

Final 250913

ISIN NO 001 0689763

BOND AGREEMENT

between

Iona Energy Company (UK) Limited
as Issuer

Iona Energy Inc.
Iona UK Huntington Limited
as Guarantors

and

Norsk Tillitsmann ASA
as Bond Trustee on behalf of the Bondholders

in the bond issue

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

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This agreement has been entered into on 26 September 2013 between:

- (1) Iona Energy Company (UK) Limited (a company existing under the laws of Scotland with company registration number SC335305) as issuer (the “**Issuer**”);
- (2) Iona Energy Inc. (a company existing under the laws of the Province of Alberta, Canada with corporate access number AB-2016086205) as guarantor (the “**Parent**”);
- (3) Iona UK Huntington Limited (a company existing under the laws of England and Wales with company registration number 7385624) as guarantor (“**Huntington Subsidiary**”); and
- (4) Norsk Tillitsmann ASA (a company existing under the laws of Norway with registration number 963 342 624) as bond trustee (the “**Bond Trustee**”).

1 INTERPRETATION

1.1 Definitions

In this Bond Agreement, the following terms shall have the following meanings:

“**Accounts**” means:

- (a) the Escrow Account;
- (b) the BP Structured Energy Derivative Escrow Account;
- (c) the Issuer Earnings Account(s);
- (d) the Huntington Subsidiary Earnings Account;
- (e) the Debt Service Retention Account; and
- (f) any future earnings accounts of any future Restricted Companies (if applicable).

“**Account Bank(s)**” means, for the Escrow Account, the BP Structured Energy Derivative Escrow Account and the Debt Service Retention Account, the Escrow Account Bank, 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).

“**Account Manager**” means a Bondholder’s account manager in the Securities Depository.

“**Additional Guarantors**” means any future Restricted Group Company.

“**Additional Security Interest**” means any Security created (or to be created) in favour of the Security Agent (on behalf of the Bondholders) as security for the obligations of the Obligors under any Finance Document, including but not limited to the following Security:

- (a) a first priority share charge over all of the Issuer’s shares in any future Restricted Group Company;

- (b) an unconditional and irrevocable on-demand guarantee in favour of the Bond Trustee from each future Restricted Group Company;
- (c) a fixed charge over any increased working interest in the Trent & Tyne Asset;
- (d) 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 Licence developing into a Development Licence during the term of the Bonds;
- (e) a first priority assignment by way of security of all of the Issuer or any Restricted Group Company's rights, title and interest in, to or arising under or in relation to any Assigned Agreement (other than any Licence) (as agreed between the Issuer and the Bond Trustee as being the key relevant agreements) relating to any future Development Licence or Production Licence acquired by the Issuer or any Restricted Group Company or any Licence developing into a Development Licence during the term of the Bonds;
- (f) to the extent that such rights referred to in (e) cannot be effectively assigned, subject to the Issuer using its reasonable endeavours to establish such assignment, the Issuer shall 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 Assigned Agreements;
- (g) a first priority fixed charge over each future Restricted Group Company's goodwill and uncalled capital;
- (h) a first priority fixed charge over each future Restricted Group Company's earnings accounts;
- (i) a first priority fixed charge over each future Issuer Earnings Account and/or future Huntington Subsidiary Earnings Account;
- (j) a first priority floating charge over all property, assets, rights and revenues, present and future of each future Restricted Group Company, to the extent that such property, assets, rights and revenues are not effectively charged by way of fixed security or assignment;
- (k) a first priority assignment by way of security of all of the Issuer's 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;
- (l) a first priority assignment by way of security of all of any future 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;
- (m) a first priority share pledge over any future shares or other equity-linked securities of the Issuer; and
- (n) a first priority share pledge over any future shares or other equity-linked securities in the Huntington Subsidiary and any future Restricted Group Company.

“Appraisal Activities” means costs and investments prior to submittal of a FDP in discovered hydrocarbon resources containing contingent resources.

“Appraisal Licence” means any Licence relating to discovered hydrocarbon resources containing contingent resources and where the FDP has not yet been submitted.

“Assigned Agreements” means:

- (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 a 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 Bond Trustee.

“Assignments of Intra-group Loans” means the first priority English law assignments:

- (a) 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;
- (b) 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; and
- (c) 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.

“Attachment” means the attachments to this Bond Agreement.

“Bond Agreement” means this bond agreement, including the Attachments, as amended from time to time.

“Bond Issue” means the bond issue constituted by the Bonds.

“Bondholder” means a holder of Bond(s), as registered in the Securities Depository, from time to time.

“Bondholders’ Meeting” means a meeting of Bondholders, as set out in Clause 17.

“Bonds” means the debt instruments issued by the Issuer pursuant to this Bond Agreement.

“BP Structured Energy Derivative” means the cash-settled call options entered into by the Issuer with BTL comprising structured energy derivative transactions.

“BP Structured Energy Derivative Escrow Account” means an account in the name of the Issuer held with the Escrow Account Bank to which USD 35,000,000 of the net proceeds from the Bond Issue shall be transferred upon First Disbursement. The account shall be blocked and charged in favour of the Bond Trustee pursuant to the BP Structured Energy Derivative Escrow Account Pledge, which will provide that the deposited amount shall only be released upon the receipt by the Account Bank and the Bond Trustee of a duly executed BP Structured Energy Derivative Escrow Account Drawdown Notice.

“BP Structured Energy Derivative Escrow Account Drawdown Notice” means a drawdown notice to the Account Bank and the Bond Trustee in relation to the amounts deposited in the BP Structured Energy Derivative Escrow Account substantially in the form set out in Attachment 3 hereto.

“BP Structured Energy Derivative Escrow Account Pledge” means the first priority Norwegian law pledge over the Issuer’s claim against the Escrow Account Bank for the amount from time to time standing to the credit of the Issuer in the BP Structured Energy Derivative Escrow Account.

“BP Structured Energy Derivative Tranche 1 Retirement Disbursements” means the amount in the BP Structured Energy Derivative Escrow Account used to fund early termination payments with respect to the Tranche 1 Call Options comprising the BP Structured Energy Derivative.

“BP Structured Energy Derivative Tranche 2 Retirement Disbursements” means net proceeds from the Bond Issue held in the Escrow Account released to fund early termination payments with respect to the Tranche 2 Call Options comprising the BP Structured Energy Derivative.

“BTL” means Britannic Trading Limited.

“BTL Intercreditor Agreement” means the intercreditor agreement entered into between BTL, the Parent, the Huntington Subsidiary, the Issuer, the Security Agent and the Bond Trustee, in the form attached hereto as Attachment 5.

“BTL Second-Ranking Security Document” means the documents evidencing the BTL Second-Ranking Security Interests, in substantially the same form as the Security Documents, for the purpose of securing the Issuer’s obligations to BTL under the BP Structured Energy Derivative, any Novated Pre-Paid Put Options and any other Secured Hedging Transactions (and for the avoidance of doubt, excluding any Unsecured Hedging Transactions). BTL’s rights with respect to such second-ranking security shall be fully subordinated to those of the Bondholders pursuant to the BTL Intercreditor Agreement.

“BTL Second-Ranking Security Interest” means any Security created (or to be created) in favour of BTL as security for the obligations of the Issuer under the BP Structured Energy Derivative, which shall comprise a second ranking equivalent of each of the Security Interests.

“Business Day” means (i) generally, any day on which the banks in Norway and New York are open for general business and can settle foreign currency transactions in Norway and New York and (ii) with respect to payments from the Parent relating to Guaranteed Obligations, any day on which the banks in Norway, New York and Calgary are open for general business and can settle foreign currency transactions in Norway, New York and Calgary.

“Business Day Convention” means that no adjustment will be made if a Payment Date occurs on a day that is not a Business Day, in which case payments of interest and/or principal (as the case may be) due on that Payment Date will be made on the first following day that is a Business Day (*No Adjustments of Business Day*).

“Call Option” shall have the meaning set out in Clause 10.2.

“Cash and Cash Equivalent” means, on any date, the aggregate of the equivalent in USD on such date of the then current market value of:

- (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 deposit 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 which is not subject to Security, other than the charges over the Issuer Earnings Account and the Huntington Subsidiary Earnings Account and any other Restricted Group Company’s earnings account. An “acceptable bank” for this purpose is:

- (a) a commercial bank, savings bank and trust company which has a rating of A or higher from Standard & Poor’s Ratings Service or A2 or higher from Moody’s Investor Service Limited or a comparable rating from a nationally recognized credit rating agency for its long term debt obligations; or
- (b) a bank or financial institution which is authorised to carry on banking business in Norway.

“Change of Control Event” means (i) if any person, or group of persons under the same Decisive Influence, or two or more persons acting in concert obtains Decisive Influence over the Parent, or (ii) a de-listing of the Parent’s shares from the TSX Venture Exchange that does not occur in connection with a listing of the Parent’s shares on the Toronto Stock Exchange or another internationally recognized stock exchange.

“Debt Service Retention Account” means an account in the name of the Issuer held with the Escrow Account Bank, blocked and charged in favour of the Bond Trustee pursuant to

the Debt Service Retention Account Pledge, which will provide that the deposited amount shall only be released and applied for payments of due interest and Instalments.

“Debt Service Retention Account Pledge” means the first priority Norwegian law pledge over the Issuer’s claim against the Escrow Account Bank for the amount from time to time standing to the credit of the Issuer in the Debt Service Retention Account.

“Decisive Influence” means a person having, as a result of an agreement, understanding and/or other arrangement 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.

“Defeasance Pledge” shall have the meaning given to it in Clause 19.2.

“Development Licence” means any Licence where the FDP has been submitted to the relevant authorities for approval.

“EBITDA” means (on a consolidated basis) the Restricted Group’s aggregate earnings before financial items (including interest), taxes, depreciation and amortization (to be calculated on a 12-month rolling basis).

“Eligible Proceeds” means proceeds from New Equity or up to 10% of Free Cashflow in the relevant six month period under the BP Structured Energy Derivative which are available for application in early termination of the Tranche 1 Call Options or Tranche 2 Call Options or both, as the case may be.

“Escrow Account” means an account in the name of the Issuer held with the Escrow Account Bank, blocked and pledged in favour of the Bond Trustee pursuant to the Escrow Account Pledge so that no withdrawals can be made from the account without the Bond Trustee’s prior written consent.

“Escrow Account Bank” means DNB Bank ASA.

“Escrow Account Pledge” means the first priority Norwegian law pledge over the Issuer’s claim against the Escrow Account Bank for the amount from time to time standing to the credit of the Issuer in the Escrow Account.

“Event of Default” means the occurrence of an event or circumstance specified in Clause 16.1.

“Exchange” means (i) a securities exchange or other reputable regulated market, or (ii) Oslo Børs ASA’s Nordic ABM, on which the Bonds are listed, or where the Issuer has applied for listing of the Bonds.

“Existing Credit Facility” means the existing up to USD 250,000,000 senior secured borrowing base facility evidenced by a facility agreement dated 20 February 2013 made between (amongst others) the Issuer, as borrower and Banc of America Securities Limited as agent on behalf of the lenders.

“Exploration Activities” means costs and investments (including acquisition costs) related to prospective, non-discovered hydrocarbon resources. For the avoidance of doubt, any investments related to increasing the ownership in the Trent & Tyne Asset from the current ownership interest of 20% to 37.5% through the drilling of an exploration well on the Tyne North West prospect shall be classified as an acquisition cost of a producing asset and therefore not Exploration Activities.

“Exploration Licence” means any Licence relating to prospective, non-discovered hydrocarbon resources.

“Face Value” means the denomination of each of the Bonds, as set out in Clause 2.2.

“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; and (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) this Bond Agreement;
- (b) the agreement between the Bond Trustee and the Issuer referred to in Clause 15.2;
- (c) the Security Documents (including any notice, acknowledgement and other ancillary documentation relating thereto);
- (d) any agreement relating to a Subordinated Loan;
- (e) the Subordination Agreement;
- (f) the BTL Intercreditor Agreement; and
- (g) any other document the Issuer and the Trustee designate as a Finance Document.

“Financial Indebtedness” means any indebtedness for or 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 applicable at the Issue Date, be treated as 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 mark to market value shall be taken into account); and
- (h) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (g) above.

“Financial Statements” means the audited unconsolidated and consolidated annual financial statements of the Issuer or the Parent, as the case may be, for any financial year, drawn up according to GAAP, such statements to include a profit and loss account, balance sheet, cash flow statement and, to the extent not covered by the management discussion and 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.

“Financial Support” means any loans, guarantees or other financial assistance (including, but not limited to granting of Security) granted by a Restricted Group Company for the benefit of any third party or other Group Company.

“First Disbursement” means the first disbursement from the Escrow Account and Repayment Escrow Account.

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

“Free Cashflow” means (on a consolidated basis) during any given period, earnings before depreciation and amortization (“EBDA”), less the sum of (i) any capital expenditures and (ii) change in working capital of the Restricted Group (to be calculated on a 6-month rolling basis).

“Future Restricted Group Company/Issuer Subordination Agreement” means the agreement entered into between the Issuer and any future Restricted Group Company, under which any existing and future loans from the future Restricted Group Company to the Issuer shall be fully subordinated to the Bonds. 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 future Restricted Group Company shall have no right to accelerate for as long as the Bonds are outstanding.

“GAAP” means the generally accepted accounting practice and principles in the country in which the Issuer is incorporated including, if applicable, the IFRS, in force from time to time.

“Group” means the Parent and all its (directly or indirectly owned) Subsidiaries from time to time.

“Group Company” means the Parent or any of its Subsidiaries.

“Group Capital Employed Ratio” means (on a consolidated basis) the ratio of Group Equity to the sum of Group Equity plus the Group’s Net Interest-Bearing Debt.

“Group Equity” means (on a consolidated basis) the aggregate book value of the Group’s total equity treated as equity in accordance with IFRS, excluding any fair value adjustment attributable to the BP Structured Energy Derivative.

“Guarantees” means the unconditional and irrevocable on-demand guarantees (No: "påkravsgaranti") to be issued by the Guarantors (on a joint and several basis) in favour of the Bond Trustee securing the Issuer’s obligations under this Bond Agreement and any other Finance Document, including interest, costs and expenses.

“Guarantors” means the Parent and the Huntington Subsidiary.

“Huntington Asset” means:

- (a) the Huntington Subsidiary’s 15% working interest in the Huntington oil field located in the Central North Sea offshore UK with licence number P.1114 and block number 22/14b; and
- (b) 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.

“Huntington Deep Asset” means the Issuer’s 100% interest in the Huntington Fulmar and Triassic fields located in the Central North Sea offshore UK with licence number P.1801 and block number 22/14d.

“Huntington Share Charge” means the first priority English law pledge granted by the Issuer over all (100%) of the shares in the Huntington Subsidiary, together with, inter alia, executed stock transfer forms (blank as to the transferee) and the existing share certificates.

“Huntington Subsidiary Debenture” means a first priority English law debenture granted by the Huntington Subsidiary in favour of the Bond Trustee comprising certain first priority assignments and fixed and floating charges over the Huntington Subsidiary’s assets as more particularly described in the Huntington Debenture, as follows:

- (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;
- (b) a first priority fixed charge over the Licences and to the extent that such rights cannot be effectively assigned pursuant to the first priority assignment of Assigned Agreements, 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;
- (c) a first priority fixed charge over all of the Huntington Subsidiary's goodwill and uncalled capital (if applicable);
- (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; and
- (e) a first priority fixed charge over the Huntington Subsidiary Earnings Account and the amount from time to time standing to the credit of the Huntington Subsidiary in the Huntington Subsidiary Earnings Account(s).

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

"Huntington Subsidiary Scottish Law Floating Charge" means the first priority Scottish law floating charge over all of the Huntington Subsidiary's property, assets, rights and revenues, present and future.

"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.

"Initial Security Interests" means any Security created (or to be created) in favour of the Security Agent (on behalf of the Bondholders) as security for the obligations of the Obligor under any Finance Document, including but not limited to the following Security:

- (a) the Escrow Account Pledge;
- (b) the Guarantees;
- (c) the Assignment of Intra-group Loans;
- (d) the Issuer Share Pledge;

- (e) the Huntington Share Charge;
- (f) the Issuer Debenture;
- (g) the Huntington Subsidiary Debenture;
- (h) the BP Structured Energy Derivative Escrow Account Pledge;
- (i) the Debt Service Retention Account Pledge;
- (j) the Issuer Scottish Law Floating Charge;
- (k) the Huntington Subsidiary Scottish Law Floating Charge; and
- (l) the Repayment Escrow Account Fixed Charge.

“Instalment” means each of the instalments made in accordance with Clause 10.1.

“Interest Payment Date” means 27 September and 27 March each year beginning on 27 March 2014 and ending on the Maturity Date. Any adjustment will be made according to the Business Day Convention.

“Interim Accounts” means the unaudited unconsolidated and consolidated quarterly financial statements of the Parent and the Issuer for any quarter ending on a Quarter Date, drawn up according to GAAP and for the Parent in the forms required by Canadian securities laws applicable to the Parent, such statements to include a profit and loss account, balance sheet, cash flow statement and, to the extent not covered by the management discussion and analysis in the management and financial reports provided by the Parent, but still a relevant event or issue for the Issuer, commentary from management or report from the board of directors.

“ISIN” means International Securities Identification Number – the identification number of the Bond Issue.

“Issue Date” means 27 September 2013.

“Issuer Debenture” means a first priority English law debenture granted by the Issuer in favour of the Bond Trustee comprising certain first priority assignments and fixed and floating charges over the Issuer’s assets as more particularly described in the Debenture, as follows:

- (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) relating to the Licences;
- (b) a first priority fixed charge over the Licences and to the extent that such rights cannot be effectively assigned pursuant to the first priority 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;

- (c) a first priority fixed charge over all of the Issuer's goodwill and uncalled capital (if applicable;
- (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; and
- (e) a first priority fixed charge over the Issuer Earnings Account(s) and the amount from time to time standing to the credit of the Issuer in the Earnings Account(s).

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

"Issuer Scottish Law Floating Charge" means the 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.

"Issuer Share Pledge" means the first priority Scottish law pledge granted by the Parent over all (100%) of the shares in the Issuer, together with, inter alia, executed stock transfer forms and the existing share certificates.

"Issuer's Bonds" means any Bonds owned by the Issuer, any person or persons who has Decisive Influence over the Issuer, or any person or persons over whom the Issuer has Decisive Influence.

"Kells Asset" means the Issuer's 75% interest in the Kells oil field located in the Northern North Sea offshore UK with licence number P.1607 and block number 3/8d, where the Issuer is the operator of the licence.

"Legal Reservations" means any matters which are set out as qualifications or reservations as to matters of law of general application in any legal opinions delivered to the Bond Trustee pursuant to Clause 6.

"Leverage Ratio" means the ratio of Net-Interest Bearing Debt to EBITDA.

"Licences" means 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"**).

"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, including any funds standing to credit of the relevant Restricted Group

Company in the Escrow Account and the BP Structured Energy Derivative Escrow Account (but excluding any Cash and Cash Equivalents in the Debt Service Retention Account).

“Manager” means the manager for the Bond Issue, being Pareto Securities AS, Dronning Mauds gt. 3, NO-0115 Oslo, Norway.

“Mandatory Prepayment Event” means if (a) the Issuer or any Restricted Group Company sells or otherwise disposes of all or parts of its working interest (directly or indirectly) in any of its Production Licences or (b) an Event of Default occurs and is continuing and the Bond Trustee declares that the Outstanding Bonds are in default and due for immediate payment.

“Material Adverse Effect” means a material adverse effect on: (a) the business, financial condition or operations of the Restricted Group, the Parent and/or the Group taken as a whole, (b) any Obligor’s ability to perform and comply with its obligations under the Finance Documents or (c) the validity or enforceability of any Development Licence or Production Licence or any of the Finance Documents.

“Maturity Date” means 27 September 2018. Any adjustment will be made according to the Business Day Convention.

“Maximum BP Structured Energy Derivative Tranche 2 Retirement Amount” means the aggregate of USD 25,000,000 and the amount of any balance transferred to the Escrow Account from the BP Structured Energy Derivative Escrow Account on closure of the BP Structured Energy Derivative Escrow Account.

“Net Interest-Bearing Debt” means the book value of the relevant person’s interest bearing Financial Indebtedness *less* that person’s Cash and Cash Equivalents.

“New Equity” means the issuance of new equity securities (fully paid in) by the Parent only (including convertible equity securities or subordinated convertible debt securities). For the avoidance of doubt, any issuance of new equity due to call for uncalled equity (if applicable) shall not be treated as New Equity.

“NOK” means Norwegian kroner, being the lawful currency of Norway.

“Novated Pre-Paid Put Options” means the pre-paid put options, if any, novated from the hedging banks for the Existing Credit Facility.

“Obligor” means the Issuer and each Guarantor and any Additional Guarantor.

“Orlando and Kells Field Development Costs” means the Issuer’s share of capital costs relating to the development of the Orlando Asset and the Kells Asset (and as recognized as capital costs according to IFRS) including without limitation the costs of development wells, subsea facilities, offshore pipelines, umbilicals, production facilities (including any costs related to the modification of the Ninian Central Platform (NCP), the contemplated hub for hydrocarbon export from the Orlando Asset and the Kells Asset and other nearby hydrocarbon-producing fields or costs related to any other production facility utilized by the Issuer in respect of the Orlando Asset and the Kells Asset), abandonment and any payments to make provision for abandonment costs, and costs relating to reinstating any damaged

facilities as well as project management costs, Licence costs, insurance premiums and cash collateral for letters of credit.

“Orlando Asset” means the Issuer’s 75% working interest in 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.

“Outstanding Bonds” means the aggregate value of the total number of Bonds not redeemed or otherwise discharged.

“Party” means a party to this Bond Agreement (including its successors and permitted transferees).

“Paying Agent” means the legal entity appointed by the Issuer to act as its paying agent in the Securities Depository with respect to the Bonds.

“Payment Date” means a date for payment of principal or interest under this Bond Agreement.

“Permitted Financial Indebtedness” means:

- (a) this Bond Issue;
- (b) Financial Indebtedness under any hedging arrangements entered into on market terms and as part of the ordinary course of business of any Restricted Group Company and for non-speculative purposes, which may include, for the avoidance of doubt, hedging arrangements entered into with BTL and the hedging banks in connection with the Existing Credit Facility and transactions under the hedging program maintained in connection with this Bond Issue;
- (c) 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;
- (d) intra-group loans from the Parent to the Issuer provided that such loans are fully subordinated to the Bond Issue in accordance with the terms of the Subordination Agreement;
- (e) intra-group loans from the Issuer to any Restricted Group Company;
- (f) intra-group loans from the Huntington Subsidiary to the Issuer, provided that such loans are fully subordinated to the Bond Issue in accordance with the terms of the Subordination Agreement;
- (g) intra-group loans from any future Restricted Group Company to the Issuer, provided that such loans are fully subordinated to the Bond Issue in accordance with the terms of the Future Restricted Group Company/Issuer Subordination Agreement;
- (h) any Subordinated Loans;

- (i) the balance of the deferred payment of USD 18,510,000 (plus interest) related to the acquisition of the Huntington Asset due and payable to Carrizo Oil & Gas Limited upon receipt of first oil revenues from the Huntington Asset;
- (j) letters of credit of GBP 5,500,000 relating to the Orlando Asset and Trent & Tyne Asset (to be increased to GBP 9,230,000 if the interest in the Trent & Tyne Asset is increased to 37.5% under the agreement between the Issuer and Perenco UK Limited);
- (k) the deferred payment of USD 29,000,000 payable in five instalments on a semi-annual basis following production start-up of the Orlando field to MPX North Sea Limited and Sorgenia E&O UK Limited for the acquisition of a 65% ownership interest in the Orlando Asset;
- (l) the deferred payment of USD 5,050,000 payable upon FDP approval of the Kells Asset to Fairfield Cedrus Ltd;
- (m) the royalty agreement with Fairfield Cedrus Ltd where the Issuer is required to make a payment of net USD 2.5/barrel of oil equivalents for all hydrocarbon production from the Kells Asset;
- (n) short term credit for goods and services arising in the ordinary course of trading of a Restricted Group Company;
- (o) Financial Indebtedness under the Existing Credit Facility during the period until the First Disbursement;
- (p) Financial Indebtedness under the BP Structured Energy Derivative; and
- (q) any other Financial Indebtedness not referred to above up to an aggregate amount of USD 3,000,000 (or its equivalent in other currencies) at any time.

“Permitted Financial Support” means Financial Support that falls within the definition of Permitted Financial Indebtedness or Permitted Security.

“Permitted Security” means:

- (a) any Security constituted by any Security Document or any BTL Second-Ranking Security Document;
- (b) any cash collateral for existing and future letters of credit relating to exploration, appraisal, field developments, operations and decommissioning;
- (c) 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;
- (d) 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;

- (e) 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);
- (f) 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;
- (g) any lien arising by operation of law in the ordinary course of business;
- (h) any Security in respect of the Existing Credit Facility and the hedging relating thereto during the period until the First Disbursement;
- (i) the existing Security in favour of BTL under the BP Structured Energy Derivative during the period until the First Disbursement; and
- (j) Security not otherwise permitted above that secures Financial Indebtedness or other obligations not in excess of USD 3,000,000 at any one time outstanding.

“Production Licence” means any Licence where commercial production of hydrocarbons has commenced.

“Project” means:

- (a) 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
- (b) the ownership and operation of other hydrocarbon production and transport facilities and infrastructure owned by the Restricted Group.

“Project Proceeds” means any income, payments, earnings or receivables of any kind (including insurance proceeds in respect of physical losses) directly or indirectly deriving from:

- (a) any Restricted Group Company’s ownership in any of the Licences;
- (b) any contract of sale of the relevant Restricted Group Company’s share of hydrocarbons produced from all fields covered by the Licences;
- (c) the sale of any ownership interest in any of the Licences; and
- (d) any Restricted Group Company’s ownership in other hydrocarbon production and transport facilities and infrastructure not directly related to the Licences.

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

“Repayment Escrow Account” means an account in the name of the Issuer held with the agent under the Existing Credit Facility, blocked and pledged in favour of the Bond Trustee pursuant to the Repayment Escrow Account Fixed Charge so that no withdrawals can be made from the account without the Bond Trustee’s prior consent.

“Repayment Escrow Account Fixed Charge” means the first priority English law fixed charge over the Repayment Escrow Account in favour of the Bond Trustee.

“Restricted Group” means the Issuer and all its (directly or indirectly owned) Subsidiaries from time to time.

“Restricted Group Company” means each company in the Restricted Group.

“Restricted Group Capital Employed Ratio” means the ratio of Restricted Group Equity to the sum of Restricted Group Equity plus the Restricted Group’s (on a consolidated basis) Net Interest-Bearing Debt.

“Restricted Group Equity” means (on a consolidated basis) the aggregate book value of the Restricted Group’s total equity treated as equity in accordance with IFRS (including any subordinated loans), excluding any fair value adjustment attributable to the BP Structured Energy Derivative.

“Ronan & Oran Asset” means the Issuer’s 100% interest in the Ronan & Oran fields located in the Northern North Sea offshore UK with licence number P. 1971 and block number 3/7c (part), 3/8c and 3/12 (part).

“Secured Hedging Transactions” means any hedging transactions other than the BP Structured Energy Derivative, the Novated Pre-Paid Put Options or Unsecured Hedging Transactions entered into between the Issuer and BTL for the purpose of hedging the Issuer’s risk in relation to fluctuations in commodity prices.

“Securities Depository” means the securities depository in which the Bond Issue is registered, being Verdipapirsentralen ASA (VPS) in Norway.

“Security Agent” means the Bond Trustee in its capacity as security agent and/or security trustee pursuant to Clause 18.4.

“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.

“Security and Covenant Defeasance” shall have the meaning given to it in Clause 19.2.

“Security Documents” means, collectively, all documents evidencing, creating or granting any Security Interest (current and/or future) in favour of the Bond Trustee or in respect of the obligation of any Obligor under any Finance Documents, and each such document being referred to as a **“Security Document”**.

“Security Interest” means, collectively, each Initial Security Interest and any Additional Security Interest.

“Stamdata” means the web site www.stamdata.no, maintained by the Bond Trustee.

“Subordinated Loan” means debt financing provided to the Issuer that is subordinated in right of payment to the Bonds; and does not (i) require the payment of cash interest at any time during the tenor of the Bonds; (ii) mature or require any amortisation or other payment prior to the Maturity Date of the Bonds; and (iii) provide for its acceleration or confer any right to declare any event of default prior to the Maturity Date of the Bonds.

“Subordination Agreement” means the agreement entered into between the Issuer, the Huntington Subsidiary and the Parent, under which any existing and future loans from the Huntington Subsidiary and/or the Parent to the Issuer shall be fully subordinated to the Bonds. Other than as permitted pursuant to Clause 14.4.2 with respect to payment to the Parent, 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 Huntington Subsidiary and the Parent shall have no right to accelerate for as long as the Bonds are outstanding.

“Subsidiary” means a company over which another entity or person has Decisive Influence.

“Subsequent Disbursement” means any drawdown from the Escrow Account or BP Structured Energy Derivative Structure Account after the First Disbursement.

“Tranche 1 Call Options” means the call options comprising a part of the BP Structured Energy Derivative for the calculation periods and in respect of the notional quantities specified in Attachment 4.

“Tranche 2 Call Options” means the call options comprising a part of the BP Structured Energy Derivative for the calculation periods and in respect of the notional quantities specified in Attachment 4.

“Trent & Tyne Asset” means the Issuer’s:

- (a) 20% working interest in the Trent & Tyne gas field located in the Southern Gas Basin offshore UK with licence number P.609 and P.685 and block number 44/18a Area A, 44/18a Area B and 43/24a, respectively; or
- (b) if the Issuer, in its sole discretion, elects or has elected to finance 100% of the Tyne North West exploration well and undertake such other activities as necessary under the agreement between the Issuer and Perenco UK Limited to earn a 37.5% working interest in the Trent & Tyne field, 37.5% of the working interest in the Trent & Tyne gas field.

“Unaffected Call Option Tranches” means the call options comprising a part of the BP Structured Energy Derivative for the calculation periods and in respect of the notional quantities specified in Attachment 4.

“Unsecured Hedging Transactions” means any pre-paid put options entered into between the Issuer and BTL on an unsecured basis.

“US Securities Act” means the U.S. Securities Act of 1933, as amended.

“**USD**” means US Dollars, being the legal currency of the United States of America.

“**Voting Bonds**” means the Outstanding Bonds less the Issuer’s Bonds.

1.2 **Construction**

In this Bond Agreement, unless the context otherwise requires:

- (a) headings are for ease of reference only;
- (b) words denoting the singular number shall include the plural and vice versa;
- (c) references to Clauses are references to the Clauses of this Bond Agreement;
- (d) references to a time is a reference to Oslo time unless otherwise stated herein;
- (e) references to a provision of law is a reference to that provision as it may be amended or re-enacted, and to any regulations made by the appropriate authority pursuant to such law, including any determinations, rulings, judgments and other binding decisions relating to such provision or regulation;
- (f) an Event of Default is “**continuing**” if it has not been remedied or waived; and
- (g) references to a “**person**” shall include any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality).

2 **THE BONDS**

2.1 **Binding nature of this Bond Agreement**

2.1.1 By virtue of being registered as a Bondholder (directly or indirectly) with the Securities Depository, the Bondholders are bound by the terms of this Bond Agreement and any other Finance Document, without any further action required to be taken or formalities to be complied with, see also Clause 19.1.

2.1.2 This Bond Agreement is available to anyone and may be obtained from the Bond Trustee or the Issuer. The Issuer shall ensure that this Bond Agreement is available to the general public throughout the entire term of the Bonds. This Bond Agreement may be published on Stamdata or such other venues as decided by the Bond Trustee.

2.2 **The Bonds**

2.2.1 The Issuer has resolved to issue a series of Bonds in the maximum amount of USD 275,000,000 (U.S. Dollar two hundred and seventy-five million).

2.2.2 The Face Value is USD 1. The Bonds shall rank pari passu between themselves.

2.2.3 The Bond Issue will be described as “9.50 per cent. Iona Energy Company (UK) Limited. Callable Bond Issue 2013/2018”.

2.2.4 The ISIN of the Bond Issue will be NO 001 0689763.

2.2.5 The tenor of the Bonds is from and including the Issue Date to the Maturity Date.

2.3 Purpose and utilization

The net proceeds (net of legal costs, fees of the Manager and the Bond Trustee and any other agreed costs and expenses) of the Bonds shall be applied to:

- (a) on First Disbursement, from the amount standing to the credit of the Repayment Escrow Account, fully repay the Existing Credit Facility including accrued interest and related obligations;
- (b) on First Disbursement, fund the BP Structured Energy Derivative Escrow Account in an amount of USD 35,000,000 to finance early termination of the Tranche 1 Call Options (any balance may be used to finance early termination of the Tranche 2 Call Options);
- (c) fund up to USD 25,000,000 of the Maximum BP Structured Energy Derivative Tranche 2 Retirement Amount to finance early termination of the Tranche 2 Call Options;
- (d) partly fund the Issuer's share of the Orlando and Kells Field Development Costs; and
- (e) general corporate purposes of the Group up to an amount of USD 3,000,000.

2.4 Other Capex Withdrawals

Upon payment into the Escrow Account of cash proceeds following:

- (a) a reduction of the working interest in an Exploration Licence, an Appraisal Licence or a Development Licence in accordance with Clause 14.4.3 below, such proceeds may:
 - (i) prior to First Oil from either the Orlando Asset or the Kells Asset be withdrawn from the Escrow Account for the purpose of being applied to fund capital expenditure as described in Clause 14.4.11; and
 - (ii) after First Oil from either the Orlando Asset or the Kells Asset be withdrawn from the Escrow Account for the purpose of funding capital expenditure in respect of the relevant Licence;
- (b) any sale or any other agreement reducing the Issuer's working interest in either Orlando Asset or the Kells Asset (either as a single transaction or a series of transactions) down to a minimum of 50%, such proceeds may be withdrawn to partly fund Orlando and Kells Field Development Costs.

2.5 Further releases from Escrow Account

Upon confirmation by the Issuer to the Bond Trustee of First Oil from both of the Orlando Asset and the Kells Asset, any amounts remaining in the Escrow Account at such time shall be transferred to the Issuer Earnings Account and the Escrow Account shall be terminated.

2.6 Release from BP Structured Energy Derivative Escrow Account

- 2.6.1 The amount on the BP Structured Energy Derivative Escrow Account shall only be used, and the Issuer shall be entitled to withdraw amounts only to fund BP Structured Energy Derivative Tranche 1 Retirement Disbursements, provided that the total sum of such payments when taken together terminate all of the outstanding Tranche 1 Call Options.
- 2.6.2 Upon confirmation by the Issuer to the Bond Trustee that the Issuer has terminated all outstanding Tranche 1 Call Options, any amounts remaining in the BP Structured Energy Derivative Escrow Account shall be transferred to the Escrow Account and the BP Structured Energy Derivative Escrow Account shall be closed.

3 LISTING

- 3.1 The Issuer shall apply for listing of the Bonds on Oslo Børs or, at the discretion of the Issuer, on Oslo Børs ASA's Nordic ABM.
- 3.2 If required in order to comply with applicable company law, the Issuer will re-register as a public limited company.
- 3.3 If the Bonds are listed, the Issuer shall ensure that the Bonds remain listed until they have been discharged in full.

4 REGISTRATION IN THE SECURITIES DEPOSITORY

- 4.1 The Bond Issue and the Bonds shall prior to disbursement be registered in the Securities Depository according to the Norwegian Securities Depository Act (Act 2002/64) and the terms and conditions of the Securities Depository.
- 4.2 The Issuer shall ensure that correct registration in the Securities Depository is made and shall notify the Securities Depository of any changes in the terms and conditions of this Bond Agreement. The Bond Trustee shall receive a copy of the notification. The registration may be executed by the Paying Agent.
- 4.3 The Bonds have not been registered under the US Securities Act, and the Issuer is under no obligation to arrange for registration of the Bonds under the US Securities Act.

5 PURCHASE AND TRANSFER OF BONDS

- 5.1 Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a Bondholder may be subject (due e.g. to its nationality, its residency, its registered address, its place(s) for doing business). Each Bondholder must ensure compliance with applicable local laws and regulations at its own cost and expense.
- 5.2 Notwithstanding the above, a Bondholder which has purchased the Bonds in breach of applicable mandatory restrictions may nevertheless utilize its rights (including, but not limited to, voting rights) under this Bond Agreement.

6 CONDITIONS PRECEDENT

6.1 Conditions Precedent to the Issue Date

6.1.1 Transfer of the net proceeds of the Bonds to the Escrow Account and the Repayment Escrow Account (as the case may be) on the Issue Date will be subject to the Bond Trustee having received the documents listed below, in form and substance satisfactory to it, at least two (2) Business Days prior to the Issue Date:

- (a) this Bond Agreement, duly executed by all Parties hereto;
- (b) confirmation from the Issuer that no Event of Default has occurred or is likely to occur as a result of the issuance of the Bonds;
- (c) certified copies of all necessary corporate resolutions of the Obligor to issue the Bonds and execute the Finance Documents;
- (d) (to the extent required) a power of attorney from each of the Obligor to relevant individuals for their execution of the relevant Finance Documents (and other documents under this Clause 6.1);
- (e) certified copies of, for each of the Obligor, (i) its Certificate of Incorporation or other similar official document, evidencing that it is validly registered and existing, (ii) its memorandum and articles of association, (iii) (other than in respect of the Parent) its register of members, and (iv) its register of officers;
- (f) the Issuer's and the Parent's latest Financial Statements and Interim Accounts (if any);
- (g) director's or officer's certificate from the Obligor attaching the documents in items (c) – (f).
- (h) confirmation from the Manager that the requirements set out in Chapter 7 of the Norwegian Securities Trading Act (implementing the EU prospectus directive (2003/71 EC) concerning prospectuses have been fulfilled;
- (i) to the extent necessary, any public authorisations required for the Bond Issue;
- (j) confirmation from the Paying Agent that the Bonds have been registered in the Securities Depository;
- (k) the Bond Trustee fee agreement set out in Clause 15.2, duly executed;
- (l) satisfactory documentation evidencing that the Escrow Account and the Repayment Escrow Account has been opened;
- (m) the Escrow Account Pledge duly executed by all parties thereto, all applicable notices, acknowledgements and consents being received from the Paying Agent, and evidence of the establishment and perfection of the Security under the Escrow Account Pledge;

- (n) the Repayment Escrow Account Fixed Charge duly executed by all parties thereto, together with evidence of the establishment and perfection of the Security constituted thereby;
 - (o) amendment of the BP Structured Energy Derivative duly executed by BTL and the Issuer allowing the Issuer, at its or BTL's option, to terminate call options in accordance with Clause 14.4.18 and reflecting that the negative pledge therein will not apply during the term of the Bonds;
 - (p) confirmation letter from the Issuer's appointed Norwegian process agent with respect to the Bond Agreement, the Escrow Account Pledge, the BP Structured Energy Derivative Escrow Account Pledge, the Debt Service Retention Account Pledge, the fee agreement set out in Clause 15.2 and any other Finance Document governed by Norwegian law;
 - (q) a copy of the Assigned Agreements;
 - (r) copies of any written documentation used in the marketing of the Bonds or made public by the Issuer, the Guarantors or the Manager in connection with the Bond Issue;
 - (s) documentation on the granting of authority to the Bond Trustee as described in Clause 2.1.1 and copies of any written documentation used in the marketing of the Bonds or made public by the Issuer or the Manager in connection with the Bond Issue;
 - (t) any statements or legal opinions reasonably required by the Bond Trustee (including any capacity corporate opinions for the Issuer and opinions related to the validity, perfection and enforceability of the Bond Agreement, the Escrow Account Pledge and the fee agreement set out in Clause 14.2).
- 6.1.2 The Bond Trustee may, at its sole discretion, waive the deadline or requirements for documentation as set out in Clause 6.1.1.
- 6.1.3 Transfer of the net proceeds from the Bonds to the Escrow Account and/or the Repayment Escrow Account (as the case may be) is subject to the Bond Trustee's written notice to the Issuer, the Manager and the Paying Agent that the required conditions precedent are fulfilled (or otherwise waived in accordance with Clause 6.1.2 above).
- 6.1.4 On the Issue Date, subject to receipt of confirmation from the Bond Trustee pursuant to Clause 6.1.3, the Manager shall transfer an amount of the net proceeds from the Bond Issue sufficient to fully repay the Existing Credit Facility including accrued interest and related obligations to the Repayment Escrow Account, and shall transfer the remainder of the net proceeds from the Bond Issue to the Escrow Account.
- 6.2 Conditions Precedent for First Disbursement**
- 6.2.1 Amounts standing to the credit of the Escrow Account shall only be used according to the purposes as set out in Clause 2.3 (*Purpose and utilization*) or 2.4 (*Other Capex Withdrawals*), including to pay any fees, expenses and costs (including legal costs) due and

owning related to the Bond Issue, and First Disbursement of the net proceeds of the Bonds from the Escrow Account shall be subject to customary closing mechanisms to be agreed between the Issuer and the Bond Trustee and the Bond Trustee having received the following, in form and substance satisfactory to it, on or prior to the time of disbursement:

- (a) a duly executed release notice from the Issuer in the form set out in Attachment 2 (*Release Notice – Escrow Account*) (a “**Release Notice**”), including, inter alia, a statement regarding use of funds referring to the relevant item (a) through (d) under Clause 2.3 (*Purpose and utilization*) and confirmation that no Event of Default has occurred or is likely to occur as a consequence of the First Disbursement;
- (b) relevant invoices or other supporting documentation evidencing that the amount to be released shall be applied in accordance with Clauses 2.3 (*Purpose and utilization*) or 2.4 (*Other Capex Withdrawals*). Each Release Notice to fund the Orlando and Kells Field Development Costs shall specify the details of the nature of such costs, and whether they are payable directly by the Issuer or through a “cash call” or joint interest billing invoice from the relevant operator;
- (c) evidence that the lenders under the Existing Credit Facility have released any outstanding security granted to secure such facility (or will release such security immediately upon the discharge of all obligations thereunder);
- (d) the BTL Intercreditor Agreement duly executed by all parties thereto;
- (e) evidence that BTL has released any outstanding second ranking security granted prior to the Issue Date to secure the Issuer’s obligations under the BP Structured Energy Derivative (or will release such security simultaneously with the release of the security referred to in (c) above);
- (f) confirmation from the Issuer that no Financial Indebtedness, Security or Financial Support exist within the Restricted Group (other than the Permitted Financial Indebtedness, Permitted Security or Permitted Financial Support);
- (g) satisfactory documentation evidencing that the Accounts (except for the Escrow Account) have been opened;
- (h) all Security Documents creating the Initial Security Interest (unless delivered under Clause 6.1 above), as well as all applicable notices, acknowledgements and consents required thereunder, duly executed by all parties thereto and evidence of the establishment and perfection of the Security thereunder, or confirmation that such documents will be perfected upon First Disbursement;
- (i) the Subordination Agreement duly executed by the Issuer and the Huntington Subsidiary;
- (j) the Subordination Agreement duly executed by the Issuer and the Parent;
- (k) any other relevant Finance Documents (unless delivered on or prior to the Issue Date and to the extent applicable) being in acceptable form and duly executed by the parties thereto;

- (l) copies of written instructions to the Paying Agent to transfer an amount equal to one sixth of the interest payment payable hereunder on the Interest Payment Date in March 2014 to the Debt Service Account;
- (m) copies of necessary corporate resolutions from the Obligors to execute the Security Documents and any other relevant Finance Document (unless covered by the corporate resolutions delivered under Clause 6.1.1(c) above);
- (n) (to the extent required) a power of attorney from each of the Obligors to relevant individuals for their execution of the relevant Finance Documents (unless covered by the power of attorneys delivered under Clause 6.1.1(d) above);
- (o) director's certificate from the Obligors attaching the documents in items (m) and (n) (if any);
- (p) any statements or legal opinions reasonably required by the Bond Trustee (including any capacity corporate opinions for the Obligors and opinions related to the validity, perfection and enforceability of the Finance Documents (unless covered by the legal opinion delivered under Clause 6.1.1(t) above); and
- (q) any other documentation the Bond Trustee may reasonably require.

6.2.2 The Bond Trustee may, at its sole discretion, waive the deadline or requirements for documentation as set out in Clause 6.2.1.

6.2.3 First Disbursement is subject to the Bond Trustee's written notice to the Issuer and the Escrow Account Bank that the required conditions precedent are fulfilled (or otherwise waived in accordance with Clause 6.2.2 above) and the Bond Trustee's subsequent confirmation to the agent under the Existing Credit Facility (copying the Issuer and the Escrow Account Bank) that the amounts standing to the credit of the Repayment Escrow Account may be transferred to the account of such agent for repayment of the Existing Credit Facility.

6.3 **Conditions Precedent for Subsequent Disbursements**

6.3.1 Each and any release of funds from the Escrow Account after the First Disbursement shall only be used for the purposes as set out in Clause 2.3 (*Purpose and utilization*) or 2.4 (*Other Capex Withdrawals*) and be subject to conditions precedent as for the First Disbursement as set out in Clause 6.2.1(a) and (b) above. Each Release Notice from the Escrow Account to fund the Orlando and Kells Field Development Costs shall specify the details of the nature of such costs, and whether they are payable directly by the Issuer or through a "cash call" or joint interest billing invoice from the relevant operator.

6.4 **Conditions Precedent for withdrawals from the BP Structured Energy Derivative Escrow Account**

6.4.1 The Issuer may make withdrawals from the BP Structured Energy Derivative Escrow Account by issuing a BP Structured Energy Derivative Escrow Account Drawdown Notice to the Escrow Account Bank and the Bond Trustee, provided that the aggregate sum of such withdrawals is sufficient to terminate all of the outstanding Tranche 1 Call Options.

7 REPRESENTATIONS AND WARRANTIES

7.1 Each Obligor represents and warrants to the Bond Trustee that:

7.1.1 *Status*

- (a) The Issuer represents and warrants that it is a limited liability company, duly incorporated and validly existing and registered under the laws of Scotland , and has the power to own its assets and carry on its business as it is being conducted;
- (b) The Parent represents and warrants that it is a corporation duly amalgamated and validly existing and registered under the laws of Alberta, Canada and has the power to own its assets and carry on its business as it is being conducted; and
- (c) The Huntington Subsidiary represents and warrants that it is a private limited liability company, duly incorporated and validly existing and registered under the laws of England and Wales, and has the power to own its assets and carry on its business as it is being conducted.

7.1.2 *Power and authority*

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Bond Agreement and any other Finance Document to which it is a party and the transactions contemplated by those Finance Documents.

7.1.3 *Valid, binding and enforceable obligations*

This Bond Agreement and each other Finance Document to which it is a party constitutes (or will constitute, when executed by the respective parties thereto) its legal, valid and binding obligations, which (subject to Legal Reservations) are enforceable in accordance with their respective terms, and (save as provided for therein) no further registration, filing, payment of tax or fees or other formalities are necessary or desirable to render the said documents enforceable against it.

7.1.4 *Non-conflict with other obligations*

The entry into and performance by it of this Bond Agreement and any other Finance Document to which it is a party and the transactions contemplated thereby do not and will not conflict with:

- (a) any law or regulation or judicial or official order;
- (b) its constitutional documents; or
- (c) any agreement or instrument which is binding upon it or any of its assets.

7.1.5 *No Event of Default*

- (a) No Event of Default exists or is likely to result from the making of any drawdown under this Bond Agreement or the entry into, the performance of, or any transaction contemplated by, any Finance Document.
- (b) No other event or circumstance is outstanding which constitutes (or with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (howsoever described) under any other agreement or instrument which is binding on it or any other Group Company or to which its (or any other Group Company's) assets are subject which has or is likely to have a Material Adverse Effect.

7.1.6 Authorizations and consents

All authorisations, consents, approvals, resolutions, licenses, exemptions, filings, notarizations or registrations required:

- (a) to enable it to enter into, exercise its rights and comply with its obligations under this Bond Agreement or any other Finance Document to which it is a party; and
- (b) to carry on its business as presently conducted and as contemplated by this Bond Agreement,

have been obtained or effected and are in full force and effect.

7.1.7 Litigation

No litigation, arbitration or administrative proceedings or investigations of or before any court, arbitral body or agency which, if adversely determined, is likely to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it or any other Group Company.

7.1.8 Financial Statements

The most recent Financial Statements and Interim Accounts of the Parent and the Issuer fairly and accurately represent the assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with GAAP, consistently applied.

7.1.9 No Material Adverse Effect

Since the date of the Financial Statements, there has been no change in its business, assets or financial condition that is likely to have a Material Adverse Effect.

7.1.10 No misleading information

Any factual information provided by it to the Bondholders or the Bond Trustee for the purposes of this Bond Issue was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

7.1.11 No withholdings

Save in the case of interest payable by the Issuer under the Bonds where the Bonds have not been listed on an Exchange, the Issuer is not required to make any deduction or withholding from any payment which it may become obliged to make to the Bond Trustee or the Bondholders under this Bond Agreement.

7.1.12 *Assigned Agreements*

Each of the Assigned Agreements is in full force and effect.

7.1.13 *Pari passu ranking*

Its payment obligations under this Bond Agreement and any other Finance Document to which it is a party rank at least *pari passu* as set out in Clause 8.1 (*Ranking and Priority*).

7.1.14 *Security*

No Security exists over any of the present assets of the Parent and/or any Restricted Group Company other than as permitted pursuant to this Bond Agreement.

7.2 The representations and warranties set out in Clause 7.1 are made on the execution date of this Bond Agreement, and shall be deemed to be repeated on the Issue Date, the date of First Disbursement and, other than to the extent that (i) the representation and warranty set out in Clause 7.1.11 is no longer true as a result of a change in law, and (ii) any Assigned Agreement has expired or otherwise has been terminated in compliance with Clause 14.4.15 on each subsequent drawdown date from the Escrow Account.

8 STATUS OF THE BONDS AND SECURITY

8.1 Status of the Bonds

The Bonds shall constitute senior debt obligations of the Issuer. The Bonds shall rank at least *pari passu* with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other laws of general application,) and shall rank ahead of subordinated debt.

8.2 Security

8.2.1 The Bonds and any other amount outstanding under the Finance Documents to the Bond Trustee and/or the Bondholders, including accrued but unpaid interest, costs and expenses, shall be secured on a first priority basis by the Security Interest and shall rank in priority and payment and secure any outstanding liabilities and obligations relating to the Bonds ahead of the BTL Second-Ranking Security Interest. BTL's rights relating to the BTL Second-Ranking Security Interest shall be subordinated pursuant to the BTL Intercreditor Agreement and the Bonds shall rank ahead of any subordinated capital.

8.2.2 The Issuer shall grant, and ensure that the Parent, the Huntington Subsidiary and any future Restricted Company (as applicable) grants, Additional Security on the basis of the same principles as for the existing Security Interest in the event:

- (a) an entity becomes a Restricted Group Company;

- (b) a Development Licence or a Production Licence is acquired by the Issuer or any Restricted Group Company;
- (c) a Licence develops into a Development Licence;
- (d) any new Assigned Agreement is entered into (as agreed between the Issuer and the Bond Trustee as being a key relevant agreement);
- (e) the Issuer increases its interest in the Trent & Tyne Asset;
- (f) any intra-group loan is entered into between the Issuer and a Restricted Group Company;
- (g) any new shares or other equity-linked security is issued by the Issuer, the Huntington Subsidiary or any future Restricted Group Company; or
- (h) the Issuer or the Huntington Subsidiary opens additional earnings accounts.

8.2.3 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 Debenture or the Huntington Subsidiary Debenture, 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.

8.2.4 Such Additional Security shall be established within 20 Business Days after any such event as described in Clause 8.2.2 (a)-(h) above has occurred.

8.2.5 Any future Restricted Group Company shall become a party to this Bond Agreement as an Additional Guarantor.

8.2.6 In the event of a sale or other disposal reducing the Issuer's working interest in any Licence in accordance with the terms of this Bond Agreement, the Bond Trustee shall release and discharge any Security Interest over and relating to such working interest.

9 INTEREST

9.1 The Issuer shall pay interest on the par value of the Bonds from, and including, the Issue Date at a fixed rate of nine point fifty per cent. (9.50%) per annum (the "**Fixed Rate**").

9.2 Interest payments shall be made semi-annually in arrears on the Interest Payment Dates each year, the first Interest Payment Date being 27 March 2014.

9.3 The relevant interest payable amount shall be calculated based on a period from, and including, one Interest Payment Date to, but excluding, the next following applicable Interest Payment Date.

9.4 The day count fraction ("**Fixed Rate Day Count Fraction**") in respect of the calculation of the payable interest amount shall be "30/360", which means that the number of days in the calculation period in respect of which payment is being made divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-days months (unless (i) the last day of the calculation period is the 31st day of a month but the first day of the

calculation period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the calculation period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).

- 9.5 The payable interest amount per Bond for a relevant calculation period shall be calculated as follows:

$$\begin{array}{ccccccc} \text{Interest} & = & \text{Face} & \times & \text{Fixed} & \times & \text{Fixed Rate} \\ \text{Amount} & & \text{Value} & & \text{Rate} & & \text{Day Count Fraction} \end{array}$$

10 MATURITY OF THE BONDS AND REDEMPTION

10.1 Maturity and instalments

- 10.1.1 Subject to Clauses 10.1.2 and 10.1.3 below, and commencing on the Interest Payment Date in March 2016, the Bonds shall be repaid by the Issuer in semi-annual Instalments in the amounts (plus interest on the redeemed Bonds in accordance with Clause 9 above) and at the prices set out opposite each Interest Payment Date and the Maturity Date below:

Payment Date	Nominal Instalment amount	Redemption Price
Interest Payment Date in March 2016	USD 41,250,000	105%
Interest Payment Date in September 2016	USD 41,250,000	104%
Interest Payment Date in March 2017	USD 41,250,000	104%
Interest Payment Date in September 2017	USD 41,250,000	103%
Interest Payment Date in March 2018	USD 41,250,000	103%
Maturity Date	The remaining Outstanding Bonds	102%
Sum	USD 275,00,000	

Partial repayment must be carried out *pro rata* (in accordance with the procedures of the Securities Depository) in inverse order of maturity.

- 10.1.2 In the event the Issuer sells parts of its working interest in the Orlando Asset and/or the Kells Asset and/or enters into an agreement that reduces its working interest in the Orlando Asset and/or the Kells Asset (such working interest not to be reduced below 50% during the term of the Bonds) prior to First Oil for the Orlando Assets and/or the Kells Asset (as the case may be), any remaining Instalments following such transfer shall be increased as follows:

Each remaining Instalment = $\left(1 + \frac{(a - b)/c}{d}\right) * \text{initial Instalment};$

where:

a = 25%;

b = a * the lower of (A) the Issuer's working interest in the Orlando Asset / 75% and (B) the Issuer's working interest in the Kells Asset / 75% (both measured after reduction in interest);

c = remaining number of Instalments (not including the residual amount to be paid on the Maturity Date); and

d = 15%;

and the residual amount to be paid on the Maturity Date shall be reduced accordingly.

10.1.3 In the event that the reduction in the Issuer's working interest in the Orlando Asset and/or the Kells Asset occurs after the fifth Instalment, the Issuer shall, on or about the day the proceeds are received by the relevant Restricted Group Company, pay an extraordinary Instalment similar to the remaining Instalment which would have occurred as the fifth Instalment if the reduction in working interest had taken place after the fourth Instalment, but prior to the fifth Instalment, at 103% of par value, and the residual amount on the Maturity Date shall be reduced accordingly.

10.1.4 Payment of Instalments must be carried out *pro rata* in accordance with the procedures of the Securities Depository.

10.2 Call Option

10.2.1 The Issuer may redeem the Bond Issue in whole or in part as follows (Call Option):

(a) with settlement date at any time from the Issue Date to, but not including, the Interest Payment Day falling in September 2015, at a price equivalent to the sum of:

- (i) the present value of 105% of par value as if such payment originally should have taken place on the Interest Payment Day falling in September 2015;
- (ii) the present value of the remaining coupon payments (less any accrued interest) to and including the Interest Payment Day falling in September 2015; and
- (iii) accrued interest on the redeemed Bonds,

both (i) and (ii) above calculated by using a discount rate of 50 basis points over the comparable U.S. Treasury Rate (i.e. comparable to the remaining duration of the Bonds until the date falling 24 months after the Issue Date) on the date falling 10 Business Days prior to the redemption date.

- (b) with settlement date at any time from the Interest Payment Day falling in September 2015 to, but not including, the Interest Payment Day falling in September 2016 at a price equal to 105% of par value (plus accrued interest on the redeemed Bonds);
- (c) with settlement date at any time from the Interest Payment Day falling in September 2016 to, but not including, the Interest Payment Day falling in September 2017 at a price equal to 104% of par value (plus accrued interest on the redeemed Bonds);
- (d) with settlement date at any time from the Interest Payment Day falling in September 2017 to, but not including, the Interest Payment Day falling in September 2018 at a price equal to 103% of par value (plus accrued interest on the redeemed Bonds); and
- (e) with settlement date at any time from the Interest Payment Day falling in September 2018 to, but not including, the Maturity Date at a price equal to 102% of par value (plus accrued interest on the redeemed Bonds),

provided always that within any such period set out in (a) – (e), the price shall be reduced on a linear basis (e.g., in the event of settlement in March 2016, the redemption price is 104.5%).

10.2.2 Exercise of the Call Option shall be notified by the Issuer in writing to the Bond Trustee and the Bondholders at least ten (10) Business Days prior to the settlement date of the Call Option.

10.2.3 On the settlement date of the Call Option, the Issuer shall pay to each of the Bondholders holding Bonds to be redeemed, in respect of each such Bond, the principal amount of such Bond (including any premium as stated above) and any unpaid interest accrued up to the settlement date.

10.2.4 Bonds redeemed by the Issuer in accordance with this Clause 10.2 shall be discharged against the Outstanding Bonds.

10.3 **Change of control**

10.3.1 Upon the occurrence of a Change of Control Event, each Bondholder shall have the right to require that the Issuer redeems its Bonds (a “**Put Option**”) at a price of 101% of par plus accrued interest.

10.3.2 The Put Option must be exercised within sixty (60) days after the Issuer has given notification to the Bond Trustee of a Change of Control Event. Such notification shall be given as soon as possible after a Change of Control Event has taken place.

10.3.3 The Put Option may be exercised by each Bondholder by giving written notice of the request to its Account Manager. The Account Manager shall notify the Paying Agent of the redemption request. The settlement date of the Put Option shall be the third Business Day after the end of the sixty (60) day exercise period of the Put Option.

10.3.4 On the settlement date of the Put Option, the Issuer shall pay to each of the Bondholders holding Bonds to be redeemed, the principal amount of each such Bond (including any premium pursuant to Clause 10.3.1) and any unpaid interest accrued up to (but not including) the settlement date of the Put Option.

10.3.5 For the avoidance of doubt, a Change of Control Event shall not constitute a Mandatory Prepayment Event.

10.4 **Mandatory Prepayment**

10.4.1 Upon the occurrence of a Mandatory Prepayment Event, the Issuer shall, on or about the day the relevant Restricted Group Company receives the proceeds from the relevant Mandatory Prepayment Event, use all such proceeds, net of transaction costs (including taxes), to redeem a similar principal amount of Outstanding Bonds at a redemption price as follows:

- (a) if occurring anytime from and including the Issue Date to, but not including, the Interest Payment Day falling in September 2014 at a price equal to 109.00% of par value (plus accrued interest on redeemed Bonds);
- (b) if occurring anytime from and including the Interest Payment Day falling 1 year after the Issue Date to, but not including, the Interest Payment Day falling in September 2015 at a price equal to 107.50% of par value (plus accrued interest on redeemed Bonds); and
- (c) thereafter, on such terms described in Clauses 10.2.1(b) through 10.2.1(e) above.

10.4.2 For the avoidance of doubt, the redemption prices above shall be determined based on the date the Mandatory Prepayment Event occurred and not based on the date of repayment.

10.4.3 On the settlement date of the Mandatory Prepayment, the Issuer shall pay to each of the Bondholders holding Bonds to be redeemed, in respect of each such Bond, the principal amount of such Bond (including any premium as stated above) and any unpaid interest accrued up to the settlement date.

10.4.4 Bonds redeemed by the Issuer in accordance with this Clause 10.4 shall be discharged against the Outstanding Bonds.

11 **PAYMENTS**

11.1 **Covenant to pay**

11.1.1 Subject to Clause 11.2.1, the Issuer will on any Payment Date (or any other due date pursuant to any Finance Document) unconditionally pay to or to the order of the Bond Trustee all amounts due under this Bond Agreement or any other Finance Document.

11.1.2 The covenant contained in Clause 11.1.1 shall be for the benefit of the Bond Trustee and the Bondholders.

11.2 **Payment mechanics**

- 11.2.1 If no specific order is made by the Bond Trustee under Clause 11.1.1, the Issuer shall pay all amounts due to the Bondholders under this Bond Agreement or any other Finance Document by crediting the bank account nominated by each Bondholder in connection with its securities account in the Securities Depository.
- 11.2.2 Payment shall be deemed to have been made once the amount has been credited to the bank which holds the bank account nominated by the Bondholder in question, but if the paying bank and the receiving bank are the same, payment shall be deemed to have been made once the amount has been credited to the bank account nominated by the Bondholder in question, see however Clause 11.3.
- 11.2.3 In case of irregular payments, the Bond Trustee may instruct any Obligor or the Bondholders of other payment mechanisms than described in Clause 11.2.1 or 11.2.2 above. The Bond Trustee may also obtain payment information regarding Bondholders' accounts from the Securities Depository or Account Managers.
- 11.2.4 Subject to Clause 11.3, payment by the Issuer in accordance with this Clause 11.2 shall constitute good discharge of its obligations under Clause 11.1.1.

11.3 **Currency**

- 11.3.1 If the Bonds are denominated in other currencies than NOK, each Bondholder has to provide the Paying Agent (either directly or through its Account Manager) with specific payment instructions, including foreign exchange bank account details. Depending on any currency exchange settlement agreements between each Bondholder's bank and the Paying Agent, cash settlement may be delayed, and payment shall be deemed to have been made at the date of the cash settlement, provided however, that no default interest or other penalty shall accrue for the account of the Issuer.
- 11.3.2 Except as otherwise expressly provided, all amounts payable under this Bond Agreement and any other Finance Document shall be payable in the same currency as the Bonds are denominated in. If, however, the Bondholder has not given instruction as set out in Clause 11.3 within five Business Days prior to a Payment Date, the cash settlement will be exchanged into NOK and credited to the NOK bank account registered with the Bondholder's account in the Securities Depository.
- 11.3.3 Amounts payable in respect of costs, expenses, taxes and other liabilities of a similar nature shall be payable in the currency in which they are incurred.

11.4 **Set-off and counterclaims**

No Obligor may apply or perform any counterclaims or set-off against any payment obligations pursuant to this Bond Agreement or any other Finance Document.

11.5 **Interest in the event of late payment**

- 11.5.1 In the event that any amount due under this Bond Agreement or any Finance Document is not made on the relevant due date, the unpaid amount shall bear interest from the due date at an interest rate equivalent to the interest rate according to Clause 9 plus five per cent. (5.00%) per annum.

11.5.2 The interest charged under this Clause 11.5 shall be added to the defaulted amount on each respective Interest Payment Date relating thereto until the defaulted amount has been repaid in full.

11.5.3 The unpaid amounts shall bear interest as stated above until payment is made, whether or not the Bonds are declared to be in default pursuant to Clause 16.1.1, cf. Clauses 16.2 - 16.4.

11.6 **Partial payments**

If the Bond Trustee or the Paying Agent receives a payment that is insufficient to discharge all the amounts then due and payable under the Finance Documents, that payment shall be applied in the following order:

- (a) first, in or towards payment of any unpaid fees, costs and expenses of the Bond Trustee under the Finance Documents;
- (b) secondly, in or towards payment of any accrued interest due but unpaid under the Bond Agreement, *pro rata* and without any preference or priority of any kind; and
- (c) thirdly, in or towards payment of any principal due but unpaid under the Bond Agreement, *pro rata* and without any preference or priority of any kind.

12 **ISSUER'S ACQUISITION OF BONDS**

The Issuer has the right to acquire and own Bonds (Issuer's Bonds). The Issuer's holding of Bonds may at the Issuer's discretion be retained by the Issuer, sold or discharged.

13 **GUARANTEE AND INDEMNITY**

13.1 **Guarantee and Indemnity**

Each Guarantor hereby irrevocably and unconditionally, jointly and severally:

- (a) guarantees to the Bond Trustee (on behalf of the Bondholders) as an independent primary obligor (*Norwegian: "påkravskausjonist"*) and not merely as surety, on first demand, the due and punctual performance, observance and compliance by the other Obligor of all their obligations under the Bond Agreement and the other Finance Documents (the "**Guaranteed Obligations**");
- (b) undertakes with the Bond Trustee that whenever any Obligor does not pay any amount when due or declared due under or in connection with the Bond Agreement or any other Finance Document, the Guarantor shall on first demand by the Bond Trustee pay that amount as if it was the principal obligor within two (2) Business Days of such demand from the Bond Trustee; and
- (c) agrees with the Bond Trustee that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify the Bond Trustee immediately on first demand against any cost, loss or liability it, they or any of them may incur as a result of any Obligor not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under the Bond Agreement or any other Finance Document on

the date when it would have been due. The amount payable by a Guarantor under this indemnity will not exceed the amount it would have had to pay under this Guarantee if the amount claimed had been recoverable on the basis of the guarantee provisions set out in paragraphs (a) and (b) above.

13.2 **Continuing Guarantee**

The obligations of each of the Guarantors hereunder are continuing obligations and will extend to the payment of the ultimate balance of all amounts payable by the Obligors under the Bond Agreement and the other Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

13.3 **Maximum Liability**

The total liability of each of the Guarantors under this Guarantee, in aggregate, shall always be limited to USD 330,000,000 plus interest, default interest, fees, costs, recovery costs, expenses and indemnities as set out in or provided for in the Bond Agreement.

13.4 **Number of Claims**

There is no limit on the number of claims that may be made by the Bond Trustee against a Guarantor under this Guarantee.

13.5 **Waiver of Defences**

Each Guarantor's liability to the Bond Trustee under this Guarantee is direct and independent of the contractual relationship between the other Obligors and the Bond Trustee under this Bond Agreement and another Obligor under the Finance Documents. The Guarantor specifically waives any right to raise any defence (Norwegian: "*innsigelse*") under this Guarantee otherwise available to the other Obligors under this Bond Agreement and the Finance Documents and otherwise under any applicable law. Accordingly, each Guarantor's liability to the Bond Trustee under this Guarantee shall not be affected by any act, omission, matter or thing which, but for this Clause, would reduce, release or prejudice any of its obligations under this Guarantee (without limitation and whether or not known to it, the Bond Trustee or any other party) including:

- (a) any discussion or dispute between another Obligor and the Bond Trustee on the appropriateness or legality of any claim made by the Bond Trustee against another Obligor under the Bond Agreement or any of the other Finance Documents;
- (b) any available right of set-off, counterclaim or other defence available to another Obligor under the Bond Agreement or any of the other Finance Documents;
- (c) any other circumstance which might otherwise constitute a defence available to, or discharge of, another Obligor based on and/or arising from the Bond Agreement or any of the other Finance Documents, any underlying relationships, agreements and other transactions or circumstances whatsoever;
- (d) the release of another Obligor or any other person under the terms of any composition or arrangement with any creditor of another Obligors;

- (e) any total or partial invalidity, irregularity, illegality, unenforceability, imperfection or avoidance of or any defect in any security granted by, or for the obligation of another Obligor or any other person under this Bond Agreement and other Finance Documents, or any other document or security;
- (f) any increase or reduction of the amounts made available under this Bond Agreement, or any variation of the terms and conditions for their repayment (including without limitation, the rate of interest payable under this Bond Agreement);
- (g) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against or Security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to release the full value of any security;
- (h) any corporate reorganisation, reconstruction, amalgamation, dissolution, merger, de-merger, acquisition or any other alteration in the corporate existence or structure of another Obligor, the Bond Trustee or any other person;
- (i) any incapacity or lack of power, authority or legal personality of or dissolution or change in the shareholders or status of another Obligor, the Bond Trustee or any other person;
- (j) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of this Bond Agreement or any other Finance Document or any other document, including, without limitation, any change in the purpose of, any extension of or increase in the amounts made available under this Bond Agreement or any other document or Security; or
- (k) any liquidation, bankruptcy, dissolution, insolvency or similar proceedings of another Obligor or any other person.

13.6 **Deferral of the Guarantors' Rights**

Until all amounts payable by the Obligors under or in connection with this Bond Agreement and the other Finance Documents have been irrevocably paid in full and unless the Bond Trustee otherwise directs, no Guarantor shall exercise any rights which it otherwise might have by reason of performance by it of its obligations under this Guarantee, including:

- (a) to be indemnified or reimbursed by another Obligor;
- (b) to take security from another Obligor or any other Group Company for the Guaranteed Obligations;
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Bond Trustee under this Bond Agreement or the other Finance Documents;

- (d) to bring legal or other proceedings for an order requiring another Obligor to make any payment, or perform any obligation, following the payment by such Guarantor of any portion of the Guaranteed Obligations;
- (e) to exercise any right of set-off against another Obligor; and/or
- (f) to claim or prove as a creditor of another Obligor in competition with the Bond Trustee, save that a Guarantor may set forth claims for dividends against the bankruptcy estate of an Obligor provided always that any proceeds derived in connection with such claim shall be distributed in accordance with Clause 13.7.

13.7 If a Guarantor receives any benefit, payment or distribution in relation to such rights as referred to in Clause 13.6 (f) it shall hold that benefit, payment or distribution in trust for the Bond Trustee to the extent necessary to ensure that all amounts which may be or become payable to the Bond Trustee by any Obligor under or in connection with this Bond Agreement, this Guarantee and the other Finance Documents be paid in full and such Guarantor shall promptly pay or transfer the same to the Bond Trustee or as the Bond Trustee may direct for application in accordance with this Bond Agreement.

13.8 **Taxes**

All payments by a Guarantor under this Guarantee shall be made free and clear of and without deduction or withholding for or on account of any taxes, unless a tax deduction or withholding is required by law.

A Guarantor shall promptly upon becoming aware that it must make a tax deduction or withholding (or that there is any change in the rate or the basis of a tax deduction or withholding) notify the Bond Trustee accordingly.

If a tax deduction or withholding is required by law to be made by a Guarantor:

- (a) such deduction or withholding shall be made by such Guarantor;
- (b) the amount deducted or withheld shall be paid by such Guarantor to the relevant authority; and
- (c) the amount payable by such Guarantor to the Bond Trustee under this Guarantee shall be increased as may be necessary to ensure that the Bond Trustee receives (free from any liability in respect of any such deduction or withholding) a net amount equal to the full amount which it would have received had payment not been made subject to any such deduction or withholding.

A Guarantor shall promptly deliver to the Bond Trustee any receipts, certificates or other proof evidencing payment to the relevant authority of any amount of tax deducted or withheld under this Guarantee.

13.9 **Enforcement**

The Bond Trustee shall not be obliged before taking steps to enforce the obligations of a Guarantor under this Guarantee:

- (a) to make any claim or obtain any judgment against any Obligor or any third party in any court or other tribunal;
- (b) to make or file any claim in a bankruptcy or liquidation of any Obligor or any third party; or
- (c) to take any other action whatsoever against any Obligor or any third party under this Bond Agreement or any of the other Finance Documents, except for the giving of notice of any payment due hereunder,

and each Guarantor hereby waives all such formalities or rights to which it would otherwise be entitled or which the Bond Trustee would otherwise first be required to satisfy or fulfil before proceeding or making any demand against such Guarantor hereunder.

13.10 **Reinstatement**

If any discharge, release or arrangement (whether in respect of the obligations of any Obligor or any Security for those obligations or otherwise) is made by the Bond Trustee in whole or in part on the basis of any payment, Security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of a Guarantor under this Guarantee will continue or be reinstated as if the discharge, release or arrangement had not occurred.

13.11 **Exercise of Rights**

The rights of the Bond Trustee under this Guarantee:

- (a) may be exercised as often as the Bond Trustee thinks fit;
- (b) are cumulative and not exclusive of any other rights of the Bond Trustee under this Bond Agreement and the other Finance Documents; and
- (c) may be waived only in writing.

No delay in exercising, or failure to exercise, any such right is a waiver of that right.

13.12 **Additional Security**

This Guarantee is in addition to and is not in any way prejudiced by any other guarantee or Security now or subsequently held by the Bond Trustee (on behalf of the Bondholders).

14 **COVENANTS**

14.1 **General**

- 14.1.1 Each of the Obligors undertakes from the date of this Bond Agreement and until such time that no amounts are outstanding under this Bond Agreement or any other Finance Document, to the Bond Trustee, as further set out in this Clause 14.

14.2 **Information Covenants**

- 14.2.1 The Issuer shall:

- (a) without being requested to do so, promptly inform the Bond Trustee in writing of any Event of Default, any event or circumstance which will or could reasonably be likely to lead to an Event of Default and any other event which may have a Material Adverse Effect;
- (b) without being requested to do so, inform the Bond Trustee in writing if the Issuer or any Guarantor agrees to sell or dispose of all or a substantial part of its assets or operations, or change the nature of its business;
- (c) without being requested to do so, prepare Financial Statements and together with such Financial Statements, report figures for Liquidity, Restricted Group Equity, Net Interest-Bearing Debt, Cash and Cash Equivalents, LTM EBITDA and total hydrocarbon production of the Restricted Group and make the Financial Statements and such additional information available to the Bond Trustee and on the Parent's website in the English language (alternatively by arranging for publication on Stamdata) for public distribution as soon as they become available, and not later than 120 days after the end of the financial year;
- (d) without being requested to do so, prepare Interim Accounts and together with such Interim Accounts, report figures for Liquidity, Restricted Group Equity, Net Interest-Bearing Debt, Cash and Cash Equivalents, LTM EBITDA and total hydrocarbon production of the Restricted Group and make the Interim Accounts and such additional information available on its website in the English language (alternatively by arranging for publication on Stamdata) for public distribution as soon as they become available, and not later than 60 days after the end of the relevant interim period;
- (e) without being requested to do so, promptly inform the Bond Trustee of any Licence Cancellation Event 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;
- (f) without being requested to do so, promptly inform the Bond Trustee of any event which may result in any Additional Security being established in accordance with Clause 8.2.2;
- (g) without being requested to do so, promptly inform the Bond Trustee of the date of First Oil from the Orlando Asset and the Kells Asset;
- (h) without being requested to do so, promptly inform the Bond Trustee of any retiring of Tranche 1 Call Options and Tranche 2 Call Options;
- (i) without being requested to do so, promptly inform the Bond Trustee of any disposal of Licences in accordance with Clause 14.4.3;
- (j) without being requested to do so, promptly inform the Bond Trustee of any capital expenditure in the Licences, other capital expenditure or any exploration spending exceeding the limitation set out in Clauses 14.4.11 – 14.4.13;

- (k) at the request of the Bond Trustee, report the balance of the Issuer's Bonds;
- (l) without being requested to do so, send the Bond Trustee copies of any statutory notifications of the Issuer, including but not limited to in connection with mergers, de-mergers and reduction of the Issuer's share capital or equity;
- (m) if the Bonds are listed on an Exchange, without being requested to do so, send a copy to the Bond Trustee of its notices to the Exchange;
- (n) if the Issuer and/or the Bonds are rated, without being requested to do so, inform the Bond Trustee of its and/or the rating of the Bond Issue, and any changes to such rating;
- (o) without being requested to do so, inform the Bond Trustee of changes in the registration of the Bonds in the Securities Depository; and
- (p) within a reasonable time, provide such information about the Obligors' business, assets and financial condition as the Bond Trustee may reasonably request.

14.2.2 The Issuer shall in connection with the publication of its financial reports under Clause 14.2.1(c) and (d), confirm to the Bond Trustee in writing the Issuer's compliance with the covenants in this Clause 14, unless the Bond Trustee explicitly waives such requirement. Such confirmation shall be undertaken in a certificate, substantially in the form set out in Attachment 1 hereto, signed by the Chief Executive Officer or Chief Financial Officer of the Issuer (a "**Compliance Certificate**"). In the event of non-compliance, the Compliance Certificate shall describe the non-compliance, the reasons therefore as well as the steps which the Issuer has taken and will take in order to rectify the non-compliance.

14.3 **General Covenants**

14.3.1 *Pari passu ranking*

Each of the Obligors shall ensure that its obligations under this Bond Agreement and any other Finance Document shall at all times rank at least *pari passu* as set out in Clause 8.1.

14.3.2 *Mergers*

None of the Obligors shall, and the Parent shall ensure that no other Group Company shall, carry out any merger or other business combination or corporate reorganization involving a consolidation of the relevant company's assets and obligations with any other companies or entities not being a member of the Group if such transaction would have a Material Adverse Effect.

14.3.3 *De-mergers*

None of the Obligors shall, and the Parent shall ensure that no other Group Company shall, carry out any de-merger or other corporate reorganization involving a split of the Issuer or any other Restricted Group Company into two or more separate companies or entities, if such transaction would have a Material Adverse Effect.

14.3.4 *Continuation of business*

None of the Obligors shall cease to carry on its business, and the Parent shall procure that no other Group Company shall cease to carry on its business if such cessation would have Material Adverse Effect shall procure that no substantial change is made to the general nature of the business of the Group, and the Issuer shall ensure that no substantial change is made to the general nature of the business of the Restricted Group from that carried on at the date of this Bond Agreement, and/or as set out in this Bond Agreement.

14.3.5 Disposal of assets/business

None of the Obligors shall, and the Parent shall procure that no other Group Company shall, sell or otherwise dispose of all or a substantial part of the Restricted 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 Clause 14.4.3 below), unless:

- (a) the transaction is carried out at Fair Market Value, on terms and conditions customary for such transactions; and
- (b) such transaction would not have a Material Adverse Effect.

14.3.6 Arm's length transactions

None of the Obligors shall, and the Parent shall procure that no other Group Company shall, engage in, directly or indirectly, any transaction with any related third party (excluding, for the avoidance of doubt, any Group Company or Restricted Group Company, as the case may be) (without limitation, the purchase, sale or exchange of assets or rendering of any service) or any other person except in the ordinary course of business and pursuant to the reasonable requirement of the Issuer or a Restricted Group Company's business and upon fair and reasonable arm's length terms.

14.3.7 Insurances

Each of the Obligors shall, and the Parent shall procure that each other Group Company shall, 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 it, acting in accordance with good industry practice in their relevant jurisdiction.

14.3.8 Corporate status

Except as required pursuant to Clause 3.2, none of the Obligors shall change its type of organization or jurisdiction of incorporation.

14.3.9 Compliance with laws

Each of the Obligors shall, and the Parent shall procure that all other Group Companies shall, carry on its business in accordance with good industry practices and in the same manner as a reputable exploration and production company in all material aspects and comply in all

material respects with all laws and regulations of material importance to the business of the Restricted Group that it or they may be subject to from time to time.

14.4 **Issuer special covenants**

14.4.1 *Maintenance of ownership of the Huntington Subsidiary and any future Restricted Group Company*

Subject to the sale of shares in the Huntington Subsidiary or any future Restricted Company in compliance with Clause 14.4.3, the Issuer shall maintain 100% direct or indirect ownership over all the shares and control of the voting rights of the Huntington Subsidiary and any future Restricted Group Company.

14.4.2 *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 the Parent (including servicing of any Subordinated Loans from the Parent) of any kind, other than a payment of up to USD 1,500,000 per year to the Parent in order to fund general corporate purposes of the Parent.

14.4.3 *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, or any Licence acquired after the Settlement Date as part of a farm-out or swap of any existing Licence as set out below, unless all of the following apply:

- (a) the transaction is carried out at Fair Market Value (such Fair Market Value to be determined on or about the date of contractually agreeing to such transaction);
- (b) the Leverage Ratio based on the Restricted Group's consolidated numbers as reported on the most recent Quarter Date will not deteriorate pro-forma from such transaction; and
- (c) 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:
 - (i) any cash proceeds from a sale or disposal of an ownership interest in an Exploration Licence, Appraisal Licence or Development Licence shall be paid into the Escrow Account if such transaction occurs prior to First Oil from both the Orlando Asset and the Kells Asset; or
 - (ii) any cash proceeds from a sale or disposal of an ownership interest in an Exploration Licence, Appraisal Licence or Development Licence shall be paid into the Issuer Earnings Account(s) or the Huntington Subsidiary Earnings Account(s) (as the case may be) if such transaction occurs after First Oil from both the Orlando Asset and the Kells Asset; or

- (iii) any cash proceeds from a disposal of an ownership interest in a Production Licence shall always be applied to redeem Bonds pursuant to the Mandatory Prepayment provisions in Clause 10.4.

Notwithstanding the above,

- (a) no sale or disposal of any (direct or indirect) ownership interest in the Orlando Asset or the Kells Asset shall be permitted during the term of the Bonds, other than a sale and/or other agreement with a third party reducing the working interest in the Orlando Asset and/or the Kells Asset down to minimum 50% at a Fair Market Value, and provided that, the consideration may only be in the form of Cash and/or Cash Equivalents and/or a development carry of future development investments; and
- (b) no sale or disposal of any (direct or indirect) ownership interest in the Huntington Asset shall be permitted during the term of the Bonds as long as any call options are outstanding under the BP Structured Energy Derivative.

The above restrictions shall not apply and the Issuer and any other Restricted Group Company may dispose (at Fair Market Value as determined on or about the date of contractually agreeing to such disposal) of any existing hydrocarbon licence (not being a Licence) and any future Licence at any time (other than Licences acquired as part of a farm-out or swap of any Licences), provided that in the event of a transfer to another Group Company outside the Restricted Group, the Parent shall make available to the Issuer a Subordinated Loan and/or New Equity equal to the investment (including the acquisition cost) made by the Issuer and/or the Restricted Group Company (as the case may be) in such licence from and including the Settlement Date up until the date of such disposal.

14.4.4 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 (including guarantees), (ii) any financial arrangement (save for farm-out of any Exploration Licences, Appraisal Licences 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), or (iii) any 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.

14.4.5 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 Security 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.

14.4.6 No additional Security

Notwithstanding Clause 14.4.5, the Issuer shall not, and shall ensure that no other Restricted Group Company shall, create, permit to subsist or allow to exist any Security 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 to the extent created over any assets that are subject to the English law floating charge over the Issuer's assets or the Issuer Scottish Law Floating Charge.

14.4.7 Financial support restrictions

The Issuer shall not, and shall ensure that no other Restricted Group Company shall, grant any Financial Support, other than Permitted Financial Support.

14.4.8 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 Subordination Agreement.

14.4.9 Loans from the Huntington Subsidiary and any future Restricted Group Company

The Issuer shall ensure that any existing and future loans to the Issuer from the Huntington Subsidiary and any future Restricted Group Company shall be fully subordinated to the Bonds pursuant to the terms of the Subordination Agreement and the Restricted Group Company/Issuer Subordination Agreement, respectively.

14.4.10 Accounts and payments

The Issuer shall:

- (a) maintain the Accounts with an Account Bank;
- (b) procure that all Project Proceeds shall be paid directly into the Issuer's Earnings Account(s) or the Huntington Subsidiary Earnings Account(s) from the relevant contracting party;
- (c) on a monthly basis commencing on the Issue Date transfer from the Issuer's Earnings Account or the Huntington Subsidiary Earnings Account to the Debt Service Retention Account an amount equal to 1/6 of the interest payment payable hereunder on the next Interest Payment Date;
- (d) on a monthly basis commencing on the Interest Payment Date in September 2015 transfer from the Issuer's Earnings Account or the Huntington Subsidiary Earnings Account to the Debt Service Retention Account an amount equal to 1/6 of the next Instalment payable hereunder (at such par value as set out in Clause 10.1);
- (e) upon the first BP Structured Energy Derivative Tranche 2 Retirement Disbursement being made from the Escrow Account, transfer 75% of every dollar that is subsequently transferred to the Huntington Subsidiary Earnings Account or the Issuer Earnings Account to the Escrow Account until the Maximum BP Structured Energy Derivative Tranche 2 Retirement Amount (or the relevant lower

amount spent to terminate all of the Tranche 2 Call Options) has been re-transferred to the Escrow Account; and

- (f) if any proceeds are transferred from the Escrow Account to the Issuer's Earnings Account in accordance with Clause 2.5, use such proceeds in accordance with Clause 2.3 (c) only, and thereafter for general corporate purposes in accordance with the terms of this Bond Agreement.

14.4.11 Capital expenditure in the Licences

The Issuer shall not, and shall ensure that no other Restricted Group Company shall, make any investments or capital expenditures in the Licences (other than with the proceeds from this Bond Issue in accordance with Clause 2.3 or existing cash resources of the Restricted Group), unless such capital expenditures are fully funded through Subordinated Loans from the Parent, New Equity or cash flow generated from operations of the Restricted Group (not subject to any restrictions under the Finance Documents), provided that until First Oil from either the Orlando Asset or the Kells Asset, (i) any investment or capital expenditure in the Orlando Asset and the Kells Asset shall be limited to a maximum aggregate amount of USD 210,000,000 (such total limitation to be (A) reduced pro-rata with any reduction in working interest in the Orlando Asset and/or the Kells Asset (in the event of a reduction of the relevant working interest by e.g. 1/3, the maximum aggregate amount will also be reduced with 1/3, provided (a) that if the working interest in the Orlando Asset or Kells Asset is reduced and the maximum aggregate amount as set out above is reduced pro rata accordingly, and subsequently the working interest in the other asset is reduced to a level that is not less than the reduced working interest in the first asset, no further reduction shall be made, and (b) if the working interest in the Orlando Asset and the Kells Asset is reduced to the same level at the same time, the pro rata reduction shall only be counted once towards the maximum aggregate amount as set out above (if the working interest in both is reduced by e. g. 1/3, the the maximum aggregate amount will also be reduced with 1/3) the same principles to apply to any further reductions of the working interest), and (B) increased, on a dollar for dollar basis, with any Subordinated Loans or New Equity provided by the Parent, and (ii) no investment or capital expenditure shall be made in the Ronan & Oran Asset or the Huntington Deep Asset (until FDP approval) other than in accordance with Clause 14.4.12). For the avoidance of doubt, there shall be no limitations on investments or capital expenditures in 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, provided that such FDP is part of a combined FDP for the similar reservoir section(s) in the Huntington Deep Asset and the Huntington Asset, in which the Huntington Deep Asset owners shall be the initiators. Until such combined FDP is approved, the Restricted Group is allowed to spend amounts on the Huntington Deep Asset as regulated by Clause 14.4.12 below.

14.4.12 Other capital expenditure

Until First Oil from either the Orlando Asset or the Kells Asset the Issuer shall not, and shall ensure that no other Restricted Group Company shall, make any investments or capital expenditures in the Ronan & Oran Asset, the Huntington Deep Asset (until FDP approval), any existing hydrocarbon licence (not being a Licence) or any future Licence or spend any

amounts on Exploration Activities or Appraisal Activities or on company acquisitions exceeding a total aggregate amount (for the Restricted Group) of USD 12,000,000 (provided that USD 6,000,000 of this total limitation may only be used for investment or capital expenditure in the Huntington Deep Asset), such limitation to be increased, on a dollar for dollar basis, with any Subordinated Loans or New Equity provided by the Parent (not already used to increase the USD 210,000,000 limitation set out in Clause 14.4.11).

14.4.13 Exploration spending

The Issuer shall ensure that all Restricted Group Companies remain development and production focused companies with no material exposure to Exploration Activities. For the avoidance of doubt, Appraisal Activities shall be allowed. The Restricted Group's consolidated gross spending (net to the Issuer) on Exploration Activities shall, except as provided for in Clause 14.4.12, be limited to: (i) a maximum of USD 30,000,000 from the date which is 6 months after the date of First Oil from either the Orlando Asset or the Kells Asset until the date that First Oil is achieved from both the Orlando Asset and the Kells Asset; and (ii) a maximum of USD 30,000,000 available for each 12 month period following the date that First Oil is achieved from both the Orlando Asset and the Kells Asset for the remaining term of the Bonds.

Any spending on Exploration Activities in the Restricted Group exceeding such exploration spending limits set out above shall be 100% financed with New Equity or Subordinated Loans to the Issuer from the Parent.

If the Issuer acquires shares in a new company, (i) the purchase price (and associated costs) of such shares count towards the USD 12 million capital expenditure limitation set out in Clause 14.4.12 until First Oil from the Orlando Asset or the Kells Asset, and (ii) such company shall also be focused on development and production with no material exposure to Exploration Activities.

Notwithstanding the above, the Restricted Group Company may follow up spending on Exploration Activities that becomes a part of the Restricted Group following an acquisition of a new company in which the potential Exploration Activities is a part of a larger portfolio of development and/or production assets. Such follow-up spending on Exploration Activities shall be limited to the sum of: (A) 20% of the acquisition cost for such new company; and (B) any unutilized amount of the exploration spending limits set out above, for the remaining term of the Bond Issue.

14.4.14 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.

14.4.15 Assigned Agreements

The Issuer shall, and shall ensure that each Restricted Group Company shall with respect to the Assigned Agreements (other than Assigned Agreements relating to Licences sold or disposed of in compliance with Clause 14.4.3), (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.

14.4.16 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. Specifically, the Issuer shall ensure that at least 50% of the total oil production from all Production Licences shall be hedged on a 12-month rolling basis, starting from 31 March 2014.

14.4.17 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.

14.4.18 Retiring calls under the BP Structured Energy Derivative

The Issuer shall on the Issue Date and at minimum a monthly basis thereafter until the date on which all Tranche 1 Call Options and all Tranche 2 Call Options have been terminated, obtain from BTL an indicative calculation of the early termination amount that would be payable by the Issuer, if it were to terminate relevant call options on such date. The Unaffected Call Option Tranches shall remain outstanding, unless cancelled against the corresponding Novated Pre-Paid Put Options, and will not be subject to the early termination process outlined below.

If (i) the Issuer and BTL agree an early termination amount (on the basis of a fair value mutually agreed between the Issuer and BTL) lower than USD 35,000,000 for all outstanding Tranche 1 Call Options or the Maximum BP Structured Energy Derivative Tranche 2 Retirement Amount for all outstanding Tranche 2 Call Options, in each case plus an amount equal to any Eligible Proceeds available at such time or (ii) BTL accepts an early termination of all outstanding Tranche 1 Call Options at USD 35,000,000 and of all outstanding Tranche 2 Call Options at the Maximum BP Structured Energy Derivative Tranche 2 Retirement Amount, in each case plus an amount equal to any Eligible Proceeds available at such time (even if the early termination amount calculated on the basis of the mutually agreed between the Issuer and BTL fair value is higher) the parties shall proceed

with early termination of (A) all outstanding Tranche 1 Call Options on the basis of the lower of the early termination amount calculated on the basis of the fair value mutually agreed between Issuer and BTL and USD 35,000,000 and (B) all outstanding Tranche 2 Call Options on the basis of the lower of the early termination amount calculated on the basis of the fair value mutually agreed between Issuer and BTL and the Maximum BP Structured Energy Derivative Tranche 2 Retirement Amount, in each case plus an amount equal to any Eligible Proceeds available at such time. If the foregoing conditions are met with respect to the early termination of all outstanding Tranche 1 Call Options only, the parties shall proceed with early termination of all outstanding Tranche 1 Call Options only as outlined above.

The call options under the BP Structured Energy Derivative shall be subject to early termination in the following order:

- (a) all outstanding Tranche 1 Call Options shall be terminated early as soon as possible after First Disbursement;
- (b) all outstanding Tranche 2 Call Options may be terminated early when the Tranche 1 Call Options have all been terminated,

provided that the foregoing shall not prevent all outstanding Tranche 1 Call Options and all outstanding Tranche 2 Call Options from being subject to early termination together at the same time.

In the event that it is not possible to terminate all outstanding Tranche 1 Call Options and Tranche 2 Call Options at the same time or, as applicable, all of the call options in a tranche at the same time, the parties may repeat the process outlined above with respect to:

- (a) some, but not all, of the outstanding Tranche 1 Call Options which may be terminated, with the relevant early termination amount calculated on a pro rata basis to the relevant maximum permitted payment for that tranche (as described above) calculated per barrel and subject always to the aggregate maximum amount for the early termination of all of the Tranche 1 Call Options of USD 35,000,000 plus an amount equal to any Eligible Proceeds applied from time to time in respect of such early terminations; and
- (b) once all outstanding Tranche 1 Call Options have been terminated, some, but not all, of the Tranche 2 Call Options may be terminated, with the relevant early termination amount calculated on a pro rata basis to the relevant maximum permitted amount for that tranche (as described above) calculated per barrel and subject always to the aggregate maximum amount for the early termination of all of the Tranche 2 Call Options of the Maximum BP Structured Energy Derivative Tranche 2 Retirement Amount plus an amount equal to any Eligible Proceeds applied from time to time in respect of such early terminations.

Other than by applying Eligible Proceeds, the Issuer shall not pay early termination amounts with respect to any call options under the BP Structured Energy Derivative with any means other than:

- (a) funds from the BP Structured Energy Derivative Escrow Account with respect to early termination amounts relating to Tranche 1 Call Options;
- (b) funds from the Escrow Account (or after transfer of all funds from the Escrow Account have been transferred to the Issuer Earnings Account, the Issuer Earnings Account) up to the Maximum BP Structured Energy Derivative Tranche 2 Retirement Amount with respect to early termination amounts relating to Tranche 2 Call Options.

In accordance with the BTL Intercreditor Agreement, the Issuer may not service ordinary cash settlements of the outstanding call options under the BP Structured Energy Derivative during the term of the Bonds, other than (i) servicing of cash settlements of Unaffected Call Option Tranches from the Settlement Date until 31 March 2014, or (ii) by applying Eligible Proceeds (provided that the 10% limit on Free Cashflow in a relevant six month period shall apply in aggregate, for the retiring and/or ordinary servicing of cash settlements of call options under the BP Structured Energy Derivative).

Other than what has been reflected in this Clause 14.4.18 and consequential amendments to be made as a result of the Existing Credit Facility being repaid and replaced by the Bond Issue, the Issuer shall not cancel, terminate, amend or take any other action in relation to the BP Structured Energy Derivative without the prior consent from the Bond Trustee (at its discretion or at the direction of the Bondholders).

The Issuer shall not cancel, terminate, amend or take any other action in relation to the existing hedging arrangements entered into with the hedging banks in connection with the Existing Credit Facility, other than consequential amendments to be made as a result of the Existing Credit Facility being repaid and replaced by the Bond Issue and, if so agreed between the hedging banks, the Issuer and BTL, a novation of such hedging arrangements from the other hedging banks to BTL.

14.5 Parent Special Covenants

14.5.1 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.

14.5.2 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.

14.5.3 Negative pledge

The Parent shall not create, permit to subsist or allow to exist any Security over the shares in the Issuer (or rights related to such shares) or over any loans from the Parent to the Issuer, other than in favour of the Bond Trustee as contemplated by the Security Documents or otherwise as permitted pursuant to this Bond Agreement.

14.5.4 *Subordination of claims*

The Parent undertakes to only fund the Issuer with equity and/or Subordinated Loans (in such case according to the Subordination Agreement), and shall not demand 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 except as permitted pursuant to this Bond Agreement.

14.6 **Financial Covenants**

14.6.1 *Issuer Financial Covenants*

The Issuer shall comply with the undertakings below at all times, such compliance to be measured on each Quarter Date and certified by the Issuer with each annual Financial Statement and quarterly Interim Accounts on the respective Reporting Date. All Financial Covenants shall be calculated on a consolidated basis for the Restricted Group during the lifetime of the Bonds.

14.6.1.1 Liquidity

The Restricted Group shall maintain a Liquidity of minimum USD 30,000,000.

14.6.1.2 Restricted Group Capital Employed Ratio

The Issuer shall ensure that the Restricted Group maintains a Restricted Group Capital Employed Ratio of minimum 40% from the Settlement Date to and including 31 December 2016, and minimum 50% thereafter.

14.6.1.3 Leverage Ratio

The Issuer shall ensure that the Restricted Group maintains a Leverage Ratio of not more than 3.0x.

14.6.2 *Parent Financial Covenants*

The Parent shall ensure that the Group maintains a Group Capital Employed Ratio of minimum 40% from the Issue Date to and including 31 December 2016 and minimum 50% thereafter and for the remaining term of the Bonds.

The Parent shall comply with the undertakings in this Clause 14.6.2 at all times, such compliance to be measured on each Quarter Date and certified by the Parent with each annual financial statement and quarterly financial statement. The Financial Covenant shall be calculated on a consolidated basis for the Group during the lifetime of the Bonds.

14.6.3 *Breach of Financial Covenant*

In the event that the Issuer or the Parent is in breach of any of the Financial Covenants set out in Clauses 14.6.1 and 14.6.2 above, such breach shall not constitute an Event of Default on the first relevant Quarter Date if it is again in compliance with the Financial Covenants on the subsequent Quarter Date. For any subsequent Quarter Dates where the Issuer or the Parent, as the case may be, is in breach of any of the above Financial Covenants, such breach

shall not constitute an Event of Default provided that (i) the Liquidity is at least USD 100 million on such Quarter Date, and (ii) the Issuer or the Parent, as the case may be, is again in compliance with the Financial Covenants on the following Quarter Date. For the avoidance of doubt, breach of the Financial Covenants on two consecutive Quarter Dates shall always constitute an Event of Default.

15 FEES AND EXPENSES

- 15.1 The Issuer shall cover all costs and expenses incurred by it or the Bond Trustee (and/or the Security Agent) in connection with this Bond Agreement and the fulfilment of its obligations under this Bond Agreement or any other Finance Document, including in connection with the negotiation, preparation, execution and enforcement of this Bond Agreement and the other Finance Documents and any registration or notifications relating thereto (including any stamp duty), the listing of the Bonds on an Exchange (if applicable), and the registration and administration of the Bonds in the Securities Depository. Other than in respect of the Repayment Escrow Account, the Bond Trustee may withhold funds from any escrow account (or similar arrangement) or from other funds received from any Obligor or any other person, irrespective of such funds being subject to Security under a Finance Document, to set-off and cover any such costs and expenses.
- 15.2 The fees, costs and expenses payable to the Bond Trustee (and/or the Security Agent) shall be paid by the Issuer and are set out in a separate agreement between the Issuer and the Bond Trustee (and/or the Security Agent).
- 15.3 Fees, costs and expenses payable to the Bond Trustee (or the Security Agent) which, due to the Issuer's insolvency or similar circumstances, are not reimbursed in any other way may be covered by making an equivalent reduction in the proceeds to the Bondholders hereunder of any costs and expenses incurred by the Bond Trustee (or the Security Agent) in connection with the restructuring or default of the Bond Issue and the enforcement of any Security. In case the Issuer does not pay the Bond Trustee for incurred fees, then the Bond Trustee may seek funding of the Bond Trustee's expenses from other sources, in which case the parties representing such other sources will be subordinated into the position of the Bond Trustee, but subordinate to further Trustee Expenses.
- 15.4 Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer is not responsible for reimbursing any such fees.
- 15.5 The Issuer is responsible for withholding any withholding tax imposed by applicable law on any payments to the Bondholders.
- 15.6 If the Issuer is required by law to withhold any withholding tax from any payment under any Finance Document:
 - (a) 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 withholding) equal to the payment which would have been due if no withholding had been required; and

- (b) the Issuer shall at the request of the Bond Trustee deliver to the Bond Trustee evidence that the required tax reduction or withholding has been made.

15.7 If any withholding tax is imposed due to subsequent changes in applicable law after the date of this Bond Agreement, the Issuer shall have the right to call all but not some of the Bonds at par value plus accrued interest. Such call shall be notified by the Issuer in writing to the Bond Trustee and the Bondholders at least thirty - 30 - Business Days prior to the settlement date of the call.

16 EVENTS OF DEFAULT

16.1 The Bond Trustee may declare the Bonds to be in default upon occurrence of any of the following events:

16.1.1 Non-payment

The Issuer fails to fulfil any payment obligation due under this Bond Agreement or any Finance Document when due, unless, in the opinion of the Bond Trustee, it is likely that such payment will be made in full within five Business Days following the original due date.

16.1.2 Breach of other obligations

Any Obligor does not comply with any provision pursuant to this Bond Agreement or any other Finance Document, unless, in the opinion of the Bond Trustee, such failure is capable of being remedied and is remedied within ten Business Days after notice thereof is given to the Issuer by the Bond Trustee.

16.1.3 Cross default

If for any Group Company:

- (a) any Financial Indebtedness is not paid when due nor within any originally applicable grace period;
- (b) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);
- (c) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or
- (d) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described),

in each case where such Financial Indebtedness is for a sum in excess of USD 5,000,000 or the equivalent thereof in other currencies.

Notwithstanding the above, any default under the BP Structured Energy Derivative due to non-fulfilment by the Issuer of any liabilities or obligations specified as being subordinated shall not constitute an Event of Default.

16.1.4 *Misrepresentations*

Any representation, warranty or statement (including statements in compliance certificates) made under this Bond Agreement or any other Finance Document or in connection therewith is or proves to have been incorrect, inaccurate or misleading in any material respect when made or deemed to have been made, unless the circumstances giving rise to, and the effects of, the misrepresentation is capable of being remedied and are remedied within two (2) Business Days after notice thereof is given to the Issuer by the Bond Trustee.

16.1.5 *Insolvency*

- (a) A Group Company is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.
- (b) The value of the assets of any member of the Group is less than its liabilities (taking into account contingent and prospective liabilities).
- (c) A moratorium is declared in respect of any indebtedness of any member of the Group.

16.1.6 *Insolvency proceedings and dissolution*

If for any Group Company any corporate action, legal proceedings or other procedure step is taken in relation to:

- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than solvent liquidation or reorganization;
- (b) a composition, compromise, assignment or arrangement with any creditor, having an adverse effect on the Issuer's ability to perform its payment obligations hereunder;
- (c) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or
- (d) its dissolution,

or any analogous procedure or step is taken in any jurisdiction, unless such proceeding is being contested in good faith and is discharged or struck out within 14 days of the date on which such proceeding is initiated or which the Bond Trustee (acting reasonably) is satisfied to be frivolous, vexatious or an abuse of process.

16.1.7 *Creditors' process*

Any Group Company has a substantial proportion of the assets impounded, confiscated, attached or subject to distraint, or is subject to enforcement of any Security over any of its assets.

16.1.8 Impossibility or illegality

It is or becomes impossible or unlawful for any Group Company to fulfil or perform any of the terms of any Finance Document to which it is a party.

16.1.9 Material Adverse Change

Any other event or circumstance occurs which, in the reasonable opinion of the Bond Trustee, after consultations with the Issuer, would have a Material Adverse Effect.

- 16.2 In the event that one or more of the circumstances mentioned in Clause 16.1 occurs and is continuing, the Bond Trustee can, in order to protect the interests of the Bondholders, declare the Outstanding Bonds including accrued interest, costs and expenses to be in default and due for immediate payment.

The Bond Trustee may at its discretion, take every measure necessary to recover the amounts due under the Outstanding Bonds, and all other amounts outstanding under this Bond Agreement and any other Finance Document.

- 16.3 In the event that one or more of the circumstances mentioned in Clause 16.1 occurs and is continuing, the Bond Trustee shall declare the Outstanding Bonds including accrued interest, costs and expenses to be in default and due for immediate payment if:

- (a) the Bond Trustee receives a demand in writing that a default shall be declared from Bondholders representing at least 1/5 of the Voting Bonds, and the Bondholders' Meeting has not decided on other solutions; or
- (b) the Bondholders' Meeting has with simple majority decided to declare the Outstanding Bonds in default and due for payment.

In either case the Bond Trustee shall take every measure necessary to recover the amounts due under the Outstanding Bonds.

- 16.4 In the event that the Bond Trustee pursuant to the terms of Clauses 16.2 or 16.3 declares the Outstanding Bonds to be in default and due for payment, the Bond Trustee shall immediately deliver to the Issuer a notice demanding payment of interest and principal due to the Bondholders under the Outstanding Bonds including accrued interest and interest on overdue amounts and expenses. The claim derived from the Outstanding Bonds due for payment as a result of an Event of Default shall be calculated at the prices set out in Clause 10.2.

- 16.5 In the event of enforcement of the Issuer Share Pledge, the Bond Trustee's position as shareholder may entail the risk of certain direct liabilities, such as pension liabilities, on the part of the Bond Trustee. 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 Bond Trustee may require satisfactory security and indemnities from the Bondholders for any such possible liability prior to enforcement of the Issuer Share Pledge.

17 BONDHOLDERS' MEETING

17.1 Authority of the Bondholders' Meeting

- 17.1.1 The Bondholders' Meeting represents the supreme authority of the Bondholders community in all matters relating to the Bonds, and has the power to make all decisions altering the terms and conditions of the Bonds, including, but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes.
- 17.1.2 The Bondholders' Meeting cannot resolve that any overdue payment of any instalment shall be reduced unless there is a pro rata reduction of the principal that has not fallen due, but may resolve that accrued interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.
- 17.1.3 If a resolution by or an approval of the Bondholders is required, such resolution shall be passed at a Bondholders' Meeting, see however Clause 18.1. Resolutions passed at Bondholders' Meetings shall be binding upon all Bondholders and prevail for all the Bonds.

17.2 Procedural rules for Bondholders' meetings

- 17.2.1 A Bondholders' Meeting shall be held at the written request of:
- (a) the Issuer;
 - (b) Bondholders representing at least 1/10 of the Voting Bonds;
 - (c) the Exchange, if the Bonds are listed; or
 - (d) the Bond Trustee.
- 17.2.2 The Bondholders' Meeting shall be summoned by the Bond Trustee. A request for a Bondholders' Meeting shall be made in writing to the Bond Trustee, and shall clearly state the matters to be discussed.
- 17.2.3 If the Bond Trustee has not summoned a Bondholders' Meeting within ten Business Days after having received a valid request, then the requesting party may summons the Bondholders' Meeting itself.
- 17.2.4 The notice of a Bondholders' Meeting shall be dispatched no later than ten Business Days prior to the date of the Bondholders' Meeting. The notice and a confirmation of each Bondholder's holdings of Bonds shall be sent to all Bondholders registered in the Securities Depository at the time of distribution. The notice shall also be sent to the Exchange for publication if the Bonds are listed.
- 17.2.5 The summons shall specify the agenda of the Bondholders' Meeting. The Bond Trustee may in the summons also set out other matters on the agenda than those requested. If amendments to this Bond Agreement have been proposed, the main content of the proposal shall be stated in the summons.

- 17.2.6 The Bond Trustee may restrict the Issuer from making any changes in the number of Voting Bonds in the period from distribution of the summons until the Bondholders' Meeting, by serving notice to it to such effect.
- 17.2.7 Matters that have not been reported to the Bondholders in accordance with the procedural rules for summoning of a Bondholders' Meeting may only be adopted with the approval of all Voting Bonds.
- 17.2.8 The Bondholders' Meeting shall be held on premises designated by the Bond Trustee. The Bondholders' Meeting shall be opened and shall, unless otherwise decided by the Bondholders' Meeting, be chaired by the Bond Trustee. If the Bond Trustee is not present, the Bondholders' Meeting shall be opened by a Bondholder, and be chaired by a representative elected by the Bondholders' Meeting.
- 17.2.9 Minutes of the Bondholders' Meeting shall be kept. The minutes shall state the numbers of Bondholders and Bonds represented at the Bondholders' Meeting, the resolutions passed at the meeting, and the result of the voting. The minutes shall be signed by the chairman and at least one other person elected by the Bondholders' Meeting. The minutes shall be deposited with the Bond Trustee and shall be available to the Bondholders.
- 17.2.10 The Bondholders, the Bond Trustee and – provided the Bonds are listed – representatives of the Exchange, have the right to attend the Bondholders' Meeting. The chairman may grant access to the meeting to other parties, unless the Bondholders' Meeting decides otherwise. Bondholders may attend by a representative holding proxy. Bondholders have the right to be assisted by an advisor. In case of dispute the chairman shall decide who may attend the Bondholders' Meeting and vote for the Bonds.
- 17.2.11 Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders' Meeting may resolve that the Issuer's representatives may not participate in particular matters. The Issuer has the right to be present under the voting.

17.3 **Resolutions passed at Bondholders' Meetings**

- 17.3.1 At the Bondholders' Meeting each Bondholder may cast one vote for each Voting Bond owned at close of business on the day prior to the date of the Bondholders' Meeting in accordance with the records registered in the Securities Depository. The Bond Trustee may, at its sole discretion, accept other evidence of ownership. Whoever opens the Bondholders' Meeting shall adjudicate any question concerning which Bonds shall count as the Issuer's Bonds. The Issuer's Bonds shall not have any voting rights.

For this purpose, a Bondholder that has a Bond that is nominee registered shall be deemed as the Bondholder of such Bond (instead of the nominee) provided that the Bondholder presents relevant evidence stating that the relevant Bondholder is the Bondholder of the Bond and the amount of Bonds held by such Bondholder.

- 17.3.2 In all matters, the Issuer, the Bond Trustee and any Bondholder have the right to demand vote by ballot. In case of parity of votes, the chairman shall have the deciding vote, regardless of the chairman being a Bondholder or not.

- 17.3.3 In order to form a quorum, at least half (1/2) of the Voting Bonds must be represented at the meeting, see however Clause 17.4. Even if less than half (1/2) of the Voting Bonds are represented, the Bondholders' Meeting shall be held and voting completed.
- 17.3.4 Resolutions shall be passed by simple majority of the Voting Bonds represented at the Bondholders' Meeting, unless otherwise set out in Clause 17.3.5.
- 17.3.5 A majority of at least 2/3 of the Voting Bonds represented at the Bondholders' Meeting is required for any waiver or amendment of any terms of this Bond Agreement.
- 17.3.6 The Bondholders' Meeting may not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.
- 17.3.7 The Bond Trustee shall ensure that resolutions passed at the Bondholders' Meeting are properly implemented, however, the Bond Trustee may refuse to carry out resolutions being in conflict with this Bond Agreement (or any other Finance Document) or any applicable law.
- 17.3.8 The Issuer, the Bondholders and the Exchange shall be notified of resolutions passed at the Bondholders' Meeting.
- 17.4 **Repeated Bondholders' meeting**
- 17.4.1 If the Bondholders' Meeting does not form a quorum pursuant to Clause 17.3.3, a repeated Bondholders' Meeting may be summoned to vote on the same matters. The attendance and the voting result of the first Bondholders' Meeting shall be specified in the summons for the repeated Bondholders' Meeting.
- 17.4.2 A valid resolution may be passed at a repeated Bondholders' meeting even though less than half (1/2) of the Voting Bonds are represented.

18 THE BOND TRUSTEE

18.1 The role and authority of the Bond Trustee

- 18.1.1 The Bond Trustee shall monitor the compliance by the Issuer of its obligations under this Bond Agreement and applicable laws and regulations which are relevant to the terms of this Bond Agreement, including supervision of timely and correct payment of principal or interest, (however, this shall not restrict the Bond Trustee from discussing matters of confidentiality with the Issuer), arrange Bondholders' Meetings, and make the decisions and implement the measures resolved pursuant to this Bond Agreement. The Bond Trustee is not obligated to assess the Issuer's financial situation beyond what is directly set out in this Bond Agreement.
- 18.1.2 The Bond Trustee may take any step it in its sole discretion considers necessary or advisable to ensure the rights of the Bondholders in all matters pursuant to the terms of this Bond Agreement and is entitled to rely on advice from professional advisors. The Bond Trustee may in its sole discretion postpone taking action until such matter has been put forward to the Bondholders' Meeting. The Bond Trustee is not obliged to take any steps to ascertain whether any Event of Default has occurred and until it has actual knowledge or express

notice to the contrary the Bond Trustee is entitled to assume that no Event of Default has occurred.

- 18.1.3 The Bond Trustee may make decisions binding for all Bondholders concerning this Bond Agreement, including amendments to this Bond Agreement and waivers or modifications of certain provisions, which in the opinion of the Bond Trustee, do not materially and adversely affect the rights or interests of the Bondholders pursuant to this Bond Agreement.
- 18.1.4 The Bond Trustee may reach decisions binding for all Bondholders in circumstances other than those mentioned in Clause 18.1.3 provided that prior notification has been made to the Bondholders. Such notice shall contain a proposal of the amendment and the Bond Trustee's evaluation. Further, such notification shall state that the Bond Trustee may not reach a decision binding for all Bondholders in the event that any Bondholder submits a written protest against the proposal within a deadline set by the Bond Trustee. Such deadline may not be less than five Business Days following the dispatch of such notification.
- 18.1.5 The Bond Trustee may reach other decisions than set out in Clauses 18.1.3 or 18.1.4 to amend or rectify decisions which due to spelling errors, calculation mistakes, misunderstandings or other obvious errors do not have the intended meaning.
- 18.1.6 The Bond Trustee may not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.
- 18.1.7 The Issuer, the Bondholders and the Exchange shall be notified of decisions made by the Bond Trustee pursuant to Clause 18.1 unless such notice obviously is unnecessary.
- 18.1.8 The Bondholders' Meeting can decide to replace the Bond Trustee without the Issuer's approval, as provided for in Clause 17.3.5.
- 18.1.9 The Bond Trustee may act as bond trustee and/or security agent for several bond issues relating to the Issuer notwithstanding potential conflicts of interest. The Bond Trustee may delegate exercise of its powers to other professional parties.
- 18.1.10 The Bond Trustee may instruct the Paying Agent to split the Bonds to a lower denomination in order to facilitate partial redemptions or restructuring of the Bonds or other situations.

18.2 **Liability and indemnity**

- 18.2.1 The Bond Trustee is liable only for direct losses incurred by Bondholders or the Issuer as a result of gross negligence or wilful misconduct by the Bond Trustee in performing its functions and duties as set out in this Bond Agreement. Such liability is limited to the maximum amount set out in Clause 2.2. The Bond Trustee is not liable for the content of information provided to the Bondholders on behalf of the Issuer.
- 18.2.2 The Issuer is liable for, and shall indemnify the Bond Trustee fully in respect of, all losses, expenses and liabilities incurred by the Bond Trustee as a result of negligence by the Issuer (including its directors, management, officers, employees, agents and representatives) to fulfil its obligations under the terms of this Bond Agreement and any other Finance Document, including losses incurred by the Bond Trustee as a result of the Bond Trustee's

actions based on misrepresentations made by the Issuer in connection with the establishment and performance of this Bond Agreement and any other Finance Document.

- 18.2.3 The Bond Trustee can as a condition for carrying out an instruction from the Bondholders (including, but not limited to, instructions set out in Clause 16.3(a) or 17.2.1 (b)), require satisfactory security and indemnities for any possible liability and anticipated costs and expenses, from those Bondholders who requested that instruction and/or those who voted in favour of the decision to instruct the Bond Trustee. Any instructions from the Bondholders may be put forward to the Bondholders' Meeting by the Bond Trustee before the Bond Trustee takes any action.

18.3 **Change of Bond Trustee**

- 18.3.1 Change of Bond Trustee shall be carried out pursuant to the procedures set out in Clause 17. The Bond Trustee shall continue to carry out its duties as bond trustee until such time that a new Bond Trustee is elected.

- 18.3.2 The fees and expenses of a new bond trustee shall be covered by the by the Issuer pursuant to the terms set out in Clause 15, but may be recovered wholly or partially from the Bond Trustee if the change is due to a breach by the Bond Trustee of its duties pursuant to the terms of this Bond Agreement or other circumstances for which the Bond Trustee is liable.

- 18.3.3 The Bond Trustee undertakes to co-operate so that the new bond trustee receives without undue delay following the Bondholders' Meeting the documentation and information necessary to perform the functions as set out under the terms of this Bond Agreement.

18.4 **Appointment of Security Agent**

- 18.4.1 The Bond Trustee is appointed to act as Security Agent for the Bond Issue.

The main functions of the Security Agent may include holding Security on behalf of the Bondholders and monitoring compliance by the Issuer and other relevant parties of their respective obligations under this Bond Agreement and/or the Security Documents with respect to the Security.

Before the appointment of a Security Agent other than the Bond Trustee, the Issuer shall be given the opportunity to state its views on the proposed Security Agent, but the final decision as to appointment shall lie exclusively with the Bond Trustee.

- 18.4.2 The functions, rights and obligations of the Security Agent may be determined by a Security Agent agreement to be entered into between the Bond Trustee and the Security Agent, which the Bond Trustee shall have the right to require each Obligor and any other parties to any Security Document to sign as a party, or, at the discretion of the Bond Trustee, to acknowledge. The Bond Trustee shall at all times retain the right to instruct the Security Agent in all matters.

Any changes to this Bond Agreement necessary or appropriate in connection with the appointment of a Security Agent shall be documented in an amendment to this Bond Agreement, signed by the Bond Trustee.

- 18.4.3 If so desired by the Bond Trustee, any or all of the Security Documents shall be amended, assigned or re-issued, so that the Security Agent is the holder of the relevant Security (on behalf of the Bondholders). The costs incurred in connection with such amendment, assignment or re-issue shall be for the account of the Issuer.

19 MISCELLANEOUS

19.1 The community of Bondholders

By virtue of holding Bonds, which are governed by this Bond Agreement (which pursuant to Clause 2.1.1 is binding upon all Bondholders), a community exists between the Bondholders, implying, inter alia, that:

- (a) the Bondholders are bound by the terms of this Bond Agreement;
- (b) the Bond Trustee has power and authority to act on behalf of, and/or represent; the Bondholders, in all matters, included but not limited to taking any legal or other action, including enforcement of the Bond Issue and/or any Security, opening of bankruptcy or other insolvency proceedings;
- (c) the Bond Trustee has, in order to manage the terms of this Bond Agreement, access to the Securities Depository to review ownership of Bonds registered in the Securities Depository; and
- (d) this Bond Agreement establishes a community between Bondholders meaning that:
 - (i) the Bonds rank *pari passu* between each other;
 - (ii) the Bondholders may not, based on this Bond Agreement, act directly towards the Issuer and may not themselves institute legal proceedings against the Issuer, however not restricting the Bondholders to exercise their individual rights derived from this Bond Agreement;
 - (iii) the Issuer may not, based on this Bond Agreement, act directly towards the Bondholders;
 - (iv) the Bondholders may not cancel the Bondholders' community; and
 - (v) the individual Bondholder may not resign from the Bondholders' community.

19.2 Defeasance

- 19.2.1 The Issuer may, at its option and at any time, elect to have certain obligations discharged (see Clause 19.2.2) upon complying with the following conditions ("**Security and Covenant Defeasance**"):

- (a) the Issuer shall have irrevocably pledged to the Bond Trustee for the benefit of the Bondholders cash or government bonds accepted by the Bond Trustee (the "**Defeasance Pledge**") in such amounts as will be sufficient for the payment of principal (including if applicable premium payable upon exercise of a Call Option)

and interest on the Outstanding Bonds to Maturity Date (or redemption upon a exercise of a notified Call Option) or any other amount agreed between the Parties;

- (b) no Event of Default shall have occurred and be continuing on the date of establishment of the Defeasance Pledge, or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time during any hardening period applicable to the Defeasance Pledge (or the relevant period for non-Norwegian companies) or any other date agreed between the Parties;
- (c) if the Bonds are secured, the Defeasance Pledge shall be considered as a replacement of the Security established prior to the Defeasance Pledge;
- (d) the Issuer shall have delivered to the Bond Trustee a certificate signed by its Chief Executive Officer that the Defeasance Pledge was not made by the Issuer with the intent of preferring the Bondholders over any other creditors of the Issuer or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuer or others; and
- (e) the Issuer shall have delivered to the Bond Trustee any certificate or legal opinion reasonably required by the Bond Trustee regarding the Security and Covenant Defeasance or Defeasance Pledge, including any certificate or legal opinion on (i) the compliance of the conditions of the Security and Covenant Defeasance, (ii) that the Defeasance Pledge constitutes a valid, perfected and enforceable Security in favour of the Bond Trustee for the benefit of the Bondholders which will not be subject to any rights of creditors of each Obligor or any bankruptcy, insolvency, reorganization or similar laws affecting creditors rights generally under the laws of the jurisdiction where the Defeasance Pledge was established and the corporate domicile of the Issuer, (iii) any relevant tax issues concerning the Bondholders, (iv) any valuation of any assets or (vii) any other certificate or opinion regarding the Security and Covenant Defeasance or the Defeasance Pledge.

19.2.2 Upon the exercise by the Issuer of its option under Clause 19.2.1:

- (a) all Obligors shall be released from their obligations under all provisions in Clause 14, except Clauses 14.2.1(a), (k), (n), (o) and (p), or as otherwise agreed;
- (b) the Issuer shall not (and shall ensure that all Group Companies shall not) take any actions that may cause the value of the Security created by this Security and Covenant Defeasance to be reduced, and shall at the request of the Bond Trustee execute, or cause to be executed, such further documentation and perform such other acts as the Bond Trustee may reasonably require in order for the Security to remain valid, enforceable and perfected by the Bond Trustee for the account of the Bondholders;
- (c) any Guarantor(s) shall be discharged from their obligations under the Guarantee(s), and the Guarantee(s) shall cease to have any legal effect, or as otherwise agreed;
- (d) any Security other than the Defeasance Pledge shall be discharged, and the Bond Trustee shall take all steps reasonably possible for it to cause such discharge to be

effected, by way of deletion of the relevant Security Document from the relevant register, notice to third parties or as otherwise required, or as otherwise agreed; and

- (e) all other provisions of this Bond Agreement (except (a) – (c) above) shall remain fully in force without any modifications, or as otherwise agreed.

- 19.2.3 All amounts owed by the Issuer hereunder covered by the Defeasance Pledge shall be applied by the Bond Trustee, in accordance with the provisions of this Bond Agreement, against payment to the Bondholders of all sums due to them under this Bond Agreement on the due date thereof.

Any excess funds not required for the payment of principal, premium and interest to the Bondholders (including any expenses, fees etc. due to the Bond Trustee hereunder) shall be returned to the Issuer.

19.3 **Limitation of claims**

All claims under the Bonds and this Bond Agreement for payment, including interest and principal, shall be subject to the time-bar provisions of the Norwegian Limitation Act of May 18, 1979 No. 18.

19.4 **Access to information**

- 19.4.1 This Bond Agreement is available to anyone and copies may be obtained from the Bond Trustee or the Issuer. The Bond Trustee shall not have any obligation to distribute any other information to the Bondholders or others than explicitly stated in this Bond Agreement. The Issuer shall ensure that a copy of this Bond Agreement is available to the general public until all the Bonds have been fully discharged.

- 19.4.2 The Bond Trustee shall, in order to carry out its functions and obligations under this Bond Agreement, have access to the Securities Depository for the purposes of reviewing ownership of the Bonds registered in the Securities Depository.

19.5 **Amendments**

All amendments of this Bond Agreement shall be made in writing, and shall unless otherwise provided for by this Bond Agreement, only be made with the approval of all parties hereto.

19.6 **Notices, contact information**

- 19.6.1 Written notices, warnings, summons etc to the Bondholders made by the Bond Trustee shall be sent via the Securities Depository with a copy to the Issuer and the Exchange. Information to the Bondholders may also be published at Stamdata only. Any such notice or communication shall be deemed to be given or made as follows:

- (a) if by letter via the Securities Depository, when sent from the Securities Depository; and
- (b) if by publication on Stamdata, when publicly available.

- 19.6.2 The Issuer's written notifications to the Bondholders shall be sent via the Bond Trustee, alternatively through the Securities Depository with a copy to the Bond Trustee and the Exchange.
- 19.6.3 Unless otherwise specifically provided, all notices or other communications under or in connection with this Bond Agreement between the Bond Trustee and any Obligor shall be given or made in writing, by letter, e-mail or fax. Any such notice or communication shall be deemed to be given or made as follows:
- (a) if by letter, when delivered at the address of the relevant Party;
 - (b) if by e-mail, when received; and
 - (c) if by fax, when received.
- 19.6.4 The Issuer and the Bond Trustee shall ensure that the other party is kept informed of changes in postal address, e-mail address, telephone and fax numbers and contact persons.
- 19.6.5 When determining deadlines set out in this Bond Agreement, the following shall apply (unless otherwise stated):
- (a) If the deadline is set out in days, the first day when the deadline is in force shall not be inclusive, however, the meeting day or the occurrence the deadline relates to, shall be included;
 - (b) If the deadline is set out in weeks, months or years, the deadline shall end on the day in the last week or the last month which, according to its name or number, corresponds to the first day the deadline is in force. If such day is not a part of an actual month, the deadline shall be the last day of such month; and
 - (c) If a deadline ends on a day which is not a Business Day, the deadline is postponed to the next Business Date.
- 19.7 **Dispute resolution and legal venue**
- 19.7.1 This Bond Agreement and all disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and the Issuer shall be governed by Norwegian law.
- 19.7.2 All disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and the Issuer shall, subject to paragraph c) below, be exclusively resolved by the courts of Norway, with the District Court of Oslo as sole legal venue.
- 19.7.3 Clause 19.7.2 is for the benefit of the Bond Trustee only. As a result, the Bond Trustee shall not be prevented from taking proceedings relating to a dispute in any other courts with jurisdiction. To the extent allowed by law, the Bond Trustee may take concurrent proceedings in any number of jurisdictions.

19.8 Process Agent**19.9 Process agent – Norway**

Each of the Obligors shall, prior to the Issue Date, nominate an agent for service of process in Norway for the purpose of serving a writ of summons and/or any other act of process in respect of the courts in Norway, including but not limited to receipt of notices (*Norwegian: "motta varsler"*) and acceptance of service of process (*Norwegian: "vedta forkynning"*) or any notices as set out in this Bond Agreement.

19.10 Process agent – England and Wales

The Huntington Subsidiary hereby confirms its acceptance to act as agent for service of process in England and Wales for the Issuer and the Parent in accordance with its appointment as such by each of the Issuer and the Parent in respect of the relevant Finance Documents.

19.11 Process Agent – Scotland

The Issuer hereby confirms its acceptance to act as agent for service of process in Scotland for the Parent and the Huntington Subsidiary in accordance with its appointment as such by the Parent and the Huntington Subsidiary in respect of the relevant Finance Documents.

This Bond Agreement has been executed in two originals, of which the Issuer and the Bond Trustee retain one each.

Issuer

Bond Trustee

(signed) "Authorized Signatory"

(signed) "Authorized Signatory"

Witnessed: (signed) "Witness"

Parent

Huntington Subsidiary

(signed) "Authorized Signatory"

(signed) "Authorized Signatory"

Attachment 1

COMPLIANCE CERTIFICATE

Norsk Tillitsmann ASA
[Address redacted]

Fax: [Redacted]
E-mail: [Redacted]

[date]

Dear Sirs,

IONA ENERGY COMPANY (UK) LTD. BOND AGREEMENT 2013/2018 - ISIN 001 0689763

We refer to the Bond Agreement for the abovementioned Bond Issue made between Norsk Tillitsmann ASA as Bond Trustee on behalf of the Bondholders, and the undersigned as Issuer under which a Compliance Certificate shall be issued. This letter constitutes the Compliance Certificate for the period [PERIOD].

Capitalised terms used herein shall have the same meaning as in this Bond Agreement.

With reference to Clause 13.2.2 we hereby certify that:

1. all information contained herein is true and accurate and there has been no change which would have a Material Adverse Effect on the financial condition of the Issuer since the date of the last accounts or the last Compliance Certificate submitted to you;
2. the covenants set out in Clause 13 are satisfied;
3. all relevant Security is established in accordance with this Bond Agreement; and
4. in accordance with Clause 13.5, as of [date]:

the Liquidity is XX;

the Leverage Ratio is XX;

the Restricted Group Capital Employed Ratio is XX; and

the Group Capital Employed Ratio is XX.

Copies of our latest consolidated [Financial Statements] / [Interim Accounts] are enclosed.

Yours faithfully,

Iona Energy Company (UK) Ltd.

Name of authorized person

Enclosure: *[copy of any written documentation]*

Attachment 2

RELEASE NOTICE - ESCROW ACCOUNT

Norsk Tillitsmann ASA
[Address redacted]

Fax: [Redacted]
E-mail: [Redacted]

[date]

Dear Sirs,

IONA ENERGY COMPANY (UK) LTD. BOND AGREEMENT 2013/2018 - ISIN 001 0689763

We refer to the Bond Agreement for the abovementioned Bond Issue made between Norsk Tillitsmann ASA as Bond Trustee on behalf of the Bondholders, and the undersigned as Issuer.

Capitalised terms used herein as defined in this Bond Agreement.

We hereby give you notice that we on [date] wish to draw an amount of [currency and amount] from the Escrow Account applied pursuant to the purpose set out in the Bond Agreement, and request you to instruct the bank to release the above mentioned amount.

We hereby represent and warrant that (i) no event which constitutes an Event of Default has occurred or is likely to occur, and (ii) we repeat the representations and warranties set out in the Bond Agreement as being still true and accurate at the time hereof.

Yours faithfully,

Iona Energy Company (UK) Ltd.

Name of authorized person

Enclosure: [copy of any written documentation evidencing the use of funds]

Attachment 3

**DRAWDOWN NOTICE –
BP STRUCTURED ENERGY DERIVATIVE ESCROW ACCOUNT**

Norsk Tillitsmann ASA
[Address redacted]

Fax: [Redacted]
E-mail: [Redacted]

[date]

Dear Sirs,

IONA ENERGY COMPANY (UK) LTD. BOND AGREEMENT 2013/2018 - ISIN 001 IX

We refer to the Bond Agreement for the abovementioned Bond Issue made between Norsk Tillitsmann ASA as Bond Trustee on behalf of the Bondholders, and the undersigned as Issuer.

Capitalised terms used herein as defined in this Bond Agreement.

We hereby give you notice that we on [date] wish to draw an amount of [currency and amount] from the Escrow Account applied pursuant to the purpose set out in the Bond Agreement, Clause 2.6, and request you to instruct the bank to release the above mentioned amount.

We hereby represent and warrant that (i) no event which constitutes an Event of Default has occurred or is likely to occur, and (ii) we repeat the representations and warranties set out in the Bond Agreement as being still true and accurate at the time hereof.

Yours faithfully,

Iona Energy Company (UK) Ltd.

Name of authorized person

Enclosure: [copy of any written documentation evidencing the use of funds]

Attachment 4**Tranche 1 Call Options, Tranche 2 Call Options and Unaffected Call Options****Tranche 1 - US Barrel(s)**

	2013	2014	2015	2016	2017	2018	Sum
Jan			89,105	132,050			
Feb			82,426	123,956			
Mar			102,865	134,717			
Apr			105,271	131,371			
May			114,658	136,964			
Jun			114,116	132,916			
Jul			127,154	141,176			
Aug			126,171	140,333			
Sep			124,505	136,847			
Oct		161,143	131,085				
Nov		161,558	128,717				
Dec		174,200	134,876				
Sum	0	496,900	1,380,949	1,210,329	0	0	3,088,179

Tranche 2 - US Barrel(s)

	2013	2014	2015	2016	2017	2018	Sum
Jan			75,676	28,220	108,992	64,482	
Feb			66,409	25,974	98,445	58,242	
Mar			61,916	25,553	108,992	64,482	
Apr		111,563	54,194	23,728	105,477		
May		115,281	50,123	23,306	108,992		
Jun		111,563	45,349	22,183	105,477		
Jul		115,281	37,627	19,094	108,992		
Aug		115,281	38,610	19,937	108,992		
Sep		111,563	34,960	18,252	105,477		
Oct		95,893	33,696	160,270	108,992		
Nov		87,188	30,748	155,099	105,477		
Dec		82,836	29,905	160,270	108,992		
Sum	0	946,450	559,213	681,887	1,283,297	187,206	3,658,052

Unaffected Call Options - US Barrel(s)

	2013	2014	2015	2016	2017	2018	Sum
Jan		115,281					
Feb		104,125					
Mar		115,281					
Apr							
May							
Jun							
Jul							
Aug							
Sep	111,860						
Oct	115,589						
Nov	111,860						
Dec	115,589						
Sum	454,898	334,687	0	0	0	0	789,585

Attachment 5

BTL Intercreditor Agreement

September 2013

Between

NORSK TILLITSMANN ASA

for itself as Senior Bond Trustee
and on behalf of the Senior Bondholders

BRITANNIC TRADING LIMITED

as Junior Creditor

IONA ENERGY INC.

as Parent

IONA ENERGY COMPANY (UK) LIMITED

as the Company

IONA UK HUNTINGTON LIMITED

as the Huntington Subsidiary

and

NORSK TILLITSMANN ASA

acting as Security Agent

IONA INTERCREDITOR AGREEMENT

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THIS AGREEMENT is dated September 2013 and made between:

- (1) **NORSK TILLITSMANN ASA** as Senior Bond Trustee;
- (2) **NORSK TILLITSMANN ASA** on behalf of the Senior Bondholders;
- (3) **BRITANNIC TRADING LIMITED** as Junior Creditor;
- (4) **IONA ENERGY INC.** (the "**Parent**");
- (5) **IONA ENERGY COMPANY (UK) LIMITED** (the "**Company**");
- (6) **IONA UK HUNTINGTON LIMITED** (the "**Huntington Subsidiary**"); and
- (7) **NORSK TILLITSMANN ASA** acting as Security Agent.

IT IS AGREED as follows:

1. **DEFINITIONS AND INTERPRETATION**

1.1 **Definitions**

In this Agreement:

"BP Secured Transaction Documentation" means the documentation relating to any BP Secured Transaction.

"BP Secured Transactions" means (i) the BP Structured Energy Derivative, (ii) pre-paid put options, if any, novated from the hedging banks for the Existing Credit Facility ("**Novated Pre-paid Put Options**") and (iii) any other transactions entered into between the Company and the Junior Creditor to hedge the Company's risk in relation to fluctuations in commodity prices (such transactions "**Secured Hedging Transactions**") other than pre-paid put options entered into between those parties on an unsecured basis (such transactions "**Unsecured Hedging Transactions**").

"BP Structured Energy Derivative" has the meaning given to the term "BP Structured Energy Derivative" in the Senior Bond Agreement.

"BP Structured Energy Derivative Escrow Account" has the meaning given to the term "BP Structured Energy Derivative Escrow Account" in the Senior Bond Agreement.

"Business Day" has the meaning given to the term "Business Day" in the Senior Bond Agreement.

"Charged Property" means all of the assets which from time to time are, or are expressed to be, the subject of the Transaction Security.

"Creditor Accession Undertaking" means an undertaking substantially in the form set out in Schedule 3 (*Form of Creditor Accession Undertaking*).

"Creditors" means the Senior Creditors and the Junior Creditor.

"Debtor" means the Company, the Parent, the Huntington Subsidiary and any person which becomes a Party as a Debtor in accordance with the terms of Clause 7 (*Changes to the Parties*).

"Debtor Accession Deed" means:

- (a) a deed substantially in the form set out in Schedule 2 (Form of Debtor Accession Deed); or
- (b) (only in the case of a Group Company which is acceding as a guarantor under, or is providing a guarantee in respect of, the Senior Bond Agreement) an accession document in the form required by the Senior Bond Agreement (provided that it contains an accession to this Agreement which is substantially in the form set out in Schedule 2 (Form of Debtor Accession Deed)).

"Debtor Resignation Request" means a notice substantially in the form set out in Schedule 4 (*Form of Debtor Resignation Request*).

"Delegate" means any delegate, agent, attorney or co-trustee appointed by the Security Agent.

"Eligible Proceeds" means proceeds from New Equity or up to 10% of Free Cashflow in the relevant six month period under the BP Structured Energy Derivative which are available for application in the early termination of the Tranche 1 Call Options or Tranche 2 Call Options or both, as the case may be.

"Escrow Account" has the meaning given to the term "Escrow Account" in the Senior Bond Agreement.

"Event of Default" has the meaning given to the term "Event of Default" in the Senior Bond Agreement.

"Existing Credit Facility" has the meaning given to the term "Existing Credit Facility" in the Senior Bond Agreement.

"Free Cashflow" means (on a consolidated basis), during any given period, earnings before depreciation and amortization ("**EBDA**"), less the sum of (i) any capital expenditures and (ii) change in working capital of the Restricted Group (to be calculated on a 6-month rolling basis).

"Financial Indebtedness" has the meaning given to the term "Financial Indebtedness" in the Senior Bond Agreement.

"First Disbursement" has the meaning given to the term "First Disbursement" in the Senior Bond Agreement.

"Group Company" has the meaning given to the term "Group Company" in the Senior Bond Agreement.

"Junior Creditor" means Britannic Trading Limited as counterparty to the BP Secured Transactions.

"Junior Liabilities" means the Liabilities owed by the Debtors to the Junior Creditor under the BP Secured Transactions.

"Liabilities" means all present and future liabilities and obligations at any time of any Group Company to any Creditor, both actual and contingent and whether incurred solely or jointly or as principal or surety or in any other capacity together with any of the following matters relating to or arising in respect of those liabilities and obligations:

- (a) any refinancing, novation, deferral or extension;
- (b) any claim for breach of representation, warranty or undertaking or on an event of default or under any indemnity given under or in connection with any document or agreement evidencing or constituting any other liability or obligation falling within this definition;
- (c) any claim for damages or restitution; and
- (d) any claim as a result of any recovery by any Debtor of a Payment on the grounds of preference or otherwise,

and any amounts which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings.

"Maximum BP Structured Energy Derivative Tranche 2 Retirement Amount" means the aggregate of USD 25,000,000 and the amount of any balance transferred to the Escrow Account from the BP Structured Energy Derivative Escrow Account on closure of the BP Structured Energy Derivative Escrow Account.

"New Equity" means the issuance of new equity securities (fully paid in) by the Parent only (including convertible equity securities or subordinated convertible debt securities). For the avoidance of doubt, any issuance of new equity due to call for uncalled equity (if applicable) shall not be treated as New Equity.

"Non-Cash Consideration" means consideration in a form other than cash.

"Parent" means Iona Energy Inc, a company incorporated in the Province of Alberta, Canada, with corporate access number 7385624.

"Party" means a party to this Agreement.

"Payment" means, in respect of any Liabilities (or any other liabilities or obligations), a payment, prepayment, repayment, redemption, defeasance or discharge of those Liabilities (or other liabilities or obligations).

"Permitted Payment" means a payment by the Company to the Junior Creditor under the relevant BP Secured Transaction that;

- (a) in the case of the BP Structured Energy Derivative, is in the following order: (i) an early termination amount due under Tranche 1 of the BP Structured Energy Derivative up to an amount equal to the Tranche 1 Call Options Retirement Amount and (ii) an early termination amount due under Tranche 2 of the BP Structured Energy Derivative up to an amount equal to the Tranche 2 Call Options Retirement Amount;
- (b) in the case of the BP Structured Energy Derivative (x) is a payment in respect of any ordinary cash settlement of Unaffected Call Option Tranches relating to any calculation period under the BP Structured Energy Derivative up to and including the period ending on 31 March 2014, or (y) is a payment in respect of (i) any ordinary cash settlement under any call option relating to any calculation period under the BP Structured Energy Derivative beginning after 31 March 2014 and/or (ii) any early termination amount due under Tranche 1 or Tranche 2 of the BP Structured Energy Derivative falling due after 31 March 2014, provided that such payments are funded by applying Eligible Proceeds and provided further that the 10% limit on Free Cashflow in a relevant six month period shall apply in aggregate, for retiring and/or servicing of cash settlements of call options under the BP Structured Energy Derivative;
- (c) in the case of any Secured Hedging Transaction, is a payment other than an early termination amount and otherwise permitted by the terms of the BP Secured Transaction Documentation relating to that Secured Hedging Transaction; and
- (d) any other payment relating to any BP Secured Transaction as required and permitted thereunder provided that such payments are funded through New Equity only.

"Receiver" means a receiver or receiver and manager or administrative receiver of the whole or any part of the Charged Property.

"Restricted Group" means the Company and all its (directly or indirectly owned) subsidiaries from time to time.

"Second-ranking Security" means the Security in respect of the BP Secured Transactions.

"Security" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"Security Agent" means the "Security Agent" under and as defined in the Senior Bond Agreement.

"Security Documents" has the meaning given to the term "Security Documents" in the Senior Bond Agreement.

"Senior Bondholders" means each "Bondholder" under and as defined in the Senior Bond Agreement.

"Senior Bond Trustee" means the "Bond Trustee" under and as defined in the Senior Bond Agreement.

"Senior Creditors" means the Senior Bondholders, the Senior Bond Trustee and the Security Agent.

"Senior Discharge Date" means the first date on which all Senior Liabilities have been fully and finally discharged to the satisfaction of the Security Agent, whether or not as the result of an enforcement, and the Senior Creditors are under no further obligation to provide financial accommodation to any of the Debtors under the Senior Finance Documents.

"Senior Finance Documents" means the "Finance Document" under and as defined in the Senior Bond Agreement.

"Senior Liabilities" means the Liabilities owed by the Debtors to the Senior Creditors under the Senior Finance Documents.

"Senior Bond Agreement" means the bond agreement dated on or about the date of this Agreement made between, inter alios, the Company and the Senior Bond Trustee (for itself and on behalf of the Senior Bondholders).

"Tranche 1" means the portion of the outstanding BP Structured Energy Derivative for the calculation periods from 1 October 2014 to 30 September 2016, inclusive and totalling 3,088,181 barrels (as further specified in Schedule 1 (Table of Tranches) hereto).

"Tranche 1 Call Options Retirement Amount" means an amount equal to USD 35,000,000 of the Bond issuance proceeds credited to the BP Structured Energy Derivative Escrow Account plus an amount equal to any Eligible Proceeds available at the relevant time.

"Tranche 2" means the portion of the outstanding BP Structured Energy Derivative for the calculation period from 1 April 2014 to 31 March 2018, inclusive, totalling 3,658,050 barrels (as further specified in Schedule 1 (Table of Tranches) hereto).

"Tranche 2 Call Options Retirement Amount" means an amount equal to the Maximum BP Structured Energy Derivative Tranche 2 Retirement Amount of the Bond issuance proceeds credited to the Escrow Account plus an amount equal to any Eligible Proceeds available at the relevant time.

"Transaction Security" means the Security created or evidenced or expressed to be created or evidenced under or pursuant to the Security Documents.

"Unaffected Call Option Tranches" means any outstanding call options comprising a part of the BP Structured Energy Derivative for the calculation periods and in respect of the notional quantities specified in Schedule 1.

1.2 Construction

1.2.1 Unless a contrary indication appears, a reference in this Agreement to:

- (A) any **"Company"**, **"Creditor"**, **"Debtor"**, **"Junior Creditor"**, **"Parent"**, **"Party"**, **"Security Agent"**, **"Senior Bond Trustee"**, **"Senior Creditor"**, or **"Senior Bondholder"** shall be construed to be a reference to it in its capacity as such and not in any other capacity;
- (B) any **"Creditor"**, **"Debtor"**, **"Junior Creditor"**, **"Party"**, **"Security Agent"**, **"Senior Bond Trustee"**, **"Senior Creditor"**, or **"Senior Bondholder"** or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees to, or of, its rights and/or obligations under the Senior Finance Documents or the relevant BP Secured Transaction Documentation, as the case may be;
- (C) an **"amount"** includes an amount of cash and an amount of Non-Cash Consideration;

- (D) **"assets"** includes present and future properties, revenues and rights of every description;
- (E) any agreement or instrument is (other than a reference to any agreement or instrument in **"original form"**) a reference to that agreement or instrument, as amended, novated, supplemented, extended or restated as permitted by this Agreement;
- (F) a **"distribution"** of or out of the assets of a Group Company, includes a distribution of cash and a distribution of Non-Cash Consideration;
- (G) **"enforcing"** (or any derivation) the Transaction Security includes the appointment of an administrator (or any analogous officer in any jurisdiction) of a Debtor by the Security Agent;
- (H) **"indebtedness"** includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
- (I) the **"original form"** of any agreement or instrument is a reference to that agreement or instrument as originally entered into;
- (J) a **"person"** includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality);
- (K) a **"regulation"** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation; and
- (L) a provision of law is a reference to that provision as amended or re-enacted; and
- (M) **"set off"** includes any right of retention, claims of compensation or right to balance account on insolvency.

1.2.2 Section, Clause and Schedule headings are for ease of reference only.

1.3 **Third party rights**

- 1.3.1 Unless expressly provided to the contrary in this Agreement, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the **"Third Parties Act"**) to enforce or to enjoy the benefit of any term of this Agreement.
- 1.3.2 Notwithstanding any term of this Agreement, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.
- 1.3.3 Any Receiver or Delegate may, subject to this Clause 1.3 and the Third Parties Act, rely on any Clause of this Agreement which expressly confers rights on it.

2. **RANKING AND PRIORITY**

2.1 **Creditor Liabilities**

Each of the Parties agrees that the Liabilities owed by the Debtors to the Creditors shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior-ranking Liabilities as follows:

2.1.1 **first**, the Senior Liabilities; and

2.1.2 **second**, the Junior Liabilities.

2.2 **Transaction Security**

Each of the Parties agrees that the Transaction Security shall rank and secure the Senior Liabilities in priority to the Second-ranking Security. If, following the enforcement of the Transaction Security, the proceeds of enforcement exceed the Senior Liabilities, the Security Agent shall hold an amount of that excess equal to the Junior Liabilities (or if less, the amount received or recovered) on trust for the Junior Creditor. Promptly following receipt of a certificate, signed by the Company and the Junior Creditor, as to the amount of the Junior Liabilities, the Security Agent shall pay or distribute that amount to the Junior Creditor.

2.3 **Scottish instrument of alteration**

Any floating charges forming part of the Transaction Security and the Second-ranking Security are hereby varied to the extent specified in this Agreement and this Agreement so far as affecting such floating charges shall be construed and receive effect as an Instrument of Alteration of the said floating charges within the meaning of section 466 of the Companies Act 1985.

3. **SENIOR CREDITORS AND SENIOR LIABILITIES**

3.1 **Payment of Senior Liabilities**

The Debtors may make Payments of the Senior Liabilities at any time in accordance with the Senior Finance Documents.

3.2 **Amendments and Waivers: Senior Creditors**

The Senior Creditors may amend or waive the terms of the Senior Finance Documents in accordance with their terms (and subject to any consent required under them) at any time.

3.3 **Security: Senior Creditors**

The Senior Creditors may take, accept or receive the benefit of:

3.3.1 any Security in respect of the Senior Liabilities from any Group Company; and

3.3.2 any guarantee, indemnity or other assurance against loss from any Group Company in respect of the Senior Liabilities.

3.4 **Senior Discharge Date**

The Security Agent shall promptly notify the Junior Creditor of the occurrence of the Senior Discharge Date.

4. **THE JUNIOR CREDITOR AND THE JUNIOR LIABILITIES**

4.1 **Restriction on Payment: Junior Liabilities**

The Debtors shall not, and shall procure that no other Group Company will, make any Payments of the Junior Liabilities at any time unless that payment is a Permitted Payment. For the avoidance of doubt, payments of any premia in respect of any Unsecured Hedging Transaction shall not be restricted by this Clause 4.1.

4.2 **Payment obligations and capitalisation of interest continue**

No Debtor shall be released from the liability to make any Payment (including of default interest, which shall continue to accrue) under the BP Secured Transactions by the operation of Clause 4.1 (*Restriction on Payment: Junior Liabilities*) even if its obligation to make that Payment is restricted at any time by the terms of that Clause.

4.3 **Amendments and Waivers: Junior Creditor**

4.3.1 Subject to Clause 4.3.2, the Junior Creditor may amend or waive the terms of any BP Secured Transaction Documentation to which it is a party in accordance with the terms of such documentation (and subject to any consent required under them) at any time.

4.3.2 Prior to the Senior Discharge Date, the Junior Creditor may not amend or waive the terms of the BP Structured Energy Derivative if the amendment or waiver is, in relation to the form of the BP Structured Energy Derivative as existing at the date of First Disbursement:

(A) an amendment to, or waiver of, the amount, currency, dates or terms of repayment or prepayment (mandatory or otherwise) of the BP Structured Energy Derivative;

(B) an amendment to, or waiver of, the basis on which interest, fees or commission accrue, are calculated or are payable other than one:

(1) which is:

(a) a minor or administrative change or correction; or

(b) a correction of a manifest error,

which is, in each case, not prejudicial to the Senior Creditors;

(C) any other amendment or waiver the effect of which is to make any Debtor liable to make additional or increased payments; or

(D) an amendment or waiver:

(1) which would result in any Debtor being subject to more onerous obligations under the representations, undertakings, financial covenants or events of default; and

(2) which has not been made to, or given in respect of, the equivalent Senior Finance Documents,

unless, in each case, the prior consent of the Senior Bond Trustee is obtained.

4.4 **Security: Junior Creditor**

At any time prior to the Senior Discharge Date, the Junior Creditor may not take, accept or receive the benefit of any Security, guarantee, indemnity or other assurance against loss from (or over the assets of or over the shares in) any Group Company in respect of any Junior Liabilities other than the Second-ranking Security.

4.5 **Restriction on Enforcement: Junior Creditor**

The Junior Creditor shall not be entitled, in respect of any of the Junior Liabilities, prior to the Senior Discharge Date, to:

4.5.1 enforce any Security constituted by any Second-ranking Security;

4.5.2 sue for or institute any creditor's process (including a Mareva injunction, garnishment, execution, diligence or levy, whether before or after judgment or decree) in respect of any obligation (whether or not for the payment of money) owing to it under or in respect of any BP Secured Transaction and/or the Second-ranking Security or otherwise enforce any debt under any BP Secured Transaction by attachment, execution, diligence or otherwise;

- 4.5.3 take any step (including petition, application, notice of meeting or proposal to creditors) for the liquidation, winding-up, administration, dissolution or bankruptcy (or analogous proceeding in any jurisdiction) of a Debtor, or take any step for a voluntary arrangement or scheme of arrangement or analogous proceeding in relation to a Debtor;
- 4.5.4 apply for any order for an injunction or specific performance in respect of a Debtor in relation to any BP Secured Transaction or any related document; or
- 4.5.5 otherwise exercise any remedy for the recovery of any debt under any BP Secured Transaction or any rights it may have to accelerate any BP Secured Transaction or to declare the same prematurely payable, other than in accordance with making a Permitted Payment.

5. **TURNOVER OF RECEIPTS**

5.1 **Turnover by the Creditors**

Subject to Clause 5.2 (*Permitted assurance and receipts*), if, at any time prior to the Senior Discharge Date, the Junior Creditor receives or recovers:

- 5.1.1 any Payment or distribution of, or on account of or in relation to, any BP Secured Transaction;
- 5.1.2 any amount by way of set-off in respect of any of sum owed to it under any BP Secured Transaction; or
- 5.1.3 the proceeds of any enforcement of any security relating to any BP Secured Transaction,

other than, in each case, a Permitted Payment, the Junior Creditor shall:

- (A) in relation to receipts and recoveries not received or recovered by way of set-off, hold an amount of that receipt or recovery equal to the Senior Liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay or distribute that amount to the Security Agent for application in accordance with the terms of this Agreement; and
- (B) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of this Agreement.

5.2 **Permitted assurance and receipts**

Nothing in this Agreement shall restrict the ability of any Creditor to:

- 5.2.1 arrange with any person which is not a Group Company any assurance against loss in respect of, or reduction of its credit exposure to, a Debtor (including assurance by way of credit-based derivative or sub-participation), provided such assurance is provided without recourse to any of the Group Companies; or
- 5.2.2 make any assignment or transfer permitted by Clause 7 (*Changes to the Parties*).

5.3 **Amounts received by Debtors**

If any of the Debtors receives or recovers any amount which, under the terms of any of the Senior Finance Documents, should have been paid to the Security Agent, that Debtor will hold an amount of that receipt or recovery equal to the Senior Liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of this Agreement.

5.4 **Saving provision**

If, for any reason, any of the trusts expressed to be created in this Clause 5 should fail or be unenforceable, the Junior Creditor or the affected Debtor will promptly pay or distribute an amount equal to that receipt or recovery to the Security Agent.

5.5 **Turnover of Non-Cash Consideration**

For the purposes of this Clause 5, if the Junior Creditor receives or recovers any amount or distribution in the form of Non-Cash Consideration which is subject to Clause 5.1 (*Turnover by the Creditors*) the cash value of that Non-Cash Consideration shall be determined by the Security Agent (acting reasonably).

6. **REDISTRIBUTION**

6.1 **Recovering Creditor's rights**

6.1.1 Any amount paid or distributed by the Junior Creditor to the Security Agent under Clause 5 (*Turnover of Receipts*) shall be treated as having been paid or distributed by the relevant Debtor and distributed to the Security Agent in accordance with the terms of this Agreement.

6.1.2 On a distribution by the Junior Creditor under Clause 6.1.1 of a Payment or distribution received by the Junior Creditor from a Debtor, as between the relevant Debtor and the Junior Creditor an amount equal to the amount received or recovered by the Junior Creditor and paid or distributed to the Security Agent (the "**Shared Amount**") will be treated as not having been paid or distributed by that Debtor.

6.2 **Reversal of redistribution**

If any part of the Shared Amount received or recovered by the Junior Creditor becomes repayable or returnable to a Debtor and is repaid or returned by the Junior Creditor to that Debtor (the "**Redistributed Amount**") then, as between the relevant Debtor and the Junior Creditor, an amount equal to the relevant Redistributed Amount will be treated as not having been paid or distributed by that Debtor.

6.3 **Deferral of subrogation**

No Debtor will exercise any rights which it may have by reason of the performance by it of its obligations under the Senior Finance Documents to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights under the Senior Finance Documents of any Senior Creditor until such time as all of the Senior Liabilities have been irrevocably discharged in full.

7. **CHANGES TO THE PARTIES**

7.1 **Assignments and transfers**

Unless permitted by any waiver or amendment effected in accordance with Clause 10.1.3, no Party may:

7.1.1 assign any of its rights; or

7.1.2 transfer any of its rights and obligations,

in respect of this Agreement other than as permitted by this Clause 7 or with the prior written consent of each other Party.

7.2 Creditor Accession Undertaking

With effect from the date of acceptance by the Security Agent of a Creditor Accession Undertaking duly executed and delivered to the Security Agent by the relevant acceding party or, if later, the date specified in that Creditor Accession Undertaking:

- 7.2.1 any Party ceasing entirely to be a Creditor shall be discharged from further obligations towards the Security Agent and other Parties under this Agreement and their respective rights against one another shall be cancelled (except in each case for those rights which arose prior to that date); and
- 7.2.2 as from that date, the replacement or new Creditor shall assume the same obligations and become entitled to the same rights as if it had been an original Party in the capacity specified in the Creditor Accession Undertaking.

7.3 No replacement without accession

Neither the Senior Bond Trustee nor the Junior Creditor may resign or be removed except as provided for in the Senior Bond Agreement or the relevant BP Secured Transaction Documentation (as the case may be) and only if the replacement Senior Bond Trustee or Junior Creditor (as the case may be) accedes, and becomes a Party, to this Agreement as "Senior Bond Trustee" or "Junior Creditor" (as the case may be) by executing a Creditor Accession Undertaking and delivering the same (together with such other documents as the Security Agent may reasonably request) to the Security Agent.

7.4 New Debtor

- 7.4.1 If any of the Group Companies accedes to the Senior Bond Agreement as an additional Obligor or provides a guarantee in respect of the Senior Bond Agreement, the Debtors will procure that that Group Company accedes to this Agreement as a Debtor, in accordance with Clause 7.4.2, no later than contemporaneously with its accession to the Senior Bond Agreement.
- 7.4.2 With effect from the date of acceptance by the Security Agent of a Debtor Accession Deed duly executed and delivered to the Security Agent by the new Debtor or, if later, the date specified in the Debtor Accession Deed, the new Debtor shall assume the same obligations and become entitled to the same rights as if it had been an original Party as a Debtor.

7.5 Additional parties

Each of the Parties appoints the Security Agent to receive on its behalf each Creditor Accession Undertaking delivered to the Security Agent and the Security Agent shall, as soon as reasonably practicable after receipt by it, sign and accept the same if it appears on its face to have been completed, executed and, where applicable, delivered in the form contemplated by this Agreement.

7.6 Resignation of a Debtor

- 7.6.1 The Parent may request that a Debtor ceases to be a Debtor by delivering to the Security Agent, a Debtor Resignation Request.
- 7.6.2 The Security Agent shall accept a Debtor Resignation Request and notify the Parent and each other Party of its acceptance if:
 - (A) the Parent has confirmed that no Event of Default is continuing or would result from the acceptance of the Debtor Resignation Request; and
 - (B) the Senior Bond Trustee notifies the Security Agent that the Debtor is not, or has ceased to be, a Debtor.

- 7.6.3 Upon notification by the Security Agent to the Parent of its acceptance of the resignation of a Debtor, that Group Company shall cease to be a Debtor and shall have no further rights or obligations under this Agreement as a Debtor.

8. NOTICES

8.1 Communications in writing

Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by fax or letter.

8.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with this Agreement is:

- 8.2.1 in the case of the Parent, the Company or the Huntington Subsidiary, that identified in the Senior Bond Agreement;
- 8.2.2 in the case of the Security Agent, that identified in the Senior Bond Agreement; and
- 8.2.3 in the case of each other Party, that notified in writing to the Security Agent on or prior to the date on which it becomes a Party,

or any substitute address, fax number or department or officer which that Party may notify to the Security Agent (or the Security Agent may notify to the other Parties, if a change is made by the Security Agent) by not less than five Business Days' notice.

8.3 Delivery

- 8.3.1 Any communication or document made or delivered by one person to another under or in connection with this Agreement will only be effective:
- (A) if by way of fax, when received in legible form; or
 - (B) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,
- and, if a particular department or officer is specified as part of its address details provided under Clause 8.2 (*Addresses*), if addressed to that department or officer.
- 8.3.2 Any communication or document to be made or delivered to the Security Agent will be effective only when actually received by the Security Agent and then only if it is expressly marked for the attention of the department or officer identified with the Security Agent's signature below (or any substitute department or officer as the Security Agent shall specify for this purpose).
- 8.3.3 Any communication or document made or delivered to the Parent, the Company or the Huntington Subsidiary in accordance with this Clause 8.3 will be deemed to have been made or delivered to each of the Debtors.
- 8.3.4 Any communication or document which becomes effective, in accordance with Clause 8.3.1 to 8.3.3, after 5.00 pm London time in the place of receipt shall be deemed only to become effective on the following day.

8.4 Notification of address and fax number

Promptly upon receipt of notification of an address and fax number or change of address or fax number pursuant to Clause 8.2 (*Addresses*) or changing its own address or fax number, the Security Agent shall notify the other Parties.

8.5 Electronic communication

8.5.1 Any communication to be made between any two Parties under or in connection with this Agreement may be made by electronic mail or other electronic means to the extent that those two Parties agree that, unless and until notified to the contrary, this is to be an accepted form of communication and if those two Parties:

- (A) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
- (B) notify each other of any change to their address or any other such information supplied by them by not less than five Business Days' notice.

8.5.2 Any electronic communication made between those two Parties will be effective only when actually received in readable form and in the case of any electronic communication made by a Party to the Security Agent only if it is addressed in such a manner as the Security Agent shall specify for this purpose.

8.5.3 Any electronic communication which becomes effective, in accordance with Clause 8.5.2, after 5.00 pm in the place of receipt shall be deemed only to become effective on the following day.

8.6 English language

8.6.1 Any notice given under or in connection with this Agreement must be in English.

8.6.2 All other documents provided under or in connection with this Agreement must be:

- (A) in English; or
- (B) if not in English, and if so required by the Security Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

9. PRESERVATION

9.1 No impairment

If, at any time after its date, any provision of this Agreement is not binding on or enforceable in accordance with its terms against a Party, neither the binding nature nor the enforceability of that provision or any other provision of this Agreement will be impaired as against the other Party(ies).

9.2 Waiver of defences

The provisions of this Agreement or any Transaction Security will not be affected by an act, omission, matter or thing which, but for this Clause 9.2, would reduce, release or prejudice the subordination and priorities expressed to be created by this Agreement including (without limitation and whether or not known to any Party):

- 9.2.1 any time, waiver or consent granted to, or composition with, any Debtor or other person;
- 9.2.2 the release of any Debtor or any other person under the terms of any composition or arrangement with any creditor of any Group Company;
- 9.2.3 the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Debtor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any Security;
- 9.2.4 any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any Debtor or other person;
- 9.2.5 any amendment, novation, supplement, extension (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatsoever nature, and whether or not more onerous) or replacement of a Senior Finance Document or any other document or security;
- 9.2.6 any unenforceability, illegality or invalidity of any obligation of any person under any Senior Finance Document, any BP Secured Transaction Documentation or any other document or security;
- 9.2.7 any intermediate Payment of any of the Liabilities owing to the Creditors in whole or in part; or
- 9.2.8 any insolvency or similar proceedings.

9.3 **Priorities not affected**

Except as otherwise provided in this Agreement, the priorities referred to in Clause 2 (*Ranking and Priority*) will:

- 9.3.1 not be affected by any reduction or increase in the principal amount secured by the Transaction Security in respect of the Senior Liabilities or by any intermediate reduction or increase in, amendment or variation to any of the Senior Finance Documents, or by any variation or satisfaction of, any of the Liabilities or any other circumstances;
- 9.3.2 apply regardless of the order in which or dates upon which this Agreement, the other Senior Finance Documents and the BP Secured Transaction Documentation are executed or registered or notice of them is given to any person; and
- 9.3.3 secure the Senior Liabilities, regardless of the date upon which any of the Liabilities arise or of any fluctuations in the amount of any of the Liabilities outstanding.

9.4 **Preservation of debt**

- 9.4.1 Notwithstanding any term of this Agreement postponing, subordinating or preventing the payment of any Liability, as between the Debtors and the Creditor to whom such Liability is owed, that Liability shall remain owing and payable (and interest and/or default interest shall continue to accrue) in accordance with the terms of the relevant agreement relating to such Liability.
- 9.4.2 No failure to exercise, nor any delay in exercising, on the part of any Creditor, any right or remedy under any relevant agreement by reason of the operation of this Agreement shall operate as a waiver of such right or remedy.

9.5 Status of the Debtors

- 9.5.1 Each of the Debtors joins in this Agreement for the purpose of acknowledging the priorities, rights and obligations set out in this Agreement and undertakes with each of the other Parties to observe the provisions of this Agreement at all times and not in any way to prejudice or affect the enforcement of such provisions or do or suffer anything which would be inconsistent with the terms of this Agreement.
- 9.5.2 None of the Debtors shall have any rights under this Agreement and none of the undertakings given by the Creditors in this Agreement are given (or shall be deemed to have been given) to, or for the benefit of, the Debtors.

9.6 Release of Security

- 9.6.1 In the event that the Security Agent, following enforcement of the Transaction Security, proposes to sell any asset that is subject to the Transaction Security, the Junior Creditor shall procure that (at the cost of the Parent or the Company and without any consent, sanction, authority or further confirmation from any Creditor or Debtor) but subject to Clause 9.6.2:
- (A) the Second-ranking Security and any other claim (relating to any BP Secured Transaction) over that asset is released;
 - (B) where that asset consists of shares in the capital of a member of the Group, the Second-ranking Security and any other claim (relating to any BP Secured Transaction) over that member of the Group's property is released; and
 - (C) to execute and deliver or enter into any release of the Second-ranking Security and any claim described in Clauses 9.6.1(A) or 9.6.1(B) and issue any certificates of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable.
- 9.6.2 Each release of Second-ranking Security or any claim described in Clause 9.6 shall become effective only on the disposal of the relevant asset.
- 9.6.3 The Junior Creditor by way of security for its obligations under this Agreement irrevocably appoints the Security Agent to be its attorney to do anything which the Junior Creditor is required to do under this Clause 9.6 (Release of Security) but has failed to do (and the Security Agent may delegate that power on such terms as it sees fit).

10. CONSENTS, AMENDMENTS AND OVERRIDE

10.1 Required consents

- 10.1.1 An amendment or waiver that has the effect of changing or which relates to the order of priority or subordination under this Agreement shall not be made without the consent of:
- (A) the Senior Bond Trustee (for itself and on behalf of the Senior Bondholders);
 - (B) the Security Agent.
- 10.1.2 An amendment or waiver that adversely affects the Junior Creditor, shall not be made without the consent of the Junior Creditor.

- 10.1.3 The Senior Bond Trustee and the Junior Creditor may by mutual agreement make any amendment to, or agree to any waiver of, any term of this Agreement where such amendment or waiver is in relation to the rights and/or obligations pertaining to the Senior Liabilities and/or the Transaction Security and/or (ii) the Junior Liabilities and/or the Second-ranking Security, without the consent of any Debtor or any other party.

10.2 Effectiveness

- 10.2.1 Any amendment, waiver or consent given in accordance with this Clause 10 will be binding on all Parties and the Security Agent may effect, on behalf of any Creditor, any amendment, waiver or consent permitted by this Clause 10.
- 10.2.2 The Security Agent may engage, pay for and rely on the services of lawyers in determining the consent level required for and effecting any amendment, waiver or consent under this Agreement.

10.3 Agreement to override

Unless expressly stated otherwise in this Agreement, this Agreement overrides anything in any BP Secured Transaction Documentation and the Second-ranking Security to the contrary.

11. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

12. GOVERNING LAW

This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including any non-contractual disputes or claims) shall be governed by and construed in accordance with English law.

13. ENFORCEMENT

13.1 Jurisdiction

- 13.1.1 The courts of England have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Agreement or its subject matter, existence, negotiation, validity, termination or enforceability (including any non-contractual dispute or claim) (a "**Dispute**").
- 13.1.2 The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary or initiate or pursue any proceedings relating to a Dispute in any jurisdiction other than England.

13.2 Service of process

- 13.2.1 Without prejudice to any other mode of service allowed under any relevant law each Debtor (unless incorporated in England and Wales):
- (1) irrevocably appoints Iona UK Huntington Limited as its agent for service of process in relation to any proceedings before the English courts in connection with this Agreement;
 - (2) agrees that failure by a process agent to notify the relevant Debtor of the process will not invalidate the proceedings concerned.

- 13.2.2 If any person appointed as an agent for service of process is unable for any reason to act as agent for service of process, the Parent or the Company (in the case of an agent for service of process for a Debtor) must immediately (and in any event within three days of such event taking place) appoint another agent on terms acceptable to the Senior Bond Trustee. Failing this, the Senior Bond Trustee may appoint another agent for this purpose.
- 13.2.3 each Debtor and the Junior Creditor expressly agrees and consents to the provisions of this Clause 13 and Clause 12 (*Governing Law*).

This Agreement has been entered into on the date stated at the beginning of this Agreement and executed as a deed and is intended to be and is delivered as a deed on the date specified above.

**SCHEDULE 1
TABLE OF TRANCHES**

Tranche 1 – US Barrel(s)

	2013	2014	2015	2016	2017	2018	Sum
Jan			89,105	132,050			
Feb			82,426	123,956			
Mar			102,865	134,717			
Apr			105,271	131,371			
May			114,658	136,964			
Jun			114,116	132,916			
Jul			127,154	141,176			
Aug			126,171	140,333			
Sep			124,505	136,847			
Oct		161,143	131,085				
Nov		161,558	128,717				
Dec		174,200	134,876				
Sum	0	496,900	1,380,949	1,210,329	0	0	3,088,179

Tranche 2 – US Barrel(s)

	2013	2014	2015	2016	2017	2018	Sum
Jan			75,676	28,220	108,992	64,482	
Feb			66,409	25,974	98,445	58,242	
Mar			61,916	25,553	108,992	64,482	
Apr		111,563	54,194	23,728	105,477		
May		115,281	50,123	23,306	108,992		
Jun		111,563	45,349	22,183	105,477		
Jul		115,281	37,627	19,094	108,992		
Aug		115,281	38,610	19,937	108,992		
Sep		111,563	34,960	18,252	105,477		
Oct		95,893	33,696	160,270	108,992		
Nov		87,188	30,748	155,099	105,477		
Dec		82,836	29,905	160,270	108,992		
Sum	0	946,450	559,213	681,887	1,283,297	187,206	3,658,052

Unaffected Call Options – US Barrel(s)

	2013	2014	2015	2016	2017	2018	Sum
Jan		115,281					
Feb		104,125					
Mar		115,281					
Apr							
May							
Jun							
Jul							
Aug							
Sep	111,860						
Oct	115,589						
Nov	111,860						
Dec	115,589						
Sum	454,898	334,687	0	0	0	0	789,585

SCHEDULE 2

FORM OF DEBTOR ACCESSION DEED

THIS AGREEMENT is made on [] and made between:

- (1) [Insert Full Name of New Debtor] (the "**Acceding Debtor**"); and
- (2) [Insert Full Name of Current Security Agent] (the "**Security Agent**"), for itself and each of the other parties to the intercreditor agreement referred to below.

[WHEREAS:]

- (A) This agreement is made on [date] by the Acceding Debtor in relation to an intercreditor agreement (the "**Intercreditor Agreement**") dated [] between, amongst others, [] as parent, [] as company, [] as Security Agent, [] as senior agent, [] as Junior Creditor and the other Senior Creditors (each as defined in the Intercreditor Agreement).
- (B) The Acceding Debtor intends to [incur Liabilities under the following documents]/[give a guarantee, indemnity or **other assurance against loss in respect of Liabilities under the following documents]:
[Insert details (date, parties and description) of relevant documents]
the "**Relevant Documents**".

IT IS AGREED as follows:

1. Terms defined in the Intercreditor Agreement shall, unless otherwise defined in this Agreement, bear the same meaning when used in this Agreement.
2. The Acceding Debtor and the Security Agent agree that the Security Agent shall hold:
 - 2.1 [any Security in respect of Liabilities created or expressed to be created pursuant to the Relevant Documents;
 - 2.2 all proceeds of that Security; and]*
 - 2.3 all obligations expressed to be undertaken by the Acceding Debtor to pay amounts in respect of the Liabilities to the Security Agent as trustee for the Senior Creditors (in the Relevant Documents or otherwise) and secured by the Transaction Security together with all representations and warranties expressed to be given by the Acceding Debtor (in the Relevant Documents or otherwise) in favour of the Security Agent as trustee for the Senior Creditors,
on trust for the Senior Creditors on the terms and conditions contained in the Intercreditor Agreement.
3. The Acceding Debtor confirms that it intends to be party to the Intercreditor Agreement as a Debtor, undertakes to perform all the obligations expressed to be assumed by a Debtor under the Intercreditor Agreement and agrees that it shall be bound by all the provisions of the Intercreditor Agreement as if it had been an original party to the Intercreditor Agreement.
4. This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including any non-contractual disputes or claims) shall be governed by and construed in accordance with English law.

THIS AGREEMENT has been signed on behalf of the Security Agent and executed as a deed by the Acceding Debtor and is delivered on the date stated above.

* Include to the extent that the Security created in the Relevant Documents is expressed to be granted to the Security Agent as trustee for the Senior Creditors.

The Acceding Debtor

[EXECUTED as a DEED

By: *[Full Name of Acceding Debtor]*

Director

Director/Secretary

OR

EXECUTED as a DEED

By: *[Full name of Acceding Debtor]*

Signature of Director

Name of Director

in the presence of

Signature of witness

Name of witness

Address of witness

Occupation of witness]

Address:

Fax:

The Security Agent

[Full Name of Current Security Agent]

By:

Date:

SCHEDULE 3
FORM OF CREDITOR ACCESSION UNDERTAKING

To: *[Insert full name of current Security Agent]* for itself and each of the other parties to the Intercreditor Agreement referred to below.

From: *[Acceding Creditor]*

THIS UNDERTAKING is made on *[date]* by *[insert full name of new Senior Bondholder/Senior Bond Trustee/Security Agent/Junior Creditor]* (the "**Acceding [Senior Creditor/Junior Creditor]**") in relation to the intercreditor agreement (the "**Intercreditor Agreement**") dated *[]* between, among others, *[INSERT NAME OF PARENT]* as parent, *[INSERT NAME OF COMPANY]* as company, *[INSERT NAME OF SECURITY AGENT]* as Security Agent, *[INSERT NAME OF SENIOR BOND TRUSTEE]* as Senior Bond Trustee, *[INSERT NAME OF JUNIOR CREDITOR]* as Junior Creditor and the other Senior Creditors (each as defined in the Intercreditor Agreement). Terms defined in the Intercreditor Agreement shall, unless otherwise defined in this Undertaking, bear the same meanings when used in this Undertaking.

In consideration of the Acceding *[Senior Creditor/Junior Creditor]* being accepted as a *[Senior Creditor/Junior Creditor]* for the purposes of the Intercreditor Agreement, the Acceding *[Senior Creditor/Junior Creditor]* confirms that, as from *[date]*, it intends to be party to the Intercreditor Agreement as a *[Senior Creditor/Junior Creditor]* and undertakes to perform all the obligations expressed in the Intercreditor Agreement to be assumed by a *[Senior Creditor/Junior Creditor]* and agrees that it shall be bound by all the provisions of the Intercreditor Agreement, as if it had been an original party to the Intercreditor Agreement.

This Undertaking and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including any non-contractual disputes or claims) shall be governed by and construed in accordance with English law.

THIS UNDERTAKING has been entered into on the date stated above and is delivered on the date stated above.

Acceding Creditor

EXECUTED as a DEED

By: *[Full name of Acceding Creditor]*

Signature of Director

Name of Director

in the presence of

Signature of witness

Name of witness

Address of witness

Occupation of witness

Address:

Fax:

Accepted by the Security Agent

for and on behalf of

[Insert full name of current Security Agent]

Date:

SCHEDULE 4

FORM OF DEBTOR RESIGNATION REQUEST

To: [] as Security Agent

From: [resigning Debtor] and [Parent]

Dated:

Dear Sirs

**[Parent] - [] Intercreditor Agreement
dated [] (the "Intercreditor Agreement")**

1. We refer to the Intercreditor Agreement. This is a Debtor Resignation Request. Terms defined in the Intercreditor Agreement have the same meaning in this Debtor Resignation Request unless given a different meaning in this Debtor Resignation Request.
2. Pursuant to Clause 7.6 (*Resignation of a Debtor*) of the Intercreditor Agreement we request that [resigning Debtor] be released from its obligations as a Debtor under the Intercreditor Agreement.
3. We confirm that no Event of Default is continuing or would result from the acceptance of this request.
4. This letter and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including any non-contractual disputes or claims) shall be governed by and construed in accordance with English law.

[Parent]

[resigning Debtor]

By:

By:

SIGNATURES

The Parent

EXECUTED as a DEED

By: Iona Energy Inc.

(signed) "Neill Carson" Signature of Director

Neill Carson Name of Director

in the presence of

(signed) "Witness" Signature of witness

[Redacted] Name of witness

[Redacted] Address of witness

[Redacted] Occupation of witness

Address:

Fax:

Attention:

The Company

EXECUTED as a **DEED**

By: **Iona Energy Company (UK) Ltd.**

(signed) "Neill Carson"

Signature of Director

Neill Carson

Name of Director

in the presence of

(signed) "Witness"

Signature of witness

[Redacted]

Name of witness

[Redacted]

Address of witness

[Redacted]

Occupation of witness

Address:

Fax:

Attention:

The Huntington Subsidiary

EXECUTED as a **DEED**

By: **Iona UK Huntington Limited**

(signed) "Neill Carson"

Signature of Director

Neill Carson

Name of Director

in the presence of

(signed) "Witness"

Signature of witness

[Redacted]

Name of witness

[Redacted]

Address of witness

[Redacted]

Occupation of witness

Address:

Fax:

Attention:

The Security Agent

EXECUTED as a **DEED**

By: **Norsk Tillitsmann ASA (as Security Agent)**

(signed) "Authorized Signatory" Signature of Director

Authorized Signatory Name of Director

in the presence of

(signed) "Witness" Signature of witness

[Redacted] Name of witness

[Redacted] Address of witness

[Redacted] Occupation of witness

Address:

Fax:

Attention:

The Senior Bond Trustee

EXECUTED as a **DEED**

By: **Norsk Tillitsmann ASA (as Senior Bond Trustee)**

(signed) "Authorized Signatory" Signature of Director

Authorized Signatory Name of Director

in the presence of

(signed) "Witness" Signature of witness

[Redacted] Name of witness

[Redacted] Address of witness

[Redacted] Occupation of witness

Address:

Fax:

Attention:

The Senior Bondholders

EXECUTED as a **DEED**

By: **Norsk Tillitsmann ASA (on behalf of the Senior Bondholders)**

(signed) "Authorized Signatory" Signature of Director

Authorized Signatory Name of Director

in the presence of

(signed) "Witness" Signature of witness

[Redacted] Name of witness

[Redacted] Address of witness

[Redacted] Occupation of witness

Address:

Fax:

Attention:

The Junior Creditor

EXECUTED as a **DEED**

By: **Britannic Trading Limited (as Junior Creditor)**

acting by (signed) "Authorized Signatory"

in the presence of Authorized Signatory

signature of witness (signed) "Witness"

name of witness [Redacted]

address of witness [Redacted]