

**LEVIATHAN BOND LTD.
(the “Issuer”)**

Date: March 14th, 2021

To: HSBC Bank USA, National Association (the “Trustee”).

We, Yossi Abu and Yossi Gvura, Directors of the Issuer refer to the indenture, dated 18 August 2020 (the “**Indenture**”) between the Issuer and the Trustee.

Terms defined in the Indenture have, unless otherwise defined in this certificate, the same meaning when used in this certificate.

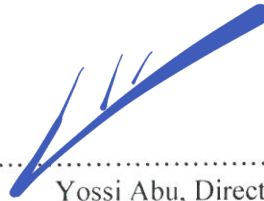
WE CERTIFY THAT:

1. We are authorised by the Issuer to give this certificate on behalf of the Issuer;
2. The Unaudited Financial Statements, attached hereto as **Annex A**, fairly, in all material respects, presents the financial position, results of operations and cash flows of the Issuer on the dates and for the periods indicated in accordance with IFRS; and
3. No Indenture Default or Indenture Event of Default has occurred and is continuing.

[Signatures appear on next page]



Yossi Gvura, Director



Yossi Abu, Director

on behalf of
LEVIATHAN BOND LTD.

Annex A
Unaudited Financial Statements of Issuer

LEVIATHAN BOND LTD

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

EXPRESSED IN US\$ THOUSANDS

LEVIATHAN BOND LTD

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 EXPRESSED IN US\$ THOUSANDS

AUDITED

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Auditors' Report to the Shareholders of Leviathan Bond Ltd

We have audited the accompanying statements of financial position of Leviathan Bond Limited ("Company") as of December 31, 2020 and the Statements of Comprehensive Income and the statement of changes in equity for the period from July 15, 2020 (Date of incorporation) to December 31, 2020. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those prescribed under Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's Board of Directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements presents fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations, for the period from July 15, 2020 (Date of incorporation) to December 31, 2020, in accordance with International Financial Reporting Standards (IFRS).

Tel Aviv, March 14, 2021


**Kost, Forer, Gabbay &
Kasierer
Certified Public
Accountants
(Israel)**

**ZIV HAFT
Ziv Haft
Certified Public
Accountants
(Israel)**

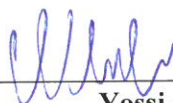
Leviathan Bond Ltd**Statements of Financial Position (Expressed in US\$ Thousands)**

	<u>31.12.2020</u>	<u>*15.7.2020</u>
	<u>Audited</u>	<u>Audited</u>
Assets:		
Current Assets:		
Short term Bank deposits	15	-
Related parties	**	**
	<u>15</u>	<u>**</u>
Noncurrent Assets:		
Loans to shareholders	2,247,611	-
Long term bank deposits	100,000	-
	<u>2,347,611</u>	<u>-</u>
	<u>2,347,626</u>	<u>**</u>
Liabilities and Equity:		
Current Liabilities:		
Related parties	15	-
	<u>15</u>	<u>-</u>
Noncurrent Liabilities:		
Bonds	2,250,000	-
Loans from shareholders	100,000	-
	<u>2,350,000</u>	<u>-</u>
Equity (Deficit)	<u>(2,389)</u>	<u>**</u>
	<u>2,347,626</u>	<u>**</u>

* Date of incorporation

** Less than \$1,000

The accompanying notes are an integral part of the financial statements.

March 14, 2021Date of Financial Statement
ApprovalYossi Gvura,
DirectorYossi Abu,
Director

Leviathan Bond Ltd**Statements of Comprehensive Income (Expressed in US\$ Thousands)**

	the period from July 15, 2020 (Date of incorporation) to December 31, 2020
	Audited
Financial expenses	54,427
Financial income	(52,038)
Total comprehensive expenses (income)	2,389

The accompanying notes are an integral part of the financial statements.

Leviathan Bond Ltd**Statements of Changes in Equity (Deficit) (Expressed in US\$ thousands)**

	The Company equity	Retained earnings	Total
	Unaudited		
Changes for the year ended December 31, 2020:			
Balance as of July 15, 2020 (audited)**	*	-	*
Total comprehensive income	-	(2,389)	(2,389)
Balance as of December 31, 2020	*	(2,389)	(2,389)

* Less than \$1,000

**Date of incorporation

The accompanying notes are an integral part of the financial statements.

Note 1 - General:

A. Delek Drilling-Limited Partnership ("**Delek Drilling**"/"**The Partnership**"), incorporated Leviathan Bond Limited ("**the Company**") on July 15, 2020. Delek Drilling holds 100% of the shares of the Company. The sole purpose of the Company is to issue bonds under Rule 144A to qualified investors and to provide the funds raised as loans, under the same conditions ("back-to-back"), to Delek Drilling (see also note 3 below).

B. The Statements of Cash Flow have not been presented, as those statements do not add any significant information.

C. Examination of a potential restructuring of the partnership:

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. Therefore, the Partnership acted, during the last year, for promotion of a possible outline for the splitting of its assets, according to which all of the Partnership's assets, with the exception of its interests in the Tamar and Dalit Leases and in the Yam Tethys project, will be transferred to a new English corporation (the "**English Corporation**") against the allotment of shares which shall be distributed to the holders of the participation units, and further thereto the English Corporation shall perform a share offering to foreign investors and will list its shares on the London Stock Exchange and on TASE (the "**London Transaction**"). In the context of promotion of the London Transaction, the Partnership prepared a draft offering prospectus that was recently filed for the approval of the British regulator (the FCA) on behalf of the English Corporation. As of the date of approval of the Financial Statements, the Partnership is continuing to act for the promotion of the London Transaction and is working, with the help of its advisors, to put together the details of the transaction.

It is emphasized that, as of the date of approval of the Financial Statements, the General Partner's board of directors has not yet adopted a resolution to approve the London Transaction, and that the London Transaction requires, *inter alia*, receipt of regulatory approvals in Israel and overseas, and is subject, *inter alia*, to the approval of the unitholders' meeting, the obtaining of various approvals and completion of additional actions whose feasibility is uncertain, and therefore there is no certainty that the transaction will be consummated.

D. The spread of the Coronavirus and its possible impact on the Company's business:

At the end of 2019 and during Q1/2020, the Coronavirus (Covid-19) began to spread in China and thereafter all over the world, when in March 2020 it was defined by the World Health Organization as a global pandemic (the "**Covid-19 Crisis**"). During the H1/2020, extremely sharp declines were recorded in the international markets in oil and natural gas prices, which may, in the Partnership's estimation, be attributed to the Covid-19 Crisis, as well as to other causes and reasons which affect the supply and demand of energy products. However, towards the end of 2020 and in the first months of 2021, a recovery is felt in the prices of energy products worldwide, including oil and LNG prices.

In addition, in H1/2020, mainly in Q2, the domestic market saw a stagnation in the demand for natural gas compared with the same period last year, mainly due to the effect of the Covid-19 Crisis on the demand for electricity in these markets, as a result of closures and restrictions on economic activity. It is noted that even though the Covid-19 Crisis continued, an increase in demand for natural gas was recorded in H2/2020 compared with the same period last year.

As of the date of approval of the financial statements, it is difficult to estimate how the Covid-19 Crisis will continue to develop in the coming years, what the extent of its impact on the global economy will be and what its impact will be on the demand and sales from the Leviathan and

Note 1 – General (Continued):

Tamar reservoirs in the coming years. Under these circumstances, the Covid-19 Crisis constitutes a global macroeconomic risk inducing uncertainty as to future economic activity in the world and the expected effects on the financial markets, interest margins, currency rates and commodity prices in the energy field, and may adversely affect many industries, including the energy sector in which the Partnership operates. As part of their Covid-19 strategy, the Leviathan partners, worked to streamline and reduce operating budgets for 2020 and postpone planned investment budgets to later years. Accordingly, the partners in the Leviathan Project approved updated budget for 2020. The Partnership is continuing to work with its other partners in the Leviathan Project to expand the streamlining plans into the coming years as well.

In addition, as a result of the spread of the Covid-19 Crisis, many countries, including Israel, are taking extreme steps to try and prevent the spread of the virus, such as restrictions of civilian movements and gatherings, transit restrictions on passengers and goods, closures between borders, and the like. Beyond the negative impact of these measures on local and global economic growth, the restrictions and actions that are and will be taken by Israel and other countries for coping with the Covid-19 Crisis can have a material adverse effect on the Partnership's work plans. As a result of these measures, delays may be caused in the entry of foreign experts and in the supply of designated equipment to Israel, due to restrictions that apply to civilian movement between sites and countries and restrictions on production or shipment that apply in the various countries which may, *inter alia*, disrupt the regular production activity, the work plans of the operator, and even impose additional unexpected costs. In this context, it should be noted that Noble, the Operator of the Leviathan project, in coordination with the Petroleum Commissioner and the Ministry of Health, formulated an action plan to deal with the Covid-19 Crisis, among other things, to ensure, as much as possible, that the Operator's workforce will be able to reach the projects' offshore and onshore facilities and continue to perform essential operations in said facilities. As of the date of approval of the financial statements, the Covid-19 Crisis has not had a material adverse effect on the operation system in the Leviathan project. However, since there is uncertainty as to the manner in which the Covid-19 Crisis will develop, there is a risk that despite the prevention measures being taken by the partners in the Leviathan project, the operation of the reservoir will be adversely impacted.

Note 2 - Significant Accounting Principles:

A. Declaration of Compliance with International Financial Reporting Standards ("IFRS"):

These financial statements are in full accordance with International Financial Reporting Standards.

B. Principles of Preparation of the Financial Statements:

The financial statements are in accordance with the Company's presentation currency, that is, in US Dollars. All values are rounded to the nearest thousand, unless otherwise stated. The financial statements were prepared while applying the cost principle.

C. Functional and Presentation Currency:

- 1. Functional currency:** the currency, which faithfully reflects, in the best manner possible, the economic effects of transactions, events, and circumstances, is the US Dollar.
- 2. Presentation currency:** The Company's financial statements are reported in US Dollars. Any Company transaction in a currency other than its functional currency is considered a foreign currency transaction.

D. Transactions in foreign currency:

A transaction denoted in foreign currency is recorded, upon initial recognition, in the functional currency, using the immediate exchange rate between the functional currency and the foreign currency on the date of the transaction.

At the end of each report period:

- Financial items in foreign currency are translated using the exchange rate as of the end of the report period;
- Non-financial items measured at historic cost in foreign currency are translated using the exchange rate on the date of the transaction;
- Rate differentials deriving from the settlement of financial items or deriving from the translation of financial items according to different exchange rates to those used for translation upon initial recognition during the period, or to those used for translation in previous financial statements, shall be recognized at profit or loss in the period in which they derived.

E. Cash equivalents:

Deemed as cash equivalents are highly liquid short-term investments, which include, *inter alia*, short-term deposits deposited in bank which are unlimited in use and unpledged. Such investments may easily be converted into known amounts of cash and are exposed to an insignificant risk of changes in value, with the period until repayment being up to three months from the date of the investment.

F. Short-term deposits:

Short-term deposits in banks whose original term exceeds three months but is shorter than one year on the date of the investment. The deposits are presented in accordance with the terms of their deposit.

Note 2 - Significant Accounting Principles (Continued):

G. Financial instruments:

1. On January 1, 2018, the Partnership applied for the first time International Financial Reporting Standard No. 9 – Financial Instruments (“**IFRS 9**”), the Company chose to retroactively apply the provisions of IFRS 9 without restatement of comparison figures.

The accounting policy that is applied from January 1, 2018 with respect to financial instruments, is as follows:

1. Financial assets:

Financial assets are measured upon initial recognition at their fair value, together with transaction costs which may be directly attributed to the purchase of the financial asset, except in respect of financial assets that are measured at fair value through profit or loss, in respect of which transaction costs are carried to profit or loss.

The Company classifies and measures the debt instruments in its financial statements based on the following criteria:

- (a) The Company’s business model for management of the financial assets, and
- (b) The characteristics of the contractual cash flow of the financial asset.

The Company measures debt instruments at amortized cost, when:

The Company’s business model is holding the financial assets in order to collect contractual cash flows; and the contractual terms and conditions of the financial asset provide entitlement on set dates to cash flows that are only interest and principal payments for the outstanding principal amount.

Subsequently to the initial recognition, instruments in this group will be presented according to their terms according to cost plus direct transaction costs, using the amortized cost method.

In addition, on the date of the initial recognition the Company may designate, irrevocably, a debt instrument as measured at fair value through profit or loss if such designation significantly reduces or cancels inconsistent measurement or recognition, for example in the event that the relevant financial liabilities are also measured at fair value through profit or loss.

The Company measures debt instruments at fair value through other comprehensive income, when:

The Company’s business model is both holding the financial assets in order to collect contractual cash flows and sale of the financial assets; and the contractual terms and conditions of the financial asset provide entitlement on set dates to cash flows that are only interest and principal payments for the outstanding principal amount. Subsequently to the initial recognition, instruments in this group are measured according to fair value. Profit or loss as a result of fair value adjustments, other than interest, rate differentials and impairment, are recognized in other comprehensive income.

b) Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss.

The Company distinguishes between two types of loss allowances:

1. Debt instruments whose credit risk has not increased significantly since initial recognition, or whose credit risk is low - the loss allowance recognized in respect of this debt instrument is measured at an amount equal to the expected credit losses within 12 months from the reporting date (12-month ECLs); or
2. Debt instruments whose credit risk has increased significantly since initial recognition, and whose credit risk is not low - the loss allowance recognized is measured at an amount equal to the expected credit losses over the instrument's remaining term (lifetime ECLs).

The Company has short-term financial assets such as trade receivables in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses.

An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance that is offset from the carrying amount of the financial asset, whereas the impairment loss on debt instruments measured at fair value through other comprehensive income is recognized in profit or loss with a corresponding loss allowance that is recorded in other comprehensive income and not as a reduction of the carrying amount of the financial asset in the statement of financial position.

c) Write-off of financial assets:

The Company writes-off a financial asset when, and only when:

- (a) The contractual rights to the cash flows from the financial asset expired, or
- (b) The Company materially transfers all of the risks and benefits that derive from the contractual rights to receive the cash flows from the financial asset or when part of the risks and benefits upon transfer of the financial asset remain in the hands of the Company but it can be said that it transferred control over the asset, or
- (c) The Company retains the contractual rights to receive the cash flows that derive from the financial asset, but assumes a contractual obligation to pay such cash flows in full to a third party, without substantial delay.

d) Financial liabilities:

On the date of initial recognition, the Company measures the financial liabilities at fair value, less transaction costs that can be directly attributed to the issuance of the financial liability.

Subsequently to the date of initial recognition, the Company measures all of the financial liabilities at amortized cost method.

e) Write-off of financial liabilities:

The Company writes-off a financial liability when, and only when it is retired – i.e., when the liability that was defined in the contract is paid or cancelled or expires.

A financial liability is retired when the debtor pays the liability by payment in cash, with other financial assets or is legally released from the liability.

In the event of a change of conditions with respect to an existing financial liability, the Company examines whether the terms and conditions of the liability are materially different than the existing conditions.

When a material change is made in the conditions of an existing financial liability or the substitution of a financial liability for another liability with materially different conditions, the change is treated as a write-off of the original financial liability and recognition of a new financial liability. The difference between the balance of the two aforesaid liabilities in the financial statements is carried to profit or loss.

If the change is immaterial, or the financial liability is substituted for another financial liability which conditions are not materially different, the Company is required to update the financial liability amount, i.e., capitalize the new cash flows at the original effective interest rate, with the differences carried to profit or loss.

Upon examining whether the change to the conditions of an existing liability is material, the Company takes qualitative and quantitative considerations into account.

f) Setoff of financial instruments:

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position if there is a legally enforceable right to offset the amounts recognized, and there is an intention to retire the asset and the liability on a net basis or to dispose of the asset and settle the liability simultaneously. The setoff right must be legally enforceable, not only in the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. For the setoff right to be available immediately, it cannot be contingent on a future event or, occasionally inapplicable or, expire pursuant to certain events.

H. Recognition of income:

Income is recognized in profit or loss when it may be reliably measured and the Partnership is expected to gain the economic benefits related to the transaction, and the costs incurred or to be incurred in respect of the transaction can be reliably measured. The income is measured according to the fair value of the consideration in the transaction, net of commercial discounts and quantity discounts.

Set forth below are the specific criteria regarding recognition of income that are required to be fulfilled before the recognition of the income:

Interest income – interest income in respect of financial assets, which are measured at amortized cost, are recognized on accrual basis using the effective interest method.

Leviathan Bond Ltd**Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)****Note 3 - Bonds:**

On August 18, 2020, the issuance of bonds that were offered by Leviathan Bond Ltd. (the “**Issuer**”), pursuant to which bonds were issued in the total amount of \$2.25 billion in accordance with Rule 144A and Regulation S, was completed.

The bonds were issued in four series (the “**Series**”), as follows:

	Par value, \$ in millions	Fixed Interest Rate	Maturity
Series 1	500	5.750%	30.6.2023
Series 2	600	6.125%	30.6.2025
Series 3	600	6.500%	30.6.2027
Series 4	550	6.750%	30.6.2030
	<u>2,250</u>		

The interest on each one of the bond Series will be paid twice a year, on June 30 and on December 30.

On August 3, 2020, the Issuer received the approval of the Tel Aviv Stock Exchange Ltd. (“**TASE**”) for the listing of the bonds on the TACT-Institutional system of TASE (“**TACT-Institutional**”).

The full Issue proceeds were provided by the Issuer as a loan to the Partnership on terms and conditions identical to those of the bonds (back-to-back), and according to a loan agreement that was signed between the Issuer and the Partnership (the “**Loan**”).

The Loan money was used by the Partnership for repayment of loans from banking corporations in the sum of approx. \$2 billion, for the deposit of a safety cushion in the sum of \$100 million in accordance with the terms and conditions of the bonds, for the payment of the Issue costs in the estimated sum of approx. \$30 million, and the balance of the proceeds will be used for other uses according to the terms and conditions of the Commissioner’s approval as described below (the “**Commissioner’s Approval**”).

To secure the bonds and the Loan, in the context of the indenture for the bonds and the other documents according to which the bonds will be issued (collectively: the “**Financing Documents**”), the Partnership pledged in favor of the trustee for the bonds (the “**Trustee**”), in a first-ranking fixed charge, its interests in the Leviathan project (45.34%), including its interests in the I/14 Leviathan South and I/15 Leviathan North leases (in this section: the “**Leases**”), the operating approvals of the production system and the export approvals (collectively: the “**Pledge of the Leases**”), the Partnership’s rights and the revenues from agreements for the sale of gas and condensate from the Leviathan project (the “**Gas Agreements**”), the Partnership’s rights in the joint operating agreement (JOA) for the Leases, the Partnership’s share in the project’s assets (including the platform, wells, facilities, and systems for production and transmission to shore), the Partnership’s rights in dedicated bank accounts, certain insurance policies and various licenses in connection with the Leviathan project. The Partnership also pledged the shares held thereby in the Issuer, in NBL Jordan Marketing Limited and in Leviathan Transportation System Ltd.

In addition, the Issuer pledged in favor of the Trustee, in a first-ranking floating charge, its rights in all of its existing and future assets and pledged in favor of the Trustee its rights in the loan agreement and in its bank accounts (collectively: the “**Pledges**” and the “**Pledged Assets**”, as the case may be).

According to the Financing Documents, the Partnership’s undertakings to the Trustee and the bondholders are limited to the Pledged Assets, with no guarantee or additional collateral.

Leviathan Bond Ltd

Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

Note 3 – Bonds (Cont.):

It is noted that the Pledges that the Partnership created in favor of the Trustee are subject, *inter alia*, to the State's royalties according to the Petroleum Law and to the rights of the parties entitled to royalties in respect of the Partnership's revenues from the Leviathan project, including the holder of the controlling interest in the Partnership.

As is standard in financing transactions of this type, in the Financing Documents the Partnership assumed stipulations, restrictions, covenants and there are grounds for acceleration of the bonds and enforcement of the Pledges that include, *inter alia*, the following undertakings:

The Partnership and the Issuer, as the case may be, undertook, *inter alia*, to fulfill undertakings and conditions that were determined in government licenses and approvals, including in relation to the operator of the project, and including the conditions of the Commissioner's Approval; to fulfill the terms and conditions of the Leases and the JOA (jointly: the "**Leviathan Agreements**"); to protect their rights in the Pledged Assets and to ensure the validity of the Pledges and the rights of the Trustee and the holders according thereto; not to change or discontinue the Issuer's activity, and not to change the incorporation documents of the Issuer; not to create additional pledges on the Pledged Assets (aside from certain exceptions); to fulfill the provisions of the law that apply to their activity; to pay the taxes that apply thereto; to give the Trustee and the holders certain reports, notices and information that were specified; to act to maintain the listing of the bonds on TACT-Institutional; to act for the continued proper operation of the Leviathan project in accordance with the Leviathan Agreements; to take any action possible under the JOA so as to ensure that the operator fulfills its undertakings according to the JOA; to make all of the payments that apply thereto and to bear all of the Trustee's expenses that apply thereto according to the Financing Documents; to purchase and maintain certain insurance policies; to refrain from modifying or amending the Leviathan Agreements or material Gas Agreements, as defined in the Financing Documents ("**Material Gas Agreements**"), or the royalty agreements or engage in a new royalty agreement; to refrain from approval of certain acts in the context of the JOA; etc.

The Issuer undertook not to take additional financial debt, with the exception of the issue of additional bonds or other secured debt *pari passu*, subject to conditions that were specified, including (i) the sum of the secured debt of the Issuer (including the bonds) does not exceed, at any time, \$2.5 billion; (ii) certain financial ratios that were specified in the Financing Documents in relation to the issuance of additional debt as aforesaid are maintained.

In addition, the Partnership undertook not to take any additional financial debt which is secured by the Pledged Assets, with the exception of an additional loan that it shall receive from the Issuer on terms and conditions back-to-back to additional debt that the Issuer shall raise subject to the restrictions set forth therefor in the Financing Documents.

The Partnership undertook not to make any merger transaction or change its business in a manner which would likely cause an MAE, or enter dissolution proceedings or other defined restructurings, and not to sell, transfer, pledge or make any other disposition of all or substantially all of its assets, other than permitted transactions, as defined in the Financing Documents, including sale of interests in the Leviathan project subject to mandatory early redemption or a tender offer to the bondholders in certain cases, or permitted restructurings, as defined, including a transfer of the Partnership's interests in the Leviathan project to a new subsidiary and/or other actions, including the outline under consideration for a split of the Partnership's assets, provided that the holders' rights are not prejudiced by such actions and additional terms and conditions as defined.

In addition, provisions were determined regarding early redemption of the bonds, including (1) early redemption at the Issuer's initiative, subject to payment of a Make Whole premium, and (2)

Note 3 – Bonds (Cont.):

mandatory early redemption in certain cases that were defined, including by way of a buyback of the bonds and/or performance of a tender offer to all the bondholders, including upon a sale of all or some of the interests in the Leviathan project.

The Issuer and the Partnership undertook that if a tax withholding duty shall apply to the payments due under the terms and conditions of the bonds to a foreign resident then, subject to certain exceptions as defined, the Issuer and/or the Partnership, as the case may be, shall pay additional amounts as required for the net amounts to be received by the foreign resident to be equal to the amounts such foreign resident would have received, but for the withholding tax duty. In this context, it is noted that on July 27, 2020 the Partnership received a ruling from the Tax Authority stating, *inter alia*, that the bonds to be traded on the TACT-Institutional system of the TASE are bonds traded on a stock exchange in Israel for purposes of Section 9(15D) of the Income Tax Ordinance (for purposes of exemption from tax on interest paid to a foreign resident on bonds traded on the stock exchange), and Section 97(B2) of the Ordinance (for purposes of exemption from tax for a foreign resident on capital gains in the sale of the bonds traded on the stock exchange), all subject to the terms and conditions specified in the Tax Authority's ruling and the provisions of the Income Tax Ordinance and the regulations promulgated thereunder.

The Financing Documents include a payment waterfall mechanism, whereby the Partnership's entire revenues from the Leviathan project is transferred to an account that is pledged in favor of the Trustee (the "**Revenues Account**"), which is used to make various payments in connection with the project and the bonds, including payment of royalties to the State and to the royalty interests owners; payments to the Trustee; taxes and the levy under the Taxation of Profits from Natural Resources Law, 5771-2011 (in this section: the "**Law**"); capital expenses and operating expenses in connection with the Leviathan project; principal and interest payments; deposits into safety cushions; and balancing payments in connection with tax payments under Section 19 of the Law. The transfer of the amounts remaining in the Revenues Account after the making of the said payments to a non-pledged account of the Partnership is subject to conditions determined, including fulfillment of an NPV Coverage Ratio of at least 1.5¹.

The Financing Documents define Events of Default, upon occurrence of which, subject to certain determined curing periods, exceptions and conditions, the Trustee for the bonds shall be entitled (or required – upon the demand of one quarter of the bondholders) to accelerate the outstanding balance of the bonds and shall be entitled to act to enforce the Pledges.

The main events are as follows: (1) Default on payment of principal, interest or other payments mandated by the Financing Documents; (2) Breach of representations; (3) Breach of the Covenants or Negative Covenants determined in the Financing Documents; (4) An event or entry into proceedings for insolvency of the Issuer, and an insolvency event as aforesaid or of a party to a Material Gas Agreement (as defined in the Financing Documents), the operator in the Leviathan project or the Partnership, if likely to cause an MAE (as defined in the agreement), subject to certain conditions and qualifications; (5) premature termination of any of the Leviathan Agreements or Material Gas Agreements, if likely to cause an MAE, subject to certain conditions and qualifications; (6) If a party to a Material Gas Agreement breaches the agreement with a likely MAE, subject to certain conditions and qualifications; (7) In the event of abandonment or

¹ The NPV Coverage Ratio was defined as the ratio between the net current value of the discounted cash flow expected from proved and probable (2P) reserves, at a cap rate of 10%, from the Partnership's interests in the Leviathan project (the "**Discounted Cash Flow**"), and the debt balance net of cash accrued in the accounts on the measurement date. According to the Financing Documents, the Discounted Cash Flow shall be calculated according to the same assumptions to be used by the Partnership in the resource reports to be released thereby under the provisions of the Securities Law, other than assumptions on the Brent barrel price, which shall be based on the prices of futures traded on ICE, as defined in the Financing Documents.

Leviathan Bond Ltd

Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

Note 3 – Bonds (Cont.):

cessation of the Leviathan project operations for more than 15 consecutive days, if likely to cause an MAE; (8) If damage is caused to the Leviathan project (including physical damage, revocation of license or transfer of the Partnership's rights therein by a government authority), with a likely MAE, which was not cured; (9) In the event of denial or revocation of a government approval granted in connection with the Leviathan project, with a likely MAE; (10) If any of the Financing Documents to which the Issuer or the Partnership are a party, or pledges provided under the Financing Documents, with an aggregate value of more than \$35 million, cease to be in effect; (11) If a non-appealable judgment is issued against the Issuer for payment of an amount in excess of \$35 million which was not paid; (12) If there is a breach of an undertaking in an agreement for the provision of other *pari passu* secured debt of the Issuer worth over \$35 million; (13) If an undertaking to perform mandatory early redemption is breached; (14) If the provisions regarding expenditures from the Revenues Account are breached; etc.

The bonds were rated by international rating agencies and an Israeli rating agency.

On August 3, 2020, the Commissioner's Approval was received for the Pledge of the Leases in favor of the Trustee, for the bondholders. The Commissioner's Approval provides that, *inter alia*, the pledge is given to secure payment of the bonds whose proceeds are intended for the granting of credit to the Partnership in the sum of up to \$2.5 billion in total, for payment of loans in the sum of approx. \$2 billion (which were mainly used for investments in the development of the Leviathan project), the deposit of a safety cushion in the sum of \$100 million, investments in the Leviathan project only and the financing of the construction of a pipeline for the export of gas from the Leviathan and Tamar reservoirs. As of the date of the financial statements, the Partnership fulfilled its undertakings as aforesaid.

It is noted that as of the date of the condensed interim financial statements the cash in the Revenue account amounted to approx. \$52.7 million USD\$.

Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds):

- A.** The "Ratio-Yam" joint venture is a venture for exploration, development and production of oil and gas in the area of the I/15 Leviathan North and I/14 Leviathan South leases (the "Leases" and/or "Leviathan Leases").

B. The development plan for the Leviathan reservoir:

In June 2016, the Development plan was approved by the Commissioner, as submitted by Noble. On February 23, 2017, the Leviathan partners adopted a final investment decision (FID) for the development of Phase 1A of the Development plan for the Leviathan reservoir, at a capacity of approx. 12 BCM per year. The total cost of development of Phase 1A amounted, as of the date of the financial statements, to a sum of approx. \$3.6 billion (100%, the Partnership's share being approx. \$1.6 billion). On December 31, 2019, the piping of natural gas from the Leviathan reservoir began.

The plan for the full development of the Leviathan reservoir includes the supply of natural gas and condensate to the domestic market and for export and the supply of condensate to the domestic market (in this section: the "**Development Plan**" or the "**Plan**"), the main provisions of which are as follows:

1. Eight production wells at the first stage (four of which have been drilled and completed for production in Phase 1A) will be connected by a subsea pipeline to a permanent platform (in this section: the "**Platform**"), which is located offshore within the territorial waters of Israel, on which all gas and condensate processing systems were installed. The gas is piped from the Platform to the northern onshore entry point of the national transmission system of INGL (the "**INGL Connection Point**").
The condensate is also piped to the shore via a separate pipeline parallel to the gas pipeline, and is connected to an existing fuel pipeline of Europe Asia Pipeline Co. ("**EAPC**") that leads to the tank farm of Petroleum & Energy Infrastructures Ltd. ("**PEI**") and from there to the Oil Refineries Ltd. ("**ORL**").

Furthermore, a pipeline to the Hagit site has been laid and facilities have been set up therein for storage and unloading of the condensate, for the purpose of providing backup in the event that piping condensate to ORL is impossible. Setup of the condensate storage system at the Hagit site has been completed and all of the permits required for the operation thereof have been received.

2. The production system is designed to supply approx. 21 BCM per year after the completion of Phase 1A and Phase 1B of the Development Plan, as specified below.
3. The Development Plan is implemented in two phases, according to the maturity of the relevant markets, as specified below:

Phase 1A – includes, at the first stage, four subsea production wells, a subsea production system that connects between the production wells and the Platform, a system for transmission to the shore and related onshore facilities. At this point, the reservoir's gas production capacity is at approx. 12 BCM per year.

Phase 1B – expected to include four additional production wells, related subsea systems and expansion of the Platform's processing facilities to increase the system's total gas production capacity by approx. 9 additional BCM per year, with an estimated budget of approx. \$1.5-2 billion (100%, the Partnership's share is estimated at approx. \$0.7-0.9 billion). As of the date of release of the

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Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)

(Continued):

financial statements, a final investment decision for the development of Phase 1B has not yet been adopted.

4. It is noted that additional production wells will be required during the life of the project to enable production of the required volume.
5. Upon completion of the running-in of all of the systems on the Platform, and mainly the running-in of the turbo expander system, the ability to increase the maximum daily supply capacity, in certain conditions, beyond 1.2 BCF, will be explored.

C. Consideration of different alternatives for increase of the production capacity from the Leviathan reservoir:

As of the date of approval of the financial statements, the Leviathan partners are considering various alternatives for increasing the volume of the production from the Leviathan reservoir (beyond Phase 1A and concurrently with the examination of Phase 1B), based on the existing facilities, and are acting to update the development plan, so as to allow for an increase of the production capacity up to approx. 24 BCM per year, and all according to the estimates that are updated from time to time with regard to the current and projected demand in the local market and regional and global target markets, and *inter alia* the following alternatives are being considered:

1. Increase of the production capacity of Phase 1A from 12 BCM per year to 16 BCM per year by means of adding two production wells and related subsea infrastructures, and immaterial changes in the Platform. This alternative will allow for maximum utilization of the processing infrastructures installed on the Leviathan platform as part of Phase 1A, and the estimated cost in respect thereof is approx. \$875 million (100%, the Partnership's share approx. \$397 million).
2. Increase of the production capacity from 16 BCM per year to 24 BCM per year (subject to implementation of the first alternative as described above), *inter alia*, by means of adding four production wells and related subsea infrastructures, over and above those of the first alternative which is described above, adding a fourth pipe from the field to the platform, and expansion of the processing facilities on the Platform, with an estimated budget of approx. \$1.5-2 billion (100%, the Partnership's share approx. \$0.7-0.9 billion). This alternative will allow for the supply of additional quantities of gas for export, insofar as required, including to the liquefaction facilities situated in Egypt and/or for the supply of gas to a floating liquefaction plant (FLNG).

D. Evaluation of reserves and contingent resources in the Leviathan Leases²:

In March 2021, a report on evaluation of reserves and contingent resources in the Leases was received from NSAI, updated as of December 31, 2020. According to the report, the overall quantity of resources is estimated at approx. 641.9 BCM and is divided into categories of reserves and contingent resources.

The quantity of the Proved Developed Producing reserves is approx. 319.1 BCM and the quantity of the Proved + Probable Reserves is approx. 370.6 BCM.

Additionally, the Proved Developed Producing condensate reserves are approx. 24.8 million barrels, and the quantity of Proved + Probable Reserves is approx. 28.8 million barrels.

In the contingent resource report, the contingent resources were divided into two categories, which relate to each of the development stages of the reservoir, as follows:

1. Contingent resources which are classified at the Development Pending stage: these resources are contingent upon the decisions to perform additional drillings, upon the construction of related infrastructures and upon the execution of additional agreements for the sale of natural gas as part of Phase 1A.
2. Future Development: resources contingent upon the adoption of another investment decision, in accordance with Phase 1B of the development plan and with an additional stage (insofar as the development plan is updated) and upon the execution of additional agreements for the sale of natural gas range between approx. 379 BCM (the high estimate) and approx. 154.5 BCM (the low estimate) and condensate contingent resources range between approx. 29.4 million barrels (the high estimate) and approx. 12 million barrels (the low estimate). See Section 4 below regarding uncertainty in the evaluation of reserves.
3. Deep Targets:

In 2019, an analysis was performed of reprocessing of seismic surveys, *inter alia* in connection with exploration drilling to the deep targets in the Leviathan Leases (the “**Data Reprocessing**”), as a result of which a new ‘isolated carbonate buildup’ deep target was defined in the area of the Leviathan Leases. In addition, the analysis of the Data Reprocessing revealed that it is necessary to reclassify and redefine the two deep targets which were previously defined in the area of the lease as a single ‘submarine clastic channel’ target (collectively: the “**New Targets**”).

In January 2020, a report on evaluation of prospective resources in the Leases was received from NSAI, updated as of December 31, 2019. According to the report, the best estimate in the carbonate buildup for gas and oil is estimated at approx. 4.5 BCM and approx. 155.3 million barrels, respectively. and the best estimate in the clastic channel for gas and oil is estimated at approx. 6.5 BCM and approx. 223.9 million barrels, respectively. As of December 31, 2020, the details presented in the aforesaid report remain unchanged. See Section 4 below with regard to uncertainty in the evaluation of reserves.

As of the date of approval of the financial statements, the partners are examining, *inter alia*, the performance of another seismic survey, in view of the development

² In the opinion of the Commissioner, according to an opinion provided to his office by an international firm, the estimated amount of natural gas to be produced from the Leviathan reservoir is 17.6 TCF, according to the production plan submitted in the context of the application for approval of the development plan.

(Continued):

of the technology in the field of seismic surveys, for the purpose of improving the existing data, in order to substantiate the making of a decision on exploration drilling to the New Targets. In addition, the Israeli partners are exploring the possibility of adding a strategic partner with relevant knowledge and experience in the specification, drilling and development of an exploration target (and specifically a carbonate buildup target).

4. Appraisals of reserves of natural gas, condensate, contingent and prospective resources:

The above appraisals regarding the reserves of natural gas, condensate, and contingent and prospective resources of natural gas and oil in the rights of the Partnership in the leases, licenses and franchise for oil and gas exploration are based, *inter alia*, on geological, geophysical, engineering and other information received from the wells and from the Operator in the said rights. The above appraisals constitute professional hypotheses and appraisals of NSAI, which are uncertain. The quantities of natural gas and/or condensate that will actually be produced may be different to the said appraisals and hypotheses, *inter alia* as a result of operating and technical conditions and/or regulatory changes and/or supply and demand conditions in the natural gas and/or condensate market and/or commercial terms and/or the actual performance of the reservoirs. The above appraisals and hypotheses may be updated insofar as additional information accrues and/or as a result of a gamut of factors relating to the oil and natural gas exploration and production projects.

E. Engagement in agreements for the purchase of EMG shares and for the purchase of rights in the EMG Pipeline:

With the purpose of realizing the agreements between the Partnership and Noble and between Dolphinus, for the export of natural gas to Egypt from the Tamar and Leviathan reservoirs (as stated in Notes 4H1 and 1H1d below), EMED³ purchased 39% of the share capital of Eastern Mediterranean Gas Company S.A.E (“EMG”). On January 15, 2020, the piping of natural gas began from Israel to Egypt from the Leviathan reservoir, and on June 30, 2020, the piping of gas began from the Tamar reservoir to Egypt through the EMG pipeline (the “EMG Transaction” or the “Transaction” or the “EMG Pipeline”). The closing of the EMG Transaction was contingent, *inter alia*, on the signing of a Capacity, Lease & Operatorship Agreement – CLOA, between EMED and EMG, in which EMG shall grant EMED the exclusive right to lease and operate the EMG Pipeline for the flow of natural gas from Israel to Egypt (the “CLOA”), which was signed on June 30, 2019, and all as specified below:

³ EMED is an SPV which was established for the purpose of the transaction and is registered in the Netherlands, whose shares are held as follows: a wholly-owned subsidiary of the Partnership registered in Cyprus – 25%, Noble Energy EMed Midstream Limited, a company which to the best of the Partnership’s knowledge is owned by Noble Energy Inc. – 25% and Sphinx EG BV, a company which to the best of the Partnership’s knowledge is wholly owned by East Gas Company which holds, *inter alia*, a gas pipeline and infrastructures in Egypt (the “Egyptian Partner”) – 50%.

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Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)

(Continued):

EMG is a private company registered in Egypt which owns a 26-inch submarine pipeline which is approx. 90 km long, and which connects the Israeli transmission system in the Ashkelon area and the Egyptian transmission system in the el Arīsh area and related facilities (jointly: the “**EMG Pipeline**”). The EMG Pipeline was planned for a capacity of approx. 7 BCM per year, with an option to increase the capacity to approx. 9 BCM per year through the installation of additional systems. The flow of gas in the EMG Pipeline from Egypt to Israel was stopped in 2012, and to the best of the Partnership’s knowledge, as of the date of signing of the agreement, EMG had no commercial activity, and it remained exposed to and debts on the part of authorities, finance providers, suppliers and customers in significant amounts. It is noted that in the framework of the Transaction, the Partnership is not required to provide collateral or guarantees in relation to the existing debts of EMG.

The shareholders of EMG, as of the date of signing of the agreement, are:

- (1) EGI-EMG LP - 12%;
- (2) Merhav MNF Ltd. - 8.2%;
- (3) Merhav Ampal Energy Holdings, Limited Partnership - 8.6%;
- (4) Merhav Ampal Group Ltd. - 8.2% (the “**Merhav Ampal Group**”);
- (5) PTT Energy Resources Company Limited (“**PTT**”)⁴ - 25%;
- (6) Mediterranean Gas Pipeline Ltd. (“**MGPC**”)⁵ - 28%;
- (7) Egyptian General Petroleum Corporation (“**EGPC**”)⁶ - 10%;

(Shareholders (1)-(4) above shall be referred to hereinafter collectively as: the “**Sellers**”).

1) Agreements for the purchase of 39% of EMG’s share capital

On September 26, 2018, EMED signed four separate, mainly similar, agreements with the Sellers for the purchase of EMG shares held by the Sellers, at a total rate of 37% of the share capital of EMG (collectively: the “**Share Purchase Agreements**”), as well as another agreement for the purchase of shares at a rate of 2% from MGPC (the “**MGPC Agreement**”).

a) The principles of the Share Purchase Agreements

- 1) Upon the fulfillment of the conditions precedent in November 2019, the main ones of which are mentioned in Paragraph 4 below, and the closing conditions, the Sellers sold and transferred to EMED the EMG shares held thereby, at a total rate of 37% of EMG’s share capital (the “**Purchased Shares**”), including all of the rights attached to the Purchased Shares.

⁴ A public energy company partially owned by the Thai Government.

⁵ A private company which, to the best of the Partnership’s knowledge, is controlled by the Evsen Group, a company headed by Dr. Ali Evsen.

⁶ An Egyptian government-owned corporation.

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Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)

(Continued):

- 2) The Sellers, the shareholders of the Sellers and the companies affiliated with the Sellers shall waive any claim, lawsuit, award, decision, order or remedy that are available to them against the Egyptian Government and companies owned thereby in the framework of the Arbitration Proceedings⁷.
- 3) In consideration for the Purchased Shares, for waiver of their rights in the framework of the Arbitration Proceedings, and other rights in accordance with the Share Purchase Agreements, as aforesaid, EMED paid the Sellers, on the date of the closing of the transaction, the sum total of approx. U.S. \$527 million (the "**Consideration**"), out of which each one of the Partnership and Noble paid a sum of approx. U.S. \$188.5 million, and the balance was paid by the Egyptian Partner.
- 4) On July 31, 2019, the decision of the Competition Commissioner was issued in accordance with Section 20(b) of the Economic Competition Law, 5748-1988, permitting the merger between EMED and EMG for the purchase of the EMG Pipeline, in the context of which the Partnership and Noble undertook to fulfill the conditions set forth in the aforesaid decision.

Regarding the petition that was filed with the Competition Court at the District Court in Jerusalem in connection with the approval of the Competition Commissioner as aforesaid, see Note 4L2.

Regarding the signing of an agreement between Noble and INGL in connection with the transmission of natural gas to the EMG Pipeline through the INGL system, see Note 4N.

b) The principles of the MGPC Agreement

Concurrently with the signing of the Share Purchase Agreements, an agreement was signed between EMED and MGPC whereby MGPC transferred to EMED, without monetary consideration, subject to and concurrently with the closing of the Share Purchase Agreements, 2% of EMG's shares which are held thereby, against the conclusion of disputes between some of the Sellers and MGPC.

After the closing of the EMG Transaction, and as of the date of approval of the financial statements, EMG's shareholders are as follows:

- (1) EMED – 39%;
- (2) PTT – 25%;
- (3) MGPC – 17%;
- (4) The Egyptian Partner – 9%⁸;
- (5) EGPC – 10%.

⁷ It is noted that some of the Sellers, shareholders of the Sellers and companies affiliated with the Sellers are conducting several arbitration proceedings in international arbitration institutions against the Egyptian Government and companies owned thereby in respect of the cessation of the flow of gas from Egypt to Israel (jointly, the "**Arbitration Proceedings**"). Furthermore, EMG is a party to arbitrations against companies owned by the Egyptian Government.

⁸ To the best of the Partnership's knowledge, MGPC transferred the said shares to the Egyptian Partner.

(Continued):

2) The Capacity Lease & Operatorship Agreement

As aforesaid, the closing of the EMG Transaction was contingent, *inter alia*, on the signing of the CLOA between EMED and EMG, in which EMG granted EMED the exclusive right to lease and operate the EMG Pipeline for the entire term of the Dolphinus agreements (see Notes 4H1 and 4H1d below), with an option to extend the agreement. According to this agreement, the costs required for refurbishment of the EMG Pipeline, and the current operation costs of the pipeline, shall be borne by EMED (collectively: the **"Operation Costs"**), while EMG will be entitled to receive the current transmission fees which Dolphinus shall pay for use of the pipeline (the **"Transmission Fees"**), net of the Operation Costs. As of the date of the Statement of Financial Position, Noble and the Partnership invested, together with the Tamar and Leviathan partners, in accordance with the arrangements set forth in the agreement, in the refurbishment of the EMG Pipeline, due diligence tests and increase of the capacity of the pipeline, though EMED, a sum of approx. \$124 million (the Partnership's share being approx. \$53.9 million) which shall mostly be repaid from EMG's available cash flow that derives from the revenues from transmission of gas in the EMG Pipeline to Dolphinus.

Concurrently with the signing of the export to Egypt agreements, an agreement was signed between the Partnership and Noble and between the Tamar partners and the Leviathan partners in connection with allocation of the capacity (in this section: the **"Capacity Allocation Agreement"**) in the transmission system from Israel to Egypt. The capacity division in the transmission system from Israel to Egypt (the EMG Pipeline and the transmission pipeline in Israel) will be on a daily basis, according to the following order of priority:

- (a) First layer – up to 350,000 MMbtu per day will be allocated to the Leviathan partners.
- (b) Second layer – the capacity above the first layer, up to 150,000 MMbtu per day until June 30, 2022 (the **"Capacity Increase Date"**) and 200,000 MMbtu per day after the Capacity Increase Date, will be allocated to the Tamar partners.
- (c) Third layer – any additional capacity above the second layer will be allocated to the Leviathan partners.

On the date of the closing of the EMG Transaction, the Leviathan partners paid the sum of \$200 million (**"Access/Participation Fees for the Leviathan Dolphinus Agreement"**) and the Tamar partners paid the sum of \$50 million (**"Access/Participation Fees for the Tamar Dolphinus Agreement"**), in consideration for an undertaking to allow the piping of natural gas to Egypt from the Leviathan and Tamar reservoirs and guaranteed capacity in the EMG Pipeline, all for the purpose of consummation of the export to Egypt agreements.

It is noted that the final amounts of the Access/Participation Fees for the Leviathan Dolphinus Agreement and the Access/Participation Fees for the Tamar Dolphinus Agreement (jointly: the **"Leviathan and Tamar Access Fees"**) will be determined by June 30, 2022, according to the ratio of the gas quantities actually supplied by the Leviathan partners and the Tamar partners via the EMG Pipeline until such date (including gas quantities not yet supplied and paid for by virtue of a take-or-pay undertaking).

In addition to the costs invested in the refurbishment of the pipeline as aforesaid, the Capacity Allocation Agreement determined arrangements for participation in the costs of the EMG Transaction, additional costs in connection with the piping of the gas, and investments which will be required for maximum utilization of the capacity of the EMG

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Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)

(Continued):

Pipeline, payment of which shall be divided between the Leviathan partners and the Tamar partners, which were partly included in the Leviathan and Tamar Access Fees. In view of the aforesaid, the Partnership's share of the Leviathan and Tamar Access Fees amounts to approx. \$119.4.

The Capacity Allocation Agreement further determines principles for a "backup" arrangement between the Tamar partners and the Leviathan partners, according to which starting from June 30, 2020 until the Capacity Increase Date, insofar as the Tamar partners shall be unable to supply the quantities which they undertook to supply to Dolphinus, the Leviathan partners shall supply the Tamar partners with the required quantities.

The term of the Capacity Allocation Agreement is until the conclusion of the export to Egypt agreements, unless it shall have ended prior thereto in the following cases: a breach of a payment undertaking which was not remedied by the party in breach; in a case where the Competition Authority shall not have approved extension of the Capacity Lease & Operatorship Agreement according to the decision of the Competition Commissioner, as specified in Section 1a4 above. In addition, each party shall be entitled to end its part in the Capacity Allocation Agreement insofar as its export agreement shall have been terminated.

3) EMED's shareholders' agreement

In proximity to the date of the signing of the Share Purchase Agreements, EMED's shareholders signed a shareholders' agreement which regulates the relationship between them as shareholders of EMED, including provisions regarding material resolutions that shall be adopted unanimously. In addition, arrangements were put in place for a right of first refusal for transfers of shares of EMED.

4) Term sheet for use of additional infrastructures

Concurrently with the signing of the Share Purchase Agreements, as described above, a term sheet was signed between the Partnership and Noble and the Egyptian Partner (which holds the Arab Gas Pipeline) in the segment from el Arīsh to Aqaba, and an affiliate of Dolphinus, whereby the parties agreed that the Partnership and Noble would receive access to additional capacity in the Egyptian transmission system through the Arab Gas Pipeline, at the entry point to the Egyptian transmission system in the Aqaba area, allowing the flow of gas in additional quantities over and above the gas quantities that would flow via the EMG Pipeline (the "**Additional Infrastructure**"), for the purpose of implementation of the Dolphinus agreement and other agreements for the sale of natural gas to Egypt. In addition, the parties agreed to look into other projects for the transmission of natural gas from Israel to potential customers and facilities in Egypt.

- F. On May 3, 2020, an agreement was signed (in this section: the "**Agreement**") between the Partnership, Noble, Delek Group Ltd. and Ratio Oil Exploration (1992), Limited Partnership ("**Ratio**"), for the supply of natural gas, under which the supply of gas to customers that had signed earlier agreements with each of the Yam Tethys partners will be carried out from the Leviathan reservoir. Accordingly, the Yam Tethys partners that are Leviathan partners (i.e., the Partnership and Noble) will take from the gas available to them (according to the rate of their holdings in Yam Tethys) whereas the remainder of the gas required to be supplied by Delek Group will be purchased from Ratio according to the consideration determined in such Agreement, which is the average monthly price

(Continued):

determined in the agreements signed between the Leviathan partners and their customers in the domestic market.

G. Engagements for the payment of royalties:

1. Following the closing of the merger between the Partnership and Avner Oil Exploration Limited Partnership of May 2017, all of the liabilities related to royalties apply with respect to all of the (current and future) gas and petroleum assets of the Partnership, however, the rate of royalties in respect thereof, was reduced by 50% compared with the rate of royalties prior to the Merger (since the Partnership and Avner Partnership held equal parts in those petroleum assets).

2. In the context of a right transfer agreement signed in 1993, the Partnership undertook to pay Delek Energy and Delek Group (the “**Royalty Interest Owners**”) royalties at the rates specified below from the entire share of the Partnership in petroleum and/or gas and/or other valuable substances that shall be produced and utilized from the petroleum assets, in which the Partnership has or shall have any interest (prior to deduction of any kind of royalties, but after deduction of the petroleum used for the production itself).

The royalty rates are as follows: until the date of the Partnership’s investment recovery, royalties shall be paid at a rate of 2.5% of onshore petroleum assets and 1.5% of offshore petroleum assets, and after the investment recovery date – 7.5% of onshore petroleum assets and 6.5% of offshore petroleum assets.

According to the agreement between the Partnership and the Royalty Interest Owners, an expert deciding arbitrator was appointed in 2002 in order to determine the right meaning of certain definitions and terms concerning the royalties that the Partnership is liable to pay as aforesaid, mainly with respect to the definition of “investment recovery date”. In the appointed arbitrator’s decision, he expressed his opinion and determined, *inter alia*, the manner of calculating and various elements that should and shouldn’t be taken into account for determining the “investment recovery date”.

In October 2020, the rights to receive royalties in respect of the Leviathan South and Leviathan North leases were transferred from Delek Group and Delek Energy to Delek Leviathan Overriding Royalty Ltd. which is held by Delek Energy.

3. In addition, the Partnership will pay, by virtue of the Avner Partnership Agreement, royalties at a rate of 3% of all of the share of the limited partnership in petroleum and/or gas and/or other valuable substances which will be produced and utilized out of the petroleum assets in which the limited partnership has a present or will have a future interest (before deduction of royalties of any type, but after the reduction of the oil to be used for the purpose of the production itself).

In an agreement signed on September 2, 1991, it was determined that the said right of the royalties is held by the General Partner in trust, and it is paid to those entitled to royalties under the Limited Partnership Agreement. Out of the total royalties as aforesaid, Cohen Oil and Gas Development Ltd. (an affiliate until the date it was sold by Delek Group to a third party) will receive 1.4375% of any future petroleum right of the Partnership. The remaining entitlement to royalties is paid to third parties.

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Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)

(Continued):

4. Royalty to the State:

The Petroleum Law, 5712-1952 (the “**Petroleum Law**”) and the Petroleum Regulations, 5713-1953, prescribe that a lease holder, within the meaning of such term in the Petroleum Law, owes the State Treasury royalty at the rate of one-eighth of the petroleum quantity produced and utilized from the area of the lease, according to the market value at the wellhead, excluding the quantity of petroleum used by the lease holder for operating the area of the lease, but royalties will in no event fall below the minimum royalties prescribed by the law.

In accordance with the Petroleum Law, the State is entitled to royalties from the produced quantity of gas. The Commissioner notified the operator of the joint ventures that the State decided not to receive the royalties, to which it is entitled from the gas discoveries, in kind, but to receive the market value of the royalties at the wellhead, in dollars.

In May 2020, the Ministry of Energy released directives for the manner of calculation of the royalty value at the wellhead in connection with offshore petroleum rights, pursuant to Section 32 of the Petroleum Law and specific directives for the Tamar Lease. For details regarding the directives, see note 4M3 below.

5. From the date of commencement of the supply of gas from the Leviathan reservoir, the Leviathan partners have been paying the State advances on account of the State's royalties on revenues from the Leviathan project, at the rate of 11.26% and the specific directives on the method of calculation of the royalty value at the wellhead for the Leviathan lease have not yet been published.
6. It is noted that it is the position of the Partnership that the calculation of the actual rate of the State's royalties from the Leviathan project should reflect the complexity of the project, the risks involved therein and the amount of the investments in the project.
7. The difference between the royalties that were actually paid to the State and the effective royalty rate applied by the Partnership in its financial statements in the Leviathan project amounted to approx. \$2.6 million.
8. The manner of calculation of the royalties to the State, is also used for calculation of the market value at the wellhead of the overriding royalties paid by the Partnership to interested parties and to third parties. The difference between the royalties that were actually paid to related parties and to third parties and the effective royalty rate on which the Partnership relied in its financial statements of the Leviathan project, in an amount of approx. \$0.9 million.

Leviathan Bond Ltd.**Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)****Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)****(Continued):****H. Engagements for the supply of natural gas and condensate:****1. Agreements for the sale of natural gas from the Leviathan project:**

During the years 2016-2020, the Partnership signed, together with the other Leviathan partners, several agreements for the supply of natural gas from the Leviathan project, the main provisions of which are presented below:

	Supply commencement year	Agreement period ⁹	Total maximum contract quantity for supply (100%) (BCM) ¹⁰	Total quantity supplied until December 31, 2020 (100%) (BCM) ¹¹	Main linkage basis of the gas price
IEC ¹²	2020	Until June 30, 2021.	Approx. 3.6 ¹³	Approx. 2.4	Fixed non-linked gas price.
Independent power producers	2020, or the date of commencement of the commercial operation of the purchasers' power plant (whichever is later).	Part of the agreements are for a short period of up to approximately two and a half years, and the rest are for a longer term of 14 to 20 years. About half of the agreements do not grant the parties an option for extension. In most of the remaining agreements each party is granted an option to extend the agreement in the event that the total quantity is not purchased.	Approx. 38.3	Approx. 0.7	In most of the agreements the linkage formula of the gas price is based on the Electricity Production Tariff and includes a "floor price". In several short-term agreements the price is fixed and non-linked.
Industrial customers	2020	Part of the agreements are for a period of 5 to 15 years, and the rest are for a shorter period of up to approximately two years. In most of the agreements the parties are not granted an option to extend the agreement period.	Approx. 3.8	Approx. 0.4	The linkage formula in most of the agreements is based in part on linkage to the Brent prices and in part to the Electricity Production Tariff, and includes a "floor price". There is partial linkage also to the refining margin index and to the general TAOZ index published by the

⁹ In most of the agreements, the gas supply period may end on the date when the maximum contract quantity set forth in the agreement was supplied to the customers.

¹⁰ This quantity is the maximum quantity which the Leviathan partners have undertaken to supply to the customers throughout the term of the agreements. The quantity which the customers undertook to purchase is lower than this quantity. It is noted that there are agreements in which a mechanism is determined whereby the purchaser will be entitled to increase/reduce the purchased quantities (including the total maximum quantity) until the date set forth in the agreement, according to its needs and the provisions determined in the agreement. It is noted that several agreements do not state a maximum supply quantity.

¹¹ Due to the fact that this is the first year of operation of the Leviathan project, the quantities in 2020 include an accounting due to the date of commencement of commercial supply.

¹² For details on the IEC agreement, see Paragraph B below.

¹³ The original supply agreement that was signed with the IEC did not stipulate the total maximum contract quantity for supply. The figure stated above is equal to the quantity of gas supplied according to the contract until December 31, 2020 (approx. 2.4 BCM) plus an additional quantity of 1.2 BCM which the IEC undertook to nominate from the Leviathan partners during H1/2021 (subject to certain adjustments) according to the Leviathan Settlement Agreement described in Paragraph B.

	Supply commencement year	Agreement period ⁹	Total maximum contract quantity for supply (100%) (BCM) ¹⁰	Total quantity supplied until December 31, 2020 (100%) (BCM) ¹¹	Main linkage basis of the gas price
					Electricity Authority.
NEPCO export agreement	2020	15 years. The agreement stipulates that in the event that the purchaser does not buy the total contract quantity during the base period, the basic supply period will be extended by another two years.	Approx. 45	Approx. 1.9	The linkage formula is based on linkage to the Brent prices and includes a "floor price".
Dolphinus export agreement	2020	15 years. The agreement stipulates that in the event that the purchaser does not buy the total contract quantity, the period of the supply will be extended by another two years.	Approx. 60	Approx. 1.9	The linkage formula is based on linkage to the Brent prices, and includes a "floor price". The agreement includes a mechanism for updating the price by up to 10% (up or down) after the fifth year and after the tenth year of the agreement, upon fulfillment of certain conditions determined in the agreement.
Total			Approx. 151	Approx. 7.25	

a. Further details with respect to natural gas sale agreements signed by the Leviathan partners:

- 1) In most of the agreements for the sale of natural gas to independent power producers and to industrial customers (in this section: the "**Agreements**"), the customers undertook to purchase or pay ("Take-or-Pay") for a minimum annual quantity of natural gas at a scope and according to the mechanism specified in the supply agreement (the "**Minimum Quantity**"). Note that in the context of the said Agreements, provisions and mechanisms are provided, which allow each of the said buyers, after paying for gas not consumed under the agreement due to the application of the Take-or-Pay mechanism as aforesaid, to receive gas with no additional payment up to the amount it had paid for gas it had not consumed. The supply agreements further determine a mechanism for accrual of a balance in respect of surplus quantities consumed by the buyers in any given year and application thereof to reduce the buyers' obligation to purchase the Minimum Quantity as aforesaid, in several subsequent years - Carry Forward.
- 2) In accordance with the Gas Framework, each of the buyers, in agreements executed by June 13, 2017 and for a period to exceed 8 years, was given an option to reduce the minimum quantity to an amount equal to 50% of the average annual quantity it actually consumed in the three years preceding the date of the notice of exercise of the option, subject to adjustments as determined in the supply agreement (in this section: the "**Option**"). Upon the reduction of the minimum quantity, the other quantities determined in the supply agreement will be reduced accordingly. Each one of the said buyers may exercise the above Option with a notice, to be given to the sellers during a period of 3 years which shall commence 5 years after the date of commencement of the gas flow from the Leviathan project to the buyer or 4 years from the date on which

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Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)

(Continued):

the Petroleum Commissioner approved the transfer of the rights in the Karish and Tanin leases in accordance with the Gas Framework (i.e. December 13, 2020) (whichever is later). If the buyer gave notice of the exercise of the said Option, the quantity will be decreased 12 months after the date the notice was given.

- 3) Most of the supply agreements determined conditions precedent, including, *inter alia*, receipt of the required approvals on the part of the buyers with respect to the agreement. As of the date of approval of the financial statements, the conditions precedent stated in most of the agreements have been fulfilled.
- 4) In the supply agreements additional provisions were determined, *inter alia*, on the following subjects: a right to terminate the agreement in the event of the breach of a material undertaking, a right of the Leviathan partners to supply gas to the said buyers from other natural gas sources, compensation mechanisms in the event of a failure to supply the contract quantities, limits to the liability of the parties to the agreement, and with respect to the internal relationship among the sellers with respect to the supply of gas to the said buyers.

b. Further details regarding a gas supply agreement between the Leviathan partners and the IEC:

Following the competitive process conducted by the IEC, on June 12, 2019, as aforesaid, the IEC-Leviathan agreement was signed, which regulates the supply of natural gas from the Leviathan reservoir to the IEC on an available capacity basis (in this section: the “**Agreement**”).

On October 29, 2019, all of the supply agreement’s closing conditions were fulfilled.

The supply of the gas to the IEC pursuant to the Agreement began on December 31, 2019 and will end, according to the provisions of the Agreement, on June 30, 2021, or on the date of commencement of the production of gas from the Karish reservoir, whichever is earlier, unless it ends earlier according to the terms of the Agreement. A non-linked fixed gas price was determined in the supply agreement.

On January 30, 2021 (after the date of the Statement of Financial Position), concurrently with the signing of the Tamar Settlement Agreement, the Leviathan partners and the IEC signed a settlement agreement (the “**Leviathan Settlement Agreement**”), which amends the IEC-Leviathan agreement, in which, without derogating from the parties’ undertakings under the IEC-Leviathan agreement, the IEC undertook to nominate from the Leviathan partners, during the first half of 2021, approx. 1.2 BCM of natural gas, from which certain gas quantities will be deducted, as agreed, and primarily gas quantities that shall be nominated from Leviathan by the IEC and shall not be supplied thereby, and gas quantities that are not consumed by the IEC due to *force majeure* events and/or malfunctions in significant production units of the IEC (the “**Base Quantity**”). If the IEC does not nominate the Base Quantity in the said period, it will be charged with payment to the Leviathan partners for the difference between the Base Quantity and the quantity actually nominated thereby. The IEC will be entitled to consume the balance of the Base Quantity that it did not consume but for which it paid, in accordance with the mechanism determined in the Leviathan Settlement Agreement.

In addition, the Leviathan partners shall give the IEC a discount on the price for nomination of gas quantities exceeding approx. 0.5 BCM that shall be nominated from January 1, 2021.

Leviathan Bond Ltd.

Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)

(Continued):

Upon the signing of the Agreement, the Partnership estimated that during the term of the Agreement, the IEC will be supplied with a quantity of approx. 4 BCM. During 2020, a quantity of approx. 2.4 BCM was supplied from the Leviathan reservoir to the IEC. In the Partnership's estimation, in accordance with the Leviathan Settlement Agreement, in H1/2021, an additional quantity of approx. 1.2 BCM will be supplied to the IEC.

Similarly to the Tamar Settlement Agreement, the Leviathan Settlement Agreement is also subject to the fulfillment of conditions precedent and regulatory approvals, including the approval of the Competition Authority and the approval of the Competition Court for the agreed order. As of the date of approval of the financial statements, not all the aforesaid conditions precedent have been fulfilled.

c. Agreement for the Export of Natural Gas from the Leviathan Project to the Jordanian National Electric Power Company:

In September 2016, a detailed agreement was signed for the supply of natural gas between NBL Jordan Marketing Limited (the "**Marketing Company**") and the Jordanian National Electric Power Company (the "**NEPCO Agreement**" and "**NEPCO**", respectively). The Marketing Company is a subsidiary wholly owned by the partners in the Leviathan project, who hold it relative to their holding rates in the Leviathan project.

According to the NEPCO Agreement, the Marketing Company undertook to supply natural gas to NEPCO for a period of approx. 15 years from the date of commencement of the commercial supply or until the total supply volume will be approx. 45 BCM. The supply of gas to NEPCO began on January 1, 2020.

The gas delivery point according to the NEPCO Agreement, is at the exit from the Israeli transmission system on the border between Israel and Jordan. The cost of completion of the Israeli transmission system up to the border between Israel and Jordan is estimated at approx. \$120 million (100%, the Partnership's share being approx. \$54 million).

NEPCO has undertaken to take or pay for a minimum annual quantity of gas, in such amount and in accordance with the mechanism as determined in the NEPCO Agreement.

d. Agreement for the Export of Natural Gas from the Leviathan Project to Dolphinus:

On February 19, 2018, an agreement was signed between the Partnership and Noble and Dolphinus, which, as aforesaid, in July 2020 endorsed its rights to Blue Ocean Energy (in this section: the "**Buyer**") for the export of natural gas from the Leviathan project to Egypt (in this section: the "**Original Leviathan-Dolphinus Agreement**").

On September 26, 2019, the signing of an agreement for amendment of the Original Leviathan-Dolphinus Agreement between the Leviathan partners and Dolphinus was completed (the "**Amendment to the Leviathan-Dolphinus Agreement**"), and an agreement was signed in connection with the allocation of the available capacity in the transmission system from Israel to Egypt between the Leviathan partners and the Tamar partners (for details see Note 4E2 above).

On January 15, 2020, the flow of natural gas to Egypt from the Leviathan reservoir began in accordance with the Amendment to the Leviathan-Dolphinus Agreement. In July 2020, after receipt of a marine discharge permit from the Natural Gas Authority, the running-in of the compressor that was installed at the EMG terminal in Ashkelon was completed. The installation of the compressor enabled the quantity of gas piped to Egypt to be increased.

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Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)

(Continued):

It is noted that in a tax decision in connection with the Amendment to the Leviathan-Dolphinus Agreement that was issued to the Leviathan partners by the Tax Authority on December 9, 2019, and according to the terms and conditions of the Gas Framework, the Leviathan partners undertook to offer new customers (as defined in the Gas Framework) with which they engaged or shall engage from February 19, 2018 until 3 full years after the date of the signing of the tax decision, i.e. December 9, 2022, to enter into agreements for the sale of natural gas at a price that shall be calculated according to the formula in the Amendment to the Leviathan-Dolphinus Agreement, which is based on the Brent price, while making several adjustments as specified in the tax decision, including in view of the location of the delivery point in the Amendment to the Leviathan-Dolphinus Agreement.

Below is a summary of the details and terms and conditions of the Amendment to the Leviathan-Dolphinus Agreement:

- 1) The total contract gas quantity which the Leviathan partners undertook to supply to the Buyer according to the amendment to the Leviathan agreement is on a firm basis and increased considerably to approx. 60 BCM (compared with 32 BCM according to the Original Leviathan-Dolphinus Agreement) (the **"TCQ in the Leviathan Agreement"**).
- 2) The supply according to the Amendment to the Leviathan-Dolphinus Agreement began on January 15, 2020, and will be until December 31, 2034 or until the supply of the full total contract quantity, whichever is earlier (the **"Date of Conclusion of the Amendment to the Leviathan Agreement"**). The agreement prescribes that in the event that the Buyer does not purchase the total contract quantity, each party will be entitled to extend the supply period by two additional years.
- 3) According to the Amendment to the Leviathan-Dolphinus Agreement, the Leviathan partners undertook to supply the Buyer with annual gas quantities as follows: (i) in the period commencing January 15, 2020 and ending June 30, 2020, approx. 2.1 BCM per year; (ii) in the period commencing July 1, 2020 and ending June 30, 2022, approx. 3.6 BCM per year; and (iii) in the period commencing July 1, 2022 and ending on the date of conclusion of the Leviathan agreement, approx. 4.7 BCM per year, by upgrading the systems at the EMG terminal in Ashkelon, including the installation of another compressor, and increasing the transmission capacity in INGL's system, as specified in note 4N.
- 4) The Buyer has undertaken to take or pay for quarterly and annual quantities according to mechanisms set forth in the Amendment to the Leviathan-Dolphinus Agreement which, *inter alia*, enable the Buyer to reduce the TOP quantity in a year in which the average daily Brent price (as defined in the agreement) is lower than \$50 per barrel, such that it shall be 50% of the annual contract quantity. It is noted that, if the contract quantity is reduced in the case of a disagreement about the gas price update, as stated in Paragraph 5 below, Dolphinus's right to reduce the take-or-pay quantity as aforesaid will be revoked. In the report year, Dolphinus consumed from the Leviathan-Dolphinus agreement approx. 1.9 BCM (100%). It is noted that as a result of the sharp decline in the energy prices during H1/2020, the average daily Brent price, as defined in the Agreement, dropped below \$50 per barrel.

Leviathan Bond Ltd.

Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)

(Continued):

- 5) The price of the gas to be supplied to the Buyer will be determined according to a formula which is based on the Brent oil barrel price, and includes a “floor price”. The Amendment to the Leviathan-Dolphinus Agreement includes a mechanism for updating the price by up to 10% (up or down) after the fifth year and after the tenth year of the Amendment to the Leviathan-Dolphinus Agreement (in this section: the “**First Adjustment Date**” and the “**Second Adjustment Date**”, respectively), upon fulfillment of certain conditions as set forth in the agreement. In the event that the parties fail to reach an agreement on the price update as described above, the Buyer will have the right to reduce the contract quantity by up to 50% on the First Adjustment Date and by up to 30% on the Second Adjustment Date. It is noted that the agreement includes an incentive mechanism that is quantity-contingent and subject to the oil barrel price.
- 6) The Amendment to the Leviathan-Dolphinus Agreement includes accepted provisions relating to conclusion of the agreement, as well as provisions in the case of conclusion of the Amendment to the Tamar-Dolphinus Agreement between the Buyer and all of the partners in the Tamar reservoir as a result of a breach thereof, and the Leviathan partners’ not agreeing to supply also the quantities according to the Amendment to the Tamar-Dolphinus Agreement, and also includes compensation mechanisms in such a case. The Amendment to the Tamar-Dolphinus Agreement also includes similar provisions.

2. “*Force majeure*” events under natural gas sale agreements:

In most of the Partnership’s natural gas sale agreements (the “**Agreements**”), the customers are obligated to take-or-pay for a minimal annual quantity of natural gas, in accordance with the mechanisms set forth in the Agreements. However, the customers may be exempt from this obligation upon the occurrence of “*force majeure*” events, which prevent them from fulfilling their undertakings, as defined in the Agreements. A “*force majeure*” event is defined as an event beyond the customer’s control, which prevents it from fulfilling its undertakings under the agreement, and which could not reasonably have been prevented in the circumstances. The Agreements specify a list of cases that shall not be deemed as a “*force majeure*” event, also where they are beyond the customer’s control. It is noted that the Partnership may also be exempt from its obligations according to the natural gas sale agreements upon the occurrence of a “*force majeure*” event which prevents it from fulfilling its undertakings according to the Agreements.

If a “*force majeure*” event lasts for a prolonged period as determined in a natural gas sale agreement (usually between one and three years), and it has a material effect on the ability of a party to the agreement to fulfill its undertakings as aforesaid, this may constitute grounds for termination of the agreement. Therefore, the occurrence of a “*force majeure*” event for a long period, which suspends a customer’s undertakings to buy a significant quantity of natural gas, may have a material adverse effect on the Partnership’s revenues.

Leviathan Bond Ltd.

Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)
(Continued):

3. Agreement for the supply of condensate to ORL:

On December 15, 2019, an agreement was signed whereby condensate produced from the Leviathan reservoir will be piped via the existing fuel pipeline of EAPC to PEI's container site in Kiryat Haim, and from there to ORL's facilities, according, *inter alia*, to regulatory directives (the "**ORL Agreement**").

The ORL Agreement is on an interruptible basis, for a period of 15 years from the date of commencement of the piping of condensate in commercial quantities, with each party having the right to terminate the ORL Agreement by giving prior notice of at least 360 days, to the other party. In addition, each party may terminate the ORL Agreement on shorter notice upon the occurrence of various events, including in the case of a breach by the other party, and upon the occurrence of regulatory and other changes which will not allow the piping of the condensate according to the provisions of the ORL Agreement.

The condensate will be piped to ORL according to the ORL Agreement on an interruptible basis up to a maximum quantity that was agreed between the parties (the "**Maximum Quantity**"). The parties may update the Maximum Quantity from time to time, subject to compliance with the conditions that were determined by the authorities in this respect, including the Ministry of Energy and the Ministry of Environmental Protection.

The ORL Agreement stipulates that the delivery of the condensate to ORL will be without consideration, while the Leviathan partners shall bear any and all expenses, including tax exposures, relating to the piping of the condensate.

The ORL Agreement determines several closing conditions, and primarily receipt of the regulatory approvals for the piping of the condensate to ORL, including approvals with respect to the sale of the condensate without consideration. The ORL Agreement took effect on January 29, 2020.

The loss of revenues caused to the Leviathan project due to the terms of the agreement is not material to the Partnership.

4. Agreement for the supply of natural gas to Delek Sorek:

On September 19, 2019, an agreement was signed for the supply of natural gas between the Leviathan partners (in this section: the "**Leviathan Partners**") and Delek Sorek (the "**Agreement from Leviathan**"). In the Agreement from Leviathan, the Leviathan Partners undertook to supply Delek Sorek with natural gas in a total quantity of up to approx. 0.24 BCM per year, in accordance with the terms and conditions set forth in the Agreement from Leviathan. The supply period according to the Agreement from Leviathan began in proximity to the date of commencement of the gas flow from the Leviathan project and shall end 9 years after the date of the commercial operation of the Leviathan project (the "**Term of the Supply Agreement**"), while Delek Sorek has the right to extend the Agreement from Leviathan by another five years, by dispatching a notice to the Leviathan Partners that it wishes to do so, no later than the end of the seventh year from the date of commercial operation of the Leviathan project. Delek Sorek undertook to take-or-pay for a minimum annual quantity of gas in the volume and according to the mechanism set forth in the Agreement from Leviathan (the "**Take-Or-Pay Quantity**"). The gas price stipulated in the Agreement from Leviathan will be linked to the Electricity Production Tariff, as shall be determined from time to time by the PUA-E, and includes a "floor price".

Leviathan Bond Ltd.

Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)
(Continued):

5. Settlement agreement between the Tamar partners and the Leviathan partners:

On October 4, 2020, some of the Tamar partners notified the Partnership and Noble that they had signed an agreement constituting, so they claimed, a supplement to the IEC-Tamar agreement (the “**Agreement in Dispute**”). On January 30, 2021 (after the date of the Statement of Financial Position), the Tamar partners and the IEC signed a settlement agreement with regards to the disagreements which had arisen with respect to the Agreement in Dispute (in this section: the “**Tamar Settlement Agreement**”). The Tamar Settlement Agreement provides, *inter alia*, that: (1) the Agreement in Dispute shall be terminated, and shall be null and void; (2) until June 30, 2021, the IEC will be able to buy from the Tamar reservoir a quantity of 1.25 BCM, for a price lower than the IEC-Tamar agreement price, varying according to the purchased quantity, out of which approx. 0.81 BCM which was supplied in 2020, and, under certain conditions, additional quantities insofar as such quantities are not supplied by the Leviathan partners under the IEC-Leviathan agreement. The gas quantities that were and shall be supplied at such reduced price, shall not be taken into account for calculation of the Take-or-Pay and the Carry Forward in 2020 and 2021 from the IEC-Tamar agreement as specified above.

The Tamar Settlement Agreement further determines that the maximum daily contract quantity which the Tamar partners will be required to supply to the IEC under the IEC-Tamar agreement in H1/2021 shall be limited to 500,000 MMBTU (compared with 655,000 MMBTU).

In the settlement agreement, the parties waived their claims in connection with the disputes.

The Tamar Settlement Agreement is subject to the fulfillment of conditions precedent and regulatory approvals, including the approval of the Competition Authority and the approval of the Competition Court for an agreed order under Section 50B of the Economic Competition Law, 5748-1988, whereby the Competition Commissioner shall not continue her processing and shall take no enforcement measures against Noble for the complaints filed against it in connection with the supplement. Insofar as the conditions precedent are not fulfilled within 30 days of the date of signing of the settlement agreement, and with respect to the approval of the Competition Court – 60 days, each party shall have the right to terminate the agreement. As of the date of approval of the financial statements, not all the aforesaid conditions precedent have been fulfilled.

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Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

**Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)
(Continued):**

6. Estimates regarding gas quantities and supply dates:

The estimates regarding the natural gas quantities which will be purchased by the aforesaid buyers in the Leviathan project, and the supply commencement dates according to the supply agreements, constitute information the materialization of which, in whole or in part, is uncertain, and which may materialize in a materially different manner, due to various factors including non-fulfillment of the conditions precedent in each one of the supply agreements (insofar as not yet fulfilled), non-receipt of regulatory approvals, changes in the scope, pace and timing of consumption of the natural gas by each one of the aforesaid buyers, the gas prices to be determined according to the formulas specified in the supply agreements, the electricity production tariff, the Dollar-ILS exchange rate (insofar as relevant to the supply agreement), the Brent prices (insofar as relevant to the supply agreement), the U.S. CPI (insofar as relevant to the supply agreement), construction and operation of the power plants and/or other plants of the buyers (insofar as relevant to the supply agreement), exercise of the options granted in each one of the supply agreements and the date of exercise thereof, etc.

I. Reimbursement of indirect expenses to the project operators:

The Partnership's operations in the joint venture Ratio-Yam is carried out by Noble. Noble is entitled to reimbursement of all the direct expenses it incurs in connection with the fulfillment of its duties as operator as well as reimbursement of the indirect expenses deriving from a percentage of the expenses of the joint venture at the exploration stage, at a rate of 1% of all the direct development expenses, as defined in the agreement, subject to certain exceptions.

J. Permits and licenses for the projects' facilities:

In Phase 1A of the development plan for the Leviathan project, the Leviathan partners received approval for the construction of a permanent platform for the production of natural gas and oil, as well as approval for the operation of a system for production of natural gas and condensate from the Leviathan project pursuant to which the Leviathan partners were obligated, *inter alia*, to submit guarantees.

In February 2017, the Minister of Energy granted the SPC owned by the Leviathan partners, Leviathan Transmission System Ltd., a license for the construction and operation of the transmission system, which will serve for the transfer of natural gas of the Leviathan partners originating from the Leviathan Leases, or other natural gas suppliers upon the fulfillment of certain conditions, all subject to the terms of the license. In December 2019, the Commissioner's approval was received for the operation of the system for production of natural gas and oil from the Leviathan Leases.

In addition, other permits were received including a sea discharge permit, an air emission permit, toxic materials permits and business permits.

Leviathan Bond Ltd.

Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)
(Continued):

K. Pledges and guarantees:

1. Short-term bank deposits as of December 31, 2020 in the sum of approx. \$134.3 million used for debt service and current payments in the context of the issue of the Leviathan Bond bonds (see Note 3 above).
2. A long-term bank deposit as of December 31, 2020 in the sum of approx. \$100 million used as a safety cushion in the context of the issue of Leviathan Bond bonds (see Note 3 above) and a deposit in the sum of \$0.5 million used to secure a guarantee in the sum of \$1 million, provided by the Partnership and Noble (in equal parts) in favor of the Director of the Natural Gas Authority in relation to the license for gas transmission to Egypt.
3. See Note 3 regarding pledges provided by the Partnership on its assets in the context of the bonds.
4. In the context of the Partnership's activity in the Leviathan project, the Partnership provided a personal guarantee in favor of the Israeli Tax Authority (Customs) in connection with equipment imported by the venture operator in the sum of approx. ILS 67.6 million.
5. During July 2018, the partners in the Leviathan project provided a guarantee in favor of the Israel Land Authority regarding the construction of development infrastructure for the Leviathan project. The share of the Partnership in the said guarantee is approx. ILS 2.3 million.
6. In order to secure payments for rights of use of areas, facilities and infrastructures in connection with the EMG Transaction, the Partnership provided a bank guarantee in the amount of \$2 million in favor of EAPC. In the context of the agreement with EAPC, EMED BV provided a company guarantee in the amount of \$4 million to EAPC.
7. To secure a transmission agreement for the export of gas to Egypt (see note 4N) in the context of the Partnership's activity in the Leviathan and Tamar projects, in February 2021 (after the date of the Statement of Financial Position) the Partnership provided bank guarantees in favor of INGL in the sum of approx. ILS 172.9 million, against which the Partnership pledged a deposit in the sum of approx. \$13.3 million.
8. With regard to guarantees in the sum of approx. \$45 million provided by the Partnership to the Petroleum Commissioner in connection with its rights in the oil and gas assets, see note 4M2 below.

L. Legal proceedings:

1. On February 27, 2020, the Partnership learned of the filing of a class action and a motion for class certification (in this section: the "**Certification Motion**"), which was filed with the Tel Aviv District Court by an electricity consumer (in this section: the "**Petitioner**") against the Partnership and Noble and against the other holders of the Tamar Project and the Leviathan project (as parties against which no remedy is sought), in connection with the competitive process for the supply of natural gas conducted by the IEC and in connection with a possible amendment to the agreement for the supply of gas from the Tamar Project to the IEC, as agreed by Isramco, Tamar Petroleum, Dor and Everest (collectively in this section: the "**Other Holders in the Tamar Project**"), with no involvement on the part of the Partnership and Noble (in this section: the "**Amendment to the Tamar Agreement**").

Leviathan Bond Ltd.

Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)

(Continued):

The Petitioner's principal arguments are, in brief, that the bids made by the Other Holders in the Tamar Project and the holders in the Leviathan project in the competitive process amount to abuse of monopoly power and to a restrictive arrangement, as defined in the Economic Competition Law; the Partnership's and Noble's not signing the Amendment to the Tamar Agreement also amounts to abuse of monopoly power; the price determined in the agreement for the supply of gas from the Leviathan project to the IEC further to the competitive process is an unfair price; and profits made and which shall be made by the Partnership and Noble under this agreement, while harming competition, amount to unjust enrichment. The Petitioner asserts that such actions of the Partnership and Noble have caused and are expected to cause damage to the classes he seeks to represent in the sum of approx. ILS 1.16 billion, which he moves to adjudicate in favor of the classes he seeks to represent and according to which the court is moved to award compensation and fees. The main remedy that is sought in the said class action is a ruling by the court that the Partnership and Noble are not entitled to prevent the Other Holders in the Tamar Project from signing the Amendment to the Tamar Agreement.

A pretrial hearing on the Certification Motion is scheduled for November 17, 2021.

The other holders of Tamar and Ratio, the other holder of Leviathan, were also joined as respondents to the Certification Motion, without a remedy being sought against them. On December 22, 2020, the other holders of Tamar filed a motion for summary omission thereof (in this section: the "**Omission Motion**"), the Petitioner filed an objection and the Partnership, Noble and Ratio did not object thereto.

On January 31, 2021, the court ruled that a hearing will be held on the Omission Motion on May 5, 2021. A date has not yet been set for filing of answers to the Certification Motion.

In the Partnership's estimation, based on the opinion of its legal counsel, the chances of the Certification Motion being granted are lower than 50%.

2. Further to Note 4E above, following the decision of the Competition Commissioner (in this section, the "**Commissioner**"), according to Section 20(b) of the Economic Competition Law, to conditionally approve the merger between EMG and EMED, in the context of which a set of agreements was signed to enable the export of gas to Egypt from the Tamar and Leviathan gas reservoirs (in this section: the "**Merger**"), on September 8, 2019, Lobby 99 Ltd. (CIC) and Hatzlaha - for Promotion of a Fair Society (R.A.) filed an administrative appeal with the Competition Court at the Jerusalem District Court. The administrative appeal was filed against the Commissioner (as a respondent) and against EMED and EMG. In essence, it was argued in the administrative appeal that the Merger will enable the Partnership and Noble to block any and all possibilities of importing natural gas from Egypt that will compete with the gas produced from the Tamar and Leviathan reservoirs that they own, and that the conditions imposed in the context of the Merger's approval are impracticable and do not remedy the competition damage that may be caused according to them by approval of the Merger. In the administrative appeal, the court was moved to cancel or modify the Commissioner's decision. On December 15, 2020, a preliminary hearing was held on the administrative appeal. As of the date of approval of the financial statements, no dates have yet been scheduled for trial hearings. In the Partnership's estimation, based on the opinion of its legal counsel, the chances of the administrative appeal being granted are lower than 50%.

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3. On August 28, 2019, the Homeland Guards Association (in this section: the **"Petitioner"**) petitioned to the Jerusalem District Court against the Ministry of Environmental Protection and position holders therein and against Noble and the Ministry of Energy, in which it sought to instruct the Ministry of Environment Protection and position holders therein to require Noble or the Ministry of Energy to furnish various items of information which are necessary, as claimed by the Petitioner, to make a decision on the application for Leviathan's Emission Permit; to release all of the information to the public and to allocate a 45-day period for the submission of comments; to avoid granting an Emission Permit to a platform until the petition has been heard. Concurrently with the petition, a motion was filed for a temporary order and interim order which are intended to prevent the provision of Leviathan's Emission Permit until the petition has been heard. On September 5, 2019, the Court denied the motion for an interim order. On December 19, 2019, the Court's judgement was received, dismissing the petition with prejudice charging the Petitioner with the respondents' costs in a total amount of ILS 60 thousand. On February 3, 2020, the Petitioner appealed to the Supreme Court from the said judgment of the District Court. The Supreme Court scheduled the appeal to be heard on October 20, 2021. On October 26, 2020 the Petitioner filed the summary of its arguments and on March 1, 2021 Noble filed closing arguments on its behalf. As of the date of approval of the financial statements, in the Partnership's estimation, based on the opinion of legal counsel representing the operator in the proceeding, the chances of the appeal being denied are higher than the chances it is granted.
4. On November 21, 2019, a petition was served on Noble which was filed by the Zichron Yaakov Local Council, Zalul Environmental Association, Jisr az-Zarqa Local Council, Megiddo Regional Council, Pardes Hanna-Karkur Local Council and Emek Hefer Regional Council (in this section: the **"Petition"** and the **"Petitioners"**, respectively) against the Head of the Air Quality Division in the Ministry of Environmental Protection and against Noble (in this section: the **"Respondents"**) with the Jerusalem District Court. In the Petition, the Court was asked to order the nullification of Leviathan's Emission Permit and to determine that there will be no activity in the Leviathan platform which involves the emission of gases. Alternately, the Court was asked to determine that approval of the rig's running-in plan will be cancelled. Also, an interim order was requested to prevent activity in the platform which requires an emission permit. On December 17, 2019, the Court decided to grant a temporary order whereby, until a decision otherwise, the Respondents will refrain from conducting operations in the Leviathan platform which involve emission of gases and that the emissions permit will be frozen (in this section: the **"Temporary Order"**).

On December 19, 2019, the court's decision was received, revoking the Temporary Order and denying the motion for an interim order. On January 5, 2020, a preliminary hearing was held on the Petition. On March 15, 2020, the court's judgment was issued dismissing the Petition with prejudice. On June 22, 2020, an appeal from the judgment was filed with the Supreme Court (in this section: the **"Appeal"**). In the Appeal it is sought to amend the emission permit and order that the pollutants emitted from the platform will not be monitored by Noble or an entity with which it engaged, but by the Head of the Air Quality Division with the Ministry of Environmental Protection or an entity selected by him; and to amend the emission permit such that all the provisions pertaining to maintenance, environmental management, environmental protection and identification and treatment of leaks will be determined in the emission

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- permit itself, and not in an external program. A hearing in the Appeal was scheduled for June 30, 2021. In November 2020, the Petitioners filed a motion to bring forward the hearing. The hearing was scheduled for April 5, 2021. As of the date of approval of the financial statements, in the Partnership's estimation, based on the opinion of legal counsel representing the operator in the proceeding, at this stage the chances of the Appeal being rejected are greater than the chances it is granted.
5. On January 19, 2020, the Homeland Guards Association (in this section: the "**Petitioner**") petitioned the Jerusalem District Court against the Ministry of Environmental Protection and Noble Inc., to order the Ministry of Environmental Protection to publish a reasoned decision regarding Noble Inc.'s request to deem the information on the Leviathan reservoir well flow as such that contains information which amounts to a trade secret. According to the Petitioner, the non-publication of a reasoned decision constitutes a violation of the provisions of the Clean Air Law by the Ministry of Environmental Protection. It was further argued that the Ministry of Environmental Protection violated its internal procedures which contemplate the examination of requests to recognize trade secrets. On June 3, 2020, Noble responded to the petition and argued that, since the petition does not move for a remedy of publication of any information or another remedy from Noble, Noble leaves the decision in the petition to the court's discretion. At the same time, it was argued that the Ministry of Environmental Protection did not violate the Clean Air Law or the internal procedures thereof. On June 17, 2020, the Ministry of Environmental Protection filed its answer in the petition claiming that the court ought to dismiss the petition with prejudice because it did not violate the Clean Air Law or the internal procedures thereof. A preliminary hearing on the petition was scheduled for May 23, 2021. As of the date of approval of the financial statements, in the Partnership's estimation, based on the opinion of legal counsel representing the operator in the proceeding, at this stage the chances of the Appeal being rejected are greater than the chances it is granted.
6. On December 15, 2020, a motion for class certification was filed with the Tel Aviv District Court by a resident of Dor Beach on behalf of "anyone who was exposed to the air, sea and coastal environment pollution, due to prohibited emissions from the gas platform operated by the Respondents in the sea, which is located opposite Dor Beach, and treats the natural gas reservoir, Leviathan, in the period from the commencement of the platform's activity in December 2019 until a judgment is issued in the claim" (in this section: the "**Petitioner**" and the "**Class Members**"). The certification motion was filed against Noble and Chevron (in this section: the "**Respondents**"). In essence, the certification motion argues that the Respondents exposed the Class Members to air, sea and environmental pollution, due to prohibited emissions deriving from the Leviathan reservoir platform. Such exposure, according to the Petitioner, created various health problems (which were not specified in the certification motion) and damage of injury to autonomy due to the concern of health damage as aforesaid. The main remedy sought in the certification motion is compensation for the class for the damage it allegedly incurred which is estimated at approx. ILS 50 million. In addition, the Petitioner moved for a remedy of an order instructing the Respondents to immediately fulfill the obligations imposed thereon in the Clean Air Law and the regulations promulgated thereunder. A pre-trial hearing is scheduled for January 19, 2022. In the Partnership's estimation, based on the opinion

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of legal counsel representing the operator in the proceeding, at this stage the chances of the Appeal being rejected are greater than the chances it is granted.

M. Regulation:

1. Environmental Regulation:

The Partnership acts to prevent and/or minimize the environmental hazards that may occur in the course of its operations, has prepared for the financial, legal and operating implications deriving from such laws, regulations and directives and allocates budgets for compliance therewith in the framework of its annual work plans for its various assets.

- a. On April 27, 2020, Noble received a notice from the Ministry of Environmental Protection of the intention to impose an administrative financial penalty due to alleged violations of the Prevention of Sea Pollution Law, and the sea discharge permit given to the Leviathan platform, while some of the alleged violations are with respect to the running-in period. On July 26, 2020, Noble filed written arguments in response to the aforesaid notice, and on November 12, 2020 the Ministry of Environmental Protection's decision was received whereby it was decided to cancel two of the four penalties which the Ministry intended to impose, and to partially reduce the amount of the two remaining penalties. Payment for this administrative financial penalty was transferred to the Ministry of Environmental Protection on December 11, 2020.
- b. On May 20, 2020, Noble received a notice from the Ministry of Environmental Protection of the intention to impose a financial penalty, in an immaterial amount, due to alleged violations of the emission permit given to the Leviathan platform and the Clean Air Law, and the Supervisor's instruction given by virtue thereof in connection with the continuous monitoring systems in the Leviathan platform. Noble informed the Partnership that that it submitted a request to the Ministry of Environmental Protection to receive information by virtue of the Freedom of Information Law, 5758-1998, which directly contemplates arguments raised in said notice and that the Ministry of Environmental Protection authorized to postpone the date of submission of arguments with regard to said administrative financial penalty and to schedule it 30 days after receipt of the information. As of the date of approval of the financial statements, it is impossible to estimate the chance of receipt of additional reductions in the administrative financial penalty amount or Noble's ability to bring about the cancellation of part of the components of the administrative financial penalty on the merit.

On July 1, 2020, Noble received an additional notice from the Ministry of Environmental Protection of the intention to impose a financial penalty, in an immaterial amount, due to alleged violations of the terms and conditions of the emission permit of the Leviathan platform and the Clean Air Law, with respect to the operation of flares on the production platform. On August 16, 2020, Noble filed its arguments with respect to this penalty with the Ministry of Environmental Protection. On December 13, 2020, the decision of the Ministry of Environmental Protection was received whereby it was decided to consolidate some of the penalties which the Ministry of Environmental Protection intended to impose and

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to cancel some, such that 4 penalties will be imposed on Noble, and to partially reduce the amount of one of the penalties. Payment for these administrative financial penalties was transferred to the Ministry of Environmental Protection on January 12, 2021. On January 28, 2021, another decision by the Ministry of Environmental Protection was received, cancelling one administrative financial penalty which was imposed in the context of its aforesaid decision and concurrently notifying that it intends to impose this administrative financial penalty while affording Noble the opportunity to supplement its arguments with respect thereto until February 28, 2021. However, Noble informed the Partnership that it had filed an application with the Ministry of Environmental Protection for information by virtue of the Freedom of Information Law, which directly concerns the claims that were raised in the administrative financial penalty notice as aforesaid, and concurrently, an application for an extension for the filing of its arguments within 30 days from the date of receipt of the requested information. At present, the freedom of information application and the extension application have not been granted, and therefore on March 7, 2021, Noble filed its arguments.

- c. On January 19, 2021 (after the date of the Statement of Financial Position), Noble received a warning and an invitation to a hearing from the Ministry of Environmental Protection with regard to an alleged violation of the sea discharge permit that was given to the Leviathan platform, with respect to the open system waste standards set forth in the permit. On February 28, 2021, Noble sent the Ministry of Environmental Protection a letter of arguments in response to the warning and the invitation to a hearing. The hearing at the Ministry of Environmental Protection was scheduled for March 22, 2021.

2. Directives on the provision of collateral in connection with the petroleum rights:

In September 2014, pursuant to Section 57 of the Petroleum Law, the Commissioner published directives for the provision of collateral in connection with petroleum rights. As of the date of the statement of financial position, the Partnership has deposited autonomous bank guarantees with the Ministry of Energy, in the amount of approx. \$45 million in respect of the holding of the Leviathan against bank credit.

3. Directives on the manner of calculation of the value of the royalty at the wellhead:

In May 2020, the Director of Natural Resources at the Ministry of Energy released the final version of the directives on the method of calculation of the royalty value at the wellhead in accordance with Section 32(b) of the Petroleum Law, 5712-1952 (in this section: the “**Directives**”):

- a. The Directives state that the value of the royalty at the wellhead shall be equal to 12.5% of the price of sale to customers at the point of sale, net of costs deemed essential for treatment, processing and transportation of the petroleum, actually incurred by the lease holder between the wellhead and the point of sale.

The expenses to be recognized for purposes of calculation of the royalty value at the wellhead shall be expenses actually incurred by the lease holder between the wellhead and the point of sale specified above, provided that the Commissioner deems them essential for the sale of the petroleum: (1) the following capital expenses (capex): (a) costs for the treatment and processing of the petroleum; and (b) costs of pipeline transportation of the petroleum up

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to the first point of connection to the national transmission system; and (2) operating expenses (opex) arising directly from the types of capital expenses.

- b. The Commissioner shall from time to time determine, for each lease holder, specific directives for each lease, listing the deductible expenses for purposes of calculation of the royalty, according to the specific characteristics of the lease.
- c. Expenses due to assets will be recognized in such a way that the depreciation rate in respect of the fixed assets will be calculated according to the depletion method, starting from the date on which the fixed asset started to operate (i.e., only when the fixed asset reached the location and condition required for its operation, and started to operate). The total depreciation expenses which shall be recognized shall not exceed the cost of the fixed assets. The depreciation expenses shall be recognized for the fixed assets such that at the end of the "asset's life", the asset's value shall be zero. Depreciation expenses will be calculated by multiplying the depreciated cost at the beginning of the year of the recognized part of the fixed asset determined in the specific directives, by the depreciation rate determined in accordance with the depletion method.

Insofar as an agreement is signed which grants third parties an ownership right in the fixed assets or a right of use in the fixed assets, with or without consideration, or if an agreement is signed which includes the receipt of payment from third parties for the transportation or processing of petroleum, the assessment of the fixed asset value will be adjusted in the year in which an economic value was created for the asset over and above the depreciated cost of the relevant fixed asset as determined, taking into account the depreciation expenses that were deducted for purposes of calculation of the royalty value at the wellhead.

The assessment will be adjusted in the year in which the transaction in the relevant asset was made, in accordance with the "disposal principle". The lease holder may be required to pay royalties to the State for such value, even if it generated no income in that year.

The economic value for purposes of adjustment of the assessment will be limited to the amount recognized and depreciated for royalty purposes, in respect of the fixed asset sold or the rights of use in which were transferred.

- d. The Directives determine additional provisions, including a specification of the types of expenses which will not be recognized, the method of recognition of abandonment costs and the method of treatment of transactions that are affected by the existence of special relations between the parties to the transaction.

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4. Financing of projects for export through the national transmission system:

On March 23, 2020 the Natural Gas Commission released an addendum to the decision of September 7, 2014 on the financing of projects for export through the Israeli transmission system and the sharing of the construction costs of the Ashdod-Ashkelon combined section. In the Dolphinus agreements as provided in Sections 4H1 and 4H1d above, it was agreed that the Tamar partners and the Leviathan partners, as the case may be, will bear the costs of piping of the gas in INGL's transmission system. The addendum to the decision determines, *inter alia*, that the offshore segment of the transmission system that is due to be constructed such that it begins in the terminal in Ashdod and ends in the connection facility in the export facilities of Prima Gas Ltd. (the "**Combined Section**"); approx. 43.5% of the Combined Section cost, as the same will be determined, will be financed by the licensee and approx. 56.5% of the Combined Section cost will be financed by the exporter in accordance with the milestones to be determined in the transmission agreement between the exporter and the transmission licensee.

It is noted that on June 23, 2020, the Director General of the Natural Gas Authority announced that his ruling was that the cost of the section be estimated at the sum total of approx. ILS 738 million (the Partnership's share of which is estimated at approx. ILS 159 million). In addition, the amount of approx. ILS 48 million of which the exporter shall pay ILS 27 million to the holder of the transmission license (the Partnership's share of which is estimated at approx. ILS 6 million), for the bringing forward of doubling of specific transmission segments. Such costs shall be updated in accordance with a mechanism of update and accounting between the parties that would be incorporated into the transmission agreement and presented for his approval.

With regard to Noble's engagement with INGL in an agreement for transmission on a firm basis for the purpose of piping of natural gas from the Tamar reservoir and Leviathan reservoir to the EMG terminal in Ashkelon for the transmission thereof to Egypt see note 4N below.

5. The decision of the Natural Gas Commission on regulation of criteria and rates regarding the operation of the transmission system in a flow control regime:

On January 3, 2021, the Natural Gas Commission released an amendment to the Commission's decision on criteria and rates regarding the operation of the transmission system in a flow control regime, Decision No. 5/2020 (Amendment No. 2) (in this section: the "**Decision**"). The Decision stipulates that the costs for the UFG in the transmission system deriving from reasons that cannot be attributed to malfunction of the transmission system, but to factors that cannot be prevented or controlled such as measurement timing, pressure differences and temperature differences, will be borne by the gas suppliers. The Decision further stipulates that the UFG-T ranges from 0%-0.5% (positively or negatively). The costs for UFG-T will be divided equally between the gas suppliers and the gas consumers. The Decision shall take effect on April 1, 2021.

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After the release of the Decision, INGL contacted Noble with a demand to apply the Decision retroactively from November 2019 with respect to the Tamar Project, and from the beginning of 2020 with respect to the Leviathan project, and also forwarded for the inspection of Noble, a notice in this spirit which it provided to its customers. Further to the above notice, Noble wrote to the Gas Authority and expressed its objection to the retroactive application of the Decision, without derogating from its arguments against the Decision itself. As of the date of approval of the financial statements, Noble is considering its steps with regard to the Decision. In the Partnership's estimation, the aforesaid Decision entails costs in immaterial amounts. As of the date of approval of the financial statements, the Partnership is examining the implications of the Decision before taking legal action.

N. Engagement in a transmission agreement for the purpose of export of gas to Egypt:

On January 18, 2021 (after the date of the Statement of Financial Position), Noble engaged with INGL in an agreement for provision of transmission services on a firm basis as aforesaid for the purpose of piping of natural gas from the Tamar reservoir and Leviathan reservoir to EMG's terminal in Ashkelon for the transmission thereof to Egypt (the "**Transmission Agreement**").

- 1) In the Transmission Agreement, INGL undertook to provide transmission services for the natural gas that shall be supplied from the Tamar Reservoir and from the Leviathan Reservoir, including maintaining an annual base capacity in the transmission system of approx. 5.5 BCM (the "**Base Capacity**"). For the transmission services in relation to the Base Capacity, Noble will pay capacity fees and a payment for the gas quantity that shall actually be piped (throughput), in accordance with the accepted transmission rates in Israel, as shall be updated from time to time. In addition, INGL undertook to provide non-continuous transmission services, on an interruptible basis, of additional gas quantities over and above the Base Capacity, subject to the capacity that shall be available in the transmission system. For transmission of the additional quantities as aforesaid, Noble will pay a transmission rate for non-continuous transmission services in relation to the quantities that shall actually be piped. In the Partnership's estimation, the transmission system was planned in a manner that will allow transmission of the full contract quantity set forth in the export agreements.
- 2) In the Transmission Agreement, Noble committed to payment for the piping of a gas quantity that shall be no less than 44 BCM throughout the term of the agreement. If the parties agree on an increase in the Base Capacity, the minimum quantity for piping as aforesaid will be increased accordingly.
- 3) The gas flow according to the Transmission Agreement will begin on the date on which INGL shall complete the construction of the Ashdod-Ashkelon transmission system section, in accordance with the provisions of the decision of the Natural Gas Council in connection with the financing of projects for export via the Israeli transmission system, and division of the costs of the construction of the Ashdod-Ashkelon combined section (see Paragraph 6) (the "**Council's Decision**"), and the doubling of the Sorek-Nesher and Dor-Hagit transmission system sections in a manner which will allow the piping of the full quantities under the Transmission Agreement (the "**Date of Commencement of the Piping**"). According to the Transmission Agreement, the Date of Commencement of the Piping is expected to be in the period between July 2022 and April 2023. With regard to quantities of gas that are supplied

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under the Tamar-Dolphinus and Leviathan-Dolphinus agreements.

- 4) The transmission period under the 2019 agreement will be extended until January 1, 2024 or until the Date of Commencement of the Piping under the Transmission Agreement, whichever is earlier.
- 5) The Transmission Agreement will end on the earlier of: (1) the date on which the total quantity that is piped is 44 BCM; (2) 8 years after the Date of Commencement of the Piping; or (3) upon expiration of INGL's transmission license. In the Partnership's estimation, upon expiration of the term of the Agreement, no difficulty is expected with extending it at the transmission license holder's standard capacity and transmission rates at such time.
- 6) In accordance with the principles determined in the Council's Decision, Noble undertook to pay for the partners' share (56.5%) in the total cost of construction of the Ashdod-Ashkelon combined section, which is estimated at ILS 738 million. Noble also undertook to pay ILS 27 million for the partners' share in the costs of accelerating the doubling of the Sorek-Nesher and Dor-Hagit sections.
- 7) In accordance with the Council's Decision, the Leviathan partners and the Tamar partners will provide a bank guarantee to secure INGL's share in the cost of construction of the foregoing infrastructure, and to cover Noble's commitment to pay the capacity and transmission fees. In February 2021 (after the date of the Statement of Financial Position), the Partnership provided guarantees of approx. ILS 172.9 million for the benefit of INGL (see Note 4K7 above).
- 8) The Leviathan partners and the Tamar partners will bear the costs stated in Paragraph 6 and will provide the guarantees stated in Paragraph 7 at the rates of 69% and 31%, respectively.
- 9) In the Partnership's estimation, its share in the cost of construction of the Ashdod-Ashkelon combined section, the costs of accelerating the doubling of the Sorek-Nesher and Dor-Hagit transmission system sections may total approx. ILS 165 million.
- 10) The Transmission Agreement determines that if the export of natural gas from the Tamar Project and from the Leviathan project to Egypt stops, Noble will be entitled to terminate the Transmission Agreement subject to payment of compensation to INGL due to the early termination, in an amount equal to 120% of the costs of construction of the Ashdod-Ashkelon combined section, plus the costs of accelerating the doubling of the Sorek-Nesher and Dor-Hagit sections, net of the amounts Noble paid until the date of the termination in respect of such construction and acceleration costs and in respect of the piping of the gas under the Transmission Agreement.

If, after the termination of the Transmission Agreement, export to Egypt resumes, the Transmission Agreement will be renewed subject to and in accordance with the capacity that will be available in the transmission system at such time.

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- 11) On February 15, 2021 all the closing conditions to the taking effect of the Transmission Agreement were met.
- 12) Concurrently with the signing of the Transmission Agreement, Noble, the Partnership and the other Leviathan partners and Tamar partners signed a back-to-back services agreement which determined that the Leviathan partners and the Tamar partners will be entitled to transmit gas (through Noble) under the Transmission Agreement, and will be responsible for fulfillment of Noble's undertakings under the Transmission Agreement, as if the Leviathan partners and the Tamar partners were a party to the Transmission Agreement in Noble's stead, each according to its share, as determined in the Capacity Allocation Agreement between the Leviathan partners and the Tamar partners. The services agreement further determined that the Base Capacity that is kept in the transmission system for Noble will be allocated between the Leviathan partners and the Tamar partners according to the rates specified in Paragraph 8 above, and according to the order set forth in the Capacity Allocation Agreement. The aforesaid notwithstanding, the Leviathan partners and the Tamar partners will bear capacity fees at a fixed ratio of 69% (the Leviathan partners) and 31% (the Tamar partners), except in a case where a party (the Leviathan partners or the Tamar partners, as the case may be) used the available share in the capacity of the other party.

O. Information regarding income tax rules and the main arrangements existing as of the date of the statement of financial position:

1. The Partnership was approved by the Director General of the Tax Authority as a "partnership" for the purpose of the Income Tax Regulations (Rules for the Calculation of Tax due to the Holding and Selling of Participation Units in an Oil Exploration Partnership), 5749-1988 (the "**Participation Unit Regulations**"). The term of the Participation Unit Regulations has been extended on an annual basis until June 30, 2015. However, another extension of the term of these regulations has not yet been issued.
2. The Partnership is a "transparent" entity for tax purposes according to the provisions of the Income Tax Ordinance (New Version) 5721-1961 (the "**Income Tax Ordinance**") and the Taxation of Profits from Natural Resources Law, 5771-2011 (the "**Law**") and the taxable income, and losses of the Partnership are attributed to the unit holders who are an "Entitled Holder", as this term is defined in the Participation Unit Regulations, according to the ratio of their holdings in the Partnership. An "Entitled Holder" is an entity that held participation units at the end of December 31 of the tax year.
3. According to Section 19 of the Law ("**Section 19**") regarding Section 63(a)(1) of the Ordinance, the share of each partner in the tax year will be calculated from the taxable income of the Partnership or from the losses thereof.

Because the Partners bear the tax results of the revenues and expenses of the Partnership, the financial statements do not include taxes on income.

4. During October 2020, the draft Income Tax Regulations (Rules for the Calculation of Tax due to the Holding and Sale of Participation Units in Oil Exploration Partnerships) (Amendment), 5781-2020 (the "**Draft Regulations**"), were published for public comment. According to the Draft Regulations, it is proposed to determine, *inter alia*, that from the tax year 2021, petroleum partnerships whose units are listed on TASE

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will be taxed as a company, using the two-stage tax method, from the tax year in which the petroleum partnership generated taxable income or distributed profits.

As of the date of approval of the financial statements, the Partnership is examining the potential implications of the Draft Regulations on its operations.

It is noted that on November 4, 2020, the Partnership submitted its comments on the Draft Regulations to the Tax Authority.

5. According to approvals given to the Partnership in the past by the Tax Authority, the Partnership undertook not to take loans in an amount exceeding 3% of the amount to be raised from the investors in the Partnership, other than in coordination with and subject to the advance approval of the Tax Authority. For the purpose of raising loans to fund the Partnership's operations, the Partnership applies to the Tax Authority from time to time to obtain the approval required as aforesaid.
6. According to the provisions of Section 19, the General Partner is obligated to submit to the assessing officer a report on the taxable income of the Partnership and to pay the tax deriving therefrom, on account of the tax for which the partners in the Partnership are liable in the tax year in respect of which the report was filed (i.e., on account of the tax for which the holders of the participation units, as being on December 31 of each tax year, are liable) (the "**Entitled Holders**"). Pursuant to the provisions of Section 19, the tax that the General Partner is required to pay upon the filing of the report shall be calculated according to the share in the Partnership of the Entitled Holders who are a body corporate ("**Corporate Holders**") and the share in the Partnership of the Entitled Holders who are individuals ("**Individual Holders**"), while for this purpose, the liable income of Individual Holders shall be deemed to be subject to the maximum tax rate, unless it is proven to the assessing officer that the tax rate applicable to such individual is lower than the said rate ("**Calculation of the Tax Pursuant to Section 19**").
7. The tax issues, including the implementation of the Law (as specified in Paragraph 8 below), which are related to the operations of the limited partnership have not yet been contemplated in case law of the Israeli courts (other than as stated below), and it is difficult to foresee or determine how the courts shall rule if and when said legal questions will be presented for their adjudication. In addition, in respect of some of the legal questions, it is difficult to foresee the position of the tax authorities. Since the Partnership's operations are subject to a unique tax regime, the changes that shall be caused due to an amendment of the law, case law or a change in the position of the Tax Authority, as aforesaid, may have material consequences on the tax regime applying to the Partnership
8. **Tax Advances on account of the tax owed by the participation unit holders:**
 - a. The tax advances for 2018-2020 were calculated according to the tax rates applicable to companies, i.e. 23%.
 - b. According to the provisions of Section 19 of the Law ("**Section 19**"), the General Partner is obligated to file to the assessing officer a report (certified by an accountant) on the taxable income of the Partnership. Section 19 prescribes that upon the filing of the report, the General Partner is required to pay the tax deriving therefrom, on account of the tax owed by the entitled holders in the tax year for which the report was filed (i.e. on account of the

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entitled participation unit holders, as they will be on December 31 of each tax year).

According to the provisions of Section 19, the tax that the General Partner is due to pay upon the filing of the report, shall be calculated according to the pro rate share in the Partnership of the entitled holders who are corporations and the pro rate share in the Partnership of the entitled holders who are individuals. For such purpose, the taxable income of the individuals shall be deemed to be subject to the maximal tax rate, unless it was proven to the assessing officer that the tax rate applying to such individual is lower than said rate.

P. Taxation of Profits and Natural Resources Law, 5771-2011:

In April 2011, the Knesset passed the Taxation of Profits and Natural Resources Law, 5771-2011 (the "**Law**"). Implementation of the Law has led to a change in the taxation rules applicable to the Partnership's revenues, which include, *inter alia*, the introduction of a oil and gas profits levy according to a mechanism specified in the Law and cancellation of the depletion deduction. The Law includes transitional provisions with respect to producing ventures or ones that commenced production by 2014.

The Law's main provisions are as follows:

1. The introduction of an oil and gas profits levy at a rate to be determined as stated below. The rate of the levy will be calculated according to a proposed R-factor mechanism, according to the ratio between the net aggregate revenues from the project and the aggregate investments as defined in the Law. A minimum levy of 20% will be collected commencing from the point when the R-factor ratio reaches 1.5, and from that point, the levy will progressively increase up to a maximum rate when the ratio reaches 2.3. The maximum rate of the levy is 50% minus the product of 0.64 and the difference between the corporate tax rate set forth in Section 126 of the Income Tax Ordinance, 5721-1961 (in respect of each tax year) and the 18% tax rate. According to the corporate tax rate in 2020, the maximum rate is 46.8%.

Additional provisions were also determined regarding the levy, *inter alia*, the levy will be recognized as an expense for the purpose of calculation of income tax; the levy limits shall not include transmission plants that are used for export; the levy shall be calculated and imposed in relation to each lease separately (ring fencing); the charge of a recipient of payment from a holder of a petroleum interest which is calculated, *inter alia*, as a percentage of the petroleum produced, (the "**Derivative Payment**") in accordance with the amount of the Derivative Payment received thereby, while the amount of the levy attributed to the recipient of the Derivative Payment will concurrently be deducted from the levy amount owed by the holder of the petroleum right.

In addition, the Law prescribes rules for consolidation or separation of petroleum ventures for purposes of the Law.

The provisions regarding the imposition of an oil and gas profits levy apply from April 10, 2011 and include transition provisions with respect to ventures that began commercial production by January 1, 2014.

- a) A venture with respect to which the commercial production commencement date occurs before the commencement date, will be subject to the provisions of this law with the following changes:

(Continued):

- 1) If a levy payment duty applies with respect to such venture in the tax year which the commencement date occurs, the rate of the levy in such tax year will be half of the rate of the levy that would have been imposed on the petroleum profits if not for the provisions of this paragraph and no more than 10%;
- 2) In the event that the levy coefficient in the tax year in which the commencement date occurs exceeds 1.5, rules were set for the manner of calculation of the levy coefficient in each tax year thereafter;
- 3) The rate of the levy which will be imposed on the petroleum profits of the venture in each of the tax years 2012 to 2015 will be equal to half the rate of the levy that would have been imposed on the petroleum profits as aforesaid, if not for the provisions of this paragraph.
- b) A venture with respect to which the commercial production commencement date occurs in the period between the commencement date and January 1, 2014, will be subject, *inter alia*, to the following provisions:
 - 1) The minimal levy coefficient will be at a rate of 2 instead of 1.5 and the maximal rate will be 2.8 instead of 2.3;
 - 2) The accelerated annual depreciation rate regarding a deductible asset purchased in the years 2011-2013 will be 15% instead of 10%.
2. The Law includes provisions regarding the taxation of petroleum partnerships as of 2011 - see Paragraph A above.
3. Pursuant to the Law, the reporting partner of the petroleum project files reports that include, *inter alia*, accrued data regarding proceeds and investments for the purpose of calculating the R-factor, as specified in Section 1 above.
4. It is noted that disputes have arisen between the Assessing Officer for Large Enterprises and the holders of the rights in the Leviathan Leases regarding the levy reports for the Leviathan Leases for the years 2013-2015, which disputes chiefly pertained to the method of classification and quantification of data in the levy reports for the Leviathan Leases for the said years. In October 2018 the parties reached agreements with respect to the said disputes in the framework of a levy assessment agreement for the years 2013-2015, which, in October 2018, was sanctioned as a judgment by the Tel Aviv District Court.

Furthermore, a levy assessment agreement was signed in December 2019 between the Assessing Officer for Large Enterprises and the holders of the rights, with respect to the levy reports for the years 2016-2017. It is further noted that, as of the date of approval of the financial statements, several interpretive disputes are being heard in the context of administrative objection proceedings vis-à-vis the assessing officer with respect to the implementation of the Law in the levy reports of the Leviathan leases for 2018.

In addition, the right holders in the Leviathan venture reached agreements with the Tax Authority on the consolidation of the Leviathan Leases (north and south) as a single petroleum venture for purposes of the Law and the reports thereunder, according to the provisions of Section 8(a) of the Law.

Leviathan Bond Ltd.

Notes to the Financial Statements as of December 31, 2020 (Expressed in US \$ Thousands)

**Note 4 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds)
(Continued):**

5. Taxation of Profits from Natural Resources Regulations:

On December 2, 2020, the Taxation of Profits from Natural Resources Regulations (Advances due to the Petroleum Profit Levy), 5781-2020 (in this section: the “**Regulations**”) were published, regulating the payment of the advances that shall be paid by holders of petroleum interests in a petroleum project, including the method of calculation of the advances, the dates of payment thereof, and the reporting thereon. The Regulations were promulgated by virtue of Sections 10(b) and 51 of the Law and their purpose is to regulate the issue of payment of the advance payments that will be made by the holders of a petroleum interest in a petroleum project. The Regulations pertain to the determination of the calculation of the advances, the dates of payment thereof, and the reporting thereon, as defined in the Law.

6. Taxation of Profits from Natural Resources Legislative Memorandum (Amendment), 5781-2021:

On January 7, 2021 (after the date of the Statement of Financial Position), the Taxation of Profits from Natural Resources Legislative Memorandum (Amendment), 5781-2021 (the “**Proposed Memorandum**”) was released for public comment. It includes several proposed amendments to the law, including the following: (1) Amending Section 11 of the law to allow the Tax Authority to collect a disputed levy already after the Tax Authority's decision in the administrative objection to the levy assessment, and before the dispute is resolved in court; (2) Amending Section 13 of the law to require approval of the levy reports by a CPA as defined in the Certified Public Accountants Law, 5715-1955; (3) Amending Sections 14-15 of the law to enable extension of the period of assessment of levy reports from one year from the date of filing of the levy reports to four years from the end of the year in which the levy report was filed; (4) Adding Section 16A to the law, which concerns the application of the provisions of Section 86 of the Ordinance regarding the authority of the Assessing Officer to ignore certain transactions; and (5) Adding Section 41A to the law which concerns authorizing the Assessing Officer to impose a fine on the deficit arising from the difference between the actual levy charge and the levy payment according to a self-assessment. There is no certainty as to whether and when the Proposed Memorandum will be adopted and in which format (if adopted).

Note 5 - Related Parties:

- A. Delek Drilling reimburse the Company for all costs paid and payable by the Company with respect to the bonds, including fees, commissions and any other expenses related to the operation of the Company (preparing financial statements, registration fees, filing fees, etc.).
- B. Loans from shareholder were granted to the Company at August 18, 2020 by Delek Drilling in the form of Subordinated Loan. The fund was deposited in bank for long term bank deposits that serve as debt payment fund required balance as part of the bond issuance described in note 3 above. The bank deposits and the Subordinated Loan will be paid after the settlement of the Notes. The Subordinated Loan will bear interest that earned from the deposits.

Note 6 - Equity:

As of the date of its establishment and as of the statement date, the Company's issued and paid-up capital is 1,000 NIS.

Note 7 – Material Subsequent Events:

- a. See Note 4H1b for details regarding a settlement agreement between the Leviathan partners and the IEC.
- b. See Note 4M1c for details regarding a notice and a summons to a hearing regarding an ostensible violation of the marine discharge permit issued to Noble in connection with the Leviathan platform.
- c. See Note 4N for details regarding engagement in a transmission agreement for the export of gas to Egypt.
- d. See Note 4P6 for details regarding the Legislative Memorandum on Taxation of Profits from Natural Resources (Amendment), 5781-2021.

FORM OF SPONSOR FINANCIAL DATA REPORT

		Year Ended
		31.12.2020
	<u>Item</u>	<u>Quantity/Actual Amount (in USD\$,000)</u>
A.	Total Offtake (BCM)	7.25 ¹
B.	Leviathan Revenues	1,295,808 ²
C.	Loss Proceeds, if any, paid to Revenue Account	-
D.	Sponsor Deposits, if any, into Revenue Account	-
E.	Gross Revenues (before Royalties)	228,763
F.	Overriding Royalties	
	(a) Statutory Royalties	(31,000)
	(b) Third Party Royalties	(11,675)
G.	Net Revenues	186,088 ³
H.	<u>Costs and Expenses:</u>	
	(a) Fees Under the Financing Documents (Interest Income)	32
	(b) Taxes	-
	(c) Operation and Maintenance Expenses	- ⁴
	(d) Capital Expenditures	- ⁵
	(e) Insurance	172
I.	Total Costs and Expenses (sum of Items H(a), (b), (c), (d) and (e))	204
J.	Total Cash Flows Available for Debt Service (Item G <u>minus</u> Item H)	186,292
K.	Total Cash Flow from operation (Item G minus Items H(c) and H(e))	186,292
L.	Total Debt Service	(51,994)
M.	Total Distribution to the Sponsor	-

¹ Gas sales from January 1st 2020 until December 31st 2020 for 100% of the Leviathan partners on an accrual basis.

² Gas sales from January 1st 2020 until December 31st 2020 for 100% of the Leviathan partners on an accrual basis.

³ Sections C-M are based on Delek Drilling Share in Leviathan (45.34%) and on actual cash flow of the Sponsor Accounts as part of the Leviathan Bond indenture from the Issuance Date (August 18, 2020) until December 31st 2020.

⁴ As of the Issuance Date (August 18, 2020) until December 31st, 2020 a sum of 31,984\$ USD Thousands was paid by the Sponsor from its own sources.

⁵ As of the Issuance Date (August 18, 2020) until December 31st, 2020 a sum of 21,248\$ USD Thousands was paid by the Sponsor from its own sources.

DELEK DRILLING LIMITED PARTNERSHIP
(the “Partnership”)

Date: March 14th, 2021

To: HSBC Bank USA, National Association (the “**Trustee**”).

We, Yossi Gvura and Yossi Abu, Deputy CEO and CEO (respectively) of the General Partner of the Partnership refer to the indenture, dated 18 August 2020 (the “**Indenture**”) between Leviathan Bond Ltd. and the Trustee.

Terms defined in the Indenture have, unless otherwise defined in this certificate, the same meaning when used in this certificate.

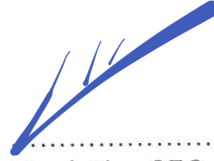
WE CERTIFY THAT:

1. We are authorised by the Partnership to give this certificate on behalf of the Partnership; and
2. No Sponsor Loan Default or Sponsor Loan Event of Default has occurred and is continuing.

[Signatures appear on next Page]



.....
Yossi Gvura, Deputy CEO



.....
Yossi Abu, CEO

on behalf of
DELEK DRILLING LIMITED PARTNERSHIP