

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

Dear Sir/Madam,

Re: Examination of a Potential Restructuring

The Partnership hereby respectfully updates as follows:

1. On March 17, 2019, the general partner’s board of directors decided to instruct the Partnership’s management to examine and promote a plan for the splitting of the Partnership’s assets (the “**Split**”), which is expected, in the Partnership’s estimation, to unlock significant value for all of the holders of the Partnership’s participation units (the “**Participation Unit Holders**”).
2. The split plan that is being examined includes, as of now, *inter alia*, the following main stages: (a) all of the Partnership’s assets and liabilities, primarily the Leviathan and Aphrodite reservoirs, with the exception of the assets and liabilities that are attributed to the Tamar and Dalit leases, shall be transferred to a foreign SPC to be established by the Partnership (the “**New Corporation**” and the “**Transferred Assets and Liabilities**”); (b) all of the New Corporation’s shares shall be distributed by the Partnership as a distribution in kind to the Participation Unit Holders, as being on the record date for the distribution; and (c) the New Corporation’s shares shall be listed on the main stock exchange in London (Main Market), and consideration shall be given also to the possibility of listing them concurrently in Israel.

On the date of completion of the Split, the Participation Unit Holders shall continue to hold the Partnership, which shall hold, after the Split, the assets and liabilities attributed to the Tamar and Dalit leases, and in addition, the Participation Unit Holders shall hold, at identical rates, shares in the New Corporation which shall hold, after the Split, the Transferred Assets and Liabilities.

3. In the Partnership’s estimation, the split plan is expected to unlock significant value for the Participation Unit Holders, *inter alia* due to exposure to a new and extensive international investing public which may lead to an increase in the volume of trade in the securities, improved access to international financing sources, and achievement of greater flexibility with respect to the expansion of activity in Israel’s neighboring countries.
4. In addition, the Split may provide another alternative for the implementation of Government Resolution no. 476 regarding the Gas Framework, such that the

Participation Unit Holders who are not in the Partnership's control group will be able to continue to hold (through the Partnership) interests in the Tamar and Dalit leases, subject to the control holder selling to third parties its holdings in the general partner and in the Partnership.

5. In the board's resolution, the Partnership's management was authorized to examine and promote the gamut of aspects pertaining to the Split plan and the performance thereof, including: the manner of treatment of the Partnership's liabilities; examination of the conditions to listing shares of the New Corporation on the main stock exchange in London (Main Market) and/or in Israel; examination and handling of the regulatory and other approvals required; etc.
6. The Partnership intends to act for receipt of a tax decision from the Tax Authority, *inter alia* with the aim of enabling the performance of the Split with a tax deferral, both for the Partnership (until the sale of the assets in practice) and for the Participation Unit Holders (until the sale of the participation units or shares of the New Corporation). Insofar as a tax decision is received as aforesaid, tax payment will be made on the date of sale of the assets and not on the date of consummation of the split.
7. In addition to the aforesaid, the board decided to authorize the audit committee to work on and supervise the process of formation of the Split plan, in order to ensure that the best interests of the Partnership and all of the Participation Unit Holders dictate the formation and the terms and conditions of the Split plan, and in this context: (a) the audit committee shall examine the advantages and the disadvantages inherent in the Split from the perspective of the Participation Unit Holders; (b) the audit committee shall examine whether there are aspects of the split transaction which may establish a material surplus link to the control holder and the disclosure that shall be given to them; and (c) the audit committee shall examine whether a distribution in kind of shares of the New Corporation meets the distribution tests.
8. It is clarified that if it is decided to promote the Split, it shall be presented for the approval of the organs pursuant to law, including the approval of the general meeting of the Participation Unit Holders by a special majority, for the sake of caution, as required for the approval of an irregular transaction in which the control holder has a personal interest.
9. It is further noted that concurrently with examination of the feasibility of the Split, the Partnership is continuing to examine and promote other alternatives to the sale of the balance of its holdings in the Tamar and Dalit leases.

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It is further clarified that in view of the aforesaid, material changes may be made to the details of the split plan.

Sincerely,

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



Delek Drilling

Delek Drilling Corporate Structuring Considerations

March 2019

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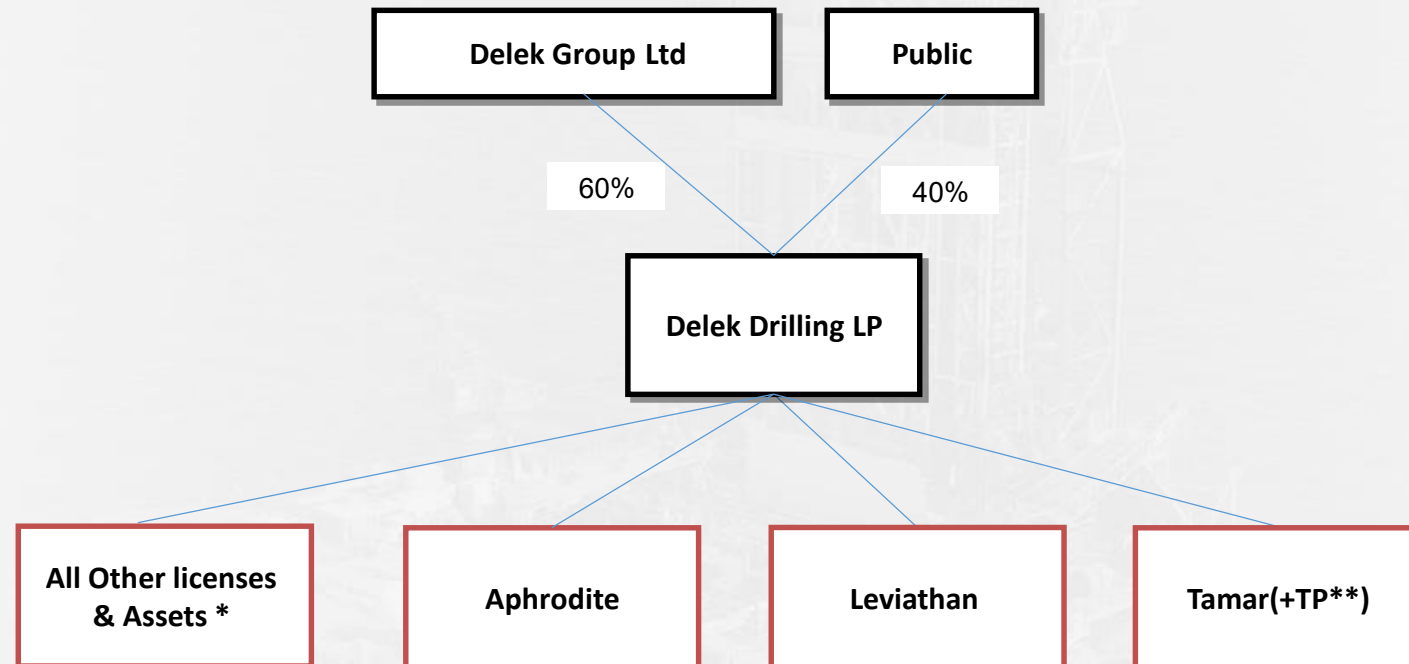
I Potential Split of Business

Examining a plan for the spin-off of the Partnership's non-Tamar assets and liabilities. The main purposes of which is to reside in a more suitable venue and to unlock intrinsic value

The process :

1. All of the Partnership's assets and liabilities, with the exception of the assets and liabilities that are attributed to Tamar and Dalit leases, shall be transferred to a foreign SPC to be established by the Partnership ("**NewCo**")
2. All of NewCo's shares shall be distributed by the Partnership as a dividend in kind to the Participation Unit Holders (Pro-Rata)
3. NewCo's shares shall be listed on the London stock exchange (Main Market), and possibly be dual-listed concurrently in Israel (TASE)
4. Upon the completion of the split, the Participation Unit Holders shall continue to hold the Partnership, which shall hold the Tamar and Dalit assets and liabilities, and in addition, the Participation Unit Holders shall hold the shares of NewCo, which shall hold all other assets and liabilities

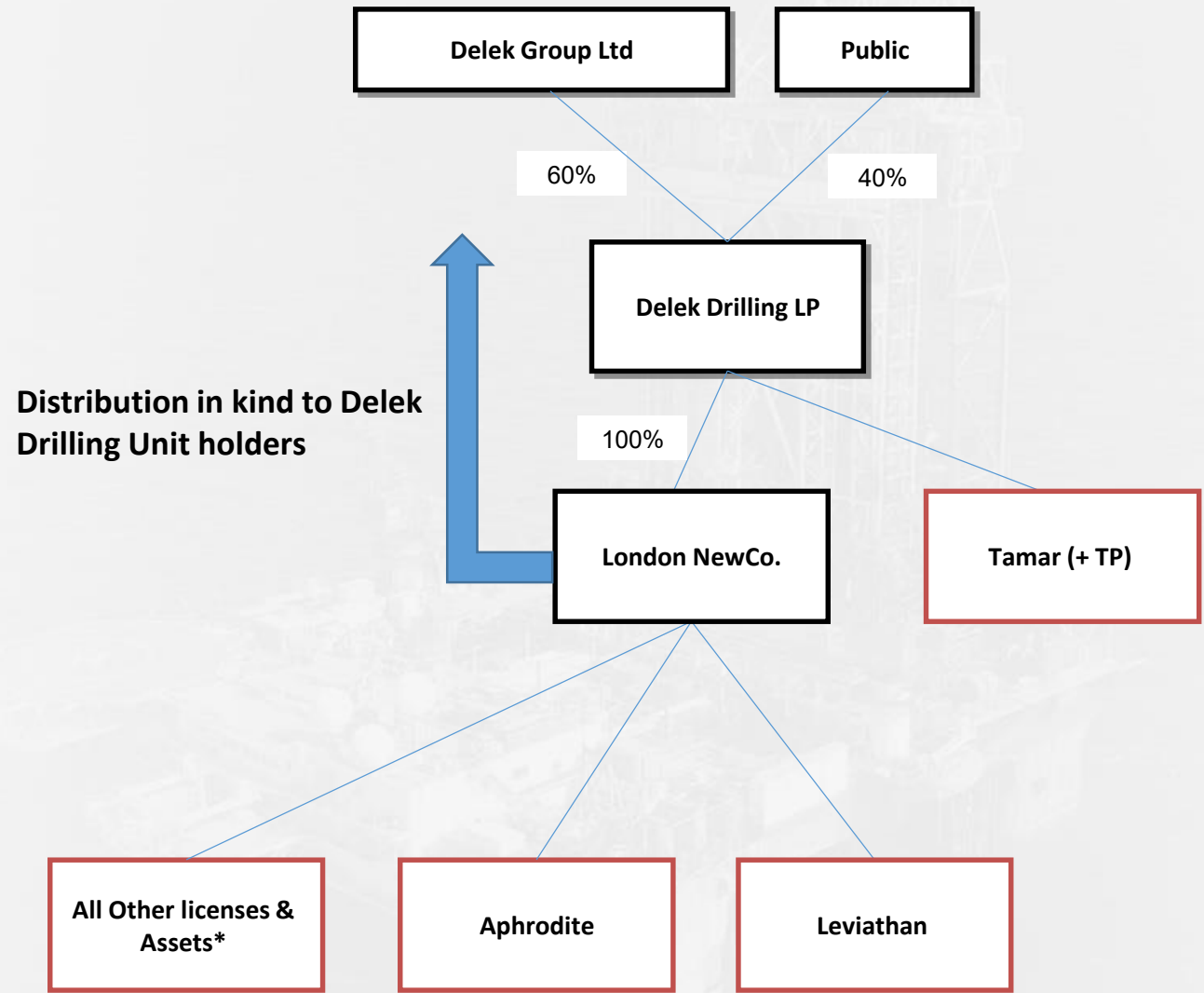
Current Structure



* Represents all other licenses and assets not related to Tamar, Leviathan and Aphrodite, and include, inter alia: Yam Tethys, Alon license, EMED, Karish-Tannin royalties and more •

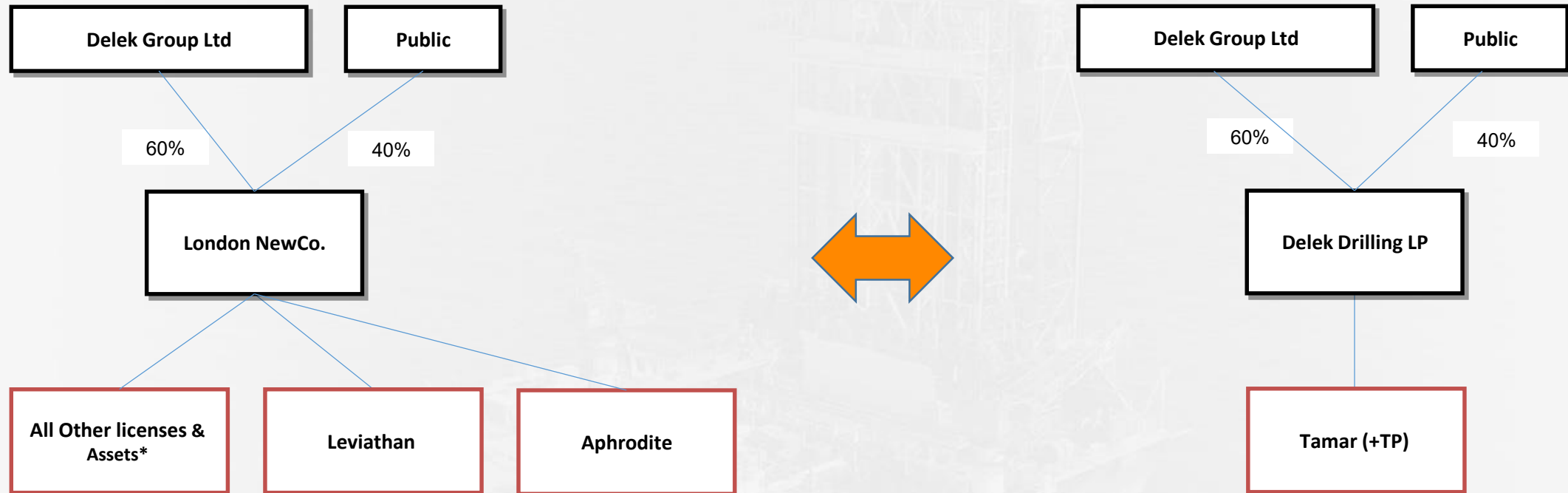
** Tamar Petroleum LTD

Splitting Process



* Represents all other licenses and assets not related to Tamar, Leviathan and Aphrodite, and include, inter alia: Yam Tethys, Alon license, EMED, Karish-Tannin royalties and more

Final Structure



* Represents all other licenses and assets not related to Tamar, Leviathan and Aphrodite, and include, inter alia: Yam Tethys, Alon license, EMED, Karish-Tannin royalties and more

I Advantages to Unit Holders in London Listing

1. Potentially unlocking value for the participation unit holders by providing a more suitable platform for listing a large cap oil & gas business
2. Increased liquidity for participation unit holders, through a higher volume trading platform
3. Enhanced investor understanding of the business, given investor familiarity with comparable international upstream Oil & Gas companies
4. Improved access to international financing sources and greater strategic flexibility
5. Analyst Coverage by international brokers specializing in Upstream Oil & Gas



Thank You

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