



## **Decision on Carrying Out Exploratory Drilling at the Isabella Oil Asset ("Isabella")**

**Tel Aviv, October 2, 2019. Delek Group (TASE: DLEKG, US ADR: DGRLY) ("the Company")**

announces further to the description in section 1.8.5(1) of Chapter A of the Company's 2018 Periodic Report dated 31 March 2019 (ref. no. 2019-01-029344) ("The Periodic Report") concerning the rights of Ithaca Energy Inc. ("Ithaca"), a wholly owned subsidiary of the Company, in the Isabella Oil Asset, located in the North Sea, and in accordance with section 4 of Addendum Eleven of the Securities Regulations (Periodic and Immediate Reports), 1970, that the partners in the Isabella Oil Asset have taken a decision, inter alia based on the recommendation of the project operator, Total E&P North Sea UK Ltd ("Total" or "the Operator") about a first trial well in the area of the Oil Asset ("the Drilling Decision" and "the Oil Asset", respectively).

Additional details follow concerning the Drilling Decision:

It is noted that according to the terms of the transactions drawn up by Ithaca concerning the Oil Asset, Ithaca is not responsible for payment for drilling costs but will be entitled to 10% of future revenues from the license, if there will be any.

1. **Date Decision was taken:** October 2, 2019
2. **Reasons for decision:**
  - a. Based on the Prospective Resources Report the partnership received on October 1, 2019 from the resources and reserves appraiser Netherland Sewell and Associates Inc. ("the Appraiser" or "NSAI"), which had been prepared according to the PRMS-SPE rules for petroleum appraisal ("Resources Report"), and attached as Appendix A to this Report, the estimated Prospective Resources to be found in Isabella (100%) in the Best Estimate (2U) is 39.3 MMBBL of oil and 308.7 billion BCF of natural gas at the principal target (Joanne Sand), with a geological chance of success of 42%, and a further 24.1 million barrels of oil and 190.5 BCF of natural gas at the secondary target (Judy Sand), with an 18% chance of success.
  - b. The Oil Asset Operator recommends to the partners to approve carrying out the drilling, inter alia based on its assessment concerning the commercial potential in the event of success and the chances of success.
3. **Conditions to carry out well and to involve the Company in it:** As of the report date all the required conditions exist for carrying out the drilling.

4. **Name of well:** 30/11a-7 (Isabella-1)
5. **Location of Well:** Maritime well in the North Sea area, about 260 km east of the UK coast.
6. **Expected dates of drilling:** According to information received from the Operator, the drilling is expected to commence in October 2019 and will continue according to the operator's estimate for 6 month. These dates are is likely to be updated inter alia according to conditions in the area and the drilling findings.
7. **Target layers of well:** Joanne Sands (principal target) and Judy Sands (secondary target), both from the Triassic age.
8. **Type of well, purpose and general discussion of future stages dependent on findings:** This is a test well and its purpose is to examine the presence of hydrocarbons. At the end of drilling activities, and depending on the findings, it is possible it will be decided to carry out production tests there.
9. **Final depth of well and water depth:** The depth of the water is approx. 80 meters and the final planned depth of the well is about 5,380 meters. During the drilling and depending on the findings , the original plan might change, including the depth of the well itself.
10. **Total drilling budget:** Overall cost of the well (100%) is estimated at GBP 51 million.
11. **Company's preparations and the approved budget, if there is one, to carry out production tests, if they will be needed:** The cost of production tests (if they will be required) is estimated at this stage by the operator at GBP 18 million. This budget has not yet been approved.
12. **Operator:** Total
13. **Company carrying out drilling:** Total
14. **Share of equity rights holders of the Company reported in the drilling budget and in possible revenues that will result from it:** based on the terms of the transactions Ithaca has prepared in respect of the Oil Asset, Ithaca will not be responsible to pay for drilling costs but will be entitled to 10% of future revenues from the license.
15. **Partners in the Oil Asset where the drilling will take place and their share of drilling budget, to the best of the Company's knowledge:**

0%	Ithaca
50%	Neptune E&P UKCS Ltd ("Neptune")
30%	Total
20%	Edison Euro Oil Exploration Ltd. ("Edison")

16. **Details of prospective resources in the Oil Asset as stipulated in the Third Addendum to the Prospectus Details Regulations, as they will have been updated as close as possible to the reporting date:** the Prospective Resources Report dated October 1, 2019 and the letter of agreement of NSAI for it to be included in this report are attached as Appendix A to this report.

**Warning of forward looking information - the estimates above of the date of start of drilling, the length of time of the drilling, costs of the drilling and other data provided concerning the drilling decision are forward looking information in its meaning in the Securities Law. These details are based on assumptions and estimates only and on information received from the operator, and there can be no assurance or certainty that these details will not be updated later, prior to the start of drilling or with progress with the drilling work and/or as a result of a range of factors typical of exploration work for oil and natural gas, including as a result of operational conditions, market conditions and/or regulatory conditions.**

**Partners in the project and percentage holdings:**

10%	Ithaca
50%	Neptune
30%	Total
10%	Edison

## **Appendix A**

### **Prospective Resources Report Concerning the Isabella Oil Asset**

On October 1, 2019 Ithaca received from a Prospective Resources Report, as of August 31, 2019 in respect of the Oil Asset, brought below. A letter of agreement from the Appraiser to include the Resources Report is also attached to this report.

Below are additional details concerning the prospective resources of the Oil Asset:

1. **The survey on the basis of which the prospective data was processed:**

The prospective data included in this Resources Report has been prepared inter alia based on a 3D seismic survey carried out in 2012 and processed in 2014. Data of the seismic survey was processed and its analysis was made available to the Appraiser for the purpose of preparing the Resources Report.

2. **Estimated quantity of resources that can be produced on the assumption there is petroleum:**

Based on the Resources Report, the Prospective Resources (un-risked gross 100%) of the Oil Asset are as detailed below:

Prospect		Total Oil Asset (Gross)			Total share of Company (Net) <sup>1</sup>		
		Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Joanne Sand	Oil (MMMBL)	13.2	39.3	108.8	1.3	3.9	10.8
	Gas (BCF)	109.1	308.7	824.8	10.9	30.9	82.5
Judy Sand	Oil (MMMBL)	10.2	24.1	62.5	1.0	2.4	6.3
	Gas (BCF)	85.1	190.5	476.2	8.5	19.0	47.6

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<sup>1</sup> The calculation is made at the participation percentage of 10%.

3. **The basic variables used for calculating the various scenarios:**

Prospect	Gross Rock Volume (acre-fit) Lognormal Distribution		Net to Gross (Decimal) Triangular Distribution			Porosity (decimal) Triangular Distribution			Hydrocarbon Saturation (decimal) Triangular Distribution		
	P90	P10	Min	ML	Max	Min	ML	Max	Min	ML	Max
Joanne Sand	223,400	3,013,312	0.3	0.45	0.6	0.12	0.16	0.20	0.60	0.70	0.80
Judy Sand	232,307	1,518,198	0.3	0.4	0.5	0.13	0.15	0.18	0.60	0.70	0.80

Prospect	Initial Gas Formation Volume Factor (SCF/RCF) Normal Distribution		Gas Recovery Factor (decimal) Normal Distribution		Average Production Yield (BBL/MMCF) Triangular Distribution		
	P90	P10	P90	P10	Max	ML	Min
Joanne Sand	300.00	330.00	0.55	0.75	60.00	130.00	200.00
Judy Sand	300.00	330.00	0.50	0.70	60.00	130.00	200.00

4. **Material risks associated with continuation of the process:**

The material risks associated with continuation of the process are technical and operational risks, including those related to problems in the drilling. If the drilling concludes successfully and oil and/or gas will be discovered, the risks in the continuation of the process required to reach commercial findings are, inter alia, that the characteristics of the field and/or the oil and gas in it will not be high enough to allow a commercially viable flow, costs of developing the prospect, and others. For a discussion of the risk factors and material risks related to the field of oil exploration in general, see section 1.7.40 of Chapter A of the Periodic Report.

5. **Probability of success in the well and the basic variables used in the calculation of the various scenarios:**

Prospect	Geologic Risk Element (%)				Total probability of success (In %)
	Trap Integrity	Reservoir Quality	Source Evaluation	Timing /Migration	
Joanne Sand	70	80	100	75	42
Judy Sand	55	80	100	40	18

6. **Estimate of the probability of development for commercial production:**

In the NSAI Report it is noted that there is no certainty that it will be commercial to produce any amount of the Prospective Resources if they are indeed discovered, however, based on development of similar fields, assuming there will be a discovery at the well, there is a reasonable chance that the Prospective Resources in the best category will be commercial. The potential market for these resources includes international marketing companies operating in the North Sea, which sell oil and gas to end consumers. For additional information concerning Ithaca's customers and the marketing and distribution of its products, see sections 1.8.9 and 1.8.10 of Chapter A of the Periodic Report, respectively.

7. **Reasons of the Company concerning the basis for the basic parameters employed in the calculation of the scenarios:**

The parameters employed in the calculation of the various estimates are based, inter alia, on the basis of the seismic survey, on data from similar oil and gas fields and wells, and on geological and engineering information from the area and around the world.

8. **Caveat:**

There is no certainty that any part of the potential resources mentioned will be discovered, and if discovered there is no certainty that it will be commercially possible to extract any part of the resources; the prospective information is not an assessment of reserves and stipulated resources that can only be estimated after a test drilling, if at all.

**Warning of forward looking information - the Appraiser's estimates concerning the prospective resources in the project are forward looking information in the meaning of the Securities Law. The assessments above are based inter alia on a geological and geophysical study carried out by experts of the project operator and the 3D seismic survey carried out in the project area, and they are professional assessments and estimates only of the Appraiser and for which there is no certainty. The above assessments and estimates are likely to be updated as additional information is collected and/or as a result of an ensemble of factors related to the exploration and production projects for oil, and as a result of operational conditions and/or market conditions and/or regulatory conditions.**

9. In the report NSAI has noted, inter alia, a number of assumptions and reservations, including: 1) The assessment of the resources does not include an economic analysis of the Oil Asset; 2) the Appraiser has not visited the Oil Asset; 3) the Appraiser has not assessed the possible exposure arising from environmental issues. Furthermore, the Appraiser has noted that as of the report date it was not known of any possible liability concerning environmental issues that might materially impact on the amount of resources estimated in the report or their degree of commerciality.

10. **Management Declaration:**

**Date of declaration:** October 2, 2019

**Reporting Company:** Delek Group Ltd;

I hereby confirm that all the relevant data has been provided to the Appraiser to carry out its work;

I hereby confirm that no information has come to our attention that indicates dependency between the Appraiser and the Company;

I hereby confirm that to the best of our knowledge the resources reported are the best and most up to date estimates that we have;

I hereby declare that the data included in the prospectus has been prepared in accordance with the professional terminology in Chapter 7 of the Third Addendum to the Securities Regulations (Details of Prospectus and Prospectus Draft - Structure and Form), 1969, and with the meaning accorded them in the Petroleum Resources Management System (2007) as published by the Society of Petroleum Engineers (SPE) and the American Association of Petroleum Geologists (AAPG), the World Petroleum Council (WPC), and the Society of Petroleum Evaluation Engineers (SPEE), as valid at the date of the report;

I hereby agree to the inclusion of the above declaration in this report.

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Asi Bartfeld, President & CEO

**This is a convenience translation of the original HEBREW immediate report issued to the Tel Aviv Stock Exchange by the Company on October 2, 2019.**

**About The Delek Group**

Delek Group is an independent E&P and the pioneering visionary behind the development of the East Med. With major finds in the Levant Basin, including the Leviathan (21.4 TCF) and Tamar (11.2 TCF) reservoirs and others, Delek is leading the region's development into a major natural gas export hub. In addition, Delek has embarked on an international expansion with a focus on high-potential opportunities in the North Sea and North America. Delek Group is one of Israel's largest and most prominent companies with a consistent track record of growth. Its shares are traded on the Tel Aviv Stock Exchange (TASE:DLEKG) and are part of the TA 35 Index.

For more information on Delek Group please visit [www.delek-group.com](http://www.delek-group.com)

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