



Leviathan Bond

LEVIATHAN BOND LTD

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2024

EXPRESSED IN US\$ THOUSANDS.

AUDITED

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TABLE OF CONTENTS

	<u>Page</u>
Auditors' Report	1
Statements of Financial Position	2
Statements of Comprehensive Income (loss)	3
Statements of Changes in Equity (Deficit)	3
Notes to the Financial Statements	4-58



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, 2024 and 2023 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, 2024 and 2023, and the results of its operations, for the year ended then, in accordance with International Financial Reporting Standards (IFRS Accounting Standards).

Tel Aviv, March 9, 2025

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

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

Leviathan Bond Ltd

Statements of Financial Position (Expressed in US\$ Thousands)

	<u>31.12.2024</u>	<u>31.12.2023</u>
Assets:		
Current Assets:		
Short term Bank deposits	258,039	33
Loans to shareholders	599,611	-
Related parties	**	**
	<u>857,650</u>	<u>33</u>
Noncurrent Assets:		
Loans to shareholders	1,148,799	1,749,034
Long term bank deposits	-	101,411
	<u>1,148,799</u>	<u>1,850,445</u>
	<u>2,006,449</u>	<u>1,850,478</u>
Liabilities and Equity:		
Current Liabilities:		
Bonds	600,000	-
Related parties	158,039	1,444
	<u>758,039</u>	<u>1,444</u>
Noncurrent Liabilities:		
Bonds	1,150,000	1,750,000
Loans from shareholders	100,000	100,000
	<u>1,250,000</u>	<u>1,850,000</u>
Equity (Deficit)	<u>(1,590)</u>	<u>(966)</u>
	<u>2,006,449</u>	<u>1,850,478</u>

* Less than \$1,000

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

March 9, 2025

Date of Financial Statement
Approval

Yossi Abu
Director

Tzachi Habusha
Director

Leviathan Bond Ltd

Statements of Comprehensive Income (Expressed in US\$ Thousands)

	For the year ended on	
	31.12.2024	31.12.2023
Financial expenses	125,079	134,437
Financial income	(124,455)	(134,243)
Total comprehensive loss	624	194

Statements of Changes in Equity (Deficit) (Expressed in US\$ Thousands)

	Share Capital	Retained earnings	Total
Balance as of December 31, 2022	*	(772)	(772)
Total comprehensive loss	-	(194)	(194)
Balance as of December 31, 2023	*	(966)	(966)
Total comprehensive loss	-	(624)	(624)
Balance as of December 31, 2024	*	(1,590)	(1,590)

* 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”), 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 Swords of Iron War (the “War”) and its impact on the Partnership’s business:**

Since 7 October 2023 and in the course of 2024, Israel contended with war on several fronts, including against the Hamas terrorist organization in the Gaza Strip, the Hezbollah terrorist organization in Lebanon, the Houthis terrorist organization in Yemen, the Shia Muslim militias in Iraq and against military targets in Iran. Moreover, Q1/2025 saw intensification of the fight against terrorism originating in the areas of Judea and Samaria. At the same time, during 2024, the Israeli economy has maintained a routine under the shadow of the War. 27 November 2024 saw the entry into effect of a ceasefire agreement between Israel and Lebanon, intended to stop the armed conflict on the northern front of the Swords of Iron War. As of the date of approval of the financial statements, the ceasefire on this front has generally been maintained. 19 January 2025 saw the entry into effect of an agreement signed between Israel and the Hamas terrorist organization for a hostages-and-prisoners exchange and restoration of a sustainable truce, which deal consists of two stages: A first stage of 42 days which has been concluded, and a second stage which has yet to commence. It is impossible to predict whether an agreement to extend the ceasefire will be reached or, alternatively, whether and how the armed conflict in Gaza will be resumed and unfold. To the best of the Partnership’s knowledge, when the War broke out on 7 October 2023, Chevron received a notice from the Ministry of Energy, whereby, due to the security situation in Israel as a result of the War, it was required to halt the operations of natural gas production from the Tamar reservoir. Production of gas from the Tamar reservoir subsequently resumed on 13 November 2023. Concurrently therewith, due to the War, gas piping through the EMG Pipeline was discontinued, and resumed on 14 November 2023. At the beginning of Q4/2024, due to the escalation of the War on the northern front and against the Islamic Republic of Iran, the Operator of the Leviathan project voluntarily brought production from the Leviathan reservoir to a halt on several occasions for short periods of time. Otherwise, in the course of 2024, production from the Leviathan, Tamar and Karish reservoirs mostly proceeded as usual. In view of the voluntary suspensions of production, in October 2024, the Operator of the Leviathan project sent customers notices regarding the occurrence of a force majeure event that exempted the Leviathan Partners from their gas supply obligations under the gas agreements, in respect of the failure to supply gas due to the state of war, and in December 2024, the Operator sent customers notice of the conclusion of the said event. As a result of the War, operating expenses entailed by the production of gas from the Leviathan reservoir have increased in an immaterial amount, primarily due to the difficulty encountered by foreign companies in sending work crews and marine vessels to the region for the purpose of importing equipment and spare parts, which led to an increase in the rates paid, including the insurance costs of such companies, and the need for additional logistics for manpower and equipment transport. Furthermore, planned maintenance activities have been postponed, changed and modified in accordance with the instructions of security officials. Due to the state of war, the availability of equipment and contractors required for the performance of planned work in connection with the Leviathan project work plans was adversely affected, as noted, and an increase in insurance premiums and the costs of foreign contractors has also been recorded.

Note 1 – General (Cont.):

B. The Swords of Iron War (the “War”) and its impact on the Partnership’s business (Cont.):

As a result of these factors, inter alia, timetables for execution of projects and planned operations were adversely affected in 2024, including the postponement of the schedule for execution and completion of the project for installation of the third subsea transmission pipeline from the Leviathan field to the platform (for details, see Note 4C1 below), and the delay and postponement of the schedule for execution and completion of the INGL project for installation of a subsea pipeline in the new offshore transmission segment between Ashdod and Ashkelon (for further details, see Note 5E2(a) below). It is emphasized that, except for the foregoing, the War had no material adverse effect on the Partnership’s business in 2024, including the volumes of natural gas sales to customers and there has been no material adverse effect on revenues and profitability in this period in consequence of the War. As of the date of approval of the financial statements, it is impossible to predict whether the ceasefire on the northern front and in the Gaza Strip will be sustained and whether the War will resume and/or expand in 2025 and in the upcoming years, and what the ramifications and consequences of such developments will be and their impact on the Partnership. Under these circumstances, despite the fact that the War did not have a material effect on the Partnership’s business in 2024 as noted, it is impossible to estimate the chances of materialization of the risk factors deriving from the War and their possible impact, the materialization of which might have a material adverse effect on the Partnership, its assets and its business.

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

D. As of December 31st, 2024, the partnership had Approx. \$75.1 Million U.S Dollars in the Revenue account.

Note 2 – Significant Accounting Principles:

The accounting policy specified below was consistently applied in the financial statements of the Company, throughout the presented periods, unless stated otherwise. The description of the accounting policy in these financial statements has been reduced and adjusted in accordance with the requirements of the amendment to IAS 1 “Presentation of Financial Statements”.

A. Declaration regarding compliance with the International Financial Reporting Standards (IFRS Accounting Standards):

The financial statements comply with the provisions of the International Financial Reporting Standards (“IFRS”).

B. 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.

C. Recognition of Income

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

Note 2 - Significant Accounting Principles (Cont.):

D. Financial instruments:

1. Financial assets:

Financial assets were recognized when the company became a party to the contractual provisions of the instrument using transaction settlement date accounting.

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 where:

The Company's business model is holding financial assets in order to collect contractual cash flows; and, in addition, the contractual terms and conditions of the financial assets provide for entitlement, at defined dates, to cash flows that are strictly principal payments and interest in respect of the outstanding amount of the principal. After initial recognition, instruments in this category are measured pursuant to their terms and conditions at amortized cost using the effective interest method and net of a provision for impairment.

2. Financial liabilities:

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

E. Disclosure on new standards in the period preceding their application

Amendment to IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board (IASB) published International Financial Reporting Standard 18 (IFRS 18) – Presentation and Disclosure in Financial Statements (the "**New Standard**"), which supersedes International Accounting Standard 1 (IAS 1) – Presentation of Financial Statements ("**IAS 1**"). The purpose of the New Standard is to enhance the comparability and transparency of financial statements.

The New Standard will include preexisting IAS 1 requirements and new requirements for presentation in the statement of profit or loss, including the presentation of totals and subtotals as required under the New Standard, the provision of disclosure on management-defined performance measures and new requirements for aggregation and disaggregation of financial information.

The New Standard does not change the provisions for recognition and measurement of financial statement items. However, since items in the statement of profit or loss are required to be classified into one of five categories (operating, investing, financing, income taxes and discontinued operations), it may change the entity's operating income. Furthermore, the release of the New Standard has brought on small-scale amendments to other accounting standards, including IAS 7 – Statement of Cash Flows and IAS 34 – Interim Financial Reporting. The New Standard will be applied retrospectively for annual periods beginning on or after January 2027. Earlier application is permitted for annual periods beginning on 1 January 2025, provided that this fact is disclosed. The Partnership is examining the effect of the New Standard, including the effect of the amendments to other accounting standards resulting from the New Standard, on the Company's financial statements

Note 3 - Bonds:

	<u>Amount</u> <u>(\$ in</u> <u>millions)</u>	<u>Interest</u>	<u>Stated Maturity</u>
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	1,750		

On 18 August 2020, the issuance of bonds that were offered by Leviathan Bond (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 (of which \$0.5 billion were repaid in 2023).

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 30 June and on 30 December.

On 3 August 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 funds were used by the Partnership to repay loans from banking corporations in the sum of approx. \$2 billion, deposit a safety cushion in the sum of \$100 million in accordance with the terms and conditions of the bonds, pay the issue costs in the sum of approx. \$33 million, and the balance of the proceeds served 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, 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 the Marketing Company and in Leviathan Transportation System.

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.

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, including, *inter alia*, the following principal obligations:

The Partnership and the Issuer, as applicable, have undertaken, *inter alia*, to fulfill obligations and conditions specified 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 has undertaken not to take on additional financial debt, with the exception of the issue of additional bonds or other secured debt *pari passu*, subject to the conditions 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 specified in the Financing Documents in relation to the issuance of such additional debt are maintained.

In addition, the Partnership has undertaken not to assume 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 has undertaken not to perform any merger transaction or change its business in a manner which would likely cause a material adverse effect ("**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.

Furthermore, provisions were set out regarding early redemption of the bonds, including (1) early redemption at the Issuer's initiative, subject to payment of a make whole premium, other than a certain period before the specified repayment date, during which prepayment will not be charged with 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

Note 3 – Bonds (Cont.):

to certain exceptions as defined, the Issuer and/or the Partnership, as the case may be, shall pay additional amounts as required for the net amounts to be received by the foreign resident to be equal to the amounts such foreign resident would have received, but for the withholding tax duty. In this context, it is noted that on 27 July 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 Levy Law; capital expenses and operating expenses in connection with the Leviathan project; principal and interest payments; deposits into safety cushions; and balancing payments in connection with tax payments under Section 19 of the Law. The transfer of the amounts remaining in the Revenues Account after the making of the said payments to a non-pledged account of the Partnership is subject to conditions determined, including fulfillment of an NPV Coverage Ratio of at least 1.5¹.

The Financing Documents define Events of Default, upon occurrence of which, subject to certain determined curing periods, exceptions and conditions, the Trustee for the bonds shall be entitled (or required – upon the demand of one quarter of the bondholders) to accelerate the outstanding balance of the bonds and shall be entitled to act to enforce the Pledges. The main events are as follows: (1) Default on payment of principal, interest or other payments mandated by the Financing Documents; (2) Breach of representations; (3) Breach of the Covenants or Negative Covenants determined in the Financing Documents; (4) An event or entry into proceedings for insolvency of the Issuer, and an insolvency event as aforesaid or of a party to a Material Gas Agreement (as defined in the Financing Documents), the operator in the Leviathan project or the Partnership, if likely to cause an MAE (as defined in the agreement), subject to certain conditions and qualifications; (5) premature termination of any of the Leviathan Agreements or Material Gas Agreements, if likely to cause an MAE, subject to certain conditions and qualifications; (6) If a party to a Material Gas Agreement breaches the agreement with a likely MAE, subject to certain conditions and qualifications; (7) In the event of abandonment or 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

¹ The NPV Coverage Ratio was defined as the ratio between the current value of the available cash flow to the debt service (as defined in the Financing Documents) which is 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 of the issuer which is secured by the Pledged Assets net of cash accrued in certain accounts on the measurement date. According to the Financing Documents, the Discounted Cash Flow shall be calculated according to the same assumptions to be used by the Partnership in the resource reports to be released thereby under the provisions of the Securities Law, other than assumptions on the Brent barrel price, which shall be based on the prices of futures traded on ICE, as defined in the Financing Documents.

Note 3 – Bonds (Cont.):

judgment is issued against the Issuer for payment of an amount in excess of \$35 million which was not paid; (12) If there is a breach of an undertaking in an agreement for the provision of other *pari passu* secured debt of the Issuer worth over \$35 million; (13) If an undertaking to perform mandatory early redemption is breached; (14) If the provisions regarding expenditures from the Revenues Account are breached; etc. The bonds are rated by international rating agencies and an Israeli rating agency.

On 3 August 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 approval of the financial statements, the Partnership is compliant with its aforesaid obligations. On 1 May 2023 a partial prepayment of the first series of the bonds, as described above, whose original maturity date was 30 June 2023, was made according to the terms and conditions of the bonds, for a total of \$280 million (out of a total series of \$500 million). The outstanding balance of the first series of the bonds was repaid in full and on schedule on 30 June 2023, according to the terms and conditions of the bonds.

On 21 January 2023, the board of directors of the Partnership's General Partner, approved the adoption of a plan for purchase of bonds of Leviathan Bond, whereby the Partnership and/or Leviathan would be able, from time to time, according to the discretion of the Partnership's management and in accordance with the details of the additional purchase plan, make purchases of bonds of Leviathan Bond in an aggregate amount of up to \$100 million, by way of an off-exchange purchase, purchase via the TACT-Institutional system on TASE or otherwise for a two-year period, and the Partnership has accordingly executed buybacks of the bonds at the full extent of this plan. On 15 October 2024, the board of directors of the General Partner of the Partnership approved the adoption of another plan for purchase of Series 2025 and Series 2027 Bonds of Leviathan Bond in an aggregate amount of up to \$100 million, which plan took effect on 15 October 2024 and will expire at the lapse of two years, i.e., on 15 October 2026. It is clarified that such decision does not obligate the Partnership and/or Leviathan Bond to make bond purchases, and that the Partnership's management is at liberty to decide not to purchase any bonds at all.

Up to the date of approval of the financial statements, the Partnership has executed buybacks under the said purchase plans totaling approx. \$135 million of Series 2025, which includes the interest accrued as of the purchase date.

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. Plan for development of the Leviathan reservoir:

On 2 June 2016, the development plan was approved by the Petroleum Commissioner at the Ministry of Energy (the "Commissioner"). This plan, which is divided into two phases (Phase 1A and Phase 1B), includes the supply of natural gas to the domestic market and for export at a total annual volume of up to ~21 BCM, and the supply of condensate to the domestic market (in this section: the "Development Plan" or the "Plan"). According to the Plan, a production system will be built that includes up to 8 first wells that will be connected by a subsea pipeline to a permanent platform, which is located in the territorial waters of Israel in accordance with the provisions of NOP 37/H and on which the gas and condensate processing systems will be installed. Gas will be piped from the Platform to the shore to the northern entry point of the national transmission system of INGL as defined in NOP 37/H (the "INGL Connection Point"). Condensate will be piped to the shore via a separate pipeline, running parallel to the gas pipeline, and will be connected to a refinery via a preexisting fuel pipeline. Of note, condensate was first piped through a pipeline that belongs to Europe Asia Pipeline Co. ("EAPC"), which leads to the container site of Energy Infrastructures Ltd. ("PEI") and from there to Oil Refineries Ltd. ("ORL"). March 2024 saw the commencement of condensate piping through a PEI pipeline directly to Ashdod Refinery Ltd. ("ARF"). Furthermore, the Development Plan includes the construction of a condensate storage and unloading site close to the Hagit Power Plant (the "Hagit Site"), for backup purposes in case condensate piping to a refinery is not possible. See Notes 5C6 and 5E1 below.

C. The Development Plan is implemented in two main phases, according to the maturity of the relevant markets, as specified below:

1. **Phase 1A** – The current stage, in which the 5 first subsea production wells were drilled, a subsea production system was built which connects the production wells to the platform, and a transmission system to the shore and related onshore facilities were built. According to the Development Plan, annual gas production capacity at this phase is ~12 BCM, and under certain operating conditions, it may even be possible to accomplish greater production. On 23 February 2017, the Leviathan Partners adopted a final investment decision (FID) for the development of Phase 1A, with a budget of approx. \$3.75 billion (100%). The total cost invested in the development of Phase 1A, as of 31 December 2024, is approx. \$4.2 billion (100%). After a preliminary running-in period, on 31 December 2019, piping of natural gas from the Leviathan reservoir commenced. On 1 January 2020, the sale of natural gas from the Leviathan reservoir to Jordan began under the agreement with NEPCO, and on 15 January 2020, piping of natural gas from the Leviathan reservoir to Egypt began under the agreement with Blue Ocean (as specified in Notes 5B2 and 5B3 below, respectively). In order to increase the gas production capacity to ~14 BCM per year, the Leviathan Partners adopted a final investment decision (FID) on 29 June 2023 to carry out a project in which a third subsea transmission pipeline will be laid from the field to the platform, and improvements on the platform will be upgraded (the "Third Pipeline") with a total budget of approx. \$568 million (100%, the Partnership's share – approx. \$258 million).

C. The Development Plan is implemented in two main phases, according to the maturity of the relevant markets, as specified below (Cont.):

1. (Cont.):

On 6 October 2024, the Operator of the Leviathan project announced that due to the escalation of the security situation, the work for installing the subsea pipeline in the Third Pipeline project had been postponed, and that completion of this project (which was scheduled for mid-2025) would be postponed for at least 6 months, depending on the timetables and backlog of the construction contractor. As of the date of approval of the financial statements, in the Operator's estimation, the Third Pipeline project is expected to be completed at the beginning of 2026, depending on various factors beyond the Leviathan Partners' control, including the security situation prevailing in the region.

2. **Phase 1B** – On 23 February 2025, the Leviathan Partners submitted for the Commissioner's approval an updated plan for the development of the Leviathan reservoir, which primarily includes updated in connection with Phase 1B (the "**Updated Leviathan Reservoir Development Plan**"), including as pertains to the processing facilities on the platform, the location and timing of well drilling and the possibility of executing the second stage of Phase 1B, as specified below.

According to the Updated Leviathan Reservoir Development Plan, Phase 1B may be implemented in full or in stages, as follows:

a) First stage – consists of drilling 3 additional production wells, adding related subsea systems and expanding the processing facilities on the platform, which is expected to increase the system's total gas production capacity to ~21 BCM per annum.

b) Second stage – mainly consists of drilling additional production wells and related subsea systems, including, insofar as required, laying down a fourth pipeline between the field and the platform (the "**Fourth Pipeline**"), which is expected to increase the maximum daily production capacity by another ~2 BCM per annum, i.e., up to a total quantity of ~23 BCM per annum.

As of the date of approval of the financial statements, the Leviathan Partners are promoting the receipt of the required regulatory approvals and the signing of agreements for the sale of natural gas to the domestic market and for export under Phase 1B, at an aggregate scale exceeding 100 BCM, in accordance with the Commissioner's Letter, as specified in Paragraph 2 below, in order to make a final investment decision (FID) on execution of the first stage of Phase 1B in the upcoming months. It is clarified that as of the date of approval of the financial statements, the Commissioner's approval of the Updated Leviathan Reservoir Development Plan has not yet been obtained.

3. On 21 June 2023 and 21 December 2023, the Leviathan Partners sent an in-principle application to the Commissioner to approve an increase in the natural gas export volume produced from the Leviathan project, according to the government resolution applicable to the export of gas from the Leviathan reservoir, via an existing and future regional pipeline or via an FLNG facility, in addition to an increase in the volumes of natural gas which will be piped from the Leviathan project to the domestic market. On 25 June 2024, the Commissioner's response to the said application was received, whereby the position of the professional functions at the Ministry of Energy allows, at this time, the export of additional natural gas from the Leviathan reservoir in a quantity up to 118 BCM, which may increase up to 145 BCM, given the satisfaction of certain conditions (the "**Commissioner's Letter**"). The Commissioner's Letter further states that, beginning in 2044, the export of natural gas from the Leviathan reservoir will only be allowed on an interruptible basis, subject to assurance of the supply to the domestic market, and that export on a firm basis from that year onward

C. The Development Plan is implemented in two main phases, according to the maturity of the relevant markets, as specified below (Cont.):

3. (Cont.):

will only be allowed after reexamination of the needs of the domestic market. The Commissioner's Letter clarified, *inter alia*, that this professional position is in keeping with the future picture of market-wide supply and demand, in accordance with the estimation of the professional functions at present, and does not constitute export authorization nor an undertaking to grant export authorization, which, insofar as granted, is expected to include additional conditions and restrictions, and that the content of the Commissioner's Letter will not bind the Commissioner when making a future decision on this issue. It is clarified that, in the Partnership's estimation, the government resolutions with respect to natural gas export and the Commissioner's Letter allow the Leviathan Partners to advance the signing of natural gas sale agreements under Phase 1B at the scale required in order to make a final investment decision (FID) on execution of the first stage of Phase 1B in the upcoming months. In the context of promotion of Phase 1B the Leviathan Partners approved, in 2023 and 2024, in accordance with the joint operating agreement (JOA), budgets in the sum total of approx. \$75.4 million (100%, the Partnership's share – approx. \$34.2 million), for performance and completion of the pre-FEED of the alternatives for expansion of the Leviathan reservoir's production system, including the construction of subsea infrastructures, connection of additional production wells, and performance of the required changes on the platform. As of the date of approval of the financial statements, the pre-FEED phase has been completed, and on 31 July 2024 the Leviathan Partners made the decision to conduct FEED and advance procurement of long lead items, under an additional budget of approx. \$429 million (100%, the Partnership's share – approx. \$194.5 million). The Leviathan Partners intend to compete the FEED in order to make a final investment decision (FID) for the development of Phase 1B during the upcoming months, and to that end, the Leviathan Partners are advancing, *inter alia*, negotiations of various stages with prospective customers, both in the domestic market and for export, toward the signing of natural gas sale agreements in the context of Phase 1B, the aggregate amount of which is more than 100 additional BCM, in accordance with the Commissioner's Letter. According to the estimate of the operator in the Leviathan project, prior to completion of the FEED, the estimated cost of the first stage of Phase 1B (i.e., without the costs of the fourth pipeline), is approx. \$2.4 billion (100%)². Insofar as a Final Investment Decision (FID) is adopted to develop the first stage of Phase 1B in 2025 as aforesaid, the estimate for first gas production is in H2/2029. During the years of operation of the project, additional production wells will be required to allow for production of such volume as required and according to the level of redundancy of the production system and the wells in the field as defined from time to time by the Leviathan Partners.

² Of the said amount, the partners have approved a budget of approx. \$505 million (100%).

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

In February 2025, a report was received from Netherland Sewell & Associates Inc ("**NSAI**", a qualified, expert an independent reserve and resource appraiser), on evaluation of the reserves and contingent resources in the Leases according to the SPE-PRMS, updated as of 31 December 2024. According to the report, the overall quantity of natural gas and condensate resources which is composed of the amount of reserves classified as proved+probable reserves and the amount of contingent resources under the best estimate is ~580.3 BCM and ~45.1 million barrels, respectively, and it is divided into categories of resources classified as reserves and resources classified as contingent resources. The quantity of proved reserves is ~371.4 BCM and the quantity of proved + probable reserves is ~420.1 BCM. In addition, proved condensate reserves total ~28.9 million barrels, and the quantity of proved + probable reserves totals ~32.6 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 were classified under two categories that pertain to each one of the reservoir development phases, as follows: Phase 1A – Resources attributed to Phase 1A of the development of the Leviathan reservoir, plus the Third Pipeline project. Future Development – Resources attributed to development stages beyond Phase 1A. Accordingly, the quantity of contingent resources of natural gas ranges between ~308.0 BCM (high estimate) and ~58.3 BCM (low estimate). The quantity of contingent resources of condensate ranges between ~23.9 million barrels (high estimate) and ~4.5 million barrels (low estimate). See Section F below regarding the evaluation of reserves of natural gas, condensate, contingent and prospective resources.

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.

Following and based on a 2019 seismic survey reprocessing analysis, a prospective resources report for the Leviathan Leases was prepared for the Partnership by NSAI, according to SPE-PRMS rules (in this section: the "**Resources Report**"), updated as of 31 December 2024. According to the report, the best estimate in the carbonate buildup for gas and oil is estimated at ~4.6 BCM and ~155.3 million barrels, respectively, and the best estimate in the clastic channel for gas and oil is estimated at ~6.2 BCM and ~212.7 million barrels, respectively. See Section F below with regards to uncertainty in the evaluation of reserves. The Partnership intends to promote the performance of a seismic survey for finalization of exploration prospects for deep targets in the Leviathan Leases. In this context, the Partnership approached key international seismic survey providers to receive detailed quotes for the performance of a 3D seismic survey during the course of this year, the purpose of which is imaging and specification of the deep targets in the Leviathan Leases. As of the date of approval of the financial statements, preliminary quotes have been received which are being examined by the Partnership with the assistance of its outside consultants.

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

F. Evaluations of reserves of natural gas, condensate, contingent and prospective resources:

The above evaluations regarding the reserves of natural gas, condensate, and contingent and prospective resources of natural gas and oil in the Partnership's interests in the leases, licenses and oil and gas exploration concession are based, *inter alia*, on geological, geophysical, engineering and other information received from the results of wells that have been drilled and from the operator of such interests. The above evaluations constitute professional conjectures and evaluations by NSAI, which are uncertain. The quantities of natural gas and/or condensate to be actually produced may differ from the said evaluations and conjectures, *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 markets and/or commercial terms and/or the actual performance of the reservoirs. The above evaluations and conjectures may be updated insofar as additional information is accrued and/or as a result of a gamut of factors relating to oil and natural gas exploration and production projects.

G. Additional information:

The deeds of the leases in Israel were granted subject to the Petroleum Law and confer on the partners in the leases the exclusive right to produce oil and natural gas in the areas of the leases for a 30-year period, with the right to extend them by 20 additional years, in accordance with and subject to the provisions of the Petroleum Law.

Note 5 – Contingent Liabilities, Engagements and Pledges

A. Engagements for the payment of royalties:

1. Following the closing of the merger between the Partnership and Avner Oil Exploration Limited Partnership (“Avner” or “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.
3. In addition, the Partnership will pay pursuant to 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 2 September 1991, it was determined that the said right of the royalties is held by the General Partner in trust, and it is paid to those entitled to royalties under the Limited Partnership Agreement.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.)

B. Engagements for the supply of natural gas and condensate:

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:

Customer	Supply Commencement Date	Term of Agreement ⁴	Total Maximum Contractual Supply Quantity (100%) (BCM)	Total Quantity Supplied by 31 December 2024 (100%) (BCM)	Primary Gas Price Linkage Base
Independent power producers ⁵	2020, or the date of commencement of the commercial operation of the buyers' power plant (whichever is later).	Long-term agreements for 9-25 years. Some of the agreements grant each of the parties the option to extend the agreement in cases of non-purchase of the total contractual quantity.	-17.1	-3.3	In most of the agreements the gas price linkage formula is based on the electricity price tariff (the Electricity Production Tariff and the TAOZ Tariff) and includes a "price floor". One of the agreements specifies a fixed, non-linked price.
Industrial customers	2020	The agreements are for 2.5-15 year terms. Most of the agreements do not grant the parties an option to extend the term of the agreement.	-4.2	-1.1	The linkage formula in most of the agreements is based partly on linkage to the Brent prices and partly to the Electricity Production Tariff, and includes a "price floor". There is also partial linkage to the Crack Spread Index and to the TAOZ Tariff. Several agreements determine a fixed, non-linked price.
NEPCO export agreement (described in Paragraph 2 below)	2020	15 years. The agreement stipulates that if the buyer does not purchase the total contract quantity, the supply period will be extended by another two years.	-45	-12.7	The linkage formula is based on linkage to the Brent prices and includes a "price floor".
Blue Ocean export agreement (described in Paragraph 3 below)	2020	15 years. The agreement stipulates that if the buyer does not buy the total contract quantity, the supply period will be extended by another two years.	-60	-23.5	The linkage formula is based on linkage to the Brent prices and includes a "price floor". The agreement includes a mechanism for price updates by up to 10% (up or down) after the 5th and 10th years of the agreement, in certain conditions specified in the agreement.
Total			-126	-40.5⁶	

³ The figures in the table do not include agreements for the supply of natural gas from the Leviathan project on an interruptible basis.

⁴ Under most of the agreements, the gas supply term may end when the maximum contract quantity specified in the agreement shall have been supplied to the customers.

⁵ This includes entry into the agreement signed on 23 May 2024 between the Leviathan Partners and Eshkol Power Energies Ltd. for the supply of natural gas in an aggregate annual quantity of -0.5 BCM; see Note 5B5 below.

⁶ The total quantity supplied from the Leviathan project by 31 December 2024 (100%) (under the agreements listed in the table, under SPOT agreements and agreements that have come to an end) is -51.5 BCM.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

B. Engagements for the supply of natural gas and condensate (Cont.):

- 2) Further details with respect to the agreements for sale of natural gas from the Leviathan reservoir to independent power producers and industrial customers in the domestic market:
 - 1) In 2024 and up to the date of approval of the financial statements, the Partnership signed several agreements for sale of natural gas from the Leviathan project with various customers in the Israeli market, both on a firm basis and on an interruptible (spot) basis.
 - 2) Under all the natural gas sale agreements, excluding agreements on an interruptible (spot) basis (in this section: the "**Agreements**"), the customers have undertaken 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**"). Of note, the Agreements set out provisions and mechanisms that allow each of the said buyers, having paid under the agreement for natural gas not consumed thereby due to the application of the aforesaid billable Minimum Quantity mechanism, to receive gas with no additional payment up to the amount paid for gas not consumed in the years following the year in which the payment was made and subject to consumption of the Minimum Quantity in each of such following years. In addition, the Agreements determine a mechanism for accrual of a balance of surplus quantities (over the 'Take or Pay') consumed by the buyers in any given year and the use thereof to reduce the buyers' obligation to purchase the aforesaid Minimum Quantity in several subsequent years.
 - 3) The Agreements specify additional provisions, *inter alia*, on the following subjects: The right to terminate the agreement in the event of breach of a material obligation, the Leviathan Partners' right to supply gas to the buyers from other natural gas sources, compensation mechanisms in the event of failure to supply the contractual quantities, limitations of the liability of the parties to the agreement, as well as with respect to the relationship among the sellers themselves as relating to the supply of gas to the said buyers.
 - 4) In accordance with the Gas Framework, each of the buyers under Agreements signed by 13 June 2017 and for a term exceeding 8 years, was given the option to reduce the Minimum Quantity down to a quantity equal to 50% of the average annual quantity actually consumed thereby in the three years preceding the date of the notice of exercise of the option, subject to such adjustments as specified in the supply agreement. Upon reduction of the Minimum Quantity, the other quantities specified in the supply agreement will be reduced accordingly. Each one of the said buyers may exercise such option by a notice to be given to the sellers during a 3-year period commencing at the lapse of 5 years from the date of the first piping of gas from Leviathan project to the buyer. If the buyer gives notice of the exercise of such option, the quantity will be reduced at the lapse of 12 months from the date the notice was given.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

B. Engagements for the supply of natural gas and condensate (Cont.):

3) Agreements for the export of natural gas from the Leviathan reservoir to Jordan

a) Agreement for the export of natural gas from the Leviathan project to NEPCO:

In September 2016, an agreement was signed for the supply of natural gas between the Marketing Company and NEPCO (the "NEPCO Agreement"). The Marketing Company is a subsidiary wholly owned by the Leviathan Partners, whose holdings therein are *pro rata* 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 ~45 BCM. The supply of gas to NEPCO began on 1 January 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. \$49.4 million). NEPCO has undertaken to take or pay for a minimum annual quantity of gas, in such amount and in accordance with the mechanism as determined in the NEPCO Agreement. In addition, in connection with NEPCO's 'take or pay' undertaking, the agreement sets forth, *inter alia*, provisions and a mechanism that allow NEPCO, after it has consumed the minimum billable quantity for a certain year, to receive in such year, a supply of gas for no additional payment up to the remaining gas quantity not consumed in previous years and for which it paid consideration to the Marketing Company in the context of the 'take or pay' undertaking (makeup mechanism), as well as provisions and a mechanism that allow NEPCO to accumulate quantities purchased in any year over and above the minimum quantity, and to utilize the same to reduce its undertaking (carry forward mechanism). 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 "price floor" 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. On 3 July 2023, the parties agreed to increase the natural gas quantities that would be supplied to NEPCO on a firm basis, temporarily and in relation to several months in 2023-2024, and that the minimum annual quantity that NEPCO had undertaken to take or pay for during 2023-2024 would increase accordingly. The aforesaid does not change the total supply volume under the Export to Jordan Agreement (~45 BCM), as specified above.

b) In October 2024, an agreement was signed between the Marketing Company and FAJR for the supply of a total volume of ~2.5-3 BCM of natural gas for a period of 10 years. The gas price formula determined in this agreement is based on linkage to the Brent prices and includes a "floor price". The agreement is also contingent on obtaining the required regulatory approvals in Israel, including export approval from the Commissioner, and in Jordan, the signing of a transmission agreement with INGL which will allow transmission of the quantities under the agreement, and obtaining a tax ruling. As of the date of approval of the financial statements, the export approval for this agreement has not yet been received and supply of the gas thereunder has not yet begun

B. Engagements for the supply of natural gas and condensate (Cont.):

4) Agreement for export of natural gas from the Leviathan project to Blue Ocean in Egypt:

In February 2018, an agreement was signed between the Partnership and Chevron and Blue Ocean (in this section: the "Buyer") for the export of natural gas from the Leviathan project to Egypt and on 26 September 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 15 January 2020, the flow of natural gas began in accordance with the Leviathan Agreement.

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

- a) The total contract gas quantity which the Leviathan Partners have undertaken to supply to the Buyer on a firm basis is ~60 BCM (the "TCQ").
- b) The supply of gas began on 15 January 2020, and will be until 31 December 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.
- c) The Leviathan Partners have undertaken to supply the Buyer with annual gas quantities as follows: (i) in the period that commenced on 15 January 2020 and ended on 30 June 2020, ~2.1 BCM per year; (ii) in the period that commenced on 1 July 2020 and ended 30 June 2022, ~3.6 BCM per year; and (iii) in the period commencing 1 July 2022 and ending on the end of the Term of the Leviathan Agreement, ~4.7 BCM per year. Furthermore, the Leviathan Agreement includes provisions with respect to the possibility of piping additional gas quantities, over and above the aforesaid daily quantities, on an interruptible (spot) basis. For details with respect to export of the gas to Egypt via the EMG Pipeline and through Jordan via the Jordan North export line and the Jordanian transmission system, see Note 5E2 below. The export agreement provides provisions whereby in a case where the daily gas quantities are undersupplied in a certain month (shortfall), the Buyer is entitled, under certain conditions, to compensation in the form of a discount on the gas supplied thereto the following month, at a rate determined, *inter alia*, as a function of the rate of undersupply in the current month.
- d) 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 E below, Blue Ocean's right to reduce the take-or-pay quantity as aforesaid will be revoked. Also, in connection with the Buyer's undertaking to take or pay, the agreement stipulates, among other things, instructions and a mechanism that allow the Buyer, after having consumed the minimum billable quantity for a certain year, to receive gas supply in that year without additional payment up to the balance of the amount of gas that was not consumed in previous years and for which it paid the sellers as part of the take-or-pay obligation (make up mechanism), as well as instructions and a mechanism that allow the Buyer to accumulate quantities purchased in any year above the minimum quantity, and use them to reduce the Buyer's obligation (carry forward mechanism).

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

B. Engagements for the supply of natural gas and condensate (Cont.):

4) Agreement for the export of natural gas from the Leviathan project to Blue Ocean in Egypt (Cont.):

- e) 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 "price floor". 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. 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.
- f) To facilitate an increase in the export quantities to Egypt, and in view of the delay in completion of the new offshore transmission section between Ashdod and Ashkelon, as specified in Note 5E2(a) below, the Leviathan Partners and Blue Ocean signed an amendment to the agreement for export to Egypt, in which it was agreed, *inter alia*, to define an additional gas delivery point in Aqaba, Jordan, under the agreement for export to Egypt, in which a certain price discount was determined as compensation to Blue Ocean for the additional transmission expenses entailed by transmission of the gas from the additional delivery point, which are borne thereby. The piping of gas to Egypt to the delivery point in Aqaba began in March 2022, and is performed through the Jordan-North Export Pipeline, as specified in Note 5E2(b) below. As of the date of approval of the financial statements, the Leviathan Partners and Blue Ocean are conducting negotiations regarding additional gas quantities that shall be sold to Blue Ocean in a volume exceeding ~100 BCM.

Concurrently with the signing of the Leviathan Agreement, on 26 September 2019 (as amended on 21 August 2023) 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.

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

1. First layer – up to 350 MMCF per day will be allocated to the Leviathan Partners.
2. Second layer – the capacity above the first layer, up to 150 MMCF per day until 30 June 2022 (the "**Capacity Increase Date**"), and 200 MMCF 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.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

B. Engagements for the supply of natural gas and condensate (Cont.):

4) Agreement for the export of natural gas from the Leviathan project to Blue Ocean in Egypt (Cont.):

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. In view of the aforesaid, for the period between 1 January 2022 and 30 June 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 30 June 2022 and 30 June 2024, 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 30 June 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 agreement for export to Egypt, unless it shall have ended prior thereto in the following cases: Breach of a payment undertaking which is not remedied by the party in breach; or in a case where the Competition Authority does approve the 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.

5) Agreement for natural gas supply to Eshkol Power Energies Ltd.

on 23 May 2024, the Leviathan Partners entered with Eshkol Power Energies Ltd. (in this section: the "Buyer") in an agreement for the supply of natural gas (in this section: the "Agreement") to the production units at the Eshkol site in Ashdod, which the Buyer intends to purchase from IEC, pursuant to a sale agreement it has signed with the IEC. Under the Agreement, the Leviathan Partners have undertaken to supply the Buyer, on a firm basis, daily gas quantities in an aggregate annual quantity of -0.5 BCM, which are intended to serve the two combined cycle production units at the Eshkol site (the "CCGTs"), as of the supply commencement date in June 2024, upon transfer of ownership of the power plant from IEC to the Buyer and until the end of the term of the Agreement on 31 December 2031. The Buyer has undertaken to purchase or pay for (Take or Pay) certain gas quantities calculated as a percentage of the adjusted annual contract quantity (Adjusted ACQ), subject to *force majeure* circumstances and other standard terms and conditions. The parties further agreed that the Leviathan Partners will supply the Buyer, on an interruptible basis, additional gas quantities that will be used for the four steam production units at the Eshkol site (the "Steam Units"), which will operate mainly when the electricity reserves in the market are low, starting from the aforesaid supply commencement date and throughout their period of operation

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

B. Engagements for the supply of natural gas and condensate (Cont.):

5) Agreement for natural gas supply to Eshkol Power Energies Ltd. (Cont.):

(currently expected to continue until 31 December 2026). The Buyer has undertaken to take or pay for certain gas quantities for the Steam Units, subject to the extent of their actual operation, the availability of gas and other standard terms and conditions. The sale prices stipulated in the Agreement are linked to the electricity prices for CCGTs, and to the Brent oil barrel price in relation to the Steam Units, in accordance with such mechanisms and periods as specified in the Agreement. The said sale prices are denominated in dollars and are subject to minimum prices. The Agreement sets forth additional provisions, as is standard in agreements of this type, *inter alia*, with respect to *force majeure* events, default events and indemnification, taxation and fiscal changes, early termination, etc. In June 2024 supply of natural gas to the Buyer began in accordance with the Agreement.

6) Agreement for 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 Energy Infrastructures Ltd. ("PEI") and from there it will be piped to ORL's facilities, *inter alia*, in accordance with regulatory instructions.

The agreement signed with ORL is on an interruptible basis, up to a maximum quantity that was agreed between the parties, as shall be updated from time to time, in accordance with the terms and conditions determined by the authorities in this regard, for a term of 15 years from the date of the first condensate piped (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.

According to the agreement, the Leviathan Partners are not entitled to consideration for supplying the condensate to ORL, with the Leviathan Partners being obligated to bear any and all expenses, including tax exposures, relating to the supply of the condensate. As specified in Paragraph F below, on 7 March 2024, the Leviathan Partners began piping condensate through the PEI pipeline to ARF, following which, as of the said date, the condensate quantities supplied to ORL under the said agreement have been significantly reduced. 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. ORL responded in a letter rejecting the Leviathan Partners' claims. On 4 February 2024, the Leviathan Partners notified ORL that the piping of the condensate to ARF was expected to commence in March 2024, and that from that date the quantities delivered to ORL would be significantly reduced. In response to this notice, ORL sent a letter to the Leviathan Partners, according to which the Leviathan Partners' said notice constitutes a breach of the agreement with ORL. It is the Partnership's position that ORL's said claims and demands are groundless, and accordingly, the Leviathan Partners are considering their next steps vis-à-vis ORL on this matter.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.)

B. Engagements for the supply of natural gas and condensate (Cont.):

7) **Agreement with ARF for sale of condensate from the Leviathan reservoir**

On 18 January 2023, the Leviathan Partners, including the Partnership (in this section: the "Sellers") engaged with ARF in an agreement for the sale of condensate to ARF (in this section: the "Agreement"). Following is a concise description of the main terms of the Agreement:

- a) According to the Agreement, the Sellers undertook to supply to ARF, condensate that is produced from the Leviathan reservoir, which will be transported through PEI's pipe.
- b) The Agreement stipulates, *inter alia*, provisions regarding limitations on the maximum quantities (on a daily and monthly level) of the condensate to be supplied to ARF, fines in the event of a breach of the provisions of the Agreement, and other standard provisions in agreements of this type.
- c) 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.
- d) Condensate piping to ARF will begin on the date of first piping through PEI's pipeline (in this section: the "First Piping Date") and continue for a period of 4 years. Condensate piping to ARF under the aforesaid agreement commenced on 7 March 2024.

8) **Dependence on a customer:**

As of 31 December 2024, NEPCO and Blue Ocean are the Partnership's largest customers and therefore, termination or non-performance of the agreements signed between them and the Leviathan Partners would materially affect the Partnership's business and future revenues.

9) **Estimates regarding natural gas and condensate quantities, prices and supply dates:**

The estimates regarding the natural gas and condensate quantities to be purchased by the aforesaid buyers in the Leviathan project, and the supply commencement dates under 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 under each one of the supply agreements (insofar as not yet fulfilled), non-receipt of regulatory approvals, changes in the volume, pace and timing of natural gas consumption by each of the aforesaid buyers, gas and condensate prices to be determined according to the formulas specified in the supply agreements, the Electricity Production Tariff, the dollar-shekel exchange rate (insofar as relevant to the supply agreement), Brent prices (insofar as relevant to the supply agreement), the TAOZ Tariff published by the Electricity Authority and the Crack Spread Index (insofar as relevant to the supply agreement), construction and operation of the power plants and/or other plants of the buyers (insofar as relevant to the supply agreement), the exercise and exercise date of options granted in each of the supply agreements, etc.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.)

C. Pledges and guarantees:

1. See Note 3 regarding pledges provided by the Partnership on its assets in the context of the bonds.
2. 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.
3. In July 2018, the Leviathan Partners 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.
4. To secure a transmission agreement for the export of gas to Egypt (see Section F2) 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 186.4 million.
5. As of the date of approval of the financial statements, the Partnership provided guarantees in the sum of approx. \$45.34 million to the Ministry of Energy in connection with its rights in the Leviathan project, see Section G3 below.

D. Legal proceedings:

1. On 27 February 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 Infrastructures Limited Partnership (collectively in this section: the "**Other Holders in the Tamar Project**"), with no involvement on the part of the Partnership and Chevron (in this section: the "**Amendment to the Tamar Agreement**"). The Petitioner's principal arguments are that the bids made by the Other Holders in the Tamar Project and the holders in the Leviathan project in the competitive process amount to abuse of monopoly power and to a restrictive arrangement, as defined in the Economic Competition Law; the Partnership's and Chevron's not signing the Amendment to the Tamar Agreement also amounts to abuse of monopoly power; the price determined in the agreement for the supply of gas from the Leviathan project to the IEC further to the competitive process is an unfair price; and profits made and which shall be made by the Partnership and Chevron under this agreement, while harming competition, amount to unjust enrichment. The Petitioner asserts that such acts by 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 the court is moved to award damages and fees accordingly. 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 6 February 2024, the court granted the Petitioner's motion, with the consent of respondents, to cancel the trial hearings scheduled for March-April 2024, and on 27 June 2024, the court entered a judgment on the parties' agreement, which had been reached per its recommendation, to conduct a reconciliation proceeding toward a withdrawal arrangement. According to the court's decision, on 25 September 2024, a preliminary court hearing was held, during which the court suggested that the parties negotiate to attempt an agreement to defer the proceeding to mediation. On 15 January 2025, the parties filed a joint motion for renumeration withdrawal of the Certification Motion, and on 18 February 2025, the Tel Aviv District Court (Economic Department) handed down its

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.)

D. Legal proceedings (Cont.)

1. (Cont.)

judgment, approving the agreed motion for remunerated withdrawal of the Certification Motion by the Petitioner, whereby, *inter alia*, the respondents are required to pay the Petitioner and his counsel remuneration, fees and expense reimbursement in the amount of ILS 400 thousand (the Partnership's share – ILS 200 thousand), plus V.A.T as required by law. Accordingly, the Partnership has included a provision in its financial statements.

2. On 15 December 2020, a motion for class action 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. 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. 7 February 2024 saw a judgment handed down, which denied the Certification Motion and imposed costs on the Petitioner.
3. On 3 May 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 "**Primary Claim**"). According to Haifa Port, direct unloading of cargoes in the area of the Leviathan platform, as was done by Chevron, without first unloading such cargoes 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 cargoes 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 31 August 2021, and Haifa Port filed a replication on 1 December 2021. Concurrently therewith, 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 11 September 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. On 8 July 2023 and 18 July 2023, the court denied the said motions. On 4 June 2024, a pretrial hearing was held, in which various motions that had been filed by the parties were heard, except for Haifa Port's motion to summon the Customs representative as a witness, and on 28 July 2024, the court denied the motions filed by Haifa Port and granted the motion filed by Chevron to summon witnesses who are beyond its control. On 13 October 2024, Haifa Port filed a motion for leave to appeal the court's decision to deny motions it had filed, as well as a motion to postpone the date for filing of

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.)

D. Legal proceedings (Cont.)

3. (Cont.)

the response affidavits. The court granted the said motion for postponement and ruled that the response affidavits would be filed 30 days after the ruling on the motion for leave to appeal. On 20 November 2024, the court denied the said motion for leave to appeal, and the response affidavits on behalf of the parties to the claim and the counterclaim were filed on 21 January 2025. The last pretrial hearing and the hearing on Haifa Port's motion to summon the Customs representative as a witness are scheduled for 10 March 2025. It is further noted that on 3 April 2023, Haifa Port filed a motion for summary dismissal of the counterclaim, arguing lack of controversy between itself and Chevron, because the invoices and mooring fees had been paid by an agent. On 21 June 2023, the motion was denied, and the court issued an order for costs against Haifa Port.

In the Partnership's estimation, based on the opinion of its legal counsel, the Primary Claim is more likely to be dismissed than granted.

4. In view of the enduring delays in completion of the construction work and postponement of commencement of piping under the transmission agreement of 18 January 2021 with INGL, as specified in Note 5E2(a) below, on 24 November 2024, Chevron filed an arbitration claim against INGL in connection with breach of the said transmission agreement. In the complaint, Chevron seeks, *inter alia*, recovery of the difference accrued since 30 April 2023 between the interruptible rate actually paid and the standard transmission rate that should have been paid under the firm-basis transmission agreement of 18 January 2021, which difference amounts to approx. ILS 102 million (100%, the Leviathan Partners' share – approx. ILS 67 million) as of December 2024. The preliminary hearing of the proceeding was scheduled for 2 April 2024. Of note, alongside such arbitration proceedings, the parties have deferred to mediation with the aim of trying to reach an agreement without the arbitration being decided, and this proceeding is still ongoing.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.)

E. Engagement in agreements for natural gas and condensate transmission from the Leviathan reservoir:

1. On 1 September 2022, Chevron (on behalf of the Leviathan Partners) and PEI signed an agreement designed to regulate an alternative mechanism for condensate piping from the Leviathan project through an existing PEI 6" pipeline and the systems related thereto (in this section: the "Agreement" and the "Pipeline", respectively), the principles of which are as follows:

The Agreement will be in effect for 20 years from the date of commencement of piping, subject to provisions that allow the parties to terminate it before the end of the term. Upon certain conditions, under the Agreement, PEI will be responsible for planning and carrying out the work for connection and adjustment of the Pipeline for the purpose of such condensate piping (the "Connection Work"), obtaining all the approvals for the transmission of condensate through the Pipeline, and the ongoing operation and maintenance of the Pipeline. Chevron (via the Leviathan Partners, per their share in the Leviathan Leases) has undertaken to bear the costs entailed by the Connection Work per the scope and mechanism set in the Agreement, in amounts the parties shall agree upon in advance. Each of the parties may terminate the Agreement if the closing conditions are not met within 12 months of the signing date or if the piping commencement date does not occur within 12 months of the date on which the Agreement takes effect.

During the piping period, PEI will make the Pipeline available for use by Chevron (except in such emergencies as defined in the Agreement, in which condensate piping through the Pipeline will be temporarily discontinued) and reserve an agreed Pipeline capacity in exchange for such fixed capacity fees as specified in the Agreement. PEI will also transmit the condensate through the Pipeline, in consideration for such transmission fees as agreed in the Agreement. The Connection Work and the Agreement account for the increase in the condensate quantity transmitted through the Pipeline as a result of operation of the Third Pipeline and the commencement of production under Phase 1B. Transmission of the condensate in the PEI Pipeline under the aforesaid agreement began on 7 March 2024.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

E. Engagement in agreements for natural gas and condensate transmission from the Leviathan reservoir (Cont.):

2. Agreements for transmission of natural gas for export to Jordan and Egypt

As of the date of approval of the financial statements, the pipeline infrastructure for export to the Partnership's customers in Egypt and Jordan includes the main systems specified below. Of note, the capacity of gas supply to Egypt through these systems is divided between the Tamar partners and the Leviathan Partners.

a) Entry into transmission agreements with INGL in relation to export to Egypt:

The EMG Pipeline connects the Israeli transmission system in the Ashkelon area with the Egyptian transmission system in the el-Arish area and serves as the main line of export to Egypt since the start of production from the Leviathan reservoir.

January 2025 saw completion of another electricity connection to the compression terminal, allowing for simultaneous operation of the two compressors installed at the entry to the EMG system in Ashkelon. Such simultaneous operation of both compressors, as of the date of approval of the financial statements, allows for increasing the piping capacity of the EMG Pipeline from ~600 MMCF per day (~6 BCM per year) to ~650 MMCF per day (~6.5 BCM). Maximum utilization of this capacity is contingent on the conditions of INGL's national transmission system, which may change from time to time.

For further increase of the EMG Pipeline's transmission capacity to ~850 MMCF per day (~8.5 BCM per year), INGL is carrying out a project for construction of a new offshore section between Ashdod and Ashkelon stretching across approx. 46 km (the "**Combined Section**"). The estimated date of completion of the project for construction of the Combined Section has been postponed several times.

On 28 May 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 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.

On 26 December 2024, Chevron and INGL signed an addendum to the 2019 Agreement, whereby the agreement would be extended until the earlier of: (1) The expiration date of the agreement according to its terms and conditions; (b) 1 January 2026; or (c) The Piping Commencement Date as defined in the agreement for transmission on a firm basis, which is described below.

On 18 January 2021, Chevron entered with INGL into an agreement for the provision of transmission services on a firm basis, intended to supersede the 2019 Agreement, for the purpose of piping natural gas from the Leviathan and Tamar reservoirs to the EMG terminal in Ashkelon in order to transmit it to Egypt, which agreement took effect on 14 February 2021 (hereinbefore and hereinafter: the "**Transmission Agreement**" or, in this section: the "**Agreement**").

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

E. Engagement in agreements for natural gas and condensate transmission from the Leviathan reservoir (Cont.):

2. Agreements for transmission of natural gas for export to Jordan and Egypt (Cont.):

a) (Cont.):

Below is a concise description of the principles of the Agreement, as amended from time to time:

- 1) Under the Transmission Agreement, INGL has undertaken 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 ~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 generally accepted transmission rates in Israel, as updated from time to time. INGL has further undertaken to provide non-continuous transmission services on an interruptible basis of additional gas quantities over and above the Base Capacity, subject to the available capacity of the transmission system. For transmission of such additional quantities, Chevron will pay a transmission rate for non-continuous transmission services in relation to the throughput.
- 2) Under the Transmission Agreement, Chevron has undertaken to pay for the piping of a gas quantity no lesser than 44 BCM throughout the term of the Agreement. If the parties agree on an increase in the Base Capacity, then such minimum piping quantity will be increased accordingly.
- 3) The Transmission Agreement specifies undertakings by INGL regarding the date of completion of the construction of the Combined Section and commencement of piping of the gas (in this section: the "**Piping Commencement Date**"). However, from time to time, INGL has notified of delays and postponements in the performance of the construction work due to various constraints, by reason of which the Piping Commencement Date has been postponed, *inter alia*, due to technical malfunctions during the work and due to the foreign construction contractor's departure from the region in view of the security situation.
- 4) Against this background, on 4 August 2024, Chevron and INGL signed an amendment to the Transmission Agreement, whereby, *inter alia*, for the share of the partners in the Leviathan and Tamar projects, Chevron will bear a sum equal to 56.5% of the additional costs entailed by the return of the foreign contractor to Israel and resumption of the project's construction work, insofar as resumed by October 2024. As of the date of approval of the financial statements, notice from INGL in connection with the date of the contractor's return and resumption of the work has not been received yet, and accordingly, an assessment as to the increase in costs entailed by the contractor's return and the project's completion has yet to be received. In the Operator's estimation, the Piping Commencement Date is not expected to occur before Q1/2026.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

E. Engagement in agreements for natural gas and condensate transmission from the Leviathan reservoir (Cont.):

2. Agreements for transmission of natural gas for export to Jordan and Egypt (Cont.):

a) (Cont.):

- 5) The Transmission Agreement determines that it will expire upon the earlier of: (1) The date on which the total quantity piped is 44 BCM; (2) the lapse of 8 years from the piping commencement date; or (3) upon expiration of INGL's transmission license.
- 6) In accordance with the principles determined in the Commission's decision, the share of the partners in Leviathan and Tamar is 56.5% of the total cost of construction of the Ashdod-Ashkelon Combined Section, with the Leviathan Partners and the Tamar partners bearing these costs and the provision of guarantees as specified below at the rate of 69% and 31%, respectively.
- 7) As of the date of approval of the financial statements, the costs of construction of the Combined Section, including the costs of pushing forward the doubling of the Dor-Hagit and Sorek-Nesher sections, are estimated at a total of approx. \$295 million (the Partnership's share – approx. \$52 million), without additional costs that may apply in respect of resumption of the work as set out in Section 4 above.
- 8) In accordance with the Commission'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 aforesaid infrastructure, and to cover Chevron's obligation 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 total approx. ILS 186.4 million.
- 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 120% of the costs of construction of the Combined Section, plus the costs of accelerating the doubling of the Sorek-Nesher and Dor-Hagit sections, net of the amounts Chevron paid until the date of the termination in respect of such construction and acceleration costs and in respect of the piping of the gas under the Transmission Agreement. If, after the termination of the Transmission Agreement, export to Egypt resumes, the Transmission Agreement will be renewed subject to and in accordance with the capacity that shall be available in the transmission system at such time.
- 10) Due to the delays in completion of the construction work and postponement of the piping commencement date as noted above, Chevron has raised claims of breach of the Transmission Agreement against INGL, following which the parties have agreed to conduct a mediation proceeding and, at the same time, operate according to the arbitration mechanism under the Transmission Agreement. See Note 5D4 above.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

E. Engagement in agreements for natural gas and condensate transmission from the Leviathan reservoir (Cont.):

2. Agreements for transmission of natural gas for export to Jordan and Egypt (Cont.):

a) (Cont.):

11) Concurrently with the signing of the Transmission Agreement, Chevron, the Partnership and the other the Leviathan Partners and Tamar partners have signed a back-to-back services agreement (in this section: the “**Services Agreement**”), which provides that the Leviathan and Tamar partners will be entitled to transmit natural gas (through Chevron) under the Transmission Agreement, and will be responsible for the performance of Chevron’s obligations under the Transmission Agreement (back-to-back) as if the Leviathan Partners and the Tamar partners were a party to the Transmission Agreement in Chevron’s place, each according to its respective share as determined in the Capacity Allocation Agreement between the Leviathan Partners and the Tamar partners, as specified in Section 12C3 above. The Services Agreement further provides that the Base Capacity of the transmission system reserved for Chevron will be allocated between the Leviathan Partners and the Tamar partners according to the specified rates and according to the order set forth in the Capacity Allocation Agreement. The Leviathan Partners and the Tamar partners will bear capacity fees at a fixed proportion of 69% (Leviathan Partners) and 31% (Tamar partners), except in a case where a party (either the Leviathan Partners or the Tamar partners, as applicable) shall have used the other party’s unused capacity.

b) **Export of natural gas to Egypt through the Jordan-North Export Pipeline**

The Jordan-North Export Pipeline, which connects between the Israeli transmission system and the Jordanian transmission system near the Sheikh Hussein Bridge. The construction of this export pipeline was completed in December 2019, *inter alia* through the construction of a natural gas pipeline by INGL from the Tel Kashish station to the border with Jordan, including the construction of a station near the border whose purpose is to measure the gas exported to Jordan. The follow-on pipeline on the Jordanian side was built by FAJR, the (Egyptian-owned) Jordanian transmission company (“**FAJR**”), which connects the Israeli transmission system to the existing transmission pipeline in Jordan and the Arab Gas Pipeline, and connects to the Egyptian transmission system in the area of Aqaba (above and below: the “**Jordan-North Export Pipeline**”). As of the date of approval of the financial statements, the total maximum gas supply capacity in the Jordan-North Export Pipeline is approx. 7 BCM per annum, around 3.5 BCM of which are set aside for the NEPCO Agreement. The supply of gas to Egypt under the export agreement via the Jordan-North Export Pipeline began in March 2022.

Given the delay in completion of the project for construction of the Ashdod-Ashkelon Combined Section (as aforesaid in Section F2D), the Leviathan Partners have signed a set of agreements intended to allow the piping of quantities of natural gas to Egypt under the agreement for export to Egypt through Jordan, using the Jordan-North Export Pipeline.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

E. Engagement in agreements for natural gas and condensate transmission from the Leviathan reservoir (Cont.):

2. Agreements for transmission of natural gas for export to Jordan and Egypt (Cont.):

b) (Cont.):

In accordance with the said set of agreements, in March 2022, natural gas piping to Egypt through Jordan began, 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, using the existing transmission infrastructure and under the current operating conditions, natural gas can be piped to Egypt, via Jordan, in an average daily amount of up to ~350 MMCF (~3.5 BCM per year). It is noted in this context that the Ministry of Energy authorized the Leviathan Partners to add a point of delivery of natural gas to Egypt in Aqaba, Jordan. It is further noted that transmission of the gas to Egypt via the Jordan-North Export Pipeline entails additional transmission costs compared with transmission of the gas via the EMG Pipeline.

The set of agreements so signed includes the following agreements:

- a. An agreement between a Chevron affiliate (in this section: the "Affiliate") and FAJR, the Jordanian transmission company, for the provision of interruptible transmission services in relation to the piping of natural gas from the Leviathan and Tamar reservoirs via 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"). Payment under the FAJR Agreement will be made based on the gas quantity actually piped through the FAJR transmission system after deduction of own-use gas used for operation of the compressors in Aqaba. It is also stipulated that the term of the FAJR Agreement is 5 years as of the piping date, unless it comes to an end at an earlier time in accordance with the provisions set out therein.
- b. A back-to-back services agreement signed between the Affiliate, Chevron and the other Leviathan and Tamar partners, which stipulates, *inter alia*, that the entry of the Affiliate into the FAJR Agreement is done for and in the interest of the holders of interests in the Tamar from and Leviathan reservoirs for the purpose of export of natural gas to Egypt the Tamar and Leviathan reservoirs on a 'back-to-back' basis, as if they were party to such agreement. It is also stipulated that use of the FAJR transmission system will be made in accordance with such mechanism, terms and conditions, and priorities as specified in the aforesaid agreement, which are based, *inter alia*, on the capacity of the EMG Pipeline, the available capacity and the constraints of the FAJR transmission system and the gas orders placed under the agreements for export to Egypt between BOE and the holders of interests in the Leviathan and Tamar reservoirs.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

E. Engagement in agreements for natural gas and condensate transmission from the Leviathan reservoir (Cont.):

2. Agreements for transmission of natural gas for export to Jordan and Egypt (Cont.):

b) (Cont.):

- c. Agreement between Chevron and INGL for the provision of interruptible transmission services in relation to the piping of natural gas from the Leviathan reservoir via the Jordan-North Export Pipeline to the point of connection to the FAJR transmission system at the border between Israel and Jordan (the "**Jordan-North INGL Agreement**"). Payment under the Jordan-North 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 agreement. The term of the Jordan-North INGL Agreement has been extended until 1 January 2026, unless it is extended pursuant to the parties' agreement subject to the decisions of the Natural Gas Authority at such time. Concurrently with the signing of the Jordan-North INGL Agreement, Chevron and the other Leviathan Partners entered into a back-to-back services agreement related to the Jordan-North INGL Agreement. Of note, in a letter dated 22 December 2024, the Natural Gas Authority informed, *inter alia*, that the annual available transmission capacity for 2025 through the Jordan-North pipeline was 4.2 BCM. It was also clarified that the agreements for piping through the Jordan-North pipeline will only be signed on an interruptible basis. Further thereto, the partners in the Leviathan project notified INGL of their request that half of such transmission capacity be designated for the transmission of gas from the Leviathan project.

The Leviathan Partners and Blue Ocean signed an amendment to the agreement for export to Egypt as specified in Section 12C3 above.

- d. Under the agreement for export to Egypt, the Leviathan Partners have been obligated since July 2022 to supply Blue Ocean with 450 MMCF of natural gas per day. Piping this quantity in full via the EMG Pipeline will only be made possible after completion of the Combined Section, construction of which is delayed, as noted. Despite the fact that up to the date of approval of the financial statements, the piping of gas through Jordan has been conducted as planned, because the transmission agreements with INGL as effective on the date of approval of the financial statements are for the provision of interruptible transmission services, there is no certainty on the date of approval of the financial statements that the full quantities the Leviathan Partners are so obligated to supply to Blue Ocean will be able to be piped through Jordan at any time.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

E. Engagement in agreements for natural gas and condensate transmission from the Leviathan reservoir (Cont.):

2. Agreements for transmission of natural gas for export to Jordan and Egypt (Cont.):

c) **Agreements for contribution to the funding of a project for upgrade of a gas transmission system outside of Israel**

On 19 September 2024, a set of agreements was signed which pertained to participation by the Leviathan Partners and the Tamar partners in the funding of a project for construction of a gas compression terminal outside of Israel in the transmission system mentioned in Section 2 above for the local transmission company (in this section: the "Project", "Transmission System" and "Transmission Company", respectively), as specified below.

- 1) Under an agreement signed with the Transmission Company, Chevron has undertaken to contribute up to approx. \$341 million to the funding of the Project (the "Funding Contribution Agreement"), which stipulates, *inter alia*, that the Transmission Company will be in charge of building and operating the Project and Chevron will pay the Transmission Company an annual sum for operating and maintaining the compression terminal and for licensing fees. It is further provided that Chevron will be entitled to receive annual reimbursement payments from the Transmission Company for the contribution to the funding, and additional reimbursement for some of the operation and maintenance fees of the compression terminal, depending on the gas quantities to be piped via the Transmission System, including by third parties, over and above a certain amount and according to such mechanism and for such period as specified in the Funding Contribution Agreement. On 31 December 2024, Chevron notified the Leviathan Partners that the conditions precedent to entry of the Funding Contribution Agreement into effect had been satisfied.
- 2) The partners in the Leviathan and Tamar projects have entered into an agreement with Chevron, back-to-back with the Funding Contribution Agreement, whereby the Leviathan Partners and the Tamar partners will bear, in equal shares, the funding contribution amount plus the costs of management of the Project by Chevron, in an aggregate amount not to exceed approx. \$343 million (100% of the Project, the Partnership's share is up to approx. \$78 million). Chevron shall exercise the rights, powers and discretion granted thereto under the Funding Contribution Agreement in accordance with the decision-making mechanisms specified in such agreement. The Leviathan Partners and the Tamar partners shall be entitled to the aforementioned reimbursements, in equal shares, regardless of their respective shares in the piping of gas through the Transmission System. In the event that a holder of interest in one of the reservoirs fails to discharge the payment imposed thereon under the Funding Contribution Agreement, the other interest holders in that reservoir will be required to bear the share of the defaulting party, and the defaulting party will be charged with the payment of interest and damages (as agreed under the said agreement) to the other paying interest holders. For details with respect to the manner of allocation of the additional capacity of the Transmission System to be provided by the Project (the "Additional Capacity"), see Note 5B3 below.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

E. Engagement in agreements for natural gas and condensate transmission from the Leviathan reservoir (Cont.):

2. Agreements for transmission of natural gas for export to Jordan and Egypt (Cont.):

c) (Cont.):

- 3) An affiliate of Chevron (in this section: the “**Affiliate**”) has entered into an agreement with the Transmission Company for the provision of transmission services for the Additional Capacity (the “**Additional Transmission Agreement**”). The payment of transmission fees under the Additional Transmission Agreement will be made based on the quantity of gas actually piped through the Transmission System. On 31 December 2024, Chevron notified the Leviathan Partners that the conditions precedent to entry of the Additional Transmission Agreement into effect had been satisfied.

The Additional Transmission Agreement is effective until 25 January 2034, unless it comes to an end at an earlier time in accordance with the provisions thereof.

Chevron and the other Leviathan Partners and Tamar partners have signed an amendment to the existing services agreement (the “**Amendment to the Services Agreement**”), which stipulates, *inter alia*, that the entry of the Affiliate into the Additional Transmission Agreement is done for and on behalf of the Leviathan Partners and the Tamar partners on a back-to-back basis, as if they were parties to such agreement. It is further provided, *inter alia*, that the Additional Capacity will be allocated between the Leviathan Partners and the Tamar partners in equal shares. Chevron shall exercise the rights, powers and discretion granted thereto under the Additional Transmission Agreement in accordance with the decision-making mechanisms specified in the Amendment to the Services Agreement.

As of the date of approval of the financial statements, estimated completion of the Project is expected to occur during H2/2026.

- d) The Jordan-South export pipeline, which connects the Israeli transmission system in the Southern Dead Sea area to Jordanian industrial plants.
- e) As of the date of approval of the financial statements, the Operator, on behalf of the Leviathan Partners and the Tamar partners, is considering the possibility of participating in the construction of a project for a new onshore connection between the Israeli transmission system and the Egyptian transmission system in the area of Nitzana (the “**Nitzana Pipeline**” or “**Nitzana Project**”), which includes a pipeline and the construction of a compressor station in the area of Ramat Hovav. The Nitzana Pipeline (if built) will constitute part of INGL’s transmission system and is expected to increase the capacity of transmission to Egypt by at least ~6-7 BCM per year. For promotion of the construction of the Nitzana Pipeline, by the date of approval of the financial statements, the Leviathan Partners approved preliminary budgets prior to an undertaking to participate in the funding of the Nitzana Pipeline, in accordance with the decision of the Natural Gas Commission on the matter, and prior to the adoption of a final investment decision (insofar as adopted) in the aggregate amount of approx. \$111.1 million (100%).

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

E. Engagement in agreements for natural gas and condensate transmission from the Leviathan reservoir (Cont.):

2. Agreements for transmission of natural gas for export to Jordan and Egypt (Cont.):

e) (Cont.):

In the Operator's estimation (based on data provided by INGL), the Nitzana Pipeline project's budget is estimated at approx. \$585 million (in equal shares between the gas exporters participating in the funding thereof; the Partnership's share – approx. \$133 million). As of the date of approval of the financial statements, the Partnership is examining, together with the other Leviathan Partners, all of the commercial conditions in this project compared to the alternatives of other projects for increase of the capacity for export to Egypt, including the installation of a pipeline that will connect to the platform to the Egyptian transmission system, and accordingly, a decision will be made on whether and how to participate in the Nitzana Project.

F. The Partnership's hydrogen production operations

The Partnership is considering a blue hydrogen venture in which natural gas is split into hydrogen and carbon dioxide (CO₂), with the carbon dioxide captured and stored in special underground storage sites or injected by various methods into subterranean or underwater geological formations or used in the manufacture of various products. Of note, hydrogen is considered one of the primary pillars of a sustainable and thriving low-carbon economy, and serves as a key course of coping with the climate crisis. On 9 September 2024, the Partnership entered into agreements with Airovation Technologies, a private Israeli technology company (having no interest in the Partnership), for investment in several stages, the aggregate amount of which is up to \$3 million, in a pilot project testing the feasibility of use of a carbon dioxide sequestration technology developed by this company, which, if proved to be efficient economically viable, may, under certain conditions, serve, *inter alia*, as part of the process of producing clean blue hydrogen from the natural gas produced from the Leviathan project.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

G. Regulation:

1. The Gas Framework:

On 16 August 2015, Government Resolution No. 476 (readopted by the Government Resolution of 22 May 2016) was adopted with respect to a framework for the increase of the natural gas quantity produced from the "Tamar" natural gas field and the expeditious development of the "Leviathan", "Karish" and "Tanin" natural gas fields and other natural gas fields (in this section: the "Government Resolution"), which took effect on 17 December 2015, upon the grant of an exemption from certain provisions of the Restrictive Trade Practices Law to the Partnership, Ratio Energies and Chevron (in this section: the "Parties") by the former Prime Minister, in his capacity as Minister of Economy, pursuant to the provisions of Section 52 of the Economic Competition Law, 5748-1988 (in this section: the "Exemption" or the "Exemption pursuant to the Restrictive Trade Practices Law"), the main principles of which are presented below.

a) The restrictive trade practices in relation to which the Exemption was granted are as follows:

- 1) The restrictive trade practice that was ostensibly created, according to the Competition Commissioner's position, as a result of the acquisition of the rights in the Ratio-Yam permit by the Parties; and the restrictive trade practice that was ostensibly created as a result of the Parties' coming together as joint holders of the Ratio-Yam permit and the Leviathan reservoir.
- 2) The restrictive trade practice that shall ostensibly be created in a case in which the Parties or some of them jointly market the gas that shall be extracted from the Leviathan reservoir to the domestic market until 1 January 2030.
- 3) The restrictive trade practice that shall ostensibly be created in a case in which the Parties or some of them market the gas that shall be extracted from the Leviathan reservoir jointly for export only.
- 4) The restrictive trade practice which may be created as a result of a certain agreement for the purchase of natural gas from the Leviathan reservoir, provided that such agreement is signed by 1 January 2025.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

G. Regulation (Cont.):

1. The Gas Framework (Cont.):

a) (Cont.):

5) With respect to their activity in the Tamar and Leviathan reservoirs only, the Partnership and Chevron being the holders of a monopoly according to the Competition Commissioner's declarations.

b) The Exemption from the aforesaid restrictive arrangements had been contingent upon the satisfaction of certain conditions, including the transfer of all the interests of the Partnership and Chevron in the Tanin and Karish leases, the transfer of all the interests of the Partnership in the Tamar Project and the transfer of some of the interests of Chevron (interests in excess of 25%) in the Tamar Project, all of which were completed in accordance with the framework by December 2021.

c) Satisfaction of specific restrictions that will apply to new natural gas supply agreements

The Gas Framework sets out specific restrictions that will apply to new agreements for the supply of gas from the Leviathan reservoir, that shall be signed with consumers from the date of the Government Resolution. Most of the restrictions are no longer relevant, other than:

1. The consumer shall be subject to no restriction with respect to the purchase of natural gas from any other natural gas supplier.
2. The consumer will have the possibility of selling natural gas that it purchased in a resale, in accordance with the conditions and provisions set forth in the Exemption.
3. The parties shall not apply any restriction to the sale price at which the consumer shall sell the natural gas in a resale.
4. The gas sales agreements shall not include a condition whereby the consumer's notification of shortening of the term of the agreement or reduction of the purchase amount will lead to any change in the terms of the agreement that is detrimental to the consumer. In this context, no change detrimental to the consumer shall be made to the price and terms of payment, the terms, dates and quantities of supply, the addition of restrictions on resale of the gas, etc.

2. Environmental Regulation:

The Partnership acts to prevent and/or minimize the environmental hazards that may occur in the course of its operations, and prepares 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 20 May 2020, Chevron received a notice from the MoEP of the intention to impose an administrative monetary penalty, in an immaterial amount, due to alleged violations of the emission permit given to the Leviathan platform as well as the Clean Air Law, and the instruction given thereunder by the Supervisor of the emission permit at the MoEP (in this section: the "Supervisor") in connection with the continuous monitoring systems on the Leviathan platform.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

G. Regulation (Cont.):

2. Environmental Regulation (Cont.):

a) (Cont.):

Chevron informed the Partnership that it had submitted to the MoEP an application to receive information under the Freedom of Information Law, 5758-1998, which directly responds to the claims raised in said notice, and that the MoEP approved the postponement of the date for submission of the arguments with regards to said administrative monetary penalty and scheduling thereof for 30 days after receipt of the information. As of the date of approval of the financial statements, the requested information has not yet been received and therefore the count of days for responding to the aforesaid notice has not yet begun, and on 5 January 2025, the MoEP's issued its decision not to impose such administrative penalty on Chevron.

- b) On 6 August 2023, Chevron received a letter of notice and summons to a hearing before the MoEP for alleged violations of the marine discharge permit and the toxins permit of the Leviathan project, and violation of the Prevention of Sea Pollution and the Hazardous Substances Law. The hearing took place on 7 January 2024, and on 21 January 2024, the hearing summary was received, whereby Chevron is required to take all actions to prevent deviations from the marine discharge permit, and the MoEP is considering exercising its powers according to law. At this stage, it is impossible to predict whether an administrative penalty will be imposed due to the violations, and the amount of the administrative penalty to be imposed, if any.

As of the date of approval of the financial statements, and according to information provided to the Partnership by Chevron, the Partnership is not aware of noncompliance with or deviation from environmental protection requirements in projects in which the Partnership holds interests, which may have a material effect on the Partnership.

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

In September 2014, pursuant to Section 57 of the Petroleum Law, the Commissioner published directives for the provision of collateral in connection with petroleum rights. As of the date of approval of the financial statements, the Partnership has deposited autonomous bank guarantees with the Ministry of Energy, in connection with its rights in the oil and gas assets, against a bank credit facility (see Section D11 above).

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

G. Regulation (Cont.):

4. **Projects for export through the national transmission system:**

On 23 June 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 2 May 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 10% 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.

With regards 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 transmission thereof to Egypt, see Note 5E2(a) above.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

G. Regulation (Cont.):

5. **Natural Gas Commission resolution on the regulation of criteria and rates relating to the operation of the transmission system:**
 - a. From time to time, the Natural Gas Commission adopts resolutions that update the rates of the various transmission services.
 - b. According to the Natural Gas Commission's resolution of 3 January 2021 on criteria and rates for the purpose of operation of the transmission system in a flow control regime, the Commission determined that the costs in respect of unaccounted for gas (UFG) in the transmission system that derives from reasons that cannot be attributed to deficient operation of the transmission system, but rather to factors that can be neither prevented nor controlled, such as measurement timing, pressure differences and temperature differences, will be borne by the gas suppliers. The resolution further stipulates that UFG within the range of 0% and 0.5% (either positive or negative) is deemed to be within the reasonable range. The costs in respect of a reasonable UFG-T will be allocated equally between the gas suppliers and the gas consumers.
 - c. On 11 April 2024, the Natural Gas Commission released a hearing for public comment on reduction of the natural gas transmission tariff (in this section: the "**Hearing**"). Under the Hearing, it is proposed to reduce the capacity tariff for natural gas transmission on an uninterruptible basis by 12.9% and the natural gas transmission tariff by approx. 7.6% per MMBTU, from May 2024. On 16 May 2024, Chevron submitted its response to the Hearing on behalf of the Leviathan Partners, and on 4 June 2024, the Natural Gas Commission rendered Resolution No. 1/2024 on annual update of the uninterruptible transmission tariffs, which reduced the natural gas transmission capacity tariff by 12.9% and the natural gas piping tariff by ~7.6% per MMBTU, from July 2024.

6. **Natural Gas Commission resolution No. 3/2023 on funding and allocation of capacity in all export lines (in this section: the "Natural Gas Commission Resolution")**

On 9 August 2023, the Natural Gas Commission Resolution was released, the principles of which are as follows:

 - a) Capacity will be allocated to every exporter according to a percentage to be calculated in accordance with certain parameters, such as the exporter's annual production capacity and existing and prospective export volumes. According to the initial allocation, 54% of the total capacity for export will be allocated to the Leviathan reservoir, 33% to the Tamar reservoir and 13% to the Karish reservoir. For the avoidance of doubt, it is clarified that preexisting transmission agreements will not be adversely affected.
 - b) In the event that export infrastructure is built other than by the transmission license holder, the share of every exporter in such infrastructure will be taken into account as part of its allotted share for export.
 - c) The Commission shall reexamine and redetermine the allocation upon the occurrence of a significant event in the natural gas sector, the discovery of additional significant reserves, the entry of a new exporter, the construction of additional natural gas export infrastructure, or another material change in the natural gas sector as determined by the Commission.

G. Regulation (Cont.):

7. Natural Gas Commission resolution No. 3/2023 on funding and allocation of capacity in all export lines (in this section: the "Natural Gas Commission Resolution") (Cont.):

- d) The Commission may determine that use will be made of some or all of the export lines for the purpose of natural gas import in the event that it finds that there is need to supply domestic market demand.
- e) As concerns the Ramat Hovav-Nitzana line, it has been determined as follows:
 - 1) Capacity allocation between the existing exporters shall be on an equal basis, such that every existing exporter may request one third of the line's capacity and choose whether to use its allotted share. The remaining capacity of an exporter that opts not to use all or any of its allotted share will be divided equally between the other exporters, subject to the total allocation limit of every exporter.
 - 2) An exporter that funded the line will be entitled to reimbursement relative to its allotted share in respect of uses of the line by other parties during the term of the transmission agreement.
 - 3) An exporter that does not sign a transmission agreement within two months of receipt of the line allocation or fails to complete its share of the funding in accordance with the provisions of the transmission agreement, will be deemed as having waived its allotted share. Accordingly, the allotted share will be transferred to another exporter, and it will receive reimbursement for the costs it paid.
 - 4) The line construction costs (CAPEX) include the costs of the compressor and are estimated at approx. ILS 2 billion, and the time of construction is estimated at approx. 36 months. Of note, operation of the compressor is expected to impose high annual operating costs as compared with the operation of the rest of the national transmission system, which are estimated at approx. ILS 20 million per year, excluding the electricity costs entailed by operation of the compressors, which are borne by the exporters. For details with respect to the Nitzana line, see Note 5E2E above.
- f) As concerns the Jordan-North line, it has been determined that after the transfer of payment to the parties that funded its construction (the Marketing Company and INGL), an exporter may sign a transmission agreement for use thereof, according to the available quantity over and above the existing uninterruptible transmission agreements, as of 1 August 2023.
- g) Any exporter's uninterruptible transmission agreements for the Ramat Hovav-Nitzana line and the Jordan-North line shall not exceed 70% of the allotted share of that exporter in that line, with the remaining capacity kept for interruptible piping.
- h) The actual cost of funding the line, and the resulting cost of use per MMBTU, will be determined by the Director General of the Natural Gas Authority after construction of the export line is completed.
- i) In the event of discovery of a new natural gas reservoir from which it is intended to export natural gas, the new exporter will receive its full allotted share in the Ramat Hovav-Nitzana line and the balance of its allotted share in the Jordan-North line, provided that its allotted share does not exceed 20% of the capacity of each line. Such allocation shall be carried out at the expense of the interruptible transmission agreements and subject to a transmission agreement being signed within 24 months before the commencement of piping through the line.

G. Regulation (Cont.):

7. Natural Gas Commission resolution No. 3/2023 on funding and allocation of capacity in all export lines (in this section: the "Natural Gas Commission Resolution") (Cont.):

j) An export mechanism by way of secondary trade will be available through interruptible transmission agreements, at up to 5% of the capacity of any export line.

In June 2024 and November 2024, the Leviathan Partners authorized additional preliminary budgets for the Nitzana Project of approx. \$4.2 million and approx. \$1.3 million (100%), respectively, such that by the date of approval of the financial statements, a preliminary budget totaling approx. \$20 million (100%) has been approved, before the undertaking to contribute to the funding of the project, in accordance with the Natural Gas Commission Resolution, and before the Leviathan partners' signing of the transmission and construction agreement with INGL in connection with the Nitzana Project. As of the date of approval of the financial statements, the Leviathan Partners are in negotiations with INGL for the signing of an agreement as aforesaid, which, due to the gaps between the parties, have not yet matured into an agreement. In this context, it is noted that according to up-to-date assessments by INGL, as confirmed by the Natural Gas Authority, the total cost of the Nitzana Project is estimated at approx. \$585 million (100%, the Leviathan Partners' share – approx. \$292.5 million (50% of the project), the Partnership's share – approx. \$133 million)⁷. In addition and following the delays in finalization of the negotiations with INGL as aforesaid, the Leviathan Partners have started an initial examination of alternative projects for the construction of transmission infrastructure for export to Egypt.

Further to previous letters by the Natural Gas Commission, in its letter of 15 January 2025 to the Leviathan Partners regarding the allocation of capacity in the Ramat Hovav-Nitzana line, the Natural Gas Commission renotified the Leviathan Partners that their allotted share in the Ramat Hovav-Nitzana export line is 33.33%. The letter also states that, pursuant to the resolution, the Leviathan Partners are required to sign a transmission agreement with INGL by 14 March 2025, on the conditions stipulated by the Gas Authority in its aforesaid letter, and that an exporter that does not sign a transmission agreement with INGL by such date will be deemed as having waived its allotted line capacity and the capacity that will be made available will be offered to the other exporters as set out in the resolution.

Further thereto, on 5 March 2025 INGL delivered an updated draft agreement to the Leviathan partners, but in view of the said gaps, and particularly in reference to the total budget framework for the project, the Partnership estimates that it will not be possible to sign the said agreement at such time. It is clarified that as of the date of approval of the financial statements, there is no certainty with respect to participation in the Nitzana Project or in such alternative project by the Leviathan Partners.

⁷ The allocation rate of the Leviathan project out of the prospective export capacity of the Nitzana Line project is based on the assumption that the capacity will be allocated between the Leviathan Partners and the Tamar partners on an equal basis.

Note 5 – Contingent Liabilities, Engagements and Pledges (Cont.):

G. Regulation (Cont.):

8. Draft policy document with respect to the decommissioning of offshore exploration and production infrastructures:

On 2 May 2023, the Ministry of Energy published for public comment a draft policy document that specifies general principles with respect to the decommissioning of offshore oil and natural gas exploration and production infrastructures, without derogating from the provisions of law applicable to this issue and from the provisions of the lease deeds and operation authorizations. The draft policy document specifies, *inter alia*, rules, criteria and timeframes for the decommissioning of wells and production facilities as well as the abandonment of no-longer used subsea infrastructures and pipelines, *inter alia*, according to the location of such installations in the deep sea, on the seabed or under the seabed. According to the Partnership's preliminary assessment, insofar as the stringent requirements of the draft policy document are approved, costs of decommissioning of the Partnership's assets are expected to increase.

9. Permits and licenses for project facilities:

In the context of the Leviathan project Phase 1A development plan, 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 required, *inter alia*, to submit guarantees as provided in Note 5C5 above. In February 2017, the Minister of Energy granted Leviathan Transmission System a license for 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.

H. Reimbursement of indirect expenses to project operators:

The Partnership's operations in the Ratio-Yam is carried out by Chevron. Under the joint operation agreement (in this section: the "JOA") in such joint venture and licenses, it was agreed that Chevron would serve as operators and be exclusively responsible for the management of the joint operations. According to the rules of accounting specified in the JOAs, Chevron is entitled to reimbursement of all direct expenses incurred thereby in connection with the discharge of its duties as operator as well as a rate of 1% to 4% in respect of exploration expenses, with the rate of payment to the operator decreasing as exploration expenses increase, and additionally, to a rate of 1% of all the direct development and operating expenses, as defined in the JOA, subject to certain exceptions.

Note 6 - Oil and Gas Profit Levy and Taxes

A. 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 has occurred in the tax regime that applies to the Partnership, such that it is 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 in the Partnership are 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).

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 31 December 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 Levy Law (in this section: the "**Law**") i.e. the Partnership's taxable income and the losses for tax purposes were attributed to the unit holders who are "eligible holders", as defined in the Participation Unit Regulations, according to the proportion of their holdings in the Partnership. An "eligible holder" was defined in the Participation Unit Regulations as anyone holding participation units at the end of December 31 of the tax year. According to Section 19 of the Law ("**Section 19**"), for the purposes of 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 its losses.

Because the partners bear the tax consequences of the Partnership's revenues and expenses, the financial statements did not include current taxes on income.

3. According to the provisions of Section 19, the General Partner is obligated to submit to the Tax Assessor a report on the Partnership's taxable income and pay the tax deriving therefrom (see below in the section), on account of the tax owed by the partners in the Partnership in the tax year for which the report was submitted (i.e., on account of the tax owed by the holders of the participation units, on 31 December of each tax year), according to the rate of the share of the Partnership of the eligible holders which are bodies corporate (according to the corporate tax rate) and the rate of the share of the Partnership of the eligible holders who are individuals (according to a maximum marginal tax rate). The General Partner is liable for advance tax payments calculated according to the tax rates applicable to companies (in 2019 to 2021 – 23%). See Section 1 above as to the change in the tax regulations as of 2022 applicable to the Partnership, according to which the Partnership is taxed at the corporate tax rate of 23%.

Note 6 - Oil and Gas Profit Levy and Taxes

B. Taxation of Profits from Natural Resources Law, 5771-2011:

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

The Law's main provisions are as follows:

- 1) The introduction of an oil and gas profits levy at a rate to be determined as stated below: The rate of the levy will be calculated according to a proposed R-factor mechanism, according to the ratio between the net aggregate revenues from the project and the aggregate investments as defined in the Law. A minimum levy of 20% will be collected commencing from the point when the R-factor ratio reaches 1.5, and 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 2024, the maximum levy 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") 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 10 April 2011 and include transition provisions with respect to ventures that began commercial production by 1 January 2014.

- a) A venture, the date of commencement of commercial production from which occurred before the commencement date, will be subject to the provisions of this Law with the following changes:
 - (1) If a levy payment duty applies with respect to such venture in the tax year which the commencement date occurs, the rate of the levy in such tax year will be half of the rate of the levy that would have been imposed on the petroleum profits if not for the provisions of this paragraph and no more than 10%;
 - (2) In the event that the levy coefficient in the tax year in which the commencement date occurs exceeds 1.5, rules were set for the manner of calculation of the levy coefficient in each tax year thereafter;
 - (3) The rate of the levy which will be imposed on the petroleum profits of the venture in each of the tax years 2012 to 2015 will be equal to half the rate of the levy that would have been imposed on the petroleum profits as aforesaid, if not for the provisions of this paragraph.

Note 6 – Oil and Gas Profit Levy and Taxes

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

- b) A venture with respect to which the commercial production commencement date occurs in the period between the commencement date and 1 January 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%.
- 1) The Law includes provisions regarding the taxation of petroleum partnerships as of 2011 – see Paragraph A above.
 - 2) 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.
 - 3) On 10 November 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 Tax Assessor 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.
 - 4) Disputes have emerged between the TALE and the holders of interests 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 TALE and the holders of the interests 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 with regards to the implementation of the provisions of the Law in the levy reports of the Leviathan Leases, including pertaining to recognition of payments borne by the holders of the interests in the leases in order to allow for the feasibility of export of natural gas to Egypt. An administrative objection to the assessment to the best of judgment was submitted to the TALE in March 2022. On 23 October 2022, an appeal was filed with the Tel Aviv District Court in respect of a levy assessment order for 2019, which was served on the Leviathan Partners in September 2022, and on 15 March 2022, the TALE's grounds for the assessment in the said appeal were received. According to the court's decision, notice of the grounds for the appeal was filed on 8 May 2024, and further thereto the court scheduled a pretrial hearing for 17 March 2025. On 6 January 2022, a Leviathan lease levy report for 2020 was submitted to the Tax Authority and on 31 December 2023 an assessment to the best of judgment was received from the Tax Authority pursuant to Section 14(B)(2) of the Law. 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 Tax Assessor'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.

Note 6 - Oil and Gas Profit Levy and Taxes

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

In addition, the interest holders in the Leviathan venture have 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 7 - 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 8 - 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 9 - Material Subsequent Events:

- A. See Note 4D for details regarding a reserves and contingent resources report in the Leviathan Leases.
- B. For details about the submission of an updated development plan for the Leviathan reservoir at an annual scale of ~23 BCM, see Note 4C3.
- C. For details about the court's approval of the agreed motion for remunerated withdrawal from a motion for class action certification, see Note 5D1.
- D. For details about the entry into effect of agreements in connection with contribution to the funding of an upgrade of the system for transmission to Egypt and the gas transmission, see Note 5E2(c).