

Israel Opportunity – Energy Resources, Limited Partnership

Interim Financial Statements as of 30 June, 2015

In Thousands of \$US

Unaudited

Table of Contents

	<u>Page</u>
Interim Financial Statements Review	2
Financial Situation Reports	3
Gross Profit Reports	4
Statements regarding Changes in Partnership Capital	5-6
Cash Flow Statements	7-8
Notes to the Interim Financial Statements	9-17

**Auditing Accountant's Report for the Partners of
Israel Opportunity – Energy Resources, Limited Partnership**

Preface

We reviewed the attached financial information of Israel Opportunity – Energy Resources, Limited Partnership (hereinafter – the Limited Partnership), that includes the summary reports regarding the financial situation as of 30 June 2015 and the summary reports of gross profit, changes in capital and cash flows for the periods of six and three months then ended. The directorate and management of the general partner and the limited partnership are responsible for preparing and presenting the financial information regarding these interim periods in accordance with International Accounting Standard IAS 34 "financial statement of interim periods", and are also responsible for preparing the financial information for these interim periods in accordance with chapter D to the Securities Regulation (interim and immediate reports), 5730 – 1970. Our responsibility is to express our conclusion regarding this financial information for the interim periods based on our review.

We did not review the summary financial information of interim periods regarding joint ventures, whose assets constitute about 5% of the total assets as of 30 June, 2015. The summary financial information for the interim period of these joint ventures was reviewed by other accountants whose review reports were submitted to us and our conclusion, in as much as it refers to the sums included on behalf of those joint ventures, is based on the review reports of the other accountants.

Review Scope

We conducted our review in accordance with Review Standard 1 of the Israel Association of Accountants "a review of the financial information for interim periods conducted by the Entity's auditing accountant". A review of the financial information for interim periods consists of clarifications, mainly with the people responsible for the financial and accounting issues, and from the application of analytic and other reviewing procedures. A review is considerably limited in scope compared to an audit prepared in accordance with generally accepted auditing standards in Israel and therefore does not allow us to achieve confidence that we will be informed of all the significant issues that could have been identified in an audit. Therefore, the opinion we express is not an auditor's opinion.

Conclusion

Based on our review and on the review reports of the other accountants, nothing has come to our attention to make us think that the above mentioned financial information is not prepared, respective of all material aspects, in accordance with International Accounting Standard IAS 34.

In addition to the aforesaid in the previous paragraph, based on our review and on the review reports of the other accountants, nothing has come to our attention to make us think that the above mentioned financial information does not comply with, respective of all material aspects, the instructions of disclosure according to chapter D to the securities regulations (periodic and immediate reports), 5730 – 1970.

Israel Opportunity – Energy Resources, Limited Partnership

Financial Situation Reports

	<u>As of 30 June</u>		<u>As of 31</u>
	<u>2015</u>	<u>2014</u>	<u>December</u>
	<u>Unaudited</u>		<u>2014</u>
	<u>In USD Thousands</u>		<u>Audited</u>
<u>Current Assets</u>			
Cash and Cash Equivalent	16,829	5,770	10,021
Deposits in Bank Corporations	950	13,868	8,520
Financial Assets measured at Fair Value through Profit and Loss	5,195	5,192	5,195
Accounts Receivable and Debit Balances	804	171	288
	<u>23,778</u>	<u>25,001</u>	<u>24,024</u>
<u>Noncurrent Assets</u>			
Deposits in Limited Use Bank Corporations	1,055	-	514
Investment in Oil and Gas assets	-	4,564	-
Accounts Receivable and Debit Balances	8	211	671
Net Fixed and Other Assets	10	12	10
	<u>1,073</u>	<u>4,787</u>	<u>1,195</u>
	<u>24,851</u>	<u>29,788</u>	<u>25,219</u>
<u>Current Liabilities</u>			
Payables and Credit Balances	547	222	251
	<u>24,034</u>	<u>29,566</u>	<u>24,968</u>
<u>Partnership Capital</u>	<u>24,851</u>	<u>29,788</u>	<u>25,219</u>

The attached Notes constitute an integral part of the Interim Financial Statements.

Israel Opportunity – Oil And Gas
Exploration Ltd. – the General Partner, By:

<u>12 August, 2015</u>			
Financial Statement Confirmation Date	Roni Hellman Directorate Chairperson General Partner	Eyal Shuker General Manager General Partner	Gil Sultan Financial Manager General Partner

Israel Opportunity – Energy Resources, Limited Partnership

Gross Profit Reports

	For 6 months ended on 30 June		For 3 months ended on 30 June		For the year ended on 31 December 2014
	2015	2014	2015	2014	2014
	Unaudited				Audited
	Thousands USD (except for loss data per participating unit)				
Oil and Gas Exploration Expenses	264	273	217	123	4,007
General and Administrative Expenses	428	351	210	128	1,049
Operational Loss	692	624	427	251	5,056
Financing Income	(50)	(93)	(33)	(43)	(100)
Financing Expenses	22	1	2	-	124
Net Financing Expenses (Income)	(28)	(92)	(31)	(43)	24
Loss per period	664	532	396	208	5,080
Total Loss	664	532	396	208	5,080
<u>Loss per participating unit (in Dollars)</u>					
Basic and Diluted*)	0.02	0.01	0.01	**)	0.14

*) Loss per participating unit reflects the impact of the unification of all 20 participating units into one participating unit, that occurred during the reporting period, see Note 3f. below.

**) Represents an amount lower than 0.01 Thousand Dollar.

The attached Notes constitute an integral part of the Interim Financial Statements.

Israel Opportunity – Energy Resources, Limited Partnership
Statements regarding Changes in Partnership Capital

	Limited Partner – Israel Opportunity – Oil and Gas Exploration Trustees Ltd.		General Partner – Israel Opportunity – Oil and Gas Exploration Ltd.		Total Capital
	Loss Balance	Investments in Partnership Capital	Loss Balance	Investments in Partnership Capital	
			Unaudited		
	Thousands USD				
For a six months period ended on 30 June 2015					
Balance as of 1 January, 2015	(23,651)	48,616	(3)	6	24,968
Total Loss	(664)	-	*)	-	(664)
Balance as of 30 June, 2015	(24,315)	48,616	(3)	6	24,304
For a six months period ended on 30 June 2014					
Balance as of 1 January, 2014	(18,522)	48,616	(2)	6	30,098
Total Loss	(532)	-	*)	-	(532)
Balance as of 30 June, 2014	(19,054)	48,616	(2)	6	29,566
For a three months period ended on 30 June 2015					
Balance as of 1 April, 2015	(23,919)	48,616	(3)	6	24,700
Total Loss	(396)	-	*)	-	(396)
Balance as of 30 June, 2015	(24,315)	48,616	(3)	6	24,304

*) Represents an amount under 1 Thousand Dollar

The attached Notes constitute an integral part of the Interim Financial Statements.

Israel Opportunity – Energy Resources, Limited Partnership
Statements regarding Changes in Partnership Capital

		Limited Partner – Israel Opportunity – Oil and Gas Exploration Trustees Ltd.		General Partner – Israel Opportunity – Oil and Gas Exploration Ltd.		Total Capital
		Loss Balance	Investments in Partnership Capital	Loss Balance	Investments in Partnership Capital	
		Unaudited				
		Thousands USD				
<u>For a three months period ended on 30 June 2014</u>						
Balance as of 1 January, 2014	(audited)	(18,846)	48,616	(2)	6	29,774
Total Loss		(208)	-	(*)	-	(208)
Balance as of 30 June, 2014		(19,054)	48,616	(2)	6	29,566

		Limited Partner – Israel Opportunity – Oil and Gas Exploration Trustees Ltd.		General Partner – Israel Opportunity – Oil and Gas Exploration Ltd.		Total Capital
		Loss Balance	Investments in Partnership Capital	Loss Balance	Investments in Partnership Capital	
		Audited				
		Thousands USD				
<u>For the period of a year ended on 31 December 2014</u>						
Balance as of 1 January, 2014	(audited)	(18,522)	48,616	(2)	6	30,098
Distribution to Trustee		(50)	-	-	-	(50)
Total Loss		(5,079)	-	(1)	-	(5,080)
Balance as of 31 December, 2014		(23,651)	48,616	(3)	6	24,968

*) Represents an amount under 1 Thousand Dollar

The attached Notes constitute an integral part of the Interim Financial Statements.

Israel Opportunity – Energy Resources, Limited Partnership

Cash Flow Statements

	For 6 months ended on 30 June		For 3 months ended on 30 June		For the year ended on 31 December
	2015	2014	2015	2014	2014
	Unaudited				Audited
	Thousands USD				
<u>Cash Flows from Current Activity</u>					
Net Cash used for Current Activity (a)	<u>(633)</u>	<u>(720)</u>	<u>(373)</u>	<u>(367)</u>	<u>(1,178)</u>
<u>Cash Flows from Investment Activity</u>					
Net Changes in Deposits in Banking Corporations	7,443	(25)	7,577	(24)	4,809
Proceeds from Tradable Securities					
Measured at Fair Value through Profit or Loss	-	1,679	-	-	1,679
Decrease in Receivables and Debit Balances	-	-	-	-	(433)
Net Financing Expenses (Income)					
Proceeds from Oil and Gas assets designated for sale	-	95	-	-	95
Investment in Oil and Gas assets	<u>-</u>	<u>(1,196)</u>	<u>-</u>	<u>(323)</u>	<u>(677)</u>
Net Cash generated from (used for) Investment Activity	<u>7,443</u>	<u>553</u>	<u>7,577</u>	<u>(347)</u>	<u>5,473</u>
<u>Cash Flows from Financing Activity</u>					
Net Credit from Banking Corporations	-	-	-	(44)	-
Distribution to Trustee	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50)</u>
Net Cash used for Financing activity	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44)</u>	<u>(50)</u>
<u>Rate of Exchange Differentials for cash and cash equivalents</u>					
	<u>(2)</u>	<u>41</u>	<u>20</u>	<u>47</u>	<u>4,245</u>
<u>Increase (decrease) in cash and cash equivalent</u>					
	<u>6,808</u>	<u>(126)</u>	<u>7,224</u>	<u>(711)</u>	<u>4,125</u>
<u>Cash and cash equivalent balance at beginning of period</u>					
	<u>10,021</u>	<u>5,896</u>	<u>9,605</u>	<u>6,481</u>	<u>5,896</u>
<u>Cash and cash equivalent balance at end of period</u>					
	<u>16,829</u>	<u>5,770</u>	<u>16,829</u>	<u>5,770</u>	<u>10,021</u>

The attached Notes constitute an integral part of the Interim Financial Statements.

Israel Opportunity – Energy Resources, Limited Partnership

Cash Flow Statements

	For 6 months ended on 30 June		For 3 months ended on 30 June		For the year ended on 31 December
	2015	2014	2015	2014	2014
	Unaudited				Audited
	Thousands USD				
(a) <u>Net Cash used for current activity</u>					
Loss per period	(644)	(532)	(396)	(208)	(5,080)
Reconciliation with Profit and Loss items:					
Non-cash Oil and Gas Exploration expenses	151	-	151	-	3,611
Loss (profit) from changes in Fair Value of Financial Assets measured at Fair Value through Profit or Loss	-	(16)	1	8	(19)
Rate of Exchange Differentials for cash and cash equivalents	2	(41)	(20)	(47)	120
Depreciation Expenses	-	-	-	-	2
Changes in asset and obligation articles:					
Decrease (increase) in Receivables and Debit balances	(21)	356	(17)	(90)	342
Decrease in Payables and Credit balances	(101)	(487)	(92)	(30)	(154)
	<u>(633)</u>	<u>(720)</u>	<u>(373)</u>	<u>(367)</u>	<u>(1,178)</u>
(b) <u>Additional information on cash flows</u>					
Interest received	<u>34</u>	<u>34</u>	<u>18</u>	<u>17</u>	<u>82</u>
(c) <u>Non-cash material activity</u>					
Acquisition of rights in unpaid Gas and Oil certificate	<u>400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The attached Notes constitute an integral part of the Interim Financial Statements.

Notes to the Interim Financial Reports

Note 1: General

a. **Definitions**

The Partnership or Limited

Partnership

- Israel Opportunity – Energy Resources, Limited Partnership

The General Partner

- Israel Opportunity – Oil and Gas Explorations Ltd.

The Limited Partner or Trustee

- Israel Opportunity – Oil and Gas Explorations Trustee Ltd.

Dollar

- US Dollar

- b. These financial statements were prepared in a concise format for 30 June, 2015, and for periods of three and six months then ended (hereinafter – Interim Financial Reports). These reports should be considered in relation to the Partnership's annual financial statements for 31 December, 2014 and for the year then ended and to the notes accompanying them (hereinafter – the Annual Financial statements).
- c. The Limited Partnership's activity involves large financial expenses and a high level of financial risk and uncertainty. The General Partner's management inspects, *inter-alia*, the addition of other strategic partners to the license.

Note 2: -Accepted Accounting Principles

The Interim Financial Reports are prepared in accordance with International Accounting Standard 34 – financial report of interim periods, and according to the instructions of disclosure under chapter D to the Securities Regulations (Periodic and Immediate reports) 5,730-1970.

The accounting policy applied in the preparation of the interim financial reports is consistent with the one applied in the preparation of the Annual Financial Reports.

Note 3: - Significance events during the report period

a. Pelagic Joint Venture

1. Pursuant to the contents of Note 7d.(6) to the annual financial statements regarding the change in partner's holdings in the Pelagic joint venture , on the date of 11 January 2015, the partnership notified Norisha Holdings Limited (hereinafter: "Norisha) and to Frendum Investments Ltd. (hereinafter: "Frendum") as follows:

- a. That it exercises the right of first refusal conferred on it according to the JOA agreement, regarding the purchase of parts of Frendum's rights in the licenses, respective of its relative interest in the licenses and that it is also interested in purchasing other parts in Frendum's rights in the licenses in as much as other partners in the licenses do not exercise the right of first refusal conferred on them. Furthermore, according to the partnership's position, the completion of the transaction between Norisha and Eden Energy Discoveries Ltd. (hereinafter: Eden) constitutes a breach of the JOA and that it maintains its rights in this matter.

Israel Opportunity – Energy Resources, Limited Partnership
Notes to the Interim Financial Reports

Note 3: - **Significance events during the report period(Continued)**

Namax Oil & Gas Limited (Hereinafter: Nammax) a holder of 42.5% in Pelagic licenses, announced that its intention to exercise the right of first refusal conferred on it according to the JOA agreement, to purchase parts of Frendum's rights in the licenses, respective of its relative interest in the licenses.

- b. AGR Petroleum Services Holdings AS (Hereinafter: AGR) a holder of 5% in Pelagic licenses, announced that it does not intend to exercise the aforesaid right of first refusal conferred on it.

On February 2nd 2015, Norisha notified the Partnership and Nammax that it rejects their demand to exercise the right of first refusal to purchase parts of Frendum's participation rights in Pelagic licenses, since according to its position, the right of first refusal is relative to the rights in Genesis Energy Group Limited (Hereinafter: Genesis) that were sold by Norisha to Eden and not relative to Frendum's participation rights in pelagic licenses.

The Partnership and Nammax notified Frendum that they are rejecting the aforesaid position and deem Frendum's actions and lack thereof regarding control changes in Genesis, including its failure to provide its relative share in the guarantees to the Ministry of National Infrastructures, Energy and Water in relation to Pelagic licenses, its failure to pay its relative share in the Pelagic licenses work plan budget, as was approved by all Pelagic licenses' partners, Frendum included, and the fact that it does not respect the exercise of the aforesaid right of first refusal, a breach of the JOA instructions applying to Pelagic licenses and demanded that it respects their announcement regarding exercising the right of first refusal.

On February 5, 2015, the Partnership and Nammax sent Default Notices by virtue of the JOA agreement applying through license 370/Yishai, as follows:

- a) To Frendum since it did not produce its relative share in the work plan budget for the year 2015, which was confirmed by all the partners in the license, including Frendum.
- b) To Daden Investment Ltd. (Hereinafter: Daden), holding participation rights in the extent of 9% in the license, since it did not produce its relative share in the guarantees.

After the Default Notice was sent, Frendum produced its part in the budget to the joint venture account.

On March 2nd, 2015, Frendum produced the sum of about 132 thousand dollars on behalf of the guarantee, constituting only 10.526% of the sum of its share in the required guarantee.

Israel Opportunity – Energy Resources, Limited Partnership
Notes to the Interim Financial Reports

Note 3: - **Significance events during the report period(Continued)**

On April 15, 2015, the Partnership, Nammax, Frendum and Eden engaged in a compromise agreement, the principles of which are as follows:

- a) Frendum will transfer to the Partnership and to Nammax participation rights in the Pelagic licenses, in the extent of 6% (of 100%) and 17.5% (of 100%), respectively (hereinafter: the Transferred Rights) in a way that after the transfer of such Transferred Rights the partners in Pelagic Licenses and their holding rates will be as follows:

The Partnership – 16%
Nammax – 60%
Frendum – 10%
Daden – 9%
AGR – 5%

Such Transfers of Rights as aforesaid will become valid after being approved by the Commissioner of Petroleum Affairs in the Ministry of national Infrastructures, Energy and water (hereinafter: the Commissioner's Transfer of Rights Confirmation) as well as the confirmation of the Restraint of Trade Controller (in as much as required).

The Transferred Rights will be free of any liens, claims, burdens or contractual or other rights of any third party, excluding legal limitations and excluding rights of participation in profits as specified in paragraph B below and excluding royalties claimed under the suit against Garren (Gary) J.Junco and others as specified in Note 8 D (2) to the Annual Financial Statements.

- b) It should be noted that the Transferred Rights, by virtue of the compromise agreement between the partners in Pelagic licenses and WB (as specified in Note 8 D(1) to the Annual Financial Statements), are subject to Frendum, Daden and WB's rights for participation in some of the profits of whomever holds these rights in Pelagic's licenses (after full reimbursement of expenses of all their expenses in Pelagic's licenses incremented by an annual interest in the extent of 6%), at a rate of 0.9% to WB, 0.71% to Frendum and 0.19% to Daden (hereinafter: Rights in Profit Sharing). The Partnership's part in the payment of the aforesaid Rights in Profit Sharing is 6.72% (of 100% Rights in Profit Sharing).
- c) The partnership and Nammax will cancel the Default Notices issued by virtue of the JOA agreement applying in the licenses, which were sent to Frendum on February 5 2015, in connection with the license by virtue of the JOA agreement. Notwithstanding, it has been agreed that the Default Notices will be considered as if

Israel Opportunity – Energy Resources, Limited Partnership

Notes to the Interim Financial Reports

Note 3: - **Significance events during the report period (Continued)**

not cancelled and re-sent, if the Commissioner's confirmation regarding the transfer of such rights is not received by April 1 2016.

- d) It was also agreed that in as much as the partnership, Nammax and Frendum hold rights of participation in licenses 370/Yishai on 1 March 2016 and subject to Frendum meeting all its obligations under the compromise agreement, the Partnership and Nammax will pay Frendum the sums of 6,380 dollars and 18,620 dollars, respectively, as reimbursement for Frendum's expenses on behalf of said license in accordance with the JOA agreement applying in the license, beginning from 1 January 2016. The aforesaid sums will be paid as payment of Frendum's part in the Cash Calls made in reference to the license beginning 1 April 2016 and until the aforementioned sums.
 - e) Subject to the parties' fulfillment of obligations under this compromise agreement and the Commissioner's confirmation of the transfer of such rights, the parties have quit any mutual pleas and claims in respect of the disputes between them as specified above.
 - f) It has been agreed that until the Commissioner's confirmation to the transfer of rights is received, the parties will pay Cash Call requests issued, in as much as they are issued, respective of their current interest in the Pelagic licenses (i.e. prior to the transfer of rights), except when the Partnership and Nammax deposit in the joint account of the joint venture in the Pelagic licenses area a cumulative sum of up to 50 thousand dollars on behalf of such Cash Calls on behalf of the rights to be transferred to them (respective of their relative interest in the rights transferred, in other words, the Partnership up to about 13 thousand dollars and Nammax up to 37 thousand dollars) subject to Frendum paying 10% of any such Cash Call. In as much as the Commissioner's confirmation for the transfer of rights is received, such payment shall be considered as payment on account of the Partnership and Nammax's interest, but if the Commissioner's confirmation of transfer of rights is not received by 1 April 2016, such said amount shall be returned to them by Frendum within 30 days and if not this shall be considered a breach by Frendum of the JOA contract in Pelagic licenses.
2. Pursuant to Note 7d to the Annual Financial Statements regarding the submission of the Yishai license work plan, on 23 February 2015, the partners in the license have appealed to the Commissioner for an extension of work plan performance dates in the license area. As of the confirmation date of these Financial Statements the Commissioner's reply to the aforementioned appeal is yet to be given.

Israel Opportunity – Energy Resources, Limited Partnership
Notes to the Interim Financial Reports

Note 3: - **Significance events during the report period (Continued)**

3. Regarding securities related to Petroleum Rights, see paragraph d. below.

b. **Licenses 398/Neta and 399/Royee**

1. Pursuant to Note 7e to the Annual Financial Statements, on February 11 2015, the partners in the Neta and Royee licenses applied to the Commissioner for changing the boundaries of the Royee license including by way of transferring areas from the Neta license to the Royee license and by removing other areas. The areas removed from the Royee license and Neta license areas not included in the Royee license – will be returned in a way that will leave the partners with one license – the Royee license in its new boundaries. As of the confirmation date of the Financial Statements, the Commissioner's confirmation of the aforementioned application has not been received yet. Pursuant to the aforesaid application, an application was submitted to the commissioner on behalf of the partners in the licenses asking to cancel its demand for depositing an additional bank guarantee on behalf of the Neta license and to instruct the surrender of the bank guarantee deposited on behalf of the Neta license. As of the confirmation date of the Financial Statements, the Commissioner's response has not been received yet.

2. Pursuant to the aforesaid in Note 7e. to the Annual Financial Statements regarding the submission of a work plan in the Neta and Royee licenses, on May 14 2015, the partners have approached the Commissioner, with a request to update in the Royee license work plan with a year's extension and extend its validity accordingly. It should be noted that under the aforementioned application the partners have approached the Commissioner to confirm, inter-alia, the addition of a number of milestones, including additional professional research, study and analysis of the work plan and delaying milestones' performance dates in the current work plan. As of the confirmation date of the Financial Statements, the Commissioner's response to the aforementioned application has not been received yet.

c. **License 394/Oz**

1. On 7 January 2015, the Partnership filed a financial suit against Frendum, Placida and Lapidot-Heletz limited partnership (hereinafter: Lapidot) (hereinafter: the Defendants). The suit deals with funds transferred by the Partnership to the bank account of the Joint venture in the OZ license, in a total amount of about 1,518 thousand dollars, of which 1,152 thousand dollars are on behalf of Frendum's and Placida's share under the agreement made on April 1 2012 according to which the Partnership acquired from Frendum rights in the license, and that in relation to the Cash Calls from the year 2012

and the month of March 2014.

Israel Opportunity – Energy Resources, Limited Partnership
Notes to the Interim Financial Reports

Note 3: - **Significance events during the report period (Continued)**

According to the Partnership's claim, these funds were raised for specific purposes defined in advance and respective of summations obtained and commitments made in this regard, and since these purposes were not realized, in general and particularly up to the date set in reference to some of them, they should be returned to the Partnership and not used for any other purpose.

On January 11 2015, Lapidot announced that it rejects the claims raised against it altogether and on February 12 2015, submitted a statement of defense.

On May 27 2015, the Partnership engaged in a compromise agreement with Frendum and Placida (hereinafter: the Agreement with Frendum and Placida) and in a compromise agreement with Lapidot (hereinafter: the Agreement with Lapidot) for the conclusion of their dispute, the principles of which are as follows:

a. The Agreement with Frendum and Placida

1. The Partnership will acquire from Placida and Frendum all the participation rights they hold in the license, in an overall extent of 31.5% (of 100%) (hereinafter: the Acquired Rights), in such a way that subject to the completion of such acquisition the Partnership will hold 41.5% (of 100%) (of the rights to participate in the license).
2. The Acquired Rights will be transferred to the Partnership free and clear of any third party right, and any lien, attachment, royalty, pre-emptive right, right of refusal and so on (except for royalties to the state of Israel and excluding the rights of such third parties resulting from Frendum's and Placida's activity regarding the license).
3. Transfer of Acquired Rights to the Partnership shall be in effect from the signing date of the Agreement with Frendum and Placida and from that date the Partnership shall carry all the liabilities related to Acquired Rights and will enjoy all the rights related to them, and this shall also be submitted to the Commissioner for the Transfer of Acquired Rights to the Partnership for confirmation.
4. An uncontested application for dismissal of claim will be submitted to the court.

Note 3: - **Significance events during the report period (Continued)**

5. Registration of the Acquired Rights on behalf of the Partnership is contingent on the confirmation of the Commissioner and confirmation by the Restraint of Trade Controller (to the extent needed) (hereinafter: the Regulatory Confirmations).
6. In consideration for the Acquired Rights, the Partnership is obliged to pay Placida, in favor of itself and of Frendum, the sum of 400 thousand dollars within the earliest of a year from the date of signing of the Agreement with Frendum and Placida or 7 days from the date of receipt of the Regulatory Confirmations.

In addition, The Partnership is obliged to pay Placida, to the extent a discovery is made in the license within 10 years from the date of signing of the agreement, 200 thousand dollars, in 36 equal monthly installments, over the period of the first 3 years from the date of the first commercial extraction of oil or gas from the license for commercial sell purposes.

7. In reference to the consideration the Partnership has obliged to pay on behalf of such aforesaid Acquired Rights, and for the picture's integrity, the following should be specified:
 - a. On April 1 2012, the Partnership has engaged in agreement with Frendum, under which the Partnership acquired from Frendum 10% (of 100%) of its participation rights in the license (hereinafter: the Original Purchase Agreement). In this respect, see also Note 7f.(1) to the Annual Financial Statements.
 - b. In the original Purchase Agreement it was agreed that in addition to the Partnership's relative share in the license expenses, the Partnership shall bear, beginning the date of the Original Purchase Agreement, all license expenses, including providing financial guarantees, to be credited for Frendum's and Placida's share (hereinafter: Carried Interest), and that until the date of completion of the interpretation of the seismic survey data taken in the license area and preparation of a comprehensive report of the license area (hereinafter : the Carry completion Date) providing that in any event the total Carried Interest will not exceed the sum of 3,450 thousand dollars (hereinafter: the Carried Interest Ceiling).

Note 3: - **Significance events during the report period (Continued)**

In this context it has been agreed that the provision of financial guarantees by the Partnership on behalf of Frendum's and Placida's relative share will be considered as cash payment for the purpose of Carried Interest Ceiling calculation, and providing that if such guarantees expired without being exercised prior to the Carry completion date, then such unexercised guarantees shall not be considered for the purpose of calculating the Carried Interest Ceiling.

- c. In the original purchase agreement it was also agreed that, in as much as at the Carry end date, the sum actually paid by the Partnership on Account of the Carried Interest shall be lower than the Carried Interest Ceiling, then the Partnership shall pay Frendum, as additional consideration on behalf of the rights acquired according to the original purchase agreement, a sum equal to half the difference between the Carried Interest Ceiling and the sum actually paid on account of the Carried Interest until the Carry end date (hereinafter: the Additional Consideration); and that subject to payment of the Additional Consideration, from the date of such payment, the Partnership shall be released of its obligation to Carried Interest.
- d. At the Carry end date it was found that the amount paid by the Partnership on account of Carried Interest was lower than the Carried Interest Ceiling. Accordingly, any amount that would have been ruled by the court under the lawsuit in favor of the Partnership (if so ruled), would have been subject to payment of the Additional Consideration.

b. **The Lapidot Agreement**

1. An uncontested application for dismissal of claim will be submitted to the court.
2. Lapidot will agree to the transfer of rights acquired from Frendum and Placida to the Partnership in accordance with the Agreement with Frendum and Placida and will waive its right of refusal (in as much as it has one) on behalf of such transfer.

On 28 May 2015, the Partnership has submitted to the court an uncontested application for dismissal of claim against the defendants. On 31 May 2015, the above described application for dismissal of claim was granted the validity of a sentence.

Note 3: - **Significance events during the report period (Continued)**

Following said agreements, the Partnership's holding in the Oz license increased to 41.5%. Consequently, the Partnership recognized losses in the amount of about 151 thousand dollars, recorded in the Gross Profit Reports under the Oil and Gas Exploration article.

The transfer of Acquired Rights will come into effect from the date of the Frenum and Placida Agreement signing.

The transfer of rights in accordance with the agreement dated 27 May 2015 is yet to be registered in the Oil Register so that as of this report date only the Partnership's previous holdings in the license – 10% - are specified in the Oil Register.

2. Pursuant to Note 7f. to the Annual Financial Reports regarding the submission of the Oz License work plan, on 10 August 2015, after the reporting date, the partners in the Oz license approached the Commissioner of Petroleum Affairs, with a request to update the work plan in the license. As of the date of financial statements confirmation, the Commissioner's reply to the request has not yet been given.

d. **Instructions regarding provision of securities in reference to oil rights**

Pursuant to Note 7c. to the Annual Financial Reports:

1. On 4 August 2015, after the report date, an extension was granted by the Commissioner for provision of the balance if the first part of the Yishai guarantee that had not yet been provided by some of the partners (see also Note 3a above), as well as the full amount of the second part of the guarantee and that until 30 September 2015.
2. On 16 July 2015, after the report date, the second part of the Oz license guarantee was provided in full, in an amount of 1,250 thousand dollars.
3. On 31 March 2015, the partnership provided the second part of its guarantee in the Royee license, in an amount of 125 thousand dollars.
4. Regarding provision of its second part in the guarantee on behalf of the Neta license see Note 3b(1) above.

It should be noted that the provision of guarantees while breaching the instructions of the law may constitute a cause for the Commissioner to expropriate the rights in the license.

- e. Pursuant to the contents of Note 8c(3) to the Annual Financial Statements regarding the Bill for amendment of the Partnership Ordinance, on 16 February 2015 the Knesset (Israeli Parliament) has approved the second and third readings of the bill.

Note 3: - **Significance events during the report period (Continued)**

The amendment in fact consists of a new chapter that is added to the Partnerships Ordinance [new version], 5735-1975 (hereinafter: the Partnerships Ordinance), and applies only to public limited partnerships, i.e. limited partnerships whose units of participation or rights of their limited partner, are registered for trade in the exchange or have been offered to the public according to a prospectus. The primary objective of the amendment is the application of corporate governance rules in public partnerships and the arrangement of corporate governance within them when a significant part of the amendment is done through adoption of arrangements from the Companies' Law, 5759-1999 (hereinafter: the Companies Law) with the required changes and adjustments.

Inter alia, the amendment determines:

- That in a public limited partnership the general partner will be a private company that is not a debenture company, incorporated in Israel and dealing exclusively in the management of the limited partnership's business.
- An obligation to appoint an audit committee.
- An obligation to appoint a reward committee.
- An obligation to confirm a reward policy in the General Partner and in the Partnership
- An obligation to appoint external directors.
- That the General Partner and its position holders are obliged by duty of care and fiduciary duty towards the Partnership and that they must prefer the Partnership's interest over the interest of the General Partner.
- That the exemption, compensation and insurance arrangement applying in a public company shall apply to the Partnership.
- That a controlling shareholder in the General Partner and shareholders in the General Partner must act in fairness towards the Partnership.
- That a holder of participating units who knows that the way he votes will be decisive in respect of a General Meeting decision – shall act in fairness.
- An obligation of a holder of participating units to act in good faith and in an acceptable manner and avoid abusing his/her power towards other holders, the General Partner and the Partnership.
- An obligation to appoint an internal auditor.
- An obligation to appoint a Financial Statements Confirmation Committee.
- The arrangement of the supervising institute when in certain cases its powers were extended.
- An obligation to hold an annual general meeting once a year and no later than 15 months following the last annual meeting.
- A procedure for General Partner and the Partnership's stakeholders and controlling shareholders transactions confirmation, similar to those of a public company. Respectively, according to the amendment, an exceptional transaction of the Partnership with a controlling shareholder or in which a controlling shareholder has personal interest – must be reconfirmed every 3 years (except enterprise fees, defined in the amendment as any other asset given by the Partnership to the General Partner or to its controlling shareholders, in accordance with the partnership agreement "derived from the Partnership assets, revenues or profits, whether in cash or in any other way").

Israel Opportunity – Energy Resources, Limited Partnership
Notes to the Interim Financial Reports

Note 3: - **Significance events during the report period (Continued)**

The Partnership examines and applies the instructions of the law according to the schedules set by it.

- f. On 29 June 2015, the Partnership's Participating unit Owners assembly confirmed the merging of participating units, as follows:

Merging of all participating units in a way that every 20 existing participating units of NIS 1 will turn into one unit of NIS 1 (hereinafter: Units Merger). After the Units Merger, the total number of Partnership participating units is 37,371,133.

Units Merger performance time table:

1. The decisive date for the Units Merger is – 10 July 2015.
2. The X day for the Units Merger (the day the participating units begin being traded after the merger) is – 12 July 2015.

Note 4: - **Financial Tools**

a. **Fair Value**

Asset balances and financial liabilities presented in the financial statements are compatible with or close to their fair value.

b. **Classification of financial tools by Fair Value grade**

As of 30 June 2015, 30 June 2014 and 31 December 2014 the Partnership holds financial assets measured at fair value through profit or loss in a total of 5,195 thousand dollars, about 5,192 thousand dollars and about 5,915 thousand dollars, respectively, classified only on one level. Furthermore, on the aforesaid dates the partnership has no financial liabilities measured at fair value through profit or loss.

Note 5: - **Events after the report date**

a. **Appointing a Partnership supervisor**

On 19 July 2015, a summons for a special general meeting of the partnership's participating unit owners was published (hereinafter: the assembly) for 9 August 2015, for the purpose of discussion and confirmation of the following issues:

1. Appointing a supervisor for the Partnership.
2. Approving an exception of the amount the supervisor is entitled to receive of the trust assets on behalf of expenses he had for the year 2015 and until the report date.
3. Increasing the amount that the supervisor is entitled to receive of the trust assets on behalf of expenses he made for the purposes of his duty, in accordance with the Trust Agreement and the Limited Partnership Agreement in the year 2015.

On 2 August 2015, a number of Partnership participating unit owners (hereinafter: the Unit Owners) applied to the economic department at the Tel-Aviv district court for the issuance of a mandatory injunction as well as a protective injunction.

Israel Opportunity – Energy Resources, Limited Partnership

Notes to the Interim Financial Reports

Note 5: - Events after the report date

The action and the application for protective injunction were filed against the General Partner, members of its directorate and his CEO (hereinafter: the Respondents) and against the Limited Partner as a formal respondent.

Under the action, the court was asked to issue an order directed at the respondents and instructing them to take the matter of the appointment of a supervisor off of the assembly's agenda and convene a new assembly the agenda of which will be the appointment of a supervisor.

Under the application for a protective order, the court was requested to issue a protective order directed at the respondents and instructing them to avoid holding a discussion and a voting in the assembly on the matter of appointing a supervisor for the Partnership, and that until a decision is made in the action.

On 6 August 2015, a discussion was held at the Tel-Aviv district court that gave a decision according to which it accepts the application and instructed the respondents to remove subject no. 1 – appointment of a supervisor, of the assembly's agenda and immediately summon a new assembly the agenda of which will be the appointment of a supervisor giving the Unit Owners a chance to suggest nominees on their behalf by way of adding subjects to the agenda.

The court found no fault in the conduct of the General Partner or any of its position holders.

In view of the court's decision, in order to save expenses and effort, it was decided to cancel the assembly summoned for 9 August 2015.

Notification regarding the summons of an assembly in accordance with the court's decision will be published separately and will include, inter alia, subject 2 and 3 on the agenda of the cancelled assembly.

As of the Financial Statements confirmation date, such an assembly has not been summoned yet.

b. Filing Lawsuits

on 4 and 5 of August 2015, the Partnership submitted to the court a number of financial lawsuits in a total amount of NIS 7.3 million against a number of Unit Owners, inter alia, on the grounds of violations of the instructions of the Prohibition of Defamation Act, 5725-1965.

c. Publications of the Ministry of National Infrastructure, Energy and Water

On 8 July 2015, the Ministry of National Infrastructure, Energy and Water and the Commissioner published the following for public consideration and comments:

1. An updated draft of the instruction in the matter of article 76 to the Petroleum Act regarding the transfer and attachment of oil rights and benefits in oil rights. Considering the published instructions draft indicated that demands for approval of transfer and attachment of oil rights and benefits in oil rights were made more strict in these

Israel Opportunity – Energy Resources, Limited Partnership
Notes to the Interim Financial Reports

Note 5: - Events after the report date

instructions compared to the situation until today.

2. The oil Regulations' draft (principles of action for oil exploration and production at sea) (amendment), 5775-2015.

Considering the regulations draft indicates that new threshold regulations were set for the confirmation of an operator for oil and gas explorations at sea, that make the threshold requirements much stricter than they were until now and also sets stricter demands that a group asking to get a license for oil exploration at sea must meet.

The public is invited to present its views regarding the aforesaid drafts until 6 August 2015.

The Partnership is studying the implications of the said instructions and the regulations on its activity, in the event they are confirmed.