CREDIT OPINION
28 October 2024

Update

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RATINGS

**Leviathan Bond Ltd.**

| | |
|---|---|
| Domicile | Israel |
| Long Term Rating | Ba3 |
| Type | Senior Secured - Fgn Curr |
| Outlook | Negative |

*Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.*

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# Leviathan Bond Ltd.

## Update to credit analysis

## Summary

Leviathan Bond Ltd. (Leviathan Bond, Ba3 negative) is a special purpose vehicle, owned by NewMed Energy Limited Partnership (NewMed Energy), that was established to raise financing secured against NewMed Energy's 45.34% interest in the Leviathan gas field. Leviathan is located off the coast of Israel in the eastern Mediterranean and was commissioned in December 2019.

Leviathan Bond's credit quality is supported by the large size and the very long life of Leviathan's gas reserves, the strong track record of the sponsor and operator, and a portfolio of long-term off-take agreements. It also benefits from strong historic and expected gas demand growth in Israel (Baa1 negative), driven by the country's planned coal phase-out, demographic growth and improvement in living standards. However, its credit quality is constrained by competition within the Israeli domestic gas market, and reliance on access to Egypt's infrastructure for gas exports. The value of off-take agreements is limited by mechanisms that could allow Leviathan's largest customer to reduce volumes under certain circumstances, and by the weak credit quality of the main off-takers, which are located in Egypt (Caa1 positive) and Jordan (Ba3 stable). Leviathan Bond's credit quality further considers its financial leverage and the terms of the senior secured notes.

The operations of the Leviathan field have not been materially impacted by the military conflict to date, but an intensification of the exchange of missiles and airstrikes between Israel and Hezbollah, and any further escalation of the conflict, presents a risk. As such, there are downside risks to Leviathan Bond stemming from increased geopolitical and security risks in the context of the ongoing military activity.

Exhibit 1
**Overview of the Leviathan field**

| | |
|---|---|
| First gas | December 2019 |
| Field location | Offshore, 130km west of Haifa, Israel |
| Water depth | around 1,700m |
| Lease length | until 2044, but could be extended by 20 years |
| 1P reserves (at 31 December 2023) | 381.5 bcm (gas), 29.6 mmbbl (condensate) |
| 2P reserves (at 31 December 2023) | 429.6 bcm (gas), 33.4 mmbbl (condensate) |
| Annual gas production capacity (Phase 1A) | 12 bcm |
| Main offtakers | Blue Ocean (Egypt), NEPCO (Jordan), IPPs and industrial customers (Israel) |

*Source: Company's reports, Netherland Sewell & Associates Inc (NSAI), Moody's Ratings*

## Credit strengths

» Long-lived and substantial gas reserves

» Strong track record of sponsor and operator

» Long-term off-take agreements with take-or-pay provisions

## Credit challenges

» Risks stemming from the escalating military conflict

» Weak off-taker credit quality and contractual arrangements that allow some counterparties to reduce volumes, if prices fall below certain level

» Competition from other Israeli gas suppliers and reliance on availability of other gas infrastructure

» Refinancing requirements

» Uncertainty around the future expansion projects and funding requirements

## Rating outlook

The negative outlook reflects the risks of a potential adverse impact stemming from the military activity in the country on Leviathan Bond's operations and cash flows.

## Factors that could lead to an upgrade

Given the negative outlook, an upgrade of the ratings is unlikely. We could change the outlook to stable if the conflict is resolved or risks from the conflict materially subside with no negative impact for Leviathan Bond's operational and financial performance.

## Factors that could lead to a downgrade

The ratings could be downgraded if (1) the conflict were to escalate further with material risk to Leviathan or Israel's economy and infrastructure; (2) Leviathan's assets or operations were adversely impacted and this was not offset by any mitigating measures from the government, shareholders or through the insurance coverage; (3) funds from operations (FFO) to debt, based on NewMed Energy's share of the Leviathan project's cash flow, were to fall and remain persistently below the high teens in percentage terms; or (4) there were concerns about Leviathan Bond's liquidity.

## Key indicators

Exhibit 2

**Key operating and financial metrics**
**Leviathan Bond**

| | 2020 | 2021 | 2022 | 2023 | 2024 (E) |
|---|---|---|---|---|---|
| Total off-take (bcm) * | 7.3 | 10.7 | 11.4 | 11 | ~11 |
| CFADS interest coverage | 3.6x | 4.0x | 4.7x | 5.1x | 4.5x-5.5x |
| FFO / Debt ** | 6% | 21% | 29% | 35% | 30%-35% |

* Total offtake for the Leviathan Field. NewMed Energy has the right to 45.34% of the field's resources and output based on its ownership stake.
** FFO/debt was depressed in 2020 as only part year cash flow was considered.
All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are financial year-end unless indicated. Estimates are Moody's opinion and do not represent the views of the issuer.
*Source: Company's reports, Moody's Ratings*

## Profile

Leviathan Bond Ltd. is a special purpose vehicle established to issue bonds secured by a first priority fixed pledge of NewMed Energy's 45.34% working interest in the Leviathan gas project as well as certain associated assets. Recourse against NewMed Energy is limited to the collateral pledged by the sponsor.

The Leviathan field is located 130 km west of Haifa in the Eastern Mediterranean in a water depth of around 1,700 meters. It was discovered in 2010 and its first gas started to flow in December 2019. The Leviathan leases were granted for 30 years until February 2044 but may be extended for an additional 20-year period.

The Leviathan field and associated facilities are operated by Chevron Mediterranean, a subsidiary of Chevron Corporation (Chevron, Aa2 stable). The partners in the field are NewMed Energy (45.34%), Chevron (39.66%) and Ratio (15%).

## Detailed credit considerations

### Operations have been resilient to date but escalating military conflict presents a risk

Leviathan Bond derives its cash flows entirely from the Leviathan field, which is located 130 km offshore, in the northern part of Israel. The field is connected to the Leviathan platform some 10 km off the coast.

Leviathan remains fully operational and has not been materially affected by the military conflict to date. While there was some shift in Leviathan's sales during the temporary suspension of operations at the Tamar field and closure of the East Mediterranean Gas (EMG) pipeline last year, cash flows have remained resilient and there have been no negative developments associated with any of Leviathan's contracts, with payments from all the off-takers remaining current.

Nevertheless, Leviathan is exposed to a heightened security risk, in the context of an intensification of the exchange of missiles and airstrikes between Israel and Hezbollah, and any further escalation of the conflict. This includes a risk of a physical asset damage, including to associated infrastructure, but also suspension to the field's production. For example, in October 2024, the field's operator – Chevron – halted production from the Leviathan reservoir for certain periods of time, in accordance with the platform's operating instructions and safety procedures. While we do not expect it to have a material impact on Leviathan Bond's cash flows, recent events are indicative of an increased security risk.

NewMed Energy, as the sponsor, maintains a comprehensive insurance package for physical damage risk and business interruption. These insurance policies apply in an event of a political violence, and they are additional to the Property Tax and Compensation Fund, which is provided by the Government of Israel. However, benefits of any insurance package are difficult to assess, and such insurance proceeds may not be sufficient to satisfy Leviathan Bond's obligations under the notes. Furthermore, insurance for business interruption is subject to a customary deductible and would not cover a situation in which the Government of Israel were to order a suspension of the Leviathan field's production.

### Strategically located asset in the East Mediterranean, with substantial gas reserves, but exposed to competition

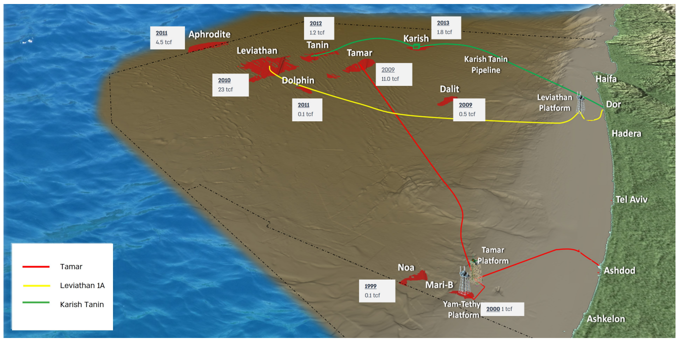
The Leviathan field is the largest offshore gas field in Israel and the entire East Mediterranean basin. It has direct piped access to gas transportation grids in Israel, Egypt and Jordan.

Until fairly recently the Leviathan field and the Tamar field were the only producing gas fields in the region. However, since October 2022, the Karish field (owned by Energean Plc, whose financing conduit is Energean Israel Finance Ltd., Ba3 negative) has been also operational. There are further gas exploration plans for the Tanin and Katlan fields, owned by Energean, and the Aphrodite field, partly owned by NewMed Energy.

Exhibit 3

**The Leviathan field is located in the East Mediterranean basin**

**Gas fields**




*Source: NewMed Energy, Moody's Ratings*

Exhibit 4

**The Leviathan field is the largest producing gas field**

**Overview of gas fields in the region, 2023 data**

| Gas field | Date of discovery | Date of first gas | Estimated reserves | Owners |
|---|---|---|---|---|
| Tamar | Jan-09 | Mar-13 | 291 bcm (2P) | Chevron, Isramco, Tamar Petroleum, Mubadala, Tamar Investment, Dor Gas, Everest Infrastructures |
| Leviathan | Dec-10 | Dec-19 | 429.6 bcm (2P) | Chevron, NewMed, Ratio |
| Karish | May-13 | Oct-22 | 70 bcm (2P) | Energean Israel |
| Tanin | Feb-12 | TBD | 26 bcm (2P) | |
| Athena, Zeus | 2022 | H1 2027e | 26 bcm (2P) | |
| Aphrodite | Sep-11 | 2027e | 98 bcm (2C) | NewMed, Chevron, Shell |

*Source: NewMed Energy, Chevron, Energean, Moody's Ratings*

According to a report from Netherland Sewell & Associates Inc (NSAI), the Leviathan field's 1P proved reserves stood at 381.5 billion cubic meters (bcm) as of end-December 2023. The field had also 29.6 million barrels of condensate. Its 2P proved + probable reserves were estimated at 429.6 bcm and 33.4 million barrels of condensate. The above reserve estimates include Leviathan-8, which was completed within schedule and budget and began production in June 2023. NewMed Energy has the right to 45.34% of the field's resources and output based on its ownership stake.

The Leviathan field's current annual gas production capacity is 12 bcm (Phase 1A of the Leviathan Development Plan). Based on current reserve estimates, the field's production life is expected to exceed 30 years, but could be extended into the 2060s with further development work.

## Security risk impacts timeline of expansion projects

The Leviathan Partners have been considering various options to increase gas production.

In June 2023, the partners adopted a final investment decision (FID) for the laying of a third subsea transmission pipeline from the field to the platform, which would increase the annual production capacity by approximately 2 bcm, bringing the total to around 14 bcm, potentially by mid next year. The overall cost, including investment in the pipeline and the platform's related systems, was budgeted at around $568 million (on a 100% basis). However, due to deterioration of the security situation, the work on laying of the third subsea pipeline was suspended until at least April 2025, implying a delay of at least six months in the completion of the project. We do not expect this delay to have a material impact on Leviathan Bond.

The Leviathan Partners have also been exploring various possibilities to expand the field's total capacity to 21 bcm through the so-called Phase 1B expansion. This may include three additional production wells, related subsea systems and expansion of the platform's processing facilities. Development may include a floating liquefaction facility (Floating Liquefied Natural Gas, FLNG). In early August 2024, the partners adopted a decision regarding the performance of the FEED and the preliminary procurement of long lead items for the Phase 1B expansion, approving an additional budget of some $429 million (100%) which brings the total, including previous approvals of the budget, to $504 million. The partners intend to take a FID for the development of Phase 1B during the first half of 2025. The decision followed the receipt of a letter from the Ministry of Energy allowing in principle the increase of the export limit for gas extracted from the Leviathan field to 118 bcm, which may increase to up to 145 bcm upon fulfillment of certain conditions.

While there is potential for further expansion of the Leviathan field, there is uncertainty around the timing, the actual cost and hence any funding requirements.

### Strong track record of the operator and production since commissioning

Since commissioning in December 2019, the Leviathan platform has delivered strong production with uptime broadly in line with expectations. The field was initially operated by Noble Energy Mediterranean, which had a strong operating track record at the Tamar and Mari B fields. Following the company's acquisition, Chevron took over operations in 2020, with no material impact on performance.

In 2023, the platform achieved an output of 11 bcm, which was slightly below the output of 2022 (11.4 bcm), but fairly close to its current maximum capacity of around 12 bcm. Volumes remained strong in the last two quarters of 2023, when they reached 2.9 bcm and 2.8 bcm respectively. These trends continued into this year as Leviathan produced 2.6 bcm in Q1 and 2.8 bcm in Q2 of this year accordingly.

### Long-term off-take agreements, but with volume risks and credit quality of off-takers is weak

The Leviathan field production is sold mostly under several long-term contracts – the Gas Sale and Purchase Agreements (GSPAs), which have durations varying from 9 to 25 years. The annual contracted quantities cover around 85% of the field's total capacity.

The contracts are mostly denominated in USD and indexed to Brent oil or Israel's regulated electricity generation tariff/Taoz, but substantially all have “floor prices”. In the case of Brent-linked contracts, “floor prices” would protect revenue if Brent fell below certain Brent prices. Most contracts include take-or-pay commitments, which cover around 70% of the annual production capacity at a price above $50/barrel.

Exhibit 5

**Gas Sale and Purchase Agreements cover the bulk of the production capacity**

**Overview of contracts, as of December 2023**

| | Supply commencent date | Agreement period | Approximate total maximum contract quantity | Total quantity supplied until 31 December 2023 | Main linkage basis for gas price |
|---|---|---|---|---|---|
| Blue Ocean | 2020 | 15 years* | 60 bcm | 16.4 bcm | Brent with floor price, subject to adjustment after fifth and tenth years |
| NEPCO | 2020 | 15 years* | 45 bcm | 10.0 bcm | Brent with floor price |
| Independent power producers | 2020 | 9 to 25 years | 19.1 bcm | 2.3 bcm | Most linked to Electricity Production Tariff/Taoz with a floor price |
| Industrial customers | 2020 | 2.5 to 15 years | 4.2 bcm | 0.9 bcm | Most linked to Brent and Electricity Produciton Tariff with floor price |
| **Total** | | | **128 bcm** | **30 bcm** | |

* The agreement stipulates that in the event that the buyer does not purchase the total contract quantity, the supply period will be extended by another two years.

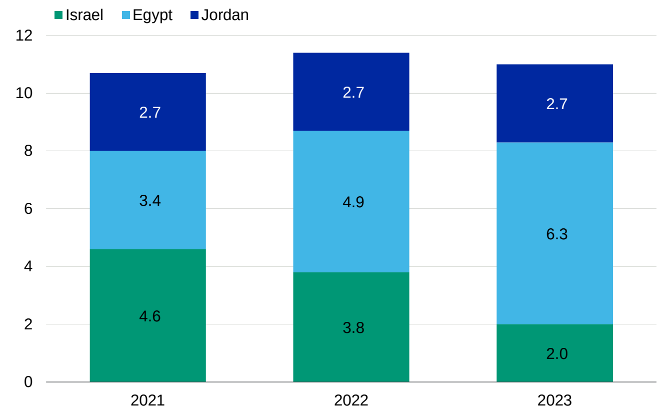
*Source: Company's reports, Moody's Ratings*

Blue Ocean, domiciled in Egypt, and NEPCO, which is fully owned by the Government of Jordan (Ba3 stable), are the two largest single off-takers, accounting for around 55% of the Leviathan's annual production capacity based on the provisions of their contracts. The remaining off-takers are mostly independent power producers (IPPs), which make up a growing share of Israel's electricity generation market, and industrial customers in Israel.

In 2023, sales to Blue Ocean accounted for 57% of total volumes. The remainder was split between Israeli counterparties (18% of the total) and NEPCO (25%). Blue Ocean's off-take volumes increased by 1.4 bcm, whereas off-take from Israeli counterparties was down on the previous year. In monetary terms, revenue from Blue Ocean accounted for 58% of the total in 2023.

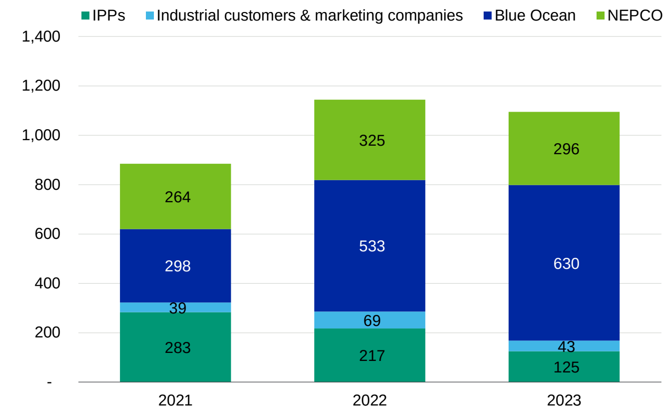
During the first half of 2024, the trend towards increasing exports to Egypt and decreasing share of domestic sales continued; exports to Egypt represented 66% of Leviathan's total production, with Jordan receiving 22% and the domestic Israeli market accounting for 11% of the total.

Exhibit 6
**Off-take volumes to Egypt increased in 2022 and 2023**
**Production summary (100% basis), in bcm**




*Source: NewMed Energy's reports, Moody's Ratings*

Exhibit 7
**Sales to Egyptian counterparty increased substantially after 2021**
**Revenue (NewMed Energy's 45.35% share)**




*Source: NewMed Energy's reports, Moody's Ratings*

Blue Ocean is a private company formed for the sole purpose of buying gas from Israel. While NewMed Energy understands that Blue Ocean has contracts to resell gas to Egyptian Natural Gas Holding Company (EGAS), a company owned by the Government of Egypt (Caa1 positive), we have no visibility into this contract or the ability and willingness of Blue Ocean to fulfill its contractual commitments. Still, to date all the payment obligations of Blue Ocean have been met and all payments are current despite restricted access to foreign currencies, including the US dollar, by Egyptian companies.

The weak credit quality of the off-takers and the contract terms mean that the value of the take-or-pay commitments is limited. In particular, Blue Ocean can reduce its purchases to 50% of the annual contracted quantities in any year, where the average price of Brent crude is below $50/barrel. Blue Ocean can also reduce purchases by 50% after 2025 and a further 30% after 2030, if the parties cannot agree to price adjustment of up to +/-10%, subject to certain conditions. Leviathan's contract with NEPCO and domestic contracts also have minimum take-or-pay levels below the annual contracted quantities. We estimate that if off-takers purchased only their minimum commitments, then only around 50% of capacity would be underpinned by contracts. While this presents a risk, demand for gas from Leviathan at current prices is strong as evidenced by increasing volumes sold in the last few years.

Leviathan's cash flows are primarily driven by the sale of gas. We note, however, that in March 2024, NewMed Energy commenced sales of condensate to Ashdod Refinery Ltd, creating an additional, even if relatively small, stream of revenue to the Israeli market.

### Exports are reliant on availability of other gas infrastructure

In 2023, Israeli gas production totalled 24.7 bcm. This compares to the country's consumption of close to 14 bcm. Although forecasts differ, there is general agreement that demand will continue to grow as the country seeks to phase out coal and increase gas-fired electricity generation, as well as because of a steady growth in population and an increase in usage of electricity.

In this context, production from the Leviathan field has been mostly exported to Egypt and Jordan. While in the case of Jordan, gas imports has been used for domestic consumption, most of gas exported to Egypt – which has two LNG export facilities – has been destined for international markets. This has made the project more reliant on global developments. In particular, in 2022, Europe engaged with Israel and Egypt on the supply of Israeli gas to Europe through Egypt's LNG plants, with the European Commission signing a trilateral memorandum of understanding with the two countries in June 2022. This presents opportunities to Leviathan although transportation costs could reduce the competitiveness of its gas in a lower commodity price environment.

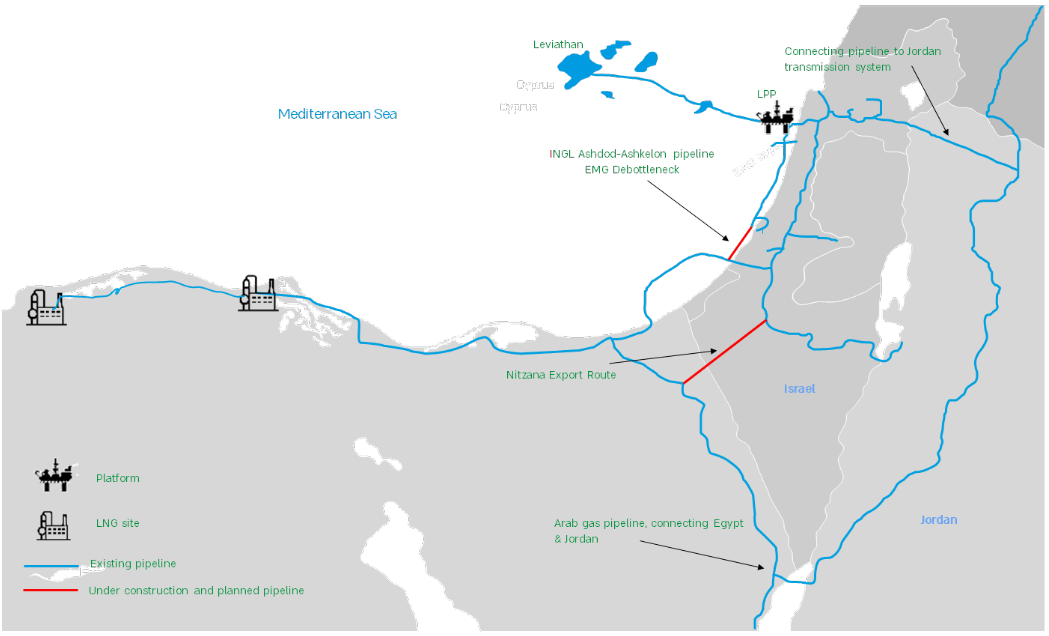
For international markets, gas has been piped through the EMG pipeline, which was originally built to transport Egyptian gas to Israel. The pipeline was reversed in 2019 to allow exports from Israel and following the launch of the Leviathan field. Chevron and NewMed Energy together with Egyptian partner East Gas Company acquired a 39% share in the pipeline in November 2019. This investment and associated agreements give Leviathan the right to use the majority of EMG's capacity. The pipeline's current capacity is 6 bcm/year.

In February 2022, the Leviathan Partners reached agreement to reverse flow of the FAJR pipeline from Jordan North to the Egypt/Jordan border at Aqaba, enabling Leviathan to send additional gas to Egypt. The pipeline's total capacity is around 10 bcm/year (including supply to NEPCO). In order to fully utilise the pipeline for export to Egypt, a design is being conducted for a new compressor station in northern Jordan (near Rehab).

Exhibit 8

**Regional connectivity plans include new pipelines**

**Overview of infrastructure**




*Source: NewMed Energy*

There are several routes that would provide for increased capacity for transportation of gas from Leviathan to Egypt. The EMG debottlenecking project includes a new offshore pipeline that is being built by Israel's gas grid operator INGL, which would add 2-3 bcm/year in capacity (in addition to an additional compressor in Ashkelon that is already installed). Furthermore, in May 2023, the Israeli government approved a plan for the construction of a new onshore gas pipeline to Egypt that would enable export of additional 6 bcm/year. The 65-km pipeline will run from Ramat Hovav to Nitzana on the border with Egypt. The project is backed by INGL.

There is scope for other projects over the longer term. The governments of Israel, Greece and Cyprus agreed to develop a gas pipeline from Israel to Europe, the 'EastMed' pipeline, which may provide a further outlet for Israeli gas production. However, the project faces significant risks and the timing of any development is highly uncertain.

Access to the pipeline infrastructure is key for Leviathan. In this regard we note that a war, military action and acts of terrorism affecting Leviathan or the pipelines are considered a force majeure under both the Blue Ocean and NEPCO GSPAs. The temporary suspension of flows through the EMG pipeline at the beginning of the conflict had a very limited affect on the exports from Leviathan to Egypt as the available quantities were delivered to Egypt via Jordan. However, this exposure presents a risk to Leviathan Bond.

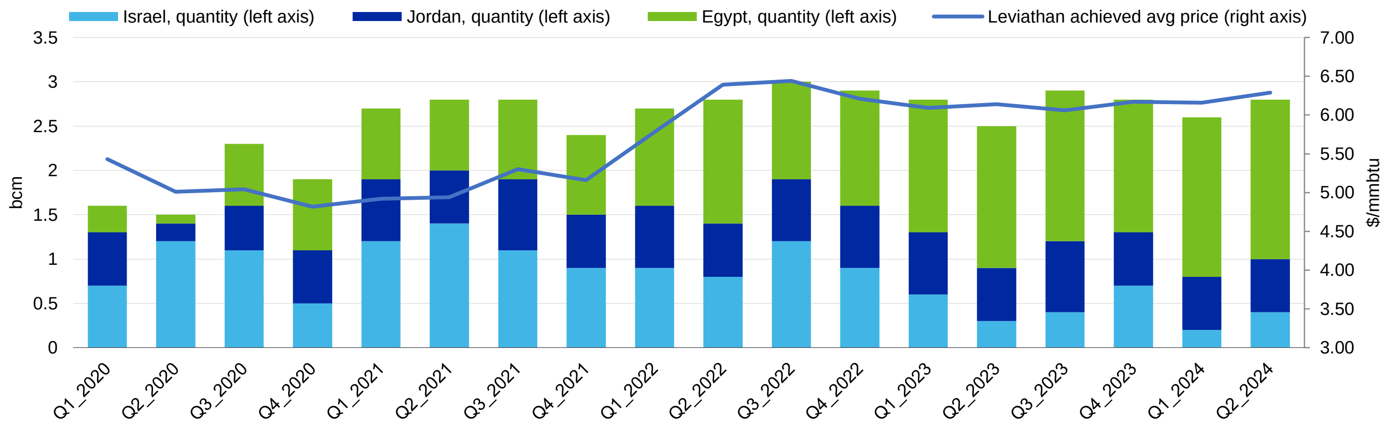
## Solid financial metrics, given a continued strong gas off-take and a reduction in debt

In 2023, Leviathan delivered solid cash flows supported by volumes of 11 bcm and an average achieved price of $6.1/mmbtu. Thanks to low production costs (around $0.8/mmbtu), EBITDA attributable to Leviathan Bond amounted to $759 million in 2023. This presented a slight decline on the previous year as lower sales in the Israeli market were not offset by higher exports to Egypt. Leviathan Bond's financial metrics have, however, strengthened as the company repaid its $500 million bond in June 2023. Its borrowings totalled $1.75 billion as of end-December 2023.

Exhibit 9

**Quarterly production consistently above 2.5 bcm over the last two years with a stable price**

**Volumes in bcm, average achieved price in $/mmbtu**




*Source: NewMed Energy's reports, Moody's Ratings*

Volume and price are the key drivers of Leviathan's earnings, but the project's cash flows will be impacted over time by additional taxes. Specifically, in addition to an approximately 11.06% government royalty rate (in addition to related and third-party royalties) and 23% income tax, Leviathan is subject to a levy on “windfall” profits, the Levy on Profits from Natural Resources, commonly known as the Sheshinski levy. The levy is a progressive tax amounting to between 20-50% of profits of gas projects after they have achieved a certain return on investment. The maximum levy rate is currently 46.8%, given the prevailing corporate tax rate. Under current plans, Leviathan will begin to pay the levy in 2027, with the amount rising over time. This means that some credit metrics before the levy becomes payable overstate Leviathan Bond's credit quality.

Leviathan Bond's financial ratios will also depend on any future expansion investments and their funding. In this regard we note, that while under original plans, it was assumed that the 2023 bond will be partially refinanced with a new $300 million bond, the project company repaid the 2023 bonds fully thanks to the strong cash flow generation. Taking into account the cash flow generated by the project, the delay in the expansion programme, the buyback of the bonds by NewMed Energy and the credit lines that NewMed Energy has, we believe that a refinancing of the $600 million bond due in June 2025 will not be required.

## ESG considerations

### Leviathan Bond Ltd.'s ESG credit impact score is CIS-3

Exhibit 10

**ESG credit impact score**


ESG considerations have a limited impact on the current rating, with potential for greater negative impact over time.

*Source: Moody's Ratings*

Leviathan Bond's **CIS-3** indicates that ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time. Leviathan has high environmental risk exposure and high social risk exposure partially mitigated by positive credit benefits arising from its governance structure as a project financing.

Exhibit 11
**ESG issuer profile scores**


*Source: Moody's Ratings*

### Environmental
Leviathan Bond's **E-4** score recognises the project's highly negative exposure to environmental risks related to the carbon transition. While demand is currently strong, decarbonization efforts and the transition towards cleaner energy will dampen the demand for fossil fuels in the longer term.

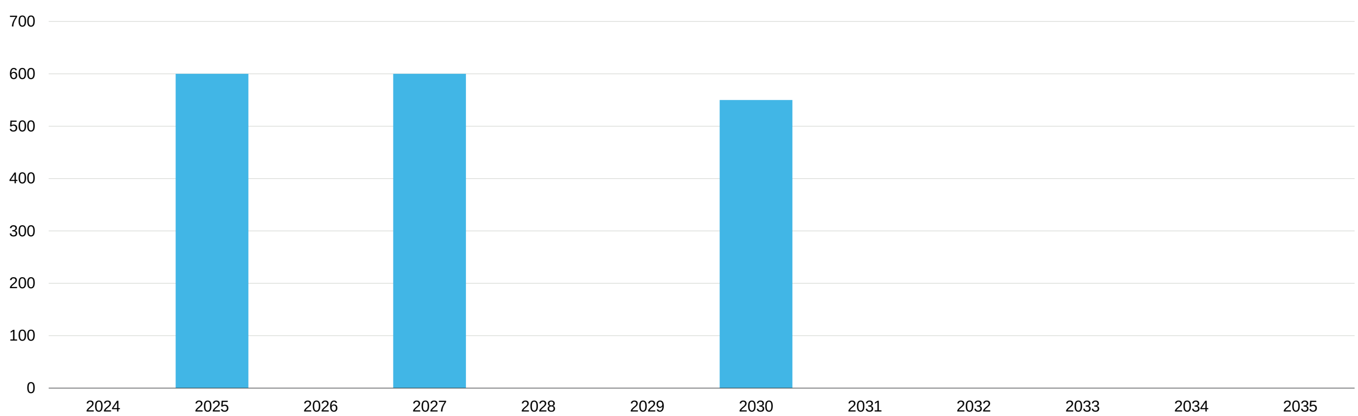
### Social
Leviathan Bond's **S-4** score recognises Leviathan Bond's high exposure to social risks. While domestic Israeli energy transition policies have not yet materially impacted the company, there is increasing opposition in some parts of the world against gas production.

### Governance
Leviathan Bond's **G-2** score reflects its project financing structure, including some restrictions on Leviathan's business activities and financial policy.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Liquidity analysis
Leviathan Bond has outstanding debt of $1.75 billion. Its next debt maturity is related to the $600 million bond due in June 2025. Taking into account the cash flow generation of the project, the delay in the expansion programme, coupled with the buyback of notes by NewMed Energy and the credit lines that NewMed Energy has, we believe that a refinancing of the 2025 notes will not be required.

Exhibit 12
**Leviathan Bond's next debt maturity is in June 2025**
**in $ million, as of September 2024**




*Source: Company's reports, Moody's Ratings*

As of end-June 2024, Leviathan Bond had $104 million in short-term bank deposits, while NewMed Energy had cash and short-term investments of around $300 million.

In early October 2024, NewMed Energy signed agreements with two Israeli banks, securing liquidity facilities in a total amount of $400 million. These bank facilities have significantly increased the partnership's available liquidity in the context of Leviathan Bond's upcoming debt maturity. In this regard we note that the Board of Directors of NewMed Energy authorised a buyback of up to $100 million of Leviathan Bond's bonds effective from 15 October 2024 (in addition to the $91 million that were already purchased by NewMed Energy based on the previously approved buyback programme of $100 million). We view these actions as supportive of Leviathan Bond's liquidity management in the context of its bullet debt maturities and uncertainties associated with the current operating environment.

## Structural considerations

The notes issued by Leviathan Bond benefit from a comprehensive security package. However, creditor protections are weaker than those in many rated project financings. The financing has limited creditor step-in and remedy rights and a lack of financial covenants. In addition, as the notes are secured by NewMed's 45.34% working interest in the Project, creditors would have limited ability to exercise control over the Leviathan project as compared to many rated project financings.

However, risk is partly mitigated by the expected value of the bondholder security, which could be realised through a sale of NewMed's working interests in the Project. Such realisation of value would be subject to certain terms of the Leviathan partners' Joint Operating Agreement and would require regulatory approval.

The structure includes a cash flow waterfall that requires several accounts held in the name of the issuer to be funded before funds can be deposited into the Distribution Account and removed from the security. The most significant of these are:

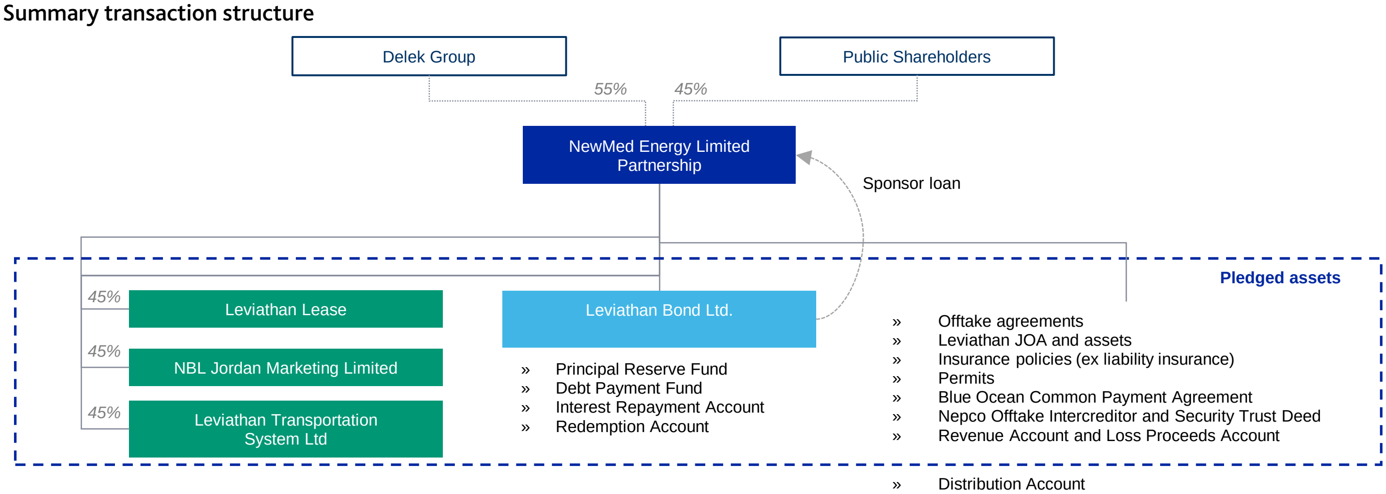
» **Principal Reserve Fund** that begins to fill twelve months ahead of each maturity date, to a maximum amount of $150 million;

» **Debt Payment Fund,** funded at transaction close, of $100 million; and

» **Interest Payment Account** other than on scheduled principal repayment dates and 30 days thereafter, up to 50% of the interest due on the next semiannual interest payment date.

In addition, distributions cannot be made if the net present value of future cash flow, as calculated by NSAI using a 10% discount rate, is less than 1.5x net debt. The ability to issue new notes or other pari passu debt is limited by various provisions, which are outlined above and discussed in greater detail in the new issuer report.

Exhibit 13
**Summary transaction structure**




*Source: NewMed Energy, Moody's Ratings*

## Rating methodology and scorecard factors

Leviathan Bond is rated under Moody's Generic Project Finance Methodology.

Exhibit 14
**Ratings factors**
**Leviathan Bond**

| Factor | Subfactor | Score | Metric |
|---|---|---|---|
| 1. Business Profile | a) Market position | Baa | Baa |
| | b) Predictability of Net Cash Flows | B | B |
| | | | |
| 2. Operating Risk | a) Technology | A | A |
| | b) Capital Reinvestment | A | A |
| | c) Operating Track Record | Baa | Baa |
| | d) Operator and Sponsor Experience, Quality and Support | A | A |
| **Project Risk** | | **Medium** | |
| | | | |
| 3. Leverage and Coverage* | a) CFADS / Interest Expense (Non-Amortizing Debt) | 5.30x | Aa |
| | b) Project CFO / Adjusted Debt | 34.0% | A |
| **Preliminary Scorecard Indicated Outcome before Notching:** | | | **Baa2** |
| | | | |
| **Notching Considerations** | | **Notch** | |
| | 1 - Liquidity | | -1 |
| | 2 - Structural Features | | -1 |
| | 3 - Refinancing Risk | | -1 |
| | 4 - Construction and Ramp-up Risk | | 0 |
| | 5 - Priority of Claim, Structural Subordination and Double Leverage | | 0 |
| **Preliminary Scorecard Indicated Outcome before Offtaker Constraint:** | | | **Ba2** |
| | | | |
| | Offtaker Constraint Applied? | | No |
| | Level of Offtaker(s) Constraint | | n/a |
| **Scorecard Indicated Outcome** | | | **Ba2** |
| **Assigned Rating** | | | **Ba3** |

*Scoring based on Moody's estimate for 2024
*Source: Moody's Ratings*

## Ratings

Exhibit 15

| Category | Moody's Rating |
|---|---|
| **LEVIATHAN BOND LTD.** | |
| Outlook | Negative |
| Senior Secured | Ba3 |

*Source: Moody's Ratings*

REPORT NUMBER 1406327