

Navitas Petroleum Limited Partnership **("the Partnership")**

August 26, 2021

Attn.

The Israel Securities Authority (ISA)
via MAGNA

Attn.

The Tel Aviv Stock Exchange Ltd. (TASE)
via MAGNA

Dear Sir/Madam,

Re: **Final Investment Decision (FID) for the Shenandoah Project Development**

Further to the provisions of section 8.2 of Chapter A of the Partnership's Periodic Report for 2020 (the "**Periodic Report**")¹ and further to the Partnership's immediate report concerning the Shenandoah Project² (the "**Project**" or "**Shenandoah Project**"), the Partnership is pleased to announce that -

On August 25, 2021, the partners in the Shenandoah Project ("Shenandoah Partners") adopted a final investment decision ("FID") to develop the Shenandoah Project with a budget of USD 1.8 billion (for 100% of the interests in the Project).

As part of adopting the FID, the Project Company, ShenHai, LLC. ("**ShenHai**" and/or "**the Project Company**")³ signed an authorization for expenditure ("AFE") in an amount of USD 890 million for its entire share in the Project budget. Concurrently, the other partners in the Project signed AFEs for their share and in total, the Shenandoah Partners approved expenditures in the amount of USD 1.8 billion.

At the same time, all the preconditions for the financial closing of the project financing agreements signed on August 1, 2021, were fulfilled.⁴ Several insignificant required changes were made to the agreements due to the changes in the holdings as set out below, including pro rata adjustment of the scope of the debt to the scope of the holdings.

Further to the foregoing, below is a breakdown of several other updates with regard to the Shenandoah Project:

1. **Acquisition of 20% of the interests in the Project** - further to the Partnership's immediate report dated August 5, 2021 (Ref. No.: 2021-01-127782) (the "**August 5 Report**") and based on the business outline reported in this report, binding agreements were signed between the parent company of BOE II⁵ and HEQ Deepwater for the acquisition of BOE II shares by the latter. HEQ Deepwater is a special purpose partnership that focuses on deep water wells in the Bay of Mexico in the US and is held by Quantum Energy Partners, a leading well known venture fund that specializes in the oil and gas sector in the US, and Houston Energy LP, a company that operates in the oil and gas sector in the Gulf of Mexico in the US ("**HEQ Deepwater**"). Subsequent to the acquisition of the shares as aforesaid, BOE II sold 10.95% of its interests in the Project to a special

¹ As published on March 26, 2021 (Ref. No.: 2021-01-048372).

² For further information, see immediate reports dated July 2, 2020, June 16, 2021, August 2, 2021, August 5, 2021 and August 15, 2021 (Ref. Nos.: 2020-01-070536, 2021-01-039655, 2021-01-060337, 2021-01-127782 and 2021-01-065119, respectively).

³ A wholly owned (100%) (indirect) subsidiary of the Partnership.

⁴ As published on August 2, 2021 (Ref. No.: 2021-01-060337).

⁵ Prior to the acquisition, it was wholly owned by Beacon a Blackstone Group company, which held 30.95% of the interests in the Shenandoah oil field.

purpose company called BOEII Exploration LLC., which is a wholly held by the parent company of BOE II.

2. **Letter Agreement** - further to the Partnership's immediate report dated August 2, 2021 (Ref. No.: 2021-01-060337) ("**August 2 Report**") concerning the terms and conditions of the Letter Agreement between ShenHai and Beacon Offshore Energy Development LLC. ("**Beacon**"), on August 23, 2021, an amendment to the Letter Agreement was signed, in which the amendments listed below were made, which conform to the business outline that the Partnership reported under the August 5 Report:

- A. The original closing date, as reported in the August 2 Report, was rescinded and on the FID date, ShenHai sold to Beacon 4.1% of its interests in the Project. In return for the sale ShenHai received an amount of USD 6.3 million in cash, and will be entitled to an additional deferred payment, in the amount of USD 1.5 million, to be paid after commencement of production in the Project, on the date when an appropriate amount will be permitted for distribution under the Financing Agreement.
- B. The second closing date, as set out in the August 2 Report, has been postponed to November 23, 2021. On this date the amount of ShenHai's capital shortfall for holdings of 49% of the Project, will be calculated. If there will be such capital shortfall, ShenHai will sell additional interests to Beacon, equivalent to another 13.37% of the interests in the Project, and this according to the capital shortfall calculation based on the calculation key of USD 11 million per 1% in the Project, and Beacon will deposit surety for the additional interests that it will acquire, if acquired.

The Partnership is working to obtain, by the second closing date, all the financial means required to maintain its holdings in the Project, of 49%.

3. **Changes in Project holdings** - as a result of completion of the sale of interests as set out in section 2.A. above, the holdings in the Project to date are as follows:

ShenHai LLC	49%
BOE II Shen LLC. ⁶	20%
Beacon Offshore Energy Buckskin LLC ⁷	20.05%
BOE II Exploration LLC ⁸	10.95%

4. **Deposit of surety according to the provisions of the JLA** - in accordance with the provisions of the Joint Liability Agreement ("**JLA**"), as reported in the August 2 Report, on August 23, 2021, all Shenandoah Partners deposited surety in cash in a trust account or irrevocable bank credit notes, in an amount equivalent to the difference between the Project financing and the amount of the overall budget. In accordance with the provisions of the JLA and the Letter Agreement, the surety deposited in cash by the Partnership (for ShenHai) amounts to USD 311 million.

⁶ Holding after acquisition by HEQ Deepwater.

⁷ A private company wholly owned by Blackstone Group venture funds.

⁸ A private company wholly owned by Blackstone Group venture funds.

Forward-looking information caveat - The foregoing estimates, including the scope of the budget for the development of the Shenandoah Project and the Partnership's ability to obtain all the means necessary for maintaining its holdings in the Project, constitute forward-looking information as defined in the Securities Law, 1968. The information is based on the assessments of the Partnership and the Shenandoah Project Operator, which are based on diverse factors, including the development plan and the execution schedules, obtaining regulatory approvals, estimated availability of equipment, services, and costs, as well as other factors that are not necessarily under the Partnership's control. The estimates in this Report may not materialize, may materialize partially or in a materially different manner than that expected in this Report, due to changes and/or delays in a variety of factors, including changes in market conditions in general and in the oil sector in particular and/or geopolitical changes and/or changes in operational and technical conditions, and/or due to unforeseen factors related to the exploration, production and marketing of oil and/or as a result of the progress of the Shenandoah Project development until its completion and/or due to a change in the estimated development budget and/or due to developments related to the Shenandoah Project and/or to the Partnership and/or the Partnership's subsidiaries and/or as a result of external factors beyond the control of the Partnership and/or as a result of various factors that cannot be assessed in advance.

Sincerely,

FLR Oil and Gas Management Ltd.,

General Partner of Navitas Petroleum, Limited Partnership

By Chanan Reichman, CEO

Amit Kornhauser, CFO