Delek Overriding Royalty Leviathan Ltd.

Condensed Interim Financial Statements as of March 31, 2021

In U.S. Dollars in thousand

Unaudited

Contents

Deloitte.

A Review Report of the Independent Auditor to the shareholders of Delek Overriding Royalty Leviathan Ltd.

Introduction

We have reviewed the accompanying financial information of Delek Overriding Royalty Leviathan Ltd. ("the Company"), which includes the condensed statements of financial position as of 31 March 2021, and the related condensed statements of comprehensive income, changes in equity and cash flows for the three-month period then ended. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

The Company's consolidated annual financial statements as of December 31, 2020 and for the year then ended, have been audited by other auditors, whose audit report dated March 22, 2021 included qualified opinion stating that the loan granted to the controlling shareholder during 2020 (and which did not form any part of the assets that guarantee the repayment of the debentures) was not measured on the grant date at fair value as required under International Financial Reporting Standards.

Scope of review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Performed by the Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of Qualified Conclusion

As described in note 3(C) to the condensed financial statements, the loan granted to the controlling shareholder during 2020 (and which did not form any part of the assets that guarantee the repayment of the debentures) was not measured on its grant date at fair value as required under International Financial Reporting Standards**.**

Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the abovementioned financial information is not prepared, in all material respects, in accordance with IAS 34.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network
Haifa, May 30, 2021.

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Condensed Statement of Financial Position (Dollars in thousand)

	March 31 2021	March 31 2020*)	December 31 2020
	Unaudited		Audited
Current assets			
Cash and cash equivalents	2	-	3
Short-term investments	3,099	-	326
Royalties and other receivables	1,433	-	1,328
Total current assets	4,534	-	1,657
Non-current assets			
Long-term investments	19,621	-	19,613
Loan to controlling shareholder	77,797	-	76,334
Assets in respect of ORRI	196,257	-	197,704
Deferred Taxes	1,086	-	888
Total non-current assets	294,761	-	294,539
	299,295	-	296,196
Current liabilities			
Other payables	4,443	-	877
Total current liabilities	4,443	-	877
Non-current liabilities			
Debentures	169,810	-	169,001
Total non-current assets	169,810	-	169,001
Equity			
Share capital	295		295
Share premium	127,275		127,275
Retained earnings	(2,528)	-	(1,252)
Total equity	125,042	-	126,318
	299,295	-	296,196

*) The company's operations started at October 28 2020 (Note 1B)

The accompanying notes are an integral part of the interim financial statements.

May 30, 2021		
Date of approval of the financial statements	Leora Pratt Levin Director	Tamir Polikar Director

Condensed Statements of Comprehensive Income (Dollars in thousand)

	Three-month period ended March 31,		Year ended December 31,
	2021	2020*)	2020
	Unaudited		Audited
Revenue from overriding royalties	2,838	-	1,335
General and administrative expenses	200	-	203
Depletion	1,448	-	712
Operating profit	1,190	-	420
Financing expenses	(4,207)	-	(2,883)
Financing income	1,512	-	1,067
Loss before income tax	(1,505)	-	(1,396)
Income tax	229	-	144
Loss and total comprehensive loss	(1,276)	-	(1,252)

*) The company's operations started at October 28 2020 (Note 1B)

The accompanying notes are an integral part of the interim financial statements.

Condensed Statements of Changes in Equity (Dollars in thousand)

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
Balance as at January 1, 2021 (Audited)	295	127,275	(1,252)	126,318
Total comprehensive income (loss)	-	-	(1,276)	(1,276)
overriding royalties	-	-	-	-
Balance as at March 31, 2021	295	127,275	(2,528)	125,042

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
Balance as at January 1, 2020 (Audited)	*	-	-	*
Total comprehensive income (loss) **	-	-	-	-
overriding royalties	-	-	-	-
Balance as at March 31, 2020	*	-	-	-

	Share capital	Share premium	Retained earnings	Total
	Audited			
Balance as at January 1, 2020	*	-	-	*
Total comprehensive income (loss) **	-	-	(1,252)	(1,252)
overriding royalties	295	127,275		127,570
Balance as at December 31, 2020	295	127,275	(1,252)	126,318

* Less 1 thousand dollars.
**) The company's operations started at October 28 2020 (Note 1B)

The accompanying notes are an integral part of the interim financial statements.

Condensed Statements of Cash Flows (Dollars in thousand)

	Three-month period ended March 31, 2021	Three-month period ended March 31, 2020*)	For the year ended 2020
	Unaudited	Unaudited	Audited
Cash Flows - Current Operations:			
Loss for the year	(1,276)	-	(1,252)
Adjustments for:			
Depletion and depreciation	2,256	-	1,252
Deferred Taxes	(198)	-	(888)
Increase in Long-term investments	(8)	-	-
Changes in assets and liabilities items:			
Increase in trade and other receivables	(105)	-	(1,328)
Increase in loan to controlling shareholder	(1,504)	-	-
Increase in trade and other payables	3,566	-	2,134
Net cash used for current operations	2,731	-	(82)
Cash Flows - Investment Activity:			
Investment in oil and gas assets	-	-	(70,815)
Loan granted to controlling shareholder	-	-	(80,037)
Repayment of loans to controlling shareholders	41	-	3,703
Long-term deposit in bank deposits	-	-	(20,900)
Short-term deposit in bank deposits	(2,773)	-	(326)
Net cash deriving from (used for) investment activity	(2,732)	-	(168,375)
Cash Flows - Financing Activity:			
Bond offering (net of issue costs)	-	-	168,460
Net cash deriving financing activity	-	-	168,460
Increase in cash and cash equivalents	(1)	-	3
Cash and cash equivalents balance at the beginning of the year	3	-	-
Cash and cash equivalents balance at the end of the year	2	-	3
Annex A - Finance and investment activity not involving cash flows:			
Investments in oil and gas assets against share premium	-	-	127,601
Annex B - Additional information on cash flows:			
Interest paid	-	-	2,328

*) The company's operations started at October 28 2020 (Note 1B)

The accompanying notes are an integral part of the interim financial statements.

Notes to the Financial Statements

NOTE 1 – GENERAL

A. The Company was established on July 15, 2012 as a private company limited in shares under the name Delek Energy Tamar Royalty Ltd. and on March 1, 2020, changed its name to Delek Overriding Royalty Leviathan Ltd. ("the Company"). As at the date of approval of the financial statements, the Company is wholly owned by Delek Energy Systems Ltd., a private company wholly owned by Delek Group Ltd. (“Delek Energy” and “Delek Group”, respectively). The Company has not had any active operations since it was incorporated.

B. The Company is a special purpose company (SPC) for the purpose of holding the royalty interests of Delek Energy and Delek Group for the share of Delek Drilling Limited Partnership (“Delek Drilling” or the “Partnership”) in the Leviathan Project. On March 1, 2020, two conditional agreements were signed between the Company and Delek Energy, and between the Company and Delek Group for the transfer of royalty interests in the Leviathan Project, as set out below:

1. Pursuant to the agreement between the Company and Delek Energy, Delek Energy transfered to the Company, by way of final and irrevocable endorsement, its rights to receive royalties for the Partnership's share in the Leviathan Leases, to which it is entitled under the deed of royalties for the Partnership’s share in the oil and natural gas and/or other valuable substances produced in the Leviathan Project, as is at the time of signing of the agreement, together with all other rights attached to the royalty interests, including any liens registered in favor of Delek Energy on the rights of Delek Drilling in the Leases to ensure payment of the royalties, against the issue of 1,000,000 ordinary shares of the Company. The transfer of the royalty interests is affected in accordance with Section 104A(a) of the Israeli Income Tax Ordinance [New Version] 1961 (the “Ordinance”) which sets out provisions for the transfer of property by deferring tax.

2. Pursuant to the agreement between the Company and Delek Group, Delek Group sold to the Company its rights to receive royalties for the Partnership's share in the Leviathan Leases, to which it is entitled under the deed of royalties for the Partnership’s share in the oil and natural gas and/or other valuable substances produced in the Leviathan Project, as is at the time of signing of the agreement, together with all other rights attached to the royalty interests, including any liens registered in favor of Delek Group on the rights of Delek Drilling in the leases to ensure payment of the royalties, against the payment of a consideration as to be determined on the date of sale of the royalty interests. The consideration for the royalty right will be determined based on its value from the date of eligibility to receive royalties, and therefore on the date of closing of the transaction the Company will deduct from the amount of the consideration the inflows received by Delek Group from the date of eligibility to receive royalties until the closing date of the transaction. The Company paid Delek Group the consideration for the acquisition in cash from the funds that are received as the result of issuance of debentures to qualified investors.

Notes to the Financial Statements

NOTE 1 – GENERAL (CONT.)

3. The rights transferred under the above agreements are the rights of Delek Energy and Delek Group to receive royalties from Delek Drilling's share (45.34%) in oil and/or gas and/or other valuable substances, which will be produced and utilized from the oil assets in the I/14 Leviathan South and I/15 Leviathan North leases. The rates of royalties that Delek Energy and Delek Group are eligible to receive are 1.125% and 0.375%, respectively, prior to ROI date and 4.875% and 1.625%, respectively, after ROI date. For further information concerning the transferred rights, see Note 6 of the Annual Financial Statements as of December 31, 2020.

4. The Company's rights and obligations in respect of the royalty interests will apply from the closing date of the transaction, and this includes the Company having any right and bearing any liability with regard to royalties received in respect of oil and/or gas sold after the closing date. The closing of the transaction was completed on October 28, 2020

5. The Company has no revenue generating operations of its own. The Company's only significant asset and source of regular cash flows is the right to receive payments of Overriding Royalties paid to it by the Royalties Payor which in turn will be based on the Royalties Payor's revenues from sales of natural gas based on its interest in the Leviathan Project. Accordingly, the Company's ability to make payments on the debentures is entirely dependent on its receipt of Royalties Payments. Moreover, as the payments of Overriding Royalties to the Company are not expected to be sufficient for the Company to repay the principal amount of the debentures on the scheduled maturity date, the Company will be required to refinance the debentures on or prior to the scheduled maturity date, which will depend on then-current market conditions, the Company's ability to access the capital markets and the financial performance and condition and outlook of the Company and the Leviathan Project.

C. These financial statements have been prepared in a condensed format as of 31 March 2021 (hereinafter - interim financial statements). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2020, and the accompanying notes.

Notes to the Financial Statements

NOTE 2 – Significant Accounting Policies

Preparation format of the Consolidated Interim Financial Statements

The Interim Financial Statements have been prepared in accordance with generally accepted accounting principles for the preparation of interim financial statements as prescribed in IAS 34.

The main accounting policy and calculation methods applied in the preparation of these Consolidated Interim Financial Statements are consistent with those applied in the preparation of the Annual Financial Statements as of December 31, 2020.

NOTE 3 – Additional information

A. As per the Partnership calculation the Effective Rate of Statutory Royalties from the Leviathan project for the period ended March 31, 2021 is approx.10.92%.

B. The Partnership's income in the report period from the sale of natural gas is affected mainly by the volume of natural gas consumption for the domestic market, Egypt and Jordan. The Partnership's share in the income and in the natural gas quantities sold in the report period from the Leviathan project to the domestic market totaled approx. $92.3 million (from the sale of approx. 0.57 BCM) (March 31, 2020: approx. $56.6 million (from the sale of approx. 0.33 BCM)), and to Egypt and Jordan totaled approx. $124.1 million (from the sale of approx. 0.66 BCM) (March 31, 2020: approx. $85.3 million (from the sale of approx. 0.41 BCM)).

C. For further information concerning the loan to the controlling shareholder, see Note 7 of the Annual Financial Statements as of December 31, 2020.

D. On May 4, 2021, Delek Drilling Management (1993) Ltd. as general partner (the "**General Partner**") of the first part, and Delek Drilling Trusts Ltd. as limited partner (the "**Trustee**") moved the court to exercise its authority under Sections 350 and 351 of the Companies Law, 5759-1999 (the "Companies Law") and to order that a general meeting of the holders of the participation units issued by the Trustee (the "Participation Units") be convened, to discuss approval of an arrangement concerning the exchange of the Participation Units for ordinary shares of a new company, New Med Energy Plc. ("New Med") (the "Arrangement"), incorporated in England, which will hold all of the rights of the Trustee and the General Partner in the Partnership (100%). New Med's shares will be listed concurrently on TASE and on the London Stock Exchange on the Standard Main Market list. The General Partner shall assign the management rights in the Partnership to a new general partner which will be wholly owned and fully controlled (100%) by New Med. In the context of the Arrangement, and insofar as approved, changes shall be made to the current limited partnership agreement in order to make it consistent with the new corporate structure and with the Partnership's becoming a private partnership wholly owned and fully controlled (100%) by New Med. The Partnership itself shall remain "as is", without any change, including all of its operations, and with all of its assets and liabilities, and in this context its undertakings to pay the royalties (Including the partnership liability to pay royalties to the company), remaining unchanged, although with respect to additional rights or new petroleum assets that New Med shall purchase in the future (after the closing of the Arrangement), the royalty interest owners shall not be entitled to royalties in respect thereof, insofar as the new rights are not acquired by the Partnership but rather by New Med or other subsidiaries thereof. The above restructuring will not have any effect on the company.

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