

NewMed Energy – Limited Partnership
(the “Partnership”)

December 6, 2022

To
The Israel Securities Authority
Via Magna

To
Tel Aviv Stock Exchange Ltd.
Via Magna

Dear Sir/Madam,

Re: **Entry into Agreements with respect to Exploration License in Morocco**

Further to the immediate report released by the Partnership on February 22, 2022 (Reference No.: 2022-01-018120) with respect to an update of the Partnership’s strategy and goals, *inter alia*, as pertaining to activity for identification of business opportunities in new petroleum assets, mainly in the countries of and around the Mediterranean Basin, the Partnership respectfully informs that, on December 6, 2022, the Partnership, jointly with Adarco Energy Limited¹ (“**Adarco**”), signed agreements concerning oil and/or natural gas exploration and production activities in the Boujdour Atlantique exploration license, which is situated in the Atlantic Ocean off the coast of Morocco (the “**Petroleum Asset**” or the “**License**”), with the National Office of Hydrocarbons and Mines of Morocco (Office National des Hydrocarbures et des Mines, “**ONHYM**”). *Inter alia*, the agreements that have been signed grant each of the Partnership and Adarco 37.5% of the interests in the License, with the remaining interests in the License, the rate of which is 25%, granted to ONHYM, in accordance with standard regulation in Morocco.

The agreements further grant the Partnership, Adarco and ONHYM the right to search for hydrocarbons in the area of the License for a term of 8 years, subject to compliance with a work plan, which may be extended in the event of discovery. The Partnership shall act as the operator of the License.

During the exploration period, the Partnership and Adarco shall also bear, in addition to their relative share of the costs, the costs in respect of ONHYM’s share, in accordance with the regulation in Morocco. Furthermore, the agreements with ONHYM include additional provisions, *inter alia*, with respect to bonuses that are payable to ONHYM according to accomplishment of milestones of output from the License, royalties to the State of Morocco, fines in the event of noncompliance with obligations under the agreements, guarantees, stability in respect of economic terms, obligations of professional training in the domestic market, as well as provisions pertaining to the joint operation of the License.

The agreements are contingent on the receipt of approval from the Minister of Energy Transition and Sustainable Development and the Minister of Finance of Morocco and on approval by the general meeting of holders of the Partnership’s participation units (the “**Meeting**”). In the event that the Meeting’s approval is not obtained as required under the provisions of the Partnership Agreement and the bylaws of the Tel Aviv Stock Exchange Ltd. within 90 days of the signing date, these agreements will be rescinded.

¹Adarco has informed the Partnership that Adarco is a private company whose shares are held for the ultimate benefit of Mr. Yariv Elbaz (a Moroccan investor) and members of his family.

Details with respect to the Petroleum Asset²:

The License is a negligible petroleum asset in relation to the Partnership's operations and assets, and therefore a limited description of the License is presented below, based on the assumption that the Agreements will be approved and will become effective. The following details with respect to the Petroleum Asset relate to the rate of the Partnership's holdings in the Petroleum Asset, which it intends to assign to a wholly-owned subsidiary of the Partnership (presently in the process of incorporation), which is intended to hold 37.5% of the interests in the Petroleum Asset, subject to receipt of the required approvals from the regulator in Morocco.

1. General Details

<u>General Details with respect to the Petroleum Asset</u>	
Name of the Petroleum Asset:	Boujdour Atlantique
Location:	Offshore area in the south of the Moroccan exclusive economic zone (map attached as <u>Annex A</u>)
Area:	Approx. 33,812 km ²
Type of the Petroleum Asset and description of the permitted activities according to such type:	Exploration and production license
Original grant date of the Petroleum Asset:	According to the decision of the Minister of Energy and Mines and the Minister of Finance of Morocco
Original expiration date of the Petroleum Asset:	According to the decision of the Minister of Energy and Mines and the Minister of Finance of Morocco
Dates on which it was decided to extend the term of the Petroleum Asset:	-
Current expiration date of the Petroleum Asset:	The Agreement grants the right to conduct exploration for oil and/or natural gas in the area of the block for a term of 8 years in total – Initial term – 2.5 years; First extension (subject to the Partnership's decision and subject to commitment to the second term work plan) – 2 years; Second extension (subject to the Partnership's decision and subject to commitment to the third term work plan) – 3.5 years;
Note whether there is another possibility for extension of the term of the Petroleum Asset; if such possibility exists – note the possible term of extension:	Possibility of extension in a case where hydrocarbons are found and an examination of economic viability is required
Note the name of the operator:	The Partnership

² It is clarified that all details in this report in relation to the Petroleum Asset are to the best of the Partnership's knowledge.

Note the names of direct partners in the Petroleum Asset and their direct shares in the Petroleum Asset, and also, to the best of the Partnership's knowledge, the names of the control holders of such partners:	The Partnership – 37.5% Adarco – 37.5% ONHYM – 25%
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<u>General Details with respect to the Partnership's Share in the Petroleum Asset</u>	
Holding in a petroleum asset that has been acquired – note the acquisition date:	-
Description of the nature and manner of holding of the Petroleum Asset by the Partnership:	The Partnership, through a subsidiary that is being incorporated, shall hold 37.5% of the interests in the License
Note the actual share of the revenues from the Petroleum Asset attributed to the holders of the Partnership's equity interests³:	Pre investment recovery date – 34.5% Post investment recovery date – 32.63%
Total share of the holders of the Partnership's equity interests in the aggregate investment in the Petroleum Asset during the five years preceding the last day of the reporting year (regardless of whether recognized as an expense or as an asset in the financial statements):	

2. Actual and Planned Work Plan for the Petroleum Asset

Following is a concise description of actual and planned activities, noting the estimated budget for the conduct of each activity and the share of the holders of the Partnership's equity interests in such budget:

<u>Term</u>	<u>Concise Description of Activities Actually Carried Out for the Term or of the Planned Work Plan</u>	<u>Estimated Total Budget for the Activity at the Petroleum Asset Level</u> <u>(\$ in millions)</u>	<u>Amount of Actual Participation in the Budget by the Holders of the Partnership's Equity Interests (\$ in millions)</u>
30 months from the License grant date	Geological and geophysical analysis of the License, including re-processing of seismic data	Approx. 3.3	Approx. 3.3

³ According to local regulation in Morocco, the rate of royalties depends on the depth of water at the well site and the findings (gas or oil). In respect of a well where the depth of the water is greater than 200 metres in case of discovery of oil royalties will be payable at an annual rate of 7%. However, in respect of a discovery of gas at such depth royalties will be payable at a rate of 3.5%. The calculation in the above table was made in accordance with a gas discovery (that is, a rate of 3.5%). Furthermore, an exemption from corporate tax is granted for 10 years following the beginning of production, and thereafter the rate of corporate tax is 31% (in respect of both oil and gas discoveries).

<u>Term</u>	<u>Concise Description of Activities Actually Carried Out for the Term or of the Planned Work Plan</u>	<u>Estimated Total Budget for the Activity at the Petroleum Asset Level</u> <u>(\$ in millions)</u>	<u>Amount of Actual Participation in the Budget by the Holders of the Partnership's Equity Interests (\$ in millions)</u>
First extension – 24 months from the lapse of the first term	Drilling of first exploration well	Approx. 25	Approx. 12
Second extension – 42 months from the lapse of the second term	Drilling of exploration/appraisal well	Approx. 25	Approx. 12.5

Caution regarding forward-looking information – The information about the planned activities in the License, including with respect to the costs, timetables and mere performance thereof, constitutes “forward-looking information” within the meaning thereof in the Securities Law, 5728-1968, which is based on the information held by the Partnership at the date of this report, and includes assessments and estimations by the Partnership as of the date of this report. The actual execution of the work plan, including the timetables and the costs, may materially differ from the information specified above, and this is contingent, *inter alia*, on market conditions, regulation, numerous external circumstances, including technical needs, technical ability, new findings to be discovered and economic viability. The closing of the transaction is subject to satisfaction of the conditions precedent, as specified above.

Sincerely,

**NewMed Energy Management Ltd.
General Partner of NewMed Energy – Limited Partnership**

By: Yossi Abu, CEO
and Zvi Karcz, VP Exploration

