

Delek Drilling – Limited Partnership
(the “Partnership”)

January 19, 2021

Israel Securities Authority
22 Kanfei Nesharim Street
Jerusalem

The Tel Aviv Stock Exchange Ltd.
2 Ahuzat Bayit Street
Tel Aviv

Dear Sir/Madam,

Re: Engagement in a transmission agreement for the export of gas to Egypt

Pursuant to the provisions of Section 7.13.2(b)2.B. of the Partnership’s 2019 periodic report which was released on March 30, 2020 (Ref. no. 2020-01-032010) (the “**Periodic Report**”) regarding an agreement signed on May 28, 2019 between Noble Energy Mediterranean Limited (“**Noble**”) and Israel Natural Gas Lines Ltd. (“**INGL**”), pertaining to the provision of interruptible transmission services in relation to piping of natural gas from the Leviathan reservoir and Tamar reservoir to EMG’s terminal in Ashkelon for the purpose of export to Egypt (the “**2019 Agreement**”), and regarding the negotiations conducted by the Leviathan project partners (the “**Leviathan Partners**”) and the Tamar project partners (the “**Tamar Partners**”) with INGL for the signing of a transmission agreement on a firm basis, the Partnership respectfully updates that, on January 18, 2021, Noble engaged with INGL in an agreement for the provision of transmission services on a firm basis as aforesaid for the piping of natural gas from the Tamar reservoir and Leviathan reservoir to EMG’s terminal in Ashkelon for its transmission to Egypt (the “**Transmission Agreement**”).

Below is a concise description of the heads of the Transmission Agreement:

- a. In the Transmission Agreement, INGL undertook to provide transmission services for the natural gas to be supplied from the Tamar reservoir and Leviathan reservoir, including maintaining a base capacity in the transmission system in the annual scope of approx. 5.5 BCM (the “**Base Capacity**”). For the transmission services with respect to the Base Capacity Noble shall pay a capacity fee and shall pay for the throughput gas quantity, according to the transmission tariffs that are customary in Israel, as the same will be updated from time to time.¹ INGL also undertook to provide interruptible transmission services for additional gas quantities over and above the Base Capacity, subject to the capacity that will be available in the transmission system. For the transmission of the additional quantities as aforesaid, Noble shall pay a transmission tariff for interruptible transmission services with respect to the throughput quantities. To the best of the Partnership’s knowledge, the transmission system was designed in such manner as to enable transmission of the full contractual quantity set forth in the export agreements.

¹ As of the date of this report, the capacity and piping fee collected by INGL from its customers is approx. 90 *Agorot* per MMBTU. Note that on January 7, 2021, the Natural Gas Authority reported a hearing with respect to reduction of the capacity and piping fee by approx. 5%.

- b. In the Transmission Agreement, Noble undertook to pay for piping of a gas quantity of no less than 44 BCM throughout the entire term of the agreement. In the event that the parties will agree on increasing the Base Capacity, the minimum piping quantity as aforesaid shall be accordingly increased.
- c. The piping of the gas pursuant to the Transmission Agreement shall commence on the date of completion by INGL of the construction of the Ashdod-Ashkelon transmission system section, in accordance with the provisions of the resolution of the Natural Gas Sector Council in relation to the financing of export projects through the Israeli transmission system and allocation of the construction costs of the Ashdod-Ashkelon combined section (see Section 7.24.5(d) of the Periodic Report) (the “**Council’s Resolution**”), in such manner as to enable the piping of the full quantities under the Transmission Agreement (the “**Piping Commencement Date**”). Pursuant to the Transmission Agreement, the Piping Commencement Date is expected to fall in the period between July 2022 and April 2023.
- d. The transmission period pursuant to the 2019 Agreement shall be extended until January 1, 2024 or until the Piping Commencement Date pursuant to the Transmission Agreement, whichever is earlier.
- e. The Transmission Agreement shall expire on the earlier of: (1) The date on which the total throughput quantity will be 44 BCM; (2) After the lapse of 8 years from the Piping Commencement Date; or (3) Upon expiration of INGL’s transmission license. The Partnership estimates that upon expiration of the term of the agreement, the extension thereof at the standard capacity and transmission tariffs of the holder of the transmission license at such time is not expected to be difficult.
- f. Pursuant to the principles set forth in the Council’s Resolution, Noble undertook to pay for the partners’ share (56.5%) of the overall cost of construction of the Ashdod-Ashkelon combined section, which is estimated at ILS 738 million. Noble further undertook to pay ILS 27 million for the partners’ share of the costs of acceleration of the doubling of the Dor-Hagit and Sorek-Nesher sections.
- g. In accordance with the Council’s Resolution, the Leviathan Partners and Tamar Partners shall provide a bank guarantee to secure INGL’s share of the cost of construction of the aforesaid infrastructure, and to cover Noble’s undertaking to pay the capacity and transmission fee.
- h. The Leviathan Partners and Tamar Partners shall bear the costs stated in Section (f) above and shall provide the guarantees stated in Section (g) above at the rates of 69% and 31%, respectively.
- i. The Partnership estimates that its share of the cost of construction of the Ashdod-Ashkelon combined section, the costs of acceleration of the doubling of the Dor-Hagit and Sorek-Nesher transmission system sections, may amount to approx. ILS 165 million.

- j. According to the Transmission Agreement, in the event of discontinuation of the export of natural gas from the Tamar project and Leviathan project to Egypt, Noble shall be entitled to terminate the Transmission Agreement, subject to payment of damages to INGL for the early termination, in the amount equal to 120% of the construction costs of the Ashdod-Ashkelon combined section, together with the costs of acceleration of the doubling of the Dor-Hagit and Sorek-Nesher sections, and net of the amounts paid by Noble until the termination date for such costs of construction and acceleration and for the piping of gas pursuant to the Transmission Agreement. If subsequently to the termination of the Transmission Agreement the export to Egypt will resume, the Transmission Agreement shall be renewed, subject to and in accordance with the capacity which will be available in the transmission system at such time.
- k. The effect of the Transmission Agreement is contingent *inter alia* on the amendment and the addition of the additional sections of the transmission system as aforesaid to INGL's transmission license. If INGL's transmission license is not amended as aforesaid by February 15, 2021, on that date the Transmission Agreement shall be null and void, unless the parties agree otherwise.
- l. Concurrently with the signing of the Transmission Agreement, Noble, the Partnership and the other Leviathan Partners and the Tamar Partners signed a back-to-back services agreement, determining that the Leviathan Partners and the Tamar Partners shall be entitled to transport gas (through Noble) pursuant to the Transmission Agreement, and shall also be liable for the fulfillment of Noble's undertakings under the Transmission Agreement, such that the Leviathan Partners and the Tamar Partners will be deemed to have been party to the Transmission Agreement in lieu of Noble, each according to its share as set forth in the capacity allocation agreement between the Leviathan Partners and the Tamar Partners, as specified in Section 7.26.5(c) of the Periodic Report. The services agreement further determines that the Base Capacity retained in the transmission system for Noble, shall be allocated between the Leviathan Partners and the Tamar Partners according to the rates specified in Section (h) above and in accordance with the order set forth in the capacity allocation agreement. The aforesaid notwithstanding, the Leviathan Partners and the Tamar Partners shall bear a capacity fee in the fixed ratio of 69% (the Leviathan Partners) and 31% (the Tamar Partners), other than in the event that a party (the Leviathan Partners or the Tamar Partners, as the case may be) shall have used the other party's share of available capacity.

Caution regarding forward looking information:

The estimations above with respect to the costs of construction of the Ashdod-Ashkelon combined section, the costs of acceleration of the doubling of the Dor-Hagit and Sorek-Nesher sections, the gas transmission costs, the Piping Commencement Date, the quantities that may be piped pursuant to the Transmission Agreement, and the estimation regarding the possibility of extension of the Transmission Agreement, constitute forward looking information within its meaning in the Securities Law, 5728-1968, regarding which there is no certainty that it will be realized, in whole or in part, and it may be realized in a significantly different manner due to various factors, including non-fulfillment of the

conditions precedent in the Transmission Agreement, delays and faults in the construction of the transmission system sections, actual construction costs that are different from the estimated costs, non-receipt of the required regulatory approvals, changes in the transmission tariffs which apply in Israel and additional factors beyond the Partnership's control.

The partners in the Leviathan project and their holding rates are as follows:

The Partnership	45.34%
Noble	39.66%
Ratio Oil Exploration (1992), Limited Partnership	15.00%

The partners in the Tamar project and their holding rates are as follows:

Isramco Negev 2, Limited Partnership	28.75%
Noble	25.00%
The Partnership	22.00%
Tamar Petroleum Ltd.	16.75%
Dor Gas Exploration, Limited Partnership	4.00%
Everest Infrastructures, Limited Partnership	3.50%

Sincerely,

Delek Drilling Management (1993) Ltd.

The General Partner in Delek Drilling – Limited Partnership

By Yossi Abu, CEO

Saar Prag, Natural Gas Trade Manager