

Navitas Petroleum Limited Partnership

Consolidated Interim Financial Statements as at March 31, 2024

In USD thousand

Unaudited

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

**Introduction**

We have reviewed the accompanying financial information of Navitas Petroleum - Limited Partnership and its consolidated companies (hereinafter - the "Partnership"), which includes the condensed consolidated statement of financial position as of March 31 2024, and the condensed consolidated statements of comprehensive income, changes in the Partnership's equity and cash flows for the three-month period then ended. The board of directors and management of the General Partner are responsible for the preparation and presentation of financial information for this interim period in accordance with IAS 34, "Interim Financial Reporting", and are also responsible for the preparation of financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express an opinion on the financial information for this interim period based on our review.

**Scope of the Review**

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

**Conclusion**

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

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

Tel Aviv,  
May 29, 2024

Kost Forer Gabbay & Kasierer  
Certified Public Accountants

## Consolidated Statements of Financial Position

	As of March 31		As at
	2024	2023	December 31
	Unaudited		Audited
	USD thousand		
<u>Current assets</u>			
Cash and cash equivalents	203,881	68,380	86,286
Short-term investments	27,338	13,989	22,290
Trade receivables	8,424	8,619	8,439
Receivables and debit balances	3,710	1,841	3,403
Financial derivatives	1,564	991	2,596
	<u>244,917</u>	<u>93,820</u>	<u>123,014</u>
<u>Non-current assets</u>			
Investments in oil and gas assets, net	1,025,050	666,448	919,995
Restricted amounts	43,110	103,205	55,622
Deferred costs	19,373	36,596	24,026
Financial derivatives	875	1,117	1,242
Other receivables	1,420	1,798	1,404
Right-of-use assets	1,777	2,822	2,047
Property, plant, and equipment, net	287	258	288
	<u>1,091,892</u>	<u>812,244</u>	<u>1,004,624</u>
	<u>1,336,809</u>	<u>906,064</u>	<u>1,127,638</u>

## Consolidated Statements of Financial Position (cont.)

	As of March 31		As at
	2024	2023	December 31
	Unaudited		Audited
	USD thousand		
<u>Current liabilities</u>			
Trade payables and other payables	22,953	23,246	18,164
Interest payable for debentures and long-term loans	14,629	6,715	4,361
Financial derivatives	-	378	-
Current maturity of long-term loans from banking corporations and financial institutions	9,703	3,943	9,703
Current maturity of debentures, net	-	-	47,905
Current maturity of lease liabilities	656	924	831
	<u>47,941</u>	<u>35,206</u>	<u>80,964</u>
<u>Non-current liabilities</u>			
Debentures, net	506,429	328,536	380,103
Long-term loans from banking corporations and financial institutions, net	283,806	128,808	235,034
Provision for an obligation to dispose of oil and gas assets	29,050	35,014	32,049
Deferred taxes	17,897	12,899	17,424
Lease liabilities	1,152	1,852	1,236
	<u>838,334</u>	<u>507,109</u>	<u>665,846</u>
<u>Partnership's equity capital</u>			
Capital of participation units	374,936	310,027	311,830
Conversion component of debentures	3,318	3,318	3,318
Capital reserve for share-based payment	8,569	6,406	7,807
Capital reserve for transactions with a controlling shareholder	8,004	8,004	8,004
Reserve for cash flow hedges	(2,913)	(2,375)	(2,110)
Options	3,135	-	-
Retained loss	(16,347)	(22,603)	(17,153)
	<u>378,702</u>	<u>302,777</u>	<u>311,696</u>
<u>Non-controlling interests</u>	<u>71,832</u>	<u>60,972</u>	<u>69,132</u>
<u>Total equity capital</u>	<u>450,534</u>	<u>363,749</u>	<u>380,828</u>
	<u>1,336,809</u>	<u>906,064</u>	<u>1,127,638</u>

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

May 29, 2024	Gideon Tadmor	Amit Kornhauser	Tamar Rosenberg
Date of approval of the financial statements	Chairman of the Board FLR Oil and Gas Management Ltd. the General Partner	CEO 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 3 months ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	USD thousand (excluding net income per participation unit)		
Revenue from oil and gas sales, net of royalties	20,915	23,609	93,791
Cost of oil and gas production	(7,802)	(7,755)	(30,872)
Depreciation and depletion expenses	(3,325)	(4,081)	(14,954)
Gross profit	9,788	11,773	47,965
Expenses for oil and gas exploration and project development	(538)	(294)	(1,319)
Derecognition of exploration and evaluation assets	-	-	(5,510)
General and administrative expenses	(4,771)	(4,063)	(14,680)
Operating profit	4,479	7,416	26,456
Finance income	13,175	9,734	14,169
Finance expenses	(13,435)	(3,819)	(9,048)
Income before taxes on income	4,219	13,331	31,577
Taxes on income	(713)	(1,437)	(6,073)
Net profit	3,506	11,894	25,504
Other comprehensive income (loss) (post-tax):			
<u>Amounts classified or reclassified to profit or loss under specific conditions:</u>			
Profit (loss) for cash flow hedges	(1,522)	248	(1,673)
Transfer to profit or loss for cash flow hedges	719	1,016	3,202
Total other comprehensive income (loss)	(803)	1,264	1,529
Total comprehensive income	2,703	13,158	27,033
Net income attributable to:			
Owners of the Partnership's participation units	806	9,224	14,674
Non-controlling interests	2,700	2,670	10,830
	3,506	11,894	25,504
Total comprehensive income attributable to:			
Owners of the Partnership's participation units	3	10,488	16,203
Non-controlling interests	2,700	2,670	10,830
	2,703	13,158	27,033
<u>Net income per participation unit (in USD):</u>			
Basic earnings	0.008	0.099	0.156
Diluted earnings	0.008	0.098	0.156

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

## Consolidated Statements of Changes in Equity of the Partnership

	Attributable to owners of the Partnership's participation units									
	Partnership's equity capital	Options	Conversion component of debentures	Capital reserve for transactions with a controlling shareholder	Capital reserve for share-based payment	Capital reserve for hedging transactions	Retained loss	Total	Non-controlling interests	Total equity capital
	Unaudited									
	USD thousand									
<u>Balance as of January 1, 2024</u> (audited)	311,830	-	3,318	8,004	7,807	(2,110)	(17,153)	311,696	69,132	380,828
Net income	-	-	-	-	-	-	806	806	2,700	3,506
Other comprehensive loss	-	-	-	-	-	(803)	-	(803)	-	(803)
Total comprehensive income (loss)	-	-	-	-	-	(803)	806	3	2,700	2,703
Share-based payment	-	-	-	-	1,124	-	-	1,124	-	1,124
Issuance of participation units and options to the public (see Note 6)	62,709	3,135	-	-	-	-	-	65,844	-	65,844
Issue of participation units from the exercise of RSUs	346	-	-	-	(346)	-	-	-	-	-
Exercise of non-marketable options awarded to employees	51	-	-	-	(16)	-	-	35	-	35
<u>Balance as of March 31, 2024</u>	<u>374,936</u>	<u>3,135</u>	<u>3,318</u>	<u>8,004</u>	<u>8,569</u>	<u>(2,913)</u>	<u>(16,347)</u>	<u>378,702</u>	<u>71,832</u>	<u>450,534</u>

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

## Consolidated Statements of Changes in Equity of the Partnership (cont.)

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

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

## Consolidated Statements of Changes in Equity of the Partnership (cont.)

	Attributable to owners of the Partnership's participation units								Total equity capital
	Partnership's equity capital	Conversion component of debentures	Capital reserve for transactions with a controlling shareholder	Capital reserve for share-based payment	Capital reserve for hedging transactions	Retained loss	Total	Non-controlling interests	
	Audited								
	USD thousand								
<u>Balance as of January 1, 2023</u>	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)	-	-	-	-	-
<u>Balance as of December 31, 2023</u>	<u>311,830</u>	<u>3,318</u>	<u>8,004</u>	<u>7,807</u>	<u>(2,110)</u>	<u>(17,153)</u>	<u>311,696</u>	<u>69,132</u>	<u>380,828</u>

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



## Consolidated Statements of Cash Flows

	For the 3 months ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	USD thousand		
<u>Cash flows from operating activities</u>			
Net income	3,506	11,894	25,504
Adjustments to reconcile cash flows from operating activities:			
Adjustments to profit and loss line items:			
Depletion, depreciation and amortization	3,541	4,223	15,539
Derecognition of exploration and evaluation assets	-	-	5,510
Share-based payment	1,046	1,205	4,169
Deferred taxes	686	1,437	5,892
Finance income, net	(3,778)	(6,251)	(6,200)
Exchange rate differences for cash balances, net	5,328	1,007	3,789
	6,823	1,621	28,699
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	15	(7)	173
Decrease (increase) in receivables and debit balances	(361)	775	(828)
Cash flow hedges	383	(1,069)	(8,351)
Increase (decrease) in other trade payables, other payables and credit balances	263	(1,811)	(1,116)
	300	(2,112)	(10,122)
Interest received	1,886	490	4,048
Interest paid	(4,519)	(29)	(93)
Taxes paid	-	-	(137)
Net cash provided by operating activities	7,996	11,864	47,899
<u>Cash flows provided by investing activities</u>			
Investment in oil and gas assets	(88,900)	(28,534)	(269,417)
Interest paid and capitalized to oil and gas assets, net	(4,448)	(2,535)	(37,265)
Movements in restricted amounts	11,359	5,870	56,580
Investment in deposits	(6,933)	(885)	(5,834)
Movements in participation units in mutual funds (debentures in Israel)	-	-	(5,184)
Purchase of property, plant and equipment	(34)	(95)	(220)
Net cash used for investing activities	(88,956)	(26,179)	(261,340)

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

## Consolidated Statements of Cash Flows (cont.)

	For the 3 months ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	USD thousand		
<u>Cash flow provided by financing activities</u>			
Receipt of loan from banks and a financial institution	53,228	21,408	202,547
Repayment of loan from banks and a financial institution	-	-	(54,853)
Repayment of lease liabilities	(323)	(154)	(951)
Issue of debentures	279,565	-	100,473
Costs of raising loans and debentures	(4,298)	(3,418)	(9,566)
Repayment of debentures	(190,168)	-	-
Exercise of options for participation units	35	-	-
Issuance of participation units and options	68,272	-	-
Costs of raising capital	(2,428)	-	-
Net cash provided by financing activities	<u>203,883</u>	<u>17,836</u>	<u>237,650</u>
Effect of changes in exchange rates on cash balances held in foreign currency	<u>(5,328)</u>	<u>(1,007)</u>	<u>(3,789)</u>
<u>Increase in cash and cash equivalents</u>	117,595	2,514	20,420
<u>Balance of cash and cash equivalents at the beginning of the period</u>	<u>86,286</u>	<u>65,866</u>	<u>65,866</u>
<u>Balance of cash and cash equivalents at the end of the period</u>	<u><u>203,881</u></u>	<u><u>68,380</u></u>	<u><u>86,286</u></u>
<u>Significant non-cash activities</u>			
Investment in oil and gas assets against other payables and credit balances (including capitalized interest expenses)	<u>25,448</u>	<u>17,220</u>	<u>9,473</u>
Deferred costs against trade payables and credit balances	<u>487</u>	<u>1,013</u>	<u>1,712</u>

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

**Notes to the Consolidated Interim Financial Statements**

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## NOTE 1 - GENERAL

- A. These financial statements have been prepared in condensed format as at March 31, 2024 and for the three-month period then ended (hereinafter - “the Consolidated Interim Financial Statements”). The financial statements should be read in the context of the Partnership’s annual financial statements as at December 31, 2023 for the year then ended, and their accompanying notes (hereinafter - the “Consolidated Annual Financial Statements”).
- B. Navitas Petroleum - Limited Partnership (hereinafter - the “Partnership”) was established under a limited partnership agreement signed on August 30, 2015, amended from time to time. The Partnership was registered on September 8, 2015 under the Partnership Ordinance, 1975. The purpose of the Partnership is oil and gas exploration, development, and production.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Preparation format of the Interim Financial Statements

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

The accounting policies applied in the preparation of the Interim Financial Statements are consistent with those applied in the preparation of the Consolidated Annual Financial Statements.

## NOTE 3 - DISCLOSURE OF NEW IFRSs IN THE PERIOD PRIOR TO THEIR ADOPTION

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board (IASB) published IFRS 18 - Presentation and Disclosure in Financial Statements (hereinafter - the “New Standard”), which supersedes IAS 1 - Presentation of Financial Statements (hereinafter - “IAS 1”).

The purpose of the New Standard is to enhance comparability and transparency in the financial statements.

The New Standard retains existing IAS 1 requirements and adds new requirements regarding presentation in the statement of income, including presentation of amounts and subtotals, which are required under the New Standard, disclosure of management-defined performance measures, and new requirements regarding aggregation and disaggregation of financial information.

The New Standard does not change the provisions regarding recognition and measurement of financial statement items. However, since income statement items will have to be classified into one of five categories (operating activity, investing activity, financing activities, income tax, and a discontinued operation), it may change the entity’s operating income. In addition, the publication of the New Standard triggered limited amendments to other accounting standards, including IAS 7 - Statement of Cash Flows - and IAS 34 - Interim Financial Reporting.

## Notes to the Consolidated Interim Financial Statements

## NOTE 3 - DISCLOSURE OF NEW IFRSs IN THE PERIOD PRIOR TO THEIR ADOPTION (cont.)

The New Standard will be applied retrospectively for annual periods beginning on or after January 1, 2027. Early application is permitted with disclosure.

The Partnership is studying the effects of the New Standard - including the effect of the amendments on other accounting standards as a result of the New Standard - on the Consolidated Financial Statements.

## NOTE 4 - INVESTMENTS IN OIL AND GAS ASSETS

A. Composition:

	March 31		December 31
	2024	2023	2023
	Unaudited		Audited
	USD thousand		
<u>Oil and gas assets</u>			
Shenandoah project	799,965	486,504	721,272
Sea Lion project	27,788	16,728	22,072
Buckskin project	71,589	51,600	61,141
Monument Project	9,399	-	2,630
Denbury project	94,575	93,806	94,089
Neches project	16,041	15,749	16,266
Yucatan project	1,034	990	1,029
	1,020,391	665,377	918,499
Exploration and evaluation assets	4,659	1,071	1,496
	<u>1,025,050</u>	<u>666,448</u>	<u>919,995</u>

B. Shenandoah

- Further to Note 7D(1) to the Consolidated Annual Financial Statements, 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. The drilling activities in the fourth well SA007 are well under way and in advanced stages.

Notes to the Consolidated Interim Financial Statements

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## NOTE 4 - INVESTMENTS IN OIL AND GAS ASSETS (cont.)

B. Shenandoah (cont.)

## 1) (cont.)

In February 2024, during the course of the construction of the floating production and storage (hereinafter - “FPS”) of the Shenandoah project, a workplace accident occurred in the Hyundai Heavy Industries Co Ltd. shipyard (hereinafter - “HHI”), as part of which there was a malfunction in the onshore handling facility in the shipyard, and 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. In March 2024, BOE Exploration & Production, LLC (hereinafter - the “Operator”) informed the Partnership that the investigation had been completed and it and HHI were given full access to the topsides of the FPS, which was damaged in the work accident, to allow them to continue conducting the comprehensive testing of the topsides and the other parts installed therein, including through the equipment suppliers (hereinafter - the “Tests”), and to renew the work, including the execution of the required repairs. HHI completed the root cause analysis of the workplace accident and filed a detailed report to the relevant bodies in Korea. As of the approval date of the financial statements, the Operator and HHI continue the execution of the Tests after the topsides was stabilized and moved to an alternative location, in which it will be possible to execute all the required work.

It is noted that the work on the other parts of the FPS, including the hull and other parts, continues as planned.

- 2) In accordance with the Operator’s assessment, the damage caused to the topsides are immaterial, and production from the project is expected to commence during the second quarter of 2025.

The Operator and HHI continue the execution of Tests; they will continue working - during the second quarter of 2024 - to prepare a work plan for the execution of the required repairs under supervision of independent professional consultants, such that the completion of the construction of the FPS, its transport by sea to the Gulf of Mexico, USA, and its installation in the project shall be carried out within time frames, which will allow commencement of production from the project as stated above, while complying with all regulatory requirements.

Furthermore, the Operator estimates that most of the additional costs relating to the workplace accident, including the repair of the topsides, transporting the FPS by sea and installing it, shall be covered by the insurance coverage currently in place in connection with the construction of the project and/or under the agreement with HHI, and therefore those costs will not have a material effect on the project’s budget.

**Notes to the Consolidated Interim Financial Statements**

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## NOTE 4 - INVESTMENTS IN OIL AND GAS ASSETS (cont.)

C. Buckskin project

Further to Note 7D(3) to the Consolidated Annual Financial Statements, subsequent to the financial position statement date, in May 2024, the Operator of the Buckskin project announced that the West Neptune drillship arrived at the drilling site and commenced first drilling, development and production operations in the southern part of the Buckskin reservoir. Furthermore, the production completion works of the fourth development and production well in the northern part of the Buckskin reservoir were completed successfully, and the Operator believes that production therefrom is expected to start during the third quarter of 2024.

D. Monument Project

Further to Note 7D(4) to the Consolidated Annual Financial Statements, 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%.

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 million). The Partnership works with a number of entities to formulate a plan for the financing of the project.

**Notes to the Consolidated Interim Financial Statements**

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## NOTE 5 - DEBENTURES, NET

A. Debentures (Series B) issued by the Partnership

Further to Note 11A to the Consolidated Annual Financial Statements, on March 10, 2024, the Partnership issued Debentures (Series F) (see Note 5C below), thereby fulfilling the condition precedent for the execution of full early redemption of Debentures (Series B). On March 21, 2024 a full early redemption was executed, at the Partnership's initiative, of the full outstanding balance of the Debentures (Series B) in circulation. As a result of the repayment of the Debentures (Series B), in the first quarter of 2024 the Partnership recognized an approx. USD 5.2 million loss in respect of the early redemption, which was included under the finance expenses line item in the statement of comprehensive income.

B. Debentures (Series E) issued by the Partnership

Further to Note 11D to the Consolidated Annual Financial Statements, on January 10, 2024, the Partnership issued NIS 105,000,000 p.v. in Debentures (Series E) 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 E); the overall issuance proceeds amounted to NIS 101,955 thousand (approx. USD 27,348 thousand).

C. Debentures (Series F) issued by the Partnership

On March 10, 2024, the Partnership completed a public offering of NIS 910,000,000 p.v. Debentures (Series F) of the Partnership. The Debentures (Series F) were offered by way of non-uniform offering to institutional investors. The offering was made as follows: 910,000 debt units (Series F), with each unit comprising NIS 1,000 p.v. of Debentures (Series F) at a uniform unit price of NIS 1,000. The debentures' annual interest rate is 6.7%. The immediate gross proceeds received by the Partnership as part of the public offering amounted to NIS 910,000 thousand (approx. USD 252 million). The proceeds of the issuance were used, among other things, to repay Debentures (Series B) of the Partnership (for further details see Note 5A above). The debentures are not linked to the CPI or any currency. Issuance expenses amounted to approx. USD 2 million. The effective interest rate in the said issuance is approx. 7.0%.

The registered Debentures (Series F), of NIS 1 p.v. each, are repayable in three unequal annual installments, as follows: two payments on September 30 of each of the years 2028 and 2027, such that each of the two payments will constitute 25% of the total par value of the Debentures (Series F), and the third and final payment, to be paid on September 30, 2029, will constitute 50% of the total par value of the Debentures (Series F).

The interest on the outstanding balance of the debentures' principal will be paid in semi-annual installments, on March 31 and September 30 of each of the years from 2025 to 2029, except for payments in respect of the first interest period. Payment for the first interest period will be made on September 30, 2024 for the period beginning on March 12, 2024 and ending on September 29, 2024.

The Debentures are rated iIA-/Neg Watch by Standard & Poor's Maalot.

Collateral and other liabilities

The Debentures (Series F) are secured by a lien on the Partnership's interests in the Buckskin oil asset and the project accounts under the lien agreement.

**Notes to the Consolidated Interim Financial Statements**

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## NOTE 5 - DEBENTURES, NET (cont.)

C. Debentures (Series F) issued by the Partnership (cont.)Collateral and other liabilities (cont.)

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 not fall below USD 1,400 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 capital as per the financial statements (excluding non-controlling interests) will not fall below USD 140 million for two consecutive quarters.
- The loan to collateral ratio, as defined in the deed of trust, will not exceed 73% for two consecutive quarters.

As at March 31, 2024, 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 F) by special resolution.
- The Partnership has undertaken, as far as it is under its control, to ensure that Debentures (Series F) 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 1,600 million; 3) a distribution that will result in the net financial debt to net CAP ratio increasing beyond a rate of 63%; 4) a distribution that will result in the Partnership's equity capital (excluding non-controlling interests) falling below USD 185 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 terms and conditions of the Debentures (Series F) set a "cross-default" event, whereby if a (that is non-recourse) loan of over NIS 50 million will be put up for immediate repayment, or if a series of debentures issued by the Partnership to the public will be put up for immediate repayment, the holders of the Debentures (Series F) will have grounds for immediate repayment.



## Notes to the Consolidated Interim Financial Statements

## NOTE 6 - THE PARTNERSHIP'S EQUITY

On March 12, 2024, the Partnership completed the issuance of 55,555 bundles at NIS 4,500 per unit, with each unit composed of 100 participation units and 33 Options (Series 5), which are exercisable into participation units. As part of the issuance, 5,555,500 participation units and 1,833,315 Options (Series 5) were issued. The immediate gross consideration (without the option exercise assumption) received by the Partnership as part of the public offering amounted to NIS 250 million (approx. USD 68.3 million). The total costs for the issuance amounted to approx. USD 2.4 million.

Each Option (Series 5) is exercisable into one participation unit for an exercise price of NIS 45.20 per participation unit, linked to the USD exchange rate as at March 11, 2024 (NIS 3.608 per USD 1), on each trading day as from the date of their listing on the TASE, until March 31, 2025.

The Partnership allocated the proceeds of the issuance between the participation units and the option at their fair value on the first trading day on the TASE.

## NOTE 7 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS

Loans for funding the Shenandoah Project

Further to Note 8(3) of the Consolidated Annual Financial Statements regarding loans for funding the Shenandoah Project, out of the project financing amount of approx. USD 544 million which ShenHai may withdraw, up to March 31, 2024 a total of approx. USD 329.9 million were withdrawn (of which a total of approx. USD 60.3 million were advanced by ShenHai Financing), and through the report approval date, a further amount of approx. USD 22.3 million were withdrawn (of which a total of approx. USD 4.1 million were advanced by ShenHai Financing).

## NOTE 8 - SHARE-BASED PAYMENTS

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

- 1) 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 232 thousand at the allotment date.
- 2) On March 31, 2024, the Partnership allocated 200,798 RSUs under a private placement to non-executive employees of the Partnership and its wholly owned subsidiaries. The fair value of the allotted equity instruments was estimated at approx. USD 2,164 thousand at the allotment date.

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

- 1) During the reporting period, 81,830 RSUs vested into 81,830 participation units of the Partnership after the offerees had met the vesting conditions set out in the Plan.
- 2) Subsequent to the date of the statement of financial position, 35,997 RSUs vested into 35,997 participation units of the Partnership after the offerees had met the vesting conditions set out in the Plan.

## Notes to the Consolidated Interim Financial Statements

## NOTE 8 - SHARE-BASED PAYMENTS (cont.)

## B. Further to that said in Note 13 to the Consolidated Annual Financial Statements: (cont.)

- 3) In the reporting period 9,684 non-marketable options, which were awarded to employees, were exercised into 9,684 participation units of the Partnership in consideration for approx. USD 35 thousand.

## NOTE 9 - FINANCIAL INSTRUMENTS

A. Fair value

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

	March 31, 2024		March 31, 2023		December 31, 2023	
	Carrying amount	Fair value *)	Carrying amount	Fair value *)	Carrying amount	Fair value *)
	Unaudited				Audited	
	USD thousand					
<b>Financial liabilities:</b>						
Debentures (Series B)	-	-	195,733	195,438	192,224	195,101
Debentures (Series C)	89,855	88,780	91,254	84,714	92,337	90,284
Debentures (Series D)	50,648 **)	73,184	49,623 **)	47,593	49,772**)	61,624
Debentures (Series E)	127,842	140,139	-	-	99,205	109,145
Debentures (Series F)	246,076	255,151	-	-	-	-
	514,421	557,254	336,610	327,745	433,538	456,154

\*) According to quoted market price.

\*\*\*) Represents the outstanding par value (including the conversion component).

B. Hedging transactions

- 1) As at March 31, 2024, Navitas Buckskin has open-ended put options to hedge WTI oil prices in the period between April 2024 and June 2025, for a total volume of 515 thousand barrels of oil at a minimum price of USD 60 per barrel.  
The fair value of the asset in respect of the foregoing hedging transactions as at March 31, 2024 was approx. USD 708 thousand.

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

Notes to the Consolidated Interim Financial Statements

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## NOTE 9 - FINANCIAL INSTRUMENTS (cont.)

B. Hedging transactions (cont.)

2) Further to Note 8(2) to the Consolidated Annual Financial Statements regarding NPO's undertaking to hedge the oil prices under the financing agreement, as of March 31, 2024, NPO has open-ended hedge transactions amounting to approx. 389 thousand barrels of oil, as detailed below:

- A put option hedge for approximately 156 thousand barrels of oil in the period from April 2024 and December 2024, at a minimum price per barrel of USD 55.
- A put options hedge for approx. 190 thousand barrels of oil in 2025, at a minimum price of USD 55 per barrel.
- A put option hedge for approximately 43 thousand barrels of oil in the first quarter of 2026, at a minimum price of USD 55 per barrel.

The fair value of the asset in respect of the foregoing hedging transactions as at March 31, 2024 was approx. USD 697 thousand.

3) As of March 31, 2024, the Partnership has 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 26 million for December 2024 ranging from NIS 3.702 to 3.7474 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.

The fair value of the asset in respect of the foregoing hedging transactions as at March 31, 2024 was approx. USD 1,034 thousand. The abovementioned transactions are not accounted for as an accounting hedge.

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