

**Delek Royalties (2012) Ltd.**  
**Condensed Interim Financial Statements as of September 30, 2018**  
**In thousands of US Dollars**  
**(Unaudited)**  
**Extracts**

**Delek Royalties (2012) Ltd.**  
**Condensed Interim Financial Statements as of September 30, 2018**  
**In thousands of US Dollars**  
**(Unaudited)**  
**Extracts**

**Table of Contents**

|  | <b>Page</b> |
|--|-------------|
| Auditors' Review Report  | 2           |
| <b>Financial statements</b>  |             |
| Condensed Statements of Financial Position                           | 3           |
| Condensed Statements of Comprehensive Income                         | 4           |
| Condensed Statements of Changes in Equity (not translated)           | 5           |
| Condensed Statements of Cash Flows                                   | 6           |
| Notes to the Condensed Interim Financial Statements (not translated) | 7 - 20      |

## **Auditors' Review Report to the Shareholders of Delek Royalties (2012) Ltd.**

### **Introduction**

We have reviewed the attached financial information of Delek Royalties (2012) Ltd. (hereinafter: "**The Company**"), including the condensed statement of financial position as of September 30, 2018, as well as the condensed statements of comprehensive income, of changes in equity and of cash flows for the nine and three month periods then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", and are responsible for the preparation of the financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion regarding the financial information for these interim periods, based on our review.

### **Scope of the review**

We have conducted our review in accordance with Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of interim financial information by the entity's auditor". A review of interim financial information consists of inquiries, mainly with the individuals responsible for financial and accounting matters, and of the application of analytical and other review procedures. A review is significantly limited in scope compared to an audit, which is conducted in accordance with generally accepted auditing standards in Israel, and therefore it does not allow us to reach assurance that we have become aware of all material issues, which could have been identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention, which would have caused us to believe that the aforementioned financial information has not been prepared, in all material respects, in accordance with IAS 34.

In addition to what is stated in the previous paragraph, based on our review, nothing has come to our attention which would have caused us to believe that the aforementioned financial information does not comply, in all material respects, with the disclosure provisions set forth in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, November 21, 2018

**Kost, Forer, Gabbay & Kasierer**  
Certified Public Accountants

**Ziv Haft**  
Certified Public Accountants

**Delek Royalties (2012) Ltd.****Condensed Statements of Financial Position (in thousands of Dollars)**

|  | <u>30.9.2018</u><br><u>(Unaudited)</u> | <u>30.9.2017</u><br><u>(Unaudited)</u> | <u>31.12.2017</u><br><u>(Audited)</u> |
|--|--|--|---------------------------------------|
| <b>Assets</b>  |  |  |                                       |
| <b>Current assets:</b>   |  |  |                                       |
| Cash and cash equivalents  | 5,069                                  | -                                      | -                                     |
| Trade and other receivables:   | 2,645                                  | (*)                                    | (*)                                   |
|  | <u>7,714</u>                           | <u>(*)</u>                             | <u>(*)</u>                            |
| <b>Non-current assets:</b>   |  |  |                                       |
| Investments in oil and gas assets (rights to receive ultimate royalties) | 160,804                                | -                                      | -                                     |
| Deposits, the use of which is restricted                                 | 4,766                                  | -                                      | -                                     |
| Fixed assets   | 18                                     | -                                      | -                                     |
|  | <u>165,588</u>                         | <u>-</u>                               | <u>-</u>                              |
|  | <u>173,302</u>                         | <u>(*)</u>                             | <u>(*)</u>                            |
| <b>Liabilities and equity:</b>   |  |  |                                       |
| <b>Current liabilities:</b>  |  |  |                                       |
| Current maturities of bonds  | 13,322                                 | -                                      | -                                     |
| Trade and other payables   | 1,666                                  | -                                      | -                                     |
| Income tax payable   | 183                                    | -                                      | -                                     |
|  | <u>15,171</u>                          | <u>-</u>                               | <u>-</u>                              |
| <b>Non-current liabilities:</b>  |  |  |                                       |
| Bonds  | 92,761                                 | -                                      | -                                     |
| Deferred taxes   | 773                                    | -                                      | -                                     |
|  | <u>93,534</u>                          | <u>-</u>                               | <u>-</u>                              |
| <b>Equity</b>  |  |  |                                       |
| Share capital  | 5,595                                  | (*)                                    | (*)                                   |
| Share premium  | 55,217                                 | -                                      | -                                     |
| Retained earnings  | 3,785                                  | -                                      | -                                     |
|  | <u>64,597</u>                          | <u>(*)</u>                             | <u>(*)</u>                            |
|  | <u>173,302</u>                         | <u>(*)</u>                             | <u>(*)</u>                            |

(\*) Represents an amount of less than one thousand Dollars.

**The attached notes form an integral part of the condensed interim financial statements.**

November 21, 2018  
Date of the approval of  
the Financial Statements

Asi Bartfeld  
Chairman of the Board  
of Directors

Meir Menachem  
Chief Executive Officer  
and Director

Ran Kreitzman  
Controller

**Delek Royalties (2012) Ltd.****Condensed Statements of Comprehensive Income (in thousands of Dollars, except for earnings per share)**

|  | For the period of nine months ended |           | For the period of three months ended |           | For the year ended |
|--|-------------------------------------|-----------|--------------------------------------|-----------|--------------------|
|  | *30.9.2018                          | 30.9.2017 | *30.9.2018                           | 30.9.2017 | 31.12.2017         |
|  | (Unaudited)                         |           | (Unaudited)                          |           | (Audited)          |
| Royalties from the sale of natural gas and condensate  | 9,496                               | -         | 7,556                                | -         | -                  |
| <b>Expenses and costs:</b>   |                                     |           |                                      |           |                    |
| Depreciation of investments in oil and gas assets  | 1,844                               | -         | 1,467                                | -         | -                  |
| Administrative and general expenses  | 281                                 | -         | 178                                  | -         | -                  |
| <b>Total expenses and costs</b>  | <b>2,125</b>                        | <b>-</b>  | <b>1,645</b>                         | <b>-</b>  | <b>-</b>           |
| <b>Operating income</b>  | <b>7,371</b>                        | <b>-</b>  | <b>5,911</b>                         | <b>-</b>  | <b>-</b>           |
| Financing expenses   | (2,341)                             | -         | (1,601)                              | -         | -                  |
| Financing income   | 67                                  | -         | 56                                   | -         | -                  |
| Financial expenses, net  | (2,274)                             | -         | (1,545)                              | -         | -                  |
| <b>Income before taxes on income</b>   | <b>5,097</b>                        | <b>-</b>  | <b>4,366</b>                         | <b>-</b>  | <b>-</b>           |
| Taxes on income  | 1,312                               | -         | 912                                  | -         | -                  |
| <b>Total comprehensive income for the period</b>   | <b>3,785</b>                        | <b>-</b>  | <b>3,454</b>                         | <b>-</b>  | <b>-</b>           |
| <b>Earnings per regular share of par value NIS 1 (basic and diluted), attributed to the shareholders in the Company (in Dollars)</b> | <b>0.44</b>                         | <b>-</b>  | <b>0.17</b>                          | <b>-</b>  | <b>-</b>           |

\* The Company commenced its operations on June 7, 2018, as stated in Note 1A.

The attached notes form an integral part of the condensed interim financial statements.

**Delek Royalties (2012) Ltd.****Condensed Statements of Cash Flows (in thousands of Dollars)**

|  | For the period of nine months ended |           | For the period of three months ended |           | For the year ended |
|--|-------------------------------------|-----------|--------------------------------------|-----------|--------------------|
|  | *30.9.2018                          | 30.9.2017 | *30.9.2018                           | 30.9.2017 | 31.12.2017         |
|  | (Unaudited)                         |           | (Unaudited)                          |           | (Audited)          |
| <b>Cash flows from operating activities:</b>   |                                     |           |                                      |           |                    |
| Total comprehensive income for the period  | 3,785                               | -         | 3,454                                | -         | -                  |
| Adjustments for:   |                                     |           |                                      |           |                    |
| Depletion depreciation   | 1,844                               | -         | 1,467                                | -         | -                  |
| Deferred taxes, net  | 1,312                               | -         | 912                                  | -         | -                  |
| Financing expenses, net  | 2,274                               | -         | 1,538                                | -         | -                  |
| <b>Changes in assets and liabilities:</b>  |                                     |           |                                      |           |                    |
| Increase in other receivables  | (2,645)                             | -         | (381)                                | -         | -                  |
| Increase in other payables   | 728                                 | -         | 523                                  | -         | -                  |
| <b>Cash paid in the period for:</b>  |                                     |           |                                      |           |                    |
| Income tax paid  | (356)                               | -         | (356)                                | -         | -                  |
|  | 3,157                               | -         | 3,703                                | -         | -                  |
| <b>Net cash generated by operating activities</b>  | <b>6,942</b>                        |           | <b>7,157</b>                         |           |                    |
| <b>Cash flows from investment activities</b>   |                                     |           |                                      |           |                    |
| Acquisition of right to receive royalties  | (137,875)                           | -         | 506                                  | -         | -                  |
| Investment in a restricted deposit, net  | (4,766)                             | -         | (3,935)                              | -         | -                  |
| Interest received  | 67                                  | -         | 67                                   | -         | -                  |
| Purchase of fixed assets   | (18)                                | -         | (18)                                 | -         | -                  |
| <b>Net cash absorbed by investment activities</b>  | <b>(142,592)</b>                    |           | <b>(3,380)</b>                       |           |                    |
| <b>Cash flows from financing activities</b>  |                                     |           |                                      |           |                    |
| Issuance of bonds (less issuance expenses)   | 118,067                             | -         | (87)                                 | -         | -                  |
| Purchase of bonds that have been issued  | (6,465)                             | -         | -                                    | -         | -                  |
| Repayment of bonds   | (5,740)                             | -         | (5,740)                              | -         | -                  |
| Interest paid  | (1,561)                             | -         | (1,561)                              | -         | -                  |
| Issuance of shares, net  | 36,531                              | -         | -                                    | -         | -                  |
| <b>Net cash generated (absorbed) by financing activities</b>                                       | <b>140,832</b>                      |           | <b>(7,388)</b>                       |           |                    |
| <b>Exchange differences on cash and cash equivalents balances</b>                                  | <b>(113)</b>                        |           | <b>(14)</b>                          |           |                    |
| <b>Increase (decrease) in cash and cash equivalents</b>  | <b>5,069</b>                        |           | <b>(3,625)</b>                       |           |                    |
| <b>Balance of cash and cash equivalents at the beginning of the period</b>                         | <b>-</b>                            |           | <b>8,694</b>                         |           |                    |
| <b>Balance of cash and cash equivalents at the end of the period</b>                               | <b>5,069</b>                        |           | <b>5,069</b>                         |           |                    |
| <b>Appendix A – Financing and investment activities not involving cash flows:</b>                  |                                     |           |                                      |           |                    |
| Issuance of shares as part of the consideration for the acquisition of rights to receive royalties | 24,281                              | -         | -                                    | -         | -                  |

\* The Company commenced its operations on June 7, 2018, as stated in Note 1A.

**The attached notes form an integral part of the condensed interim financial statements.**