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**Delek Overriding Royalty Leviathan Ltd.**

**Condensed Interim Financial Statements as of September 30, 2022**

**In U.S. Dollars in thousand**

**Unaudited**

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## 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 30 September 2022, and the related condensed statements of comprehensive income, changes in equity and cash flows for the periods of nine and three months ended on that date. 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.

### 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, November 29, 2022.**

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**Condensed Statement of Financial Position (Dollars in thousand)**

	September 30 2022	September 30 2021	December 31 2021
	Unaudited		Audited
<u>Current assets</u>			
Cash and cash equivalents	345	292	205
Short-term investments	9,566	5,364	3,907
Royalties and other receivables	2,227	1,022	1,527
Total current assets	12,138	6,678	5,639
<u>Non-current assets</u>			
Long-term investments	11,482	16,939	14,110
Loan to controlling shareholder	86,637	80,855	81,752
Assets in respect of ORRI	187,817	193,388	192,147
Deferred Taxes	1,043	1,210	1,333
Total non-current assets	286,979	292,392	289,342
	299,117	299,070	294,981
<u>Current liabilities</u>			
Other payables	4,742	4,931	1,615
Total current liabilities	4,742	4,931	1,615
<u>Non-current liabilities</u>			
Debentures	175,082	171,545	172,392
Total non-current assets	175,082	171,545	172,392
<u>Equity</u>			
Share capital	295	295	295
Share premium	127,275	127,275	127,275
Retained earnings	(8,277)	(4,976)	(6,596)
Total equity	119,293	122,594	120,974
	299,117	299,070	294,981

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

November 29, 2022

Date of approval of the  
financial statements

Leora Pratt Levin  
Director

Tamir Polikar  
Director

**Condensed Statements of Comprehensive Income (Dollars in thousand)**

	Nine-month period ended September 30,		Three-month period ended September 30,		Year ended December 31,
	2022	2021	2022	2021	2021
	Unaudited		Unaudited		Audited
Revenue from overriding royalties	11,299	8,926	4,335	3,184	11,361
General and administrative expenses	607	638	199	214	910
Depletion	4,330	4,317	1,535	1,445	5,557
Operating profit	6,362	3,971	2,601	1,525	4,894
Financing expenses	)13,044(	)12,635(	)4,350(	)4,240(	)16,855(
Financing income	5,045	4,598	1,758	1,555	6,144
Loss before income tax	)1,637(	(4,066)	9	(1,160)	)5,817(
Tax benefit (Income tax)	)44(	342	)601(	272	473
Loss and total comprehensive loss	)1,681(	(3,724)	)592(	(888)	)5,344(

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, 2022 (Audited)	295	127,275	(6,596)	120,974
Total comprehensive Loss	-	-	)1,681(	(1,681)
Balance as at September 30, 2022	295	127,275	(8,277)	119,293

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
Balance as at January 1, 2021 (Audited)	295	127,275	(1,252)	126,318
Total comprehensive Loss	-	-	(3,724)	(3,724)
Balance as at September 30, 2021	295	127,275	(4,976)	122,594

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
Balance as at July 1, 2022	295	127,275	(7,685)	119,885
Total comprehensive Loss	-	-	(592)	(592)
Balance as at September 30, 2022	295	127,275	(8,277)	119,293

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

**Condensed Statements of Changes in Equity (Dollars in thousand)**

	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
	<b>Unaudited</b>			
<u>Balance as at July 1, 2021 (Audited)</u>	295	127,275	(4,088)	123,482
Total comprehensive Loss	-	-	(888)	(888)
<u>Balance as at September 30, 2021</u>	<u>295</u>	<u>127,275</u>	<u>(4,976)</u>	<u>122,594</u>

	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
	<b>Audited</b>			
<u>Balance as at January 1, 2021</u>	295	127,275	(1,252)	126,318
Total comprehensive income (loss)	-	-	(5,344)	(5,344)
<u>Balance as at December 31, 2021</u>	<u>295</u>	<u>127,275</u>	<u>(6,596)</u>	<u>120,974</u>

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

## Condensed Statements of Cash Flows (Dollars in thousand)

	Nine-month period ended September 30,		Three-month period ended September 30,		For the year ended
	2022	2021	2022	2021	2021
	Unaudited		Unaudited		Audited
<b>Cash Flows - Current Operations:</b>					
Loss for the year	(1,681)	)3,724(	(592)	)888(	)5,344(
Adjustments for:					
Depletion and depreciation	7,021	6,774	2,468	2,292	8,861
Deferred Taxes	290	(322)	622	(278)	)445(
Increase in Long-term investments	(72)	(16)	(75)	(4)	(37)
<b>Changes in assets and liabilities items:</b>					
Decrease (increase) in trade and other receivables	(770)	306	36	300	)199(
Increase in loan to controlling shareholder	(4,885)	(4,562)	)1,647(	(1,538)	(6,089)
Increase (decrease) in trade and other payables	3,196	4,053	3,411	3,637	738
<b>Net cash deriving used for current operations</b>	<u>3,099</u>	<u>2,509</u>	<u>4,223</u>	<u>3,521</u>	<u>(2,515)</u>
<b>Cash Flows - Investment Activity:</b>					
Repayment of loans to controlling shareholders	-	41	-	-	671
Long-term deposit in bank deposits	2,700	2,690	-	(10)	5,540
Short-term deposit in bank deposits	(5,659)	(5,038)	(4,344)	(3,406)	(3,581)
<b>Net cash deriving from (used for) investment activity</b>	<u>(2,959)</u>	<u>(2,307)</u>	<u>(4,344)</u>	<u>(3,416)</u>	<u>2,630</u>
<b>Cash Flows - Financing Activity:</b>					
Bond offering (net of issue costs)	-	87	-	-	87
<b>Net cash deriving from financing activity</b>	<u>-</u>	<u>87</u>	<u>-</u>	<u>-</u>	<u>87</u>
<b>Increase in cash and cash equivalents</b>	<u>140</u>	<u>289</u>	<u>(121)</u>	<u>105</u>	<u>202</u>
<b>Cash and cash equivalents balance at the beginning of the period</b>	<u>205</u>	<u>3</u>	<u>466</u>	<u>187</u>	<u>3</u>
<b>Cash and cash equivalents balance at the end of the period</b>	<u>345</u>	<u>292</u>	<u>345</u>	<u>292</u>	<u>205</u>
<b>Annex A - Additional information on cash flows:</b>					
Interest paid	6,745	-	-	-	13,489
Taxes Paid	625	-	-	-	-

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).
- 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 New Med Energy Limited partnership (previous name was Delek Drilling – Limited Partnership. On February 21, 2022, the Partnership's name was changed to its current name( ("New Med" or the "Partnership") in the Leviathan Project.

The royalties interests are to receive royalties from New Med'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 THE Company is eligible to receive are 1.5% and 6.5%, prior to the ROI date and after the ROI date, respectively. For further information concerning the royalties rights, see Note 6 of the Annual Financial Statements as of December 31, 2021.

- C. 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.
- D. These financial statements have been prepared in a condensed format as of 30 September 2022 (hereinafter - interim financial statements). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2021, and the accompanying notes.



## Notes to the Financial Statements

### NOTE 2 – Significant Accounting Policies

#### A. 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, 2021.

#### B. Taxes on income in interim reports

Expenses (income) with respect to taxes on income for the presented periods include the total amount of current taxes, as well as the change in the balances of deferred tax. Current tax expenses (income) during the interim period are accumulated using the average annual effective income tax rate. For the purpose of calculating the effective income tax rate, losses for tax purposes for which deferred tax assets were not recognized, and which are expected to reduce the tax liability during the reporting year, are subtracted.

### NOTE 3 – Additional information

- A. As per the Partnership calculation the Effective Rate of Statutory Royalties from the Leviathan project for the period ended September 30, 2022 is approx. 10.95%
- 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. Below is the Partnership's share in the income and in the natural gas quantities sold to the domestic market and to the regional market in the report period from continuing operations (in \$ in millions).

	For the Nine-month period ended		For the three-month period ended		For the year ended
	30.9.2022	30.9.2021	30.9.2022	30.9.2021	31.12.2021
	Unaudited		Unaudited		Audited
<b>Partnership's Revenues:</b>					
Domestic market	218.0	268.8	95.0	82.1	319.5
Regional market	637.7	412.5	223.0	161.1	563.0
	<u>855.7</u>	<u>681.3</u>	<u>318.0</u>	<u>243.2</u>	<u>882.5</u>
<b>Quantities (BCM)</b>					
Domestic market	1.32	1.72	0.54	0.53	2.06
Regional market	2.55	2.05	0.84	0.75	2.80
	<u>3.87</u>	<u>3.77</u>	<u>1.37</u>	<u>1.28</u>	<u>4.86</u>

- C. For further information concerning the loan to the controlling shareholder, see Note 7 of the Annual Financial Statements as of December 31, 2021.

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**NOTE 3 – Additional information (Cont.)**

- D. As of the date of approval of the financial statements, the maximum capacity for the supply of gas from the Leviathan project is approx. 1.2 BCF per day. As part of the promotion of phase 1B of the development plan for the Leviathan project and the increase of the maximum production capacity to approx. 2.1 BCF per day, the Leviathan partners are examining the acceleration of an investment in a third subsea transmission pipeline from the wells to the platform (the "Third Pipeline"), in which context the possibility of increasing the production capacity is being examined. It is clarified that the laying of the Third Pipeline depends on the adoption of a final investment decision (FID), which the Partnership expects to be adopted by the Leviathan partners in Q1/2023. The investments in the laying of the Third Pipeline, together with the investments in the platform's related systems to be made starting from Q1/2023 until the expected operation of the Third Pipeline in Q2/2025.

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