

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

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## **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 June 30, 2018, as well as the condensed statements of comprehensive income, of changes in equity and of cash flows for the six 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, August 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>30.6.2018</u>	<u>30.6.2017</u>	<u>31.12.2017</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	8,694	-	-
Trade and other receivables:	2,770	(*)	(*)
	<u>11,464</u>	<u>(*)</u>	<u>(*)</u>
<b>Non-current assets:</b>			
Investments in oil and gas assets (rights to receive ultimate royalties)	162,271	-	-
Deposits, the use of which is restricted	831	-	-
	<u>163,102</u>	<u>-</u>	<u>-</u>
	<u>174,566</u>	<u>(*)</u>	<u>(*)</u>
<b>Liabilities and equity:</b>			
<b>Current liabilities:</b>			
Current maturities of bonds	12,092	-	-
Trade and other payables	1,256	-	-
	<u>13,348</u>	<u>-</u>	<u>-</u>
<b>Non-current liabilities:</b>			
Bonds	99,675	-	-
Deferred taxes	400	-	-
	<u>100,075</u>	<u>-</u>	<u>-</u>
<b>Equity</b>			
Share capital	5,595	(*)	(*)
Share premium	55,217	-	-
Retained earnings	331	-	-
	<u>61,143</u>	<u>(*)</u>	<u>(*)</u>
	<u>174,566</u>	<u>(*)</u>	<u>(*)</u>

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

August 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	Rami Armon Director Authorized to sign by the Board of Directors as responsible for the financial field (**)

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

(\*\*) See Note 7 regarding the director's agreement to sign on the condensed interim financial statements.

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

	For the period of six months ended		For the period of three months ended		For the year ended
	*30.6.2018	30.6.2017	*30.6.2018	30.6.2017	31.12.2017
	(Unaudited)		(Unaudited)		(Audited)
Royalties from the sale of natural gas and condensate	1,940	-	1,940	-	-
<b>Expenses and costs:</b>					
Depreciation of investments in oil and gas assets	377	-	377	-	-
Administrative and general expenses	103	-	103	-	-
<b>Total expenses and costs</b>	<b>480</b>	<b>-</b>	<b>480</b>	<b>-</b>	<b>-</b>
<b>Operating income</b>	<b>1,460</b>	<b>-</b>	<b>1,460</b>	<b>-</b>	<b>-</b>
Financing expenses	(740)	-	(740)	-	-
Financing income	11	-	11	-	-
<b>Income before taxes on income</b>	<b>731</b>	<b>-</b>	<b>731</b>	<b>-</b>	<b>-</b>
Taxes on income	400	-	400	-	-
<b>Total comprehensive income for the period</b>	<b>331</b>	<b>-</b>	<b>331</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>0.12</b>	<b>-</b>	<b>0.06</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 six months ended		For the period of three months ended		For the year ended
	*30.6.2018	30.6.2017	*30.6.2018	30.6.2017	31.12.2017
	(Unaudited)		(Unaudited)		(Audited)
<b>Cash flows from operating activities:</b>					
Total comprehensive income for the period	331	-	331	-	-
Adjustments for:					
Depletion depreciation	377	-	377	-	-
Deferred taxes, net	400	-	400	-	-
Financing expenses, net	789	-	789	-	-
<b>Changes in assets and liabilities:</b>					
Increase in other receivables	(2,264)	-	(2,264)	-	-
Increase in other payables	152	-	152	-	-
	(546)	-	(546)	-	-
<b>Net cash absorbed by operating activities</b>	<b>(215)</b>		<b>(215)</b>		
<b>Cash flows from investment activities</b>					
Acquisition of right to receive royalties	(138,381)	-	(138,381)	-	-
Investment in a restricted deposit, net	(831)	-	(831)	-	-
<b>Net cash absorbed by investment activities</b>	<b>(139,212)</b>		<b>(139,212)</b>		
<b>Cash flows from financing activities</b>					
Issuance of bonds (less issuance expenses)	118,154	-	118,154	-	-
Purchase of bonds that have been issued	(6,465)	-	(6,465)	-	-
Issuance of shares, net	36,531	-	36,531	-	-
<b>Cash flows generated by financing activities</b>	<b>148,220</b>		<b>148,220</b>		
<b>Exchange differences on cash and cash equivalents balances</b>	<b>(99)</b>		<b>(99)</b>		
<b>Increase in cash and cash equivalents</b>	<b>8,694</b>		<b>8,694</b>		
<b>Balance of cash and cash equivalents at the beginning of the period</b>	<b>-</b>		<b>-</b>		
<b>Balance of cash and cash equivalents at the end of the period</b>	<b>8,694</b>		<b>8,694</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	-	24,281	-	-
Receivables as part of the consideration for the acquisition of rights to receive royalties	506	-	506	-	-

\* 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..**