

Delek Royalties (2012) Ltd.
Condensed Interim Financial Statements as of March 31, 2019
In thousands of US Dollars
(Unaudited)
Extracts

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Auditor's 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 March 31, 2019, as well as the condensed statements of comprehensive income, of changes in equity and of cash flows for three month period 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, May 26, 2019

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>30.3.2019</u> <u>(Unaudited)</u>	<u>30.3.2018</u> <u>(Unaudited)</u>	<u>31.12.2018</u> <u>(Audited)</u>
Assets			
Current assets:			
Cash and cash equivalents	4,573	-	5,428
Short-term deposits	2,000	-	4,226
Income tax receivable	-	-	587
Trade and other receivables:	2,445	(*)	2,482
	<u>9,018</u>	<u>(*)</u>	<u>12,723</u>
Non-current assets:			
Investments in oil and gas assets (rights to receive ultimate royalties)	158,174	-	159,509
Deposits, the use of which is restricted	7,083	-	6,313
Usage right asset	209	-	-
Fixed assets	16	-	17
	<u>165,482</u>	<u>-</u>	<u>165,839</u>
	<u>174,500</u>	<u>(*)</u>	<u>178,562</u>
Liabilities and equity:			
Current liabilities:			
Dividend payable	3,580	-	-
Current maturities of bonds	13,927	-	13,340
Trade and other payables	2,614	-	3,388
Income tax payable	401	-	-
	<u>20,522</u>	<u>-</u>	<u>16,728</u>
Non-current liabilities:			
Bonds	85,709	-	92,797
Deferred taxes	1,062	-	2,063
Leasing liability	178	-	-
	<u>86,949</u>	<u>-</u>	<u>94,860</u>
Equity			
Share capital	5,595	(*)	5,595
Share premium	55,217	-	55,217
Retained earnings	6,217	-	6,162
	<u>67,029</u>	<u>(*)</u>	<u>66,974</u>
	<u>174,500</u>	<u>(*)</u>	<u>178,562</u>

* Represents an amount of less than one thousand Dollars.

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

May 26, 2019			
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 three months ended		For the year ended
	31.3.2019 (Unaudited)	*31.3.2018	*31.12.2018 (Audited)
Royalties from the sale of natural gas and condensate	7,135	-	16,205
Expenses and costs:			
Depletion expenses	1,335	-	3,138
Administrative and general expenses	275	-	552
Total expenses and costs	1,610	-	3,690
Operating income	5,525	-	12,515
Financing expenses	(1,487)	-	(3,882)
Financing income	109	-	149
Financing expenses, net	(1,378)	-	(3,733)
Income before taxes on income	4,147	-	8,782
Taxes on income	512	-	2,620
Total comprehensive income for the period	3,635	-	6,162
Earnings per regular share of par value NIS 1 (basic and diluted), attributed to the shareholders in the Company (in Dollars)	0.18	-	0.54

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

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 three months ended		For the year ended
	31.3.2019	*31.3.2018	*31.12.2018
	(Unaudited)		(Audited)
Cash flows from operating activities:			
Total comprehensive income for the period	3,635	-	6,162
Adjustments for:			
Depletion and depreciation	1,348	-	3,139
Deferred taxes, net	512	-	2,620
Financing expenses, net	1,378	-	3,733
Changes in assets and liabilities:			
Increase in other receivables	37	-	(2,482)
Increase in other payables	693	-	939
Cash paid in the period for:			
Income tax paid	(513)	-	(1,129)
	3,455	-	6,820
Net cash generated by operating activities	7,090	-	12,982
Cash flows from investment activities			
Acquisition of right to receive royalties	-	-	(137,874)
Investment in a restricted deposit, net	1,456	-	(10,539)
Interest received	98	-	149
Purchase of fixed assets	-	-	(18)
Net cash generated (absorbed) by investment activities	1,554	-	(148,282)
Cash flows from financing activities			
Issuance of bonds (less issuance expenses)	-	-	118,067
Purchase of bonds that have been issued	-	-	(6,465)
Repayment of bonds	(6,571)	-	(5,740)
Interest paid	(2,946)	-	(1,561)
Issuance of shares, net	-	-	36,531
Repayment of leasing liability	(12)	-	-
Cash flows generated (absorbed) by financing activities	(9,529)	-	140,832
Increase (decrease) in cash and cash equivalents	(885)	-	5,532
Balance of cash and cash equivalents at the beginning of the period	5,428	-	-
Exchange differences on cash and cash equivalents balances	30	-	(104)
Balance of cash and cash equivalents at the end of the period	4,573	-	5,428
Appendix A – Financing and investment activities not involving cash flows:			
Issuance of shares as party of the consideration for the acquisition of rights to receive royalties	-	-	24,281
Increase in liability in connection with an effective royalty by well that has been recorded against petroleum and gas assets (rights to receive royalties)	-	-	469
Increase in leasing liability recorded against a usage right asset	221	-	-
Dividend declared	3,580	-	-

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

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