

Navitas Petroleum Limited Partnership

Consolidated Interim Financial Statements as of June 30, 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 June 30, 2024, and the condensed statements of comprehensive income, changes in equity of the Partnership, and cash flows for the three-month and six-month periods then ended. The Board of Directors and management of the General Partner are responsible for preparing and presenting financial information for these interim periods in accordance with IAS 34, Interim Financial Reporting, and are also responsible for preparing financial information for these interim periods under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion regarding the financial information for these interim periods based on our review.

Scope of the Review

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

Conclusion

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

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

Tel Aviv,
August 27, 2024

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Consolidated Statements of Financial Position

	As at June 30		As at
	2024	2023	December 31
	Unaudited		2023
			Audited
	USD thousand		
<u>Current assets</u>			
Cash and cash equivalents	157,202	57,666	86,286
Short-term investments	29,432	13,481	22,290
Trade receivables	6,812	5,906	8,439
Receivables and debit balances	3,373	1,617	3,403
Financial derivatives	742	1,224	2,596
	<u>197,561</u>	<u>79,894</u>	<u>123,014</u>
<u>Non-current assets</u>			
Investments in oil and gas assets, net	1,116,246	784,614	919,995
Restricted amounts	38,721	87,392	55,622
Deferred costs	14,988	28,576	24,026
Financial derivatives	577	1,039	1,242
Other receivables	1,439	1,328	1,404
Right-of-use assets	1,649	2,538	2,047
Property, plant, and equipment, net	298	250	288
	<u>1,173,918</u>	<u>905,737</u>	<u>1,004,624</u>
	<u><u>1,371,479</u></u>	<u><u>985,631</u></u>	<u><u>1,127,638</u></u>

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

Consolidated Statements of Financial Position

	As at June 30		As at
	2024	2023	December 31
	Unaudited		Audited
USD thousand			
<u>Current liabilities</u>			
Trade payables and other payables	27,647	14,168	18,164
Interest payable for debentures and long-term loans	9,947	3,492	4,361
Financial derivatives	-	12	-
Current maturities of long-term borrowings from banking corporations and financial institutions	9,703	9,703	9,703
Current maturity of debentures, net	-	-	47,905
Current maturity of lease liabilities	520	1,154	831
	<u>47,817</u>	<u>28,529</u>	<u>80,964</u>
<u>Non-current liabilities</u>			
Debentures, net	497,867	322,429	380,103
Long-term loans from banking corporations and financial institutions, net	310,781	210,542	235,034
Provision for an obligation to decommission of oil and gas assets	29,340	35,307	32,049
Deferred taxes	18,893	13,578	17,424
Lease liabilities	1,067	1,402	1,236
Prepaid income	1,532	-	-
	<u>859,480</u>	<u>583,258</u>	<u>665,846</u>
<u>Partnership's equity capital</u>			
Capital of participation units	375,101	310,363	311,830
Conversion component of debentures	3,318	3,318	3,318
Capital reserve for share-based payment	9,679	7,108	7,807
Capital reserve for transactions with a controlling shareholder	8,004	8,004	8,004
Reserve for cash flow hedges	(2,636)	(2,105)	(2,110)
Options	3,135	-	-
Retained loss	(6,952)	(16,517)	(17,153)
	<u>389,649</u>	<u>310,171</u>	<u>311,696</u>
<u>Non-controlling interests</u>	<u>74,533</u>	<u>63,673</u>	<u>69,132</u>
<u>Total equity capital</u>	<u>464,182</u>	<u>373,844</u>	<u>380,828</u>
	<u>1,371,479</u>	<u>985,631</u>	<u>1,127,638</u>

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

August 27, 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 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2024	2023	2024	2023	2023
	Unaudited				Audited
	USD thousand (excluding profit data per participation unit)				
Revenue from oil and gas sales, net of royalties	42,731	42,385	21,816	18,776	93,791
Cost of oil and gas production	(15,588)	(15,116)	(7,786)	(7,361)	(30,872)
Depreciation and depletion expenses	(6,579)	(7,240)	(3,254)	(3,159)	(14,954)
Gross profit	20,564	20,029	10,776	8,256	47,965
Expenses for oil and gas exploration and project development	(1,323)	(582)	(785)	(288)	(1,319)
Derecognition of exploration and evaluation assets	-	-	-	-	(5,510)
Other expenses	(1,374)	-	(1,374)	-	-
General and administrative expenses	(8,960)	(8,036)	(4,189)	(3,973)	(14,680)
Operating profit	8,907	11,411	4,428	3,995	26,456
Finance income	25,816	18,480	12,641	8,745	14,169
Finance expenses	(17,459)	(7,167)	(4,024)	(3,347)	(9,048)
Profit before taxes on income	17,264	22,724	13,045	9,393	31,577
Taxes on income	(1,662)	(2,043)	(949)	(606)	(6,073)
Net profit	15,602	20,681	12,096	8,787	25,504
Other comprehensive income (loss) (post-tax):					
<u>Amounts classified or reclassified to profit or loss under specific conditions:</u>					
Loss for cash flow hedges	(1,993)	(209)	(471)	(457)	(1,673)
Transfer to profit or loss for cash flow hedges	1,467	1,743	748	727	3,202
Total other comprehensive income (loss)	(526)	1,534	277	270	1,529
Total comprehensive income	15,076	22,215	12,373	9,057	27,033
Net profit attributable to:					
Owners of the Partnership's participation units	10,201	15,310	9,395	6,086	14,674
Non-controlling interests	5,401	5,371	2,701	2,701	10,830
	15,602	20,681	12,096	8,787	25,504
Total comprehensive income attributable to:					
Owners of the Partnership's participation units	9,675	16,844	9,672	6,356	16,203
Non-controlling interests	5,401	5,371	2,701	2,701	10,830
	15,076	22,215	12,373	9,057	27,033
<u>Profit per participation unit (in USD):</u>					
Basic earnings	0.105	0.163	0.094	0.065	0.156
Diluted earnings	0.103	0.163	0.092	0.065	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-con- trolling interests	Total equity capital
	Unaudited									
	USD thousand									
Balance as of January 1, 2024 (audited)	311,830	-	3,318	8,004	7,807	(2,110)	(17,153)	311,696	69,132	380,828
Net profit	-	-	-	-	-	-	10,201	10,201	5,401	15,602
Other comprehensive loss	-	-	-	-	-	(526)	-	(526)	-	(526)
Total comprehensive income (loss)	-	-	-	-	-	(526)	10,201	9,675	5,401	15,076
Share-based payment	-	-	-	-	2,399	-	-	2,399	-	2,399
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	511	-	-	-	(511)	-	-	-	-	-
Exercise of non-marketable options awarded to employees	51	-	-	-	(16)	-	-	35	-	35
Balance as of June 30, 2024	375,101	3,135	3,318	8,004	9,679	(2,636)	(6,952)	389,649	74,533	464,182

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

Consolidated Statements of Changes in Equity of the Partnership

	Attributable to owners of the Partnership's participation units								
	Partnership's equity capital	Conversion component of debentures	Capital reserve for transactions with a controlling shareholder	Capital reserve for share- based payment	Capital reserve for hedging transactions	Retained loss	Total	Non-con- trolling interests	Total equity capital
	Unaudited								
	USD thousand								
<u>Balance as of January 1, 2023</u> (audited)	<u>309,957</u>	<u>3,318</u>	<u>8,004</u>	<u>5,271</u>	<u>(3,639)</u>	<u>(31,827)</u>	<u>291,084</u>	<u>58,302</u>	<u>349,386</u>
Net profit	-	-	-	-	-	15,310	15,310	5,371	20,681
Other comprehensive income	-	-	-	-	1,534	-	1,534	-	1,534
Total comprehensive income	-	-	-	-	1,534	15,310	16,844	5,371	22,215
Share-based payment	-	-	-	2,243	-	-	2,243	-	2,243
Issue of participation units from the exercise of RSUs	<u>406</u>	-	-	<u>(406)</u>	-	-	-	-	-
<u>Balance as of June 30, 2023</u>	<u>310,363</u>	<u>3,318</u>	<u>8,004</u>	<u>7,108</u>	<u>(2,105)</u>	<u>(16,517)</u>	<u>310,171</u>	<u>63,673</u>	<u>373,844</u>

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

Consolidated Statements of Changes in Equity of the Partnership

Partnership's equity capital	Attributable to owners of the Partnership's participation units								Non-controlling interests	Total 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			
Unaudited										
USD thousand										
<u>Balance as of April 1, 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>
Net profit	-	-	-	-	-	-	9,395	9,395	2,701	12,096
Other comprehensive income	-	-	-	-	-	277	-	277	-	277
Total comprehensive income	-	-	-	-	-	277	9,395	9,672	2,701	12,373
Share-based payment	-	-	-	-	1,275	-	-	1,275	-	1,275
Issue of participation units from the exercise of RSUs	165	-	-	-	(165)	-	-	-	-	-
<u>Balance as of June 30, 2024</u>	<u>375,101</u>	<u>3,135</u>	<u>3,318</u>	<u>8,004</u>	<u>9,679</u>	<u>(2,636)</u>	<u>(6,952)</u>	<u>389,649</u>	<u>74,533</u>	<u>464,182</u>

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

Consolidated Statements of Changes in Equity of the Partnership

	Attributable to owners of the Partnership's participation units								
	Partnership's equity capital	Conversion component of debentures	Capital reserve for transactions with a controlling shareholder	Capital reserve for share- based payment	Capital reserve for hedging transactions	Retained loss	Total	Non-con- trolling interests	Total equity capital
	Unaudited								
	USD thousand								
<u>Balance as of April 1, 2023</u>	<u>310,027</u>	<u>3,318</u>	<u>8,004</u>	<u>6,406</u>	<u>(2,375)</u>	<u>(22,603)</u>	<u>302,777</u>	<u>60,972</u>	<u>363,749</u>
Net profit	-	-	-	-	-	6,086	6,086	2,701	8,787
Other comprehensive income	-	-	-	-	270	-	270	-	270
Total comprehensive income	-	-	-	-	270	6,086	6,356	2,701	9,057
Share-based payment	-	-	-	1,038	-	-	1,038	-	1,038
Issue of participation units from the exercise of RSUs	<u>336</u>	-	-	<u>(336)</u>	-	-	-	-	-
<u>Balance as of June 30, 2023</u>	<u>310,363</u>	<u>3,318</u>	<u>8,004</u>	<u>7,108</u>	<u>(2,105)</u>	<u>(16,517)</u>	<u>310,171</u>	<u>63,673</u>	<u>373,844</u>

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

Consolidated Statements of Changes in Equity of the Partnership

	Attributable to owners of the Partnership's participation units								
	Partnership's equity capital	Conversion component of debentures	Capital reserve for transactions with a controlling shareholder	Capital reserve for share- based payment	Capital reserve for hedging transactions	Retained loss	Total	Non-con- trolling interests	Total equity capital
	Audited								
	USD thousand								
<u>Balance as of January 1, 2023</u>	<u>309,957</u>	<u>3,318</u>	<u>8,004</u>	<u>5,271</u>	<u>(3,639)</u>	<u>(31,827)</u>	<u>291,084</u>	<u>58,302</u>	<u>349,386</u>
Net profit	-	-	-	-	-	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 the exercise of RSUs	<u>1,873</u>	-	-	<u>(1,873)</u>	-	-	-	-	-
<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 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2024	2023	2024	2023	2023
	Unaudited				Audited
	USD thousand				
<u>Cash flows from operating activities</u>					
Net profit	15,602	20,681	12,096	8,787	25,504
Adjustments to reconcile cash flows from operating activities:					
Adjustments to profit and loss line items:					
Depletion, depreciation and amortization	6,894	7,714	3,353	3,491	15,539
Derecognition of exploration and evaluation assets	-	-	-	-	5,510
Derecognition of oil and gas assets	548	-	548	-	-
Share-based payment	2,243	2,243	1,197	1,038	4,169
Deferred taxes	1,665	2,043	979	606	5,892
Finance income, net	(18,166)	(14,632)	(14,388)	(8,381)	(6,200)
Exchange rate differences for cash balances, net	6,155	1,815	827	808	3,789
	(661)	(817)	(7,484)	(2,438)	28,699
Changes in assets and liabilities:					
Decrease in trade receivables	1,627	2,706	1,612	2,713	173
Decrease (increase) in receivables and debit balances	30	999	391	224	(828)
Cash flow hedges	1,852	(1,856)	1,469	(787)	(8,351)
Increase (decrease) in payables and credit balances	512	(2,860)	249	(1,049)	(1,116)
	4,021	(1,011)	3,721	1,101	(10,122)
Interest received	4,128	1,332	2,242	842	4,048
Interest paid	(4,548)	(43)	(29)	(14)	(93)
Taxes paid	(180)	-	(180)	-	(137)
Net cash provided by operating activities	18,362	20,142	10,366	8,278	47,899
<u>Cash flows provided by investing activities</u>					
Investment in oil and gas assets	(159,478)	(150,803)	(70,578)	(122,269)	(269,417)
Interest paid and capitalized to oil and gas assets, net	(25,444)	(11,866)	(20,996)	(9,331)	(37,265)
Movements in restricted amounts	16,902	25,155	5,543	19,285	56,580
Investment in deposits	(4,627)	(2,413)	2,306	(1,528)	(5,834)
Movements in participation units in mutual funds (debentures in Israel)	(2,672)	-	(2,672)	-	(5,184)
Purchase of property, plant and equipment	(79)	(121)	(45)	(26)	(220)
Net cash used for investing activities	(175,398)	(140,048)	(86,442)	(113,869)	(261,340)

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

Consolidated Statements of Cash Flows

	For the 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2024	2023	2024	2023	2023
	Unaudited				Audited
	USD thousand				
<u>Cash flow provided by financing activities</u>					
Receipt of loans from banks and financial institutions	88,774	117,575	35,546	96,167	202,547
Repayment of loans from banks and a financial institution	(4,852)	-	(4,852)	-	(54,853)
Repayment of lease liabilities	(548)	(382)	(225)	(228)	(951)
Issue of debentures	279,565	-	-	-	100,473
Costs of raising loans and debentures	(4,543)	(3,672)	(245)	(254)	(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>234,107</u>	<u>113,521</u>	<u>30,224</u>	<u>95,685</u>	<u>237,650</u>
<u>Effect of changes in exchange rates on cash balances held in foreign currency</u>					
	<u>(6,155)</u>	<u>(1,815)</u>	<u>(827)</u>	<u>(808)</u>	<u>(3,789)</u>
<u>Increase (decrease) in cash and cash equivalents</u>					
	70,916	(8,200)	(46,679)	(10,714)	20,420
<u>Balance of cash and cash equivalents as of the beginning of the period</u>					
	<u>86,286</u>	<u>65,866</u>	<u>203,881</u>	<u>68,380</u>	<u>65,866</u>
<u>Balance of cash and cash equivalents of as the end of the period</u>					
	<u>157,202</u>	<u>57,666</u>	<u>157,202</u>	<u>57,666</u>	<u>86,286</u>
<u>Significant non-cash activities</u>					
Investment in oil and gas assets against other payables and credit balances (including capitalized interest expenses)	<u>26,265</u>	<u>5,425</u>	<u>26,265</u>	<u>5,425</u>	<u>9,473</u>
Deferred costs against trade payables and credit balances	<u>1,132</u>	<u>2,326</u>	<u>1,132</u>	<u>2,326</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

NOTE 1 - GENERAL

- A. These financial statements were prepared in condensed format as of June 30, 2024 and for the six-month and three-month periods then ended (hereinafter - the "Consolidated Interim Financial Statements"). The financial statements should be read in the context of the Partnership's annual financial statements as of 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.

Notes to the Consolidated Interim Financial Statements

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

IFRS 18, Presentation and Disclosure in Financial Statements (cont.)

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 activities, financing activities, income tax, and a discontinued operation), it may change the entity's operating profit. 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.

The New Standard will be applied retrospectively for annual periods beginning on or after January 1, 2027. In accordance with the resolution of the Israel Securities Authority, early application is permitted with disclosure provided, as from the period beginning in January 2025.

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

	As at June 30		As at December 31
	2024	2023	2023
	Unaudited		Audited
	USD thousand		
<u>Oil and gas assets</u>			
Shenandoah project	871,362	596,383	721,272
Sea Lion project	38,452	19,069	22,072
Buckskin project	71,737	55,231	61,141
Monument Project	18,606	858	2,630
Denbury project	94,788	94,222	94,089
Neches project	15,401	15,506	16,266
Yucatan project	1,075	1,029	1,029
	<u>1,111,421</u>	<u>782,298</u>	<u>918,499</u>
Exploration and evaluation assets	<u>4,825</u>	<u>2,316</u>	<u>1,496</u>
	<u>1,116,246</u>	<u>784,614</u>	<u>919,995</u>

Notes to the Consolidated Interim Financial Statements

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

B. Shenandoah

1. 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. Subsequently, the operator announced that it successfully completed the drilling of the abovementioned development and production drilling, which reached its final depth.

Subsequent to the statement of financial position date, in July 2024 the production completion works of the development and production drillings commenced, which are progressing as planned.

2. 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, 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 entities in Korea.

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.

Subsequent to the statement of financial position date, in July 2024, the Operator informed the Partnership that the FPS topsides had been successfully lifted and connected to the FPS hull at the HHI shipyard; furthermore, the Operator informed that the principal testing and repair works of the topsides had been successfully completed.

According to the Operator's assessment, production from the project is expected to commence during the second quarter of 2025.

Notes to the Consolidated Interim Financial Statements

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

C. Buckskin project

Further to Note 7D(3) to the Consolidated Annual Financial Statements, 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. Subsequent to the statement of financial position date, in August 2024, the operator of the Buckskin Project successfully completed the drilling of the first development and production drilling in the reservoir's southern section, which reached its final depth.

Furthermore, in May 2024, the completion works for production at the fourth development and production drilling were successfully completed in the northern section of the reservoir. Subsequent to the statement of financial position date, in August 2024, the connection work to the production facility of the fourth development and production drilling in the northern section of the reservoir were successfully completed, and the production from it began as planned.

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%. In May 2024, the Partnership received the regulator's approval to increase its share in the project by further 8.57%, such that the Partnership's share in the project stands 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 74 million). The total project development budget is approx. USD 855 million (Partnership's share amounts to approx. USD 244 million).

In the reporting period, the operator continued its preparations for the development of the project, as part of which various agreements were signed with key suppliers, including an agreement with the drilling vessel for the provision of drilling services and completion of the two development wells in the project, as well as agreements to use the exportation pipelines.

The Partnership continues with the formulation of a plan for the financing of its share in the development of the project.

Notes to the Consolidated Interim Financial Statements

NOTE 5 - DEBENTURES, NET

A. Debentures (Series B)

Further to Note 11A to the Consolidated Annual Financial Statements, on March 10, 2024, the Partnership issued Debentures (Series F) (see Note 5D 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 D)

Further to Note 11C to the Consolidated Annual Financial Statements, on July 22, 2024, NIS 5,297,000 p.v. of Debentures (Series D) were converted into 196,186 participation units of the Partnership. Accordingly, in the third quarter of 2024 an increase in equity at the total amount of approx. USD 1.5 million will be recognized.

The par value balance of the Debentures (Series D) is NIS 149,703,000 p.v.

C. Debentures (Series E)

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).

D. Debentures (Series F)

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. NIS 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).

Notes to the Consolidated Interim Financial Statements

NOTE 5 - DEBENTURES, NET (cont.)

D. Debentures (Series F) (cont.)

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.

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 June 30, 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.

Notes to the Consolidated Interim Financial Statements

NOTE 5 - DEBENTURES, NET (cont.)

D. Debentures (Series F) (cont.)Collateral and other liabilities (cont.)

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.

NOTE 6 - THE PARTNERSHIP'S EQUITY

- A. 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 of 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.

- B. Further to Note 13f(2) to the Consolidated Annual Financial Statements, regarding the principal balance of Debentures (Series D) of the Partnership convertible into the Partnership's participation units, subsequent to the statement of financial position date, on July 22, 2024, NIS 5,297,000 p.v. of Debentures (Series D) were converted into 196,186 participation units of the Partnership. The balance of the Partnership's participation units after the abovementioned conversion and the vesting of RSU options as stated in Note 8 below is approx. 100,151,810.

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 June 30, 2024 a total of approx. USD 373.4 million were withdrawn (of which a total of approx. USD 68.3 million were advanced by ShenHai Financing), and through the report approval date, a further amount of approx. USD 23.9 million were withdrawn (of which a total of approx. USD 4.4 million were advanced by ShenHai Financing).

Notes to the Consolidated Interim Financial Statements

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, 117,327 RSUs vested into 117,327 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, in August 2024, 125,667 RSUs vested into 125,667 participation units of the Partnership after the offerees had met the vesting conditions set out in the Plan.
 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.

Notes to the Consolidated Interim Financial Statements

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):

	June 30, 2024		June 30, 2023		December 31, 2023	
	Carrying amount	Fair value*)	Carrying amount	Fair value*)	Carrying amount	Fair value*)
	Unaudited				Audited	
	USD thousand					
<u>Financial liabilities</u>						
Debentures (Series B)	-	-	188,243	189,227	192,224	195,101
Debentures (Series C)	89,200	87,298	90,385	84,525	92,337	90,284
Debentures (Series D)	50,294**)	77,479	49,249**)	48,218	49,772**)	61,624
Debentures (Series E)	123,633	132,176	-	-	99,205	109,145
Debentures (Series F)	245,055	249,009	-	-	-	-
	<u>508,182</u>	<u>545,962</u>	<u>327,877</u>	<u>321,970</u>	<u>433,538</u>	<u>456,154</u>

*) According to quoted market price.

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

B. Hedging transactions

- As at June 30, 2024, Navitas Buckskin has open-ended put options to hedge WTI oil prices in the period between July 2024 and July 2025, for a total volume of 445 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 of June 30, 2024 was approx. USD 520 thousand.

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

- 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 June 30, 2024, NPO has open hedge transactions amounting to approx. 379 thousand barrels of oil, as detailed below:

Notes to the Consolidated Interim Financial Statements

NOTE 9 - FINANCIAL INSTRUMENTS (cont.)

B. Hedging transactions (cont.)

2. (cont.)

- A put option hedge for approximately 103 thousand barrels of oil in the period from July 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 86 thousand barrels of oil in the first half 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 of June 30, 2024 was approx. USD 590 thousand.

3. As of June 30, 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 of June 30, 2024 was approx. USD 208 thousand. The abovementioned transactions are not accounted for as an accounting hedge.
