<u>Delek Drilling – Limited Partnership</u>
<u>(the "**Partnership**")</u>

February 19, 2018

To:	To:
Israel Securities Authority	Tel-Aviv Stock Exchange Ltd.
22 Kanfey Nesharim St.	2 Ahuzat Bayit St.
<u>Jerusalem</u>	<u>Tel-Aviv</u>

Dear Sirs,

Re: **<u>Signing of Agreements for Export of Natural Gas to Egypt</u>**

Further to Articles 7.13.5-7.14.2(a)(2)(c) of the Partnership's Periodic Report dated,31.12.2015 which was published on 23.3.2017 (reference number 2017-01-023917) (hereinafter: the "**Periodic Report**"), regarding, *inter alia*, the existence of contacts and/or negotiations between the partners in the Tamar project and the Leviathan project, including the Partnership, with various parties regarding the export of natural gas via pipeline to Egypt, the Partnership hereby informs as follows:

On February 19, 2018, two agreements were signed between the Partnership and Noble Energy Mediterranean Ltd. (hereinafter: "**Noble**", and together with the Partnership, the "**Sellers**") and Dolphinus Holdings Limited (hereinafter: the "**Buyer**") for export to Egypt (hereinafter: the "**Export Agreements**").

<u>A.</u> <u>The agreement for export of natural gas from the Leviathan project</u>:

In the Export Agreement intended to be based on the supply of gas from the Leviathan project (hereinafter: the "**Leviathan Agreement**"), the supply of gas to the Buyer will be on a firm basis. The Sellers have undertaken to supply to the Buyer an annual quantity of approximately 3.5 BCM, and the Buyer has undertaken to take or pay for a minimum annual quantity in accordance with the mechanism stipulated in the agreement. The total contract quantity of gas set out in the Leviathan Agreement is approximately 32 BCM. The Partnership estimates that the total revenue from the sale of natural gas to the Buyer under the Leviathan Agreement may reach US$7.5 billion with respect to all of the Leviathan partners.

The Leviathan Agreement was executed further to the memorandum of understanding entered into between the Leviathan partners and the Buyer on 24.11.2015, as described in Article 7.13.5(B)(3) of the Periodic Report.

<u>B.</u> <u>The agreement for export of natural gas from the Tamar project:</u>

In the Export Agreement intended to be based on the supply of gas from the Tamar project (hereinafter: the "**Tamar Agreement**"), the supply of gas to the Buyer will initially be on an interruptible basis. In the Tamar Agreement, the Sellers are given the option to notify the Buyer that the supply of gas (all or part thereof) in accordance with the Tamar Agreement (all or part thereof) will be on a firm basis (hereinafter: the "**Option**"). The Option may be exercised by the Sellers, in whole or in parts, during the period from July 2020 until December 2021, or during any other period as may be agreed by the parties.

Upon exercise of the Option, the Sellers will be obligated to supply the Buyer an annual quantity of up to approximately 3.5 BCM (according to the quantity regarding which the Option was exercised) and the Buyer undertook to take or pay for a minimum annual quantity of natural gas in accordance with the mechanism stipulated in the agreement. The total contract quantity of gas set out in the Tamar Agreement is approximately 32 BCM. The Partnership estimates that the total revenue from the sale of natural gas to the Buyer under the Tamar Agreement may reach US$7.5 billion with respect to all of the Tamar partners.

The Tamar Agreement, which is for a significantly larger scope than the existing agreement signed between the Tamar Partners and the Buyer on 17.3.2015, as described in Article 7.13.5(A)(2) of the Periodic Report, and is intended to replace the aforesaid agreement.

The price of the gas to be supplied under both of the Export Agreements will be set by a price formula linked to the price of Brent oil barrel. The Partnership estimates that the total revenues from the both Tamar and the Leviathan Agreements may reach US$15 billion. The above estimation is based on the assumption that the Buyer will consume the total contract quantity set out in each of the Export Agreements, as well as the Partnership's estimation regarding the price of the natural gas during the term of the agreements. It should be clarified that the actual revenues will depend upon a variety of factors, including the quantities of gas actually purchased by the Buyer and the Brent prices at the time of the sale.

The Sellers intend to assign the Export Agreements to the other partners in the Tamar Project and the other partners in the Leviathan project or to enter into agreements with said partners, in accordance with the terms of the Export Agreements, in order to enable the supply of natural gas from the Tamar reservoir and the Leviathan reservoir (respectively), to the Buyer.

The Sellers and the Buyer are evaluating various potential options for transporting the gas to Egypt including using the Pan Arabian pipeline via Jordan and/or entering of the Sellers into negotiations with EMG and all or part of its shareholders for the transportation of gas via the existing EMG pipeline to Egypt. furthermore, the Sellers are also evaluating the option for an additional on-shore pipeline connecting the Israeli gas grid and Egypt.

The supply of gas under the Tamar Agreement is expected to begin once the infrastructure for the delivery of natural gas to Egypt is operational and from Leviathan upon commencing of production from the Leviathan reservoir, and are expected to continue until the earlier of the supply of the total contract quantity as set out in each of the Export Agreements, or December 2030.

The Export Agreements include a number of conditions precedent, of which the key conditions are the receipt of regulatory approvals in Israel and in Egypt (including receipt of permits for the import and export of gas as aforementioned), entering into arrangement that will enable the transportation of gas to Egypt, including the signing of required transportation agreements between the Sellers and INGL (if required), the receipt of guarantees for the benefit of the Sellers as required by the Export Agreements, and the receipt of approvals from the Israeli tax authorities regarding the Export Agreements.

To the best of the Partnership's knowledge, the Buyer, is a gas trading company intending to supply current and potential large-scale gas consumers in Egypt.

It is clarified that there is no certainty that the sale of the gas to the Buyer according to the Export Agreements will occur, and this due to the non-fulfilment of the conditions precedent to the Export Agreements, all or any part thereof.

Forward Looking Information Warning:

The abovementioned estimations regarding the gas transportation alternatives, total monetary scope of the Export Agreements and the quantities of gas that the Buyer will purchase constitute Forward Looking Information as such term is defined in the Securities Law-1968, and there is no certainty regarding their realization, in whole or in part, and any realization may be in a materially different manner, and this due to various factors including non-fulfillment of the conditions precedent in either one of the Export Agreements, non-receipt of regulatory approvals, changes in the scope, pace and timing of natural gas consumption by the Buyer, changes in the gas price due to changes in the Brent price, the exercise of the Option in the Tamar Agreement (if and insofar as it is exercised), the date of exercise of the Option and the scale of its exercise.

The partners in the Leviathan Project and their interests are as follows:

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

The partners in the Tamar Project and their interests are as follows:

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%

Respectfully,

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

By: Yossi Abu, CEO
Yossi Gvura, Deputy CEO