



Leviathan Bond

LEVIATHAN BOND LTD

CONDENSED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2024

EXPRESSED IN US\$ THOUSANDS

UNAUDITED

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Auditors' Review Report to the Shareholders of Leviathan Bond Ltd

Introduction

We have reviewed the accompanying financial information of Leviathan Bond Ltd ("**Company**"), which comprises the condensed interim statements of financial position as of June 30, 2024 and the related condensed statements of comprehensive income, changes in equity for the six-month and three-month periods then ended. The Company's Board of Directors' and management are responsible for the preparation and presentation of Interim financial information this interim period, in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("**IAS 34**"). 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, issued by the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent 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 accordingly 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the aforementioned interim financial information is not prepared, in all material respects, in accordance with IAS 34

Tel Aviv, August 7, 2024

Kost, Forer, Gabbay & Kasierer
Certified Public Accountants
(Israel)

Ziv Haft
Certified Public Accountants
(Israel)

Leviathan Bond Ltd**Condensed Interim Statements of Financial Position (Expressed in US\$ Thousands)**

	<u>30.06.2024</u>	<u>30.06.2023</u>	<u>31.12.2023</u>
	<u>Unaudited</u>		<u>Audited</u>
Assets:			
Current Assets:			
Short term Bank deposits	103,802	141	33
Loans to shareholders	599,219	-	-
Related parties	-	99,859	**
	<u>703,021</u>	<u>100,000</u>	<u>33</u>
Noncurrent Assets:			
Loans to shareholders	1,148,620	1,748,486	1,749,034
Long term bank deposits	-	-	101,411
	<u>1,148,620</u>	<u>1,748,486</u>	<u>1,850,445</u>
	<u>1,851,641</u>	<u>1,848,486</u>	<u>1,850,478</u>
Liabilities and Equity:			
Current Liabilities:			
Bonds	600,000	-	-
Related parties	3,802	-	1,444
	<u>603,802</u>	<u>-</u>	<u>1,444</u>
Noncurrent Liabilities:			
Bonds	1,150,000	1,750,000	1,750,000
Loans from shareholders	100,000	100,000	100,000
	<u>1,250,000</u>	<u>1,850,000</u>	<u>1,850,000</u>
Equity (Deficit)	(2,161)	(1,514)	(966)
	<u>1,851,641</u>	<u>1,848,486</u>	<u>1,850,478</u>

* Less than \$1,000

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

August 7, 2024Date of Financial
Statement ApprovalTzachi Habusha,
DirectorYossi Abu,
Directo

Leviathan Bond Ltd**Condensed Interim Statements of Comprehensive Income (Expressed in US\$ Thousands)**

	For the Six Month Ended		For the Three Month Ended		For Year Ended
	<u>30.6.2024</u>	<u>30.6.2023</u>	<u>30.6.2024</u>	<u>30.6.2023</u>	<u>31.12.2023</u>
	Unaudited				Audited
Financial expenses	62,098	74,624	30,045	35,661	134,437
Financial income	(60,903)	(73,882)	(30,633)	(34,958)	(134,243)
Total comprehensive loss (income)	<u>1,195</u>	<u>742</u>	<u>(588)</u>	<u>703</u>	<u>194</u>

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

Leviathan Bond Limited.

Condensed Interim Statements of Changes in Equity (Deficit) (Expressed in US\$ thousands)

	The Company equity	Deficit	Total
	Unaudited		
Changes for the six months period ended June 30, 2024:			
Balance as of December 31, 2023 (audited)	*	(966)	(966)
Total comprehensive loss	-	(1,195)	(1,195)
Balance as of June 30, 2024	*	(2,161)	(2,161)

	The Company equity	Deficit	Total
	Unaudited		
Changes for the six months period ended June 30, 2023:			
Balance as of December 31, 2022 (audited)	*	(772)	(772)
Total comprehensive loss	-	(742)	(742)
Balance as of June 30, 2023	*	(1,514)	(1,514)

	The Company equity	Deficit	Total
	Unaudited		
Changes for the three months period ended June 30, 2024:			
Balance as of March 31, 2024	*	(2,749)	(2,749)
Total comprehensive income	-	588	588
Balance as of June 30, 2024	*	(2,161)	(2,161)

	The Company equity	Deficit	Total
	Unaudited		
Changes for the three months period ended June 30, 2023:			
Balance as of March 31, 2023	*	(811)	(811)
Total comprehensive loss	-	(703)	(703)
Balance as of June 30, 2023	*	(1,514)	(1,514)

Leviathan Bond Limited.

Condensed Interim Statements of Changes in Equity (Deficit) (Expressed in US\$ thousands)

	The Company equity	Deficit	Total
	Audited		
Changes for the year ended December 31, 2023:			
Balance as of December 31, 2022	*	(772)	(772)
Total comprehensive loss	-	(194)	(194)
Balance as of December 31, 2023	*	(966)	(966)

* Less than \$1,000

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

Leviathan Bond Ltd

Notes to the Condensed Interim Financial Statements as at June 30, 2024 (Expressed in US \$ Thousands)

Note 1 - General:

- A.** NewMed Energy – Limited Partnership (the “**NewMed**” or “**Partnership**”), incorporated Leviathan Bond Limited (“**the Company**”) on July 15, 2020. NewMed holds 100% of the shares of the Company. The sole purpose of the Company is to issue bonds under Rule 144A to qualified investors and to provide the funds raised as loans, under the same conditions (“back-to-back”), to NewMed (see also note 3 to the annual financial statements).
- B.** The Statements of Cash Flow have not been presented, as such those statements do not add any significant information.
- C.** As at June 30st, 2024 the partnership had Approx. \$74.6 Million U.S Dollars in the “Revenue accounts”, Short-term bank deposits, which are used for debt service and for current payments as part of the bonds issue.

D. The Iron Swords war and its impact on the Partnership’s business:

Further to Note 1B to the Annual Financial Statements as of December 31, 2023 (the “**Annual Financial Statements**”) regarding the “Iron Swords” war (the “**War**”), as of the date of approval of the financial statements, there is significant escalation in the War against the terrorist organization ‘Hezbollah’ on the northern border of Israel, as well as against Iran. Accordingly, any further significant escalation, or the outbreak of a full-scale war on these fronts, may have a material adverse effect on the Partnership, its assets and its business. See also Note 3E below regarding the ongoing delays in the works for the laying of the Ashdod-Ashkelon subsea pipeline in the framework of the combined section project.

Note 2 – Significant Accounting Principles:

A. Declaration of Compliance with International Accounting Standards:

These condensed interim financial statements comply with provisions of IAS 34.

- B.** The Company’s Condensed Interim Financial Statements should be read together with the annual financial statements. Accordingly, notes regarding insignificant updates with respect to information already reported in the notes to the Annual Financial Statements were not included in these Financial Statements.

Note 2 – Significant Accounting Principles (Cont):

C. Disclosure to new IFRS standards in the period before implementation thereof

International Financial Reporting Standard 18 - Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board (IASB) published International Financial Reporting Standard 18 (IFRS 18) - Presentation and Disclosure in Financial Statements (the "**New Standard**") which replaces International Accounting Standard 1 (IAS 1) - Presentation of Financial Statements ("**IAS 1**"). The purpose of the New Standard is to improve comparability and transparency in financial statements.

The New Standard will include existing requirements of IAS 1 and new requirements for presentation in the statement of profit or loss, including the presentation of amounts and subtotals that are required in accordance with the New Standard, disclosure of management-defined performance measures and new requirements for the aggregation and disaggregation of financial information.

The New Standard does not change the provisions for the recognition and measurement of items in the

financial statements. However, since items in the statement of profit or loss will need to be classified into one of five categories (operating, investing, financing, income taxes and discontinued operations) it may change the entity's operating profit. Also, the publication of the New Standard makes minor amendments to other accounting standards, among them IAS 7 - Statement of Cash flows and IAS 34 – Interim Financial Reporting. The New Standard will be retroactively implemented to annual periods commencing on or after 1 January 2027. Early implementation is possible with disclosure. The Partnership is examining the effect of the New Standard, including the effect of the amendments to other accounting standards as a result of the New Standard, on the financial statements.

Note 3 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds):

- A. Further to Note 4C4 to the Annual Financial Statements regarding preparation for front-end engineering design (FEED) for expansion of the Leviathan reservoir's production system, for advancement of Phase 1B of the Leviathan reservoir's development plan ("**Phase 1B**"), the purpose of which is to increase the system's total gas production capacity up to ~21 BCM per year, and further to the provisions of Section B below regarding a letter received by the Leviathan Partners from the Petroleum Commissioner at the Ministry of Energy (the "**Commissioner**"), in connection with the possibility to increase the export quantities of natural gas to be produced in Phase 1B, in addition to approval of budgets in total sum of approx. \$75 million (100%, the Partnership's share – approx. \$34 million) for the purpose of such preparation, on 31 July 2024, the Leviathan Partners adopted a decision on the performance of FEED and prepurchase of long lead items with an additional budget in the amount of approx. \$429 million (100%, the Partnership's share – approx. \$194.5 million). The partners in the Leviathan project are also examining the possibility of laying a fourth subsea transmission pipeline from the field to the platform, which will enable a maximum daily production capacity of 2,350 MMCF. The Leviathan Partners intend to complete the FEED and move forward with the purchase of the long lead items, with the aim of adopting a final investment decision (FID) for the development of Phase 1B during H1/2025. To this end, the Leviathan Partners are advancing, inter alia, negotiations in various stages with potential customers, in both the domestic and export markets, for the signing of agreements for the sale of natural gas in the framework of Phase 1B. Insofar as an FID is adopted in such timeframe, the expected date for the beginning of production of natural gas in Phase 1B is between mid-2028 and mid-2029. The Leviathan Partners are continuing to examine further possibilities for the construction of an FLNG facility, inter alia, in view of the possibility of the expansion of production as aforesaid.
- B. Further to Note 4C3 to the Annual Financial Statements regarding in-principle requests delivered by the Leviathan Partners to the Commissioner to approve an increase of the export quantities of natural gas to be produced in Phase 1B of the development plan of the Leviathan project, over and above the current export quantities in the export permits issued in the past, and in accordance with the Government's decisions on the export of natural gas, and without derogating from future requests in connection with natural gas export from the Leviathan project, if any, on 25 June 2024 the Commissioner's response to such requests was received, whereby the position of the professional functions at the Ministry of Energy currently allows additional natural gas export from the Leviathan reservoir in a total quantity of up to 118 BCM, which may increase up to 145 BCM under certain conditions (the "**Commissioner's Letter**"). The Commissioner's Letter further stated that starting from 2044 the export of natural gas from the Leviathan reservoir may only be made on an interruptible basis, subject to assuring the supply to the domestic market, and that export on a firm basis starting from such year will be made possible only after reevaluation of the needs of the domestic market.

Note 3 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds) (Cont.):

- C. Further to Note 5M4 to the Annual Financial Statements regarding the Ramat Hovav-Nitzana transmission pipeline (the "**Nitzana Project**") in its letter of 16 July 2024 the Natural Gas Commission announced the partners in the Leviathan project that because by 15 July 2024 no exporter had signed a transmission agreement, each of the exporters will receive a re-allocation that will allow them to sign a transmission agreement by a new date that will be set, all as set forth in the Natural Gas Commission's decision no. 3/2023 regarding financing and allocation of capacity in all of the export pipelines (the "**Natural Gas Commission's Decision**"). On 6 August 2024, the partners in the Leviathan project received another letter from the Natural Gas Commission, whereby the allocation for the partners in the Leviathan project in the Nitzana Project remained one third of such pipeline's capacity, such new date was scheduled for 6 October 2024, and exporters which do not sign a transmission agreement will be deemed as having relinquished their capacity in this pipeline, and the capacity that will become available will be offered to the other exporters.

In June 2024, the Leviathan Partners approved an additional preliminary budget for the Nitzana Project, in the amount of approx. \$4.2 million (100%, the Partnership's share – approx. \$1.8 million), before undertaking to participate in the project financing, in accordance with the Natural Gas Commission's Decision, and before adopting a final investment decision, if any. As of the date of approval of the financial statements, the Leviathan Partners are negotiating with INGL in order to examine all the commercial terms and conditions in the Nitzana Project and, which on the basis thereof, they are expected to make a decision in relation to their participation in this project. In addition, the Leviathan Partners have begun an initial examination of an alternative transmission-for-export project. It is clarified that there is no certainty regarding the participation of the Leviathan Partners in the Nitzana Project or in the aforesaid alternative project

- D. Further to Note 5M2 to the Annual Financial Statements regarding approval of preliminary budgets by the Leviathan Partners for the construction of a compressor station and additional related work in the regional transmission system, the Partnership estimates that the investment agreement for the project will be signed by the end of 2024, and closing is expected to take place during H1/2026.

Note 3 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds) (Cont.):

- E. Further to Note 5M1 to the Annual Financial Statements regarding the an agreement to provide transmission services on a firm basis signed between Chevron and INGL, for the purpose of transport of natural gas from the Leviathan and Tamar reservoirs to EMG's terminal in Ashkelon and for its transmission to Egypt (the "**Transmission Agreement**"), further to the ongoing delays in the performance of the work in the combined section project (the Ashdod-Ashkelon marine transmission system, in this section: the "**Project**"), including due to the termination of the work starting from October 2023, on 3 August 2024, a notice was received from INGL whereby INGL has reached agreements with the foreign contractor regarding the terms and conditions of its return in order to complete the construction work in the project and in such context, the foreign contractor undertook to resume performance of the construction work in the first half of November 2024. Furthermore, INGL updated that subject to the foreign contractor's return by the agreed date as aforesaid, the security situation, weather conditions, regulatory and other approvals, the updated forecast for the project's completion is 1 May 2025. Accordingly, on 4 August 2024, Chevron and INGL signed an amendment to the Transmission Agreement whereby, *inter alia*, Chevron will bear, for the share of the partners in the Leviathan and Tamar projects, the amount equal to 56.5% of the additional costs entailed by returning the foreign contractor to Israel and resuming the construction work of the Project, according to updated timetables.
- F. Further to Note 5M1(d) to the Annual Financial Statements regarding a dispute that erupted between the Leviathan Partners and INGL, in relation to the Transmission agreement, on 3 June 2024, Chevron sent INGL a letter constituting a "notice of dispute" in the context of which it stated, *inter alia*, that insofar as the parties fail to reach a suitable solution within the timetable determined in the Transmission agreement, it intends to refer the dispute to arbitration. As of the date of approval of the financial statements, and further to meetings held between the parties, the parties are in the process of appointing agreed arbitrators.
- G. Further to Note 5L2 to the Annual Financial Statements regarding a lawsuit filed by Haifa Port Ltd. ("**Haifa Port**") against Chevron, Coral Maritime Services Ltd. and Gold-Line Shipping Ltd. in connection with the payment of handling fees to the port, on 4 June 2024, a pre-trial hearing was held in which various motions filed by the parties were heard, other than Haifa Port's motion to call a customs representative to give the testimony scheduled for 8 October 2024. On 28 July 2024, the court rejected the motions filed by Haifa Port and granted the motion filed by Chevron to call witnesses whom it does not control.

Leviathan Bond Ltd

Notes to the Condensed Interim Financial Statements as at June 30, 2024 (Expressed in US \$ Thousands)

Note 3 - Other Information regarding Ratio Yam Joint Venture ("Leviathan" Leaseholds) (Cont.):

- H. Further to Note 5C to the Annual Financial Statements regarding engagements for the supply of natural gas from the Leviathan project, on 23 May 2024, the Leviathan Partners engaged with Eshkol Power Energies Ltd. (the "**Buyer**") in an agreement for the supply of natural gas (the "**Agreement**") for the production units at the Eshkol site in Ashdod, which the Buyer intends to purchase from the Israel Electric Corporation Ltd. (the "**IEC**"), according to a sale agreement signed thereby with the IEC. According to the Agreement, the Leviathan Partners undertook to supply to the Buyer, on a firm basis, daily quantities of gas with an aggregate annual volume of ~0.5 BCM, which will be used for the two production units in a combined cycle at the Eshkol site (the "**CCGTs**"), starting from the commencement of supply in June 2024, with the transfer of ownership of the power plant from the IEC to the Buyer, until expiration of the agreement on 31 December 2031. The Buyer undertook to take or pay for certain quantities of gas calculated as a percentage of the adjusted annual contract quantity (Adjusted ACQ), subject to circumstances of *force majeure* and other standard terms and conditions. The parties further agreed that the Leviathan Partners will supply to the Buyer, on an interruptible basis, additional quantities of gas that will be used for the four steam production units at the Eshkol site (the "**Steam Units**"), which will operate mainly during hours when the electricity reserves in the market are low, starting from the aforesaid date of commencement of supply, throughout their period of operation (currently expected to continue until 31 December 2026). The Buyer undertook to take or pay for certain quantities of gas for the Steam Units, subject to their actual operation time, the availability of gas and other standard terms and conditions. The sale prices stipulated in the Agreement are linked to the electricity prices for CCGTs, and to the Brent oil price per barrel in relation to the Steam Units, in accordance with the mechanisms and periods as detailed in the Agreement. The said sale prices are stated in dollars and are subject to minimum prices. The Agreement sets forth additional provisions, as is customary in agreements of this type, including on *force majeure*, breach events and indemnification, taxation and fiscal changes, early termination, etc. In June 2024 supply of natural gas to the Buyer has begun according to the Agreement.
- I. Further to Note 3 to the Annual Financial Statements regarding a plan for buyback of the Leviathan Bond Bonds as approved by the board of directors of the GP out of the bond series maturing on 30 June 2025 and/or out of the bond series maturing on 30 June 2027, up to the date of approval of the financial statements, the Partnership has performed buybacks in the sum of approx. \$44 million par value out of the bond series maturing on 30 June 2025 which were issued by Leviathan Bond Ltd., a subsidiary wholly owned by the Partnership, in consideration of approx. \$43 million, which includes the aggregated interest as of the purchase date.

Note 4 – Material Subsequent Events

See Note 3A for details regarding a decision on the performance of FEED in Phase 1B of the development plan of the Leviathan reservoir.

FORM OF SPONSOR FINANCIAL DATA REPORT

		Quarter Ended
		30.06.2024
	<u>Item</u>	<u>Quantity/Actual Amount (in USD\$,000)</u>
A.	Total Offtake (BCM)	¹ 2.8
B.	Leviathan Revenues (100%)	² 651,218
C.	Loss Proceeds, if any, paid to Revenue Account	-
D.	Sponsor Deposits, if any, into Revenue Account	-
E.	Gross Revenues (before Royalties)	266,253
F.	Overriding Royalties	
	(a) Statutory Royalties	(30,333)
	(b) Third Party Royalties	(12,031)
G.	Net Revenues	223,889
H.	<u>Costs and Expenses:</u>	
	(a) Fees Under the Financing Documents (Interest Income)	1,292
	(b) Taxes	(28,905)
	(c) Operation and Maintenance Expenses	(41,707)
	(d) Capital Expenditures	(41,706)
	(e) Insurance (income)	(10,556)
I.	Total Costs and Expenses (sum of Items H(a), (b), (c), (d) and (e))	(121,582)
J.	Total Cash Flows Available for Debt Service (Item G <i>minus</i> Item H)	102,307
K.	Total Cash Flow from operation (Item G minus Items H(c) and H(e))	171,262
L.	Total Debt Service	56,438
M.	Total Distribution to the Sponsor	49,000

¹ Gas sales from April 1st 2024 until June 30st 2024 for 100% of the Leviathan partners on an accrual basis.

² Gas sales from April 1st 2024 until June 30st 2024 for 100% of the Leviathan partners on an accrual basis.