Navitas Petroleum Limited Partnership

Consolidated Interim Financial Statements as of September 30, 2024

In USD thousand

Unaudited

Contents

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

Introduction

We have reviewed the accompanying financial information of Navitas Petroleum - Limited Partnership and its consolidated companies (hereinafter - the "Partnership"), which includes the condensed consolidated statement of financial position as of September 30, 2024 and the condensed statements of comprehensive income, changes in equity of the Partnership and cash flows for the nine-and three-month periods then ended. The Board of Directors and management of the General Partner are responsible for preparing and presenting financial information for these interim periods in accordance with IAS 34, Interim Financial Reporting, and are also responsible for preparing financial information for these interim periods under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion regarding the financial information for these interim periods based on our review.

Scope of the Review

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

Conclusion

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

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

Tel Aviv,
November 24, 2024

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Consolidated Statements of Financial Position

	As of September 30		As of December 31
	2024	2023	2023
	Unaudited		Audited
	USD thousand		
Current assets			
Cash and cash equivalents	119,422	117,062	86,286
Short-term investments	30,040	17,370	22,290
Trade receivables	5,486	9,676	8,439
Receivables and debit balances	4,614	2,512	3,403
Financial derivatives	1,716	646	2,596
	161,278	147,266	123,014
Non-current assets			
Investments in oil and gas assets, net	1,227,936	850,616	919,995
Restricted amounts	24,519	62,664	55,622
Deferred costs	10,822	26,812	24,026
Financial derivatives	740	1,378	1,242
Other receivables	1,457	1,345	1,404
Right-of-use assets	2,975	2,268	2,047
Fixed assets, net	302	272	288
	1,268,751	945,355	1,004,624
	1,430,029	1,092,621	1,127,638

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

Consolidated Statements of Financial Position

	As of September 30		As of December 31
	2024	2023	2023
	Unaudited		Audited
	USD thousand		
Current liabilities			
Trade payables and other payables	16,745	17,279	18,164
Interest payable for debentures and long-term loans	17,004	12,498	4,361
Financial derivatives	-	308	-
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	1,199	965	831
	44,651	40,753	80,964
Non-current liabilities			
Debentures, net	503,126	407,376	380,103
Long-term loans from banking corporations and financial institutions, net	361,644	197,542	235,034
Provision for an obligation to decommission of oil and gas assets	29,647	36,096	32,049
Deferred taxes	19,669	15,372	17,424
Lease liabilities	2,276	1,254	1,236
Prepaid income	1,532	-	-
	917,894	657,640	665,846
Partnership's equity capital			
Capital of participation units	377,831	311,613	311,830
Conversion component of debentures	3,205	3,318	3,318
Capital reserve for share-based payment	9,680	7,345	7,807
Capital reserve for transactions with a controlling shareholder	8,004	8,004	8,004
Reserve for cash flow hedges	(1,360)	(3,171)	(2,110)
Options	3,135	-	-
Retained earnings (loss)	(10,274)	717	(17,153)
	390,221	327,826	311,696
Non-controlling interests	77,263	66,402	69,132
Total equity capital	467,484	394,228	380,828
	1,430,029	1,092,621	1,127,638

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

November 24, 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 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2024	2023	2024	2023	2023
	Unaudited				Audited
	USD thousand (excluding net earnings (loss) per participation unit)				
Revenue from oil and gas sales, net of royalties	58,965	69,472	16,234	27,087	93,791
Cost of oil and gas production	(22,092)	(22,819)	(6,504)	(7,703)	(30,872)
Depreciation and depletion expenses	(9,251)	(11,245)	(2,672)	(4,005)	(14,954)
Gross profit	27,622	35,408	7,058	15,379	47,965
Expenses for oil and gas exploration and project development	(1,841)	(859)	(518)	(277)	(1,319)
Derecognition of exploration and evaluation assets	-	-	-	-	(5,510)
Other expenses	(1,462)	-	(88)	-	-
General and administrative expenses	(12,324)	(11,480)	(3,364)	(3,444)	(14,680)
Operating profit	11,995	23,069	3,088	11,658	26,456
Finance income	6,287	2,648	2,104	1,316	8,306
Finance expenses	(10,978)	(5,355)	(1,178)	(2,726)	(9,048)
Income (expenses) from exchange rate differences, net	9,831	24,896	(4,143)	12,286	5,863
Income (loss) before taxes on income	17,135	45,258	(129)	22,534	31,577
Taxes on income	(2,125)	(4,614)	(463)	(2,571)	(6,073)
Net profit (loss)	15,010	40,644	(592)	19,963	25,504
Other comprehensive income (loss) (post-tax):					
Amounts classified or reclassified to profit or loss under specific conditions:					
Net profit (loss) for cash flow hedges	(1,503)	(2,143)	490	(1,934)	(1,673)
Transfer to profit or loss for cash flow hedges	2,253	2,611	786	868	3,202
Total other comprehensive income (loss)	750	468	1,276	(1,066)	1,529
Total comprehensive income	15,760	41,112	684	18,897	27,033
Net profit (loss) attributable to:					
Owners of the Partnership's participation units	6,879	32,544	(3,322)	17,234	14,674
Non-controlling interests	8,131	8,100	2,730	2,729	10,830
	15,010	40,644	(592)	19,963	25,504
Total comprehensive income (loss) attributable to:					
Owners of the Partnership's participation units	7,629	33,012	(2,046)	16,168	16,203
Non-controlling interests	8,131	8,100	2,730	2,729	10,830
	15,760	41,112	684	18,897	27,033
Net profit (loss) per participation unit (in USD):					
Basic net earnings (loss)	0.068	0.347	(0.033)	0.183	0.156
Diluted net earnings (loss)	0.066	0.346	(0.033)	0.179	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									
	Partner-ship'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 tran-sactions	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	-	-	-	-	-	-	6,879	6,879	8,131	15,010
Other comprehensive income	-	-	-	-	-	750	-	750	-	750
Total comprehensive income	-	-	-	-	-	750	6,879	7,629	8,131	15,760
Share-based payment, net	-	-	-	-	3,310	-	-	3,310	-	3,310
Issuance of participation units and options to the public (see Note 7)	62,709	3,135	-	-	-	-	-	65,844	-	65,844
Issue of participation units from vesting of RSUs	1,421	-	-	-	(1,421)	-	-	-	-	-
Exercise of non-marketable options awarded to employees	51	-	-	-	(16)	-	-	35	-	35
Conversion of convertible debentures into participation units	1,820	-	(113)	-	-	-	-	1,707	-	1,707
Balance as of September 30, 2024	377,831	3,135	3,205	8,004	9,680	(1,360)	(10,274)	390,221	77,263	467,484

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								
	Partnership's equity capital	Conversion component of debentures	Capital reserve for transactions with a controlling shareholder	Capital reserve for share-based payment	Capital reserve for hedging transactions	Retained earnings (loss)	Total	Non-controlling interests	Total equity capital
	Unaudited								
	USD thousand								
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 profit	-	-	-	-	-	32,544	32,544	8,100	40,644
Other comprehensive income	-	-	-	-	468	-	468	-	468
Total comprehensive income	-	-	-	-	468	32,544	33,012	8,100	41,112
Share-based payment, net	-	-	-	3,730	-	-	3,730	-	3,730
Issue of participation units from vesting of RSUs	1,656	-	-	(1,656)	-	-	-	-	-
Balance as of September 30, 2023	311,613	3,318	8,004	7,345	(3,171)	717	327,826	66,402	394,228

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									
	Partner-ship'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 tran-sactions	Retained loss	Total	Non-con-trolling interests	Total equity capital
	Unaudited									
	USD thousand									
Balance as of July 1, 2024	375,101	3,135	3,318	8,004	9,679	(2,636)	(6,952)	389,649	74,533	464,182
Net profit (loss)	-	-	-	-	-	-	(3,322)	(3,322)	2,730	(592)
Other comprehensive income	-	-	-	-	-	1,276	-	1,276	-	1,276
Total comprehensive income (loss)	-	-	-	-	-	1,276	(3,322)	(2,046)	2,730	684
Share-based payment, net	-	-	-	-	911	-	-	911	-	911
Issue of participation units from vesting of RSUs	910	-	-	-	(910)	-	-	-	-	-
Conversion of convertible debentures into participation units	1,820	-	(113)	-	-	-	-	1,707	-	1,707
Balance as of September 30, 2024	377,831	3,135	3,205	8,004	9,680	(1,360)	(10,274)	390,221	77,263	467,484

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								
	Partner-ship's equity capital	Conversion component of debentures	Capital reserve for transac-tions with a controlling share-holder	Capital reserve for share-based payment	Capital reserve for hedging transac-tions	Retained earnings (loss)	Total	Non-con-trolling interests	Total equity capital
	Unaudited								
	USD thousand								
Balance as of July 1, 2023	310,363	3,318	8,004	7,108	(2,105)	(16,517)	310,171	63,673	373,844
Net profit	-	-	-	-	-	17,234	17,234	2,729	19,963
Other comprehensive loss	-	-	-	-	(1,066)	-	(1,066)	-	(1,066)
Total comprehensive income (loss)	-	-	-	-	(1,066)	17,234	16,168	2,729	18,897
Share-based payment, net	-	-	-	1,487	-	-	1,487	-	1,487
Issue of participation units from vesting of RSUs	1,250	-	-	(1,250)	-	-	-	-	-
Balance as of September 30, 2023	311,613	3,318	8,004	7,345	(3,171)	717	327,826	66,402	394,228

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								
	Partnership's equity capital	Conversion component of debentures	Capital reserve for transactions with a controlling shareholder	Capital reserve for share-based payment	Capital reserve for hedging transactions	Retained loss	Total	Non-controlling interests	Total equity capital
	Audited								
	USD thousand								
Balance as of January 1, 2023	309,957	3,318	8,004	5,271	(3,639)	(31,827)	291,084	58,302	349,386
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, net	-	-	-	4,409	-	-	4,409	-	4,409
Issue of participation units from the exercise of RSUs	1,873	-	-	(1,873)	-	-	-	-	-
Balance as of December 31, 2023	311,830	3,318	8,004	7,807	(2,110)	(17,153)	311,696	69,132	380,828

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

Consolidated Statements of Cash Flows

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2024	2023	2024	2023	2023
	Unaudited				Audited
	USD thousand				
Cash flows from operating activities					
Net profit (loss)	15,010	40,644	(592)	19,963	25,504
Adjustments to reconcile cash flows from operating activities:					
Adjustments to profit and loss line items:					
Depletion, depreciation and amortization	9,730	11,681	2,836	4,154	15,539
Derecognition of exploration and evaluation assets	-	-	-	-	5,510
Derecognition of oil and gas assets	745	-	197	-	-
Share-based payment	3,317	3,558	1,074	1,315	4,169
Deferred taxes	2,102	4,116	437	2,073	5,892
Finance expenses (income), net	(14,554)	(24,287)	3,612	(9,655)	(6,200)
Exchange rate differences for cash balances, net	5,746	4,816	(409)	3,001	3,789
	7,086	(116)	7,747	888	28,699
Changes in assets and liabilities:					
Decrease (increase) in trade receivables	2,953	(1,064)	1,326	(3,770)	173
Decrease (increase) in receivables and debit balances	(544)	241	(574)	(758)	(828)
Cash flow hedges	2,330	(6,328)	478	(4,472)	(8,351)
Increase (decrease) in payables and credit balances	3,131	(380)	2,619	2,415	(1,116)
	7,870	(7,531)	3,849	(6,585)	(10,122)
Interest received	5,951	2,648	1,823	1,316	4,048
Interest paid	(4,570)	(74)	(22)	(31)	(93)
Taxes paid	(180)	(137)	-	(137)	(137)
Net cash provided by operating activities	31,167	35,434	12,805	15,414	47,899
Cash flows provided by investing activities					
Investment in oil and gas assets	(264,496)	(202,227)	(105,018)	(51,546)	(269,417)
Interest paid and capitalized to oil and gas assets, net	(36,638)	(16,263)	(11,194)	(4,397)	(37,265)
Movements in restricted amounts	31,103	46,427	14,201	21,272	56,580
Investment in deposits, net	(4,879)	(5,172)	(252)	(2,759)	(5,834)
Movements in participation units in mutual funds (debentures in Israel)	(2,688)	-	(16)	-	(5,184)
Purchase of fixed assets	(110)	(181)	(31)	(60)	(220)
Net cash used for investing activities	(277,708)	(177,416)	(102,310)	(37,490)	(261,340)

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

Consolidated Statements of Cash Flows (cont.)

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2024	2023	2024	2023	2023
	Unaudited				Audited
	USD thousand				
Cash flow provided by financing activities					
Receipt of loans from banks and financial institutions	142,921	157,099	54,147	39,524	202,547
Repayment of loans from banks and a financial institution	(4,852)	(50,000)	-	(50,000)	(54,853)
Repayment of lease liabilities	(990)	(726)	(442)	(344)	(951)
Issue of debentures	279,565	100,473	-	100,473	100,473
Costs of raising loans and debentures	(6,932)	(8,852)	(2,389)	(5,180)	(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	285,423	197,994	51,316	84,473	237,650
Effect of changes in exchange rates on cash balances held in foreign currency	(5,746)	(4,816)	409	(3,001)	(3,789)
Increase (decrease) in cash and cash equivalents	33,136	51,196	(37,780)	59,396	20,420
Balance of cash and cash equivalents as of the beginning of the period	86,286	65,866	157,202	57,666	65,866
Balance of cash and cash equivalents as of the end of the period	119,422	117,062	119,422	117,062	86,286
Significant non-cash activities					
Investment in oil and gas assets against other payables and credit balances (including capitalized interest expenses)	20,653	17,069	20,653	17,069	9,473
Deferred costs against trade payables and credit balances	281	676	281	676	1,712
Conversion of convertible debentures into participation units	1,707	-	1,707	-	-

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

NOTE 1 - GENERAL

A. These financial statements have been prepared in condensed format as of September 30, 2024 and for the nine- and three-month periods then ended (hereinafter - the “Consolidated Interim Financial Statements”). The financial statements should be read in the context of the Partnership’s annual financial statements as 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

A. Preparation format of the Interim Financial Statements

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

The accounting policies applied in the preparation of the Interim Financial Statements are consistent with those applied in the preparation of the Consolidated Annual Financial Statements, with the exception of the following:

B. First-time application of an existing accounting standard

Amendment to IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued an amendment to IAS 1 regarding requirements for classifying liabilities as current or non-current (hereinafter - the “Original Amendment”). In October 2022, the IASB issued a subsequent amendment to the said amendment (hereinafter - the “Subsequent Amendment”).

According to the Subsequent Amendment:
It is only financial covenants, which an entity is required to comply with at the end of the reporting period or prior to that, which affect the classification of that liability as a current or non-current liability.
For liabilities, in respect of which compliance with financial covenants is assessed within 12 months after the reporting date, entities are required to provide disclosure, which will enable users of the financial statements to understand the risks pertaining to that liability. In other words, the Subsequent Amendment stipulates that entities will disclose the carrying amount of the liability, information about the financial covenants and facts and circumstances as of the end of the reporting period, which may indicate that the entity may have difficulty complying with the financial covenants.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. First-time application of an existing accounting standard (cont.)

The Original Amendment stipulated that a liability's conversion right will affect the classification of the entire liability as a current or non-current liability, except for cases where the conversion component is equity-classified.

The original amendment and the subsequent amendment were applied retrospectively for annual periods beginning on January 1, 2024.

The Amendment did not affect the Partnership's Condensed Consolidated Interim 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 activities, 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.

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 of September 30		As of December 31
	2024	2023	2023
	Unaudited		Audited
	USD thousand		
Oil and gas assets			
Shenandoah project	960,216	652,905	721,272
Sea Lion project	45,930	23,544	22,072
Buckskin project	78,757	58,883	61,141
Monument Project	25,490	1,879	2,630
Denbury project	94,807	94,224	94,089
Neches project	16,643	15,753	16,266
Yucatan project	1,098	1,029	1,029
	1,222,941	848,217	918,499
Exploration and evaluation assets	4,995	2,399	1,496
	1,227,936	850,616	919,995

B. Shenandoah

1. Further to Note 7D(1) to the Consolidated Annual Financial Statements, the project operator announced in the reporting period that it has successfully completed the drilling of the four development and production drillings up to their final depth.

   Subsequent to the statement of financial position date, the completion works for production at the first development well SA008 were successfully completed, and the completion works for production at the second development well SA009 are underway.

2. In February 2024, during the course of the construction of the floating production and storage facility (hereinafter - "FPS") of the Shenandoah project, a workplace accident occurred in the Hyundai Heavy Industries Co Ltd. shipyard in South Korea (hereinafter - "HHI"), and consequently the FPS's topsides were damaged.
   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.
   The project operator estimates that most of the additional costs relating to the workplace accident 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.

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

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. 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. 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 totaling 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.

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

E. Denbury project

According to the resources report prepared by an independent reserves assessor as of June 30, 2024, the proven reserves (1P) of the Denbury Project (100%) are estimated at 16.1 MMBBL of oil and 11.0 BCF of natural gas. The proved and projected reserves (2P) of the Denbury Project (100%) are estimated at approx. 20.6 MMBBL of oil and approx. 12.8 BCF of natural gas.

F. Neches project

According to the resources report prepared by an independent reserves assessor as of June 30, 2024, the proven reserves (1P) of the Neches Project (100%) are estimated at 2.7 MMBBL of oil and 2.8 BCF of natural gas. The proved and projected reserves (2P) of the Neches Project (100%) are estimated at approx. 4.1 MMBBL of oil and approx. 3.7 BCF of natural gas.

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.

The par value balance of the Debentures (Series D), subsequent to the said conversion, 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 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 E); the overall issuance proceeds amounted to NIS 101,955 thousand (approx. USD 27,348 thousand).

NOTE 5 - DEBENTURES, NET (cont.)

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. 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 ilA- 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 of September 30, 2024, the Partnership was in compliance with these financial covenants.

NOTE 5 - DEBENTURES, NET (cont.)

D. Debentures (Series F) (cont.)

- 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 Market, 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.

NOTE 6 - ENTERING INTO A CREDIT AGREEMENT OF UP TO USD 100 MILLION

Subsequent to the statement of financial position date, on October 30, 2024, the Partnership and Navitas Financing US, LLC - a wholly-owned subsidiary of the Partnership, which was incorporated in Delaware, United States (hereinafter - the “Borrower”) - entered into an agreement for the provision of a credit facility of up to USD 100 million by Trafigura Trading LLC (hereinafter - the “Closing Date”, the “Agreement”, “Trafigura” or the “Lender” and the “Credit Facility”, respectively). As from the Closing Date and in accordance with the terms and conditions of the Agreement, the Borrower will be able to draw down loans from the Credit Facility from time to time (hereinafter - the “Loans”).

The Credit Facility is available for draw downs as follows: USD 100 million for a period of 9 months from the Closing Date (through July 30, 2025), and USD 67 million for a period of between 9 to 24 months from the Closing Date (the total amount of the Credit Facility is USD 100 million).

The Loans will bear variable annual interest based on 3-month Term SOFR, plus a spread of: (1) 4.5% in the first year; and (2) 4.0% after the end of the first year and through the final repayment of the Loans.

The Loans’ principal will be repaid in equal quarterly installments starting in the quarter ending 24 months after the Closing Date, and the final repayment date is 5 years after the Closing Date. The interest payable on the Loans will be paid every quarter starting on the date on which they were advanced.

Financial covenants

Under the Agreement, the Borrower undertook, among other things, that the net debt to consolidated EBITDA ratio of the Partnership (excluding Navitas Petroleum Limited and its subsidiaries) will not exceed 3.5, and that the net debt of the Partnership (excluding Navitas Petroleum Limited and its subsidiaries) will not exceed the product of the proved and probable reserves (based on barrels of oil equivalent per day) multiplied by USD 4.75.

Additional liabilities and collateral

- The Partnership undertook that in the event of a sale of rights, which will lead to a direct or indirect holding of less than 39% in the Shenandoah project, the surplus sale proceeds will be used for early repayment of a proportionate share of the Loans.
- The Partnership undertook not to place a lien on its directly-held assets, in addition to any liens already in place on the Closing Date, except for exclusions set forth in the Agreement.
- In addition, the Partnership undertook not to place a Second Lien on its rights in the Shenandoah project without obtaining the Lender’s written consent in advance (except as detailed in the Agreement).
- The only collateral, which was provided to the Lender is a guarantee of the Partnership, whereby it guarantees the fulfillment of all of the Borrower’s undertakings under the Agreement, and the Loans are not backed by additional collaterals.
- The Partnership may distribute profits at any time, provided that on the distribution date and following the distribution there are no grounds for immediate repayment, and that the financial covenants are complied with even after the distribution.

The Loans will be used by the Partnership and its subsidiaries to finance their operating activity.

NOTE 7 - PARTNERSHIP'S EQUITY CAPITAL

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 proceeds (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, on July 22, 2024, NIS 5,297,000 p.v. of Debentures (Series D) were converted into 196,186 participation units of the Partnership.

C. The balance of the Partnership's participation units as of September 30, 2024 is approx. 100,357,477.

NOTE 8 - LOANS FOR FINANCING OF THE SHENANDOAH PROJECT

Further to Note 8(3) to 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 September 30, 2024 a total of approx. USD 439.6 million were withdrawn (of which a total of approx. USD 80.4 million were advanced by ShenHai Financing), and through the report approval date, a further amount of approx. USD 6.8 million were withdrawn (of which a total of approx. USD 1.3 million were advanced by ShenHai Financing).

NOTE 9 - SHARE-BASED PAYMENT TRANSACTIONS

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.

NOTE 9 - SHARE-BASED PAYMENT TRANSACTIONS (cont.)

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

1. During the reporting period, 322,994 RSUs vested into 322,994 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, 78,000 RSUs vested into 78,000 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.

4. Subsequent to the statement of financial position date, 175,028 non-marketable options expired.

NOTE 10 - FINANCIAL STATEMENTS

A. Fair value

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

	September 30, 2024		September 30, 2023		December 31, 2023	
	Carrying amount	Fair value*)	Carrying amount	Fair value*)	Carrying amount	Fair value*)
	Unaudited				Audited	
	USD thousand					
Financial liabilities						
Debentures (Series B)	-	-	185,179	184,903	192,224	195,101
Debentures (Series C)	89,273	87,704	86,379	80,843	92,337	90,284
Debentures (Series D)	49,356 **)	86,352	50,126 **)	54,720	49,772**)	61,624
Debentures (Series E)	127,997	136,415	95,037	98,182	99,205	109,145
Debentures (Series F)	243,483	247,392	-	-	-	-
	510,109	557,863	416,721	418,648	433,538	456,154

*) According to quoted market price. Level 1 in the fair value hierarchy.
**) Represents the outstanding par value (including the conversion component).

B. Hedging transactions

1. As of September 30, 2024, Navitas Buckskin has open-ended put options to hedge WTI oil prices in the period between October 2024 and August 2025, for a total volume of 380 thousand barrels of oil at a minimum price of USD 60 per barrel. The abovementioned transactions are accounted for as an accounting hedge.

NOTE 10 - FINANCIAL STATEMENTS (cont.)

B. Hedging transactions (cont.)

1. (cont.)

The fair value of the asset for the said hedging transactions as of September 30, 2024 is approx. USD 1,020 thousand.

Subsequent to date of the statement of financial position, in October 2024, Navitas Buckskin entered into an additional hedging transaction that is a put option for hedging WTI oil prices in September 2025 for a volume of 30 Mbbl at a minimum price of USD 60 per barrel.

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 September 30, 2024, NPO has open hedge transactions - which are accounted for as accounting hedge transactions - amounting to approx. 370 thousand barrels of oil, as detailed below:

- A put option hedge for approx. 51 thousand barrels of oil in the period from October 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 approx. 129 thousand barrels of oil in the period from January 2026 and September 2026, at a minimum price per barrel of USD 55.

The fair value of the net asset for the said hedging transactions as of September 30, 2024 is approx. USD 1,061 thousand.

3. As of September 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 for the said hedging transactions as of September 30, 2024 is approx. USD 375 thousand. The abovementioned transactions are not accounted for as an accounting hedge.

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