Delek Drilling - Limited Partnership
(the "Partnership")

February 22, 2018

Israel Securities Authority
22 Kanfei Nesharim St.
Jerusalem

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

Dear Sir/Madam,

Re: **Engagement in Agreements for the Supply of Natural Gas from the Tamar Project and from the Leviathan Project to Israel Chemicals Ltd.**

Further to the provisions of Section 7.14.1 of the Partnership's periodic report as of December 31, 2016, as released on March 23, 2017 (ref. no.: 2017-01-023917) (the "**Periodic Report**"), regarding the holding of negotiations of the partners in the Leviathan project and in the Tamar project, including the Partnership (the "**Leviathan Partners**" and the "**Tamar Partners**", respectively) for the marketing of natural gas and condensate to potential consumers in the local market, and to the provisions of Section 7.25.1 of the Periodic Report regarding government resolution no. 476 of August 16, 2015 (which was readopted on May 22, 2016) regarding the framework for increasing the quantity of natural gas produced from the Tamar natural gas field and swift development of the Leviathan, Karish and Tanin natural gas fields and other gas fields (the "**Gas Framework**"), the Partnership hereby respectfully announces as follows:

On February 21, 2018, an agreement was signed for the supply of natural gas between the Leviathan Partners and Israel Chemicals Ltd. (the "**Buyer**"), whereby the Buyer will buy from the Leviathan Partners natural gas for the purpose of operating the Buyer's facilities and facilities of companies affiliated with the Buyer, and for the purpose of operating a power plant which the Buyer plans to build (the "**Supply Agreement**").

The term of the Supply Agreement will commence on the date of the gas flow in commercial quantities from the Leviathan project and shall end on September 1, 2020 (the "**First Agreement Period**").

As the Leviathan Partners have been informed by the Buyer, the Buyer has engaged in an agreement for the purchase of natural gas from the I/16 Tanin and I/17 Karish leases (the "**Tanin Karish Agreement**" and the "**Tanin and Karish Reservoirs**", respectively). Therefore, in accordance with the provisions of the Gas Framework and the instructions of the Antitrust Authority, the Leviathan Partners and the Buyer have agreed that in the case of a delay in the date of commencement of commercial production from the Tanin and Karish Reservoirs, the term of the agreement shall automatically be extended by additional periods of six months each, until the date of commencement of commercial production from the Tanin and Karish Reservoirs or until December 31, 2025, whichever is earlier. In addition, it was determined that the

Buyer will be entitled to notify the Leviathan Partners of termination of the Supply Agreement at the end of each of the extension periods as aforesaid. The Supply Agreement further determined that if the Tanin Karish Agreement is terminated, the term of the Supply Agreement will automatically be extended until December 31, 2025.

The Leviathan Partners undertook to supply to the Buyer an annual quantity of approx. 0.38 BCM (billion cubic meters) of natural gas, in accordance with the terms and conditions specified in the Supply Agreement. The Buyer undertook to take or pay for a minimum annual quantity of gas at the scope and according to the mechanism set forth in the Supply Agreement (the "**Minimum Annual Quantity**").

The Supply Agreement also determines a mechanism for increasing the quantity of gas that will be supplied to the Buyer up to an annual quantity of approx. 0.76 BCM. If the additional quantity is supplied on a firm basis, the Minimum Annual Quantity will increase accordingly (the "**Additional Annual Quantity**").

The Supply Agreement determines that the gas price shall be linked in part to the Brent oil barrel price and in part to the electricity production tariff, as determined from time to time by the Electricity Authority and includes a "floor price".

The Partnership estimates that the aggregate revenues from the sale of natural gas to the Buyer (in relation to 100% of the rights in the Leviathan project), based on the Partnership's estimate with respect to the price and quantity of the natural gas that shall be purchased by the Buyer, may amount to up to approx. U.S. $65 million per year. It is noted that in the event that the Additional Annual Quantity is purchased, the aggregate revenues will increase up to approx. U.S. $130 million per year. It is clarified that the actual revenues will derive from a gamut of factors, including the natural gas price, the gas quantities that shall actually be purchased by the Buyer, the date of commencement of gas flow in commercial quantities from the Leviathan project, the date of commencement of commercial production from the Tanin and Karish Reservoirs, the electricity production tariff and the Brent oil barrel price.

It is further noted that at the same time as the signing of the Supply Agreement, an agreement was signed for the supply of natural gas between the Tamar Partners and the Buyer (the "**Tamar Agreement**"), whereby the Buyer shall purchase natural gas from the Tamar Partners in similar quantities to the quantities set forth in the Supply Agreement. The supply period under the Tamar Agreement will commence on February 1, 2018 and end on September 1, 2020, with the Tamar Agreement also determining a similar mechanism for extension of the agreement until commencement of the gas flow from the Tanin and Karish Reservoirs as aforesaid. In view of the Tamar Agreement's being an agreement on an interruptible basis, and in view of the backlog from the Tamar project, the Tamar Agreement is not material to the Partnership.

<u>Caution concerning forward-looking information:</u>
The above estimates with respect to the total financial scope of the Supply Agreement and the quantity of natural gas that shall be purchased constitute forward-looking information, within the meaning thereof in the Securities Law, 5728-1968, which there is no certainty will materialize, in whole or in part, and which may materialize in a materially different manner, due to various factors including due to changes in the quantity, the pace and the timing of consumption of the natural gas by the Buyer, the

gas price that shall be determined in accordance with the formula set forth in the agreements, the electricity production tariff, changes in the Brent oil barrel price, etc.

<u>The partners in the Leviathan project and their holding rates are as follows:</u>

Noble Energy Mediterranean Ltd.	39.66%
Delek Drilling - Limited Partnership	45.34%
Ratio Oil Exploration (1992), Limited Partnership	15.00%

<u>The partners in the Tamar project and their holding rates are as follows:</u>

Noble Energy Mediterranean Ltd.	32.50%
Isramco Negev 2, Limited Partnership	28.75%
Delek Drilling – Limited Partnership	22.00%
Tamar Petroleum Ltd.	9.25%
Dor Gas Exploration, Limited Partnership	4.00%
Everest Infrastructures, Limited Partnership	3.50%

Sincerely,

Delek Drilling Management (1993) Ltd.
General Partner of Delek Drilling - Limited Partnership

By Yossi Abu, CEO
Yossi Gvura, Deputy CEO