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To the bondholders in:

ISIN NO 001 068 9763

**9.50 per cent. Iona Energy Company (UK) Limited Senior
Secured Callable Bond Issue 2013/2018**

Oslo, 30 July 2015

Summons to Bondholders' Meeting

1. PARTIES

Nordic Trustee ASA (formerly Norsk Tillitsmann ASA (the "**Bond Trustee**")) acts as trustee for the holders of the bonds (the "**Bondholders**") in the above mentioned bond issue (the "**Bond Issue**" or the "**Bonds**") in respect of which Iona Energy Company (UK) plc (formerly Iona Energy Company (UK) Limited (the "**Issuer**")) is the issuer and Iona Energy Inc. ("**Iona**" or the "**Parent**") and Iona UK Huntington Limited (the "**Huntington Subsidiary**") are the guarantors.

All capitalized terms used herein shall have the meaning assigned to them in the bond agreement originally dated 26 September 2013 (as amended on 3 June 2014 and as amended and restated on 17 April 2015) and made between the Issuer, the Parent, the Huntington Subsidiary and the Bond Trustee (the "**Bond Agreement**"), or in the Restructuring Term Sheet attached as Schedule 1 hereto, unless otherwise stated herein or therein. References to Clauses and paragraphs are references to Clauses and paragraphs of the Bond Agreement.

The information in this summons regarding the Issuer and market conditions are provided by the Issuer, and the Bond Trustee expressly disclaims all liability whatsoever related to such information.

2. BACKGROUND

2.1 Introduction

In accordance with the approval of the Bondholders at a Bondholders' Meeting held on 27 March 2015, various amendments and waivers were made to the terms and conditions governing the Bonds including among other things, full relief from financial covenant testing, payment of in-kind interest and revisions to the repayment schedule (collectively, the "**Bond Amendments**"). On 9 April 2015, Iona announced the resignation of Richard Ames and Roger Laing as directors of the Company and the appointment of Bill McCall as an independent director of the Company pursuant to the terms of the Bond Amendments. On 21 April 2015, the Parent announced that together with its UK subsidiaries, the Issuer and the Huntington Subsidiary, it had entered into an amended and restated Bond Agreement as described above governing the Bonds.

On 11 May 2015 Iona issued an aggregate of 37,058,086 warrants in the Parent (the “**Warrants**”) pro-rata to the Bondholders as a consideration for the waivers granted under the Bond Amendments. Each Warrant entitles the holder thereof to purchase one common share in the capital of the Parent at a price of CAD 0.05 per share, until 27 September 2018.

The terms of the Bond Amendments also required Iona to commence a review process to consider a range of alternatives and propose a course of action (the “**Transaction Proposal**”) to enable Iona to: (i) fully fund the Orlando Asset to achieve First Oil by 31 December 2016; and/or (ii) refinance the Bonds. Iona was required to present a Transaction Proposal to the Bond Trustee and the Bondholder Advisers by the end of June 2015 and, subject to approval of the Bondholders, implement the Transaction Proposal by the end of September 2015.

In April 2015, Iona retained PricewaterhouseCoopers LLP (“**PwC**”) as financial advisor to assist Iona’s board of directors in identifying and evaluating potential alternatives for a Transaction Proposal. Between April and June 2015, PwC contacted a total of 47 potential counterparties on a confidential basis with respect to a potential credit, equity, and/or strategic transaction with Iona that might constitute or form part of a Transaction Proposal. Numerous potential transactions (and combinations thereof) were considered as potential proposals, including but not limited to: (i) selling a portion of the Group’s assets in order to maintain the remaining assets as a viable ongoing business; (ii) discussions with various strategic parties regarding a potential merger or sale of Iona’s equity securities or its assets; (iii) discussions with numerous private equity funds and financial institutions regarding the provision of further equity or debt financing to the Group; and (iv) discussions with other existing creditors and counterparties of the Group regarding the amendment of contractual terms to preserve the Group’s assets as a viable ongoing business.

In June 2015, Iona’s board of directors formed a special committee consisting of non-management directors Don Copeland, Rod Maxwell, Bill McCall and Jay Zammit (collectively, the “**Special Committee**”) to investigate, evaluate and consider the potential alternatives for a Transaction Proposal. During June 2015, PwC met with Iona’s board of directors and with the Special Committee numerous times to thoroughly consider the key elements and potential effects upon the Group of the various potential transactions. A key consideration in the review of the potential alternatives was the fact that failure to timeously propose a Transaction Proposal would result in a default under the Bond Agreement and the determination that this would likely lead to the liquidation and/or insolvency of the Group.

Based on the foregoing, Iona’s management, board of directors and advisors determined that the proposal now set forth in Schedule 1 to this Bondholder Summons (the “**Proposal**”) represented the best alternative available for Iona to achieve the objectives of the proposal required under the Bond Amendments and also for Iona to continue as a viable ongoing business. Failure to implement the Proposal by 30 September 2015 will likely result in a default under the Bond Agreement and will, in all likelihood, lead to liquidation and/or insolvency of the Group.

On 25 June 2015, Iona’s board of directors unanimously approved submission of the Proposal to the informal ad hoc committee of Bondholders who, according to the Issuer, together hold in excess of 64% of the principal amount outstanding of the Bonds (the “**Ad Hoc Committee**”). On 30 June 2015, Iona announced that it had received unanimous written support for the Proposal from the Ad Hoc Committee.

2.2 Key terms of the proposed Restructuring

The proposed Restructuring will comprise of (summary of main features only, please see Schedule 1 – Restructuring Term Sheet (together with its schedules A and B) (the “**Restructuring Term Sheet**”) for further detail):

- i. The sale of a 25% working interest in the Orlando Asset to the Farm-Out Partner in consideration for payment of the Company’s share of the development costs for the Orlando oil field up to an amount of USD 25.5 million plus additional cash payments to the Issuer after First Oil at the Orlando Asset.
- ii. The provision by the Industry Funders of deferred payments or loans of an estimated USD 33 million under the Industry Funding, repayable in instalments within 9 months following First Oil. Two Industry Funders will be granted super senior ranking security (the “**Secured Industry Funders**”).
- iii. A cash repayment to Bondholders of USD 24 million on the outstanding indebtedness of the Issuer under the Bonds on the Restructuring Implementation Date.
- iv. A reduction of the outstanding indebtedness under the Bond to USD 120 million with effect from the Restructuring Implementation Date, and the equitisation (the “**Debt-to-Equity Swap**”) of the outstanding indebtedness under the Bonds exceeding USD 120 million in exchange for common shares in the Parent representing 87% of the issued and outstanding common shares in the Parent as of the Restructuring Implementation Date.
- v. The ability for the Issuer to use USD 31 million of the restricted funds currently held in the Escrow Account to achieve First Oil at the Orlando Asset.
- vi. The indebtedness owed by the Issuer to the Secured Industry Funders to rank super senior to the indebtedness under the Bonds based on certain intercreditor principles which are attached as Schedule B to the Restructuring Term Sheet.

The completion of the Farm-Out and the utilisation of one of the Industry Funder loans remain subject to the satisfaction of certain conditions precedent. In the case of the Farm-Out these include the provision of final board approval of the Farm-Out Partner, certain third party consents and regulatory approval. It is likely that some of the third party consents and regulatory approvals will not be satisfied prior to the Restructuring Implementation Date and that the Restructuring, including the Debt-to-Equity Swap, will be implemented prior to completion of the Farm-Out and the satisfaction of all of the conditions for utilisation of one of the Industry Funder loans. Failure to complete the Farm-Out or fulfil the conditions for utilization in relation to the Industry Loans would result in a funding gap in relation to the development of the Orlando Asset to First Oil. The Issuer believes, however, that due to the statutory and contractual framework governing the consents and approvals, the conditions precedent will be satisfied prior to the respective long stop dates under the Farm-Out and the relevant Industry Funder loan, and that the likelihood of a funding gap being crystallised under these circumstances is therefore remote. It should also be noted that non-completion of the Farm-Out by the longstop date under the Farm-Out will constitute an Event of Default under the Amended and Restated Bond Agreement.

In order to ensure that the Issuer has sufficient liquidity to meet its commitments in relation to the development of the Orlando Asset that fall due in August and September 2015 and to generally fund its day-to-day operations until the Restructuring Implementation Date, the Issuer proposes that the Bondholders' Meeting, subject to the receipt by the Bond Trustee of written confirmations satisfactory to the Bond Trustee from each of the Industry Funders and the Farm-Out Partner that the documentation implementing the Farm-Out and the Industry Funding is in agreed form and (except in case of the Farm-Out Partner) has received all requisite internal approvals (the "**Confirmations**"), approves that:

- a. USD 2.5 million is released from the Escrow Account to the Issuer Earnings Account; and
- b. the Issuer is allowed to retain GBP 1.3 million of proceeds from the Issuer's sale of its 2.5% interest in the Esmond Transportation System (as announced on 2 July 2015).

2.3 Company update

The financial and operational assumptions being utilised by the Company in conducting its financial planning are consistent with those published on 5 March 2015 with the following exceptions/updates:

- Following receipt from the operator of a decommissioning plan in relation to the Huntington Asset, the Issuer will be required to post a letter of credit for up to GBP 7.5 million (net) during Q4 2015 towards decommissioning of the Huntington Asset.
- Further capex savings have been delivered on the Orlando Asset with the gross budget now being USD 192 million (from 1 January 2015).
 - This compares to USD 228 million when the new management team joined in Q4 2014, representing a reduction of 16%.
 - For the avoidance of doubt, the gross budget includes certain amounts for which payment will be deferred until after First Oil at the Orlando Asset via the Industry Funding.
- For the purposes of its financial planning, Iona is utilising an oil price assumption of US\$60/bbl and a USD / GBP exchange rate of 1.55.

2.3 Engagement of Bondholder Advisers

In accordance with the resolutions of the Bondholders' Meeting held on 27 March 2015, the Bond Trustee has engaged Akin Gump LLP ("**Akin Gump**") as legal advisers and FTI Consulting LLP ("**FTI**") as financial advisers (together the "**Bondholder Advisers**") to advise the Bond Trustee and work with the ad hoc committee of Bondholders that had formed to engage in discussions with the Issuer in connection with their investment in the Bonds. The Issuer has agreed to pay the reasonable fees of Akin Gump and FTI, which are in line with market rates.

3. PROPOSALS

Based on the above, the Issuer hereby proposes the following to the Bondholders (the "**Proposal**"):

The Bondholders:

1. approve and authorise the implementation of the Restructuring on the terms of and as described in the Restructuring Term Sheet on or before 30 September 2015;

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2. subject to the terms of the Restructuring Term Sheet, instruct the Bond Trustee (in consultation with its advisors) to take such steps on behalf of the Bondholders as may be necessary or desirable in connection with the implementation of the Restructuring as described in the Restructuring Term Sheet, including, without limitation:
 - a. negotiating and approving the final terms of, and entering into, an amended and restated Bond Agreement and related documentation, as contemplated by the Restructuring Term Sheet, in particular Schedule A (Remaining Bond Term Sheet) thereto;
 - b. negotiating and entering into an amended and restated Intercreditor Agreement as contemplated by the Restructuring Term Sheet, in particular Schedule B (Term Sheet for the Intercreditor Agreement) thereto;
 - c. negotiating and approving the final terms of, entering into and, where relevant, amending and terminating documentation and agreements as may be necessary or desirable in order to enter into a new security package as joint security for the Bondholders and the Secured Industry Funders, as contemplated by the Restructuring Term Sheet;
 - d. negotiating and approving the documentation and agreements that may be necessary or desirable in order to implement the Debt-to-Equity Swap and the issue of new shares in the Parent to the Bondholders; and
 - e. taking any and all other steps and actions expressly or impliedly required to be taken or that would be desirable to take in order to implement the Restructuring, including, without limitation, negotiation, documenting and entering into legal agreements, granting amendments and waivers and giving instructions, consents, approvals and directions, as contemplated by the Restructuring Term Sheet;
 3. agree that the Bond Trustee may at its discretion, in consultation with its advisors, consent to amendments to the terms of the Restructuring Term Sheet on behalf of the Bondholders where such amendments (i) are of a minor or technical nature, (ii) are otherwise consistent with the Restructuring Term Sheet and are required in order to implement the Restructuring or (iii) would not adversely affect the position of the Bondholders;
 4. agree that the Bond Trustee, in consultation with its advisors, exercise (or refuse to exercise) any discretion, consent or approval required or contemplated in the exercise (or non-exercise) of any such discretion which is connected with the matters referred to in the Restructuring Term Sheet, including with respect to satisfaction or waiver of the conditions precedent to the restructuring as set forth in the Restructuring Term Sheet;
 5. grant the Bond Trustee a power of attorney to (i) enter into a transfer agreement on behalf of Bondholders for the acquisition by the Parent of those Bonds that are to be equitized pursuant to the Debt-to-Equity Swap and (ii) subscribe on behalf of Bondholders for new shares in the Parent pursuant to the Debt-to-Equity Swap, as contemplated by the Restructuring Term Sheet;

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6. approve that, subject to the receipt by the Bond Trustee of the Confirmations, effective from the date of the Bondholders' Meeting: (i) USD 2.5 million is released from the Escrow Account to the Issuer Earnings Account; and (ii) the Issuer is allowed to retain the GBP 1.3 million of proceeds from the Issuer's sale of its 2.5% interest in the Esmond Transportation System, in each case for use by the Issuer in accordance with the terms of the Bond Agreement; and
 7. agree that the approval of the Proposal shall satisfy the covenant in Clause 14.4.20(e) of the Bond Agreement that a Transaction Proposal must be approved by the Bondholders' Meeting by no later than 30 September 2015 (the "**TP Covenant**"), subject to the condition that the Restructuring Implementation Date has occurred on or before 30 September 2015; and if the Restructuring Implementation Date has not so occurred on or before 30 September 2015, then the TP Covenant shall be deemed not to have been satisfied such that there will be an Event of Default under the Bond Agreement due to a breach of the TP Covenant.

4. FURTHER INFORMATION

For more detailed information about the Issuer or the Proposal, please see www.ionaenergy.com or contact:

Iona Energy Inc.
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CEO
+44 (0) 1224 228400

Iona Energy Inc.
Robert Gair
CFO
+44 (0) 1224 228400

The Issuer has engaged ABG Sundal Collier ASA as its financial adviser (the "**Adviser**"). Accordingly, Bondholders may contact the Adviser for further information:

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The Adviser acts solely for the Issuer and no-one else in connection herewith. No due diligence investigations have been carried out by the Adviser with respect to the Issuer, and the Adviser expressly disclaims any and all liability whatsoever in connection with the Proposal (including but not limited to the information contained herein).

5. EVALUATION OF THE PROPOSAL

5.3 The Issuer's evaluation

In the Issuer's opinion, the Proposal represents the best alternative given the current circumstances. It will allow the Issuer time and financial flexibility to pursue the development of the Orlando Asset to the benefit of all stakeholders.

5.4 Non-reliance

The Proposal is put forward to the Bondholders without further evaluation or recommendations from the Bond Trustee and nothing herein shall constitute a recommendation to the Bondholders by the Bond Trustee. The Bondholders must independently evaluate the Proposal and vote accordingly.

5.5 Pre-acceptance

The Issuer has informed the Bond Trustee that Bondholders holding in excess of 62% of the Outstanding Bonds have indicated their support for the Proposal and that they have provided irrevocable undertakings to vote in favour of the Proposal ahead of the Bondholders' Meeting.

6. BONDHOLDERS' MEETING

Bondholders are hereby summoned to a Bondholders' Meeting:

Time: 6 August 2015 at 13:00 hours (Oslo time),
Place: The premises of Nordic Trustee ASA,
Haakon VII's gt 1, 0161 Oslo - 6th floor

Agenda:

1. Approval of the summons.
2. Approval of the Agenda.
3. Election of two persons to co-sign the minutes together with the chairman.
4. Consent to the Proposal as set out in section 3 above.

It is proposed that the Bondholders' Meeting resolves the following:

The Bondholders' Meeting hereby adopt the resolution set out in the Proposal as described in section 3 of the summons for this Bondholders' Meeting.

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To approve the Proposal, Bondholders representing at least 2/3 of the Bonds represented in person or by proxy at the meeting must vote in favour of the resolution. In order to have a quorum, at least 5/10 of the voting Bonds must be represented at the meeting. If the Proposal is not adopted, the Bond Agreement will remain unchanged.

Please find attached a Bondholder's Form from the Securities Depository (VPS), indicating your bondholding at the printing date. The Bondholder's Form will serve as proof of ownership of the Bonds and of the voting rights at the Bondholders' Meeting. If the bonds are held in custody - i.e. the owner is not registered directly in the VPS - the custodian must confirm; (i) the owner of the bonds, (ii) the aggregate nominal amount of the bonds and (iii) the account number in VPS on which the bonds are registered.

The individual Bondholder may authorise the Nordic Trustee to vote on its behalf, in which case the Bondholder's Form also serves as a proxy. A duly signed Bondholder's Form, authorising Nordic Trustee to vote, must then be returned to Nordic Trustee in due time before the meeting is scheduled (by scanned e-mail, telefax or post – please see the first page of this letter for further details).

In the event that Bonds have been transferred to a new owner after the Bondholder's Form was made, the new Bondholder must bring to the Bondholders' Meeting or enclose with the proxy, as the case may be, evidence which the Bond Trustee accepts as sufficient proof of the ownership of the Bonds.

For practical purposes, we request those who intend to attend the Bondholders' Meeting, either in person or by proxy other than to Nordic Trustee, to notify Nordic Trustee by telephone or by e-mail (www.mail@trustee.no) within 16:00 hours (4 pm) (Oslo time) the Banking Day before the meeting takes place.

Yours sincerely
Nordic Trustee ASA



Jo Forfang

Enclosed: Bondholder's Form
Schedule 1 – Restructuring Term Sheet

IONA ENERGY INC.

Consensual Restructuring

Restructuring Term Sheet

This non-binding indicative restructuring term sheet (the “**Term Sheet**”) dated 30 July 2015 sets out the terms for a proposed financial restructuring (as described more particularly herein the “**Restructuring**”) of the capital structure and certain liabilities of Iona Energy Inc. (the “**Parent**”) and its subsidiaries (together the “**Group**”), subject to contract and definitive documentation.

The terms and conditions set out in this Term Sheet are part of a comprehensive arrangement, each element of which is an integral part of the proposed Restructuring. This Term Sheet is not an offer to issue or sell, or a solicitation of an offer to acquire or purchase, securities in Norway, Canada, the United Kingdom, the U.S. or any other jurisdiction. Such offer or solicitation will only be made in compliance with all applicable securities laws.

No legal obligations to proceed on any matter contemplated herein shall arise hereunder, unless and until definitive agreements are duly executed and delivered.

This Term Sheet is not exhaustive, is solely indicative of the key terms of the proposal set out herein and additional terms and conditions may be included in the definitive legal documentation prepared in connection with the Restructuring consistent with the matters contemplated by this Term Sheet.

1.	Definitions	<p>Words and expressions used herein shall have the same meaning when used in this Term Sheet as set out in the Bond Agreement unless expressly set out herein or the context requires otherwise.</p> <p>“Amended and Restated Bond Agreement” means the Bond Agreement as amended and restated in accordance with this Term Sheet and the Remaining Bond Term Sheet.</p> <p>“Amended and Restated Deed of Subordination” means the Deed of Subordination as amended and restated in accordance with this Term Sheet and the Remaining Bond Term Sheet.</p> <p>“Bond Debt” means any indebtedness outstanding under the Remaining Bonds from time to time.</p> <p>“Bondholders” means the holders of the Bonds from time to time.</p> <p>“Bonds” means the bonds (including PIK Bonds) issued by the Company with ISIN NO 001 068976.3 pursuant to the USD 275,000,000 bond loan agreement originally dated 26 September 2013 as amended by (i) the Amendment Agreement No. 1 dated 3 June 2014 and (ii) the Amendment Agreement No. 2 dated 17 April 2015 (the “Bond Agreement”).</p>
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	<p>“Bond Trustee” means Nordic Trustee ASA (formerly Norsk Tillitsmann ASA) in its capacity as the bond trustee for the Bondholders under the Bond Agreement.</p> <p>“BTL” means Britannic Trading Limited.</p> <p>“BTL MTM Amount” has the meaning given to such term in section 4.</p> <p>“Company” means Iona Energy Company (UK) plc.</p> <p>“Contractor C” means the provider of a mobile drilling rig in respect of works to be undertaken at the Orlando Field.</p> <p>“Contractor C Deferred Payment Agreement” has the meaning given to such term in section 4.</p> <p>“Contractor D” means the provider of certain well consumable services to be conducted on the Orlando Field.</p> <p>“Contractor D Deferred Payment Agreement” has the meaning given to such term in section 4.</p> <p>“Debt-to-Equity Swap” means the conversion of part of the indebtedness of the Company owed under the Bonds into shares in the Parent as further described in section 8.</p> <p>“Deed of Subordination” means the deed of subordination dated 30 September 2013 and made between the Company, the Parent and the Huntington Subsidiary as subordinated creditors and the Bond Trustee.</p> <p>“Equitized Debt” has the meaning given to such term in section 8.</p> <p>“Existing Hedging Security” means the security interests which have been created prior to the Restructuring Implementation Date in favour of BTL of the obligations of the Issuer under hedging agreements entered into with BTL.</p> <p>“Existing Intercreditor Agreement” means the intercreditor agreement dated 30 September, 2013 between the Bond Trustee (in its capacity as Senior Bond Trustee), BTL, the Parent, the Company, the Huntington Subsidiary and the Bond Trustee (in its capacity as Security Agent).</p> <p>“Existing Security” means the security interests which have been created prior to the Restructuring Implementation Date in favour of the Bond Trustee as security for the indebtedness of the Company under the Bonds.</p> <p>“Existing Shareholders” means the shareholders in the Parent immediately prior to the Restructuring Implementation Date.</p>
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	<p>“Farm-Out Partner” means a limited company incorporated in England and Wales, the parent of which is a European energy company with an investment grade credit rating.</p> <p>“Huntington Subsidiary” means Iona UK Huntington Limited.</p> <p>“Industry Funders” means Lender A, Lender B, Contractor C and Contractor D who have agreed to defer payment obligations for, or make loans to assist in payment for certain services and capital expenditures until after First Oil.</p> <p>“Industry Funding” means the funding being contributed by the Industry Funders to the Company in the form of deferred payments and loans in the aggregate estimated at USD 32.9 million (net to the Company’s 50% interest in the Orlando Field following the Orlando Farm-Out).</p> <p>“Industry Funding Documentation” means the documentation pursuant to which the Industry Funding is implemented.</p> <p>“Intercreditor Agreement” has the meaning given to such term in section 6.</p> <p>“Intra-Group Claim” has the meaning given to such term in section 8.</p> <p>“Intra-Group Loan Agreement” has the meaning given to such term in section 8.</p> <p>“Lender A” means a provider of a loan in respect of the Orlando Asset.</p> <p>“Lender A Loan” has the meaning given to such term in section 4.</p> <p>“Lender A Loan Agreement” means the secured loan agreement to be entered into between Lender A and the Company.</p> <p>“Lender B” means a major international oil and gas company.</p> <p>“Lender B Loan” has the meaning given to such term in section 4.</p> <p>“Lender B Loan Agreement” means a zero coupon secured loan agreement to be entered into between the Company and Lender B.</p> <p>“Long Stop Date” means 30 September 2015.</p> <p>“New Security” has the meaning given to such term in section 6.</p> <p>“New Security Documents” means the documentation implementing the New Security.</p> <p>“New Shares” means the common voting shares in the Parent issued by the Parent to the Bondholders on the Restructuring Implementation Date</p>
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	<p>with the same rights as the common voting shares in the Parent which are in issue prior to the Restructuring Implementation Date.</p> <p>“Options” means the existing 19,582,000 options and 3,750,000 warrants issued and outstanding, which were granted to certain directors and management of the Group.</p> <p>“Orlando Farm-Out” has the meaning given to such term in section 3.</p> <p>“Orlando Farm-Out Documentation” means the documentation pursuant to which the Orlando Farm-Out is implemented.</p> <p>“Orlando Field” means the Orlando oil field located in the Northern North Sea offshore UK with licence number P.1606 and block number 3/3b, where the Company is the operator of the licence.</p> <p>“Project Hedges” means the hedges to be put in place prior to the achievement of First Oil with Lender B (or its affiliates) against the Company’s net share of the anticipated 1P production volumes from the Orlando Asset for a period of 9 months from First Oil.</p> <p>“Release” has the meaning given to such term in section 8.</p> <p>“Remaining Bond Term Sheet” has the meaning given to such term in section 5.</p> <p>“Remaining Bonds” means the Bonds which remain outstanding after the completion of the Restructuring pursuant to the terms of the Amended and Restated Bond Agreement.</p> <p>“Restructuring Implementation Date” means the date on which all of the conditions which are set out in section 10 have been satisfied.</p> <p>“Ronan & Oran Farm-Out” has the meaning given to such term in section 4.</p> <p>“Secured Industry Funders” means BTL, Lender A, Lender B and the affiliate of Lender B providing the Project Hedges.</p> <p>“Security” means the Existing Security, the New Security and any Additional Security.</p> <p>“Security Agent” means Nordic Trustee ASA (formerly Norsk Tillitsmann ASA) in its capacity as security trustee for the Bondholders and the Secured Industry Funders under the Intercreditor Agreement.</p> <p>“Senior Debt” means the Super Senior Liabilities and the Bond Debt.</p> <p>“Super Senior Discharge Date” means the first date on which all Super Senior Liabilities have been fully and finally discharged, whether or not as the result of an enforcement.</p>
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2.	<p>Restructuring Overview</p>	<p>The Restructuring will comprise (summary of main features only):</p> <ul style="list-style-type: none"> • The sale of an undivided 25% working interest in the Orlando Field by the Company to the Farm-Out Partner with effective date 1 July 2015. The transaction consideration shall be payment by the Farm-Out Partner of the Company’s share of the development costs for the Orlando Field up to an amount of USD 25.5 million plus additional cash payments to the Company after the production of hydrocarbons at the Orlando Field. • The provision by the Industry Funders of deferred payments or loans estimated at USD 32.9 million under the Industry Funding, which shall be repayable in instalments following First Oil. Certain of the Industry Funders will benefit from security in the assets of the Restricted Group until repayment of their part of the Industry Funding with their entitlement to any enforcement proceeds ranking senior to the entitlement to any enforcement proceeds of the holders of the Remaining Bonds. • On the Restructuring Implementation Date, a cash repayment of USD 24 million on the outstanding indebtedness of the Company under the Bonds. • The amendment of the terms and conditions of the Bond Agreement to provide, amongst other things, for (i) a reduction of the debt of the Company owed under the Bonds to USD 120 million and (ii) the indebtedness owed by the Company to the Secured Industry Funders to rank senior to the Bond Debt. • The equitisation (Debt-to-Equity Swap) of any outstanding indebtedness owed under the Bonds exceeding USD 120 million as of the Restructuring Implementation Date (and for the avoidance of doubt after the cash repayment of USD 24 million on the outstanding indebtedness of the Company under the Bonds) in exchange for the issue of New Shares by the Parent to the Bondholders representing 87% of the pro-forma post-Restructuring issued and outstanding common shares in the Parent as of the Restructuring Implementation Date .

		<ul style="list-style-type: none"> The Warrants will remain in place in accordance with the terms of the Warrants, provided that as a result of the Restricted Cash Payment and the Debt-to-Equity Swap, part of the Warrants will be exchanged into new warrants in accordance with section 2.1 of the terms of the Warrants. The new warrants will have a term until 11 May 2016. 														
3.	Farm-Out	<ul style="list-style-type: none"> <input type="checkbox"/> The Company will agree on a farm-out which comprises a sale of a 25% working interest in the Orlando Field to the Farm-Out Partner (the “Orlando Farm-Out”) and an option in favour of the Farm-Out Partner to acquire a 66.666% working interest in the Ronan & Oran Asset (the “Ronan & Oran Farm-Out”). <input type="checkbox"/> Orlando Farm-Out: The Company will sell an undivided 25% working interest in the Orlando Field to the Farm-Out Partner. The key terms of the Orlando Farm-Out are as follows: <ul style="list-style-type: none"> Effective date of 1 July 2015. The Farm-Out Partner’s consideration comprises: <ul style="list-style-type: none"> Payment of the Company’s share of the costs of developing the Orlando Field up to an amount of USD 25.5 million; plus Cash payments following first production of hydrocarbons from the Orlando Field under the following schedule: <table border="1" data-bbox="722 1060 1383 1365"> <thead> <tr> <th>Days after first production of hydrocarbons from the Orlando Field</th> <th>Payment (USD)</th> </tr> </thead> <tbody> <tr> <td>30 days</td> <td>1,500,000</td> </tr> <tr> <td>6 months</td> <td>2,312,500</td> </tr> <tr> <td>12 months</td> <td>2,312,500</td> </tr> <tr> <td>18 months</td> <td>2,312,500</td> </tr> <tr> <td>24 months</td> <td>1,200,000</td> </tr> <tr> <td>30 months</td> <td>1,200,000</td> </tr> </tbody> </table> In the event that the Orlando Field has produced 4,380,000 bbl of oil (gross) on or prior to the date which is 24 months after first production of hydrocarbons, the payments at 24 and 30 months after first production of hydrocarbons shall increase to USD 1.6 million. The completion under the Farm-Out Documentation is subject to the satisfaction of certain conditions precedent, which must be satisfied by not later than 27 February 2016. At signing of the Farm-Out Documentation, the Farm-Out Partner shall pay a deposit in an amount of USD 2 million to the Company. The deposit will be non-refundable where completion does not occur due to any material breach by the Farm-Out Partner of its obligations under the Farm-Out Documentation. 	Days after first production of hydrocarbons from the Orlando Field	Payment (USD)	30 days	1,500,000	6 months	2,312,500	12 months	2,312,500	18 months	2,312,500	24 months	1,200,000	30 months	1,200,000
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30 months	1,200,000															

		<ul style="list-style-type: none"> • The Farm-Out Partner shall benefit from (and take on the corresponding liability in favour of the Company of) its pro rata share of the Industry Funding (excluding the Lender B Loan). • The obligations of the Farm-Out Partner to the Company under the Farm-Out will be secured by a guarantee of the holding company of the Farm-Out Partner. • The Company will assign its rights under the Orlando Farm-Out Documentation to the Security Agent as security for the Secured Industry Funders and the Bondholders. • The operatorship of the Orlando Field will not change as a result of the Orlando Farm-Out. <p><input type="checkbox"/> Ronan & Oran Farm-Out: The Farm-Out Partner will pay for 100% of the costs up to an amount of GBP 350,000 of one or more studies in respect of a proposed appraisal well on the Ronan & Oran Asset to earn an option to acquire a 66.666% working interest in the P1971 (Ronan & Oran) licence on the following basis:</p> <ul style="list-style-type: none"> • In case that the Farm-Out Partner exercises its option, the consideration of the Farm-Out Partner will comprise: <ul style="list-style-type: none"> ○ Payment of 100% of the costs of an appraisal well (including sidetrack and test programme if so agreed between Iona and the Farm-Out Partner) on such location as may be determined by the Company and the Farm-Out Partner in respect of the Ronan & Oran Asset. • The Farm-Out Partner shall earn a 66.666% working interest upon completion of the appraisal well and assume operatorship of the Ronan & Oran Asset subject to any governmental approvals being obtained.
4.	Industry Funding	<p><input type="checkbox"/> The Industry Funding comprises the following arrangements between the Group and the Industry Funders:</p> <ul style="list-style-type: none"> • Lender A: Lender A will lend an amount of up to GBP 9.2 million to the Company (net of amounts passed through to the Farm-Out Partner under the Orlando Farm-Out Agreement) under the Lender A Loan Agreement (the “Lender A Loan”). <ul style="list-style-type: none"> ○ The Lender A Loan will be secured by the New Security and the indebtedness thereunder will rank senior to the Bond Debt. ○ The Lender A Loan will be repayable within 6 months from the achievement of First Oil.

		<ul style="list-style-type: none">• Lender B: Lender B will make available to the Company a zero coupon loan in an amount of USD 12 million under the Lender B Loan Agreement (the “Lender B Loan”).<ul style="list-style-type: none">○ The amount available for drawdown under the Lender B Loan shall be USD 12 million less the mark-to-market calculation (calculated within seven days from the Restructuring Implementation Date) resulting from the unwinding of all existing derivative positions with BTL (the crystallised amount outstanding after such unwinding, the “BTL MTM Amount”).○ The Lender B Loan and the BTL MTM Amount will be secured by the New Security on a first-ranking basis and the indebtedness thereunder will rank senior to the Bond Debt.○ The Lender B Loan and the BTL MTM Amount will be repayable in equal instalments within 9 months from achievement of First Oil.○ The Lender B Loan can only be drawn down between April 2016 and December 2016 if by the end of such period First Oil is projected to be no more than 6 months ahead.○ The Company will agree on a cap of USD 100/barrel for 100% of its net share (50% post the Orlando Farm-Out) of the Orlando 2P production profile pursuant to the 2014 GCA report until 31 December 2028 (which can be further extended to 31 December 2030 at Lender B’s option) during the term of the agreement (the “Price Cap”). The Company shall have the option to restrict the application of the Price Cap to its net share of the Orlando 1P production profile pursuant to the 2014 GCA report on payment by the Company to Lender B of USD 5 million.○ The Project Hedges will be entered into and the liabilities to Lender B (or its affiliates) thereunder will rank senior to the Bond Debt and <i>pari passu</i> to the other Super Senior Liabilities.• Contractor C: Contractor C will enter into an agreement to defer 40% of the payments owed by the Company (in its capacity as operator of the Orlando Field) with respect to the services rendered by Contractor C, equalling an amount estimated at USD 3.2 million (the “Contractor C Deferred Payment Agreement”).<ul style="list-style-type: none">○ The deferred payments will be unsecured and will be repaid in priority to repayments under the Bond Debt.
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		<ul style="list-style-type: none"> ○ The deferred payments (as adjusted for costs and expenses properly incurred) will be paid over a period of 90 days from achievement of First Oil. ● Contractor D: Contractor D will enter into an agreement to defer 50% of the payments owed by the Company (in its capacity as operator of the Orlando Field) with respect to the services rendered by Contractor D, equalling an amount estimated at GBP 2.3 million (the “Contractor D Deferred Payment Agreement”). ○ The deferred payments will be paid in 9 equal monthly instalments from achievement of First Oil. ○ The deferred payments will be unsecured and will be repaid in priority to repayments under the Bonds.
5.	<p>Main terms and conditions of the Remaining Bonds</p>	<p>On and with effect from the Restructuring Implementation Date, the Bond Agreement will be amended to reflect the terms and conditions which are set forth in the term sheet for the Remaining Bonds attached hereto as <u>Schedule A (Term Sheet for the Remaining Bonds)</u> (the “Remaining Bond Term Sheet”). In particular, the Remaining Bonds will have the following terms:</p> <ul style="list-style-type: none"> ● Issuer: The Company. ● Principal Nominal Amount: USD 120 million. ● Ranking: The Remaining Bonds will continue to constitute senior secured obligations of the Company, subject only to the super senior claims of the Secured Industry Funders pursuant to the provisions of the Intercreditor Agreement. ● Security: The Remaining Bonds shall be secured by the Security. The Secured Industry Funders shall, however, be repaid out of the proceeds from the enforcement of the Security in priority to the holders of the Remaining Bonds as described further in section 6. ● Maturity: 27 September 2018.
6.	<p>Security and Intercreditor Agreement</p>	<p><input type="checkbox"/> From the Restructuring Implementation Date, the Senior Debt will be secured by a new security package (to the extent permitted according to applicable law) over the assets of the Restricted Group consisting of the security interests which are set forth in <u>Schedule A (Term Sheet for the Remaining Bonds)</u> (the “New Security”). The Security Agent will hold the New Security for the Secured Industry Funders and the Bondholders in accordance with the terms of the Intercreditor Agreement. The New Security will, in accordance with the terms of the Intercreditor Agreement contractually be senior to the Existing Security and the Existing Hedging Security but subject to any obligations which are mandatorily preferred by law. The Existing Security securing the Bond Debt and the Existing Hedging Security</p>

		<p>securing amounts outstanding under the derivative positions in favour of BTL will remain in place following the Restructuring Implementation Date, provided that prior to the Super Senior Discharge Date any proceeds from the enforcement of the Existing Security and the Existing Hedging Security will be turned over to the Security Agent for application in accordance with the principles set forth in <u>Schedule B (Term Sheet for the Intercreditor Agreement)</u>.</p> <ul style="list-style-type: none"> <input type="checkbox"/> There shall neither be any security nor any guarantee granted by any member of the Group which shall exclusively secure the Super Senior Liabilities. <input type="checkbox"/> From the Restructuring Implementation Date, the Existing Intercreditor Agreement will be terminated and the members of the Group, the Security Agent, the Bond Trustee (on behalf of the Bondholders) and the Secured Industry Funders will enter into an intercreditor agreement governed by English law, which will be based on the terms and conditions which are set forth in <u>Schedule B (Term Sheet for the Intercreditor Agreement)</u> (the “Intercreditor Agreement”).
7.	Partial repayment of Bonds	<ul style="list-style-type: none"> <input type="checkbox"/> On the Restructuring Implementation Date, an amount of USD 24 million of the outstanding indebtedness of the Company under the Bond Agreement will be repaid by the Company to the Bondholders through a part redemption and cancellation of the Bonds (the “Restricted Cash Payment”). <input type="checkbox"/> The repayment shall be carried out pro rata between the Bondholders in accordance with the procedures of the Securities Depository.
8.	Debt-to-Equity Swap of part of the Bonds	<ul style="list-style-type: none"> <input type="checkbox"/> On the Restructuring Implementation Date, all interest accrued on the Bonds between the last Interest Payment Date and the Restructuring Implementation Date (inclusive) will be capitalized, and following such capitalization all outstanding indebtedness under the Bonds in excess of an aggregate principal amount of USD 120 million (the “Equitized Debt”) will be transferred to the Parent in exchange for the issue by the Parent of 2,480,041,194 New Shares to the Bondholders, representing 87% of the issued and outstanding common shares in the Parent as of the Restructuring Implementation Date. <input type="checkbox"/> Immediately following the Restructuring Implementation Date, the Existing Shareholders will hold 370,580,868 common shares in the Parent, representing 13% of the pro-forma post-Restructuring issued and outstanding common shares in the Parent as of the Restructuring Implementation Date. <input type="checkbox"/> Bondholders and Existing Shareholders will be affected pro rata to their shareholding in the Parent by any dilution of their shareholdings resulting from the exercise of the Options or the Warrants after the Restructuring Implementation Date.

		<ul style="list-style-type: none"> ❑ The New Shares will initially be issued to the Paying Agent (DNB Bank ASA or its custodian). Once the New Shares have been delivered to the Paying Agent, the Paying Agent can register the New Shares in the VPS under a separate temporary ISIN and marked with a legend explaining the Canadian transfer restrictions such that for a period of four months and one day from the Restructuring Implementation Date (the “Restricted Period”), the New Shares can only be traded to accredited investors. ❑ The Paying Agent may not allow a transfer of the shares from the VPS to the Canadian Depository for Securities Limited (the “CDS”) during the Restricted Period. ❑ After the lapse of the Restricted Period, the New Shares will be re-registered in the VPS under the same ISIN as the existing freely trading common shares of the Parent, after which time holders of the New Shares may transfer them into CDS pursuant to the Paying Agent’s standard procedures and trade them on the TSX-V. ❑ The number of Bonds to be transferred by each Bondholder to the Parent in exchange for New Shares will be calculated as the product of (x) the total number of the Bonds transferred and (y) a fraction the numerator of which is the aggregate amount of Bonds held by that Bondholder and the denominator of which is the total number of Bonds, in each case outstanding as of the Restructuring Implementation Date, subject to rounding to the nearest full number. ❑ The number of New Shares allocated to each Bondholder will be calculated as the product of (x) the aggregate number of the New Shares issued and (y) a fraction the numerator of which is the aggregate amount of Equitized Debt held by that Bondholder and the denominator of which is the amount of the Equitized Debt, in each case as of the Restructuring Implementation Date, subject to rounding to the nearest full number. ❑ The transfer of the Equitized Debt to the Parent will result in an intra-group claim of the Parent against the Company in an amount equal to the Equitized Debt (the “Intra-Group Claim”). With effect from the Restructuring Implementation Date the Intra-Group Claim and the Bonds that are transferred to the Parent in exchange for New Shares will be cancelled in exchange for the issue to the Parent of shares in the Company. The shares issued by the Company will be subject to a first priority Scottish law pledge in favour of the Security Agent. ❑ The issue of the New Shares will not constitute a Change of Control Event within the meaning of the Bond Agreement and, accordingly, shall not trigger the Put Option pursuant to the Bond Agreement.
9.	Warrants	The Warrants will remain in place in accordance with the terms of the Warrants, provided that as a result of the Restricted Cash Payment and the Debt-to-Equity Swap approx. 59% of the Warrants will be exchanged

		<p>into new warrants in accordance with section 2.1 of the terms of the Warrants. The exact number of Warrants that will be exchanged into new warrants will depend on when the Restructuring Implementation Date occurs. The new warrants shall have identical terms to the Warrants, except that the term of the new warrants will be shortened to 11 May 2016. The exchange of Warrants into new warrants shall be carried out in accordance with the procedures of the Securities Depository and shall be issued to each holder of Warrants pro rata to its holding of Warrants prior to the Restructuring Implementation Date.</p>
<p>10.</p>	<p>Conditions precedent to the Restructuring of the Bonds</p>	<p>The implementation of the Restructuring will be conditional upon the satisfaction of the following conditions precedent (amongst other things):</p> <ul style="list-style-type: none"> <input type="checkbox"/> Approval of the Restructuring by the board of directors of the Company, the Parent and the Huntington Subsidiary; <input type="checkbox"/> Approval of the Restructuring by a duly convened Bondholders' Meeting in accordance with the terms of the Bond Agreement; <input type="checkbox"/> Agreement of final terms and definitive legal documentation evidencing the transactions contemplated by the Restructuring, including, without limitation, the Amended and Restated Bond Agreement, the New Security Documents, the Intercreditor Agreement, the Amended and Restated Deed of Subordination and the documentation implementing the Debt-to-Equity Swap; <input type="checkbox"/> Receipt by the Bond Trustee of a copy of each of the following documents in form and substance satisfactory to the Bond Trustee duly executed by each of the parties to the respective document with requisite board approval: <ul style="list-style-type: none"> • the Orlando Farm-Out Documentation; • the guarantee of the parent of the Farm-Out Partner in connection with the Orlando Farm-Out; • the Industry Funding Documentation; • the Intercreditor Agreement; • the Amended and Restated Deed of Subordination; and • the New Security Documents. <input type="checkbox"/> Satisfaction of any conditions precedent for (i) signing or effectiveness of the Industry Funding Documentation, (ii) utilization of the Lender A Loan and (iii) the definitive legal documentation evidencing the transactions contemplated by the Restructuring. <input type="checkbox"/> Receipt of conditional listing approval by the TSX-V (which approval has not been revoked by the TSX-V or challenged by any other person)

		<p>of the Debt-to-Equity Swap, subject to the satisfaction of customary conditions that are acceptable to the Bond Trustee, but which conditions may not include any requirement for shareholder approval of the Debt-to-Equity Swap.</p> <ul style="list-style-type: none"> <input type="checkbox"/> If an approval of the shareholders of the Parent is required for the Debt-to-Equity Swap, the requisite shareholders' approval has been obtained at a duly convened shareholders' meeting of the Parent by no later than 15 September 2015 and such approval has not been revoked or challenged prior to the Restructuring Implementation Date. <input type="checkbox"/> Any fees payable in connection with the approval of the Debt-to-Equity Swap by the TSX-V have been paid by the Parent. <input type="checkbox"/> Receipt by the Bond Trustee and the Bondholder Advisers of a tax structure memorandum in form and substance satisfactory to the Bond Trustee with respect to the Restructuring. <input type="checkbox"/> No member of the Group has entered into any bankruptcy, liquidation, administration, receivership or any other insolvency procedure (or any analogous proceeding in any other jurisdiction), whether voluntary or involuntary; <input type="checkbox"/> No enforcement or acceleration or debt recovery action has been taken by or on behalf of any of the other creditors and/or suppliers of the Company or any member of the Group under or in connection with any other indebtedness or due amounts of the Company or any member of the Group; <input type="checkbox"/> It has not become impractical or impossible to implement the Restructuring in a manner that will leave the Group commercially and financially viable on a medium term basis; <input type="checkbox"/> All invoices issued to the Company by the Bond Trustee, its legal advisers or their other advisers, for fees and expenses have been paid; and <input type="checkbox"/> The conditions precedent set forth in this section 10 have, except as otherwise set forth herein, been satisfied by the Long Stop Date.
11.	Costs	The costs and expenses of the Bond Trustee and its advisers in preparing and agreeing this Term Sheet and the implementation of the Restructuring will be paid by the Company, including all outstanding costs incurred and not paid.
12.	Reservation of Rights	Until the Restructuring Implementation Date, the provisions of the Bond Agreement will continue in full force and effect and nothing in this Term Sheet will effect a modification or waiver of any rights under the Bond Agreement or any other documents and agreements ancillary thereto, or to any of the Bondholders' rights as secured creditors of the Group.

		The rights of each of the Bondholders and the Bond Trustee are fully reserved in the event that the Restructuring is not fully implemented as contemplated by this Term Sheet, and until such time each of their rights is fully reserved, and this Term Sheet shall not limit or prejudice any of their rights.
13.	Announcements	No public announcement shall be made regarding the existence and terms of this Term Sheet, without the agreement of the Bondholders (acting reasonably), save as may be required by law or regulation or the rules of any applicable stock exchange.
14.	Governing Law	This Term Sheet and any non-contractual obligations arising out of or in connection with it shall be governed by English law. The London courts shall have non-exclusive jurisdiction of with respect to any disputes arising out of or in connection with this Term Sheet.

Schedules: Schedule A –Term Sheet for the Remaining Bonds
 Schedule B – Term Sheet for the Intercreditor Agreement

Schedule A
to Restructuring Term Sheet

Term Sheet
Amended and Restated Bond Agreement



ISIN NO 001 068976.3

Iona Energy Company (UK) plc
Secured Bond Issue due 2018

(the "Bonds" or the "Bond Issue")

Issuer:	Iona Energy Company (UK) plc (incorporated in Scotland, company registration number SC335305).
Parent:	Iona Energy Inc. (incorporated in the Province of Alberta, Canada, corporate access number AB-2016086205).
Huntington Subsidiary:	Iona UK Huntington Limited (incorporated in England and Wales, company registration number 7385624)
Group:	Means the Parent and all its (directly or indirectly owned) Subsidiaries from time to time, and a " Group Company " means the Parent or any of its Subsidiaries.
Guarantors:	Means the Parent and the Huntington Subsidiary (each a " Guarantor ").
Restricted Group:	Means the Issuer and all its (directly and indirectly owned) Subsidiaries from time to time, and a " Restricted Group Company " means the Issuer or any of its Subsidiaries.
Currency:	USD
Amount:	USD 120,000,000
Coupon Rate:	(i) From and including the Restructuring Implementation Date and to (but not including) the first Interest Payment Date following the Industry Funders Discharge Date, PIK interest at a rate of 10% p.a. will accrue and capitalize quarterly in arrears on each Interest Payment Date (the " PIK Interest "); PIK Interest shall be payable by issuing additional Bonds on each Interest Payment Date, which shall have the same rights as the original Bonds issued under the Bond Agreement and shall increase the principal amount of the outstanding Bonds (" Additional PIK Bonds "); and

	(ii) thereafter, 9.50% p.a., quarterly cash interest.
Restructuring Implementation Date	The Restructuring Implementation Date as defined in the Restructuring Term Sheet.
Maturity Date:	27 September 2018.
Last Interest Payment Date:	Maturity Date.
Interest Payments:	Interest on the Bonds will start to accrue on the Restructuring Implementation Date and shall be payable quarterly in arrears on 27 March, 27 June, 27 September and 27 December each year (each an “ Interest Payment Date ”). Day-count fraction for coupon is “30/360”, business day convention is “unadjusted” and Business Day is “Oslo” and “New York”.
Restricted Cash:	<p>Following the Restructuring Implementation Date, any amount standing to the credit of the Escrow Account (after payment of the Restricted Cash Payment) may, on request from the Issuer be withdrawn from the Escrow Account and used exclusively for capital expenditures relating to the Orlando Field and/or the Huntington Asset and/or any decommissioning provision required for the Huntington Asset and/or the Trent & Tyne Asset, provided that (i) prior to First Oil the Issuer’s right to withdraw shall only apply as long as no Event of Default is outstanding and continuing and (ii) after First Oil the Issuer’s right shall only apply as long as no enforcement action has been taken by the Security Agent.</p> <p>The Issuer may at any time, by notice in writing to the Security Agent, require the Security Agent to convert an amount standing to the credit of the Escrow Account, not to exceed USD 31 million, into GBP. Such amount will be held in a GBP denominated Escrow Account (which will be subject to the Security on the same terms as the Existing Escrow Account) and be available to the Issuer on the same terms as the USD Escrow Account.</p>
Repayment:	No repayments of principal under the Bonds will be made prior to the first Interest Payment Date following the Industry Funders Discharge Date. On each Interest Payment Date following the Industry Funders Discharge Date the Issuer will make repayments of principal under the Bonds. The amount of any repayments will fluctuate and depend on the amount of cash standing to the credit of the Debt Service Retention Account on the date which is 3 Business Days prior to the respective Interest Payment Date. Any repayments of principal will be carried out <i>pro rata</i> in accordance with the procedures of the Security Depository.
Cash Sweep and Debt Service Retention Account:	<p>The Issuer will maintain an interest bearing Debt Service Retention Account with the Paying Agent (the “Debt Service Retention Account”). The Debt Service Retention Account will be blocked and charged in favour of the Security Agent pursuant to the DSR Account Pledge. The DSR Account Pledge will provide that any amounts deposited in the Debt Service Retention Account will only be released and applied for payments of due cash interest and repayments of principal under the Bonds on the Interest Payment Dates and the Maturity Date.</p> <p>The Issuer will make the following transfers to the Debt Service Retention Account and the Issuer Earnings Account:</p> <p>a. On the Industry Funders Discharge Date, the following transfers shall be made:</p> <p>(i) an amount equal to the aggregate of (i) 50% of the amount by which the Liquidity Reserve exceeds USD 5 million immediately following the Industry Funders Discharge Date and (ii) 50% of the amount which is standing to the credit of the Escrow Account immediately following the Industry Funders Discharge Date, shall be transferred to the Debt Service Retention Account for repayment of principal on the first Interest Payment Date following the Industry Funders Discharge Date; and</p>

	<p>(ii) an amount equal to 50% of the amount which is standing to the credit of the Escrow Account immediately following the Industry Funders Discharge Date shall be transferred to the Issuer Earnings Account.</p> <p>b. On each 20 March, 20 June, 20 September and 20 December falling between the Industry Funders Discharge Date and the first Interest Payment Date after the Industry Funders Discharge Date, 50% of the amount by which the Liquidity Reserve exceeds USD 5 million as of such date shall be transferred to the Debt Service Retention Account for repayment of principal on the first Interest Payment Date following the Industry Funders Discharge Date.</p> <p>c. Following the first Interest Payment Date after the Industry Funders Discharge Date, the following transfers shall be made:</p> <p>(i) on the 20 day of each month, an amount which is equal to 1/3 of the aggregate cash interest which is due on the next Interest Payment Date shall be transferred to the Debt Service Retention Account (the “Interest Service Transfer”) for payment of cash interest on the next Interest Payment Date; and</p> <p>(ii) on each 20 March, 20 June, 20 September and 20 December, an amount equal to 50% of the amount by which the Liquidity Reserve (after the Interest Service Transfer made on such date) exceeds USD 5 million as of such date shall be transferred to the Debt Service Retention Account for repayment of principal on the next Interest Payment Date.</p>
Super Senior Discharge Date:	The date on which all Super Senior Liabilities have been repaid in full and which is expected to be on or before the date falling 9 months after First Oil.
Industry Funders Discharge Date:	The date on which all amounts outstanding to the Industry Funders (other than in respect of the Project Hedges) have been irrevocably repaid and discharged in full.
Nominal Value:	The Bonds will have a nominal value of USD 1 each.
Call Options (American):	The Issuer may redeem the Bonds (in whole or in part) at any time from the Restructuring Implementation Date to but excluding the Maturity Date at a price equal to 100% of par value (plus accrued but unpaid interest on the redeemed Bonds).
Status of the Bonds:	The Bonds will constitute senior secured obligations of the Issuer, subject only to the Super Senior Liabilities, which shall rank senior in priority to the Bonds, pursuant to the provisions of the Intercreditor Agreement and, to claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application.
Intercreditor Agreement:	<p>The existing intercreditor agreement will be terminated and the members of the Group, the Security Agent, the Bond Trustee (on behalf of the Bondholders) and the Secured Industry Funders will enter into an Intercreditor Agreement governed by English law (the “Intercreditor Agreement”).</p> <p>The Intercreditor Agreement will be based on the terms and conditions which are set forth in Schedule B (<i>Term Sheet for the Intercreditor Agreement</i>) to the Restructuring Term Sheet.</p>
Industry Funders:	Means Lender A, Lender B, Contractor C and Contractor D, who have agreed to provide the Industry Funding.

Cash Waterfall (post First Oil at Orlando):	The Intercreditor Agreement will, <i>inter alia</i> , include provisions regarding cash waterfall post First Oil in accordance with the terms which are set out in <u>Schedule B (Term Sheet for the Intercreditor Agreement)</u> to the Restructuring Term Sheet.
Industry Funding:	<p>Means the funding being contributed by the Industry Funders to the Issuer in the form of deferred payments and loans in the aggregate amount estimated at USD 32.9 million (net to the Company’s 50% interest in the Orlando Field following the Orlando Farm-Out) to assist with the payment of the Issuer’s obligations with respect to certain services and capital expenditures in relation to the Orlando Asset.</p> <p>In particular, the Industry Funding shall comprise the following:</p> <ul style="list-style-type: none"> • Lender A will provide an amount of up to GBP 9.2 million for the development of the Orlando Field by way of a loan by Lender A to the Issuer (“Lender A Loan”). • Lender B will make available to the Issuer a zero coupon loan (“Lender B Loan”) in an amount of USD 12 million, whereby the amount available for drawdown thereunder shall be USD 12 million less the mark-to-market calculation resulting from the unwinding of all existing derivative positions with BTL (the crystallised amount following such unwinding the “BTL MTM Amount”) to be calculated within 7 days of the Restructuring Implementation Date. • Contractor C will defer 40% of the payments owed by the Issuer (in its capacity as operator of the Orlando Field) with respect to the drilling services rendered by Contractor C in development of the Orlando Field, equalling an amount estimated at USD 3.2 million. • Contractor D will defer 50% owed by the Issuer (in its capacity as operator of the Orlando Field) with respect to the field services rendered by Contractor D in development of the Orlando Field equalling an amount estimated at £2.3 million. <p>In addition, the Issuer will enter into hedging agreements with Lender B (or its affiliates) to hedge the Issuer’s net share of the anticipated 1P production volumes from the Orlando Field for a period of 9 months from First Oil (“Project Hedges”).</p> <p>The terms and conditions of the Industry Funding are described in more detail in the Restructuring Term Sheet.</p>
Secured Industry Funders:	Means Lender A, Lender B, any affiliate of Lender B in respect of the Project Hedges and BTL.
Secured Industry Funding:	Means the Lender A Loan, the Lender B Loan, the BTL MTM Amount and the Project Hedges.
Farm-Out Agreement:	<p>Means the agreement for acquisition by the Farm-Out Partner of a 25% working interest in the Orlando Field (the “Orlando Farm-Out”) and an option to acquire from the Issuer a 66.666% working interest in the Ronan & Oran Asset (the “Ronan & Oran Farm-Out”).</p> <p>“Farm-Out Partner” means a limited company incorporated in England and Wales, the parent of which is a European energy company with an investment grade credit rating.</p>
Huntington Asset:	Means:

	<p>i) the Huntington Subsidiary's 15% working interest in the Huntington oil field located in the Central North Sea offshore UK and licence number P.1114 and block number 22/14b; and</p> <p>ii) the Huntington Subsidiary's entitlement to an additional 2.55% of revenues from the Huntington oil field through the Huntington Subsidiary's disproportionate lifting entitlement agreement with E.ON Ruhrgas UK E&P (0.75%) and royalty agreement with Premier Oil plc (1.2%) and Norwegian Energy Company ASA (0.6%), or with such other company that will become subject to such agreements as a result of a change in the ownership structure of the licence.</p>
Huntington Deep:	Means the Issuer's 100% working interest in licence number P.1801 and block number 22/14d.
Trent & Tyne Asset:	Means the Issuer's 20% working interest in the Trent & Tyne gas field located in the Southern Gas Basin offshore UK and licence number P.609 and P.685 and block number 44/18a Area A, 44/18a Area B and 43/24a, respectively.
Orlando Asset:	Means the Issuer's 50% working interest in the Orlando Field following completion of the Orlando Farm-Out.
Orlando Field:	Means the Orlando oil field located in the Northern North Sea offshore UK with licence number P.1606 and block number 3/3b, where the Issuer is the operator of the licence.
Kells Asset:	Means the Issuer's 75% working interest in the Kells oil field located in the Northern North Sea offshore UK and licence number P.1607 and block number 3/8d, where the Issuer is the operator of the licence.
Ronan & Oran Asset:	Means the Issuer's 100% working interest in the Ronan & Oran fields located in the Northern North Sea offshore UK and licence number P. 1971 and block number 3/7c (part), 3/8c and 3/12 (part) and, following the completion the Ronan & Oran Farm-Out, the Issuer's 33.333% working interest in such fields.
Licences:	Means each of the Huntington Asset, the Huntington Deep Asset, the Trent & Tyne Asset, the Orlando Asset, the Kells Asset and the Ronan & Oran Asset, and any future hydrocarbon licences owned by the Restricted Group at any time (each a "Licence").
Exploration Licence:	Means any Licence relating to prospective, non-discovered hydrocarbon resources.
Appraisal Licence:	Means any Licence relating to discovered hydrocarbon resources containing contingent resources and where the field development plan has not yet been submitted, being the Huntington Deep Asset and the Ronan & Oran Asset at the date of this Term Sheet.
Development Licence:	Means any Licence where the field development plan has been submitted to the relevant authorities for approval, being the Kells Asset and the Orlando Asset at the date of this Term Sheet.
Production Licence:	Means any Licence where commercial production of hydrocarbons has commenced, being the Huntington Asset and the Trent & Tyne Asset at the date of this Term Sheet.
Project:	Means (i) the development and operation of the Licences as well as the related fields, and any drilling, export and reception facilities associated therewith, including but not limited to the infrastructure required for gaining access to the hydrocarbon reserves, shipment of hydrocarbons and any onshore processing, and (ii) the ownership and operation of other

	hydrocarbon production and transport facilities and infrastructure owned by the Restricted Group.
Project Proceeds:	<p>Means any income, payments, earnings or receivables of any kind (including insurance proceeds in respect of physical losses) directly or indirectly deriving from:</p> <ul style="list-style-type: none"> i) any Restricted Group Company's ownership in any of the Licences; ii) any contract of sale of the relevant Restricted Group Company's share of hydrocarbons produced from all fields covered by the Licences; iii) the sale of any ownership interest in any of the Licences; and iv) any Restricted Group Company's ownership in other hydrocarbon production and transport facilities and infrastructure not directly related to the Licences.
Liquidity and Cash Management:	<p>The Intercreditor Agreement will, <i>inter alia</i>, include provisions regarding liquidity and cash management in accordance with the terms which are set out in <u>Schedule B (Term Sheet for the Intercreditor Agreement)</u> to the Restructuring Term Sheet.</p> <p>After the Industry Funders Discharge Date, all Project Proceeds shall be paid into the Huntington Subsidiary Earnings Account and the Issuer Earnings Account.</p>
Security:	<p>The following new security interests (the "New Security") will be created to secure the Super Senior Liabilities and all amounts outstanding under the Finance Documents to the Bond Trustee and the Bondholders, including but not limited to principal, interest and expenses, as a single security package (to the extent permitted according to applicable law) (each document a "Security Document"). The Security Agent will hold the New Security for the Secured Industry Funders and the Bondholders in accordance with the terms of the Intercreditor Agreement.</p> <p>The New Security, the Existing Security, the Existing Hedging Security and the Additional Security (as defined and described below) will be the only security securing the Bonds and the Super Senior Liabilities; there shall neither be any security nor any guarantee granted by any member of the Group which shall exclusively secure the Super Senior Liabilities.</p> <p>The New Security will, in accordance with the terms of the Intercreditor Agreement contractually be senior to the Existing Security and the Existing Hedging Security, but subject to any obligations which are mandatorily preferred by law. The Existing Security securing the Bond Debt and the Existing Hedging Security securing amounts outstanding under the derivate positions in favour of BTL will remain in place following the Restructuring Implementation Date, provided that, in each case, prior to the Super Senior Discharge Date any proceeds from the enforcement of Existing Security and the Existing Hedging Security will be turned over to the Security Agent for application in accordance with the principles set forth in <u>Schedule B (Intercreditor Principles)</u> to the Restructuring Term Sheet.</p> <p>With respect to the New Security (and any Additional Security), the Issuer will procure the provision of customary authority and enforceability legal opinions addressed and satisfactory to the Bond Trustee.</p> <p>From the Parent:</p> <ul style="list-style-type: none"> i) an unconditional and irrevocable English law guarantee issued by the Parent (the "Parent Guarantee"); ii) a first priority Scottish law pledge granted by the Parent over all (100%) of the shares in the Issuer (the "Issuer Share Pledge"), together, <i>inter alia</i>, with executed stock transfer forms and the existing share certificates; and

	<p>iii) a first priority English law assignment by way of security from the Parent of all its rights to and title and interest, whether present or future, under any intra-group loans made by the Parent as lender to the Issuer as borrower (the “Assignment of Intragroup Loans from Parent to Issuer”);</p> <p><i>From the Issuer:</i></p> <p>iv) a first priority English law debenture (the “Issuer Debenture”) granted by the Issuer comprising:</p> <ul style="list-style-type: none">a. a first priority assignment of all of the rights to and title and interest, whether present or future, of the Issuer in, to or arising under or in relation to the Assigned Agreements (other than the Licences) (as defined above) relating to the Licences (the “Issuer Assignment of Assigned Agreements”);b. a first priority fixed charge over the Licences and to the extent that such rights cannot be effectively assigned pursuant to the Issuer Assignment of Assigned Agreements (including the Licences), a first priority fixed charge over the Assigned Agreements, and all of the rights to and title and interest whether present or future, of the Issuer in, to or arising under or in relation to the Assigned Agreements (the “Issuer Assigned Agreements Charge”);c. a first priority fixed charge over all of the Issuer’s goodwill and uncalled capital (if applicable) (the “Issuer Goodwill Charge”);d. a first priority floating charge over all of the Issuer’s property, assets, rights and revenues, present and future, to the extent that such property, assets, rights and revenues are not effectively charged by way of fixed security or assignment, but excluding any existing hydrocarbon licences owned by the Issuer not being a Licence and any agreement relating thereto (the “Issuer Floating Charge”);e. a first priority fixed charge over the Issuer’s Earnings Account and the amount from time to time standing to the credit of the Issuer in such Account (the “Issuer Earnings Account Charge”); <p>v) a first priority English law assignment by way of security from the Issuer of all of its rights to and title and interest, whether present or future, under any intra-group loans made by the Issuer as lender to the Huntington Subsidiary as borrower (the “Assignment of Intragroup Loans from Issuer to Huntington Subsidiary”);</p> <p>vi) a first priority English law fixed charge granted by the Issuer over all (100%) of the shares in the Huntington Subsidiary (the “Huntington Share Charge”), together, inter alia, with executed stock transfer forms (blank as to the transferee) and the existing share certificates;</p> <p>vii) a first priority Norwegian law pledge over the Issuer’s claim against the Paying Agent for the amount from time to time standing to the credit of the Issuer in the Escrow Account (as defined below) (the “Escrow Account Pledge”);</p> <p>viii) a first priority Norwegian law pledge over the Issuer’s claim against the Paying Agent for the amount from time to time standing to the credit of the Issuer in the Debt Service Retention Account (as defined below) (the “DSR Account Pledge”);</p>
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- ix) a first priority Scottish law floating charge over all of the Issuer's property, assets, rights and revenues, present and future, but excluding any existing hydrocarbon licences owned by the Issuer not being a Licence and any agreement relating thereto (the "**Issuer Scottish Law Floating Charge**");
- x) a first priority English law assignment by way of security from the Issuer of all of its rights to and title and interest, whether present or future, under the Farm-Out Agreement and the guarantee issued by the parent of the Farm-Out Partner pursuant to the Orlando Farm-Out Documentation (the "**Assignment of Farm-Out**");

From the Huntington Subsidiary:

- xi) an unconditional and irrevocable English law guarantee issued by the Huntington Subsidiary (the "**Huntington Subsidiary Guarantee**");
- xii) a first priority English law debenture (the "**Huntington Subsidiary Debenture**") granted by the Huntington Subsidiary comprising:
 - a. a first priority assignment of all rights to and title and interest, whether present or future, of the Huntington Subsidiary in, to or arising under or in relation to the Assigned Agreements (other than the Licences) relating to the Licences (the "**Huntington Subsidiary Assignment of Assigned Agreements**");
 - b. a first priority fixed charge over the Licences and to the extent that such rights cannot be effectively assigned pursuant to the Huntington Subsidiary Assignment of Assigned Agreements (including the Licences), a first priority English law fixed charge over the Assigned Agreements, and all of the rights to and title and interest whether present or future, of the Huntington Subsidiary in, to or arising under or in relation to the Assigned Agreements (the "**Huntington Assigned Agreements Charge**");
 - c. a first priority fixed charge over all of the Huntington Subsidiary's goodwill and uncalled capital (if applicable) (the "**Huntington Subsidiary Goodwill Charge**");
 - d. a first priority floating charge over all of the Huntington Subsidiary's property, assets, rights and revenues, present and future, to the extent that such property, assets, rights and revenues are not effectively charged by way of fixed security or assignment (the "**Huntington Subsidiary Floating Charge**");
 - e. a first priority fixed charge over the Huntington Subsidiary Earnings Account (as defined in the Bond Agreement) and the amount from time to time standing to the credit of the Huntington Subsidiary in the Huntington Subsidiary Earnings Account(s) (the "**Huntington Subsidiary Earnings Account Charge**");
- xiii) a first priority English law assignment by way of security from the Huntington Subsidiary of all of its rights to and title and interest, whether present or future, under any intra-group loans made by the Huntington Subsidiary as lender to the Issuer as borrower (the "**Assignment of Intragroup Loans from Huntington Subsidiary to Issuer**");

	<p>xiv) a first priority Scottish law floating charge over all of the Huntington Subsidiary’s property, assets, rights and revenues, present and future(the “Huntington Subsidiary Scottish Law Floating Charge”); and</p> <p><i>From each other relevant Restricted Group Companies:</i></p> <p>xv) a pledge or an assignment (or such similar security under the relevant jurisdiction) granted over any of its account(s) and the amount from time to time standing to the credit of such Restricted Group Company in such account(s).</p> <p>The Issuer and any other party providing Security pursuant to this Term Sheet (as the case may be) shall be obligated to execute and procure the execution of such further security and related documentation as the Security Agent may require in order for the bondholders to at all times maintain the security position envisaged by this Term Sheet.</p> <p>Due perfection of the Issuer Share Pledge may, pursuant to applicable Scottish law, require the Security Agent to be registered as shareholder in the register of members of the Issuer. In the event of enforcement of the Issuer Share Pledge, the Security Agent’s position as shareholder may entail the risk of certain direct liabilities, such as decommissioning liabilities, on the part of the Security Agent. If there is a risk of any such liability accruing in relation to an enforcement of the Issuer Share Pledge to the benefit of the Bondholders, the Security Agent may require satisfactory security and indemnities from the Bondholders for any such possible liability prior to enforcement of the Issuer Share Pledge.</p> <p>If any Security is provided to Lender A and/ or Lender B by or over any asset of the Issuer, the Parent, the Huntington Subsidiary or any other Restricted Group Company, then the relevant company must ensure that such security shall also secure amounts outstanding under the Finance Documents to the Bond Trustee and the Bondholders.</p>
<p>Additional Security:</p>	<p>The following additional security interests (the “Additional Security”) will secure the Super Senior Liabilities and all amounts outstanding under the Finance Documents to the Bond Trustee and the Bondholders, including but not limited to principal, interest and expenses, as a single security package (to the extent permitted according to applicable law).</p> <p>The Security Agent will hold the Additional Security for the Secured Industry Funders and the Bondholders in accordance with the terms of the Intercreditor Agreement.</p> <p>The Issuer shall:</p> <ul style="list-style-type: none"> i) grant a first priority share charge over all of the Issuer’s shares in any future Restricted Group Company; ii) a first priority fixed charge over the P.2107 License upon its transfer to the Issuer; iii) ensure that each future Restricted Group Company issues an unconditional and irrevocable English law guarantee in favour of the Security Agent; iv) grant, and ensure that the Huntington Subsidiary and each future Restricted Group Company will grant, a first priority fixed charge over any future Development Licence or Production Licence acquired by the Issuer or any Restricted Group Company or over any such future Licence developing into a Development Licence during the term of the Bonds; v) grant, and ensure that the Huntington Subsidiary and each future Restricted Group Company will grant, a first priority assignment by way of security of all of its or such Restricted Group Company’s rights, title and interest in or in relation to any future Assigned Agreement (other than any Licence) (as agreed between the Issuer and the Security Agent as being the key relevant agreements), relating to any Licences and any future Development Licence or Production Licence acquired by the Issuer

	<p>or any Restricted Group Company or any such future Licence developing into a Development Licence during the term of the Bonds;</p> <ul style="list-style-type: none"> vi) to the extent that such rights referred to in (vi) cannot be effectively assigned, subject to the Issuer using its reasonable endeavors to establish such assignment, grant and establish, and ensure that the Huntington Subsidiary and each future Restricted Group Company will grant and establish, a first priority fixed charge over such future Assigned Agreements; and vii) ensure that each future Restricted Group Company will grant in all material respects the same security as the Security being granted by the Huntington Subsidiary, including a first priority assignment by way of security of all of such Restricted Group Company's rights to and title and interest, whether present or future, under any future intra-group loans made by such Restricted Group Company to the Issuer; and viii) grant a first priority assignment by way of security of all of its rights to and title and interest, whether present or future, under any future intra-group loans made by the Issuer to any future Restricted Group Company. <p>The Parent shall grant a first priority share pledge over all and any new shares in the Issuer or other equity-linked securities of the Issuer and the Issuer shall grant such first priority pledge over any new shares in the Huntington Subsidiary or any future Restricted Group Company.</p> <p>For the avoidance of doubt, any future Exploration Licence or Appraisal Licence and any other asset acquired by the Issuer or the Huntington Subsidiary shall form part of the Issuer Floating Charge or the Huntington Subsidiary Floating Charge, and the Issuer or the Huntington Subsidiary, as the case may be, shall provide any documents and take any actions required in relation to the same.</p> <p>Any additional security shall be granted on the basis of the same principles as for the existing Security described above within 20 Business Days after such entity becoming a Restricted Group Company, any Development Licence or Production Licence being acquired or a Licence developing into a Development Licence, an Assigned Agreement being entered into, any intra-group loan being granted and new shares in the Issuer, the Huntington Subsidiary or any future Restricted Group Company being issued.</p>
<p>Parent's General Undertakings:</p>	<p>During the term of the Bonds, the Parent shall (unless the Bond Trustee or the bondholders' meeting (as the case may be) in writing has agreed otherwise) comply with, inter alia, the following general undertakings:</p> <ul style="list-style-type: none"> a) Dividend restrictions: The Parent shall not declare or make any dividend payment, repurchase of shares or make any loans or other distributions or payments to its shareholders (including servicing of shareholder loans), whether in cash or in kind, including without limitation any total return swaps or instruments with similar effect. b) Mergers: The Parent shall not, and shall ensure that no other Group Company shall, carry out any merger or other business combination or corporate reorganization involving a consolidation of the assets and obligations of the Parent or such Group Company with any other company or entity not being a member of the Group if such transaction would have a Material Adverse Effect. c) De-mergers: The Parent shall not, and shall ensure that no other Group Company shall, carry out any de-merger or other corporate reorganization involving a split of the Issuer or such Group Company into two or more separate companies or entities, if such transaction would have a Material Adverse Effect.

- d) Acquisitions:** The Parent shall not, and shall ensure that no other Group Company shall acquire or allow to be transferred to it any assets or make any acquisition or other investment exceeding USD 5 million (in a single transaction or a series of transactions), including any transactions which increase the ownership interest in a License or in any asset which is the subject of a Licence, unless the Bonds are repaid in full in connection with such transaction.
- e) Continuation of business:** The Parent shall not cease to carry on its business. Furthermore, the Parent shall ensure that no other Group Company shall cease to carry on its business if such cessation would have a Material Adverse Effect. The Parent shall procure that (i) none of the members of the Restricted Group changes its type of organization or jurisdiction of incorporation and (ii) no material change is made to the general nature or scope of the business of the Group and/or the Issuer from that carried on at the date of the Bond Agreement.
- f) Disposal of assets/business:** The Parent shall not, and shall ensure that no other Group Company shall, sell or otherwise dispose of all or a substantial part of the Group's assets or operations (provided always that the Issuer and any other Restricted Group Company may dispose of Licences and other hydrocarbon licences in accordance with Issuer's General Undertakings b) unless the transaction is carried out at a Fair Market Value, and such transaction would not have a Material Adverse Effect. For the avoidance of doubt, the Orlando Farm-Out and the Ronan & Oran Farm-Out are permitted under this clause.
- g) Maintenance of ownership of the Issuer:** The Parent undertakes to maintain a 100% direct or indirect ownership over all the shares and control over all the voting rights of the Issuer.
- h) Negative pledge:** The Parent shall not create, permit to subsist or allow to exist any mortgage, pledge, lien or any other encumbrance over the shares in the Issuer (or rights related to such shares) or over any loans from the Parent to the Issuer, other than the Security and the Additional Security granted to secure (i) the Bonds; and (ii) the Super Senior Liabilities.
- i) Subordination of claims:** The Parent shall only fund the Issuer with equity and/or subordinated debt (in such case according to the Parent/Issuer Subordination Agreement (as defined below)), and shall not demand or receive any cash dividend, repayment of debt or other cash distribution from the Issuer or enforce any monetary claims against the Issuer during the term of the Bonds other than a payment of up to USD 1,500,000 per year from the Issuer to the Parent in order to fund normal course G&A of the Parent and up to USD 500,000 per year for exceptional items.
- j) Insurances:** The Parent shall, and shall ensure that each other Group Company will, maintain with financially sound and reputable insurance companies, funds or underwriters adequate insurance or captive arrangements with respect to its assets, equipment and business against such liabilities, casualties and contingencies and of such types and in such amounts as would normally be maintained by owners and/or operators owning similar assets to those owned by the relevant Group Company, acting in accordance with good industry practice in their relevant jurisdiction.
- k) Arm's length transactions:** The Parent shall not engage in, or permit any other Group Company to engage in, directly or indirectly, any transaction with any related third party (excluding, for the avoidance of doubt, other Group Companies) (without limitation, the purchase, sale or exchange of assets or the rendering of any service), except in the ordinary course of business and pursuant to the reasonable

	<p>requirement of the Parent’s or such other Group Company’s business and upon fair and reasonable arm’s length terms.</p> <p>l) Reporting: The Parent shall of its own accord make management and financial reports (quarterly, written in English) available to the Bond Trustee and on its web pages for public distribution not later than 120 days after the end of the financial year and not later than 60 days after the end of the relevant interim period (each a “Reporting Date”). Such reports shall be prepared in accordance with GAAP (including IFRS if applied by the Parent), and include a profit and loss account, balance sheet, cash flow statement and management discussion & analysis in the forms required by Canadian securities laws applicable to the Parent.</p>
<p>Issuer’s General Undertakings:</p>	<p>During the term of the Bonds, the Issuer shall (unless the Bond Trustee or the bondholders’ meeting (as the case may be) in writing has agreed otherwise) comply with, inter alia, the following general undertakings:</p> <p>a) Dividend restrictions: The Issuer shall not declare or make any dividend payment, repurchase of shares or make any loans or other distributions or payments to its shareholders (including servicing of shareholder loans) of any kind, other than a payment of up to USD 1,500,000 per year to the Parent in order to fund normal course G&A of the Parent and up to USD 500,000 per year for exceptional items.</p> <p>b) Disposal of Licences: The Issuer shall not, and shall ensure that no other Restricted Group Company shall, sell or dispose of any (direct or indirect) working interest in any of the existing Licences, unless all of the following apply: (i) the transaction is carried out at a Fair Market Value (as defined below) (such Fair Market Value to be determined on the date of contractually agreeing to such transaction); (ii) 100% of the consideration from such transaction is in the form of Cash and/or Cash Equivalents (other than in connection with (A) a farm-out or swap of any Exploration Licences, Appraisal Licences or Development Licences, or (B) transfers required by law); and provided that any cash proceeds from such sale shall (x) prior to the Industry Funders Discharge Date be transferred to the Escrow Account for application in accordance with the cash waterfall in accordance with the Intercreditor Agreement and (y) thereafter in full be transferred to the Debt Service Retention Account for repayment of the Bonds.</p> <p>In the event of a sale reducing the Issuer’s working interest in any Licence, the Bond Trustee shall release and discharge any security over and relating to such interest, provided that the aforementioned requirements are complied with.</p> <p>c) Financial indebtedness restrictions: The Issuer shall not, and shall ensure that no other Restricted Group Company shall, incur, create or permit to subsist: (i) any Financial Indebtedness, (ii) any financial arrangement (save for farm-out of any Exploration and Appraisal and/or Development Licences) whereby any party is granted any right to a payment as a percentage or other proportion of the Issuer’s present or future sales proceeds, income, earnings or revenue deriving directly or indirectly from the Licences (whether secured or unsecured), (iii) arrangement for any sale of call options or forward sale of oil or any similar arrangement or hedging arrangements for speculative purposes not covering genuine commercial exposure, in each case other than the Permitted Financial Indebtedness (as defined below).</p> <p>d) Negative pledge: The Issuer shall not, and shall ensure that no other Restricted Group Company shall, create, permit to subsist or allow to exist any mortgage, pledge, lien or any other encumbrance or security interest over any of its present or future respective assets (including shares in Subsidiaries) or revenues or enter into arrangements having similar effect, other than the Permitted Security (as defined below).</p>

- e) **No additional security:** Notwithstanding the aforementioned, the Issuer shall not, and shall ensure that no other Restricted Group Company shall, create, permit to subsist or allow to exist any mortgage, pledge, lien or any other encumbrance or security interest over any of its present or future assets or its revenues which are subject to the security created by the Security Documents from time to time, other than the Permitted Security (as defined below) to the extent created over any assets that are subject to the Issuer Floating Charge only.
- f) **Financial support restrictions:** The Issuer shall not, and shall ensure that no other Restricted Group Company shall, grant any loans, guarantees or other financial assistance (including, but not limited to granting of security) ("**Financial Support**") to or for the benefit of any third party or other Group Company, other than:
- (i) Financial Support that falls within the Permitted Financial Indebtedness; and
 - (ii) Financial Support that falls within Permitted Security.
- g) **Loans from the Parent:** The Issuer shall ensure that any existing and future loans to the Issuer from the Parent shall be fully subordinated to the Bonds pursuant to the terms of an agreement (the "**Parent/Issuer Subordination Agreement**"). Except as permitted by paragraph (a) above (**Dividend restrictions**), no payment of principal or interest in respect of such subordinated loans is permitted during the term of the Bonds, the loans shall have a maturity date after the Maturity Date and the Parent shall have no right to accelerate for as long as the Bonds are outstanding.
- h) **Loans from the Huntington Subsidiary:** The Issuer shall ensure that any existing and future loans to the Issuer from the Huntington Subsidiary shall be fully subordinated to the Bonds pursuant to the terms of an agreement (the "**Issuer/Huntington Subsidiary Subordination Agreement**"). The Huntington Subsidiary shall have no right to accelerate for as long as the Bonds are outstanding.
- i) **Capital expenditure in the Licences:** Subject to the Cash Waterfall provisions above, there shall be no limitations on the Issuer's and the Restricted Group's investments or capital expenditures in the Orlando Asset, the Trent & Tyne Asset or the Huntington Asset. Further, there shall be no limitations on investment or capital expenditures in the Huntington Deep Asset after FDP approval for such Licence. Other than as set out above, the Issuer shall not, and shall ensure that no other Restricted Group Company shall, make any investments or capital expenditures in any of the Licences, except as required to maintain or sell (in whole or in part) its interest in such Licence.
- j) **Exploration spending:** The Issuer shall ensure that all Restricted Group Companies remain development and production focused companies with no exposure to Exploration Activities (as defined below) except as set forth below. The Issuer (or the relevant Restricted Group Company) shall be entitled to spend an aggregate amount across the Group not exceeding GBP 250,000 in each year on Exploration Activities.
- k) **Appraisal:** Prior to the Industry Funders Discharge Date, the Issuer (or the relevant Restricted Group Company) shall not engage in any Appraisal Activities (other than a participation in a Ronan & Oran well without cost to the Group). Following the Industry Funders Discharge Date, the Group shall be entitled to spend an aggregate amount on Appraisal Activities not exceeding USD 2 million in each year.
- l) **Operations:** The Issuer shall not, and shall ensure that no other Restricted Group Company shall, have any activity or operations outside the UK or Ireland (other than its interest in Block 6767 in Alaska). Further, the Issuer shall ensure that the

Restricted Group's operations are in compliance with applicable laws and regulations of material importance to the business of the Restricted Group.

- m) Assigned Agreements:** The Issuer shall, and shall ensure that each other Restricted Group Company shall, (i) obtain and maintain all relevant authorizations, consents, approvals, resolutions, licences, permits, exemptions, filings or registrations in order to lawfully enter into and exercise and enforce any ownership or other rights under any Assigned Agreements, (ii) take all necessary action that is available to it to ensure that all Assigned Agreements remain in full force and effect and to prevent the termination of any such Assigned Agreement in accordance with the terms thereof or otherwise, and duly perform, in all material respects, its obligations and exercise its rights thereunder, except to the extent, if any, they are inconsistent with the obligations of the relevant Restricted Group Company hereunder, (iii) exercise such voting rights or other rights it may have to ensure that the Licences are explored, developed and operated in a reasonable and prudent manner, (iv) not exercise its voting rights relating to the development of the Licences or under or in relation to any other Assigned Agreement in a way that could be materially prejudicial to the interest of any Group Company, and (v) not enter into any agreement relating to the Project that could result in a Material Adverse Effect.
- n) Hedging policy:** The Issuer shall ensure that the Restricted Group maintains a prudent hedging program for the Restricted Group's oil and gas price exposure.
- o) Tax losses:** The Issuer shall not, and shall ensure that no other Restricted Group Company shall, take any action that would have a Material Adverse Effect in relation to the value of the Issuer's or such Restricted Group Company's brought forward UK ring fence tax losses for corporation tax and supplementary charge other than as a result of a Mandatory Prepayment Event.
- p) Reporting:** The Issuer shall of its own accord make management and financial reports (quarterly, written in English) available to the Bond Trustee and on the Parent's web pages for public distribution not later than 120 days after the end of the financial year, and not later than 60 days after the end of the relevant interim period (each a "**Reporting Date**"). Such reports shall be prepared in accordance with GAAP (including IFRS if applied by the Issuer), and include a profit and loss account, balance sheet, cash flow statement and, to the extent not covered by the management discussion & analysis in the management and financial reports provided by the Parent, but still a relevant event or issue for the Issuer, management commentary or report from the board of directors.
- q) Licence Cancellation Events:** The Issuer shall, and shall ensure that each other Restricted Group Company will, promptly inform the Bond Trustee of any Licence Cancellation Event (as defined below) and whether such Licence Cancellation Event would have a Material Adverse Effect, and the Bond Trustee shall notify the bondholders of such Licence Cancellation Event.
- r) Industry Funding Amendments:** Any amendments to the terms and conditions of the Industry Funding, which could be detrimental to the interests of the Bondholders, in particular any increase or extension of the Secured Industry Funding, shall not be permitted. For the avoidance of doubt, entering into the Project Hedges shall be permitted.
- s) Appointment of Advisors:** The Issuer shall at all times following an Event of Default which has not been waived (i) pay the reasonable cost of any legal, financial and other professional advisers appointed by the Bond Trustee to undertake due diligence with respect to the business, operations and assets of the Group, including contingency planning and preparing for the possibility of a security enforcement, and (ii) provide such advisors reasonable assistance in connection with such due

	diligence or a marketing process for a sale of the business, including providing access to information and management and the ability to conduct due diligence by interested third parties.
Orlando First Oil Covenant	The Issuer shall ensure that First Oil will be achieved by no later than 30 April 2017.
Liquidity to First Oil Covenant	Prior to First Oil, the Issuer shall at all times have sufficient liquidity to achieve First Oil in accordance with the then applicable project schedule and business plan. The foregoing shall be confirmed by a compliance certificate to be issued by the management of the Issuer on the last day of each Quarter Date prior to First Oil.
Minimum Liquidity post Industry Funder Discharge Date	From the Industry Funders Discharge Date, the Issuer shall at all times maintain Liquidity of minimum USD 5,000,000. The foregoing shall be confirmed by a compliance certificate to be issued by the management of the Issuer on the last day of each Quarter Date.
Permitted Financial Indebtedness:	<p>Means:</p> <ul style="list-style-type: none"> (i) the Bond Issue; (ii) the Industry Funding, including any Secured Industry Funding; (iii) Financial Indebtedness under any hedging arrangements (including, for the avoidance of doubt, the Project Hedges) entered into on market terms and as part of the ordinary course of business of any Restricted Group Company and for non-speculative purposes; (iv) guarantees issued by any Group Company (to governments, joint venture partners in the Licences and other third parties) in the ordinary course of business in relation to the Licences, including (but not limited to) in respect of decommissioning; (v) intra-group loans from the Parent to the Issuer provided that such loans are fully subordinated to the Bond Issue cf. <i>Loans from the Parent</i> above; (vi) intra-group loans from the Issuer to any Restricted Group Company; (vii) intra-group loans from the Huntington subsidiary to the issuer, provided that such loans are fully subordinated to the Bond Issue; (viii) intra group loans from any future Restricted Group Company to the issuer, provided that such loans are fully subordinated to the Bond Issue according to the same principles as described under Loans from the Huntington Subsidiary above; and (ix) any Subordinated Loans.
Permitted Security:	<p>Means:</p> <ul style="list-style-type: none"> a) any Security granted to secure the Bond Issue; b) any Security granted to secure the Super Senior Liabilities (if and to the extent that such security also secures all amounts outstanding under the Finance Documents to the Bond Trustee and the Bondholders) c) any cash collateral for existing and future letters of credit relating to exploration, appraisal, field developments, operations and decommissioning; d) any security required to be granted in relation to any decommissioning; e) any netting or setting-off arrangements entered into in the ordinary course of banking arrangements which has the effect of netting debit and credit balances; f) any security in relation to joint operating agreements (in favour of any counterparty under such agreement) over the relevant Restricted Group Company's interest in such agreement and which only secures obligations owing to such counterparty under the relevant agreement and not any Financial Indebtedness; g) any retention of title arrangements affecting goods supplied to any Restricted Group Company arising in the ordinary course of business (such as purchase money security interests);

	<p>h) any security affecting assets (including shares) acquired after the date of this agreement (i.e. liens of prior owners that are to be discharged) provided that (i) the security was not created in contemplation of the acquisition of the assets or the shares, (ii) the principal amount secured has not been increased and (iii) the security is removed or discharged within thirty (30) days of the acquisition of such assets or shares;</p> <p>i) any lien arising by operation of law in the ordinary course of business; and</p> <p>j) security not otherwise permitted above that secured Financial Indebtedness or other obligations not in excess of USD 3 million at any one time outstanding</p>
<p>Definitions:</p>	<p>Capitalized terms used but not defined herein, shall have the meaning ascribed to them in the Restructuring Term Sheet.</p> <p>“Account Bank(s)” means, (i) for the Escrow Account and the Debt Service Retention Account, the Paying Agent, and for all other Accounts, one or more first class international banks (with a rating of A or higher from Standard & Poor’s Rating Services or A2 or higher from Moody’s Investors Service Limited for its long-term debt obligations) or (ii) such other bank or financial institution reasonably acceptable to the Bond Trustee.</p> <p>“Accounts” means the Escrow Account, the Debt Service Retention Account, the Issuer Earnings Account and the Huntington Subsidiary Earnings Account, and “Account” means any of them.</p> <p>“Appraisal Activities” means costs and investments prior to submittal of a FDP in discovered hydrocarbon resources containing contingent resources.</p> <p>“Assigned Agreements” means</p> <ul style="list-style-type: none"> a) the Licences; b) each present and future contract or policy of insurance in respect of which the Issuer or any Restricted Group Company has or may from time to time have an interest (other than insurance relating to existing hydrocarbon licences not being a Licence owned by the Issuer or Restricted Group Company); c) each joint operating agreement and/or unitization and unit operating agreement relating to the Project, each agreement relating to the transportation, processing and/or storage of production from the Project, each agreement for the sale or marketing of production from the Project, each royalty agreement related to the Project, and each other material agreement relating to the Project and/or hydrocarbons produced in relation to the Project; d) any document and/or agreement relating to the acquisition by any Restricted Group Company of any interest in a Licence relating to a development or operating asset; and e) any other document designated as such by the Issuer and the Security Agent. <p>“Cash and Cash Equivalents” means, on any day, the aggregate of the equivalent in USD on such date of the then current market value of:</p> <ul style="list-style-type: none"> a) cash in hand or amounts standing to the credit of any current and/or on deposit accounts with an acceptable bank; and b) time deposits with acceptable banks and certificates of deposits issued, and bills of exchange accepted, by an acceptable bank;

in each case to which any Restricted Group Company is beneficially entitled at the time and to which any Restricted Group Company has free and unrestricted access, and, notwithstanding the Huntington Subsidiary Earnings Account Charge and the Issuer Earnings Account Charge, including any amounts standing to the credit of the Huntington Subsidiary Earnings Account and the Issuer Earnings Account.

“Decisive Influence” means a person having, as a result of an agreement and/or through the direct and/or indirect ownership of shares and/or other ownership interests in another person:

- a) a majority of the voting rights in that other person; or
- b) a right to elect or remove a majority of the members of the board of directors of that other person.

When determining the relevant person’s number of voting rights in the other person or the right to elect and remove members of the board of directors, rights held by the parent company of the relevant person and the parent company’s Subsidiaries shall be included.

“Escrow Account” means an account in the name of the Issuer held with the Paying Agent, into which any proceeds from the Orlando Field (including any proceeds under the Farm-Out Agreement) shall be paid prior to the Super Senior Discharge Date. The Escrow Account shall be blocked and pledged in favour of the Security Agent pursuant to the Escrow Account Pledge so that no withdrawals can be made from the account without the Security Agent’s prior written consent.

“Existing Security” means any security interests which have been created prior to the Restructuring Implementation Date in favour of the Bond Trustee in respect of the obligation under the Finance Documents of any of the Issuer, any Guarantor or any Additional Guarantor.

“Existing Hedging Security” means the security interests which have been created prior to the Restructuring Implementation Date in favour of BTL of the obligations of the Issuer under hedging agreements entered into with BTL.

“Exploration Activities” means costs and investments (including acquisition costs) related to prospective, non-discovered hydrocarbon resources.

“Fair Market Value” means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by (i) the principal financial officer of the Parent or the Issuer for transactions valued at less than USD 5,000,000; (ii) the Board of Directors of the Parent or the Issuer for transactions valued at, or in excess of, USD 5,000,000 but less than USD 15,000,000; (iii) a suitable independent third party for transactions valued at, or in excess of USD 15,000,000.

“FDP” means field development plan.

“Finance Documents” means

- a) the Bond Agreement;
- b) the Security Documents;
- c) the Intercreditor Agreement;
- d) the fee agreement between the Issuer and the Bond Trustee;
- e) the Parent/Issuer Subordination Agreement;
- f) the Huntington Subsidiary / Issuer Subordination Agreement; and
- g) any other document the Issuer and the Bond Trustee designate as a Finance Document.

“Financial Indebtedness” means any indebtedness incurred in respect of:

- a) moneys borrowed;
- b) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;
- c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS as applicable at the Settlement Date, be treated as a finance or capital lease;
- e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- h) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- i) any amount paid up or credited as paid up on any redeemable share capital; and
- j) without double-counting, the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

“First Oil” means having produced more than 4,000 boe/day gross hydrocarbons in average over 30 days from the Orlando Field.

“Huntington Subsidiary Earnings Account” means the account held by the Huntington Subsidiary with the Account Bank into which the Project Proceeds payable to the Huntington Subsidiary shall be paid directly by the relevant contracting party. The Huntington Subsidiary Earnings Account shall be charged in favour of the Security Agent, but not blocked (unless and Event of Default has occurred and is continuing) pursuant to the Huntington Subsidiary Debenture.

“IFRS” means International Financial Reporting Standards, and guidelines and interpretations issued thereto by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time.

“Issuer Earnings Account” means the account held by the Issuer with the Account Bank into which the Project Proceeds payable to the Issuer shall be paid directly by the relevant contracting party. The Issuer Earnings Account shall be charged in favour of the Security Agent, but not blocked (unless and Event of Default has occurred and is continuing) pursuant to the Issuer Debenture.

“Licence Cancellation Event” means if any of the Licences are revoked, cancelled or terminated for any reason.

“Liquidity” means the aggregate book value of the Restricted Group’s Cash and Cash Equivalents, but excluding any Cash and Cash Equivalents in the Debt Service Retention Account.

“Liquidity Reserve” means the aggregate amount standing to the credit of the Issuer Earnings Account and the Huntington Subsidiary Earnings Account on a relevant date.

“Quarter Date” means each 31 March, 30 June, 30 September and 31 December.

	<p>“Security” means any encumbrance, mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.</p> <p>“Subsidiary” means an entity over which another entity or person has Decisive Influence.</p> <p>“Super Senior Liabilities” means the liabilities owing by the Issuer to the Secured Industry Funders under the Secured Industry Funding (each as defined below).</p>
Material Adverse Effect:	Means a material adverse effect on: (a) the business, financial condition or operations of the Issuer, and/or the Group taken as a whole, (b) the Issuer’s or any other Group Company’s ability to perform and comply with its obligations (taken as a whole) under the Bond Agreement, or (c) the validity or enforceability of the Bond Agreement.
Mandatory Prepayment Event:	Means if: <ul style="list-style-type: none"> (i) the Issuer or any Restricted Group Company sells or otherwise disposes of all or parts of its working interest (directly or indirectly) in the Orlando Field or any of its Licences (other than the Orlando Farm-Out and the Ronan & Oran Farm-Out); or (ii) an Event of Default occurs and is continuing and the Bond Trustee gives notice to the Issuer that the outstanding Bonds are in default and due for immediate payment.
Mandatory Prepayment:	<p>Upon a Mandatory Prepayment Event occurring, the Issuer shall, on or about the day the proceeds are received by the relevant Group Company following the Mandatory Prepayment Event, redeem the principal amount of Outstanding Bonds with the Redemption Amount at a redemption price equal to 100% of par value (plus accrued interest on the redeemed Bonds). For the avoidance of doubt, prior to the Super Senior Discharge Date the application of proceeds for redemption of Outstanding Bonds shall be subject to the Intercreditor Agreement, in particular the waterfall provisions set forth therein.</p> <p>Upon an Event of Default, the Issuer shall, upon notice from the Bond Trustee that the Outstanding Bonds are in default and due for immediate payment, redeem all Outstanding Bonds at the redemption price set out above (plus accrued interest on redeemed Bonds).</p> <p>If a Mandatory Prepayment Event occurs which does not require the Issuer to redeem 100% of the Outstanding Bonds, each bondholder shall have the right to decline redemption of the Bonds. Any amount not applied for redemption of Bonds may be retained by the Group and applied for general corporate purposes.</p>
Change of Control Event:	Means if any person or group of persons under the same Decisive Influence obtains Decisive Influence over the Issuer.
Change of Control Clause:	Upon a Change of Control Event occurring, each bondholder shall have a right of prepayment (a “Put Option”) of the Bonds at a price of 101% of par value (plus accrued interest) during a period of 60 calendar days following the notice of such Change of Control Event.
Event of Default:	The Bond Agreement shall include standard event of default provisions, including (i) cross default provisions for the Issuer and any other Group Company with a threshold in the aggregate amount of USD 1,000,000; (ii) receipt of a notice of default by the Issuer or any other Group Company in respect of such person’s failure to pay any cash calls under or breach by the Issuer or the Huntington Subsidiary of any joint operating agreement, Licence or any other material agreement relating to a Licence which, if capable of remedy, is not remedied within the earlier of (x) any cure period (if any) provided under the respective agreement and (y) 5 Business Days from the receipt of the default notice by the

	<p>Issuer; (iii) any member of the Group being subject to a final and binding judgment for an amount in excess of USD 1,000,000; (iv) non-completion of the Orlando Farm-Out by the longstop date detailed in the Orlando Farm-Out Documentation; (v) failure by the Issuer to apply for the consent of the Secretary of State for Energy and Climate Change under the Orlando Farm-Out within 10 Business Days from the execution of the Orlando Farm-Out Documentation; and (vi) the Bond Trustee (acting reasonably) determines that the Orlando Farm-Out is not capable of completion by the long-stop date under the Farm-Out Documentation.</p> <p>The Finance Documents will contain waterfall provisions in case of partial payments, i.e. first to cover costs, fees and expenses of the Bond Trustee (the “Trustee Expenses”) and thereafter any other outstanding amounts under the Finance Documents. In case the Issuer does not pay the Bond Trustee for incurred fees, then the Bond Trustee may seek funding of the Trustee Expenses from other sources, in which case the parties representing such other sources will be subrogated into the position of the Bond Trustee, but subordinate any further Trustee Expenses.</p> <p>Any enforcement and/or acceleration of the Bond Agreement and/or any Security or Additional Security will be subject to the provisions of the Intercreditor Agreement.</p>
Issuer’s Ownership of Bonds:	The Issuer has the right to acquire and own Bonds. Such Bonds may at the Issuer’s discretion be retained by the Issuer, sold or discharged.
Bond Trustee:	Nordic Trustee ASA (formerly Norsk Tillitsmann ASA) in its capacity as the bond trustee for the Bondholders under the Bond Agreement
Security Agent:	Nordic Trustee ASA (formerly Norsk Tillitsmann ASA) in its capacity as security agent for the Bondholders and the Secured Industry Funders under the Intercreditor Agreement.
Registration:	The Norwegian Central Securities Depository (“ VPS ”). Principal and interest accrued will be credited the bondholders through VPS.
Paying Agent:	DNB Bank ASA
Listing of Bonds:	The listing on the Bonds on Nordic ABM to be maintained.
Market Making:	No market-maker agreement has been or is envisaged will be made for the Bond Issue.
Taxation:	<p>The Issuer shall pay any stamp duty and other public fees accruing in connection with issuance of the Bonds, but not in respect of trading of the Bonds in the secondary market (except to the extent required by applicable laws), and the Issuer shall deduct before payment to the bondholders at source any applicable withholding tax payable pursuant to law.</p> <p>If the Issuer is required by law to make a tax deduction or withholding from any payment under the Bond Agreement, the amount of the payment due from the Issuer shall be increased to such amount which is necessary to ensure that the bondholders receive a net amount which is (after making the required tax deduction or withholding) equal to the payment which would have been due if no tax deduction or withholding had been required.</p> <p>If any withholding tax is imposed due to subsequent changes in applicable law after the date of the Bond Agreement, and such withholding tax cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer shall have the right to call all but some of the Bonds at par value, plus accrued interest. Such call shall be notified by the Issuer in writing to the Bond Trustee at least 30 days prior to the settlement date of the call, provided that no such notice shall be given earlier than 60 days prior to the earliest</p>

	date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.
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Oslo, 30 July 2015

Iona Energy (UK) plc
as Issuer

ABG Sundal Collier
as Manager



INTERCREDITOR PRINCIPLES

The intercreditor agreement (the “ICA”) will be based on the Iona Intercreditor Agreement dated 30 September 2013 (the “Existing ICA”) between, amongst others, Iona Energy Company (UK) plc (the “Company”), Nordic Trustee ASA (formerly Norsk Tillitsmann ASA) and Britannic Trading Limited, modified to reflect the provisions of these Intercreditor Principles.

Parties	Nordic Trustee ASA (formerly Norsk Tillitsmann ASA) as security agent (the “ Security Agent ”) for the Secured Creditors
	Nordic Trustee ASA (formerly Norsk Tillitsmann ASA) as Bond Trustee (the “ Bond Trustee ”)
	Britannic Trading Limited (“ BTL ”)
	Lender A, being the lender under the Lender A Loan Agreement
	Lender B, a major international oil and gas company, being the lender under the Lender B Loan Agreement
	The Company
	Iona Energy Inc., the ultimate parent company of the Company (the “ Parent ”)
	Iona UK Huntington Limited (the “ Huntington Subsidiary ”)
Ranking	Subject to the Application of Proceeds provisions: <ul style="list-style-type: none">• first, pro rata and <i>pari passu</i>, the Super Senior Secured Debt;• second, pro rata and <i>pari passu</i>, the Bond Debt.
Lender A Loan Agreement	A secured loan agreement to be entered into between the Company and Lender A for a loan to the Company of an amount not exceeding £13,760,000
Lender B Loan Agreement	A zero coupon secured loan agreement to be entered into between the Company and Lender B for a loan to the Company of USD 12,000,000 less the amount owed to BTL under the BTL Agreement.
Project Hedges	Hedges to be put in place by an affiliate of Lender B against the Company’s net share of the anticipated IP production volumes from the Orlando Field for a period of 9 months from First Oil.
Super Senior Secured Debt	All liabilities of the Company, the Huntington Subsidiary and the Parent under and in respect of the Lender B Loan Agreement, the BTL Agreement, the Project Hedges and the Lender A Loan.
Bond Creditors	The Bondholders and the Bond Trustee.
Secured Creditors	The Super Senior Creditors and the Bond Creditors.

Super Senior Creditors	Lender A, Lender B, an affiliate of Lender B as the provider of the Project Hedges and BTL.
Industry Funders	Lender A, Lender B, the contractor providing a mobile drilling rig in respect of works to be undertaken at the Orlando Field and the contractor providing certain well consumable services to be conducted on the Orlando Field.
BTL Agreement	The agreement between BTL and the Company documenting the liabilities of the Company resulting from the crystallisation of the mark to market exposure under the existing hedges between BTL and the Company. The crystallisation of the mark to market exposure under the existing hedges will occur within 7 business days from the Restructuring Implementation Date.
Secured Liabilities	The Bond Debt and the Super Senior Secured Debt.
Existing Security	The existing security interests granted by the Parent, the Company and the Huntington Subsidiary in favour of the Bond Trustee as security for the Bond Debt.
New Security	The Guarantees and new security (in similar terms to the Existing Security) to be granted by the Company, the Huntington Subsidiary and the Parent in favour of the Security Agent acting on behalf of the Super Senior Creditors in respect of the Super Senior Secured Debt and the Bond Creditors in respect of the Bond Debt.
Transaction Security	The Existing Security and the New Security. Notwithstanding the order of registration of the New Security and the Existing Security, the New Security will rank in priority pursuant to and by virtue of the ICA.
Guarantors	The Parent and the Huntington Subsidiary.
Guarantees	The unconditional and irrevocable guarantees issued by the Guarantors (on a joint and several basis) in favour of the Bond Trustee (on behalf of the Bondholders) and the Super Senior Creditors supporting the Secured Liabilities.
Orlando Field	The Orlando oil field located in the Northern North Sea offshore UK with licence number P.1606 and block number 3/3b, where the Company is the operator of the licence.
Super Senior Final Repayment Date	The date falling 9 months after First Oil being the date by which all amounts outstanding with respect to the Super Senior Secured Debt are due to be repaid in full.
Super Senior Discharge Date	The date on which the Super Senior Secured Debt (other than in respect of the Project Hedges) is irrevocably repaid and discharged in full.
Industry Funders Discharge Date	The date on which all amounts outstanding to the Industry Funders (other than in respect of the Project Hedges) have been irrevocably repaid and discharged in full.

Super Senior Event of Default	An event of default (howsoever described) in respect of any of the Super Senior Secured Debt.
Bond Event of Default	An event of default (howsoever described) in respect of any of the Bond Debt.
Event of Default	A Super Senior Event of Default and/or a Bond Event of Default.
First Oil	The Orlando Field having produced more than 4,000 boe/day gross hydrocarbons in average over 30 days. No later than the second Business Day after achieving First Oil, the Company shall issue a directors' certificate notifying the occurrence of First Oil to the Security Agent, the Bond Trustee and each of the Super Senior Creditors.
Enhanced First Oil	The Orlando Field having produced more than 8,000 boe/day gross hydrocarbons in average over 30 days. No later than the second Business Day after achieving Enhanced First Oil, the Company shall issue a directors' certificate notifying the occurrence of Enhanced First Oil to the Security Agent, the Bond Trustee and each of the Super Senior Creditors.
Farm-Out Agreement	The sale and purchase agreement between the Company and a limited liability company incorporated in England and Wales (the parent of which is a European energy company with an investment grade credit rating) (the " Farm-Out Partner ") for the acquisition by the Farm-Out Partner of a 25% working interest in the Orlando Field.
Release of Guarantees and Security	Following the enforcement of the Transaction Security in accordance with the Enforcement Action provisions set out below, the Security Agent will be authorised to release the Transaction Security granted over the assets which are the subject of the enforcement (including, where the enforcement is with respect to shares or involves the sale or transfer (directly or indirectly) of the shares of any member of the Group, releasing all Secured Liabilities, Guarantees and Transaction Security granted by the entity being sold or transferred (whether directly or indirectly) and its subsidiaries).
Permitted Payments	Prior to the repayment of the Super Senior Secured Debt, no payment of the Bond Debt can be made, other than (a) the Restricted Cash Payment on the Restructuring Implementation Date and (b) any PIK Interest (being the issue of additional Bonds instead of the payment of cash interest) which is due and payable under the Amended and Restated Bond Agreement.
Restricted Cash Payment	A payment to Bondholders (via the Bond Trustee) in an amount of USD 24,000,000 on the Restructuring Implementation Date.
Transaction Security becoming enforceable	Subject at all times to the provisions below in respect of Enforcement Action, no Secured Creditor may take or seek to take or commence any Enforcement Action with respect to the Super Senior Secured Debt or the Bond Debt or any Guarantees thereof, unless: <ul style="list-style-type: none"> (a) an insolvency event has occurred with respect to any member of the Group;

- (b) any amount of principal and/or interest of the Secured Liabilities has not been paid when due (provided that prior to the Super Senior Discharge Date only the Super Senior Creditors shall be entitled to take Enforcement Action pursuant to this paragraph (b)); or
- (c) following an Event of Default which is continuing (other than an insolvency event pursuant to paragraph (a) or a non-payment Event of Default pursuant to paragraph (b)) with respect to any of the Secured Liabilities, on or after the date falling 30 days after the Bond Trustee or any of the Super Senior Creditors has notified the Company and the Security Agent of the occurrence of such Event of Default and the commencement of such period, unless following such Event of Default, the Security Agent or all of the Super Senior Creditors considers that to delay enforcement could reasonably be expected to have a material adverse effect on (a) the Security Agent's ability to enforce the Transaction Security or (b) the proceeds of realisation of the Transaction Security.

Appointment of Advisors The Security Agent:

- (i) following a Super Senior Event of Default which is continuing at any time prior to the expiry of the Bond Standstill Period (as defined below) upon the request of the Super Senior Creditors (acting unanimously); or
- (ii) after the Bond Standstill Period upon the request of the Bond Trustee,

shall be entitled (a) to appoint (at the cost of the Company) (i) legal and financial advisers to undertake due diligence with respect to the business, operations and assets of the Group, including contingency planning and preparing for the possibility of a security enforcement, and (ii) an Independent Valuer to prepare a valuation as contemplated by the Security Enforcement Principles; and (b) if considered desirable by the Security Agent, to commence a marketing process for the sale of all or part of the Group or any of its assets (and the members of the Group shall provide reasonable assistance with the marketing process, including providing access to information and due diligence to interested third parties).

Enforcement Action

After the Transaction Security has become enforceable and subject to any restrictions resulting from the exercise of the Option to Purchase (as described and defined below), the Super Senior Creditors (acting unanimously) or Lender A acting independently may give instructions to the Security Agent to enforce the Transaction Security provided that at all times the Security Agent shall enforce the Transaction Security in accordance with the Security Enforcement Principles.

Prior to any instructions being given to the Security Agent to enforce the Transaction Security:

- (i) the Super Senior Creditors (acting unanimously (or Lender A) shall

notify the Security Agent and the Bond Trustee in writing of their intention to take Enforcement Action (a “**Super Senior Enforcement Notice**”); and

- (ii) the Security Agent, the Bond Trustee (on behalf of the Bondholders) and the Super Senior Creditors will consult prior to taking any Enforcement Action (and for the avoidance of doubt this consultation may occur at any time after the occurrence of an Event of Default) for a period of at least 14 days (or such shorter period as those parties may agree) (the “**Enforcement Consultation Period**”) regarding the proposed enforcement strategy.

The Enforcement Consultation Period shall not apply where to delay enforcement could reasonably be expected to have a material adverse effect on (a) the Security Agent’s ability to enforce the Transaction Security or (b) the proceeds of realisation of the Transaction Security.

No Enforcement Action may be taken by the Bond Creditors except in the following circumstances:

(a) Bond Enforcement Notice

If (a) the Bond Trustee has given notice (a “**Bond Enforcement Notice**”) to the Security Agent and the Super Senior Creditors specifying that a Bond Event of Default has occurred and is continuing; and (b) the Super Senior Creditors have not instructed the Security Agent to take Specified Enforcement Action within a period of 45 days after the date of the Bond Enforcement Notice (the “**Bond Standstill Period**”), the Bond Trustee will be entitled to instruct the Security Agent to enforce the Transaction Security and to take Enforcement Action in connection therewith. If a Super Senior Enforcement Notice has been issued, the Bond Trustee must not issue a Bond Enforcement Notice if and as long as the consultation with the Security Agent and the Super Senior Creditors regarding the proposed enforcement strategy is continuing, provided that the Bond Trustee may issue a Bond Enforcement Notice from the date which is the earlier of (i) the date on which a Blocking Notice has been issued and (ii) the date which is 10 days from the issuance of a Super Senior Enforcement Notice .

Following expiry of the Bond Standstill Period, the Security Agent will act solely upon the instructions of the Bond Trustee in respect of any Enforcement Action, **provided that** at any time after the expiry of the Bond Standstill Period, the Super Senior Creditors (acting unanimously) or Lender A acting independently, shall continue to have the right to instruct the Security Agent (and the Security Agent shall follow the instructions of the Super Senior Secured Creditors), unless the Bond Trustee (acting on the instruction of Bondholders) issues a contradictory instruction to the Security Agent, in which event the instruction of the Bond Trustee shall prevail over any instructions given by the Super Senior Creditors. The Security Agent shall at all times keep the Secured Creditors fully informed of any enforcement instructions given to it and any Enforcement Action taken by the Security Agent.

If the Security Agent has appointed a reputable investment bank or advisory firm with North Sea Oil and Gas experience which has commenced a substantive marketing process with a view to the sale of the business of the Company and/or the Company's interest in the Orlando Field before the expiry of the Bond Standstill Period, the Bond Trustee may, on the instruction of the requisite majority of Bondholders, agree to an extension of the Bond Standstill Period for a further period of 45 days. The Security Agent will keep the Secured Creditors informed and updated of the progress of the marketing process and share with the Secured Creditors any materials prepared by the investment bank or adviser in connection therewith.

(b) *Insolvency Event*

Without limiting the priority provisions contained herein, including the provisions set forth in the section entitled "Turnover" and "Application of Proceeds post-Enforcement", the Bond Creditors, after the occurrence of an insolvency event in relation to the Issuer or any of the Guarantors, shall be entitled to (i) accelerate any Bond Debt or declare it due and payable or payable on demand; (ii) make a demand under the guarantee given by the Guarantor which is subject to the insolvency event; or (iii) claim and prove in the liquidation of the Issuer or Guarantor the Bond Debt owed by it.

(c) *Super Senior Acceleration*

Without limiting the priority provisions contained herein, including the provisions set forth in the section entitled "Turnover" and "Application of Proceeds post-Enforcement", if the Super Senior Lenders have accelerated the Super Senior Debt, the Bond Trustee shall be entitled to take the same action in respect of the Bond Debt.

If either of the Super Senior Secured Creditors or the Bond Trustee (in each case acting reasonably) consider that the Security Agent is enforcing the Transaction Security in a manner which is not consistent with the Security Enforcement Principles, that Super Senior Secured Creditor or the Bond Trustee shall give notice to the other Super Senior Secured Creditor(s), if applicable, the Bond Trustee and to the Security Agent. Following such notice, the Super Senior Creditors and the Bond Trustee shall consult with the Security Agent for a period of 10 days (or such lesser period as those parties may agree) with a view to agreeing the manner of enforcement, provided that those parties shall not be obliged to consult in accordance with this paragraph more than once in relation to each Enforcement Action.

"Specified Enforcement Action" means:

- (a) the appointment of or petitioning for the appointment of an administrator, receiver or a liquidator to the Company (or similar officer), provided that such petitioning is not being revoked;
- (b) the appointment of a receiver over the shares in the Company or other equivalent enforcement of the security held by the Security Agent over the shares in the Company; or

- (c) the execution of an agreement for the sale of the business of the Company and/or the Company's interest in the Orlando Field by, on behalf or at the request of the Security Agent.

Blocking of Release of funds from the Escrow Account:

At any time after the occurrence of a Super Senior Event of Default (subject to the expiry of the period referred to in paragraph (c) "*Transaction Security becoming enforceable*") save as provided below with respect to a Super Senior Event of Default which involves misrepresentation) the Super Senior Creditors (acting unanimously) shall be entitled to issue a blocking notice to the Security Agent (the "**Blocking Notice**"), provided that prior to issuing a Blocking Notice, the Super Senior Creditors must have issued a Super Senior Enforcement Notice which specifies their intention to issue a Blocking Notice. For the avoidance of doubt, a Super Senior Enforcement Notice which notifies an intention to issue a Blocking Notice may be issued at any time after a Super Senior Event of Default based on misrepresentation under a relevant finance document and the 30 day period shall not apply with respect to the issue of the Blocking Notice. Prior to issuing a Blocking Notice the Super Senior Creditors shall consult with the Bond Trustee for a period of 14 days (or if the Super Senior Event of Default giving rise to the Blocking Notice is one of misrepresentation, 5 Business Days only), provided that no such prior consultation shall be required if (i) an insolvency event in relation to the Issuer or any of the Guarantors has occurred, (ii) a payment default relating to the Super Senior Secured Debt has occurred or (iii) consultation could reasonably be expected to have a material adverse effect on either the Security Agent's ability to enforce the Transaction Security or the proceeds of realisation of the Transaction Security. The consultation can be made during the 30 day standstill period which applies in case of an event of default as described in paragraph (c) of the section hereof entitled "*Transaction Security becoming enforceable*".

The issue of a Blocking Notice shall not prevent the Security Agent reimbursing itself from the funds standing to the credit of the Escrow account for any costs and expenses incurred by the Security Agent.

Following the issuance of a Blocking Notice, any release of funds standing to the credit of the Escrow Account shall require the consent of the Super Senior Creditors.

If the Bond Trustee becomes entitled to instruct the Security Agent in accordance with the provisions set out in paragraph (a) *Bond Enforcement Notice* of the section entitled "*Enforcement Action*", the Bond Trustee is not entitled to instruct the Security Agent to unblock the Escrow Account if the Blocking Notice was issued because (i) the Super Senior Event of Default giving rise to the Blocking Notice was one of misrepresentation (ii) in case of an insolvency event in relation to the Issuer or any of the Guarantors, or (iii) in case of a payment default relating to the Super Senior Secured Debt, **provided that** such events are continuing and **provided further** that the Bond Trustee is not prevented from instructing the Security Agent to enforce the Transaction Security and apply the funds in accordance with the section entitled "*Application of Proceeds post Enforcement*".

Turnover	Prior to the Super Senior Discharge Date, any amounts recovered or received by the Bond Trustee from the enforcement of the Transaction Security or incorrectly paid under the Cash Waterfalls (see below), shall be turned over to the Security Agent for application in accordance with the Application of Proceeds provisions.
Security Enforcement Principles	See Schedule.
Escrow Account	An account in the name of the Company held with DNB Bank ASA over which the Company will grant an account charge in favour of the Security Agent acting on behalf of the Secured Creditors and which account charge shall be part of the New Security. The Company shall also open a GBP denominated Escrow Account (which will be subject to the Security on the same terms as the existing Escrow Account).
Huntington Subsidiary Earnings Account	The account held by the Huntington Subsidiary with DNB ASA into which certain proceeds payable to the Huntington Subsidiary shall be paid directly by the relevant contracting party in accordance with the section entitled “Escrow Account – Proceeds”. The Huntington Subsidiary Earnings Account shall be charged in favour of the Security Agent, but not blocked (unless and Event of Default has occurred and is continuing).
Issuer Earnings Account	The account held by the Company with DNB ASA into which certain proceeds payable to the Company shall be paid directly by the relevant contracting party. The Issuer Earnings Account shall be charged in favour of the Security Agent, but not blocked (unless and Event of Default has occurred and is continuing).

Escrow Account- Proceeds *Huntington Subsidiary*: Prior to the earlier of (a) Enhanced First Oil and (b) the Industry Funders Discharge Date, subject to the Company and the Huntington Subsidiary maintaining the Maximum Unrestricted Cash Balance, the Huntington Subsidiary shall procure that all proceeds from its various assets and any other revenues (net of G&A, operating costs and capital expenditures of the Group projected for the next three months) shall be paid into the Escrow Account.

Following the earlier of (a) Enhanced First Oil and (b) the Industry Funders Discharge Date all proceeds from the Huntington Asset shall be paid directly into the Huntington Subsidiary Earnings Account or the Issuer Earnings Account (and not the Escrow Account) and shall be available to the Group for general corporate purposes.

Company: Prior to the Industry Funders Discharge Date, the Company shall procure that all proceeds from its various assets and any other revenues are either, (i) paid directly to the Escrow Account; or (ii) where any such proceeds and other revenues are received directly by the Company, are immediately transferred by the Company to the Escrow Account **provided that** amounts payable under the Farm-Out Agreement by the Farm-Out Partner and designated for Lender A, shall not be paid into the Escrow Account, but will be paid direct to Lender A and any amounts payable under the Farm-Out Agreement to the Company, as operator of the Orlando Field, will be paid to the Company, as operator.

Maximum Unrestricted Cash Balance Prior to the earlier of (a) Enhanced First Oil and (b) the Industry Funders Discharge Date, the maximum unrestricted cash balance of the Group shall not exceed USD 5,000,000 (and any sum held by the Group in excess of the Maximum Unrestricted Cash Balance from time to time will be paid by the Group into the Escrow Account); provided that in the event that production from the Huntington Asset averages less than 4,000 boe/day gross hydrocarbons over a 30 day period (a “**Huntington Event**”) then the Company shall be able to transfer an amount from the Escrow Account to the Huntington Earnings Account or the Issuer Earnings Account such that the unrestricted cash balance amounts up to USD 7,500,000, to assist with working capital. If there is more than one Huntington Event, the aggregate amounts transferred in respect of Huntington Events shall not exceed USD 2,500,000.

In addition, the Maximum Unrestricted Cash Balance shall be increased by the amount of any equity raised by the Group (other than equity raised by the Debt-to Equity Swap) to the extent that such equity is not used to repay Bond Debt or other costs prior to the Super Senior Discharge Date.

Escrow Account- Release of Proceeds Any sums held in the Escrow Account and the GBP denominated Escrow Account shall be paid by the Security Agent:

- (i) prior to First Oil, unless an Event of Default has occurred and is continuing, to the Company/the Huntington Subsidiary (as the Company may direct) upon request, exclusively for capital expenditures relating to the Orlando Field and/ or capital

expenditures relating to the Huntington Asset and/or any incremental decommissioning provision required for the Huntington Asset and/or the Trent & Tyne Asset (in excess of the decommissioning provisions prior to First Oil); and

- (ii) following First Oil, unless Enforcement Action has been taken by the Security Agent, in accordance with the provisions set out in the section entitled *Pre-Enforcement Cash Waterfall- Post First Oil*.

Immediately upon the earlier of (a) Enhanced First Oil and (b) the Industry Funders Discharge Date, unless Enforcement Action has been taken by the Security Agent with respect to the Escrow Account, any proceeds from the Huntington Asset (but not from the Orlando Field) held in the Escrow Account at such time shall, on request by the Company, be paid by the Security Agent into the Huntington Subsidiary Earnings Account or the Issuer Earnings Account (as the Company may direct).

Payments out of the Escrow Account to the Secured Creditors will be made in either USD or GBP as required by the Lender A Loan Agreement, the BP Loan Agreement, the BTL Agreement or the Bond Agreement as the case may be.

Pre Enforcement Cash Waterfall- Post First Oil

Following First Oil and up to the Industry Funders Discharge Date, subject to the provisions set forth in the section hereof entitled “Blocking of Release of funds from the Escrow Account”, and unless Enforcement Action has been taken, amounts will be released from the Escrow Account solely (except as set forth in the paragraph entitled “*Escrow Account- Release of Proceeds*” above with respect to proceeds from the Huntington Asset) as follows:

First: the costs and expenses of the Security Agent in its capacity as such (and the Security Agent shall be entitled to withdraw funds from the Escrow Account) that are due but remain unpaid by the Company after 14 days;

Second: All amounts due from the Company (in its capacity as joint venture partner) in respect of:

- (i) any cash calls made by the Company in its capacity as operator of the Orlando Field (the “**Operator**”) for operating expenditure and capital expenditure reasonably and properly incurred by the Operator in relation to the Orlando Field (other than amounts due to Contractor B and Contractor C); and
- (ii) after having achieved Enhanced First Oil only (but without prejudice to the ability in the case of a Huntington Event to transfer an amount of \$2,500,000 to assist with working capital as described above), to the Huntington Subsidiary Earnings Account or the Issuer Earnings Account (as the Company may direct) for capital expenditures relating to the Huntington Asset and/or any incremental decommissioning provision required for the Huntington Asset and/or the Trent

& Tyne Asset in excess of the decommissioning provision prior to Enhanced First Oil;

Third: pro rata and *pari passu*, amounts due and payable (including any amounts outstanding) to the Super Senior Creditors in respect of the Super Senior Secured Debt in accordance with their respective payment schedules (including any amounts previously due but not paid);

Fourth: pro rata and *pari passu*:

- (i) amounts payable by the Company (in its capacity as joint venture partner) in respect of obligations due by it in respect of any cash calls made by the Company in its capacity as operator of the Orlando Field in respect of (a) Contractor B and (b) Contractor C; and
- (ii) amounts payable by the Company in respect of (a) MPX and (b) Sorgenia. These payments shall ignore any contributions due from any third party co-venturer,

provided that such amounts under this fourth limb will only be payable if the Company certifies in writing to the Security Agent that the Company (after taking into account any projected revenue to be paid into the Escrow Account) will be able to pay all amounts due and payable to the Super Senior Creditors within the next 30 days.

Any residue shall be held in the Escrow Account until the Industry Funders Discharge Date.

Post Industry Funders Discharge Date Following the Industry Funders Discharge Date:

- (a) any amounts held in the Escrow Account will be applied in accordance with the section of the Term Sheet for the Remaining Bonds entitled “Cash Sweep and Debt Service Retention Account”; and
- (b) all Project Proceeds (as defined in the Term Sheet for the Remaining Bonds) shall be paid into the Huntington Subsidiary Earnings Account or the Issuer Earnings Account.

Application of Proceeds post-Enforcement Any monies received by the Security Agent as a result of enforcement of the Transaction Security or that has been turned over to the Security Agent as a result of the turnover to be applied in the following order:

First: pro rata and *pari passu*, the costs and expenses of the Security Agent (including reimbursement of any amounts advanced by a Secured Creditor to the Security Agent or the Bond Trustee to fund the Enforcement Action), each Super Senior Secured Creditor, the Bond Trustee and any receiver;

Second: pro rata and *pari passu*, the Super Senior Secured Debt

Third: pro rata and *pari passu*, the Bond Debt; and

Fourth: to the relevant debtor(s) or any other person entitled to it.

Option to Purchase

At any time (a) in the period prior to First Oil, after (i) a Super Senior Enforcement Notice has been issued or (ii) the Bond Standstill Period has expired and the Bond Trustee has instructed the Security Agent to take Specified Enforcement Action; or (b) in the period following First Oil, after an Event of Default under any Super Senior Secured Debt or the Bond Debt:

(a) each of the Super Senior Secured Creditors shall at the request of the Bond Trustee, promptly provide the Bond Trustee with the amount of Super Senior Secured Debt outstanding to it; and

(b) the Bond Trustee or any nominee of the Bond Trustee or of the Bondholders may purchase at par (including interest accrued and unpaid as of the completion of the purchase) all (but not part) of the outstanding Super Senior Secured Debt (including the Project Hedges but excluding any related Crude Oil Sales or Offtake arrangements) by giving the Security Agent and each Super Senior Secured Creditor not less than 10 days' and not greater than 20 days' irrevocable notice (the "**Option to Purchase**"). The obligation of the Bond Trustee or any nominee of the Bond Trustee or of the Bondholders to complete the purchase may be conditional only (but not otherwise) upon the non-occurrence of a Material Adverse Event (as defined below) following the notification. "**Material Adverse Event**" means (i) the occurrence of an insolvency event with respect to any member of the Group, (ii) the receipt by any member of the Group of a notice of default or termination with respect to the licence for the Orlando Asset, the Huntington Asset or any other material hydrocarbon licence of the Group, (iii) the revocation of any such licences or the commencement of any legal or administrative proceeding which may result in such revocation or (iv) the occurrence of any event which has a similar adverse effect on the Group's assets, business, financial condition, results of operations or prospects.

If the Bond Trustee (upon the instruction of the requisite majority of Bondholders) or Bondholders (as appropriate) decide not to complete the Option to Purchase as a result of the occurrence of a Material Adverse Event, the Bond Trustee or Bondholders (as appropriate), shall notify the Super Senior Creditors immediately (and in any event no later than 24 hours after ultimately deciding that a Material Adverse Event has occurred and that the Option to Purchase is not to proceed) (the "**Cancellation Notice**"). Following a Cancellation Notice, the principles which are set forth in the section hereof entitled "*Enforcement Action*" shall continue to apply with respect to any enforcement of Transaction Security as if the Option to Purchase had not been exercised; provided that if the Option to Purchase has been exercised during the Bond Standstill Period and a Cancellation Notice has been issued, the Bond Standstill Period shall be extended by a period which is equal to the period between the exercise of the Option to Purchase and the Cancellation Notice such that the Bond Standstill Period will remain 45 days in total ignoring the period between the exercise of the Option to

Purchase and the issue of the Cancellation Notice.

Following, or concurrently with, the notification to exercise the Option to Purchase, the Bond Trustee or any nominee of the Bond Trustee or of the Bondholders, as the case may be, may by written notice require the Security Agent to temporarily suspend any enforcement of the Transaction Security for the period from the date of issue of the notice exercising the Option to Purchase to the earlier of (a) the completion of the purchase of the Super Senior Secured Debt and (b) the date falling 20 days after the issue of such notice.

Step in Right	If the Company fails to meet any cash call with respect to a Licence by its due date, any one or more Bondholders (provided that participation is offered to all Bondholders pro rata to the holding of Remaining Bonds at the time) shall be entitled to fund that cash call, and the Company shall (and shall be required to) issue Additional Bonds to the relevant Bondholders equal to the amount so funded.
Security Agent Provisions	Provisions are required to reflect those contained in the LMA style of intercreditor agreement.
Amendments to the ICA	Waivers, consents or amendments to or in relation to the ICA must be agreed by each Super Senior Creditor, the Bond Trustee, the Security Agent, the Company and the Huntington Subsidiary. To the extent that an amendment to the ICA only affects the rights and obligations of a particular Secured Creditor and does not prejudice other Secured Creditors, only the affected Secured Creditor(s) need to agree to the waivers, consents or amendments.
Amendments to the Super Senior Secured Documents	No amendment shall be permitted which would have the effect of (a) increasing the principal amount of the Super Senior Secured Debt, (b) increasing the interest rate or coupon payable or paying fees under or in respect of the Super Senior Secured Debt or (c) amending the due dates of any payment obligations to any of the Industry Funders without the consent of the Bond Trustee.
Governing Law	The ICA will be governed by English law.

SCHEDULE 1

SECURITY ENFORCEMENT PRINCIPLES

1. The Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Super Senior Creditors, the Bond Trustee and the Security Agent, provided that no additional obligations may be imposed on the Group without the consent of the Company and the Huntington Subsidiary.
2. The Transaction Security will be enforced and other action as to enforcement will be taken with a view to:
 - (a) all proceeds of enforcement being received by the Security Agent in cash for distribution in accordance with the section of these Intercreditor Principles headed “Application of Proceeds Post-Enforcement”; and
 - (b) in the case of enforcement on the instructions of the Bond Trustee, sufficient proceeds from enforcement being received by the Security Agent in cash such that when the proceeds are applied in accordance with the section of these Intercreditor Principles headed “Application of Proceeds Post-Enforcement”, the Super Senior Secured Debt is repaid and discharged in full (provided that the foregoing shall not limit the general obligations of the Security Agent to maximise value under applicable law with respect to the enforcement of security, which, for the avoidance of doubt shall continue to apply).
3. On:
 - (a) a proposed enforcement of any of the Transaction Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds GBP2 million (or its equivalent in other currencies); or
 - (b) a proposed enforcement of any of the Transaction Security over a UK petroleum production licence or joint operating agreement interest or some or all of the shares in a member of the Group over which Transaction Security exists,

the Security Agent shall, if requested by the Super Senior Secured Creditors or the Bond Trustee (as applicable), and at the expense of the Group, (to the extent that such firms have not adopted a general policy of not providing such opinions) appoint an internationally recognised investment bank or any one of BDO, Deloitte, Ernst & Young, Grant Thornton, KPMG or PricewaterhouseCoopers or, if it is not practicable for the Security Agent to appoint any such bank or firm on commercially reasonable terms (including for reasons of conflicts of interest) as determined by the Security Agent (acting in good faith), another third party professional firm which is regularly engaged in providing valuations in respect of the relevant type of assets (in each case not being the firm appointed as the relevant debtor’s administrator or other relevant officer holder) selected by the Security Agent (an “**Independent Valuer**”) to opine that the consideration received for any disposal is fair from a financial point of view taking into account all relevant circumstances (the “**Independent Valuer’s Opinion**”).

4. If the Super Senior Creditors or the Bond Trustee instruct the Security Agent to take Specified Enforcement Action, the Security Agent shall only appoint, as the relevant insolvency practitioner, one or more partners from one of the following: BDO, Deloitte, Ernst & Young, Grant Thornton, KPMG, FTI, Alix Partners or PricewaterhouseCoopers

5. The Security Agent shall be under no obligation to appoint an Independent Valuer or to seek the advice of an Independent Valuer, unless expressly required to do so by these Security Enforcement Principles or any other provision of the Intercreditor Agreement. Prior to making any appointment of an Independent Valuer, the Security Agent is entitled to ensure that cost cover (at a level it is satisfied with acting reasonably) has been provided by the Company (or any of the Secured Creditors).
6. The Independent Valuer's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the consideration received for any disposal is fair from a financial point of view.
7. If enforcement of any Transaction Security is conducted by way of a public auction, no Independent Valuer shall be required to be appointed, and no Independent Valuer's Opinion shall be required, in relation to such enforcement.