

**Delek Drilling - Limited Partnership**  
**(the "Partnership")**

July 8, 2018

Israel Securities Authority  
22 Kanfei Nesharim St.  
Jerusalem

Tel Aviv Stock Exchange Ltd.  
2 Ahuzat Bayit St.  
Tel Aviv

Dear Sir/Madam,

Re: **Date of Recovery of the Investment in the Tamar Project –**  
**Authorization of the Audit Committee**

Further to the provisions of Section 7.25.2(b)(1) of the Partnership's periodic report as of December 31, 2017 which was released on March 21, 2018 (ref. no.: 2018-01-022209) regarding calculation of the date of recovery of the investment in the Tamar project for the purpose of determination of the date of commencement of payment of royalties to Delek Group Ltd., Delek Energy Systems Ltd. and Delek Royalties (2012) Ltd. (collectively: the "**Royalty Holders**") at the rate of 6.5% (in lieu of a rate of 1.5%) (the "**Date of Investment Recovery**"), the Partnership respectfully updates as follows:

- a. Before the board meeting of July 8, 2018, a report was circulated among the board members which was prepared per the request of the Partnership's supervisor by an external economic consultant (the "**Consultant**" and the "**Consultant's Report**", respectively). The Consultant's Report summarizes checks performed by the Consultant with respect to a calculation of the Date of Investment Recovery which was included in a draft calculation report which was prepared by the Partnership, according to which the Date of Investment Recovery was in December 2017 (the "**Draft Calculation**").
- b. The main issue mentioned in the Consultant's Report is the handling of the levy on gas and petroleum profits by virtue of the Taxation of Profits from Natural Resources Law, 5771-2011, with respect to which the Consultant stated, *inter alia*, that his conclusions do not necessarily represent flaws in the Draft Calculation and are subject to a legal and economic interpretation of the royalties agreement. It is further noted that, as of such date, the auditors' audit report with respect to the Draft Calculation has not yet been completed, and the position of the Royalty Holders with respect thereto has not yet been received.
- c. In view of the fact that the Royalty Holders include the Partnership's control holders, the board has decided to empower the audit committee (which comprises outside and independent directors only) to handle this issue, and in this context to examine issues that arise from the Consultant's Report, to inquire into the various issues vis-à-vis the Royalty Holders and to take any other action, as the committee deems fit, at its discretion, all according to the best interests of the Partnership. According to the board's decision, the audit committee will be authorized to retain the services of outside and

independent professional consultants, at its discretion and at the expense of the Partnership, for the purpose of obtaining legal and economic advice for the process and to determine the terms of compensation of the said consultants. The audit committee has been asked to formulate its recommendations on the issue and to present them to the board.

Sincerely,

**Delek Drilling Management (1993) Ltd.**  
**General Partner of Delek Drilling - Limited Partnership**  
By Yossi Gvura, Deputy CEO  
and Sari Singer Kaufman, General Counsel, VP