Tamar Petroleum Ltd.

Financial Statements
as of March 31, 2020

Table of Contents

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 2019 Annual Report

1. **Section 6.9.1 to the Annual Report - spread of the Coronavirus and its possible implications on the Company's business**

Following the outbreak of the Coronavirus (Covid-19) in China at the end of 2019, its subsequent spread throughout the world during the first quarter of 2020, including to Israel, and its declaration as a pandemic by the World Health Organization (WHO) in March 2020 ("**the Coronavirus pandemic**"), global and local economic activity experienced a slowdown which adversely affected consumer spending volumes in numerous sectors, including in the energy sector in which the Company operates. To the best of the Company's knowledge, the economic slowdown has resulted in reduced demands in the local and regional electricity markets and consequently to reduced demands for natural gas. From early 2020, sharp declines were noted in oil and natural gas prices in international markets which the Company estimates can be attributed to reasons and causes that affect the supply and demand of energy products worldwide and to the Coronavirus pandemic. As a result, quoted market prices in the energy sector suffered drastic markdowns both in Israel and globally, including a sharp decline in stock prices and an increase in the yield on the Company's bonds (see details of a valuation prepared for testing the impairment of an oil and gas asset as of March 31, 2020 in section 5 to Part One to the Board of Directors' Report for the period ended March 31, 2020 hereby attached ("**the Board of Directors' Report**").

In recent weeks, numerous countries, including Israel, have resumed economic activity in most markets under certain restrictions. Moreover, as of the report date, major restrictions on crossing state borders are still in effect. It should be noted that in April-May 2020, a certain recovery was evidenced in oil prices in international markets, among others owing to the proactive initiatives taken to minimize oil production by OPEC member countries, although prices are still subject to extreme volatility. Nevertheless, natural gas prices in various markets, and mainly in LNG spot contracts in various markets such as Europe, Asia and the U.S. are at their lowest level for decades.

As discussed in section 6.9.1 to the Annual Report regarding the various aspects of the possible adverse effects of the Coronavirus pandemic on the Company's activities and business position, the following should be noted:

[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 2019 on March 30, 2020 (TASE reference: 2020-01-028765) ("**the Annual Report**") through the date of this report regarding all matters that require disclosure in a periodic 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.

Regarding the potential reduction in consumption of natural gas produced from the Tamar reservoir – it should be noted that in the first quarter of 2020 there were reduced demands and sales from the Tamar reservoir both compared to the corresponding quarter of 2019 and compared to the sales rate and demand projections for 2020 underlying the discounted cash flows attributable to the Company's share of the Tamar project as of December 31, 2019, as issued by the Company in an immediate report of January 8, 2020 (TASE reference: 2020-01-003469) ("**the cash flow report**"). In Q1 2020, about 2BCM of natural gas (100%) was sold from the Tamar reservoir compared with about 2.6BCM of natural gas (100%) in Q1 2019 (see details of production quotas in Q1 2020 in section 3 below). In April-May 2020, there was a significant drop in sales, with about 0.9BCM of natural gas (100%) sold from the Tamar reservoir. It should be clarified that the above decrease in consumption mainly stems from the decrease in sales of natural gas from the Tamar reservoir to the IEC which in 2020 began consuming natural gas from the Leviathan reservoir (see more information in sections 7.4.4(d)(20) and 7.21.5 to the Annual Report for 2019) and from the import of LNG by the IEC.

As of the report approval date, the Company estimates that natural gas sales from the Tamar reservoir in 2020-2023 are expected to be lower than the quotas included in the cash flow report as follows: in 2020-2021 – about 7.5-8.5BCM in each of said years; in 2022 – about 7.5-9BCM; and in 2023 – about 8-9.5BCM.

Forward-looking information disclaimer – the Company's above assessments regarding the expected natural gas sales from the Tamar reservoir constitute forward-looking information within the meaning of the Securities Law which is based, among others, on the current information, evaluations and estimates available to the Company including analyses of various advisors which include, among others, the master understandings regarding sales to the IEC as discussed in section 4 above, the projected demands for natural gas in the local market, the estimated gas quantities to be sold according to the Egyptian export agreement including the projected price per Brent oil barrel. The Company's above evaluations may not materialize, among others due to future market supply and demand conditions that affect various commercial terms and demands, energy product prices, changes in natural gas sale agreements signed by the Company, damage to the operating functions of the Tamar reservoir and/or impairment of the financial strength of the Company's customers, or due to other factors that are not under the Company's control.

In this context it should be noted that following the recent developments in the energy markets, the Company has been analyzing the assumptions and evaluations underlying the discounted cash flows in the cash flow report including natural gas demands, expected sales, costs of production and investments in the Tamar project. As of the date of approval of this report, the Company's analysis is still ongoing and after its completion the Company plans to issue updated discounted cash flows.

See details of the Company's financial results in the first quarter of 2020 in the condensed interim financial statements as of March 31, 2020 which are hereby attached ("**the Financial Statements**") and the Board's explanations included in Part One to the Board of Directors' Report.

Regarding the possible effect on the operation of the Tamar reservoir – as of the date of approval of this report, the ongoing operation of the Tamar reservoir has not been affected[2]. However, it should be noted that the continued restrictions on cross-border transportation which still apply are likely to challenge the operating activity of the Tamar project's facilities and/or cause delays in the project's maintenance work, among others due to absence and/or shortage of essential personnel including foreign staffs and/or delays in and/or shortage of supplies for the Tamar project's facilities. See section 6.9.1 to the Annual Report for details of the plan prepared by the Tamar reservoir's operator, Noble Energy Mediterranean Ltd. ("**Noble**" or "**the Operator**"), for facing the challenges of the Coronavirus crisis.

[2] It should be noted that as of the report approval date, due to the Coronavirus crisis and in view of cost reduction measures adopted by the reservoir's operator, the partners in the Tamar project approved a project budget cut of approximately $ 25 million from the planned budget for 2020.

See section 5 below for the effect of the Coronavirus pandemic on the upgrading of the natural gas transmission system for Dolphinus Holdings Limited ("**Dolphinus**").

<u>Regarding potential impairment of the Company's customers</u> – as of the report approval date, the operating functions and/or financial strength of any of the Company's material customers have not been impaired to an extent that has affected the Company's operating results in Q1 2020.

<u>Regarding potential impairment of available financing resources and/or minimization of credit sources</u> – as of the report approval date, there has been no change in the Company's assessment as described in section 6.9.1 to the Annual Report according to which the Company will not require raising financing resources in the coming year at least for financing its current activities and/or for meeting its existing and expected obligations.

Forward-looking information disclaimer – the Company's above assessments regarding the absence of a need for raising financial resources for financing its activities and/or for complying with its obligations constitute forward-looking information within the meaning of the Securities Law which is based, among others, on the existence of customer purchase commitments and on the Company's evaluations regarding the selling prices of natural gas. The Company's above evaluations may not materialize, in whole or in part, and may materialize in a materially different manner due to various factors that are not under the Company's control, among others such as impairment of the operating functions of the Tamar reservoir and/or of the financial strength of the Company's customers.

It should be noted that as of the report approval date, there is still a great deal of uncertainty involving the scope of the Coronavirus pandemic's effects on global and local economies which, among others, depends on the time required to eradicate the pandemic or halt its spread and the possible renewed outbreak of the pandemic which would lead to another series of restrictions imposed, thereby causing further economic slowdown and even a recession for a longer timeframe and severely affect numerous sectors, including the energy sector in which the Company operates. Accordingly, at this point, the Company is unable to estimate the full consequences of the Coronavirus pandemic and its effects on the demands and sales of the Tamar reservoir and subsequently on the Company's operations and business results.

Forward-looking information disclaimer – the Company's assessments regarding the possible consequences of the Coronavirus pandemic as detailed above, constitute forward-looking information within the meaning of the Securities Law, which is based, among other things, on information currently in the possession of the Company, on the Company's and the Operator's current assessment and estimates which are based, among others, on evaluations by various advisors, on publications issued in Israel and around the world on this subject and on the directives and guidelines of the relevant authorities. These assessments may not materialize, in whole or in part, or may materialize in a materially different manner, due to various factors that are not under the Company's control, such as, inter alia, changes in the spread of the Coronavirus pandemic, in the directives and guidelines of the relevant authorities and in the economic situation in Israel and around the world.

2. **<u>Section 7.1.9 to the Annual Report – description of the Company's operating segment – the structure of the competition in the operating segment</u>**

<u>Section 7.1.9(a) to the Annual Report</u>

2.1 On April 9, 2020, Energean Plc, the controlling shareholder in Energean Israel Limited ("**Energean**"), which holds interests in the Karish and Tanin reservoirs, reported that a best estimate evaluation conducted at the Karish North drilling site in the Karish Lease found contingent resources (2C) of natural gas of about 1.2TCF (about 33.7BCM) and of light oil/condensate of about 39 million barrels. On June 8, 2020, Energean reported that it expects to begin supplying gas from the Karish reservoir in Q3 2021.

2.2 On May 31, 2020, the Ministry of Energy's Natural Gas Authority published a call for bids for the purchase of up to 25% of the LNG quotas purchased by the IEC which could reach up to 3,500,000MMBTU at a total scope of approximately NIS 40 million and resell them to distributors and industrial consumers. On June 14, 2020, it was reported that Dor Alon Gas Technologies Ltd. ("**Dor**") was selected to purchase said surplus LNG quotas. Concurrently, the Director General of the Natural Gas Authority issued the IEC an approval for selling and marketing natural gas to Dor.

<u>Section 7.1.9(b) to the Annual Report</u>

2.3 On June 23, 2020, it was reported that the Minister of Energy approved a competitive bidding process for licensing natural gas and oil explorations in bloc 72 (formerly the Alon D License which was co-owned by Delek Drilling – Limited Partnership ("**Delek Drilling**") and Noble and expired). According to the publication, the bidding process will end in September 2020.

3. **<u>Section 7.2.15(a) to the Annual Report - production reserves in the Tamar project</u>**

The following table presents the Tamar project's natural gas and condensate production inputs in Q1 2020[3]:

		Natural gas	Condensate
Total production (100%) in the period (in MMCF of natural gas and thousands of barrels of condensate)		71,141	92.7
Total production (attributed to equity holders of the Company) in the period (in MMCF of natural gas and thousands of barrels of condensate)		11,916	15.5
Average price per production unit (attributed to equity holders of the Company) (in USD per MCF and per barrel)		5.35	33.9
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	0.61	3.9
	Third parties	0.10	0.6
	Interested parties	0.17	1.1
Average production costs per production unit (attributed to equity holders of the Company) (in USD per MCF and per barrel)		0.34	1.9
Average net receipts per production unit (attributed to equity holders of the Company) (in USD per MCF and per barrel)		4.13	26.4

3 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 for natural gas and up to one digit after the decimal point for condensate.

4. **<u>Section 7.4.4(d)(20) to the Annual Report - natural gas supply agreements - natural gas supply agreement between Tamar partners and the IEC</u>**

In keeping with an appeal filed with the Supreme Court by some of the Tamar partners including the Company (collectively – "**the petitioners**") for reversing the Tel-Aviv District Court's decision which dismissed the administrative petition filed by the petitioners in connection with the bidding process for receiving natural gas supply proposals for the IEC ("**the bidding process**"), it should be noted that the Tamar reservoir partners reached basic understandings with the Leviathan partners regarding the disputed issues pertaining to the IEC natural gas sale agreements and advanced stage negotiations are being held with the IEC and the Leviathan partners for adopting said understandings. As of the report approval date, the negotiations have not yet ended and therefore there is no certainty that the above understandings will mature into a binding agreement. See more information in section 11.3 below.

5. **<u>Section 7.5.2(d)(2) to the Annual Report – marketing and distribution – export - Egypt</u>**

As the Company was informed by the Operator, following the spread of the Coronavirus pandemic there were delays in the installation of the compressor in EAPC's site in Ashkelon and accordingly the Company expects a delay in the beginning of supply of gas to Dolphinus planned for July 1, 2020. The delay is not expected to have a material impact on the Company's operations and financial results.

Forward-looking information disclaimer – the Company's assessment regarding the expected immaterial impact of the above delay on the Company's operations and financial results constitutes forward-looking information within the meaning of the Securities Law which is based, among others, on information and evaluations obtained from the Operator and may not materialize, among others due to factors which are not under the Company's control such as shortage of equipment and/or personnel etc.

6. **<u>Section 7.10 to the Annual Report - human capital and regulations 26, 29 and 29A to Chapter D to the Annual Report</u>**

On June 11, 2020, a special general meeting of the Company was held which approved amendments to the directors' and officers' liability insurance policy in the Company's remuneration policy and extended the tenure of the two external directors in the Company, Messrs. Giora Inbar and Alon Cohen. See more information in an immediate report for convening the meeting of May 7, 2020 (TASE reference: 2020-01-040816) and an immediate report on the meeting's results of June 14, 2020 (TASE reference: 2020-01-053113), the contents of which are included herein by reference.

On June 15, 2020, the Company's Remuneration Committee approved the renewal of the Company's officers' liability insurance policy, as discussed in the Company's immediate report of June 16, 2020 (TASE reference: 2020-01-054052), the contents of which are included herein by reference.

7. **<u>Section 7.13.5 to the Annual Report - financing - financial covenants</u>**

For details of buybacks of bonds (Series A and B) made by the Company in April 2020, see Part three to the Board of Directors' Report.

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 Six to the Board of Directors' Report.

8. **Section 7.16.4 to the Annual Report – restrictions and supervision of the Company's operations – Competition Authority**

8.1 In keeping with the matters discussed in section 7.16.4(e) to the Annual Report, it should be noted that on June 1, 2020, the Director General of the Competition Authority published a decision pursuant to Article 14 to the Economic Competition Law, 1988 regarding the revision of the condition underlying the grant of restrictive arrangement exemption to the arrangements signed between Tamar partners and their customers according to which the requirement to reapprove each gas supply agreement for the Tamar project was removed and superseded by a requirement of subjecting the arrangements to a self-assessment process whereby the burden of proving the legitimacy of the arrangements will be assumed by Tamar partners and their customers and the Director General of the Competition Authority will have the authority to examine the arrangements in retrospect and not near the date of signing and take any necessary enforcement measures if the arrangements are in violation of the Economic Competition Law.

8.2 In keeping with the matters discussed in section 7.16.4(f) to the Annual Report regarding the urgent petition submitted by the Company and the other partners in Tamar reservoir which do not hold the Leviathan reservoir (consisting of Isramco Negev 2, L.P., Dor Gas Exploration, L.P. and Everest Infrastructures, L.P.) to the Director General of the Competition Authority regarding the threat to competition to Tamar reservoir posed by Noble and Delek Drilling in Leviathan reservoir, it should be noted that on April 13, 2020, a notice was issued by the representatives of the Ministry of Energy, the Ministry of Justice's legislative advisory economic department, the Ministry of Finance and the Competition Authority (collectively – "**the regulators**"), as discussed in an immediate report of April 16, 2020 (TASE reference: 2020-01-034243), the contents of which are included herein by reference. In keeping with the notice issued by the regulators, Tamar partners submitted for the regulators' approval an agreed master outline for joint marketing from the reservoir, as discussed in an immediate report of May 31, 2020 (TASE reference: 2020-01-048133), the contents of which are included herein by reference. As of the report approval date, no approval has been received and there is no certainty that it will be received.

9. **Section 7.16.8 to the Annual Report – restrictions and supervision of the Company's operations – directives on manner of calculation of the value of the royalty at the wellhead**

In keeping with the matters discussed in section 7.16.8 to the Annual Report regarding the draft directives on the manner of calculation of the value of the royalty at the wellhead in connection with offshore oil rights published for public comments by the Natural Resources Administration in the Ministry of Energy on February 9, 2020, it should be noted that in June 2020, the final draft of the directives was published, which is mostly based on the draft directives (subject to certain adjustments and clarifications included therein). It should also be noted that the Tamar partners have not yet received specific instructions for disclosing the deductible royalty expenses based on the specific characteristics of the Tamar Lease.

10. **Section 7.16.9 to the Annual Report – additional regulatory restrictions**

10.1 In keeping with the matters discussed in section 7.16.9(d) to the Annual Report regarding the addendum to the decision regarding the financing of export projects via the national transmission system and the distribution of the construction costs of the Ashdod-Ashkelon combined section, it should be noted that on June 23, 2020, the Director General of the Natural Gas Authority announced that the cost of construction of the section is estimated at approximately NIS 738 million (of which the Company's share is estimated at approximately NIS 22 million) and will be updated based on a specific cost update and settlement mechanism that will be integrated in the transmission agreement and submitted for his approval.

10.2 In keeping with the matters discussed in section 7.16.9(f) to the Annual Report regarding the Minister of Energy's announcement that the conversion of the coal-based power stations in Hadera and Ashkelon to natural gas will be completed by 2025, on June 8, 2020, a joint announcement was made by the Ministry of Energy and Ministry of Environmental Protection regarding the Ministers' decision to order the IEC to expand the initiated shutdowns of the 1-4 polluting coal-operated units in the Orot Rabin site in Hadera from the second half of 2020 until their complete shutdown in 2022, thereby achieving an additional reduction in air pollution. It should also be noted that on June 24, 2020, the Minister of Energy announced a decision to further reduce by about 20% the use of coal for operating the IEC's power stations compared to 2019 as a result of which the total use of coal in 2020 will not exceed 24.9% (compared with 30% in 2019).

10.3 In keeping with the matters discussed in section 7.16.9(f) to the Annual Report regarding the IEC's decision to explore the possibility of enhancing the renewable energy-based power production quota to 30% of total power production capacity in 2030, it should be noted that on June 1, 2020, the Electricity Authority published for public comments its recommendation to the Minister to enhance the renewable energy production target to 30% by 2030 by determining an intermediate target of 17%-20% in 2025 in order to raise the probability of meeting the 30% target. According to the Electricity Authority's announcement, the rate of natural gas-based power production which in 2019 was about 64% is expected to increase in 2026 to about 78% and drop down to about 70% in 2030.

11. **<u>Section 7.21 to the Annual Report - legal proceedings</u>**

11.1 In keeping with the matters discussed in section 7.21.1 to the Annual Report regarding a claim and a motion for class action 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 on June 1, 2020, a court hearing was held in which the parties completed the verbal presentation of their summations. The Court ruled that a decision in the motion will be delivered to the parties.

11.2 In keeping with the matters discussed in section 7.21.3 to the Annual Report regarding a claim and a motion for class action certification filed with the Tel-Aviv District Court (Economic Department) in connection with the issue of Company shares in July 2017 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 Company's CEO, the Company's CFO and Leader Issues (1993) Ltd., it should be noted that in April-May 2020, various judicial documents were submitted in the context of the above claim and the parties reached a procedural arrangement following which a pretrial hearing of the case was scheduled for July 21, 2020.

11.3 In keeping with the matters discussed in section 7.21.5 to the Annual Report regarding an appeal filed with the Supreme Court for reversing the Tel-Aviv District Court's decision which dismissed the administrative petition filed by the Company and other Tamar partners in connection with the bidding process for receiving natural gas supply proposals for the IEC, it should be noted that on May 21, 2020, a hearing of the appeal was held at the Supreme Court in which the parties notified the Court that they are in the middle of advanced negotiations for settling the case and, at the parties' request, the Court decided to afford the parties an extension for reaching understandings and ruled that insofar as no settlement is reached, a judgment will be rendered by the Court.

11.4 In keeping with the matters discussed in section 7.21.6 to the Annual Report regarding a motion filed with the Tel-Aviv District Court (Economic Department) against the Company, Isramco Negev 2, L.P., Alon Natural Gas Exploration Ltd. and Dor Gas, L.P. for disclosure and review of documents pursuant to Article 198A to the Israeli Companies Law, 1999 in connection with the bidding process, it should be noted that following an update notice submitted to the Court on May 31, 2020 regarding the bidding process discussed in section 11.3 above, the District Court decided that the parties will update the Court of their negotiations by September 1, 2020.

11.5 In keeping with the matters discussed in section 7.21.6 to the Annual Report regarding a claim and a motion for class action certification filed with the Tel-Aviv District Court by an electricity consumer against Delek Drilling and Noble and to which all the other Tamar partners and Leviathan partners including the Company were added as respondents (as parties against which no remedies are sought), it should be noted that a pretrial hearing has been scheduled for February 3, 2021.

11.6 See details of a claim and a motion for class action certification filed with the Tel-Aviv District Court's Economic Department on April 28, 2020 by a shareholder in the Company against the Company, the Company's directors and the CEO regarding the petitioner's argument for nondisclosure of a condition stipulated in the agreement for the sale of natural gas from the Tamar reservoir to Dolphinus in the Company's reports, see an immediate report of April 30, 2020 (TASE reference: 2020-01-037909), the contents of which are included herein by reference. On June 7, 2020, a revised class action certification motion was submitted by a different shareholder who replaced the plaintiff. A pretrial hearing has been scheduled for December 13, 2020.

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, 2020

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, 2020 ("**the Reporting Period**").

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

1. Main data from the description of the Company's business

The Company is engaged in the sale of natural gas and condensate 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 IPPs, industrial customers 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 report date, the Company holds 16.75% of the rights in the Tamar Lease and the I/13 Dalit Lease (collectively - "**the Leases**").

2. Spread of the Coronavirus and its possible implications on the Company

At the end of 2019 and during the first quarter of 2020, the Coronavirus (Covid-19) began to spread in China and subsequently throughout the world, and was declared a global pandemic by the World Health Organization (WHO) in March 2020 ("**the Coronavirus pandemic**"), causing a slowdown in global economic activity and subsequently adversely affecting consumer spending volumes and numerous sectors, including the energy sector in which the Company operates.

For further details on the Coronavirus pandemic and its implications on the Company's business, see section 1 in Chapter A, "Description of the Company's Business", to the Periodic Report.

As detailed in Note 1d to the condensed interim financial statements, in light of the Company's existing cash balances in excess of the safety buffers required by the trust deeds of the Series A and B bonds, and in light of the existence of commitments for the purchase of certain minimum quantities and floor prices, the Company estimates that it will not require funding at least in the coming year for financing its activity and/or meeting its existing and expected obligations.

It should be noted that as of the report approval date, there is still a great deal of uncertainty involving the scope of the Coronavirus pandemic's effects on global and local economies which, among others, depends on the time required to eradicate the pandemic or halt its spread and the possible renewed outbreak of the pandemic which would lead to another series of restrictions imposed, thereby causing further economic slowdown and even a recession for a longer timeframe and severely affect numerous sectors, including the energy sector in which the Company operates. Accordingly, at this point, the Company is unable to estimate the full consequences of the Coronavirus pandemic and its effects on the demands and sales of the Tamar reservoir and subsequently on the Company's operations and business results.

Forward-looking information disclaimer – the Company's assessments regarding the absence of a need for funding in the coming year at least for financing its operations and/or meeting its obligations, as well as regarding the possible consequences of the Coronavirus pandemic as detailed above, constitute forward-looking information within the meaning of the Securities Law, which is based, among other things, on the existence of customer commitments to purchase minimum quantities and on Company estimations regarding the selling prices of natural gas, as well as on information currently in the possession of the Company, on publications issued in Israel and around the world on this subject and on the directives and guidelines of the relevant authorities. This information may not materialize, in whole or in part, or may materialize in a materially different manner, due to various factors that are not under the Company's control, such as, inter alia, harm to the operational aspects of the Tamar reservoir and/or to the Company's customers and harm to the financial robustness of customers, as well as to the extent there are changes in the spread of the Coronavirus pandemic, in the directives and guidelines of the relevant authorities and in the economic situation in Israel and around the world.

3. 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 March 31,		Year ended December 31,
	2020	**2019**	**2019**
	Unaudited		**Audited**
Revenues from sale of gas and condensate	64,251	88,811	349,937
Less - royalties	10,559	14,135	57,853
Net revenues	**53,692**	**74,676**	**292,084**
Costs and expenses:			
Cost of production of natural gas and condensate	4,099	7,639	28,450
Depreciation, depletion and amortization expenses	9,486	12,415	50,037
General and administrative expenses	984	983	3,207
Total costs and expenses	14,569	21,037	81,694
Operating income	**39,123**	**53,639**	**210,390**
Finance expenses	(14,441)	(15,397)	(60,147)
Finance income	681	977	3,279
Finance expenses, net	(13,760)	(14,420)	(56,868)
Income before taxes on income	25,363	39,219	153,522
Taxes on income	(10,286)	(6,498)	(27,871)
Total comprehensive income for the period	**15,077**	**32,721**	**125,651**
Gas sales in BCM[1]	2.0	2.6	10.4
Condensate sales in thousands of barrels[2]	93	120	483

[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 $ 53.7 million, compared with approximately $ 74.7 million in the corresponding period of last year, a decrease of about 28.1%. The decrease is mainly a result of a decrease of about 24% in the quantities of natural gas and condensate sold in the Tamar project in the Reporting Period and about a 5% decrease in the average selling price of natural gas mainly arising from reduced sales to the IEC owing to the tender won by the Leviathan partners as described in Note 11c(9) to the annual financial statements (see also Note 3 to the condensed interim financial statements hereby attached).

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 $ 4.1 million compared with approximately $ 7.6 million in the corresponding period of last year, a decrease of about 46%. The change is mainly a result of a decrease in the Company's share of the operating results of the Tamar project in the amount of approximately $ 3.2 million, mainly a result of payroll and maintenance expenses.

Depreciation, depletion and amortization expenses in the Reporting Period amounted to approximately $ 9.5 million, compared with approximately $ 12.4 million in the corresponding period of 2019, a decrease of about 23%. The main decrease of approximately $ 2.9 million arises from a reduction in the produced quantities of natural gas and condensate in the Reporting Period based on the depletion method.

General and administrative expenses in the Reporting Period amounted to approximately $ 1 million, similarly to the corresponding period of last year, consisting mainly of expenses in respect of professional services, payroll and general expenses.

Net finance expenses in the Reporting Period amounted to approximately $ 13.8 million, compared with approximately $ 14.4 million in the corresponding period of last year. The decrease in net finance expenses in the Reporting Period mainly arises from a decrease of approximately $ 1.2 million in finance expenses in respect of bonds (Series A and B), partly offset by the decrease of approximately $ 0.3 million in finance income and in exchange rate valuation gains.

Taxes on income in the Reporting Period amounted to approximately $ 10.3 million, compared with approximately $ 6.5 million in the corresponding period of last year. The tax expenses in the Reporting Period include an amount of approximately $ 4.3 million 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, tax expenses are net of a decrease of approximately $ 2.4 million arising from the difference between the measurement basis of revenues as reported for tax purposes and the measurement basis as reported in the financial statements.

4. 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, 2020 compared with the statement of financial position as of December 31, 2019:

Total statement of financial position as of March 31, 2020 amounted to approximately $ 1,266 million compared with a total of approximately $ 1,317 million as of December 31, 2019.

Total current assets in the statement of financial position as of March 31, 2020 amounted to approximately $ 100.9 million compared with approximately $ 140.2 million as of December 31, 2019. The change is mainly attributable to the following factors:

(1) **Cash and cash equivalents** as of March 31, 2020 amounted to approximately $ 50.2 million compared with approximately $ 79.2 million as of December 31, 2019. The decrease in mainly a result of the payment of principal and interest on bonds (Series A and B) totaling approximately $ 77.3 million, partly offset by cash flows from operating activities in the Reporting Period totaling approximately $ 52.2 million.

(2) **Trade receivables** as of March 31, 2020 amounted to approximately $ 20 million compared with approximately $ 34.6 million as of December 31, 2019. The decrease in trade receivables is mainly due to reduced sales in March 2020 compared with sales in December 2019.

(3) **Other accounts receivable** as of March 31, 2020 amounted to approximately $ 10.3 million compared with approximately $ 6.2 million as of December 31, 2019. The increase is mainly due to the increase in a debit balance with the Israeli income tax authorities in a total of approximately $ 3.9 million.

Total non-current assets in the statement of financial position as of March 31, 2020 amounted to approximately $ 1,165.2 million, compared to approximately $ 1,176.5 million as of December 31, 2019. The change is mainly attributable to the following factors:

Deferred taxes as of March 31, 2020 amounted to approximately $ 102.5 million compared with approximately $ 112.7 million as of December 31, 2019. The decrease is a result of deferred tax expenses in the Reporting Period totaling approximately $ 10.2 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).

Total current liabilities in the statement of financial position as of March 31, 2020 amounted to approximately $ 84.1 million compared with approximately $ 120.9 million as of December 31, 2019. The change is mainly attributable to the following factors:

(1) **Current maturities of bonds** amounted to approximately $ 70.9 million as of March 31, 2020 compared with approximately $ 87.6 million as of December 31, 2019.

(2) **Other accounts payable** amounted to approximately $ 13.2 million as of March 31, 2020 compared with approximately $ 29.4 million as of December 31, 2019. The decrease is mainly a result of a decrease in accrued interest payable to holders of bonds (Series A and B) totaling approximately $ 12.8 million and a decrease of approximately $ 2.5 million in the balance of payables for royalties arising from reduced sales in March 2020 as opposed to the sales of December 2019.

(3) **Income taxes payable** as of March 31, 2020, the Company had no income taxes payable as opposed to a liability of approximately $ 4 million as of December 31, 2019.

Total non-current liabilities in the statement of financial position as of March 31, 2020 amounted to approximately $ 941.8 million compared with approximately $ 970.7 million as of December 31, 2019. The change is mainly attributable to the following factors:

(1) **Bonds less current maturities** amounted to approximately $ 910.8 million as of March 31, 2020 compared with approximately $ 944.7 million as of December 31, 2019. The decrease stems from the repayment of bond principal (Series A and B) in a total of approximately $ 52.1 million, partly offset by a decrease of approximately $ 16.7 million in current maturities and reduction of discount and issue expenses in the amount of approximately $ 1.5 million.

(2) **Other long-term liabilities** amounted to approximately $ 30.9 million as of March 31, 2020 compared with approximately $ 26 million as of December 31, 2019. The increase is mainly due to the increase in an asset retirement obligation resulting from the update in discount rate.

The Company's equity as of March 31, 2020 amounted to approximately $ 240.2 million compared to approximately $ 225.1 million as of December 31, 2019. The increase derives from the comprehensive income in the Reporting Period totaling approximately $ 15.1 million.

b. **Cash flows**

Net cash flows provided by operating activities in the Reporting Period amounted to approximately $ 52.2 million, compared with approximately $ 55.9 million in the corresponding period of last year. The change arises from the decrease in operating income (less depreciation) in a total of approximately $ 17.5 million and an increase in income taxes paid totaling approximately $ 2.8 million, partly offset by working capital changes (mainly due to a decrease in trade receivables) totaling approximately $ 16.6 million.

Net cash flows used in investing activities in the Reporting Period amounted to approximately $ 3.7 million, compared with approximately $ 2.2 million in the corresponding period of last year.

Net cash flows used in financing activities in the Reporting Period amounted to approximately $ 77.3 million compared with approximately $ 79.1 million in the corresponding period of last year and included repayment of bond principal (Series A and B) and payment of interest thereon.

The balance of cash and cash equivalents as of March 31, 2020 amounted to approximately $ 50.2 million.

5. Very material valuation

The Company attached to the report for the first quarter of 2020 a valuation on the test of impairment of an oil and gas asset as of March 31, 2020 which constitutes a very material valuation (as defined in Article 8B to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970) ("**the valuation**") (see additional information in Note 1e to the financial statements). Following are details of the valuation:

Subject of the valuation:	Test of impairment of oil and gas asset.
Date of the valuation:	March 31, 2020.
Value of subject of the valuation shortly before the date of the valuation had the generally accepted accounting principles, including depreciation and amortization, not required a change in value as per the valuation:	N/A.
Value of subject of the valuation as per the valuation:	$ 1,109M.
Identity and details of the appraiser, including education, experience in valuations for accounting purposes in reporting entities and in similar or larger scopes of valuations to the reported valuation and dependence on the valuation customer, including reference to indemnification agreements with the appraiser:	The valuation was performed by GSE Economic Consulting Ltd. ("**the appraising company**"), a subsidiary of Giza Singer Even Ltd. The valuation was performed by a team headed by CPA Eitan Cohen. See details of the experience of the appraising company and the team of appraisers in paragraph 1.3 to the valuation. The appraising company has no personal interest in and/or dependence on the Company other than the fact that it received professional fees for the test of impairment which are noncontingent on the outcome of the valuation. See details of the commitment for indemnification in paragraph 1.1 to the valuation.
Valuation model used by the appraiser:	The recoverable amount of the oil and gas asset as of March 31, 2020 was estimated using the discounted cash flows expected from the asset (value in use) at a discount rate reflecting the intrinsic risk as per the forecasts.

Assumptions underlying the valuation used by the appraiser based on the valuation model:	The income approach (value in use) was estimated based on forecasted cash flows in the 2P reserve category (Proved + Probable Reserves) issued by the Company on January 8, 2020 (TASE reference: 2020-01-003469), after adjustments to production rate and price projections affected by market developments in the first quarter of 2020, mainly: ▪ Update of gas price among others due to projected median price per Brent oil barrel (in USD); update of projected power production rate; and increase om surplus supply of natural gas. ▪ Update of production rate in 2020-2024 based, among others, on projected demands in local market, updated near the valuation date, and based on the mechanism determined in the Egyptian gas export agreement. ▪ Adjustment of depreciation expenses for tax purposes based on the asset's recoverable amount. ▪ Calculating the present value of the cash flows at an estimated WACC of about 9.7%. See more information in paragraph 5.1.1 to the valuation.

It should be clarified that the test of impairment was solely performed to calculate the recoverable amount of the investment in the Tamar project as of March 31, 2020 in conformity with generally accepted accounting principles for the purpose of impairment testing. It is also clarified that the Company has been performing an analysis of the assumptions and evaluations underlying the discounted cash flows attributable to the Company's share of the Tamar project as of December 31, 2019, as issued by the Company in an immediate report of January 1, 2020 (TASE reference: 2020-01-003469), which as of the report approval date has not yet been completed, and on which, following completion, the Company plans to rely for issuing an updated discounted cash flows. Therefore, there may be gaps between the value of the subject of the valuation as presented in the above table and the estimated discounted cash flows which the Company intends to issue as above which arise, among others, from the fact that the discounted cash flows will also reflect events that occurred after March 31, 2020 and forecasts that have been and will be reached during said period.

Part Two – Corporate Governance Aspects

1. **<u>The Company's policy on donations</u>**

On March 29, 2020, the Company's Board decided to earmark an amount of NIS 100 thousand a year for donations to organizations and/or associations operating in the fields of education and/or culture. Following the Coronavirus outbreak, on April 8, 2020, the Company's Board decided to donate an amount of NIS 50 thousand of the above amount to Yad Sarah, the largest national volunteer organization in Israel which at the time was raising funds for supplying respiratory equipment.

2. **<u>Board Committees</u>**

In keeping with the Board's decision in its meeting of March 18, 2020 regarding the adoption of the investment policy described in section 2 to Part Four to the Board of Directors' Report for the year ended December 31, 2019, in its meeting of March 29, 2020, the Board decided to set up a Board Committee whose members will include Ran Efrati and Avi Eini and authorize it to establish rules for investing the Company's free cash flows in the context of said investment policy.

Part Three – Buyback Plan

In keeping with the Board's decision in its meeting of March 29, 2020 regarding the adoption of a buyback plan of bonds (Series A and B) ("**the buyback plan**") as described in Part Three to the Board of Directors' Report for the year ended December 31, 2019, the Company repurchased bonds (Series A) in an aggregate of NIS 2,311,664 par value and bonds (Series B) in an aggregate of NIS 111,618 par value, as described in the immediate reports of April 2, 2020 (TASE reference: 2020-01-030661) and April 5, 2020 (TASE reference: 2020-01-031264), the contents of which are included herein by reference.

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

<u>Events after the date of the condensed interim statement of financial position</u>

a. See Note 3b to the condensed interim financial statements for details of the notice of the representatives of the Ministry of Energy, the Ministry of Justice's legislative advisory economic department, the Ministry of Finance and the Competition Authority (collectively – "**the State's representatives**") in keeping with the urgent petition submitted by the Tamar partners who do not hold the Leviathan project, including the Company, to the Director General of the Competition Authority regarding the threat to competition with Tamar reservoir posed by Noble and Delek Drilling – Limited Partnership in the Leviathan reservoir and the agreed outline of principles for joint marketing from the Tamar reservoir by the partners in the Tamar project submitted for the approval of the State's representatives.

b. See Note 4b to the condensed interim financial statements for details of a claim and class action certification motion filed on April 28, 2020 with the Tel-Aviv District Court's Economic Department by a shareholder in the Company against the Company, the Company's directors and the CEO pertaining to the petitioner's argument of nondisclosure of a condition in the natural gas sale agreement signed with Dolphinus Holding Limited in the Company's reports.

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

Details	**Series A**	**Series B**
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, 2020	1,968,615	1,613,031
Linked par value as of March 31, 2020	1,992,650	1,662,462
Carrying amount in the Company's books as of March 31, 2020	1,970,322	1,529,667
Quoted market price as of March 31, 2020	1,460,515	1,228,323
Amount of accrued interest as of March 31, 2020	8,193	6,836
Annual fixed interest rate	4.69%	4.69%
Principal payment dates	See **Annex A** to this Report	See **Annex B** 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
Early repayment right	• 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.	• 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.

Details	**Series A**	**Series B**
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 (Stable)	A1.il (Stable)
Ratings from the issuance date and rating as of the report date[3]	A1.il (Negative)	A1.il (Negative)
Has the Company complied with all the conditions and obligations under the Indenture throughout the Reporting Period until March 31, 2020	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

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, March 13, 2019 and March 29, 2020; the bonds (Series B) were rated on February 20, 2018, March 12, 2018, March 13, 2019 and March 29, 2020. For details see the Company's immediate report dated March 29, 2020 (TASE reference: 2020-01-027667), the contents of which are included herein by reference.

Details	**Series A**	**Series B**
Pledges for securing the bonds	See Part Five to the Board of Directors' Report as of December 31, 2019	See Part Five to the Board of Directors' Report as of December 31, 2019
Financial covenants as of March 31, 2020	• 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 \$ 949 million[4] • 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, 2020) – 1.36[5] • Economic equity (as defined in Section 5.10.3 of the Series A Indenture) – about \$ 757 million[6]	• 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 \$ 949 million[7] • 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, 2020) – 1.36[8] • Economic equity (as defined in Section 5.10.3 of the Series B Indenture) – about \$ 757 million[9]

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 not lower than 1.05 and not lower than 1.2 for a dividend distribution.

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 will be not lower than 1.05 and not lower than 1.2 for a dividend distribution.

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,

Eitan Meir	**Liami Vaisman**
Chairman of the Board	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, 2020

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, 2020

UNAUDITED

IN U.S. DOLLARS IN THOUSANDS

INDEX

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Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

Auditor's 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, 2020 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.

The interim condensed financial information as of March 31, 2019 and for the period of three months then ended was reviewed by us jointly with another auditor who has ceased serving as the Company's auditor.

Scope of review

We conducted our review in accordance with Review Standard (Israel) 2410 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.

Tel-Aviv, Israel
June 24, 2020

KOST FORER GABBAY & KASIERER
Certified Public Accountants (Israel)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

In U.S. Dollars in thousands

	March 31, 2020	March 31, 2019	December 31, 2019
	Unaudited	Unaudited	Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	50,238	61,546	79,167
Restricted deposits	20,375	-	20,283
Trade receivables	19,987	38,153	34,588
Other accounts receivable	10,329	2,782	6,201
	100,929	102,481	140,239
NON-CURRENT ASSETS:			
Investments in oil and gas assets	1,007,476	1,030,482	1,008,360
Deferred taxes	102,450	104,786	112,736
Restricted deposits	43,495	42,508	43,258
Other long-term assets	11,807	5,709	12,194
	1,165,228	1,183,485	1,176,548
	1,266,157	1,285,966	1,316,787
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities of bonds	70,930	95,970	87,581
Accounts payable	13,209	14,738	29,405
Income taxes payable	-	820	3,951
	84,139	111,528	120,937
NON-CURRENT LIABILITIES:			
Bonds net of current maturities	910,834	981,764	944,743
Other long-term liabilities	30,936	20,534	25,961
	941,770	1,002,298	970,704
Total liabilities	1,025,909	1,113,826	1,091,641
EQUITY:			
Ordinary share capital	2,517	2,517	2,517
Share premium	784,495	784,495	784,495
Retained earnings	160,222	92,215	145,145
	947,234	879,227	932,157
Capital reserves	(706,986)	(707,087)	(707,011)
	240,248	172,140	225,146
	1,266,157	1,285,966	1,316,787

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

June 24, 2020			
Date of approval of the financial statements	Eitan Meir 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 March 31,		Year ended December 31,
	2020	2019	2019
	Unaudited		Audited
Revenues from sale of gas and condensate	64,251	88,811	349,937
Less - royalties	10,559	14,135	57,853
Net revenues	53,692	74,676	292,084
Costs and expenses:			
Cost of production of natural gas and condensate	4,099	7,639	28,450
Depreciation, depletion and amortization expenses	9,486	12,415	50,037
General and administrative expenses	984	983	3,207
Total costs and expenses	14,569	21,037	81,694
Operating income	39,123	53,639	210,390
Finance expenses	(14,441)	(15,397)	(60,147)
Finance income	681	977	3,279
Finance expenses, net	(13,760)	(14,420)	(56,868)
Income before taxes on income	25,363	39,219	153,522
Taxes on income	(10,286)	(6,498)	(27,871)
Total comprehensive income	15,077	32,721	125,651
Basic and diluted net earnings per share (in USD)	0.17	0.37	1.42
Weighted number of shares used in the above computation	88,495,576	88,495,576	88,495,576

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, 2020:					
Balance at January 1, 2020 (audited)	2,517	784,495	(707,011)	145,145	225,146
Total comprehensive income	-	-	-	15,077	15,077
Share-based payment	-	-	25	-	25
Balance at March 31, 2020	2,517	784,495	(706,986)	160,222	240,248

	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	-	-	-	32,721	32,721
Share-based payment	-	-	27	-	27
Balance at March 31, 2019	2,517	784,495	(707,087)	92,215	172,140

	Ordinary share capital	Share premium	Capital reserves	Retained earnings	Total
			Audited		
For the year ended December 31, 2019:					
Balance at January 1, 2019	2,517	784,495	(707,114)	59,494	139,392
Total comprehensive income	-	-	-	125,651	125,651
Dividend	-	-	-	(40,000)	(40,000)
Share-based payment	-	-	103	-	103
Balance at December 31, 2019	2,517	784,495	(707,011)	145,145	225,146

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,
	2020	2019	2019
	Unaudited		Audited
Cash flows from operating activities:			
Net income	15,077	32,721	125,651
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	9,486	12,415	50,037
Taxes on income	2,594	1,656	(3,065)
Amortization of bond discount and issue expenses	1,558	1,676	6,568
Finance expenses, net	12,201	12,713	50,291
Share-based payment	25	27	103
Changes in asset and liability items:			
Decrease (increase) in trade receivables	14,601	(4,724)	(1,159)
Decrease (increase) in other accounts receivable and other long-term assets	646	71	(79)
Change in balance with joint venture operator	(893)	(2,386)	(5,312)
Increase (decrease) in accounts payable	(3,079)	1,738	322
Net cash provided by operating activities	52,216	55,907	223,357
Cash flows from investing activities:			
Investment in restricted deposits	-	-	(20,000)
Investments in oil and gas assets	(4,383)	(3,084)	(10,400)
Investment in other long-term assets	-	(152)	(8,618)
Interest received	412	818	3,085
Receipts in connection with other long-term assets	235	235	941
Net cash used in investing activities	(3,736)	(2,183)	(34,992)
Cash flows from financing activities:			
Repayment of bonds	(52,118)	(51,511)	(101,813)
Dividend paid	-	-	(40,000)
Interest paid	(25,225)	(27,588)	(54,180)
Net cash used in financing activities	(77,343)	(79,099)	(195,993)
Exchange rate losses on cash and cash equivalents	(66)	(7)	(133)
Decrease in cash and cash equivalents	(28,929)	(25,382)	(7,761)
Cash and cash equivalents at beginning of period	79,167	86,928	86,928
Cash and cash equivalents at end of period	50,238	61,546	79,167
Annex A - non-cash investing and financing activities:			
Investments in oil and gas assets against payables	3,859	644	4,278
Asset retirement obligation against oil and gas assets	4,622	279	4,330
Annex B - additional cash flow information:			
Income taxes paid	7,692	4,842	30,936

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

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"), independent power producers ("IPPs"), industrial customers and natural gas marketing companies. The Company is also 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 3 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.

   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's condensed interim financial statements should be read in conjunction with the Company's financial statements as of December 31, 2019 ("the 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.

c. The condensed interim financial statements have been prepared in accordance with the provisions of IAS 34, "Interim Financial Reporting" and with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

d. At the end of 2019 and during the first quarter of 2020, the Coronavirus (Covid-19) began to spread in China and subsequently throughout the world, and was declared a global pandemic by the World Health Organization (WHO) in March 2020 ("the Coronavirus pandemic"), causing a slowdown in global and local economic activity and subsequently adversely affecting numerous sectors, including the energy sector in which the Company operates. Also, in the first quarter of 2020, a dispute arose between Russia and Saudi Arabia regarding oil production rates which led to a sharp decline in global oil prices. All of the above factors caused a major drop in demands for oil, natural gas and energy products as well as significant fluctuations in quoted market prices the in Israeli and global energy markets, including a major decrease in stock prices and increased yields on the Company's bonds.

NOTE 1:- GENERAL (Cont.)

As of the date of the condensed interim statement of financial position, the quoted market price of the Company's shares approximates USD 46 million and is significantly lower than its equity as of March 31, 2020 (see Note 4f below for information of the quoted market price of the Company's bonds (Series A and B)). As for the testing of impairment of the investments in oil and gas assets as of March 31, 2020, see paragraph e below.

As of the date of approval of the condensed interim financial statements, extensive restrictions on border crossing are still in effect in several countries. These restrictions as well as other limitations imposed are likely to pose difficulties in maintaining the current operation of the Tamar project which relies, among others, on professional operating personnel. In this context it should be noted that Noble Energy Mediterranean Ltd. ("Noble" or "the Operator") has formulated an action plan in coordination with the Petroleum Commissioner and the Ministry of Health for dealing with the economic crisis resulting from the Coronavirus in an aim to secure to the extent possible that the Operator's workforce will be able to reach the project's onshore and offshore facilities and continue the essential operations in these facilities. Nevertheless, insofar as the Coronavirus deteriorates in a manner that risks the health and safety of the operating team, the production of gas from the Tamar reservoir could come to a halt in order to protect workers' safety, the environment and the natural gas assets. It should be noted that as of the date of approval of the condensed interim financial statements, the operation of the Tamar reservoir has not been impaired.

It should be noted that the Company has limited exposure to the short-term decrease in energy prices since the majority of the Company's contracts with its customers are based on a Take or Pay mechanism which stipulate minimum consumption quantities and floor prices. Moreover, some of the Company's contracts with customers include the customers' obligation to purchase natural gas from the Tamar reservoir in preference over all other resources (see Note 11b(1) to the annual financial statements). It should also be noted that in view of the Company's free cash flows that are in excess of the safety reserves required in the trust deeds of the bonds (Series A and B), the Company estimates that it will have sufficient financial resources at least for financing its operations and/or meeting its existing and expected liabilities in the coming year.

Since the extent of the adverse effects of the Coronavirus crisis on local and global economies depends on the gravity of the pandemic spread and the time that will be needed for eradicating the pandemic or halting its spread, which involves a degree of uncertainty as of the date of approval of the condensed interim financial statements, the Company is presently unable to estimate the full ramifications of the pandemic on its operations and business results.

NOTE 1:- GENERAL (Cont.)

e. **Estimated impairment of oil and gas assets** – the Company tested the need for recording a provision for impairment of its investments in oil and gas assets as of March 31, 2020, among others since as of that date, the quoted market price of the Company's shares was significantly lower than its equity. The test of impairment was performed by an independent external appraiser who estimated the recoverable amount as of March 31, 2010 ("the impairment testing date") using the discounted cash flows expected from the asset (value in use). The test was performed based on the Company's forecasted cash flows from 2P (Proved + Probable) reserves from the Tamar reservoir as of December 31, 2019 as published on January 8, 2020 ("the Company's forecast") after the following adjustments: (1) updated gas price forecast due to: (i) the projected Brent oil barrel prices based on the average Brent forward prices (in USD) and the projections of the World Bank and the United Stated Department of Energy published shortly before the impairment testing date of about \$ 33.7, \$ 43, \$ 44.6, \$ 47.3, \$ 49.8 and \$ 52.1 in 2020-2025, respectively, a gradual increase up to a price of about \$ 71.7 in 2030 followed by an increase at a fixed rate of 2% per annum; (ii) updated electricity production tariff forecast; (iii) increased surplus natural gas supply due to the expected decrease in local demand and the expected decrease in natural gas export; (2) a reduction in the production rate in 2020-2024 based on an updated demand forecast in the local market prepared near the impairment testing date and a reduction in Egyptian export sale quantities in the years in which the projected average price per Brent oil barrel is lower than \$ 50; (3) adjusted depreciation expenses for tax purposes based on the asset's recoverable amount and a post-tax WACC of about 9.7%. Based on the test, the recoverable amount of the Company's oil and gas assets was estimated by the external appraiser at approximately \$ 1,109 million, which is higher than the carrying amount of the investments in oil and gas assets as of March 31, 2020, which, less the asset retirement obligation and other long-term assets (whose effect is included in the discounted cash flows), totals approximately \$ 987 million. According to a sensitivity analysis performed by the external appraiser, a 1.5% post-tax increase in the WACC would reduce the current carrying amount of the cash flow to approximately \$ 986 million.

Based on the external appraiser valuation, as above, and under the assumptions described above, the recoverable amount of the investments in oil and gas assets as of March 31, 2020 is higher than their amortized cost and therefore no impairment should be recorded in respect of the Company's investments in the Tamar reservoir.

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.

NOTE 3:- NATURAL GAS SUPPLY AGREEMENTS

a. In keeping with the matters discussed in Note 11c(9) to the annual financial statements regarding an appeal filed with the Supreme Court by some of the Tamar partners including the Company (collectively – "the petitioners") for reversing the Tel-Aviv District Court's decision which dismissed the administrative petition filed by the petitioners against the IEC and the Leviathan partners as the winners of the bidding process, on May 21, 2020, a hearing of the appeal was held at the Supreme Court in which the parties notified the Court that they are in the middle of advanced negotiations for settling the case and, at the parties' request, the Court decided to afford the parties an extension for reaching understandings and ruled that insofar as no settlement is reached, a judgment will be rendered by the Court.

b. In keeping with the matters discussed in Note 11c(10) to the annual financial statements regarding a possible amendment to the agreement with the IEC ("the agreement amendment") and the urgent petition submitted by the Tamar partners which do not hold the Leviathan project (the Company, Isramco Negev 2, L.P. ("Isramco"), Dor Gas Exploration, L.P. and Everest Infrastructures, L.P.) to the Director General of the Competition Authority regarding the threat to competition to Tamar reservoir posed by Noble and Delek Drilling, L.P. ("Delek Drilling") in Leviathan reservoir, after the date of the condensed interim statement of financial position, on April 13, 2020, a notice was issued by the representatives of the Ministry of Energy, the Ministry of Justice's legislative advisory economic department, the Ministry of Finance and the Competition Authority (collectively – "the State's representatives") according to which before the State's representatives express their final opinion and consider further steps, they are allowing the Tamar partners ("the parties") to reach understandings that will nullify the need for the State's intervention in the form of an official position. The State's representatives allotted the parties a short timeframe for reaching the understandings which are required to reverse the veto right held by Noble, Delek Drilling and Isramco conferred to them by virtue of the business practice maintained by the parties to date.

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

On May 27, 2020, the Tamar partners submitted for the approval of the State's representatives an agreed master outline for joint marketing from the Tamar reservoir ("the marketing arrangement") according to which the Tamar reservoir partners will continue with the joint marketing of natural gas from the Tamar reservoir. The marketing arrangement consists of various mechanisms and stipulations designed to guarantee the parties' rights and improve the Tamar reservoir's competitive edge in marketing natural gas to local consumers. Among others, these mechanisms and stipulations determine the method and parameters for holding negotiations with local customers regarding certain commercial criteria such as price, price linkage and accepted take or pay levels in the local market without the participation of the Tamar reservoir partners that hold other oil producing assets and the parameters and conditions underlying natural gas sale contracts with local customers.

The Tamar reservoir partners also informed the State's representatives that they have reached basic understandings with the leviathan partners regarding the issues that were in dispute pertaining to the natural gas sale agreements with the IEC and that advanced negotiations are being held with the IEC in connection with said understandings (see paragraph a above). As of the date of approval of the condensed interim financial statements, the State's representatives have not yet issued their approval of the marketing arrangement and there is no certainty that it will be received.

NOTE 4:- ADDITIONAL INFORMATION

a. In February 2020, a claim and a motion for class action certification ("the motion") were filed with the Tel-Aviv District Court by an electricity consumer ("the petitioner") in which the Court is asked to rule that Delek Drilling and Noble, which have cross ownership of the Tamar and Leviathan reservoirs, are legally not allowed to prevent the Tamar reservoir partners from entering into an agreement with the IEC which reduces the cost of the natural gas supplied to the IEC in any manner whatsoever, including by exercising their veto right which the petitioner argues is conferred solely in agreements with the corporations that own the Tamar reservoir. The motion was originally filed against Delek Drilling and Noble but all the other corporations that hold the Tamar and Leviathan projects including the Company were added to the motion as respondents that according to the petitioner constitute parties against which no remedies are sought but are necessary parties to the motion in view of their close relation to the events which are the subject of the motion.

NOTE 4:- ADDITIONAL INFORMATION (Cont.)

b. After the date of the condensed interim statement of financial position, on April 28, 2020, the Company was informed of a letter of claim and motion for class action certification approval ("the motion") filed with the Tel-Aviv District Court's Economic Department by a shareholder in the Company ("the petitioner") against the Company, the Company's directors and the CEO ("the respondents"). In the motion, the petitioner argues for nondisclosure in the Company's reports of a condition stipulated in the agreement for the sale of natural gas from the Tamar reservoir to Dolphinus Holding Limited ("the buyer") according to which if the annual median price per Brent oil barrel drops below $ 50, the buyer will be entitled to reduce its gas quantity obligation based on the take or pay mechanism by 50%. The petitioner claims that the nondisclosure is in violation of various articles of the Securities Law and the regulations enacted thereunder and constitutes professional malpractice and breach of duty of care of the Company's officers by virtue of the Companies Law, 1999 as well as breach of statutory duty, breach of contract and breach of implied covenant of good faith and fair dealing in a contract.

The petitioner argues that the disclosure of the abovementioned condition which was provided for the first time in Isramco's periodic report for 2019 published on March 24, 2020 led to a decline in the Company's quoted market price on March 25-26, 2020 and caused the group of plaintiffs represented by the petitioner losses estimated at approximately NIS 12 million.

In the motion, the Court is asked, among others, to order the respondents to compensate the group of plaintiffs for said losses and, alternatively or on an aggregate basis, provide any other remedy to the group (or to the public) as deemed necessary under the circumstances by the Court. A pretrial hearing has been scheduled for December 13, 2020. Based on its legal counsel, the Company believes that in view of the early stage of the proceeding, the chances of the motion to be accepted cannot be assessed.

c. **Dividends**:

On March 29, 2020, the Company's Board decided not to distribute a dividend to the Company's shareholders based on the annual financial statements.

NOTE 4:- ADDITIONAL INFORMATION (Cont.)

d. **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) and of no less than 1:1.20 (during two consecutive quarters) for a dividend distribution. The expected debt service ration for the period of 12 months from July 1, 2020 is 1.36.

   It should be noted that according to the bond indentures, given that more than 120 days have elapsed from the date of publication of the discounted cash flow, the Company is required to confirm to the trustee that no material adverse changes, as defined in the bond indentures, have occurred in the parameters underlying the coverage ratio which are likely to change the coverage ratio in a manner that will not allow distribution and/or will represent breach of the bond indentures (namely, a ration below 1:1.20 and 1:1.05, respectively). According to the Company's estimates as of the date of approval of the condensed interim financial statements, the changes in the parameters underlying the discounted cash flow do not represent material adverse changes as discussed above.

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, 2020 is approximately $ 757 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).

e. On March 19, 2020, the Company's Board adopted a plan for the buyback of bonds (Series A and B) on the TASE to be implemented from time to time at the discretion of the Company's management for the duration of the plan period as stipulated below and at an overall maximum cost of $ 20 million pro rata to the outstanding par value of each bond series (namely: up to approximately $ 11 million for bonds (Series A) and up to approximately $ 9 million for bonds (Series B)). The buyback will be financed by the Company's own resources in effect for one year from the date of the Board's decision, subject to a reexamination to be performed on or near the date of approval of the financial statements for the second quarter of 2020. After the date of the condensed interim statement of financial position, the Company repurchased approximately NIS 2.4 million par value of bonds (Series A) during trade in consideration of approximately $ 0.5 million and those bonds were eliminated from trade.

NOTE 4:- ADDITIONAL INFORMATION (Cont.)

f. **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 (Series A and B) (Level 1) whose fair value as of March 31, 2020 is approximately $ 754 million (December 31, 2019 - approximately $ 965 million, March 31, 2019 - approximately $ 1,072 million) and whose carrying amount, including accrued interest as of that date approximates $ 986 million (December 31, 2019 - approximately $ 1,049 million, March 31, 2019 - approximately $ 1,082 million).

g. After the date of the condensed interim statement of financial position, on April 22, 2020 and on June 24, 2020, the Company's Remuneration Committee and Board respectively approved the grant of a bonus of approximately NIS 162 thousand to the Company's CEO for 2019. The bonus was included in the statement of comprehensive income in the reporting period.

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June 24, 2020

To
Board of Directors of Tamar Petroleum Ltd.
(the "Company")
11 Galgalei Haplada St.
Herzliya Pituah 4672211

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 auditor's review report dated June 24, 2020 on the Company's condensed interim financial information as of March 31, 2020 and for the period of three months then ended.

Kost Forer Gabbay & Kasierer
CPA (Isr.)

GIZA SINGER EVEN

Tamar Petroleum Ltd.

Test for Impairment of Oil and Gas Asset

as of March 31, 2020

***

June 2020

This report is a translation of Tamar Petroleum Ltd.'s Hebrew-language Test for Impairment of Oil and Gas Asset Opinion, 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.

Giza Singer Even Ltd.

Aviv Tower, Jabotinsky 7, Ramat Gan 5252007 Tel. 03-5213000
www.gse.co.il

Table of Contents

1. Introduction and Limitation of Liability

1.1. General

This paper was prepared by GSE Economic Consulting Ltd. ("**GSE**") on behalf of Tamar Petroleum Ltd. ("**Tamar Petroleum**" or the "**Company**") for the purpose of testing for impairment of the oil and gas assets owned by the Company (the "**Asset**" or the "**Oil and Gas Asset**") as part of the application of IAS 36: Impairment of Assets (the "**Opinion**") as of March 31, 2020 (the "**Opinion Date**"), at the request of the Company's management.

We are aware that the Opinion is intended for the Company's use, among other things, in preparing its financial statements, and accordingly we agree to have the Opinion mentioned and/or included (including by reference) in any report published by it, in accordance with the Securities Law, 5728-1968 (the "**Securities Law**") and its regulations, as well as in any shelf prospectus and/or shelf offering published by the Company (including by reference).

In preparing the Opinion we relied on information as detailed in Section 1.2 below. GSE assumes that this information is reliable and does not examine it independently, and consequently the Opinion does not verify the correctness, completeness and accuracy thereof. However, nothing has come to our attention that could indicate that the information is unreasonable.

This Opinion includes a description of the methodology and the main points of the assumptions and the analyses used to determine the recoverable amount of the Oil and Gas Asset. However, it does not purport to describe fully and in detail all the procedures applied by us in formulating the Opinion.

This Opinion does not constitute and is not a substitute for due diligence. Furthermore, **the Opinion is not intended to determine the value of the Asset** for a specific investor and does not constitute advice or a legal opinion.

The Opinion does not include an accounting audit with respect to compliance with the accounting principles. GSE is not responsible for manner of the accounting presentation of the Company's financial statements, in terms of accuracy and completeness of the data and the implications of such accounting presentation, should there be any.

If the information and data on which GSE relied are incomplete, inaccurate or unreliable, this could change the results of the Opinion. We reserve the right to revise the Opinion in light of new data that was not presented to us. For the avoidance of doubt, this Opinion is valid solely as of its signing date.

An economic valuation is meant to reflect reasonably and fairly a given situation at a particular time, based on known data and taking into consideration basic assumptions, estimates and forecasts. **It is emphasized that the information detailed in this Opinion as to assumptions relating to quantities, production rate, price forecasts, investments and production costs of natural gas and condensate is forward-looking information within the meaning of the Securities Law, 5728-1968, which is not certain to materialize, wholly or partly, in the stated manner or in any other manner. Said information may materialize in a materially different manner due to various factors, including a change in estimates of quantities and costs, increased competition, regulation, operational malfunctions, etc.**

We hereby confirm that we have no personal interest in and/or dependence on the Company, other than the fact that we are receiving a fee for this Opinion. Likewise, we confirm that our fee is not contingent on the results of the Opinion.

GSE and any company controlled by it directly or indirectly and any controlling person, officer and employee of any of them is not liable for any damage, loss, detriment or expense of any kind whatsoever, whether direct or indirect, that may be caused to anyone relying on the contents of this Opinion, wholly or partly, subject to our not having acted willfully or with negligence that is not exempt by law and may not be contracted out of or in bad faith.

The Company will not be entitled to receive from us, by contract or in tort, by law or otherwise, any amount for loss of profits, data or goodwill, or for any consequential, incidental or indirect loss, or as punitive or special damages, in connection with claims arising from services that were provided as part of the Opinion or otherwise related to the services provided by us as part of this Opinion, whether the likelihood of such loss or damage was foreseen or not, subject to our not having acted negligently and/or willfully.

Additionally and without limiting the generality of the foregoing, if we are ordered in a peremptory judgment to pay any amount to a third party in connection with the performance of the services detailed in this Opinion, in a legal or other binding proceeding, the Company undertakes to indemnify us for any amount that will be paid by us in excess of the payable fee multiplied by three, immediately upon our first written demand and in any case no later than 14 days from the date of receipt of a letter of demand by registered mail. Said indemnity undertaking will not apply if it is determined that we acted in the performance of the Opinion in a willful or negligent manner, and it is subject to and in accordance with the letter of engagement signed between GSE and the Company.

1.2. Information Sources

The main information sources used in preparing the Opinion are listed below:

- Periodic and quarterly reports of the Company for 2018-2019.
- Draft of the Company's financial statements for Q1 2020.
- Report on Reserves and Updated Discounted Cash Flow Figures for the Company's Tamar Lease, published on January 8, 2020.
- Public information published on websites, press reports or other public sources.
- Internal sources and databases of GSE.
- Meetings and/or telephone conversations with role holders in the Company.

1.3. Details of the Appraising Company

GSE Economic Consulting Ltd. is a subsidiary of Giza Singer Even Ltd., a leading financial and investment banking consulting firm in Israel. The firm has extensive experience in consulting to Israel's largest companies and in major privatization deals and other important transactions in the Israeli market, accumulated over the twenty five years of its activity. Giza Singer Even operates in three areas, by means of independent and autonomous business divisions: economic consulting; investment banking; analytical research and corporate governance.

The Opinion was prepared by a team headed by Eitan Cohen, CPA, a partner in Giza Singer Even and head of its Economic Department, with more than 13 years' experience in economic and business consulting and in company and financial instrument valuations. He was formerly head of the economic department of an entrepreneurial company in the field of infrastructure as well as head of the economic department at KPMG (Somekh Chaikin). Eitan is a Certified Public Accountant and holds a BA in Economics and Business Administration from Ben Gurion University and an MSc in Financial Mathematics from Bar Ilan University.

Sincerely,

GSE Economic Consulting Ltd.

June 24, 2020

2. Description of the Company

2.1. Background

Tamar Petroleum Ltd. ("**Tamar Petroleum**" or the "**Company**") is a public company listed on the Tel Aviv Stock Exchange Ltd. The Company engages in the production of natural gas from the Tamar reservoir in the area of the I/12 Tamar lease (the "**Tamar Project**" and the "**Tamar Lease**," respectively) and marketing thereof to various customers, among them the Israel Electric Corporation Ltd. ("**IEC**"), private electricity producers, industrial customers and natural gas marketing companies. The Company also engages in the sale of condensate produced from the Tamar Project and in the advancement and expansion of the Tamar Project's production system.

As an outcome of government decisions taken as part of the "Framework for Increasing the Quantity of Natural Gas Produced from the Tamar Natural Gas Field and for the Rapid Development of the Leviathan, Karish and Tanin Natural Gas Fields and Other Natural Gas Fields" (the "**Framework**" or the "**Gas Framework**"), Delek Drilling[1] – Limited Partnership ("**Delek Drilling**") and Noble Energy Ltd. ("**Noble**") are required to dispose of their holdings in the Tamar Lease and in the I/13 Dalit lease (together, the "**Holdings**" or the "**Tamar and Dalit Leases**").

Tamar Petroleum carried out two acquisitions of rights in the Tamar and Dalit Leases:

- On July 20, 2017 (effective as of July 1, 2017), Tamar Petroleum acquired from Delek Drilling 9.25% (out of 100%) of the Tamar and Dalit Leases and a pro rata share of the associated rights, obligations and approvals, in consideration of a cash payment of $845 million (out of which $650 million was financed by a Series A bond issue and the remaining $195 million by a public share offering) and the allocation of 19,990,000 ordinary shares of the Company to Delek Drilling.

- On March 14, 2018 (effective as of January 1, 2018), the Company acquired from Noble working interests at a rate of 7.5% (out of 100%) in the Tamar and Dalit Leases and a pro rata share of the associated rights, obligations and approvals, in consideration of a cash payment amounting, after adjustments, to $475 million (financed by a Series B bond issue), as well as a share payment made via the private placement of 38,495,576 ordinary shares of the Company with Noble, representing 43.5% of the Company's issued share capital after the placement.

[1] The balance of Delek Drilling's direct and indirect holdings in the reservoir (25.785%) will be disposed of by December 17, 2021, 72 months after the Gas Framework came into force (Delek Drilling holds 22% directly and 3.785% indirectly through Tamar Petroleum).

2.2. The Tamar Project

The Tamar oil asset, consisting of the Tamar and Tamar SW (South West) natural gas fields, is an offshore oil asset located 90 kilometers off the Haifa coast, with an area of 250 square kilometers. The Tamar and Tamar SW gas fields were discovered in 2009 and 2013, respectively. The reservoir is a high-quality reservoir by global standards, containing dry gas consisting 99% of methane, with a high level of porosity and permeability as well as high connectivity between the parts of the reservoir. Piping of natural gas to consumers began on March 31, 2013, with the production capacity standing at 1.1 BCF per day at maximum production.

Below are the estimated quantities of gas and condensate in the Tamar reservoir as of the end of 2019, as published in the Company's reserves report dated January 8, 2020:

Category of Reserves	Total (100%) in the Oil Asset						Total (Tamar and Tamar SW) Rate Attributable to the Holders of the Company's Equity Rights (Net)	
	Tamar Reservoir		Tamar SW Reservoir		Total (Tamar + Tamar SW Reservoir)			
	Natural Gas BCF	Condensate Million Barrels	Natural Gas BCF	Condensate Million Barrels	Natural Gas BCF	Condensate Million Barrels	Natural Gas BCF	Condensate Million Barrels
P1 Proved Reserves	6,994.5	9.0	796.4	1.0	7,741.0	10.1	1,063.5	1.4
Probable Reserves	2,871.0	3.7	159.1	0.2	3,030.1	3.9	416.3	0.5
Total P2 Proved + Probable Reserves	9,815.5	12.8	955.6	1.2	10,771.1	14.0	1,479.8	1.9
Possible Reserves	2,366.0	3.1	102.2	0.1	2,468.3	3.2	339.1	0.4
Total P3 Proved + Probable + Possible Reserves	12,181.6	15.8	1,057.8	1.4	13,239.4	17.2	1,818.9	2.4

According to information delivered to us by the Company, in Q1 2020, a total of about 2 BCM of natural gas and about 93 thousand condensate barrels were produced from the Tamar Reservoir and sold to customers.

Below is the structure of holdings in the Tamar Project as of the Opinion Date:

Company	Holding Percentage
Noble Energy Mediterranean Ltd.	25.00%
Isramco Negev 2 – Limited Partnership	28.75%
Delek Drilling – Limited Partnership	22.00%
Tamar Petroleum	16.75%
Dor Gas Exploration – Limited Partnership	4.00%
Everest Infrastructure – Limited Partnership	3.50%

3. Description of Business Environment

3.1. General

The natural gas sector in Israel began to develop following discoveries of natural gas reservoirs Noa and Mari B in 1999-2000. These discoveries enabled companies in the economy, most notably the IEC, to shift to more extensive use of natural gas and to reduce the use of polluting and more expensive fuels, such as, coal, diesel fuel and fuel oil. The sector's development was accelerated by the discovery of the Tamar and Leviathan reservoirs in 2009 and 2010, respectively. Such discoveries materially influence the energy independence of Israel as well as the development and expansion of the uses of natural gas in the Israeli economy.

In the wake of the sector's development, the natural gas sector in Israel is undergoing significant changes including regulatory, economic and environmental changes. Within a few years, natural gas has become the central component in the fuels basket for electricity production in the Israeli economy, as well as a significant energy source for industry in Israel. The natural gas resources discovered in Israel can provide for all the gas needs of the domestic market in the coming decades and most of its energy needs, thereby significantly reducing the dependence of the State of Israel on foreign energy sources.

The economic viability of investments in the exploration and development of natural gas reservoirs is greatly influenced by global oil and gas prices, by natural gas demand in the local, regional and global markets, and by the ability to export natural gas, which requires the existence of extensive gas resources and entering into long-term agreements for the sale of natural gas in significant quantities, which would justify the high cost of setting up these infrastructures.

The use of natural gas holds out many benefits for the Israeli economy, including:

- **Reduced energy costs in industry and electricity production** – The low price of natural gas compared to that of currently widespread alternative fuels such as fuel oil and diesel fuel, leads to significant savings in production costs, and in turn, to a decrease in the prices of finished products, whose costs consist mainly of electricity costs. Most of the power plants constructed in recent years in Israel are powered by natural gas turbines and are characterized by low construction costs[2], shorter construction time, reduced need for land areas[3], and many operational advantages. Aside from its relatively low price, natural gas is a more efficient energy source than other fuels, enabling power plants and industrial plants to achieve high energy efficiency, which is ultimately reflected in costs savings[4]. According to Natural Gas Authority estimates[5], overall savings for the Israeli economy resulting from a shift to natural gas use during 2004-2018 is around NIS 63.7 billion. Most of the savings derive from the electricity sector (NIS 49 billion), with overall electricity consumption in 2018 amounting to 9.1 BCM, which accounts for 83% of natural gas demand. The remaining savings from a shift to natural gas use is attributed in the main to industrial plants (NIS 14.7 billion), whose overall consumption in 2018 amounted to 2 BCM.

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[2] Around half the cost of the coal-fired power station, around a third of the cost of a nuclear power station and around 15% of the cost of a station powered by wind energy.

[3] Natural gas is transmitted through a subsea pipeline, and contrary to other fuels, does not require storage areas.

[4] A combined cycle power plant, that combines a gas turbine and steam turbine, is more efficient, utilizing 55% of the energy. Cogeneration plants that exploit the thermal energy generated in the production process achieve an efficiency level of 80%.

[5] https://www.gov.il/BlobFolder/reports/energy_sector_2018/he/energy_sector_review_2018.pdf

- **Clean energy** – The main substances emitted from the burning of natural gas are carbon dioxide and water vapor. Since coal and oil are more complex fuels, with a higher proportion of carbon and nitrogen- and sulfur-containing compounds, their combustion releases many more pollutants, including ash particles of substances that do not burn, but are found in the atmosphere and add to the air pollution. By contrast, natural gas combustion releases a relatively low amount of pollutants, reducing air pollution and maintaining a cleaner and healthier environment.
- **Energy independence**–Israel's geopolitical characteristics effectively rendered Israel an "energy island," which for years was unable to import fuels from neighboring countries, forcing it to rely on the costly import of fuels from Europe. Israel's energy isolation decreased somewhat during 2008-2012, with the start of the natural gas supply from Egypt; however, the sudden cutting off of this supply demonstrated the importance of developing local energy sources. The development of Israel's natural gas sector provides Israeli industry with long-term energy security, which will reduce its dependence on international energy supply sources.
- **Natural gas as a source of government revenue through taxation**–The Israeli natural gas industry is expected to benefit the local economy directly through government revenues from corporate taxation and from VAT on sales to the end consumer. Moreover, the Israeli economy has several special taxation systems that apply to the natural gas sector, and like all other fuel products, natural gas is also subject to excise tax. In addition, under the Petroleum Law, the state collects royalties at a rate of 12.5% from total natural gas sales at the wellhead. Furthermore, the state will be entitled to oil and gas windfall profit levy receipts under the Windfall Profits Tax Law, 5771-2011 (the "**levy**" and "**Windfall Profits Tax Law**," respectively) at a rate of 20%-50% (the maximum rate depends, inter alia, on the corporate tax rate) on the revenues of petroleum rights holders, less royalties, operating costs and development costs.

3.2. Customers

The natural gas sector in Israel consists of several customer strata that differ from one another in the nature of activity and natural gas consumption characteristics:

- **Israel Electricity Corporation ("IEC")** –The IEC is a very important anchor customer for the Tamar Project Partners. The IEC is a government company supervised by the Electricity Authority, among other things, in regard to the costs of electricity production inputs, particularly, natural gas costs. In 2018, IEC purchased 4.66 BCM and in 2019 – 4.23 BCM natural gas from the Tamar Partnership. The rate of electricity generated by the IEC using natural gas and liquefied gas was estimated to be 56.5% and 53.1%, in 2018 and 2019, respectively[6].

[6] Source: IEC's financial statements for 2019.

- **Independent power producers** ("**IPPs**")– comprise several types, according to the production technology they use: conventional IPPs, cogeneration facilities, pumped storage, renewable energy IPPs, and large industrial plants that have built power plants for themselves, and for which they received a license for self-production. Section 93 of the Natural Gas Sector Law defines natural gas sold to a private electricity producer as a price-controlled product under the Control of Prices of Commodities and Services Law, 5756-1996. In 2018, IPP consumption amounted to 4.9 BCM[7], accounting for 44% of total natural gas consumption in 2018.

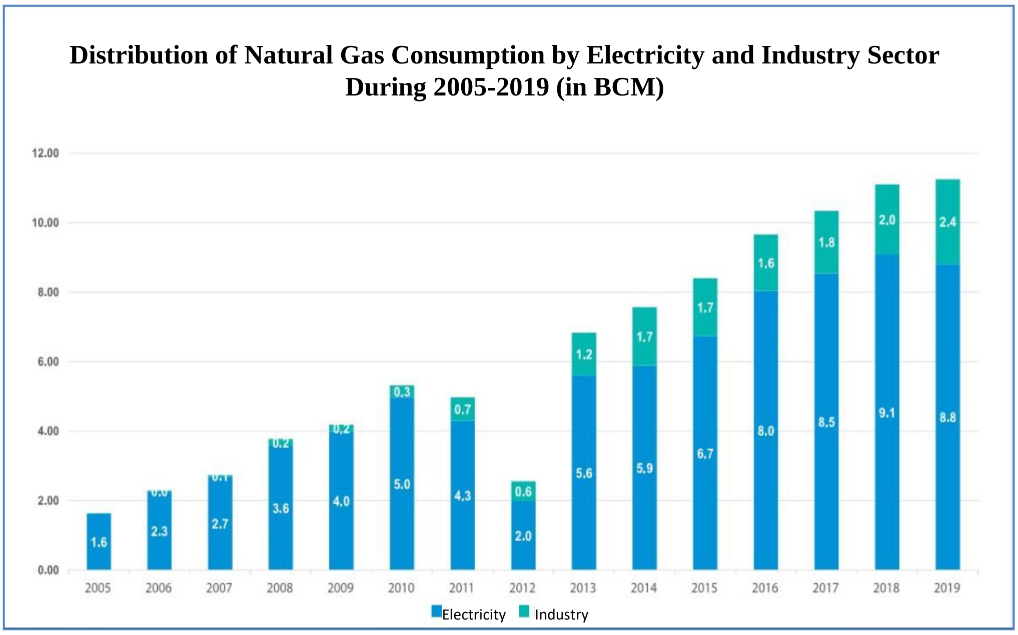
- **Large industrial consumers**–This consumer stratum comprises a number of significant consumers, which are essential for the development of the Israeli gas sector. These are consumers with significant power and reputation in the Israeli economy, and with extensive experience and knowledge in Israeli industrial activity, in general, and in Israel's natural gas activity, in particular. Most of the large industrial plants in the economy have signed agreements for the purchase of natural gas in the framework of setting up private power stations on their premises, to provide for their own electricity needs, which accounts for only a part of the power station's production capacity, and for the sale of the electricity produced to outside consumers or to the IEC. Accordingly, also the natural gas purchase agreements signed by most of the large industrial plants, to date, have the characteristics of agreements with private power stations. Total natural gas consumption in the industry sector in 2019 amounted to 2.4 BCM, 20% up from 2018. The major part of this increase is due to the connecting of new consumers to the distribution grid[8].

- **Medium and small consumers**– The sector of distribution grid consumers, which comprises primarily medium and small industrial plants and businesses such as laundromats and bakeries, is a relatively new sector in the natural gas industry that has started signing purchase and infrastructure conversion agreements only in recent years. These consumers are characterized by low-pressure gas consumption, in relatively small quantities, which is not continuous 24 hours a day. Some of these consumers are still not connected to the overland transmission systems, or to the distribution grid, for which reason they consume condensed natural gas (CNG) – a temporary but not optimal solution, as the cost of consumption can reach twice the cost of natural gas that is transmitted via the distribution system pipeline.

[7] Source: Ministry of Energy. It should be noted that the classification of customers in the Company's Periodic Report is not identical to the classification in the Energy Ministry's report. Industrial customers that consume gas for electricity production purposes are classified by the Company as private electricity producers, while the Energy Ministry's report classifies them as industrial customers.

[8] See Footnote 7 above.

Chart 1 – Natural Gas Consumption in Israel, 2005-2019[9]:



3.3. Demand Forecast

Following are the key factors that are expected to drive growth in natural gas demand:

3.3.1. Increased Demand in the Electricity Sector

Recent years have seen a downtrend in the use of oil distillates and coal by the IEC power stations, due to their conversion to production using natural gas. This trend is being led by the Ministry of Energy and government decisions, as set out below:

- In December 2015, the Energy Minister, Dr. Yuval Steinitz, decided on a 15% reduction in the use of coal for electricity production in 2016 compared to 2015. Starting from 2017, there was an additional reduction of 5%, and in all, a 20% reduction compared to the use made in 2015.

- In August 2016, the Energy Minister announced his decision to shut down four IEC coal-fired production units, with the connection of three gas reservoirs to the shore, and the construction of new power stations powered by natural gas within six years. Further thereto, in September 2016, the IEC received emission permits under the Clean Air Law, 5768-2008, with regard to the sites of its coal-fired power stations, mandating continued installation of emission reducing means, and the termination of activity at units 1-4 of the coal-fired power station at the "Orot Rabin" site, no later than June 1, 2022.

[9] Source: Ministry of Energy http://online.fliphtml5.com/dldee/idah/

- In November 2017, the Energy Minister decided on policy principles regarding minimal operation of coal-fired units, whereby at any time preference will be given to electricity production using natural gas over electricity production using coal, while operating coal-fired units at minimum load, thereby enabling flexible and dependable supply for the economy.

- In March 2018, the Knesset Finance Committee and, subsequently, the Knesset plenum, approved orders providing, inter alia, that as of March 15, 2019, the excise tax on coal would increase by 125%, in view of the government's policy to gross up external costs of fuels and to encourage the expansion of natural gas uses. In addition, it was decided that as of January 1, 2024, the excise tax on CNG would gradually rise, subject to the existence of no fewer than 25 CNG fueling stations, which would receive all the permits required for operation. It was also decided that starting May 1, 2018, excise tax drawback in respect of diesel fuel, used chiefly for transportation needs, would be gradually phased out. On February 20, 2019, the Energy Minister signed an order deferring the scheduled increase in excise tax on coal, from March 2019 to 2021.

- In October 2018, the Energy Minister presented a plan aimed at bringing about a reduction in the use of polluting energy, the principal purpose being to cut down the use of polluting fuel products by 2030. In line with the plan, targets were set in the following sectors:

  A. Electricity sector – Electricity production using 80% natural gas and 20% renewable energies starting from 2030, and final shutdown of the coal-fired stations in Hadera and Ashkelon in 2028.

  B. Industry sector – Production of 90% of the energy and steam required for industry, using natural gas, starting from 2030.

  C. Transportation sector – Gradual shift to electric cars and natural gas trucks, and imposition of an absolute prohibition on the import of cars powered by polluting fuels, starting from 2030.

- In November 2019, the Energy Minister announced that it would be possible to shorten the timetables for converting coal-fired power stations in Hadera and Ashkelon to natural gas by 2025. Consequently, the age of coal in Israel is expected to end that year. This decision shortens the timetables set previously by four years.

- In June 2020, the Ministry of Energy and Ministry of Environmental Protection announced that they had guided the IEC to extend the temporary shutdown period of the 1-4 coal-fired units at the Orot Rabin power station from the second half of 2020 as part of the units' full shutdown process scheduled for June 2022.

3.3.2. The Switch to the Use of Natural Gas in Industry

- Natural gas is a central component in industry's energy consumption (84% of total fuel usage in Israel in 2018). Industrial plants are hooked up to natural gas through transmission and distribution networks, with transmission and distribution fees controlled by the Natural Gas Authority.

- According to the report summarizing the activity of the Ministry of Energy for 2019, to date, 508 km of distribution pipelines have been laid throughout Israel (of which 158 km were laid during 2019), as well as 737 km of transmission pipelines (of which 37 km were laid in 2019). Expansion of the deployment of the natural gas distribution network is likely to enable the connection of hundreds of potential industrial consumers to the network by 2030, whose consumption is expected to amount to 0.72 BCM per year, accounting for 80% of potential light industrial consumption.

- According to Ministry of Energy assessments, without further policy steps, some 150 consumers are expected to join the distribution grid by 2025, with a total consumption of 0.45 BCM, comprising around half the potential in the hookup of light industry consumers. Additional potential consumption of 0.27 BCM deriving from the connection of another 300 plants, but smaller ones, is expected to materialize following the implementation of further policy steps (such as budgetary support for the deployment of the distribution network, encouragement of consumers to use natural gas, etc.).

- In 2030, natural gas demand in the industry sector is expected to exceed 3 BCM, with 2.25 BCM stemming from natural gas industrial consumption of consumers hooked up to the transmission network and 0.84 BCM from natural gas consumption of consumers linked up to the distribution network.

3.3.3. Export

Recently there has been a perceptible improvement in relations with several neighboring countries, with whom business ties are strategic for the State of Israel, in general, and for gas companies, in particular. Improved relations have led to the signing of agreements for the export of natural gas from Israel to its neighbors, as detailed below:

- The Tamar Partners signed agreements with NBL Eastern Mediterranean Marketing Limited ("**NBL**") for the export of natural gas to consumers in Jordan. Concurrently, NBL signed an agreement with two Jordanian companies – Arab Potash Company and Jordan Bromine Company – whereby they are to purchase natural gas from NBL to be used in their plants that are located on the eastern bank of the Dead Sea in Jordan. These agreements are for 15-year periods, and the overall quantity of natural gas in these agreements is 3 BCM.

- On September 26, 2016, an agreement was signed between the Leviathan Partners and the Jordanian electricity company NEPCO for the supply of up to 45 BCM of natural gas for a period of 15 years. According to a public report issued by Delek Drilling on December 31, 2019, natural gas started to be piped from the Leviathan reservoir to customers with whom gas agreements were signed, including the Jordanian electricity company.

- On February 19, 2018, Delek Drilling and Noble signed agreements with the Egyptian company Dolphinus, which were assigned on September 26, 2018 to the Tamar Partners and Leviathan Partners. On September 26, 2019, amended export agreements were signed for the export of natural gas from the Tamar reservoir and Leviathan reservoir in quantities of 25.3 BCM and 60 BCM, respectively, for a period of 15 years. In keeping with Leviathan Partnership's report of the beginning of transmission of natural gas from the Reservoir to the various customers issued in late December 2019, on January 15, 2020, the Leviathan Partners reported the start of gas transmission to Egypt.

- On November 6, 2019, a deal was concluded for the acquisition of 39% of the company EMG, which owns a marine pipeline for the transmission of gas between Israel and Egypt, by EMED (a company held by Delek Drilling (25%), Noble Energy (25%) and East Gas (50%)), in which framework, the capacity and operation rights in connection with the EMG pipeline, were transferred to the acquirer (EMED), in order to perform the agreements with Dolphinus as described above.

According to a domestic market demand forecast performed by an outside consultant of Tamar Petroleum near the Opinion Date, domestic demand for natural gas in 2020 is expected to total 11.8 BCM and increase gradually to 18.4 BCM by 2025. The increase in domestic demand is expected to stem primarily from an addition of 4.7 BCM as a result of the termination of coal use for the production of electricity, from an addition of 1.2 BCM due to natural growth in electricity demand (population growth, improved standard of living, and increased disposable income, notwithstanding the effects of the Coronavirus crisis), and from an addition of 0.7 BCM owing to the connection of small consumers and industrial plants to the natural gas distribution and transmission network.

In addition, according to the Brent prices detailed in Section 5.1 below[10], based on the Company's estimate as of the Opinion Date, the export of gas from Israel to Egypt and Jordan is expected to increase gradually from about 4.1 BCM to about 9.6 BCM by 2027. According to this estimate, in the years 2020-2024, the Company expected to see average annual surplus supply of about 5.6 BCM, given that the Leviathan reservoir will be in full operation and the Karish reservoir will start to supply gas during 2021. Surplus supply during this period is expected to lead to increasing competition and to possible decreases in the prices of gas sold to the IEC (according to the dates for re-opening prices stipulated in the agreement), and in the prices to be set in new agreements. Nevertheless, it should be noted that most of the agreements signed by the Tamar Partners are long-term contracts with take-or-pay ("**TOP**") mechanisms and a floor price, so that the effect of surplus supply on the quantities and prices of natural gas to be sold from the Tamar reservoir in the coming years is limited.

[10] It should be noted that after March 31, 2020 there was a markup in Brent oil barrel prices and projected prices for the coming years whose implications were not taken into account in this Opinion.

3.4. Regulatory Environment

The production and sale of natural gas from reservoirs in the territorial and economic waters of the State of Israel are subject to regulatory restrictions on the quantity of gas produced, on the export of gas out of Israel and on gas prices. Additionally, the production and sale of natural gas from the Tamar, Leviathan, Karish and Tanin reservoirs and/or other reservoir are subject to additional regulatory restrictions, as follows:

- **Royalties to the State of Israel** – According to the Petroleum Law, a leaseholder must pay a royalty of 12.5% on the quantity of natural gas or oil produced from the lease, and should pay the state the market value of the royalty at the wellhead. The method of calculating the market value of the royalty at the wellhead in the Tamar reservoir is currently being deliberated between the Petroleum Commissioner and the Tamar reservoir partners and has not yet been finally determined. In 2019, the Tamar Project partners paid advances on account of 11.3% royalties on the Tamar Project's revenues, and in 2017 and 2018 at a rate of 11.65%. In February 2020, the Ministry of Energy issued guidelines for public comment, containing general instructions for the method of calculating royalty value at the wellhead for maritime oil rights.

- **Windfall Profits Tax Law**–The Windfall Profits Tax Law sets a levy on oil and gas profits by the R-factor mechanism, which is calculated according to the ratio between net cumulative revenues from the project and cumulative investments as defined in the law ("**levy coefficient**"). A minimum levy of 20% is collected when the levy coefficient reaches 1.5, and gradually increases up to 50% (the maximum rate changes every tax year according to changes in the corporate tax rate) when the levy coefficient reaches 2.3. The levy will be calculated and imposed on each reservoir, separately.

  The law contains transition provisions for reservoirs that commenced commercial production up to January 1, 2014, determining, inter alia, that the levy coefficient will be between 2 and 2.8 instead of between 1.5 and 2.3. The Tamar reservoir falls within the ambit of the transition provisions.

- **Restrictive trade practices and exemption from the provisions of the Restrictive Trade Practices Law**–In August 2015, a government decision was passed concerning a framework for the regulation of the natural gas sector in Israel, including in connection with the Partnership's rights in the natural gas reservoirs of Tamar, Leviathan, Karish and Tanin, which went into effect on December 17, 2015, with the grant of an exemption from several provisions of the Restrictive Trade Practices Law, 5748-1988 ("**Gas Framework**").

The Gas Framework grants an exemption to Delek Drilling, Noble and Ratio Oil Exploration (1992) Limited Partnership (hereinafter referred to jointly as: the "**Parties**") from the restrictive arrangements in connection with the Leviathan reservoir. Likewise, the Gas Framework grants an exemption in relation to certain powers of the Commissioner (power to regulate monopoly actions by directives, power to order a monopoly owner to sell an asset, and power to order the breakup of a monopoly) in connection with Delek Drilling and Noble being monopoly owners by virtue of being declared as such by the Commissioner in 2012 (the "**Exemption**")[11]. The grant of the Exemption as described above is conditional on the fulfillment of the following conditions:

- Sale of the rights of Delek Drilling and Noble in the Karish and Tanin reservoirs to a third party that is not affiliated with the Parties or any thereof, within 14 months of the date of grant of the Exemption or the date of publication of the new regulation draft by the Petroleum Commissioner regarding the qualification conditions for the Operator, whichever the later. We would note that on August 16, 2016, an agreement was signed for the sale of all the rights in the Karish and Tanin leases, between Delek Drilling and Energean.

- Sale of all the rights of Delek Drilling in the Tamar reservoir to a third party that is not affiliated with it or with any of the holders of the rights in the Leviathan, Karish and Tanin reservoirs, and restriction of Noble's rights in the Tamar reservoir to 25%, at the most, within 72 months. We note that in March 2018, Noble sold to the Company 7.5% of its rights in the Tamar and Dalit leases for a cash consideration and Company shares. In October 2018, it sold all its shares in the Company, and as of this time its stake in the Tamar reservoir decreased to 25% (directly and indirectly).

- Imposition of restrictions on new agreements signed for the supply of gas from the Tamar and Leviathan reservoirs, such as a prohibition against restrictions on purchasing from other suppliers, in certain cases the granting of the right to consumers to unilaterally determine the period of the agreement and the granting of a unilateral possibility to consumers to change the supply quantity in the agreement.

- **Stable regulatory environment**–In the original Gas Framework, the government of Israel committed to maintain "regulatory stability" in connection with natural gas exploration and production for a period of 10 years. Following the filing of a petition to the High Court of Justice against said stability clause, the High Court of Justice ruled that the issue of regulatory stability in the Gas Framework in its present wording is unlawful. In May 2016, the Israeli government readopted its decision on the Gas Framework, establishing an alternative arrangement for a "stable regulatory environment" for the purpose of ensuring a regulatory environment that encourages investments in the segment of natural gas exploration and production.

[11] The declaration of monopoly owners under Section 26(a) of the Restrictive Trade Practices Law, 5748-1988: Delek Drilling – Limited Partnership along with Avner Oil & Gas Exploration – Limited Partnership, Noble Energy Mediterranean Ltd., Isramco Negev 2 – Limited Partnership, and Dor Gas Exploration – Limited Partnership – are owners of a monopoly in the supply of natural gas in Israel, as of the second half of 2013 (November 13, 2012) Restrictive Trade Practices 500249.

- **Price control**–During the period extending from the entry into force of the Gas Framework to the date of full satisfaction of the Exemption conditions, price control in the natural gas sector under the Restrictive Trade Practices Law, will be limited to the imposition of reporting requirements on profitability and the gas price, provided that during this period the holders of rights in Tamar and Leviathan offer potential consumers a price based on the weighted average price of the prices in the agreements existing in respect of the reservoirs or on prices in the export agreements, in several price and linkage alternatives publicized in the framework of Government Decision 476 from August 16, 2015. Starting from the third quarter of 2016, the Natural Gas Authority publicizes every quarter, the weighted natural gas price and the natural gas price for private electricity producers.

3.5. Risk Factors

Exploration and development activities in connection with oil and natural gas reservoirs entail substantial financial costs under conditions of uncertainty, resulting in an extremely high financial risk. Below is a description of the risk factors with a major impact on the operations of companies in the industry:

- **Changes in the Electricity Production Tariff, price indices, prices of alternative energy sources** – The prices paid by consumers for natural gas are derived, among other things, from the Electricity Production Tariff, from the U.S. CPI and from prices of fuel alternatives to gas, such as fuel oil, diesel oil and Brent oil. Furthermore, significant developments in alternative energy sources may lead to a change in the IEC's usage model, such that preference will be given to power stations operating by means of energy alternatives to gas.

- **Geopolitical risk** – Israel's security and economic situation, as well as the political situation in the Middle East, could affect the willingness of foreign countries and entities, including in the Middle East, to enter into business relationships with Israeli entities and/or international entities operating in Israel. Therefore, any downturn in the geopolitical situation in the Middle East and/or deterioration in Israel's political relations with its neighbors, for security and/or political and/or economic reasons, could harm the ability of the companies operating in the Israeli oil and gas market to advance their business with such countries and entities and to export gas to neighboring countries.

- **Competition in the supply of gas** – In recent years, several significant gas reservoirs have been discovered in the waters of Israel, containing reserves on a considerably larger scale than previously estimated in relation to domestic needs. At present, Israel has, apart from the Tamar and Leviathan producing reservoirs, two other reservoirs – Karish and Tanin – which are being developed and are expected to constitute additional significant suppliers of natural gas to the domestic market. Additionally, the Ministry of Energy held two tenders for additional offshore exploration blocks, which may lead to further discoveries (subsequently it also granted licenses in this regard). Furthermore, in 2015 a substantial natural gas reservoir was discovered in Egypt (Zohr), and in 2018 a natural gas reservoir was discovered in Block 6 in Cyprus. These reservoirs could impact negatively on Israel's natural gas export capacity and could also increase competition in Israel's natural gas market by boosting supply (through imports). Additional finds may also be made in the future, both in Israel and in other countries in the eastern Mediterranean basin, the development of which could lead to the entry of new competitors and to increased competition in the supply of natural gas to the domestic market and to neighboring countries.

- **Export restrictions** – Restriction of the quantity of gas that may be exported could drive up excess supply in the domestic market, reducing local gas prices. We note in this connection that in accordance with the recommendations of the Adiri Committee from December 2018, the gas export quantities set in Government Decision 442 are to remain unchanged. However, in accordance with the committee's recommendations, the formula for calculating the export quota will be changed, such that the quota will be higher than under the formula set in Government Decision 442, solely for gas reservoirs that are as yet undiscovered.

- **Dependence on integrity of the national transmission system in Israel, Egypt and Jordan** – The ability to supply the gas produced from the reservoirs to potential consumers is contingent, among other things, on the integrity of the national gas transmission system and the regional distribution networks. Likewise, the ability to supply the gas depends on the integrity of the transmission system to Egypt and Jordan as well as the internal transmission system in those countries.

- **Dependence on contractors and suppliers of equipment and professional services** – As of the date of the Opinion, Israel has no contractors that perform most of the activities necessary for the construction and operation of oil and natural gas reservoirs, and therefore the companies operating in the industry depend on foreign contractors for the performance of such activities. Consequently, these activities involve high costs and/or there may be significant delays in the timetables set for their performance and in the supply of gas to customers.

- **Operational risks and insufficient insurance coverage** – Oil and gas exploration and production activities are exposed to a range of risks, such as uncontrolled eruption of liquids and gas from wells, explosion, collapse of wells and other events that could harm the functioning of the production and transmission system and result in damage to or destruction of the oil or gas wells, the production and transmission facilities, the exploration equipment, etc. Moreover, there is a risk of liability for pollution damage due to explosion and/or leakage of liquids and/or gas. Notwithstanding the insurance policies that are available in the market, not all potential risks are covered or insurable.

- **Regulatory changes** – The operating sector requires numerous regulatory approvals, mainly from the competent authorities under the Petroleum Law and the Natural Gas Sector Law, as well as incidental approvals of state authorities (including the Energy Ministry, the Defense Ministry, the Environmental Protection Ministry, the tax authorities, the Competition Authority and the different planning authorities). Over the past few years several proposals have been advanced for amendments to the laws and/or regulations and/or directives relevant to the operating segment, and several decisions, laws and directives have been published the implementation of which could impact negatively on the companies operating in the industry.

- **Subordination to environmental regulation** – The companies operating in the natural gas sector are subordinated to a range of environmental laws, regulations and directives pertaining to various issues, such as: leakage of oil, natural gas or other pollutants into the marine environment, discharge into the sea of various pollutants and waste materials (such as sewage, remnants of drilling equipment, drilling sludge, cement, etc.), chemical substances used in the different stages of work, emission of air pollutants, lighting and noise hazards, and construction of pipeline infrastructure on the seabed and related facilities. The companies are also required to obtain through the project operators approvals from the competent authorities under the Oil Law, the Natural Gas Sector Law as well as other laws (such as environmental protection laws) for purposes of their operations.

- **Effects of the Coronavirus crisis** – In the first quarter of 2020, international markets experienced drastic fluctuations and markdowns in oil and natural gas prices. According to market evaluations, the fluctuations can be attributed to the global Coronavirus crisis as well as to other causes and factors that affect the supply and demand of energy products. Insofar as the global Coronavirus crisis pursues and the slowdown in global economy continues, this situation will continue to have adverse effects on demands for energy products and their prices.

- **Other risk factors** – There are other risk factors that affect the operating sector, including difficulties in obtaining financing, information security risks, dependence on key customers, dependence on weather and sea conditions, cancellation or expiration of rights and oil assets, etc.

3.6. Market Developments

3.6.1. Leviathan Lease

- On February 19, 2018, the partnership in the Leviathan reservoir reported that an agreement had been signed between Noble and Dolphinus for the supply of natural gas from the Leviathan project. On October 2, 2019, the partnership reported that the agreement had been amended to increase the total quantity of gas the Leviathan partnership had committed to supply to Dolphinus by 60 BCM compared to 32 BCM in the original export agreement. Under the amendment, the expected supply in the first half of 2020 is 2.1 BCM per year. In the following two years, up to June 30, 2022, the annual supply is 3.6 BCM per year. The supply in the period beginning on July 1, 2022 and ending on the end date of the Leviathan agreement is 4.7 BCM per year.

- On April 7, 2019, it was reported that the Leviathan partnership's proposal to the IEC to supply a quantity of natural gas beyond the gas supplied under the IEC-Tamar agreement, from October 1, 2019 or from the start of gas production from the Leviathan reservoir, whichever the later, until June 30, 2021 or the start of gas production from the Karish reservoir, whichever the earlier, had been chosen as the winning bid in a competitive process held by the IEC. The agreement for the sale of gas was signed by the parties on June 12, 2019. The Tamar partners filed an administrative petition with the Tel Aviv District Court against the IEC and the Leviathan partners regarding the decision of the IEC's tender committee, which was rejected by the court, following which the Tamar partners filed an appeal with the Supreme Court against the District Court's decision.

- On November 20, 2019, the Tamar partners filed an urgent petition to the Director General of the Competition Authority regarding the threat to competition to Tamar reservoir posed by Noble and Delek Drilling in Leviathan reservoir as a result of certain steps taken by them in violation of specific vetoes imposed on them in connection with their cross ownerships of the Tamar and Leviathan Leases.

- On December 31, 2019, the Leviathan partners reported the start of the transmission of natural gas from the Leviathan reservoir to customers in accordance with agreements signed with them for the supply of natural gas from the reservoir, including the sale of natural gas to Jordan. Subsequently, it was reported that the transmission of gas from the Leviathan reservoir to Egypt had begun on January 15, 2020.

- On April 13, 2020, a joint notice was issued by the Ministry of Energy, the Ministry of Justice's legislative advisory economic department, the Ministry of Finance and the Competition Authority (the "**Regulators**") according to which the Regulators are affording the Tamar Partnership a short timeframe for amending their agreements in a manner that will guarantee that Delek Drilling, Noble and Isramco do not hold a right to veto the marketing decisions involving the Tamar reservoir, which will nullify the need for the State's intervention in the form of an official position. On May 31, 2020, the Tamar partners submitted to the approval of the Regulators an agreed master outline for joint marketing from the Tamar reservoir and also informed the Regulators that they have reached basic understandings with the Leviathan partners regarding the issues that were in dispute pertaining to the natural gas sale agreements with the IEC and that advanced negotiations are being held with the IEC in connection with said understandings.

3.6.2. Karish and Tanin Leases

- As part of the implementation of the Gas Framework decisions, on August 16, 2016, an agreement was signed between Delek Drilling and Avner Gas Exploration – Limited Partnership ("**Avner**"), on the one hand, and Energean Israel Limited ("**Energean**"), on the other, for the sale of all the rights of Delek Drilling, Avner and Noble in the Karish and Tanin leases.

- On November 27, 2018, Energean reported the start of the manufacture, in China, of an FPSO (floating production storage and offloading) hull that is intended for treatment of the natural gas that will be produced in the Karish-Tanin project in Israel's economic waters. The process of producing and treating the gas will be carried out at the wellhead, at a distance of 90 kilometers from the shore. According to Energean's financial statement for 2019, published on March 19, 2020, the spread of the coronavirus is not expected to affect the project's timetable, and first production of gas is expected to take place in the first half of 2021.

- On March 4, 2019, Energean reported the start of the implementation of its drilling plan in Israel, which includes the drilling of three production wells in the Karish reservoir and an exploratory drill in the Karish North reservoir, which is intended to verify the presence of some 1.3 TCF of natural gas, with a 69% chance of success. On February 20, 2020, Energean reported that drilling of the three production wells in the Karish reservoir had been completed.

- On November 4, 2019, Energean reported that the exploratory drill in the Karish North reservoir had been completed. According to the report, an additional 25 BCM of natural gas and 34 million barrels of liquid hydrocarbons (light oil/condensate) had been discovered in the reservoir, at a best estimate. On April 9, 2020, Energean reported that according to a completed updated reserve report for the Karish and Tanin reservoirs, total reserves in Karish North reservoir consist of approximately 33.7 BCM of natural gas and about 39.5 million barrels of liquid hydrocarbons.

- According to reports by Energean, to date, contracts have been signed for the supply of 5.6 BCM per year on a firm basis.

- On April 15, 2020, Energean reported that TechnipFMC, which is the performing contractor of the Singapore FPSO, announced a temporary halt of the shipyard operations intended to reduce the risk of COVID-19 transmission. In Energean's announcement on June 8, 2020, about two months before the work had been halted, it was reported that on June 2, 2020, the preparation work for the construction of the topsides in Singapore was renewed. It was also reported that the continued work on the FPSO is contingent on obtaining the Singapore authorities' decision which will rely on a current evaluation of the recent developments in the COVID-19 spread and the need to protect workers' health. According to the project's deadlines, the stages remaining until gas can be supplied by the reservoir consist of topside integration work on the Singapore FPSO which is expected to last about ten months to be followed by hulling the system to the Karish field in Israel and completing the installation work which is expected to take another four months or so.

4. Methodology

4.1. Impairment of Assets

Section 9 of IAS 36: Impairment of Asset (the "**Standard**") prescribes: *"An entity is required to assess at the end of each reporting period if there is an indication of impairment of an asset. Where there is an indication of impairment, the entity is required to estimate the recoverable amount of the asset."*

The purpose of the Standard is to establish procedures which the entity is required to apply in order to ensure that its assets are not presented at a higher amount than their recoverable amount (as detailed below). When the carrying amount of an asset is higher than its recoverable amount, the asset is impaired and the Standard requires the entity to recognize an impairment loss.

4.2. Recoverable Amount

Section 18 of the Standard defines the recoverable amount as *"the higher of the fair value less costs to sell of an asset or cash-generating unit and its value in use,"* where:

- **Fair value less costs of disposal** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less costs of disposal (incremental costs directly attributable to the disposal of an asset or cash-generating unit, except for finance costs and income tax expenses).

- **Value in use** of an asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. In determining the value in use of an asset, the Standard requires an entity to use, among other things, cash flow forecasts based on reasonable and supportable assumptions that reflect the current condition of the asset and represent management's best estimate of the range of economic conditions that will exist over its remaining useful life.

  The estimates of future cash flows may not include cash inflows or outflows that are expected to arise from a future restructuring to which an entity is not yet committed (including a reduction in manpower costs), or from improving or enhancing the asset's performance.

The net present value will be calculated using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset. The discount rate may not reflect risks for which the future cash flows have already been adjusted. However, Section 85 of the Basis for Conclusions on IAS 36 states that – "In theory, discounting post-tax cash flows at a post-tax discount rate and discounting pre-tax cash flows at a pre-tax discount rate should give the same result, as long as the pre-tax discount rate is the post-tax discount rate adjusted to reflect the specific amount and timing of the future tax cash flows." Accordingly, the cash flows were used in this Opinion after tax and were discounted at a post-tax discount rate.

Under Section 19 of the Standard, it is not necessary to determine both the fair value less costs to sell of the asset and its value in use. If one of these amounts is higher than the asset's carrying amount, there is no impairment of the asset and no need to estimate the other amount.

4.3. Cash-Generating Unit

Under Section 6 of the Standard, a cash-generating unit is defined as *"the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets."* Section 68 of the Standard prescribes that *"identification of the cash-generating unit to which the asset belongs involves judgment. If the recoverable amount cannot be determined for an individual asset, an entity identifies the lowest aggregation of assets that generate largely independent cash inflows."*

Based on the foregoing, the cash generating unit identified by the Company's management is the Oil and Gas Asset as defined above.

4.4. Testing for Impairment Indications

Under Section 12 of the Standard, to assess whether there is any indication of impairment of an asset, an entity must consider external and internal indicators, such as: significant changes in the business environment in which the entity operates or in the market for which the asset is intended; an increase in market interest rates or rates of return used to discount the expected cash flows from the asset; a negative difference between the market capitalization and net carrying amount of the asset; obsolescence of or physical damage to the asset; plans to discontinue or restructure the activity to which the asset belongs, etc.

An examination of the above indicators showed that the Company's market capitalization immediately before the date of the statement of financial position was significantly lower than the carrying amount of its equity. Consequently, at the Company's request, we assessed the recoverable amount of the Oil and Gas Asset as of March 31, 2020, for the purpose of applying the provisions of the Standard in the Company's financial statements.

4.5. Valuation Method

The recoverable amount of the Oil and Gas Asset as of March 31, 2020 was estimated by discounting the expected cash flows from the Asset (value in use) at a discount rate that reflects the intrinsic risk level of the forecasts.

5. Estimate of the Recoverable Amount of Oil and Gas Assets

5.1. Cash Flow Forecast

As noted, the Standard prescribes that in determining the value in use of an asset, an entity must use, inter alia, cash flow forecasts based on reasonable and supportable assumptions that reflect the current condition of the asset and represent management's best estimate of the range of economic conditions that will exist over its remaining useful life.

On January 8, 2020, the Company reported a discounted cash flow (the "**Company's Forecast**") in its "Report on Reserves and Updated Discounted Cash Flow Figures for the Tamar Lease (the "**Reserves Report**").[12] In Q1 2020 (following the publication of the Reserves Report), there were major declines in stock markets across the globe and in Israel as well as high fluctuations in foreign currency exchange rates and drastic drops in oil and natural gas prices in international markets, all resulting from the spread of COVID-19 and other factors that affect the supply and demand of energy products worldwide.

Consequently, the value in use was estimated by us based on forecasted cash flows in the P2 (Proved + Probable) Reserves category as published in the Reserves Report, after adjustments to forecasted prices and production rate as affected by market developments in the first quarter of 2020. The main adjustments the made to the base scenario underlying this Opinion (the "**Base Scenario**") in relation to the Company's Forecast in the Reserves Report are as follows:

- Updated gas price, among others due to: (1) the projected average Brent oil barrel prices based on the weighted data published by several public and private entities[13] of about $ 33.7, $ 43, $ 44.6, $ 47.3, $ 49.8 and $ 52.1 in 2020-2025, respectively, and a gradual increase up to a price of about $ 71.7 in 2030 followed by an increase at a fixed rate of 2% per annum; (2) updated electricity production tariff forecast based, among others, on the NIS-USD exchange rate and the forecasted cost of fuels based on the price of gas to the IEC; and (3) increased surplus natural gas supply due to the expected decrease in local demand and the expected decrease in natural gas export as detailed in Section 3.3 above.

- Updated production rate in 2020-2024 based, among others, on an updated demand forecast in the local market prepared near the Opinion Date and based on the mechanism stipulated in the Egyptian gas export agreement which consists of a reduction in minimum annual quantities to 50% of the contractual annual quantities in every year in which the average price per Brent oil barrel is lower than $ 50 (in the years in which the updated projected average price per Brent oil barrel is lower than 50%, it was assumed that the selling quantities to Dolphinus would be lowered to 50% of the contractual quantities).

- Adjusted depreciation expenses for tax purposes based on the asset's recoverable amount.

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[12] https://maya.tase.co.il/reports/details/1273577/2/0

[13] Average Brent forward prices and the projections of the World Bank and the United Stated Department of Energy as published shortly before the Opinion Date.

5.2. Discount Rate

The discount rate – the weighted average cost of capital (WACC) used in calculating the present value of the cash flow was estimated at 9.7% based on the parameters detailed in the table below:

Parameter	Value	Note
Risk-free interest rate	0.7%	1
Beta	1.3	2
Market premium	7.3%	3
Specific risk premium	6.0%	4
Cost of equity capital of the Company	**16.5%**	
Cost of debt	6.8%	5
Tax rate	23.0%	6
Leverage ratio	60%	7
Weighted cost of equity capital of the Company	**9.7%**	

Notes to the table:

1. The yield on U.S. government bonds for the cash flow term (about 10 years).

2. Based on the unlevered beta of a sample of similar companies, as detailed in the table below:

Company	Unlevered Beta
Isramco Negev 2 L.P.	0.78
Ratio Oil Exploration 1992 L.P.	0.80
Tamar Petroleum Ltd.	0.38
Delek Royalties (2012) Ltd.	0.45
Delek Drilling L.P.	0.69
Average for sample companies	**0.62**

3. The levered beta is estimated based on the average beta for the above sample companies, the normative leverage ratio (note 7 below) and the statutory tax rate in Israel.

4. Market risk premium in Israel (Damodaran, April 2020[14]).

[14] http://pages.stern.nyu.edu/~adamodar

5. The specific risk premium includes the following components:

- Size premium of 1% (based on a value of $ 5-6 billion for the Tamar reservoir);[15]
- Plus a 5% risk premium for the intrinsic risk level of the forecasts and the uncertainty arising from the Coronavirus crisis, the increasing competition from the start of production from the Leviathan project and progress of development in the Karish reservoir.

6. The debt price is estimated in correspondence to the leverage ratio. For that purpose, we estimated the trendline yields to maturity of the marketable bonds of the sample companies (see details in Appendix A).

7. According to the statutory tax rate in Israel.

8. The average leverage ratio of the sample companies (in the table in note 2 above) as of March 31, 2020 was estimated at about 70% and affected by the decrease in the companies' market capitalization. We estimated the long-term normative leverage ratio of the Asset at about 60%.

5.2.1. Findings

Based on the methodology and assumptions detailed above, the value in use of the Asset is estimated at about $ 1,109 million, which is higher than the carrying amount as of March 31, 2020 (about $ 987 million – net carrying amount of the Asset after deduction of retirement liabilities and other long-term assets that were included in the cash flow forecast). Accordingly, the Asset was not impaired as of March 31, 2020.

Since the impairment testing is performed as of March 31, 2020, the Opinion does not take into account the changes that occurred after March 31, 2020 as they do not affect the recoverable amount of the Asset as of such date.

Following is a sensitivity analysis of the value in use when subjected to a change in the discount rate and in the gas and condensate price curve (in relation to the Base Scenario):

		Discount Rate (WACC)						
		8.2%	8.7%	9.2%	9.7%	10.2%	10.7%	11.2%
Percentage of change in prices	-20.0%	1,014	970	930	892	857	824	794
	-15.00%	1,078	1,032	989	948	911	876	844
	-10.0%	1,140	1,091	1,045	1,002	963	926	891
	-5.0%	1,202	1,149	1,101	1,056	1,014	975	939
	0.0%	1,263	1,208	1,157	**1,109**	1,065	1,024	986
	5.0%	1,323	1,265	1,212	1,162	1,116	1,073	1,032
	10.0%	1,385	1,324	1,268	1,216	1,168	1,122	1,080

[15] Source: Duff & Phelps International Valuation Handbook 2018.

5.3. Value Derived from the Company's Marketable Securities

As discussed in Section 4.4 above, the impairment test was performed since the Company's market capitalization immediately before the date of the statement of financial position was significantly lower than the carrying amount of its equity.

Below is an analysis of the value of the Oil and Gas Asset as derived from the market value of the Company's marketable securities (shares and bonds) as of March 31, 2020:

$ in Millions		Note
Market value	46	
Total surplus assets and financial debt, net	850	1
Adjustment for market value of bonds	(178)	2
Value of deferred taxes asset	(42)	3
Capitalized general and administrative expenses	27	4
Derived value for Oil Asset	**701**	
Net carrying amount	987	
Premium (discount)	*-29.0%*	

Notes:

1. Net carrying amount of financial assets and liabilities as of March 31, 2020.
2. Difference between market value of bonds at March 31, 2020 and net carrying amount of bonds (including payable interest) less tax shield.
3. The value is estimated by spreading the tax asset according to the depreciation rate and capitalization at 9.7%.
4. According to annual expenses of $ 3.5 million, less tax, capitalized at 9.7%.

According to the above analysis, the market value of the Asset as derived from the value of the Company's marketable securities as of March 31, 2020 is estimated at $ 701 million, and less disposal costs is about 29% lower than the net carrying amount of the Asset (less retirement liability and other long-term assets) as of such date.

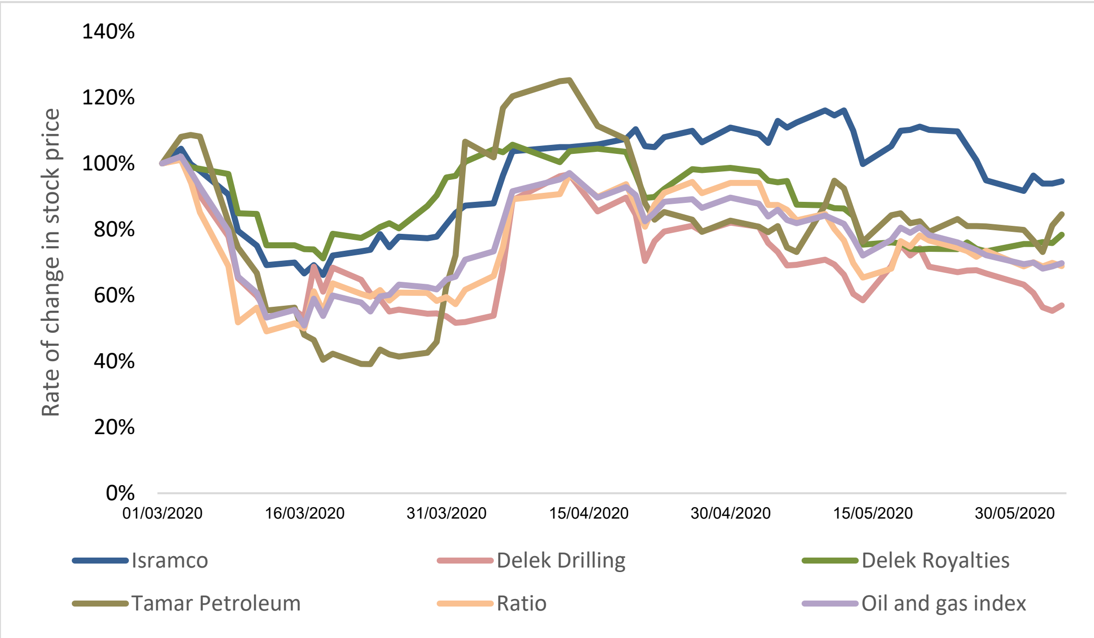
In our estimation, the market value of the Company's securities does not provide a reliable basis for estimating the recoverable amount of the Asset, since the market value of the Company's securities is affected by its specific leverage and a highly significant excess supply, stemming from market expectations for the sale of assets associated with the Tamar reservoir by the Delek Group and the companies controlled by it (collectively: "**Delek Group**")[16], both pursuant to the Gas Framework which requires Delek Group to sell all its holdings in those assets by the end of 2021 and due to the Coronavirus crisis and its effects on the financial stability of Delek Group. The surplus supply as opposed to demand in the capital market adversely affects the market value of the assets associated with the Tamar project, including the quoted market price of Tamar Petroleum's securities.

[16] The sale of Delek Group's holdings in Delek Royalties, Tamar Petroleum and Delek Drilling's interests in Tamar reservoir.

We note that the fact that Delek Group is obligated to sell its holdings during a period of about 18 months, the number of assets, the monetary scope and the constant need to improve its financial position (also through the disposal of assets)[17] resulted in a very short period of time allotted for the sale of each of these assets. Considering the excess supply and timeframe, as aforesaid, it is possible that the market expects the assets associated with the Tamar project to be sold "under constraint" and at a material discount from their fair value.

It should also be noted that in view of the Coronavirus crisis and the large market uncertainty, a considerable part of securities trading stemmed from the redemption of public savings (provident and other funds etc.). It may therefore also be assumed that the transactions in the Company's securities did not necessarily derive from an educated analysis of the value of its assets.

The following chart depicts the development in security prices of publicly traded Israeli companies in the gas sector from early March 2020 (when the stock market prices began dropping considerably) until the Opinion Date (June 2020):



The data in the above chart indicate that the security prices of the companies recovered in comparison to the bottom prices measured in the middle of March yet the market volatility continues and therefore it is currently difficult to reach any conclusions on the fair value of the securities based on the market prices.

[17] According to the auditors' reports to the shareholders of Delek Group for 2019, there is substantial doubt as to the Group's ability to continue as a going concern and the achievement of the Group's business plans is contingent on the disposal of assets and the receipt of dividends from subsidiaries, and particularly on reaching binding understandings with the bond holders and the lending financial institutions.

6. Appendices

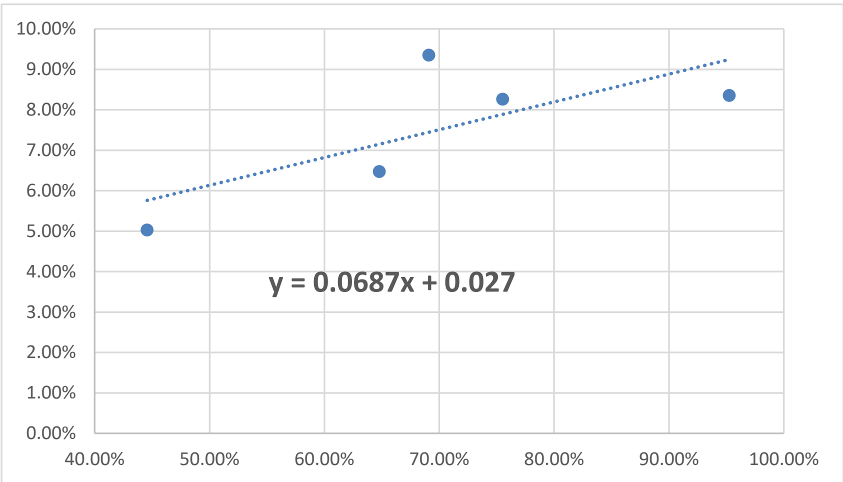
Appendix A – Normative Debt Prices

As discussed in Section 5.2 above, the debt price was estimated in correspondence with the normative leverage ratio (about 60%). For that purpose we estimated the trendline yields to maturity of the marketable bonds of the sample companies as of March 31, 2020 as shown in the following table:

Company	Tamar Petroleum	Tamar Petroleum	Delek Royalties	Delek Drilling	Isramco	Ratio	Ratio
Leverage	95.3%	95.3%	64.8%	75.5%	44.6%	69.8%	69.8%
Bonds	Series A	Series B	Series A	Series A	Series A	Series B	Series C
Rating	A1	A1	Aa3	A2	AA		
Yield	11.5%	11.0%	8.0%	15.0%	5.0%	17.4%	20.6%
Duration	4.64	4.94	4.25	1.68	2.54	2.19	2.05
Benchmark rating*	ba2	ba2	baa1	baa3	aa3	ba2	ba3
Yield adjusted to project duration (10)	8.6%	8.4%	6.5%	8.3%	5.0%	9.4%	10.4%

* The benchmark rating is derived from the yield and duration based on a dollar interest matrix by Fair Spread as of March 31, 2020.

The trendline was estimated based on the above yields (one bond per company and excluding Tamar Petroleum's Series A bonds and Ratio's Series C bonds), as described in the following chart:



Appendix B – Cash Flow Forecast

Year	Total/ average	4-12/2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Natural gas production rate (BCM) (100% of the Asset)	**302.88**	6.10	8.43	7.68	8.16	8.96	10.40	10.40	10.40	10.74	11.65	11.65	11.65	11.65	11.65	11.65
Income attributable to the Company ($'000)	**9,890,981**	182,117	233,932	211,049	225,897	242,305	277,777	278,692	282,724	300,641	336,112	344,087	350,789	357,211	364,017	371,129
Company's post-tax cash flow ($'000)	**3,319,347**	95,421	103,101	104,100	104,686	105,566	91,842	108,718	87,350	82,267	115,951	118,655	120,550	120,732	122,965	125,304

Year	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Natural gas production rate (BCM) (100% of the Asset)	11.65	11.65	11.65	11.65	11.65	11.65	11.46	11.46	10.99	9.64	8.29	8.27	8.12	6.35	3.95	3.28
Income attributable to the Company ($'000)	378,165	385,011	391,993	399,056	406,379	413,789	414,410	421,945	412,063	367,986	322,255	327,217	327,104	260,434	165,170	139,528
Company's post-tax cash flow ($'000)	125,502	127,083	106,882	110,749	133,227	134,654	134,778	137,316	133,901	118,796	102,926	104,622	103,692	70,717	37,409	29,882

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

<u>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 2020</u>

The Management of Tamar Petroleum Ltd. ("**the Company**"), under the supervision of its Board of Directors, is responsible for designing and maintaining proper internal control 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 year ended December 31, 2019 ("**the latest annual report of internal control**"), the Company's Board of Directors and Management evaluated the internal control in the Company and concluded that the internal control in the Company as of December 31, 2019 was 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 2020 ("**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, 2019) 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.

June 24, 2020

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 2020 ("**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 periodic report date (the Periodic Report as of December 31, 2019) 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.

June 24, 2020

Yuval Raikin
CFO