



Tamar Petroleum Ltd.

**Financial Statements
as of March 31, 2019**

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This report is a translation of Tamar Petroleum Ltd.'s Hebrew-language Update to the Description of the Company's Business, and is prepared solely for convenience purposes. Please note that the Hebrew version constitutes the binding version, and in the event of any discrepancy, the Hebrew version shall prevail.

Tamar Petroleum Ltd. ("the Company")¹ Update to Chapter A –Description of the Company's Business To the 2018 Annual Report

1. Section 4 to the Annual Report - distribution of earnings

On April 7, 2019, the Company's Board decided to distribute earnings totaling approximately \$ 30 million (approximately \$ 0.339 per share). The earnings were distributed on May 2, 2019. See more details of the distribution in an immediate report of April 7, 2019 (TASE reference: 2019-01-031734) hereby included by way of reference.

2. Section 7.2 to the Annual Report - Tamar project production

See details of the renewal of natural gas production from the Tamar reservoir after the temporary shutdown ordered by the Minister of Energy due to circumstances relating to national security in an immediate report of May 6, 2019 (TASE reference: 2019-01-039048) hereby included by way of reference. On May 7, 2019, the transmission of natural gas from the reservoir was restored at full capacity.

3. Section 7.2.8 to the Annual Report - Tamar SW reservoir development

See details of the mediation agreement signed between the partners of the Eran license (Delek Drilling - Limited Partnership ("**Delek Drilling**"), Noble Energy Mediterranean Ltd. ("**Noble**") and Ratio Oil Explorations (1992) - Limited Partnership ("**Ratio**")) prior to its expiration and the State which was granted court verdict status in Note 4d to the condensed interim financial statements as of March 31, 2019 included in this Report.

4. Section 7.2.15(a) to the Annual Report - production reserves in the Tamar project

The following table presents the Tamar project's natural gas and condensate production inputs in Q1 2019²:

		Natural gas	Condensate
Total production (attributed to equity holders of the Company) in the period (in MMCF of natural gas and thousands of barrels of condensate)		15,608	20.12
Average price per production unit (attributed to equity holders of the Company) (in USD per MCF and per barrel)		5.61	58.24
Average royalties (each payment derived from the producing asset's production, including gross revenue from the oil asset) paid per production unit (attributed to equity holders of the Company) (in USD per MCF and per barrel)	The State	0.62	6.44
	Third parties	0.05	0.57
	Interested parties	0.22	2.26

¹ The update includes material changes or developments which occurred in the Company's business affairs from the date of publication of the Annual Report for 2018 on March 22, 2019 (TASE reference: 2019-01-023940) ("**the Annual Report**") through the date of this Report regarding all matters that require disclosure in the Annual Report. The update refers to the numbers of the items as they are presented in Chapter A (Description of the Company's Business) in the Annual Report.

² The percentage attributed to the Company's equity holders at the average price per production unit, in royalties, production costs and net receipts, rounded up to two digits after the decimal point.

	Natural gas	Condensate
Average production costs per production unit (attributed to equity holders of the Company) (in USD per MCF and per barrel) ³	0.48	2.66
Average net receipts per production unit (attributed to equity holders of the Company) (in USD per MCF and per barrel)	4.24	46.31

5. **Section 7.4.4(c)(3) to the Annual Report - natural gas supply agreements - information of all agreements by Tamar partners for the sale of natural gas to the domestic market**

In keeping with the signing of an amendment to the agreement with Dalia Energy Ltd., all the conditions precedent underlying the execution of the amendment have been met.

6. **Section 7.4.4(d) to the Annual Report - natural gas supply agreements - natural gas supply agreement between Tamar partners and the IEC**

On April 4, 2019, the Tamar project partners⁴ were notified by the IEC that their proposal submitted in response to the IEC's RFP had not been accepted by the IEC. The Company and other partners in the Tamar project⁵ applied to the IEC for receiving all the documents pertaining to the tender in order to study their next steps and also demanded that the tender results be suspended for a period of at least 14 days after said documents are produced.

On April 18, 2019, the Company and other partners in the Tamar project filed an administrative petition against the IEC, Delek Drilling, Noble and Ratio (the last three collectively - "**the Leviathan partners**"; the IEC and the Leviathan partners collectively - "**the respondents**") in which the Court is asked to disqualify and reverse the decision made by the IEC's tenders committee ("**the Committee**") on April 4, 2019 to award the contract to the Leviathan partners on the grounds that said decision is illegal, inequitable and undermines basic principles underlying tender laws. Alternatively, the petitioners are asking the Court to order the Committee to reexamine the decision and consider other options as detailed in the petition. Also, alternatively, the Court is asked to order the cancellation of the tender due to a serious flaw in the tender process. Concurrently with the filing of the petition, a motion for interim order was filed with the Court to prohibit the respondents from taking any action for promoting or executing the tender results until the Court renders a decision in the petition.

On May 6, 2019, the respondents filed their response to the motion for issuing an interim order and on May 14, 2019, the petitioners filed their counter response. The Leviathan partners and the IEC filed a response to the petition on May 19, 2019 and May 20, 2019, respectively, and a hearing in the motion for issuing an interim order and a pretrial hearing in the petition was scheduled for June 3, 2019.

Insofar as the Committee retains its previous decision, the Company estimates that based on the quantities underlying said tender, it could have a material adverse effect on the Company's revenues and profits in 2020-2021.

7. **Section 7.10 to the Annual Report - human capital**

On April 1, 2019, Mr. Bar Zagury, CPA, began his service as the Company's controller.

8. **Section 7.13.5 to the Annual Report - financing - financial covenants**

For details of the financial covenants which the Company has undertaken to meet in the context of the issue of bonds (Series A and B), see Part 4 of the Board of Directors' Report for the period of three months ended March 31, 2019 hereby attached.

³ Please note that the average production costs per production unit only include current production costs and exclude the reservoir's exploration and development costs.

⁴ Delek Drilling; Noble; Isramco Negev 2 Limited Partnership; the Company; Dor Gas Exploration Limited Partnership; Everest Infrastructures Limited Partnership.

⁵ Isramco Negev 2 Limited Partnership; Dor Gas Exploration Limited Partnership; Everest Infrastructures Limited Partnership.

9. **Section 7.18 to the Annual Report - calculation and payment of royalties from the Tamar project to the State**

For details of a letter received from the Ministry of Energy in connection with the update of royalty prepayments paid by the Company to the State in 2019, see Note 4c to the condensed interim financial statement as of March 31, 2019 hereby attached.

10. **Section 7.19.2(d)-(e) to the Annual Report - royalties to interested parties and third parties in respect of the interests transferred to the Company by Delek Drilling - the Delek Group royalties**

10.1 On April 21, 2019, the Company's legal representatives applied to the legal representatives of Delek Group Ltd., Delek Energy Systems Ltd. and Delek Royalties (2012) Ltd. (collectively - "the royalty holders") in a letter which states that the Company is interested in having an agreed arbitrator resolve the dispute on the date of return of the investment based on the provisions of the agreement which grants the royalty holders the right to royalties. As of the date of approval of this Report, the parties are holding negotiations on the appointment of such arbitrator.

10.2 In keeping with the matters discussed in paragraph 7.19.2(e) to the Annual Report regarding a letter of claim and urgent motion for issuing a temporary injunction filed by the supervisors in Delek Drilling against Delek Drilling, the general partner in Delek Drilling and the royalty holders, on April 4, 2019, the royalty holders submitted a letter of defense in the supervisors' claim and a counterclaim against Delek Drilling, the general partner in Delek Drilling and the supervisors in which the royalty holders argue, among others, that the calculation of the date of return of the investment in the Tamar project prepared by Delek Drilling included the allocation of Delek Drilling's own finance expenses as well as installation retirement costs, Delek Drilling's HQ costs and post-wellhead expenses. The royalty holders argue that after neutralizing the above expenses and costs, the date of return of the investment in the Tamar project is either August 2015 or in 2016, or alternatively in 2017. Accordingly, the royalty holders have asked the Court among others to declare which expenses should be taken into account in calculating the date of return of the investment and order Delek Drilling to recalculate both the date of return of the investment based on the royalty holders' arguments and the actual royalties payable to the royalty holders.

11. **Section 7.21 to the Annual Report - legal proceedings**

11.1 In keeping with the matters discussed in paragraph 7.21.1 to the Annual Report regarding a claim and a motion for class certification filed with the Tel-Aviv District Court by an IEC consumer against the Tamar partners on June 18, 2014, it should be noted that based on the Court's decision of March 25, 2019, the date for submitting summations by the Tamar partners is in July 2019.

11.2 In keeping with the matters discussed in paragraph 7.21.2 to the Annual Report regarding a petition filed in accordance with Section 198A to the Companies Law, 5759-1999 for disclosure and inspection of documents in connection with the payment of royalties to the royalty holders, on April 11, 2019, the petitioner responded to the Company's response to the petition for disclosure and inspection of documents and on April 16, 2019, the Company submitted its response to the petitioner's motion for dismissal in limine. On May 2, 2019, a hearing was held at the District Court before the Honorable Justice Khaled Kabub who ruled that in view of the Company's application to the royalty holders for settling the issue of the Sheshinski levy in an arbitration proceeding, at this stage, the hearing will be suspended and the Company will submit an updated notice of all the developments in said arbitration proceeding which might render the petition for disclosure and inspection of documents unnecessary by July 28, 2019.

- 11.3 In keeping with the matters discussed in paragraph 7.21.3 to the Annual Report regarding a claim and motion for class certification filed with the Tel-Aviv District Court (the Economic Department) by a shareholder in the Company and the Public Representatives Association against the Company, Delek Drilling, the CEO of the general partner in Delek Drilling (the former Chairman of the Company's Board), the Company's CEO, the Company's CFO and Leader Issues (1993) Ltd. (collectively - "**the respondents**") in connection with a share offering of the Company in July 2017, the respondents are required to submit their responses by June 2019.
- 11.4 In keeping with the matters discussed in paragraph 7.21.4 to the Annual Report, on March 25, 2019, the Tamar partners notified the Minister of Energy of the withdrawal of their appeal to the Petroleum Commissioner's decision to reject the Tamar SW reservoir development plan.

This report is a translation of Tamar Petroleum Ltd.'s Hebrew-language Board of Directors' Report, prepared solely for convenience purposes. Please note that the Hebrew version is the binding version, and in the event of any discrepancy, the Hebrew version shall prevail.

Tamar Petroleum Ltd.

Board of Directors' Report **For the period ended March 31, 2019**

The Board of Directors of Tamar Petroleum Ltd. ("**the Company**") is hereby pleased to present the Board of Directors' Report for the period of three months ended March 31, 2019 ("**the Reporting Period**").

Part One – Board of Directors' Explanations on the State of the Corporation's Affairs

1. General

The Company is engaged in the sale of natural gas produced from the Tamar reservoir, which is located in the area of the I/12 Tamar Lease ("**Tamar Lease**" and "**Tamar project**," respectively) to various customers, primarily to the Israel Electric Corporation Ltd. ("**the IEC**"), as well as to industrial customers, IPPs and natural gas marketing companies. The Company is also engaged in the sale of condensate produced from the Tamar project and in the promotion of the expansion of the Tamar project production system.

As of the reporting date, the Company holds 16.75% of the rights in the Tamar Lease and the I/13 Dalit Lease (collectively - "**the Leases**").

2. Operating results

Analysis of statements of comprehensive income

Below are main figures from the Company's statements of comprehensive income, in U.S. Dollars in thousands:

	Three months ended		Year ended
	March 31,		December 31,
	2019	2018 *	2018
	Unaudited		Audited
Revenues from sale of gas and condensate	88,811	50,536	311,273
Less royalties	14,135	9,496	49,691
Net revenues	74,676	41,040	261,582
Costs and expenses:			
Cost of production of natural gas and condensate	7,639	3,721	21,897
Depreciation, depletion and amortization expenses	12,415	5,377	44,466
General and administrative expenses	983	730	2,661
Total costs and expenses	21,037	9,828	69,024
Operating income	53,639	31,212	192,558
Finance expenses	(15,397)	(9,515)	(58,293)
Finance income	977	179	1,832
Finance expenses, net	(14,420)	(9,336)	(56,461)
Income before taxes on income	39,219	21,876	136,097
Taxes on income	(6,498)	(6,462)	(37,279)
Total comprehensive income for the period	32,721	15,414	98,818
Gas sales in BCM¹	2.6	2.4	10.3
Condensate sales in thousands of barrels²	120	109	477

* The results of the first quarter of 2018 include the operating results attributed to the 7.5% (of 100%) working interests of the Leases acquired by the Company from Noble ("**the rights acquired form Noble**") effective from March 14, 2018.

¹ The data relate to natural gas sales (100%) from the Tamar project, rounded up to the nearest BCM tenth.

² The data relate to condensate sales (100%) from the Tamar project, rounded up to thousands of barrels.

Net revenues in the Reporting Period amounted to approximately \$ 74.7 million, compared with approximately \$ 41 million in the corresponding period of last year, an increase of about 82.2%. The increase in net revenues in the Reporting Period compared to the corresponding period of last year mainly arises from an increase of approximately \$ 28.3 million in revenues less royalties originating from the increase in working interests owing to the rights acquired from Noble. The remaining increase of approximately \$ 5.4 million in net revenues mainly derives from an increase of about 10% in natural gas and condensate quantities sold in the Tamar project in the Reporting Period.

The cost of production of natural gas and condensate mainly includes management and operating expenses of the Tamar project, which comprise, inter alia, expenses of shipping and transportation, payroll, consulting, maintenance and insurance. The cost of natural gas and condensate production in the Reporting Period amounted to approximately \$ 7.6 million compared with approximately \$ 3.7 million in the corresponding period of last year. The main increase of approximately \$ 2.7 million is a result of the rights acquired from Noble and an increase of approximately \$ 1.2 million is mainly a result of increased maintenance expenses.

Depreciation, depletion and amortization expenses in the Reporting Period amounted to approximately \$ 12.4 million, compared with approximately \$ 5.4 million in the corresponding period of 2018. The main increase of approximately \$ 6.4 million arises from depreciation expenses on the rights acquired from Noble.

General and administrative expenses in the Reporting Period amounted to approximately \$ 1 million, compared with approximately \$ 0.7 million in the corresponding period of 2018, consisting mainly of expenses in respect of professional services, payroll and general expenses. The increase is mainly a result of the increase in expenses in respect of professional services.

Net finance expenses in the Reporting Period amounted to approximately \$ 14.4 million, compared with approximately \$ 9.3 million in the corresponding period of last year. The increase in net finance expenses in the Reporting Period mainly arises from an increase of approximately \$ 6 million in finance expenses in respect of bonds (Series B) issued in March 2018, partly offset by the increase in interest income in a total of approximately \$ 0.6 million.

Taxes on income in the Reporting Period amounted to approximately \$ 6.5 million, similarly to the corresponding period of 2018. The tax expenses in the Reporting Period are net of the offsetting effect of a reduction of approximately \$ 2.4 million in tax expenses arising from the difference between the measurement basis of revenues as reported for tax purposes (in NIS) and the measurement basis as reported in the financial statements (in USD). In the corresponding period of last year, the difference between the measurement basis of revenues as reported for tax purposes and the measurement basis as reported in the financial statements increased tax expenses by approximately \$ 1.5 million.

3. Financial position, liquidity and financial resources

a. Financial position

Following are details of the main changes in the items of the statement of financial position as of March 31, 2019 compared with the statement of financial position as of December 31, 2018:

Total statement of financial position as of March 31, 2019 amounted to approximately \$ 1,286 million compared with a total of approximately \$ 1,317 million as of December 31, 2018.

Current assets as of March 31, 2019 amounted to approximately \$ 102.5 million compared with approximately \$ 130.1 million as of December 31, 2018. The change is mainly attributable to the following factors:

- (1) **Cash and cash equivalents** as of March 31, 2019 amounted to approximately \$ 61.6 million compared with approximately \$ 86.9 million as of December 31, 2018. The decrease is mainly a result of the payment of principal and interest on bonds (Series A and B) totaling approximately \$ 79.1 million, which was partly offset by the increase of approximately \$ 55.9 million in cash flows from operating activities.
- (2) **Trade receivables** as of March 31, 2019 amounted to approximately \$ 38.1 million compared with approximately \$ 33.4 million as of December 31, 2018. The increase in trade receivables is mainly a result of the growth in sales in March 2019 compared with the sales of December 2018.
- (3) **Other accounts receivable** as of March 31, 2019 amounted to approximately \$ 2.8 million compared with approximately \$ 9.8 million as of December 31, 2018. The decrease is mainly due to the decrease in a debit balance with the Israeli income tax authorities in a total of approximately \$ 7.1 million.

Non-current assets amounted to approximately \$ 1,183.5 million as of March 31, 2019, compared to approximately \$ 1,186.6 million as of December 31, 2018. The change is mainly attributable to the following factors:

- (1) **Investments in oil and gas assets** as of March 31, 2019 amounted to approximately \$ 1,030.5 million compared with approximately \$ 1,040.6 million as of December 31, 2018. The increase mainly arises from depreciation, depletion and amortization expenses from the Tamar project totaling approximately \$ 12.4 million, partly offset by the increase of approximately \$ 2.3 million in investments.
- (2) **Deferred taxes** as of March 31, 2019 amounted to approximately \$ 104.8 million compared with approximately \$ 98.4 million as of December 31, 2018. The increase is a result of deferred tax income in the Reporting Period totaling approximately \$ 6.4 million, mainly caused by the effect of the exchange rate on the difference between the measurement basis of oil and gas assets in the books (USD) and their measurement basis for tax purposes (NIS).

Current liabilities as of March 31, 2019 amounted to approximately \$ 111.5 million compared with approximately \$ 124.4 million as of December 31, 2018. The change is mainly attributable to the following factors:

- (1) **Accounts payable** amounted to approximately \$ 14.7 million as of March 31, 2019 compared with approximately \$ 29.1 million as of December 31, 2018. The decrease is mainly a result of a decrease in accrued interest payable to holders of bonds (Series A and B) totaling approximately \$ 14.1 million.
- (2) **Income taxes payable** - as of March 31, 2019 totaled approximately \$ 0.8 million. As of December 31, 2018, the Company had no income taxes payable.

Non-current liabilities as of March 31, 2019 amounted to approximately \$ 1,002.3 million compared with approximately \$ 1,052.9 million as of December 31, 2018. The change is mainly attributable to bonds, less current maturities, as detailed below:

Bonds less current maturities amounted to approximately \$ 981.8 million as of March 31, 2019 compared with approximately \$ 1,032.3 million as of December 31, 2018. The decrease stems from the repayment of bond principal (Series A and B) in a total of approximately \$ 51.5 million and an increase of approximately \$ 0.7 million in current maturities, partly offset by the discount and reduction of issue expenses in the amount of approximately \$ 1.7 million.

The Company's equity as of March 31, 2019 amounted to approximately \$ 172.1 million compared to approximately \$ 139.4 million as of December 31, 2018. The increase in derives from the comprehensive income of approximately \$ 32.7 million in the Reporting Period.

b. **Cash flows**

Net cash flows provided by operating activities in the Reporting Period amounted to approximately \$ 55.9 million, compared with approximately \$ 30 million in the corresponding period of last year. The increase is mainly a result of operating activities originating from the rights acquired from Noble.

Net cash flows used in investing activities in the Reporting Period amounted to approximately \$ 2.1 million, compared with approximately \$ 505.5 million in the corresponding period of last year. The decrease is mainly a result of the cost of the rights acquired from Noble in a total of approximately \$ 491.1 million paid in cash and a decrease of approximately \$ 13.9 million in investments in restricted deposits.

Net cash flows provided by financing activities in the Reporting Period amounted to approximately \$ 79.1 million, including approximately \$ 51.5 million from the repayment of bonds (Series A and B) and approximately \$ 27.6 million from payment of interest on bonds (Series A and B). Net cash flows provided by financing activities in the corresponding period of 2018 amounted to approximately \$ 494 million and mostly consisted of net proceeds of approximately \$ 514.3 million from the issue of bonds against approximately \$ 19.5 million from the payment of interest.

The balance of cash and cash equivalents as of March 31, 2019 amounted to approximately \$ 61.6 million.

c. **Working capital deficiency**

As of March 31, 2019, the Company has a working capital deficiency of approximately \$ 9 million. Based on the Company's Board's examination of the facts underlying the deficiency, the above deficiency is not indicative of any liquidity difficulty in view of the Company's expected estimated cash flows for the period of 12 months from March 31, 2019.

Part Two – Disclosure in Connection with the Company's Financial Reporting

Events after the date of the condensed interim statement of financial position

- a. On April 4, 2019, the Tamar partners were notified by the IEC that their proposal had been rejected by the IEC. See details of an administrative petition filed on April 18, 2019 by the Company and other partners in the Tamar project against the IEC, Delek Drilling, Noble and Ratio in paragraph 6 to Chapter A - Update to the Description of the Company's Business hereby attached.
- b. See details of the developments in the mediation proceeding in the Eran license case in Note 4d to the condensed interim financial statements hereby attached.
- c. See details of a dividend distribution in May 2019 in Note 4e to the condensed interim financial statements hereby attached.

Part Three – Details of the Status of the Company's Liabilities

Simultaneously with the publication of this interim report, the Company publishes an immediate report on the status of its liabilities based on their amortization schedule.

Part Four – Details of Bonds Issued by the Company (NIS in thousands)

<u>Details</u>	<u>Series A</u>	<u>Series B</u>
Is the series material?	Yes	Yes
Par value on issuance date	2,315,668	1,940,113
Issuance date	July 9, 2017	March 13, 2018
Par value as of March 31, 2019	2,154,552	1,784,692
Linked par value as of March 31, 2019	2,221,843	1,873,952
Carrying amount in the Company's books as of March 31, 2019	2,195,050	1,719,280
Quoted market price as of March 31, 2019	2,118,786	1,775,411
Amount of accrued interest as of March 31, 2019	8,850	7,464
Annual fixed interest rate	4.69%	4.69%
Principal payment dates	See <u>Annex A</u> to this Report	See <u>Annex B</u> to this Report
Interest payment dates	Semiannual payments, on February 28 and August 30 of each of the years 2018 to 2028, from February 28, 2018 to August 30, 2028 (inclusive)	Semiannual payments, on February 28 and August 30 of each of the years 2018 to 2028, from August 30, 2018 to August 30, 2028 (inclusive)
Linkage basis, base rate (principal and interest)	Linked to the USD; base rate – \$ 1=NIS 3.522	Linked to the USD; base rate – \$ 1=NIS 3.459
Conversion right	None	None

Bonds	Series A	Series B
Early repayment right	<ul style="list-style-type: none"> Regarding early redemption of the bonds initiated by the Stock Exchange, see Section 9.1 of the indenture attached as Annex A to the supplementary notice released on July 6, 2017 (TASE reference: 2017-01-057724) ("the Series A Indenture"). Regarding the right for full or partial early redemption of the bonds initiated by the Company, see Section 9.2 of the Series A Indenture. Regarding the obligation for early redemption of the bonds, see Section 9.3 of the Series A Indenture. 	<ul style="list-style-type: none"> Regarding early redemption of the bonds initiated by the Stock Exchange, see Section 9.1 of the indenture attached as Annex A to the shelf offering report dated March 12, 2018 (TASE reference: 2018-01-019125) ("the Series B Indenture"). Regarding the right for full or partial early redemption of the bonds initiated by the Company, see Section 9.2 of the Series B Indenture. Regarding the obligation for early redemption of the bonds, see Section 9.3 of the Series B Indenture.
Guarantee for payment of the liability	None	None
Name of trustee	Strauss Lazer, Trust Company (1992) Ltd.	Strauss Lazer, Trust Company (1992) Ltd.
Name of responsible person at the trust company	Ori Lazer, CPA and Adv.	Ori Lazer, CPA and Adv.
Address and email of the trustee	NIP Tower, 17 Yitzhak Sadeh St., Tel Aviv 677775 ori@slcpa.co.il	NIP Tower, 17 Yitzhak Sadeh St., Tel Aviv 677775 ori@slcpa.co.il
Name of company rating the bonds	Midroog Ltd.	Midroog Ltd.
Rating as of the issuance date	A1.il	A1.il
Ratings from the issuance date and rating as of the report date ³	A1.il	A1.il

³ The bonds (Series A) were rated on June 25, 2017, July 2, 2017, July 5, 2017, July 12, 2017, February 20, 2018, March 12, 2018 and March 13, 2019; the bonds (Series B) were rated on February 20, 2018, March 12, 2018 and March 13, 2019. For details see the Company's immediate report dated March 13, 2019 (TASE reference: 2019-01-020919), the contents of which are included herein by reference.

Bonds	Series A	Series B
Has the Company complied with all the conditions and obligations under the Indenture throughout the Reporting Period until March 31, 2019?	Yes	Yes
Have conditions establishing grounds for acceleration of the bonds or enforcement of collateral given to secure the payment to the bondholders been fulfilled?	No	No
Pledges for securing the bonds	See Part Five to the Board of Directors' Report as of December 31, 2018	See Part Five to the Board of Directors' Report as of December 31, 2018
Financial covenants as of March 31, 2019	<ul style="list-style-type: none"> • Equity (including minority interests) net of capital reserve and with the addition of loans subordinated to the rights of the bondholders (as specified in Section 5.10.1 of the Series A Indenture) – about \$ 881 million⁴ • Expected debt service coverage ratio for the examination period (as defined in Section 5.10.2 of the Series A Indenture) (for the 12 months beginning July 1, 2019) – 1.46⁵ • Economic equity (as defined in Section 5.10.3 of the Series A Indenture) – about \$ 893 million⁶ 	<ul style="list-style-type: none"> • Equity (including minority interests) net of capital reserve and with the addition of loans subordinated to the rights of the bondholders (as specified in Section 5.10.1 of the Series B Indenture) – about \$ 881 million⁷ • Expected debt service coverage ratio for the examination period (as defined in Section 5.10.2 of the Series B Indenture) (for the 12 months beginning July 1, 2019) – 1.46⁸ • Economic equity (as defined in Section 5.10.3 of the Series B Indenture) – about \$ 893 million⁹

⁴ According to the terms of the Series A Indenture, said equity may be no less than \$ 250 million.

⁵ According to the terms of the Series A Indenture, said ratio will be no less than 1.05. See details in Note 4f(1) to the condensed interim financial statements hereby attached.

⁶ According to the terms of the Series A Indenture, said economic equity may be no less than \$ 250 million during two consecutive quarters.

⁷ According to the terms of the Series B Indenture, said equity may be no less than \$ 350 million.

⁸ According to the terms of the Series B Indenture, said ratio may be no less than 1.05. See details in Note 4f(1) to the condensed interim financial statements hereby attached.

⁹ According to the terms of the Series B Indenture, said economic equity may be no less than \$ 350 million during two consecutive quarters.

Additional Information

The Board of Directors expresses its appreciation to the Company's Management and personnel for their dedicated work and significant contribution to the advancement of the Company's business.

Sincerely,

Ran Efrati
Chairman of the Board

Liami Vaisman
CEO

Tamar Petroleum Ltd.

Annex A
Amortization Schedule of Bonds (Series A)

Payment Date	Percentage of Principal Paid
30/08/2018	1.932%
28/02/2019	3.954%
30/08/2019	3.992%
28/02/2020	4.130%
30/08/2020	3.940%
28/02/2021	4.053%
30/08/2021	3.019%
28/02/2022	3.142%
30/08/2022	2.018%
28/02/2023	2.111%
30/08/2023	2.532%
28/02/2024	2.636%
30/08/2024	2.432%
28/02/2025	2.520%
30/08/2025	2.828%
28/02/2026	2.944%
30/08/2026	2.984%
28/02/2027	3.106%
30/08/2027	3.175%
28/02/2028	3.304%
30/08/2028	39.248%
Total	100.00%

Annex B
Amortization Schedule of Bonds (Series B)

Payment Date	Percentage of Principal Paid
30/08/2018	3.256%
28/02/2019	4.609%
30/08/2019	4.349%
28/02/2020	4.513%
30/08/2020	2.845%
28/02/2021	1.611%
30/08/2021	4.328%
28/02/2022	1.289%
30/08/2022	3.040%
28/02/2023	2.692%
30/08/2023	2.389%
28/02/2024	2.167%
30/08/2024	2.502%
28/02/2025	2.410%
30/08/2025	2.473%
28/02/2026	1.998%
30/08/2026	1.901%
28/02/2027	1.651%
30/08/2027	1.834%
28/02/2028	1.764%
30/08/2028	46.379%
Total	100.00%

TAMAR PETROLEUM LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

AS OF MARCH 31, 2019

UNAUDITED

IN U.S. DOLLARS IN THOUSANDS

This report is a translation of Tamar Petroleum Ltd.'s Hebrew-language Financial Statements, and is prepared solely for convenience purposes. Please note that the Hebrew version constitutes the binding version, and in the event of any discrepancy, the Hebrew version shall prevail.

TAMAR PETROLEUM LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

AS OF MARCH 31, 2019

UNAUDITED

IN U.S. DOLLARS IN THOUSANDS

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Auditors' review report to the shareholders of Tamar Petroleum Ltd.

Introduction

We have reviewed the accompanying financial information of Tamar Petroleum Ltd. ("**the Company**"), which comprises the condensed statement of financial position as of March 31, 2019 and the related condensed statements of comprehensive income, changes in equity and cash flows for the period of three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the abovementioned, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Ziv Haft
Certified Public Accountants

Tel-Aviv, May 20, 2019

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

In U.S. Dollars in thousands

	<u>March 31,</u>		<u>December 31,</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>Unaudited</u>		<u>Audited</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	61,546	46,932	86,928
Trade receivables	38,153	22,979	33,429
Other accounts receivable	2,782	18,722	9,774
	<u>102,481</u>	<u>88,633</u>	<u>130,131</u>
NON-CURRENT ASSETS:			
Investments in oil and gas assets	1,030,482	1,072,705	1,040,550
Deferred taxes	104,786	127,205	98,389
Restricted deposits	42,508	23,924	42,228
Other long-term assets	5,709	4,203	5,406
	<u>1,183,485</u>	<u>1,228,037</u>	<u>1,186,573</u>
	<u>1,285,966</u>	<u>1,316,670</u>	<u>1,316,704</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Dividend payable	-	32,023	-
Current maturities of bonds	95,970	75,309	95,246
Other accounts payable	14,738	18,375	29,163
Income taxes payable	820	-	-
	<u>111,528</u>	<u>125,707</u>	<u>124,409</u>
NON-CURRENT LIABILITIES:			
Bonds net of current maturities	981,764	1,077,733	1,032,323
Other long-term liabilities	20,534	17,993	20,580
	<u>1,002,298</u>	<u>1,095,726</u>	<u>1,052,903</u>
Total liabilities	<u>1,113,826</u>	<u>1,221,433</u>	<u>1,177,312</u>
EQUITY:			
Ordinary share capital	2,517	2,517	2,517
Share premium	784,495	784,495	784,495
Retained earnings	92,215	15,414	59,494
	<u>879,227</u>	<u>802,426</u>	<u>846,506</u>
Capital reserves	<u>(707,087)</u>	<u>(707,189)</u>	<u>(707,114)</u>
	<u>172,140</u>	<u>95,237</u>	<u>139,392</u>
	<u>1,285,966</u>	<u>1,316,670</u>	<u>1,316,704</u>

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

May 20, 2019			
Date of approval of the financial statements	Ran Efrati Chairman of the Board	Liami Vaisman CEO	Yuval Raikin CFO

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

In U.S. Dollars in thousands

	Three months ended		Year ended
	March 31,		December 31,
	2019	2018 *	2018 *
	Unaudited		Audited
Revenues from sale of gas and condensate	88,811	50,536	311,273
Less royalties	14,135	9,496	49,691
Net revenues	74,676	41,040	261,582
Costs and expenses:			
Cost of production of natural gas and condensate	7,639	3,721	21,897
Depreciation, depletion and amortization expenses	12,415	5,377	44,466
General and administrative expenses	983	730	2,661
Total costs and expenses	21,037	9,828	69,024
Operating income	53,639	31,212	192,558
Finance expenses	(15,397)	(9,515)	(58,293)
Finance income	977	179	1,832
Finance expenses, net	(14,420)	(9,336)	(56,461)
Income before taxes on income	39,219	21,876	136,097
Taxes on income	(6,498)	(6,462)	(37,279)
Total comprehensive income for the period	32,721	15,414	98,818
Basic and diluted net earnings per share (in USD)	0.37	0.27	1.22
Weighted number of shares used in the above computation	88,495,576	57,699,115	80,901,928

* The annual results for 2018 and the results for the first quarter of 2018 include the results attributable to 7.5% (of 100%) of the working interests in Tamar and Dalit Leases acquired by the Company from Noble Energy Mediterranean Ltd. from March 14, 2018 (see Note 1c below).

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

In U.S. Dollars in thousands

	Ordinary share capital	Share premium	Capital reserves	Retained earnings	Total
	Unaudited				
For the period of three months ended March 31, 2019:					
Balance at January 1, 2019 (audited)	2,517	784,495	(707,114)	59,494	139,392
Total comprehensive income for the period	-	-	-	32,721	32,721
Share-based payment	-	-	27	-	27
Balance at March 31, 2019	<u>2,517</u>	<u>784,495</u>	<u>(707,087)</u>	<u>92,215</u>	<u>172,140</u>
	Ordinary share capital	Share premium	Capital reserves	Retained earnings	Total
	Unaudited				
For the period of three months ended March 31, 2018:					
Balance at January 1, 2018 (audited)	1,399	570,648	(707,206)	32,023	(103,136)
Total comprehensive income for the period	-	-	-	15,414	15,414
Issue of shares	1,118	213,847	-	-	214,965
Dividend declared	-	-	-	(32,023)	(32,023)
Share-based payment	-	-	17	-	17
Balance at March 31, 2018	<u>2,517</u>	<u>784,495</u>	<u>(707,189)</u>	<u>15,414</u>	<u>95,237</u>

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

In U.S. Dollars in thousands

	<u>Ordinary share capital</u>	<u>Share premium</u>	<u>Capital reserves Audited</u>	<u>Retained earnings</u>	<u>Total</u>
For the year ended December 31, 2018:					
Balance at January 1, 2018	1,399	570,648	(707,206)	32,023	(103,136)
Total comprehensive income for the year	-	-	-	98,818	98,818
Issue of shares	1,118	213,847	-	-	214,965
Dividend paid	-	-	-	(71,347)	(71,347)
Share-based payment	-	-	92	-	92
Balance at December 31, 2018	<u>2,517</u>	<u>784,495</u>	<u>(707,114)</u>	<u>59,494</u>	<u>139,392</u>

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

In U.S. Dollars in thousands

	Three months ended		Year ended
	March 31,		December 31,
	2019	2018	2018
	Unaudited		Audited
<u>Cash flows from operating activities:</u>			
Net income for the period	32,721	15,414	98,818
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	12,415	5,377	44,466
Taxes on income	1,656	4,408	26,373
Amortization of bond discount and issue expenses	1,676	584*	5,902
Finance expenses, net	12,713	59*	50,757
Share-based payment	27	17	92
Changes in asset and liability items:			
Increase in trade receivables	(4,724)	(4,683)	(15,133)
Decrease (increase) in other accounts receivable	71	(568)	(3,778)
Change in balance with joint venture operator	(2,386)	(3,301)	(1,807)
Increase in other accounts payable	1,738	12,689	2,769
Net cash provided by operating activities	55,907	29,996	208,459
<u>Cash flows from investing activities:</u>			
Acquisition of additional working interests in Tamar and Dalit Leases (see Annex C)	-	(491,190)	(475,199)
Investment in restricted deposits	-	(13,930)	(31,567)
Investments in oil and gas assets	(3,084)	(631)	(7,231)
Investment in other long-term assets	(152)	-	-
Interest received	818	151	1,424
Receipts in connection with other long-term assets	235	87	792
Net cash used in investing activities	(2,183)	(505,513)	(511,781)
<u>Cash flows from financing activities:</u>			
Proceeds from a bond issue, net	-	514,311	512,239
Repayment of bonds	(51,511)	-	(30,791)
Payment of share issue costs	-	-	(204)
Repurchase of bonds	-	(840)	(840)
Dividend paid	-	-	(71,347)
Interest paid	(27,588)	(19,461)	(46,978)
Net cash provided by (used in) financing activities	(79,099)	494,010	362,079
Exchange rate losses on cash and cash equivalents	(7)	-	(268)
Increase (decrease) in cash and cash equivalents	(25,382)	18,493	58,489
Cash and cash equivalents at beginning of period	86,928	28,439	28,439
Cash and cash equivalents at end of period	61,546	46,932	86,928

* Reclassified.

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

In U.S. Dollars in thousands

	Three months ended March 31,		Year ended December 31,
	2019	2018	2018
	Unaudited		Audited
<u>Annex A - non-cash investing and financing activities:</u>			
Issue of shares as consideration for purchase of working interests in Tamar and Dalit Leases	-	214,965	215,169
Investments in oil and gas assets against payables	644	583	1,120
Asset retirement obligation against oil and gas assets	279	-	1,795
<u>Annex B - additional cash flow information:</u>			
Income taxes paid	4,842	2,054	10,906
		Three months ended March 31, 2018	Year ended December 31, 2018
		Unaudited	Audited
<u>Annex C - acquisition of additional working interests in Tamar and Dalit Leases:</u>			
Including the following identifiable assets and liabilities:			
Working capital, net		14,695	(1,092)
Oil and gas assets		697,288	697,288
Other long-term assets		1,440	1,440
Deferred taxes		778	778
Asset retirement obligation		(8,046)	(8,046)
Issue of share capital and premium		(214,965)	(215,169)
		491,190	475,199

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

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**In U.S. Dollars in thousands (except share and per share data)****NOTE 1:- GENERAL**

- a. Tamar Petroleum Ltd. ("the Company") is engaged in the sale of natural gas produced from the Tamar reservoir within the area of the I/12 Tamar Lease ("the Tamar Lease" and "the Tamar project," respectively) to various customers, and primarily to the Israel Electric Corp. Ltd. ("the IEC"), industrial customers, independent power producers ("IPPs") and natural gas marketing companies. Likewise, the Company is engaged in the sale of condensate produced from the Tamar project to Paz Ashdod Oil Refinery, as well as in promoting the expansion of the Tamar project's production system.

The Company's revenues from gas sales are mainly affected by the scope of consumption of natural gas by the IEC (see Note 3a below).

The Company's articles of association provide that the Company shall only perform operations of exploration, development, production and transmission of to the target markets in connection with the I/12 Tamar and I/13 Dalit Leases (jointly referred to as: "the Leases" or "Tamar and Dalit Leases" and/or "the Joint Venture"), in which the Company holds, as of the date of the financial statements, 16.75% of the interests (see paragraphs b and c below). The Company is an Israeli resident public company incorporated in Israel on November 4, 2015 under its previous name Karish Tanin Management Ltd. Trading in the Company's securities on the Tel Aviv Stock Exchange Ltd. ("the TASE") commenced in July 2017.

The address of the Company's head office is 11 Galgalei Haplada St., Herzliya.

- b. The Company commenced operations on July 1, 2017, following fulfillment of the conditions precedent in the sale agreement signed with Delek Drilling – Limited Partnership ("Delek Drilling" or the "Partnership"), in which framework the Company acquired 9.25% (out of 100%) of the working interests in the Tamar and Dalit Leases and a proportionate share (9.25%) of the permits, rights and obligations under associated agreements in return for a cash amount of approximately \$ 845 million, financed by raising debt and capital from the public and using proceeds from the sale of Company shares (see Note 4a to the Company's annual financial statements as of December 31, 2018, "annual financial statements"). Prior to the acquisition of said interests, the Company was inactive and was wholly owned and controlled by Delek Drilling.
- c. On March 14, 2018, upon the fulfillment of the conditions precedent in the sale agreement of January 29, 2018, signed with Noble Energy Mediterranean Ltd. ("Noble" or "the Operator"), the Company acquired, with effect from January 1, 2018, an additional 7.5% (out of 100%) of the working interests in the Leases and a proportionate share (7.5%) of the permits, rights and obligations under associated agreements for approximately \$ 690 million. The acquisition was made for a cash consideration of \$ 475 million (financed through the issuance of Series B bonds) and for the allocation of shares of the Company (see Note 4b to the annual financial statements).

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**In U.S. Dollars in thousands (except share and per share data)****NOTE 1:- GENERAL (Cont.)**

- d. As of the approval date of these condensed interim financial statements, to the best of the Company's knowledge, there is no controlling shareholder in the Company (within the meaning of a "controlling party" in the Securities Law, 5728-1968). Following completion of the acquisition of the rights as described in paragraph c above, Delek Drilling holds about 22.6% of the Company's shares. As for the voting rights attached to the shares held by Delek Drilling, see Note 13d to the Company's annual financial statements.
- e. The Company's condensed interim financial statements should be read in conjunction with the Company's annual financial statements. Accordingly, these condensed interim financial statements do not include notes on any developments that are insignificant compared to the information disclosed in the notes to the annual financial statements.
- f. The condensed interim financial statements have been prepared in accordance with the provisions of IAS 34, "Interim Financial Reporting".
- g. The condensed interim financial statements have been prepared in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

NOTE 2:- BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the annual financial statements, except as described below:

As detailed in Note 3t(1) to the annual financial statements regarding the initial adoption of IFRS 16, "Leases" ("the Standard"), the Company applies the provisions of the Standard as of January 1, 2019 using the modified retrospective approach (without restatement of comparative figures).

Below are the principal provisions of the Standard:

- According to the Standard, lessees are required to recognize an asset against a liability in respect of all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the existing standard, IAS 17, "Leases". Lessees will also recognize interest expense and depreciation expense separately.
- Variable lease payments that are not dependent on changes in the CPI or interest rates, but are based on performance or usage are recognized as an expense by the lessees as incurred or recognized as income by the lessors as earned.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**In U.S. Dollars in thousands (except share and per share data)****NOTE 2:- BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

- In the event of changes in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and record the effect of the remeasurement as an adjustment to the carrying amount of the right-of-use asset.
- The Standard includes two exceptions which allow lessees to account for leases based on the existing accounting treatment for operating leases - leases for which the underlying asset is of low financial value and short-term leases (up to one year).

The initial adoption of the Standard did not have a material effect on the financial statements.

NOTE 3:- NATURAL GAS SUPPLY AGREEMENTS

- a. In keeping with the matters discussed in Note 11c(9) to the annual financial statements regarding the IEC's application to the Company, the other Tamar project partners and the Leviathan project partners for an RFP for the supply of natural gas in excess of the IEC's consumption under its present agreement with the Tamar partners, on April 4, 2019 (after the condensed interim statement of financial position date), the Tamar project partners were notified by the IEC that their offer had not been accepted by the IEC.

On April 18, 2019, the Company and other partners in the Tamar project (collectively - "the petitioners") filed with the Tel-Aviv District Court an administrative petition against the IEC and the Leviathan project partners (collectively - "the respondents") in which the Court is asked to disqualify and reverse the decision made by the IEC's tenders committee ("the Committee") on April 4, 2019 to award the tender to the Leviathan partners on the grounds that said decision is illegal, inequitable and undermines basic principles underlying tender laws. Alternatively, the petitioners are asking the Court to order the Committee to reexamine the decision and consider other options as detailed in the petition. Also alternatively, the Court is asked to order the cancellation of the tender due to a serious flaw in the tender process.

Concurrently with the filing of the petition, a motion for interim order was filed with the Court to prohibit the respondents from taking any action for promoting or executing the tender results until the Court renders a decision in the petition. On May 6, 2019, the respondents filed their response to the Court and on May 14, 2019, the petitioners filed their counter response. The IEC and the Leviathan project partners filed a response to the petition on May 19, 2019 and May 20, 2019, respectively, and a pretrial hearing in the petition was scheduled for June 3, 2019.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**In U.S. Dollars in thousands (except share and per share data)**

NOTE 3:- NATURAL GAS SUPPLY AGREEMENTS (Cont.)

- b. In keeping with the matters discussed in Note 11c(10) to the annual financial statements regarding the amendment to the agreement signed with the IEC, it should be noted that as of the date of approval of the condensed interim financial statements, all the approvals required for signing the amendment have not been received, including, among others, the IEC's approval. The Company estimates that there is significant uncertainty involving the signing of the amendment, also in view of the prolongation of the proceeding and the failure to obtain the required approvals as discussed above. Accordingly, the Company's operating results in the reporting period do not take into account the amendment to the agreement, whose effect on the Company's net income in the reporting period is a decrease of approximately \$ 0.9 million.
- c. In keeping with the matters discussed in Note 11b(4) to the annual financial statements regarding the amendment to the agreement signed with Dalia Energy Ltd. ("Dalia Energy"), as of the date of approval of the condensed interim financial statements, all the conditions precedent underlying the coming into effect of the amendment have been met.
- d. In April 2019 (after the condensed interim statement of financial position date), the Tamar project partners signed an amendment to the agreement with Dorad Energy Ltd. ("Dorad") in which Dorad committed to purchase from Tamar project the entire natural gas quantities consumed in its facilities during the period from the date of transmission of the gas from the Leviathan reservoir through the earlier of the date of exercise of the reduced purchased quantity option by Dorad (if exercised) or December 31, 2020. It was also agreed that to calculate the reduced purchased quantity in respect of Dorad's option, the calculation for the period from the beginning of transmission of gas from the Leviathan reservoir will be based on the minimum quota (according to the mechanism set forth in the amendment to the agreement) and not based on the quantity actually purchased by Dorad. The agreement requires the approval of the Competition Authority and of Dorad's lenders.
- e. In April 2019 (after the condensed interim statement of financial position date), the Tamar project partners signed an agreement with Oil Refiners Ltd. ("ORL") for the supply of natural gas at an estimated capacity of about 0.5 BCM for a period of six months from July 1, 2020. The agreement can be extended by ORL for additional six-month periods each until the beginning of transmission of gas from the Karish reservoir, but not more than a cumulative period of eight years. If the natural gas purchase agreement signed between ORL and Energean is cancelled, the Company's agreement with ORL will be extended by 12 months (assuming the cancellation occurs before the end of 2020) or will be extended by 18 months (assuming the cancellation occurs after the end of 2020). The agreement with ORL is subject to the approval of ORL's general assembly and of the Competition Authority (if applicable).

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**In U.S. Dollars in thousands (except share and per share data)****NOTE 4:- ADDITIONAL INFORMATION**

- a. In keeping with the matters discussed in Note 11j(3) to the annual financial statements regarding a claim and motion to approve the claim as a class action filed with the Tel-Aviv District Court in February 2019 against the Company, Delek Drilling, the CEO of the general partner in Delek Drilling who served as director in the Company until March 6, 2019 and as Chairman of the Company's Board until January 17, 2019, the Company's CEO, the Company's CFO and Leader Issues (1993) Ltd. in connection with the issue of the Company's shares in July 2017, the date for submitting the response of the Company and the other respondents to the motion of approval is June 16, 2019. The petitioners can submit their counter responses within 90 days from the date of receiving the respondents' latest responses. It should be noted that the legal proceeding is in very early stages; however, based on its legal counsel, the Company estimates that at this stage it is more likely than not that the motion for approval of a class action will be rejected.

- b. In keeping with the matters discussed in Note 11j(2) to the annual financial statements regarding the petition submitted against the Company for disclosure and inspection of documents to be used by the petitioner for filing a motion for approval of a derivative claim against officers in the Company, on March 21, 2019, the petitioner submitted its response to the motion for dismissal in limine filed by the Company based on the letters of quittance granted by the Company to its officers. In its response, the petitioner argues, *inter alia*, that the Company's quittance argument requires making a factual inquiry and therefore is inappropriate for this stage of the legal proceeding. Also, in view of other grounds for the claim stated in the motion, even if the quittance argument is accepted, it will not render the hearing of the petition for disclosure of documents as a whole irrelevant. On April 11, 2019, the petitioner responded to the Company's response to the petition for disclosure of documents and on April 16, 2019 the Company submitted its counter response to the petitioner's response to the motion for dismissal in limine.

On May 2, 2019, a hearing was held at the District Court in which the Company informed the Court that it had contacted the holders of the royalty for investigating the issue of the levy imposed by virtue of the Windfall Profits Tax, 5771-2011 in an arbitration proceeding, as prescribed in the rights transfer agreement (see Note 15d to the annual financial statements). Accordingly, it was decided that at this stage the hearing will be postponed and the Company will submit an updated notice of the developments in the arbitration proceeding which might render the petition for disclosure irrelevant by July 28, 2019. Based on its legal counsel, the Company estimates that it is more likely than not that the petition for disclosure of documents will be rejected.

- c. In keeping with the matters discussed in Note 15b to the annual financial statements regarding the royalties to the State, on March 28, 2019, a letter was received from the Ministry of Energy whereby effective from 2019 until further notice, the effective royalty rate payable as advances for the Tamar Lease is 11.3%.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**In U.S. Dollars in thousands (except share and per share data)****NOTE 4:- ADDITIONAL INFORMATION (Cont.)**

d. In keeping with the matters discussed in Note 6f to the annual financial statements regarding the Eran license mediation proceeding, in April 2019, a court verdict status was granted to the mediation agreement signed between the Eran license partners prior to its expiration and the State whereby the Tamar SW reservoir will be divided between the Tamar Lease area (78%) and the Eran license area (22%) (after obtaining the consent of Tamar project partners) and the Eran license rights will be divided between the State (76%) and the holder of the Eran license (24%). As of the date of approval of the condensed interim financial statements, the parties are negotiating the agreement needed for implementing the mediation agreement specified above. It should be noted that on March 25, 2019, the Tamar project partners notified the Minister of Energy that they are withdrawing the appeal to the Commissioner of Petroleum's decision on the approval of the Tamar SW reservoir development plan.

e. Dividend:

On April 7, 2019 (after the condensed interim statement of financial position date), the Company's Board approved the distribution of a dividend of approximately \$ 30,000 thousand (\$ 0.34 per share) to the Company's shareholders. The dividend was distributed on May 2, 2019.

f. Information of certain financial covenants underlying the bonds (Series A and B):

Following are details of certain financial covenants determined in the trust deed of the bonds (Series A and B):

1. Expected debt service coverage ratio (as defined in the trust deed) of no less than 1:1.05 (during two consecutive quarters) - the expected debt service ratio for the 12-month period beginning on July 1, 2019 is 1.46. It should be noted that before the date of these financial statements, the Company did not include in the calculation of the expected debt service coverage ratio the effect of the finance expenses paid by the Company in respect of the bonds on its tax liability ("the tax shield") and began including it in these financial statements. The inclusion of the tax shield increased the expected debt service coverage ratio by about 0.09.
2. Minimum economic equity (as defined in the trust deeds) of no less than \$ 250 million (during two consecutive quarters) for the bonds (Series A) and of no less than \$ 350 million (during two consecutive quarters) for the bonds (Series B) - the economic equity as of March 31, 2019 is approximately \$ 893 million.

As of the date of the condensed interim statement of financial position, the Company is in compliance with the financial covenants determined in the trust deeds of the bonds (Series A and B).

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

In U.S. Dollars in thousands (except share and per share data)

NOTE 4:- ADDITIONAL INFORMATION (Cont.)

- g. Fair value of financial instruments:

The fair value of the financial instruments presented in the financial statements matches or approximates their carrying amount, except for issued bonds (Level 1) whose fair value as of March 31, 2019 is approximately \$ 1,072 million (December 31, 2018 - approximately \$ 1,084 million, March 31, 2018 - approximately \$ 1,136 million) and whose carrying amount, including accrued interest, as of that date approximates \$ 1,082 million (December 31, 2018 - approximately \$ 1,146 million, March 31, 2018 - approximately \$ 1,157 million).

This report is a translation of Tamar Petroleum Ltd.'s Hebrew-language Report on the Effectiveness of the Internal Control over Financial Reporting and Disclosure, and is prepared solely for convenience purposes. Please note that the Hebrew version constitutes the binding version, and in the event of any discrepancy, the Hebrew version shall prevail.

Tamar Petroleum Ltd.

Report Concerning the Effectiveness of the Internal Control over Financial Reporting and Disclosure

Quarterly Report Concerning the Effectiveness of the Internal Control over Financial Reporting and Disclosure under Regulation 38C(a) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 for the First Quarter of 2019

The Management of Tamar Petroleum Ltd. ("**the Company**"), under the supervision of its Board of Directors, is responsible for designing and maintaining proper internal controls over financial reporting and disclosure within the Company.

For this purpose, the members of Management are:

1. Liami Vaisman, CEO
2. Yuval Raikin, CFO
3. Efrat Hozeh-Azrad, General Counsel and VP

Internal control over financial reporting and disclosure consists of existing controls and procedures within the Company that were designed by, or under the supervision of, the CEO and the CFO, or persons performing similar functions, under the supervision of the Board of Directors, to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, and to ensure that information required to be disclosed by the Company in the reports it issues under the provisions of the law is collected, processed, summarized and reported within the time and in the form prescribed in the law.

Internal control includes, inter alia, controls and procedures designed to ensure that information required to be disclosed by the Company as aforesaid, is accumulated and communicated to the Company's Management, including the CEO and the CFO, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Owing to its structural limitations, internal control over financial reporting and disclosure is not intended to provide complete assurance regarding the prevention or detection of misstatements or the omission of information in reports.

In the annual report on the effectiveness of internal control over financial reporting and disclosure attached to the periodic report for the period ended December 31, 2018 ("**the latest annual report of internal control**"), the Company's Board of Directors and Management evaluated the internal control in the Company. Based on their evaluation, the Company's Board of Directors and Management have concluded that the internal control, as described above, as of December 31, 2018 is effective.

Through the date of this Report, the Company's Board of Directors or Management have not been informed of any events or circumstances that are likely to change their assessment of the effectiveness of internal control, as presented in the latest annual report of internal control.

As of the date of this Report, based on the assessment of the effectiveness of internal control in the latest annual report of internal control and based on information presented to the Company's Management and Board of Directors as discussed above, internal control is effective.

Officers' Certification

Certification of Chief Executive Officer pursuant to Regulation 38C(d)(1):

Certification of Chief Executive Officer

I, Liami Vaisman, hereby certify that:

- (1) I have reviewed the interim report of Tamar Petroleum Ltd. ("**the Company**") for the first quarter of 2019 ("**the Reports**");
- (2) Based on my knowledge, the Reports do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Reports;
- (3) Based on my knowledge, the financial statements and other financial information included in the Reports, fairly present, in all material respects, the financial position, results of operations and cash flows of the Company as of the dates and for the periods presented in the Reports;
- (4) I have disclosed to the Company's independent auditors, Board of Directors, Audit Committee and Financial Statement Review Committee, based on my most recent evaluation of the internal control over financial reporting and disclosure:
 - (a) All significant deficiencies and material weaknesses in the design or operation of the internal control over financial reporting and disclosure, which are reasonably likely to adversely affect the Company's ability to collect, process, summarize and report financial information, in a manner capable of casting doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and
 - (b) Any fraud, whether or not material, that involves the CEO or anyone directly or indirectly subordinate thereto, or other employees who have a significant role in the internal control over financial reporting and disclosure;
- (5) I, alone or together with others in the Company:
 - (a) Designed controls and procedures, or caused to be designed and maintained, under my supervision, controls and procedures, to ensure that material information relating to the Company is made known to me by others within the Company, particularly during the period of preparation of the Reports; and
 - (b) Designed controls and procedures, or caused to be designed and maintained, under my supervision, controls and procedures, to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including generally accepted accounting principles;
 - (c) I have not been informed of any events or circumstances that occurred in the period from the latest report date (the Periodic Report as of December 31, 2018) through the date of this Report that are likely to change the conclusion reached by the Company's Board of Directors and Management regarding the effectiveness of internal control over financial reporting and disclosure in the Company.

That aforementioned does not derogate from my responsibility or the responsibility of any other person pursuant to applicable law.

May 20, 2019

Liami Vaisman
CEO

Officers' Certification

Certification of Chief Financial Officer pursuant to Regulation 38C(d)(2):

Certification of Chief Financial Officer

I, Yuval Raikin, hereby certify that:

- (1) I have reviewed the interim financial statements and other financial information included in the interim reports of Tamar Petroleum Ltd. ("**the Company**") for the first quarter of 2019 ("**the Reports**" or "**the Interim Reports**");
- (2) Based on my knowledge, the interim financial statements and other financial information included in the Interim Reports do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Reports;
- (3) Based on my knowledge, the interim financial statements and other financial information included in the Interim Reports, fairly present, in all material respects, the financial position, results of operations and cash flows of the Company as of the dates and for the periods presented in the Reports;
- (4) I have disclosed to the Company's independent auditors, Board of Directors, Audit Committee and Financial Statement Review Committee, based on my most recent evaluation of the internal control over financial reporting and disclosure:
 - (a) All significant deficiencies and material weaknesses in the design or operation of the internal control over financial reporting and disclosure as it relates to the interim financial statements and other financial information included in the Interim Reports, which are reasonably likely to adversely affect the Company's ability to collect, process, summarize and report financial information, in a manner capable of casting doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and
 - (b) Any fraud, whether or not material, that involves the CEO or anyone directly or indirectly subordinate thereto, or other employees who have a significant role in the internal control over financial reporting and disclosure;
- (5) I, alone or together with others in the Company:
 - (a) Designed controls and procedures, or caused to be designed and maintained, under my supervision, controls and procedures, to ensure that material information relating to the Company is made known to me by others within the Company, particularly during the period of preparation of the Reports; and
 - (b) Designed controls and procedures, or caused to be designed and maintained, under my supervision, controls and procedures, to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including generally accepted accounting principles;
 - (c) I have not been informed of any events or circumstances that occurred in the period from the latest report date (the Periodic Report as of December 31, 2018) through the date of this Report, as they relate to the interim financial statements and other financial information included in the Interim Reports, that are likely to change the conclusion reached by the Company's Board of Directors and Management regarding the effectiveness of internal control over financial reporting and disclosure in the Company.

That aforementioned does not derogate from my responsibility or the responsibility of any other person pursuant to applicable law.

May 20, 2019

Yuval Raikin
CFO



May 20, 2019

To
The Board of Directors of
Tamar Petroleum Ltd. ("the Company")
11 Galgalei Haplada St.
Herzliya Pituach 4672211, Israel

Dear Sirs/Mesdames,

**Re: Consent Letter Given Simultaneously with the Publication of a Periodic Report on a Shelf
Prospectus of the Company ("the Offering Document")**

This is to notify you that we consent to the inclusion (including by reference) in the above-referenced Offering Document of our reports listed below:

Independent auditors' review report dated May 20, 2019 on the Company's condensed financial information as of March 31, 2019 and for the period of three months then ended.

**Kost Forer Gabbay & Kasierer
Certified Public Accountants**

**Ziv Haft
Certified Public Accountants**