



Prospective Resources Report for Deep Water Targets in Leviathan Leases

Tel Aviv, January 21, 2020. Delek Group (TASE: DLEKG, US ADR: DGRLY) ("the Company") announces: Further to what was stated in section 1.7.6(J)(5) of the Company's Periodic Report as of December 31, 2018 that was published on March 30, 2019 (ref. no. 2019-01-029344) ("the Periodic Report") and to what was stated in section 1.7.5(J)(5) of the Company's Periodic Report as of December 31, 2017 that was published on March 28, 2018 (ref. no. 2018-01-031177) concerning an assessment of the prospective resources in the area of Lease I/14 "Leviathan South" and I/15 "Leviathan North" (jointly "Leviathan Leases" and "Previous Resources Report"), (and further to what was stated in section 1.7.6(D) of the Periodic Report about carrying out the reprocessing of the seismic surveys, *inter alia*, in respect of the exploratory drilling at deep water targets in the Leviathan Leases "Reprocessing of Data"), the Company is providing an update that during 2019 an analysis was carried out of the Reprocessing of Data, as a result of which a new deep water target was defined in the area of the Leviathan Leases of an isolated carbonate buildup. In addition to the definition of this target, the analysis of the Reprocessing of Data brought up that it was necessary to classify and redefine the two deep water targets, as detailed in the Previous Resources Report as a single target of submarine clastic channel type (jointly "the New Targets").

Following completion of the Reprocessing of Data and based upon it, Delek Drilling Limited Partnership ("the Partnership") has drawn up an updated Resources Report in respect of the New Targets in the Leviathan Leases ("Resources Report"). The Resources Report was prepared by Netherland, Sewell and Associates, Inc. ("NSAI" or "the Appraiser"), an expert, certified and independent reserves appraiser. The Resources Report was prepared according to the rules of the petroleum resources management system (SPE-PRMS) and is attached by way of reference to the Partnership's Immediate Report dated January 21, 2020 (ref. no. 2020-01-008526)), and attached to this report is NSAI's agreement to have it included in this report. Similarly, a presentation of the Partnership is attached as Appendix B concerning what is stated in this Immediate Report.

As of the date of this report, the Partnership is assessing, *inter alia*, carrying out an additional seismic survey in the light of technological developments in the field of seismic surveys, in order to improve the quality of existing knowledge, to provide a basis to take a decision about an exploratory drilling at the New Targets. In addition, the Partnership is assessing the possibility of adding a strategic partner with the applicable knowledge and experience is the specification, drilling and development of an exploration target (in particular a target with a carbonate buildup), as described below.

1. Volumetric data

According to the Resources Report, as of December 31, 2019, the prospective resources found at the Leviathan Leases are as shown below:

Purpose	Probability	Total (100%) Oil Asset (Gross)		Total Company share (Gross) ¹	
		Gas (BCF)	Oil (MMBBL)	Gas (BCF)	Oil (MMBBL)
Carbonate buildup	Low Estimate	25.4.	26.6.	6.9.	7.2.
	Best Estimate	161.0.	155.3.	43.7.	42.1.
	High Estimate	826.8.	766.6.	224.3.	207.9.
Clastic channel	Low Estimate	45.2.	47.3.	12.3.	12.8.
	Best Estimate	229.2.	223.9.	62.2.	60.7.
	High Estimate	886.8.	813.7.	240.5.	220.7.

- (1) In the Resources Report NSAI has noted, *inter alia*, a number of assumptions and reservations, including: (1) NSAI did not visit the oil field; (2) NSAI has not examined the exposure arising from environmental protection issues. Furthermore, it is noted that as of the Resources Report date it was not known of any possible liability related to environmental issues that might materially impact on the amount of resources estimated in the Resources Report or their degree of commerciality. Similarly, NSAI notes that the Resources Report does not include an economic analysis of the field and is based on the development of similar fields, on the assumption that the oil field will contain a discovery, the prospective resources in the Best Estimate category have a reasonable chance of economic production.
- (2) The Resources Report has been prepared based on 3D seismic surveys carried out in 2009 and 2010 by Petroleum Geo-Services and that were reprocessed during 2017-2019 by WesternGeco, and also based on data gathered at the Leviathan 1 well and on information from similar and/or nearby oil and gas wells and fields (including the Zor reservoir discovered in Egypt).
- (3) Below are the basic parameters for calculating the various scenarios:

Parameter	Carbonate buildup			Clastic channel		
	Low Estimate	Best Estimate ²	High Estimate	Low Estimate	Best Estimate	High Estimate
Gross Rock Volume (Acre*Feet) ³	370,734.		16,051,915.	660,818.		17,297,896.
Net-to-Gross (Decimal)	0.20.	0.50.	0.80.	0.20.	0.50.	0.80.
Porosity (Decimal)	0.10.	0.15.	0.25.	0.12.	0.17.	0.22.
Oil Saturation (Decimal)	0.45.	0.65.	0.85.	0.55.	0.65.	0.75.
Average	200.		2,200.	200.		2,200.

¹ Before royalties.

² The parameters for them do not show a “Best estimate” value in the table, are also not shown in the Appraiser’s Resources Report, since the resources estimate is based on statistical methods, including, for those parameters whose distribution is logarithmic, standard or normal, “Best Estimate” is not meaningful.

³ The acre-foot unit is a volumetric unit equivalent to 1,233.48 cubic meters.

Parameter	Carbonate buildup			Clastic channel		
	Low Estimate	Best Estimate ²	High Estimate	Low Estimate	Best Estimate	High Estimate
Producing Gas-Oil Ratio (SCF/STB)						
Initial Oil Formation Volume Factor (RB/STB)	2.20.		1.10.	2.20.		1.10.
Oil Recovery Factor (Decimal)	0.15.		0.45.	0.15.		0.45.
Average Gross Thickness (feet)	257.		818.	143.		773.
Area (Acres)	1,443.		19,619.	4,628.		22,380.

(4) Material risks associated with the process: The material risks associated with drilling to deep targets at the Leviathan Leases are mainly technical, operational and geological risks, including difficulties reaching the target layers and carrying out the drilling, *inter alia*, while running logs and carrying out production tests, if there will be any. Even if the technical and operational actions are completed without problems and the drilling reaches the planned depth and hydrocarbons are found at the target layers, there are risks later in the process that requires reaching the discovery, *inter alia*, that the size of the reservoir and/or its properties will not be good enough to justify economic feasibility and development into a resources production project if they will be found, the scale of development costs, the length of time of the development, and other risks involved in developing the discovery. It should be noted that the estimate of prospective resources and the likelihood of discovering hydrocarbons, as detailed below, is not the sole consideration in taking a drilling decision in the leases area; there are other considerations, such as the target depth, its location in relation to the gas field located at shallower depths, the chance of developing it in the event of a discovery in line with the estimates of size and economic scale, etc. For a discussion of the risk factors involved in exploration operations, see section 1.7.40 and 1.25 of the Periodic Report.

(5) The estimate of the likelihood of success of each of the geological risk factors involved in the exploration process in the said drilling, and the estimate of the likelihood of discovering the hydrocarbons (oil and/or natural gas) are as follows:

Parameter	Carbonate buildup (%)	Clastic channel (%)
Trap Integrity	40.	45.
Reservoir Quality	70.	70.
Source Evaluation	80.	80.
Timing / Migration	80.	75.
Probability of Geologic Success	18.	19.

It should be emphasized that in the Resources Report each target is estimated separately and there is no interdependence of the targets.

(6) Estimate of the probability of development for commercial production: As of the Resources Report date, the Company and the Partnership are unable to provide a statistical estimate of the likelihood of the development of the targets for commercial production. Having said which, it can be estimated that the potential markets for the said resources are the local, regional and international markets. Therefore, the Partnership is examining various alternatives to commercializing the hydrocarbons (if discovered and produced), including the possibility to export oil and/or natural gas, if discovered, and their sale in the local, regional and international markets. It should be noted that if at the above targets or at some of them relatively low quantities of natural gas and/or oil will be discovered, it is possible the economic development will require joint development of a number of discoveries while making use of regional infrastructures. For details about the local gas market, see sections 1.7.2 and 1.7.16 of the Periodic Report, and for details about the possibility of exporting gas, see section 1.7.16(b) of the Periodic Report.

(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 mainly based on the results of 3D seismic surveys, on data gathered in drillings in the area and in particular at the Leviathan 1 well, and on general information about similar layers and fields.

(8) Reconciliation between report data and data in previous reports dealing with the oil asset:

The differences between the present Resources Report and the Previous Resources Report are due mainly to that fact as part of the analysis of the Reprocessing of the Data, carried out in 2019, two new targets were defined (instead of the targets specified in the Previous Resources Report (sand sediment in deep waters resting on the slope of an undersea mountain)): (1) an isolated carbonate buildup type target; (2) an underwater clastic channel type target, which was defined in place of two deep targets that appeared in the Previous Resources Report. The scale of the prospective resources in the isolated carbonate buildup target in the Best Estimate (P50-2U) is 155 million barrels of oil and 161 BCF of natural gas, with a geological chance of success of 18%. The scale of the prospective resources in the clastic channel target in the Best Estimate (P50-2U) is 224 million barrels of oil and 229 BCF of natural gas, with a geological chance of success of 19%; this as stated was in place of two deep targets that were detailed in the Previous Resources Report (Mid Cretaceous and Lower Cretaceous), and what is stated there is brought here by way of reference.

Warning - there can be no certainty that any part of the possible resources mentioned will be discovered; if they are discovered, there is no certainty that it will be commercially possible to produce any part of the resources; the prospective information is not an estimate of reserves and contingent resources, which it will be only be possible to evaluate after a trial well, if at all.

Warning of forward looking information - the NSAI estimates concerning the prospective resources in the deep water targets are forward looking information in the meaning of the Securities Law. The above estimates are based inter alia on geological, geophysical and other information received from the drillings and from the operator, and are professional assessments and estimates of NSAI alone, for which there is no certainty. The volumes of oil and natural gas that will be discovered (if discovered) and extracted in practice (if extracted), are likely to be materially different from the above assessments and estimates, inter alia as a result of operational and technical conditions and/or regulatory changes and/or supply and demand conditions in the market and/or from actual work in the field. The above assessments and estimates are likely to be updated as additional information is gathered and/or as a result of an ensemble of factors related to exploration and production projects of oil and natural gas. In addition, there can be no certainty that at the end of the assessments being carried out by the Partnership as noted above that it will be decided to carry out a further seismic survey and/or it will be decided to carry out a drilling and/or to add an additional strategic partner.

(9) Expert Opinion of the Resources Appraiser

Attached is a Prospective Resources Report for the Leviathan Leases prepared by NSAI as of December 31, 2019, by way of reference to Appendix A of the Immediate Report of the Partnership date January 1, 2020 (ref. no. 2020-01-008526) and the agreement of NSAI is attached as Appendix A to this report to be included in this report.

2. Glossary of Terms

"Hydrocarbons" - carbons, compounds made up of coal and hydrogen, including gas, oil and condensate.

"Lease" - as defined in the Petroleum Law. 1952 ("the Petroleum Law").

"Oil Explorations" -

- (1) Trial drilling;
- (2) Any other action for oil exploration, including geological, geophysical, geochemical and similar tests and trials, and drillings just to obtain geological information.

"Commercial quantities" - quantities of oil and/or gas that will facilitate producing them commercially.

"Reservoir" - stratum or strata of rock characterized by relatively high porosity and penetrability, which facilitate the gathering and flow of liquids and gas. Sometimes also used to describe an oil and/or gas field.

"Porosity" - the ratio between the total capacity of the cavities in the rock and the capacity of the entire rock.

"Petroleum Resources Management System (2018) - (SPE-PRMS)" – a system for reporting assessments of oil reserves and resources, as published by the Society of Petroleum Engineers, the American Association of Petroleum Geologists (AAPG), the World Petroleum Council (WPC) and the Society of Petroleum Evaluation Engineers (SPEE) and as revised from time to time

"Oil asset" – the lease, direct or indirect, in a preliminary permit, license or lease; in another country – the lease, direct or indirect, in a similar right granted by a competent party. The oil asset is also regarded as the right to receive benefits arising from the lease, direct or indirect, in the oil asset or in a similar right (as the case may be).

"Oil" – any petroleum fluid, whether liquid or gaseous and includes oil, natural gas, natural gasoline, condensates and (carbons) hydrocarbons and also asphalt and other solid petroleum hydrocarbons when dissolved in and producible with fluid petroleum.

"Trial drilling" - drilling of trial wells to find oil and/or gas, and obtaining initial information on the rock composition of the reservoir and its quality, and the size and limits of the reservoir.

As defined in SPE-PRMS.

"BCF" - billions of cubic feet, which is 0.001 TCF or 0.0283 BCM.

"BCM" - billion cubic meters.

"MMCF" - millions of cubic feet, which is 0.001 BCF or 0.0003 BCM.

"MMBBL" - million barrels

Below are the conversion coefficients for units used in this report above.

MMCF	BCF	BCM
35310.7.	35.3107.	1.
BCM	MMCF	BCF
0.0283.	1000.	1.
BCM	BCF	MMCF
0.00003.	0.001.	1.

Partners in the Leviathan Leases and their percentage holdings are as follows:

Delek Drilling Limited Partnership	45.34%
Noble Energy Mediterranean Ltd.	39.66%
Ratio Oil Exploration (1992), Limited	15.00%

This is a convenience translation of the original HEBREW immediate report issued to the Tel Aviv Stock Exchange by the Company on January 21, 2020.

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

Contact

Investors

Yonah Weisz

Head of Investor Relations

Delek Group Ltd.

Tel: +972 9 863 8443

investor@delek-group.com