

**Delek Royalties (2012) Ltd.**

**Condensed Interim Financial Statements as of March 31, 2020**

**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, 2020, 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 (Israel) 2410 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, June 30, 2020

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

**Ziv Haft**  
**Certified Public Accountants**

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

	<u>30.3.2020</u> <u>(Unaudited)</u>	<u>30.3.2019</u> <u>(Unaudited)</u>	<u>31.12.2019</u> <u>(Audited)</u>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	3,815	4,573	5,323
Short-term deposits	1,702	2,000	6,230
Income tax receivable	51	-	-
Trade and other receivables:	1,282	2,445	2,567
	<u>6,850</u>	<u>9,018</u>	<u>14,120</u>
<b>Non-current assets:</b>			
Investments in oil and gas assets (rights to receive ultimate royalties)	149,264	158,174	154,001
Deposits, the use of which is restricted	7,882	7,083	6,599
Right of use asset	185	209	200
Fixed assets	10	16	11
Deferred taxes	43	-	366
	<u>157,384</u>	<u>165,482</u>	<u>161,177</u>
	<u>164,234</u>	<u>174,500</u>	<u>175,297</u>
<b>Liabilities and equity:</b>			
<b>Current liabilities:</b>			
Dividend payable	-	3,580	-
Current maturities of bonds	12,050	13,927	13,009
Trade and other payables	1,835	2,614	3,769
Income tax payable	-	401	632
	<u>13,885</u>	<u>20,522</u>	<u>17,410</u>
<b>Non-current liabilities:</b>			
Bonds	73,660	85,709	79,792
Deferred taxes	-	1,062	-
Leasing liability	149	178	169
	<u>73,809</u>	<u>86,949</u>	<u>79,961</u>
<b>Equity</b>			
Share capital	5,595	5,595	5,595
Share premium	55,217	55,217	55,217
Retained earnings	15,728	6,217	17,114
	<u>76,540</u>	<u>67,029</u>	<u>77,926</u>
	<u>164,234</u>	<u>174,500</u>	<u>175,297</u>

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

June 30, 2020

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 Interim Statements of Comprehensive Income****(In thousands of Dollars, except for earnings per share)**

	<b>For the period of three months ended</b>		<b>For the year ended</b>
	<b>31.3.2020</b>	<b>31.3.2019</b>	<b>31.12.2019</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
Royalties from the sale of natural gas and condensate	<u>5,239</u>	<u>7,135</u>	<u>28,946</u>
<b>Expenses and costs:</b>			
Depletion expenses	1,018	1,335	5,282
Impairment in value of oil and gas assets	3,720	-	-
Administrative and general expenses	<u>364</u>	<u>275</u>	<u>1,048</u>
<b>Total expenses and costs</b>	<u>5,102</u>	<u>1,610</u>	<u>6,330</u>
<b>Operating income</b>	<u>137</u>	<u>5,525</u>	<u>22,616</u>
Financing expenses	(1,299)	(1,487)	(5,704)
Financing income	<u>74</u>	<u>109</u>	<u>352</u>
<b>Financing expenses, net</b>	<u>(1,225)</u>	<u>(1,378)</u>	<u>(5,352)</u>
<b>Income (loss) before taxes on income</b>	(1,088)	4,147	17,264
Taxes on income	<u>(298)</u>	<u>512</u>	<u>(2,732)</u>
<b>Total net and comprehensive income (loss) for the period</b>	<u>(1,386)</u>	<u>3,635</u>	<u>14,532</u>
<b>Earnings (loss) per regular share of par value NIS 1 (basic and diluted), attributed to the shareholders in the Company (in Dollars)</b>	<u>(0.07)</u>	<u>0.18</u>	<u>0.73</u>

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

**Delek Royalties (2012) Ltd.****Condensed Interim Statements of Changes in Equity (in thousands of Dollars)**

	<u>Regular share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
	<b>Unaudited</b>			
<b>For the period of three months ended March 31, 2020:</b>				
<b>Balance as of January 1, 2020 (audited)</b>	5,595	55,217	17,114	77,926
Comprehensive loss for the period	-	-	(1,386)	(1,386)
<b>Balance as of March 31, 2020</b>	<u>5,595</u>	<u>55,217</u>	<u>15,728</u>	<u>76,540</u>
	<u>Regular share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
	<b>Unaudited</b>			
<b>For the period of three months ended March 31, 2019:</b>				
<b>Balance as of January 1, 2019</b>	5,595	55,217	6,162	66,974
Net and comprehensive income			3,635	3,635
Dividend distributed	-	-	(3,580)	(3,580)
<b>Balance as of March 31, 2019</b>	<u>5,595</u>	<u>55,217</u>	<u>6,217</u>	<u>67,029</u>
	<u>Regular share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
	<b>Audited</b>			
<b>For the year ended December 31, 2019:</b>				
<b>Balance as of January 1, 2019</b>	5,595	55,217	6,162	66,974
Net and comprehensive income			14,532	14,532
Dividend distributed	-	-	(3,580)	(3,580)
<b>Balance as of December 31, 2019</b>	<u>5,595</u>	<u>55,217</u>	<u>17,114</u>	<u>77,926</u>

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
	31.3.2020	31.3.2019	31.12.2019
	(Unaudited)		(Audited)
<b>Cash flows from operating activities:</b>			
Net income (loss) for the period	(1,386)	3,635	14,532
Adjustments for:			
Depletion and depreciation	1,033	1,348	5,342
Impairment in value of oil and gas assets	3,720	-	-
Deferred taxes, net	298	512	2,732
Financing expenses, net	1,225	1,378	5,352
<b>Changes in assets and liabilities:</b>			
Decrease (increase) in other receivables	1,285	37	(85)
Increase (decrease) in other payables	109	693	(72)
<b>Cash paid in the period for:</b>			
Income tax paid	(1,342)	(513)	(3,809)
Refund received from the Taxes Authority	-	-	686
	6,328	3,455	10,146
<b>Net cash generated by operating activities</b>	<b>4,942</b>	<b>7,090</b>	<b>24,678</b>
<b>Cash flows from investment activities</b>			
Repayments of deposits (deposits in deposits) net	3,245	1,456	(2,290)
Interest received	70	98	352
<b>Net cash generated (absorbed) by investment activities</b>	<b>3,315</b>	<b>1,554</b>	<b>(1,938)</b>
<b>Cash flows from financing activities</b>			
Repayment of bonds	(7,130)	(6,571)	(13,531)
Interest paid	(2,569)	(2,946)	(5,705)
Repayment of leasing liability	(18)	(12)	(62)
Dividend distributed	-	-	(3,580)
<b>Cash flows absorbed by financing activities</b>	<b>(9,717)</b>	<b>(9,529)</b>	<b>(22,878)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(1,460)</b>	<b>(885)</b>	<b>(138)</b>
<b>Balance of cash and cash equivalents at the beginning of the period</b>	<b>5,323</b>	<b>5,428</b>	<b>5,428</b>
<b>Exchange differences on cash and cash equivalents balances</b>	<b>(48)</b>	<b>30</b>	<b>33</b>
<b>Balance of cash and cash equivalents at the end of the period</b>	<b>3,815</b>	<b>4,573</b>	<b>5,323</b>
<b>Appendix A – Financing and investment activities not involving cash flows:</b>			
Decrease in liability in connection with an effective royalty by well that has been recorded against petroleum and gas assets (rights to receive royalties)	-	-	(226)
Increase in leasing liability recorded against a right of use asset	-	33	33
Dividend declared	-	3,580	-

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