

**Delek Drilling – Limited Partnership**  
(the “Partnership”)

March 18, 2019

Israel Securities Authority  
22 Kanfei Nesharim St.  
Jerusalem

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

**Re: Update regarding the 367/Alon D License**

Further to the provisions of Section 7.7 of the Partnership’s periodic report for 2017 which was released on March 21, 2018 (ref. no.: 2018-01-022209) (the “**Periodic Report**”) regarding the 367/Alon D license (the “**Alon License**” or the “**Petroleum Asset**”), the Partnership respectfully updates as follows:

1. As of the date of the report, the holders of the rights in the Alon License are the Partnership (approx. 52.94%) and Noble Energy Mediterranean Ltd. (approx. 47.06%), which acts as operator of the license (“**Noble**”).
2. Recently, Noble informed the Partnership that it wishes to retire from the exploration activity in the Petroleum Asset and to waive its rights therein.
3. As a result of the aforesaid, the Partnership has reached an agreement with Noble whereby Noble shall transfer rights at a rate of 25% (out of 100%) in the Petroleum Asset to another operator which shall step into Noble’s shoes, as the Partnership shall decide, without any consideration (the “**Operator’s Rights**”)<sup>1</sup>, and its remaining rights at the rate of 22.059% (out of 100%) shall be transferred by Noble to the Partnership, also without any consideration.
4. On March 5, 2019 and March 17, 2019, and after several potential operators which were approached by the Partnership displayed no interest in the proposal to act as operator of the Alon License, the Audit Committee and the Board of the General Partner approved, respectively, the Partnership’s engagement with Ithaca Energy Inc. (“**Ithaca**”)<sup>2</sup>, a company wholly owned by Delek Group Ltd., in a transaction whereby Ithaca will be appointed as operator of the Petroleum Asset according to the Joint Operating Agreement (JOA) which currently applies, and shall receive, in a transfer from Noble, the Operator’s Rights as stated in Paragraph 3 above, all subject to receipt

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<sup>1</sup> It is noted that according to the Petroleum Regulations (Principles of Action for Offshore Oil Exploration and Production), 5777-2016 and the directives published by the Petroleum Commissioner at the Ministry of Energy (the “**Commissioner**”), one of the conditions for holding an offshore petroleum asset is that one of the partners in the petroleum asset, which holds at least 25% of the rights therein, is an “operator”, as defined in the said regulations, who has been approved by the Commissioner. Therefore, if, at the time of Noble’s retirement from the Alon License, no operator is found that shall step into its shoes and hold at least 25% of the rights in the Alon License, grounds may exist for revocation of the license.

<sup>2</sup> Ithaca is a company that was incorporated in Canada in 2004, and engages in the field of oil and gas exploration, production and sale in several petroleum assets which are located in the area of the North Sea, in the territorial waters of Britain, and acts as operator in some of the said assets. In June 2017, Delek Group Ltd., the control holder of the Partnership, closed the purchase of the entire share capital of Ithaca. It is noted that Ithaca intends to approach the Commissioner for receipt of his confirmation that it meets the conditions for recognition thereof as operator of an offshore petroleum asset.

of all of the necessary approvals, including the Commissioner's approval, the approval of the Competition Authority (insofar as required) and the approval of the general meeting of the holders of the Partnership's units (the "**Meeting**"), pursuant to the provisions of Section 65YY of the Partnerships Ordinance [New Version], 5735-1975, as an irregular transaction of the Partnership with the control holder thereof (the "**Transaction**").

5. Further details regarding the Transaction, including the reasoning of the Audit Committee and the Board for approval thereof, shall be specified in the notice of meeting report that the Partnership intends to release, pursuant to law.

**Below is a specification of the holding rates of the partners in the Alon License, as of the date of this report:**

Delek Drilling – Limited Partnership	52.941%
Noble Energy Mediterranean Ltd.	47.059%

**Below is a specification of the holding rates of the partners in the license, assuming that the Transaction is closed:**

Delek Drilling – Limited Partnership	75.00%
Ithaca Energy Inc.	25.00%

Sincerely,

**Delek Drilling Management (1993) Ltd.**  
**General Partner of Delek Drilling - Limited Partnership**  
 By Yossi Abu, CEO  
 and Yossi Gvura, Deputy CEO