

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

Date: March 23rd, 2022

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

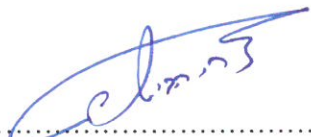
We, Yossi Abu and Haim Tzach Habusha, Directors of the Issuer refer to the indenture, dated 18 August 2020 (the “**Indenture**”) between the Issuer and the Trustee.

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

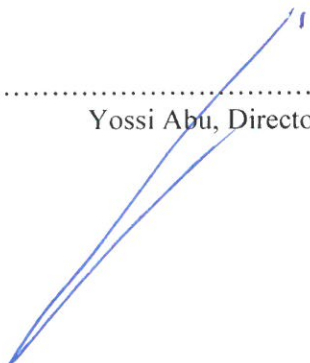
WE CERTIFY THAT:

1. We are authorised by the Issuer to give this certificate on behalf of the Issuer;
2. The audited 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]


.....
Haim Tzach Habusha, Director

on behalf of
LEVIATHAN BOND LTD.


.....
Yossi Abu, Director

Annex A
Unaudited Financial Statements of Issuer

LEVIATHAN BOND LTD

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

EXPRESSED IN US\$ THOUSANDS

AUDITED

LEVIATHAN BOND LTD

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 EXPRESSED IN US\$ THOUSANDS

AUDITED

TABLE OF CONTENTS

	<u>Page</u>
Auditors' Report	1
Statements of Financial Position	2
Statements of Comprehensive Income	3
Statements of Changes in Equity	4
Notes to the Financial Statements	5-45



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, 2021 and 2020, the Statements of Comprehensive Income and the statement of changes in equity for the year ended then and 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, 2021 and 2020, and the results of its operations, for the year ended then and 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 23, 2022

Kost Forer Gabbay and Kasierer
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>31.12.2021</u>	<u>31.12.2020</u>
Assets:		
Current Assets:		
Short term Bank deposits	5	15
Related parties	**	**
	<u>5</u>	<u>15</u>
Noncurrent Assets:		
Loans to shareholders	2,248,082	2,247,611
Long term bank deposits	100,160	100,000
	<u>2,348,242</u>	<u>2,347,611</u>
	<u>2,348,247</u>	<u>2,347,626</u>
Liabilities and Equity:		
Current Liabilities:		
Related parties	165	15
	<u>165</u>	<u>15</u>
Noncurrent Liabilities:		
Bonds	2,250,000	2,250,000
Loans from shareholders	100,000	100,000
	<u>2,350,000</u>	<u>2,350,000</u>
Equity (Deficit)	<u>(1,918)</u>	<u>(2,389)</u>
	<u>2,348,247</u>	<u>2,347,626</u>

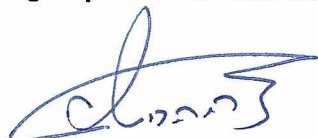
* Date of Incorporation

** Less than \$1,000

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

March 23, 2022

Date of Financial Statement
Approval



Tzachi Habusha
Director



Yossi Abu,
Director

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

	For year ended December 31, 2021	the period from July 15, 2020 (Date of incorporation) to December 31, 2020
Financial expenses	141,872	54,427
Financial income	(142,343)	(52,038)
Total comprehensive expenses (income)	(471)	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
Changes for the year ended December 31, 2020:			
Balance as of July 15, 2020**	*	-	*
Total comprehensive loss	-	(2,389)	(2,389)
Balance as of December 31, 2020	*	(2,389)	(2,389)

	The Company equity	Retained earnings	Total
Changes for the year ended December 31, 2021:			
Balance as of December 31, 2020	*	(2,389)	(2,389)
Total comprehensive Income	-	471	471
Balance as of December 31, 2021	*	(1,918)	(1,918)

* Less than \$1,000

**Date of incorporation

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

Note 1 - General:

A. NewMed Energy – Limited Partnership (the “**Partnership**” or “**NewMed**”)¹, incorporated Leviathan Bond Limited (“**the Company**”) on July 15, 2020. NewMed 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 NewMed (see also note 3 below).

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

C. 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 all over the world, when in March 2020 it was defined by the World Health Organization as a global pandemic (the “**COVID Crisis**”).

During the H1/2020, extremely sharp declines were recorded in the international markets in oil and natural gas prices, that are attributed to the COVID 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 2021, a steep recovery was felt in the prices of energy products worldwide, including oil and LNG prices, and especially the natural gas prices in the international natural gas hubs, to price levels significantly higher than pre-COVID prices.

As of the date of approval of the financial statements, it is difficult to estimate how the COVID Crisis will continue to develop in the coming years, what will be the extent of the impact of the COVID Crisis on the global and domestic economy and what its impact will be on the demand and prices of the natural gas and the rest of the energy products.

It is noted that even though the COVID Crisis continued, an increase in demand for natural gas was recorded in 2021 compared with the same period last year.

In addition, if the COVID Crisis continues or worsens, the restrictions and actions to be taken by the Government of Israel and other countries for dealing with the COVID Crisis may have a material adverse effect on the Partnership's business and workplans.

D. On February 24, 2022, the Russian army invaded Ukraine as part of an initiated campaign which included mobilizing ground forces, alongside air and artillery assaults. As a result, the United States and the member states of the European Union imposed a series of economic punitive measures against Russia, which included, among others, sanctions on trade with Russia and Russian seniors, a decision to suspend the completion of the Nord Stream 2 project, which is intended to double the volume of gas exported from Russia to Germany, discontinuation of some collaboration with Russian entities by international companies, including significant companies in the fields of natural gas and oil production, and more.

Following the above and in light of Russia's status as a major global supplier of natural gas and oil, the concern of a long-term shortage of natural gas and oil has arisen, leading to a further rise in energy prices.

As of the date of approval of the financial statements, the Company cannot estimate how the aforesaid crisis will develop and what long-term effect it will have on the energy market and operations in particular. However, in 2021 Russia supplied approx. 150 BCM of natural gas to European countries - approx. 40% of the total European gas consumption.

¹ The Partnership's previous name was Delek Drilling – Limited Partnership. On February 21, 2022, the Partnership's name was changed to its current name.

Note 1 - General (Cont.):

D. (Cont.):

However, many European countries are apparently seeking to diversify their natural gas resources in order to decrease dependence on natural gas from Russia, which may lead to additional significant demand for natural gas from areas with the possibility to connect to a natural gas pipeline to Europe and additional demand for LNG. The Partnership, together with its partners in the Leviathan project, is examining the effect of the said factors on the possibilities for development and/or expansion of its assets.

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 currency and presentation currency:

- 1) Functional currency: The functional currency which best and most faithfully represents the economic effects of transactions, events and circumstances on the Company's business is the U.S. Dollar. Any transaction that is not in the Company's functional currency is a foreign currency transaction. See Section D below.
- 2) Presentation currency: The Company's financial statements are presented in the U.S. Dollar.

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, excluding those which are capitalized to qualifying assets or carried to equity in hedging transactions, carried to profit or loss;
- 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:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Company's cash management.

Note 2 - Significant Accounting Principles (Cont.):

F. Short-term deposits:

Short-term deposits in banking corporations with an original term maturity of more than three months but shorter than one year on the date of the investment and which do not meet the definition of cash equivalents. The deposits are presented in accordance with the terms of their deposit.

G. Financial instruments:

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.

The Company measures debt instruments at fair value through profit or loss where:

A financial asset which constitutes a debt instrument does not meet the criteria for measurement thereof at amortized cost or at fair value through other comprehensive income. After the initial recognition, the financial asset is measured at fair value where profits or losses as a result of fair value adjustments are carried to profit or loss.

Note 2 - Significant Accounting Principles (Continued):

G. Financial instruments (Cont.):

1. Financial assets (Cont.):

Equity instruments:

Financial instruments that constitute investments in equity instruments do not meet the aforesaid criteria and are therefore measured at fair value through profit or loss.

In relation to equity instruments that are not held for trade, on the date of first-time recognition, the Company may make an irrevocable choice, to present in other comprehensive income subsequent changes to the fair value that would have otherwise been recognized through profit or loss. Such fair value changes will not be carried to profit or loss in the future even upon write-off of the investment.

Dividend income from investments in equity instruments designated for measurement at fair value through other comprehensive profit is recognized on the record date for entitlement to the dividend in the income statement.

2. Impairment of financial assets:

On each report date the Company examines the provision for loss due to financial debt instruments that are not measured at fair value through profit or loss.

The Company distinguishes between two situations of recognition of a provision for loss -

- a. Debt instruments whose credit quality did not significantly deteriorate since the date of first-time recognition, or cases in which the credit risk is low – the provision to loss that will be recognized with respect to such debt instrument will take into account anticipated credit loss in the 12-month period after the report date, or
- b. debt instruments whose credit quality did significantly deteriorate since the date of first-time recognition and with respect to which the credit risk is not low, the provision to loss that will be recognized will take into account forecasted credit loss – for the remaining life of the instrument.

The Company applies the expedient set forth in IFRS 9, according to which it assumes that the credit risk of a debt instrument did not significantly increase since the date of first-time recognition, if it is determined on the report date that the instrument has low credit risk, for example when the instrument has an external “investment grade” rating. With respect to trade receivables and other receivables, the Company applies the lenient approach in examining a provision according to the remaining life of the asset.

The impairment with respect to debt instruments measured according to a depreciated cost shall be carried to profit or loss against a provision while the impairment with respect to debt instruments measured at fair value through other comprehensive income will be attributed to profit or loss against other comprehensive income and will not reduce the book value of the financial asset in the statement of financial position.

3. 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.

Note 2 - Significant Accounting Principles (Continued):

G. Financial Instruments (Cont.):

4. 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.

5. 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, between the Company and the same lender, 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, between the Company and the same lender, 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.

6. 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 Company 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.

Note 2 - Significant Accounting Principles (Cont.):

I. Changes in the accounting policy – Initial application of a new financial reporting standard and amendments to existing accounting standards:

Amendments to IFRS 9, IFRS 7, IFRS 16, IFRS 4 and IAS 39 regarding the IBOR reform

In August 2020, the IASB published amendments to IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 4 Insurance Contracts, and IFRS 16 Leases (the "**Amendments**").

The Amendments provide practical expedients to handle the effect of the accounting treatment in the financial statements where IBORs (Interbank Offered Rates) shall be replaced with RFRs (Risk Free Interest Rates).

In accordance with one of the practical expedients, the Partnership shall treat contractual amendments or amendments to the cash flows that are required as a direct consequence of implementation of the reform similarly to the accounting treatment of changes in variable interest.

In other words, a partnership is required to recognize the changes in the interest rates through adjustment of the effective interest rate without changing the book value of the financial instrument. Use of this practical expedient is dependent on the transition from IBOR to RFR occurring on the basis of economically equivalent conditions.

In addition, according to the Amendments, in certain conditions, changes to be made to the designation of the hedging and documentation as a result of applying the IBOR reform will not cause the hedging ratios to stop. In the context of the Amendments, temporary practical expedient was also given in connection with the application of hedge accounting pertaining to identification of the hedged risk as 'separately identifiable'.

The Amendments added disclosure requirements in connection with the effect of the expected reform on the Partnership's financial statements, including reference to the manner in which the Partnership manages implementation of the interest rate reform, the risks to which it is exposed as a result of the expected reform, and quantitative disclosures with respect to financial instruments at IBORs that are expected to change.

The Amendments were applied from the annual periods commencing on or after January 1, 2021. The Amendments were applied retroactively, but restatement of comparison figures was not required.

The above Amendments are not expected to have a material effect on the Partnership's financial statements.

J. Disclosure on new IFRS in the period preceding their application:

Amendment to IAS 1 Presentation of Financial Statements

In January 2020, the IASB released an amendment to IAS 1 regarding the requirements for classification of liabilities as current or non-current (the "**Amendment**").

The Amendment clarifies the following matters: What is meant by an unconditional right to defer settlement; a right to defer must exist at the end of the reporting period; classification is unaffected by the likelihood that an entity will exercise its deferral right; Only if an embedded derivative in a convertible liability is an equity instrument would the terms of a liability not impact its classification.

The Amendment will be applied for annual reporting periods beginning on or after January 1, 2023. The Amendment will be applied by retroactive application.

The above Amendment will not have a material effect on the Partnership's financial statements.

Note 3 - Bonds:

	<u>Amount</u> <u>(\$ in</u> <u>millions)</u>	<u>Amortized Cost</u> <u>(\$ in millions)</u>	<u>Interest</u>	<u>Stated Maturity</u>
Leviathan Bond-2023	500	498.0	5.750%	June 2023
Leviathan Bond-2025	600	594.7	6.125%	June 2025
Leviathan Bond-2027	600	592.2	6.500%	June 2027
Leviathan Bond-2030	550	539.9	6.750%	June 2030
Total		2,224.8		

On August 18, 2020, the issuance of bonds that were offered by Delek Leviathan Bond Ltd. (the "**Issuer**"), an SPC that is wholly held by the Partnership, pursuant to which bonds were issued in the total amount of \$2.25 billion, was completed.

The bonds were issued in four series. The bond principal and interest are in dollars. 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 sum of approx. \$33 million, and the balance of the proceeds was 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 in the Leviathan 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.

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 control holder of the Partnership.

Note 3 - Bonds (Cont.):

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 in the Financing Documents; 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) 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

Note 3 - Bonds (Cont.):

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 1.5².

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 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;

² 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.

Note 3 – Bonds (Cont.):

(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 fulfills 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. \$100.5 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:

On June 2, 2016, the development plan was approved by the Petroleum Commissioner (the "**Commissioner**"), as submitted by Chevron. 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 invested in the development of Phase 1A amounted, as of the date of the financial statements, to a sum of approx. \$3.7 billion (100%, the Partnership's share being approx. \$1.7 billion). Following a running-in period, on December 31, 2019, the piping of the natural gas from the Leviathan reservoir began. On January 1, 2020, the sale of natural gas to Jordan commenced under The National Electric Power Company ("**NEPCO**") agreement and on January 15, 2020, the piping of the natural gas from the reservoir to Egypt commenced under the Blue Ocean Energy ("**Blue Ocean**") agreement³. For details on agreements for the sale of natural gas to Jordan and Egypt. see Note 4J.

The plan for the development of the Leviathan reservoir includes the supply of natural gas to the domestic market and for export in a total scope of 21 BCM of natural gas per year 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) The production system that includes first 8 production wells that 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, in accordance with the provisions of NOP H/37, and on which all gas and condensate processing systems will be installed. The gas will be piped from the Platform to the northern onshore entry point of the national transmission system of INGL, as defined in NOP 37/H (the "**INGL Connection Point**"). The condensate will also piped to the shore via a separate pipeline parallel to the gas pipeline, and will be connected to an existing fuel pipeline of Europe Asia Pipeline Co. ("**EAPC**") that leads to the tank farm of Energy Infrastructures Ltd. ("**PEI**") and from there to the Oil Refineries Ltd. ("**ORL**").

³ The agreement was signed with Dolphinus Holdings Limited which in June 2020 assigned the export to Egypt agreement to Blue Ocean Energy.

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

B. The development plan for the Leviathan reservoir (Cont.):

- 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 – the current stage, in which framework 4 subsea production wells were drilled, a subsea production system that connects the production wells and the Platform was setup, and a system for transmission to the shore and related onshore facilities were setup. At this point, the gas production capacity is at approx. 12 BCM per year.

Phase 1B – expected to include in the beginning 4 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 (to a sum total of approx. 21 BCM). It is noted, that as of the date of approval of the financial statements, a final investment decision for the development of Phase 1B has not yet been adopted by the Leviathan partners.

- 4) It is noted that additional production wells will be required during the life of the project to enable production of the required volume. In the matter of the development and production of "Leviathan-8" well, see Section 6 below.
- 5) As of the date of approval of the financial statements, and in accordance with the Development Plan, the gas supply capacity from the Leviathan project to INGL's transmission system is approx. 1.2 BCF per day.
- 6) Considering the volume of production from the Leviathan reservoir and the demand during H1/2021, and in order to improve the redundancy in the production system, the Operator recommended bringing forward the drilling of another development and production well, which was planned for years later than 2022.

Accordingly, on July 12, 2021, the Leviathan partners announced that they have adopted a resolution regarding the development and production of "Leviathan-8" well in the area of lease I/14 Leviathan South (the "**Well**"), with a total budget of approx. U.S. \$248 million (100%, the Partnership's share being approx. \$112 million) (including completion and connection to the existing production system of the Leviathan reservoir). As of the date of the financial statements, a sum of approx. \$19.1 million (100%, the Partnership's share being approx. \$8.7 million) was invested in the Well. The Well will be integrated as part of the system of production wells in the Leviathan reservoir in the context of the Development Plan. In addition, the necessary infrastructures will be built in the Leviathan Leases for the purpose of connection of the Well to the existing subsea production system of the Leviathan project. The Operator updated that the completion activities and connection of the Well to the production system shall be performed, probably, at the beginning of 2023. The said Well is expected begin during Q2/2022, subject to receipt of all of the required regulatory approvals, including the required approvals from the Petroleum Commissioner at the Ministry of Energy and from the Ministry of Environmental Protection (the "**MoEP**") for the drilling of the Well.

- 7) During November 2021, ongoing maintenance work was carried out on the Leviathan platform for about seven days, during which the flow of the gas from the Leviathan platform was halted.

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

C. Review of different alternatives for increasing the production capacity of the Leviathan reservoir:

As of the date of approval of the financial statements, the Leviathan partners are reviewing various alternatives for the development of Phase 1B of the Leviathan reservoir and increasing the production capacity up to approx. 21 BCM per year, with the aim of adopting a final investment decision (FID). The development options may include development and expansion of the infrastructures for piping natural gas from the Leviathan reservoir to additional consumers in the target markets, primarily the Egyptian market, supply to the existing liquefaction facilities in Egypt and promotion of the option for natural gas liquefaction through a floating liquefaction facility (FLNG) for the purpose of marketing thereof to the global markets.

As of the date of approval of the financial statements, the Leviathan partners are continuing to develop an FLNG for the Leviathan project, including the receipt of the required regulatory approvals. In this context, the Leviathan partners have engaged in an interim agreement Exmar NV⁴ for the performance of FEED.

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

In February 2022, a report was received from Netherland Sewell & Associates Inc ("NSAI"), which is a qualified, expert and independent reserve and resource appraiser, on evaluation of reserves and contingent resources in the Leases according to the SPE-PRMS, updated as of December 31, 2021. According to the report, the overall quantity of resources is estimated at approx. 631.2 BCM and approx. 49.1 million barrels and is divided into categories of resources classified as reserves and resources classified as contingent.

The quantity of the Proved Developed Producing reserves is approx. 347.2 BCM and the quantity of the Proved + Probable Reserves is approx. 379.3 BCM.

Additionally, the Proved Developed Producing condensate reserves are approx. 27.0 million barrels, and the quantity of Proved + Probable Reserves is approx. 29.5 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:

Phase 1A (Phase I – First Stage) – 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.

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. 368.5 BCM (the high estimate) and approx. 115.8 BCM (the low estimate) and condensate contingent resources range between approx. 28.7 million barrels (the high estimate) and approx. 8.2 million barrels (the low estimate). See Section F below regarding uncertainty in the evaluation of reserves.

⁴ Exmar is a public company listed on Euronext in Belgium, which specializes in the entire LNG value chain, including gas liquefaction, transportation and regasification, as well as LPG transportation. Exmar is the operator and owner of an active FLNG facility in Argentina, and serves, *inter alia*, as the operator of the regasification vessel offshore Hadera.

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

E. 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, 2021, the details presented in the aforesaid report remain unchanged. See Section F below with regard to uncertainty in the evaluation of reserves.

As of the date of approval of the financial statements, the Partnership intends to explore the possibility of the specification, drilling and exploration of the deep exploration targets identified in the area of the lease (and specifically a carbonate buildup target).

F. 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.

G. Additional information:

The lease deeds were granted subject to the Petroleum Law and grant the partners in the Leases an exclusive right to produce oil and natural gas in the areas of the Leases for a 30-year period, with the right of extension thereof by 20 additional years, in accordance with and subject to the provisions of the Petroleum Law.

H. Engagements for the payment of royalties:

1. Following the closing of the merger between the Partnership and Avner Oil Exploration Limited Partnership ("**Avner**") 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 the petroleum assets, excluding the Ashkelon and Noa leases, in which the Partnership held 25.5% and Avner Partnership 23%, and in their respect the rate of royalties was reduced by 47.42% with respect to the royalties paid by the Partnership to Delek Group and Delek Energy, as defined below, and by 52.58% with respect to the royalties paid by Avner Partnership before the Merger, as specified below).
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".
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 in April 2020) will receive 1.375% in the Noa and Ashkelon lease and 1.4375% of any future petroleum right of the Partnership. The remaining entitlement to royalties is paid to third parties.

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

I. Engagements for the payment of royalties (Cont.):

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.

From the date of commencement of the supply of gas from the Leviathan reservoir, the Leviathan partners pay the State advances on account of the State's royalties on revenues from the Leviathan project, at the rate of approx. 11.26%, in accordance with a letter of request received from the Ministry of Energy in January 2020. Such effective rate is higher than the calculation made by the Partnership and Chevron. According to the royalty report submitted by Chevron to the Ministry of Energy for 2020, the rate of royalties to the State in the Leviathan project should be approx. 9.58%. Accordingly, the rate of the royalties on which the Partnership's financial statements for 2021 are based is approx. 10.7% (2020: 10.8%). It is clarified that there are material differences between the royalties actually paid to the Ministry of Energy in the aggregate from the commencement of production from the Tamar project and the sums recorded in the statement of comprehensive income as royalty expenses. 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.

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. \$7.4 million (2020: approx. \$2.6 million).

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. \$2.7 million (2020: approx. \$1.5 million).

Notes to the Financial Statements as of December 31, 2021 (Expressed in US \$ Thousands)

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

J. Agreements for the sale of natural gas from the Leviathan project:

Below are concise details regarding the agreements for the supply of natural gas from the Leviathan project which were signed by the Partnership, together with the other Leviathan partners, that are valid as of the date of approval of the financial statements⁵:

Customer	Supply commencement date	Agreement period ⁶	Total maximum contract quantity for supply (100%) (BCM) ⁷	Total quantity supplied until December 31, 2021 (100%) (BCM)	Main linkage basis of the gas price
Independent power producers ⁸	2020, or the date of commencement of the commercial operation of the buyers' power plant (whichever is later).	Some of the agreements are for a short period of up to approximately two and a half years, and the rest are for a long term of 14 to 25 years. Some of the agreements grant each of the parties an option for extension of the agreement in the event that the total quantity determined in the agreement is not purchased.	Approx. 40	Approx. 3.2	In most of the agreements the linkage formula of the gas price is based on the Electricity Production Tariff and includes a "floor price". Several short-term agreements determine a fixed price without linkage.
Industrial customers	2020	Some of the agreements are for a period of 5 to 15 years, and the rest are for a short 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. 5	Approx. 0.7	In most of the agreements the linkage formula 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 Electricity Authority.
NEPCO export agreement (described in Section (J2) below)	2020	15 years. The agreement stipulates that in the event that the buyer does not purchase the total contract quantity during the base period, the basic supply period will be extended by another two years.	Approx. 45	Approx. 4.6	The linkage formula is based on linkage to the Brent prices and includes a "floor price".
Blue Ocean export agreement (described in Section (J3) below)	2020	15 years. The agreement stipulates that in the event that the buyer does not buy the total contract quantity, the period of the supply will be extended by another two years.	Approx. 60	Approx. 5.3	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. 150	Approx. 14⁹	

⁵ It is noted that the data in the table do not include agreements for the supply of natural gas from the Leviathan project on an interruptible basis, as well as agreement ended, including an agreement with the IEC (paragraph 2 below).

⁶ In most of the agreements, the gas supply period may end on the date of supply to the customers of the maximum contract quantity set forth in the agreement.

⁷ This quantity is the maximum quantity which the Leviathan partners have undertaken to supply to the customers in 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 buyer 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 further noted that several agreements do not state a maximum supply quantity.

⁸ The data in the table include agreements, in which not all closing conditions have been fulfilled.

⁹ It is noted, that the total quantity supplied from the Leviathan project by December 31, 2021 (100%) (both under the agreements appearing in the table and both under SPOT agreements and agreements that ended) is approx. 18 BCM.

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

J. Agreements for the sale of natural gas from the Leviathan project (Cont.):

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

- 1) In the agreements for the sale of natural gas to independent power producers and to industrial customers, excluding SPOT agreement (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**"). It is noted that in the context of the Agreements, provisions and mechanisms are provided, which allow each of the said buyers, after paying for natural 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 in the years consecutive to the year when the payment was made. In addition, the Agreements determine a mechanism for accrual of a balance in respect of surplus quantities (over the take-or-pay) 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. 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 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.
- 2) In accordance with the terms and conditions of 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. 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 option as stated in the 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. 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 various 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.

J. Agreements for the sale of natural gas from the Leviathan project (Cont.):

- 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.

1) 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**"). The supply of the gas to the IEC pursuant to the Agreement began on December 31, 2019 and ended on June 30, 2021. A non-linked fixed gas price was set in the supply agreement.

On January 30, 2021, 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 H1/2021, approx. 1.2 BCM of natural gas, from which certain gas quantities will be deducted, as agreed, mainly 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 (during the report period the IEC consumed more than the quantity stated above and received discount accordingly).

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 consent decree. The Leviathan partners announced that in accordance with Chevron's announcement that the consent decree between Chevron and the Competition Authority, under Section 50B of the Economic Competition Law, 5748-1988, has been approved by the Competition Court, then on May 31, 2021, all of the closing conditions have been fulfilled for the taking effect of the Settlement Agreement.

J. Agreements for the sale of natural gas from the Leviathan project (Cont.):

1) Further details regarding a gas supply agreement between the Leviathan partners and the IEC (Cont.):

On July 4, 2021, the Leviathan partners signed a framework agreement with the IEC for the supply of natural gas on an interruptible basis (SPOT) for a period of one year, according to a price to be agreed between the parties from time to time. The agreement does not obligate the parties to purchase or sell any quantities of natural gas, and each party may terminate the agreement at any time.

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

In September 2016, an agreement was signed for the supply of natural gas between NBL Jordan Marketing Limited (the "**Marketing Company**") and NEPCO (the "**NEPCO Agreement**"). 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 connection between the Israeli transmission system and the Israeli transmission system on the border between Israel and Jordan. In December 2019, INGL completed the construction of the Israeli transmission system up to the border between Israel and Jordan at a cost of approx. \$121 million (100%, the Partnership's share being approx. \$55 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.

In November 2016, the Leviathan partners and the Marketing Company signed a back-to-back GSPA ("**Back-to-Back**"), whereby the amounts that shall be received, the liabilities, the risks and the costs relating to the export agreement will be endorsed to the Leviathan partners under the same terms (back-to-back), as if the Leviathan partners were a party to the export agreement instead of the Marketing Company.

3) Agreement for the Export of Natural Gas from the Leviathan Project to Blue Ocean in Egypt:

In February 2018, an agreement was signed between the Partnership and Chevron and Blue Ocean (in this section: the "**Buyer**") for the export of natural gas from the Leviathan project to Egypt.

On September 26, 2019, the signing of an agreement for amendment of the original Leviathan-Blue Ocean agreement between the Leviathan partners and Blue Ocean was closed (in this section: the "**Leviathan 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. On January 15, 2020, the flow of natural gas began in accordance with the Leviathan Agreement.

J. Agreements for the sale of natural gas from the Leviathan project (Cont.):

3) **Agreement for the Export of Natural Gas from the Leviathan Project to Blue Ocean in Egypt (Cont.):**

It is noted that in a tax decision 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 set in the Leviathan 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 Leviathan 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 EAPC site in Ashkelon was completed. The installation of the compressor enabled the quantity of gas piped from the Leviathan reservoir to Egypt to be increased.

It is noted that in a tax decision 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, to enter into agreements for the sale of natural gas at a price that shall be calculated according to the formula set in the Leviathan 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 Leviathan Agreement.

Below is a summary of the details and terms and conditions of the Leviathan export agreement:

- 1) The total contract gas quantity which the Leviathan partners undertook to supply to the Buyer on a firm basis is approx. 60 BCM (the "**TCQ**").
- 2) The supply of gas began on January 15, 2020, and will be until December 31, 2034 or until the supply of the full TCQ, whichever is earlier (the "**Term of the Leviathan Agreement**"). In the event that the Buyer does not purchase the TCQ, each party will be entitled to extend the supply period by two additional years.
- 3) The Leviathan partners undertook to supply the Buyer with annual gas quantities as follows: (i) in the period that commenced on January 15, 2020 and ended on June 30, 2020, approx. 2.1 BCM per year; (ii) in the period that commenced on 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 end of the Term of the Leviathan Agreement, approx. 4.7 BCM per year. It is noted that the increase of the supply as aforesaid will be made by upgrading the systems at the EMG terminal in Ashkelon, including the installation of another compressor, and by increasing the transmission capacity in INGL's system and/or transport of natural gas from Israel to Egypt via Jordan. See Note 4T7 below.

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

J. Agreements for the sale of natural gas from the Leviathan project (Cont.):

3) Agreement for the Export of Natural Gas from the Leviathan Project to Blue Ocean in Egypt (Cont.):

- 4) The Buyer has undertaken to take or pay for quarterly and annual quantities according to mechanisms set forth in the Leviathan 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. If the contract quantity is reduced in the case of a disagreement about the gas price update, as stated in Paragraph 5 below, Blue Ocean's right to reduce the take-or-pay quantity as aforesaid will be revoked. In this context, it is noted that following the plunge in energy prices in H1/2020, the Daily Brent Price (as defined in the agreement) dropped below \$50 per barrel. However, from H2/2020 the Average Daily Brent Price (as defined in the agreement) has risen, and as of the date of approval of the financial statements, the Brent barrel price is over \$115.
- 5) The price of the gas to be supplied to the buyer will be determined according to a formula based on a Brent oil barrel, and includes a "floor price". Export to Egypt includes a mechanism for a price update of up to 10% (up or down) after the fifth and tenth years of the agreement, upon certain conditions specified in the agreement. If the parties do not reach an agreement on the price update as aforesaid, the buyer shall have the right to reduce the contractual quantity by up to 50% on the first adjustment date and 30% on the second adjustment date. The agreement includes an incentives mechanism, subject to quantities and the oil barrel price.
- 6) The Leviathan Agreement includes accepted provisions relating to conclusion of the agreement, as well as provisions in the case of conclusion of the export agreement signed between the Tamar partners and Blue Ocean as a result of a breach thereof, and the Leviathan partners' not agreeing to supply also the quantities according to the said Tamar agreement, and also includes compensation mechanisms in such a case.
- 7) It is noted that in the context of the set of agreements described in Note 4T7 below, the Leviathan partners and Blue Ocean signed an amendment to the export to Egypt agreement, in which agreements were reached, *inter alia*, on defining the delivery point in Aqaba, Jordan, as an additional point of delivery under the Leviathan Agreement, an arrangement whereby calculation of the quantities nominated by Blue Ocean but not supplied thereto shall be made in 2022 on an annual basis, such that at the end of the year the parties will review the quantities of gas not supplied, which will be offset against the quantities of gas to be supplied to Blue Ocean on a Spot basis during the year, as well as adjustments to the price of the natural gas to be supplied at the additional point of delivery as aforesaid, in accordance with the additional costs entailed by the transmission of the gas from the additional point of delivery, to be borne by Blue Ocean.

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

J. Agreements for the sale of natural gas from the Leviathan project (Cont.):

Concurrently with the signing of the export to Egypt agreement, an agreement was signed between the Partnership and Chevron and the rest of the Leviathan partners and the Tamar partners in connection with allocation of the capacity (in this section: the "**Capacity Allocation Agreement**") in the transmission from Israel to Egypt system.

The capacity division in the transmission from Israel to Egypt system (the EMG pipeline and the transmission in Israel pipeline) will be on a daily basis, according to the following order of priority:

1. First layer – up to 350,000 MMBTU per day will be allocated to the Leviathan partners.
2. 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.
3. Third layer – any additional capacity above the second layer will be allocated to the Leviathan partners.

Pursuant to the Capacity Allocation Agreement, on the date of the closing the EMG transaction, the Leviathan partners and the Tamar partners paid the Partnership and Chevron the sum of \$250 million (80% by the Leviathan partners and 20% by the Tamar partners), as participation fees, in consideration for the undertaking to allow the piping of natural gas from the Leviathan and Tamar reservoirs and guaranteeing capacity in the EMG Pipeline. Pursuant to the agreement, the amount of the aforesaid payments will be updated by June 30, 2022, according to the formula determined in the agreement, based on the actual use of the EMG pipeline. The Capacity Allocation Agreement determines further arrangements for bearing the additional costs and investments that will be required for refurbishment of the EMG pipeline and maximum utilization of the pipeline capacity, which shall be paid by both the Leviathan partners and the Tamar partners. The Capacity Allocation Agreement further determines that as of 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 Blue Ocean, the Leviathan partners shall supply the Tamar partners with the required quantities up to a total quantity of 150,000 MMBTU a day under the terms and conditions specified in the agreement.

The term of the Capacity Allocation Agreement is until the conclusion of the export to Egypt agreement, 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; or in a case where the Competition Authority shall not have approved extension of the capacity and operatorship agreement according to the decision of the Competition Commissioner. 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.

K. Engagements for the supply of natural gas (Cont.):

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

In the Partnership's natural gas sale agreements, excluding SPOT 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.

L. **Agreement for the supply of condensate to ORL:**

In December 2019, an agreement was signed (the **"ORL Agreement"**) whereby condensate produced from the Leviathan reservoir will be piped to the existing fuel pipeline of EAPC which leads to a container site of Petroleum & Energy Infrastructures Ltd. (**"PEI"**) and from there it will be piped to ORL's facilities, according, *inter alia*, to regulatory directives.

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 MoEP.

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 relating to the piping of the condensate.

In the context of correspondence between the Leviathan partners and ORL in Q1/2022, the Leviathan partners claimed against ORL that failure to pay for the condensate supplied to ORL as aforesaid constitutes prohibited and unlawful abuse of ORL's power as a monopsony in the purchase of condensate. In the context of this claim the Leviathan partners invited ORL to enter into negotiations to remedy the aforesaid violation immediately and retroactively.

In its reply ORL rejected the Leviathan partners' arguments while the Leviathan partners reiterated their position whereby ORL's failure to pay for the condensate supplied thereto as aforesaid constitutes a violation of the law which causes material damage to the Leviathan partners.

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

L. Agreement for the supply of condensate to ORL (Cont.):

As of the date of approval of the financial statements, the Leviathan partners are considering institution of legal measures against ORL.

M. MOU with PEI

On June 14, 2021, Chevron, the operator in the Leviathan project, signed a non-binding MOU with PEI, pertaining to promotion of the possibility of a joint project for construction and operation of designated infrastructure for piping of condensate from the Leviathan platform to storage containers at the "Orot Rabin" power plant site, which containers will be rented for such purpose, and for loading it into containers. It is clarified that execution of the above-described project is subject to the signing of a binding agreement between the parties, the signing of an agreement between PEI and IEC with regard to use of the space at the power plant site, and receipt of regulatory approvals insofar as they are required. It is noted that as of the date of approval of the financial statements, the Leviathan partners, together with PEI, is examining another alternative of piping of condensate from the Leviathan platform through PEI's existing systems.

N. Agreement for the supply of natural gas to Rapac Delek Sorek Ltd. ("Delek Sorek")¹⁰:

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 (in this section: the "**Agreement**"). In the Agreement, 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. The supply period according to the Agreement 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 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 (the "**Take-Or-Pay Quantity**"). The gas price stipulated in the Agreement 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".

O. 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.

¹⁰ It is noted that as of the date of approval of the financial statements, a transaction with Delek Sorek as aforesaid is no longer classified as a transaction with a related and interested party as a result of the closing of a transaction for the sale of Delek Israel's holdings in Delek Sorek dated February 22, 2021.

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

P. Reimbursement of indirect expenses to the project operators:

The Partnership's operations in the joint ventures Ratio-Yam is carried out by Chevron.

According to the joint operation agreement in such joint ventures and licenses, it was agreed that Chevron, according to the aforesaid, would serve as the operator and would be exclusively responsible for the management of the joint operations.

According to the rules of settlement of accounts specified in the agreement Chevron is entitled to reimbursement of all of the direct expenses it incurs in connection with the fulfillment of its duties as operator and to a rate of 1%-4% for exploration expenses, with the rate of payment to the operator decreasing as the exploration expenses increase, and additionally, to a rate of 1% of all the direct development expenses, as defined in the agreement, subject to certain exceptions.

Q. 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.

R. Pledges and guarantees:

1. Short-term bank deposits as of December 31, 2021 in the sum of approx. \$100.5 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, 2021 in the sum of approx. \$100.2 million used as a safety cushion in the context of the issue of Leviathan Bond bonds (see Note 3 above) .
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.

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

R. Pledges and guarantees (Cont.):

7. To secure a transmission agreement for the export of gas to Egypt (see note T7) in the context of the Partnership's activity in the Leviathan, 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 142 million, against which the Partnership pledged a deposit in the sum of approx. \$11.4 million.
8. With regard to guarantees in the sum of approx. \$54.7 million provided by the Partnership to the Petroleum Commissioner in connection with its rights in the oil and gas assets, see note T2 below.

S. 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 Chevron 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 Chevron (in this section: the "**Amendment to the Tamar Agreement**").

The Petitioner's principal arguments are 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 Chevron'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 Chevron under this agreement, while harming competition, amount to unjust enrichment.

The Petitioner asserts that such actions of the Partnership and Chevron 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 Chevron are not entitled to prevent the Other Holders in the Tamar Project from signing the Amendment to the Tamar Agreement.

On December 22, 2020, the Other Holders in the Tamar Project filed a motion for Summary dismissal without prejudice thereof, and on September 9, 2021 the court approved their dismissal. Furthermore, on November 17, 2021, the court accepted Ratio's agreed motion to dismiss it from the Certification Motion. A pretrial hearing on the Certification Motion is scheduled for April 24, 2022.

On December 9, 2021, the Partnership and Chevron filed their response to the Certification Motion and a motion to remove the legal opinion that was attached to the Certification Motion. On February 27, 2022, the court ruled that the motion will be heard in the hearing scheduled for April 24, 2022. On February 28, 2022, the Petitioner filed an answer to the Respondents' answer 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%.

S. Legal proceedings (Cont.):

2. On August 28, 2019, the Homeland Guards Association (in this section: the "**Petitioner**") petitioned the Jerusalem District Court against the MoEP and position holders therein and against Chevron and the Ministry of Energy, seeking to instruct the MoEP and position holders therein to require Chevron 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 platform's Emission Permit; to release all of the information to the public and to allocate a 45-day period for the submission of comments; and 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 December 19, 2019, the court's judgment rejecting the petition was issued, and on November 2, 2021 the Supreme Court's judgment was issued, rejecting an appeal filed by the Petitioner from the judgment.
3. In a petition filed in November 2019 with the Jerusalem District Court, 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 MoEP and against Chevron, the Court was asked, *inter alia*, to order the nullification of Leviathan platform's Emission Permit and to determine that there will be no activity in the Leviathan platform which involves the emission of gases. On March 15, 2020 the District Court issued its judgment rejecting the Petition and on October 7, 2021 the Supreme Court's judgment was issued rejecting an appeal filed by the Petitioners from the judgment, while stating that the court has taken note of Chevron's declaration whereby the Commissioner will be informed of any change it will intend to make in the monitoring and sampling system operated thereby and that it will act according to the directives he will issue thereto in such context.
4. On January 19, 2020, the Homeland Guards Association petitioned the Jerusalem District Court against the MoEP and Chevron, to order the MoEP to publish a reasoned decision regarding Chevron'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 MoEP. It was further argued that the MoEP violated its internal procedures which contemplate the examination of requests to recognize trade secrets. A preliminary hearing on the petition was held on May 23, 2021 and in the context thereof, in view of MoEP's consent to post a reasoned decision regarding the information being a trade secret on the website, the court ordered to dismiss the petition with prejudice.
5. On December 15, 2020, a motion for class certification was filed with the Tel Aviv District Court against Chevron (in this section: the "**Respondent**") 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 "**Certification Motion**", the "**Petitioner**" and the "**Class Members**"). In essence, the Certification Motion argues that the Respondent 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.

S. Legal proceedings (Cont.):

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 Respondent to immediately fulfill the obligations imposed thereon in the Clean Air Law and the regulations promulgated thereunder. On May 5, 2021, the court referred the parties to negotiate and on June 21, 2021, the parties updated the court that they had failed to reach agreements that would move the proceeding forward, and therefore it needs to continue to be conducted before the court. A pre-trial hearing in the proceeding was scheduled for May 16, 2022. As of the report approval date the Partnership estimates, based on the opinion of legal counsel representing the operator in the proceeding, that at this stage the chances of the Certification Motion being granted are below 50%.

6. On May 3, 2021, Haifa Port Co. Ltd. (in this section: "**Haifa Port**") filed a claim against Chevron, Coral Maritime Services Ltd. (in this section: "**Coral**") and Gold Line Shipping Ltd. (in this section: "**Gold Line**") in the sum of approx. ILS 77 million (the "**Main Case**"). According to Haifa Port, direct unloading of cargos in the area of the Leviathan platform, as was done by Chevron, without first unloading such cargos at one of Israel's ports, is unlawful and was done so as to evade making mandatory payments to the port, and financial loss was thus incurred by the port. The complaint claims that from July 2018 forth, Chevron performed direct unloading as aforesaid, while declaring to the tax authorities that Haifa Port was the 'unloading port', even though the cargos that were unloaded did not pass through Haifa Port in practice.

The claim against the companies Coral and Gold Line is that they acted, at the relevant times, as the shipping agents for Chevron, which imposes on them, so Haifa Port claims, a duty to pay the handling fees on Chevron's behalf.

Chevron filed an answer on August 31, 2021, and Haifa Port filed a replication on December 1, 2021. Concurrently, Chevron filed a counterclaim against Haifa Port in the sum of approx. ILS 4.4 million, for a claim in the sum of about ILS 0.7 million for handling fees and infrastructure fees actually and unlawfully charged by Haifa Port, and a claim of some ILS 3.7 million for mooring fees charged to Chevron and unlawfully not reduced by 30%, in cases of self-routing of ships which passed through the port area. Haifa Port filed a reply on December 1, 2021. A pretrial in the proceeding has been scheduled for September 11, 2022.

In the Partnership's estimation, based on the opinion of its legal counsel, the Main Case is more likely to be denied than granted.

T. 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, Chevron received a notice from the MoEP 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, Chevron filed written arguments in response to the aforesaid notice, and on November 12, 2020 the MoEP's decision was received whereby it was decided to cancel two of the

T. Regulation (Cont.):

four penalties which the Ministry intended to impose, and to partially reduce the amount of the two remaining penalties. The aforesaid payment in an immaterial amount for this administrative financial penalty was transferred to the MoEP on December 11, 2020.

- b) On May 20, 2020, Chevron received a notice from the MoEP 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. Chevron informed the Partnership that that it submitted a request to the MoEP to receive information by virtue of the Freedom of Information Law, 5758-1998, which directly contemplates arguments raised in said notice and that the MoEP 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.
- c) On July 1, 2020, Chevron received an additional notice from the MoEP 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, Chevron filed its arguments with respect to this penalty with the MoEP. On December 13, 2020, the decision of the MoEP was received whereby it was decided to cancel some of the penalties which the MoEP intended to impose and to replace them with a new penalty, such that 4 penalties will be imposed on Chevron, and to partially reduce the amount of one of the penalties. Payment for these administrative financial penalties was transferred to the MoEP on January 12, 2021.
- d) On January 28, 2021, another decision by the MoEP was received, cancelling the new penalty which was imposed in the context of its aforesaid decision and ordering reimbursement to Chevron of the amount paid therefor, because Chevron was not afforded a right of fair hearing by law with respect to the new penalty before it was imposed thereon, and concurrently notifying that it intends to impose this penalty while affording Chevron the opportunity to supplement its arguments with respect thereto until February 28, 2021.

On March 7, 2021, Chevron filed its arguments and on September 5, 2021 the MoEP's final decision was received whereby a penalty in an immaterial amount was imposed on Chevron. Payment for this penalty was transferred to the MoEP on October 5, 2021.

- e) On June 6, 2021, notice was received from the MoEP of an intention to impose on Chevron an administrative sanction pursuant to the Clean Air Law in a non-material amount, due to an incident of activation of a flare which occurred on October 17, 2020, during which gases were ostensibly diverted that were not burned to flares (cold venting). Chevron delivered its response to the intention notice on July 6, 2021 and on November 24, 2021 the MoEP's decision was received ordering to impose a reduced administrative sanction for the aforesaid event.

T. Regulation (Cont.):

According to the decision it was decided to reduce the administrative sanction amount because Chevron instituted acts to prevent recurrence of the violations and due to the fact that Chevron discontinued the violation of its own initiative and reported the same to the Commissioner. Payment for this penalty was transferred to the MoEP on December 22, 2021.

- f) On January 19, 2021, Chevron received a warning and an invitation to a hearing from the MoEP 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, Chevron sent the MoEP a letter of arguments in response to the warning and the invitation to a hearing. On March 22, 2021, a hearing was held on the matter, and on March 24, 2021, a summary of the hearing on behalf of the MoEP was received, which stated that the Ministry would not recommend a punitive sanction for the alleged deviations, but in the event of additional deviations, it would consider exercising all of its lawful powers. It was further determined that Chevron is required to prepare procedures and to complete actions for the cleaning and identification of sources of oils.
 - g) On November 1, 2021, Chevron received a cease-and-desist letter and invitation to a hearing before the MoEP for non-compliance with the conditions of the sea discharge permit which was granted to the Leviathan platform and violation of the Prevention of Sea Pollution from Land-Based Sources Law, 5748-1988, in the framework of which it was argued that Chevron deviated from the standards determined for sea discharge from the open system. The hearing was held on January 6, 2021 and in its context it was determined that Chevron is required to institute any and all acts to prevent deviations from the sea discharge permit and that the MoEP is considering to exercise its full powers pursuant to the law, including a possible recommendation on a financial penalty by law.
- 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 a bank credit facility.
- 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):

T. Regulation (Cont.):

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

- (a) costs for the treatment and processing of the petroleum; and (b) costs of pipeline transportation of the petroleum up 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.

5. 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 Blue Ocean agreements as provided in Sections J3 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 cost of construction of 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**") will be such that 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

T. Regulation (Cont.):

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

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 (of which the Partnership's share due to the Leviathan project is estimated at approx. ILS 130 million). In addition, approx. ILS 48 million due to the bringing forward of the doubling of the Dor-Hagit and Sorek-Nesher sections, 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 8.5 million). Such costs shall be updated in accordance with a mechanism of update and accounting between the parties that will be incorporated into the transmission agreement with INGL and presented for his approval.

With regard to Chevron'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 Section 7 below.

6. **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.

After the release of the Decision, INGL contacted Chevron with a demand to apply the Decision retroactively from the beginning of 2020 with respect to the Leviathan project, and also forwarded for the inspection of Chevron, a notice in this spirit which it provided to its customers. Further to the above notice, Chevron 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. On April 7, 2021, the Partnership, together with the other Tamar partners and Leviathan partners filed a petition against the Natural Gas Commission and the Ministry of Energy (in this section: the "**Respondents**").

In the petition, the respondents moved for annulment of decision no. 5/2020 of December 29, 2020 – Amendment to Commission decision 8/2019 – criteria and tariffs for the operation of the transmission system in a flow control regime (Amendment No. 2), of the Natural Gas Commission (in this section, the "**Commission**"), which was published on January 3, 2021 (in this section: the "**Decision**"). According to the Decision, the natural gas suppliers shall bear the cost of one half of the "Unaccounted For Gas Target (UFG-T)", which is defined in the Decision as a difference of up to 0.5% between the quantity of gas measured by the meter at the entrance to the national natural gas transmission system and the quantity measured by the meter at the exit therefrom. The petition argued that this Decision was issued without any lawful authority and is extremely unreasonable.

T. Regulation (Cont.):

6. 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 (Cont.):

On October 26, 2021, Energean, which was joined as a respondent in the petition, filed its response according to which the petition is justified, and on October 27, 2021, INGL, which too was joined as a respondent in the petition, filed its response, in the framework of which it was argued that the petition is tainted with bad faith and unclean hands due to the concealment of material facts and failure to join parties that may be harmed by the petition and that the Decision contemplated in the petition was adopted with authority and reasonably.

Additionally, on November 5, 2021, the Respondents of the State filed their response to the petition, according to which the petition should be summarily dismissed with prejudice due to failure to join the gas consumers as respondents and the petition should be denied on the merits since the Decision was adopted with authority and is reasonable on the merits. On November 14, 2021, the court granted the Petitioners' motion to file a reply to the State Respondents' answer, and on November 28, 2021 and December 26, 2021 such replies were filed on behalf of the Petitioners. On January 31, 2022, the court ordered the petition transferred to a panel of judges. No hearing date has yet been scheduled.

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

On January 18, 2021, Chevron 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, Chevron 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 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, Chevron 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, Chevron 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.

T. Regulation (Cont.):

7. Engagement in a transmission agreement for the purpose of export of gas to Egypt (Cont.):

- 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 Commission 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 "**Commission'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**").
- 4) According to the ongoing updates received from INGL regarding the completion of the Combined Section, the Date of Commencement of the Piping is expected to be made possible in April 2023. In view of the foregoing, the Leviathan partners signed a set of agreements, the purpose of which is to enable the piping of natural gas according to the export to Egypt agreement, via Jordan, while using the Israeli transmission system to Jordan and the transmission system connecting Jordan and Egypt in the Aqaba-Taba area. (The Pan-Arabian pipeline). According to such set of agreements, the piping of the natural gas via Jordan to Egypt has commenced, allowing to maximize the production from the Leviathan reservoir and transfer natural gas surpluses, which are not consumed in Israel and Jordan and/or transmitted to Egypt via the EMG pipeline to the Egyptian market, through the Jordanian transmission system, mainly until the Ashdod-Ashkelon offshore transmission system section will be completed by INGL as aforesaid. In this context it is noted that the Leviathan partners received the approval of the Ministry of Energy to add an additional delivery point of natural gas to Egypt, which will be located in Aqaba, Jordan. As of the date of approval of the financial statements, and as the Partnership has been informed by Chevron, using the existing transmission infrastructures and under the current operating conditions, natural gas may be piped to Egypt, through Jordan, at an average daily quantity of up to about 650 MMCF (some 6.5 BCM per year). In the context of the said set of agreements, the Leviathan partners and Blue Ocean signed an amendment to the Export to Egypt Agreements, as detailed in Section J3 above.
- 5) In the matter of the quantities of gas supplied under the Leviathan-Blue Ocean agreement, see Sections J3.
- 6) 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.
- 7) 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.
- 8) In accordance with the principles determined in the Commission's Decision, Chevron undertook to pay for the partners' share, both in Leviathan and in Tamar (56.5%), in the total cost of construction of the Combined Section. See Note R4 above.

T. Regulation (Cont.):

7. Engagement in a transmission agreement for the purpose of export of gas to Egypt (Cont.):

- 9) In accordance with the Commission's Decision, the Leviathan partners provided a bank guarantee to secure INGL's share in the cost of construction of the said infrastructure, and to cover Chevron's commitment to pay the capacity and transmission fees. In February 2021, the Partnership provided guarantees of approx. ILS 142 million for the benefit of INGL for its share in the Leviathan project, and also pledged a deposit in the sum of approx. \$13 million for the benefit of the guarantee facility (see Note R7).
- 10) 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.
- 11) In the Partnership's estimation, its share in the cost of construction of the Combined Section, the costs of accelerating the doubling of the Sorek-Nesher and Dor-Hagit transmission system sections may total approx. ILS 43.8 million.
- 12) The Transmission Agreement determines that if the export of natural gas from the Tamar project and from the Leviathan project to Egypt stops, Chevron 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 Combined Section, plus the costs of accelerating the doubling of the Sorek-Nesher and Dor-Hagit sections, net of the amounts Chevron 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.

- 13) On February 15, 2021 all the closing conditions to the taking effect of the Transmission Agreement were met.
- 14) Concurrently with the signing of the Transmission Agreement, Chevron, 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 Chevron) under the Transmission Agreement, and will be responsible for fulfillment of Chevron's undertakings under the Transmission Agreement, as if the Leviathan partners and the Tamar partners were a party to the Transmission Agreement in Chevron'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 Chevron 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.

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

U. 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 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**" or the "**Regulations**"). In September 2021 an amendment to the Income Tax Regulations as aforesaid was published in the Official Gazette whereby, effective from tax year 2022 a change will occur in the tax regime that applies to the Partnership, such that it shall be taxed as a company with respect to its taxable income (while setoff of losses will be possible, subject to the tax laws, on the level of the Partnership itself without the same being attributed to the holders of the participation units). As a result of this change, commencing from tax year 2022, holders of participation units will be subject to a tax regime that applies with respect to profit distributions made by the Partnership, which is similar to the tax applying to shareholders of a company for dividend distributions (i.e. pursuant to the two-stage method). It is noted that in view of the aforesaid amendment, up to and including tax year 2021 the accounting with holders of the participation units and the reporting on the Partnership's taxable income will be as being prior to the amendment as explained below.
2. Until December 31, 2021 the Partnership acted as 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**") i.e. the Partnership's taxable income and the losses for tax purposes were 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" was defined in the Participation Unit Regulations as an entity that held participation units at the end of December 31 of the tax year. 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 did not include current taxes on income.
3. According to the provisions of Section 19 of the Law, 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, on December 31 of each tax year, are liable), according to the share in the Partnership of the Entitled Holders who are a body corporate and the share in the Partnership of the Entitled Holders who are individuals. Note that the General Partner is liable for payment of tax advances calculated according to the tax rates applicable to companies (in 2019 to 2021 – 23%). See Section 1 above with regard to the change that is effective from 2022 to the tax regulations which apply to the Partnership.

V. Taxation of Profits from 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.

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

V. Taxation of Profits from Natural Resources Law, 5771-2011 (Cont.):

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 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 2021, 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**") [*sic*] 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.

According to the Law, the holder of the petroleum right will be given fixed annual accelerated depreciation on a deductible asset, as defined in the law, which is owned thereby, at a fixed rate of up to 10% (at the choice of the holder of the petroleum right) or, alternatively, variable current annual depreciation up to the amount of the taxable income in that year (and not more than 10%).

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, the date of commencement of commercial production from which occurred before the commencement date, will be subject to the provisions of this Law with the following changes:
 - (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;

V. Taxation of Profits from Natural Resources Law, 5771-2011 (Cont.):

- (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 and in October 2021 an assessment agreement was signed with respect to the Leviathan levy assessment for 2018. 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 regard to the implementation of the provisions of the Law in the levy reports of the Leviathan Leases for 2019, including pertaining to recognition of payments borne by the holders of the interests in the leases in order to enable feasibility of export of natural gas to Egypt.

It is noted that the rate of the levy coefficient in the Leviathan Leases as of the date of the financial statements is lower than 1.5 and the effect of the above-mentioned assessments and disputes may be reflected in the levy amount calculation. However, even if the assessing officer's position is fully accepted, to date it is not expected to result in a coefficient rate higher than 1.5 from which actual collection of the levy begins.

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.

- 5) On November 10, 2021, the Knesset approved in second and third reading, Amendment No. 3 to the Taxation of Profits from Natural Resources Law, 5781-2021 (the "**Amendment to the Law**"), according to which, *inter alia*, in the event of a dispute, an advance payment of oil and gas profit levies will be required in the amount of 75% of the disputed amounts, subject to the decision of the assessing officer on the objection (prior to completion of legal proceedings which are under dispute in court, if any). In accordance with the Amendment to the Law as aforesaid, 75% of the said disputed amount may be advanced.

6) **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 "**Advances Regulations**") were published. The Advances Regulations regulate 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.

V. Taxation of Profits from Natural Resources Law, 5771-2011 (Cont.):

The Advances 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 mainly pertain to the determination of the calculation of the advances, the dates of payment thereof, and the reporting thereon.

Note 5 - Related Parties:

- A. NewMed 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 NewMed 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 1D for details regarding a military conflict between Russia and Ukraine.
- B. See Note 4D for details regarding a reserves and resources report in the Leviathan project.
- C. See Note 4J3 for details regarding piping of natural gas to Egypt through Jordan according to a series of agreements including an agreement for export of natural gas to Egypt with Blue Ocean.

FORM OF SPONSOR FINANCIAL DATA REPORT

		Year Ended
		31.12.2021
	<u>Item</u>	<u>Quantity/Actual Amount (in USD\$,000)</u>
A.	Total Offtake (BCM)	10.7 ¹
B.	Leviathan Revenues	1,948,208 ²
C.	Loss Proceeds, if any, paid to Revenue Account	868,917
D.	Sponsor Deposits, if any, into Revenue Account	-
E.	Gross Revenues (before Royalties)	868,917
F.	Overriding Royalties	
	(a) Statutory Royalties	(97,699)
	(b) Third Party Royalties	(38,750)
G.	Net Revenues	732,468
H.	<u>Costs and Expenses:</u>	
	(a) Fees Under the Financing Documents (Interest Income)	52
	(b) Taxes	-
	(c) Operation and Maintenance Expenses	(94,129)
	(d) Capital Expenditures	(48,563)
	(e) Insurance	(17,025)
I.	Total Costs and Expenses (sum of Items H(a), (b), (c), (d) and (e))	(159,665)
J.	Total Cash Flows Available for Debt Service (Item G <u>minus</u> Item H)	572,803
K.	Total Cash Flow from operation (Item G minus Items H(c) and H(e))	621,314
L.	Total Debt Service	(141,620)
M.	Total Distribution to the Sponsor	465,000

¹ Gas sales from January 1st 2021 until December 31st 2021 for 100% of the Leviathan partners on an accrual basis.

² Gas sales from January 1st 2021 until December 31st 2021 for 100% of the Leviathan partners on an accrual basis.

NEWMED ENERGY LIMITED PARTNERSHIP
(the “Partnership”)

Date: March 23rd, 2021

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

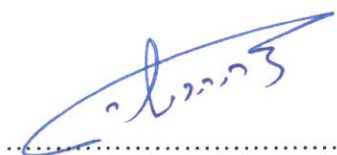
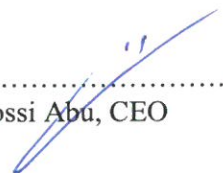
We, Haim Tzach Habusha and Yossi Abu, CFO and CEO (respectively) of the General Partner of the Partnership refer to the indenture, dated 18 August 2020 (the “**Indenture**”) between Leviathan Bond Ltd. and the Trustee.

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]


.....
Haim Tzach Habusha, CFO
.....
Yossi Abu, CEO

on behalf of
NEWMED ENERGY LIMITED PARTNERSHIP