

Tamar Petroleum Ltd.
(the "Company")

January 31, 2021

To
Israel Securities Authority
22 Kanfei Nesharim St.
Jerusalem

To
Tel Aviv Stock Exchange Ltd.
2 Ahuzat Bayit St.
Tel Aviv

Via Magna

Dear Sir/Madam,

Re: **MOU on split marketing and balancing arrangements for sale from the Tamar Reservoir and a settlement regarding the agreement with the Israel Electric Corp. Ltd.**

Further to the Company's immediate report of October 4, 2020 (Ref. no. 2020-01-107913) on the signing of a supplement to the agreement for the supply of gas to the Israel Electric Corp. Ltd.¹ (the "**Supply Agreement**", the "**Supplement**" and the "**IEC**", respectively) by the Company, Isramco Negev 2 – Limited Partnership, Dor Gas Exploration Limited Partnership and Everest Infrastructures Limited Partnership (collectively: the "**Sellers**"), and further to Section 6 of the update to Chapter A of the 2019 Annual Report and to Note 3C to the financial statements as of September 30, 2020, which are included in the Q3/2020 report released on November 15, 2020 (Ref. no. 2020-01-122466) regarding the disputes that arose between the Sellers and Delek Drilling – Limited Partnership, Noble Energy Mediterranean Ltd. ("**Noble**"), and Ratio Oil Exploration (1992) – Limited Partnership ("**Ratio**"), in connection with the Supplement (the "**Disputes**"), the Company respectfully updates as follows:

MOU on split marketing and balancing arrangements for gas sale from the Tamar Reservoir

1. On January 30, 2021, all of the partners in the Tamar project (the "**Tamar Partners**") signed an MOU (the "**MOU**"), whose purpose is to enable the Tamar Partners to market their share in the gas in the Tamar reservoir in the event that marketing is not made by all of the partners in the reservoir (without derogating from the possibility of joint marketing of gas from the reservoir subject to regulatory decisions), and have submitted it for the approval of the Competition Authority. The MOU includes, *inter alia*, various mechanisms and arrangements allowing a partner in the reservoir to market gas over and above its proportionate share in the gas produced, subject to available capacity on a daily basis, and insofar as another partner has decided not to market its share in the gas as aforesaid, as well as balancing arrangements which shall apply between the partners in such a case, with the aim of balancing the partners' rights

¹ For a description of the Supply Agreement, see Section 7.4.4.(d) of the Company's Annual Report for 2019, released on March 30, 2020 (Ref. no. 2020-01-028765) (the "**Annual Report**").

in relation to the gas sold according to their proportionate share in the reservoir. Principles were also determined regarding the right of a partner to join any agreement for the sale of gas, entered into by another partner in the reservoir.

2. The Tamar Partners are negotiating in order to reach a detailed and binding agreement based on the MOU by February 17, 2021 (the "**Balancing Agreement**" and the "**Effective Date**", as applicable). Insofar as, by the Effective Date, the Tamar Partners do not reach a final and binding agreement, the MOU (as shall be updated on the Effective Date) will become binding and enforceable, and the parties shall act in accordance therewith from the Effective Date, subject to receipt of the approval of the Competition Authority, and if such approval is not received by the Effective Date, the MOU will become binding and enforceable on the date on which such approval is received. Concurrently, the parties shall continue negotiating the final terms and conditions of the Balancing Agreement. The Tamar Partners have further agreed that in the event of disputes as to the terms and conditions of the full and final agreement, they shall be decided by an arbitrator, according to an arbitration mechanism agreed between them.

Settlement agreement between the Tamar Partners and the IEC

1. On January 30, 2021, the Tamar Partners and the IEC reached a settlement agreement with respect to disputes between them in connection with the Supplement (the "**Settlement Agreement**"), in which it was agreed, *inter alia*, that the quantities that were supplied to the IEC under the Supplement during Q4/2020 in a volume of approx. 0.81 BCM will be at a fixed unlinked price, which is lower than the gas price in the Supply Agreement, to be borne by all of the Tamar Partners (i.e. without subsidization of any of the Tamar Partners by the other partners), and that they will be deducted from the remaining quantity accrued in favor of the IEC at the end of 2020 in the framework of the carry forward mechanism (as defined in Section 7.4.4(c)(1) of Chapter A of the Annual Report). It was further agreed that the IEC will purchase additional quantities of gas in an amount of at least approx. 0.44 BCM during the first half of 2021 over and above the minimum quantity billable under the Supply Agreement. The said quantities and additional gas quantities that the IEC shall nominate during the first half of 2021, in accordance with the Supply Agreement, insofar as the Leviathan reservoir shall be unable to supply such quantities, will be at a price that changes according to the quantity purchased, and which is lower than the gas price in the Supply Agreement, and they shall not be taken into account in the calculation of the minimum quantity billable and in the calculation of the carry-forward to 2021 according to the Supply Agreement. It was further agreed that the maximum daily natural gas quantity that the IEC will be entitled to nominate under the Supply Agreement during the first half of 2021 will be reduced and will be 500,000 MMBTU (compared with 655,000 MMBTU as set forth in the Supply Agreement). In the Settlement Agreement, the parties waived their claims in connection with the Disputes.
2. The Settlement Agreement is subject to the fulfillment of conditions precedent, *inter alia*, approval by the Competition Authority, approval by the Electricity Authority (insofar as required), submission of letters by the Sellers and the IEC

to the Competition Authority, to the Energy Ministry and to the Electricity Authority in connection with the Settlement Agreement², the taking effect of an agreed order between Noble and the Competition Authority pursuant to Section 50B of the Economic Competition Law, 5748-1988³, and a mutual waiver of claims vis-à-vis Ratio in connection with the Disputes. Insofar as the conditions precedent are not fulfilled within 30 days from the date of the signing of the Settlement Agreement, and with respect to the agreed order – 60 days, each party will be entitled to terminate the agreement. Upon the taking effect of the Settlement Agreement, the Supplement will be null and void. In the estimation of the Tamar Partners, the aggregate amount of the income from the sale of natural gas to the IEC (in relation to 100% of the interests in the reservoir) according to the Settlement Agreement, insofar as it takes effect, for the period from October 2020 until June 2021, is expected to total approx. U.S. \$186 million. It is emphasized that the actual income will be derived from a gamut of factors, including the gas quantities that shall be purchased by the IEC from the various gas suppliers.

Caution regarding forward-looking information:

The above estimates with respect to the aggregate amount of the income from the sale of natural gas to the IEC according to the Settlement Agreement as aforesaid constitute forward-looking information, within the meaning thereof in the Securities Law, 5728-1968, which there is no certainty will materialize, in whole or in part, and may materialize in a materially different manner due to various factors including non-fulfillment of the conditions precedent, changes in the volume and in the timing of the natural gas consumption by the IEC, *inter alia* as a result of the purchase of gas and/or other energy sources from other suppliers and/or as a result of changes in demand in the natural gas market or other factors that are currently unforeseeable and/or other factors beyond the Company's control.

² On January 31, 2021, the Sellers submitted a letter to the Competition Authority whereby they notified the Authority of the engagement in the Settlement Agreement and in the MOU, and also notified the Competition Authority that subject to the taking effect of the Settlement Agreement, they are retracting their letter to the Competition Authority and requesting that it be closed without any steps being taken against Noble.

³ On January 31, 2021, the Competition Authority released for public comment an agreed order, signed by Noble, whereby Noble will allow each of the holders in the Tamar reservoir to sell its share in the reservoir separately, and will allow such sale with no need for the prior agreement of the other holders in the reservoir, while fulfilling its duties as a cautious and reasonable operator and in accordance with the MOU or the Balancing Agreement, insofar as approved by the Competition Authority. The agreed order further determined that subject to fulfillment of the said undertakings, and in view of the signing of the Settlement Agreement, the Commissioner will not continue the processing and will not take enforcement measures against Noble and/or any of its shareholders and/or any of its managers or employees in respect of the acts described in the complaint of the Sellers and the IEC, which was filed following the Supplement. The agreed order is subject to the approval of the Competition Court.

The partners in the Tamar project and the rate of their holdings are as follows:

Istranco Negev 2, Limited Partnership	28.75%
Noble Energy Mediterranean Ltd.	25.00%
Delek Drilling, Limited Partnership	22.00%
Tamar Petroleum Ltd.	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