Ratio Energies – Limited Partnership

(formerly – Ratio Oil Exploration (1992) – Limited Partnership)

2021 Annual Financial Statement

This report is a translation of Ratio Energies, Limited Partnership's Hebrew-language Consolidated Financial Statements as of December 31, 2021. It is prepared solely for convenience purposes. Please note that the Hebrew version constitutes the binding version, and in any event of discrepancy, the Hebrew version shall prevail.

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(formerly – Ratio Oil Exploration (1992) – Limited Partnership)

2021 Annual Financial Statement

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Auditor's Report
to the holders of the participation units and the partners of
Ratio Energies – Limited Partnership
(formerly – Ratio Oil Exploration (1992) – Limited Partnership)
on the audit of components of internal control over financial reporting
pursuant to Section 9B(c) of the Securities Regulations
(Periodic and Immediate Reports), 5730-1970

We have audited components of internal control over financial reporting of Ratio Energies – Limited Partnership (formerly – Ratio Oil Exploration (1992) – Limited Partnership) and subsidiaries (jointly below, the "**Partnership**") as of December 31, 2021. These components of control were determined as explained in the following paragraph. The Board of Directors (the "**Board**") and Management of the Partnership's General Partner are responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of the components of internal control over financial reporting, attached to the periodic report as of the above date. Our responsibility is to express an opinion on the components of internal control over financial reporting of the Partnership, based on our audit.

We did not examine the effectiveness of IT general controls of a consolidated joint venture whose assets and income that are included in the consolidation constitute approx. 68% and approx. 100%, respectively, of the respective amounts in the consolidated financial statements as of December 31, 2021 and the year then ended. The effectiveness of IT general controls of the aforesaid joint venture was audited by other auditors, whose reports were provided to us, and our opinion, insofar as it relates to the effectiveness of IT general controls of the aforesaid joint venture, is based on the reports of the other auditors.

The components of internal control over financial reporting that were audited by us were determined pursuant to Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting", ("**Audit Standard (Israel) 911**"). These Components are: (1) Entity-level controls, including controls over the financial reporting and closing process and ITGCs; (2) Controls over the investment and cash management process; (3) Controls over the process of the investments in oil and/or gas explorations; (4) Controls over the bonds process; (5) Controls over the process of loans from banking corporations; (6) Controls over the process of income from the sale of gas (all hereinafter jointly referred to as: the "**Audited Components of Control**").

We conducted our audit pursuant to Audit Standard (Israel) 911. This Standard requires that we plan and perform the audit with the purpose of identifying the Audited Components of Control, and obtain reasonable assurance about whether these components of control were effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the Audited Components of Control, assessing the risk that a material weakness exists in the Audited Components of Control, and testing and evaluating the design and operating effectiveness of such components of control, based on the assessed risk. Our audit of such components of control also included performing such other procedures as we considered necessary in the circumstances. Our audit only referred to the Audited Components of Control, as opposed to internal control over all of the material processes in connection with the financial reporting, and therefore our opinion refers only to the Audited Components of Control. In addition, our audit did not address mutual effects between the Audited Components of Control and non-audited controls, and therefore, our opinion does not take into consideration such possible effects. We believe that our audit and the other auditors' reports provide a reasonable basis for our opinion in the context described above.

Because of inherent limitations, internal control over financial reporting in general and components thereof in particular, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audit and the other auditors' reports, the Partnership effectively maintained, in all material respects, the Audited Components of Control as of December 31, 2021.

We have also audited, based on Generally Accepted Auditing Standards in Israel, the Consolidated Financial Statements of the Partnership as of December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and our report of March 30, 2022, included an unqualified opinion on such Financial Statements.

Tel Aviv,
March 30, 2022

Kesselman & Kesselman
Certified Public Accountants
Member of PricewaterhouseCoopers International Limited

Auditor's Report

to the holders of the participation units and the partners of

Ratio Energies – Limited Partnership

(formerly – Ratio Oil Exploration (1992) – Limited Partnership)

We have audited the accompanying Consolidated Statements of Financial Position of Ratio Energies – Limited Partnership (formerly – Ratio Oil Exploration (1992) – Limited Partnership) (the "**Partnership**") as of December 31, 2021 and 2020 and the Consolidated Statements of Profit or Loss and Other Comprehensive Profit, of Changes in the Equity, and of Cash Flows for each of the years in the three-year period ended December 31, 2021. The Board and Management of the Partnership's General Partner are responsible for these Financial Statements. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Israel, including standards set in the Accountants Regulations (Mode of Operation of Accountants) 5733-1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board and Management of the Partnership's General Partner, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of the Partnership and the consolidated companies thereof as of December 31, 2021 and 2020 and the results of their operations, the changes in their capital and cash flows for each of the years in the three-year period ended December 31, 2021 in accordance with International Financial Reporting Standards (IFRS) and the provisions of the Securities Regulations (Annual Financial Statements), 5770-2010.

We have also audited, pursuant to Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting", components of the Partnership's internal control over financial reporting as of December 31, 2021 and our report as of March 30, 2022 included an unqualified opinion on the effective maintenance of such components.

Tel Aviv,
March 30, 2022

Kesselman & Kesselman
Certified Public Accountants
Member of PricewaterhouseCoopers International Limited

Ratio Energies – Limited Partnership

(formerly – Ratio Oil Exploration (1992) – Limited Partnership)

Consolidated Statements of Financial Position

		December 31	
		2021	2020
	Note	Dollars in Thousands	
Assets			
Current assets:			
Cash and cash equivalents	5, 2M	125,383	89,781
Financial assets at fair value through profit or loss	6	10,976	5,957
Short-term deposits	2N	64,174	46,140
Trade and other receivables:			
Trade receivables	17B	47,941	38,214
Operator of the joint venture	8C	2,310	231
Ratio Trusts Ltd. – the trustee – current account	24	338	320
Ratio Oil Explorations Ltd. – the General Partner – current account	24	883	10,880
Other receivables	7	1,406	1,107
Total current assets		253,411	192,630
Non-current assets:			
Financial assets at fair value through profit or loss – investment in Ratio Petroleum	6	5,509	16,077
Other long-term assets, net	9	59,393	54,265
Restricted deposits	10	14,707	8,080
Fixed assets, net	2G	57	66
Investments in oil and gas assets, net	8	811,832	824,438
Total non-current assets		891,498	902,926
Total assets		1,144,909	1,095,556
Liabilities and the partners' equity			
Current liabilities:			
Trade and other payables:			
Trade payables		44	21
Payables of a joint venture	8C	11,462	9,719
Others		92	-
Current maturities of bonds	11B	125,772	128,857
Interest payable	12	15,662	20,344
Payables		4,905	5,990
Options for consultants	15G	7	163
Provision for balancing and tax payments	14B, 15F	13,920	-
Total current liabilities		171,864	165,094
Non-current liabilities:			
Provision for oil and gas asset retirement and disposal obligation	13	20,782	19,052
Bonds	11B	214,560	252,253
Loans from banking corporations, net	11A	487,112	483,597
Deferred taxes	14	24,723	-
Total non-current liabilities		747,177	754,902
Total liabilities		919,041	919,996
Contingent liabilities and engagements	25		
Partners' equity	15	225,868	175,560
Total liabilities and partners' equity		1,144,909	1,095,556

Ratio Oil Explorations Ltd. – the General Partner, by:

Ligad Rotlevy	**Yigal Landau**	**Amir Brami**
Chairman of the Board	**CEO and Board Member**	**CFO**

Date of approval of the consolidated financial statements by the General Partner's board: March 30, 2022.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Ratio Energies – Limited Partnership

(formerly – Ratio Oil Exploration (1992) – Limited Partnership)

Consolidated Statements of Profit or Loss and Other Comprehensive Income (Loss)

	Note	Year ended December 31		
		2021	2020	2019
		Dollars in Thousands		
		(Except for profit (loss) per participation unit figures)		
Income				
From sale of natural gas	17	293,354	195,164	-
Net of royalties	18	(48,887)	(32,520)	-
		244,467	162,644	-
Expenses sand costs				
Cost of natural gas and condensate production	19	37,337	27,250	-
Depreciation and amortizations expenses	2K	27,998	23,419	-
Oil and gas exploration expenses, net	20	1,093	1,506	13,178
G&A expenses, net	21	6,733	3,173	3,813
Total expenses and costs		73,161	55,348	16,991
Operating income (loss)		171,306	107,296	(16,991)
Financial income	22	291	253	24,519
Financial expenses	22	(69,433)	(100,602)	(13,054)
Financial income (expenses), net		(69,142)	(100,349)	11,465
Income (loss) before taxes on income		102,164	6,947	(5,526)
Deferred taxes on income	14	(24,723)	-	-
Total income (loss) and comprehensive income (loss) for the year		77,441	6,947	(5,526)
Basic and diluted profit (loss) per participation unit (in Dollars)	23	0.069	0.006	(0.005)

The accompanying notes are an integral part of these Consolidated Financial Statements.

Ratio Energies – Limited Partnership

(formerly – Ratio Oil Exploration (1992) – Limited Partnership)

Consolidated Statements of Changes in the Partners' Equity

	The Partnership's equity	Warrants	Capital reserve from control holders	Loss balance	Total equity
	Dollars in Thousands				
Balance as of December 31, 2018	316,418	2,403	1,101	(145,808)	174,114
Movement in 2019-					
Loss and comprehensive loss for the year	-	-	-	(5,526)	(5,526)
Balance as of December 31, 2019	316,418	2,403	1,101	(151,334)	168,588
Movement in 2020:					
Exercise of Series 18 Warrants	26	(1)	-	-	25
Exercise of Series 19 Warrants	*	*	-	-	*
Expiration of Series 18 Warrants	2,402	(2,402)	-	-	-
Income and comprehensive income for the year	-	-	-	6,947	6,947
Balance as of December 31, 2020	318,846	0	1,101	(144,387)	175,560
Movement in 2021:					
Exercise of Series 19 Warrants	18	-	-	-	18
Tax payments for holders of the participation units	-	-	-	(13,231)	(13,231)
Balancing payments for corporations and tax payments for individuals**	-	-	-	(13,920)	(13,920)
Income and comprehensive income for the year	-	-	-	77,441	77,441
Balance as of December 31, 2021	318,864	0	1,101	(94,097)	225,868

* A sum lower than $1 thousand

** See Note 15F

The accompanying notes are an integral part of these Consolidated Financial Statements.

Ratio Energies – Limited Partnership

(formerly – Ratio Oil Exploration (1992) – Limited Partnership)

Consolidated Statements of Cash Flows

	Year ended December 31		
	2021	2020	2019
	Dollars in Thousands		
Cash flows from operating activity:			
Net cash derived from (used for) operations, see Annex A	122,118	38,958	(18,747)
Interest received	308	258	1,182
Dividend received	14	5	114
Total net cash derived from (used for) current operations	122,440	39,221	(17,451)
Cash flows from investment activity:			
Operator of the joint venture	-	9,444	7,423
Purchase of financial instruments at fair value through profit or loss -			
Investment in Ratio Petroleum Energy – Limited Partnership	(4,585)	-	(4,243)
Short-term deposits, net	(18,034)	(46,140)	10,240
Repayment (deposit) of restricted deposits	(6,253)	5,689	(2,500)
Investment in other assets	(10,593)	(6,343)	(36,413)
Purchase of fixed assets	(6)	-	-
Investment in oil and gas assets	(9,288)	(53,172)	(180,654)
Total net cash used for investment activity	(48,759)	(90,522)	(206,147)
Cash flows from financing activity:			
Loans from banking corporations, net	-	52,977	204,432
Issuance of Series D Bonds, net	90,771	-	-
Repayment of Series B and C bond principal	(113,894)	-	-
Tax advances paid for holders of participation units	(13,231)	-	-
Long-term derivative financial instruments	-	1,240	-
Purchase of Series B Bonds, net	(2,331)	(25,144)	-
Total net cash deriving from (used for) financing activity	(38,685)	29,073	204,432
Increase (decrease) in cash and cash equivalents	34,996	(22,228)	(19,166)
Cash and cash equivalents balance at the beginning of the year	89,781	111,703	127,438
Profits from exchange rate differences due to cash and cash equivalents	606	306	3,431
Cash and cash equivalents balance at year end	125,383	89,781	111,703

Ratio Energies – Limited Partnership

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Consolidated Statements of Cash Flows

	Year ended December 31		
	2021	2020	2019
	Dollars in Thousands		
(a) Annex to the Consolidated Statements of Cash Flows - Net cash derived from (used for) operations:			
Comprehensive income (loss) for the year	77,441	6,947	(5,526)
Adjustments for:			
Interest and dividend income	(322)	(263)	(1,296)
Depreciation and amortizations	27,998	23,440	22
Loss from change of terms due to loans from banking corporations	-	2,625	-
Non-cash revenues and expenses:			
Income from change in fair value for derivative financial instruments	-	(1,240)	-
Profits from exchange rate differences due to cash and cash equivalents	(606)	(306)	(3,431)
Deferred taxes on income	24,723	-	-
Revenues of exchange rate differences in respect of restricted deposits	(374)	(409)	(1,058)
Interest and discount in respect of loans from banking corporations	3,233	8,117	-
Exchange rate differences, discount and interest on bonds	(19,724)	14,690	14,579
Provision for oil and gas asset retirement and disposal obligation	231	290	310
Loss (profit) from a change in fair value of financial instruments – at fair value through profit or loss	14,419	24,846	(23,964)
	127,019	78,737	(20,364)
Changes in operating asset and liability items:			
Decrease (increase) in trade and other receivables:			
Trade receivables	(9,727)	(38,214)	-
Short-term deposit	-	-	129
Sale (purchase) of financial instruments at fair value through profit or loss, net	(4,285)	1,722	460
Change in balance with Ratio Trusts Ltd.	*	(19)	2
Others	(299)	591	(41)
Increase (decrease) in trade and other payables:			
Trade payables	23	(14)	(18)
Payables of a joint venture	653	440	413
Others	(1,149)	3,199	769
Change in balance with joint venture operator	(114)	7,139	-
Change in balance with Ratio Oil Explorations Ltd. – the General Partner	9,997	(14,623)	(97)
	(4,901)	(39,779)	1,617
Net cash derived from operations (used for operations)	122,118	38,958	(18,747)
(b) Information on non-cash operations:			
Investment in oil and gas exploration	9,492	8,402	68,442
Asset retirement obligation against oil and gas assets	1,499	4,078	8,955
Declared tax and balancing payments	13,920	-	-
(c) Interest paid	69,680	52,235	25,855

* Represents a sum lower than $1 thousand

The accompanying notes are an integral part of these Consolidated Financial Statements

Note 1 - General:

A. On February 21, 2022, Ratio Oil Exploration (1992) – Limited Partnership changed its name to Ratio Energies - Limited Partnership (the "**Partnership**" or "**Ratio**"). Ratio is an Israeli public limited partnership primarily engaged in the exploration, development and production of natural gas from the Leviathan reservoir in the area of the I/14 "Leviathan South" and I/15 "Leviathan North" leases (the "**Leviathan Leases**" or the "**Leviathan Reservoir**" or the "**Leviathan Project**"). The Leviathan Reservoir constitutes a discovery, within the meaning thereof in the Petroleum Law, 5712-1952 (the "**Petroleum Law**"). The Partnership holds 15% of the Leviathan Project and, in addition, the Partnership has exploration activity in eight other licenses in Israel together with two international energy companies.

B. On December 31, 2019, piping of natural gas from the Leviathan reservoir to the domestic market began, and in January 2020 the piping of the natural gas to Jordan and Egypt (jointly: the "**Export Markets**") began such that, starting from 2020 and for the first time since its establishment, the Partnership has significant income from sales to customers in the Export Markets and in the domestic market.

C. The Partnership's income in the report period from the sale of natural gas is mainly affected by the scope of consumption and sale price of natural gas in the Export Markets and the domestic market. In the Export Markets by Jordan's National Electric Power Company ("**NEPCO**") and by Blue Ocean Energy in Egypt (an affiliate of Dolphinus Holdings Limited) ("**Blue Ocean**") and in the domestic market by various customers, including the Israel Electric Corporation Ltd. ("**IEC**").

Below is the Partnership's share in the revenues (in millions of $) and in the quantities of natural gas (BCM) sold to the Export Markets and the domestic market:

	Year ended December 31	
	2021	**2020**
Revenues (in millions of $)		
Export Markets	186.0	107.1
Domestic market	107.4	88.1
	293.4	**195.2**
Quantities (BCM)*		
Export Markets	0.93	0.57
Domestic market	0.68	0.52
	1.61	**1.09**

* Figures are rounded-off to 2 digits after the decimal point

Note 1 - General (Cont.):

D. The Partnership was founded according to a limited partnership agreement as of January 20, 1993, as amended from time to time. The participation units of the Partnership are listed on the Tel Aviv Stock Exchange Ltd. ("**TASE**") and trading therein commenced in 1993. The address of the Partnership's offices is 85 Yehuda Halevi, Tel Aviv.
The ongoing management of the Partnership is conducted by Ratio Oil Exploration Ltd. (the "**General Partner**") and overseen by the supervisor, Simon Yaniv, Adv. and CPA (the "**Supervisor**").
Ratio Trusts Ltd. (the "**Limited Partner**") acts as trustee and holds the participation units (which confer a working interest in the rights of the Limited Partner in the Partnership) and the warrants that were offered thereby in escrow for the unit holders and the warrant holders.
The General Partner and the Limited Partner hold 0.01% and 99.99% of the Partnership's equity, respectively.

As of the date of approval of the Financial Statements, the Partnership has holdings in several entities:

1) The Partnership is the control holder (100%) of Ratio Oil Exploration (Financing) Ltd. ("**Ratio Financing**"), a bond SPC whose objects are: (1) raising debt and everything entailed thereby; (2) providing loans to the Partnership to be used by the Partnership to finance its share in the expenses in connection with the Leviathan Leases; (3) performing any and all actions entailed by the foregoing activity. Ratio Financing's bonds are traded in the TASE.
Ratio Financing's results are consolidated in the Partnership's financial statements.

2) The Partnership is the control holder (100%) of Leviathan Development (2016) Ltd. ("**Leviathan Development**"), a private SPC which was established by the Partnership for the purpose of receipt of project finance to finance the Partnership's share in the development of the Leviathan Project.
Leviathan Development's results are consolidated in the Partnership's financial statements.

The Partnership, Ratio Financing and Leviathan Development shall hereinafter be referred to collectively as: the "**Group**".

3) The Partnership holds 15% of the issued and paid-up share capital of NBL Jordan Marketing Ltd. (the "**Marketing Company**"), a private company registered in the Cayman Islands, held by the Leviathan partners, which hold it proportionately to the rate of their holdings in the Leviathan Project. The Marketing Company was established for the purpose of engagement in an agreement for the export of natural gas from the Leviathan Project to the national electric company of Jordan.
As of December 31, 2021, the said Marketing Company's activity does not affect the Partnership's financial results.

Note 1 - General (Cont.):

4) The Partnership holds 15% of the issued and paid-up share capital of Leviathan Transmission System Ltd., a private company held by the Leviathan partners, which hold it proportionately to the rate of their holdings in the Leviathan Project for the purpose of receipt of a gas transmission license from the production platform of the Leviathan Project to the northern entry point to the national transmission system of Israel Natural Gas Lines Ltd. ("**INGL**").
Leviathan Transmission System Ltd. holds the transmission license and its activity does not affect the Partnership's financial results.

The Marketing Company and Leviathan Transmission System Ltd. are accounted for on the equity basis.

E. The spread of Covid and its possible impact on the Partnership's business:

At the end of 2019 and during Q1/2020, the Coronavirus (Covid) began to spread in China and thereafter all over the world, when in March 2020 it was defined by the World Health Organization as a global pandemic (the "**Covid Crisis**"). During H1/2020, extremely sharp declines were recorded in the international markets in oil and natural gas prices, which may, in the Partnership's estimation, be attributed to the Covid Crisis, as well as to other causes and reasons which affect the supply and demand of energy products. However, towards the end of 2020 and 2021, a recovery was felt in the global economy that caused, *inter alia*, an increase in the demand and prices of energy products worldwide to the price levels significantly higher than the ones before the Covid outburst.
As of the date of approval of the financial statements, it is difficult to estimate how the Covid Crisis will continue to develop in the coming years, what the extent of its impact on the global and domestic economy will be (including on the financial markets, interests margins, exchange rates and commodity prices) and what its impact will be on the demand and sales from the Leviathan Reservoir in the coming years. It is noted that starting from the end of 2020, states in the world have begun vaccinating their citizens against Covid. However, the effectiveness of the vaccines is still examined, and depends, *inter alia*, on the rate and the manner of spread of various variants of the virus.
It is noted that Chevron Mediterranean Ltd., the operator of the Leviathan license and leases ("**Chevron**" or the "**Operator**"), in coordination with the Petroleum Commissioner and the Ministry of Health, formulated an action plan to deal with the Covid Crisis. It should also be noted that as of the date of approval of the financial statements, the Covid Crisis has not had a material adverse effect on the operation system in the Leviathan Project. However, since there is uncertainty as to the manner in which the Covid Crisis will develop, there is a risk that despite the prevention measures being taken by the partners in the projects, the operation of the reservoir will be adversely impacted.

Note 1 - General (Cont.):

F. Russia-Ukraine War

After the date of the statement of financial position, at the end of February 2022, a war broke out between Russia and Ukraine, which is still going on as of the date of approval of the financial statement. As a result of the war, the United States and the member states of the European Union imposed a series of economic punitive measures against Russia, which included, among others, sanctions on trade with Russia and Russian seniors, a decision to suspend the completion of the Nord Stream 2 pipeline project, which is intended to double the volume of gas exported from Russia to Germany, discontinuation of some collaboration with Russian entities by international companies, including significant companies in the fields of natural gas and oil production, and more. Following the above and in light of Russia's status as a major global supplier of natural gas and oil, the concern of a long-term shortage of natural gas and oil has arisen, leading to a further rise in energy prices. In addition, in view of the fact that Russia is a significant supplier of natural gas to the European countries, the demand for natural gas in Europe, whether in a pipeline or as liquid gas, may rise in lieu of Russian natural gas, in order to diversify the sources of supply of natural gas and reduce dependence on natural gas from Russia.

As of the date of approval of the financial statements, it is difficult to assess the continued development of the Russia-Ukraine war, and its effect on the global economy, the prices of energy products and the demand for and sales from the Leviathan Reservoir in the coming years.

G. The financial data in the financial statements of the joint ventures, which are used by the Partnership in the preparation of its financial statements, are based, *inter alia*, on accounting data and documents that were provided to the joint ventures by the operators of the joint ventures.

Note 2 - Significant Accounting Policies:

A. The basis for the presentation of the Financial Statements:

1) The financial statements of the Group (the "**Financial Statements**" or "**Consolidated Financial Statements**") as of December 31, 2021 and 2020 and for each of the years in the period ended on December 31, 2021, comply with the International Financial Reporting Standards, which are standards and interpretations published by the International Accounting Standard Board (the "IFRS"), and include the additional disclosure required under the Securities Regulations (Annual Financial Statements), 5770-2010.
The below-described significant accounting policies were consistently applied with respect to all of the presented years unless stated otherwise.
The Financial Statements were prepared in accordance with the historic cost convention, subject to adjustments due to revaluation of financial assets (including derivatives) at fair value through profit or loss presented at fair value.
The preparation of financial statements in accordance with the IFRS requires use of specific material accounting estimates. In addition, it requires the Group's management to exercise discretion in the process of application of the Group's accounting policy. Note 3 discloses the areas in which a great deal of discretion or complexity is involved, or areas in which assumptions and estimates have a material effect on the Consolidated Financial Statements. Actual results may materially differ from the estimates and assumptions used by the Group's management.

Note 2 - Significant Accounting Policies (Cont.):

2) The period of the Group's operating cycle is 12 months.

3) The Group analyzes the expenses that were recognized in the statement of comprehensive profit or loss according to a classification method based on the activity characteristic of the expenses.

B. Consolidated Financial Statements

A subsidiary is an entity that is controlled by the Partnership. The Partnership controls the entity when the Partnership has power to influence the investee entity, it has exposure or rights to variable yield from its involvement in the entity and has the ability to use its power to influence the investee entity in order to influence the amount of the yield that it will derive from such entity. A subsidiary is included in the consolidation, in full, starting from the date on which control thereof is gained by the Partnership. Its consolidation is discontinued on the date on which the control discontinues.
Inter-Group transactions and balances, including revenues and expenses due to transactions between the Group companies are cancelled. The accounting policy implemented in the subsidiaries was adopted in such manner that will ensure consistency with the accounting policy adopted by the Partnership.

C. Associates

An associate is an entity in which the Group has material influence but not control, which is mostly demonstrated by holding 20% to 50% of the voting rights. An investment in an associate is treated according to the book value method.
According to the book value method, the investment is initially recognized according to its cost, and the book value changes such that the Group recognizes its share of the profit or loss of the associate from the purchase date.
Goodwill which relates to associates is included in the book value of the investment and is examined for the purpose of recognition of impairment as part of the investment as a whole.
The Group's share of the profit or loss of associates subsequently to the purchase date is carried to profit or loss and its share of the transactions in other comprehensive profit subsequently to the purchase date is carried to other comprehensive profit, against the book value of the investment.
When the Group's share of an associate's losses is equal to or, exceeds its rights in the investment (including all of the other non-secured debt balances), the Group does not recognize additional losses, unless the Group has a legal or an implicit obligation to bear the losses of the associate, over and above its rights therein or to the extent that payments were made for the associate.

Note 2 - Significant Accounting Policies (Cont.):

Profits or losses deriving from transactions between the Group and the associates are recognized in the Group's statements, only in the amount of the share of the associate held by the investors who are not affiliated with the Group. The Group's share of profits or losses of the associate due to such transactions is cancelled. However, such losses from transactions between the Group and the associate may indicate an impairment of assets which is examined and treated as specified in Section L below.
The accounting policy of the associates was modified as needed to ensure consistency with the accounting policy implemented by the Group.
The Group stops using the book value method starting from the date on which the investment is no longer an associate and from such date forth, treats the investment as a financial asset according to International Financial Reporting Standard 9 – Financial Instruments ("**IFRS 9**"), provided that the associate did not become a subsidiary (see Section B above).

D. Joint ventures

A joint venture is a contractual arrangement, according to which two or more parties assume economic activity of oil and gas exploration in a jointly owned asset. Certain joint ventures often involve joint activity by the venture participants in one or more assets that were invested in the joint venture. Ventures that do not have a formal requirement of unanimous consent by the venture partners, do not fulfill the definition of joint control according to International Financial Reporting Standard 11 – Joint Arrangements. As for the treatment in the context of joint operating agreements ("**JOA**"), see Section O below.

E. Non-inclusion of separate financial information in the Consolidated Financial Statements

In accordance with the provisions of Section 9C and the Tenth Schedule to the Securities Regulations (Periodic and Immediate Reports), 5730-1970, and after the Partnership's management examined this matter together with its legal advisors, the Partnership did not include in the Financial Statements, separate financial information, because the additional information that would be provided as separate financial information that is attributed to the Partnership relative to the information included in the Consolidated Financial Statements is negligible, and therefore in accordance with accounting principles and securities law, there is no need for the inclusion thereof.

The parameters which constituted a basis for the Partnership's decision are:

1) The total assets in the separate statement (net of an investment in Ratio Financing and in Leviathan Development) out of the Partnership's total assets in the consolidated financial statements.

2) The total liabilities in the separate statement out of the Partnership's total liabilities in the consolidated financial statements.

Note 2 - Significant Accounting Policies (Cont.):

3) The total comprehensive income in the separate financial statements out of the Partnership's total comprehensive income in the consolidated financial statements.

4) The cash flow from operating activity in the separate financial statements out of the cash flow from operating activity in the consolidated financial statements.

The Partnership will continue to examine the future effect of inclusion of separate financial information in each reporting period.

See Note 11 and Note 24C below for information regarding ties and engagements with Ratio Financing and Leviathan Development.

F. Translation of foreign currency transactions and balances:

1) Functional currency and presentation currency

Items included in the financial statements of each of the Group's companies are measured in the currency of the main economic environment in which the Partnership operates (the "**Functional Currency**"). The Consolidated Financial Statements are presented in U.S. dollars ("**Dollar**" or "**$**"), which is the Functional Currency and the presentation currency of the Group.

2) Transactions and balances

Transactions in a currency other that the Functional Currency ("**Foreign Currency**") are translated into the Functional Currency through use of the exchange rates that are valid as of the transaction dates. Exchange rate differences, deriving from settlement of transactions as aforesaid and from translation of assets and financial liabilities stated in a Foreign Currency, according to the exchange rates as of the end of the period, are carried to profit or loss.

Profits and losses due to a change in the exchange rates are presented in the statement of comprehensive income in the context of "financial income (expenses), net".

Note 2 - Significant Accounting Policies (Cont.):

G. Fixed assets:

The fixed assets are included for the first time according to the purchase cost. Subsequent costs are included, when incurred, at the asset's book value or recognized as a separate asset, as the case may be, only when the expectation is that future economic benefits attributed to the fixed assets item will be gained by the Group and the item's cost may be reliably measured. All of the fixed assets items are presented at the historic cost, net of accumulated depreciation and accumulated losses from impairment. The depreciation is calculated according to the straight line method, in order to amortize their cost to their residual value over their estimated useful life, as follows:

Electronic equipment	6-15 years
Furniture	6-20 years
leasehold improvements	10 years
Computers and software	3 years

Leasehold improvements are amortized according to the straight-line method, over the period of the lease contract or the estimated useful life of the improvements, whichever is shorter. As for oil and gas assets, see Section K below.

The assets' residual values, useful life and depreciation method are reviewed and updated as needed, at least once a year. A decrease in the book value of an asset to its recoverable amount is recognized immediately, insofar as the book value of the asset is higher than the estimate of the recoverable amount (see Section L below). Amortization and impairments with respect to the fixed assets are carried to profit or loss.

H. Borrowing costs

Costs due to specific and general borrowings that are directly attributable to the acquisition, construction or production of a qualifying asset (an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the asset cost, less any income earned on the temporary investment of such borrowings, in the period from the date on which all of the following conditions are fulfilled for the first time: (a) the Group incurs expenses due to the asset; (b) the Group incurs borrowing costs; and (c) the Group performs activities that are required to get the asset ready for its intended use or sale. The capitalization of the borrowing costs as aforesaid is discontinued when all of the activities required in order to get the asset ready for its intended use have been substantially completed.
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are such borrowing costs that would have been avoided if the expense due to the qualifying asset would not have been incurred. The development activity of oil and gas assets is a qualifying asset.

Note 2 - Significant Accounting Policies (Cont.):

I. Financial assets

The Group's policy with respect to financial assets which is applied since January 1, 2018, according to IFRS 9:

1) Classification

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss and financial assets at amortized cost. The classification depends on the business model in which the financial assets are held and on the contractual terms and conditions of the cash flows due to them.

For assets measured at fair value through profit or loss, changes in the fair value will be recognized in profit or loss.

a) Financial assets at amortized cost

Financial assets at amortized cost are financial assets that are held in the context of a business model whose purpose is to hold financial assets in order to collect contractual cash flows and whose contractual terms and conditions provide entitlement on defined dates to cash flows that are only interest and principal payments due to the outstanding principal.
The aforesaid assets are classified as current assets, other than maturities for a period of more than 12 months subsequently to the date of the statement of financial position that are classified as non-current assets. The Group's financial assets at amortized cost are included in the items: cash and cash equivalents, short-term deposits, trade receivables, operator of the joint venture, Ratio Trusts Ltd. - the Trustee – current account, Ratio Oil Exploration Ltd. – the General Partner – current account, other receivables and restricted deposits, that appear in the statement of financial position.

b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are not classified in one of the other categories. They are classified as non-current assets, unless management intends to realize the investment therein within a period of up to 12 months subsequently to the date of the statement of financial position, or the date of their maturity does not exceed 12 months subsequently to the date of the statement of financial position, in which case they are classified as current assets.

Note 2 - Significant Accounting Policies (Cont.):

2) Recognition and measurement

Ordinary sales and purchases of financial assets are recorded on the Group's books on the date of clearance of the transaction, which is the date on which the asset is delivered to or, by the Group.
Financial assets measured at fair value through profit or loss are initially recognized at fair value, and the transaction expenses are carried to profit or loss. Financial assets at amortized cost are initially recognized at fair value plus transaction costs. Financial assets are written off when the rights to receive cash flows from the investments expired or were transferred, and the Group transferred all of the risks and yield due to the ownership of such assets.
Financial assets at fair value through profit or loss are measured in subsequent periods at fair value.

Financial assets at amortized cost are measured according to amortized cost, on the basis of the effective interest method.

Profits or losses deriving from changes in the fair value of financial assets at fair value through profit or loss are presented in the statement of comprehensive income (loss) in the context of "financial expenses (income), net" in the period in which they were generated. Dividend revenues from financial assets at fair value through profit or loss are recognized in the statement of comprehensive income (loss) as part of "financial expenses (income), net" when the Group's right to receive payment is established.

With regard to the manner of determination of the fair value of the financial instruments, see Note 4.

3) Impairment of financial assets measured at amortized cost

On the date of every statement of financial position the Group examines whether a significant increase has occurred in the credit risk of the financial asset, from the date of its initial recognition, on an individual basis or a group basis. To this end, the Group compares the risk of occurrence of a default on the financial instrument on the reporting date with the risk of occurrence of a default on the financial instrument on the date of initial recognition, while taking into account any and all reasonable and supportable information, including forward-looking information.

Note 2 - Significant Accounting Policies (Cont.):

For financial assets in which a significant increase in the credit risk has occurred from the date of their initial recognition, the Group measures the provision for loss in the amount equal to the projected credit losses throughout the entire life of the instrument. Otherwise, the provision for loss will be measured in the amount equal to projected credit losses in a 12-month period. The amount of the projected credit losses (or cancellation thereof) is recognized in profit or loss in the context of "losses (profits) from impairment (reversal of impairment) of financial assets".

For financial instruments with a low credit risk, the Group assumes that the credit risk did not significantly increase from the date of initial recognition thereof.

J. Investments in, and expenses of oil and gas exploration

The provisions of IFRS 6 – Exploration for and Evaluation of Mineral Resources ("**IFRS 6**") determine the accounting treatment of gas and oil exploration expenses. The Group applies the successful efforts method with regard to its investments and expenses that pertain to oil and gas explorations. Below are the main principles thereof:

1) Expenses of participation in the performance of seismic and geological surveys and tests that take place in the preliminary stages of the exploration are carried to profit or loss immediately when they are incurred, up to the stage of the formulation, pursuant to the performance of such surveys and tests, of a specific drilling plan.

2) Investments in oil and gas wells that are in drilling stages due to reservoirs with regard to which it has not yet been proven whether they produce oil or gas and that have not yet been determined to be non-commercial, are defined as exploration and evaluation assets, and presented in the statement of financial position at cost.

   Evaluation and exploration assets are not amortized systematically. With regard to examining the impairment of exploration and evaluation assets, see Section L below.

3) Investments in oil and gas drillings, due to reservoirs that were proven dry and abandoned or determined to be non-commercial or regarding which no development plans were made in the near future, are fully amortized to profit or loss.

Note 2 - Significant Accounting Policies (Cont.):

4) Investments in oil and gas wells due to reservoirs in respect of which it was determined that gas or oil production are technically feasible and commercially viable (that are examined in an entirety of events and circumstances, the main part of which is obtaining approval from the Petroleum Commissioner in the Energy Ministry (the "**Commissioner**") that the reservoir is a commercial discovery and receipt of a lease deed from the Commissioner in the license area) are defined as oil and gas assets and classified, subject to performance of an impairment assessment, from definition thereof as "investments in exploration and evaluation assets" to definition thereof as "investments in oil and gas assets", and presented in the statement of financial position at cost.
The aforesaid oil and gas assets item includes, *inter alia*, engineering planning costs, reservoir development planning costs, planning and performance of development drillings, acquisition and construction of production facilities and gas transmission pipelines and construction of a terminal. The oil and gas assets item also includes capitalization of borrowing costs in the construction period.

K. Investments in oil and gas assets

The balance sheet item "investments in oil and gas assets" includes costs accrued in respect of proven oil and gas assets of the Partnership.
Such costs mainly consist of exploration and confirmation wells, engineering plans, development wells, the construction of production facilities and pipeline for the transmission of oil and gas to the onshore delivery point as well as an onshore terminal and a storage facility and condensate transmission pipes and an estimate of the expected asset retirement costs.
From the date of commencement of commercial production, oil and gas assets are depreciated to the income statement according to the depletion method based on the actually-produced gas units relative to the total proved and probable reserves ("2P") as evaluated by an outside expert. In the calculation of the depreciation of the oil and gas assets based on the quantities of 2P reserves, the Group also takes into account the future amount (at non-discounted values) of the investments required for the production of such quantities.

L. Impairment of non-financial assets

The Partnership examines the need for impairment of non-financial assets when there are signs as a result of events or changes in circumstances that indicate that the balance in the financial statements is non-recoverable.

Note 2 - Significant Accounting Policies (Cont.):

In cases where in view of the examination of impairment as aforesaid, it transpires that the balance in the financial statements of the non-financial assets exceeds their recoverable amount, the assets are amortized to their recoverable amount. The recoverable amount is the higher of fair value net of sale costs and usage value. Upon evaluating the usage value, the expected cash flows are capitalized according to a discount rate net of tax that reflects the specific risks for each asset. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash producing unit to which the asset belongs. Losses from impairment, net, if any, are carried to profit or loss.
Loss from impairment of an asset is only cancelled when changes have occurred in the estimates that were used to determine the recoverable amount of the asset from the date on which the impairment loss was last recognized.
As for assets that were classified as exploration and evaluation assets (see Section J above), unique criteria that were specified in the context of IFRS 6 are applied for examining their impairment.

Such assets are examined for impairment when facts and circumstances may attest that their book value exceeds the recoverable amount that is attributed to them. Such facts and circumstances may include, *inter alia*:

1) The period in which the entity is entitled to explore a specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

2) Substantive expenditures for mineral resources due to the continued exploration in the specific area and the evaluation thereof are neither budgeted nor planned.

3) Exploration for mineral resources in the specific area and their evaluation did not lead to a discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue these activities in the specific area.

4) Even though it is likely that the development in the specific area will continue, there is enough information which indicates that it is unlikely that the book value of the exploration and evaluation asset will be fully recovered due to successful development or through sale.

M. Cash and cash equivalents

In the context of the consolidated statements of cash flows, the cash and cash equivalents include: cash on hand and short-term bank deposits whose term of deposit does not exceed 3 months.
In cases where the Partnership paid cash calls to the operator of the joint venture (see Section O below), when the operator in the venture has not yet used the aforesaid amounts, the Partnership recognizes its share in the payments that were transferred in the context of the trade and other receivables item, since the aforesaid amounts do not fulfill the definition of cash and cash equivalents.

Note 2 - Significant Accounting Policies (Cont.):

N. Short-term deposits

Short term deposits held by the Partnership were designed to be used for the purchase of Series B Bonds and Series C Bonds of Ratio Financing.

O. Joint operation agreements

The oil and gas exploration activity in a petroleum asset is regulated in the JOA. The JOA is a contractual arrangement pursuant to which, two or more parties undertake oil and gas exploration activity in a jointly held asset. The ownership of the petroleum asset and all of the tangible and intangible assets pertaining thereto (the "**Petroleum Asset**") remains in the hands of the parties to the JOA and is not transferred or assigned to any entity or joint venture. The JOA determines the parties' rights and obligations in relation to the activities within the jointly held asset.
Each party to the JOA is obligated to bear its share of the joint operating costs of the Petroleum Asset (which includes the oil/gas exploration, drilling, development and production activities).
In view of the aforesaid, the JOA is treated as an undivided right in the Petroleum Asset.
Accordingly, in its Financial Statements, the Partnership recognizes its share in the Petroleum Asset (net of amortizations and impairments, if any) and its share in the products deriving therefrom. In addition, and since the Partnership is obligated to bear its proportionate share in the resulting operating costs, the Partnership also recognizes its share in the costs at the time they are incurred (and consequently, also recognizes its share in the liabilities incurred due to such costs).

P. Partners' equity

The participation units of the Partnership are classified as the partners' equity.
Where warrants were issued, and the amount of the exercise price to be received and the number of participation units to be issued upon the exercise thereof, are fixed and known, they were classified in the partners' equity as "warrants".

Incremental transaction costs that are directly attributed to the issue of participation units or new warrants are presented in the partners' equity as a deduction from the issue proceeds.

Q. Bonds and loans from banking corporations

1) The bonds are initially recognized at fair value, net of transaction costs. In subsequent periods, each of the bond series is measured at amortized cost. The difference between the amount at which the bonds were initially recognized and their maturity value is recognized in profit or loss over the bond period according to the effective interest method.

Note 2 - Significant Accounting Policies (Cont.):

With regard to Series B Bonds of Ratio Financing that were issued in a package together with warrants of the Partnership: the difference created between the total proceeds received from the aforesaid issues and the fair value of the bonds, as of the date of initial recognition, constitutes the element of the proceeds attributable to the issue of the warrants that is carried, net of respective transaction costs, to the partners' equity. The respective transaction costs have been split between the two aforesaid elements in accordance with the ratios of the amounts at which they were initially recognized before the attribution of these costs.

2) Loans are initially recognized at fair value, net of transaction costs. In subsequent periods, the loans are measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the maturity value is recognized in the income statement over the loan period, according to the effective interest method.

   Fees that are paid due to the receipt of a loan facility, other than fees that are calculated based on the amount of the unused facility, are recognized as transaction costs that are attributed to the relevant loan, if it is probable that part or all of the loan facility will be used. In such a case, the recognition of the fee is postponed until the actual drawing of the money in the context of the loan and upon the drawing, constitutes part of the respective transaction costs of the loan that was drawn. If there is no evidence that it is probable that part or all of the loan facility will be used, the fee is capitalized as an advance payment for financing services, and amortized over the respective loan facility period.
   Such fees that are calculated based on the amount of the undrawn facility, are carried to the income statement when they are incurred.

3) Loans and bonds are classified as current liabilities, unless the Group has an unconditional right to postpone their payment for at least 12 months subsequently to the expiration of the reporting period, in which case they are classified as non-current liabilities.

R. Trade payables

The trade payables balances include the Group's undertakings to pay for services acquired from suppliers in the ordinary course of business. The trade payables balances are classified as current liabilities, when payment is to be made within one year or less, otherwise they are presented as non-current liabilities.

S. Recognition of revenues

1) The Group applies the new financial reporting standard on recognition of revenue from contracts with customers (IFRS 15).

Note 2 - Significant Accounting Policies (Cont.):

The core principle of IFRS 15 is that revenue from contracts with customers should be recognized to reflect the transfer of control of the goods or services provided to the customers under the contracts, in amounts that reflect the consideration to which the entity expects to be entitled to receive for such goods or services in accordance with the terms and conditions of the contract.
The recognition of revenues in accordance with the aforesaid core principle is performed by implementing five steps: (a) Identification of the contract with the customer; (b) Identification of the performance obligations in the contract; (c) Determination of the transaction price; (d) Allocation of the transaction price to the various performance obligations in the contract; and (e) Recognition of revenue upon satisfaction of each of the performance obligations.

IFRS 15 addresses the accounting treatment in a wide range of issues relating to the application of the aforesaid model, including recognition of revenue from variable consideration determined in a contract, adjustment of the transaction price determined in the contract in order to reflect the time value of money.

The Group generates its revenues from the sale of natural gas and condensate to a variety of customers, usually in the context of long-term contracts. The Group's revenues from the sale of gas and condensate are measured according to the sum of the consideration which the Group expects to be entitled for its own behalf only. Accordingly, the entitlement of the State and third parties to royalties at a certain rate of the gas discovery is presented as an expense which is directly deducted from the revenues from the sale of gas and condensate. Revenues from the sale of gas and condensate are recognized by the Group when the customer receives the gas and the condensate (in the various delivery points as determined in the sale agreements), which is also when control of such goods is passed on to the customer and the customer's debt is recognized.
Credit in such sales does not exceed one year and the Group applies the relief which does not require the isolation of a financing component in such circumstances. The Group has no additional performance obligations after the goods are transferred as noted.

2) Interest revenues

Interest revenues are carried on a periodic basis according to the effective interest method.

3) Dividend revenues

Dividend revenues are recognized when the right to receive the same is established for the Partnership.

Note 2 - Significant Accounting Policies (Cont.):

T. Profit (loss) per participation unit

The calculation of the basic profit (loss) per participation unit is generally based on the profit (loss) that may be distributed to holders of the participation units, divided by the weighted average of the number of participation units in circulation in the period.

In the calculation of the diluted profit (loss) per participation unit, the weighted average of the number of additional participation units that would have been in circulation assuming that all of the potential diluting participation units were converted is added to the weighted average of the number of participation units in circulation.

The potential participation units are taken into account as aforesaid, only when they have a diluting effect (reduce the profit or increase the loss per participation unit).

U. Cash-settled share-based payment

The Partnership operates a cash-settled option plan for consultants (the "**Phantom Options**"), in the context of which the Partnership receives services from consultants, *inter alia*, in consideration for Phantom Options of the Partnership (with each of the options exercisable into a monetary bonus in the amount that is equal to the difference between the price of the Partnership's participation unit on the exercise date and the option exercise price).
The Partnership measures the services purchased and the liability incurred by the Group at the fair value of the liability. Pending the settlement of the liability, the Partnership re-measures the fair value of the liability at the end of each reporting period and on the settlement date, while any changes in the fair value are recognized in profit or loss for the period.
The Partnership recognizes the received services, and the undertaking to pay therefor upon the rendering of the services by the consultants in that period (throughout the vesting period), while taking into consideration the terms and conditions of the Phantom Options and the scope of the service provided by the consultants until such date. For details on the option plans, see Note 15G.

Note 2 - Significant Accounting Policies (Cont.):

V. Provisions

Provisions are recognized when the Group has an existing, legal or implied, liability as a result of past events, it is probable that a negative flow of resources will be required in order to retire the liability and a reliable estimate of the liability amount may be made. The amount that is recognized as a provision is the best estimate of the expense that is required in order to retire the liability that exists on the date of the statement of financial position.
Provisions are measured according to the present value of the projected cash flows that will be required to settle the liability, calculated through the use of a cap rate before tax, that reflects current market estimations with regard to the time value of the money and the risks that are specific to the liability.
With regards to provision for asset retirement and disposal upon expiration of the period in which they are used - the Group recognizes such provision (and at the same time, the asset). The liability is measured for the first time at its current value and the expenses that derive from its increase over time are carried to the statement of profit or loss. The asset is first measured at its current value and is depreciated over time to the statement of comprehensive income starting from the date of commercial production. Changes in the timing and amount of the economic resources that are required for settlement of the obligation, and a change in the cap rate are either added to or subtracted from the asset in the current period concurrently with the change in the liability (the cap rate as of December 31, 2021 and 2020 is approx. 3.8% and 3.3% per annum, respectively). The statement of financial position states the balance of the liability (under the "provision for oil and gas asset retirement and disposal obligation" item) and the balance of the asset (under the "investments in oil and gas assets, net" item).

W. Government levies

Levies that will be imposed on the Partnership by government institutions through legislation, will be treated according to the interpretation of IFRIC 21, whereby the obligation to pay the levy will only be recognized when the event establishing the payment obligation occurs (the "**Obligating Event**").
Pursuant to the Taxation of Profits from Natural Resources Law, 5771-2011 the Partnership is subject to payment of a petroleum profit levy on its profits from the various oil and gas reservoirs. The rate of the levy is progressive and increases the more the profitability increases. For additional details see Note 14 below.
The Partnership will recognize an expense due to the levy in accordance with the Obligating Event method, i.e. only on the date that the obligation to pay the same will be established.

Note 2 - Significant Accounting Policies (Cont.):

X. Derivative financial instruments

Derivate financial instruments are initially recognized at fair value on the date of engagement in the derivative contract and re-measured in subsequent periods at their fair value.
The method for recognizing profit or loss due to changes in fair value depends on the question whether the derivative instrument meets the requirements for hedge accounting recognition, and if it does, on the nature of the hedged item. Changes in the fair value of derivative financial instruments that do not satisfy the aforesaid requirements are recoded in profit or loss as financial income or expenses. The Group has no financial instruments that satisfy the requirements for hedge accounting recognition.

Y. Income taxes

The financial statements do not include current income taxes expenses, since the tax liability on the Partnership's profits applies to its partners. Income tax payments made by the Partnership are on account of the tax for which the holders of the Partnership's participation units are liable, and are deducted from the retained earnings item of the Partnership's equity. Following an amendment to the Income Tax Regulations that was published during 2021, starting from the 2022, the tax regime applicable to the Partnership will change such that it will be taxed as a company. See Note 14A below. Therefore, as of December 31, 2021, the Partnership recognized a deferred tax liability due to temporary differences that will reverse after January 1, 2022. Furthermore, starting from January 1, 2022, the Partnership will recognize current tax expenses in the statement of comprehensive income.

Current taxes
The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

Deferred taxes
Expenses of taxes on income in the period include deferred taxes only.
The Group recognizes deferred taxes, based on the liabilities method, for temporary differences between the amounts of the assets and liabilities included in the financial statements, and the amounts taken into account for tax purposes. However, deferred taxes are not recognized if the temporary differences are created at the time of first recognition of the asset or liability, other than in the context of a business combination which, on the date of the transaction, have no effect on the profit or loss – either in terms of accounting or as reported for tax purposes.
The amount of the deferred taxes is determined according to the tax rates (and tax laws) enacted or whose enactment has been completed in practice as of the date of the Statement of Financial Position, and which are expected to apply when the deferred tax assets are realized or when the deferred tax liabilities are settled.

Note 2 - Significant Accounting Policies (Cont.):

The recognition of deferred tax assets is made for temporary differences which are deductible for tax purposes, within the limits of the amount of differences expected to be usable in the future against taxable income.
The deferred taxes are presented in the Statement of Financial Position as a non-current item, also if their date of reversal is expected within the 12 months following the date of the Statement of Financial Position.
Deferred tax assets and deferred tax liabilities are offset if and only if:

- There is an enforceable legal right to offset current tax assets against current tax liabilities.
- The deferred tax assets and the deferred tax liabilities relate to taxes on income which are imposed by the same tax authority on the same taxable entity or on different taxable entities which intend to settle the balances on a net basis.

Note 2 - Significant Accounting Policies (Cont.):

The tax implications of the change in the Partnership's tax status were included in the income statement, because such implications do not concern transactions or events that were directly attributed to equity or to other comprehensive income (see Note 14A1).

Z. New international financial reporting standards; amendments to the standards and new interpretations:

1) Amendments to existing standards which have taken effect and are applied by the Partnership for reporting periods that begin on January 1, 2021:

   Amendments to IFRS 9 "Financial Instruments" ("**IFRS 9**"), to IAS 39 "Financial Instruments: Recognition and Measurement" ("**IAS 39**") and to IFRS 7 "Financial Instruments: Disclosures" ("**IFRS 7**") (the "**Amendments to the Standards**").

   The Amendments to the Standards are part of Phase 2 of the IASB project which provides relaxations in the context of the reform of replacement of the benchmark interest rates (the "**IBOR Reform**"), whose purpose is to provide a response to issues which may arise upon actual replacement of the benchmark interest rates.

   The Amendments to the Standards provide a practical exemption for financial assets and liabilities that are measured at amortized cost, which enables to handle the change to the basis for calculation of the contractual cash flows through adjustment of the effective interest rate, such that entities will not be required to apply write-off accounting.

   With respect to hedge accounting, the Amendments to the Standards clarify the date on which entities should stop applying the relaxations granted in the context of phase 1 of the project for non-contractual risk factors, and provide five different relaxations for the application of specific provisions of IAS 39 and IFRS 9 for hedge relations directly affected by the IBOR Reform.

   Additionally, the Amendments to the Standards provide new disclosure requirements in connection with the IBOR Reform.

   The Group applied the Amendments to the Standards retrospectively. The initial application of the Amendments to the Standards had no material effect on the Group's consolidated financial statements.

2) New standards and amendments to preexisting standards that have not yet taken effect and with respect to which the Group has not chosen early application:

   a) Amendment to International Accounting Standard 1 "Presentation of Financial Statements" (the "**Amendment to IAS 1**")

Note 2 - Significant Accounting Policies (Cont.):

The Amendment to IAS 1 clarifies the instructions related to the classification of liabilities as current or non-current in the statement of financial position. The amendment clarifies, *inter alia*, that:

entity has a substantive right to defer the settlement of the liability for at least 12 months after the end of the reporting period. Furthermore, the amendment clarifies that the entity's intention with respect to the exercise of the right is irrelevant for the purpose of classification of the liability, and it cancels the reference to the existence of a non-contingent right.

(1) Such substantive right only exists insofar as the entity satisfies the relevant conditions on the balance sheet date.

(2) "Settlement" of the liability includes settlement by way of payment in cash, other financial resources or equity instruments of the entity. However, a conversion right in respect of a convertible instrument which has been classified as equity does not affect the classification of the liability in respect of the instrument.

The Amendment to IAS 1 will be applied retrospectively to annual periods beginning on or after January 1, 2023. According to the provisions of the amendment, early application thereof is permitted. The initial application of the Amendment to IAS 1 is not expected to have a material effect on the Group's consolidated financial statements.

b) Amendment to IAS 1 Presentation of Financial Statements (the "**Amendment to IAS 1**")

The Amendment to IAS 1 requires companies to disclose their material accounting policies rather than their significant accounting policies. According to the amendment, accounting policy information is material if, when considered together with other information included in the financial statements, it can reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements.
The amendment also clarifies that accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. In addition, the amendment clarifies that immaterial accounting policy information need not be disclosed. However, if an entity discloses such information, such information shall not obscure material accounting policy information.
The Amendment to IAS 1 will be applied retrospectively with respect to annual periods commencing on or after January 1, 2023. According to the provisions of the amendment, early application is possible. Initial application of the Amendment to IAS 1 is not expected to have a material effect on the Group's consolidated financial statements.

Note 2 - Significant Accounting Policies (Cont.):

c) Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (the "**Amendment to IAS 8**")

The Amendment to IAS 8 clarifies how entities should distinguish between changes in accounting policies and changes in accounting estimates. This is a material distinction since changes in accounting estimates are applied prospectively, for transactions and other events in the future, whereas changes in accounting policies are generally applied retrospectively for transactions and other events in the past, as well as for events and transactions in the current period.

The Amendment to IAS 8 will be applied retrospectively with respect to annual periods commencing on or after January 1, 2023. According to the provisions of the amendment, early application is possible. Initial application of the Amendment to IAS 8 is not expected to have a material effect on the Group's consolidated financial statements.

d) Amendment to IAS 12 Income Taxes (the "**Amendment to IAS 12**")

The Amendment to IAS 12 clarifies that the exemption from creation of deferred taxes arising on initial recognition of an asset or liability in a transaction which is not a business combination, does not affect the accounting profit at the time of the transaction, and at the time of the transaction affects neither accounting profit nor tax loss (the initial recognition exemption), is inapplicable in respect of transactions, in the initial recognition of which taxable or deductible temporary differences in identical amounts are created.

Such transactions include, for example, lease transactions in which at the time of the initial recognition by the lessee, the lessee recognizes the right-of-use asset in an amount equal to the balance of the lease liability; as well as circumstances of recognition of a liability in respect of liquidation, eviction and recovery which is recognized against the cost of fixed assets.

The Amendment to IAS 12 will be applied for annual periods beginning on or after January 1, 2023. According to the provisions of the amendment, early application is possible. The amendment will be applied to all transactions beginning with the earliest reporting period presented in the financial statement in which the amendment was initially applied. Also, in the financial statements in which the amendment is initially applied, an entity must recognize at the beginning of the earliest reporting period presented:

Note 2 - Significant Accounting Policies (Cont.):

(1) A deferred tax asset, to the extent that it is expected that there will be a taxable income against which the deductible temporary difference can be utilized, as well as in the deferred tax liability, in respect of all deductible and taxable temporary differences in connection with:

- Right of use assets and liabilities in respect of leases; and-
- Liabilities in respect of liquidation, eviction and recovery and similar liabilities, as well as the corresponding amount recognized as part of the cost of the relevant asset.

(2) The cumulative effect of the initial application in correspondence to the surplus opening balance (or another capital component, insofar as applicable) to this date.

The initial application of the Amendment to IAS 12 is not expected to have a material effect on the Group's consolidated financial statements.

Note 3 - Significant Accounting Estimates and Judgements:

Estimates and judgements are examined on an ongoing basis, and are based on past experience and on other factors, including expectations of future events, which are deemed reasonable, in view of the existing circumstances.

The Partnership forms estimates and assumptions with regard to the future. By their very nature, it is rare for the accounting estimates obtained to be identical to the actual respective results. The estimates and assumptions, in respect of which there is a significant risk of performance of material adjustments in the book value of assets and liabilities in the course of the subsequent financial period, or judgements which were used in the determination of the Partnership's accounting policy, relate to the following issues:

A. Legal proceedings

Upon estimation of the chances of the results of the legal claims that were filed against the Partnership, the Partnership relied on the opinion of its legal counsel. Such estimations by legal counsel are based on the best of their professional judgement, considering the stage of the proceedings, and the legal experience accumulated in the various issues. Since the results of the claims will be determined by the courts, such results may differ from these estimations.

B. Provision for an asset retirement obligation

The Partnership recognizes the asset concurrently with a liability in respect of its oil and gas asset retirement obligation at the end of the period of use thereof. The timing and amount of the economic resources that are required for settlement of the obligation are based on the Partnership's estimation, and are determined, *inter alia*, according to an opinion by independent external experts. Such amounts are examined periodically to ensure the fairness of such estimations.
See Note 2V.

C. Estimate of gas reserves

The estimate of the gas reserves is used, *inter alia*, in determining the rate of amortization of the producing assets serving the operations during the reported period, as well as in the examination of a potential impairment. Investments related to the discovery and production of proved gas reserves are amortized according to the depletion method as stated in Section 2K above.
The estimated gas quantity in the proven reservoirs in the reported period is determined every year, *inter alia*, according to an opinion by outside experts in the evaluation of reserves of oil and gas reservoirs.
The evaluation of the proved gas reserves according to the aforesaid principles is a subjective process and evaluations of different experts may occasionally materially differ from one another. For further details, see Note 8C.

Note 3 - Significant Accounting Estimates and Judgements (Cont.):

D. Deferred taxes on Income

On August 3, 2021, the Knesset's Finance Committee approved an amended version of the draft Income Tax Regulations (Rules for Calculation of the Tax on Holding and Sale of Participation Units of Oil Exploration Partnerships) (Amendment), 5781-2020 (the "**Amended Version of the Regulations**"). According to the Amended Version of the Regulations, *inter alia*, the Partnership will be taxed as a company (i.e., according to a two-stage method) as of the 2022 tax year (*in lieu* of the 2021 tax year in the draft regulations). On September 14, 2021, the regulations were published in the Official Gazette.

The Partnership recognizes deferred tax assets and deferred tax liabilities based on the differences between the amounts of the assets and liabilities on the books and the amount thereof which is taken into account for tax purposes. The Partnership regularly examines the ability to recover the deferred tax assets included in its accounts, based on projected taxable income, the expected timing of reversal of temporary differences and the implementation of tax planning strategies. If the Partnership is unable to derive future taxable income in a sufficient amount, it may be required to cancel some of the deferred tax assets or increase the deferred tax liability, which may increase the Partnership's effective tax rate and adversely affect the results of its operations. See Note 14 below.

Note 4 - Financial Instruments and Financial Risk Management:

A. Financial risk management

1) Financial risk factors

The Group's operations expose it to a variety of financial risks: market risks (including currency risks, price risks and fair value and cash flow risk due to interest rate), credit risks and liquidity risks. The Group's comprehensive risk management plan focuses on the fact that the behavior of financial markets cannot be predicted and on an attempt to minimize possible negative effects on the Group's financial performance.
The Group's Finance Department identifies and assesses the financial risks in close cooperation with the General Partner's investment committee.

Note 4 - Financial Instruments and Financial Risk Management (Cont.):

2) Market risks:

a) Exchange rate risks

The Partnership is exposed to exchange rate risks deriving from changes of the Dollar/ILS exchange rate.

The exchange rate risks derive mainly from the ILS liability balance in respect of Series B Bonds that were issued in 2016, from the fact that the Partnership is taxed based on an ILS measurement as well as additional expenses that are not fully linked to the Dollar.

The gas prices in the agreements for the sale of gas from the Leviathan Reservoir are determined based on price formulas that include various linkage components, and, inter alia, linkage to the ILS-Dollar exchange rate and linkage to the PUA tariff ("Electricity Production Tariff") which is partially affected by the ILS-Dollar exchange rate.

As part of the Partnership's risk management, during 2020 and 2019 the Partnership executed cylinder-type hedging transactions that hedge the exchange rate risk in respect of Series B Bonds. In addition, the Partnership purchases Series B Bonds in order to reduce the exchange rate risk (See Note 11B below).

In addition, the Partnership has exposure to profit/loss from exchange rate changes resulting from ILS assets and liabilities of cash and cash equivalent balances, short-term deposits and restricted deposits, financial assets and liabilities and other assets.

If the ILS strengthened or weakened by 5% against the Dollar, whereas all other variables remained constant, the loss (profit) for the year and the Partnership's equity would change as follows:

	2021	2020	2019	2021	2020	2019
	Dollar in thousands			Dollar in thousands		
	5% Increase in the ILS/Dollar Exchange Rate			5% Decrease in the ILS/Dollar Exchange Rate		
Increase (decrease) in equity	2,884	8,563	5,449	(3,188)	(7,748)	(5,449)
Increase (decrease) in profit per year	2,884	8,563	5,449	(3,188)	(7,748)	(5,449)

Note 4 - Financial Instruments and Financial Risk Management (Cont.):

b) Price risk

The Partnership invests some of its cash surplus in marketable securities, which are classified in the statement of financial position as a short-term financial asset at fair value through profit or loss. The yields in these instruments depend on the performances of such securities. The Group diversifies its holdings portfolio with such securities with the aim of managing the price risk deriving from investments in marketable securities.
In addition, the Partnership has an investment in securities of Ratio Petroleum (see Note 6 below) which is classified in the statement of financial position as a long-term financial asset at fair value through profit or loss.
The holdings portfolio and the investment decisions are diversified in accordance with the investment policy determined by the General Partner's investment committee, based on the recommendations of professional consultants and in accordance with the investment policy limitations set forth in the partnership agreement.

The following table summarizes the effect of the increase/decrease in the prices of securities on the Group's profit (loss) for the year and on its equity. The analysis is based on the assumption that the securities indices rose/dropped by 5%, with all other variables remaining constant, and all of the fluctuations in the prices of the Group's marketable securities correlated with the fluctuations in the rate of the index:

	2021	2020	2019	2021	2020	2019
	Dollar in thousands			Dollar in thousands		
	5% Increase in the Securities Indices			5% Decrease in the Securities Indices		
Increase (decrease) in equity	825	1,102	2,430	(825)	(1,102)	(2,430)
Increase (decrease) in profit per year	825	1,102	2,430	(825)	(1,102)	(2,430)

Note 4 - Financial Instruments and Financial Risk Management (Cont.):

c) The natural gas and condensate price risk:

Natural gas supply agreements determine the gas price according to price formulas which include various linkage components, including linkage to the Brent barrel price, linkage to the electricity production tariff to which the gas agreements for private electricity customers are linked, and linkage to the ILS/dollar exchange rate. For details regarding the various linkages in the natural gas price formulas, see Note 25C. A considerable portion of the natural gas supply agreements in which the Partnership has engaged determine, alongside the price formulas, also floor prices which limit, to a certain extent, the exposure to fluctuations in the linkage components. However, there is no certainty that the Partnership will be able to determine such floor prices also in new agreements that shall be signed thereby in the future.

With regards to the electricity production tariff, it is noted that the frequent methodological changes made by the Electricity Authority to the method of calculation thereof hinder the ability to predict the same and may lead to disputes between the gas suppliers and customers in connection with the method of calculation thereof. In this context it is noted, with respect to some of the private power plants (including plants that were sold by the IEC), that the Electricity Authority has introduced regulation called the System Marginal Price, whereby every half hour the wholesale electricity price is determined according to the marginal cost of production of an additional kWh in the market, based on half-hour tenders conducted by the manager of the electricity system between the various power producers, each day. The said pricing method may impact the prices of the natural gas that shall be sold by the Partnership to power producers in the domestic market in a case where the gas prices in future contracts are linked to the said pricing.

A decrease in the Brent barrel price and/or in the electricity production tariff and/or an increase in the ILS/dollar exchange rate (a weakening of the ILS against the dollar) may have an adverse effect on the Partnership's revenues from the existing and future gas sale agreements. In addition, a significant change in the prices of other energy sources (including coal, LNG and other gas substitutes) and/or in the availability of renewable energy, increased competition in the supply of gas to the domestic, regional and global market, reforms and regulatory decisions relating, *inter alia*, to the electricity market, the export of gas, the taxation of oil and gas profits, environmental laws, may cause a change in the natural gas consumption model of large customers, which may reduce demand and lead to a decrease in the natural gas prices and have an adverse effect on the Partnership, its financial position and its results of operations.

Note 4 - Financial Instruments and Financial Risk Management (Cont.):

In addition, material events in the global economy, such an as economic slowdown, a recession, inflation, irregular fluctuations in currency exchange rates, trade wars, damage to the efficient functioning of the global production and supply chains in general, and to the segments of engineering, production and supply of components for the oil and gas industry in particular, as well as weather conditions, including global warming, the outbreak of pandemics such as Covid, and natural disasters, may also reduce the demand for natural gas sold by the Partnership and/or impact its price and/or have an adverse effect on the Partnership's revenues from the existing and future gas sale agreements, as well as on the making of decisions to invest in new natural gas projects and/or expansion of existing projects.
As of the date of the report, the condensate is sold for no consideration to ORL and there is no certainty as to the timing when the condensate will be sold to other customers for different consideration.

d) Index-linked risk

The Group invests part of its cash balances in index-linked bonds and exchange traded funds that are classified in the Statement of Financial Position as financial assets at fair value through profit or loss that expose the Partnership to changes in the index.

e) Cash flow and fair value interest rate risk

The Group's interest risk derives from investments in bonds and from loans that have been taken and bonds that were issued.
Loans/bonds that bear variable interest rates expose the Group to cash flow risk, while loans/bonds that bear fixed interest rates expose the Group to fair value risk.

Note 4 - Financial Instruments and Financial Risk Management (Cont.):

(1) Investments in bonds

The Group invests part of its cash balances in bonds bearing fixed interest that are classified in the Statement of Financial Position as financial assets at fair value through profit or loss. This item is presented at fair value, on the basis of quoted market prices. Accordingly, there is an exposure to changes in the value of these investments as a result of changes in the market's interest rate.
Since the Partnership is investing in bonds with short-medium average lifespan and also in high ratings no less than (A-) in Israel, in the estimation of the Group's management, as pertains to these investments, it does not have a material exposure to fair value interest rate risk.

(2) Loans taken

The partnership has taken a loan at a dollar variable interest rate and is therefore exposed to possible changes in cash flow that may result from changes in the LIBOR interest rate.
Following the date of the Statement of Financial Position, as part of the Partnership's risk management, and in order to reduce the exposure in connection with a possible increase in the LIBOR interest rate on the loan taken thereby (see Note 11A2 below), in Q1/2022 the Partnership bought CAP options to hedge $150 million.

The following table summarizes the effect of the increase/decrease in the 3-month LIBOR on the Group's loss for the year and on its equity. The analysis is based on the assumption that the LIBOR rose/dropped by 5% with all other variables remaining constant:

	2021	2020	*2019	2021	2020	*2019
	$ in thousands			$ in thousands		
	5% Increase in the LIBOR			5% Decrease in the LIBOR		
Increase (decrease) in equity	(43)	(218)	(388)	43	218	388
Increase (decrease) in profit per year *	(43)	(218)	(388)	43	218	388

* The interest expenses in 2019 were capitalized to an asset (term of establishment) and were not carried to the income statement.

Note 4 - Financial Instruments and Financial Risk Management (Cont.):

3) Credit risk

Credit risk is the risk that one party to financial instruments will cause a financial loss to the other party by failure to meet liabilities. A credit risk derives mainly from trade accounts receivable and deposits in banks. For details on the Partnership's principal customers, see Section (a) below and Note 17B.

The trade receivables balance as of December 31, 2021 and 2020 is a current balance. The Partnership estimates that the credit risk vis-à-vis the local customers is low and that the credit risk relative to the produced gas vis-à-vis Blue Ocean and NEPCO is low since the current balances against them are backed up by collateral that was provided thereby.

a. Unimpaired receivables turnover and ageing:

	Revenues for the year ended December 31, 2021	Trade receivables balance as of December 31, 2021		
		Total	Current balance	Disputed balance
	$ in thousands			
IEC	30,141	43	43	-
NEPCO	87,370	11,984	11,984	-
Blue Ocean	98,665	29,560	29,560	-
Other customers	77,178	6,354	6,354	-
Total	293,354	47,941	47,941	-

	Revenues for the year ended December 31, 2020	Trade receivables balance as of December 31, 2020		
		Total	Current balance	Disputed balance
	$ in thousands			
IEC	60,724	47	47	-
NEPCO	59,207	13,044	13,044	-
Blue Ocean	47,856	19,561	19,561	-
Other customers	27,377	5,562	5,562	-
Total	195,164	38,214	38,214	-

b. The Group deposits its cash balances and cash equivalents in banking corporations and other financial corporations that have independently been assigned a rating of at least A1 and therefore the Partnership estimates that the credit risk with respect to such balances is low.

Note 4 - Financial Instruments and Financial Risk Management (Cont.):

4) Liquidity risk

The cash flow forecast is prepared by the Group both at the level of the various entities of the Group and on a consolidated basis. The Group's Finance Department examines current forecasts of liquidity requirements at the Group. Such forecasts taken several factors into account, such as the Group's plans to use debt and/or equity for the purpose of financing its operations.

As part of the management of the Partnership's liquidity risks, the Partnership examines, within the means available thereto, in a number of scenarios, the existence of sufficient liquidity to meet its obligations on time.

5) The following table presents an analysis of the Group's financial liabilities, classified into relevant maturity categories, according to the period remaining until their contractual due date, as of the date of the statement of financial position.

Note 4 - Financial Instruments and Financial Risk Management (Cont.):

The sums presented in the table are undiscounted contractual cash flows.

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	More than 5 Years
	Dollar in thousands			
Balance as of December 31, 2021:				
Trade payables	44	-	-	-
Payables of a joint venture	11,462	-	-	-
Others	92	-	-	-
Payables	4,905	-	-	-
Options for consultants	7	-	-	-
Provision for balancing and tax payments	13,920	-	-	-
Loan from banking corporations*	-	-	165,343	334,657
Interest on loan from banking corporations*	20,287	20,287	55,668	15,773
Interest in respect of Series B Bonds**	20,660	10,331	-	-
Series B Bonds**	55,829	55,846	-	-
Interest in respect of Series C Bonds	12,077	6,040	-	-
Series C Bonds	60,378	60,396	-	-
Interest in respect of Series D Bonds	5,244	5,244	11,956	5,479
Series D Bonds	-	11,040	33,119	47,837
Total	204,905	169,184	266,086	403,746

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	More than 5 Years
	Dollar in thousands			
Balance as of December 31, 2020:				
Trade payables	21	-	-	-
Payables of a joint venture	9,719	-	-	-
Payables	5,990	-	-	-
Options for consultants	163	-	-	-
Loan from banking corporations*	-	-	94,436	405,564
Interest on loan from banking corporations*	19,455	19,455	56,684	30,508
Interest in respect of Series B Bonds**	30,428	20,286	10,144	-
Series B Bonds**	54,819	54,819	54,836	-
Interest in respect of Series C Bonds	18,115	12,077	6,039	-
Series C Bonds	60,378	60,378	60,396	-
Total	199,088	167,015	282,535	436,072

Note 4 - Financial Instruments and Financial Risk Management (Cont.):

* Sums relating to a loan from banking corporations assume repayment by installments of the balance of the loan principal and on the maturity date, i.e., in 2027, without additional sums on account of the loan principal starting from 2024 in variable rates in accordance with certain debt coverage ratio (DSCR Cash Sweep) that were set in the loan agreement (see Note 11A2). Furthermore, in calculating the interest on a loan from banking corporations as of December 31, 2021 and 2020, a fixed LIBOR interest rate was used as of October 14, 2021 and 2020 and is 0.12225 and 0.22338%, respectively, throughout the loan period.

** The calculation of the balance of the undiscounted contractual cash flows in respect of the series B Bonds as of December 31, 2021 and 2020 takes into account the Dollar exchange rates for such dates, respectively.

6) Capital management

The Group's capital risk management goals are to preserve the Group's ability to continue acting as a going concern with the aim of generating for the participation unit holders a yield on their investment and maintaining an optimal capital structure for the purpose of reducing the costs of capital.
The Partnership may take various measures for the purpose of maintaining or adjusting its capital structure, including the repayment of capital to the participation unit holders and the issue of new units and/or the issue of warrants and/or a change of the terms and conditions of the warrants. For further details, see Note 15A.

7) Fair value estimates

Following is an analysis of the financial instruments measured at fair value according to valuation techniques. The various levels have been defined as follows:

- Quoted prices (unadjusted) in active markets in which identical assets or liabilities are traded (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., deriving from the prices) (Level 2).
- Inputs with respect to the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on the quoted market price as of the dates of the statements of financial position. A market is deemed active if the quoted prices are easily available and regularly updated by an exchange, traders, brokers, sectorial entities, pricing services providers or governmental supervisory authorities, and if the prices in such market are determined based on transactions in the market that are actually and regularly made between unrelated parties.

Note 4 - Financial Instruments and Financial Risk Management (Cont.):

In 2020, the Partnership engaged in financial instruments in the notional amount of approx. $50 million. In Q3/2021, financial instruments in the notional amount of approx. $25 million expired. The derivative financial instruments are presented under long-term liabilities and measured at fair value through profit or loss and defined as Level 2.

As of December 31, 2021 and 2020, such liability was hedged by a reversed symmetrical instrument.

The financial liabilities include currency option instruments. For the purpose of conducting the valuations of such currency options, use was made of data on exchange rates, interest and standard deviations quoted in an active market.

All of the Partnership's other financial assets that are measured at fair value are included in Level 1.

Over the course of the reported years, no reclassifications were made between the fair value levels.

B. Financial Instruments

Financial instruments by categories

The accounting policy on the treatment of financial instruments has been applied to the following items:

December 31, 2021:

		Assets at fair value through profit or loss		
	Financial assets at amortized cost	**Assets held for trading**	**Equity instruments not designated at fair value through other comprehensive income**	**Total**
	Dollar in thousands			
Assets:				
Cash and cash equivalents	125,383	-	-	125,383
Financial assets at fair value through profit or loss	-	10,976	5,509	16,485
Short-term deposits	64,174	-	-	64,174
Trade receivables	47,941	-	-	47,941
Operator of the joint venture	2,310	-	-	2,310
Ratio Trusts Ltd. – the Trustee – Current account	338	-	-	338
Ratio Oil Exploration – the General Partner - Current account	883	-	-	883
Other receivables	589	-	-	589
Restricted deposits	14,707	-	-	14,707
Total	256,325	10,976	5,509	272,810

Note 4 - Financial Instruments and Financial Risk Management (Cont.):

	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
	Dollar in thousands		
Liabilities:			
Trade payables	-	44	44
Payables of a joint venture	-	11,462	11,462
Other	-	92	92
Interest payable	-	15,662	15,662
Payables	-	4,905	4,905
Options for consultants	7	-	7
Provision for tax and balancing payments	-	13,920	13,920
Bonds (including current maturities)	-	340,332	340,332
Loans from banking corporations	-	487,112	487,112
Total	7	873,529	873,536

December 31, 2020:

		Assets at fair value through profit or loss		
	Financial assets at amortized cost	Assets held for trading	Equity instruments not designated at fair value through other comprehensive income	Total
		Dollar in thousands		
Assets:				
Cash and cash equivalents	89,781	-	-	89,781
Financial assets at fair value through profit or loss	-	5,957	16,077	22,034
Short-term deposits	46,140	-	-	46,140
Trade receivables	38,214	-	-	38,214
Operator of the Joint Venture	231	-	-	231
Ratio Trusts Ltd. – the Trustee Current account	10,880	-	-	10,880
Ratio Oil Exploration – the General Partner-current account	320	-	-	320
Other receivables	457	-	-	457
Restricted deposits	8,080	-	-	8,080
Total	194,103	5,957	16,077	216,137

Note 4 - Financial Instruments and Financial Risk Management (Cont.):

	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
	Dollar in thousands		
Liabilities:			
Trade payables	-	21	21
Payables of a joint venture	-	9,719	9,719
Interest payable	-	20,344	20,344
Payables	-	5,990	5,990
Options for consultants	163	-	163
Bonds (including current maturities)	-	381,110	381,110
Loans from banking corporations	-	483,597	483,597
Total	163	900,781	900,944

Note 5 - Cash and Cash Equivalents:

	December 31	
	2021	2020
	Dollars in thousands	
Cash in the bank	93,112	88,236
Bank deposits, the term of whose deposit does not exceed 3 months	32,271	1,545
	125,383	89,781

The book value of the cash and cash equivalents is a reasonable approximation of their fair value since the effect of the capitalization is immaterial.
With respect to the terms of linkage of the cash and cash equivalents, see Note 16.

Note 6 - Financial Assets at Fair Value Through Profit or Loss:

	December 31	
	2021	2021
	Dollars in thousands	
Marketable securities – held for trading:		
Investment in government bonds	1,321	1,006
Investment in corporate bonds	6,193	3,159
Investment via mutual funds	457	356
Investment in shares outside Israel	1,335	-
Investment in shares in Israel	1,670	1,436
Total presented under current assets	10,976	5,957
Financial assets at fair value through profit and loss-		
Investment in Ratio Petroleum	5,509	15,624
Investment in Series 2 Warrants	-	453
Total presented under non-current assets	5,509	16,077

Note 6 - Financial Assets at Fair Value Through Profit or Loss (Cont.):

Financial assets held for trading are presented under "operating activities" as part of the changes in the working capital in the cash flow statement.
Financial assets at fair value through profit or loss which are presented under non-current assets are presented under "investment activities" in the cash flow statement.
Changes in the fair value of financial assets at fair value through profit or loss are carried to the "financial income (expenses), net" item in the statement of comprehensive income (loss).

On January 24, 2017, the Partnership purchased 22,936,448 participation units, 11,468,224 Series 1 Warrants and 11,468,224 Series 2 Warrants of Ratio Petroleum in consideration for approx. ILS 23,636 thousand. This investment was designated, on the date of initial recognition thereof, to fair value through profit or loss, and is presented in the consolidated statement of financial position under non-current assets, as financial assets at fair value through profit or loss.
On May 20, 2019, a special general meeting was held of the unitholders, which, *inter alia*, approved an amendment to the Partnership's investment policy in a manner which will allow the General Partner to invest available money of the Partnership in the purchase of securities of Ratio Petroleum for the purpose of exercising warrants, up to the sum of ILS 40 million.
In July 2019, the Partnership exercised Series 1 Warrants of Ratio Petroleum in consideration for approx. ILS 15 million. After the exercise, the Partnership holds 34,404,672 participation units and 11,468,224 Series 2 Warrants of Ratio Petroleum.
On December 31, 2020, a special general meeting was held of the unitholders, which, *inter alia*, approved the amendment to the Partnership's investment policy in a manner which will allow the General Partner to invest available money of the Partnership for the purpose of exercising warrants, up to the sum of ILS 60 million, provided that the Partnership's holding rate in Ratio Petroleum's equity shall not exceed 20%, and also to approve the General Partner to invest available money of the Partnership for the purchase of securities of Ratio Petroleum, up to the total accumulated sum of ILS 60 million.

In January 2021, the Partnership exercised Series 2 Warrants of Ratio Petroleum in consideration for approx. ILS 15.8 million, and soon after the last exercise date of such warrants, the Partnership sold 908,064 warrants in order to meet the holding rate limit of 20%. After such exercise and sale, the Partnership holds 44,964,832 participation units of Ratio Petroleum and a holding rate of 20% as aforesaid.
As of December 31, 2021, 2020 and as of the date of approval of financial statements, the Partnership holds 20% of the total participation units of Ratio Petroleum.

With respect to the terms of linkage of the financial items under the financial assets at fair value through profit or loss, see Note 16.

Note 7 - Other Receivables:

	December 31	
	2021	2020
	Dollars in thousands	
Institutions	490	359
Prepaid expenses	820	650
Others	96	98
	1,406	1,107

Note 8 - Investment in Oil and Gas Assets, Net:

A. Movement in investments in oil and gas assets:

	December 31	
	2021	2020
	Dollar in thousands	
Cost:		
Balance at the beginning of the year	844,096	822,170
Investments	10,378	17,848
Update due to change in disposal and retirement obligation	1,499	4,078
	855,973	844,096
Accumulated depreciation:		
Balance at the beginning of the year	19,658	-
Changes during the year – depreciation and amortizations	24,483	19,658
Accumulated depreciation at end of year	44,141	19,658
Depreciated cost at end of year	811,832	824,438

The balance of the investment, net includes a sum of approx. $19 million and $18 million in respect of disposal and retirement costs as of December 31, 2021 and 2020, respectively.

Note 8 - Investment in Oil and Gas Assets, Net (Cont.):

B. Details with respect to the Partnership's Interests in Oil and Gas Assets

The Joint Venture	Name of Petroleum Asset	Area in km^2	Type of Interest	Interest Valid Until	Partnership's Share
Ratio Yam	I/15 – "Leviathan North"	Approx. 250	Lease	13.02.2044*	15%
Ratio Yam	I/14 – "Leviathan South"	Approx. 250	Lease	13.02.2044*	15%
Cluster A	Licenses 39, 40, 47 and 48	Each of the licenses approx. 400	License	27.10.2022	33.33%
Cluster C	Licenses 45, 46, 52 and 53	Between approx. 131 and approx. 400	License	27.10.2022	33.33%

* The interest was granted for 30 years and may be extended by another 20 years according to the provisions of the Petroleum Law.

For details with respect to the Eran/353 license (the "**Eran License**"), see Section C11 below.

The terms and conditions of each of the licenses and leases stipulate that the area of the license and the lease is included in the EEZ of the State of Israel, the borders of which are yet to be conclusively determined; if an area or areas are removed from the area of the license and/or lease as a result of the borders being defined, the area of the license and/or lease will be reduced without any compensation.
It is further noted that the grant of licenses and leases does not obviate the receipt of any permit, approval or license required under any law from any public or other entity and the licenses and leases do not obviate the arrangement of all aspects required by law vis-à-vis any public or private entity, including, without derogating from the generality of the aforesaid, vis-à-vis the Antitrust Authority and the Ministry of Environmental Protection. The terms and conditions of each license and lease include a work plan for execution during the term of the licenses and leases.

C. Ratio Yam joint venture:

1) The partners in the Ratio Yam joint venture, as specified below in Section 3 below, jointly hold petroleum leases of a total area of approx. 500 km^2 which are located approx. 130 km west of the shores of Israel.

2) On July 20, 2020, the energy company Chevron Corporation announced a transaction for acquisition of Noble Energy Inc. ("**Noble Inc**."), the controlling shareholder of Noble Energy Mediterranean Ltd. ("**Noble**"). On October 5, 2020, Chevron Corporation announced the closing of the merger transaction, such that Noble Inc. is a company wholly-owned thereby.
Starting from June 28, 2021, Noble's name was changed to Chevron Mediterranean Ltd. ("**Chevron**" or the "**Operator**").

Note 8 - Investment in Oil and Gas Assets, Net (Cont.):

3) The rights in the leases are held as follows:

The Partnership	15.00%
Chevron	39.66%
NewMed Energy – Limited Partnership ("**NewMed**")*	45.34%

The Partnership together with Chevron and NewMed will be named jointly: the "**Leviathan Partners**" or the "**Partners**".

* On February 21, 2022, Delek Drilling – Limited Partnership announced the change of the Partnership's name to NewMed Energy – Limited Partnership.

4) Development and operation of the Leviathan Project

In June 2016, the development plan was approved by the Commissioner, as submitted by Chevron. On February 23, 2017, the Leviathan Partners adopted a final investment decision for the development of Phase 1A of the development plan for the Leviathan Reservoir, with a capacity of approx. 12 BCM per year and with a budget of approx. $3.75 billion (for 100% of the rights in the Leviathan Reservoir). During the development period, the planned cost was decreased to approx. $3.7 billion (100%)
December 31, 2019 saw the commencement of piping of natural gas from the Leviathan Reservoir to the domestic market. January 1, 2020 saw the commencement of sale of natural gas to Jordan, and January 15, 2020 saw the commencement of piping of natural gas to Egypt. See Note 25C1 below with respect to agreements for the sale of natural gas.

The plan for the development of the Leviathan Reservoir includes the supply of natural gas to the domestic market and for export as well as the supply of condensate to the domestic market (the "**Development Plan**" or the "**Plan**"), the main principles of which are:
Production wells (four of which have been drilled and completed for production in Phase 1A) will be connected by a subsea pipeline to a permanent platform (the "**Platform**"), which is located offshore within the territorial waters of Israel in accordance with the provisions of National Outline Plan ("**NOP**") 37/H, and on which the gas and condensate treatment systems have been installed. The gas is piped from the Platform to the northern onshore entry point of the national transmission system of INGL, as defined in NOP 37/H (the "**INGL Connection Point**"). The condensate is also piped to the shore via a separate pipeline parallel to the gas pipeline, and is connected to an existing fuel pipeline of Europe Asia Pipeline Co. ("**EAPC**") that leads to the tank farm of Petroleum & Energy Infrastructures Ltd. ("**PEI**") and from there to the Oil Refineries Ltd. ("**ORL**").

Note 8 - Investment in Oil and Gas Assets, Net (Cont.):

On April 5, 2016, the National Planning and Building Council approved the principles of the Development Plan as aforesaid, in accordance with the provisions of the NOP. Furthermore, a pipeline to the Hagit site has been laid and facilities have been set up therein for storage and unloading of the condensate, that are used in times of emergency for maintenance and for the purpose of providing backup in the event that piping condensate to ORL is not possible. Setup of the condensate storage system at the Hagit site has been completed and the permits required for the operation thereof have been received. Furthermore, the Platform will include an additional exit point, which is designated for connection to a subsea pipeline with a capacity of up to approx. 12 BCM per year, which will be chiefly designated for export.

The production system includes: production wells, a subsea production system that includes a pipeline from the wells (infield) to the subsea manifold and gathering lines from the manifold to the Platform, a production and processing platform, system for transmission to the shore and related onshore facilities (jointly: the "**Production System**"), and is intended to supply approx. 21 BCM per year after completion of Phase 1A and Phase 1B of the Development Plan, as specified below.

The Development Plan is supposed to be implemented in two phases, according to the maturity of the relevant markets, as follows: Phase 1A – the current phase, in which four subsea production wells were drilled, a subsea production system that connects the production wells to the Platform was built, and a system for transmission to the shore and related onshore facilities were built. At this point, the reservoir's gas production capacity is approx. 12 BCM per year (out of 21 BCM that are approved in the Development Plan). As of the date of approval of the financial statements, natural gas and condensate are piped in the context of the development of Phase 1A.
Phase 1B - will be developed according to the demand and the manner of the marketing of the gas and is expected to include, at the first stage, several additional production wells, related subsea systems and expansion of the Platform's processing facilities to increase the system's total gas production capacity by additional approx. 9 BCM per year (to a total of approx. 21 BCM per year). As of the date of approval of the financial statements, the Leviathan Partners have not yet adopted an investment decision for the development of Phase 1B. It is noted that additional production wells will be required during the life of the project to enable production of the required volume. (In the matter of Well no. 8, see Section 5 below).

As of the date of approval of the financial statements, and according to the Development Plan, the gas supply capacity from the Leviathan Project to INGL's transmission system is approx. 1,200 MMCF per day.

Note 8 - Investment in Oil and Gas Assets, Net (Cont.):

In the framework of the joint operating agreement (JOA), as amended from time to time, it was agreed that Chevron would serve as the Operator and be exclusively responsible for the management of the joint operations. According to the rules of settlement of accounts specified in the agreement, Chevron is entitled as the Operator, in addition to reimbursement of direct expenses, also to reimbursement of indirect expenses, which are calculated every year according to the amount of the costs of exploration activities and verification according to the following formula: up to $4 million – 4%; between $4 million and $7 million – 3%; between $7 million and $12 million – 2%; over $12 million – 1%. In addition, Chevron is also entitled to indirect expenses at the rate of 1% out of all of the direct development and production expenses, as defined in the agreement, subject to certain exceptions.

Payments to Chevron for indirect expenses in respect of 2021 and 2020 were included in the statement of profit or loss in the sums of approx. $217 thousand and approx. $172 thousand, respectively, and payments included in the statement of financial position under the "investments in oil and gas assets, net" item totaled approx. $212 thousand in 2021 and approx. $181 thousand in 2020.

5) Considering the volume of production from the Leviathan Reservoir and the demand during H1/2021, and in order to improve the production system redundancy, the Operator recommended to bring forward to 2022 the drilling of another development and production well, which had been planned to be drilled in later years. Accordingly, on July 12, 2021, the Leviathan Partners announced that they had made the decision to drill the Leviathan 8 development and production well in the area of the I/15 Leviathan North lease (the "**Well**"), with a budget of approx. $248 million (100%) (including completion and connection to the Leviathan Reservoir's production system). It is noted that the Operator has indicated that this budget is an initial estimate and could increase or decrease by a rate of up to approx. 20%, depending, *inter alia*, on the extent of the activities in the Well and the actual costs of equipment, materials and various service firms. The Well will be integrated as part of the production well system in the Leviathan Reservoir, under the Development Plan. In addition, the required infrastructure will be laid down for connection of the Well to the existing subsea production system of the project. The Operator has updated that the work of completion and connection of the Well to the production system will probably be performed during H1/2023. The aforesaid Well is subject to the receipt of all of the required regulatory approvals, including the approvals required from the Petroleum Commissioner at the Ministry of Energy and from the Ministry of Environmental Protection for the drilling of the Well.

Note 8 - Investment in Oil and Gas Assets, Net (Cont.):

6) Examination of alternatives for increasing the volume of production from the Leviathan Reservoir:

   As of the date of approval of the financial statements, the Leviathan partners are exploring various alternatives for increasing the volume of production from the Leviathan reservoir based on the existing facilities, in a manner which will allow a modular increase in the capacity of the Leviathan platform, up to 21 BCM per year, subject to receipt of the appropriate approvals, all according to the expected demand in the domestic market and in regional and global export markets. At this stage, several alternatives are being examined for increasing the production capacity, *inter alia*, for approx. 9 BCM. In addition to the possibilities for exporting natural gas as part of Phase 1B of the Leviathan Project, additional development alternatives for regional markets are being examined as well as more remote global markets, to which mainly liquefied natural gas can be exported.

   Concurrently with examination of the alternatives as aforesaid, the Partnership, together with its partners in the Leviathan project, is promoting talks and/or negotiations with various entities in connection with the supply of natural gas to potential customers in Egypt, including the existing liquefaction facilities in Egypt, through the construction of a designated gas pipeline from the Leviathan platform to Egypt. In addition, the Leviathan partners are continuing to promote an alternative of a floating liquefaction facility ("FLNG"), including receipt of the necessary regulatory approvals. It is clarified that there is no certainty that a binding agreement will be signed for the supply of natural gas to potential customers in Egypt and there is also no certainty that a FLNG facility will be built.

7) Update of evaluation of resources in the Leviathan Reservoir

   In February 2022 a report was received from Netherland, Sewell & Associates, Inc. ("**NSAI**") evaluating reserves and contingent resources in the leases, updated as of December 31, 2021 (the "**Reserves and Resources Report**").
   According to the Reserves and Resources Report, which was prepared according to the Society of Petroleum Engineers Petroleum Resources Management System guidelines ("**SPE-PRMS**"), the project's maturity stage at which the natural gas and condensate reserves (Proved Reserves) are classified, is 'on production'. The Leviathan Reservoir also has natural gas and condensate Contingent Resources, which are classified as a project at a maturity stage of Pending Development.

Note 8 - Investment in Oil and Gas Assets, Net (Cont.):

The following table specifies such reserves and resources according to the best estimate:

Reserves and contingent resources category	**Total (100%) in the petroleum asset (gross)**	
	Natural Gas (BCM)	**Condensate (million barrels)**
Total Proved+Probable Reserves (2P):	379.3	29.5
Estimate Contingent Resources (2C):		
Phase IA	109.6	8.5
Future development	142.3	11.1
Total Proved+Probable Reserves and Best Estimate Contingent Resources (2P+2C)	631.2	49.1

In the Reserves and Resources Report, the contingent resources were divided into two categories, which relate to each of the phases of development of the reservoir, as follows:

Phase 1A (First Stage) - resources contingent on the adoption of investment decisions to drill additional wells, to construct related infrastructures and to sign additional agreements for the sale of natural gas.
Future Development – resources contingent on the adoption of another investment decision, which will enable the increase in the processing and flow capacity, according to the development plan of Phase 1B and/or an additional stage, insofar as the Leviathan Reservoir development plan is updated, and on the signing of additional agreements for the sale of natural gas. See Section 9 below with respect to uncertainty in reserves and contingent resources evaluation of natural gas and condensate.

8) Drilling to deep targets:

In 2019, an analysis was performed of reprocessing of seismic surveys, *inter alia* in connection with exploration drilling to the deep targets in the Leviathan Leases (the "**Data Reprocessing**"), as a result of which a new 'isolated carbonate buildup' deep target was defined in the area of the Leviathan Leases. In addition, the analysis of the Data Reprocessing revealed that it is necessary to reclassify and redefine the two deep targets which were previously defined in the area of the lease as a single 'submarine clastic channel' target (collectively: the "**New Targets**").

Note 8 - Investment in Oil and Gas Assets, Net (Cont.):

In January 2020, a report on evaluation of prospective resources in the leases was received from NSAI, updated as of December 31, 2019. According to the report, the best estimate in the carbonate buildup for gas and oil is estimated at approx. 4.5 BCM and approx. 155.3 million barrels, respectively, and the best estimate in the clastic channel for gas and oil is estimated at approx. 6.5 BCM and approx. 223.9 million barrels, respectively.
As of December 31, 2021, no change has occurred to the details specified in the aforesaid report. See Section 9 below regarding uncertainty in the evaluation of reserves.
As of the date of approval of the financial statements, the Partnership intends to explore the possibility of specification, drilling and exploration of the deep exploration targets identified in the lease area (and specifically a carbonate buildup target).

9) Evaluation of reserves and contingent resources of natural gas and condensate

NSAI's evaluations regarding the quantities of the reserves of natural gas and condensate in the Leviathan Reservoir are evaluations based, *inter alia*, on geological, geophysical, engineering and other information received from the wells and from the Operator in the Leviathan Reservoir and constitute merely estimates and assumptions of NSAI, in respect of which there is no certainty. The natural gas and/or condensate quantities that will actually be produced, may be different from the said estimates and assumptions, *inter alia* as a result of operating and technical conditions and/or regulatory changes and/or supply and demand conditions in the natural gas and/or condensate market and/or commercial conditions and/or as a result of the reservoirs' actual performance. The said estimates and assumptions may be updated insofar as additional information is accumulated and/or as a result of a gamut of factors relating to petroleum and natural gas exploration and production projects, including as a result of actual production data from Leviathan Reservoir.

Note 8 - Investment in Oil and Gas Assets, Net (Cont.):

10) Leviathan 2 appraisal well

The drilling activities of the Leviathan 2 appraisal well which were carried out in 2011 were discontinued due to water flow from the well. The well was sealed and the water flow therefrom was stopped. The Operator, in coordination with the Ministry of Energy, conducted several assessment surveys in the area of the well to ensure that there was no leak from the well. As of the date of approval of the Financial Statements, the surveys indicate that there is no flow from the well and the environment of the well is recovering. Continued assessment activities will be determined in coordination with the Ministry of Energy and the Ministry of Environmental Protection.

11) The Eran License

The Eran License expired on June 14, 2013. In June 2013, an application for extension of the term of the Eran License by four months was submitted to the Commissioner, which he denied. After also an appeal with the Minister of Energy from the Commissioner's aforesaid decision not to extend the term of the Eran License was denied, in 2014 the holders of interests in the Eran License (including the Partnership, whose share in the license was 15%) filed a petition with the High Court of Justice. The parties to the petition agreed to the High Court of Justice's proposal to conduct a mediation proceeding and accordingly, former Chief Justice of the Supreme Court A. Grunis was appointed as mediator. On March 30, 2019, the parties notified the Court that they had reached a mediation settlement, in which they agreed that the division of the gas reservoir between the part in the area of the Tamar lease and the area in the Eran License would be at a ratio of 78:22 (i.e., 78% in the Tamar lease and 22% in the Eran License) (with the knowledge and consent of the partners in the Tamar lease), and the division between the State and the partners in the holding in the Eran License would be at a ratio of 76:24 (i.e., 76% to the State and 24% to the partners in the Eran License prior to the expiration thereof). On April 11, 2019 a judgment was entered on the aforesaid mediation settlement.
Negotiations were held between the holders of interests in the Eran License, the holders of interests in the Tamar reservoir and the State of Israel regarding the regulation of the State's rights and additional related matters, but as of the report approval date, the parties have not yet reached agreements on how to implement the mediation arrangement, as specified above.

Note 8 - Investment in Oil and Gas Assets, Net (Cont.):

D. Cluster A and Cluster C licenses for offshore natural gas exploration in Israel:

1) The rights in the Licenses are as follows:

The Partnership	33.33%
Capricorn Energy Plc (through wholly-owned company Capricorn Offshore Exploration Limited) ("**Cairn**")	33.34%
Pharos Energy Plc (through wholly-owned company Pharos Energy Israel Ltd.)	33.33%

2) On October 28, 2019, the Partnership, together with the partners, as aforesaid, was granted, eight offshore exploration licenses in two clusters (Licenses 39, 40, 47 and 48 (Cluster A) and Licenses 45, 46, 52 and 53 (Cluster C) (the "**Licenses**") for a three year period that ends on October 27, 2022 (the "**Original Period**").
In the framework of the proceedings for receipt of the Licenses, the partners transferred to the Ministry of Energy a guarantee with respect to the execution of the work plan for the Licenses in the sum of $8 million. See also Note 25F1. The term of the License may be extended by two consecutive terms of two years each, subject to compliance with the provisions of the law and the terms of the License. The Licenses were granted as aforesaid after the Partnership won the Licenses in the second tender for offshore natural gas exploration in Israel, and after the approval of the Partnership's general meeting for participation in oil and gas exploration, development and production in the area of the Licenses, of September 16, 2019.

Note 8 - Investment in Oil and Gas Assets, Net (Cont.):

3) The work plan:

   a) Below is the binding work plan for Cluster A (Licenses 39, 40, 47 & 48):

      (1) Reprocessing (RTM and Kirchhoff migration) of a 3D seismic survey of "Sara-Myra" and "Arye" surveys (no less than 2,007 km^2) and submission of the reprocessing products and a data processing report – by August 1, 2021.
      (2) Conduct of seismic inversion and submission of data and summary report – by February 1, 2022.
      (3) Technical and commercial evaluation – by August 1, 2022.
      (4) First point of decision for Cluster A – by July 27, 2022.

   b) Below is the binding work plan for Cluster C (Licenses 45, 46, 52 & 53):

      (1) Reprocessing (RTM and Kirchhoff migration) of a 3D seismic survey of "Shimshon-Daniel" (no less than 1,684 km^2) and submission of the reprocessing products and a data processing report – by August 1, 2021.
      (2) Conduct of seismic inversion and submission of data and summary report – by February 1, 2022.
      (3) Technical and commercial evaluation – by August 1, 2022.
      (4) First point of decision for Cluster C – by July 27, 2022.

      Note that Cairn, the operator of the licenses, performed and submitted to the Commissioner everything required under the first and second milestones.

4) According to the terms and conditions of the Licenses, by July 27, 2022, the license holder is required to notify the Commissioner with respect to each one of the Licenses, whether it plans to drill a well or wells, or whether it plans to perform other exploration activities in the areas of the Licenses, during the second period (the two-year term following the Original Period). If the license holder did not undertake to drill at least one exploration well in at least one of the Licenses in the cluster during the second period, all of the Licenses in the cluster will not be extended and will be returned at the end of the Original Period.

5) In the framework of the joint operating agreement (JOA), it was agreed that Cairn (through a subsidiary wholly owned and controlled, as aforesaid in Section 1) would serve as the operator of the Licenses and will be exclusively responsible for the management of the joint operations (the "**Operator of the Licenses**"). According to the rules of settlement of accounts specified in the agreement, the Operator of the Licenses is entitled, in addition to reimbursement of direct expenses, also to reimbursement of indirect expenses, which are calculated every year as follows: at the rate of 1% out of total exploration and confirmation expenses and 0.75% out of total development, production and abandonment expenses. The Income Statement included payments due to indirect expenses in relation to 2021 and 2020 in the sum of approx. $23 thousands and $10 thousands, respectively, which were paid to the Operator of the Licenses.

Note 8 - Investment in Oil and Gas Assets, Net (Cont.):

E. Royee Joint Venture

On July 30, 2019, Edison notified the other partners in the Royee license of its withdrawal from the license, in the midst of preparations for the drilling of an exploration well in the Royee license and the Competition Commissioner's decision of July 28, 2019 not to grant an exemption from restrictive arrangement approval with respect to the transfer of 24.99% of the Partnership's working interests in the license to NewMed, and due to the fact that given the proximity of the license operator's withdrawal notice to the scheduled drilling date, the Partnership did not have all the means required to continue the operation as the operator of the license and drill the well within the scheduled timetables (taking into account, *inter alia*, the availability of contractors as well as safety and environmental protection considerations). Furthermore, despite many attempts, the Partnership did not succeed in adding additional participants to the license, including an international operator with deep-water drilling experience, in order to allow for the drilling of an exploration well in the license within the existing timetable, given that the term of the license expired on April 14, 2020. Despite the great potential the Partnership has seen in the license and its investment therein over the years (approx. $18 million in 100% terms), on March 22, 2020, the Partnership, jointly with Israel Opportunity - Energy Sources, Limited Partnership ("**Israel Opportunity**"), notified the Commissioner that in light of all of the aforesaid circumstances, they regrettably had to withdraw from the license and return their working interests therein to the State.
On July 12, 2020, the Commissioner notified the Partnership of expiration of the License on June 14, 2020 (the License was extended in accordance with the Emergency Regulations (Novel Coronavirus) (Extensions and Postponements), 5780-2020).
It is noted that during 2020 the Partnership and Israel Opportunity have reached understandings whereby, *inter alia*, within a period determined between the parties, insofar as the area of the license (in whole or in part) is offered again by way of tender (or otherwise) and either party is interested in submitting an application for receipt of the license (whether in the context of a tender or otherwise), such party will be obligated to offer the other party to join any such application.

Also during 2020, all of the partners in the license entered into a separation agreement that regulates the understandings between them in connection with termination of the joint operations in the license, including a settlement of accounts whereby no additional sums will be paid between the parties, including in respect of expenses borne by the operator in the last months prior to its withdrawal as noted above, in respect of activities for the promotion of exploration drilling in the area of the License, as well as mutual discharge and release from suits and claims. Note that the bank guarantee provided by the Partnership, in the sum of $2.25 million, due to the Partnership's and Edison's share in the Royee license, was cancelled.

Note 9 - Other Long-Term Assets, Net:

	December 31	
	2021	2020
	Dollars in thousands	
Pipeline for transport of natural gas to Jordan (see Note 25C1A)*	15,805	16,745
Usage fees for the EMG pipeline (see Note 25C1C)*	32,539	37,520
Pipeline for transport of natural gas to Egypt (see Note 25C1D)**	11,049	-
	59,393	54,265

*The pipeline for transport of natural gas to Jordan and usage fees for the EMG pipeline are depreciated on a straight-line basis over the basic gas supply period in the relevant sales agreements.
**The pipeline for transport of natural gas to Egypt is under construction and therefore the Partnership has not yet begun depreciation thereof.

Note 10 - Restricted Deposits:

	December 31	
	2120	2020
	Dollars in thousands	
Interest cushions for Series B, C & D Bonds (see Note 11B4D)	10,745	7,840
Deposit due to guarantees (see Note 25F2 and 25F3)	3,962	240
	14,707	8,080

Note 11 - Financing of the Leviathan Project:

The Partnership finances its share in the costs of the development of the Leviathan Reservoir through, *inter alia*, bank financing and through equity and debt raisings, as follows:

A. Loans from banking corporations

1) Loan agreement dated March 20, 2017:

On March 20, 2017, a loan agreement was signed (the "**Original Financing Agreement**" or the "**Previous Loan**") between Leviathan Development (the "**Borrower**" or the "**Company**") and a consortium of local and foreign lenders, which included, *inter alia*, HSBC Bank Plc and BNP Paribas, whereby a limited-recourse loan was provided to the Partnership, through Leviathan Development, in the sum of $250 million (the "**Loan**"), for the purpose of financing its share of the balance of the investment in the development of the Leviathan Project (see Note 24C6 below).

The financing agreement set forth that the principal of the Previous Loan will be repaid in one installment after 24 months from the date of signing the financing agreement, and that the Previous Loan may be extended by 24 additional months subject to the lenders' consent.
The Company was given the right to prepay the Previous Loan, at all times, in whole or in part, without pre-payment penalties, according to the terms and conditions set forth in the Original Financing Agreement.

On July 6, 2018, an amendment to the Original Financing Agreement (the "**Amendment to the Original Financing Agreement**" or the "**Amendment**") was signed, in which framework, *inter alia*, the Previous Loan facility was increased to $450 million, and the final maturity date of the Previous Loan was extended by 24 additional months, i.e. until March 20, 2021.

Note 11 - Financing of the Leviathan Project (Cont.):

2) Loan agreement dated August 9, 2020

a) For the purpose of financing the Partnership's share in the Leviathan Project, and after examination of options for repayment of the Previous Loan which was provided in accordance with the Original Financing Agreement (whose original payment date was March 20, 2021), see Section A(1) above, on August 9, 2020, Leviathan Development entered into a refinancing agreement with a consortium of local and foreign financing banks, whereby a loan facility of $650 million was provided to the Partnership (through Leviathan Development, which provides the loan to the Partnership Back-To-Back) (the "**Loan**" or the "**Refinancing Agreement**").
On August 24, 2020, all of the closing conditions stipulated for the closing of the Loan agreement were satisfied and the Partnership repaid the Previous Loan.

As of December 31, 2021, and the date of approval of the Financial Statements, the lenders approved, in-principle, that the total loan facility available for withdrawal shall be approx. $585 million, with a formal application of the Partnership. Furthermore, the Partnership estimates that the full amount of the loan facility will be available for withdrawal subject to the approval of the lending banks and the Partnership's demand, in accordance with the stipulated conditions. In addition, pursuant to the repayment of the Previous Loan, the Partnership may use the Loan facility for any of the other purposes defined in the agreement, which mainly concern the payment of expenses and the repayment of debts in connection with the Leviathan Project.

Note 11 - Financing of the Leviathan Project (Cont.):

As part of the Refinancing Agreement, the Partnership is given the option to reduce the unused Loan facility and/or to (fully or partially) prepay the Loan, throughout the term of the Loan, without penalties.

b) As of December 31, 2021 and 2020 and as of the date of approval of the financial statements, the loan amounts that have been drawn down from the Loan facility total approx. $500 million. The book value of the loan from banking corporations is a reasonable approximation of its fair value.

In 2020, the Loan entailed transaction costs in the total sum of approx. $19.2 million, which consist of origination costs, setup and consultation fees paid to the financing banks and the financial consultants and legal costs, of which approx. $1.6 million were recognized in profit and loss and approx. $17.6 million out of the costs were recorded as deferred costs and presented as offset against the item of loans from banking corporations and amortized over the term of the Loan as part of the financial expenses.

During 2020, the Group had financial expenses recognized in profit and loss in respect of the drawdowns made from the facility of the Previous Loan and the Loan (including attributed transaction costs) in the sum of approx. $31.3 million (of which approx. $21.8 million are interest expenses).

The Partnership has examined the change in the loans' terms and conditions that was made in the context of the Loan agreement compared with the Previous Loan and has reached the conclusion that it is a significant amendment of the terms and conditions of an existing financial liability. Accordingly, with respect to such loans, the change in the Loan's terms and conditions was treated as a settlement of the original financial liability and recognition of a new financial liability. The difference between the book value of the loan that had been drawn down by the due date of the Previous Loan and the book value of the Loan constitutes a loss from change of terms and conditions and amounts to approx. $2.6 million, which was recognized in profit and loss in 2020.

During 2021, the Group had financial expenses recognized in profit or loss in respect of the Loan (including attributed transaction costs) in the sum of approx. $24.3 million (of which approx. $20.5 million are interest expenses).

As of December 31, 2021 and 2020, the Partnership complies with all of the covenants undertaken thereby under the Loan agreement, as specified in Section C below.

Note 11 - Financing of the Leviathan Project (Cont.):

c) Below are the key terms and conditions of the Loan

The Loan will be provided for a period of seven years with a 'grace' period of around three years for the Loan principal payments. From January 2024, the Loan principal will be repaid in quarterly installments, while the balance of the unpaid Loan principal, in an amount that shall not exceed approx. $300-350 million (before cash sweep payments as specified below, and subject to the amount of the Loan facility actually used) will be repaid as a single (bullet) repayment at the end of the Loan period.
The Loan is in dollars and bears a variable interest rate to be paid on a quarterly basis, calculated according to LIBOR plus a margin whose rate varies throughout the life of the Loan, as follows: in the first five years – 3.5%; in the sixth year – 3.75%, and in the seventh year – 4.25% (it is noted that from the end of the grace period, the interest rate will decrease by 0.25% if the LCR (as hereinafter defined) exceeds a certain threshold as set forth in the agreement). In addition, the Partnership undertook to pay a fee for the unused loan amounts, at a rate of 20%-35% of the margin on the unused balance. It is noted that the agreement includes a mechanism for determination of a substitute interest in lieu of the LIBOR interest, after use of the LIBOR interest is discontinued.

Following the date of the statement of financial position, as part of the Partnership's risk management, and in order to reduce the exposure in connection with a possible increase in the LIBOR interest rate on the Loan taken thereby, in Q1/2022 the Partnership bought CAP options to hedge $150 million.

Similarly to the Previous Loan, to secure repayment of the Loan the Partnership is pledging, *inter alia*, its interests in the Leviathan Leases and in additional assets that are related to the Leviathan Project, including its rights in the JOA, agreements for sale of natural gas, the bank account into which the Partnership deposits its revenues from the Leviathan Project, its interests by virtue of the permits to export to Jordan and Egypt and its rights in insurance policies, its shares in Leviathan Transmission System Ltd. and in the Marketing Company, and various related agreements in connection with the Leviathan Project. The aforesaid pledges are subject to the State's right to royalties and to the royalty rights of the other overriding royalty interest owners (including interested parties), and the pledges registered on the Partnership's interests in the Leviathan Leases to secure the rights of the overriding royalty interest owners as aforesaid, shall continue to be valid also in the period of the Loan. The Loan is a limited recourse type loan, in the context of which the lenders have no right of recourse to the assets of the Partnership which were not pledged in their favor.

As is standard in transactions of this type, the Partnership assumed the following main covenants:

Note 11 - Financing of the Leviathan Project (Cont.):

(1) A limit on the taking of additional credit, apart from the exceptions specified in the agreement, including, *inter alia*: (a) debt with limited recourse to an asset other than Leviathan; (b) the bonds, refinancing thereof, and additional bonds that shall be issued in the Partnership or in a company controlled thereby (subject to the terms and conditions specified in the agreement); (c) an additional unsecured debt and unsecured hedging transactions up to the sum of $25 million each; and (d) an additional debt to secure financing for the construction of a pipeline or facilities for a future export project (which is not included in the development plan for the Leviathan Project), if any.

(2) Compliance with a liquidity coverage ratio (hereinabove and hereinafter: "**LCR**") calculated as a ratio between the Cash Flow from 2P Reserves (as hereinafter defined) and the balance of the Loan that was drawn down (net of the debt service reserve amount, as specified below), as of the date of the test. The Partnership undertook that in any event, the LCR at the end of each quarter shall be no less than 1.2. Insofar as the LCR shall be between 1.2 and 1.4, part of the Loan principal shall be repaid by part of the cash balance remaining in the Partnership's income account (the "**Cash Balance**") at such rates out of the Cash Balance as determined in the agreement ("**LCR Cash Sweep**"). Leviathan Development will be entitled to redraw the amount that was repaid as aforesaid as a loan, subject to compliance with an LCR that shall be no less than 1.4. It is noted that the Cash Flow from 2P Reserves until December 31, 2034 is calculated according to a bank scenario that is based on stricter and more conservative assumptions than those used in the discounted cash flow released by the Partnership in resource reports pursuant to the provisions of the Securities Law, including in relation to the amount and timing of the capital expenditures, the sale prices of natural gas (according to a price deck of the technical banks which, on the date of taking the Loan, reflects minimum prices in the agreements). The cash flow as aforesaid is before debt service costs and is discounted at 7% (hereinabove and hereinafter: "**Cash Flow from 2P Reserves**").

Note 11 - Financing of the Leviathan Project (Cont.):

The Loan documents determine a payment waterfall mechanism, whereby the Partnership's income account shall be used for the making of certain payments only, in the order determined in the Loan documents, including: payment of royalties to the State and to overriding royalty interest owners, capital expenditures and operating expenses, payments of fees, principal and interest according to the Loan agreement, taxes, balancing payments, G&A expenses in an amount that shall not exceed the amount set forth in the Loan documents, cash sweep payments, principal and interest payments in connection with the bonds, prepayment of part of the Loan at the Partnership's initiative, certain expenses for expansion of the Leviathan Project beyond Phase 1A of the development plan or exploration expenses in an amount that shall not exceed $75 million (in the aggregate). The balance at the end of each quarter may be withdrawn for the Partnership's free use, including for the distribution of profits, subject to compliance with withdrawal conditions (the "**Payment Waterfall Withdrawal Conditions**"), including compliance with financial covenants: an LCR of no less than 1.25; a DSCR (as hereinafter defined) of no less than 1.2, and compliance with the Liquidity Test.

(3) From 2024, the quarterly principal payments will be supplemented by repayment of additional amounts on account of the principal at variable rates out of the Cash Balance (DSCR cash sweep) in accordance with specific debt service coverage ratios ("**DSCR**"), calculated as a ratio between the actual cash flow before the debt service cost and the debt service costs (principal, interest and fees) for the last 12 months. The Partnership undertook that in any event, the DSCR on the date of the test (quarterly) will be no less than 1.05.

(4) Once every six months, the Partnership will be required to meet a liquidity test according to which it holds sufficient financing sources to meet its expected liabilities until the later of the date of payment of the bonds (August 2023) and 12 months after the test (the "**Liquidity Test**"). In addition, the Partnership undertook that at all times it shall maintain a cash balance of at least $20 million.

(5) The Partnership undertook that no later than 3 months before the date of the first quarterly principal payment, it shall provide a debt service reserve fund for principal and interest payments for the following 6 months.

The Partnership has assumed additional covenants, including, *inter alia*:

(6) To preserve the rights of the Partnership in the joint operating agreement, in the Leviathan Leases and in the pledged assets (collectively in this note: the "**Project**").

Note 11 - Financing of the Leviathan Project (Cont.):

(7) Not to create and not to agree to the creation of additional pledges on the pledged assets, other than as permitted in the financing documents, and to ensure that all of the undertakings given by the Partnership or Leviathan Development in the context of the pledge documents are binding and lawful.

(8) Not to change the Partnership's operating sector in a material manner.

(9) Not to purchase a material asset, with the exception of an investment in the Partnership's operating sector, and additional investments up to the sum of $35 million in Ratio Petroleum Energy – Limited Partnership.

(10) Unless otherwise permitted in the financing documents, not to perform any restructuring that shall have or may reasonably have a material adverse effect (as defined in the agreement) ("**Material Adverse Effect**").

(11) To inform the trustee for the collateral of any new asset (as defined in the agreement) in connection with the Project.

(12) Not to sell or transfer the Partnership's shares in Leviathan Development.

(13) To take the necessary measures in order to fulfill the Partnership's undertakings in the context of the Project agreements.

(14) Not to amend the Project agreements in a manner that shall constitute a material adverse change, without obtaining the approval of the majority of the lenders (which shall not be unreasonably withheld).

(15) To pay all of the royalties that apply to the Partnership and not to act for the correction or increase of the royalties or for correction of the pledges that apply to the royalty, other than with the approval of the majority of the lenders.

(16) Not to waive, settle or compromise on any claim in any legal proceeding, arbitration proceeding or administrative proceeding where such actions have or may reasonably have a Material Adverse Effect.

(17) Not to sell or transfer the Partnership's rights in the joint operating agreement or in the Leviathan Leases, except in cases that are permitted according to the financing documents, including the option that was granted to the Partnership to sell rights in the Project in the context of the partial prepayment option, provided that after the sale the Partnership shall hold at least 5% of the rights in the Project (a sale at the end of which the Partnership shall hold less than 5% of the rights shall result in full repayment of the Loan).

Note 11 - Financing of the Leviathan Project (Cont.):

(18) To manage its business in accordance with laws against corruption and money laundering, to maintain a policy and procedures in order to promote and achieve compliance with laws against corruption, and not to allow any use of the Loan proceeds for any purpose prohibited by such laws (the "**Undertaking re Money Laundering and Corruption**").

(19) Not to withdraw the balance from the Partnership's income account other than subject to compliance with the Payment Waterfall Withdrawal Conditions.

(20) To fulfill various representations which are deemed to have been given on the date of the signing of the agreement and on various dates set forth in the agreement, including, *inter alia*: the Partnership's obligations according to the pledge deed do not contradict or breach other obligations of the Partnership according to law or other agreements (as specified in the financing documents); the Partnership is duly incorporated under the law of the State of Israel, and it has the power and the authority to hold assets and to operate its business as it is currently being managed; the validity and enforceability of the Partnership's undertakings in the transaction documents (the financing documents and the Project agreements); the validity of the pledges according to the pledge agreement; the Partnership has not taken and has not had taken against it actions for its dissolution or insolvency (as specified in the financing documents); the Partnership is not exposed to legal proceedings (as defined in the agreement, including arbitration proceedings and administrative proceedings) which, if decided against the Partnership, may have a Material Adverse Effect; the validity of the undertaking with respect to money laundering and corruption (as defined above); the validity of the insurance policies (as defined in the agreement); the reasonableness of the assumptions underlying the Liquidity Test; compliance with environmental protection laws; and the Project agreements are in effect and no event has occurred which constitutes a breach thereof (which has or may reasonably have a Material Adverse Effect).

As is standard in transactions of this type, the agreement defined events, upon the occurrence of which, the Lenders will be entitled to accelerate the Loan ("**Events of Default**"). These events include, *inter alia*, the following main events (subject to the conditions, exceptions and/or remediation periods set forth in the agreement):

1) Non-payment of an amount required to be paid in accordance with the financing documents.

2) Non-compliance with the LCR and/or the DSCR, as specified above.

Note 11 - Financing of the Leviathan Project (Cont.):

3) The Landau and Rotlevy families (jointly) shall cease to hold at least 50% of the shares of the Partnership's General Partner and shall cease to control it, or a holding by the Landau and Rotlevy families (jointly) of less than 10% of the participation units in the Partnership.

4) A cross default, i.e., a default on another financial liability of the Partnership whose value is above $15 million (with the exception of a limited-recourse financial liability).

5) Expropriation or nationalization of the Leviathan Leases or a material part of the Project.

6) Insolvency of Leviathan Development or the Partnership (including also proceedings relating to insolvency which are specified in the agreement, such as the appointment of a receiver, the issuance of a moratorium, etc.).

7) A prolonged *force majeure* event which affects the Project, an export pipeline or a party to the Project's material documents, and has a Material Adverse Effect.

8) Termination or prolonged suspension of a material gas sale agreement which may have a Material Adverse Effect, unless the Partnership demonstrates compliance with the LCR at a ratio of no less than 1.2 and compliance with the Liquidity Test.

9) Termination or suspension of other material agreements of the Leviathan Project, subject to accepted exceptions and remediation possibilities.

10) Absence of required insurance coverage, as determined in the Agreement.

Additional Events of Default that were determined include, *inter alia*, the following events (subject to conditions, exceptions and/or remediation periods set forth in the Agreement):

1) A default on accepted undertakings that Leviathan Development assumed, intended to preserve its status as an SPC.

2) Use of the Loan for purposes other than the purposes defined in the Agreement.

3) A default on any of the additional covenants.

4) There is an issue with an approval or authorization required from Leviathan Development, the Partnership or the Marketing Company (as defined in Note 1D3 above) in connection with the Project, which has or may have a Material Adverse Effect.

5) Abandonment of the Project.

Note 11 - Financing of the Leviathan Project (Cont.):

6) The occurrence of material loss, destruction or damage to the Project and one of the following is fulfilled: (1) the insurance proceeds are not sufficient for restoration or reconstruction; or (2) such destruction, damage or loss has or may have a Material Adverse Effect.

7) Leviathan Development or the Partnership shall have suspended or discontinued their business or a material part thereof, apart from the exceptions specified in the agreement.

In addition, the Loan agreement includes a mechanism and conditions in order to allow the Partnership to increase the Loan facility by an additional amount (which is not a binding facility) of up to approx. $450 million ("**Accordion**"), by the lenders (subject to their consent) or other finance providers, for the purpose of financing expansion of development of the Leviathan Project (namely the scope not included in Phase 1A of the development plan), for the purpose of increasing the processing and flow capacity. The option to increase the Loan as aforesaid will be exercisable until the end of 2023. Provision of the Accordion facility is dependent on fulfillment of closing conditions as specified in the agreement, including a final investment decision of the Leviathan Partners regarding expansion of the Leviathan Project, compliance with liquidity tests, etc.

As noted above, the loan amounts that shall be provided to Leviathan Development under the Loan facility will be provided as a loan to the Partnership on Back-To-Back conditions. For details regarding the agreement for the loan from Leviathan Development to the Partnership, see Note 24C6.

B. Public capital and debt raising:

1) In recent years, the Partnership has acted, through Ratio Financing, for debt raisings, some of which were combined with capital raisings by the Partnership, as specified below:

a) Series B Bonds

The Series B Bonds were issued to the public on November 13, 2016, under Ratio Financing's shelf prospectus of February 22, 2016 and under a shelf offering report combined with the Partnership's shelf offering report of November 9, 2016, together with the Partnership's Series 17 Warrants and Series 18 Warrants. The gross immediate proceeds from such issue totaled approx. $164 million (approx. ILS 630 million) (in this section: the "**Issue Proceeds**"). The total issue expenses amounted to approx. $2.5 million (approx. ILS 9.8 million) (in this section: the "**Issue Expenses**"). For details with respect to the terms and conditions of the Series B Bonds, see Section 4 below. For details with respect to the warrants issued in the framework of the issue of the Series B Bonds, see Note 15.

Note 11 - Financing of the Leviathan Project (Cont.):

The Issue Proceeds have been split, for measurement purposes, into the liability component (the bonds), which was initially recognized based on its fair value, net of transaction costs, and the option component, which was attributed to the partners' equity.

The Issue Expenses have been split between the two components according to the ratio of the sums of the split of the proceeds as aforesaid. The difference between the proceeds attributed in the issue to the liability component, net of transaction costs, and the par value that was issued, reflects a discount and is amortized over the term of the bonds according to the effective interest method.

b) Series C Bonds

The Series C Bonds were issued to the public on December 4, 2017, under Ratio Financing's shelf prospectus of February 22, 2016 and under Ratio Financing's shelf offering report of December 3, 2017. The gross immediate proceeds from such issue totaled approx. $184 million (approx. ILS 643 million) (in this section: the "**Issue Proceeds**"). The total Issue Expenses amounted to approx. $2 million (approx. ILS 7.9 million) (in this section: the "**Issue Expenses**").
The Series C Bonds were initially recognized on a fair value basis (which is equal to the Issue Proceeds), net of Issue Expenses. The difference between the Issue Proceeds net of Issue Expenses and the par value that was issued reflects a premium and is depreciated over the period of the Series C Bonds according to the effective interest method.

c) Series D Bonds

The Series D Bonds were issued to the public on July 5, 2021, under Ratio Financing's shelf prospectus of January 22, 2019 and under Ratio Financing's shelf offering report of July 4, 2021. The gross immediate proceeds from such issue totaled approx. $92 million (approx. ILS 300 million) (in this section: the "**Issue Proceeds**"). The total issue expenses amounted to approx. $1.1 million (approx. ILS 3.7 million) (in this section: the "**Issue Expenses**"). For details with respect to the terms and conditions of the Series D Bonds, see Section 4 below.
The Series D Bonds were initially recognized on a fair value basis (which is equal to the Issue Proceeds), net of Issue Expenses. The difference between the Issue Proceeds net of Issue Expenses and the par value that was issued reflects a premium and is depreciated over the period of the Series D Bonds according to the effective interest method.
The Issue Proceeds, after deduction of early commitment fee and after deduction of the interest cushion amount due to Series D Bonds (in this section: the "**Net Issue Proceeds**") were transferred to the Partnership on July 13, 2021 (after registration of the lien on the royalty which was granted to Ratio Financing by the Partnership with the Registrar of Companies).

Note 11 - Financing of the Leviathan Project (Cont.):

The Net Issue Proceeds in respect of the issue of the bonds is used by the Partnership for the purpose of financing its share in expenses related to the Leviathan Leases, including the refinancing of its debts in relation to the financing of its share in expenses in respect of the Leviathan Leases.

2) On November 9, 2016, Ratio Financing engaged in an indenture for the Series B Bonds, on December 3, 2017, Ratio Financing engaged in an indenture for the Series C Bonds and on July 4, 2021, Ratio Financing engaged in an indenture for the Series D Bonds, which include the terms of each of the bonds series (the "**Indentures**").

   The Indentures include, *inter alia*, instructions and restrictions regarding the increase of the bond series and provisions with respect to the issuance of bonds from new series.

   The Indentures also include provisions regarding early redemption (including conditional early redemption regarding Series D Bonds) initiated by Ratio Financing (including an undertaking to perform an early redemption in the event where the Partnership sells its full rights in the Leviathan Leases with respect to Series D bonds); Events in which an acceleration and realization of securities are possible (the Indentures include causes for acceleration, as standard in bond indentures, including causes in connection with the operation of the Partnership and include, *inter alia*, the cessation of payments; liquidation, receivership and/or stay of proceedings; material deterioration in the Partnership's business as a result of which there is a concrete concern that the Partnership will be unable to repay the loans when due; if there is a concrete concern that the Partnership will not comply with its material obligations to Ratio Financing in accordance with the loans agreements and if the Partnership ceases to be the control holder of Ratio Financing, etc.

   In addition, the Indentures contain specific causes relating to the rights of the Partnership in the Leviathan Leases, such as: if the holdings of the Partnership in the Leviathan Leases are less than 5% (out of 100%); If an attachment is imposed, a lien is enforced, or execution actions are carried out, and all in respect of the rights of the Partnership in the Leviathan Leases (for a debt and/or cumulative debts in an amount exceeding $40 million in respect of Series C Bonds and $100 million in respect of Series D Bonds) and such attachment is not removed, the enforcement revoked, or the action cancelled within the time frame set forth in the indenture.

   In the matter of the Series C Bonds it was determined that the total par value of the Series C Bonds issued by Ration Financing from time to time, including the Series C Bonds to be issued by way of a series expansion as specified in the indenture, will not exceed a par value in ILS which is equal to $200 million (according to the base rate set forth in the indenture).

Note 11 - Financing of the Leviathan Project (Cont.):

In the matter of the Series D Bonds it was determined that the total of all Series D Bonds in circulation from time to time, including the additional Series D Bonds to be issued by way of a series expansion, as specified in the indenture, will not exceed a par value in ILS which is equal to $275 million (according to the base rate set forth in the indenture) (in this section: the "**Maximum Series Size**"). Notwithstanding the aforesaid, Ratio Financing will be entitled to expand the Series D Bonds over and above the Maximum Series Size such that the total Series D Bonds in circulation from time to time, including the additional bonds that will be issued in the expansion, will not exceed a par value of ILS which is equal to $350 million (according to the base rate set forth in the indenture) (the "**Additional Maximum Series Size**"), subject to the creation of an additional royalty and the pledge thereof as specified in the indenture of the Series D Bonds.

3) The par value amounts of each of the bond series were extended to the Partnership as a loan on terms and conditions identical ("Back-To-Back") to those of the bonds. The proceeds for Ratio Financing from the repayment of the loan by the Partnership as aforesaid, constitute the sole financing source for the payment of the principal and interest of each of the bond series, and Ratio Financing has no other financing resources for repayment of the principal and interest payments of each of the bond series as aforesaid. See also Note 24 below.

Furthermore, it is agreed that, if the bonds are accelerated for any reason, Ratio Financing is entitled to accelerate the loan, and the acceleration of the bonds will in itself be deemed as sufficient grounds therefor.

Note 11 - Financing of the Leviathan Project (Cont.):

4) Terms and conditions of the bonds:

	Series B Bonds		Series C Bonds		Series D Bonds
	December 31				
	2021	2020	2021	2020	2021
Par value (ILS in thousands) (A)	347,308	528,783	422,587	633,849	300,000
Book balance ($ in thousands) (A)*	124,551	191,019	125,011	190,091	90,770
Fair value ($ in thousands) (A)	138,901	209,225	131,953	195,143	96,434
Payment date of principal	33.33% - August 31, 2021 33.33% - August 31, 2022 33.34% - August 31, 2023		33.33% - August 31, 2021 33.33% - August 31, 2022 33.34% - August 31, 2023		12% - October 31, 2023 12% - October 31, 2024 12% - October 31, 2025 12% - October 31, 2026 17% - October 31, 2027 17.5% - October 31, 2028 17.5% - October 31, 2029
Payment date of interest (C)	August 31 of each of the years 2017 through 2023		August 31 of each of the years 2018 through 2023		April 30 and October 31 of each of the years 2021 through 2029 starting from October 31, 2021.
Effective day for payment of interest and principal	August 25 of each of the years 2017 through 2022.		August 25 of each of the years 2018 through 2023.		April 24 for payments paid on April 30 and October 25 due to payments paid on October 31 of each of the years 2021 through 2029.
Nominal interest on the balance of the outstanding principal (B) (see also Section 2 above) with respect to the Additional Interest as defined below (B)	2% - August 31 of each of the years 2017 to 2020. 18.5% - August 31 of each of the years 2021 to 2023.		2% - August 31 of each of the years 2018 to 2019. 10% - August 31 of each of the years 2020 to 2023.		Annual interest of 5.7% to be paid in semi-annual installments.
Annual effective interest rate	7.58% (ILS)		6.68% ($)		6.1% ($)
Interest paid over the year's course ($ in thousands)	29,818	3,438	18,053	18,287	1,760
Linkage basis	-		The principal and the interest of the Series C Bonds will be linked to the rate of the Dollar on November 30, 2017 (i.e., $1= 3.499) (the "**C Base Rate**")		The principal and the interest of the Series D Bonds will be linked to the rate of the Dollar on July 1, 2021 (i.e., $1= 3.261) (the "**D Base Rate**")
Rating	Unrated		Unrated		Unrated
Collateral for the bonds (D)	Royalty from the Partnership and the interest cushion account, as defined below, pledged.				

* Excluding accumulated interest and including current maturities.

Note 11 - Financing of the Leviathan Project (Cont.):

a) As part of the process to reduce its debts and in accordance with resolutions of the General Partner's board of directors, the Partnership intends to continue purchasing Series B bonds of Ratio Financing and also purchase Series C Bonds of Ratio Financing, insofar as it is an appropriate business opportunity at such time, up to a total amount of ILS 250 million of nominal value. The bonds purchased or to be purchased by the Partnership as noted shall not be offered for sale on TASE or off TASE. Accordingly, the "short-term deposit" item that is presented in the consolidated statement of financial position, is intended for the purchase of the bonds as aforesaid.
During the year ended December 31, 2020, the Partnership purchased 88,803,562 par value Series B Bonds of Ratio Financing in consideration for approx. ILS 108.6 million (approx. $31.8 million). Accordingly, the Partnership recorded in 2020 a loss of approx. $781 thousand from the purchase of Series B bonds. As of December 31, 2020, the Partnership held approx. 14.38% of all of Ratio Financing's Series B Bonds.
In July and August 2021, the Partnership purchased another 7,847,265 par value Series B Bonds of Ratio Financing (which constitute approx. 1.27% of the total issued par value) in consideration for approx. ILS 10.5 million (approx. $3.2 million). Accordingly, in 2021, the Partnership recorded a loss from an early redemption of Series B Bonds in the amount of approx. $140 thousand.

In view of the foregoing, as of December 31, 2021 and as of the date of approval of the financial statements, the Partnership holds approx. 15.65% of the total Series B Bonds of Ratio Financing.

The liability in respect of long-term bonds, current maturities of bonds and interest payable for bonds items that are included in the statement of financial position are presented net of the Series B Bonds purchased as noted above.

b) The holders of each of the bond series were entitled to an additional annual interest at the rate of 1%, over and above the nominal interest in each of the bond series, in relation to the period in which it applies, from the first trading day after the date of issue of each of the bond series until the date of receipt of approval from the Petroleum Commissioner at the Ministry of Energy (the "**Commissioner**") for registration of the pledge over the royalty to Ratio Financing in relation to each of the bond series (the "**Commissioner's Approval**").
Interest was calculated according to the number of days in such period based on 365 days a year (the "**Additional Interest**").

On December 8, 2016, February 6, 2018 and August 5, 2021, the Commissioner's Approval was received for registration of the pledge over the royalty in the Petroleum Register, in connection with Series B Bonds, Series C Bonds and Series D bonds, respectively.

Note 11 - Financing of the Leviathan Project (Cont.):

c) On August 31, 2021, a sum of approx. $47.9 million (approx. ILS 154.7 million), that constitutes the interest payments due to Series B Bonds and Series C Bonds, was paid. On August 31, 2021, in accordance with the terms and conditions of Series B Bonds and Series C Bonds, a third of the par value of Series B Bonds and Series C Bonds was repaid, in the sum of approx. $53.7 million and approx. $60.2 million, respectively.
On October 31, 2021, a sum of approx. $1.8 million (approx. ILS 5.6 million), that constitutes the nominal interest and the Additional Interest due to Series D Bonds with respect to the period during which they applied, was paid.

d) Collateral:

(1) Royalty from the Partnership

For details with respect to each of the royalties granted by the Partnership to Ratio Financing, see Note 24C4F below.

(2) Interest cushion accounts

In accordance with the indenture for the Series B Bonds and the indenture for the Series C Bonds, the Partnership has accounts for 'interest cushions' in its name (a separate account for each of the bond series) that were pledged in favor of the trustee for the holders of Series B Bonds and Series C Bonds (the "**Trustee**"). In accordance with the indenture for the Series D Bonds the Partnership has a bank account that was opened by and in the name of the Trustee, in trust for the holders of the Series D Bonds, all rights of the Partnership in anything deposited and/or to be deposited in the future in which account, are pledged in favor of the Trustee for the holders of the Series D Bonds (such accounts with respect to Series B, C and D Bonds will be named jointly: the "**Interest Cushion Accounts**").

The Interest Cushion Accounts are pledged by an unlimited first-ranking single fixed charge in an amount and with respect to Series B Bonds and Series C Bonds also by an unlimited first-ranking single floating charge for the purpose of securing the repayment of the principal and interest payments of each of the bond series (including arrears interest, insofar as applicable) and additional amounts for which Ratio Financing shall be liable in relation to the provisions of each of the indentures, until full repayment of the bonds. Ratio Financing may not use the amount deposited in the Interest Cushion Accounts for the purpose of making payments on account of each of the bonds series. Despite the aforesaid, the Partnership may use the amount deposited in the Interest Cushion Accounts and transfer the same to Ratio Financing for the payment of the last principal payment of each of the bond series.

Note 11 - Financing of the Leviathan Project (Cont.):

As of December 31, 2021, an amount equal to 2% of the issued par value of the Series B Bonds and Series C Bonds in the sum of approx. $4 million and $4.1 million, respectively, is deposited in the interest cushion account in connection with Series B Bonds and Series C Bonds.
An amount equal to the subsequent interest payment due to Series D Bonds (as of the date of the report, approx. $2.6 million) is deposited in the interest cushion account in connection with the Series D Bonds.
In accordance with the indenture for the Series D Bonds, shortly after each interest payment date in connection with Series D Bonds, the amount deposited in the interest cushion account will be adjusted to the subsequent interest payment (the "**Interest Cushion Amount**"), with the Interest Cushion Amount being used as collateral for the holders of the Series D Bonds, until after the full repayment of the Series D Bonds. The Partnership has undertaken to supplement the Interest Cushion Amount in the interest cushion account, if and to the extent required.

Such interest cushions are presented under restricted deposits item in the consolidated statement of financial position.

Note 12 - Interest Payable:

	December 31	
	2021	2020
	Dollars in thousands	
Interest payable for Series B, C & D Bonds	11,824	16,224
Interest payable for loan from banking corporations	3,838	4,120
	15,662	20,344

The book value of the trade and other payables is a reasonable approximation of their fair value since the effect of the capitalization is immaterial.

Note 13 - Provision for Oil and Gas Asset Retirement and Disposal Obligation:

	December 31	
	2021	2020
	Dollars in thousands	
Opening balance	19,052	14,686
Movement during the year:		
Additional provisions	1,499	4,078
Increase deriving from the lapse of time	231	288
Closing balance	20,782	19,052

The total said provisions are presented in the Financial Statements under the non-current liabilities.

Note 14 - Taxation:

A. Income tax

1) The Partnership has a certificate from the Israel Tax Authority whereby the Partnership and the unit holders will be subject to the provisions of the Income Tax Regulations (Deductions from Income of Petroleum Rights Holders), 5716-1956 (the "**Regulations**"), subject to compliance with the terms and conditions set forth in the Regulations and in the Authority's approval.

   Since until December 31, 2021, the holders of the participation units bore the Partnership's tax consequences, the Partnership did not present expenses for taxes on income in its statements.

   The Partnership was authorized by the Head of the Israel Tax Authority as a "partnership" for purposes of the Income Tax Regulations (Rules for the Calculation of Tax due to the Holding and Sale of Participation Units in Oil Exploration Partnerships), 5749-1988 (the "**Entitled Holder Regulations**").

Note 14 - Taxation (Cont.):

On August 3, 2021, the draft Income Tax Regulations (Rules for the Calculation of Tax due to the Holding and Sale of Participation Units in Oil Exploration Partnerships) (Amendment), 5781-2021 (the "**Regulations**") was approved. According to the Regulations, *inter alia*, as of the 2022 tax year, the Partnership will be taxed as a company (i.e., according to a two-stage method). On September 14, 2021, the Regulations were published in the Official Gazette.

In view of the approval of the amended version of the Regulations as noted above, and in accordance with the Partnership's estimation, the Partnership recorded an undertaking for deferred tax in the amount of approx. $24.7 million against an expense on the Statement of Comprehensive Income. The amount of such undertaking is in respect of temporary differences which were created up to the date of the financial statements, out of which approx. $29 million in respect of differences due to investments in oil and gas assets (including in respect of oil and gas asset retirement). The deferred taxes as of the date of the statement of financial position are calculated according to a 23% tax rate.

The Partnership was issued final income tax assessments and certificates for the purpose of calculation of the tax for an entitled holder until 2019, and as of the date of this report, the tax calculation for an entitled holder of the Partnership for the tax years 2020 and 2021 is yet to be finally determined.

In addition, after consulting with the Partnership's tax advisors, in the General Partner's estimation, the Partnership does not have taxable income for tax year 2020.

It is clarified that this is an estimation and that the amount of the taxable income/loss for an entitled holder due to the holding of a unit of the Partnership's participation units for the 2020 and 2021 tax years is yet to be determined, since the Partnership's tax reports have not yet been audited by the Partnership's auditors and by the Tax Authority-the Tax Assessor for Large Enterprises, for such years and it may transpire, after completion of such audit, that assessment differences exist, such that the final tax assessment is higher than the estimated assessment made by the Partnership. In such a case the Partnership will be required to pay the Tax Authority, on account of the holders, the tax balance deriving from the assessment differences, according to the tax calculated pursuant to Section 19. Similarly, should it transpire in the future that advances were paid by the Partnership in amounts exceeding the amounts required by law, the balance will be repaid to the Partnership.

It is stated that from 2022 forth, the Partnership will regularly record current tax expenses and deferred tax expenses in the statement of comprehensive income.

Note 14 - Taxation (Cont.):

2) The Partnership and Ratio Financing received a tax arrangement from the Tax Authority that will apply to them in connection with the public issue of bonds and bonds combined with warrants. Following are the highlights of the tax arrangement that was issued:

   a) The Partnership will be allowed to receive a loan from Ratio Financing, without thereby breaching the Partnership's certificate as stated in the Income Tax Regulations (Rules for Calculation of the Tax for Holding and Selling Participation Units in an Oil Exploration Partnership), 5749-1988.

   b) The loan will be given on terms and conditions identical to the bonds and will be used by the Partnership to finance its share in the expenses in connection with the Leviathan Project.

   c) The Partnership may not use the funds of the loan from Ratio Financing to give a loan to a third party.

3) The Partnership and Leviathan Development received a tax arrangement from the Tax Authority in Israel which shall apply to Leviathan Development regarding the loan that it received from banks. Following are the highlights of the tax arrangement that was issued:

   a) The Partnership will be permitted to receive a loan from Leviathan Development without thereby breaching the Partnership's certificate as stated in the Income Tax Regulations (Rules for the Calculation of Tax due to the Holding and Sale of Participation Units in Oil Exploration Partnerships), 5749-1988.

   b) The loan shall be given on terms and conditions identical to the terms and conditions of the Financing Agreement of Leviathan Development vis-à-vis the banks, and shall be used by the Partnership for the financing of its share in the expenses in connection with the Leviathan Project.

   c) The Partnership may not use the funds of the loan to give a loan to a third party.

Note 14 - Taxation (Cont.):

4) A tax ruling regarding a natural gas export agreement between the holders of the rights in the Leviathan Project and NEPCO (the "**Export Agreement**")

   In the context of such ruling of January 19, 2017, which was issued to Leviathan's rights holders by the Tax Authority with respect to the Export Agreement, in which Leviathan's rights holders engaged (on September 26, 2016, through the Marketing Company) with NEPCO, Leviathan's rights holders undertook to offer new potential consumers to enter into agreements for the sale of natural gas at a price to be calculated in accordance with the optimum Brent-price-based formula, as specified in Section D.1.a(2) of Government Resolution no. 476 of August 16, 2015 (the "Government Resolution"), with such undertaking to offer applying during a three-year period from the date of the signing of the Export Agreement. It was determined that the offer will be made in accordance with the provisions of Section 2.d of Annex B to the Government Resolution, including with respect to the supply date, which may occur on any date from commencement of the supply according to the Export Agreement (which in our case occurred after commencement of the gas supply from the Leviathan Reservoir) until six years from the date of the signing of the Export Agreement as specified above.

5) A tax ruling regarding an agreement for the export of natural gas between the holders of the interests in the Leviathan Project and Blue Ocean (the "**Export Agreement**"), see Note 24C4.

Note 14 – Taxation (Cont.):

In the context of the ruling of December 9, 2019, which was issued to Leviathan's rights holders by the Tax Authority, with respect to the Export Agreement, in which Leviathan's rights holders engaged with Blue Ocean, Leviathan's rights holders undertook to offer, *inter alia*, to new potential consumers, to engage in agreements for the sale of natural gas at a price that was determined in the Export Agreement subject to several adjustments determined in the tax ruling. The undertaking to such offer shall apply during a three-year period from the date of the issuing of the tax ruling. It was determined that the offer will be made in accordance with the provisions of Section 2.d of Annex B to the Government Resolution, including with respect to the supply date, which may occur on any date from commencement of the supply according to the Export Agreement (which in our case occurred after commencement of the gas supply from the Leviathan Reservoir) until six years from the date of the validation of the Export Agreement (on September 26, 2019).

6) The draft proposals for a government resolution regarding some of the fiscal adjustments that will be addressed during the discussions on the economic plan for 2021 and 2022 published on July 26, 2021, included reference to an additional legislative amendment that deals with the collection of disputed tax amounts, after a decision on the administrative objection and before a judicial decision. According to the proposed amendment, disputed amounts in different tax regimes (income tax, VAT, betterment tax and purchase tax) will be partially collected (30%) of the disputed amounts, after a decision on the administrative objection and before a judicial decision. During August 2021, the main amendments that were included in the aforesaid draft memorandum were adopted in the framework of the Economic Arrangements Bill (Legislative Amendments to Achieve Budget Target for Budget Years 2021 and 2022), 5782-2021 (the "**Arrangements Law**"). The aforesaid legislative amendment with respect to disputed tax collection was ultimately not included in the Arrangements Law, which was adopted by the Knesset on November 4, 2021. It is noted that as of the date of approval of the financial statements, there is no certainty as to whether, when and how a future legislative amendment will be adopted, enabling collection of disputed tax amounts as aforesaid.

7) In July 2021, the draft legislative memorandum for the Amendment of the Income Tax Ordinance (Taxation of Partnerships), 5781, was released. During August 2021, the main amendments that were included in the aforesaid draft memorandum were adopted in the framework of the bill of the Arrangements Law. The bill determined, *inter alia*, that a partnership that during a particular tax year, or part thereof, was a traded partnership, will be considered for purposes of the Income Tax Ordinance, as a company from that tax year until its discontinuation and liquidation. In October 2021, the Finance Committee of Knesset approved the splitting of the Partnership Taxation Law from the Arrangements Law. It is noted that as of the date of approval of the financial statements, the legislative proceedings have not yet been completed, and therefore there is no certainty as to whether and when the proposed amendment will be adopted, and in what format.

Note 14 - Taxation (Cont.):

B. Taxation of Petroleum Profits Law, 5771-2011:

1) In January 2011, the government approved the recommendations of the Sheshinski Committee for the application of changes in the tax that applies in the oil and gas exploration sector in Israel. Following the recommendations, on March 30, 2011, the Taxation of Petroleum Profits Law, 5771-2011 (the "**Law**") was passed and on April 10, 2011 the Law was published in the Official Gazette. Implementation of the recommendations and the Law resulted in a change in the tax rules that apply to the Partnership's income, including, *inter alia*, cancelation of the depletion deduction and the introduction of the oil and gas profits levy according to a mechanism set forth in the Law. The Law includes transitional provisions regarding ventures that were producing (at the time of enactment of the Law) or ventures that begin production by 2014. The Law's main provisions are:

   a) No change to the rate of the royalties to the State;

   b) Cancelation of the depletion deduction;

   c) Introduction of an oil and gas profits levy (the "**Levy**"):

      The Levy rate will be calculated according to an R factor type mechanism (the "**Coefficient**"), according to the ratio between the net aggregate income from the project and the aggregate investments, as defined in the Law. A minimal Levy rate of 20% will be collected from the stage at which the Coefficient ratio reaches 1.5, and as the ratio increases the Levy will progressively rise up to the maximum rate, upon the ratio's reaching 2.3. The maximum rate of the Levy is 50% minus the product of 0.64 multiplied by the difference between the corporate tax rate set forth in Section 126 of the Income Tax Ordinance (with respect to each tax year) and 18% (according to the corporate tax rate in 2021, the maximum rate of the Levy is 46.8%). Moreover, additional provisions were determined with respect to the Levy, *inter alia* the Levy shall be recognized as an expense for the purpose of calculation of income tax;

Note 14 – Taxation (Cont.):

the Levy limits shall not include transmission facilities that are used for export; the Levy shall be calculated and imposed with respect to each lease separately (ring fencing); in the case of payment by a holder of a petroleum right that is calculated, *inter alia*, as a percentage of the produced oil (the "**Derivative Payment**"), the payment recipient will be obligated to pay a Levy according to the amount of the Derivative Payment that it received, while the amount of the Levy attributed to the recipient of the Derivative Payment shall concurrently be deducted from the Levy amount for which the holder of the petroleum right is liable. It is noted that as of the date of approval of the financial statements, in all of the petroleum rights in which the Partnership holds a share, the Partnership is not yet liable for the Levy. With respect to the method of the accounting treatment of the Levy in the Partnership's financial statements, see Note 2W.

d) From the tax year in which the date of commencement of commercial production from the venture occurs, accelerated depreciation is given for a deductible asset owned by a holder of a petroleum right, at a fixed rate selected by the holder of the petroleum right, up to 10%. In addition, an option shall be given to select current annual depreciation at a variable rate that does not exceed 10%, up to the amount of the taxable income in such year.

e) Taxation of a petroleum partnership – the Law determines provisions with respect to the method of calculation and reporting of the profits of the partners in a petroleum partnership as defined in the Law, including the method of calculation and payment of the tax that derives from such profits.

f) In accordance with the Law, the reporting partner files the Levy reports with respect to each petroleum project, which include, *inter alia*, cumulative data regarding income and investments for the purpose of calculating the Coefficient.

It is noted that as of this date, Levy assessments were signed with the Tax Authority until 2018, inclusive. It is further noted that as of the date of approval of this report, several interpretive disputes are being heard in the context of administrative objection proceedings vis-à-vis the assessing officer with respect to the implementation of the Law in the Levy reports of the Leviathan ventures for 2019.

In addition, the rights holders in the Leviathan ventures reached agreements with the Tax Authority regarding consolidation of Leviathan Leases (North and South) as a single petroleum venture for purposes of the Law and the reports according thereto, in accordance with the provisions of Section 8(a) of the Law.

2) In accordance with Section 19 of the Law, it was determined that for purposes of Section 63(a)(1) of the Income Tax Ordinance (New Version), 5721-1961 (the "**Ordinance**"), the income and expenses of the oil partnership are attributed to an "entitled holder" according to its proportionate share in the partnership which is calculated based on the number of units held thereby at the end of the year.

Note 14 – Taxation (Cont.):

It was further determined in the said section that the general partner will be obligated to file a report on the partnership's liable income or losses, in accordance with instructions determined by the Director, and the general partner shall pay, upon the filing of the partnership's annual report, the tax deriving therefrom on account of the tax for which the holders of the participation units in the partnership are liable, as being in the end of each tax year in respect of which the report is filed, according to the rules determined in the Law.
As a rule, upon calculation of the tax payable as aforesaid, the tax rate that shall apply to profits originating from income will be as follows: in respect of the share of individual holders (which, according to the Tax Authority, also includes liable mutual funds), the maximum tax rate that applies in the tax year (other than if proven to the assessing officer that the tax rate that applies to such individual is lower than such rate), and in respect of the share of holders that are a body corporate (which, according to the Tax Authority, also includes institutional bodies), the corporate tax rate that applies in such year.

To the best of the Partnership's knowledge, the issue of the method of implementation of Section 19 of the Law, on the level of the relations between the oil partnership and the Tax Authority, was at the center of legal proceedings that were conducted in recent years with respect to the limited partnerships NewMed and Isramco Negev 2. On November 1, 2017, the District Court's judgment was received, in which it was ruled *inter alia* that: (a) the tax payment that derives from the provisions of Section 19 should not be deemed as an equal distribution, in a uniform amount per unit, but rather as a differential payment according to the various tax rates which apply to individuals and corporations; (b) payment of the tax under Section 19 creates a difference in the expense incurred by the Partnership between individuals and corporations, but Section 19 concerns the collection of tax and not regulation of the relations between the holders of the participation units; and (c) as long as the collection arrangement prescribed in Section 19 is in effect, the Partnership and/or the General Partner are required to find the appropriate method to balance between the additional expense entailed by the tax rate applicable to individual holders and the expense entailed by the tax rate applicable to corporate holders. After filing appeals from such judgment, on July 28, 2019, the Supreme Court's judgment (C.A. 917/18) was received, rejecting the position of the said partnerships, and ruling, *inter alia*, that the tax payments under Section 19 of the Law constitute a type of differential tax withholding, according to the maximum tax rate applicable to an individual or to a company, according to the holder. According to this decision, the tax payments under Section 19 of the Law do not constitute a profit distribution by the Partnership. With respect to the ostensible inequality created between the holders as a result of the differential tax payments, the decision determined that an arrangement in which the Partnership shall bear the full tax rate of the partners, individuals and companies alike, as mandated by the section, and in addition or further thereto, shall make balancing payments to corporate partners, is not a "distribution" as defined in the law, but rather an outcome mandated by the fact that payments were made out of the profits "on account of the tax". The decision stated that the court does not purport to make recommendations or to set hard and fast rules regarding the balancing payment technique.

Note 14 - Taxation (Cont.):

It is noted that according to their public reports, pursuant to the aforesaid judgment, the partnerships NewMed and Isramco Negev 2, Limited Partnership ("**Isramco**") intend to apply to the court to receive instructions regarding the appropriate balancing arrangement according to which they are required to act in connection with the tax payments under Section 19. On March 15 2020, Isramco reported to the public on an application to the court as aforesaid while NewMed reported to the public on a similar application on July 13, 2020.

On June 29, 2021, a judgment was issued by the District Court in the case, ruling, *inter alia*, that tax liabilities to be borne by the Partnerships as a result of "assessment differences" will be paid by the Partnerships without performing, in this regard, any accounting with the holders of the participation units as of December 31st of the tax years for which assessment differences were created, or any "balancing payment".

In the General Partners' estimation, as aforesaid, up until the 2020 tax year, the Partnership did not have taxable income.

Starting from tax year 2002, there will be no need to make balancing payments in view of the taxation of the oil and gas partnerships as companies.

3) On December 2, 2020, the Taxation of Profits from Natural Resources Regulations (Advances due to the Petroleum Profit Levy), 5781-2020 were published, regulating the payment of the advances to be paid by holders of petroleum interests in a petroleum project, including the method of calculation of the advances, the dates of payment thereof, and the reporting thereon (the "**Advances Regulations**"). The Partnership is examining the impact of the Advances Regulations and consulting with the Partnership's tax advisors. However, at this stage, the Partnership does not expect the Advances Regulations to have any impact in the years in which the Partnership is in any event not expected to be liable for a Levy.

Note 14 - Taxation (Cont.):

4) On January 7, 2021 the Taxation of Profits from Natural Resources Legislative Memorandum (Amendment), 5781-2021 (the "**Proposed Amendment**") was released for public comment. It includes several proposed amendments to the Law, including the following: (1) Amending Section 11 of the Law to allow the Tax Authority to collect a disputed levy already after the Tax Authority's decision in the administrative objection to the levy assessment, and before the dispute is resolved in court; (2) Amending Section 13 of the Law to require approval of the levy reports by a CPA as defined in the Certified Public Accountants Law, 5715-1955; (3) Amending Sections 14-15 of the Law to enable extension of the period of assessment of the levy reports from one year from the date of filing of the levy reports to four years from the end of the year in which the levy report was filed; (4) Adding Section 16A of the Law, which concerns the application of the provisions of Section 86 of the Ordinance regarding the authority of the Assessing Officer to ignore certain transactions; and (5) Adding Section 41A of the Law which concerns authorizing the assessing officer to impose a fine on the deficit arising from the difference between the actual levy charge and the levy payment according to a self-assessment.

Note 14 - Taxation (Cont.):

The holders of the interests in the Leviathan venture filed their position on the matter, whereby the collection of a disputed levy which is based on a unilateral decision of the assessing officer, who is a party to the dispute, is in contrast to the customary norm in current Israeli law and constitutes an unjustified and disproportionate violation of the interest holders' basic rights. The bill based on the aforesaid memorandum passed the Knesset's first reading on March 8, 2021. After the application of continuity law on the aforesaid law, the Proposed Amendment was approved by the Finance Committee on August 16, 2021 after several amendments, *inter alia*, the collection of 75% (*in lieu* of 100%) of the levy under dispute by the Tax Authority. On November 10, 2021, the bill passed the second and third reading. On November 18, 2021, the law was released in the Official Gazette.

C. The Gas Framework includes various tax aspects which pertain to the Partnership's activity in the context of the Leviathan venture.
Set forth below is a summary of the main tax aspects that pertain to the Partnership, as they appear in the Gas Framework as of now:

1) Quantification of income from export agreements for Levy purposes - Comparison of the domestic average price with the export price according to the Law, in accordance with the technique set forth in the Gas Framework. In general, the domestic average price of a specific oil type will be calculated in accordance with revenues from sales made in Israel of oil of the same type in the two years before the beginning of the tax year, divided by the quantity of units of oil for which the income was received as aforesaid, and will be compared to the actual income from the export agreement. The comparison will be made cumulatively throughout the life of the agreement. Insofar as the holder of the export agreement undertakes to offer the price formula in the export agreement to new customers in Israel in the format determined in the Gas Framework, no comparison will be made to the domestic average price and the income from the export agreement as received by the petroleum right holder shall be deemed as "income actually received". The Gas Framework further determined that the Director of the Tax Authority, as defined in the Ordinance, may, in specific circumstances in which the export price is clearly higher than the price in the domestic market, give prior approval per the request of a petroleum right holder that the petroleum unit price according to the export agreement is not lower than the local average price, and in these circumstances too, the income from the export agreement, as received by the petroleum right holder, shall be deemed as "income actually received".

2) Income from the sale of petroleum for use in Israel, as defined in the Law, shall include all the income from such sale which pertains up to the point of delivery in Israel at the entrance to INGL's transmission system (including income due to transportation and processing), including related components.

Note 14 – Taxation (Cont.):

3) It was clarified that in the event that the point of delivery of the gas in the export agreement is not the same as the point of delivery in Israel, the necessary adjustment will be carried out for the purpose of comparing the income from the export agreement with the income calculated according to the domestic average price, and for the purpose of offering domestic customers the export price (insofar as the holder of the export contract has undertaken to perform the same), in accordance with the transmission fee tariff that shall be determined by the Director of the Tax Authority according to principles that shall be determined until a resolution is made by the government.

4) An investment in pipelines that are used for transportation and transmission of oil for the export thereof is not recognized as a construction investment according to the Law. However, for purposes of the "Leviathan" field, it was determined that payments that shall actually be made for the planning, creation and construction of pipelines from the Leviathan field to the processing facility and from the processing facility to the shore in Israel shall be included in the definition of construction investments as stated in the Law, and shall be taken into account in calculation of the levy Coefficient, as the case may be.

5) For purposes of a substitution of assets, it was determined that the provisions of Section 96 of the Ordinance may be applied with respect to the substitution of a physical asset in a specific venture (such as a rig, pipelines, wells and machinery) with a physical asset in another venture, all subject to compliance with the terms and conditions of the section.

6) Compensation for direct damage due to acts of war and hostility – it was clarified that the Property Tax and Compensation Fund Law, 5721-1961 will apply to the production facilities, including the processing and the pipelines of the petroleum ventures, insofar as they are located within the area of the State of Israel, including in the EEZ of the State of Israel. This clarification shall be expressed in the Marine Zones Law that shall be enacted.

7) Interest due to loans from foreign residents which meet the criteria set forth in Section 16(4) of the Income Tax Ordinance and in the Income Tax Order (Exemption from Tax for Interest Paid by an Israeli Resident due to a Loan from a Foreign Resident), 5748-1988 shall be taxed at a rate of 5%.

Note 15 – The Partners' Equity:

A. As aforesaid in Note 1 above, the Partnership was established according to a limited partnership agreement executed on January 20, 1993 between the General Partner and the Limited Partner. Upon establishment of the Partnership, the General Partner invested ILS 0.10 in the Partnership's equity, and the Limited Partner invested ILS 999.90 in the Partnership's equity. According to prospectuses released by the Partnership, the Limited Partner made a public offering of registered participation units of ILS 1 par value each ("**Participation Units**") and several series of warrants.

On January 6, 2017, a consolidation of Participation Units was performed such that each 8 existing Participation Units became one unit (the "**Unit Consolidation**").
The Unit Consolidation as described above changed the method of calculation of the loss per participation unit, which was retroactively reflected from the financial statements as of December 31, 2016.

As of December 31, 2021, 2020 and 2019, the Limited Partner made a public offering of 1,123,871,146 Participation Units, 1,123,843,375 Participation Units and 1,123,817,264 Participation Units, respectively.
On December 31, 2019, a special general meeting was held, which approved cancelation of the par value of the Partnership's Participation Units.

Note 15 – The Partners' Equity (Cont.):

The composition of the investment in the limited partnership:

	The Limited Partner – Ratio Trusts Ltd.		The General Partner – Ratio Oil Exploration Ltd.	Total Equity
	Participation Units	Warrants		
	Dollars in thousands			
Balance as of December 31, 2018	171,701	2,402	11	174,114
Movement during 2019:				
Loss and comprehensive loss per year	(5,525)	-	(1)	(5,526)
Balance as of December 31, 2019	166,176	2,402	10	168,588
Movement during 2020:				
Exercise of Series 18 Warrants, net	26	*	*	25
Exercise of Series 19 Warrants, net	*	*	*	*
Expiration of Series 18 Warrants	2,402	(2,402)	*	-
Income and comprehensive income per year	6,946	-	1	6,947
Balance as of December 31, 2020	175,550	0	10	175,560
Movement during 2021:				
Exercise of Series 19 Warrants, net	18	*	*	18
Tax advances paid for holders of Participation Units	(13,230)	-	(1)	(13,231)
Balancing payments for corporations and tax payments for individuals	(13,919)	-	(1)	(13,920)
Income and comprehensive income per year	77,433	-	8	77,441
Balance as of December 31, 2021	225,852	0	16	225,868

* Represents an amount lower than $1 thousand.

B. The Partnership's revenues, expenses and losses are divided between the Limited Partner and the General Partner, such that the Limited Partner's share amounts to 99.99% and the General Partner's share amounts to 0.01%.

Note 15 – The Partners' Equity (Cont.):

C. Following are investments made in the Partnership's equity from January 1, 2019 until the date of approval of the Financial Statements:

Date	Type of transaction	Number of Participation Units issued	Number of warrants issued	Investment in equity (Dollars in millions), net
May 2020 to November 2020	Exercise of Series 18 Warrants (1)	25,775	-	0.025
October 2020	Issuance of Series 19 Warrants	-	109,181,494	-
November 2020	Exercise of Series 19 Warrants	336	-	*
July 2021	Exercise of Series 19 Warrants (2)	27,771	-	0.018

(1) 617,380,720 Series 18 Warrants have expired on November 15, 2020.
(2) 109,153,38 Series 19 Warrants have expired on July 20, 2021.

* Represents an amount lower than $1 thousand.

D. Warrants issue:

Series 18 Warrants

Pursuant to the Partnership's shelf offering report of November 10, 2016, 617,587,000 Series 18 Warrants of the Partnership were issued, each of which was exercisable into a participation unit that grants a right to participate in the rights of the Limited Partner (the trustee) of the limited partnership, by November 15, 2020.
By the expiration date thereof, inclusive, 206,280 Series 18 Warrants were exercised into 25,785 Participation Units (after a retroactive update as aforesaid in Section A), and consideration in the amount of approx. ILS 86 thousand was received in respect thereof. 617,380,720 Series 18 Warrants that were not exercised, expired on November 15, 2020.

Series 19 Warrants

October 2020 saw the issuance of 109,181,494 Series 19 Warrants, which were exercisable into the Partnership's Participation Units by July 20, 2021. The Series 19 Warrants were distributed, free of charge, by way of rights to all holders of the Partnership's securities on the record date for distribution thereof.

By the expiration date thereof, inclusive, on July 20, 2021, 28,107 Series 19 Warrants were exercised for 28,107 Participation Units and a consideration in the amount of approx. $18 thousand (approx. ILS 57 thousand) was received therefor. 109,153,387 Series 19 Warrants that were not exercised, expired on July 20, 2021.

Note 15 – The Partners' Equity (Cont.):

E. Distribution of profits

According to the partnership agreement, any and all of the Partnership's profits available for distribution by the Partnership by law, as profits, net of amounts (which were not taken into consideration for the determination of the profits) required by the Partnership, at the discretion of the General Partner, for the purpose of or in connection with existing liabilities of the Partnership (including the amounts required – in the opinion of the General Partner – to meet unforeseen expenses the amount of which shall not exceed $250,000) (the "**Profits**"), shall be distributed to the Partners, in accordance with their rights, as aforesaid, once a year. Profits calculation will be made for the year ended December 31.

Where, according to the provisions of the partnership agreement, the distribution of Profits requires the consent of the Commissioner (due to a doubt as to whether the distribution of Profits to the Limited Partner shall be deemed as a withdrawal of its investment or part thereof – within the meaning thereof in Section 63(b) of the Partnerships Ordinance (New Version) 5735-1975), the Commissioner shall not grant his consent to the distribution, unless applying first to the court for instructions in this matter and the court approved the distribution.

With respect to amounts held by the Partnership which are not distributed to the partners in accordance with the aforesaid (including the limited partnership's equity and undistributed profits thereof), the General Partner may, if it so deems fit at its sole discretion, invest them until they are used for the purposes for which they were intended, as it deems fit, provided that such investments are made for the purpose of preserving, insofar as possible, the real value of the money and the availability of the money for the purpose of carrying out the objectives of the limited partnership.

Other than the aforesaid, any and all of the Partnership's Profits will be distributed shortly after the end of the calendar year (i.e., a year ended December 31) for which they are distributed, immediately when their amount is determined.

For the avoidance of doubt, it was clarified in the partnership agreement, that the General Partner may not – without the approval of the General Meeting of the unit holders in a special resolution or upon the approval of the Commissioner with the consent of the court, refrain from distribution of Profits or delay the distribution of Profits for the purpose of performing development and production work, and participation in additional exploration activities beyond the activities for which plans were included in the prospectus according to which units are issued or will be issued to the public.

Note 15 – The Partners' Equity (Cont.):

The opinion of the Partnership's CPA (who was appointed as the CPA of the Partnership concurrently with the signing of the partnership agreement or a CPA to replace him) with regard to determining the Profits available for distribution as profits and calculating the Partners' share according to the partnership agreement, in the Partnership's revenues, expenses and losses – shall be final and conclusive. If, for any reason, the office of the said CPA becomes vacant, another CPA shall be appointed in his place by the General Partner, provided that a written consent of the Commissioner is granted for his appointment.

F. Tax payments and balance payments:

The Partnership made the following payments:

1) In December 2021 the Partnership made payments in the sum of approx. $13.2 million (approx. ILS 41.5 million) with respect to corporate tax advances (the "**Tax Advances**").

2) Since the tax rates applicable to a holder who is an individual are higher than the tax rates applicable to a body corporate, and since, according to the decision of the Supreme Court in the matter of Section 19 as set out in Note 14B2, the tax payments in respect of the Partnership's taxable income as well as balancing payments paid to holders who are bodies corporate do not constitute a "distribution" as defined by law, in January 2022 the Partnership made additional payments, such that for each Participation Unit a fixed and uniform amount was paid as a tax payment for a holder who is an individual and as a balancing payment for a holder who is a body corporate (jointly: the "**Payments**") in the amount of approx. $13.9 million (approx. ILS 43.3 million). The Payments were calculated on the basis of an estimate of the taxable income and the difference between the maximum tax rate applicable to a holder who is an individual and a holder who is a body corporate. From the aforesaid payments, no tax deduction was made for a holder who is a body corporate, and a tax deduction at a rate of approx. 100% was made for a holder who is an individual.

The Tax Advances and the Payments, amounting to approx. $27.1 million (approx. ILS 84.8 million), are presented in the statements on changes in the equity of the partners in the items of tax advances for holders of participation units and balancing payments for corporations and tax payments for individuals.

Note 15 – The Partners' Equity (Cont.):

G. Cash-settled consultant option plan:

In September 2016, the Board of the Partnership's General Partner, approved a "Phantom Plan – Officers and Consultants 2016" (the "**Options**" and the "**Plan**", respectively), that are exercisable for a financial bonus and not securities of the Partnership. According to the Plan, up to 80,000,000 Options shall be granted for no consideration, each one exercisable for a financial bonus in an amount equal to the difference between the price of the Partnership's participation unit on the exercise date and the exercise price of the option (the "**Exercise Price**"). The Exercise Price is determined according to the higher of: (a) the average price of the participation unit on TASE during the 30 trading days preceding the grant date; (b) 5% above the price of the participation unit on TASE at the end of the trading day preceding the date of approval of the allotment by the Board. Subject to the terms and conditions of the Plan, if the Options are not exercised earlier, the Options will expire on the earlier of (1) the end of five years from the grant date; (2) up to 120 days after termination of work relations between the Partnership and the grantees.

Accordingly, and consequently to the consolidation of the Partnership's units which was performed on January 6, 2017 (in the ratio of 8 to 1, see also Section A above), the number of Options granted was adjusted as specified below.

In September 2016 and October 2017, 4,904,868 Options were granted in accordance with the aforementioned Option Plan. Below are details regarding the terms and conditions of the Options on the date of their grant (the financial value of the Options is estimated using the binomial model):

Grant date	Options amount (after adjustments following capital consolidation)	Participation unit price (Agorot)	Option Exercise Price (Agorot)	Standard deviation*	Risk-free interest	Projected life until exercise date	Option value as of grant date	Fair value of the liability on the grant date in Dollars in thousands
September 12, 2016**	4,432,624	225.6	236.9	41.69%	0.99%	5 years	0.0214	923
October 16, 2017	472,244	222.9	234.0	35.3%	0.81%	5 years	0.169	80

* The degree of fluctuation is based on the historic fluctuation of the Partnership's participation unit, for the corresponding periods over the projected life of the option until the exercise date.

** The options granted on September 12, 2016 expired on September 12, 2021.

1) The Options may be exercised at the end of the vesting period, as follows: (a) 1/3 of the number of Options commencing from the end of 12 months from the grant date; (b) 2/3 of the number of Options in 8 equal quarterly portions over a period of two years from the end of 15 months from the grant date (i.e. 1/12 of the number of Options will vest each quarter).

Note 15 – The Partners' Equity (Cont.):

2) According to the provisions of International Reporting Standard 2 – Share-Based Payment, the liability amount as of each balance sheet date is measured at fair value as of the balance sheet date, until the retirement of the liability.
As of December 31, 2021 and December 31, 2020, the fair value of the liability was approx. $7 thousand and $163 thousand, respectively.
Changes in fair value as aforesaid are recognized in profit or loss. As of December 31, 2021 and 2022 all of the Options were vested.

Upon the occurrence of the following events in the period between the date of allotment of the Options and the exercise date, adjustments shall be made to the rights of the Option holders: changes in the Partnership's equity (participation unit split, consolidation or replacement, restructuring of the Partnership's equity, etc.), change of control transaction, distribution of profits and/or a rights offering.

3) The amount of the income recognized in the Partnership's statements of profit or loss for the years ended December 31, 2021, 2020 and 2019, in respect of the grant of Options to consultants, is approx. $155 thousand, approx. $576 thousand and approx. $82 thousand, respectively.

H. Shelf Prospectus

On February 13, 2020, the Partnership released a shelf prospectus, according to which various securities may be offered: participation units that confer a working interest in the interests of the Limited Partner (the trustee) of the Partnership, which are held and exercised by the Limited Partner in trust for the unit holders and under the Supervisor's supervision ("**Participation Units**"), non-convertible bonds, bonds convertible into Participation Units, warrants exercisable for Participation Units, warrants exercisable for non-convertible bonds, warrants exercisable for convertible bonds, commercial paper and any other security that may be issued pursuant to the law by virtue of the shelf prospectus on the relevant date. On February 6, 2022, the Israel Securities Authority decided to extend the period for public offering of securities according to the shelf prospectus by one year, namely until February 13, 2023.

Note 16 – Linkage Terms of Financial Assets and Financial Liabilities:

	December 31, 2021			
	In Dollars	In unlinked ILS	In CPI-linked ILS	Total
	Dollars in thousands			
Current assets:				
Cash and cash equivalents	101,385	23,998	-	125,383
Financial assets at fair value through profit or loss	4,850	4,153	1,973	10,976
Short-term deposits	25,533	38,641	-	64,174
Trade receivables	47,941	-	-	47,941
Operator of the joint venture	2,310	-	-	2,310
Ratio Trusts Ltd. – the Trustee – current account	-	338	-	338
Ratio Oil Explorations Ltd. – The General Partner -current account	883	-	-	883
Other receivables	-	589	-	589
Total current assets	182,902	67,719	1,973	252,594
Non-current assets:				
Financial assets at fair value through profit or loss	-	5,509	-	5,509
Restricted deposit	3,962	10,745	-	14,707
Total non-current assets	3,962	16,254	-	20,216
Current liabilities:				
Trade payables	7	37	-	44
Payables of joint ventures	11,462	-	-	11,462
Other	92	-	-	92
Current maturities of bonds	62,738	63,034	-	125,772
Interest payable	8,757	6,905	-	15,662
Payables	3,812	1,093	-	4,905
Options for consultants	-	7	-	7
Provision for tax and balancing payments	-	13,920	-	13,920
Total current liabilities	86,869	84,995	-	171,864
Non-current liabilities:				
Bonds	153,043	61,517	-	214,560
Loans from banking corporations, net	487,112	-	-	487,112
Total non-current liabilities	640,155	61,517	-	701,672

Note 16 – Linkage Terms of Financial Assets and Financial Liabilities (Cont.):

	December 31, 2020			
	In Dollars	In unlinked ILS	In CPI-linked ILS	Total
	Dollars in thousands			
Current assets:				
Cash and cash equivalents	81,256	8,525	-	89,781
Financial assets at fair value through profit or loss	-	3,781	2,176	5,957
Short-term deposits	46,140	-	-	46,140
Trade receivables	38,214	-	-	38,214
Operator of the joint venture	231	-	-	231
Ratio Trusts Ltd. – the Trustee – current account	-	320	-	320
Ratio Oil Explorations Ltd. – The General Partner -current account	10,880	-	-	10,880
Other receivables	-	359	-	359
Total current assets	176,721	12,985	2,176	191,882
Non-current assets:				
Financial assets at fair value through profit or loss	-	16,077	-	16,077
Other long-term assets	240	7,840	-	8,080
Total non-current assets	240	23,917	-	24,157
Current liabilities:				
Trade payables	-	21	-	21
Payables of joint ventures	9,719	-	-	9,719
Current maturities of bonds	63,804	65,053	-	128,857
Interest payable	10,174	10,170	-	20,344
Payables	5,587	403	-	5,990
Options for consultants	-	163	-	163
Total current liabilities	89,284	75,810	-	165,094
Non-current liabilities:				
Loans from banking corporations	483,597	-	-	483,597
Bonds	126,287	125,966	-	252,253
Total non-current liabilities	609,884	125,966	-	735,850

Note 17 – Revenues from the Sale of Natural Gas:

A. The Partnership's revenues originate from natural gas sales to its various customers, all in accordance with engagement agreements signed therewith, as specified in Note 25C1 below.

B. The three major customers in 2021 are Blue Ocean that was approx. 34% of the sales, NEPCO was approx. 30% of the sales and the IEC was approx. 10% of the sales. The three major customers in 2020 are the IEC that was approx. 31% of the sales, NEPCO was approx. 30% of the sales and Blue Ocean was approx. 25% of the sales.

C. The total quantity of natural gas sold in 2021 and 2020 in the Leviathan Project (for all of the Leviathan Partners) amounted to approx. 10.72 BCM and approx. 7.25 BCM, respectively.

D. The Partnership's share in the revenues and in the quantities of natural gas sold in 2021 to the Export Markets (sales to Egypt and Jordan) and the domestic market totaled approx. $186 million (constituting approx. 0.9 BCM) and approx. $107 million (constituting approx. 0.7 BCM), respectively. The Partnership's share in the revenues and in the quantities of natural gas sold in 2020 to the Export Markets (sales to Egypt and Jordan) and the domestic market totaled approx. $107 million (constituting approx. 0.6 BCM) and approx. $88 million (constituting approx. 0.5 BCM), respectively.

E. For details on agreements for the sale of natural gas and condensate by the Leviathan Partners, see Note 25C1.

Note 18 – Royalties:

Composition:

	For the year ended December 31	
	2021	2020
	Dollars in thousands	
Royalties to the State	33,032	21,973
Royalties to interested parties (see also Note 24C1E)	15,855	10,547
	48,887	32,520

The Petroleum Law, 5712-1952 (the "**Petroleum Law**") and the Petroleum Regulations, 5713-1953 prescribe that a lease holder is required to pay the State Treasury a royalty at the rate of one eighth of the quantity of oil produced and utilized from the area of the lease, according to the market value at the wellhead, with the exception of the quantity of oil used by the lease holder in the operation of the area of the lease; however, in no event shall the royalty be lesser than the minimal royalty prescribed by the Petroleum Law (the "**Royalty**").

Note 18 – Royalties (Cont.):

Starting from the date of supply of gas from the Leviathan Reservoir, and according to the Ministry of Energy's demand as of January 13, 2020, the Leviathan Partners are paying to the State (until further notice) royalty advances at the rate of 11.26% from the revenues from the sale of gas and condensate that shall be produced and utilized in the area of the leases, in any payment period. Such demand determined that the final royalty liability in relation to the entire payment period will be determined in accordance with provisions to be formulated and the annual audit reports.
The manner of payment of the royalty advances to the State is used also for the payment of the overriding royalties to the stakeholders. The Partnership is paying the overriding royalty set forth in the Partnership Agreement multiplied by 11.26% and divided by 12.5%.

On February 9, 2020, the Ministry of Energy published draft directives (the "**Directives Document**") for public comment regarding calculation of the Royalty.
According to the Directives Document, the royalty value at the wellhead in respect of petroleum that was produced and utilized will be equal to 12.5% of the sale price to customers at the point of sale, net of necessary costs actually incurred by the lease holder between the wellhead and the point of sale, such as treatment, processing and transportation of the petroleum to the point of sale. The Directives Document specifies the expenses that are and are not recognized for purposes of calculation of the royalty value at the wellhead and the manner of recognition of such expenses.
On March 15, 2020, the Partnership together with the other holders of the interests in the Leviathan Leases submitted their comments on the Directives Document.

In May 2020, the Director of Natural Resources at the Ministry of Energy released the final language of the "Directives on the method of calculation of the royalty value at the wellhead according to Section 32(b) of the Petroleum Law" (the "**Directives**").
The Directives determine that the royalty value at the wellhead shall be equal to 12.5% of the sale price to customers at the point of sale, net of necessary costs, in the Commissioner's opinion, of treatment, processing and transportation of the petroleum, which were actually incurred by the lease holder between the wellhead and the point of sale. According to the Directives, these recognized costs include: (1) CapEx: petroleum treatment and processing expenses and the petroleum transportation expenses; and (2) operating expenses deriving directly from the types of capital expenditures. (3) expenses due to assets will be recognized in such a way that the depreciation rate in respect of the fixed assets will be calculated according to the depletion method, starting from the date on which the fixed asset started to operate (i.e., only when the fixed asset reached the location and condition required for its operation, and started to operate). The total depreciation expenses which shall be recognized shall not exceed the cost of the fixed assets. The depreciation expenses shall be recognized for the fixed assets such that at the end of the "asset's life", the asset's value shall be zero. Depreciation expenses will be calculated by multiplying the depreciated cost at the beginning of the year of the recognized part of the fixed assets determined in the specific directives, by the depreciation rate determined in accordance with the depletion method.

Note 18 – Royalties (Cont.):

Insofar as an agreement is signed which grants third parties an ownership right in the fixed assets or a right of use in the fixed assets, with or without consideration, or if an agreement is signed which includes the receipt of payment from third parties for the transportation or processing of petroleum, the assessment of the fixed asset value will be adjusted in the year in which an economic value was created for the asset over and above the depreciated cost of the relevant fixed asset as determined, taking into account the depreciation expenses that were deducted for purposes of calculation of the royalty value at the wellhead. The assessment will be adjusted in the year in which the transaction in the relevant asset was made, in accordance with the "disposal principle", while the lease holder may be required to pay royalties to the State for such value, even if it generated no income in that year. The economic value for purposes of adjustment of the assessment will be limited to the amount recognized and depreciated for royalty purposes, in respect of the fixed assets sold or the rights of use in which were transferred. (4) the Directives determine additional provisions, including a specification of the types of expenses which will not be recognized, the method of recognition.
The Directives further prescribe that the Commissioner shall determine, from time to time, for each lease holder, specific instructions for each lease, which shall specify the deductible expenses for purposes of calculation of the royalty, according to the specific characteristics of the lease.

In September 2020, the Director of Natural Resources at the Ministry of Energy released the "Directives of the Petroleum Commissioner regarding calculation of the royalty value at the wellhead – the Tamar lease".

In January 2021, the Ministry of Energy asked the holders of the interests in Leviathan for their position regarding the percentages of recognition of the expenses in the Leviathan Reservoir.

In February 2021, the holders of the interests in Leviathan stated in their response to the aforesaid request that their position is that all the expenses from the wellhead up to the point of sale ought to be recognized in full.

It is noted that as of the date of approval of the financial statements, the holders of the interests in Leviathan have not yet been provided with specific instructions specifying the deductible expenses for purposes of calculation of the Royalty, in accordance with the specific characteristics of the reservoir.

In its financial statements, the Partnership records the expenses of royalties to the State according to a rate of 11.26% as aforesaid and pursuant to the Ministry of Energy's demand. However, the Partnership's position is that the calculation of the actual rate of the State's royalties in respect of the revenues from the Leviathan Project ought to reflect the complexity of the project, the risks entailed thereby and the amount of the investments in the project. According to a calculation which is based, *inter alia*, on the principles of the foregoing Directives and the specific instructions provided to the Tamar lease on September 6, 2020, the Partnership estimates that the rate of the actual royalty to the State should be approx. 10.72% and 10.81% in 2021 and 2020, respectively.

Note 18 – Royalties (Cont.):

The accrued difference between the expenditure recorded in the Partnership's financial statements according to a rate of 11.26% and the royalties calculated according to the Partnership's position as noted, amounts to approx. $1.6 million in 2021 and approx. $0.9 million in 2020.

In accordance with the aforesaid, the Partnership estimates that the rate of the actual overriding royalty should be approx. 5.15% and 5.19% in 2021 and 2020, respectively. The accrued difference between the expenditure recorded in the Partnership's financial statements according to a rate of 5.4% and the royalties calculated according to the Partnership's position as noted, amounts to approx. $0.8 million in 2021 and approx. $0.4 million in 2020.

In the event that a final royalty rate is determined with the Ministry of Energy, an adjustment shall be made accordingly.

Note 19 – Cost of Natural Gas and Condensate Production:

	For the year ended December 31	
	2021	2020
	Dollars in thousands	
Salary and social benefits	4,915	4,335
Guarding and security	939	753
Transmission and transportation	1,100	854
Operator fees and Operation management	4,649	4,131
Insurance	3,410	4,170
Natural gas transmission cost	8,491	4,312
G&A – operator of the joint venture	6,198	5,028
Maintenance	4,608	2,676
Other	3,027	991
	37,337	27,250

Note 20 – Oil and Gas Exploration Expenses, Net:

	For the year ended December 31		
	2021	2020	2019
	Dollars in thousands		
Ratio-Yam licenses and leases (Note 8C)	-	1,308	11,315
Royee license, net (Note 8E)	-	(934)	1,521
Cluster A and Cluster C licenses (Note 8D)	1,093	1,132	342
	1,093	1,506	13,178

Note 21– G&A Expenses:

	For the year ended December 31,		
	2021	2020*	2019*
	Dollars in thousands		
Payroll expenses*	2,766	-	-
Management fees of the General Partner	785	-	-
Office expenses	405	238	241
Directors' fees and related expenses	465	365	365
Professional services	959	1,943	2,200
Legal	710	762	745
Options for employees	(155)	(576)	(82)
Other	798	441	344
	6,733	3,173	3,813

* Pursuant to the management services arrangement between the Partnership and the General Partner, as of April 23, 2021, the management expenses of the Partnership and the General Partner, of any kind and type, apply to the Partnership. For further details, see Note 24C1D.

Note 22 – Financial Expenses/Income:

	For the year ended December 31,		
	2021	2020	2019*
	Dollars in thousands		
Financial income:			
Profit from revaluation of assets at fair value through profit or loss	-	-	23,965
Interest on deposits	165	138	135
Dividend and interest	126	115	242
Other	-	-	177
	291	253	24,519
Financial expenses:			
Loss from revaluation of assets at fair value through profit or loss	14,413	24,846	-
Bank expenses	476	196	19
Costs regarding the loans from banking corporations	24,277	31,267	1,805
Loss from early redemption of Series B Bonds	140	781	-
Interest and discount expenses due to bonds	26,976	27,729	-
Exchange rate differences, net	2,920	13,803	10,908
Expenses due to changes in oil and gas asset retirement obligation due to lapse of time	231	290	310
Other	-	1,690	12
	69,433	100,602	13,054

*Out of these amounts for the year ended December 31, 2019 financial costs in the amount of approx. $50,389 thousand were capitalized for investments in oil and gas assets.

Note 23 – Profit (loss) Per Participation Unit:

A. Basic

The basic profit (loss) per participation unit is calculated by dividing the profit (loss) attributed to the participation unit holders by the weighted average of the number of issued Participation Units.

	2021	2020	2019
Profit (loss) attributed to the holders of the Participation Units (Dollars in thousands)	77,441	6,947	(5,526)
The weighted average of the number of issued Participation Units	1,123,856,584	1,123,821,367	1,123,817,264
The basic profit (loss) per participation unit (Dollar)	0.069	0.006	(0.005)

B. Diluted

The warrants were not taken into account in 2021, 2020 and 2019, since potential Participation Units are taken into account only when their effect is dilutive.

Note 24 – Transactions and Balances with Interested Parties and Related Parties:

A. Transactions with interested parties and related parties:

	2021	2020	2019
	$ in thousands		
Overriding royalties (see Note C1)	15,885	10,547	-
Geological consultancy (see Section C2)	144	144	*43
Operator fees to the General Partner (see Section C1)	771	2,981	8,399
Management fees to the General Partner (see Section C1)	785	-	-
Sums paid to the General Partner for expenses entailed by the management of the Partnership's business (see Section C1)	36	108	108
Director compensation and related expenses (7 persons) (see Section C1)	423	329	328
Compensation and expenses of the Limited Partner, the trustee (see Section C1)	2	2	2

* Net, after capitalization of costs of approx. $101 thousand to the "investments in oil and gas assets" item.
"Interested parties" – as defined in the Securities Regulations (Annual Financial Statements), 5770-2010.

"Related party" – within the definition of such term in IAS 24 (Amended) – "Related Party Disclosures".

Note 24 – Transactions and Balances with Interested Parties and Related Parties (Cont.):

B. Balances with interested parties and related parties:

	December 31	
	2021	2020
	$ in thousands	
Negative (positive) balance as of the date of the Statement of Financial Position		
The General Partner – current account –	883	10,880
Short-term deposits*	64,174	**46,140
Geologist – included in other payables and accrued expenses:	-	(12)
	338	320

* The deposits are intended to be used for the purchase of Series B Bonds and Series C Bonds of Ratio Financing, for the Partnership.
** The short-term deposit was held by the General Partner.

C. Engagements with interested parties and related parties:

1) Engagements with interested parties and related parties deriving from the partnership agreement

According to the partnership agreement signed on January 20, 1993 (as amended) (the "**Partnership Agreement**"), the Partnership has undertaken:

a) To pay the Limited Partner, the trustee, for its services as a trustee, a fee of $2,000 per year, as well as reimbursement of expenses that will be approved in advance and in writing by the Supervisor.

b) By April 22, 2021 – to pay the General Partner the following payments:

(1) $10,000 per month – for compensation of the directors of the General Partner (direct or indirect shareholders of the General Partner).

(2) $7,000 per month – for coverage of all expenses entailed by the management of the Partnership's business (such as the Partnership's bookkeeping, preparation of financial statements and approval thereof for tax purposes, accountant fees, legal advice and computer services).

(3) $2,000 per month – for the use and maintenance of the offices and for office services.

Note 24 – Transactions and Balances with Interested Parties and Related Parties (Cont.):

(4) To pay Director compensation according to the Companies Regulations (Rules on Compensation and Expenses of Outside Directors), 5760-2000 for the directors who are not the directors described in Section 1 above.

c) In accordance with the Partnership Agreement, by April 22, 2021, the General Partner was appointed as operator in various transactions of the Partnership and was entitled to operator fees at the rate of 7.5% of the expenses of oil and gas exploration, oil and gas asset development and oil and gas production. The Partnership Agreement further determined that insofar as the Partnership incurs expenses in connection with work on construction and/or installation of oil production facilities in a sum exceeding $1 million, the operator fees will be determined in a negotiation between the parties and with the Supervisor's approval in advance and in writing, provided that the sum of the operator fees does not exceed 7.5% of the expenses.

In accordance with the language determined in Section 10.3 of the Partnership Agreement, comprehensive and detailed negotiations were conducted between the Partnership's General Partner and Ratio Trusts Ltd., the Partnership's Limited Partner, with respect to determination of the rate of the operator fees to which the General Partner will be entitled in connection with work on construction and/or installation of facilities for the production of petroleum in an amount exceeding $1 million.
In the period in which the negotiations were held, and per the Supervisor's request, the General Partner did not collect an operator fees in respect of such installation and/or construction work. In addition, in the period in which the negotiations were held, the Partnership continued to record in its financial statements an operator fees amount for such installation and/or construction work at a rate of 7.5%, which is the maximum rate determined in the Partnership Agreement (in view of the fact that the final rate of the operator fees for such installation and/or construction work has not yet been determined in this period).
For purposes of conducting the negotiations, the Limited Partner appointed an independent third party with knowledge and expertise in the oil and gas industry, Adv. Michal Franco-Kedmi, who used economic and legal advisors.
On November 13, 2019, the General Partner and the Limited Partner reached agreements (which were approved by the Supervisor at the Partnership) whereby the operator fees that the Partnership shall pay the General Partner for expenses that were classified as expenses in connection with construction and/or installation work as aforesaid, starting from February 23, 2017 (the date on which a decision was made for investment in the development of the Leviathan Reservoir) forth will be 3.5% in lieu of 7.5%.
In view of the results of the negotiations, the entitlement for the payment of operator fees to the General Partner for the period between February 23, 2017 and December 31, 2019, has decreased by a cumulative sum of approx. $3.7 million. The decrease was reflected in the "oil and gas exploration expenses" item in the Statement of Other Comprehensive Income or Loss in 2019.

Note 24 – Transactions and Balances with Interested Parties and Related Parties (Cont.):

For details regarding a motion for certification of a derivative suit against the General Partner, the Supervisor and the directors of the General Partner, in connection with the operator fees in respect of construction work, which was filed with the Tel Aviv District Court, and ended with a settlement, see Note 25D1 below.

d) On May 27, 2021, the general meeting of the holders of the Participation Units approved a management services arrangement between the Partnership and the General Partner, in lieu of the fixed payments paid to the General Partner as specified in Section (b) above and in lieu of the operator fees as specified in Section (c) above, according to which, for the provision to the Partnership of management services, consulting services, business development services, advise and support in areas of funding and financing, strategy, collaborations, crisis management and other services necessary for the management of the Partnership's business, which will be provided through officers of the General Partner, whom the Partnership and the General Partner consider as control holders of the General Partner, the General Partner will be entitled to receive management fees from the Partnership totaling $95,000, plus VAT, each month. All other management expenses of the Partnership and the General Partner, of whatever kind, will be borne by the Partnership. In addition, and in accordance with the provisions of Section 65YY(g)(1) of the Partnerships Ordinance, the Partnership shall reimburse the General Partner any and all management expenses of the Partnership actually borne by the General Partner, except such expenses to be paid, directly or indirectly, to the control holders of the General Partner and expenses for which the control holders of the General Partner have a personal interest in their payment, provided that such expenses to be paid for the purpose of engaging with a director as to the terms of his office and employment, will be in accordance with the law. The aforesaid management services arrangement commenced on April 23, 2021 and will be in effect for three years.

e) Payment of an overriding royalty to the General Partner, at an overall rate of 6% (6% overriding royalty before payout), of any share thereof in the petroleum to be produced and utilized from the petroleum assets in which it has an interest or shall have an interest in the future, up to the reimbursement of expenses expended thereby for the purpose of oil and gas exploration (before the deduction of royalties of whatever type, but after the deduction of the oil to be used for the purpose of the production itself), and at a rate of 8% (8% overriding royalty after payout) after the reimbursement of its expenses, as aforesaid.
The term "reimbursement of expenses" was defined as the date on which the Partnership recovers all of its investments and expenses in the performance of oil exploration, including expenses of oil exploration, drilling, well development, pipeline placement and storage tanks in the area of the prospect, but with the exception of overriding royalty paid until the reimbursement of expenses.

Note 24 – Transactions and Balances with Interested Parties and Related Parties (Cont.):

The General Partner is entitled to receive the said overriding royalty or part thereof in kind, i.e. to receive in kind part of the petroleum that shall be produced or utilized from the petroleum assets in which the Partnership has an interest (up to the amount of the rate mentioned above).
If the General Partner chooses to receive the royalty in kind, the parties shall regulate the methods by which and the dates on which the General Partner shall receive the royalty.
If the General Partner chooses not to receive the overriding royalty in kind, the Partnership shall pay the General Partner the market value in Dollars or (if, according to law, it will not be possible to pay, other than in Israeli currency) in Israeli currency, calculated in Dollars according to the representative rate of the Dollar at the time of actual payment, at the wellhead, of the overriding royalty due to the General Partner. Such payment will be made once a month.
Measurement of the quantities of petroleum that shall be produced and utilized from the petroleum assets for the purpose of calculation of the overriding royalty due to the General Partner will be performed in accordance with accepted principles in the petroleum industry.

f) The founders agreement made by and between the shareholders of the General Partner in December 1992 provides that the General Partner will endorse and transfer to Eitan Aizenberg Ltd. (a company which is an interested party in the General Partner and serves as the Partnership's geological consultant) one half of the General Partner's overriding royalty, i.e., 3% of any petroleum produced until the reimbursement of expenses and 4% of any petroleum produced after the reimbursement of expenses.

2) In accordance with a geological consultancy agreement of December 10, 1992, as amended in January 1993 and in June 2001, the General Partner, on behalf of the Partnership, retained the services of Eitan Aizenberg Ltd., which serves as the Partnership's geological consultant, through Mr. Eitan Aizenberg, in consideration for $12,000 per month (plus VAT), plus reimbursement of expenses in a sum not to exceed $750 per month against receipts.

3) In accordance with the trust agreement of January 19, 1993 (as amended from time to time), the Supervisor was entitled to receive a monthly fee in ILS equal to $3,000 per month (plus VAT). According to a resolution of the general meeting dated May 27, 2021, starting from June 2021, the Supervisor is entitled to receive a monthly fee in ILS equal to $6,000 per month (plus VAT). The Supervisor is also entitled to additional fees in the case of future issuances, for its additional work entailed by the issuance. The additional fees will be paid for actual work according to the Supervisor's standard rates per working hour up to an amount equal to U.S. $10,000 (plus VAT) for the processing of one issuance.

4) Loan agreements in relation to the bonds:

On November 9, 2016, Ratio Financing entered into a loan agreement with the Partnership in relation to the Series B Bonds, on December 3, 2017, Ratio

Note 24 – Transactions and Balances with Interested Parties and Related Parties (Cont.):

Financing entered into a loan agreement with the Partnership in relation to the Series C Bonds and on July 4, 2021, Ratio Financing entered into a loan agreement with the Partnership in relation to the Series D Bonds (the "**Loans**").

The principles of such loan agreements are as follows:

a) Ratio Financing undertook to transfer to the Partnership the issue proceeds (net of issue expenses) for each of the bond series and on the same terms as each of the bond series ("Back To Back"), as non-recourse loans.

b) The Partnership has undertaken that the Loans would be used thereby solely for the purpose of financing its share of the expenses related to the Leviathan Leases (as well as for Series C Bonds and Series D Bonds, including for the purpose of refinancing its debts in relation to the financing of its share of the expenses related to the Leviathan Leases).

c) The Partnership has undertaken to repay Ratio Financing a sum equal to the sum of the par value of each of the bond series (the "**Loan Amount**") plus the then-applicable interest and on the same and terms and payment due dates as each of the bond series as described in Note 11B above.

d) The Loans were initially recognized at fair value, net of issue expenses. In subsequent periods, the Loans are measured at amortized cost. Any difference between the issue proceeds (net of issue expenses) and the issued par value is recognized in the income statement over the loan period, according to the effective interest method.

e) Notwithstanding the aforesaid, the Partnership may prepay each one of the Loans (the Loan Amount plus interest) at any time. It is agreed that in the event of full or partial prepayment of the relevant loan, early redemption of the bonds against which the loan was extended shall be carried out at the same time and in the same amounts.
Furthermore, each one of the loan agreements provides that if the bonds are accelerated for any reason, Ratio Financing is entitled to accelerate the loan for such bond, and the acceleration of the bonds will in itself be deemed as sufficient grounds therefor.

The loan agreement in connection with the Series C Bonds and Series D Bonds provides that the Partnership may also prepay any amount out of the loan (the principal of the loan plus interest), contingent upon the repurchase of the bonds by Ratio Financing, in accordance with the provisions of the indenture and of any law.
The loan agreement in connection with the Series D Bonds provides that the Partnership will be required to repay the outstanding balance of the loan by early redemption in the event that the Partnership sells its full rights in the Leviathan Leases, and all as specified in the loan agreement and in the indenture. In such cases, Ratio Financing will simultaneously make early redemption of the Series D Bonds in the same amounts.

Note 24 – Transactions and Balances with Interested Parties and Related Parties (Cont.):

f) To secure the repayment of the Loans (the Loan principal plus interest), the Partnership has granted Ratio Financing, with respect to each loan separately, the right to receive a pecuniary royalty from the Partnership's share in the gas and oil to be produced and utilized from the Leviathan Reservoir only (the "**Royalties**") (see Note 11 with respect to the registration of the pledge over the royalty), as specified below.
Such rights, which were granted with respect to each loan separately, are to secure all of Ratio Financing's undertakings in relation to each of the bond series, including the full and timely repayment thereof, including the payments of principal and interest.
The creation of the pledge in relation to each of the bond series, is by way of registration thereof in the Petroleum Register and with the Registrar of Companies. The registration of all the pledges, under the indenture for the Series B Bonds, the indenture for the Series C Bonds and the indenture for the Series D Bonds, has been completed. See Note 11.

(1) Ratio Financing is entitled to a royalty immediately against the provision of each one of the Loans to the Partnership. However, actual proceeds by virtue of the royalty will be paid to the Company only if the loan (the Loan Amount plus interest) is not repaid by (and including) the last repayment due date or, with respect to the Series D Bonds, when there was ground for acceleration of the loan (the "**Effective Date for Receipt of Proceeds by Virtue of the Royalty**"), whichever is earlier.
Furthermore, the receipt of proceeds by virtue of the royalty (with respect to each loan separately) will be deferred until the payment of senior debts by the Partnership, as specified in Section 6 below.

(2) Only after the full and final repayment of all of the amounts owed by the Partnership to Ratio Financing according to each one of the loan agreements, including the Loan Amount (plus the interest) by (and including) the last repayment and the final settlement of all of the undertakings to the bondholders in accordance with the indentures, the right of Ratio Financing to receive the royalty shall expire and in such a case the right of Ratio Financing (including anyone that shall step into its shoes) to receive the royalty shall automatically revoke. In such a case, Ratio Financing shall sign all documents required for the purpose of revocation of the royalty.

Note 24 – Transactions and Balances with Interested Parties and Related Parties (Cont.):

(3) Following are additional details with respect to the Royalties (the following details are presented in the singular form, but, unless otherwise stated, refer to the royalty for the Series B Bonds, the royalty for the Series C Bonds and the royalty for the Series D Bonds, and should be read separately for each of such series):

(a) The royalty will be paid with money from gas and oil to be produced and utilized from the Leviathan Reservoir only.

(b) The royalty for the Series B Bonds is at a rate of 10% which is calculated in relation to a rate of 10% (out of 100%) of the Leviathan Reservoir.

The royalty for the Series C Bonds and for the Series D Bonds is at a rate of 12% which is calculated in relation to a rate of 10% (out of 100%) of the Leviathan Reservoir. It is clarified that the royalty rate and the manner of calculation thereof as aforesaid will not change in the event of a change (whether increase or decrease) in the evaluation of the resources and DCF figures in the Leviathan Reservoir (see Note 24C).

(c) Notwithstanding the aforesaid, in the following cases, adjustments will be made to the royalty rate:

(1) In the event that partial prepayment of the loan and the bonds is made, the royalty rate shall not change, but will be calculated out of a rate of the Partnership's holdings in the Leviathan Reservoir according to the following calculation:

With respect to Series B Bonds:

$$10\% \ * \ \frac{\text{The balance of the new par value of the bonds}}{\text{The par value of the bonds on the date of provision of the loan}}$$

With respect to Series C Bonds and Series D Bonds:

$$12\% \ * \ \frac{\text{The balance of the new par value of the bonds}}{\text{The par value of the bonds on the date of provision of the loan}}$$

(2) In the event that the Partnership sells some of its holdings in the Leviathan Reservoir, such that its new holding rate in the reservoir falls below 10% (out of 100%), without prepayment of the loan and the bonds being made – the royalty rate will be revised according to the following calculation and will be recorded with respect to the part of the new holding rate:

Note 24 – Transactions and Balances with Interested Parties and Related Parties (Cont.):

$$\text{New royalty rate} = \frac{\text{Old royalty rate}}{X}$$

$$X \text{ being} = \frac{\text{The new holding rate in the reservoir}}{10\%}$$

(d) The Partnership shall pay the royalty to Ratio Financing in Dollars or (if, by law, only payment in Israeli currency is permitted) in Israeli currency, it being calculated in Dollars according to the representative rate of the Dollar at the time of actual payment, calculated according to the price at the wellhead. Such payment will be made once a month. The indentures for the bond series provide that any tax and/or levy etc. that are required by law to be withheld, including by virtue of the Taxation of Profits from Natural Resources Law, 5771-2011, shall be deducted from the royalty.

(e) The measurement of the quantities of gas and oil to be produced and utilized from the Leviathan Reservoir for the purpose of calculation of the royalty, insofar as relevant, shall be made in the same manner as the measurement for the purpose of payment of royalties to the State under the Petroleum Law. The royalty will be calculated only in relation to the quantities of gas and oil to be produced and utilized from the Leviathan Reservoir as of the effective date for receipt of proceeds by virtue of the royalty.

(f) The right to such royalty shall be partially linked in accordance with the mechanism specified above, to the Partnership's share in the Leviathan Reservoir (limited to 10% out of 100% and subject to adjustments, as aforesaid). If the Partnership sells part of its holdings in the Leviathan Reservoir, the royalty rate will be increased in relation to the relative share in the Leviathan Reservoir that will remain in the Partnership's possession, in a manner that reflects such weighted rate of royalty to the Company.

(g) The royalty shall be paid out of the Partnership's revenues from gas and oil to be produced and utilized from the Leviathan Reservoir, after and subject to the making of payments as follows: payment of royalties to the State under the Petroleum Law (and/or any and all burdens and/or levies etc. under law), the payment of overriding royalties to the General Partner of the Partnership, and to Eitan Aizenberg Ltd. (the Partnership's geologist), as well as current payments to financial corporations that have extended and/or shall extend financing to the Partnership for the development of the Leviathan Leases (see Note 11).

Note 24 – Transactions and Balances with Interested Parties and Related Parties (Cont.):

(h) The right to receive monies by virtue of the royalty will be limited to the amount of the balance of the principal of the bonds plus the interest and arrears interest (as defined in the indentures) borne thereby (the indenture for Series C Bonds and the indenture for Series D Bonds provide that the right will include additional mounts that the Partnership will be liable towards Ratio Financing according to the loan agreement), and upon payment of such amount in full, Ratio Financing's right to receive the royalty shall expire and the royalty shall expire and be revoked. In such a case, Ratio Financing and/or the trustee, as applicable, will sign all documents required for the purpose of revocation of the royalty and for the removal of the pledge to be registered thereon.

(i) It is clarified that the royalty rate will not be revised in the case of expansion of the Series C Bonds and expansion of the Series D Bonds up to the Maximum Series Size, as specified in Note 11.
Notwithstanding the aforesaid, in the event that Ratio Financing chooses to expand the Series D Bonds over and above the maximum series size, up to the additional maximum series size, the royalty rate will be updated to the rate of the additional royalty as defined below.

For the avoidance of doubt, the additional royalty (with respect to the Series D bonds) will be calculated similarly to Section (c)4F above, with respect to a rate of 10% (out of 100%) of the Leviathan Reservoir, according to the following calculation (subject to the creation and registration of pledges (in the same method as the pledge over the royalty) on the additional royalty (the "**Additional Royalty**") that the Partnership will grant Ratio Financing, if any):

$$12\% * \frac{\text{The balance of the new par value of the bonds}}{\text{The par value of the maximum series size}}$$

Note 24 – Transactions and Balances with Interested Parties and Related Parties (Cont.):

(j) It is clarified in the loan agreements that the Loans will not be secured by any other collateral on the Partnership's part (other than the interest cushion accounts, as described in Note 11B above).

Ratio Financing's only relief, collateral and remedy in the event of non-repayment of the loan on the last repayment date and/or when there is ground for acceleration of the loan, are the royalty, and Ratio Financing will have no right of action against the Partnership in such a case. Accordingly, it is agreed that as of the effective date for the receipt of proceeds under the royalty and subject to the payment of the royalty, the loan will be deemed to have been repaid in full.
Also within the framework of the loan agreements, the Partnership undertook to transfer to Ratio Financing, at Ratio Financing's first written demand, the full amount that Ratio Financing is required to pay to the bondholders and/or the trustee and/or deposit in a trust account for the benefit of the bondholders and/or the trustee as part of Ratio Financing's undertaking for indemnification and/or payment of expenses in the indenture for the bonds.

g) As of the date of approval of the financial statements, the Partnership complies with all of its undertakings under the loan agreements, including the grant of the royalty to Ratio Financing as described in Note 11B and the pledge of the Partnership's rights in the interest cushion account as described in Note 11B4D. In addition, all of the collateral pledge registrations have been completed in accordance with the indentures for the bonds.

The following table presents the book value and fair value of the Loans to the Partnership:

	As of December 31	
	2021	2020
	$ in thousands	
Loans to the Partnership:		
Loan to the Partnership (Series B)*	**131,455	**201,189
Loan to the Partnership (Series C)***	129,047	196,145
Loan to the Partnership (Series D)****	91,653	-
Fair value:		
Loan to the Partnership (Series B)	**138,901	**209,225
Loan to the Partnership (Series C)	131,953	195,143
Loan to the Partnership (Series D)****	96,434	-

Note 24 – Transactions and Balances with Interested Parties and Related Parties (Cont.):

* As of December 31, 2021 and 2020, the balance of the loan for the Series B Bonds includes interest receivable in the sum of approx. $6,904 thousand and $10,170 thousand, respectively.

** The balances are net of Series B Bonds that were purchased by the Partnership as aforesaid in Note 11B4.

*** As of December 31, 2021 and 2020, the balance of the loan for the Series C Bonds includes interest receivable in the sum of approx. $4,036 thousand and approx. $6,054 thousand, respectively.

**** As of December 31, 2021, the balance of the loan for the Series D Bonds includes interest receivable in the sum of approx. $883 thousand.

5) Purchase of Series B Bonds and Series C Bonds of Ratio Financing – See Note 11B.

6) Loan agreement in relation to loans from banking corporations

The Partnership has entered into a loan agreement with the Leviathan Development Company (the "**Loan Agreement with the Partnership" and/or "Loan to the Partnership**") in relation to the Financing Agreement as set forth in Note 11A above. The principles of such loan agreement are as follows:

a) The Leviathan Development Company undertook to provide the Partnership with the funds of the loans to be received under the Financing Agreement ("Back To Back"), as limited-recourse Dollar loans (the "**Loans**"). The Partnership undertook that the Loans would be used thereby solely for the purpose of financing its share of the expenses related to the Leviathan Project.

b) The Partnership has undertaken to repay the Leviathan Development Company a sum equal to the sum of the Loans transferred therefrom plus the then-applicable interest and on the same payment due dates in accordance with the Financing Agreement.

c) The Loans bear interest which is identical to the interest stipulated in the Financing Agreement. The interest will be paid on the same dates on which the Leviathan Development Company is required to pay interest to the lenders.

d) The Leviathan Development Company may require the Partnership to prepay the Loans (the sum of the relevant loan plus interest) at any time.

Note 24 – Transactions and Balances with Interested Parties and Related Parties (Cont.):

e) Furthermore, the Partnership will bear all of the related expenses in relation to the Financing Agreement, as well as all expenses of the Leviathan Development Company, including expenses entailed by the operations thereof.

7) Management and consultancy services agreement

On September 14, 2014, the Partnership and Ratio Financing entered into an agreement for the receipt of management and consultancy services (the "**Agreement**").

According to the Agreement, as of October 2014, the Partnership provides Ratio Financing, free of charge, with management and consultancy services that include, *inter alia*, the following main services: CEO services, director services, bookkeeping and comptrollership services, office and secretarial services, legal advice and company secretary services, information system services, consultancy services on various issues, use of the Partnership's offices, as well as additional services, to the extent required by Ratio Financing and with the Partnership's consent (jointly: the "**Management and Consultancy Services**").
The Management and Consultancy Services are provided to Ratio Financing by the Partnership and/or the General Partner thereof through functionaries and consultants employed thereby (the "**Service Providers**").

Note 24 – Transactions and Balances with Interested Parties and Related Parties (Cont.):

The identity of the Service Providers is determined by the Partnership, according to the Partnership's discretion, and may change from time to time according to the Partnership's decisions and subject to any law.
The Management and Consultancy Services are provided in a scope and according to Ratio Financing's needs, with no obligation for a minimum number of hours. It is agreed that there shall be no employment relations between Ratio Financing and the Service Providers, and an arrangement for the indemnification of Ratio Financing by the Partnership has been determined, in case it is determined that a service provider was or is an employee of Ratio Financing.
Furthermore, Ratio Financing does not pay director compensation to the Service Providers who are members of the board and board committees of Ratio Financing (other than outside directors and independent directors holding office in Ratio Financing). The Partnership bears, free of charge, all of the expenses entailed by Ratio Financing's issuances and all current expenses entailed by the management and operation of Ratio Financing that are not listed above, including, directors and officers liability insurance, compensation of outside directors and other officers to hold office in Ratio Financing, the fees of attorneys, accountants, tax advisors, outside consultants, various levies, payments and taxes, etc.

Moreover, the Partnership bears any liability or expense for which Ratio Financing is liable in relation to the indemnification letters that Ratio Financing grants the directors and officers thereof.
The Agreement will be effective until the date on which all reporting duties of Ratio Financing under the Securities Law come to an end or until the date on which Ratio Financing notifies the Partnership of the termination of the agreement, whichever is earlier.

The following table presents transactions with consolidated companies (that are cancelled out in the consolidation of the Financial Statements), which are "Back To Back" with such transactions in identical sums vis-à-vis third parties:

	Sums of the Transactions		
	2021	2020	2019
	$ in thousands		
Expenses of interest and discount in respect of bonds**	29,268	27,729	*27,037
Expenses from exchange rate differences in respect of bonds**	4,410	14,518	*15,596
Indemnification for reimbursement of expenses in the context of a loan agreement with Ratio Financing	191	117	124
Expenses of interest, discount and fees in respect of a loan agreement with Leviathan Development	24,277	31,267	25,598

* A sum of approx. $51,716 thousand was capitalized to investments in oil and gas assets.
** The balances do not take into account the offset in respect of the Series B bonds purchased by the Partnership as provided in Note 11B4 above.

Note 25 – Engagements and Contingencies:

A. With respect to the Partnership's engagements pertaining to the various licenses and permits, see Note 8 above.

B. With respect to Partnership's engagements with interested parties and other related parties, see Note 24 above.

C. Engagements for the sale of natural gas:

1) Agreements for the sale of natural gas from the Leviathan Project:

The Partnership and the other Leviathan Partners signed several agreements for the supply of natural gas from the Leviathan Project. Below is summary information about the binding agreements as of the date of the report (1):

	Year of commencement of supply	**Period of the agreement (2)**	**Total contractual quantity for supply (100%) (BCM) (3)**	**Total quantity supplied by December 31, 2021 (100%) (BCM)**	**Primary linkage base for the gas price**
Independent power producers (4)	2020, or the date of commencement of commercial operation of the buyers' power plant (whichever is later)	Some of the agreements are for a short period of up to about two and a half years, and the rest are for a long-term of 14 to 25 years. Part of the agreements grant each party an option to extend the agreement in the event that the total quantity is not purchased.	Approx. 40	Approx. 3.2	In the majority of the agreements the linkage formula of the gas price is based on the Electricity Production Tariff and includes a "floor price". In a number of short-term agreements there is a fixed price that is not linked.
Industrial customers	2020	Some of the agreements are for a period of 5 to 15 years and the rest are for a short period of up to about two years. In the majority of the agreements, the parties are not granted an option to extend the term of the agreement	Approx. 5	Approx. 0.7	In the majority of the agreements the linkage formula is based in part on linkage to the Brent prices and in part to the Electricity Production Tariff, and includes a "floor price". There is partial linkage also to the refining margin index and to the general TAOZ index published by the IEC.
Export Agreement - NEPCO	2020	15 years The agreement stipulates that in the event that the buyer does not purchase the total contractual quantity in the basic period, the basic supply period will be extended by another two years	Approx. 45	Approx. 4.6	The linkage formula is based on linkage to the Brent prices and includes a "floor price".
Export Agreement – Blue Ocean	2020	15 years The agreement stipulates that in the event that the buyer does not purchase the total contractual quantity, the supply period will be extended by another two years	Approx. 60	Approx. 5.3	The linkage formula is based on linkage to the Brent prices and includes a "floor price". The agreement includes a mechanism for updating the price by up to 10% (up or down) after the fifth year and after the tenth year of the agreement, upon fulfillment of certain conditions determined in the agreement.
Total (5)			**Approx. 150**	**Approx. 13.8**	

Note 25 – Engagements and Contingencies (Cont.):

(1) It is noted that the data in the table do not include agreements for the supply of natural gas from the Leviathan project that are on an interruptible basis, and do not include other agreements that have terminated, including the agreement with the IEC, as specified in Section F below.

(2) In the majority of the agreements, the agreement period may terminate on the date when the total contract quantity set forth in the agreement was supplied to the customers.

(3) Such quantity is the total quantity that the Leviathan Partners committed to supply to the customers during the period of the agreements, however, the quantity the customers committed to buy is lower than such quantity. Note that there are agreements in which a mechanism was established whereby the buyer may increase/decrease the purchased quantities (including the total maximum quantity) in a notice to be provided by the date set forth in the agreement, according to its needs and the provisions set forth in the agreement. Note that in several agreements the total quantity for supply is not stated.

(4) The data in the table include agreements, in which not all closing conditions have been fulfilled.

(5) It is noted that the total quantity supplied from the Leviathan Project by December 31, 2021 (100%) (both under the agreements appearing in the table and under the agreements that have terminated and agreements on an interruptible basis) is approx. 18 BCM. The amounts in the table may not add up due to rounding-off differentials.

Below are further details with respect to all of the agreements for sale of natural gas to the domestic market that were signed by the Partnership and the other partners in the Leviathan Reservoir:

In each of the aforesaid natural gas sale agreements, other than in the agreement with the IEC mentioned in Section (F) below and except for several other supply agreements on an interruptible basis and on SPOT basis, the buyers undertook to take or pay for a minimum annual quantity of natural gas in such scope and according to such mechanism as determined in the supply agreement (the "**Binding Agreements**" and the "**Minimum Quantity**", as the case may be). The Binding Agreements further establish a mechanism of accumulation of a balance in respect of surplus amounts consumed by the buyers in a specific year and the utilization thereof for reducing the buyers' obligation to purchase such Minimum Quantity for several years thereafter. Furthermore, provisions and mechanisms are provided, which allow each of the buyers, after paying for gas not consumed thereby due to the application of the Minimum Quantity mechanism as aforesaid, to receive gas with no additional payment up to the quantity they paid for gas they did not consume.

Note 25 – Engagements and Contingencies (Cont.):

In accordance with the Gas Framework, each of the buyers in the domestic market, in agreements that were signed by June 13, 2017 and for a period that exceeds 8 years, was given an option to reduce the Minimum Quantity to a quantity that is equal to approx. 50% of the average annual quantity it actually consumed in the three years preceding the date of the notice of exercise of the option, subject to adjustments as determined in the supply agreement. Upon reduction of the Minimum Quantity, the other quantities determined in the supply agreement will be reduced accordingly. Each one of the said buyers may exercise the above option with a notice, to be given to the sellers during a period of 3 years which shall commence according to the later of the two following dates: 5 years after the date of commencement of the gas flow from the Leviathan Project to the buyer or 4 years from the date on which the Commissioner approved the transfer of the rights in the Karish and Tanin leases in accordance with the Gas Framework (such approval was given on February 13, 2016). If the buyer shall have given notice of the exercise of the said option, the quantity will be decreased 12 months after the date the notice was given.

The supply agreements were made conditional on several conditions precedent including, inter *alia*, receipt of the required approvals from the buyers in relation to the agreement.

As of the report release date, the closing conditions for the majority of the supply agreements signed by the Partnership were met.

The supply agreements set forth additional provisions, *inter alia*, on the following subjects: a right to terminate the agreement in the event of the breach of a material undertaking, a right of the Leviathan Partners to supply gas to the said buyers from other natural gas sources, compensation mechanisms in the event of a delay in the gas supply from the Leviathan Project or in the event of a failure to supply the contract quantities, limits to the liability of the parties to the agreement, and with respect to the internal relationship among the sellers with respect to the supply of gas to the said buyers.

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

In September 2016, an agreement for the supply of natural gas was signed between Noble Jordan Marketing Limited (the "**Marketing Company**") and NEPCO (the "**Export to Jordan Agreement**"). The Marketing Company is a company wholly owned by the partners in the Leviathan Project, which hold it in a proportionate rate to the rate of their holdings in the Leviathan Project (the Partnership's share – 15%).

Note 25 – Engagements and Contingencies (Cont.):

According to the Export to Jordan Agreement, the Marketing Company undertook to supply natural gas to NEPCO for a period of approx. 15 years after the commencement of the commercial supply or until the total supply amount will be approx. 45 BCM. The supply of gas to NEPCO commenced on January 1, 2020. NEPCO undertook to take or pay for a minimum annual gas quantity, in such scope and according to such mechanism as determined in the Export Agreement.

The delivery point of the gas is at the exit from the Israeli transmission system at the border between Israel and Jordan. The Israeli transmission system until the border between Israel and Jordan to the Jordanian system has been completed. The total costs that were accrued due to the construction of such transmission system until the date of the Financial Statements amounted to approx. $120 million (100%) (the Partnership's share, approx. $18 million) and are presented under other long-term assets, see Note 9.

For details on a tax decision in relation to the Export to Jordan Agreement, see Note 14A4.

b) Agreement for the export of natural gas from the Leviathan Project to Blue Ocean

In February 2018, an agreement was signed between NewMed and Chevron (collectively: the "**Sellers**") and between Blue Ocean (the "**Buyer**") (the agreement was signed with Dolphinus Holdings Limited that in June 2020 assigned the agreement for the export to Egypt to an affiliate – Blue Ocean Energy) for the export of natural gas from the Leviathan Project to Egypt (the "**Original Export Agreement**"). On September 26, 2018, NewMed and Chevron assigned to the Leviathan Partners (including to the Partnership) the Original Export Agreement.

On September 26, 2019, signatures on an agreement for the amendment to the Original Export Agreement (the "**Amendment to the Agreement**" or the "**Export from Leviathan Agreement**") were completed. The total contract quantity of gas which the Leviathan Partners undertook to supply to the Buyer under the Amendment to the Agreement is on a firm basis and has increased substantially to approx. 60 BCM (compared with 32 BCM according to the Original Export Agreement) (the "**Total Contract Quantity**"). The supply according to the Amendment to the Agreement shall commence on January 1, 2020, and end by December 31, 2034, or until the supply of all of the Total Contract Quantity, whichever is earlier ("**Date of Termination of the Agreement**").

Note 25 – Engagements and Contingencies (Cont.):

According to the Amendment to the Agreement, the Leviathan Partners undertook to supply to the Buyer quantities of gas as follows: (1) approx. 2.1 BCM per year for the period commencing on January 1, 2020 and ending on June 30, 2020; (2) approx. 3.6 BCM per year for the period commencing on July 1, 2020 and ending on June 30, 2022; and (3) approx. 4.7 BCM per year for the period commencing on July 1, 2022 and ending on the Date of Termination of the Agreement.

Additional highlights regarding the Amendment to the Agreement:

(1) The supply of gas began on January 15, 2020 and will be until December 31, 2034 or until the supply of the Total Contract Quantity, whichever is earlier. In the event that the Buyer does not purchase the Total Contract Quantity, each party shall be entitled to extend the supply period by an additional two years.

(2) Blue Ocean undertook to take or pay for a minimum annual quantity in the scope and in accordance with the mechanism established in the Amendment to Agreement which, *inter alia,* enables Blue Ocean to decrease the minimum annual quantity in a year where the average daily price of the Brent (as defined in the Agreement) dropped below $50 per barrel, such that the aforesaid quantity will be 50% of the annual contract quantity. The Amendment to the Agreement further stipulates that in the event that the Buyer does not buy the Total Contract Quantity, each party may extend the supply period by another two years.

(3) The price of the gas supplied to the Buyer under the Amendment to the Agreement shall be determined according to a formula based on the Brent oil barrel prices and includes a "floor price". The Amendment to the Agreement includes a mechanism for updating the price by up to 10% (up or down) after the fifth year and after the tenth year of the agreement, upon fulfillment of certain conditions determined in the agreement.

(4) The Partnership's estimation regarding the scope of the revenues expected from the Amendment to the Agreement increased in accordance with the increase in the Total Contract Quantity according to the Amendment to the Agreement, compared with the contract quantity according to the Original Export Agreement.
It is further noted that the scope of the actual revenues will be derived from a gamut of factors, including the quantities of gas that will actually be purchased by Blue Ocean and the Brent prices at the time of sale. Note that on the date of signing the Original Export Agreement, NewMed estimated that the scope of the revenues accrued to the Leviathan Partners from the sale of natural gas to Blue Ocean may amount to approx. $7.5 billion.

Note 25 – Engagements and Contingencies (Cont.):

(5) The Amendment to the Agreement includes customary provisions relating to the termination of the agreement, and also provisions in the event of termination of the export agreement between the Buyer and all of the partners of the Tamar reservoir (the "**Tamar Partners**") as a result of its breach, and the non-consent of the Leviathan Partners to supply also the quantities according to the export agreement between the Buyer and the Tamar Partners, and also includes compensation mechanisms in such an event.

c) Capacity allocation agreement ("**Capacity Allocation Agreement**")

Concurrently with the signing Partners of the Amendment to the Agreement, the Leviathan Partners and the Tamar signed an agreement in connection with the allocation of the available capacity in the transmission system from Israel to Egypt.

The allocation of the capacity in the transmission system from Israel to Egypt (EMG pipeline and the transmission pipeline in Israel) shall be on a daily basis, in order of precedence, as follows:

(1) First layer – Up to 350,000 MMbtu per day will be allocated in favor of the Leviathan Partners.
(2) Second layer – The capacity beyond the first layer, up to 150,000 MMbtu per day until June 30, 2022 (the "**Date of Increase of Capacity**") and 200,000 MMbtu per day after the Date of Increase of Capacity will be allocated in favor of the Tamar Partners.
(3) Third layer – Any additional capacity beyond the second layer shall be allocated in favor of the Leviathan Partners.
The Capacity Allocation Agreement stipulates that the Leviathan Partners shall pay $200 million (the "**Leviathan Participation Fees**") and the Tamar Partners shall pay $50 million (the "**Tamar Participation Fees**") which will be used by Chevron and NewMed as part of the consideration paid thereby in the transaction for the purchase of shares in EMG and for the purchase of rights in the EMG pipeline (the "**EMG Transaction**") on the date of the closing the EMG Transaction, in exchange for an undertaking to allow natural gas flow from the Leviathan and Tamar reservoirs and to ensure capacity in the EMG pipeline and all for the realization of the aforesaid Export Agreement and an export agreement signed between the Buyer and the Tamar Partners. It is noted that the final Leviathan Participation Fees and Tamar Participation Fees will be determined as of June 30, 2022, in accordance with the proportion of gas quantities actually supplied by the Leviathan Partners and the Tamar Partners through the EMG pipeline up to such date (including gas quantities not yet supplied and paid for under the take or pay undertaking).

The Capacity Allocation Agreement also determined arrangements for participation in the costs of the EMG Transaction and additional costs in connection with the piping of gas, as well as investments that will be required for the maximum utilization of the EMG pipeline capacity, to be paid in an allocation between the Leviathan Partners and the Tamar Partners.

Note 25 – Engagements and Contingencies (Cont.):

The Capacity Allocation Agreement also determines principles for a "backup" arrangement between the Tamar Partners and the Leviathan Partners, whereby from June 30, 2020 until the Date of Increase of Capacity, if the Tamar Partners are unable to supply the quantities they undertook to supply to the Buyer, the Leviathan Partners shall supply the Tamar Partners with the required quantities, in accordance with the terms of an arrangement to be signed between the Tamar Partners and the Leviathan Partners. In January 2021 such backup agreement was signed.
The term of the Capacity Allocation Agreement is until the termination of the Export from Leviathan Agreement and the export agreement between the Buyer and the Tamar Partners, unless terminated earlier in the following cases: a breach of payment obligation which is not remedied by the breaching party; in the event that the Competition Authority has not approved the extension of the Capacity Lease & Operatorship Agreement signed between a company owned by Chevron, NewMed and an Egyptian partner (EMED) and between EMG beyond a period of 10 years in accordance with the decision of the Competition Commissioner. Each party will also have the right to terminate its share in the Capacity Allocation Agreement insofar as its export agreement is revoked.

For details on a tax decision in relation to the Export to Jordan Agreement, see Note 14A5.

d) Engagement in a transmission agreement for the purpose of export of gas to Egypt

On March 26, 2020, the Natural Gas Commission published an addendum to the decision of September 7, 2014 regarding the financing of projects for export via the Israeli transmission system and division of the costs of construction of the Ashdod-Ashkelon combined section. The addendum to the decision determines, *inter alia*, that the offshore section of the transmission system, which is planned to be built such that it begins at the terminal in Ashdod and ends at the connection facility in the export facilities of Prima Gas Ltd., is a combined section (the "**Combined Section**").

On January 18, 2021, Chevron engaged with INGL in an agreement for provision of transmission services on a firm basis for the purpose of piping of natural gas from the Leviathan reservoir and the Tamar reservoir to EMG's terminal in Ashkelon for purpose of export to Egypt (the "**Transmission Agreement**"). Herewith is a concise description of the heads of the Transmission Agreement:

(1) INGL undertook to provide transmission services for the natural gas that shall be supplied from the Leviathan Reservoir and from the Tamar reservoir, including maintaining an annual base capacity in the transmission system of approx. 5.5 BCM (the "**Base Capacity**"). For the transmission services in relation to the Base Capacity, Chevron will pay capacity fees and a payment for the gas quantity that shall actually be piped (throughput), in accordance with the accepted transmission rates in Israel, as shall be updated from time to time.

Note 25 – Engagements and Contingencies (Cont.):

In addition, INGL undertook to provide transmission services on an interruptible basis of additional gas quantities over and above the Base Capacity, subject to the capacity that shall be available in the transmission system. For transmission of the additional quantities as aforesaid, Chevron will pay a transmission rate for transmission services on an interruptible basis in relation to the quantities that shall actually be piped.

(2) Chevron committed to payment of capacity fees for the piping of a gas quantity that shall be no less than 44 BCM throughout the term of the Transmission Agreement. If the parties agree on an increase in the Base Capacity, then the minimum quantity for piping as aforesaid will be increased accordingly.

(3) The gas flow will begin on the date on which INGL shall complete the construction of the Ashdod-Ashkelon transmission system section, in accordance with the provisions of the decision of the Natural Gas Commission in connection with the financing of projects for export via the Israeli transmission system, and division of the costs of the construction of the Ashdod-Ashkelon Combined Section (the aforementioned commission's decision) in a manner which will allow the piping of the full quantities under the Transmission Agreement (the "**Date of Commencement of the Piping** "). According to the Transmission Agreement, the Date of Commencement of the Piping is expected to be in the period between July 2022 and April 2023.

(4) The transmission period under the agreement for the provision of transmission services on an interruptible basis, in relation to the piping of natural gas from the Leviathan Reservoir and the Tamar reservoir to EMG's terminal in Ashkelon for the purpose of export to Egypt, which was signed in 2019 will be extended until January 1, 2024 or until the Date of Commencement of the Piping under the Transmission Agreement, whichever is earlier.

(5) The Transmission Agreement will end on the earlier of: 1) the date on which the total quantity that is piped is 44 BCM; 2) 8 years after the Date of Commencement of the Piping; or 3) upon expiration of INGL's transmission license. In the Partnership's estimation, upon expiration of the term of the Transmission Agreement, no difficulty is expected with extending it at the transmission license holder's standard capacity and transmission rates at such time.
The initial estimate of the total cost of construction of the Ashdod-Ashkelon Combined Section is approx. ILS 738.5 million. In accordance with the principles determined in the Commission's Decision, Noble undertook to pay for the Leviathan Partners' share and the Tamar project partners' (the "**Tamar Partners**") share, 56.5% of the total cost. Chevron also undertook to pay ILS 27 million for the Leviathan Partners' and the Tamar partners' share in the costs of accelerating the doubling of the Sorek-Nesher and Dor-Hagit sections.

Note 25 – Engagements and Contingencies (Cont.):

(6) In accordance with the Commission's Decision, the Leviathan Partners and the Tamar Partners will provide a bank guarantee to secure INGL's share in the cost of construction of the foregoing infrastructure, and to cover Noble's commitment to pay the capacity and transmission fees. The Leviathan Partners are required to provide several guarantees of approx. ILS 87 million.

(7) The Leviathan Partners and the Tamar Partners will bear the costs stated in Section 5 above and will provide the guarantees stated in Section 6 above at the rates of 69% and 31%, respectively.

(8) In the Partnership's estimation, its share in the cost of construction of the Ashdod-Ashkelon Combined Section according to the initial estimate in Section 5 above and the costs of accelerating the doubling of the Dor-Hagit and Sorek-Nesher transmission system sections may total approx. ILS 46 million and its share in guarantees (as mentioned in Section 6 above) is approx. ILS 47 million. The total costs that were accrued due to the Partnership's share in the construction of such section, as of the date of the financial statement, amounted to $11 million and are presented under other long-term assets.

(9) The Transmission Agreement determines that if the export of natural gas from the Leviathan Project and from the Tamar project to Egypt stops, Chevron will be entitled to terminate the Transmission Agreement subject to payment of compensation to INGL due to the early termination, in an amount equal to 120% of the costs of construction of the Ashdod-Ashkelon Combined Section, plus the costs of accelerating the doubling of the Dor-Hagit and Sorek-Nesher sections, net of the amounts Chevron paid until the date of the termination in respect of such construction and acceleration costs and in respect of the piping of the gas under the Transmission Agreement. If, after the termination of the Transmission Agreement, export to Egypt resumes, then the Transmission Agreement will be renewed subject to and in accordance with the capacity that will be available in the transmission system at such time.

Concurrently with the signing of the Transmission Agreement, the Leviathan Partners and the Tamar Partners signed an agreement (the "**Services Agreement**") which determined that the Leviathan Partners and the Tamar Partners will be entitled to transmit gas (through Chevron) under the Transmission Agreement, and will be responsible for fulfillment of Chevron's undertakings under the Transmission Agreement, as if the Leviathan Partners and the Tamar Partners were a party to the Transmission Agreement in Chevron's stead, each according to its share, as determined in the Capacity Allocation Agreement between the Leviathan Partners and the Tamar Partners. The Services Agreement further determined that the Base Capacity that is kept in the transmission system for Chevron will be allocated between the Leviathan Partners and the Tamar Partners according to the rates specified in Section G above, and according to the order set forth in the Capacity Allocation Agreement.

Note 25 – Engagements and Contingencies (Cont.):

Notwithstanding the provisions of the Capacity Allocation Agreement, the Leviathan Partners and the Tamar Partners will bear capacity fees at a fixed ratio of 69% (the Leviathan partners) and 31% (the Tamar Partners), except in a case where a party (the Leviathan Partners or the Tamar Partners, as the case may be) used its available share in the capacity of the other party.

To the best of the Partnership's knowledge, the transmission system was planned to enable transmission of the entire contract quantity set forth in the agreements for export from the Leviathan Reservoir and the Tamar reservoir.

It is further noted that to the Partnership's best knowledge, according to INGL's updated work plan, the Date of Commencement of the Piping is expected in April 2023 (according to the range agreed under the above agreement). Such information is based on assessments and estimates of INGL as provided to the Partnership (through the Operator).

e) Accordingly, the Leviathan partners signed a set of agreements, the goal of which is to enable the transmission of natural gas as aforesaid (the "**Set of Agreements**"), comprised of the following agreements: an agreement between Chevron, through an affiliated company and FAJR, the Jordanian transmission company, for the provision of interruptible transmission services related to the transmission of natural gas from the Leviathan and Tamar reservoirs via the Jordanian transmission system, from the entry point at the Israeli-Jordanian border to the delivery point at the Jordanian-Egyptian border, near Aqaba (the "**FAJR Agreement**"). Payment pursuant to the FAJR Agreement will be made on the basis of the quantity of gas actually piped through the FAJR transmission system. Concurrently with the execution of the FAJR Agreement, Chevron and the other rights holders in Leviathan and Tamar, entered into a "back-to-back" service agreement, whereunder the rights holders in the Leviathan and Tamar reservoirs will be entitled to transmit gas via Chevron under the FAJR Agreement, and according to which, *inter alia*, the use of the FAJR transmission system for the purpose of exporting natural gas to Egypt from the Leviathan and Tamar reservoirs will be performed according to the mechanism, terms and priorities specified in the said agreement. An agreement between Chevron and INGL for the provision of interruptible transmission services in respect of the injection of natural gas from the Leviathan reservoir to the connection point to the FAJR transmission system at the Israeli-Jordanian border (the "**INGL Agreement**"). Payment pursuant to the INGL Agreement will be made on the basis of the quantity of gas actually piped through the INGL transmission system, subject to Chevron's undertaking to make payment for a minimum quantity as specified in the INGL Agreement. Furthermore, it was agreed that the INGL Agreement term shall be until January 1, 2023, unless terminated earlier as stated therein, or extended by mutual agreement of the parties, subject to the decisions of the Natural Gas Authority at that time. Concurrently with the execution of the INGL Agreement, Chevron and the other rights holders in Leviathan, entered into a "back-to-back" service agreement related to the INGL Agreement.

Note 25 – Engagements and Contingencies (Cont.):

An amendment to the export to Egypt agreement, stipulating, *inter alia*: that the delivery point in Aqaba, Jordan, be defined as an additional delivery point under the export to Egypt agreement; an arrangement whereby the calculation of quantities ordered by Blue Ocean and not supplied thereto, shall be made in 2022 on an annual basis, such that at the end of the year the parties will review the unsupplied quantities and offset the same against the quantities of gas that were supplied to Blue Ocean on a spot basis throughout the year; and adjustments to the price of natural gas that will be supplied at the aforesaid additional delivery point, according to the additional costs entailed by the transmission of gas from the additional delivery point, which shall be borne by Blue Ocean.

It is noted that since the said transmission agreements are for the provision of interruptible transmission services, there is no certainty, as of the Date of the Report herein that it would be possible to inject via Jordan the entire quantity which the right holders in Leviathan undertook to supply to Blue Ocean beginning on July 1, 2022. On March 1, 2022, injection of natural gas via Jordan to Egypt began, under the export to Egypt agreement and pursuant to the Set of Agreements.

f) Supply of natural gas to the Israel Electric Corporation Ltd.

On December 2, 2018, a request for proposals was delivered to the Partnership and the other partners in the Leviathan Reservoir by the IEC for the supply of natural gas at an annual quantity of up to 2 BCM, as estimated by the Partnership, to be supplied to the IEC from the later of October 1, 2019 or the date of commencement of production of gas from the Leviathan Reservoir, until the earlier of June 30, 2021 or the date of commencement of production of gas from the Karish reservoir.
According to the documents of the above request, during the aforesaid supply period, the IEC shall approach only the bidder who signs an agreement for the sale of gas, for the purpose of purchasing gas, according to its need, over and above the gas supplied thereto under the agreement for the supply of gas from the Tamar reservoir net of systemic fuels.
Further to the Leviathan Partners' submission of a bid as part of such request for proposals for the supply of natural gas, on April 4, 2019, the IEC notified the Leviathan Partners that their proposal was chosen as the winner of the competitive process.
On June 12, 2019, a natural gas supply agreement was signed between the Leviathan Partners and the IEC, whereby the IEC shall purchase from the Leviathan Partners natural gas based on available capacity (the "**Supply Agreement**" or the "**Leviathan Agreement**") in a total quantity over the Term of the Supply Agreement (as defined below) which is estimated by the Partnership at approx. 4 BCM (at 100% level).
The Term of the Supply Agreement shall commence on October 1, 2019, or on the date of commencement of gas production from the Leviathan Reservoir, whichever is later, and expire on June 30, 2021, or on the date of commencement of gas production from the "Karish" reservoir, whichever is earlier, unless the Term of the Supply Agreement expires earlier according to the terms and conditions of the Supply Agreement (the "**Term of the Supply Agreement**").

Note 25 – Engagements and Contingencies (Cont.):

Insofar as on June 30, 2021 gas production from the "Karish" reservoir shall not have begun, the parties may extend the Term of the Supply Agreement by mutual consent. The Supply Agreement sets a gas price that is not linked.

Upon commencement of the piping of natural gas from the Leviathan reservoir, the piping of natural gas to the IEC also began.

Concurrently, on April 18, 2019, some of the Tamar Partners (on such date) – Isramco, Tamar Petroleum Ltd., Dor Gas Exploration, Limited Partnership, and Everest Infrastructures, Limited Partnership (the "**Respondents**" and the "**Petitioners**", respectively), filed an administrative petition against the IEC and the Leviathan Partners (the "**Petition**"). According to the Petition, the court was moved to declare that the decision of the IEC's tenders committee (the "**Committee**") of April 4, 2019, which declares that the Leviathan Partners won the competitive process, is wrong and unlawful, and should therefore be declared null and void; alternatively, to remand the decision to the Committee and order it to consider other options, as specified in the Petition; and alternatively, to order that the competitive process be cancelled.

Concurrently with the filing of the Petition, a motion was filed with the court for an interim order prohibiting the Respondents from carrying out any action for promotion or execution of the outcome of the competitive process pending the decision of said Petition, as well as a motion for an urgent hearing on the motion for an interim order and on the Petition.
On July 7, 2019, the Tel Aviv District Court's judgment was issued dismissing the said administrative petition and charging the Petitioners with the IEC's costs.
On August 19, 2019, the Petitioners filed an appeal from the judgment with the Supreme Court in which the court was moved to reverse the judgment and rule as sought in the Petition. On August 24, 2020 the Supreme Court's judgement was issued, denying the appeal.

In October 2020, after the denial of the appeal, as aforesaid, the IEC and some of the partners in the Tamar reservoir at such date (Isramco, Tamar Petroleum Ltd. and Dor Gas Exploration, Limited Partnership) released immediate reports regarding their signing (jointly with Everest Infrastructure, Limited Partnership) an addendum to the agreement for the sale of natural gas from the Tamar reservoir to the IEC (the "**Addendum to the Tamar Agreement**", or the "**Disputed Agreement**", the "**Tamar Agreement**" and the "**Other Tamar Partners**", respectively), for the sale of quantities exceeding the minimum billable quantity under the Tamar Agreement at a price lower than the one set out in the Leviathan Agreement. To the best of the Partnership's knowledge, Chevron and NewMed notified the Other Tamar Partners of their refusal to join in the Addendum to the Tamar Agreement.
The Partnership's position, based on its legal counsel, is that the signing of the Addendum to the Tamar Agreement by the IEC contradicted the Leviathan Agreement and is in breach thereof.

Note 25 – Engagements and Contingencies (Cont.):

Accordingly, the Leviathan Partners sent the IEC a demand to act in accordance with the dispute resolution provisions set out in the Leviathan Agreement, and letters were exchanged between the Leviathan Partners and the IEC as well as between the Partnership and the Other Tamar Partners, in which various claims were raised against the Other Tamar Partners in connection with the engagement in the Addendum to the Tamar Agreement.

Following the claims of the Leviathan Partners regarding the Addendum to the Tamar Agreement, as well as the purchase of LNG shipments by the IEC, on January 30, 2021 the Leviathan Partners and the IEC signed a settlement agreement amending the Leviathan Agreement (in this section: the "**Settlement Agreement**"), whereby, without derogating from the parties' undertakings under the Leviathan Agreement, IEC undertook to nominate from the Leviathan Partners during H1/2021 a quantity of natural gas in the amount of approx. 1.2 BCM, from which certain gas quantities will be deducted, as agreed, mainly gas quantities that will be nominated from the Leviathan Partners by the IEC and will not be supplied thereby (but rather by the Tamar Partners) as well as quantities of gas that will not be consumed by the IEC due to *force majeure* events and/or malfunctions in significant IEC production units (the "**Base Quantity**").

In addition, the Leviathan Partners granted the IEC a price discount for the nomination of gas quantities exceeding about 0.5 BCM that will be nominated as of January 1, 2021.

It was further agreed in the Settlement Agreement that if the IEC does not nominate the Base Quantity during the said period, it will be obligated to pay the Leviathan Partners for the difference between the Base Quantity and the quantity actually nominated thereby. The IEC was entitled to consume the balance of the Base Quantity that it did not consume but paid for, in accordance with the mechanism set forth in the Settlement Agreement. Note that concurrently with the signing of the Settlement Agreement, a settlement agreement was also signed between the IEC and the partners in the Tamar reservoir.

The Settlement Agreement was subject to the fulfilment of closing conditions and regulatory approvals, including the approval of the Competition Authority and the approval of the Competition Court of a consent decree under Section 50B of the Economic Competition Law, 5748-1988, whereby the Competition Commissioner will not continue the proceedings and will not take steps against Noble regarding the complaints filed by some of the Tamar partners and the IEC in connection with the Disputed Agreement.

Note 25 – Engagements and Contingencies (Cont.):

On May 31, 2021, all of the closing conditions have been fulfilled for the taking effect of the Settlement Agreement, in accordance with Chevron's announcement that the consent decree between Chevron and the Competition Authority, under Section 50B of the Economic Competition Law, 5748-1988, has been approved by the Competition Court.

It is noted that on June 7, 2021, the Partnership learned that Chevron and NewMed had received a letter from the Competition Authority whereby, according to the Competition Authority, the agreement for the supply of natural gas signed between the Leviathan Partners and the IEC includes an 'exclusivity clause' in violation of the provisions of the Gas Framework, whereby agreements for sale from the Leviathan reservoir shall impose on the consumer no restriction with respect to the purchase of natural gas from any other natural gas supplier. In view of the aforesaid, the Leviathan Partners were required to immediately revoke the said 'exclusivity clause', without thereby exhausting the handling of the said breach and with no prejudice to the Commissioner's power with respect to such breach. According to the Leviathan Partners' position, their actions in connection with the said agreement did not contradict the provisions of the Gas Framework, and they disputed the Competition Authority's powers in this regard. However, on June 10, 2021, the Leviathan Partners notified the Competition Authority of their consent to revocation of the said clause, and on June 14, 2021, notice was given to the IEC regarding revocation of the clause, without the same constituting an admission or consent to the notice of the Competition Authority and/or any of the claims raised against the said agreement and/or the said clause. The agreement signed between the Leviathan Partners and the IEC, which had included the said clause, expired on June 30, 2021. Since the agreement was effective until June 30, 2021, the aforesaid had no effect on the Partnership's revenues until the end of Q2/2021.

As noted, on June 30, 2021, the Settlement Agreement had expired, under which a Spot agreement for the supply of natural gas was signed on July 4, 2021 between the Leviathan Partners and the IEC, for a period of one year according to a price to be determined between the parties from time to time. The aggregate supply volume from the sale of natural gas from Leviathan Reservoir as of December 31, 2021 totaled approx. 3.6 BCM with a total financial volume of approx. $606 million (in 100% terms).

Note 25 – Engagements and Contingencies (Cont.):

g) Engagement in an agreement for the supply of natural gas from the Leviathan Project to the Ramat Hovav Power Plant – Limited Partnership

On September 23, 2020, a natural gas supply agreement was signed between the Leviathan Partners and the Ramat Hovav Power Plant – Limited Partnership (the "**Buyer**"), whereby the Buyer will purchase natural gas from the Leviathan Partners for the purpose of operating the Buyer's facilities at the power plant located at the Ramat Hovav site (the "**Supply Agreement**"). To the best of the Partnership's knowledge, the Buyer is a partnership owned by Edeltech Group and Shikun & Binui, which was announced the winner of a tender issued by Israel Electric Corp. Ltd. for the sale of the power plant located at the Ramat Hovav site.
The term of the Supply Agreement will commence on the date of signing of the Supply Agreement and will end on the earlier of: (a) 30 months after such signing date; and (b) The date of commercial operation of the gas reservoirs in the I/16 "Tanin" and I/17 "Karish" leases.
The Supply Agreement entered into effect and the actual supply to the Buyer commenced at the beginning of December 2020.
The Buyer has undertaken to take or pay for a minimum annual quantity of gas in the amount and according to the mechanism provided by the Supply Agreement.
The Supply Agreement provides that the price of the gas will not be linked to any index.

During the report period, the Leviathan Partners engaged in several agreements for the supply of natural gas with customers in the domestic market. In addition, the Leviathan Partners are continuing to conduct negotiations with additional potential customers in the domestic market and with customers in export markets for the supply of natural gas from the Leviathan Project.

h) Estimates with regard to the gas quantities and supply dates

Estimates with regard to the natural gas quantities to be purchased and the commencement of the supply dates under the supply agreements constitute information with respect to which there is no certainty that it will materialize, in whole or in part, and which may materialize in a materially different manner due to various factors that include, non-fulfillment of all of the conditions precedent in each of the supply agreements (insofar as they have not yet been fulfilled), non-receipt of regulatory approvals, timetable delays, changes in the scope, rate and timing of natural gas consumption by each of the aforesaid buyers, exercise of the options that are given in the supply agreements (if any), etc.

i) Engagement in agreements for the supply of condensate from the Leviathan Project

In December 2019, the Partnership announced that, together with the Leviathan Partners, it had signed agreements that will allow the transport of the condensate that shall be produced from the Leviathan Reservoir, mainly as follows:

Note 25 – Engagements and Contingencies (Cont.):

1) Agreement with Oil Refineries Ltd. ("**ORL**")

On December 15, 2019, an agreement was signed whereby condensate that shall be produced from the Leviathan Reservoir will be transported to the existing fuel pipeline of Europe Asia Pipeline Co. Ltd. (EAPC), which leads to a container site of Petroleum & Energy Infrastructures Ltd. (PEI) in Kiryat Haim, and from there it will be transported to ORL's facilities, according, *inter alia*, to regulatory directives (the "**ORL Agreement**").
The ORL Agreement is on an interruptible basis, for a period of 15 years from the date of commencement of the transport of the condensate in commercial quantities, with each party having the right to terminate the ORL Agreement by giving prior notice of at least 360 days to the other party. In addition, each party may terminate the ORL Agreement on shorter notice upon the occurrence of various events, including in the case of a breach by the other party, and upon the occurrence of regulatory and other changes which do not allow the transport of the condensate in accordance with the provisions of the ORL Agreement.
The condensate is transported to ORL according to the ORL Agreement up to the maximum quantity agreed between the parties. The parties may update the maximum quantity from time to time, subject to fulfillment of the terms and conditions determined by the authorities in this respect, including the Ministry of Energy and the Ministry of Environmental Protection.
The ORL Agreement determines that delivery of the condensate to ORL is without consideration, and the Leviathan Partners are bearing any and all expenses in relation to the transport of the condensate.

In the context of correspondence between the Leviathan Partners and ORL in Q1/2022, the Leviathan Partners claimed against ORL that failure to pay for the condensate supplied to ORL as aforesaid constitutes prohibited and unlawful abuse of ORL's power as a monopsony in the purchase of condensate. In the context of this claim the Leviathan Partners invited ORL to enter into negotiations to remedy the aforesaid violation immediately and retroactively. In its reply ORL rejected the Leviathan Partners' arguments while the Leviathan Partners reiterated their position whereby ORL's failure to pay for the condensate supplied thereto as aforesaid constitutes a violation of the law which causes material damage to the Leviathan Partners. As of the date of approval of the financial statements, the Leviathan Partners are considering institution of legal measures against ORL.

Note 25 – Engagements and Contingencies (Cont.):

2) Agreement with an international trading company in the fuel sector (the "**Buyer**")

In addition to the signing of the ORL Agreement, the Leviathan Partners signed an agreement whereby condensate that shall be produced from the Leviathan Reservoir as aforesaid will be transported by road tankers and delivered to the Buyer at PEI's container site (the "**Supply Agreement**").
The Supply Agreement will be in effect from commencement of the transport of natural gas from the Leviathan Reservoir until December 31, 2020, and the agreement will be renewed annually for a period of one additional year, unless one of the parties shall have chosen not to renew the same, by prior notice of at least 60 days. Each party may terminate the Supply Agreement in the case of a breach thereof by the other party as well as upon the occurrence of regulatory and other changes which do not allow the transport of the condensate in accordance with the provisions of the Supply Agreement.
The condensate shall be transported by the Leviathan Partners to the Buyer according to the Supply Agreement on an interruptible basis up to a daily maximum quantity that was agreed between the parties.

According to the Supply Agreement, the Leviathan Partners will bear any and all expenses in relation to the condensate until its delivery to the Buyer at the entrance to PEI's container site, and the Buyer shall bear any and all expenses in relation to the condensate from this point forth.
The condensate price that was determined in the Supply Agreement will be linked to the Brent barrel price, and the Buyer will be entitled to a discount in respect of the condensate that is transported thereto and which deviates from the specification determined in the Supply Agreement.

On June 14, 2021, Chevron signed a non-binding MOU with Energy Infrastructures Ltd. ("**PEI**"), for the promotion of a project for the construction and operation of a designated infrastructure for the transport and sale of condensate. As of the date of approval of the financial statements, the Leviathan Partners and PEI are interested in expanding the framework of the collaboration and are exploring various alternatives for transporting condensate using PEI's onshore infrastructures.

j) **Dependence on a customer**

NEPCO and Blue Ocean are the Partnership's largest customers and therefore, termination of the agreements signed between them and the Leviathan partners, or the non-fulfillment thereof, will materially affect the Partnership's business and future revenues. For details regarding sales volumes and trade receivables balance of the aforementioned as of December 31, 2021 and December 31, 2020, see Note 17D and Note 4A3.

Note 25 – Engagements and Contingencies (Cont.):

D. Legal Proceedings:

1) Motion for certification of a derivative suit against the Partnership's Supervisor, the General Partner and the directors of the General Partner

On July 19, 2018, two petitioners (the "**Petitioners**") filed a consolidated motion for certification of a derivative suit, which was filed further to two separate motions.
In the consolidated certification motion, the court is moved to authorize allow the Petitioners to file a derivative suit against the Supervisor, the General Partner and the directors of the General Partner (the "**Defendants**"), in which the court will be moved to order that:

a) the General Partner is required to:

(1) repay the operator fees that it collected from the Partnership during the period of time that has lapsed since an outside operator was appointed for the Partnership's petroleum asset;
(2) stop collecting operator fees, so long as the Leviathan Reservoir is operated by an outside operator.

b) alternatively, the General Partner is required to repay the Partnership the operator fees amount that the General Partner collected from the Partnership in excess and/or unlawfully and/or without the conduct of negotiations at the development stage, as required under Section 10.3 of the Partnership Agreement; and/or the Defendants are required to compensate the Partnership in respect of the damage caused thereto as a result of the aforesaid, all plus linkage differentials and interest as required by law.

c) the parties are required to conduct active, thorough and full negotiations with respect to the rate of the operator fees that the General Partner shall collect, if any, in respect of the Partnership's continued expenditure at the development stage, in accordance with the provisions of Section 10.3 of the Partnership Agreement, and in light of the fiduciary duty and the duty of care that are imposed on the General Partner and the Supervisor.

d) the Defendants are required to act in the best interests of the Partnership and the holders of the participation units who are not the General Partner, while the Supervisor is required to demand, for the purpose of approval of the outcome of the negotiations, any relevant document, and to perform a comparative analysis of the operator fees actually paid to the general partner or to the operator at other partnerships which are at the development stage, such that the rate of the operator fees that are collected by the General Partner does not exceed the rate of the operator fees paid by the Partnership at the development stage to Noble (the operator in practice of the Leviathan Reservoir) or the rate of the operator fees at the development stage that is standard at other gas partnerships.

Note 25 – Engagements and Contingencies (Cont.):

e) the Supervisor is required to exercise the authority granted thereto in Sections 65Q and 65U of the Partnerships Ordinance [New Version], 5735-1975, and to demand of the General Partner's board to summon a general meeting on whose agenda is the conduct of negotiations and a vote on the rate of the operator fees to be paid at the development stage to the General Partner, if any, in accordance with the last part of Section 10.3 of the Partnership Agreement.

After the parties' consent to a mediation process and according to the agreements thereunder, the Limited Partner acted to find a suitable professional to assist in the conduct of negotiations on behalf of the Limited Partner, and such a professional was appointed in May 2019. The parties to the Partnership Agreement worked to conclude the negotiations for determination of the operator fees according to Section 10.3 of the Partnership Agreement. The parties to the Partnership Agreement concluded such negotiations on November 13, 2019, and reached the agreements that are specified in Note 24C1C above (which were approved by the Supervisor within his power pursuant to Section 10.3 of the Partnership Agreement; the "**Operator Fee Agreement**").

Following the parties' signing of the Operator Fee Agreement, a settlement agreement was signed between the parties to the consolidated certification motion which, *inter alia*, recommended that the amount of compensation and fees for the Petitioners and their counsel be in the sum total of ILS 3.55 million, to be paid by the General Partner, as the entity entitled to the operator fees (80% of the said amount), and the Partnership, as the entity that benefits from the reduction of the operator fees payment (20% of the said amount) (the "**Settlement Arrangement**"). On March 15, 2020, a motion was filed with the Tel Aviv-Jaffa District Court for approval of the Settlement Arrangement (the "**Motion for Approval of the Settlement Agreement**"), to which the Settlement Arrangement was attached. On the same day, the court ordered that an appropriate notice be published regarding the details of the Settlement Arrangement, and granted the holders of the participation units 30 days to file their objection.

On June 21, 2020, a position was filed with the court on behalf of the Attorney General regarding the Settlement Arrangement (the "**Attorney General's Position**"), as well as a notice regarding the appearance in the proceeding by the Attorney General.

Note 25 – Engagements and Contingencies (Cont.):

After all parties to the proceeding had filed their response to the Attorney General's Position on September 23, 2020, on November 15, 2020, the District Court handed down its judgment (the Honorable Justice K. Kabub) on the Motion for Approval of the Settlement Agreement, whereby the Court approved the Settlement Arrangement and entered a judgment thereon, as pertains to the parties' agreements with respect to the reduction of the operator fees from February 23, 2017 to the date of approval of the Settlement Arrangement.

2) Motion for class action certification – Olir Trade and Industries. Ltd. vs. Ratio Oil Explorations Ltd. *et al.*

On April 21, 2020, an action and a motion for certification thereof as a class action were filed with the Tel Aviv District Court (Economic Department) by a company that holds participation units of the Partnership (the "**Petitioner**" and the "**Certification Motion**", respectively). The Certification Motion was filed against the Partnership, the General Partner, the directors of the General Partner, the CFO of the General Partner and the Supervisor of the Partnership (both the present and the former supervisors) (collectively: the "**Respondents**").

The Certification Motion alleges that the Respondents breached their duties to disclose to the Partnership's investing public that an agreement made for the export of natural gas from the Leviathan Reservoir to Dolphinus Holdings Limited includes a stipulation that allows Blue Ocean to reduce by 50% the minimum annual quantity of gas it had undertaken to purchase in the event that the average daily price of a Brent oil barrel (as defined in the agreement) falls below $50 per barrel.

According to the Petitioner, this information detail should have been disclosed immediately after the making of such agreement with Dolphinus Holdings Limited, but it was first published only upon the release of the Partnership's annual statements for 2019, on March 24, 2020. Hence, the Petitioner believed that the alleged non-disclosure amounts to a breach of duties imposed on the Respondents, *inter alia*, under the securities laws, the tort of negligence and the breach of statutory duty.

Further thereto, the Certification Motion alleges that as a result of disclosure of the information regarding such stipulation in the agreement vis-à-vis Dolphinus Holdings Limited, the value of the Partnership's participation units in trade on TASE dropped, and that therefore all of the class members incurred damage in the sum of approx. ILS 86.7 million. The Certification Motion further asserts that the Partnership should be ordered to release amending and supplementary reports, and the Israel Securities Authority (ISA) should be ordered to revoke the shelf prospectus permit of February 13, 2019.

On December 31, 2020, the Respondents filed their answer to the Certification Motion claiming, *inter alia*, that the contractual stipulation at the center of the Certification Motion was not a material stipulation that was required to be disclosed, according to the tests set forth in statutory and case law, and especially given the low foreseeable probability of the Brent price falling below $50 per barrel on annual average, and the low foreseeable impact of the stipulation on the value of the Partnership's assets.

Note 25 – Engagements and Contingencies (Cont.):

The Respondents further argued that even if the stipulation had been fully disclosed to the public, it would not have added any material information that would have been relevant to the "reasonable investor", *inter alia*, in view of the lack of supplementary details that would have contributed to an understanding of its impact on the value of the participation units.

On March 10, 2021, the Petitioner filed its response to the Respondents' answer. The response argues, *inter alia*, that the Respondents' decision to finally include a report on the stipulation which is the subject matter of the discussion, in the annual report, constitutes a party admission that the stipulation is material, that Dolphinus Holdings Limited is a very material customer of the Partnership, and that internal inconsistencies and failures had occurred in the expert opinion supporting the Respondents' answer to the Certification Motion.

On June 6, 2021, a new motion for class certification was filed against most of the Respondents (except the past and present Supervisor of the Partnership) by a holder of participation units (the "**Petitioner**") on a similar matter. He concurrently filed a motion for dismissal of the current proceeding and continuation of the hearing on the matter within the context of the new Certification Motion (Cl.A. 13139-06-21 Sapir vs. Ratio Oil Exploration (1992), Limited Partnership), arguing that also in our case, the Petitioner has no personal cause of action, as was ruled in the judgement issued in a parallel proceeding filed by the Petitioner against Isramco Partnership (Cl.A. 40354-04-20 Olir Trade and Industries Ltd. Vs. Isramco). On June 30, 2021, the Petitioner's (Olir) response to the Petitioner's motion was filed, stating that it does not object to the dismissal of this proceeding, with no order for costs. On that same day, the Respondents' answer was also filed, in which the court was moved to decide which of the certification motions would continue to be heard, and to the extent that this proceeding is dismissed, to charge the Petitioner with the Respondents' costs.
On July 8, 2021, the Petitioner filed an answer to the Respondents' responses regarding the dismissal motion, in which it was argued that the current proceeding should be dismissed with the consent of all parties and he also clarified that in his view, no improper coordination was made between him and Olir. On July 1, 2021, the Petitioner moved to summon the affiant on behalf of the Partnership for an examination. On August 2, 2021, the Respondents' response to such motion was filed in which they objected to the summons for examination, claiming that there is no factual dispute on the issues that arose in the affidavit on their behalf. On August 15, 2021, the Petitioner's answer to the Respondents' response was filed, in which he insisted on summoning the affiant to the examination.
In addition, on June 13, 2021, the Petitioner filed a motion for inspection of the court's file claiming that he has a clear interest in doing so in view of his aforesaid motions. On June 24, 2021, the Respondents filed an answer in which they objected to the Petitioner's inspection of the response filed to the Certification Motion. On July 5, 2021, the Petitioner filed a response to the answer to the motion for inspection, claiming that he had indicated a clear interest and a direct connection to the case and therefore the motion for inspection should be granted.

Note 25 – Engagements and Contingencies (Cont.):

On September 29, 2021, the judgment of the court was issued, in which the Certification Motion was dismissed without prejudice and the Petitioner (Olir) was charged with payment of the Respondents' trial costs in the sum of ILS 110,000.

3) C.A. 7433/21 Olir Trade and Industries. Ltd. v. Ratio Oil Exploration (1992), Limited Partnership

On November 3, 2021, Olir appealed from the judgement of the District Court with the appeal being addressed only to the aforesaid order for costs, with the appellant claiming that it is an excess charge which deviates from the standard and which may deter lead plaintiffs in the future from filing class certification motions. On November 8, 2021, the appellant filed a motion for stay of execution of the District Court's judgment pending a decision on the appeal. Following the filing of the Respondents' answer to the motion for stay of execution, the Supreme Court issued a decision on November 24, 2021 denying the motion for stay of execution and charging the appellant with the Respondents' costs in the sum of ILS 2,000. A preliminary hearing on the appeal has been set.

Although the appeal is in a very early stage, the Partnership and its legal counsel evaluate already at this stage that the chances of the appeal being dismissed are higher than it being accepted.

4) Motion for class certification – Sapir vs. Ratio Oil Exploration (1992), Limited Partnership

As provided in Section 2 above, on June 6, 2021, a motion for class certification was filed by a holder of participation units (the "**Petitioner**"), on an issue similar to the matter of the certification motion filed by Olir Trade and Industries Ltd. (the "**New Certification Motion**" and "**Olir's Motion**", respectively). As alleged in Olir's Motion (and specified above), the certification motion alleges that the Respondents ostensibly breached their duties to disclose to the Partnership's investing public that in an agreement made for the export of natural gas from the Leviathan Reservoir to Dolphinus Holdings Limited, there is a stipulation that allows Dolphinus Holdings Limited to reduce by 50% the minimum annual quantity of gas it had undertaken to purchase in the event that the average daily price of a Brent oil barrel (as defined in the agreement) falls below $50 per barrel.
At the same time, the Petitioner also filed a motion in which he moved that the court dismiss Olir's Motion and continue to conduct the hearing on this matter in the context of the certification motion which was filed by him.
According to him, Olir has no personal cause of action since it purchased the participation units before the publication of the misleading detail, similar to the court's decision in a parallel proceeding on the same matter that was filed against another partnership (Cl.A. 40354-04-20 Olir Trade and Industries Ltd. vs. Isramco Negev 2 Limited Partnership). He therefore believes that his motion is preferable and the hearing should continue within the framework thereof.

Note 25 – Engagements and Contingencies (Cont.):

On June 30, 2021, Olir filed its response to the New Certification Motion, in which it stated that it did not object to the dismissal of this proceeding, with no order for costs. On that same day, the Respondents' answer was also filed, in which the court was moved to decide which of the certification motions would continue to be heard, and to the extent that Olir's Motion is dismissed, charge the petitioner with the Respondents' costs.

On July 8, 2021, the Petitioner filed an answer to the Respondents' responses regarding the dismissal motion, in which it was argued that the current proceeding should be dismissed with the consent of all parties and also clarified that in his view, no improper coordination was made between him and Olir. On July 1, 2021, the Petitioner moved to summon the affiant on behalf of the Partnership for an examination.

On August 2, 2021, the Respondents' response to such motion was filed in which they objected the summons for an examination, claiming that there is no factual dispute on the issues that arose in the affidavit on their behalf. On August 15, 2021, the Petitioner's answer to the Respondents' response was filed, in which he insisted on summoning the affiant to the examination.
As provided in Section (2) above, on September 29, 2021 the decision of the court was issued, according to which Olir's motion was dismissed without prejudice and it was determined that this proceeding (the New Certification Motion) will continue to be conducted. On February 27, 2022, the Respondents' answer to the certification motion was filed. The answer argued, *inter alia*, that the contractual stipulation at the center of the Certification Motion was not a material stipulation that was required to be disclosed, according to the tests set forth in statutory and case law, and especially given the low foreseeable probability of the Brent price falling below $50 per barrel on annual average, and the low foreseeable impact of the stipulation on the value of the Partnership's assets. The Respondents further argued that even if the stipulation had been fully disclosed to the public, it would not have added any material information that would have been relevant to the "reasonable investor", *inter alia*, in view of the lack of supplementary details that would have contributed to an understanding of its impact on the value of the participation units.

As of the report date, in view of all of the aforesaid, the Partnership and its legal counsel estimate at this stage that the chances for the certification motion to be dismissed are higher than the chances for it to be granted.

5) Class action – Levi v. Delek Drilling – Limited Partnership *et al.*

On February 28, 2020, a claim and a motion for class certification thereof was filed with the Tel Aviv District Court (the "**Certification Motion**"), by an electricity consumer (the "**Petitioner**"), against the holders of the interests in the Leviathan reservoir and the Tamar reservoir – NewMed and Noble – which have holdings in both reservoirs, and against the other holders of the Tamar reservoir (the "**Other Tamar Holders**") and of the Leviathan reservoir i.e., the Partnership.

Note 25 – Engagements and Contingencies (Cont.):

The causes of action in the Certification Motion refer to two events. First, a competitive process for supply of natural gas which was conducted by the Israel Electric Corporation Ltd. (the "**Competitive Process**" and the "**IEC**" respectively; this process is also mentioned in Section C above) concerning the engagement in an agreement for purchase of natural gas, in the context of which the bid that was submitted to the IEC on behalf of the holders of the Tamar reservoir and the bid that was submitted on behalf of the holders of the Leviathan reservoir (including the Partnership) transpired, upon the opening thereof, to be identical, including all the price alternatives included therein. Upon conclusion of the process, as provided in Section C6 above, the IEC chose to declare the holders of the Leviathan reservoir as the winners of the process. The main argument in this regard in the Certification Motion is that a restrictive arrangement allegedly exists, in whose context the "corporations holding the Tamar Reservoir have restricted themselves in making a bid that is lower than the bid submitted on behalf of the Leviathan reservoir". It was further argued that NewMed and Noble abused monopoly power, that the price contemplated in the engagement is high and unfair, and unjust enrichment was asserted. The second event underlying the filing of the Certification Motion contemplates a move initiated by the Other Tamar Holders, for the amendment of an agreement for the purchase of natural gas that was made in 2012 between all the Tamar reservoir holders and the IEC.

The Certification Motion lists five causes of action, however, one central remedy is sought, against NewMed and Noble only.
The Petitioner's main arguments are, in summary, that the bids made by the holders of Tamar and the holders of Leviathan in the Competitive Process amount to abuse of monopoly power and to a restrictive arrangement, as these terms are defined in the Economic Competition Law, 5748-1988; the exercise of a right of veto by NewMed and Noble which prevented the Amendment to the Tamar Agreement also amounts to abuse of monopoly power; the price determined in the agreement for the supply of gas from the Leviathan Project to the IEC, further to the Competitive Process, is an unfair price; and profits that NewMed and Noble made and will make as a result of the sale of natural gas to the IEC at a price ostensibly higher than the price that would have been determined competitively, amount to unjust enrichment.
The Petitioner asserts that such actions by Delek Drilling and Noble have caused and are expected to cause damage to the class he seeks to represent (the electricity consumers in Israel), in the sum of approx. ILS 1.16 billion, according to which the court is moved to award compensation and fees.
In the Certification Motion, no remedy is sought against the Partnership and it was added to the claim as an indispensable party, in view of it being a holder of interests in the Leviathan reservoir (like the Other Tamar Holders, which were added as indispensable parties and against which too, a remedy was not sought).
The Other Tamar Holders filed a motion for summary dismissal without prejudice of the Certification Motion against them, the Petitioner objected to the motion, and a hearing was scheduled in this motion.

Note 25 – Engagements and Contingencies (Cont.):

On September 9, 2021, after the Petitioner filed a motion with the consent of the Other Tamar Holders, for their removal, the court issued a partial judgment, ordering the removal of the Other Tamar Holders as respondents to the Certification Motion. In this context, the court ordered the dates for filing the responses on behalf of the Respondents (including the Partnership) and the date for the filing of the answer to the response.
On November 17, 2021, after a motion was filed on behalf of the Partnership to strike it off as a respondent to the Certification Motion, on the grounds that like the Other Tamar Holders, no relief is sought against it in the certification proceeding, a partial judgment was issued ordering the Partnership stricken off the Certification Motion.

6) Oil Fields Exploration (1992) – Limited Partnership (in Liquidation) against Eitan Aizenberg Ltd. *et al.*

On December 28, 2020, Oil Fields Exploration (1992) – Limited Partnership (in Liquidation) ("**Oil Fields Partnership**" or the "**Plaintiff**") filed a monetary claim in the amount of ILS 700 million (in this section below, the "**Claim**" or the "**Oil Fields Partnership Claim**") against Eitan Aizenberg Ltd., Eitan Aizenberg (jointly below in this section, "**Aizenberg**"), the Partnership and the General Partner (jointly below, the "**Defendants**").
The Plaintiff's main arguments are that the Defendants were privy to (alleged) trade secrets of the Plaintiff (the "**Alleged Secrets**") and that it is unlawful use which was allegedly made by the Defendants of the Alleged Secrets which allegedly led to the Leviathan discovery by Aizenberg; to the applications filed by the Partnership for permits and licenses for oil exploration in the Leviathan structure; and the discovery of gas in the Leviathan reservoir. According to the Plaintiff, the use made by the Defendants of the Alleged Secrets constitutes a violation of proprietary rights of the Plaintiff; a breach of agreements between the Defendants and the Plaintiff, a trade secret conversion tort; a breach of loyalty/fiduciary duties; a breach of obligations deriving from the Torts Ordinance (including fraud, misappropriation, negligence and negligence per se); unjust enrichment; and a breach of the duties of good faith, fair dealing and to act fairly.
In the complaint, the court was moved to declare that the petroleum rights, the overriding royalties and the operator's fees, in whole or in part, as the case may be, that are due to the Defendants (or any of them) in connection with the Leviathan reservoir, belong to the Oil Fields Partnership; and to order the registration and/or transfer and/or payment and/or assignment of these rights in the name of, or to the Oil Fields Partnership. Alternatively, a monetary remedy of ILS 700 million was sought.

Note 25 – Engagements and Contingencies (Cont.):

The aforesaid Claim was filed after on June 24, 2020, the Tel Aviv Jaffa District Court (sitting to hear insolvency proceedings of the Oil Fields Partnership) authorized the Oil Fields Partnership to file a claim, and authorized the Oil Fields Partnership to engage in an agreement to receive financing in the amount of ILS 18 million from First Libra Fund to cover the claim costs (concurrently, the court also approved a legal fee agreement with the attorneys of Oil Fields and an agreement to provide information and documents with Joseph Langotzky). The court issued the aforesaid approvals simultaneously with issuing a permanent winding up order and appointing a permanent receiver for Oil Fields.

An answer was filed on April 14, 2021, in which the Defendants claim, *inter alia*, that the alleged secrets were not at all confidential; that the information included in the alleged secrets does not at all cover the Leviathan area and it was impossible to reveal through it either the Leviathan structure or the natural gas reservoir therein; the existence of the Leviathan structure was known (and was not confidential) many years before the defendants were exposed to the alleged secrets; the defendants were entitled – both by law and by any agreement – to make use of the alleged secrets (although they did not in practice do so) and there is no proximate cause between the discovery of a geological structure (such as Leviathan) and the exposure and development of an economic reservoir and commercialization of the gas therein.
On June 22, 2021, a replication was filed in which the plaintiff adds and claims that the arguments in the answer ostensibly contradict the claims raised by the defendants in the 'Langotsky' claim, based on which the claim was denied. Accordingly, the plaintiff argues for an alleged judicial estoppel, by virtue of which the defendants are allegedly barred from claiming some of the claims raised thereby.
On November 1, 2021, the Defendants in the case of Oil Fields Ltd. vs. Eitan Aizenberg et al., which is described in section (7) below, filed a motion for the consolidation of actions, by which the Court was moved to order that the aforementioned case be consolidated and adjudicated with this case.

Concurrently, on February 8, 2021, the Defendants filed a motion to order the Plaintiff to post a bond for payment of the Defendants' defense costs: after receiving the parties' positions, the court ordered the Plaintiff by a decision as of April 7, 2021, to post a bond for payment of the defense costs in the sum of ILS 700 thousand.

At this stage, in view of the preliminary stage of the proceeding, the Partnership and its legal counsel are unable to estimate the chances of the claim being accepted. However, based on the information the Partnership and its legal counsel have in their possession nowadays, the chances of the claim being accepted are lower than the chances of the claim being denied.

Note 25 – Engagements and Contingencies (Cont.):

7) C.C. (Tel Aviv District) 52118-03-21 Oil Fields Ltd. v. Eitan Aizenberg *et al*.

On March 24, 2021 counsel for the Partnership was served a complaint in the amount of ILS 750 million which was filed by Oil Fields Ltd., the general partner of Oil Fields Partnership, the plaintiff in the proceeding mentioned in Section (6) above ("**Oil Fields**"), with the Tel Aviv Jaffa District Court against Mr. Eitan Aizenberg; Eitan Aizenberg Ltd.; the Partnership; the General Partner; Mr. Ligad Rotlevy (Chairman of the Board of the General Partner); and Mr. Yigal Landau (CEO and director of the General Partner) (below in this section, the "**Defendants**" and the "**Complaint**", respectively).
The Complaint largely relies on a factual foundation that is identical to the one underlying the Oil Fields Partnership Claim. Oil Fields asserts in the Complaint that, as a result of alleged misappropriation of rights of the Oil Fields Partnership (as argued in the Oil Fields Partnership Claim), Oil Fields was denied various payments (royalties and operator fees) to which it is entitled in accordance with the agreement between it and the Oil Fields Partnership; and royalties to which it is entitled in accordance with direct agreements between it and the Partnership.

In the Complaint, the court was moved to obligate the Defendants, jointly and severally, to *inter alia* pay to Oil Fields overriding royalties at the rate of 8% of all the gas/oil/other resource that was and/or will be produced from the Leviathan Reservoir, and operator fees at the rate of 7.5% (plus VAT) of all the expenses incurred due to exploration/development/production of gas from the Leviathan Reservoir. Alternatively, the court is moved to charge the Defendants, jointly and severally, with payment of all the profits made thereby at the expense of Oil Fields and to compensate it for its damage. The court is further moved to issue an accounting order against the Defendants.

An answer was filed on June 24, 2021. In the answer, the Defendants reiterate all of the arguments raised in the answer filed against the claim of Oil Fields Partnership (as specified above), and further argue lack of controversy, since the inspection of the Complaint indicates that it does not reveal any dispute regarding the relationship between the plaintiff and the Defendants.
A replication on behalf of the plaintiff – Oil Fields was filed on September 1, 2021. In the replication, the plaintiff repeats some of the arguments already raised thereby in the Complaint and adds, allegedly in response to the lack of controversy argument, that the Complaint includes ostensibly, a factual basis that establishes an independent cause of action for the plaintiff against the Defendants, including causes from the field of tort law, unjust enrichment law and Commercial Tort Law.

Note 25 – Engagements and Contingencies (Cont.):

On November 1, 2021, the Defendants filed a motion for the consolidation of actions, by which the Court was moved to order that this case be consolidated and adjudicated with the case of Oil Fields Exploration (1992) – Limited Partnership (in Liquidation) vs. Eitan Aizenberg Ltd. *et al.*, which is described in Section (6) above. In its response to the consolidation motion, Oil Fields announced that it is leaving the decision to the discretion of the court. The reply of Oil Fields Partnership to the consolidation motion has not yet been given.

At this stage, in view of the preliminary stage of the proceeding, the Partnership and its legal counsel are unable to estimate the chances of the claim being accepted. However, based on the information held by the Partnership and its legal counsel as of the date of approval of the financial statements, the chances of the claim being accepted are lower than the chances of the claim being denied.

8) HCJ 2351/21 Noble Energy Mediterranean Limited v. the Natural Gas Commission – the Ministry of Energy

On April 7, 2021, the Partnership, jointly with the other Leviathan partners, and with the partners in the Tamar reservoir (the "**Petitioners**"), filed a petition with the Israeli High Court of Justice against the Natural Gas Commission and the Ministry of Energy. The petition moves for annulment of the Natural Gas Commission's decision no. 5/2020 of December 29, 2020 - Amendment to the Commission's decision no. 8/2019 - criteria and tariffs for the transmission system in a flow control regime (Amendment No. 2), published on January 3, 2021 (the "**Commission's Decision"**). According to the Commission's Decision, the natural gas suppliers shall bear one half of the "Unaccounted For Gas Target (UFG-T)", which is defined in the Commission's Decision as a difference of up to 0.5% Between the quantity of gas measured by the meter at the entrance into the national natural gas transmission system and the quantity measured by the meter at the exit therefrom.
The petition argues that such decision was adopted without lawful authority and is extremely unreasonable.
On October 26, 2021, Energean Israel Limited ("**Energean**") which is added as a respondent to the petition, filed its response, arguing that the petition is justified due to the reasons specified therein. On October 27, 2021, INGL, which has also been added as a respondent to the petition, filed its response, whereby the petition should be summarily dismissed with prejudice. In response, INGL argued that the petition lacks good faith and is tainted by unclean hands due to the concealment of material facts and the failure to join factors that may be harmed by the petition. INGL further claimed that the decision contemplated in the petition was adopted with authority and reasonableness. On November 5, 2021, the respondents of the State filed their response to the petition. They claim that the petition should be summarily dismissed with prejudice and on the merits.
On December 26, 2021, the Petitioners' reply to the Respondents' response, was filed. On January 30, 2022, the court rendered its decision whereby the petition will be referred to a hearing before a panel.

Note 25 – Engagements and Contingencies (Cont.):

9) A.P. 45845-04-21 Adam Teva V'Din - Israel Union for Environmental Defense v. the Tax Authority

On April 21, 2021, the NGO Adam Teva V'Din - Israel Union for Environmental Defense filed an administrative petition with the Jerusalem District Court (sitting as the Court for Administrative Matters), against the Tax Authority, the Supervisor for Implementation of the Freedom of Information Law at the Tax Authority, Chevron, Delek Drilling, the Partnership, Givot Olam Oil Exploration – Limited Partnership (1993), E.C.L. Group Ltd., Dead Sea Works Ltd. and Rotem Amfert Negev Ltd. In the petition, the court was moved to order the Tax Authority to provide the Petitioner with information about the revenues from the State's income from Israel's natural resources, together with general information regarding reports received by the Tax Authority and the handling thereof since the enactment of the Taxation of Profits from Natural Resources Law, 5771-2011. According to the petition, it was filed after the Tax Authority refused, in March 2021, to grant a freedom of information application submitted by the Petitioner, in which the Tax Authority was requested to provide the requested information. On May 6, 2021, the petitioner filed, after receiving the court's permission therefor, an amended petition in which it added to the respondents all of the holders in the Tamar reservoir which were not named in the original petition, namely Tamar Petroleum Ltd., Isramco Negev 2, Limited Partnership and Everest Infrastructures, Limited Partnership (jointly with all of the respondents mentioned above, the "**Respondents**").
On July 15 and August 1, 2021, all of the respondents have filed their replications to the petition. In this context, the respondents argued that the petition should be denied and the provision of the requested information to the Petitioner be refused, first and foremost since it is protected under the duty of fiscal confidentiality that applies to information provided to the tax authorities.
On February 22, a judgment was issued in the petition. The judgment stipulates that the decision of the Tax Authority to refuse to provide the information requested in the freedom of information application will be revoked, in order for a new decision to be made in the application in a manner similar to a decision on another freedom of information application.

Note 25 – Engagements and Contingencies (Cont.):

10) D.S. 29330-02-22 Nof v. Rotlevy – Motion for Certification of a Derivative Suit

On February 14, 2022, the Partnership received a motion for certification of a derivative suit filed by a petitioner, who claims to hold participation units of the Partnership (the "**Petitioner**") against Messrs. Ligad Rotlevy (Chairman of the Board of the Partnership's General Partner) and Yigal Landau (CEO and director of the Partnership's General Partner), Landlan Investments Ltd. and D.L.I.N Ltd. (private companies controlled by entities which the Partnership and the General Partner treat as control holders of the General Partner and the Partnership), Ratio Oil Exploration Ltd. (the Partnership's General Partner) (the "**Respondents**") and the Partnership (the "**Motion**"). The amount of the claim, which is sought to be certified, was set at approx. ILS 1,024 million. The Petitioner argues that in the period between December 2007 and December 2009 the Respondents were allegedly an "Insider", "Key Insider" and "Principal Shareholder" of the Partnership, within the meaning of these terms in the Securities Law, 5728-1968 and made transactions in securities of the Partnership (each one for themselves) while, allegedly, using inside information. The amount of the claim is the profit that was allegedly (cumulatively) derived for the Respondents from such transactions. The Respondents' response to the Motion has not yet been filed.

At this stage, in view of the preliminary stage of the proceeding, the Partnership and its legal counsel are unable to estimate the chances of the Motion being granted. However, based on the information the Partnership and its legal counsel have in their possession nowadays, the chances of the claim being accepted are lower than the chances of the claim being denied.

11) Proceedings against the Operator in the Leviathan Project in connection with the operation of the Leviathan platform

Legal Proceedings

a) On December 15, 2020 a motion for class certification was filed with the Tel Aviv District Court by a resident of the Dor Beach area on behalf of "anyone who was exposed to the air, sea and coastal environment pollution, due to prohibited emissions from the gas platform operated by the Respondents in the sea, which is located opposite Dor Beach, and treats the natural gas reservoir, Leviathan, in the period from the commencement of the platform's activity in December 2019 until a judgment is issued in the claim" (in this section: the "**Petitioner**" and the "**Class Members**").
The certification motion was filed against Chevron and Chevron Corporation (collectively: the "**Respondents**"). In essence, according to the certification motion, the Respondents exposed the Class Members to air, sea and environmental pollution, due to prohibited emissions deriving from the Leviathan reservoir platform.

Note 25 – Engagements and Contingencies (Cont.):

Such exposure, according to the Petitioner, created various health problems (which were not specified in the certification motion) and damage of injury to autonomy due to the concern of health damage as aforesaid. The main remedy sought in the certification motion is compensation of the class for the damage it allegedly incurred which is estimated at approx. ILS 50 million. In addition, the Petitioner moved for a remedy of an order instructing the Respondents to immediately fulfill the obligations imposed thereon in the Clean Air Law and the regulations promulgated thereunder.
On August 31, 2021, Chevron filed its response to the certification motion, whereby it argued that the motion should be denied, and on September 19, 2021, the Court granted the Petitioner's motion to remove Chevron Corporation from the proceeding. The Petitioner filed a response to the certification motion on November 21, 2021. In a decision dated March 2, 2022, the court ordered that the case be referred to the Haifa District Court.
In the estimation of the legal counsel for Chevron, the chances of the certification motion being granted are lower than 50%.

b) On May 3, 2021, Haifa Port Ltd. ("**Haifa Port**") filed a claim against Chevron, Coral Maritime Services Ltd. and Gold-Line Shipping Ltd. (the "**Additional Defendants**"). The amount of the claim is approx. ILS 77 million.
The claim concerns the unloading of cargo by Chevron directly in the area of the Leviathan Reservoir platform. According to Haifa Port, direct unloading to such platform, without first unloading such cargoes at one of the Israeli ports, was unlawful. According to Haifa Port, Chevron, by unloading the cargoes directly to such platform, evaded mandatory payments to the port, including infrastructure and handling fees, thus causing the port a loss.
As argued in the complaint, from July 2018 onwards, Chevron carried out such direct unloading, while declaring to the tax authorities (customs) that the Haifa Port is the "port of unloading", even though the unloaded cargoes did not actually pass through Haifa Port. It was also alleged that Chevron did not pay the port the infrastructure and handling fees for these cargoes, even though it was obligated to do so. According to the port, these fees constitute the amount of the claim.

The complaint does not distinguish, with regard to the amount of the claim, between the infrastructure fees and the handling fees, nor does it distinguish between the various defendants. The claim against the Additional Defendants is that they acted, at the relevant times, as the vessel agents for Chevron, a matter that establishes for them, according to Haifa Port, an obligation to pay the handling fees on behalf of Chevron.
On August 31, 2021, an answer was filed on behalf of Chevron and on December 1, 2021, Haifa Port filed a replication.

Note 25 – Engagements and Contingencies (Cont.):

Concurrently with the answer, a counterclaim was also filed on behalf of Chevron, against the Haifa Port, in the amount of approx. ILS 4.4 million. The counterclaim concerns two main arguments: (1) a claim in the amount of ILS 715 thousand for handling fees and infrastructure fees which were actually unlawfully charged by the Haifa Port (in fact, an argument similar to the one argued in the answer to the Port's claim); (2) a claim in the amount of approx. ILS 3,690 thousand for a mooring fee in which Chevron was charged and with no 30% reduction made therein, contrary to the law, for cases of self-routing of ships passing through the port area. On December 1, 2021, Haifa Port filed a reply.

A hearing on the pretrial has been scheduled.
At this preliminary stage, the attorneys representing Chevron cannot estimate the chances of the claim and the counterclaim. However, according to the attorneys representing Chevron, it is more likely that the primary claim be denied rather than accepted.

Financial penalties

c) In April 2020, the Operator received notice from the Ministry of Environmental Protection regarding the intention to impose an administrative financial penalty due to alleged violations of the Prevention of Sea Pollution from Land-Based Sources Law, 5748-1988 and the sea discharge permit given to the Leviathan platform (while some of the alleged violations are with respect to the running-in period) in immaterial sums. After the filing of the Operator's arguments, the Ministry of Environmental Protection accepted some of the arguments and therefore some of the penalties have been cancelled and some partially reduced.

d) In 2020 the Operator received two notices from the Ministry of Environmental Protection regarding the intention to impose administrative financial penalties due to alleged violations of the emission permit given to the Leviathan platform and the Clean Air Law and the Commissioner's directive issued by virtue thereof. The first, which was received in May 2020 pertains to the connection of the continuous monitoring data in the Leviathan platform. The Operator submitted a request to receive information by virtue of the Freedom of Information Law, 5758-1998, which is required therefor in order to formulize its arguments in the penalty notice. In view thereof, the Ministry of Environmental Protection authorized to postpone the date of submission of arguments by 30 days after receipt of the information. The information requested by the Operator has not yet been received and therefore the count of days for reply to the notice has not yet with respect to the second penalty notice, received in July 2020 due to alleged violations of the terms and conditions of the emission permit of Leviathan and the provisions of the Clean Air Law, with respect to the operation of flares on the production platform.

Note 25 – Engagements and Contingencies (Cont.):

After taking into account the claims of the Operator, in December 2020, the decision of the Ministry of Environmental Protection was made, instructing to reduce by 50% the administrative financial penalty amount with respect to one of the violations; it was decided to impose one financial penalty with respect to 3 violations, and with respect to the 2 other violations, the penalty remained intact. In addition, a new violation was noted for which the Operator received a notice on the intention to charge one financial penalty. In September 2021, the decision of the Ministry of Environmental Protection was received, instructing the imposition of a reduced administrative financial penalty (by 40%). The decision stated that it was resolved to reduce the amount of the administrative penalty due to the fact that the Operator took actions to prevent the reoccurrence of the violations and due to the fact that the Operator did not violate any of the Clean Air Law provisions or thereunder in the five years prior to the violation. Payment for such penalties was transferred to the Ministry of Environmental Protection in January 2021.

Following the Operator's claim that it was not given a duly right of fair hearing with respect to the new penalty before being imposed thereon, in January 2021, another decision was made by the Ministry of Environmental Protection ordering the cancellation of the new penalty imposed in its above decision and reimbursing the amount paid therefor to the Operator. However, the Ministry of Environmental Protection announced that it intends to impose this financial penalty while allowing the Operator to complete its claims in relation thereto by the end of February 2021. After submitting the Operator's claims, in September 2021 the final decision of the Ministry of Environmental Protection was made, imposing on the Operator a financial penalty in an immaterial sum, which was paid in October 2021.

Note 25 – Engagements and Contingencies (Cont.):

e) On June 6, 2021, the Operator received the notice of the Ministry of Environmental Protection regarding the intention to impose an administrative financial penalty under the Clean Air Law, 5768-2008, in a non-material amount, for an event from October 2020 (cold vent). The Ministry claims two violations of the platform's emission permit, announcing that it intends to impose only one administrative financial penalty therefor. After the filing of the Operator's claims, in November 2021, the decision of the Ministry of Environmental Protection was made, authorizing the reduction of the penalty by 50% due to the fact that the Operator took actions to prevent the reoccurrence of the violations and due to the fact that the Operator discontinued the violation at its initiative and reported it. Payment for this penalty was transferred to the Ministry of Environmental Protection in December 2021.

f) Already in 2020 the Operator received two notices from the Ministry of Environmental Protection regarding the intention to impose administrative financial penalties due to alleged violations of the emission permit given to the Leviathan platform and the Clean Air Law and the Commissioner's directive issued by virtue thereof in relation to the connection of the continuous monitoring data in the Leviathan platform. After the filing of the Operator's arguments with respect to one of the notices (with respect to the additional notice, the Ministry of Environmental Protection authorized the postponement of the date of filing of the arguments until the receipt of information by virtue of the Freedom of Information Law, 5758-1998), the amount of the administrative financial penalty due to one of the violations was reduced, several violations were cancelled and some were consolidated into one violation and a new violation was mentioned, in respect of which the Operator was given notice of the intention to impose one administrative financial penalty. In September 2021, the decision of the Ministry of Environmental Protection was received, instructing the imposition of a reduced administrative financial penalty (by 40%). The decision stated that it was resolved to reduce the amount of the administrative penalty due to the fact that the Operator took actions to prevent the reoccurrence of the violations and due to the fact that the Operator did not violate any of the Clean Air Law provisions or thereunder in the five years prior to the violation.

g) In January 2021, the Operator received a letter of warning and invitation to a hearing before the Ministry of Environmental Protection due to non-compliance with the terms and conditions of the sea discharge permit which was given to the Leviathan platform and violation of the Prevention of Sea Pollution Law, allegedly. After the hearing took place in March 2021, a summary of the hearing was received from the Ministry of Environmental Protection stating that the Ministry will not recommend a punitive sanction for the alleged deviations, however, in case of further deviations, it will consider exercising its full powers by law and directives have been determined for the Operator to act to complete, such as completion of procedures, locating oil sources, etc.

Note 25 – Engagements and Contingencies (Cont.):

h) In November 2021, the Operator received a notice and summons to a hearing before the Ministry of Environmental Protection for non-compliance with the conditions of the sea discharge permit given to the Leviathan platform and violation of the Prevention of Sea Pollution from Land-Based Sources Law, 5748-1988. It is alleged in the summons to the hearing that Chevron has deviated from the specified criteria for discharge into the sea from the open system. The hearing is scheduled for December 12, 2021. The hearing took place in January 2022 and a summary of the hearing was received a few days later, stating that the Operator must take all actions to prevent deviations from the marine discharge permit and that the Ministry of Environmental Protection is considering exercising its full powers by law, including a possible recommendation of a financial penalty by law. According to the Operator's attorneys in this matter, it is not possible at this stage to assess whether sanctions will be imposed on the Operator following the hearing.

E. Regulation:

The decision of the Natural Gas Commission on regulation of criteria and rates regarding the operation of the transmission system in a flow control regime.

On January 3, 2021, the Natural Gas Commission released an amendment to the Commission's decision on criteria and rates regarding the operation of the transmission system in a flow control regime, Decision No. 5/2020 (Amendment No. 2) (in this section: the "**Decision**"). The Decision stipulates that the costs for the UFG in the transmission system deriving from reasons that cannot be attributed to malfunction of the transmission system, but to factors that cannot be prevented or controlled such as measurement timing, pressure differences and temperature differences, will be borne by the gas suppliers. The Decision further stipulates that the UFG-T ranges from 0%-0.5% (positively or negatively). The costs for UFG-T will be divided equally between the gas suppliers and the gas consumers. The Decision shall take effect on April 1, 2021.
After the release of the Decision, INGL contacted Noble with a demand to apply the Decision retroactively from November 2019 with respect to the Tamar project, and from the beginning of 2020 with respect to the Leviathan Project, and also forwarded for the inspection of Noble, a notice in this spirit which it provided to its customers. Further to this notice, Noble approached the Gas Authority and expressed its objection to the retroactive application of the Decision, without derogating from its arguments against the Decision itself. As of the date of approval of the financial statements, Noble is considering its steps with regard to the Decision. In the Partnership's estimation, the aforesaid Decision entails costs in immaterial amounts. As of the date of approval of the financial statements, the Partnership is examining the implications of the Decision before taking legal action.

Note 25 – Engagements and Contingencies (Cont.):

F. Pledges and collateral:

1) In September 2014 the Commissioner released, pursuant to Section 57 of the Petroleum Law, directives for the provision of collateral in connection with petroleum rights. As of the date of the financial statements, the Partnership provided in favor of the Ministry of Energy with the following guarantees:

   a) To guarantee fulfillment of the provisions of the Leviathan Lease deeds, the Leviathan Partners have provided guarantees in the total amount of $100 million (the Partnership's share $15 million).
   The guarantee shall be valid in the entire lease period and shall remain valid after the expiration of the lease, so long as the Commissioner shall not have announced that it is not needed and subject to Section 57(c) of the Petroleum Law.

   b) A guarantee in the sum of approx. $2.67 million in connection with performance of the work plan of Cluster A and Cluster C licenses for natural gas offshore exploration in Israel.

2) A guarantee to the Israel Land Authority due to the land of the Hagit plant which is used for storage of condensate, roads of access and areas for logistical arrangement and the pipeline infrastructure (condensate pipeline) in the amount of approx. ILS 750 thousand. The Partnership made a deposit of approx. $240 thousand against the provision of the Israel Land Authority guarantees. The deposit is presented under 'restricted deposits' item in the statement of financial position, see also Note 10.

3) In January 2021, in accordance with the Committee's Decision, as specified in Section (E) above, guarantees were provided in the total amount of approx. ILS 47 million in connection with the pipeline to INGL to guarantee INGL's share in the cost of construction of the infrastructure of the national transmission system, and coverage of Chevron's undertakings to pay the capacity and transmission fees. The Partnership made a deposit of $3.7 million against the provision of the aforesaid guarantees. The deposit is presented under 'restricted deposits' item in the statement of financial position, see also Note 10.

4) In 2018, the Partnership provided a seller's guarantee to NEPCO in a rate proportional to its holdings in the Leviathan Leases, to guarantee fulfillment of the Marketing Company's undertakings to NEPCO in accordance with the agreement for supply of natural gas to NEPCO.

5) The interest safety cushions for the Series B, C and D Bonds. See also Note 11B4.

Note 26 – Subsequent Events:

A. Russia-Ukraine War

For subsequent developments, see Note 1F.

B. Purchase of CAP options

For subsequent developments, see Note 4A2E.

C. Tax payments and balancing payments

For subsequent developments, see Note 15F2.

D. Extension of shelf prospectus

For subsequent developments, see Note 15H.

E. Agreement for the export of natural gas to Blue Ocean

For subsequent developments, see Note 25C1B.

F. Engagement in a transmission agreement for the purpose of export of gas to Egypt

For subsequent developments, see Note 25C1D above.

G. Agreement with Oil Refineries Ltd.

For subsequent developments, see Note 25C1I1.

H. Motion for class certification – Sapir v. Ratio Oil Exploration (1992), Limited Partnership

For subsequent developments, see Note 25D4.

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For subsequent developments, see Note 25D8.

J. D.S. 29330-02-22 Nof v. Rotlevy – Motion for certification of a derivative suit

For subsequent developments, see Note 25D10.

K. Proceedings against the Operator – Motion for class certification filed by a resident of Dor Beach

For subsequent developments, see Note 25D11A.