

Delek Drilling - Limited Partnership

(the "Partnership")

October 14, 2020

Israel Securities Authority
22 Kanfei Nesharim Street
Jerusalem

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

Dear Sir/Madam,

Re: **Update on the nullification of the veto right over decisions regarding natural gas marketing from the Tamar reservoir**

Further to the immediate report of the Partnership dated September 7, 2020 (Ref. no.: 2020-01-189191), regarding the dispute between the Partnership and Noble Energy Mediterranean Ltd. ("Noble") and the other partners in the Tamar project (the "**Other Partners**") over the marketing of natural gas from the Tamar reservoir¹, and the announcement of the Competition Authority, according to which the Partnership and Isramco Negev 2, Limited Partnership, are required to act for the nullification of the veto right held thereby, the Partnership hereby respectfully updates that on October 13, 2020, the Partnership notified the Competition Authority as follows:

1. The Partnership will not object alone to decisions or acts regarding the marketing of natural gas to be produced from Tamar. The Partnership, in its own independent decision, will be able to join, *ad hoc*, a consent or refusal of one of the partners with respect to a decision or act in the Tamar project, provided that such joining is not made under a framework agreement, an agreed collaboration or for consideration. It is further clarified that the Partnership will not be able to join a demand of a Tamar partner to receive a price which is higher than the Other Partners for marketing its share in Tamar.
2. The Partnership will not be able to demand or receive compensation (in advance or post factum) for its consent to a decision or act for gas marketing, whether the demand is made thereby or made by another. Even if there is a decision, in the context of which a partner receives compensation, the Partnership will neither be able to demand such compensation, nor condition its consent to an act or decision by demanding such compensation.

It is stated that the Partnership, as well as each one of the partners in the Tamar reservoir, has the right, pursuant to the Joint Operation Agreement (JOA) to notify the Other Partners, at any time, of its wish to transition to a mechanism of separate marketing of natural gas from the reservoir. In view of the above and further to the foregoing, the Partnership contacted the Other Partners in a request to start, as soon as

¹ For additional details regarding this dispute, see Section 7.12.4(a)(4)(U) of the periodic report as of December 31, 2019, as released on March 30, 2020 (Ref. no. 2020-01-089191) (the "**Periodic Report**"), Section 9 of the Q1 report as of March 31, 2020, as released on June 28, 2020 (Ref. no.: 2020-01-058762) and Section 5 of the Q2 report as of June 30, 2020, as released on August 20, 2020 (Ref. no.: 2020-01-091527).

practicable, with discussions for formulating principles for separate marketing of natural gas from the Tamar reservoir, in accordance with the mechanisms set forth in the JOA.

Moreover, further to the immediate report of the Partnership dated October 5, 2020 (Ref. no.: 2020-01-108018) regarding the agreement signed between the Israel Electric Corporation Ltd. and the Other Partners (the “**Agreement**”), it is clarified that the position of the Partnership, based on its legal counsel, is that the Agreement does not constitute an addendum to or part of the agreement for natural gas supply from the Tamar reservoir to the Israel Electric Corporation Ltd.², but rather a new agreement that constitutes a breach of the agreement for natural gas supply from the Leviathan reservoir to the Israel Electric Corporation Ltd.³ The Partnership and Noble have notified the Other Partners that they will not be joining the Agreement. As of the date of this report, the Partnership is examining legal and commercial possibilities regarding the aforesaid Agreement and their potential effect.

The partners in the Tamar project, and their holding rates are as follows:

Isramco Negev 2, Limited Partnership	28.75%
Noble Energy Mediterranean Ltd.	25.00%
Delek Drilling, Limited Partnership	22.00%
Tamar Petroleum Ltd.	16.75%
Dor Gas Exploration, Limited Partnership	4.00%
Everest Infrastructures, Limited Partnership	3.50%

Sincerely,

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

By:

Yossi Abu, CEO

And Yaniv Friedman, Deputy CEO

² For details on this Agreement, see Section 7.12.4(a)(4) of the Periodic Report.

³ For details, see Section 7.12.4(b) of the Periodic Report.