Securities Note

Lime Petroleum AS FRN Senior Secured NOK 1,250,000,000 Bonds 2022/2025

NO0012806787
(Temporary Bonds to be converted into NO0012559246)

Manager:

Important notice

This Securities Note, has been approved by the Financial Supervisory Authority of Norway (the "Norwegian FSA") (Finanstilsynet), as competent authority under Regulation (EU) 2017/1129. The Norwegian FSA only approves this Securities Note as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval should not be considered as an endorsement of the securities that are the subject of this Securities Note. The investors should make their own assessment as to the suitability of investing in the securities.

The Securities Note has been prepared in connection with the listing of the Bonds on Oslo Børs. This Securities Note together with the Registration Document and if applicable a Summary constitutes the Prospectus. The Prospectus is valid for a period of up to 12 months following its approval by the Norwegian FSA. New information that is significant for the Issuer or its subsidiaries may be disclosed after the Securities Note has been made public, but prior to listing of the securities. Such information will be published as a supplement to the Securities Note to Regulation (EU) 2017/1129. On no account must the publication or the disclosure of the Securities Note give the impression that the information herein is complete or correct on a given date after the date on the Securities Note, or that the business activities of the Issuer or its subsidiaries may not have been changed.

Only the Issuer and the manager are entitled to procure information about conditions described in the Securities Note. Information procured by any other person is of no relevance in relation to the Securities Note and cannot be relied on.

Unless otherwise stated, the Securities Note is subject to Norwegian law. In the event of any dispute regarding the Securities Note, Norwegian law will apply.

In certain jurisdictions, the distribution of the Securities Note may be limited by law, for example in the United States of America or in the United Kingdom. Verification and approval of the Securities Note by Norwegian FSA implies that the Securities Note may be used in any EEA country. No other measures have been taken to obtain authorisation to distribute the Securities Note in any jurisdiction where such action is required. Persons that receive the Securities Note are ordered by the Issuer and Manager to obtain information on and comply with such restrictions.

This Securities Note is not an offer to sell or a request to buy Bonds.

The content of the Securities Note does not constitute legal, financial or tax advice and Bond owners should seek legal, financial and/or tax advice.

Contact the Issuer to receive copies of the Securities Note.

Factors which are material for the purpose of assessing the market risks associated with Bond
The Bonds may not be a suitable investment for all investors. Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Securities Note and/or Registration Document or any applicable supplement;
(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
(iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of the financial markets; and
(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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1.Risk factors

All investments in interest bearing securities have risk associated with such investment. The risk is related to the general volatility in the market for such securities, varying liquidity in a single bond issue as well as company specific risk factors. The Bonds may not be a suitable investment for all investors. Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds. An investment in the Bonds entails significant risks and is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of its investment.

The main risks, in the view of the Issuer, related to these specific bonds are described below. Risks related to the Issuer are described in the Registration Document, dated 02.09.2022.

RISKS RELATING TO THE BONDS

Credit risk
Credit risk is the risk that the Issuer fails to make the required payments under the Bonds (either principal or interest) pursuant to the obligations in the Bond Terms. In case of a bankruptcy, the bondholder risk losing its entire investment, and settlement of any potential dividend will not take place until the bankruptcy proceedings have been completed.

If a change of control or other put option occurs, the Issuer may lack funds to redeem the Bonds
Upon the occurrence of specific change of control or other put option events affecting the Issuer, the Bondholders will have a right to require the Issuer to redeem the Bonds at 101% of their principal amount, plus accrued and unpaid interest. The Issuer’s ability to repurchase the Bonds upon such a change of control event would be limited by the Issuer’s access to funds at the time of the redemption and the Issuer’s other debt agreements, which may affect the Issuer's ability to pay all or part of the interest or principal on the Bonds to the Bondholders.

Risk related to the value and enforceability of the security
Although the Bonds are secured, there can be no assurance that the value of the Issuer's assets will be sufficient to cover all the outstanding Bonds together with accrued interest, and there can be no assurance of the value of the security. In particular, the value of the security provided in respect of the tax refund claim is based on the Issuer's own assessment as included in the annual income statement for 2020. Although the Issuer does not expect a reassessment to be made, there can be no assurance that the tax authorities will not challenge the Issuer's assessment, in which case the value of the security can be reduced. Further, the value of future tax refund claims, will be subject to the same risk of re-assessment, and any income by the Issuer during a tax year will reduce the value of such future tax refund claim for that tax year. A liquidation scenario may also make it difficult to obtain full market value for the secured assets, which may leave bondholders impaired.
If the Issuer defaults on its obligations to make payments in respect of the Bonds, the amount of proceeds that ultimately would be distributed in respect of the Bonds upon a foreclosure or other enforcement action may not be sufficient to satisfy the obligation under the Bonds. Although the Bonds are secured, there can be no assurance that the proceeds from any sale or liquidation of this collateral will be sufficient to meet the obligations under the Bonds. If the proceeds of any sale of collateral are not sufficient to repay all amounts due on the Bonds, the holders of the Bonds (to the extent not repaid from the proceeds of the sale of the collateral) would have only a senior unsecured claim against any remaining assets of the Issuer.

The trading price of the Bonds may be volatile
Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Bonds, and the subordinated nature of the Bonds may add to such volatility. Any such disruptions could adversely affect the prices

at which investors may sell their Bonds. In addition, subsequent to their initial issuance, the Bonds may trade at a discount from their initial placement, depending on the prevailing interest rates, the market for similar bonds, the performance of the Issuer and other factors, many of which are beyond the Issuer's control.

The Bond Terms allow modifications and waivers without Bondholder consent

The Bond Terms includes provisions for convening Bondholder meetings and decisions may be made by defined majority of the Bondholders, implementing changes that are binding for all Bondholders.

Risk related to the insolvency laws of Norway

As the Issuer is incorporated under the laws of Norway, an insolvency proceeding relating to the Issuer, even if brought in another jurisdiction, would likely involve Norwegian insolvency laws. The procedural and substantive provisions of such laws may differ from comparable provisions of those of other jurisdictions in which investors are familiar. Investors should also note that the process of making a claim as creditor of the Issuer under Norwegian law may be complex and time-consuming, and could result in substantial reductions in payments to holders of the Bonds. A bankruptcy may, depending on which jurisdiction the proceedings are opened in, stay or temporarily prevent any enforcement proceedings of the Bondholders. There are no previous examples of a license holder on the Norwegian Continental Shelf opening debt or bankruptcy proceedings, and hence there is a lack of precedence on the application of relevant regulations in a bankruptcy scenario. If a license holder enters into bankruptcy, the Norwegian Ministry of Petroleum and Energy has discretionary powers to revoke the license interests of the debtor, but shall for secured license interests first notify and allow the pledgee to initiate a forced realization of the license interests without undue delay. It is, however, not clear how a revocation will influence the economic rights of the secured creditors and the joint venture partners. There are also several other aspects in case of a bankruptcy of a license holder on the NCS which are unclear and uncertain under Norwegian law. The surplus from a forced realization will benefit the other creditors in the order of priority. The return for the unsecured creditors in a bankruptcy proceeding will further depend on the ability of the bankruptcy estate to realize the values of any unsecured assets, including the value obtainable in the market in a distressed situation and statutory restrictions imposed on the bankruptcy estate. Any of the issues described above may lead to a reduction in recovery and losses on an investment in the Bonds, or cause delays and uncertainty regarding the enforcement of rights of Bondholders.

Debt covenants limit Company's ability to finance operations, capital needs, and pursue opportunities

The Bond Terms section 13 includes information regarding general and financial undertakings which will restrict, among other things, the Company's ability to:

- incur additional debt and issue guarantees;
- make certain payments, including dividends and other distributions, with respect to outstanding share capital;
- repay or redeem subordinated debt or share capital;
- create or incur certain liens and security arrangements;
- make certain investments or loans;
- sell, lease or transfer assets;
- acquire assets or companies;
- expand into unrelated businesses; and
- merge or consolidate with other entities.

All of these limitations are subject to significant exceptions and qualifications. The Company's compliance with these covenants could reduce its flexibility in conducting its operations, particularly by:

- affecting the Company's ability to react to changes in market conditions, whether by increasing its vulnerability in relation to unfavourable economic conditions or by preventing the Company from profiting from an increase in the oil and gas prices;
- affecting the Company's ability to pursue business opportunities and activities that may be in its interest;