

**Tamar Petroleum Ltd.**  
**(the “Company”)**

January 19, 2021

Israel Securities Authority  
22 Kanfei Nesharim Street  
Jerusalem

The Tel Aviv Stock Exchange Ltd.  
2 Ahuzat Bayit Street  
Tel Aviv

Dear Sir/Madam,

**Re: Engagement in agreements in connection with transmission of gas to Egypt**

Pursuant to the provisions of Section 7.5.2(d)(2) of Chapter A (Description of the Company’s Business) of the Company’s 2019 periodic report which was released on March 30, 2020 (Ref. no. 2020-01-028765) (the “**Periodic Report**”) regarding an agreement signed on May 28, 2019 between Noble Energy Mediterranean Ltd. (“**Noble**”) and Israel Natural Gas Lines Ltd. (“**INGL**”), pertaining to the provision of interruptible transmission services in relation to piping of natural gas from the Tamar reservoir and Leviathan reservoir to EMG’s terminal in Ashkelon for the purpose of export to Egypt (the “**2019 Agreement**”), and pursuant to the provisions of Section 9.1 of the update to Chapter A of the periodic report included in the Q2 2020 report which was released on August 26, 2020 (Ref. no. 2020-01-094155) regarding the negotiations conducted by the Tamar project partners (the “**Tamar Partners**”) and the Leviathan project partners (the “**Leviathan Partners**”) with INGL for the signing of a transmission agreement with respect to the quantities of the natural gas in accordance with the agreements on export from the Tamar reservoir and the Leviathan reservoir to Egypt, the Company respectfully updates that on January 18, 2021, Noble, the operator in the Tamar project and in the Leviathan project, engaged with INGL in an agreement for the provision of transmission services on a firm basis for the piping of natural gas from the Tamar reservoir and the Leviathan reservoir to EMG’s terminal in Ashkelon for its transmission to Egypt (the “**Transmission Agreement**”), the main parts of which are as follows:

- a. INGL will build the Ashdod-Ashkelon offshore transmission system section, subject to the provisions of the Transmission Agreement.
- b. INGL undertook to provide transmission services (on a firm basis) for the natural gas to be supplied from the Tamar reservoir and the Leviathan reservoir, including maintaining a base capacity in the transmission system in the annual scope of approx. 5.5 BCM (the “**Base Capacity**”), in consideration for payment of a fixed capacity fee for the Base Capacity and transmission services for the throughput gas quantity, according to the transmission tariffs that are customary in Israel, as the same will be updated from time to time.<sup>1</sup> INGL also undertook to provide interruptible transmission services for additional quantities over and

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<sup>1</sup> As of the date of this report, the capacity and piping fee collected by INGL from its customers is approx. 90 Agorot per MMBTU. Note that on January 7, 2021, the Natural Gas Authority reported a hearing with respect to reduction of the capacity and piping fee by approx. 5%.

above the Base Capacity, subject to the capacity that will be available in the transmission system, in consideration for a piping fee with respect to the throughput gas quantities as provided in the Transmission Agreement.

- c. The transmission period under the 2019 Agreement will be extended until January 1, 2024 or until the Piping Commencement Date pursuant to the Transmission Agreement, whichever is earlier.
- d. The piping of the gas pursuant to the Transmission Agreement shall commence on the date of completion by INGL of the construction of the Ashdod-Ashkelon offshore transmission system section (the “**Piping Commencement Date**”). The Ashdod-Ashkelon offshore section shall be built in accordance with the resolution of the Natural Gas Sector Council in relation to the financing of export projects through the Israeli transmission system and allocation of the construction costs of the Ashdod-Ashkelon combined section (see Section 7.16.9(d) of the Periodic Report) (the “**Council’s Resolution**”). Pursuant to the Transmission Agreement, the Piping Commencement Date is expected to fall in the period between July 2022 and April 2023.
- e. The Transmission Agreement shall expire on the earlier of: (1) The date on which the total throughput quantity will be approx. 44 BCM; (2) After the lapse of 8 years from the actual Piping Commencement Date; or (3) Upon expiration of INGL’s transmission license. If the parties agree on increasing the Base Capacity, the quantity mentioned in Subsection (1) above will increase accordingly. The Company estimates that upon expiration of the agreement, the extension thereof at the standard capacity and transmission tariffs at such time is not expected to be difficult.
- f. Pursuant to the Council’s Resolution, Noble undertook to pay for the Tamar Partners’ and the Leviathan Partners’ share (56.5%) of the overall cost of construction of the Ashdod-Ashkelon offshore section which is estimated, as of this date, at approx. ILS 738 million. Noble further undertook to pay ILS 27 million for the Tamar Partners’ and the Leviathan Partners’ share of the costs of acceleration of the doubling of the Dor-Hagit and Sorek-Nesher sections (estimated as of this date at approx. ILS 48 million). In accordance with the Capacity Allocation Agreement (as defined below), the Company estimates that its share of the aforesaid costs may amount to approx. ILS 23 million.
- g. In accordance with the Council’s Resolution, the Tamar Partners and the Leviathan Partners shall provide bank guarantees to secure INGL’s share of the cost of construction of the aforesaid infrastructure as provided in Section 7.16.9(d)(3) of the Periodic Report, and bank guarantees to secure part of the undertakings pursuant to the Transmission Agreement, all as specified in the Transmission Agreement. The Company is required to provide Bank guarantees in accordance with the aforesaid in the total amount of approx. ILS 23 million.
- h. According to the Transmission Agreement, in the event of discontinuation of the export of natural gas from the Tamar project and Leviathan project to Egypt, Noble shall be entitled to terminate the Transmission Agreement, subject to payment of damages to INGL for the early termination, in the amount equal to 120% of the construction costs of the Ashdod-Ashkelon offshore section,

together with the costs of acceleration of the doubling of the Dor-Hagit and Sorek-Nesher sections, and net of the amounts paid by Noble until the termination date for such costs of construction and acceleration and for the piping of gas pursuant to the Transmission Agreement. If, subsequently to the termination of the Transmission Agreement, the export to Egypt will resume, the Transmission Agreement shall be renewed, subject to and in accordance with the capacity which will be available in the transmission system at such time.

- i. The effect of the Transmission Agreement is contingent on the amendment and the addition of the additional sections of the transmission system as aforesaid to INGL's transmission license. If INGL's transmission license is not amended as aforesaid by February 15, 2021, on that date the Transmission Agreement shall be null and void, unless the parties agree otherwise.

Concurrently with the signing of the Transmission Agreement, Noble, the Company and the other Tamar Partners and Leviathan Partners, signed a services agreement (the "**Services Agreement**") determining, *inter alia*, that the Tamar Partners and the Leviathan Partners shall be entitled to transport gas (through Noble) pursuant to the Transmission Agreement, and shall also be liable for the fulfillment of all of Noble's obligations and undertakings under the Transmission Agreement (back-to-back), such that they will be deemed to have been party to the Transmission Agreement, each according to its share as set forth in the capacity allocation agreement between the Tamar Partners and the Leviathan Partners, as specified in Section 7.4.5(b) of the Periodic Report (the "**Capacity Allocation Agreement**") and in accordance with the Services Agreement. The Services Agreement further determines that the Base Capacity retained in the transmission system for the Tamar Partners and the Leviathan Partners shall be allocated between the Tamar Partners and the Leviathan Partners at the rates of 31% and 69%, respectively, and in accordance with the order set forth in the Capacity Allocation Agreement. The Capacity Allocation Agreement notwithstanding, the Tamar Partners and the Leviathan Partners shall bear the capacity fee in accordance with their proportionate share of the Base Capacity as aforesaid, irrespective of actual use of the Base Capacity. Additional arrangements were determined which enable use, by each group of partners, of unused Base Capacity of the other group of partners, and increase of the Base Capacity without obtaining the consent of the other group of partners and subject to the Capacity Allocation Agreement

**Caution regarding forward looking information:**

**The estimations above with respect to the costs of construction of the Ashdod-Ashkelon offshore section, the costs of acceleration of the doubling of the Dor-Hagit and Sorek-Nesher sections, including the Company's share of such costs, the gas transmission costs, the expected Piping Commencement Date, the quantities that may be piped pursuant to the Transmission Agreement, and the estimation regarding the possibility of extension of the Transmission Agreement, constitute forward looking information within its meaning in the Securities Law, 5728-1968, regarding which there is no certainty that it will be realized, in whole or in part, and it may be realized in a significantly different manner, due to various factors, including non-fulfillment of the conditions precedent in the Transmission Agreement, delays and faults in the construction of the transmission system sections, actual construction costs that are different from the estimated costs, non-**

receipt of the required regulatory approvals, changes in the transmission tariffs which apply in Israel, the gas quantities that will be exported to Egypt and additional factors beyond the Company's control.

**The partners in the Tamar project and their holding rates are as follows:**

Isramco Negev 2, Limited Partnership	28.75%
Noble	25.00%
Delek Drilling, Limited Partnership	22.00%
The Company	16.75%
Dor Gas Exploration, Limited Partnership	4.00%
Everest Infrastructures, Limited Partnership	3.50%

Sincerely,

**Tamar Petroleum Ltd.**

By Liami Vaisman, CEO

and Yuval Raikin, CFO