buckskin North"), which includes two wells, and in June 2019, the Project's commercial oil and gas production began.
In September 2022 production commenced from the third development drilling after the completion of the drilling and the completion works.
On August 16, 2022, the General Partner's Board of Directors approved the execution of a fourth development drilling in the Buckskin North reservoir.

In October 2023, the operator of the Buckskin project informed the Partners that the drilling had been successfully completed.
The Partnership's share in the cost of all drilling works amounted to approx. USD 8.5 million.
Subsequent to the statement of financial position date, in February 2024 the production completion works in this drilling commenced, and first oil is expected in the third quarter of 2024.

On December 9, 2022, the evaluation and verification drilling in the southern section of Buckskin project (hereinafter - "Buckskin South") reached final depth, oil was discovered therein and it was sealed.
The operator has formulated an integrated development plan for the northern and southern reservoirs of the oil asset, based on connection to the existing transmission and treatment infrastructure on the Lucius production platform and the transmission pipeline from the platform to the coast, making full use of available treatment capacity.

NOTE 7 - INVESTMENTS IN OIL AND GAS ASSETS (cont.)

D. The Partnership's operations in oil and gas assets (cont.)

3. Buckskin project (cont.)

On December 20, 2023, in accordance with the operator's recommendation and the work plan for the asset as set out above, the board of directors of the General Partner approved the first development drilling in the southern part of the Buckskin project, which is expected to take place during 2024, with production set to begin during 2025. The drilling budget is approx. USD 81 million (100%). The Partnership's share of the drilling budget (7.5%) is approx. USD 6.1 million.

According to the resources and contingent resources report prepared by an independent reserves assessor as at December 31, 2023, the proved reserves (1P) in Buckskin (100%) are estimated at approx. 157.4 MMBBL of oil and approx. 34.4 BCF of natural gas. The proved and projected reserves (2P) are estimated at approx. 256.9 MMBBL of oil and approx. 56.3 BCF of natural gas.

In addition, the best estimate of contingent resources (2C) in Buckskin (100%) is estimated at approx. 72.2 MMBBL of oil and 27.2 BCF of natural gas.

4. The Monument Project

The Monument oil asset is a proven discovery located approx. 27 km south of the Shenandoah project (hereinafter - "Monument" or the "Oil Asset").

On June 5, 2023, the Partnership completed a transaction for the acquisition of 20% of the rights in the Monument discovery through Navitas Monument US LLC, a wholly-owned subsidiary (hereinafter - "Navitas Monument").

In addition, on July 15, 2023, the Partnership, through wholly owned subsidiary ShenHai LLC. (hereinafter - "ShenHai") - 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 further information about the acquisition transaction and the agreement for production and handling services, see Note 12E below.

NOTE 7 - INVESTMENTS IN OIL AND GAS ASSETS (cont.)

D. The Partnership's operations in oil and gas assets (cont.)

4. The Monument Project (cont.)

Subsequent to the statement of financial position date, on January 4, 2024 three of the partners to the Project (including the Partnership), which hold 70% of the project, approved the Project's preliminary development budget. The partners that approved the budget reached agreements according to a mechanism set in the Joint Operating Agreement (JOA) in relation to the structure of holdings in the oil asset, such that each of the three partners, that approved the preliminary budget, will increase its holdings in accordance with its proportionate share. In accordance with the above, the General Partner's Audit Committee and Board of Directors approved the increase in the Partnership's share in the project, at no cost, by further 8.57%, such that it will stand at 28.57% in total.

Concurrently with the increase in holdings in the project as described above, on March 1, 2024 the partners made a final investment decision for the development of the project (hereinafter - "FID"). As part of the FID, the Project's preliminary development budget was approved; production will be made using the floating production system (FPS) of the Shenandoah project, at the total amount of approx. USD 259 million (the Partnership's share, subsequent to increasing its share as aforesaid, is approx. USD 73.99 million).

The total project development budget is approx. USD 855 million (Partnership's share amounts to approx. USD 244.27 million). The Partnership works with a number of entities to formulate a plan for the financing of the project.

According to the resources report prepared by an independent reserves assessor as at December 31, 2023, the proved reserves (1P) in the Monument Project (100%) are estimated at approx. 63.1 MMBBL of oil and approx. 34.9 BCF of natural gas. The proved and projected reserves (2P) are estimated at approx. 104.2 MMBBL of oil and approx. 59.4 BCF of natural gas.

NOTE 7 - INVESTMENTS IN OIL AND GAS ASSETS (cont.)

D. The Partnership's operations in oil and gas assets (cont.)

5. Denbury project

On March 4, 2020, the Partnership, through Navitas Petroleum Onshore, LLC, a wholly owned subsidiary (hereinafter - "NPO"), completed a transaction for the acquisition of 50% of the rights in Denbury Onshore LLC (hereinafter - "Denbury") in 4 producing onshore oil fields: Thompson, Manvel, East Hastings, and Webster, in Texas, United States (hereinafter - the “Denbury Assets"). For further information about the acquisition agreements see Note 12C.

Under the operating agreements that were signed, Denbury will remain the operator in the acquired oil assets.

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%) was estimated at approx. USD 20.5 million (the Partnership's share of the drilling budget (49.8%) is approx. USD 10.2 million). During 2023, the said four development wells were completed, and production commenced.

In accordance with the reserves report prepared by an independent reserves assessor as at December 31, 2023, the proved reserves (1P) of the Denbury reservoir (100%) are estimated at approx. 17.2 MMBBL of oil and approx. 12.8 BCF of natural gas. The proved and projected reserves (2P) are estimated at approx. 28.0 MMBBL of oil and approx. 16.9 BCF of natural gas.

6. Neches

On July 31, 2019, the Partnership, through Peles, LLC (hereinafter - “Peles"), a wholly owned (indirect) subsidiary, completed a transaction for the acquisition of the entire rights of Breitburn Operating LP in the onshore Neches oil field for a consideration of approx. USD 17.9 million. The Neches oil field is a producing field, covering an area of approx. 38 sq. km in East Texas (hereinafter - the “Neches Project"). As part of the transaction, the seller's entire rights in the Neches Project were acquired, as well as the connected facilities in the project area, including the production facilities and pipeline. The average holding rate of Peles in the project leases is approx. 98%.
Peles serves as an operator in the oil asset and has entered into agreements with the existing operations team in order to continue steady operation.

NOTE 7 - INVESTMENTS IN OIL AND GAS ASSETS (cont.)

D. The Partnership's operations in oil and gas assets (cont.)

6. Neches (cont.)

In the first quarter of 2020, as part of a transaction to finance the acquisition of additional onshore oil assets, Peles transferred its entire rights in the Neches Project to an affiliate. For further information about the financing transaction, see Note 8(2).

According to the reserves report prepared by an independent reserves assessor as at December 31, 2023, the proved reserves (1P) of the Neches Project (100%) are estimated at approx. 3.4 MMBBL of oil and approx. 3.2 BCF of natural gas. The proved and projected reserves (2P) are estimated at approx. 5.7 MMBBL of oil and approx. 4.7 BCF of natural gas.

7. Yucatan North

The Yucatan North oil asset includes one lease, adjacent to the Shenandoah oil asset. The area of the oil asset is approx. 23.3 sq. km; it is located in the deepwater of the Gulf of Mexico. Between 2012 and 2014, an oil was discovered in the lease area. The Partnership intends to develop the oil asset as a future Shenandoah Project phase, as part of which the Yucatan North partners will receive handling and transmission services from the platform that will serve the Shenandoah oil asset.

In accordance with the Yucatan North resources reports prepared by an independent reserves assessor as at December 31, 2023, the best estimate of contingent resources (2C) in the reservoir (100%) is estimated at approx. 39.1 MMBBL of oil and 26.6 BCF of natural gas.

NOTE 7 - INVESTMENTS IN OIL AND GAS ASSETS (cont.)

D. The Partnership's operations in oil and gas assets (cont.)

8. Block 7 (Canada)

In November 2016, the Partnership, together with Delek Group Ltd. (hereinafter - the "Delek Group"), won a tender for an offshore exploration lease in the area east of Newfoundland in Canada. The partners in the drilling undertook to invest a total of CAD 48 million (approx. USD 36 million); the Partnership's share in the investment undertaking is USD 10.8 million (30%), of which the Partnership undertook to provide a guarantee in the amount of approx. CAD 3.6 million (approx. USD 2.7 million). The guarantee will be released in the amount of up to 33% of the actual investments as defined in the lease. The lease was granted for six years, with an option for an extension of three more years. At the end of the period, the lease will expire and the lease areas will be returned, with the exception of areas in which a discovery is declared, if any, and a discovery or development lease will be received for these areas. In December 2023, the Partnership paid a total amount of approx. CAD 2.5 million (approx. USD 1.8 million) for a commitment to invest in drilling in 2023.

Subsequent to the statement of financial position date, in January 2024, the lease expired and accordingly, during the reporting period the Partnership recognized a loss of approx. USD 5.5 million in respect of the entire investments incurred in respect of this asset. The loss is included under the line item derecognition of exploration and evaluation assets in the statement of comprehensive income.

E. Provision for a commitment to dispose of oil and gas assets

1. Composition:

	December 31	
	2023	2022
	USD thousand	
Shenandoah project	13,421	11,581
Buckskin project	3,173	2,219
Sea Lion project	10,725	16,500
Denbury project	3,884	3,750
Neches Project	846	860
Total	32,049	34,910

The average weighted discount rate used to discount the obligation in respect of retirement of oil and gas assets is 6.5%.

NOTE 7 - INVESTMENTS IN OIL AND GAS ASSETS (cont.)

E. Provision for a commitment to dispose of oil and gas assets (cont.)

2. Movement:

	USD thousand
Balance as at January 1, 2022	6,467
Acquisition of the Sea-Lion project (see Note 7D2)	16,500
Liabilities recognized in the reporting period against oil and gas assets	11,505
Effect of passage of time	438
Balance as at December 31, 2022	34,910
Revision of net liabilities recognized in the reporting period against oil and gas assets	(3,912)
Effect of passage of time	1,051
Balance as at December 31, 2023	32,049

NOTE 8 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS

	Currency	Current liabilities as at December 31		Non-current liabilities as at December 31	
		2023	2022	2023	2022
		USD thousand			
Partnership funding					
Loan from a banking corporation (1)	USD	-	-	-	48,827
Project financing					
Loans for funding the Denbury project (2)	USD	9,703	11,456	38,104	31,156
Loans for funding the Shenandoah Project (3)	USD	-	-	196,930	21,721
		9,703	11,456	235,034	101,704

(1) Loan from a banking corporation

On September 19, 2021, the Partnership entered into a financing agreement (hereinafter - the “Financing Agreement”) with an international bank to provide a loan to the Partnership in the amount of approx. USD 50 million repayable on December 1, 2024.

The loan bore annual LIBOR interest (for a three-month period) plus a margin at a rate of 5.5% to be paid once every quarter. As from December 1, 2023, the margin will increase, ranging 6%-6.25%.

NOTE 8 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS (cont.)

(1) Loan from a banking corporation (cont.)

In July 2023, the Partnership repaid by way of early repayment, in accordance with the loan agreement, the outstanding balance of the loan and the interest accrued thereon amounting to approx. USD 50 million. The repayment was made out of the proceeds from the issuance of the Debentures (Series E), as stated in Note 11D below. As a result of the repayment of the loan as stated above, in 2023, the Partnership recognized an expense of approx. USD 0.8 million in respect of the amortization of the balance of the loan's raising costs.

(2) Loans for funding the Denbury project

Further to Note 7D5 regarding acquisition of the Denbury project, on February 27, 2020, NPO entered into a financing agreement with a bank and an institution in Israel, whose main points are as follows:

The financing is in the total amount of up to USD 65 million, and consists of an acquisition loan and loans taken for a financing facility for a development plan (hereinafter, jointly - the "Project Loans"):

- The Project Loans will bear annual interest at the rate of LIBOR plus a margin of between 4.5% and 5%, which will be paid in semi-annual installments from June 30, 2020 until the final repayment date of the Project Loans

- The loan fund will be repaid in semi-annual installments, in accordance with a sculpted amortization schedule, from June 30, 2020 to December 31, 2025.
- The effective interest rate for the loan as of December 31, 2023 was approx. 9.0%.

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 approx. 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, as outlined above).

NOTE 8 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS (cont.)

(2) Loans for funding the Denbury project (cont.)

- 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, as stated above).

The effective interest rate for the loan as of December 31, 2023 is approx. 11.4%.

- 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 in the terms and conditions of the loan is not a material change, and therefore it is not accounted for as a settlement of a financial liability.

For further information about the expected repayment dates of the loans, under the contractual terms in non-discounted amounts (including interest payments), see Note 19F.

- Financial covenants

  Under the financing agreement, NPO undertook, among other things, to meet the minimum debt service coverage ratio (DSCR) of 1.35 (following the amendment to the agreement, as aforementioned) and the net loan-to-value (LTV) at a maximum rate of 60%.

  As at December 31, 2023, NPO is in compliance with the covenants.

- Hedges

  Under the financing agreements, NPO undertook to enter into oil price hedging transactions of up to 70% of its current production for two years ahead (revolving quarterly).

- Main collateral

  The financing agreement includes fixed first liens on all NPO assets, which include, among other things, its share in Denbury assets and the Neches onshore oil asset. In addition, a first fixed lien can be placed on the Partnership’s ownership rights in NPO and the Partnership’s guarantee to secure NPO's obligations under the financing agreement.

NOTE 8 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS (cont.)

(3) Loans for funding the Shenandoah Project

On August 1, 2021, the Project Financing Agreements were signed between the partners in the Shenandoah oil asset and a consortium of local and international banks and financial institutions, to finance the share of each of the Partners in the Shenandoah oil asset in the project development costs. Under the project financing agreement signed between ShenHai and the lending consortium (hereinafter - the "Project Financing Agreement"), ShenHai will receive loans totaling approx. USD 444 million. In addition, ShenHai is entitled to increase this amount by an additional amount of approx. USD 100 million, up to a total of approx. USD 544 million.

On August 25, 2021, with the FID by the partners in the Shenandoah oil asset, all preconditions for financial closing of the project financing agreement were met.

On November 8, 2021, the Partnership completed a public offering of Debentures (Series C) (see Note 11B). The consideration for the issue, net, was provided as a loan in favor of Navitas ShenHai Financing Ltd. (hereinafter - ShenHai Financing"), a special-purpose company (SPC), wholly-owned by the Partnership, which was incorporated in Israel and established by the Partnership to raise financial resources for ShenHai by way of joining the consortium as an additional party to the Project Financing Agreement. As a result, the amount of project financing that ShenHai is entitled to withdraw increased to approx. USD 544 million. A total of approx. USD 264.7 million out of the said amount were withdrawn until December 31, 2023, before discounting and raising costs (of which a total of approx. USD 48.4 million were advanced by ShenHai Financing), and through the report's approval date a further amount of approx. USD 47 million were withdrawn (of which a total of approx. USD 9 million were advanced by ShenHai Financing).

In March 2022, ShenHai, the Partnership, and the Technology Bank for Projectile Funding, engaged in a contingent equity support agreement, under which the Partnership undertook that if required, in the event of project budget overruns, the Partnership will provide ShenHai an amount of up to USD 40 million that will be used to cover an additional cushion for budget overruns (CERA - Contingent Equity Reserve Account) by way of a capital investment or a subordinate shareholder's loan. The signing of this agreement is the main remaining condition for the first withdrawal of funds from the project financing.

NOTE 8 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS (cont.)

(3) Loans for funding the Shenandoah Project (cont.)

Through November 2022, the entire equity required for the project - amounting to approx. USD 371 million - was invested in the development of the project, thereby fulfilling all the conditions precedent for withdrawals from the project financing facility.

In accordance with the project financing agreement, the loans that will be provided to ShenHai will bear SOFR interest, plus a margin of 3.51% to 5.51% instead of LIBOR interest plus a margin of 3.25% to 5.25%. The spread was determined according to several criteria related to the progress of the project.

The effective interest rate for the loan as of December 31, 2023 is approx. 13.1%.

The loans will be repaid until the earliest of:

- 7 years from the date of financial closing of the Project Financing Agreement.
- The date on which the remaining project reserves (1P) fall below 25% of the reserves taken into consideration in the original banking model.

Under the Project Financing Agreement, ShenHai undertook various obligations, the main ones being as follows:

- Non-utilization commission - payment of a commission at the rate of 1.5% of the balance of the financing framework that was not withdrawn.

- Financial covenants: compliance with a ratio of financial debt to EBITDA that does not exceed 1 to 3.5, as well as compliance with a debt service coverage ratio (DSCR) that is not lower than 1.1.
- Executing hedging transactions for oil prices at the amounts specified in the Project Financing Agreement.
- Except in exceptional cases, obligations to refrain from taking out collateral on any of its assets, from executing transactions for the sale, leasing or otherwise transferring all or part of its rights in the project and the project infrastructure or to undertake additional financial debt.

NOTE 8 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS (cont.)

(3) Loans for funding the Shenandoah Project (cont.)

Main collateral

To secure repayment of the loan, ShenHai will, inter alia, take out a fixed primary pledge on its share in the project and project-related assets (including its rights in the project facilities, project agreements, insurance policies, project account, all as defined in the Project Financing Agreement). In addition, the loan will also be secured by way of a pledge on the shares in ShenHai.

ShenHai will be able to make a distribution as of the project completion date, subject to compliance with the terms and conditions, the main ones being: non-occurrence of any of the breach events specified in the Project Financing Agreement; expected DSCR for the coming year will not be less than 1.3; the debt service reserve amounts, as defined in the Project Financing Agreement, will be at least in the amount of principal and interest payments for a period of eight months.

NOTE 9 - TRADE PAYABLES AND OTHER PAYABLES

	December 31	
	2023	2022
	USD thousand	
Interested parties (including overriding royalties)	2,162	2,635
Commitments to project operators	5,478	11,443
Payable and other expenses	10,524	11,453
Total	18,164	25,531

NOTE 10 - RESTRICTED AMOUNTS

	Note	December 31 2023	December 31 2022
		USD thousand	
Amounts raised for providing a loan for the Shenandoah project (*)	8(3)	54,177	94,429
Restricted amounts with respect to financing agreements (**)		-	12,934
Cushions in favor of the trustee for the debenture holders		1,445	913
Other		-	1,078
Total		55,622	109,354

(*) The amount is held in a deposit with a bank and as at December 31, 2023 bears interest at an annual average rate of approx. 5.78% (as of December 31, 2022 - approx. 5.4%).

(**) The amount as of December 31, 2022 was held in a deposit with a bank and bears interest at an annual rate of approx. 4%.

NOTE 11 - DEBENTURES, NET

	Par value (NIS)	Base Linkage	Interest Nominal	Interest Effective	Carrying amount as at December 31 (*) 2023	Carrying amount as at December 31 (*) 2022
			%	%	USD thousand	
Debentures issued by the Partnership						
Series B (a)	700,000,000	NIS	6.50	6.82	192,224	197,845
Series C (b)	330,000,000	NIS	5.25	5.63	90,125	92,662
Series D (c)	155,000,000	USD	5.00	7.80	46,454	45,456
Series E (d)	395,000,000	NIS	6.50	9.20	99,205	-
					428,008	335,963
Less - current maturities (Series B)					(47,905)	-
					380,103	335,963

(*) Net of discount.

NOTE 11 - DEBENTURES, NET (cont.)

A. Debentures (Series B) issued by the Partnership

On November 10, 2020, the Partnership raised, by way of an issuance, NIS 420,000,000 in p.v. of Debentures (Series B) of the Partnership, through a tender, a total of approx. NIS 406.7 million after issuance expenses (approx. USD 120 million). The effective interest rate in the said issuance is approx. 7.62%.

On August 5, 2021, the Partnership raised, by way of an issuance expenses to the public, NIS 167,000,000 in p.v. of Debentures (Series B) by way of series expansion for a total of approx. NIS 178 million after issuance expenses (approx. USD 55.5 million). The effective interest rate in the said series expansion is 5.03%.

On June 27, 2022, the Partnership raised, by way of a private placement, NIS 80,000,000 in p.v. of Debentures (Series B) by way of series expansion for a total of approx. NIS 81.2 million after issuance expenses (approx. USD 23.5 million). The effective interest rate in the said series expansion is approx. 6.25%.

On December 14, 2022, the Partnership raised, by way of a private placement, NIS 33,000,000 in p.v. of Debentures (Series B) by way of series expansion for a total of approx. NIS 33.7 million after issuance expenses (approx. USD 9.8 million). The effective interest rate in the said series expansion is approx. 7.03%.

The Debentures are rated Ila by Standard & Poor's Maalot. Subsequent to the statement of financial position date, on February 22, 2024, the debentures' rating was included in the Negative Watch List.

The Debentures (Series B) are not linked to any index or currency and bear annual interest at a rate of 6.5%.

The Debentures (Series B) are payable in three unequal annual installments: two payments on December 31 of each of the years 2024 and 2025, such that each of the two payments will constitute 25% of the total par value of the Debentures (Series B), and the third and final payment, to be paid on December 31, 2026, will constitute 50% of the total par value of the Debentures (Series B).
The interest on the outstanding balance of the debenture principal will be paid in semi-annual installments on June 30 of each of the years 2021 to 2026, and on December 31 of each of the years 2020 to 2026 for a period of six months ending on the payment date, other than the first interest period, which will be paid on December 31, 2020, for which interest was paid for the period beginning on November 11, 2020 and ending on the day before the payment date.

NOTE 11 - DEBENTURES, NET (cont.)

A. Debentures (Series B) issued by the Partnership (cont.)

The last interest payment will be paid on December 31, 2026 together with the last repayment of the principal of Debentures (Series B).

Collateral and other liabilities

The debentures are secured by a lien on the rights in the Buckskin North oil asset and the project account under the lien agreement.

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 800 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 75% for two consecutive quarters.
- The Partnership's equity will not fall below USD 60 million for two consecutive quarters.
- The loan to collateral ratio, as defined in the deed of trust, will not exceed 80% for two consecutive quarters.

As at December 31, 2023, the Partnership was in compliance with these financial covenants.

- 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 B) by special resolution.
- The Partnership has undertaken to ensure that Debentures (Series B) 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 1,150 million; 3) a distribution that will result in the net financial debt to net CAP ratio increasing beyond a rate of 70%; 4) a distribution that will result in the Partnership's equity falling below USD 80 million.

NOTE 11 - DEBENTURES, NET (cont.)

A. Debentures (Series B) issued by the Partnership (cont.)

- The issuance of additional Debentures (Series B) 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 B) will not result in a downgrading of the rating for Debentures (Series B) compared with the rating for Debentures (Series B) shortly before the expansion of the series; 6) the scope of Debentures (Series B) in circulation after expansion of the series will not exceed NIS 700 million par value.

Subsequent to the statement of financial position date, on February 7, 2024 the board of directors of the General Partner resolved to make full and contingent early redemption, at the Partnership's initiative, of the full outstanding balance of the Partnership's Debentures (Series B) in circulation, to be made on March 21, 2024.
In accordance with the resolution, the full early redemption is subject to the completion of an issuance of Debentures (Series F) of the Partnership in a minimum amount of NIS 700 million.

B. Debentures (Series C) issued by the Partnership

On November 8, 2021, the Partnership completed a public offering of NIS 330,000,000 par value Debentures (Series C) of the Partnership. The Debentures (Series C) were offered by way of a tender on the annual interest rate on Debentures (Series C), with the composition of each unit being NIS 1,000 par value. The annual interest rate set in the tender is 5.25%. The immediate gross proceeds received by the Partnership as part of the public offering amounted to NIS 330,000 thousand (approx. USD 106.3 million). The total costs for the issuance amounted to approx. NIS 4,686 thousand (approx. USD 1.5 million).

NOTE 11 - DEBENTURES, NET (cont.)

B. Debentures (Series C) issued by the Partnership (cont.)

The Series C Debentures are repayable in six unequal installments as follows: four payments, each constituting 16.67% of the total par value of the Series C Debentures will be paid on January 15 and July 15 of each of the years 2026 and 2027; the fifth payment - payable on January 15 2028 - shall constitute 16.67% of the total par value of the Series C Debentures; and the sixth and last payment, to be paid on October 15, 2028 shall constitute 16.65% of total par value of the Series C Debentures.

The interest on the outstanding balance of the principal will be paid twice a year, on January 15 in each of the years from 2022 to 2028, on July 15 in each of the years from 2022 to 2028, and on October 15, 2028, for the six months ended on the payment date, other than for payments for the first interest period and the last interest period. Payment for the first interest period will be made for the period beginning on November 10, 2021 and ending on January 14, 2022. Payment for the last interest period will be made for the period beginning on July 15, 2028 and ending on the day before the payment date.

The Debentures are rated Ila by Standard & Poor's Maalot. Subsequent to the statement of financial position date, on February 22, 2024, the debentures’ rating was included in the Negative Watch List.

The net proceeds of the issuance were extended as a loan in favor of ShenHai Financing Ltd., see Note 8(3).

Collateral and other liabilities

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 75% for two consecutive quarters.
- The Partnership’s equity will not fall below USD 70 million for two consecutive quarters.

As at December 31, 2023, the Partnership was in compliance with these financial covenants.

NOTE 11 - DEBENTURES, NET (cont.)

B. Debentures (Series C) issued by the Partnership (cont.)

- The Partnership has undertaken to ensure that Debentures (Series C) 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 falling below USD 80 million.
- The Partnership provided a letter of guarantee in favor of the trustee for the Series C debenture holders, in order to ensure complete and accurate fulfillment of all of the Partnership's undertakings in accordance with the deed of trust; the guarantee will be limited at any given time to the amount of the outstanding balance of the principal of the debentures plus all the amounts that ShenHai Financing received in interest payments or fees in respect of the project loan or in respect of the funds deposited in its accounts.
- To secure ShenHai Financing's guarantee, ShenHai Financing shall place a charge in favor of the trustee on all of its rights under the project financing agreement (for more information about the project financing agreement, see Note 8(3) above).

C. Convertible Debentures (Series D) issued by the Partnership

On November 9, 2021, the Partnership completed a public offering of NIS 155,000,000 par value Debentures (Series D) convertible into the participation units of the Partnership. The convertible Debentures (Series D) were offered by way of a tender on the unit price, with the composition of each unit being NIS 1,000 par value. The unit price set in the tender is NIS 986 per unit. The immediate gross consideration received by the Partnership as part of the public offering amounts to approx. NIS 152,830 thousand (approx. USD 50 million). The total costs for the issuance amounted to approx. NIS 1,656 thousand (approx. USD 0.5 million).

NOTE 11 - DEBENTURES, NET (cont.)

C. Convertible Debentures (Series D) issued by the Partnership (cont.)

The outstanding principal of the Debentures (Series D) is convertible into the Partnership's participation units as from the date of their listing on the TASE and up to December 31, 2026, as detailed below: (a) Up to June 30, 2023, each NIS 23 par value of Debentures (Series D) is convertible into one participation unit of the Partnership; (b) In the period from July 1, 2023 to December 31, 2026, each NIS 27 par value of Debentures (Series D) is convertible into one participation unit of the Partnership.

The principal and interest of convertible Debentures (Series D) are linked to the representative USD exchange rate as at November 8, 2021 (NIS 3.103 per USD) and bear annual interest of 5%.

The interest on the outstanding balance of the debenture principal will be paid in semi-annual installments on June 30 of each of the years 2022 to 2026, and on December 31 of each of the years 2022 to 2026 for a period of six months ending on the payment date, except for the payment in respect of the first interest period, which was made on December 31, 2021, for the period beginning on November 11, 2021 and ending on the day before the said payment date.

The convertible Debentures (Series D) are repayable in one payment on December 31, 2026.

Collateral and other liabilities

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 75% for two consecutive quarters.
- The Partnership's equity will not fall below USD 70 million for two consecutive quarters.
- The amount of the Partnership's restricted debts (on a standalone basis) will not exceed 35% of the total assets of the Partnership

As at December 31, 2023, the Partnership was in compliance with these financial covenants.

NOTE 11 - DEBENTURES, NET (cont.)

C. Convertible Debentures (Series D) issued by the Partnership (cont.)

- 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 falling below USD 80 million.

D. Debentures (Series E) issued by the Partnership

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 8(1) below). The debentures are not linked to the CPI or any currency.

Issuance expenses amounted to approx. NIS 1.7 million. The effective interest rate in the said issuance is 9.2%.

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.

NOTE 11 - DEBENTURES, NET (cont.)

D. Debentures (Series E) issued by the Partnership (cont.)

Subsequent to the statement of financial position date, on January 10, 2024, the Partnership issued NIS 105,000,000 p.v. in Debentures (Series B) by way of series expansion, as part of a private placement, at a price of NIS 0.971 agorot per each NIS 1 p.v. of Debentures (Series B); the overall issuance proceeds amounted to NIS 101,955 thousand (approx. USD 27,348 thousand), and the issuance expenses amounted to approx. USD 138 thousand. The effective interest rate in the said series expansion is approx. 7.64%.

The Debentures are rated Ila by Standard & Poor's Maalot. Subsequent to the statement of financial position date, on February 22, 2024, the debentures’ rating was included in the Negative Watch List.

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.

As at December 31, 2023, the Partnership was in compliance with these financial covenants.

- 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.

NOTE 11 - DEBENTURES, NET (cont.)

D. Debentures (Series E) issued by the Partnership (cont.)

- 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.
- 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.

E. The terms and conditions of the debentures set a "cross-default" event, whereby if a (non-recourse) loan of over NIS 50 million will be put up for immediate repayment, or if a series of debentures will be put up for immediate repayment, the remaining holders of the above debentures will have grounds for immediate repayment in respect of the debentures they hold.

F. For further information about the expected repayment dates of the debentures issued by the Partnership, under the contractual terms in non-discounted amounts (including interest payments), see Note 19F.

NOTE 12 - AGREEMENTS, LIENS, AND OTHER LIABILITIES

A. Agreements with respect to the acquisition and development of the Shenandoah oil asset

In 2018-2019, the Partnership executed a number of transactions for the acquisition of 53.1% of the rights in the Shenandoah oil asset, in exchange for a total amount of approx. USD 6 million, and undertook liabilities for additional payments in an amount of approx. USD 13 million, including future decommissioning costs and payments involved in the development of the Shenandoah oil asset (for further information regarding the oil asset, see Note 7D1).

On July 16, 2021, the partners in the Shenandoah oil asset signed a joint liability agreement (hereinafter - the "Agreement"), which was updated on August 23, 2021, for the purpose of ensuring that all amounts required for the development of the project will be secured in advance, such that the project will not be exposed to financing risks from any of the Partners. Under the terms and conditions of the Agreement, until the FID date, each of the Partners will deposit the entire amount required for the development budget (less amounts received under the Project Financing Agreement) (hereinafter - the “Total Capital"), in a dedicated account or by irrevocable letters of credit, for the benefit of the project operator. BOE Exploration & Production, LLC (hereinafter - the “Project Operator"). In addition, under the Agreement, the Partnership provided a guarantee in favor of the Project Operator with regard to ShenHai's obligations under the Agreement, primarily - the commitment to provide the collateral required for the Project and the payment of expenses related to the development plan of the Project.

At the FID date (in 2021), ShenHai entered into an agreement to sell 4.1% of its rights in the project to Beacon Offshore Energy Development, LLC in exchange for approx. USD 6.3 million in cash; it will be entitled to an additional deferred payment, amounting to approx. USD 1.5 million, to be paid after production commences in the project, at a time when distributions of funds will be permitted under the Project Financing Agreement (see Note 8(3)). The profit generated for the Partnership (before the effect of tax) due to the disposal was approx. USD 3.3 million and is recorded under other income in 2021 in the consolidated statements of comprehensive income.

For more information about loans for the funding of the Shenandoah Project, see Note 8(3) above.

NOTE 12 - AGREEMENTS, LIENS, AND OTHER LIABILITIES (cont.)

B. Issuance of preferred shares by a subsidiary

On August 12, 2021, an agreement was signed with an Israeli institutional entity (hereinafter - the "Investor"), to invest in preferred shares available for early redemption in Navitas Holdings totaling USD 45 million.
In accordance with the agreement that was signed, the allotment of the preferred shares (as defined below) was carried out in two stages:

At the time of signing the agreement, the investor transferred to Navitas Holdings a total of approximately USD 30 million in exchange for the allotment of the preferred shares;

2) On November 16, 2021, after compliance with several of the conditions, including the provision of the capital required to finance the Shenandoah Project, completion of a financial closing for the Project and maintaining the holding of Navitas Holdings (through ShenHai) of no less than 49% of the rights in the Project, the investor transferred an additional amount of USD 15 million against the allotment of additional Preferred Shares.

The proceeds from the foregoing issues, were assigned and included under non-controlling interests.

The preferred shares have been allotted to the Investor in a number of redeemable series, without voting rights, and will accrue preferred dividend of 19% per annum.

The preferred dividend will be paid on the dates on which Navitas Holdings distributes dividends to its shareholders, at its sole discretion, in which case the payments will be made as agreed.

The accrued preferred dividend is included in the profit attributable to holders of non-controlling interests in the consolidated statements of comprehensive income.

The preferred shares will be redeemable by Navitas Holdings, as of July 1, 2025, over subsequent periods at the dates set for each series. After these dates, Navitas Holdings may redeem the preferred shares, at its sole discretion, subject to the Investor's IRR for each redeemed series reflecting 19% per annum for a minimum period of 5 years.

NOTE 12 - AGREEMENTS, LIENS, AND OTHER LIABILITIES (cont.)

B. Issuance of preferred shares by a subsidiary (cont.)

The decisions of Navitas Holdings on a limited number of issues will require the Investor's approval, including:

- Voluntary liquidation;
- Transactions with related parties;
- Amendments to the shareholders' agreement of Navitas Holdings which infringe on the Investor's rights;
- Deviation from leverage ratios set at the Navitas Holdings level;
- Allocation of new shares in Navitas Holdings with preferred rights to the preferred shares;

The Investor will not be entitled to demand repayment of the preferred shares, except under special circumstances, inter alia, in the event of liquidation or a public offering of Navitas Holdings.

The total proceeds of the offering were used for depositing a portion of the Total Capital required for the development budget of the Shenandoah oil asset in a dedicated account in favor of the project operator (see Note 12A).

C. The Denbury transaction

On December 20, 2019, NPO entered into a set of agreements for the acquisition of 50% of Denbury's rights in 4 producing onshore oil fields in Texas in the United States (for further details about the acquired oil assets see Note 7D5).

Under the agreements that were signed, on the transaction completion date, NPO will pay approx. USD 50 million in consideration for the acquired rights, subject to price adjustments for production, net of the oil assets in the period of the effective date (January 1, 2019) up to the transaction completion date (hereinafter - the "Cash Consideration").

In addition, NPO committed to a development plan that will include ten horizontal drillings with an estimated total investment of approx. USD 30 million. This amount also includes NPO carrying Denbury's share in the development plan, estimated at approx. USD 15 million, and NPO is entitled to a refund for carrying the share out of the Denbury's share in production from the wells. To secure the undertaking of NPO, an insurance company in the United States provided a guarantee amounting to approx. USD 10 million against a corresponding guarantee of the Partnership towards the insurance company. The guarantee will be reduced by approx. USD 1 million for each horizontal drilling to be completed under the development plan.

NOTE 12 - AGREEMENTS, LIENS, AND OTHER LIABILITIES (cont.)

C. The Denbury transaction (cont.)

On March 4, 2020, after the conditions precedent were met, the acquisition transaction was completed. The cash consideration, after final price adjustments, amounted to approx. USD 40.1 million. Payment of the cash consideration was fully financed through an acquisition loan (for further information about the financing transaction that was signed see Note 8(2)).

In November 2021, the Partnership completed development of the ten horizontal drillings, in accordance with the undertaking in the Denbury acquisition agreement. The development cost of the ten horizontal drillings amounted to approx. USD 30 million, in accordance with the Partnership's assessment when signing the acquisition agreement with Denbury.

D. Acquisition transaction - the Sea-Lion discovery

The Sea-Lion oil asset is located in the Southwest Atlantic Ocean, approx. 220 km north of the Falkland Islands, and it includes 3 leases. The oil asset was discovered by Rockhopper Exploration plc(hereinafter - “RKH”) in 2010. In 2012, Premier Oil (hereinafter - “Premier”) acquired 60% of the rights in the oil asset from Rockhopper and was appointed operator. Since the discovery drillings, several more appraisal and confirmation wells have been made in the oil asset (a total of 20 drillings), with a total investment of approx. USD 1.3 billion.

On December 7, 2021, the Partnership engaged in new MOUs with Premier and Rockhopper (hereinafter - the “New MOUs”) for the Partnership’s acquisition of 65% of the rights in the oil asset leases and the appointment of the Partnership as the project operator. The binding transaction agreements were signed on April 15, 2022, and the transaction was completed on September 22, 2022. Following are details regarding the main terms and conditions of the transaction:

- Agreement for the purchase of NPDP shares (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 Harbour Energy plc (hereinafter - the “HBR” or 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).

NOTE 12 - AGREEMENTS, LIENS, AND OTHER LIABILITIES (cont.)

D. Acquisition transaction - the Sea-Lion discovery (cont.)

- The agreement also stipulates that the Partnership will enter into the shoes of HBR in terms of 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 approx. 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 approx. 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.
- The Partnership and HBR will provide a company guarantee to each other to ensure fulfillment of the related parties' obligations under the NPDP share purchase agreement.

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

- An agreement between companies owned by 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 will provide a company guarantee to each other to ensure fulfillment of the related parties' obligations under the FOA and the Agreement for the loans (as the term is defined below).

NOTE 12 - AGREEMENTS, LIENS, AND OTHER LIABILITIES (cont.)

D. Acquisition transaction - the Sea-Lion discovery (cont.)

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. "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 (hereinafter and above: "FID").

  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 project's lenders.
  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.

Subsequent to the statement of financial position date, on February 1, 2024, NPDP filed with the Falkland Islands government an application to extend the term of the oil asset leases.

NOTE 12 - AGREEMENTS, LIENS, AND OTHER LIABILITIES (cont.)

D. Acquisition transaction - the Sea-Lion discovery (cont.)

- Collateral in connection with the loans: (cont.)

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

E. The Monument Transaction

1. 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 Monument Oil Asset (hereinafter - “Equinor” and the “Beacon and Equinor Agreement”), which constitutes 50% of the rights in the Oil Asset, and an affiliate of Beacon was appointed as the Oil Asset operator (hereinafter - “Monument’s Operator”).

The Partnership, through 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 “Acquisition Agreement”, respectively).
The Acquisition Agreement stipulates that the acquisition will become effective on January 1, 2023 (hereinafter - the “Acquisition Effective Date”), and accordingly, after the finalization of the transaction, Navitas Monument will assume all liabilities relating to the Acquired Rights created as from the Acquisition Effective Date. It should be clarified that Navitas Monument will not cover any liability prior to the Acquisition Effective Date.

The transaction for the purchase of 20% of the rights in the Monument discovery was completed on June 5, 2023. Under the Acquisition 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 Acquisition Agreement takes place. The Rights Reassignment Documents were revoked on August 31, 2023.

NOTE 12 - AGREEMENTS, LIENS, AND OTHER LIABILITIES (cont.)

E. The Monument Transaction (cont.)

1. Purchase of rights in the Monument Project (cont.)

On the date of signing of the Acquisition Agreement and finalization of the Acquisition 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 Acquisition Transaction as described below, are amounts determined according to Navitas Monument's relative 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 Monument Project commences.

Equinor shall be entitled to a 1% overriding royalty on all the Purchased Rights, Anadarko US Offshore LLC to a 1.5% overriding royalties for all leases, and WesternGeco to an approx. 0.5% royalty for leases WR 271, WR 272, WR 227 and WR 315.For further details about the increase in the holdings in Monument at a rate of 8.57%, see Note 7D(4).

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 detailed 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 approx. 100,000 barrels of oil per day to approx. 120,000 barrels per day. The Monument Partners shall bear all the costs of the upgrading work. This additional capacity of approx. 20,000 barrels per day will be allocated to the Monument Project.

NOTE 12 - AGREEMENTS, LIENS, AND OTHER LIABILITIES (cont.)

E. The Monument Transaction (cont.)

2. Binding agreement for the provision of production and handling services (cont.)

The Upgrading Work will be conducted as part of the construction process of the FPS, and is not expected to cause delays in the timetables of the FPS construction and installation work of the Shenandoah project. It shall be clarified that the Upgrade Works shall not generate any additional liabilities and costs for the Shenandoah partners beyond the costs budgeted for 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 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, and contingent upon a minimum monthly amount. In addition, the Monument Partners shall bear their pro-rata share in the monthly expenses of the FPS activation.

F. As of December 31, 2023, the Group has guarantees at the total amount of approx. 9,567 thousand, of which approx. USD 4,908 thousand to insurance companies in the United States to secure the Group's obligations to provide equivalent guarantees by the insurance company in favor of the local authorities in the United States and providers of oil and gas treatment and transmission infrastructure and a total of approx. USD 4,546 thousand provided by the Partnership in favor of an exploration and evaluation asset in Canada (as of December 31, 2022, the Partnership’s guarantees amounted to USD 7,679 thousand).

G. For information about guarantees provided by the Partnership to secure the subsidiary’s obligations under the financing agreement with a bank and institution in Israel see Note 8(2).

H. With regard to the lien on the rights in the Group's oil and gas assets, see Notes 8 and 11.

NOTE 13 - THE PARTNERSHIP'S EQUITY

A. Composition of capital

	Issued and paid up	
	2023	2022
	No. of participation units	
Participation units (without par value)	94,273,113	93,783,602

Under the Partnership agreement, the share of the General Partner in the Partnership's capital will be 0.2% and the share of all the limited partners will be 99.8%. Accordingly, the General Partner is entitled to 0.2% of the rights in the Partnership.

B. Movement in issued participation units

	Note	No. of participation units
Balance as at January 1, 2022		93,693,461
Vesting of RSUs into participation units	13D	90,141
Balance as at December 31, 2022		93,783,602
Vesting of RSUs for participation units	13D	489,511
Balance as at December 31, 2023		94,273,113

C. On August 5, 2021, the Partnership completed an issuance of 30,000,000 participation units of the Partnership under the shelf offering by way of a non-uniform offering. The immediate gross proceeds received by the Partnership under the shelf offering amounted to approx. NIS 450,000 thousand (approx. USD 140 million). The total costs for the issuance amounted to approx. NIS 9,100 thousand (approx. USD 3 million).

On August 8, 2021, the Partnership completed an issuance of 2,538,200 participation units of the Partnership by way of a uniform offering in a public tender. The immediate gross proceeds received by the Partnership as part of the public offering amounted to approx. NIS 38,073 thousand (approx. USD 11.5 million). The total costs for the issuance amounted to approx. NIS 791 thousand (approx. USD 0.3 million).

NOTE 13 - THE PARTNERSHIP'S EQUITY (cont.)

D. In 2022, 90,141 RSUs were exercised into 90,141 participation units of the Partnership, and in 2023, 489,511 RSUs were exercised into 489,511 participation units of the Partnership, after the offerees had met the vesting conditions set out in the Plan (for further details see Note 14).

E. Furthermore, subsequent to the date of the statement of financial position, 81,330 RSUs vested into 81,330 participation units of the Partnership, such that the balance of the participation units as of the approval date of the financial statements is 94,354,443.

F. Convertible equity options and instruments

1. As at December 31, 2023, the Partnership has 2,479,788 options and 1,294,609 RSUs allotted to employees under the equity compensation plan.
2. As at December 31, 2023, the balance of the principal of Debentures (Series D) convertible into the Partnership's participation units, amounts to NIS 155,000,000 par value. (For further details see Note 11C.)
3. Subsequent to the date of the statement of financial position, in January and February 2024, 81,330 RSUs vested into 81,330 participation units of the Partnership and 32,700 RSUs were allocated. The total number of RSUs as of the financial statements approval date is 1,245,979.
4. For more information regarding the RSUs, employee and officer options and officers' options on behalf of the General Partner, see Note 14.

G. Dormant participation units in equity

	December 31	
	2023	2022
	No. of participation units	
Participation units held by the Partnership *)	117,372	117,372

*) Under the terms of the plan, restricted participation units for the Partnership's employees.

NOTE 14 - SHARE-BASED PAYMENTS

The plan	Instruments allotted	Quantity allotted	Allotment date	Balance as at December 31, 2023	Fair value of the security at the grant date	Additional information
					USD	
2017 plan	Participation units	1,071,156	September 18, 2017	-	2.11-2.33	(a)
2018 plan	RSUs	139,830	August 30, 2018	-	2.95-3.03	(b)
2018 plan	Options	46,610	August 30, 2018	21,461	1.69-1.90	(b)
2018 plan	RSUs	64,800	May 29, 2019	-	3.67-3.77	(b)
2018 plan	Options	21,600	May 29, 2019	7,802	2.16-2.28	(b)
2018 plan	RSUs	116,714	August 27, 2020	-	2.83	(b)
2018 plan	RSUs	131,573	March 25, 2021	-	3.76-3.80	(b)
2018 plan	RSUs	232,584	May 27, 2021	-	5.02-5.14	(b)
2018 plan	RSUs	77,288	October 24, 2021	77,288	5.02-5.11	(b)
2018 plan	RSUs	393,000	January 2022	240,000	4.99-5.07	(b)
2018 plan	RSUs	362,000	January 1, 2022	241,333	4.79-4.81	(b)
2018 plan	RSUs	306,385	Feb-March 2022	202,299	5.22-5.35	(b)
2018 plan	RSUs	135,000	July-Sep. 2022	135,000	4.81-4.97	(b)
2018 plan	Options	2,100,467	September 15, 2022	2,100,467	2-2.3	Note 18C(2)
2018 plan	Options	350,057	January 2023	350,057	2-2.3	Note 18C(2)
2018 plan	RSUs	105,000	February 2023	105,000	4.19-4.41	(b)
2018 plan	RSUs	105,740	March 2023	95,390	3.82-3.88	(b)
2018 plan	RSUs	198,300	August 2023	198,300	5.6-5.8	(b)
Total		5,958,104		3,774,397		

NOTE 14 - SHARE-BASED PAYMENTS (cont.)

A. 2017 plan

In June 2017, the board of directors of the General Partner adopted a plan to allot participation units to employees and officers who are not interested parties in the Partnership. In accordance with the plan that was adopted, the restricted units will vest in a number of tranches on the date on which two cumulative conditions were met: (a) the duration of the offeree's employment; (b) the price of the unit of the participation unit on the stock exchange after the employment period required for each share. If the cumulative conditions are not fulfilled by the date set for each tranche, the tranches will expire and the Partnership will acquire the units without consideration.
As at December 31, 2021, the restriction on 953,784 participation units was released, after the offerees fulfilled the vesting terms set out in the plan. A total of 117,372 participation units allotted to employees, whose employment ended before fulfilling the terms for release of the restriction, were returned to the Partnership without consideration and are presented as dormant participation units in equity.

B. 2018 plan

On July 18, 2018, the general meeting of the holders of the Partnerships participation units approved an outline for a private placement to officers, employees, and service providers in the Partnership or a subsidiary, who are not controlling shareholders in the General Partner and the Partnership. On the basis of the outline, the board of directors of the General Partner adopted an equity compensation plan (hereinafter - the “Plan").

- Options

Non-marketable options exercisable for one participation unit of the Partnership. The options will vest in three tranches over the employment period of the offeree (18-42 months from the effective date).

The exercise price is based on a weighted average of the closing prices of the participation units in the Partnership, in the 30 trading days preceding the effective date plus a premium of 10%-30%, according to the vesting period of each tranche.

The options will be exercisable for up to two years from their vesting date against a cash payment of the exercise price or according to a net exercise mechanism, as elected by the offeree.

NOTE 14 - SHARE-BASED PAYMENTS (cont.)

B. 2018 plan (cont.)

- RSUs

Non-marketable RSUs, each conferring the right to one participation unit of the Partnership without consideration.

The RSUs will vest in three tranches once two cumulative conditions have been fulfilled: (a) the duration of the offeree's employment period (18-42 months from the effective date); (b) the price of the participation unit on the stock exchange after the required employment period for each tranche (based on a weighted average of the closing prices of the participation units in the Partnership, in the 30 trading days preceding the effective date plus a 10% -30% premium).

The duration of the RSUs will be up to two years from the minimum employment period set for each tranche. If the terms and conditions are not fulfilled by the date set for each tranche, the RSUs for that tranche will expire without consideration.

C. Allotments in 2021

On March 25, 2021, the board of directors approved the private placement of 131,573 RSUs to an officer and to a few employees in the Partnership and a subsidiary. The fair value of the allotted equity instruments was estimated at approx. USD 0.5 million at the allotment date.

On May 27, 2021, the board of directors approved a private placement of 232,584 RSUs for an officer and several employees in the Partnership and subsidiary. The fair value of the allotted equity instruments was estimated at approx. USD 1.2 million at the allotment date.

On October 24, 2021, the board of directors approved the private placement of 77,288 RSUs to the CEO of a subsidiary. This in accordance with the approval of the general terms of the bonus at a general meeting held on September 15, 2020. The fair value of the allotted equity instruments was estimated at approx. USD 0.36 million at the allotment date.

NOTE 14 - SHARE-BASED PAYMENTS (cont.)

D. Allotments in 2022

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 approx. 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 approx. USD 1.6 million at the allotment date.

On November 14, 2022, the General Meeting approved a private placement of 2,450,524 non-marketable options to then-officers on behalf of the General Partner. The fair value of the allotted equity instruments was estimated at approx. USD 5.1 million at the allotment date.

On November 23, 2022, the Board of Directors approved a private placement of 135,000 RSUs to several non-executive employees in the Partnership. The fair value of the allotted equity instruments was estimated at approx. USD 0.6 million at the allotment date.

E. Allotments in 2023

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 approx. USD 448 thousand at the allotment date.

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 approx. USD 408 thousand at the allotment date.

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 approx. USD 1.1 million at the allotment date.

NOTE 14 - SHARE-BASED PAYMENTS (cont.)

F. Expiration of RSUs

In 2022, 153,000 RSUs granted to an officer and employees whose employment was terminated before fulfilling the conditions for vesting, expired.
During 2023, 79,020 RSUs expired, that were awarded to offerees whose employment ended, expired.

G. Allotments subsequent to the reporting date

Subsequent to the date of the statement of financial position, in February 2024, the directors of the General Partner of the Partnership were granted 32,700 RSUs, in accordance with the approval of the general meeting of February 6, 2024.
The fair value of the allotted equity instruments was estimated at approx. USD 240 thousand at the allotment date.

H. Expense recognized in the financial statements

In 2023, the Partnership recognized expenses for share-based payment plans in the amount of approx. USD 4,169 thousand (2022 - approx. USD 2,855 thousand, 2021: USD 639 thousand). In addition, in 2023, the Partnership capitalized an amount of approx. USD 240 thousand to oil and gas assets for the share-based payment plan.

NOTE 15 - ADDITIONAL ITEMS IN PROFIT OR LOSS

A. Revenue from oil and gas sales, net of royalties

	For the year ended December 31		
	2023	2022	2021
	USD thousand		
Revenue from oil and gas sales	118,495	153,634	107,865
Royalties *)	(24,704)	(34,315)	(21,509)
Total	93,791	119,319	86,356

*) Under the lease terms and conditions of oil asset Buckskin, the partners therein are entitled to a credit for royalties paid to the US Federal Government at a rate of 12.5% if oil or gas prices on the New York Stock Exchange (NYMEX) fall below the threshold set in the oil asset's lease - in accordance with the criteria set by the Bureau of Ocean Energy Management. Royalties for 2021 include a credit of approx. USD 2 million in respect of a credit for royalties paid to the US Federal Government during 2020, following the publication of the most recent parameters according to which the credit is calculated.

NOTE 15 - ADDITIONAL ITEMS IN PROFIT OR LOSS (cont.)

B. Cost of oil and gas production

	For the year ended December 31		
	2023	2022	2021
	USD thousand		
Operating costs	24,355	24,238	19,876
Transportation	3,854	3,431	3,676
Insurance	205	447	854
Local taxes	2,458	4,299	2,270
Total	30,872	32,415	26,676

C. General and administrative expenses

	For the year ended December 31		
	2023	2022	2021
	USD thousand		
Salaries and related expenses	6,889	5,884	3,679
Management fees and salaries for interested parties (see Note 18C)	3,186	1,894	1,699
Professional services	1,926	2,170	2,200
Travel abroad	154	207	80
Office and other maintenance	2,525	2,776	3,119
Total	14,680	12,931	10,777

D. Other income

1) Compensation for shutting down production at the Neches Field

During February 2021, oil and gas production in the Neches field was halted for several days due to a prolonged power outage as a result of severe weather conditions. Under an agreement between the Partnership's subsidiary, which holds the oil asset lease, and the IEC, the subsidiary was entitled to compensation in the amount of approx. USD 2.5 million for the halt in production in the Neches field.

2) Sale of interests in the Shenandoah Project - for further details, see Note 12A.

NOTE 16 - FINANCE EXPENSES, NET

A. Finance income

	Note	For the year ended December 31 2023	2022	2021
		USD thousand		
Finance income from loans to provided to a partner in the project (Buckstone)		-	-	8,602
Finance income for exchange rate differences		5,863	31,641	-
Interest income from deposits		8,306	2,769	283
Total finance income		14,169	34,410	8,885

B. Finance expenses

	Note	For the year ended December 31 2023	2022	2021
		USD thousand		
Interest expenses for debentures	11	25,508	20,851	20,065
Finance expenses for loans from banking corporations and financial institutions	8	23,931	8,310	4,125
Finance expenses for exchange rate differences		-	-	6,786
Finance expenses for financial derivatives		2,648	5,201	4,587
Others		1,848	3,542	6,705
		53,935	37,904	42,268
Capitalization of borrowing costs for qualifying assets		(44,887)	(15,479)	(3,760)
Total finance expenses		9,048	22,425	38,508

NOTE 17 - TAXES ON INCOME

A. Taxation in Israel

1. Information about income tax regulations and the main arrangements
On January 1, 2017, the Income Tax Ordinance (Types of Partnerships to be Regarded as a Company), 2017, was published in the Official Gazette ("the Ordinance"), setting out conditions that the Partnership is required to meet to be considered a company for tax purposes. On registration of the participation units on the TASE, the Partnership meets the conditions set out in the Ordinance, therefore the tax regime applicable to the Partnership after the issuance and listing of the participation units is the same as if it were a company for all intents and purposes. Accordingly, the Partnership's expenses and income will be ascertained in the Partnership, and the Partnership will report its taxable income and bear corporate tax for its taxable income, as if it were a company, according to the tax rates applicable to a company.

The provisions of the Income Tax Regulations (Rules for Calculation of Tax on the Holding and Sale of Participation Units in an Oil Exploration Partnership), 1988 (hereinafter - the "Regulations"), which regulate the attribution of the income and expenses of a listed partnership to holders of participation units that are "eligible holders", will not apply to the Partnership.

2. Applicable tax rate for Group companies in Israel
The rate of corporate tax in Israel in 2021-2023 is 23%.

3. Taxes on income from dividends from subsidiaries

In accordance with Section 126(B) of the Income Tax Ordinance (hereinafter - the "**Ordinance**"), calculation of the Partnership's taxable income will not include income from the distribution of profits or from a dividend arising from income produced in Israel, which is received directly or indirectly from another body of persons subject to corporate tax in Israel.
In accordance with Section 126(B) of the Ordinance, a dividend received by the Partnership from a foreign company will be taxed in Israel at the corporate tax rate, as set out above, while providing a credit for the tax withheld from the dividend abroad (direct credit). Surplus direct credit may be carried forward up to the end of the next 5 tax years.

NOTE 17 - TAXES ON INCOME (cont.)

3. Taxes on income from dividends from subsidiaries (cont.)

At the same time, at the request of the Partnership and on fulfillment of certain terms and conditions, the Partnership may choose an alternative, according to which tax will be imposed at the corporate tax rate as set out above, for the gross income from which the dividend is distributed (the amount of the dividend distributed plus the withholding tax and the foreign corporate tax paid for it), while receiving a credit for both the foreign tax paid on the income from which they dividend is distributed in the foreign company (indirect credit), and for the tax withheld abroad for that dividend. It should be noted that indirect credit is provided up to two levels only and under certain conditions. Surplus indirect credits cannot be carried forward to future years.

4. Subsequent to the statement of financial position date, the income tax authorities in Israel issued their approval to the effect that the shares of Navitas Petroleum Holdings LLC - a company incorporated in the USA and wholly owned by Navitas Petroleum Limited (an English company wholly owned by the Partnership) - shall be held directly by the Partnership. As of the approval date of the financial statements, the Partnership takes steps to complete the abovementioned restructuring.

B. The main tax rates applicable to the consolidated companies that are incorporated outside of Israel are:

1. Companies incorporated in the United States

A. The applicable US tax rate

The rate of federal tax in 2021-2023 is 21%.

The rate of state tax rate in the states in which the Group operates in the United States:

- Texas - in 2021-2023, the tax rate is between 0.375% and 0.75%.
- Louisiana - in 2022-2023, the tax rate is between 3.5% and 7.5%, and in 2021, between 4% and 8%.

NOTE 17 - TAXES ON INCOME (cont.)

B. The main tax rates applicable to the consolidated companies that are incorporated outside of Israel are: (cont.)

1. Companies incorporated in the United States (cont.)

B. On December 22, 2017, the President of the United States signed legislation leading to a far-reaching reform in the American taxation system (hereinafter - the "Reform"). The Reform introduced significant changes to US tax laws, including several provisions that would affect the tax liability of the Group's operations in the United States. Below are the main provisions of the Reform relevant to the Group:

1. A reduction in the federal corporate tax rate in the United States from 35% to 21%, effective January 1, 2018.
2. Elimination of the alternative minimum tax (AMT) on US companies and restricting the deduction of net operation loss to 80% of taxable income.
3. Under the new legislation, in 2018 to 2021 (inclusive), companies will not be permitted to deduct interest expenses exceeding 30% of the EBITDA of those companies. Subsequent to 2021, companies will not be permitted to deduct interest expenses exceeding 30% of the total EBIT of those companies. Any amount no longer deducted in that year will be carried forward to subsequent years on the basis of the same mechanism and unlimited in time.
4. Bonus depreciation - Under the Reform, companies are permitted to deduct the full investment in certain items of property, plant, and equipment, which were placed in service after September 27, 2017 and subject to additional conditions. The bonus depreciation rate will gradually decrease after December 31, 2022. The benefit under the reform will expire in full after December 31, 2026.

C. Withholding tax for dividends from US companies

For the distribution of a dividend from the United States to the Partnership, tax is withheld at a reduced rate of 12.5%, in accordance with the Tax Treaty between Israel and the United States. Additionally, for the distribution of a dividend from the United States to a UK company, tax is withheld at the rate of 30%, and under certain conditions, 0% - 5% in accordance with the Tax Treaty between the United States and the UK.

NOTE 17 - TAXES ON INCOME (cont.)

B. The main tax rates applicable to the consolidated companies that are incorporated outside of Israel are: (cont.)

2. Companies incorporated in the UK

The corporate tax rate in 2021-2022 and for March 2023 is 19%. As from April 2023, the corporate tax rate is 25%. There is no withholding tax for the distribution of a dividend from the UK to the Partnership.

3. Revenues of the affiliated incorporated in the Falkland Islands

The corporate tax rate in 2021-2023 is 26%.

4. Withholding tax for interest from subsidiaries

Interest income for loans provided by the Partnership to companies in the United States is subject to withholding tax in the United States at a rate of 17.5%.
Interest income for a loans provided by the Partnership to companies in the UK is subject to withholding tax in the UK at a rate of 10%.

C. Income taxes in the statements of income

	For the year ended December 31		
	2023	2022	2021
	USD thousand		
Deferred taxes	(5,892)	(10,684)	(7,081)
Current taxes	(181)	-	(5)
Total taxes on income	(6,073)	(10,684)	(7,086)

D. Carryforward losses for tax purposes

As at December 31, 2023, the Group has carry-forward tax losses for the coming years, amounting to approx. USD 228 million (as at December 31, 2022 - approx. USD 113 million). Of these losses, an amount of approx. USD 195 million arises from the companies' operations in the United States (as of December 31, 2022 - approx. USD 71 million), for which a tax asset has been recognized due to the expected utilization of carryforward losses in the United States in the coming years, and due to the timing differences in respect of which reserves were created. In respect of a total of approx. USD 23 in carryforward losses of the Partnership, and approx. USD 10 million in losses for tax purposes in the UK no deferred tax assets were recognized, since it is not expected that it will be possible to utilize them in the foreseeable future.

NOTE 17 - TAXES ON INCOME (cont.)

D. Carryforward losses for tax purposes (cont.)

In addition to the above, NPDP, has past investments in the Sea-Lion oil asset for tax purposes (prior to the acquisition of NPDP, as outlined in Section 12D above) in the total amount of approx. 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. For more information, see Note 12D to the financial statements.

The Partnership has self-assessments in respect of tax years through 2017, which are considered to be final.

E. Deferred taxes

Composition

	December 31	
	2023	2022
	USD thousand	
Deferred tax liabilities		
Timing differences for oil and gas assets	(51,207)	(21,938)
Conversion component of Debentures (Series D)	(991)	(991)
Other differences	(6,448)	(3,000)
	(58,646)	(25,929)
Deferred tax assets		
Carryforward losses for tax purposes	40,697	14,816
Financial assets measured at fair value through other comprehensive income	525	(14)
	41,222	14,802
Total	(17,424)	(11,127)

NOTE 17 - TAXES ON INCOME (cont.)

F. Theoretical tax

	For the year ended December 31		
	2023	2022	2021
	USD thousand		
Profit before taxes on income	31,577	70,316	14,241
Statutory tax rate in Israel	23%	23%	23%
Taxes on income calculated according to the statutory tax rate	(7,263)	(16,173)	(3,275)
Income (expenses) taxable at other tax rates	219	736	740
Profits (losses) for which deferred taxes were not recognized, net	971	4,753	(4,551)
	(6,073)	(10,684)	(7,086)

NOTE 18 - TRANSACTIONS AND BALANCES WITH INTERESTED PARTIES, RELATED PARTIES, AND CONTROLLING SHAREHOLDERS

A. Balances

	December 31	
	2023	2022
	USD thousand	
Payables and credit balances - current balances	2,162	2,635

NOTE 18 - TRANSACTIONS AND BALANCES WITH INTERESTED PARTIES, RELATED PARTIES, AND CONTROLLING SHAREHOLDERS (cont.)

B. Transactions with interested and related parties

	Note	For the year ended December 31 2023	2022	2021
		USD thousand		
Revenue from oil and gas sales, net of royalties				
Royalties for interested parties	15A 18D	6,619	7,953	6,021
Expenses				
General and administrative expenses - management fees and salaries for interested parties	18C 18F	3,186	1,894	1,699
Expenses for relocating an interested party in the Partnership to Houston		191	387	215
General and administrative expenses: office maintenance and other professional services by the General Partner	18C	-	1,200	1,398
Benefits for employment of key management personnel employed in the Partnership				
Total short-term benefits		1,831	806	877
Share-based payment		1,134	1,276	185
Number of individuals to which the benefit refers		3	2	1
Directors' compensation				
Compensation for directors not employed by the Partnership		147	205	217
Number of individuals to which the benefit refers		4	4	5

NOTE 18 - TRANSACTIONS AND BALANCES WITH INTERESTED PARTIES, RELATED PARTIES, AND CONTROLLING SHAREHOLDERS (cont.)

C. Management fees and granting of options

A. Under the Partnership agreement, the General Partner is entitled to a monthly management fee of NIS 440 thousand (plus VAT) for management, consulting, and business development services and other services required for the Partnership's business management, through the shareholders in the General Partner.

B. In March 2021, the General Partner informed the Partnership that the amounts due to one of its shareholders by virtue of his position, as from January 2021, will be paid through a US subsidiary after he relocated to Houston, instead of the payment of his share in the monthly management fee (NIS 110 thousand) to the General Partner. This does not alter the terms of the total compensation of the General Partner and/or of its shareholders and these will remain unchanged. In addition, the Partnership will not incur any additional cost as a result of the change compared with its former situation.

C. On December 31, 2021, one of the shareholders in the General Partner terminated his employment as CEO and consequently, as of that date, the monthly management fees paid to the General Partner have been updated from NIS 440 thousand to NIS 330 thousand.

D. In accordance with the general meeting's approval of November 14, 2022, as outlined in Section G below, the Partnership engaged directly with the Officers on Behalf of the General Partner, under an agreement to provide management services, whose effective date is September 12, 2022, in exchange for a salary or fixed annual management fees totaling NIS 138 thousand per month in cost terms (plus VAT) to each of the Officers on Behalf of the General Partner (in addition to equity compensation) instead of the payment of management fees to the General Partner.

NOTE 18 - TRANSACTIONS AND BALANCES WITH INTERESTED PARTIES, RELATED PARTIES, AND CONTROLLING SHAREHOLDERS (cont.)

C. Management fees and granting of options (cont.)

E. In February 2023, the shareholders in the General Partner signed an amendment to the agreement between them, such that the shares of one of the shareholders in the General Partner will be converted into Ordinary Shares A of the General Partner, which confer upon him only financial rights, and accordingly, he announced the termination of his term in office as director and Deputy CEO in the General Partner, and the termination of any other office in the Partnership’s subsidiaries. The Partnership decided to continue receiving services from the shareholder as a project manager in a subsidiary, while revising the terms of the compensation paid to him. Therefore, as from that date, the management fees and monthly salary paid to Officers on Behalf of the General Partner decreased from NIS 414 thousand to NIS 276 thousand (for the two Officers on Behalf of the General Partner).

F. In addition to the management fees, the General Partner will be entitled to reimbursement for expenses incurred in connection with the Partnership’s business, including, and without derogating from the generality of the above, the cost of employing employees (who are not interested parties in the General Partner), fees for independent auditors, attorneys, and other outside consultants, rent, office equipment, insurance expenses, and any expense related to the Partnership's oil assets.

G. On November 14, 2022, the general meeting of the Partnership approved that, instead of paying the management fees to the General Partner, as outlined above, 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 detailed 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%).

NOTE 18 - <u>TRANSACTIONS AND BALANCES WITH INTERESTED PARTIES, RELATED PARTIES, AND CONTROLLING SHAREHOLDERS</u> (cont.)

C. <u>Management fees and granting of options</u> (cont.)

G. (cont.)

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 thousand a month, in terms of cost (plus VAT).

Grant of options - Moreover, each of the officers on behalf of the General Partner were 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 approx. 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 approx. 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% (hereinafter - the “First Tranche”) will vest two years after the award date, 35% (hereinafter - the “Second Tranche”) will vest after 3 years, and 15% (hereinafter - the “Third Tranche”) will vest after 4 years.
The exercise price of the options is as follows: first tranche - NIS 23.23; second and third tranche - NIS 24.159.
The fair value of the option at the approval date by the meeting is estimated according to the Black and Scholes valuation model based on: (a) an exercise price of NIS 23.230 for the first tranche and NIS 24.159 for the second and third tranches; (b) the first tranche will expire at the end of 4.25 years from the award date and the second and third tranches will expire at the end of 5 years from the award date; (c) full adjustment to dividend was assumed; (d) standard deviations of 56.18% for the first tranche, 54.59% for the second tranche and 53.96% for the third tranche; (e) and a risk-free interest rate based on the publications of the Bank of Israel.

In 2023, the Partnership recognized expenses in respect of options to officers on behalf of the General Partner at the total amount of approx. USD 2,165 thousand (approx. NIS 7,444 thousand).

NOTE 18 - TRANSACTIONS AND BALANCES WITH INTERESTED PARTIES, RELATED PARTIES, AND CONTROLLING SHAREHOLDERS (cont.)

C. Management fees and granting of options (cont.)

G. (cont.)

In 2022, the Partnership recognized expenses in respect of options to officers on behalf of the General Partner at the total amount of approx. USD 280 thousand (approx. NIS 975 thousand).

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.).

D. Overriding royalty

Under the Partnership agreement, the Partnership will pay the shareholders in the General Partner 6% of the Partnership's share of oil or other material of value that will be produced and utilized from the oil assets in which the Partnership has or will have an interest, directly or indirectly, including through companies, partnerships, or corporations in which the Partnership will hold rights, before any deduction of any royalties, unless otherwise agreed.

E. Appointment of a 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. 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 18 - TRANSACTIONS AND BALANCES WITH INTERESTED PARTIES, RELATED PARTIES, AND CONTROLLING SHAREHOLDERS (cont.)

E. Appointment of a CEO (cont.)

Benefits and related benefits

Mr. Kornhauser shall be entitled to social benefits in accordance with the law, and to related benefits 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); incurring communications costs (mobile phone, internet, newspapers, etc.); 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 RSUs, 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 approx. 0.39% of the issued capital of the Partnership and of the voting rights (approx. 0.36% fully diluted). (hereinafter in this section - the "RSUs" or the "Offered Securities"), all as detailed below.

The RSUs will vest in three equal 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 tranche, the RSUs for that tranche will expire without consideration. The first tranche will vest 18 months after the commencement of office, the second tranche will vest 30 months after the commencement of office, and the third tranche will vest 48 months after the commencement of office.

NOTE 18 - TRANSACTIONS AND BALANCES WITH INTERESTED PARTIES, RELATED PARTIES, AND CONTROLLING SHAREHOLDERS (cont.)

E. Appointment of a CEO (cont.)

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.

F. Approval of bonus

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

NOTE 19 - FINANCIAL INSTRUMENTS

A. Classes of financial instruments

	December 31	
	2023	2022
	USD thousand	
Financial assets at fair value		
Mutual funds (debentures in Israel)	5,658	-
Financial derivatives	3,838	1,513
	9,496	1,513
Financial assets at amortized cost		
Cash and cash equivalents	86,286	65,866
Short-term deposits	16,632	14,846
Trade receivables	8,439	8,612
Receivables and debit balances	3,658	2,806
Restricted amounts	55,622	109,354
	170,637	201,484
Total financial assets	180,133	202,997
Financial liabilities at fair value		
Financial derivatives	-	1,807
Financial liabilities at amortized cost		
Trade payables and other payables	18,164	25,531
Lease liabilities	2,067	2,149
Long-term loans from banking corporations and financial institutions	244,737	113,160
Debentures (including interest payable)	432,369	338,243
	697,337	479,083
Total financial liabilities	697,337	480,890

B. Risk management policy

The Partnership’s activities expose it to various financial risk, such as market risk (including foreign currency risk, CPI risk, fair value risk for interest rate, and price risk), credit risk, and liquidity risk. The Partnership’s comprehensive risk management plan focuses on measures to minimize possible adverse effects on the financial performance of the Partnership.

NOTE 19 - FINANCIAL INSTRUMENTS (cont.)

C. Hedging and derivatives

1. The Group is exposed to changes in the oil prices in respect of its future sales. In order to hedge the said exposure, the Group enters into hedge transactions for oil prices, pertaining to some of its future output. Set forth below is information about the open transactions as of December 31, 2023:

   A. As at December 31, 2023 Navitas Buckskin has open hedging transactions of put options to hedge WTI oil prices, for a volume of approx. 480 MBBL at a minimum average price of approx. USD 60. The transactions are for the period from January 2024 to February 2025.

      The fair value of the asset for the said hedging transactions is approx. USD 1,336 thousand. The abovementioned transactions are accounted for as an accounting hedge.

      Subsequent to date of the statement of financial position, in March 2024, Navitas Buckskin entered into an additional hedging transaction that is a put option for hedging WTI oil prices in March 2025 for a volume of 35 MBBL at a minimum price of USD 60 per barrel.

   B. Further to Note 8(2) regarding NPO's obligation to hedge oil prices under the financing agreement, on receipt of the loan, NOP entered into hedging transactions on WTI oil prices in put options. As of December 31, 2023 NPO has the following open hedges:
      - A put options hedge for approx. 210 thousand barrels of oil in 2024, at a minimum price of USD 55 per barrel.
      - A put options hedge for approx. 190 thousand barrels of oil in 2025, at a minimum price of USD 55 per barrel.

      The fair value of the asset in respect of the foregoing hedging transactions as at December 31, 2023 was approx. USD 1,162 thousand. The abovementioned transactions are accounted for as an accounting hedge.

2. In 2023, the Partnership entered into hedging transactions to reduce exposure to fluctuations in the NIS-USD exchange rate as set out below:

   - Forwards (for the acquisition of shekels and the sale of dollars) in the amount approx. USD 18 million for December 2024 ranging from NIS 3.702 to 3.747 per USD 1.
   - A put option for December 2024 in the amount of USD 10 million at a price of NIS 3.7 per USD 1.

NOTE 19 - FINANCIAL INSTRUMENTS (cont.)

C. Hedging and derivatives (cont.)

2. (cont.)

The fair value of the asset in respect of the foregoing hedging transactions as at December 31, 2023 was approx. USD 1,340 thousand. The abovementioned transactions are not accounted for as an accounting hedge.

Subsequent to the statement of financial position date, in January 2024 the Partnership entered into another forward transaction (for the acquisition of shekels and the sale of dollars) of USD 4 million at a price of NIS 3.71 per USD.

D. Fair value

The table below compares the carrying amount with the fair value of the Group's financial instruments, which are not presented in the financial statements at fair value (other than those with an amortized cost that is not materially different from their fair value):

	Carrying amount		Fair value (*)	
	December 31		December 31	
	2023	2022	2023	2022
	USD thousand			
Financial liabilities				
Debentures (Series B)	192,224	197,845	195,101	201,804
Debentures (Series C)	92,337	94,942	90,284	90,663
Debentures (Series D)	49,772 (**)	48,774 (**)	61,624	50,213
Debentures (Series E)	99,205	-	109,145	-
Total	433,538	341,561	456,154	342,680

(*) According to quoted market price (Level 1).
(**) Represents the liability value (including the conversion component).

E. Market risks

Market risks arise from the risk that the fair value or future cash flows of a financial instrument will change due to changes in market prices. Market risks include three types of risks: Currency risk, other price risk, and fair value risk for interest rate as follows:

NOTE 19 - FINANCIAL INSTRUMENTS (cont.)

E. Market risks (cont.)

1. Currency risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument is unstable due to exchange rate fluctuations.

The Group is mainly exposed to foreign currency risks arising from exchange rate fluctuations of the NIS against the dollar (the functional currency).

As at December 31, 2023, the financial liability surplus denominated in NIS over financial assets in NIS amounted to approx. USD 390,357 thousand (as at December 31, 2022 - approx. USD 252,850 thousand).

	Sensitivity test to changes in the NIS rate against the USD	
	Net income (loss) from the change	
	Increase of 5%	Decrease of 5%
	USD thousand	
2023	(19,518)	19,518
2022	(12,643)	12,643

2. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will change due to changes in market interest rates. The financial instruments bearing variable interest expose the Partnership to a cash flow risk due to a change in the interest rate.

	Sensitivity test to changes in the SOFR interest rate	
	Net income (loss) from the change	
	Rise in interest of 0.5%	Drop in interest of 0.5%
	USD thousand	
2022	(566)	566
2023	(239)	239

NOTE 19 - FINANCIAL INSTRUMENTS (cont.)

E. Market risks (cont.)

3. Trade receivables

Credit risk management for trade receivables is managed by the Group in accordance with its credit risk management policy. Unpaid trade receivables are reviewed regularly and impairment is tested on each reporting date on a specific basis for major customers. As at December 31, 2023, the Group has no customers in arrears.

F. Liquidity risk

Liquidity risks arising from management of the Partnership’s working capital and from finance expenses and principal repayments of the Partnership's debt instruments. Liquidity risk is the risk that the Partnership will find it difficult to fulfill obligations related to financial liabilities.
Below are the contractual repayment dates of the financial liabilities (according to their fixed nominal value for settlement that are different from their par value), based, where relevant, on the interest rates and exchange rates as at the report date.

	Liabilities as at December 31, 2023						
	Up to a year	Second year	Third year	Fourth year	Fifth year	Sixth year	Total
	USD thousand						
Trade payables and other payables	18,164	-	-	-	-	-	18,164
Lease liabilities	831	432	359	343	285	-	2,250
Loans from a bank and a financial institution	37,416	74,466	101,702	93,080	48,412	-	355,076
Debentures	75,148	72,012	224,236	65,655	89,702	-	526,753
Total	131,559	146,910	326,297	159,078	138,399	-	902,243

NOTE 19 - FINANCIAL INSTRUMENTS (cont.)

F. Liquidity risk (cont.)

	Liabilities as at December 31, 2022						
	Up to a year	Second year	Third year	Fourth year	Fifth year	Sixth year	Total
	USD thousand						
Trade payables and other payables	25,531	-	-	-	-	-	25,531
Lease liabilities	579	529	383	343	343	286	2,463
Loans from a bank and a financial institution	19,485	78,744	14,304	10,281	9,282	8,499	140,595
Debentures	20,350	70,082	66,848	194,152	34,137	32,683	418,252
Total	65,945	149,355	81,535	204,776	43,762	41,468	586,841

List of principal consolidated companies

Holding company/partnership	Company/partnership	Ownership rates and control of the holding company/partnership %
Navitas Petroleum, Limited Partnership		
	Navitas Holdings Israel Ltd.	100
	Navitas Petroleum Limited	100
	Navitas ShenHai Financing Ltd.	100
Navitas Petroleum Limited		
	Navitas Petroleum Holdings LLC	100
	Navitas Petroleum Development and Production Limited	100
Navitas Petroleum Holdings LLC		
	Navitas Petroleum US LLC	100
	Navitas Buckskin US, LLC	100
	ShenHai LLC.	100
	Peles LLC	100
	Navitas Petroleum Onshore LLC	100
	Navitas Monument US LLC	100
Navitas Holdings Israel Ltd.	Navitas Petroleum Canada Inc.	100

- - - - - - - - - - -