

LEVIATHAN BOND LTD.
(the “Issuer”)

Date: March 27th, 2023

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.

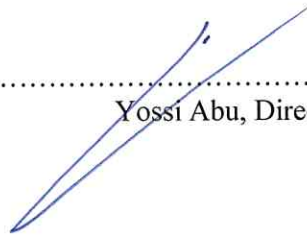
WE CERTIFY THAT:

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



.....
Yossi Abu, Director

on behalf of
LEVIATHAN BOND LTD.

Annex A
Audited Financial Statements of Issuer



Leviathan Bond

LEVIATHAN BOND LTD

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

EXPRESSED IN US\$ THOUSANDS.

AUDITED

LEVIATHAN BOND LTD

FINANCIAL STATEMENTS AS OF DECEMBER 31 2022, 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	5-56



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, 2022 and 2021 the Statements of Comprehensive Income and the statement of changes in equity for the year ended then. 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, 2022 and 2021, and the results of its operations, for the year ended then, in accordance with International Financial Reporting Standards (IFRS).

Tel Aviv, March 27, 2023

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)

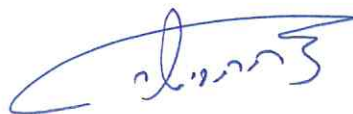
	<u>31.12.2022</u>	<u>31.12.2021</u>
Assets:		
Current Assets:		
Short term Bank deposits	253,279	5
Loans to shareholders	499,603	-
Related parties	**	*
	<u>752,882</u>	<u>5</u>
Noncurrent Assets:		
Loans to shareholders	1,749,625	2,248,082
Long term bank deposits	-	100,160
	<u>1,749,625</u>	<u>2,348,242</u>
	<u>2,502,507</u>	<u>2,348,247</u>
Liabilities and Equity:		
Current Liabilities:		
Bonds	500,000	
Related parties	153,279	165
	<u>653,279</u>	<u>165</u>
Noncurrent Liabilities:		
Bonds	1,750,000	2,250,000
Loans from shareholders	100,000	100,000
	<u>1,850,000</u>	<u>2,350,000</u>
Equity (Deficit)	<u>(772)</u>	<u>(1,918)</u>
	<u>2,502,507</u>	<u>2,348,247</u>

* Less than \$1,000

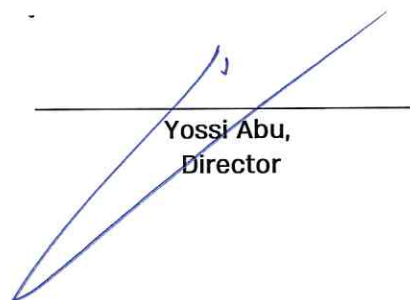
The accompanying notes are an integral part of the financial statements.

March 27, 2023

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 on	
	31.12.2022	31.12.2021
Financial expenses	146,252	141,872
Financial income	(147,398)	(142,343)
Total comprehensive expenses (income)	(1,146)	(471)

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, 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)
Changes for the year ended December 31, 2022:			
Total comprehensive Income	-	1,146	1,146
Balance as of December 31, 2022	*	(772)	(772)

* Less than \$1,000

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.** 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. Subsequently, the sale of natural gas from Russia to the European market was significantly reduced, and considerable shortage of natural gas was created in countries that consumed significant quantities of natural gas from Russia. Furthermore, a sharp decline was recorded in the scope of sales of oil from Russia to western countries.
- D.** As of December 31st, 2022 the partnership had Approx. \$131.0 Million U.S Dollars in the Revenue account.

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.

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 2 - Significant Accounting Principles (Cont.):

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.

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. Long-term deposits:

Deposits in banking corporations with an original term maturity of more than twelve months 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.

H. 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.

Note 2 - Significant Accounting Principles (Continued):

H. Financial instruments (Cont.):

1. Financial assets (Cont.):

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.

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.

Note 2 - Significant Accounting Principles (Continued):

H. Financial instruments (Cont.):

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.

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.

Note 2 - Significant Accounting Principles (Cont.):

I. 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.

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

1. 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 "**Original Amendment**"). In October 2022, the IASB released a subsequent amendment to the aforesaid amendment (the "**Subsequent Amendment**").

The Subsequent Amendment determines that:

- a. Only financial covenants which must be fulfilled by an entity on or before the end of the reporting period shall affect the classification of the liability as a current liability or non-current liability. In the case of liabilities for which the fulfillment of financial covenants is examined within the 12 months subsequent to the report date, the disclosure should be made in a manner enabling the users of the financial statements to assess the risks entailed by that liability. In other words, the Subsequent Amendment provides that the following should be disclosed: the liability's book value, information about the financial covenants and facts and circumstances as of the end of the reporting period which may lead to the conclusion that the entity may struggle to meet the financial covenants.
- b. The Original Amendment determined that a right to convert a liability shall affect the classification of the entire liability as current or non-current, other than in cases where the conversion component is equity-based.

The Original Amendment and the Subsequent Amendments were applied to annual periods beginning on or after January 1, 2024. Earlier application is permitted. In the Partnership's estimate, such amendment will not have a material effect on the Partnership's financial statements.

2. Amendment to IAS 1, Accounting Policies Disclosure

In February 2021, the IASB released an amendment to IAS 1: Presentation of Financial Statements (the "**Amendment**"). According to the Amendment, companies will be required to disclosure their material accounting policies, instead of the requirement to disclose their significant accounting policies. One of the main reasons for the Amendment is that the term "significant" is not defined in the IFRS, while the term "material" is defined in various standards and specifically in the IAS 1. The Amendment will be applied to annual periods commencing on or after January 1, 2023. Earlier application is permitted. In the Partnership's estimation, the aforesaid Amendment is not expected to have a material effect on the Partnership's financial statements.

Note 3 - Bonds:

	Amount (\$ in millions)	Interest	Stated Maturity
Leviathan Bond-2023	500	5.750%	June 2023
Leviathan Bond-2025	600	6.125%	June 2025
Leviathan Bond-2027	600	6.500%	June 2027
Leviathan Bond-2030	550	6.750%	June 2030
Total	2,250		

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 is 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

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.

Notes to the Financial Statements as of December 31, 2022 (Expressed in US \$ Thousands)

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;

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.

On May 22, 2022, the board of directors of the Partnership's general partner approved a plan to purchase the bonds of Leviathan Bond, in an aggregate amount of up to \$100 million for a period of two years. The Partnership made buybacks pursuant to said buyback plan in the sum of approx. \$100 million. Further thereto, on January 22, 2023, the board of directors of the Partnership's general partner, authorized to adopt an additional plan to purchase the bonds of Leviathan Bond, in an aggregate amount of up to \$100 million, by way of an off-exchange, TACT-Institutional or any other purchase method (the "**Additional Buyback Plan**"). The Additional Buyback Plan took effect on January 23, 2023 and shall end after two years, i.e., on January 23, 2025. As of the date of approval of the financial statements, the Partnership made buybacks pursuant to the Additional Buyback Plan in the sum of approx. \$9 million.

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**"). in which the participants are, as of the date of approval of the financial statements, the Partnership, Chevron Mediterranean Ltd. ("**Chevron**" or the "**Operator**") and Ratio Energies – Limited Partnership ("**Ratio Energies**" and jointly, the "**Leviathan Partners**").

B. The development plan for the Leviathan reservoir:

On June 2, 2016, the development plan was approved by the Petroleum Commissioner at the Ministry of Energy (the "**Commissioner**"), as submitted by Chevron. On February 23, 2017, the Leviathan Partners adopted a final investment decision (FID) for the development of Phase 1 – First Stage, at a capacity of approx. 12 BCM per year. The total cost invested in the development of Phase 1 – First Stage amounted, as of the date of the financial statements, to a sum of approx. \$3.8 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 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). The drilling of the Well as aforesaid ended in June 2022, according to schedule and under the planned budget. The cost of the Well as of the date of the financial statements is approx. \$140.1 million (100%, the Partnership's share being approx. \$63.5 million). As of the date of approval of the financial statements, completion operations are carried out at the well according to the work plan, and its connection to the existing subsea production system of the Leviathan project is expected to be completed during Q2/2023.

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

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

As of the date of approval of the financial statements, and according to the development plan, the capacity of gas supply from the Leviathan project to the INGL transmission system is approx. 1.2 BCF per day at maximum production. In order to increase this capacity to approx. 1.4 BCF per day, the Leviathan Partners are promoting a project in which a third subsea transmission pipeline shall be laid from the field to the platform (the "**Third Pipeline**"). The investments in the laying of the Third Pipeline, together with the investments in the platform's related systems, are estimated at approx. \$562 million (100%, the Partnership's share in the sum of approx. \$255 million), to be made starting from Q1/2023 until the expected operation of the Third Pipeline in mid-2025. Accordingly, the Leviathan Partners gave the project's operator approval for an initial expense of approx. \$45 million (100%, the Partnership's share in the sum of approx. \$20 million) for engineering design work and reserving of supply dates through preliminary engagements with suppliers, in order to enable the performance of the project at accelerated timelines and to have it ready for adoption of a final investment decision as part of the total budget. In addition, in the context of approval of the 2023 budget, the Leviathan Partners approved another approx. \$163 million (100%, the Partnership's share in the sum of approx. \$74 million) for the budgeting of the Third Pipeline. The total budgets approved up to the date of approval of the financial statements are approx. \$208 million (100%, the Partnership's share in the sum of approx. \$94 million) out of a budget of approx. \$562 million, as aforesaid. It is clarified that a final investment decision has not yet been adopted in respect of the Third Pipeline project. In the estimation of the Partnership, such a decision is expected to be adopted by the Leviathan Partners in Q2/2023, after completion of the preliminary work mentioned above.

In addition, as of the date of approval of the financial statements, the Leviathan Partners are reviewing the promotion of various alternatives for the development of Phase 1 – Second Stage and increasing the production capacity up to a total of approx. 21 BCM per year, with the aim of adopting a final investment decision (FID). These 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 (Floating Liquefied Natural Gas, "**FLNG**") for the purpose of marketing thereof to the global markets.

Thus, the development plan for Phase 1 – Second Stage, as approved as aforesaid in June 2016 by the Petroleum Commissioner, may be updated according to the development alternative that will be chosen, and in such case further regulatory approval may be required for the change in the plan. For purposes of examining the various expansion alternatives, on February 20, 2023, the Leviathan Partners approved budgets for 2023 in accordance with the Joint Operating Agreement applying to the Leviathan project, in the sum total of approx. \$96.4 million (100%, the Partnership's share is approx. \$44 million), for the performance of Front End Engineering and Design for Phase 1 – Second Stage (Pre-FEED) (in this section: the "**Budgets**"). In the context of such design, and further to previous analyses, the Leviathan Partners promote a future construction of an FLNG owned thereby, with an annual production capacity of approx. 4.6 million tons of LNG for purposes of sale thereof to global markets, thus also enabling the increase of the quantities supplied to the domestic market. The budgets include the sum of \$44.9 million (100%, the Partnership's share is \$20 million), *inter alia* for the performance of Pre-FEED and commencement of FEED, for expansion of the Leviathan reservoir's production system, including the design of subsea infrastructures and of necessary changes on the production platform, as well as the sum of \$51.5 million (100%, the Partnership's share is \$23.3 million), *inter alia* for the performance of Pre-FEED for the FLNG facility, as aforesaid, in a competitive process between international groups specializing in the design and construction

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 (Cont.):

of FLNG facilities. On December 30, 2013, a general meeting of the unit holders was held, in which it was resolved, *inter alia*, to approve refraining from distribution of profits (as defined in Section 9.4 of the Partnership Agreement), for the purpose of investment thereof in the development of the Leviathan reservoir according to the work plan and budgets approved and/or to be approved under the joint operating agreements that apply to the Leviathan Leases.

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

In March 2023, a report was received from Netherland Sewell & Associates Inc ("NSAI"), which is a qualified, expert an 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, 2022. According to the report, the overall quantity of natural gas and condensate resources is estimated at approx. 619.2 BCM and approx. 48.2 million barrels, respectively, and is divided into categories of resources classified as reserves and resources classified as contingent.

The quantity of the proved reserves is approx. 391.1 BCM and the quantity of the proved + probable reserves is approx. 440.9 BCM.

Additionally, the proved condensate reserves are approx. 30.4 million barrels, and the quantity of proved + probable reserves is approx. 34.3 million barrels.

In the contingent resources report, which includes resources classified as contingent – development pending, which are contingent on approval for drilling of further wells, on approval of future developments, on the demonstration of the existence of a future market for the sale of natural gas and on commitment to development of the resources, the said contingent resources are classified under two categories, pertaining to each one of the stages of development of the reservoir, as following:

Phase I – First Stage – Resources attributed to Phase I – First Stage of the development of the Leviathan reservoir, plus the Third Pipeline project.

Future Development – Resources attributed to development stages beyond Phase I – First Stage. Accordingly, the quantity of contingent resources of natural gas ranges between approx. 297.9 BCM (high estimate) and approx. 59.5 BCM (low estimate). The quantity of contingent condensate resources ranges between approx. 23.1 million barrels (high estimate) and approx. 4.6 million barrels (low estimate). See Section F below on uncertainty in the evaluation of reserves.

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, 2022, the details presented in the aforesaid report remain unchanged. See Section F below with regard to uncertainty in the evaluation of reserves.

The Partnership intends to explore the possibility of the specification, drilling and development of the deep exploration targets in the area of the lease.

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

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. Engagements for the payment of royalties:

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

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

3. (Cont.):

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.

4. **Royalty to the State:**

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

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

In May 2020, the 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.
- b) The Directives determine additional provisions, including a specification of the types of deductible and non-deductible expenses for the above calculation.
- c) In September 2020, it released the Specific Directives regarding calculation of the royalty value at the wellhead for the Tamar lease, which specified the deductible expenses for calculation of the royalty at the wellhead.
- d) In July 2022, it released the Specific Directives regarding the calculation of the royalty value at the wellhead for the Leviathan lease. Below is a summary of the directives received regarding calculation of the royalty value at the wellhead in the Leviathan lease:
 1. Capex that will be recognized for purposes of calculation of the royalty value at the wellhead and the rate of recognition include: (a) Capital cost for the transmission pipeline from the main manifold to the Leviathan platform (the "**Platform**"), will be recognized at a rate of 100%; (b) Capital costs in respect of the Platform will be recognized at a rate of 82%; and (c) Capital cost in respect of the transmission pipeline from the Platform up to the entrance to the terminal (DVS) will be recognized at a rate of 100%.
 2. Operating expenses arising directly from the types of Capex specified above, will be recognized at a rate of 82%: salary expenses of the workers at the Platform; maintenance and repair expenses; expenses for travel and transportation to the platform; expenses for food for the workers at the Platform; expenses for guarding and security at the Platform; expenses for professional and engineering consulting; insurance expenses and communications expenses at the Platform.

In the event that the sale price the contract [*sic*] includes a component of a transmission tariff that is paid to INGL, all of the transmission expenses paid to INGL directly by the

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

4. (Cont.):

e) (Cont.):

lease holders and that are included in the contractual sale price, will be recognized according to the relevant transmission tariff.

Abandonment costs will be recognized for calculation of the royalty according to the provisions set forth in the general directives, cumulatively: a. P2 Reserves balance in the Leviathan field according to an updated resources report shall be less than 125 BCM. b. The abandonment plan has been approved by the Commissioner.

f) On September 2022, the partners in the Leviathan project filed their response to such Specific Directives. As of the date of approval of the financial statements, the response of the Ministry of Energy has not yet been received.

5. 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 advances rate is higher than the calculation made by 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 is approx. 9.58%. The rate of the royalties on which the Partnership's financial statements for 2022 are based is approx. 10.9% (2021: 10.7%). Further to the aforesaid, on December 27, 2022, the Leviathan Partners sent a letter to the Ministry of Energy regarding the reduction of the rate of advances starting from January 2023. As of the date of approval of the financial statements, the response of the Ministry of Energy has not yet been received. 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. It is noted that it is the position of the Partnership that the calculation of the actual rate of the State's royalties should reflect the complexity of the project, the risks involved therein and the amount of the investments in the project.

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

1) **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 statements³:

³ 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 agreements for which the closing conditions were not fulfilled, as specified below. In this context note that on September 7, 2022, the agreement for the supply of natural gas from the Leviathan project to Or Power Energies (Dalia) Ltd. ("**Or Energies**"), signed between the Leviathan Partners and Or Energies on November 30, 2016, expired with the parties' consent and in accordance with its terms, due to the non-fulfillment of the closing conditions thereof. In addition, on November 14, 2022, the agreement for the supply of natural gas from the Leviathan project to Edeltech Ltd. ("**Edeltech**"), signed between the Leviathan Partners and Edeltech on January 30, 2016, expired with the parties' consent and in accordance with its terms, due to the non-fulfillment of the closing conditions thereof. The data in the table include short-term bridging agreements signed further to the delay in the date of commencement of production of gas from the Karish lease, which are expected to terminate by the end of Q1/2023.

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

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

1)

Customer	Supply commencement date	Agreement period ⁴	Total maximum contract quantity for supply (100%) (BCM)	Total quantity supplied until December 31, 2022 (100%) (BCM)	Main linkage basis of the gas price
Independent power producers	2020, or the date of commencement of the commercial operation of the buyers' power plant (whichever is later).	The agreements are for a long term of 9 to 25 years. Some of the agreements grant each of the parties an option to extend the agreement in the event that the total quantity set in the agreement is not purchased.	Approx. 24	Approx. 6	In most of the agreements the linkage formula of the gas price is based on the Electricity Production Tariff and includes a "floor price". One of the agreements determines a fixed price without linkage.
Industrial customers	2020	The agreements are for a period of 2.5 to 15 years. ⁵ In most of the agreements the parties are not granted an option to extend the agreement period.	Approx. 5	Approx. 1.4	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 crack spread index and to the general TAOZ index published by the Electricity Authority. Some of the agreements determine a fixed price without linkage.
NEPCO export agreement (described in Section (2) below)	2020	15 years. The agreement stipulates that in the event that the buyer does not purchase the total contract quantity, the supply period will be extended by another two years.	Approx. 45	Approx. 7.3	The linkage formula is based on linkage to the Brent prices and includes a "floor price".
Blue Ocean export agreement (described in Section (3) 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. 10.2	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. 133	Approx. 25⁶	

⁴ 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.

⁵ One of the agreements, expiring at the end of March 2023, which includes a non-material amount, is an agreement for a period that is shorter than a year.

⁶ It is noted, that the total quantity supplied from the Leviathan project by December 31, 2022 (100%) (both under the agreements appearing in the table and both under SPOT agreements and agreements that ended) is approx. 29 BCM.

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

H. 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.
- 2) 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.
- 3) In accordance with the Gas Framework, each of the buyers, in agreements executed by June 13, 2017 and for a period to exceed 8 years, was given an option to reduce the minimum quantity to an amount equal to 50% of the average annual quantity it actually consumed in the three years preceding the date of the notice of exercise of the option, subject to adjustments as determined in the supply agreement. 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.

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

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

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 Jordanian 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. \$109 million (100%, the Partnership's share being approx. \$49 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.

The price of the gas that was set in the agreement is based on a price that is linked to the Brent oil barrel prices and includes a "floor price" plus a marketing commission and piping fees. In addition, NEPCO will bear the piping payments to INGL.

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**" or "**Blue Ocean**") 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. 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 oil barrel 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.

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

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

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

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.

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 is 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 4Q below.
- 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.
- 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 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.

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

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

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

- 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 above, 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, and 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. It was also agreed in the framework of said amendment that the calculation of the quantities made available by the Leviathan Partners to Blue Ocean shall be performed in 2022 on an annual average basis, such that at the end of the year the parties will review the quantities supplied, including on a Spot basis, during the year, such that oversupplied quantities shall be offset against the quantities of gas nominated by Ocean but not supplied thereto during such period.

Concurrently with the signing of the Leviathan 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 allocation of the capacity 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 according to the formula and dates determined in the agreement, based on the actual use of the EMG pipeline.

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

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

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

In view of the aforesaid, for the period between January 1, 2022 and June 30, 2022, the distribution of payments between the Leviathan Partners and the Tamar partners was approx. 83% and approx. 17%, respectively. 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. In this context it is noted that on June 30, 2022, the parties updated the distribution of payments between the Leviathan Partners and the Tamar partners, and held a reconciliation accordingly in non-material amounts, for purposes of adjusting the parties' respective rates of participation in the actual costs of usage of the EMG pipeline capacity in such period. The Capacity Allocation Agreement further determines that from June 30, 2020 until the Capacity Increase Date, insofar as the Tamar partners shall be unable to supply the quantities which they undertook to supply to Blue Ocean, the Leviathan Partners shall supply the Tamar partners with the required quantities.

The term of the Capacity Allocation Agreement is until the conclusion of the export to Egypt 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.

I. 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.

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

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

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. 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. As of the date of approval of the financial statements, the Leviathan Partners are considering institution of legal measures against ORL. Note that following the signing of the agreement with PAR (as set forth in Section K below), ORL sent a letter to the Leviathan Partners whereby the engagement with PAR is a breach of the agreement with ORL, an expected breach of the agreement and bad faith conduct. The Partnership's position is that ORL's said allegations are unfounded.

J. **Agreement for the transport of condensate from the Leviathan reservoir**

On September 1, 2022, Chevron and Energy Infrastructures Ltd. ("PEI") signed an agreement intended to regulate an alternative for the transport of condensate from the Leviathan project through an existing 6" pipe of PEI and the systems related thereto (the "**Agreement**" and the "**Pipe**", respectively), with the following main provisions:

1. The Agreement will take effect on the date of fulfillment of the closing conditions specified therein (the "**Effective Date**"), and the transport of the condensate through the Pipe will begin on the date of fulfillment of various additional conditions, as specified below (the "**Transport Commencement Date**"). The Agreement will be valid for 20 years from the Transport Commencement Date. In the Partnership's estimation, the Transport Commencement Date is expected to take place in Q4/2023, subject to the fulfillment of the closing conditions of the transport agreement.
2. PEI will be responsible for planning and carrying out the work for connection and adjustment of the Pipe to transport of the condensate as aforesaid (the "**Connection Work**"). PEI will be responsible for receiving all approvals for the transport of condensate through the Pipe and for the ongoing operation and maintenance of the Pipe.
3. In accordance with the Agreement, Chevron (through the Leviathan Partners, per their share in the Leviathan leases) will bear the costs associated with the Connection Work in accordance with the scope and mechanism stipulated in the Agreement, in amounts agreed upon by the parties in advance, and which are not material to the Partnership.
4. The Agreement will take effect upon the fulfillment of the following closing conditions: (a) receipt of the regulatory approvals specified in the Agreement; (b) signing and taking effect of an agreement for the sale of condensate (signed with PAR as set forth in Section K below); and (c) Chevron's approval of the PEI's plan to implement the recommendations of a report prepared by an external professional consultant who examined the suitability of the Pipe for the provision of the transmission services contemplated in the Agreement.
5. The Transport Commencement Date will be upon completion of the Connection Work and receipt of the required approvals for the transport of the condensate through the Pipe.

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

J. Agreement for the transport of condensate from the Leviathan reservoir (Cont.):

6. Each of the parties may bring the Agreement to an end if the closing conditions were not met within 12 months from the date of signing or if the Transport Commencement Date was not met within 12 months from the Effective Date of the Agreement.
7. During the piping period, PEI will make the Pipe available for Chevron's use (other than in emergencies defined in the Agreement, in which the piping of condensate through the Pipe will be temporarily discontinued), and reserve an agreed capacity in the Pipe in exchange for fixed capacity fees stated in the Agreement. In addition, PEI will transport the condensate through the Pipe, in consideration for transport fees agreed upon in the Agreement.
8. The Agreement includes provisions regarding the possibility of canceling it before the end of the period specified in Section 1 above, in certain cases and under certain conditions.

In November 2022, the Leviathan Partners approved a budget of approx. \$27 million (100%, the Partnership's share is approx. \$12.2 million) for implementation of the Agreement as aforesaid.

K. Agreement for the sale of condensate from the Leviathan reservoir with Paz Ashdod Oil Refinery Ltd. ("PAR")

On January 18, 2023, the Leviathan Partner, including the Partnership (the "**Sellers**") engaged with PAR in an agreement for the sale of condensate to PAR (the "**Agreement**"), with the following main provisions:

1. The Sellers undertook to provide to PAR, condensate that is produced from the Leviathan reservoir, which will be transported through PEI's pipe.
2. The Agreement stipulates, *inter alia*, provisions regarding limitations on the maximum quantities (on a daily and monthly level) of the condensate to be provided to PAR, fines in the event of a breach of the provisions of the Agreement, and other standard provisions in agreements of this type.
3. The piping of the condensate to PAR will begin on the date of commencement of transport in PEI's pipe (the "**Transport Commencement Date**"), and will continue for a period of 4 years. In the Partnership's estimation, the Transport Commencement Date will take place during Q4/2023, subject to the fulfillment of the closing conditions of the transport agreement.
4. The price to be paid to the Sellers was determined according to the price of a Brent oil barrel less a margin, in a graduated manner, as specified in the Agreement.

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

L. Estimates regarding gas and condensate quantities and supply dates:

The estimates regarding the natural gas and condensate 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 prices of gas and condensate, 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 index of energy demand management (TAOZ) which is published by the Electricity Authority and the crack spread index (insofar as they are 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.

M. 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 agreements it was agreed that Chevron 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 are 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 and operating expenses, as defined in the agreement, subject to certain exceptions.

N. Permits and licenses for the projects' facilities:

In Phase 1 – First Stage 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.

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

O. Pledges and guarantees:

1. Short-term bank deposits as of December 31, 2022 include the sum of approx. \$131 million used for debt service and current payments in the context of the issue of the Leviathan Bond bonds, a sum of approx. \$101.7 million used as a safety cushion for repayment of the principal of the bonds in the context of the issue of Leviathan Bond bonds and a sum of approx. \$151.6 million used as a safety cushion for repayment of the principal of the series 2023 bonds (see Note 3 above).
2. A long-term bank deposit as of December 31, 2022 in the sum of \$0.5 million used to secure a guarantee in the sum of \$1 million, provided by the Partnership and Chevron (in equal parts) in favor of the Director of the Natural Gas Authority in relation to the license for gas transmission to Egypt.
3. See Note 3 regarding pledges provided by the Partnership on its assets in the context of the bonds.
4. In the context of the Partnership's activity in the Leviathan project, the Partnership provided a personal guarantee in favor of the Israeli Tax Authority (Customs) in connection with equipment imported by the venture operator in the sum of approx. ILS 67.6 million.
5. During July 2018, the partners in the Leviathan project provided a guarantee in favor of the Israel Land Authority regarding the construction of development infrastructure for the Leviathan project. The share of the Partnership in the said guarantee is approx. ILS 2.3 million.
6. To secure a transmission agreement for the export of gas to Egypt (see Section Q) in the context of the Partnership's activity in the Leviathan project, the Partnership provided bank guarantees in favor of INGL. As of the date of approval of the financial statements the total sum is approx. ILS 151 million, against which the Partnership pledged a dollar deposit in the sum of approx. \$11.5 million.

P. 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**") 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.

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

P. Legal proceedings (Cont.):

1. (Cont.):

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, and according to which the court is moved to award compensation and fees. The main remedy in the Certification Motion 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 February 26, 2023, a pretrial was held, at the end of which the court set dates for trial hearings in March-April 2023. In the Partnership's estimation, based on the opinion of its legal counsel, the chances of the Certification Motion being granted are lower than 50%.

2. 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. On September 11, 2022, a pretrial hearing was held, in which it was determined that the parties will negotiate with the aim of reaching agreement on the completion of the preliminary proceeding, failing which they will file motions accordingly. Despite the attempt to reach agreements, the parties filed mutual motions regarding the preliminary proceedings. The parties are required to respond to the motions by April 9, 2023 and these shall be discussed in the pretrial hearing scheduled for April 20, 2023. In the Partnership's estimation, based on the opinion of its legal counsel, the Main Case is more likely to be denied than granted.
3. 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.

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

P. Legal proceedings (Cont.):

3. (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. In the Partnership's estimation, based on the opinion of its legal counsel, the main case is more likely to be denied than granted.

In its decision of June 26, 2022, the court denied the main part of the discovery motion and granted a part thereof, ruling that Chevron must discover the decisions of the Ministry of Environmental Protection regarding the imposition of penalties and transcripts of hearings held towards the imposition of penalties. Chevron has submitted the relevant documents for inspection by the court, together with a submission arguing and moving for various details to be protected by privilege. On February 21, 2023 the court dismissed the motion of the Petitioner to submit the regulator opinion which was filed in another case and which, according to the Petitioner, has implications on the Certification Motion.

Q. 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 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.
- b) 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. On June 28, 2022, Chevron received a letter of demand for the receipt of details about the annual sales turnover according to Section 5(c)(b)(2) of the Prevention of Sea Pollution Law.

Q. Regulation (Cont.):

1. Environmental Regulation (Cont.):

b) (Cont.):

The letter stated that the information is required for determining the amount of the financial penalty that the MoEP intends to impose on Chevron for violating conditions in the discharge of wastewater to the sea permit (gas production) numbered 24/2021, in connection with the discharge of wastewater that exceeds the standards for discharge into the sea. Chevron submitted the required documents to the MoEP. It is not possible at this stage to estimate for which violations the financial penalty will be imposed and the amount of the financial penalty that will be imposed, if any.

2. Projects for export through the national transmission system:

a. On June 23, 2020, the Director General of the Natural Gas Authority announced his determination that the cost of the Combined Section designated for the piping of natural gas from the Leviathan and Tamar reservoirs to EMG's terminal in Ashkelon for purposes of piping gas to Egypt according to the export agreements is estimated (as of the date of signing of the Transmission Agreement) at a sum total of ILS 738 million which will be updated according to an update and accounting mechanism between the parties as set forth in the Transmission Agreement with INGL. On May 2, 2022, INGL updated the project's budget to approx. ILS 796 million.

According to the announcement of the Director General of the Gas Authority, 43.5% of the section's cost, as shall be determined in accordance with the aforesaid, will be financed by the holder of the transmission license (INGL) and 56.5% of the section's cost shall be financed by the exporter in accordance with the milestones that shall be determined in the Transmission Agreement.

In addition thereto, the exporter shall pay the holder of the transmission license ILS 27 million (the Partnership's share approx. ILS 8.5 million) for its share in the cost deriving from the bringing forward of the doubling of the Dor-Hagit and Sorek-Nesher sections (which is estimated at approx. ILS 48 million) and that the exporter will provide the holder of the transmission license with an independent financial guarantee on behalf of an Israeli bank, in the sum of 110% of the aggregate amount of the cost stated above (the share of the holder of the transmission license in the cost of construction of the Combined Section plus ten percent), and in the sum of ILS 21 million (the share of the holder of the transmission license in the cost of acceleration of the doubling of the Dor-Hagit and Sorek-Nesher sections), which will decrease in accordance with the provisions of the addendum to the Decision.

The announcement of the Director General of the Authority further determines that as long as the exporter exports to Egypt, the quantity of natural gas determined in the Transmission Agreement will be transported via the transmission system of the holder of the transmission license and not via a section outside of the Israeli transmission system and that insofar as the exporter shall have ceased to export to Egypt, it will be required to pay the holder of the transmission license the difference, if any, between 110% of the aggregate total cost of the section plus ILS 48 million (the cost derives from the acceleration of the doubling of the Dor-Hagit and Sorek-Nesher sections), and the aggregate capacity and piping fees that the exporter paid the holder of the transmission license from the date of completion of the Combined Section and of the payments that the exporter paid the license holder in accordance with the aforesaid.

Q. Regulation (Cont.):

2. Projects for export through the national transmission system (Cont.):

a. (Cont.):

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 Q below.

- b. As of the date of approval of the financial statements, the Partnership is examining, together with Chevron, other possibilities for increasing the export amounts of natural gas through the Jordan North pipeline and the Jordanian transmission system, and through construction of a new onshore connection that will be built by INGL between the Israeli transmission system and the Egyptian transmission system at the Nitzana area (the "Nitzana Line"). In this context, it should be noted that in June 2022, the Natural Gas Authority published a request for information regarding the ability and intention of the partners in the producing projects to export natural gas through Jordan North pipeline and via the Nitzana Line, in the context of which the said partners were asked to evaluate the quantities of natural gas which are expected to be exported through such infrastructure. Subsequently, in July 2022 Chevron replied to the Natural Gas Authority that the Leviathan Partners are interested in using the full transmission capacity in such infrastructure, and in November 2022, the Natural Gas Authority notified the Leviathan Partners that in 2023, they will be allocated additional export capacity of 1 BCM for piping in Jordan North pipeline on an interruptible basis, over and above the quantities piped through Jordan North pipeline in the context of the Export to Jordan Agreement.

In the Partnership's estimation, the said decision is not expected to affect the quantities piped to Egypt via Jordan, or the transmission tariffs.

3. 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**").

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

Q. Regulation (Cont.):

3. 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.):

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.

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. A hearing on the petition was conducted on February 9, 2023. At the end of the hearing, the court recommended the petitioners to withdraw the petition. The petitioners did so and the petition was dismissed with no order for costs.

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

On May 28, 2019, Chevron and INGL engaged in an agreement for supply of interruptible transmission services in relation to the piping of natural gas from the Leviathan reservoir and Tamar reservoir to EMG's terminal in Ashkelon, for the purpose of gas export to Egypt (in this section: the "**2019 Agreement**"). The payment pursuant to the 2019 Agreement will be made based on the gas quantity actually piped through the transmission system, subject to Chevron's undertaking to pay for certain minimum quantities.

In July 2020, upon the operation of a compressor at the entrance to the EMG system in Ashkelon, the transport capacity of the EMG pipe increased, within the infrastructure limits of the current INGL transmission system, to approx. 500 MMCF per day (approx. 5 BCM per year). According to the export to Egypt agreement, as described in Note 4H(3) above, the additional compressor was installed in Ashkelon, such that together with the construction of the Combined Section Ashdod-Ashkelon by INGL, the transmission capacity in the EMG system could be increased to approx. 650 MMCF per day, and even more, given certain conditions in the Israeli and Egyptian transmission systems.

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

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

On January 18, 2021, Chevron engaged with INGL in an agreement for the provision of transmission services on a firm basis for the piping of natural gas from the Leviathan and Tamar reservoirs to the EMG terminal in Ashkelon and for the transmission thereof to Egypt, which took effect on February 14, 2021 (the "**Transmission Agreement**" or, in this section: the "**Agreement**"). Below is a concise description of the principals of the agreement:

- 1) In the Transmission Agreement, INGL undertook to provide transmission services for the natural gas that shall be supplied from the Leviathan and Tamar reservoirs, 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 non-continuous transmission services, on an interruptible basis, of additional gas quantities over and above the Base Capacity, subject to the capacity that shall be available in the transmission system. For transmission of the additional quantities as aforesaid, Chevron will pay a transmission rate for non-continuous transmission services in relation to the quantities that shall actually be piped. To the best of the Partnership's knowledge, the transmission system was planned to allow the 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.
- 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 offshore transmission system section (the "**Combined Section**"), in accordance with the provisions of the decision of the Natural Gas Council in connection with the financing of projects for export via the Israeli transmission system, and division of the costs of the construction of the Combined Section (see Paragraph 6)(the "**Council's Decision**"), and doubling of the Dor-Hagit and Sorek-Nesher transmission system segments in a manner which will allow the piping of the full quantities under the Transmission Agreement (in this section: the "**Transmission Commencement Date**").
- 4) The Transmission Agreement will end upon the earlier of: (1) the date on which the total quantity that is piped is 44 BCM; (2) 8 years after the Transmission Commencement Date; 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 capacity and transmission rates of the transmission license holder at such time.
- 5) The transmission period under the 2019 Agreement will be extended until January 1, 2024 or until the Transmission Commencement Date according to the Transmission Agreement, whichever is earlier.

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

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

- 6) In accordance with the principles determined in the Council's Decision, Chevron undertook to pay INGL the amount for the share of the partners in the Leviathan and Tamar projects 56.5% out of the total cost of construction of the Combined Section, which is estimated at ILS 738 million. On May 2, 2022, INGL updated the budget of the Combined Section to a total of approx. ILS 796 million. As of the date of approval of the financial statements, the remaining commitment for the Combined Section is approx. ILS 40 million. In addition, in order to meet the transmission capacity in Ashkelon, INGL is required to accelerate the doubling of the Dor-Hagit and Sorek-Nesher sections at the cost of approx. ILS 48 million. Therefore, Chevron undertook to pay ILS 27 million for such partners' share (56.5%), see Note 4Q2 above. As of the date of approval of the financial statements, the balance of the undertaking for the doubling is approx. ILS 13.5 million.
- 7) In accordance with the Council's Decision, the Leviathan Partners and the Tamar partners provided a bank guarantee to secure INGL's share in the cost of construction of the foregoing infrastructure, and to cover Chevron's commitment to pay the capacity and transmission fees. As of the date of approval of the financial statements, the guarantees in favor of INGL for the Partnership's share in the Leviathan project, are approx. approx. ILS 151 million, and also pledged in favor of the facility for the guarantees a deposit in the sum of approx. \$11.5 million (see Note 40(6)).
- 8) The Leviathan Partners and the Tamar partners will bear the costs stated in Paragraph 6 at the rates of 69% and 31%, respectively.
- 9) The Transmission Agreement stipulates that in case of cessation of the export of natural gas from the Tamar and Leviathan projects to Egypt, 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 110% 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 shall be available in the transmission system at such time.
- 10) The Partnership estimates that its share in the cost of construction of the Combined Section, in the costs of accelerating the doubling of the Dor-Hagit and Sorek-Nesher transmission system sections may amount to approx. \$46.2 million.

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

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

- 11) Concurrently with the signing of the Transmission Agreement, Chevron, the Leviathan Partners and Tamar partners signed a back-to-back services agreement which determined that the Leviathan Partners and 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.
- 12) On February 26, 2023, Chevron received a letter from INGL, according to which, following a malfunction on a vessel carrying out infrastructure work for the laying of the offshore pipeline for INGL in the Combined Section, and further to a preliminary evaluation that INGL received from the construction contractor for the Combined Section, a delay of at least 6 months is expected in the date of its completion, such that the window of time in which the Transmission Commencement Date has been postponed to the period from October 1, 2023 until April 1, 2024. INGL's said letter received from INGL was given as a notice of *force majeure* according to the Transmission Agreement, and stated that the full repercussions thereof are not yet known thereto at this stage. On March 9, 2023, Chevron responded to such letter on behalf of the Leviathan and Tamar partners, stating that it rejects the notice of *force majeure*. The Partnership estimates that such deferral shall not materially affect the Partnership's business and the results of its operations.
- 13) The Leviathan Partners have signed a set of agreements, aimed to allow for the piping of natural gas under the Export to Egypt Agreement, through Jordan, using the Israeli transmission system to Jordan and the transmission system that connects Jordan to Egypt in the Aqaba-Taba area (the Arab Gas Pipeline). Under such set of agreements, in March 2022, natural gas piping to Egypt through Jordan had commenced, which allows for maximizing the sale of the natural gas produced from the Leviathan reservoir and transmitting natural gas surpluses that are not consumed in Israel and Jordan and/or piped to Egypt via the EMG pipeline, to the Egyptian market, via the Jordanian transmission system, mainly until the Combined Section is completed by INGL as aforesaid. As of the date of approval of the financial statements, and as the Partnership was informed by the Operator in the Leviathan Project, using the existing transmission infrastructure and current operating conditions, natural gas can be flowed to Egypt, via Jordan, in an average daily amount of up to approx. 350 MMCF (approx. 3.5 BCM per year). It is noted in this context that the Ministry of Energy has granted the Leviathan Partners its approval to add a delivery point of natural gas to Egypt, which is expected to be located in Aqaba, Jordan.

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

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

13) (Cont.):

The aforesaid set of agreements includes the agreements specified below:

1. Agreement between Chevron and FAJR, the Jordanian transmission company, for supply of interruptible transmission services in relation to piping of natural gas from the Leviathan and Tamar reservoirs through the transmission system in Jordan, from the point of entry at the border between Israel and Jordan to the delivery point at the border between Jordan and Egypt, near Aqaba (the "**FAJR Agreement**"). The payment pursuant to the FAJR Agreement will be made based on the gas quantity actually piped in the FAJR transmission system.
 2. Concurrently with the signing of the FAJR Agreement, Chevron and the other Leviathan and Tamar partners engaged in a back-to-back services agreement, in the context of which the holders of interests to the Leviathan and Tamar reservoirs will be entitled to transmit gas (through Chevron) in the FAJR Agreement, and according to which, *inter alia*, the use of the FAJR transmission system for the purpose of export of natural gas to Egypt from the Leviathan and Tamar reservoirs will be made in accordance with the mechanism, terms and conditions, and order of priority specified in the aforesaid agreement.
 3. Agreement between Chevron and INGL for supply of interruptible transmission services in relation to the piping of natural gas from the Leviathan reservoir to the point of connection to the FAJR transmission system at the border between Israel and Jordan (the "**INGL Agreement**"). The payment pursuant to the INGL Agreement will be made based on the gas quantity actually piped through the INGL transmission system, subject to Chevron's undertaking to pay for a minimum quantity as specified in the INGL Agreement.
It is noted that the term of the INGL Agreement was extended until January 1, 2024, unless it expires prior thereto pursuant to the provisions thereof or if the parties consensually extend it, subject to the decisions of the Natural Gas Authority at such time. Concurrently with the signing of the INGL Agreement, Chevron and the other Leviathan Partners engaged in a back-to-back services agreement in connection with the INGL Agreement.
 4. The Leviathan and Blue Ocean partners signed an amendment to the Export to Egypt Agreement as specified in Note 4H(3) above.
- 14) It is noted that since the aforesaid transmission agreements are for provision of interruptible transmission services, on the date of approval of the financial statements, it is uncertain whether piping the full additional quantities which the Leviathan partners undertook to supply to Blue Ocean, through Jordan, will be possible. However, effective from July 1, 2022, and as of the date of approval of the financial statements, the Leviathan Partners piped, through Jordan, the full additional quantities they undertook to provide to Blue Ocean.
- 15) In April 2022, the Commissioner notified Chevron that commencing on June 1, 2022, and until September 15, 2022, the Leviathan Partners must ensure the supply of natural gas to the domestic market in a greater quantity than the daily quantity which the Leviathan Partners committed to supply to the domestic market under the gas supply agreements in which they engaged. It is clarified that the aforesaid did not have a material effect on the business results of the Partnership.

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

S. 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.

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

T. 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 an oil and gas profits levy according to a mechanism specified in the Law and cancellation of the depletion deduction. The Law includes transitional provisions with respect to producing ventures or ones that commenced production by 2014.

The Law's main provisions are as follows:

1) The introduction of an oil and gas profits levy at a rate to be determined as stated below:

The rate of the levy will be calculated according to a proposed R-factor mechanism, according to the ratio between the net aggregate revenues from the project and the aggregate investments as defined in the Law. A minimum levy of 20% will be collected commencing from the point when the R-factor ratio reaches 1.5, and 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 a 18% tax rate. According to the corporate tax rate in 2022, the maximum rate is 46.8%.

Additional provisions were also determined, *inter alia*, that 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;

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

- (3) The rate of the levy which will be imposed on the petroleum profits of the venture in each of the tax years 2012 to 2015 will be equal to half the rate of the levy that would have been imposed on the petroleum profits as aforesaid, if not for the provisions of this paragraph.
- b) A venture with respect to which the commercial production commencement date occurs in the period between the commencement date and January 1, 2014, will be subject, *inter alia*, to the following provisions:
 - (1) The minimal levy coefficient will be at a rate of 2 instead of 1.5 and the maximal rate will be 2.8 instead of 2.3;
 - (2) The accelerated annual depreciation rate regarding a deductible asset purchased in the years 2011-2013 will be 15% instead of 10%.
- 2) The Law includes provisions regarding the taxation of petroleum partnerships as of 2011 - see Paragraph A above.
- 3) Pursuant to the Law, the reporting partner of the petroleum project files reports that include, *inter alia*, accrued data regarding proceeds and investments for the purpose of calculating the R-factor, as specified in Section 1 above.
- 4) On November 10, 2021, the Knesset approved, in the second and third readings, amendment no. 3 to the Taxation of Profits from Natural Resources Law, 5782-2021 (the "**Amendment to the Law**"), according to which, *inter alia*, in the case of a dispute, it will be necessary to bring forward payment of the oil and gas profit levy in the sum of 75% of the amounts in dispute, subject to the decision of the assessing officer in the administrative objection (prior to completion of legal hearings on the dispute at the court, if any). In accordance with the said Amendment to the Law, 75% of the amounts in dispute might be brought forward.
- 5) 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.

A levy assessment agreement was signed in December 2019 between the Assessing Officer for Large Enterprises and the holders of the rights in Leviathan, 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.

In December 2021, the Leviathan Partners received an assessment to the best of judgment for the Leviathan levy for 2019, which includes 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. An administrative objection to the assessment to the best of judgment was submitted to the tax assessor for large enterprises (TALE) in March 2022. On October 23, 2022, an appeal was filed with the Tel Aviv District Court in respect of a levy assessment order for 2019, which was delivered to the Leviathan partners in September 2022, and on March 15, 2022, the assessment reasoning of the TALE for the said appeal was received. On January 6, 2022, a Leviathan lease levy report for 2020 was submitted to the Tax Authority.

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

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.

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 4R12 for details regarding INGL's notice to Chevron.
- B. See Note 4C for details regarding the approval of budgets for performance of engineering design in the context of Phase 1 – Second Stage of the development of the Leviathan reservoir.
- C. See Note 3 for details regarding the decision of the board of the Partnership's General Partner to adopt an additional buyback plan for the bonds of Leviathan Bond.
- D. See Note 4K for details regarding an engagement for the sale of condensate from the Leviathan reservoir to PAR.

FORM OF SPONSOR FINANCIAL DATA REPORT

		Year Ended
		31.12.2022
	<u>Item</u>	<u>Quantity/Actual Amount (in USD\$,000)</u>
A.	Total Offtake (BCM)	11.4 ¹
B.	Leviathan Revenues	2,524,741 ²
C.	Loss Proceeds, if any, paid to Revenue Account	-
D.	Sponsor Deposits, if any, into Revenue Account	-
E.	Gross Revenues (before Royalties)	1,103,503
F.	Overriding Royalties	
	(a) Statutory Royalties	(126,827)
	(b) Third Party Royalties	(50,304)
G.	Net Revenues	926,372
H.	<u>Costs and Expenses:</u>	
	(a) Fees Under the Financing Documents (Interest Income)	1,439
	(b) Taxes	-
	(c) Operation and Maintenance Expenses	(126,548)
	(d) Capital Expenditures	(122,573)
	(e) Insurance	(9,149)
I.	Total Costs and Expenses (sum of Items H(a), (b), (c), (d) and (e))	(256,831)
J.	Total Cash Flows Available for Debt Service (Item G <i>minus</i> Item H)	669,541
K.	Total Cash Flow from operation (Item G minus Items H(c) and H(e))	790,675
L.	Total Debt Service	(217,025) ³
M.	Total Distribution to the Sponsor	272,000

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.

³ Including buyback of bonds by the sponsor of approximately 75 Million dollars.

NEWMED ENERGY LIMITED PARTNERSHIP
(the "Partnership")

Date: March 27th, 2023

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.

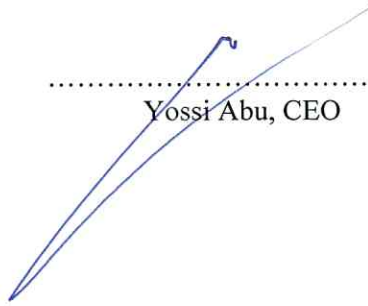
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Haim Tzach Habusha, CFO

on behalf of
NEWMED ENERGY LIMITED PARTNERSHIP



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Yossi Abu, CEO