



# RATIO OIL EXPLORATION (1992)

Limited Partnership

Partnership Presentation  
December, 2014 [1]



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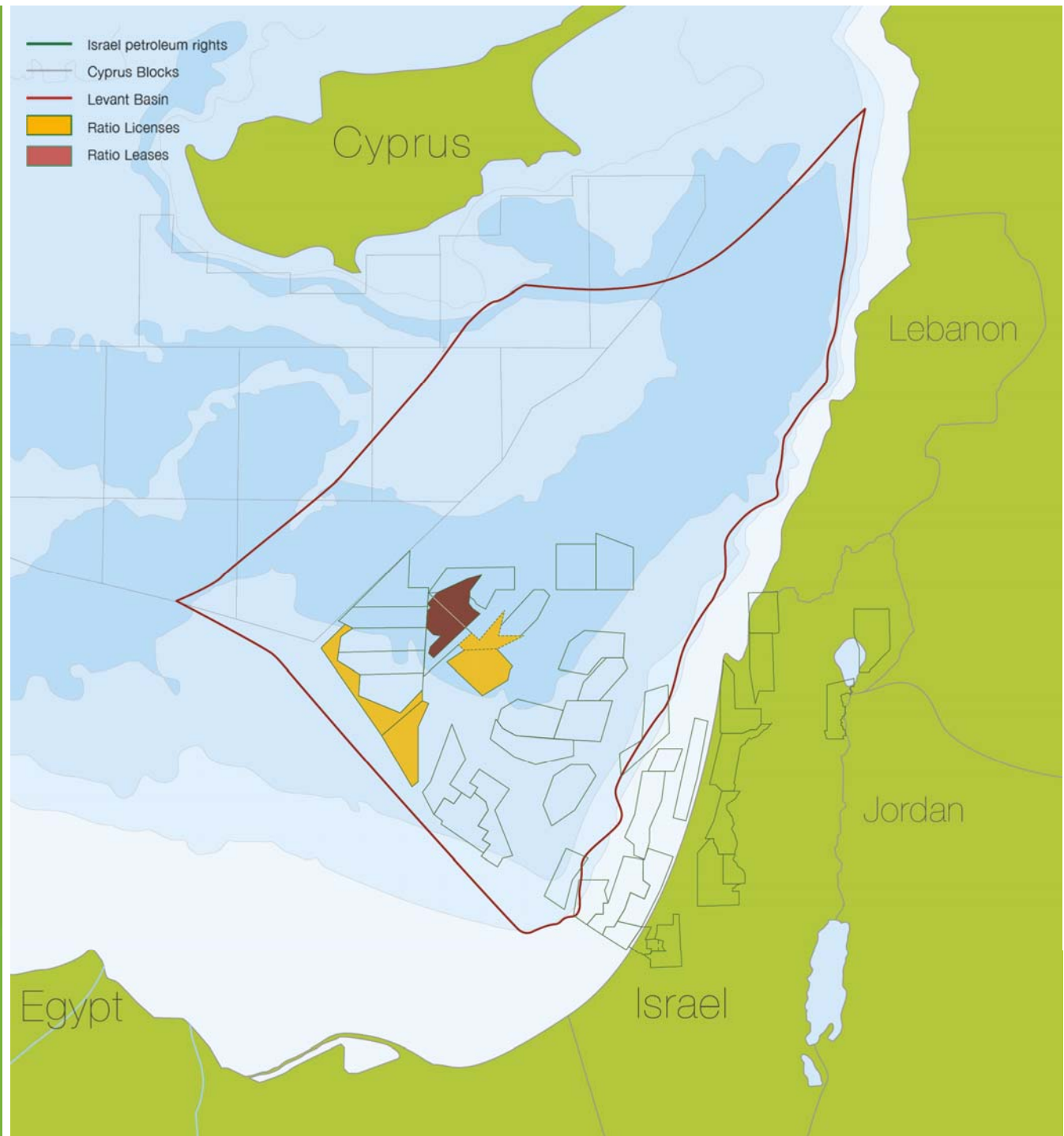
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# THE LEVANT BASIN

Ratio is focused on hydrocarbon exploration and production in the deep-water of the Eastern Mediterranean Sea





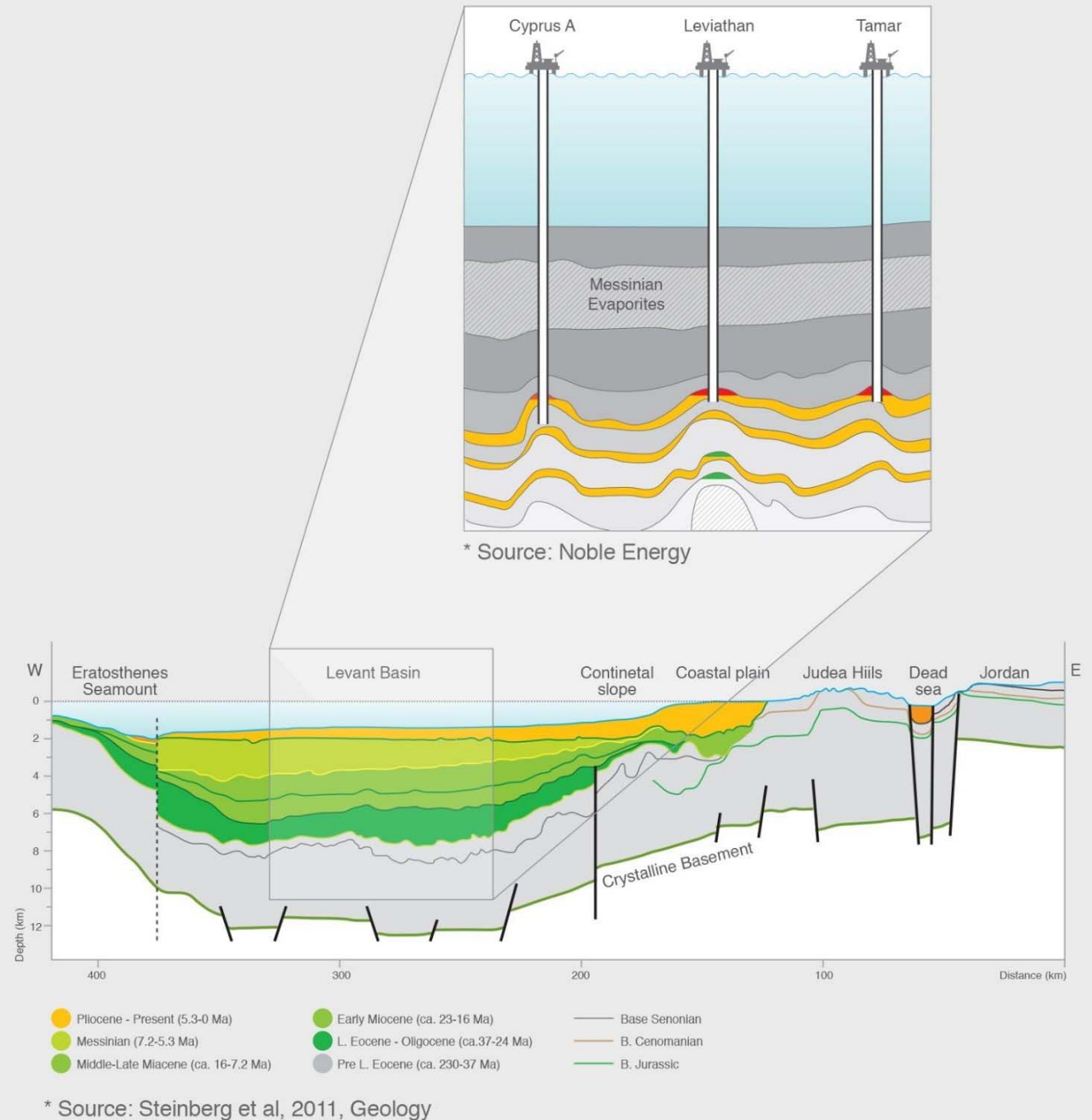
# THE LEVANT BASIN

Potential  
~ 122 Tcf \*

Discovered  
~ 40Tcf \*\*

\* Source: US Geological Survey (USGS)  
Fact sheet 2010-3014, March 2010

\*\* Reserves and Contingent Resources  
(Best Estimate Category)



# RATIO ASSETS

## Leases:

Operator - Noble Energy:

- Leviathan North (15%)
- Leviathan South (15%)

## Licenses:

Operator - Noble Energy:

- Eran (15%) (\*)
- Hanna (15%)

Operator - Edison SpA:

- Neta (70%)
- Royee (70%)

(\*) In August 2014 the Energy Minister rejected the appeal on the Oil Commissioner's decision according to which the Eran license has expired. In November 2014 Ratio and its partners have appealed to the Supreme Court with respect to the Commissioner and the Minister decisions.



# LEVIATHAN DISCOVERY

Leviathan is a World-class asset in terms of quantity, quality and potential for high production delivery

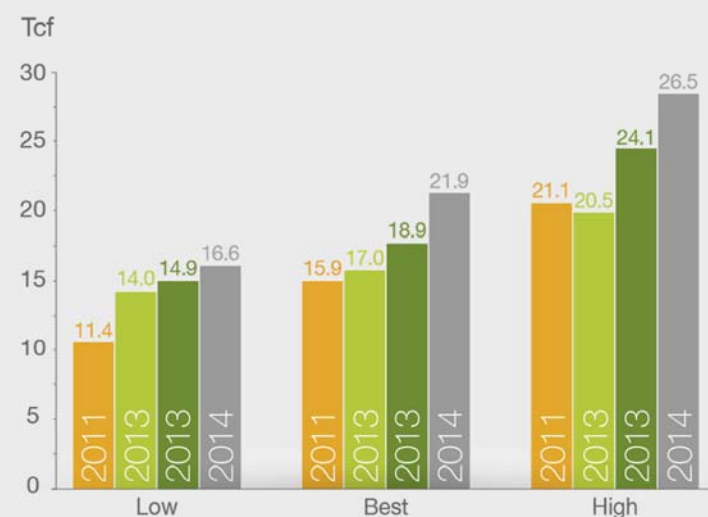
The most significant gas field in the Basin

- Eitan Aizenberg, one of Ratio's founders, is the prospect generator of the Leviathan and Dolphin discoveries
- Ratio held 100% interest in the Ratio Yam exploration areas and in 2007 invited its current partners to farm-in to the asset
- Located in the Leviathan South & Leviathan North Leases, approx. 135km west of Haifa, Israel in water depths of approx. 1,630 meter, and covers approx. 325 km<sup>2</sup>
- Export Policy permits export sales of 50% from Leviathan plus up to an additional 25% is permitted following swap transactions. Current Leviathan export potential is approx. 16.4 TCF
- In March 2014 the Oil Commissioner granted Ratio and its partners two leases for a period of 30 years to develop and produce natural gas and condensate from the Leviathan field
- Recent NSAI resources estimate increased 16% to 21.9 TCF of natural gas and 39.4 MMBBL of condensate; an increase of ~ 3 TCF of natural gas and ~5.3 MMBBL of condensate (2C estimation)

→ Contingent Resources, NSAI estimation (as of June 2014)

	Low (1C)	Best (2C)	High (3C)
Natural Gas (Tcf)	16.5	21.9	26.5
Condensate (MMBBL)	29.8	39.4	47.7

→ Contingent Resources History, NSAI estimation

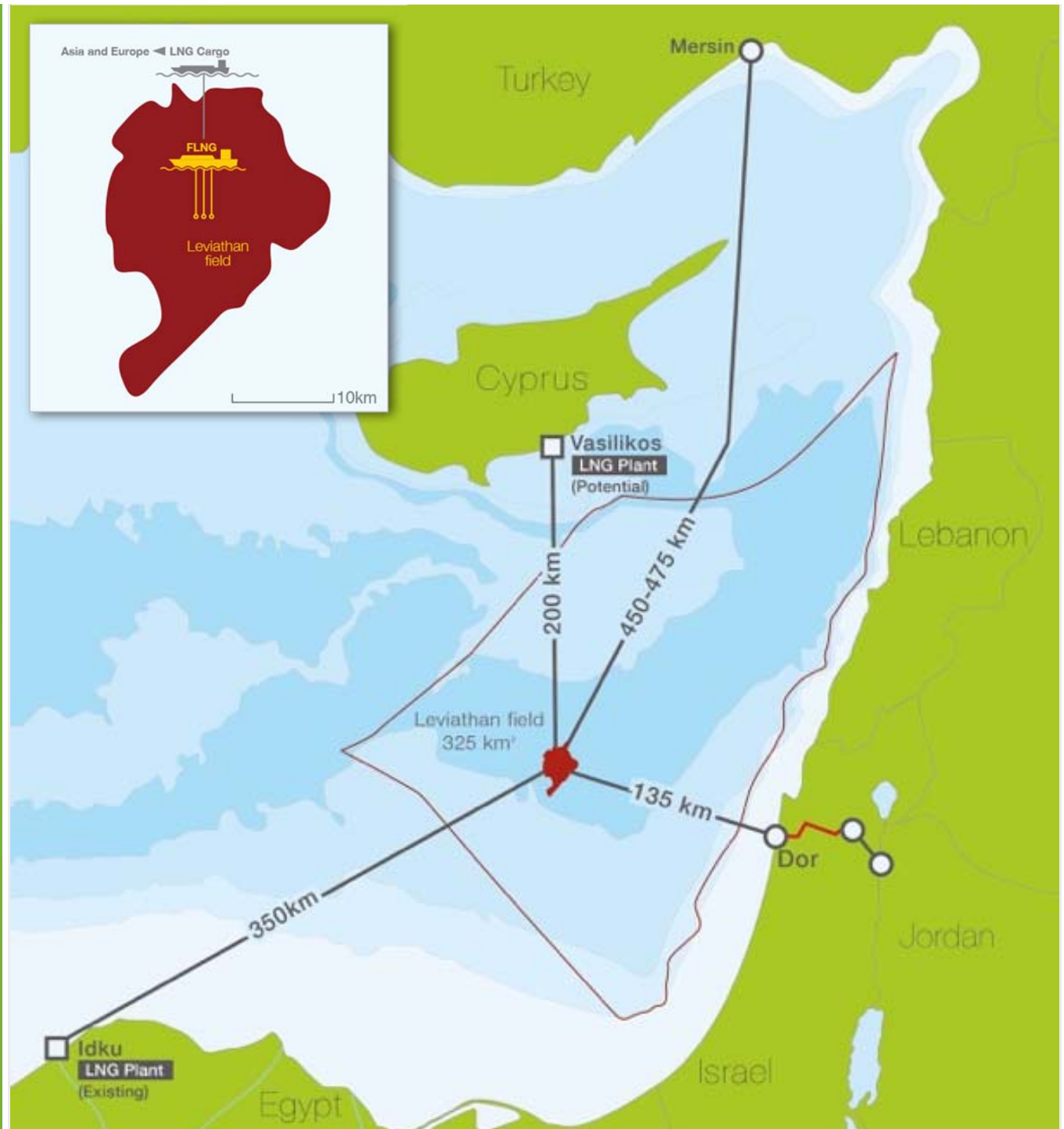


# LEVIATHAN DISCOVERY

Scale & location  
allow for multiple  
commercialization  
possibilities

Pipeline projects target  
Israel, PA clients and  
export customers in  
Jordan, Turkey, Egypt,  
and Cyprus

LNG project targets  
mainly to the Asian  
markets





# LEVIATHAN DEVELOPMENT

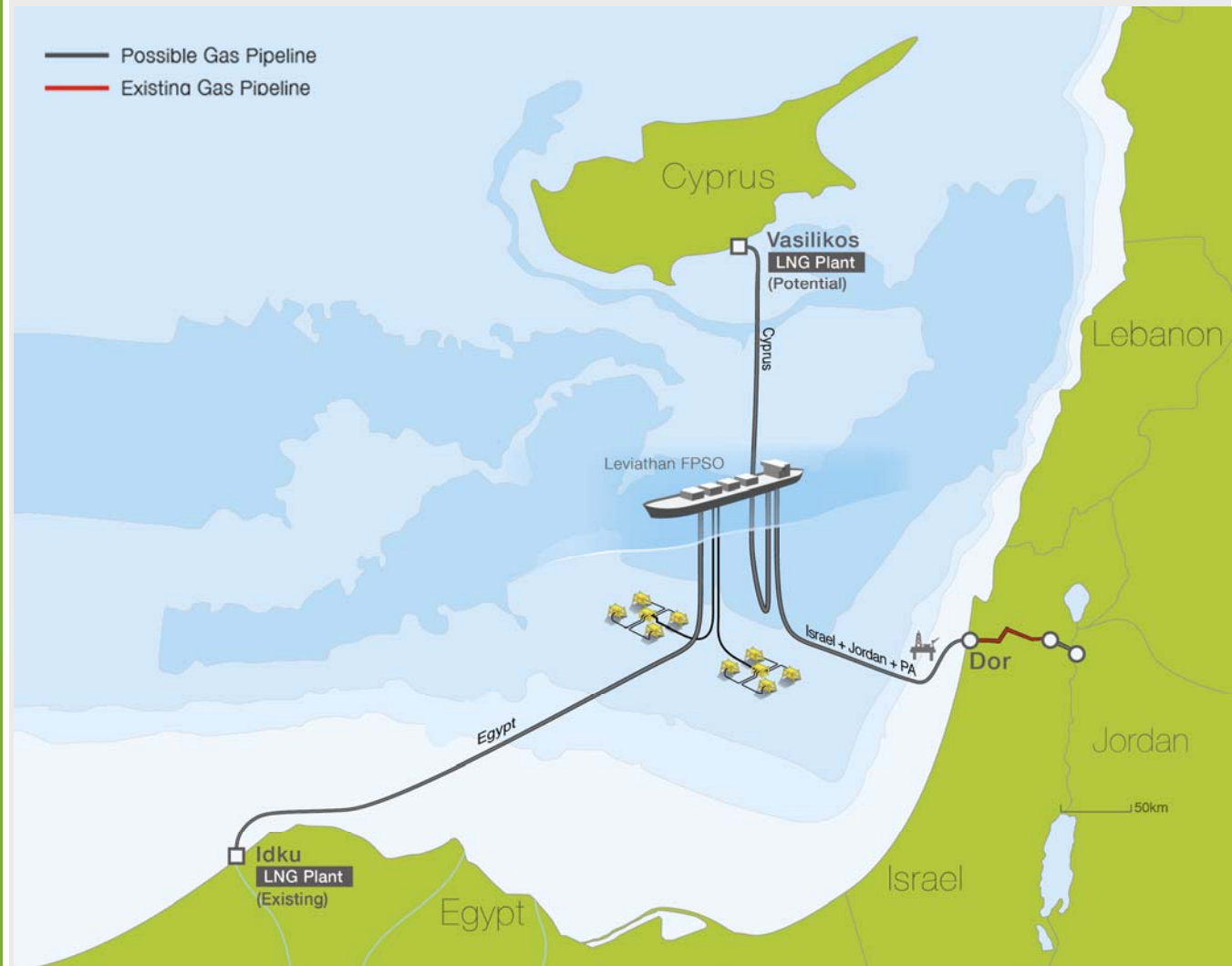
Field Development will be made in several phases

Phase One first gas in late 2017/ early 2018 (\*)

Possible additional phases - pipeline, FLNG, combination with Cyprus LNG

## Phase One Pipeline Project under consideration (\*)

- Floating Pressure Storage Offloading (FPSO) platform with an installed processing capacity of 1,600 mmcf per day
- Focused on Israel & export customers in regional markets





# LEVIATHAN FUNDING

## Phase One Project

Ratio raised approx.  
NIS 370 M via public  
debt & warrants  
issuances

Ratio currently is  
evaluating possibilities  
to secure credit lines  
from financial  
institutions

## Successfully completed issuance of packages composed of debt & warrants

- ➔ A wholly owned company - Ratio Oil Exploration (Finance) Ltd. – raised in October 2014 NIS 370 M (~ US \$100 M);
  - ➔ Principal to be repaid in September 2019 (bullet)
  - ➔ Interest to be paid annually (2% during the first four years and approx. 27% on maturity date); Effective discount rate is approx. 4.7%

Total demand (in packages) was 170% of the offer

- ➔ Ratio issued warrants (series #14) to be exercised to Ratio's Units by September 2017 at a unit price of 0.65 NIS (exercise price linked to USD exchange rate)

Potential equity raising from warrants exercise ~ US \$120 M

# PIPELINE PROJECTS: Israel, Cyprus, and PA

Strong and growing  
demand in Israel

Israel's consumption  
in 2013 ~ 7 BCM (\*)

First Gas Sale  
Contract was signed  
in January 2014

## Israel

- The MEWR forecasts that the domestic demand will be 12.1 BCM in 2018, and 13.3 BCM in 2020 (\*)
- Economic Models forecasts that the domestic demand will be 15.7 BCM in 2018, and 17.7 BCM in 2020 (\*\*)
- Economic Models further estimates that additional conversions from coal to gas are expected in 2018-2020 and will increase the annual domestic demand by up to 6 BCM ( \*\*)

## Cyprus

- Ratio submitted a proposal to supply natural gas in the amount of 0.7-0.95 BCM per year for a period of 5-8 years; Proposal is under evaluation by DEFA, the governmental gas company

## Palestinian Authority

- A 20 year Gas Sale Contract was signed with a private company which is developing a power plant to be located in the West Bank
  - Contract quantity – up to 4.75 BCM
  - Expected revenue - \$1.0-1.2 Billion

(\*) Ministry of Energy and Water Resources ("MEWR")

(\*\*) Economic Models – Israel's Natural Gas Demand Forecast – January 2014 (Economic Models")

# PIPELINE PROJECTS: Egypt

Leviathan partners and British Gas signed in June 2014 a non-binding LOI to negotiate a gas sale contract

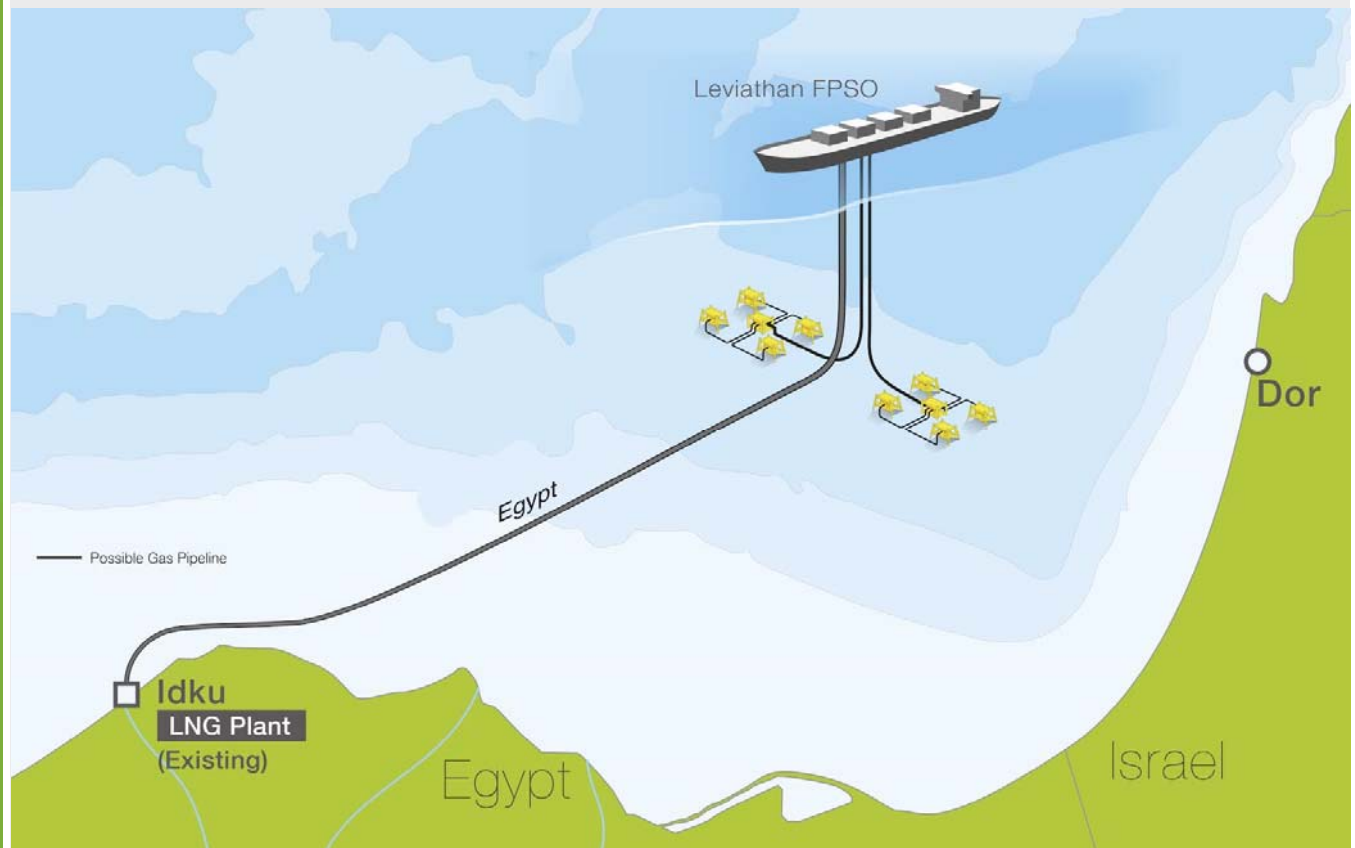
Leviathan gas targets for use as feed gas in BG's Idku LNG plant

In 2013 the Idku LNG plant was operating on approx. 30% capacity due to insufficient gas supply

## BG's LOI Highlights

- Annual Quantity: 7 BCM
- Term: 15 years of gas supply
- Delivery Point: Leviathan FPSO outlet

**Forecasted sales throughout the contract term is 3.7 TCF (approx. 17% of Leviathan gas resources)**





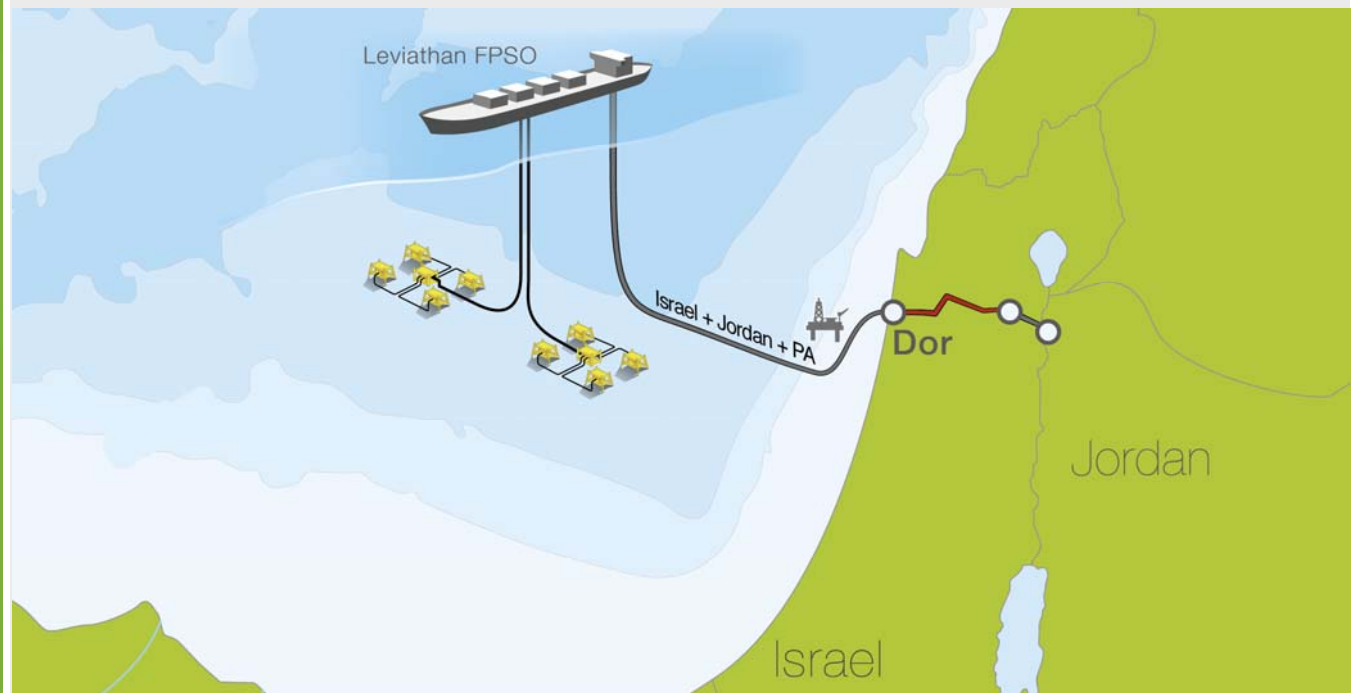
# PIPELINE PROJECTS: Jordan

Noble Energy Med and National Electric Power Company of Jordan (NEPCO) signed in September 2014 a non-binding LOI to negotiate a contract terms of gas supply from Leviathan

## NEPCO's LOI Highlights

- Contract Quantity: 45 BCM
- Term: 15 years of gas supply
- Delivery Point: Israel-Jordan border
- Price: Brent linked with a floor price; similar pricing to other gas contracts for export sales from Israel
- Binding gas supply contract is anticipated to be signed by December 2014

**Forecasted sales throughout the contract term is 1.6 TCF (approx. 7% of Leviathan gas resources)**



# PIPELINE PROJECTS: Turkey

Turkey is a significant potential market for piped gas

Based on the forecasted Turkish demand, Leviathan has a potential to supply up to 10 BCM per annum to the Turkish market

## Growing Demand

2012 demand ~ 46 BCM; 2020 forecast ~ 60 BCM (\*)

## Gas supply diversification

In 2012, 75% of Turkey's gas was imported from Russia and Iran

## Potential Transit Hub from East to West

Several regional transmission lines are planned (TAP, TANAP)

## Existing import gas pipelines and LNG terminals



(\*) Turkish Ministry of Energy

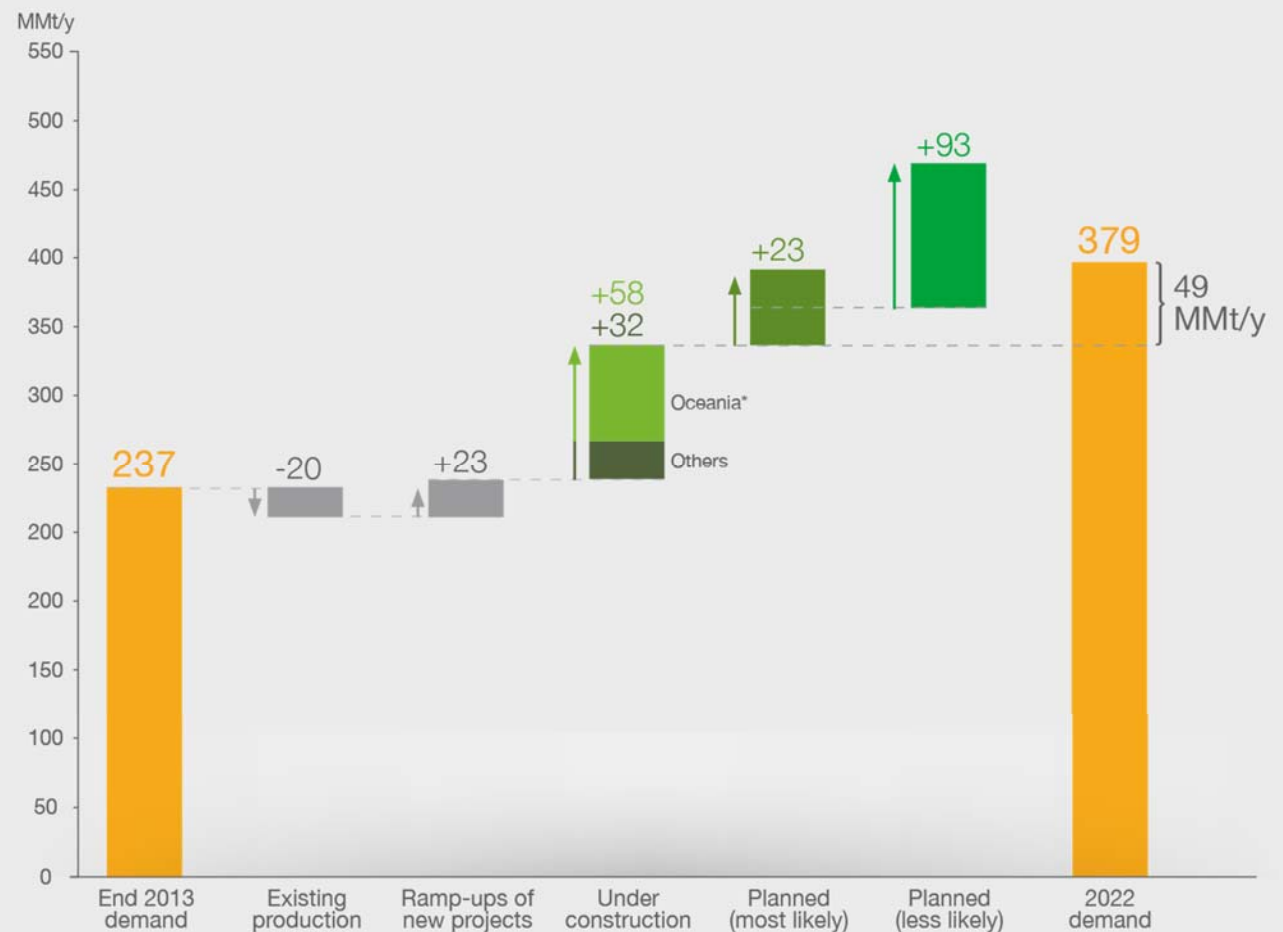
# LNG PROJECTS

Worldwide LNG projects compete to secure market and reach FID by 2018

Leviathan FLNG project is under evaluation;  
Pre-FEED was completed

## Global LNG Forecasted Demand & Supply

Remaining market opportunity to be  
~ 49 MMt/y by 2022



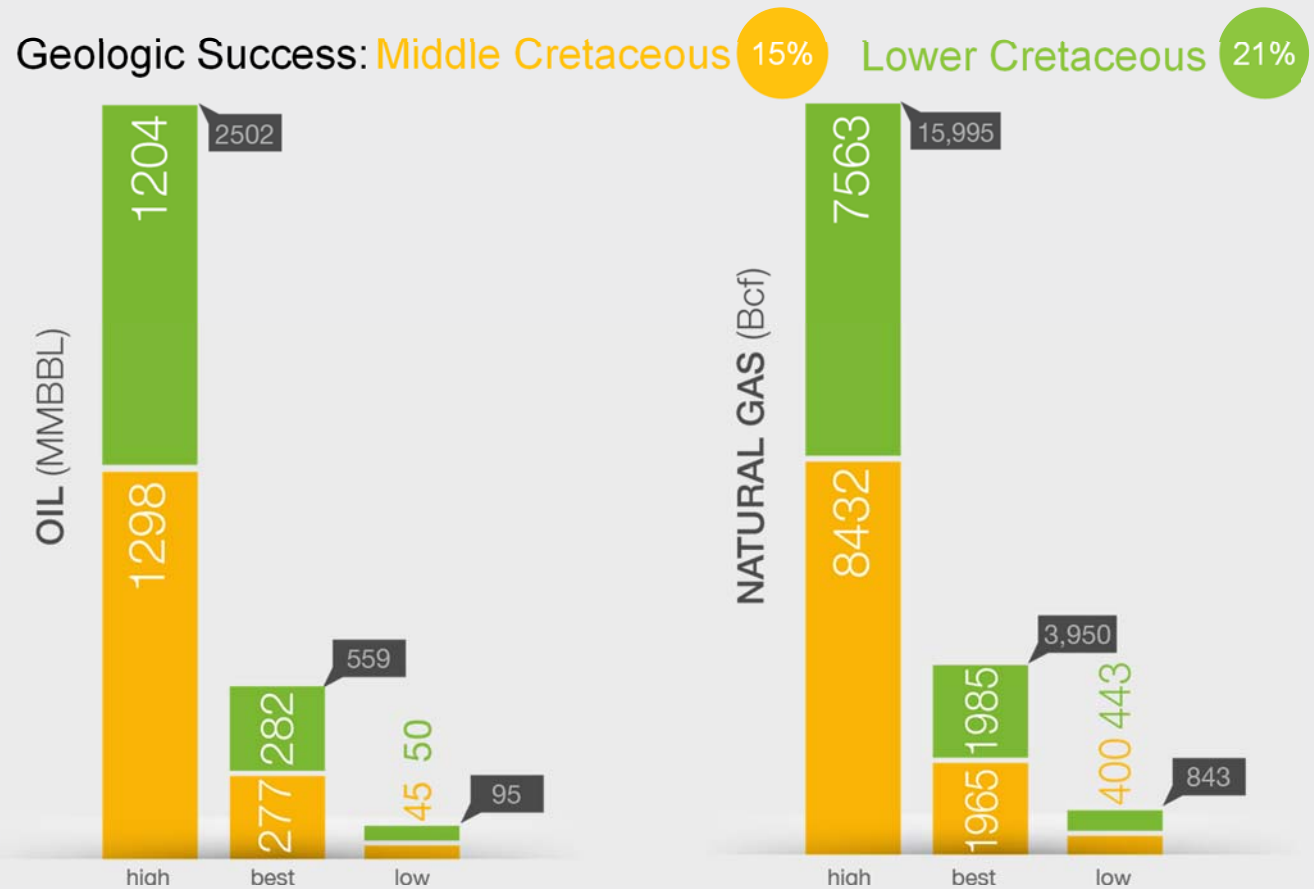


# LEVIATHAN DEEP OIL PROSPECT

Play-opening  
opportunity

- Operator forecasts 25% geologic chance of success
- Operator estimates start time of exploration well in Q3/2015 (\*)
- Mesozoic rocks produce hydrocarbons throughout the Middle East and northern Africa
- Enormous regional implications, especially on neighboring structures, if hydrocarbons are found

## Prospective Resources, NSAI pre-drill estimation



(\*) Noble Energy – Barclays CEO Conference, September 2014

# NETA & ROYEE LICENSES

Ratio initiated the exploration activities in the licenses area

Pre-drill prospective resources estimates that the Royee prospect contains ~ 3.2 TCF of natural gas (Best Estimate) with a forecasted **36%** geological chance of success

- In 2010 Ratio obtained the Gal preliminary permit and in 2012 completed the acquisition and processing of 3D seismic survey in the Neta and Royee licenses
- In November 2012 Edison International joined Ratio to operate the assets. Edison holds 20% of the interest in the licenses
- Ratio provides on-going geological and other professional related services to the operator for the benefit of the joint operations
- Additional hydrocarbon prospects are still under assessment
- According to the Work Program agreed by the Oil Commissioner the first Exploration well to be spud by December 2015

## Prospective Resources, NSAI estimation (As of December 2014)

	Low	Best	High
Natural Gas (TCF)	1.97	3.19	5.02



# SARA & MYRA LICENSES

Ratio signed a conditional agreement to farm-in to the licenses

Located in the Levant Basin east of the Leviathan Discovery

- In April 2014 Ratio signed on a conditional Farm Out Agreement (FOA) whereby Ratio will join the Sara and Myra Licenses and will hold 25% working interest in each license
- Ratio has introduced to the current partners a new operator, Energean, to further explore together the licenses' potential
- Energean has a Joint Venture together with Ocean Rig specializing in ultra deep-water drilling
- Ratio will reimburse the sellers for past expenses in the amount of up to \$7.7 million in the case of a commercial discovery. Such a reimbursement will be made only after Ratio's payout and only from the sales of hydrocarbons from the licenses area
- Licenses are valid until July 2015





# FINANCIAL STOCK EXCHANGE DATA

Immediate  
access to  
capital markets

Listed in Tel Aviv  
75 Index

## → **Equity raising**

Since its inception in 1992, Ratio has raised equity in the amount of US\$170M, including approx. US\$38M in 2013

## → **Tradability on the TASE**

One of the most traded: January 2011 through June 2014

## → **Market Capitalization**

US\$840M, Unit Price 0.42NIS - As of November 30, 2014

## → **Unit Target Price (NIS)**

UBS – 0.56, Psagot- 0.53

# CONTACT DETAILS

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