

Delek Drilling - Limited Partnership
(the “Partnership”)

July 27, 2021

Israel Securities Authority
22 Kanfei Nesharim St.
Jerusalem
Via Magna

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

Dear Sir/Madam,

Re: **Immediate Report**

The Partnership hereby respectfully reports as follows:

1. On July 26, 2021, Delek Group Ltd., the control holder of the Partnership (“**Delek Group**”), released a notice whereby it is exploring the possibility of offering Series II bonds by way of expansion of a series and the listing thereof on the Tel Aviv Stock Exchange Ltd. It is clarified that the Partnership is not a party to such offering and has not taken part in the structuring of the offering or the terms and conditions thereof.
2. In view of Delek Group’s notice and per its request, the Partnership respectfully includes herein several updates regarding the Partnership’s business. The updates presented below relate to the section numbers in Chapter A (Description of the Partnership’s Business) of the Partnership’s periodic report for 2020, as released on March 17, 2021 (Ref. no.: 2021-01-036588) (the “**Periodic Report**”), unless stated otherwise:

2.1. **Section 7.8.2 of the Periodic Report – Actual and planned work plan in the Tanin and Karish leases**

During the months of May-July 2021, letters were exchanged between Energean Oil and Gas Plc. (“**Energean**”) and the Partnership in connection with the Partnership’s demand for payment of the balance of the consideration for the debt component in the sum of approx. \$65 million (not including interest) in a single and immediate payment, in accordance with the terms and conditions of the agreement for the sale of the interests in Karish and Tanin. As of the date of the report, the Partnership is considering filing a claim against Energean on the matter.

2.2. **Section 7.11.4 of the Periodic Report – Engagements for the supply of natural gas**

On July 4, 2021, the Leviathan partners signed a framework agreement with the IEC for the supply of natural gas on an interruptible basis (SPOT) for a period of one year, according to a price to be agreed between the parties from time to time. The agreement does not obligate the parties to purchase or sell any quantities of natural gas, and each party may terminate the agreement at any time.

2.3. **Section 7.11.6(d) of the Periodic Report – Supply of condensate from the Leviathan reservoir**

On June 14, 2021, Chevron Mediterranean Limited (“Chevron”)¹ signed a non-binding MOU with Petroleum & Energy Infrastructures Ltd. (“PEI”), which defines the division of the responsibility between Chevron and PEI in a project for the construction and operation of a designated infrastructure for the piping of condensate from the Leviathan platform to storage containers on the site of the Orot Rabin power plant, which will be rented for this purpose, and the loading thereof onto tankers. It is clarified that performance of the project described above is subject to the signing of a binding agreement between the parties, the signing of an agreement between PEI and the IEC regarding the use of areas on the power plant’s site, and receipt of regulatory approvals insofar as required.

2.4. **Section 7.12.2(c) of the Periodic Report – Liquefied natural gas (LNG)**

- a. On June 4, 2021, the Leviathan partners notified Golar LNG Limited that they had decided not to extend the agreement signed with them.
- b. On July 6, 2021, the Leviathan partners and Exmar NV signed an amendment and an addendum to the agreement signed between them in order to extend the agreement and continue to develop the collaboration between them.

As of the date of the report, the Leviathan partners are continuing to promote the construction and operation of the FLNG facility for the Leviathan project, which will be positioned in Israel’s EEZ, including receipt of the necessary regulatory approvals.

2.5. **Section 7.22.6 of the Periodic Report - Material legal or administrative proceedings in connection with the environment**

On June 6, 2021, notice was received from the Ministry of Environmental Protection of an intention to impose on Chevron an administrative sanction pursuant to the Clean Air Law in the sum of ILS 914,200, due to an incident of activation of a flare which occurred on October 17, 2020, during which gases were ostensibly diverted to flares and were not burned (cold venting). The Ministry of Environmental Protection is claiming two violations of the emission permit for the Leviathan platform, including the absence of a pilot flame for the burning of the gases and a malfunction in the pilot flame’s indication sensor, but it announced that it intends to impose one sanction in respect thereof only. Chevron delivered its response to the notice on July 6, 2021. The final decision of the Ministry of Environmental Protection regarding this sanction has not yet been issued, and there is no set timeframe for the issuance of such a decision.

¹ On June 27, 2021, Noble Energy Mediterranean Ltd., the operator of the Leviathan and Tamar projects, notified the Partnership that from June 28, 2021, its name would officially be changed to Chevron Mediterranean Limited.

2.6. **Section 7.23 of the Periodic Report – Restrictions on and supervision of the Partnership’s activity**

- a. Further to Section 7.23.1(b)(2) of the Periodic Report and Section 9 of the Q1 report as of March 31, 2021, as released on May 19, 2021 (Ref. no.: 2021-01-086418), regarding the Partnership’s engagement in a non-binding MOU with investors headed by Mubadala Petroleum for the sale of the Partnership’s interests at the rate of 22% in the Tamar project to a company owned by Mubadala Petroleum, it is noted that as of the date of this report, the Partnership is continuing to conduct advanced negotiations with Mubadala Petroleum and with another foreign potential buyer, with the aim of signing a binding sale agreement with one of the parties in the near future.
- b. Further to Section 7.23.5(a) of the Periodic Report with respect to the government resolutions on adoption of the recommendations of the committees for examination of the government’s policy in the natural gas sector, it is noted that in government resolution no. 465 of October 25, 2020, which concerns promotion of renewable energies, the second amendment to government resolution no. 442 of June 23, 2013 was approved, in which it was decided that the government will examine already during 2021 the restrictions on the permitted export quotas with the aim of increasing them, and on June 21, 2021, the Ministry of Energy published, for public comment, the interim report of the professional team for a second periodic examination of the recommendations of the Committee for Examination of the Government’s Policy in the Natural Gas Sector in Israel (the “**Interim Report**”). The Interim Report states, *inter alia*, that:
 - The Committee focused on examining the policy for encouragement and development of the natural gas sector in Israel, examination and analysis of natural gas supply and demand based on the guaranteed quantity for the domestic market and the requirement for minimum supply to the domestic market, and consequently an economic examination of the benefit of export of natural gas and the necessary adjustments for reduction of the restrictions on the export of natural gas.
 - The Interim Report prescribes that it is necessary to reexamine the export policy, particularly with respect to restrictions of the quantity reserved for the domestic market (the requirement for minimum and total supply). The professional team emphasizes that if no change is made to this policy, there is a good chance that the natural gas resources in Israel will not be exhausted which will lead to a significant loss of revenues for the State.
 - The report further prescribes that the regulation on export in Israel is onerous relative to other countries, and that the working assumption needs to be that sale of natural gas has a ‘window of opportunity’ of around 2-2.5 decades. Therefore, it is necessary to promptly exhaust the existing potential for making additional discoveries. The Interim Report prescribes that it is necessary to promote adaptation of the regulation

such that it supports and encourages export of natural gas, as well as to reexamine the requirements regarding the requirement for minimum and total supply from each reservoir.

In the Partnership's estimation, the Interim Report may lead to removal of barriers and restrictions in relation to the possibility of exporting natural gas.

- c. Further to Section 7.23.5(g) of the Periodic Report regarding the proposed targets for reduction of emissions in the energy sector in 2050, it is noted that on July 23, 2020, the Ministry of Environmental Protection reported that the government was expected to approve a decision setting a national target for 2050 for reduction of emissions of greenhouse gases by at least 85% relative to Israel's emissions in 2015. The decision also determines an interim target for 2030 of a reduction of 27% in emissions. It was further determined that the Minister of Energy would work on determining targets for renewable energy for 2050 within 12 months from approval of the decision as aforesaid and determining a mechanism whose purpose is to ensure that the government's policy is in conformance with the national climate targets of Israel and efficient and low-carbon development of the economy.

2.7. **Section 7.26 of the Periodic Report – Legal proceedings**

On May 3, 2021, Haifa Port Co. Ltd. ("**Haifa Port**") filed a claim against Chevron, Coral Maritime Services Ltd. ("**Coral**") and Gold Line Shipping Ltd. ("**Gold Line**") in the sum of approx. ILS 77 million. According to Haifa Port, direct unloading of cargos in the area of the Leviathan platform, as was done by Chevron, without first unloading such cargos at one of Israel's ports, is unlawful and was done so as to evade making mandatory payments to the port, and the port was thus caused financial loss. The complaint claims that from July 2018 forth, Chevron performed direct unloading as aforesaid, while declaring to the tax authorities that Haifa Port was the 'unloading port', even though the cargos that were unloaded did not pass through Haifa Port in practice. The claim against the companies Coral and Gold Line is that they acted, at the relevant times, as the shipping agents for Chevron, which imposes on them, so Haifa Port claims, a duty to pay the handling fees on Chevron's behalf. The proceeding is at a preliminary stage, and no answer has yet been filed in the context thereof. A pretrial in the proceeding has been scheduled for November 28, 2021.

2.8. **Section 7.27 of the Periodic Report – Business strategy and targets**

Further to Section 7.27.8 of the Periodic Report regarding promotion of an amendment to the TASE Rules, which will allow oil and gas partnerships to incorporate into their activity projects in the field of renewable energies, by TASE and the ISA, it is noted that on June 20, 2021, the resolution of TASE's

board of directors of June 17, 2021² was published, whereby such amendment was approved.

Sincerely,

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

By Yossi Abu, CEO
Yossi Gvura, Deputy CEO

² <https://mayafiles.tase.co.il/reports/1379001-1380000/E1379650.pdf>.