



Prospectus dated 24 February 2014

**USD 350,000,000 8.875 % Senior Secured Callable Bond due 3 July 2018**

Latina Offshore Limited (the “**Issuer**”) issued USD 175,000,000 8.875% of senior secured bonds (the “**Tap Issue Bonds**”) with settlement date on 11 October 2013 (the “**Tap Issue Settlement Date**”). The Tap Issue Bonds constitute an increase to the existing bond loan in the amount of US 175,000,000 issued by the Issuer's wholly owned subsidiary Santa Maria Offshore Limited (“**Santa Maria Offshore Limited**”) on 3 July 2013 (ISIN NO 0010683832) (the “**Existing Bond**”), which the Issuer has assumed since, creating consolidated amended and restated USD 350,000,000 8.875 % Senior Secured Callable Bonds (the “**Bonds**”). The Bonds will mature on 3 July 2018, five years after the settlement date of the Existing Bond (the “**Maturity Date**”). The Bonds are fully and unconditionally guaranteed (in Norwegian: *påkravsgaranti*) by the Issuer's wholly owned subsidiaries Santa Maria Offshore Limited and La Covadonga Limited (the “**Guarantors**”) and secured over La Santa Maria (“**Rig 1**”) and La Covadonga (“**Rig 2**”). The Issuer is a wholly owned subsidiary of Latina Offshore Holding Limited (the “**HoldCo**”), and the HoldCo is a wholly owned subsidiary of the parent company Constructora y Perforadora Latina S.A. de C.V (the “**Parent**”).

The Bonds constitute direct, general, unconditional, unsubordinated and secured obligations of the Issuer. The Bonds will at all times rank *pari passu* among themselves. Application has been made for listing of the Bonds on the Official List of the Luxembourg Stock Exchange and for their admission to trading on the Euro MTF Market of the Luxembourg Stock Exchange. **Investing in the Bonds involves a high degree of risk, see Section 2 “Risk Factors and Other Considerations” beginning in page 9.**

Interest on the Bonds is payable semi-annually in arrears on 3 January and 3 July in each year commencing on 3 January 2014 (each, an “**Interest Payment Date**”). The Bonds may be redeemed before the Maturity Date at the option of the Issuer, in whole but not in part, at their principal amount plus a premium (as described in the Bond Agreement attached hereto). There will be a fixed amortization schedule. The Bonds are subject to redemption at 101% of par value, together with accrued interest, at the option of each Bondholder upon a “*Change of Control Event*” (as described in the Bond Agreement attached hereto). The Issuer Group has utilised the net proceeds (after deduction of fees) from the offering of the Bonds to take delivery of the Rigs and certain other purposes in accordance with the Bond Issue. The Bonds have been issued in denominations of USD 1.00 each.

This Prospectus constitutes a prospectus for the purposes of Part II, Chap.1, art. 6 of the Rules and Regulations of the Luxembourg Stock Exchange and has been filed with and approved by the Luxembourg Stock Exchange for the purpose of the listing of the Bonds on the Official List of the Luxembourg Stock Exchange and for their admission to trading on the Euro MTF Market of the Luxembourg Stock Exchange. Tis Prospectus will be published on the official website of the Luxembourg Stock Exchange, [www.bourse.lu](http://www.bourse.lu).

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**The Bonds have not been and will not be registered with the Mexican National Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), or CNBV, and may not be offered or sold publicly, or otherwise be the subject of broker activities in Mexico, except pursuant to a private placement exemption set forth under Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*). As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the Bonds. Such notice will be delivered to the CNBV to comply with an informative and statistical legal requirement, and the delivery to and the receipt by the CNBV of such notice does not imply any certification as to the investment quality of the Bonds or our solvency, liquidity or credit quality. The information contained in this Prospectus relating to the Bonds is exclusively the responsibility of the Issuer and has not been reviewed or authorized by the CNBV. The acquisition of the Bonds by an investor of Mexican nationality will be made under its own responsibility.**

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This Prospectus has been prepared solely in connection with an application of the Bonds to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. This Prospectus does not constitute a prospectus as defined in the Prospectus Directive (Directive 2003/71/EC), and has not been prepared to comply with the Prospectus Directive or the EC Commission Regulation no. 809/2004, nor with any national rules and regulations relating to prospectuses.

No action has been or will be taken in any jurisdiction by the Issuer or that will permit an offering of the Bonds, or the possession or distribution of any documents relating thereto, or any amendment or supplement thereto, in any country or jurisdiction where specific action for such purpose is required. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer to sell or issue, or a solicitation of an offer to buy or apply for, any securities in any jurisdiction in any circumstances in which such offer of solicitation is not lawful or authorised. In particular, this Prospectus may not be distributed in, or to any persons resident in, Canada, Australia, Japan, Bermuda or the United States (or to any "U.S. person" as defined in Rule 902 under the U.S. Securities Act of 1933, as amended ("U.S. Securities Act")), except as set forth herein and pursuant to appropriate exemptions under the laws of any such jurisdiction. Failure to comply with these restrictions may constitute a violation of applicable securities legislation. Persons into whose possession this Prospectus may come are required by the Issuer to inform themselves about, and to observe, such restrictions. The Issuer shall not be responsible or liable for any violation of such restrictions by prospective investors.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933 or with any securities regulatory authority of any state or other jurisdiction in the United States. Accordingly, the Bonds may not be offered or sold within the United States, except in transactions exempt from or otherwise not subject to the registration requirements of the U.S. Securities Act. The Bonds are being offered and sold (i) outside the United States in reliance on Regulation S under the U.S. Securities Act ("Regulation S") only to persons other than "U.S. persons" and (ii) in the United States only to "qualified institutional buyers" ("QIBs", as defined in Rule 144A under the U.S. Securities Act ("Rule 144A")). Please see "Important Information – United States" below.

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## **IMPORTANT INFORMATION**

Please see Section 1 for definitions and terms used throughout this Prospectus which also apply to the front page.

This Prospectus (the “Prospectus”) has been prepared by the Issuer and the Parent. Only the Issuer is entitled to provide information in respect of matters described in this Prospectus. No person has been authorized to give information other than that contained in the Prospectus and the documents referred to herein and which are made available to the public. Accordingly, information that might be provided by any persons other than the Issuer is of no relevance to the contents of this Prospectus and must not be relied upon.

### **General Important Information**

The information contained herein has been prepared by the Issuer and the Parent to assist interested parties in making their own evaluation of the Issuer and its creditworthiness and does not purport to be all-inclusive or to contain all information that prospective investors may desire or that may be required in order to properly evaluate the business, prospects or value of the Issuer. In all cases, interested parties should conduct their own investigation and analysis of the Issuer and the data set forth in this Prospectus. Neither the Issuer, the Parent, any of their advisors nor any of their respective affiliates, make any representation or warranty (expressed or implied) as to the accuracy or completeness of this Prospectus or any statements, information, estimates or projections contained herein, other than as set out explicitly in this Prospectus. Nor do any of the aforementioned make any representation or warranties with respect to the legality of any prospective investor’s investment in the Bonds issued by the Issuer.

In making an investment decision, investors must rely on their own examination of the Issuer as contracting party including the merits and risks involved. You should contact the Issuer with any questions about the Bonds or if you require additional information to verify the information contained in this Prospectus. You acknowledge that: (i) you have been afforded an opportunity to request from us, and to review, and have received, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this Prospectus; (ii) no person has been authorized to give any information or to make any representation concerning the Issuer or its respective affiliates of the Bonds (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer. By receiving this Prospectus you also acknowledge that you will be solely responsible for your own assessment of the market and the market position of the Issuer and that you will conduct your own analysis and are solely responsible for forming your own opinion of the potential future performance of the Issuer’s business.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

This Prospectus does not constitute a prospectus as defined in the Prospectus Directive (Directive 2003/71/EC, as amended), and has not been prepared to comply with the Prospectus Directive or the EC Commission Regulation no. 809/2004, nor with any national rules and regulations relating to prospectuses.

This Prospectus constitutes a listing prospectus for the purposes of the Rules and Regulations of the Luxembourg Stock Exchange.

By accepting receipt of this Prospectus, each recipient acknowledges that they have received the information set out herein and that they accept the terms of the Bond Issue as set out herein, as well as in

the Bond Agreement. In case of any discrepancy between this Prospectus and the Bond Agreement, the provisions of the Bond Agreement shall prevail.

The Bonds and any non-contractual obligations arising out of or in connection with the Bonds are governed by, and shall be construed in accordance with Norwegian law and be subject to the jurisdiction of Norwegian courts.

Certain statements in this Prospectus are forward-looking. Such forward-looking statements and information are based on the beliefs of the Issuer's management or assumptions based on information available to the Issuer. When used in this document, the words "anticipate", "believe", "estimate" and "expect" and similar expressions, as they relate to the Group, the Issuer or its management, are intended to identify forward-looking statements. Such forward-looking statements reflect the current views of the Issuer or its management with respect to future events and are subject to certain risks, uncertainties and assumptions. The Issuer can give no assurance as to the correctness of such forward-looking statements. Many factors could cause the actual results, performance and achievements of the Issuer to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including among others, risks or uncertainties associated with the Issuer's products, technological development, growth management, relations with customers and, more generally economic and business conditions, changes in domestic and foreign laws and regulations (including those of the European Union), taxes, changes in competition and pricing environments, and other factors whether referenced in this document or not. Some of these factors are discussed in more detail in Section 2 (Risk factors and other considerations). Should one or more of these or other risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document as anticipated, believed, estimated or expected. Except as required by applicable law and as provided for in Section 4 related to the period up to the completion of the Bond Issue, the Issuer does not intend, and does not assume any obligation, to update the forward-looking statements included in this Prospectus as at the date hereof.

Information contained in this Prospectus which has been sourced from third parties has been accurately reproduced and, as far as the Issuer and Parent are aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

### ***Selling Restrictions***

**BECAUSE OF THE FOLLOWING RESTRICTIONS, PURCHASERS OF BONDS IN THE UNITED STATES ARE ADVISED TO CONSULT LEGAL COUNSEL PRIOR TO MAKING ANY OFFER, RESALE, PLEDGE OR TRANSFER OF SUCH BONDS.**

The Bonds have not been and will not be registered under the U.S. Securities Act, or under the securities laws of any state of the United States. Accordingly, the Bonds may not be offered, pledged, sold, resold, granted, delivered, allotted or otherwise transferred, as applicable, in the United States, except only in transactions that are exempt from, or in transactions not subject to, registration under the U.S. Securities Act and in compliance with any applicable state securities laws. Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any resale, pledge or transfer of the Bonds.

### ***Available Information***

Each of the Issuer and the Guarantor agree that for so long as any of the Bonds remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, if at any

time the Issuer or the Guarantor, as applicable, is neither subject to Section 13 or 15(d) under the U.S. Exchange Act nor exempt from the reporting requirements under the U.S. Exchange Act pursuant to Rule 12g3-2(b) thereunder, the Issuer and the Guarantor, as applicable, will furnish to any bondholder or to a prospective purchaser of the Bonds designated by such bondholder the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act, upon the written request by such bondholder.

### **Projections**

Certain of the information and conclusions set forth herein are based on projections. These projections were prepared for the limited purpose of analyzing the potential risks and benefits of an investment in the Bonds by illustrating under certain limited assumptions projected capital and operating expenditures, installed production capacity, expected production from on-stream wells and number of wells to be drilled. In addition, because of the subjective judgments and inherent uncertainties of projections and because the projections are based on a number of assumptions, which are subject to significant uncertainties and contingencies that are beyond the control of the Issuer, there can be no assurance that the projections or conclusions derived therefrom will be realized. Under no circumstances should the projections set forth herein be regarded as a representation, warranty or prediction by the Issuer that the Issuer will achieve or is likely to achieve any particular future result. There can be no assurance that the Issuer's future expected production or projections will not vary significantly from those set forth herein. Accordingly, you may lose all of your investment to the extent the projections or conclusions included herein are not ultimately realized.

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## 1 DEFINITIONS

The following definitions and terms also apply to the preceding pages of this Prospectus.

|                                       |  |
|---------------------------------------|--|
| "Actual Delivery Date"                | means the date on which the relevant Rig was actually delivered from the Yard to the relevant RigCo under the relevant Construction Contract, being 31 July 2013 in relation to Rig 1 and 28 November in relation to Rig 2.  |
| "Amendment and Restatement Agreement" | means the Amendment and Restatement Agreement entered into on 11 October 2013 between the Parent, the HoldCo, the Issuer, Santa Maria Offshore Limited, La Covadonga Limited and the Trustee regarding amendment to the Existing Bond Issue as further described in section 4.2. |
| "Banking Days"                        | means day on which Norwegian and New York banks are open for general business, and when Norwegian and New York banks can settle foreign currency transactions and the Norwegian Central Bank's Settlement System is open.  |
| "Bareboat Charter Contracts"          | means the bareboat charter contracts between the relevant RigCo as owner and the Parent as charterer for the hire of Rig 1 and Rig 2 respectively.   |
| "Bonds"                               | means the USD 350,000,000 8.875 % senior secured callable bonds with ISIN NO 0010683832 and with common code 094670403.  |
| "Bond Agreement"                      | means the Bond Agreement in connection with the issue of the Bonds, as amended and restated at any given time.   |
| "Construction Contract(s)"            | means the Rig 1 Construction Contract and/or the Rig 2 Construction Contract (as the case may be).   |
| "Direct RigCo Contract Regime"        | means where the Rig 1 Drilling Contract or Rig 2 Drilling Contract is entered into directly by relevant RigCo as the contractual party towards the client under the Drilling Contract.   |
| "Existing Bond Issue"                 | means the issue of the Existing Bonds by Santa Maria Offshore Limited.   |
| "Existing Bonds"                      | means the Bonds issued on 3 July 2013 with a nominal value of USD 175,000,000.   |
| "Existing Bonds Settlement Date"      | 3 July 2013  |
| "Drilling Contract"                   | means a contract for drilling services to be performed by Rig 1 or Rig 2 to be entered into, whether with Pemex or another customer.   |
| "Guarantors"                          | means Santa Maria Offshore Limited and La Covadonga Limited.   |

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|-----------------------------------|---|
| "HoldCo"                          | means the Latina Offshore Holding Limited, a Bermuda exempted company incorporated under the laws of Bermuda, the sole shareholder of the Issuer.   |
| "Issuer Group"                    | Means the Issuer, Santa Maria Offshore Limited, La Covadonga Limited and any future subsidiaries of Santa Maria Offshore Limited and La Covadonga Limited, if any.  |
| "La Covadonga"                    | means Rig 2.  |
| "La Covadonga Limited"            | means La Covadonga Limited, a Bermuda exempted company incorporated under the laws of Bermuda on 6 June 2013 with registered address at Canon's Court, 22 Victoria Street, Hamilton, Bermuda.   |
| "La Santa Maria"                  | means Rig 1.  |
| "Latina Group"                    | means the Parent and any subsidiaries of the Parent.  |
| "Parent"                          | means Constructora y Perforadora Latina S.A. de C.V, the sole shareholder of the HoldCo.  |
| "Prospectus"                      | means this Prospectus dated 24 February 2014 prepared in connection with the listing of the Bonds on the Official List of the Luxembourg Stock Exchange and admission to trading on the Euro MTF Market of the Luxembourg Stock Exchange. |
| "Rig(s)"                          | means Rig 1 and/or Rig 2 (as the case may be).  |
| "Rig 1"                           | means the mobile offshore self-elevating drilling unit Santa Maria.   |
| "Rig 1 Bareboat Charter Contract" | means a bareboat charter contract between Santa Maria Offshore Limited as owner and the Parent as charterer for the hire of Rig 1.  |
| "Rig 1 Construction Contract"     | means the contract dated 29 April 2011, as amended, between Santa Maria Offshore Limited and the Yard for the design, construction, building, undocking, equipping, completion, commissioning, testing, sale and delivery of Rig 1.       |
| "Rig 1 Drilling Contract"         | means a contract for drilling services to be performed by Rig 1 to be entered into, whether with Pemex or another customer.   |
| "Rig 2"                           | Means the mobile offshore self-elevating drilling unit named La Covadonga.  |
| "Rig 2 Bareboat Charter Contract" | means a bareboat charter contract between La Covadonga Limited as owner and the Parent as charterer for the hire of Rig 2.  |



|                                |   |
|--------------------------------|---|
| "Rig 2 Construction Contract"  | means the contract dated 29 April 2011, as amended, between La Covadonga Limited and the Yard for the design, construction, building, undocking, equipping, completion, commissioning, testing, sale and delivery of Rig 2. |
| "Rig 2 Drilling Contract"      | means a contract for drilling services to be performed by Rig 2 to be entered into, whether with Pemex or another customer.   |
| "RigCo(s)"                     | means Santa Maria Offshore Limited and/or La Covadonga Limited (as the case may be).  |
| "Santa Maria Offshore Limited" | means Santa Maria Offshore Limited, a Bermuda exempted company incorporated under the laws of Bermuda on 6 June 2013 with registered address at Canon's Court, 22 Victoria Street, Hamilton, Bermuda.                       |
| "Tap Issue"                    | means the issue of the bonds by the Issuer by increasing the amount outstanding under the Existing Bonds from USD 175,000,000 to USD 350,000,000.   |
| "Tap Issue Bonds"              | means the bonds issued in the Tap Issue.  |
| "Tap Issue Settlement Date"    | means 11 October 2013, the date of the issue of the Tap Issue Bonds.  |
| "Trustee"                      | means Norsk Tillitsmann ASA, trustee under the Loan Agreement.  |
| "VPS"                          | means Verdicapirsentralen ASA, the central securities depository of Norway.   |
| "Yard"                         | means Keppel FELS, the shipbuilding yard in Singapore.  |

## 2 RISK FACTORS AND OTHER CONSIDERATIONS

Investing in the Bonds involves inherent risks. Before deciding whether or not to invest and apply for Bonds, an investor should carefully consider all of the information set forth in this Prospectus and in particular, the specific risk factors set out below. The risks described below are not the only ones facing the Issuer Group. Additional risks not presently known to the Issuer, or that the Issuer currently deems immaterial, may also impair the Issuer Group's business operations and adversely affect the price of the Bonds and the Issuer's ability to service its debt obligations.

If any of the risks described below materialize, individually or together with other circumstances, the Issuer Group's business, financial condition, results of operations and cash flows could be materially adversely affected which may cause a decline in the value and trading price of the Bonds that could result in a loss of all or part of any investment in the Bonds.

The order in which the risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of their severity or significance. The information provided below is

presented as of the date hereof and is subject to change, completion or amendment without notice. See “Important Information” regarding forward-looking statements.

An investment in the Bonds is suitable only for experts or sophisticated investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment. Prospective investors should consult their own expert advisors as to the suitability of an investment in the Bonds.

## **2.1 Risks specific to the Issuer**

### *2.1.1 The delivery of the Rigs under their initial Drilling Contract may be delayed or subject to cost overruns*

Delivery of the Rigs under their initial Drilling Contracts may be delayed due to a number of factors relating to delays caused by suppliers, failure of delivered equipment or the Rigs to meet performance standards, financial difficulties by suppliers or the shipyard, inability or delay in obtaining required permits and approvals, including from the classification society, work stoppages or other labor disputes, adverse weather or other force majeure events. A delay could i) lead to additional costs for the Issuer Group and ii) a postponement of start-up of operations and thereby cash flow into the Issuer and the Bondholders.

### *2.1.2 The business of the Issuer Group depends on its ability to secure employment for its Rigs and a failure to do so will have a material adverse impact on the group's financial condition.*

The Issuer Group has entered into separate contracts for the employment of each of Rigs, but the Issuer Group's ability to obtain future contracts will depend on the prevailing market conditions, competition etc. There can be no assurance that it will be able to enter into any such future contracts on commercially acceptable terms or at all. An inability or delay by the Issuer Group to obtain an employment contracts will materially and adversely impact the Issuer Group's business and financial condition and the Issuer's ability to make payments to the Bondholders.

The Issuer Group may also need to make modifications to the Rigs after their delivery in order to meet specific requirements from future clients under a potential drilling contract. Such modifications could result in additional costs and additional capital needs for the Issuer Group in the future. The Issuer Group will also have to mobilize the Rigs to the relevant operational areas. Such costs may or may not be paid by the client as mobilization costs under the drilling contract and there is no assurance that the Issuer Group will have access to any additional funds required to meet the costs of any such changes or mobilization.

If one or both Rigs are unemployed, there is a risk that the Rig(s) will be stacked pending the entry into of a drilling contract. If an event of default arose during such period, it may be costly and time consuming to enforce the mortgage over the relevant Rig in the jurisdiction it is located. Such stacking may also incur costs for the Issuer Group, which may have an adverse effect on the Issuer Group's business, liquidity, results and financial situation.

### *2.1.3 The Issuer Group's initial Drilling Contracts and potential future drilling contracts may be terminated early due to certain events*

The Issuer Group's existing and future customers may have the right to terminate a potential drilling contact upon the payment of an early termination fee. However, such payments may not fully compensate the Issuer Group for the loss of the contract.

Under certain circumstances the Issuer Group's existing or future contracts may permit a customer to terminate their contract early without the payment of any termination fee, as a result of

non-performance, longer periods of downtime or impaired performance caused by equipment or operational issues, or sustained periods of downtime due to force majeure or other events. Many of these events are beyond the Issuer Group's control.

During periods of challenging market conditions, the Issuer Group may be subject to an increased risk of its clients seeking to terminate their contracts, including through claims of non-performance. The ability of the Issuer Group's customers from time to time to perform their obligations under their drilling contracts with the Issuer Group may also be negatively impacted by the prevailing uncertainty surrounding the development of the world economy and the credit markets. If the Issuer Group's customers from time to time cancel their contracts with the Issuer Group, and the Issuer Group is unable to secure new contracts on a timely basis and on substantially similar terms, or if contracts are suspended for an extended period of time or if the Issuer Group's contracts are renegotiated, it could adversely affect the Issuer Group's business, liquidity, results and financial situation.

The Issuer Group's and future customers may also be entitled to pay reduced charter rates in certain events, including typically (by way of examples only) if the Rigs does not perform as contracted or if Health, Safety & Environment standards are not maintained.

If the aforesaid risks materialise, it could have a material adverse effect on the Issuer Group's business, liquidity, results and financial situation.

#### *2.1.4 A reduced demand for and/or oversupply of drilling rigs in the market will adversely affect the business of the Issuer Group*

The offshore drilling industry is highly cyclical and an over-supply of drilling units may lead to a reduction in day rates which would negatively impact the Issuer Group's revenues, profitability and cash flows.

During the recent period of high utilization and high day rates, industry participants have increased the supply of drilling units by ordering the construction of a large number of new drilling units. Historically, this has subsequently often resulted in an over-supply of drilling units and has caused a subsequent decline in utilization and day rates when the drilling units enter the market, sometimes for extended periods of time until the units have been absorbed into the active fleet. If this risk materializes, it could have a material adverse effect on the Issuer Group's business and financial condition.

#### *2.1.5 Dependence on limited number of rigs and charter contracts*

Since the Issuer Group's fleet consists of only two rigs, any operational downtime after the La Santa Maria and La Covadonga becomes operational or any failure to secure employment at satisfactory rates will affect the Issuer Group's results more significantly than for a group with a larger fleet. Furthermore, frequent rig mobilizations could be disruptive to the Issuer Group's financial results if it experiences delays due to adverse weather, third party services or physical damage to its rigs.

#### *2.1.6 Risk of change in legislation and tax laws*

A change in tax laws of any country in which the Issuer Group operates from time to time, or complex tax laws associated with international operations which the Issuer Group may undertake from time to time, could result in a higher tax expense or a higher effective tax rate on the Issuer Group's earnings and/or assets.

The Issuer Group and the Bondholders may become subject to future changes to current legislation and tax laws under which the Issuer Group operates, including changes to the withholding tax rate applicable to the Bonds, which the Issuer may not be able to avoid or influence. The Issuer is currently relying on an exemption from the normal withholding tax rate giving the Issuer and the Bonds a lower rate. Any

change to the withholding tax rate, or other changes to the tax laws applicable to the Issuer Group, will have a material effect on the Issuer's cash flows, financial state and result of operations, and the price of the Bonds.

## **2.2 Risks related to future operations of the Issuer**

### *2.2.1 Limited operating history*

The Issuer Group was established in 2013 and is currently in a development phase. As a consequence, it has no operating history and no proven track record in performing offshore drilling services. Financial information upon which prospective investors can evaluate the Issuer Group's likely future performance is available only for a limited historical period.

Additionally, the Issuer Group is subject to risks, expenses and uncertainties associated with the implementation of its business plan that are not typically faced by more mature companies, i.e. uncertainties in financial planning as a result of the unavailability of historical financial or other data and uncertainties regarding the nature, scope and results of its future activities.

### *2.2.2 The Issuer Group may assume substantial responsibilities*

The operation of drilling rigs requires very high standards of safety, and such operations are associated with considerable risks and responsibilities. These include technical, operational, commercial and political risks. The Issuer Group will obtain insurance deemed adequate for its business, but it is impossible to insure against all applicable risks and liabilities. As a result of this, the Issuer Group could be exposed to substantial liabilities. For instance, under some contracts or legal regimes the Issuer Group may have unlimited liability for losses caused by its own gross negligence, and such liability may not be covered by the Issuer Group's insurance policies. The Issuer Group may also incur liability for pollution and other environmental damage without being able to recover said liabilities through insurance.

### *2.2.3 Operating hazards and insurance*

The Issuer Group's operations are subject to hazards inherent to the marine and drilling industry, such as blowouts, loss of well control, lost or stuck drill strings, equipment defects, cratering, fires, explosions and pollution. Contract drilling and well servicing require the use of heavy equipment and exposure to hazardous conditions, which may subject the Issuer Group to liability claims by employees, customers and third parties. These hazards can cause e.g. personal injury or loss of life, damage to or destruction of property and equipment, pollution or other environmental damage, claims by third parties or customers and suspension of operations.

The operation of the Rigs is also subject to hazards inherent in such operations, either while on-site or during mobilization, such as e.g. capsizing, sinking, grounding, collision and damage from severe weather. Operations may also be suspended because of equipment breakdowns, abnormal drilling conditions, and failure of subcontractors to perform or supply goods or services, or personnel shortages.

In order to mitigate these risks, the Issuer Group will implement insurance programs in line with market practice, but no assurance can be given that the Issuer Group will have sufficient insurance coverage against all relevant losses. The Issuer Group may be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, more stringent environmental regulations have in the past led to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. A pollution disaster could exceed the Issuer Group's insurance coverage, which could harm the Issuer Group's business, financial condition and operating results. In addition, the Issuer Group's insurance may be voidable by the insurers as a result of certain of the Issuer Group's actions.

If a significant accident or other event occurs and is not fully covered by the Issuer Group's insurance or any enforceable or recoverable indemnity from a client, it could adversely affect the Issuer Group's consolidated statement of financial position, results of operations or cash flows.

#### *2.2.4 Environmental risks*

The Issuer Group's future operations will be subject to strict regulations controlling the discharge of materials into the environment, requiring removal and clean-up of materials that may harm the environment or otherwise relating to the protection of the environment. As owner and operator of mobile drilling rigs the Issuer Group may be liable (under applicable laws and regulations or contractually) for damages and costs incurred in connection with spills of oil, gas, chemicals and other harmful substances related to its operations, and the Issuer Group may also be subject to significant fines in connection with spills.

Laws and regulations protecting the environment have become more stringent in recent years, and may in some cases impose strict liability, rendering a person liable for environmental damage without regard to negligence. These laws and regulations may expose the Issuer to liability for the conduct of or conditions caused by others, or for acts that were in compliance with all applicable laws at the time they were performed. The application of these requirements or the adoption of new requirements could have a material adverse effect on the Issuer Group's financial position, results of operations or cash flows. The Issuer Group may be able to obtain some degree of contractual indemnification pursuant to which its clients agree to protect, hold harmless and indemnify against liability for pollution, well and environmental damage; however, there is no assurance that the Issuer Group can obtain such indemnities in all of its contracts or that, in the event of extensive pollution and environmental damage, its clients would have the financial capability to fulfil their contractual obligations. Also, these indemnities may be held to be unenforceable as a result of public policy or for other reasons.

#### *2.2.5 Counterparty risk*

The Issuer Group relies on timely delivery of goods and services by numerous vendors and suppliers. Failure to perform or financial difficulties encountered by any such counterparty may have an adverse effect on the Issuer Group's business, liquidity, results and financial situation.

#### *2.2.6 Dependence on key executives and personnel, and highly skilled personnel of the Latina Group*

The Issuer Group's development and prospects are dependent upon the continued services and performance of the senior management and other key personnel at the Latina group that provides services to the Issuer Group. The loss of the services of any of the senior management or key personnel may have an adverse impact on the Issuer Group, especially since the Issuer Group has a limited operating history.

The Issuer Group will require highly skilled personnel to operate and provide technical services and support for its business. Competition for skilled and other labour required for the Issuer Group's drilling operations has increased in recent years as the number of rigs activated or added to the worldwide fleets has increased. This expansion looks likely to continue, meaning shortages of qualified personnel could develop, creating upward pressure on wages and making it more difficult to staff and service the Issuer Group's rigs. Such developments could adversely affect the Issuer's financial results and cash flow and ability to develop.

#### *2.2.7 Technical risk and risk of high operating costs*

Exposure to technical risks, unforeseen operational problems leading to service down-time and unexpectedly high operating costs and/or loss of earnings could have a material adverse effect on the financial position of the Issuer Group.

If the Issuer Group is not successful in acquiring new equipment or upgrading its existing equipment on a timely and cost effective basis when required by the oil and gas industry, in response to technological developments or changes in standards in the industry, this could have a material adverse effect on the Issuer Group's business.

#### *2.2.8 Risks associated with upgrade, refurbishment and repair of rigs*

The timing and costs of repairs on rigs are difficult to predict with certainty and may be substantial. Many of these expenses, such as dry-docking and repairs for normal wear and tear, are typically not covered by insurance. Large repair expenses could decrease the Issuer Group's profits. In addition, repair time means a loss of revenue.

#### *2.2.9 Risks related to international operations*

Operations in international markets are subject to risks inherent in international business activities, including, in particular, general economic conditions in each such market, overlapping differing tax structures, managing and organization spread over various jurisdictions, unexpected changes in regulatory requirements, and complying with a variety of foreign laws and regulations. The Issuer Group may incur significant costs in relation to larger competitors in relation to the establishment of its shore base for the Rigs in various international locations.

#### *2.2.10 Intellectual Property Rights*

The Issuer Group must observe third parties' patent rights and intellectual rights. There is an inherent risk of third parties claiming that the technology having been utilized in the construction of the Rigs or in its operations infringes third parties' patents or intellectual property rights. If any such third party claim should be successful, this could have a material adverse effect on the Issuer Group's results of operation.

### **2.3 Market and political risk**

#### *2.3.1 Risks related to oil and gas prices*

The Issuer Group's business and operations will depend substantially on oil and gas price developments, general demand, the level of activity and capital spending by oil and gas companies, in particular in relation to offshore development and exploration. The Issuer Group's customers are mainly oil and gas companies and the activities of such companies tend to follow the prices of oil and gas which have fluctuated widely over the recent years.

A decrease in the oil or natural gas price may have a material adverse impact on the utilization and the day rates for the Issuer Group's Rigs, and could lead to the drilling rigs experiencing lower rates or being left unemployed for prolonged periods. This could adversely affect the Issuer Group's financial condition.

Oil and gas prices are affected by numerous factors beyond the Issuer Group's control, including economic and political conditions, levels of supply and demand, the policies of the Organization of Petroleum Exporting Countries (OPEC), the level of production in non-OPEC countries, the cost of exploring for, developing, producing and delivering oil and gas, currency exchange rates and the availability of alternate energy sources and political and military conflicts in oil-producing and other countries. If the price of oil and gas products should drop significantly, this could have a material adverse effect on the Issuer Group.

*2.3.2 The market value of the Issuer Group's Rigs and those it acquires in the future may decrease, which could cause the Issuer Group to incur losses if it is decided to sell them following a decline in their market values*

If the offshore drilling industry suffers adverse developments in the future, the fair market value of the Issuer Group's Rigs may decline. The fair market value of the Rigs or other rigs it may acquire in the future, may increase or decrease depending on a number of factors, including:

- general economic and market conditions affecting the offshore drilling industry, including competition from other offshore drilling companies;
- types, sizes and ages of drilling units;
- supply and demand for drilling units;
- cost of new buildings;
- prevailing level of drilling services contract day rates;
- government laws and regulations, including environmental protection laws and regulations and such laws
- becoming more stringent due to inter alia accidents such as the "Deepwater Horizon" accident; and
- technological advances.

Should the Issuer Group sell any drilling unit when drilling unit prices have fallen, the sale may be at a loss. Such loss could materially and adversely affect the Issuer Group's business prospects, financial condition, liquidity, results of operations.

*2.3.3 Competition*

The drilling market is highly competitive. Drilling contracts are often awarded on a competitive bid basis, with intense price competition frequently being the primary factor determining which qualified contractor is awarded the job. Many of the Issuer Group's competitors have significantly larger resources, and a longer and better proven track record, than the Issuer Group. This may lead to difficulties for the Issuer Group to secure employment for its Rigs once they are delivered, which in turn will have an adverse impact on the Issuer Group's business and financial condition.

*2.3.4 Requisition or arrest of the Rigs*

The Rigs could be requisitioned by a government in the case of war or other emergencies or become subject of arrest or detention. This could significantly and adversely affect the earnings of the Issuer Group as well as the Issuer Group's liquidity.

*2.3.5 War, other armed conflicts and terrorist attacks*

War, military tension and terrorist attacks have caused, among other things, instability in the world's financial and commercial markets. This has in turn significantly increased political and economic instability in some of the geographic markets in which the Issuer Group may operate in the future, and has contributed to high levels of volatility in prices for among other things oil and gas. Continuing instability may cause further disruption to financial and commercial markets and contribute to even higher level of volatility in prices.

In addition, acts of terrorism, piracy, war and other threats of armed conflicts in or around various areas in which the Issuer Group may operate in the future could limit or disrupt the Issuer Group's markets and operations, including disruptions from evacuation of personnel, cancellation of contracts or the loss of

personnel or assets. War, piracy, armed conflicts, terrorism and their effects on the Issuer Group or its markets may significantly affect the Issuer Group's business and results of operations in the future, and no assurance can be given that the Issuer Group will have sufficient insurance coverage in place for losses incurred due to such circumstances.

## **2.4 Financial risk**

### *2.4.1 Credit risk*

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposed clients, including outstanding receivables and committed transactions. Although the Issuer Group's cash management and investment policies are restricted to investments in low risk, highly liquid securities, there can be no assurances that these policies will be successful in avoiding or limiting such risks. Although the Bond Agreement contains certain covenants as to the liquidity and financial indebtedness of certain Obligor, it does not explicitly restrict the Issuer Group as a whole from changing its cash management and investment policies.

### *2.4.2 Foreign exchange risk*

The Issuer Group expects the majority of its income to be denominated in USD, 40% of the expenses are expected to be incurred in MXN and the remaining 60% in USD. However, the bias on expenses is expected to be in currencies other than USD. Therefore, the exchange risk is fully covered due to the income being denominated in USD.

### *2.4.3 Overall tax structure*

The Issuer Group's income tax expense is based upon its interpretation of the tax laws in effect in various countries at the time that the expense was incurred. From time to time the Issuer Group's tax payments may be subject to review or investigation by tax authorities of the jurisdictions in which the Issuer Group operates from time to time. If any tax authority successfully challenges the Issuer Group's operational structure, intercompany pricing policies, the taxable presence of its subsidiaries in certain countries; or if the Issuer Group loses a material tax dispute in any country, or any tax challenge of the Issuer Group's tax payments is successful, the Issuer Group's effective tax rate on its earnings could increase substantially and the Issuer Group's earnings and cash flows from operations could be materially adversely affected, including the imposition of a higher effective tax rate on its worldwide earnings or a reclassification of the tax impact of its significant corporate restructuring transactions.

### *2.4.4 Risks associated with disputes*

In the course of its activities, the Issuer Group may become party to legal proceedings and disputes. The Issuer Group makes provisions in such cases to cover the expected outcome of the proceedings and disputes, to the extent that negative outcomes are likely and reliable estimates can be made. However, the final outcome of legal proceedings and disputes is subject to uncertainties, and resulting liabilities may exceed booked provisions. Any proceedings, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

## **2.5 Regulatory risks**

### *2.5.1 Regulations governing operations*

The Issuer Group is subject to the international laws and regulations governing the oil and gas industry and, to some extent, the shipping industry. The Issuer Group is required to comply with the various regulations introduced by the authorities where the operations take place, the applicable legislation of various flag states as well as the guidelines introduced by international agencies such as the International



Maritime Organization (IMO) where applicable. The laws and regulations affecting the Issuer Group's business and services include, among others laws and regulations relating to;

- Protection of the environment
- Quality, health and safety
- Import-export quotas, wage and price controls, imposition of trade barriers and other forms of government
- Regulation and economic conditions
- Taxation

In the event that the Issuer Group is unable at any time to comply with the existing regulations or any changes in such regulations, or any new regulations introduced by local or international bodies, the operations may be adversely affected. Any change in or introduction of new regulations, may increase the costs of operations, which could have an adverse effect on the Issuer Group's profitability. Furthermore, if the Rigs do not comply with the extensive regulations applicable from time to time, the consequence may be that Rigs are unable to continue their operations.

The drilling rig "Deepwater Horizon" sank in 2010 after a blowout of a well on the Macondo field. In order to obtain drilling permits and resume drilling activities, operators in the US Gulf of Mexico have after the accident been required to submit applications that demonstrate compliance with enhanced regulations, which now require among other things independent third-party inspections and certification of well design and well control equipment. It is possible that similar new regulations may also be introduced in other regions. There could therefore be additional equipment or procedure requirements imposed in certain regions or worldwide by either oil and gas companies or regulators. These additional requirements could impact the capital cost of the Rigs, or could impact the operating costs of the Issuer Group.

#### *2.5.2 Political and geo-political risks*

Changes in the legislative, political, fiscal and regulatory framework governing the activities of the Issuer Group, oil companies, oil service companies, construction yards and/or major suppliers or service providers on which the Issuer Group depend, could have material impact on the demand for the Issuer Group's services by impacting exploration, production and development activity or affect the Issuer Group's operations and/or financial condition directly. The Issuer Group's operations may take place in regions that may be politically volatile. Changes in the legislative, political, regulatory and economic framework in any region could adversely affect the Issuer Group's operations directly or indirectly.

### **2.6 Risk related to the Bonds**

#### *2.6.1 Change of control - the Issuer's ability to redeem the Bonds with cash may be limited.*

Upon the occurrence of a Change of Control Event (as defined in the Bond Agreement), each individual bondholder shall have a right of pre-payment of the Bonds plus all accrued and unpaid interest to the date of redemption together with a prepayment premium established in the Bond Agreement. However, it is possible that the Issuer will not have sufficient funds at the time of the Change of Control Event to make the required redemption of Bonds. The Issuer's failure to redeem tendered Bonds would constitute an event of default under the Bond Agreement.

#### *2.6.2 Mandatory prepayment events may lead to a prepayment of the Bonds in circumstances where an investor may not be able to reinvest the prepayment proceeds at an equivalent rate of interest.*

In accordance with the terms and conditions of the Bond Agreement, the Bonds are subject to mandatory prepayment by the Issuer on the occurrence of certain specified events. Following any early redemption after the occurrence of a Mandatory Prepayment Event, it may not be possible for bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate. It is further possible that the Issuer will not have sufficient funds at the time of the Mandatory Prepayment Event to make the required redemption of Bonds.

*2.6.3 There will only be a limited trading market for the Bonds.*

There is no existing market for the Bonds, and there can be no assurance given regarding the future development of a trading market for the Bonds. Application has been made to list the Bonds on the Official List of the Luxembourg Stock Exchange and to admit the Bonds to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Issuer has not and does not intend to enter into a market-making agreement for the Bonds. Potential investors should note that it may be difficult or even impossible to trade and sell the Bonds in the secondary market.

*2.6.4 The market price of the Bonds may be volatile.*

The market price of the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer Group's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Issuer Group operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Bonds, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Bonds without regard to the Issuer Group's operating results, financial condition or prospects.

*2.6.5 The bondholders may be subject to restrictions on transfers of the Bonds.*

The Bonds are freely transferable and may be pledged, subject to the following:

- (i) 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 local laws and regulations applicable at own cost and expense.
- (ii) notwithstanding the above, a bondholder who has purchased the Bonds in contradiction to applicable mandatory restrictions may nevertheless utilize its voting rights under the Bond Agreement.

*2.6.6 The terms and conditions of the Bond Agreement will allow for modification of the Bonds or security, waivers or authorizations of breaches and substitution of the Issuer which, in certain circumstances, may be effected without the consent of bondholders.*

The Bond Agreement will contain provisions for calling meetings of bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all bondholders, including bondholders who did not attend and vote at the relevant meeting and bondholders who voted in a manner contrary to the majority.

The Trustee may agree, without the consent of the bondholders, to certain modifications to the Bond Agreement and other finance documents (as defined in the Bond Agreement) which are, in the opinion of the Trustee, proper to make. Such modifications which will be binding upon the bondholders will be further described in the Bond Agreement. The security will be established based on ordinary principles.

However, such security is established subject to the relevant insolvency regimes relevant to the security and the Bond Agreement.

*2.6.7 Legal investment considerations may restrict certain investments.*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or use of the Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

*2.6.8 The value of the collateral securing the Bonds may not be sufficient to satisfy the Issuer's obligations under the Bonds.*

There can be no assurance that the Trustee will be able to sell any of the security for the Bond Issue, including the Rigs, without delays (or even at all) or that the proceeds obtained will be sufficient to pay all of the secured obligations. The value of the Rigs and other collateral securing the Bonds and the amount actually received on any sale of the Rigs and such other collateral will depend upon many factors including, amongst other things, the physical condition of the assets, the then current conditions in the industry in which the Issuer Group operates, the legal or factual possibility to sell the assets in an orderly sale (or at all), the laws, regulations and procedures of the jurisdiction where the sale is carried out, the condition of the international, national and local economies, the availability of buyers and other factors which are beyond the control of the Trustee and the Issuer. Neither the Issuer nor the Guarantors have any obligation to pledge additional vessels or assets to secure the Bonds in the event the Bonds become under-secured. If this were to coincide with the time in which the collateral was sold to satisfy payment obligations on the Bonds, there may be insufficient proceeds from such sales to satisfy all payment obligations due under the Bonds.

*2.6.9 Following a default, the Trustee may not be able to realize any or all of the security.*

It may be difficult or even impossible for the Trustee to enforce the security. In particular, the enforcement of vessel mortgages (including ones to be provided over the Rigs) can be complicated. For example, it can be difficult to locate either Rig without the assistance of a specialist agency, or problematic to enforce the mortgage as it would be subject to the laws of the place where the vessel is situated at the time of enforcement.

Even if the initial arrest of a Rig is achieved, the process (if any) by which it can be sold and the proceeds ultimately realized varies greatly from jurisdiction to jurisdiction. The sales process may be convoluted: sales under vessel mortgages are court-controlled in many jurisdictions and could be conducted through formal auctions, which could result in the enforcement and realization of proceeds becoming a bureaucratic, lengthy and cumbersome exercise in which the mortgagee has little control over the timing and price of the sale. Such proceedings normally require substantial fees to third parties, such as courts, legal advisers, public authorities etc. The ability of any prospective purchasers to carry out a satisfactory inspection and due diligence of the collateral may also be limited or non-existent in such procedures, resulting in a price significantly below fair market value. These issues further increase the risk that, after the enforcement of the security, following deduction of all costs and expenses incurred in connection with the enforcement, there may be insufficient funds to settle amounts owed under the Bonds. These and other factors relating to a forced sale of collateral could result the Bondholders losing all or part of their investment.

#### *2.6.10 Failures or inadequacies in perfecting security*

It is possible that inadequacies or failures in perfecting the security may arise. Such inadequacies or failures may lead to unexpected and/or conflicting claims of Bondholders. The risks related to the security not being perfected or being inadequately perfected include:

- an inability to enforce the security at all;
- fewer and/or weaker rights than originally intended being attached to the security; and
- claims by other parties taking priority and defeating the Bondholder's claim to the security.

Accordingly, investors should not place undue reliance on the security.

#### *2.6.11 Maritime liens may arise and take priority over the liens securing the Bonds.*

The laws of jurisdictions in which the Rigs were constructed, travel through on mobilisation or operate may give rise to the existence of maritime or other liens which may take priority over the security securing the Bonds, including the mortgage to be provided over the Rigs. Such liens may arise in support of, among other things, claims by unpaid shipbuilders or rig repairers remaining in possession of a Rig, claims for salvage, claims for damage caused by a vessel in collision, claims for crew wages and other employment benefits, as well as potentially claims for necessary goods and services supplied to a vessel, pilotage dues, claims for loss of life or personal injury occurring in connection with the operation of a vessel and claims for port, canal and other waterway dues. Moreover, the categories of claims giving rise to maritime or other liens, and the ranking of such liens, vary from one jurisdiction to another. Maritime or other liens can sometimes attach without any court action, registration or documentation, and accordingly their existence cannot necessarily be identified.

#### *2.6.12 The Issuer will assume substantial indebtedness*

Following the issuance of Bonds, the Issuer has substantial indebtedness which could have negative consequences for the bondholders as:

- the Issuer's ability to obtain additional financing for working capital, capital expenditure, asset acquisitions or general corporate purposes and its ability to satisfy its obligations under the Bonds may be impaired in the future;
- the Issuer may be more vulnerable to general adverse economic and industry conditions;
- the Issuer may be at a competitive disadvantage compared to its competitors with less indebtedness or comparable indebtedness at more favorable interest rates and as a result, it may not be better positioned to withstand economic downturns;
- the Issuer's ability to refinance indebtedness may be limited or the associated costs may increase; and
- the Issuer's flexibility to adjust to changing market conditions and ability to withstand competitive pressures could be limited, or the Issuer could be prevented from carrying out capital expenditures that are necessary or important to the Issuer's efforts to improve operating margins or the Issuer's business in general.

#### *2.6.13 The Issuer's ability to service its indebtedness depends on many factors beyond its control.*

The Issuer's ability to make scheduled payments on or to refinance its obligations under the Bonds will depend upon the Issuer's financial and operating performance, which, in turn, will be subject to prevailing economic and competitive conditions and to financial and business factors, many of which may be beyond the Issuer's control.

*2.6.14 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 and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- 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;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly (either alone or with the help of financial and legal advisers) the terms of the Bonds; and
- 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.

*2.6.15 The terms and conditions of the Bond Agreement impose significant operating and financial restrictions, which may prevent the Issuer Group from capitalizing on business opportunities and taking some actions.*

The terms and conditions of the Bond Agreement contain restrictions on the Issuer Group's activities, including, but not limited to, covenants that limit its ability to:

- transfer or sell assets or use asset sale proceeds other than in or towards prepayment of the Bonds;
- incur additional debt;
- guarantee additional debt;
- amend certain documents;
- make investments or acquisitions;
- create or permit security interests on the Issuer Group's assets;
- pay dividends or make other capital distributions;
- dispose of the Rigs.

Each such restriction and related carve outs as more particularly detailed in the Bond Agreement.

The restrictions in the terms and conditions of the Bond Agreement may prevent the Issuer Group from taking actions that it believes would be in the best interest of the Issuer Group's business, and may make it difficult for the Issuer Group to execute its business strategy successfully or compete effectively with companies that are not similarly restricted. The Issuer cannot assure investors that it will be granted waivers or amendments to these agreements if for any reason it is unable to comply with these agreements. The breach of any of these covenants and restrictions could result in an event of default under the Bond Agreement. The price of the Bonds are subject to risks of interest rate and currency fluctuation

The price of a single bond will fluctuate in accordance with the interest rate and credit markets in general, the market view of the credit risk of that particular bond issue, and the liquidity of these bonds in the market. The interest rates can, and will, experience substantial fluctuations caused by a number of factors based on the development in the international economy.

*2.6.16 The Bonds may be subject to optional redemption by the Issuer, which may have a material adverse effect on the value of the Bonds, and in such circumstances an investor may not be able to reinvest the redemption proceeds at an equivalent rate of interest.*

In accordance with the terms and conditions of the Bond Agreement, the Bonds are subject to optional redemption by the Issuer at their outstanding principal amount, plus accrued and unpaid interest to the date of redemption, plus in some events an amount calculated in accordance with the terms and conditions of the Bond Agreement. This feature is likely to limit the market value of the Bonds. During any period when the Issuer may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem the Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*2.6.17 Enforcement of the mortgage over the Rigs in Mexico*

The Rigs are expected to operate in Mexican waters. In the event of a default the mortgagee must initiate an arrest to temporarily secure its claim over the rig. This process includes:

- filing originals of the documents (in Spanish, or with certified Spanish translations) forming the basis of the claim;
- stating the amount of the claim;
- stating the goods for which the order is sought;
- describing the need for action.

The rig owner is given a period of time in which to provide a response to the arrest petition. A forced sale of the rig is only possible after final judgment in the arrest proceedings has been entered and no security has been deposited by the owner. The time that it takes to enforce security in Mexico depends on the type of security being enforced (pledge, mortgage etc.), and in which State enforcement proceedings are being conducted. There is a risk that the enforcement process could take a long time and involve considerable costs, which may have an adverse effect on the Bondholders' ability to recover.

*2.6.18 The enforcement of rights as a Bondholder across multiple jurisdictions may prove difficult. Furthermore, in the event any Bondholder's rights as a Bondholder have been infringed, it may be difficult to enforce judgments against the Issuer or its respective directors or management.*

The Issuer is incorporated under the laws of Bermuda. The rig is expected to be located in Mexican waters and any cash balances in the Escrow Account are the only assets it holds in Norway. Its business is operated primarily from offices in Mexico. Local laws may prevent or restrict Bondholders from enforcing a judgment against the Issuer's assets, the assets of its senior managers, the assets of the guarantors and/or the assets of the directors or management of the guarantors.

*2.6.19 Insolvency of the Issuer*

As the Issuer is incorporated under the laws of Bermuda, an insolvency proceeding relating to the Issuer, even if brought in another jurisdiction, would likely involve Bermuda insolvency laws, the procedural

and substantive provisions of which may differ from comparable provisions of those of other jurisdictions with which investors are familiar. Investors should also note that the process of making a claim as creditor of the Issuer under Bermuda laws may be complex and time-consuming, and could result in substantial reduction in payments to holders of the Bonds. Please refer Section 11 of this Prospectus for more details in this regard.

*2.6.20 The ability to receive payment on the Bonds may be affected by Bermuda insolvency laws*

If winding up proceedings against the Issuer commences, Bondholders' ability to receive payment on the Bonds may be affected because although creditors have priority over members to the residual assets of the Issuer, the assets of the Issuer needs to be distributed pro rata to all creditors of the Issuer. Please refer Section 11 of this Prospectus for more details in this regard.

*2.6.21 The ability to take any action or enforce any judgement against the Issuer may be affected by Bermuda insolvency laws*

In addition, as the Issuer will also be in “freeze mode” during the winding up period, your ability to take any action or enforce any judgements against the Issuer may also be affected, including your right to acceleration of payments under the bond documentation in response to an event of default. In addition, the provisions relating to the enforcement of the Bonds by the Trustee on behalf of the Bondholders pursuant to the Trust Deed will not be applicable to the extent they are not in compliance with compulsory insolvency law provisions under Bermuda insolvency law that apply in these circumstances. Please refer Section 11 of this Prospectus for more details in this regard.

*2.6.22 Change of law*

The terms and conditions of the Bonds are governed by Norwegian law and the terms and conditions of the security documents are governed by Norwegian, English and Bermuda law, in each case in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to such laws or administrative practices after the date of this Prospectus.

### **3 RESPONSIBILITY STATEMENT**

The Issuer accepts responsibility for the information contained in this Prospectus. The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its import.

### **4 THE BOND ISSUE AND THE BONDS**

#### **4.1 The Issuer and the Guarantors**

The Issuer, Latina Offshore Limited, was incorporated as a Bermuda exempted company on 6 June 2013 under the laws of the Bermuda. The Issuer has its registered office at Canon's Court, 22 Victoria Street, Hamilton, Bermuda and is registered with the Registrar of Companies under registration number 47772. The Issuer has a share capital of USD 12,000 comprising 12,000 common shares of par value USD 1.00 each of which 11,900 shares are issued to Holdco as fully paid-up shares bearing equal voting and dividend rights as well as equal rights upon a winding-up. The Issuer's objects as set out in article 6 of its Memorandum of Association are unrestricted. The Issuer's sole activity is to own the Guarantors, the owners of the La Santa Maria (Rig 1) and La Covadonga (Rig 2) respectively. The Issuer has no employees.

Santa Maria Offshore Limited was incorporated as a Bermuda exempted company on 6 June 2013 under the laws of the Bermuda. It has its registered office at Canon's Court, 22 Victoria Street, Hamilton,

Bermuda and is registered with the Registrar of Companies under registration number 47770. Santa Maria Offshore Limited has a share capital of USD 22,500,100 comprising 22,500,100 common shares of par value USD 1.00 each of which 22,500,100 shares are issued to the Issuer as fully paid-up shares bearing equal voting and dividend rights as well as equal rights upon a winding-up. The objects of Santa Maria Offshore Limited as set out in article 6 of its Memorandum of Association are unrestricted. Santa Maria Offshore Limited's sole activity is to own the La Santa Maria (Rig 1). Santa Maria Offshore Limited has no employees.

La Covadonga Limited was incorporated as a Bermuda exempted company on 6 June 2013 under the laws of the Bermuda. It has its registered office at Canon's Court, 22 Victoria Street, Hamilton, Bermuda and is registered with the Registrar of Companies under registration number 47771. La Covadonga Limited has a share capital of USD 100 comprising 100 common shares all of which are issued to the Issuer as fully paid-up shares bearing equal voting and dividend rights as well as equal rights upon a winding-up. The objects of La Covadonga Limited as set out in article 6 of its Memorandum of Association are unrestricted. La Covadonga Limited's sole activity is to own the La Covadonga (Rig 2). La Covadonga Limited has no employees.

| Issuer's and Guarantors' indebtedness                             |  |                            |                              |                            |
|---|--|----------------------------|------------------------------|----------------------------|
| Financial Information as of 31 January 2014<br>Figures are in USD |  | Issuer                     | Santa Maria Offshore Limited | La Covadonga Limited       |
| total amount of outstanding bonds and notes                       | Guaranteed issues<br><br>(by the company or third parties) | 348,708,592 <sup>(1)</sup> | 174,401,469 <sup>(1)</sup>   | 187,871,609 <sup>(1)</sup> |
|   | Non-guaranteed issues                                      | None                       | None                         | None                       |
| total amount of all other borrowings and indebtedness             | Guaranteed debt  | None                       | None                         | None                       |
|   | Non-guaranteed debt <sup>(2)</sup>                         | 2,350,935                  | 1,337,413                    | 2,278,432                  |
| total amount of any contingent liabilities                        |  | 351,059,527                | 175,738,882                  | 190,150,041                |

(1) Bond Issue of USD 350,000,000

(2) Includes Interest Due regarding Bond Issue of USD 350,000,000



As of 24 February 2014 there are no material changes to the Financial Information as of the 31 January 2014 above and it presents an accurate position.

#### **4.2 Overview of the Bond Issue**

The Bonds have been entirely placed and subscribed by RS Platou Markets AS acting as the Manager as further set out below.

The subscription period for the Existing Bonds commenced on 10 June 2013 and ended on 19 June 2013, following which the Manager allocated the Existing Bonds within the limits of each subscriber's subscription.

On 3 July 2013 Santa Maria Offshore Limited issued the Existing Bond with the primary purpose of financing the delivery installment of USD 153,600,000 for Rig 1. On 31 July 2013, Rig 1 was successfully delivered on schedule from the Yard in Singapore, at which time the conditions precedent for disbursement under the Existing Bond were satisfied and the Existing Bond proceeds were released to Santa Maria Offshore Limited for use as prescribed in terms of the Existing Bond.

In relation to the delivery of Rig 2 there was a similar need for funding, both in respect of the amount required and the use of proceeds, as for the Existing Bond. Said funding was obtained through the Tap Issue. Since Santa Maria Offshore Limited was the issuer under the Existing Bond and La Covadonga Limited was in need of the proceeds from the Tap Issue for taking delivery of Rig 2, the Tap Issue was structured so that the Issuer (being the parent company of both Santa Maria Offshore Limited and La Covadonga Limited) would be the issuer for the consolidated Bond Issue.

The subscription period for the Tap Issue Bonds commenced on 18 September 2013 and ended on 25 September 2013, following which the Manager allocated the Tap Issue Bonds within the limits of each subscriber's subscription.

In a bondholders meeting held on 4 October 2013 the bondholders in the Existing Bond inter alia agreed to amend the Existing Bond, such amendments were implemented pursuant to the Amendment and Restatement Agreement.

The Tap Issue Bonds were issued on 11 October 2013 and represent an increase and amendment of the Existing Bond pursuant to the Amendment and Restatement Agreement. The most fundamental amendments that are implemented in conjunction with the amalgamation of the Existing Bond with the Tap Issue Bond into the consolidated Bonds on the Tap Issue Settlement Date were:

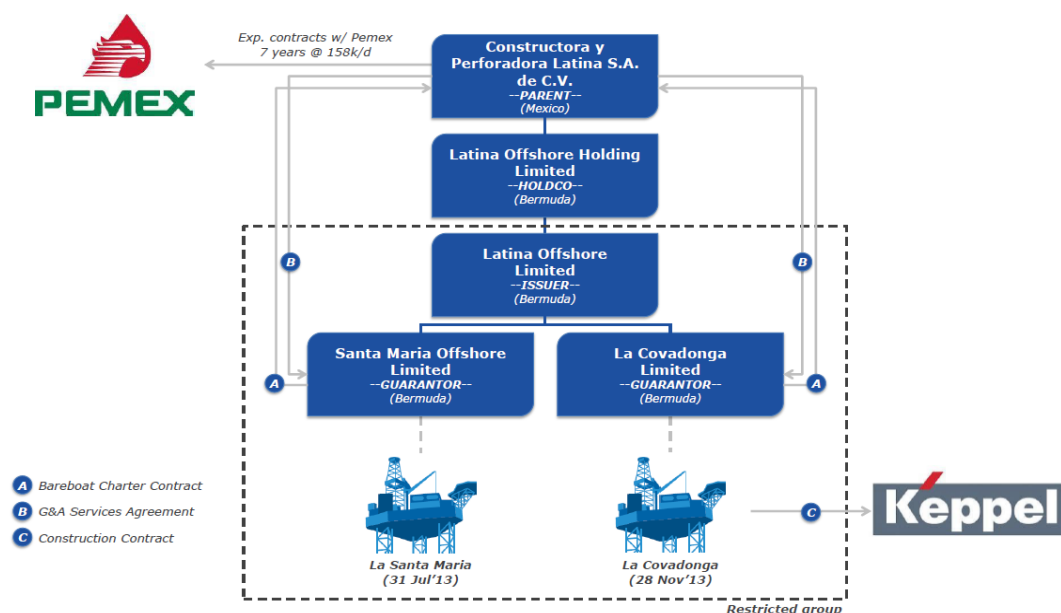
- (i) Change of issuer, from Santa Maria Offshore Limited to the Issuer, with the rig owning companies Santa Maria Offshore Limited and La Covadonga Limited as Guarantors;
- (ii) Increase in the loan amount of USD 175,000,000 from USD 175,000,000 to USD 350,000,000.
- (iii) From delivery of Rig 2, inclusion of mortgage over Rig 2, as well as pledge and assignments in ancillary assets and rights as part of the securities.
- (iv) Expansion of covenants and undertakings in the Bond Issue to include Rig 2, La Covadonga Limited and the new corporate group structure.
- (v) Amendment to the financial covenants so that they will apply on the Issuer level on a consolidated basis and be further amended to reflect (x) a minimum liquidity requirement of USD 10 million, and (y) a minimum equity ratio of 25 % in the period from settlement of the

Tap Issue until and including 31 December 2014; 27.5 % in the period 1 January 2015 until and including 31 December 2015; and 30 % thereafter.

- (vi) Repayment of the Bonds pro rata as follows: (x) 8,750,000 on 3 January 2015; (y) USD15,000,000 on each Interest Payment Date (semi-annually) commencing on 3 July 2015; and (z) the remaining outstanding amount at the Final Maturity Date (all at 100% of par value), plus accrued unpaid interest on the redeemed amount.
- (vii) In addition to such further ancillary amendments to reflect (i) through (vi) above.

On 28 November 2013, Rig 2 was successfully delivered on schedule from the Yard in Singapore, at which time the conditions precedent for disbursement under the Tap Issue were satisfied and the Tap Issue proceeds were released to the Issuer for use as prescribed in the terms of the Tap Issue.

The figure below sets out the structure of the Bonds:



### 4.3 Manager for the Existing Bond Issue and Tap Issue

RS Platou Markets AS was acting as the Manager and Bookrunner for the Existing Bond Issue and Tap Issue. RS Platou Markets AS is a Norwegian limited liability company having its business address at Haakon VII's gate 10, 0119 Oslo, Norway with organization number 942 274 238 in the Norwegian Register of Business Enterprises.

### 4.4 Use of proceeds

The net proceeds from the Existing Bonds which amounts to USD 169,805,518.50 (net of legal costs, fees to the Manager and the Bond Trustee and any other agreed costs and expenses) was exclusively employed to pay the remaining installment under the Rig 1 Construction Contract (USD 153,600,000) to the Yard, and fund the Debt Service Reserve Account and the liquidity account of Santa Maria RigCo for payment of mobilization and pre-operation costs, up to USD 1,000,000 to be paid to the Yard in accordance with the Rig 1 Construction Contract following the acceptance of Rig 1 under a Drilling Contract and otherwise for general corporate purposes of Santa Maria Offshore Limited.

The net proceeds from the Tap Issue which amounts to USD 180,283,805.50 (net of legal costs, fees to the Manager and the Bond Trustee and any other agreed costs and expenses) was exclusively employed to pay the remaining installment under the Rig 2 Construction Contract (USD 153,600,000) to the Yard, and fund the Debt Service Reserve Account and the Issuer's liquidity account for use by La Covadonga Limited for payment of mobilization and pre-operation costs, up to USD 1,000,000 to be paid to the Yard in accordance with the Rig 2 Construction Contract following the acceptance of Rig 2 under a Drilling Contract and otherwise for general corporate purposes of the Issuer and La Covadonga Limited.

#### **4.5 Eligible Subscribers and minimum subscription in the Tap Issue**

The Existing Bond Issue and Tap Issue was directed to professional investors in Norway and internationally, in reliance on exemptions from registration obligations under local laws. The minimum subscription amount per investor was USD 200,000.

The Bonds are freely transferable and may be pledged, subject to the following:

- (i) 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 local laws and regulations applicable at own cost and expense.
- (ii) notwithstanding the above, a bondholder who has purchased the Bonds in contradiction to mandatory restrictions applicable may nevertheless utilize its voting rights under the Bond Agreement.

#### **4.6 Form of the Bonds and the VPS system**

The Bonds are issued in dematerialize form. The Bonds are registered and were issued directly in the VPS. In order to hold Bonds a bondholder must open a VPS account or have an agreement with an authorized nominee in VPS holding the Bonds on behalf of the bondholder. Principal and interest accrued will be credited to the bondholders through VPS.

The registration of the Bonds in the VPS is subject to the provisions of the Norwegian Security Register Act of 5 July 2002 no. 64.

#### **4.7 Summary of the main terms of the Bonds**

##### *4.7.1 General*

The trustee for the Bonds is Norsk Tillitsmann ASA, a Norwegian incorporated limited liability company having its business address at Haakon VII gate 1, 0161 Oslo, Norway, with organization number 963 342 624 in the Norwegian Register of Business Enterprises.

The following provides a brief summary of the main terms of the Bonds. For further information please see the Bond Agreement attached to this Prospectus as the Annex 1.

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

The maturity date of the Bonds is 3 July 2018, giving the Bonds a duration of 5 years from the Existing Bond Settlement Date. The interest on the Bonds is 8.875% p.a., payable as semi-annual interest payments on 3 January and 3 July, the first interest payment date being 3 January 2014. The Bonds that have not been redeemed at an earlier date shall be redeemed in full on the Maturity Date.

The Issuer may redeem (call) the Bonds (all or nothing) at any time:

- (i) in the period until but not including the date falling two (2) years after the Existing Bond Settlement Date at a price equal to:
  - (a) the present value on the relevant record date of 105% of par as if such payment originally should have taken place on 3 July 2015; and
  - (b) the present value on the relevant record date of the remaining interest payments (less any accrued but unpaid interest) through and including 3 July 2015; and
  - (c) accrued but unpaid interests on the redeemed amount;the present value under both (a) and (b) 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 3 July 2015) on the 10th banking day prior to the repayment date and where "relevant record date" shall mean a date agreed upon between the Trustee and the Issuer in connection with such repayment;
- (ii) from and including 3 July 2015 to, but not including, 3 July 2016, at a price equal to 105% of par value (plus accrued interest on redeemed amount);
- (iii) from and including 3 July 2016 to, but not including, 3 July 2017 at a price equal to 103% of par value (plus accrued interest on redeemed amount); and
- (iv) from and including 3 July 2017 to, but not included, the Final Maturity Date at a price equal to 101% of par value (plus accrued interest on redeemed amount).

The call notice shall be provided no later than 10 Banking Days prior to the repayment date.

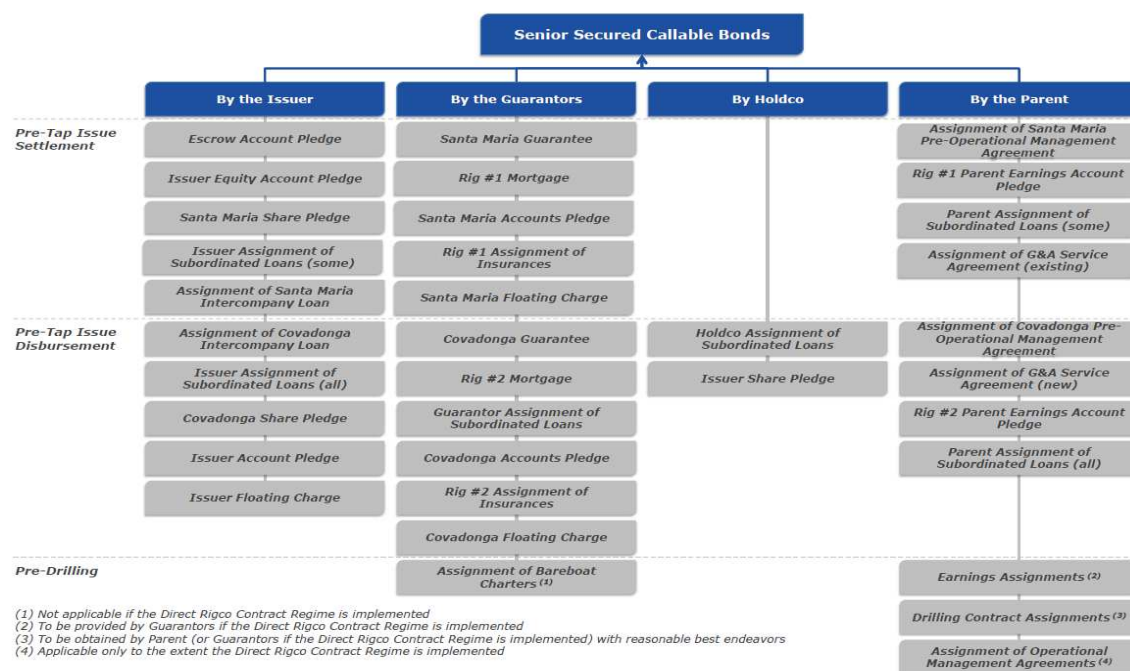
The Bonds shall be repaid pro rata as follows:

- (i) USD 8,750,000 on 3 January 2015 (the Interest Payment Date falling 18 months after the Existing Bond Settlement Date);
- (ii) USD 15,000,000 on each Interest Payment Date (semi-annually) commencing on 3 July 2015 (being the Interest Payment Date falling 24 months after the Existing Bond Settlement Date); and
- (iii) the remaining outstanding amount of the Bonds to be repaid at the Final Maturity Date.

All scheduled amortization redemptions herein will be at 100% of par value (plus accrued interest on redeemed amount).

#### 4.7.2 Security and priority

The Bonds are secured as set out in the following:



#### 4.7.3 Covenants

The Bond Agreement includes several negative and positive covenants on the Issuer, the Guarantors, HoldCo and the Parent. These include e.g. restrictions (50%) on distributions from the Issuer to HoldCo, restrictions on the incurrence of new debt and the right to create security over assets, with certain carve-outs.

The Issuer is also subject to a minimum (free and unrestricted) liquidity covenant in the amount of USD 10,000,000 on a consolidated basis with the Guarantors, and an equity ratio covenant of minimum (i) 25% in the period until and including 31 December 2014, (ii) 27.5% in the period 1 January 2015 until and including 31 December 2015 and (iii) 30% thereafter. For a further complete description of the applicable negative and positive covenants please see the Bond Agreement.

The mandatory prepayment and total loss provisions have been amended to reflect that the Bonds are secured in both Rig 1 and Rig 2. This means that a mandatory prepayment or total loss event only relating to one of the Rigs (or one of the Guarantors) will only cause 50% of the Bonds to be repayable.

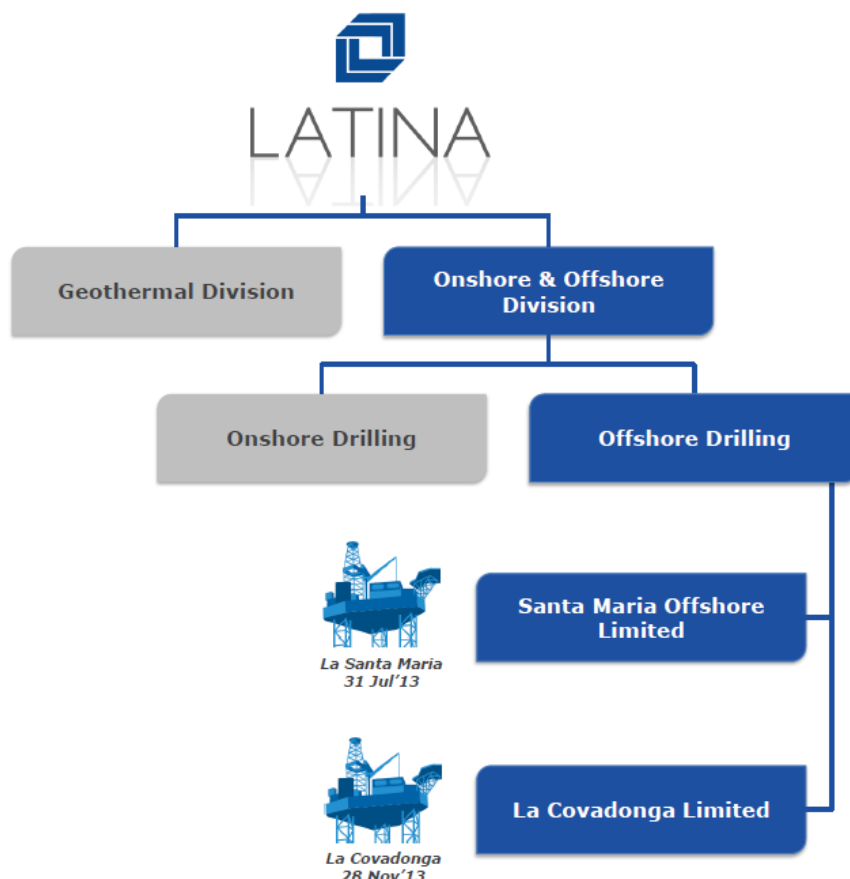
## 5 LEGAL STRUCTURE OF THE LATINA GROUP

### 5.1 Introduction to the Latina Group

CP Latina is a private company with over 40 years of experience in the drilling sector. Operations started in Mexico, with the drilling of onshore oil wells and geothermal energy wells. The group expanded into the current drilling operations, which also include drilling water and gas wells. In 1983 CP Latina started a geothermal project in Costa Rica, and in 2005 CP Latina acquired two concessions to explore, develop, merchandise and maintain two oil fields in the Republic of Guatemala. Today, CP Latina is the largest geothermal drilling company in Latin America. The group supplies services ranging from drilling,

cementing, testing labs, civil and mechanical works, mud logging analysis, and environmental controls. The strategy of CP Latina is to expand to other areas in the energy sector, such as offshore oil drilling, both in Mexico and at an international level, with the purpose of becoming one of the main private companies in the energy sector in Latin America.

## 5.2 Overview of the Latina Group structure



## 5.3 Flow of funds related to the future operations of Rig 1 and Rig 2

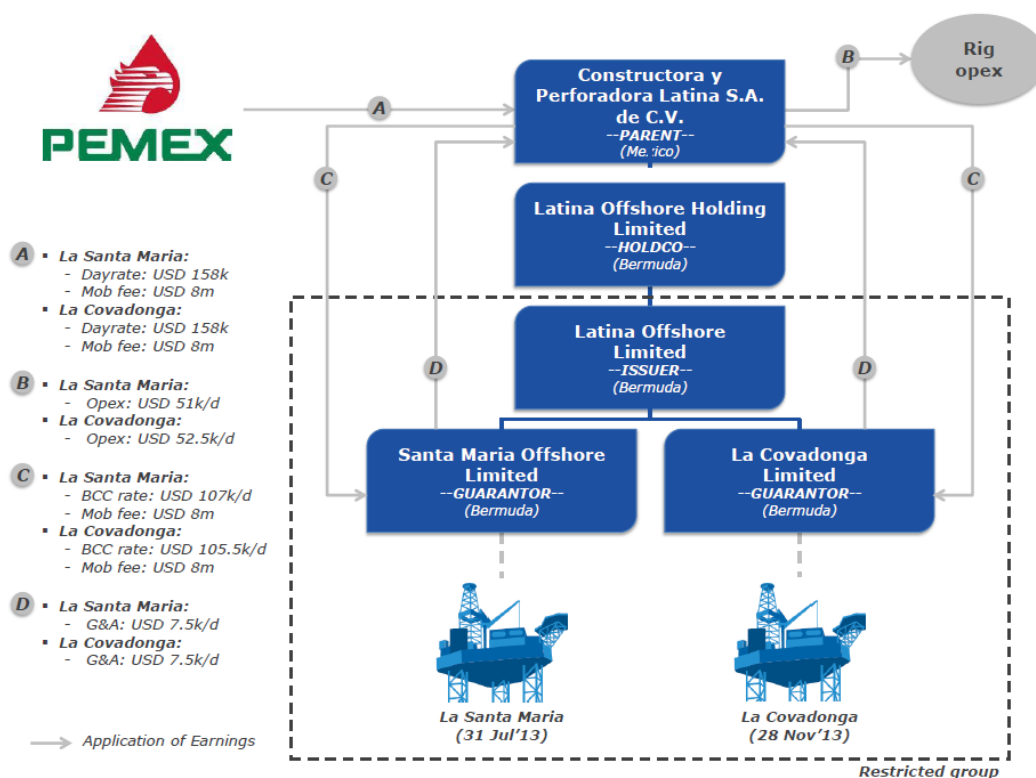
### 5.3.1 The anticipated structure

In the envisaged contract structure it is the Parent that will be the counter party to Pemex in the initial Drilling Contract for either Rig (referred to as a "Drilling Contract", please see Section 6.10 below). The contemplated day rate of such Drilling Contract is approximately USD 158,000, of which approximately USD 51,000 per day is expected to be used for opex for Rig 1 and approximately USD 52,500 is anticipated to be used for opex for Rig 2, respectively. The relevant RigCo will enter into the Bareboat Charter Contract with the Parent to ensure the availability of the relevant Rig to be used under such initial Drilling Contract.

The day rate under such Bareboat Charter Contract is anticipated at USD 107,000 for Rig 1 and USD 105,500 for Rig 2, following which the Parent will have funds left to cover the Rig's Opex. The Parent will under the terms of the relevant Bareboat Charter have the risk for any cost overruns on the Rig's Opex, as well as the general risk of downtime on the Rig. Please see further description of the terms of the Bareboat Charters in Section 6.14.1 below.

In addition to the operational management, the Parent will provide the Issuer Group with general and administrative services under the G&A Service Agreement. Please see Section 6.14.3 for a description of the G&A Service Agreements.

Please see below for a graphical presentation of the flow of funds related to the future operations of the Rigs under said regime:



### 5.3.2 Application of earnings

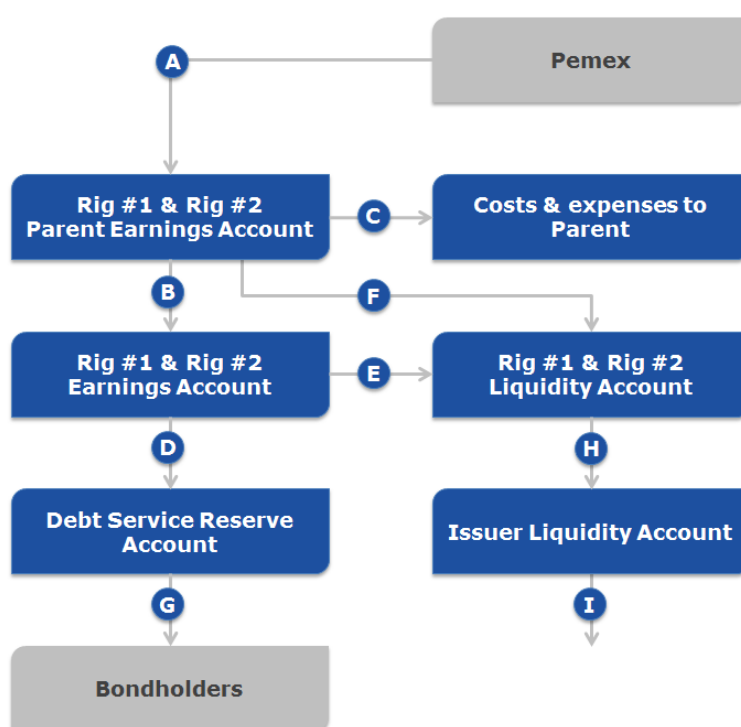
The earnings under the Drilling Contract shall be paid into the Rig 1 and Rig 2 Parent's Earnings Account (see A in the chart below) and thereafter as follows on a monthly basis;

- firstly, to the Rig 1 and Rig 2 earnings account ("**RigCo Earnings Account**") an amount equal to the monthly rate under the relevant Bareboat Charter Contract (see B in the chart below), such amount to be paid:
  - from the relevant RigCo Earnings Account to the Debt Service Reserve Account (the "**Debt Service Reserve Account**") an amount equal to the relevant part of the Debt Reserve Payments and which in sum with payments from the other RigCo Earnings Account shall equal the Debt Reserve Payments in full, all as service of the Intercompany Loans (see D in the chart below);
  - from the relevant RigCo Earnings Account to the respective RigCo's liquidity account ("**RigCo Liquidity Account**") an amount up to the residual amount in the RigCo Earnings Account, set out in C in the figure below.
  - RigCo Liquidity Account may be used by the relevant RigCo to make payments to cover the RigCo's costs under the G&A Service Agreement, for Amortizations, general corporate purposes and when applicable distributions to the Issuer in the form of dividend or payment

on subordinated loans, always within the applicable restrictions on such distributions (see I in the chart below).

- (ii) secondly, from the RigCo Parent Earnings Account to an operating account nominated by the Parent to cover the cost and expenses relating to Rigs (see C in the chart below), such expenses to include budgeted expenses for the subsequent calendar month following the Transfer Date, of (i) for Rig 1 USD 51,000 per day and (ii) for Rig 2 USD 52,500 per day (the "**Rig Opex**").
- (iii) thirdly, with any remaining amount in the relevant Parent Earnings Account is to be paid to the relevant RigCo Liquidity Account (see F in the figure below).

Please see below for a graphical presentation of the application of earnings under the Initial Drilling Contract as described above:

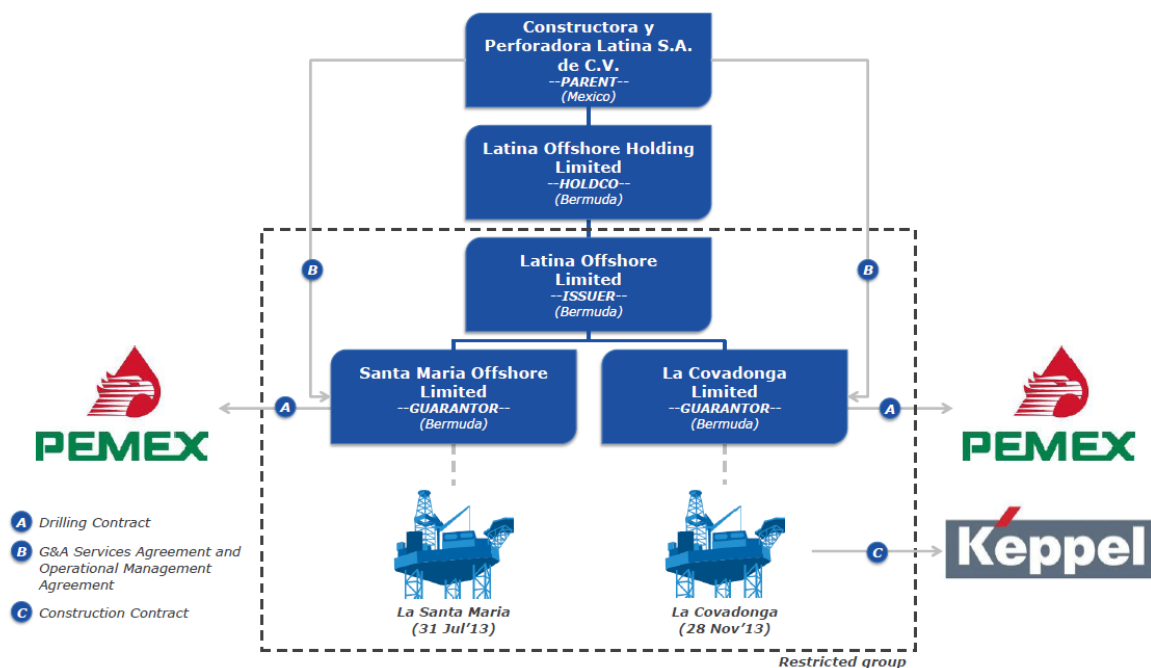


Interest payments from the Issuer to the Bondholders are made from the Debt Service Reserve Account (see D in the chart above), while payment of amortizations, the Issuer's operating expenses (including under the relevant management agreements), general corporate purposes, and permitted distributions are made from the Issuer Liquidity Account (see I in the chart above).

### 5.3.3 Alternative structure

The Issuer and the Parent may potentially agree with Pemex (or any other client under an applicable drilling contract, in general terms referred to as the "**Client**") to contract directly between the Issuer and the Client, i.e. the Drilling Contract will be entered into between the Issuer and the Client. If applicable, this will cause certain changes to the contracts and flow of funds structure, as reflected in the below chart:





In said scenario, the relevant internal Bareboat Charter will be terminated and the Parent (or another reputable manager) will provide operational management services to the Issuer as required on customary market terms reflecting the needs under the relevant Drilling Contract. The Issuer will itself bear the risk on the Rig Opex and downtime under said regime, and if applicable the Parent will only be a normal third party provider of management services.

The earnings under this alternative contract regime are paid directly to the relevant RigCo Earnings Account and thereafter as follows on a monthly basis:

- (i) firstly, to the Debt Service Reserve Account an amount equal to the relevant part of the Debt Reserve Payments, and which in sum with payments from the other RigCo Earnings Account shall equal the Debt Reserve Payments in full, all as service of the Intercompany Loans and
- (ii) secondly, to the relevant RigCo Liquidity Account (as defined below) the remaining amount in the relevant RigCo Earnings Account after the payment under (i) above, to pay the RigCo's operating expenses (including under the relevant Management Agreements), for general corporate purposes and to make Permitted Distributions.

Each of the RigCos shall make contributions to payments of Amortizations (as specified above) by way of payments from its relevant RigCo Liquidity Account to the Issuer Liquidity Account (from which the Amortizations will be paid) as service of the Intercompany Loan.

To the extent a charter contract is entered into by a subsidiary of any RigCo, payment and transfers of earnings and other payments shall be made in accordance with such regime as currently set out in the Existing Bond agreement with such adjustments as are required to apply for the consolidated Bond Issue.

## 6 PRESENTATION OF THE RIGS

### 6.1 General

The Parent had entered into a construction contract, which has been novated to Santa Maria Offshore Limited, with the Yard for the construction of the La Santa Maria as further described in Section 6.4. The La Santa Maria was delivered to Santa Maria Offshore Limited on 31 July 2013.

The Parent had entered into a construction contract, which has been novated to La Covadonga Limited, with the Yard for the construction of the La Covadonga as further described in Section 6.4. The La Covadonga was delivered to La Covadonga Limited on 28 November 2013.

The strategy for employment of the Rigs is described in Section 6.10.

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### La Covadonga

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### 6.2 Overview of the Rigs

La Santa Maria, the first newbuild, was completed and delivered by the Yard on 31 July 2013. La Santa Maria has received class notation A 1, Self-elevating Drilling Unit from ABS.

La Covadonga, the second newbuild, was completed and delivered by the Yard on 28 November 2013. La Covadonga has received class notation A 1, Self-elevating Drilling Unit from ABS.

Both Rigs are based on the widely known and reputable KFELS Mod V-B design characterized by the following:

- First class rig design
- Preferred design by major drilling companies

- Cost-effective solution, proven for non-harsh environments
- Surpasses other rigs of similar size in terms of environmental ratings and load carry capacity
- Highly adaptable for harsher environment deployment
- Fully automated high capacity jacking system and self-positioning fixation system

### 6.3 Technical Specifications

| <b>DIMENSIONS</b>         | <b>La Santa Maria ("Rig 1")</b>   | <b>La Covadonga ("Rig 2")</b>   |
|---------------------------|---|---|
| Length x Breath           | 234 ft x 208 ft   | 234 ft x 208 ft   |
| Hull Depth                | 25 ft   | 25 ft   |
| Leg Length                | 517 ft (incl spudcan tip)   | 517 ft (incl spudcan tip)   |
| Usable leg below          | 460 ft (incl spudcan tip)   | 460 ft (incl spudcan tip)   |
| Leg Spacing               | 142 ft transv x 129 ft longi  | 142 ft transv x 129 ft longi  |
| Cantilever reach          | 70 ft x 30 ft   | 70 ft x 30 ft   |
| Spudcan Tanks             | 46 ft diameter  | 46 ft diameter  |
| Design Water Depth        | 400 ft  | 400 ft  |
| Drilling Depth            | 30,000 ft   | 30,000 ft   |
| Drilling Envelope         | 70 ft aft of transom and drill floor can be skidded 15 ft port and star board of the vessel centre line | 70 ft aft of transom and drill floor can be skidded 15 ft port and star board of the vessel centre line |
| <b>CAPACITIES</b>         | <b>La Santa Maria ("Rig 1")</b>   | <b>La Covadonga ("Rig 2")</b>   |
| Accommodation             | 120   | 120   |
| Fuel                      | 2,626 bbls  | 2,626 bbls  |
| Drill Water               | 3,825 bbls (dedicated DW tks)<br>16,094 bbls (preload/DW tks)   | 3,825 bbls (dedicated DW tks)<br>16,094 bbls (preload/DW tks)   |
| Portable Water            | 2,052 bbls  | 2,052 bbls  |
| Liquid Mud                | 3,613 bbls  | 3,613 bbls  |
| Brine                     | 855 bbls (dedicated tank)<br>1,939 bbls (incl mud pits 5 & 6)   | 855 bbls (dedicated tank)<br>1,939 bbls (incl mud pits 5 & 6)   |
| Base Oil                  | 662 bbls  | 662 bbls  |
| Bulkmud/cement            | 11,100 ft3  | 11,100 ft3  |
| Sact Storage              | 5,000 sacks   | 5,000 sacks   |
| <b>DRILLING EQUIPMENT</b> | <b>La Santa Maria ("Rig 1")</b>   | <b>La Covadonga ("Rig 2")</b>   |
| Derrick (SWL)             | 1,500 kips  | 1,500 kips  |
| Hook load                 | 1,500 kips  | 1,500 kips  |
| Drawworks                 | NOV ADS-10T 3000 HP AC  | NOV ADS-10T 3000 HP AC  |
| Racking capacity          | 30,000 ft x 5-1/2" or 5-7/8"  | 30,000 ft x 5-1/2" or 5-7/8"  |
| Top Drive                 | NOV TDS-8SA, 750T   | NOV TDS-8SA, 750T   |
| Pipe Handling             | Dolly Retract System  | Dolly Retract System  |
| Iron roughneck            | NOV AR-3200C  | NOV AR-3200C  |
| Rotary table              | NOV RST 495/49.5 in   | NOV RST 495/49.5 in   |

|  |   |   |
|--|---|---|
| Power slips  | NOV PS-21 Powerslips  | NOV PS-21 Powerslips  |
| Driller Instrumentation                                | Amphion System  | Amphion System  |
| <b>WELL CONTROL EQUIPMENT La Santa Maria ("Rig 1")</b> |   | <b>La Covadonga ("Rig 2")</b>                                     |
| High-pressure BOP                                      | 1 x CIW 18-3/4" 10k psi annular<br>2 x CIW 18-3/4" 15k double ram | 1 x CIW 18-3/4" 10k psi annular<br>2 x CIW 18-3/4" 15k double ram |
| Diverter   | Drill-Quip 2,000 psi  | Drill-Quip 2,000 psi  |
| C&K manifold   | 15k TechDrill   | 15k TechDrill   |
| Choke&kill lines                                       | 3 in-15,000 psi Techflow Flexible                                 | 3 in-15,000 psi Techflow Flexible                                 |
| BOP Hoist  | 2 x Ingersoll Rand 75 st  | 2 x Ingersoll Rand 75 st  |
| Control System   | Cameron   | Cameron   |
| <b>MUD SYSTEM La Santa Maria ("Rig 1")</b>             |   | <b>La Covadonga ("Rig 2")</b>                                     |
| Mud Pumps  | 3 x Lewco W -2215 x 2,200 HP                                      | 3 x Lewco W -2215 x 2,200 HP                                      |
| Pressure Rating  | 7,500 psi   | 7,500 psi   |
| Shale Shakers  | 5 x Brandt VSM Shale Shaker                                       | 5 x Brandt VSM Shale Shaker                                       |
| Mud Cleaner  | 1 x Brandt/VSM  | 1 x Brandt/VSM  |
| Lifting Equipment                                      | Static hook load 1,500,000 lbs.                                   | Static hook load 1,500,000 lbs.                                   |
| Deck Cranes  | 3 FAVCO, 1 STB, 2 PORT 50-12-11 ST.                               | 3 FAVCO, 1 STB, 2 PORT 50-12-11 ST.                               |
| Main Block Rating                                      | 750 st  | 750 st  |
| Whip Line Rating                                       | 111 st  | 111 st  |
| <b>POWER La Santa Maria ("Rig 1")</b>                  |   | <b>La Covadonga ("Rig 2")</b>                                     |
| Main Engines   | 5 x CAT3516-CHD   | 5 x CAT3516-CHD   |
| Main Generators  | 5 x Baylor S637WUT-666  | 5 x Baylor S637WUT-666  |
| Total Power  | 10,750 HP   | 10,750 HP   |
| Emergency Power  | 1 x CAT 3508B x 915 HP  | 1 x CAT 3508B x 915 HP  |

## 6.4 Construction Contracts

### 6.4.1 General

As per the Construction Contracts, the Yard has designed, constructed, built, undocked, equipped, completed, commissioned, tested, sold and delivered Rig 1 to Santa Maria Offshore Limited and Rig 2 to La Covadonga Limited. The construction of the Rigs were agreed to be based on the KFELS Mod V-B design, and in accordance with detailed specifications and the applicable rules and requirements of the American Bureau of Shipping (ABS), Panama. The Construction Contracts are governed by English law and any disputes thereof, depending on their type, may be referred to either the ABS or other relevant regulatory body, expert determination or arbitration in Singapore in accordance with the rules of the Singapore Chamber of Maritime Arbitration.

The Rig 1 Construction Contract is distinct and separate from the Rig 2 Construction Contract, and no cross default link exists between them.

#### 6.4.2 *Novation from Standard Drilling*

The Rig 1 Construction Contract was originally entered into between the Yard and Offshore Driller 1 Ltd., a subsidiary of Standard Drilling ("**OD 1**"). Pursuant to a sale and purchase agreement between OD 1 and the Parent dated 15 November 2012 and a novation agreement between OD 1, the Parent and the Yard dated 15 January 2013, OD 1 respectively sold and novated all its rights and obligations as buyer under the Rig 1 Construction Contract to the Parent. All rights and obligations as buyer under the Rig 1 Construction Contract have been novated from the Parent to La Covadonga Limited, a wholly owned subsidiary of the Issuer.

The Rig 2 Construction Contract was originally entered into between the Yard and Offshore Driller 2 Ltd., a subsidiary of Standard Drilling ("**OD 2**"). Pursuant to a sale and purchase agreement between OD 2 and the Parent dated 15 January 2013 and a novation agreement between OD 2, the Parent and the Yard dated 15 March 2013, OD 2 respectively sold and novated all its rights and obligations as buyer under the Rig 2 Construction Contract to the Parent. All rights and obligations as buyer under the Rig 2 Construction Contract has been novated from the Parent to La Covadonga Limited, a wholly owned subsidiary of the Issuer.

#### 6.4.3 *Contract price and payment schedule*

The contract price for each of the Rigs was USD 192,000,000, subject only to adjustments pursuant to variation order(s), liquidated damages or any agreed amendments to the contract price. The variation orders agreed and paid under the Rig 1 Construction Contract amounted to USD 0.8 million, and the variation orders agreed and paid under the Rig 2 Construction Contract amounted to USD 0.6 million. All amounts payable to the Yard under the Construction Contracts have been paid by the relevant RigCo during the construction of or at the delivery of the Rigs.

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### **La Santa Maria**

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#### *6.4.4 Bonus related to employment of the Rigs*

Santa Maria Offshore Limited shall pay to the Yard the sum of USD 1,000,000 within 15 days after Rig 1 is on any form of rate or compensation.

La Covadonga Limited shall pay to the Yard the sum of USD 1,000,000 within 15 days after Rig 2 is on any form of rate or compensation.

These amounts have now been paid to the Yard.

#### *6.4.5 Delivery*

Rig 1 was delivered from the Yard to Santa Maria Offshore Limited on 31 July 2013.

Rig 2 was delivered from the Yard to La Covadonga Limited on 28 November 2013. The Rig is expected to arrive Mexican waters on 20 February 2014.

#### *6.4.6 Warranty period*

If any of the Rigs (except Buyer's Supplies) and the works performed by the Yard or the Yard's subcontractors do not comply with the relevant Construction Contract and such defects are discovered within a 12 month warranty period from the Actual Delivery Date, the relevant RigCo may elect to either: (i) demand that the Yard repair or replace any defects in the Yard's workmanship or materials; or (ii) reimburse the RigCo for the reasonable costs of such repairs and replacements made by the RigCo or a third party (not exceeding certain agreed rates for welders, painters and mechanical fitters) in the event that such repair or replacement work cannot be timely or reasonably carried out by the Yard at the location of the relevant Rig and the Rig cannot reasonably return to the shipyard of the Yard. The work performed or material supplied by the Yard in satisfaction of its warranty obligations shall be further warranted for the later of the balance of the original warranty period or 6 months from the completion of such work or installation of such material, but in no event shall the extended warranty period exceed 18 months from the Actual Delivery Date. The warranty does not cover any defects caused by replacement or repair work performed by the relevant RigCo or a third party, normal wear and tear or wilful act or omission or the neglect maintenance or operation of the relevant Rig by the relevant RigCo or such RigCo's personnel.

In addition, the Yard agrees to assign and transfer to the relevant RigCo any and all guarantees and/or warranties given and/or to be given to the Yard or the Yard's subcontractors by the manufacturers and/or vendors of supplies, materials and equipment furnished by the Yard and its subcontractors.

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## La Covadonga

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### 6.4.7 Total cap on the Yard's liability

The Yard's total liability, other than certain indemnities related to personal injury / death, loss or damage to property, pollution, third party claims, intellectual property rights, tax and liens, shall not exceed 10 % of the contract price (including variation orders) for the relevant Rig under the relevant Construction Contract.

## 6.5 Construction Contracts counter party

### 6.5.1 General

The Yard, Keppel FELS in Singapore, is a globally recognized yard in offshore rig design, construction and repair, ship repair and conversion, and specialised shipbuilding. The Offshore Division of Keppel FELS is a leading designer, builder and repairer of mobile offshore rigs. During 2012, the Yard delivered seven rigs, including the ENSCO 8505 and ENSCO 8506 semisubmersibles, the last two of seven semisubmersibles built for Ensco, and four KFELS B Class jack-up rigs, one each to Chernomornaftogaz of Ukraine, Oro Negro of Mexico, Safin Gulf FZCO and Saudi Aramco. Other customers include Shell, McDermott, Transocean, Maersk Drilling and Floatel.

### 6.5.2 *Track record*

Keppel's new build track record includes the following:

- 14 semisubmersible rigs
- 7 semisubmersible drill-barges
- 3 power plants
- 3 cable laying ships
- 3 FPSOs
- 86 jack-ups
- 1 drillship
- 2 tension leg platforms
- 5 topside decks
- 6 drilling tenders

## 6.6 **Yard Supervision Agreements**

The Parent has entered into two separate management agreements for construction monitoring services of Rig 1 dated 15 January 2013 and for construction monitoring services of Rig 2 dated 15 March 2013 (the "Yard Supervision Agreements"), where Noble Denton provided construction management services and managed, oversaw, coordinated, supervised, administered and reported on the construction and commissioning of each of the Rigs.

The terms of the Yard Supervision Agreements were from the effective date of the novation of the relevant Construction Contract to the Parent from Standard Drilling (please refer to Section 6.4.2 for further details regarding the novation) until the delivery of the Rigs under the relevant Construction Contracts.

If required by the Parent, Noble Denton may provide additional services after delivery of the Rigs in relation to close out of the construction project and mobilization of the Rigs to the relevant areas of operation. Under the Yard Supervision Agreements Noble Denton warranted that it has at all times complied with the terms of the previous management agreement relating to the construction of the relevant Rig entered into with Standard Drilling.

The Yard Supervision Agreements include standard knock-for-knock provisions where each party indemnifies the other from and against liability relating to injury of its own personnel or damage to its own equipment. Noble Denton further indemnifies the Parent from and against claims relating to violation of intellectual property rights, unless based on documents and drawings provided by the Parent. There are no other contractual indemnities relating to third party claims and each party will be liable for any such claim on the basis of applicable background law.

The Yard Supervision Agreements are governed by English law, and the dispute resolution shall be by arbitration in Singapore.

## 6.7 **Budget, capital requirements and funding**

As of the date of this Prospectus, all amounts payable under the Construction Contracts have been paid to the Yard. The two units were originally ordered by S.D. Standard Drilling Plc. through two wholly owned subsidiaries, Offshore Driller 1 Ltd. and Offshore Driller 2 Ltd.

In November 2012, the Parent entered into a sale and purchase agreement ("SPA") with Offshore Driller 1 Ltd. for the acquisition of La Santa Maria for a total consideration of MUS\$ 221.5. A non-refundable first installment of MUS\$ 10 was transferred to the sellers account at the announcement date of the SPA, and an additional MUS\$ 57.9 was transferred to the sellers account on the financial and legal closing of the SPA (January 2013). Following the effectiveness of the SPA, the Parent also entered into an option agreement with Offshore Driller 2 Ltd. for the acquisition of La Cavadonga for a total consideration of MUS\$ 214. In January 2013, the Parent decided to exercise the option agreement, and a non-refundable



first installment of MUSD 10 was transferred to the sellers account. An additional MUSD 50.4 was transferred to the sellers account on the financial and legal closing of the option agreement (March 2013). In relation to delivery of the two units, the Issuer Group have paid a further MUSD 153.6 (equal to 80% of the original Construction Contract price of MUSD 192) per unit plus approximately MUSD 0.8 and MUSD 0.6 in respect of variation orders under the Rig 1 and Rig 2 Construction Contract respectively.

In addition to the amount payable under the Construction Contracts, the budget contemplates other items (such as spares, tools, client specific upgrades, yard supervision, training & advisory, pre-operational expenses, and financing fees & expenses, corporate SG&A allocation, net mobilization, employment bonus) that the Issuer Group reasonably believes may be incurred in order to take delivery and be able to commence operations. As of 31 January 2014, a total amount related to these other items (as listed above) of MUSD 29,668 in relation to Rig 1 and MUSD 5,738 in relation to Rig 2 has been paid. The total budgeted “All-in unit cost” of La Santa Maria and La Covadonga (including the purchase price under the Construction Contracts) was MUSD 496.40.

In addition to the amount payable under the Construction Contracts and other estimated items which were incurred in order to take delivery and prepare the two units for contract commencement, the budget contemplates other remaining preparation requirements (such as operating expenses and interest) that the Issuer Group reasonably believed to be incurred in order for La Santa Maria and La Covadonga to be accepted under and receive cash flow under the drilling contracts with Pemex. In the period up to and including July 2014, when the Issuer expects to receive the initial cash payment for the second unit, La Covadonga, the remaining budgeted amount of such capital requirements aggregates MUSD 36.48. As of the date of this Prospectus, a total amount of MUSD 43.572 has been paid (including expenses, interest and withholding tax). The total budgeted capital requirements up until expected cash flow commencement for the second unit, La Covadonga, are MUSD 532.88. The Issuer reasonably expects this to constitute the complete capital requirement for La Santa Maria and La Covadonga up until further requirements may be funded by positive cash flow from commercial operation.

The Issuer has funded the above described capital requirements of La Santa Maria and La Covadonga through a combination of equity and bond debt. MUSD 158.2 of equity and/or subordinated loan has already been paid-in, and the Group will further contribute MUSD 15.5 of equity. During July 2013, the Group raised a Senior Secured Callable Bond of MUSD 175, and raised a Tap issue of MUSD 175 in October 2013 through an amended and restated MUSD 350 Senior Secured Callable Bond issue. As of the date of this Prospectus, the Group believes that this allocated equity, together with the Existing Bond and the Tap Issue Bond is sufficient to fully fund the two units up until July 2014, when La Covadonga is expected to receive cash revenues from commercial operation under the drilling contract with Pemex.

The table below provides an overview of the budgeted capital requirements & funding for La Santa Maria and La Covadonga:

| BUDGETED CAPITAL REQUIREMENTS & FUNDING       |                |                |                |
|---|----------------|----------------|----------------|
| Sources of funds (USDm)                       | Paid-in        | Remaining      | Total          |
| Paid-in equity / subordinated loan            | 155.8          | -              | 155.8          |
| New equity / subordinated loan <sup>(1)</sup> | -              | 16.4           | 16.4           |
| Senior Secured Callable Bond                  | 175.0          | 175.0          | 350.0          |
| Proceeds from bond issue above par            | -              | 5.3            | 5.3            |
| <b>Total sources</b>                          | <b>330.8</b>   | <b>196.7</b>   | <b>527.5</b>   |
| Uses of funds (USDm)                          | Paid-in        | Remaining      | Total          |
| Yard contract price <sup>(2)</sup>            | (281.9)        | (153.6)        | (435.5)        |
| Spares  | (3.0)          | (4.5)          | (7.5)          |
| Tools   | (1.2)          | (2.3)          | (3.5)          |
| Client specific upgrades                      | (0.7)          | (7.4)          | (8.0)          |
| Yard supervision                              | (1.4)          | (0.3)          | (1.7)          |
| Training and advisory                         | (0.5)          | (3.5)          | (4.0)          |
| Pre-operational expenses                      | (2.9)          | (5.0)          | (7.9)          |
| Variation orders to Keppel                    | (0.8)          | (0.6)          | (1.4)          |
| Financing fees & expenses <sup>(3)</sup>      | (5.6)          | (5.1)          | (10.7)         |
| <b>All-in unit cost</b>                       | <b>(297.9)</b> | <b>(182.3)</b> | <b>(480.1)</b> |
| <b>Cash buffer, all-in unit cost</b>          | <b>32.8</b>    | <b>14.6</b>    | <b>47.4</b>    |
| Operating revenues <sup>(4)</sup>             | -              | 29.1           | 29.1           |
| Operating expenses <sup>(5)</sup>             | -              | (17.2)         | (17.2)         |
| Corporate SG&A allocation <sup>(6)</sup>      | (0.1)          | (3.4)          | (3.5)          |
| Net mobilization <sup>(7)</sup>               | (4.1)          | 5.2            | 1.2            |
| Employment bonus <sup>(8)</sup>               | -              | (2.0)          | (2.0)          |
| Interest expenses <sup>(9)</sup>              | -              | (28.5)         | (28.5)         |
| <b>Remaining preparation req. to CF</b>       | <b>(4.2)</b>   | <b>(16.9)</b>  | <b>(21.0)</b>  |
| <b>All-in project cost, at CF</b>             | <b>(302.2)</b> | <b>(199.0)</b> | <b>(501.0)</b> |
| <b>Cash buffer, at CF commencement</b>        | <b>28.6</b>    | <b>(2.3)</b>   | <b>26.4</b>    |

*Note: CF means Cash Flow*

*Source: Issuer*

(1) Minimum MUS\$ 15.5 (incl. Subordinated Loan from the Parent)

(2) Unit Construction Contracts acquired from S.D. Standard Drilling Plc., for MUS\$ 67.9 and MUS\$ 60.4 respectively. Remaining installment / payment to Keppel FELS of MUS\$ 153.6 per unit respectively (please note that Rig 1 was successfully delivered on time and on budget on 31 July 2013)

(3) Estimated total transaction fees & expenses (incl. legal etc.)

(4) Estimated revenue for the period up to and incl. July 2014

- (5) Estimated operating expenses for the period up to and incl. July 2014
- (6) Estimated corporate SG&A allocation for the period up to and incl. July 2014
- (7) Incl. estimated mobilization cost (transport, loading & unloading, and insurance) of MUSD 14.8 and mobilization fee of MUSD 16.0 (expected to be received one month after the contract commencement date under the expected drilling contract with Pemex for Rig 1 and Rig 2 respectively)
- (8) MUSD 1.0 payable to Keppel FELS 15 days after the contract commencement date for Rig 1 and Rig 2 respectively
- (9) Coupon payment up to and incl. July 2014 (first coupon payment is funded to the debt service reserve account from the Bond proceeds)

## 6.8 Rig 1 and Rig 2 Pre-Operational Costs

### 6.8.1 Rig 1 ("La Santa Maria")

As of the date of this Prospectus, the following table sets out the breakdown of the costs ("Pre-Operational Costs") for La Santa Maria. These costs will be paid by Santa Maria Offshore Limited to the Parent under the Pre-Operational Management Agreement.

| PRE-OPERATIONAL COSTS                    |               |
|--|---------------|
| Pre-Operational Costs                    | USDm          |
| Variation orders to Keppel               | (0.8)         |
| Spares                                   | (3.5)         |
| Tools                                    | (1.5)         |
| Client specific upgrades                 | (4.0)         |
| Yard supervision                         | (0.4)         |
| Training and advisory                    | (2.0)         |
| Supervision and training                 | (3.5)         |
| Transportation <sup>(1)</sup>            | (6.0)         |
| Loading & unloading <sup>(1)</sup>       | (0.5)         |
| Insurance <sup>(1)</sup>                 | (0.9)         |
| Operating expenses <sup>(2)</sup>        | (3.8)         |
| Corporate SG&A allocation <sup>(3)</sup> | (0.6)         |
| <b>Total</b>                             | <b>(27.9)</b> |

(1) Part of the estimated mobilization cost

- (2) Estimated Opex up to and incl. Feb'14, assuming that the first revenue will be collected Mar'14  
(3) Estimated corporate SG&A allocation up to and incl. Feb'14, assuming that the first revenue will be collected Mar'14

#### 6.8.2 Rig 2 ("La Covadonga")

As of the date of this Prospectus, the following table sets out the breakdown of the Pre-Operational Costs for La Covadonga. These costs will be paid by La Covadonga Limited to the Parent under the Pre-Operational Management Agreement.

| PRE-OPERATIONAL COSTS                    |               |
|--|---------------|
| Pre-Operational Costs                    | USDm          |
| Variation orders to Keppel               | (0.6)         |
| Spares                                   | (4.0)         |
| Tools                                    | (2.0)         |
| Client specific upgrades                 | (4.0)         |
| Yard supervision                         | (0.3)         |
| Training and advisory                    | (2.0)         |
| Supervision and training                 | (3.0)         |
| Transportation <sup>(1)</sup>            | (6.0)         |
| Loading & unloading <sup>(1)</sup>       | (0.6)         |
| Insurance <sup>(1)</sup>                 | (0.9)         |
| Operating expenses <sup>(2)</sup>        | (4.0)         |
| Corporate SG&A allocation <sup>(2)</sup> | (1.1)         |
| <b>Total</b>                             | <b>(28.5)</b> |

(1) Part of the estimated mobilization cost

(2) Estimated Opex up to and incl. Jun'14, assuming that the first revenue will be collected Jul'14

(3) Estimated corporate SG&A allocation up to and incl. Jun'14, assuming that the first revenue will be collected Jul'14

## 6.9 Rig 1 and Rig 2 Estimated Operational Expenses

### 6.9.1 Rig 1 ("La Santa Maria")

The estimated operational expenses are set out in the table below:

| ESTIMATED OPERATIONAL EXPENSES |               |              |
|--------------------------------|---------------|--------------|
| Opex break-down                | USD/d         | ~ % of total |
| Repair and maintenance         | 16,000        | 31%          |
| Offshore crew cost             | 9,000         | 18%          |
| Insurance                      | 6,000         | 12%          |
| Logistics                      | 5,100         | 10%          |
| Operational cost               | 3,900         | 8%           |
| Pool team support              | 3,000         | 6%           |
| Technical team support         | 2,700         | 5%           |
| Other operation cost           | 2,000         | 4%           |
| Base office cost               | 1,800         | 4%           |
| Engineering support            | 1,300         | 3%           |
| Total Opex                     | <b>50,800</b> | <b>100 %</b> |

In estimating the operational expenses, the Issuer has made the following assumptions:

**Repair and maintenance:** The Issuer estimate that the total cost to maintain the La Santa Maria working on a Pemex Rental & Maintenance contract will average approximately USD 16,000 per day. This estimate includes the cost and expenses associated with the scheduled maintenance program carried out on the La Santa Maria. This amount, however, does not cover the costs for periodic maintenance of the vessel in connection with the renewal of class.

**Offshore crew cost:** The Issuer estimate that the total cost for offshore personnel will average approximately USD 9,000 per day in salaries and benefits, and other direct crew costs.

**Insurance:** The Issuer expects to insure La Santa Maria in the London market on terms in accordance with the requirements of Pemex and estimates the cost will average approximately USD 6,000 per day.

**Logistics:** Transport to and from to La Santa Maria of personnel and equipment. The Issuer estimates the cost will average approximately USD 5,100 per day.

**Operational cost:** Cost of rent, upkeep and maintenance of spares, equipment on the platform not belonging to the Issuer, such as the cementing unit, and consumables. The Issuer estimates the cost will average approximately USD 3,900 per day.

**Pool team support:** Onshore support from workshops of the Latina Group, working on equipment such as spools; and other tasks not performed by non-offshore personnel. The Issuer estimates the cost will average approximately USD 3,000 per day.

**Technical team support:** Onshore technical support provided by the Latina Group from its bases in Carmen and Mexico City. The Issuer estimates that technical team support will average approximately USD 2,700 per day.

**Other operation cost:** Other expenses related to the operations of the rig, based on the average yearly costs, and as a contingency other operating expenses, expected to average approximately USD 2,000 per day.

**Base office cost:** The Issuer estimates that the base office costs will average approximately USD 1,800 per day to cover costs related to corporate purposes other than those included in any of the cost items above. Such expenses are expected to include, but not be limited to, storage, office, audit costs, legal expenses, fees for trustee services, and other administrative costs and fees.

**Engineering support:** Cost of technical personnel and services in negotiations and processes with subcontractors of the Issuer. The support is provided by Latina Group. The Issuer estimates that the engineering support cost will average approximately USD 1,300 per day.

#### 6.9.2 Rig 2 ("La Covadonga")

The estimated operational expenses are set out in the table below:

| ESTIMATED OPERATIONAL EXPENSES |               |              |
|--------------------------------|---------------|--------------|
| Opex break-down                | USD/d         | ~ % of total |
| Repair and maintenance         | 16,000        | 30%          |
| Offshore crew cost             | 13,000        | 25%          |
| Insurance                      | 6,100         | 12%          |
| Logistics                      | 4,800         | 9%           |
| Operational cost               | 2,000         | 4%           |
| Pool team support              | 2,500         | 5%           |
| Technical team support         | 3,000         | 6%           |
| Other operation cost           | 2,000         | 4%           |
| Base office cost               | 2,100         | 4%           |
| Engineering support            | 1,000         | 2%           |
| Total Opex                     | <b>52,500</b> | <b>100 %</b> |

In estimating the operational expenses, the Issuer has made the following assumptions:

**Repair and maintenance:** The Issuer estimate that the total cost to maintain the La Covadonga working on a Pemex Rental & Maintenance contract will average approximately USD 16,000 per day. This estimate includes the cost and expenses associated with the scheduled maintenance, program carried out the La Covadonga. This amount, however, does not cover the costs for periodic maintenance of the vessel in connection with the renewal off class.

**Offshore crew cost:** The Issuer estimate that the total cost for offshore personnel will average approximately USD 13,000 per day in salaries and benefits, and other direct crew costs.

**Insurance:** The Issuer expects to insure La Covadonga in the London market on terms in accordance with the requirements of Pemex and estimates the cost will average approximately USD 6,100 per day.

**Logistics:** Transport to and from to La Covadonga of personnel and equipment. The Issuer estimates the cost will average approximately USD 4,800 per day.

**Operational cost:** Cost of rent, upkeep and maintenance of spares, equipment on the platform not belonging to the Issuer, such as the cementing unit, and consumables. The Issuer estimates the cost will average approximately USD 2,000 per day.

**Pool team support:** Onshore support from workshops of the Parent, working on equipment such as spools; and other tasks not performed by non-offshore personnel. The Issuer estimates the cost will average approximately USD 2,500 per day.

**Technical team support:** Onshore technical support provided by the Parent from its bases in Carmen and Mexico City. The Issuer estimates that technical team support will average approximately 3,000 per day.

**Other operation cost:** Other expenses related to the operations of the rig, based on the average yearly costs, and as a contingency other operating expenses, expected to average approximately 2,000 per day.

**Base office cost:** The Issuer estimates that the base office costs will average approximately 2,100 per day to cover costs related to corporate purposes other than those included in any of the cost items above. Such expenses are expected to include, but not be limited to, storage, office, audit costs, legal expenses, fees for trustee services, and other administrative costs and fees.

**Engineering support:** Cost of technical personnel and services in negotiations and processes with subcontractors of the Issuer Group. The support is provided by the Parent. The Issuer estimates that the engineering support cost will average approximately 1,000 per day.

## **6.10 Strategy for Employment and Operations**

### *6.10.1 General*

The Rigs are being marketed worldwide to secure a suitable drilling contract (referred to as one or more "Drilling Contract(s)") with oil companies or other clients. The main strategy is to secure Drilling Contracts for the Rigs with Petróleos Mexicanos ("Pemex") in order to optimize the capabilities and competitive edge of the Rigs and the Parent.

The Parent has received a letter from Pemex dated 30 May 2013, confirming an intention to enter into a seven-year Drilling Contract at a day-rate of approximately USD 158,000 related to Rig 1. Pemex has after this date continued its internal approval processes for awarding a seven-year Drilling Contract for both Rigs at a day-rate of USD 158,000, and the Parent has received the final Pemex approval of such Drilling Contracts on 13 October 2013.

The Parent will secure the availability of Rig 1 and Rig 2 through the Internal Bareboat Charters (as described in Section 6.10.3 below). However, if deemed acceptable by the client (whether Pemex or not), the relevant Drilling Contract(s) will be entered into directly between the client and the relevant RigCo.

#### *6.10.2 Standard Terms of Pemex Rental and Maintenance Contract*

##### *6.10.2.1 General*

The Issuer is contemplating to enter into a drilling contract with Pemex-Exploración y Producción ("Pemex") and such contract would typically be based on Pemex' standard charter contract for jack-up drilling rigs, with no purchase option. The key terms of such contract are described below.

##### *6.10.2.2 Charter period and acceptance*

Pemex' standard drilling contract will typically contain a term of a set number of calendar days from the commencement date, which is the date the rig must be made available to Pemex ready to operate. The contract may also start prior to the commencement date upon prior agreement of the parties. The contract term or any extension period may be automatically extended to complete the operations to be carried out on the well in progress at the end of the corresponding period, in which case the Charterer undertakes to present to Pemex a new Performance Guarantee for the duration of the estimated extended period.

A rig must be submitted to Pemex for inspection purposes no later than 2 days prior to the commencement date. During the inspection, Pemex will check the rig's compliance with the contractual specifications and whether all required certificates and permits are in place, after which the Rig will be accepted and the contract term will commence.

If the Charterer fails to comply with the inspection requirements or if the Risk Magnitude (RM) of the abnormalities detected is equal to or higher than 400 RM, the contract shall not commence and consequently no day rate shall become payable as such delay shall be attributable to Charterer (cf. deduction Section below). In this case, Pemex shall be entitled to apply liquidated damages of 100% of the day rate or to terminate the contract (as further detailed below).

Should Pemex fail to make the operating location available to Charterer or should Pemex interrupt the positioning of the rig, provided that such events are not caused by force majeure or a failure by the Charterer to comply with certain specifications or with certain HSE related requirements, the contract term shall commence to run from the commencement date and the moving rate shall become payable until the date Pemex notifies Charterer that the operating location is available for resumption of mobilization.

##### *6.10.2.3 Replacement of the Rig*

The rig may not be replaced prior to the commencement of the charter, except where the Charterer proves that the rig was destroyed or suffered damage during the transit to the inspection place. Once operations have started, the Rig may be replaced provided that, inter alia, the rig contains the same technical characteristics required in the contract. Should the new rig be rejected, Pemex may (i) request Charterer to present a new rig, (ii) apply liquidated damages for late delivery or for interruption of the charter due to reasons attributable to Charterer (as the case may be) or (iii) terminate the contract. All costs related to the replacement of the rig shall be borne by the charterer.

If Pemex requests the replacement of the Rig at any time due to the Charterer's failure to maintain the Rig within the contractual conditions and the Charterer fails to replace the Rig in accordance with the contract, Pemex will be entitled to terminate.



#### *6.10.2.4 Delays and liquidated damages*

In the event that Charterer fails to deliver the Rig in accordance with Clause 4 (presentation of the Rig) of the contract, or if the Rig fails to meet the inspection requirements set out in the Annexes and this causes a delay in the commencement of the contract, liquidated damages in the amount of 100% of the day rate per day of delay shall apply. Such damages shall apply during the 60 first days of delay; thereafter Pemex shall become entitled to terminate the contract.

If, prior to the contract commencement date, the Charterer requests an extension of the inspection date in order to certify the class of the Rig and fails to submit the Rig for inspection by the extended date, thereby causing a delay in the commencement of the charter, Pemex shall apply liquidated damages in the amount of 100% of the day rate for each day of delay in the commencement of the charter. After 45 days of delay, Pemex shall be entitled to terminate.

If the Charterer does not maintain the Rig in accordance with the operational conditions set out in the contract and consequently interrupts the charter or prevents Pemex from using the Rig, liquidated damages in the amount of 40% of the day rate per day or pro-rata of day of interrupted operations shall apply. Such liquidated damages shall apply from the 121st hour of interruption up to a limit of 45 running days, after which Pemex shall become entitled to terminate the contract.

If the Charterer delays the recommencement of the contract after the extended deadline for the inspection related to class certification, liquidated damages of 100% of the day rate shall become due up to a limit of 45 days, after which Pemex will be entitled to terminate.

#### *6.10.2.5 Deductions*

If a failure does not affect the commencement date of the charter, or if it takes place during the operations without causing an interruption of the contract, Pemex shall be entitled to apply deductions to the day rate in accordance with the risk magnitude of failure. The Charterer shall be given 15 running days to remedy any failure prior to the deduction.

The deductions will increase in accordance with the so-called risk magnitude of the failure, which is ranked from 0 to 400. For instance, where the risk magnitude is equal to or lower than 19, Pemex shall apply a deduction of 1.5% of the day rate from the 16th day of failure, and the deduction will increase to 3% after the 30th day. On the other hand, where the risk magnitude is ranked between 200 and 399, Pemex shall apply a deduction of 10% of the day rate from the 16th day of failure onwards, and the deduction will increase to 20% after the 30th day.

If the risk magnitude is equal to or higher than 400, the Charterer will not operate the Rig and the contract will therefore be suspended without the payment of any rate to Charterer and without prejudice to the application of liquidated damages as described above.

In all cases Pemex will establish a maximum deadline for the correction of the failure, after which Pemex will be entitled to terminate.

Pemex is also entitled to apply deductions in the event that Charterer fails to comply with HSE related obligations. The liquidated damages and/or deductions shall apply independently of each other. Their total amount together shall not exceed the contract price. Liquidated damages shall not apply if the delay is caused by force majeure or is caused by any reason not attributable to the Charterer.

#### *6.10.2.6 Payment*

Pemex shall pay the rates set out in Annex 2 (table of rates) on the 20th day following the receipt and acceptance of the invoice. The invoices shall be submitted by the Charterer within the 5 first working days of each month. Payments shall be made through bank deposit in the bank account to be nominated

by the Charterer. Once payment is made, the Charterer shall have 10 working days to dispute any aspect thereof, after which the payment shall be considered finally accepted.

In the event of late payment or no payment by Pemex, interest rate shall become payable at the rate set out in the Federal Income Act. The interest rate shall become due when the parties have come to an agreement in relation to the disputed amount and it shall apply over the unpaid amount only, from the date such amount was agreed upon until the date payment is effectively made to Charterer.

#### *6.10.2.7 Damages to the Rig*

The Rig shall be deemed to be under the sole control of the Charterer when it is, e.g. under mobilization, demobilization or in transit between the locations. The Charterer shall be liable towards Pemex for any claims from third parties arising during such periods.

With the exception of the abovementioned periods, Pemex shall be liable towards the Charterer for the integrity of the Rig. The parties agree that if an accident occurs during the period in which the Rig is under the control of Pemex which affects the integrity of the Rig, the Charterer shall repair the Rig and Pemex shall pay all the costs related thereto, provided that such costs are duly documented and previously agreed by the parties.

In case of damage to the Rig which causes a shutdown, Pemex shall pay the day rate for a period no longer than ten running days, after which Pemex shall not pay any rate.

Notwithstanding the foregoing, if the damages are caused by reasons attributable to the Charterer, Pemex shall have no obligation to cover the damages or to pay the day rate.

#### *6.10.2.8 Price adjustment*

The parties agree with the price review and adjustment only in relation to parts, lubricants and labor element of the day rate. The base date for calculating the adjustments shall be the date of delivery and opening of the proposals and the adjustments shall be calculated based on the formula set out in Clause 8 of the contract.

The increase and decrease in the day rate shall be calculated every 3 months, except that no adjustments shall be made in the first 12 months of the contract term.

#### *6.10.2.9 Assignment*

The Charterer may not assign the whole or part of the rights and obligations arising in connection with the contract without the prior written consent of Pemex. In order to obtain such consent, the Charterer must demonstrate that the potential assignee has the technical and financial capacity necessary to comply with the obligations of the Charterer, except in case of assignment of receivables.

The assignment of receivables shall occur with the intervention of the legal department. The Charterer is allowed to assign the receivables to a financial institution through factoring operations or electronic discounts and Pemex authorizes such assignment provided there are no legal or administrative obstacles to it.

#### *6.10.2.10 Guarantees*

Within 10 days from the signature of the contract, the Charterer shall provide to Pemex a performance guarantee of 10% of the total contract price. Such guarantee may be either a performance bond granted by a financial institution constituted under the laws of Mexico or a standby letter of credit issued or recognized by a bank authorized to operate in Mexico.

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## La Covadonga - Driller's Cabin

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### *6.10.2.11 Termination*

Pemex has very extensive termination rights and it is entitled to terminate the contract at any time in the event that Charterer, among other things: (i) fails to comply with its obligations in accordance with the terms of the contract, (ii) is declared bankrupt, is under judicial recovery, etc., (iii) loses the operational, technical and financial capacity that it had when the contract was awarded, (iv) has any of the permits or authorizations necessary for the performance of the contract revoked or cancelled on a permanent basis, (v) assigns the rights and obligations under the contract without the prior consent of Pemex, (vi) assigns the shares, partnership interests and interests of legal entities that are charterers, suppliers or jointly liable with Charterer without the prior consent of Pemex, whenever such condition has been agreed, or (vii) fails to remedy any breach within the term set out in the contract.

Before terminating the contract, Pemex may, at its own discretion, grant the Charterer a period to remedy the breach, without prejudice to the application of any contractually agreed liquidated damages.

The Charterer will be entitled to terminate the contract if Pemex (i) fails to meet its payment obligations; (ii) is negligent in the use of the Rig or (iii) does not have the required permits, licenses or authorizations.

The parties agree that Pemex will be entitled to early terminate the contract in the event of: (i) force majeure, (ii) causes which hinder the performance of the contract and (iii) cases duly justified by Pemex, such as (a) change or cancelation of the project, (b) insufficient budget, (c) unsafe operating conditions and (d) economic unprofitability of the project.

In case of early termination, Pemex shall pay to Charterer the rates incurred until the termination date and, except for early termination due to force majeure, the Charterer shall also be entitled to receive the following: (i) costs related with the settlement of labor contract, (ii) penalties for early termination of rental contracts for warehouses and other facilities and (iii) where applicable, the pro-rata part of the insurance premium and/or bond guarantee. Such costs must be reasonable and must be duly documented.

### *6.10.2.12 Liabilities and Indemnifications*

Pemex is the sole responsible for the activities and operations carried out with the Rig and for pollution (including control and removal thereof) originating below or above the land surface, the seabed or the water, due to spill, escape or discharge of oil, fuels, or any other liquid or solid substance of any nature

used in the well. Pemex shall be responsible for loss of well, damage to reservoir and/or uncontrolled activities in the well.

The parties agree that damages for non-compliance with the contractual obligations shall be limited to the total price of the contract, without prejudice to the application of liquidated damages for delay and/or the deductions described above.

The parties further agree that losses and damages that each party cause to the other party and/or to third parties due to negligence, wilful misconduct or bad faith shall be borne by the party which caused the damage. When damages are caused without the negligence, wilful misconduct or bad faith of any of the parties, each party shall bear their own loss without the right to claim compensation from the other party.

The parties shall not be liable for indirect damages caused to the other party.

Pemex shall be the sole responsible for environmental damages and the Charterer shall under no circumstance be liable for loss of oil, loss of production or for damages caused to the environment or third parties resulting from the operations carried out by Pemex.

Pemex shall hold the Charterer harmless from and against any claim related to oil spills or other uncontrolled flow of oil, gas, water or any other substance origination from the subsoil, except where the Charterer has caused the damage either due to poor maintenance or due to any other reason attributable to him.

In case of fire, explosion, blow-out or loss of control of any well, Pemex shall coordinate the operations until the well is entirely under control and the Charterer undertakes to assist Pemex in such operations, providing the equipment, material and services required to control the well. All costs incurred in relation to such operation shall be borne by Pemex.

#### *6.10.3 Internal bareboat charters*

##### *6.10.3.1 General*

Drilling Contracts for employment of the Rigs will (as long as the Direct RigCo Contract Regime is not implemented), be entered into by the Parent as the contractual party towards the client under the Drilling Contract. A Bareboat Charter Contract will in such case be entered into between the relevant RigCo as owner and the Parent as charterer, under which the relevant Rig shall be hired to the Parent for the same duration as the applicable Drilling Contract. To the extent that a new Drilling Contract is entered into by the Parent with respect to the relevant Rig, the Bareboat Charter Contract shall be extended to apply for the duration of such new Drilling Contract.

The initial Bareboat Charter Contracts will be entered into in relation to the initial Drilling Contract for the relevant Rig, and commence at the same date and time as the initial Drilling Contract for the relevant Rig.

##### *6.10.3.2 Charter Hire*

A monthly hire shall be payable from the Parent to the relevant RigCo, five banking days after the payment [date](#) on the relevant Drilling Contract for that same month of operation based on a day rate calculated as follows:

- i) the day-rate in USD of the applicable Drilling Contract at the time of the start of such Drilling Contract, less
- ii) an amount equal to (a) USD 51,000 for Rig 1 and (b) USD 52,500 for Rig 2 per day for each day of the month

which amounts shall not be subject to any adjustment during the term of the relevant Bareboat Charter Contract.

In addition, the Parent shall transfer to the relevant RigCo the mobilization fee remuneration to be received by the Parent under the initial Drilling Contracts (in an amount of at least USD 8,000,000 for each of the Rigs).

The principles for calculation of the bareboat charter hire as set out above are applicable only to the extent the Drilling Contract is entered into with a client for operation in Mexico. In the event of a Bareboat Charter Contract being entered into with respect to operation in any other jurisdiction, said calculations shall be adjusted to reflect fair market value terms in that jurisdiction.

#### *6.10.3.3 Risk Allocation*

Each of the Rigs shall in the period of the Bareboat Charter Contract be at the risk of the Parent. The Parent shall thus bear the risk with respect to the levels of e.g. all opex, insurance and other costs related to the Rigs, deviating tax and VAT calculations etc., as well as the risk of down-time on the Rigs affecting the earnings on the relevant Drilling Contract, save for if such down-time is caused by:

- i) special periodic surveys carried out in the ordinary course and at customary intervals;
- ii) technical default with the relevant Rig (latent defects) caused by the Yard, for which the Yard has provided warranties and/or the relevant RigCo has insurance coverage, or
- iii) cancellation or termination of the Drilling Contract for other reasons than the negligence or other fault of the Parent.

#### *6.10.3.4 Termination*

The relevant Bareboat Charter Contract shall, *inter alia*, terminate (i) upon the expiry or termination of the relevant Drilling Contract and (ii) in the event of the Direct RigCo Contract Regime being implemented for the relevant Rig.

Upon termination of the applicable Drilling Contract, the Parent shall in cooperation with the relevant RigCo (and if applicable the Issuer) market the relevant Rig and be entitled to enter into a new Drilling Contract, subject to compliance with the provisions of the finance documents under the Bond Issue.

#### *6.10.3.5 Other terms*

The Bareboat Charter Contract will otherwise be entered into or amended to reflect the terms of the relevant Drilling Contract.

The Bareboat Charter Contract shall be governed by Mexican law.

### **6.11 Operational**

#### *6.11.1 Agreement with crew trainer*

The Parent is negotiating to, prior to commencement of the initial Drilling Contract, enter into one or more agreement(s) with a crew training company to provide crewing services, including training and certification of crews, classification under the relevant Drilling Contract and other crew related services.

### **6.12 Insurance**

The Issuer intends to procure protection and indemnity coverage as per industry standards, mortgagee interest insurance and mortgagee additional perils insurance, loss of hire and requisition compensation, expropriation risk and any additional insurance required under any law or the relevant Drilling Contract.

### 6.13 Board of managers and management of the Issuer and of the Guarantors

The Issuer has no management of its own and management services are being provided by the Parent.

As at the date of this Prospectus, the board of directors of the Issuer consists of the following individuals:

- Adolfo del Valle Ruiz, President
- Carlos Ruiz Sacristan, member
- Ignacio del Valle Ruiz, member
- Adolfo del Valle Toca, member
- Santiago del Valle Toca, member

As at the date of this Prospectus, the directors of the Guarantors consist of the following individuals:

- Antonio Acuña, CEO
- Enrique Romo, CFO
- Fernando Blanco, COO

Please refer to Section 8 for a summary of the curriculum vitae for the directors of the Issuer and of the Guarantors.

The address of the directors and management of the Issuer and of the Guarantors is Paseo de la Reforma 540, Lomas de Chapultepec, Michel Hidalgo, Federal District, Mexico.

### 6.14 Related party agreements

#### 6.14.1 Rig 1 and Rig 2 Internal Bareboat Charter

Refer to Section 6.10.3 for a description of the bareboat charters between the Parent and the relevant RigCo.

#### 6.14.2 Pre-Operational Management Agreements

The Parent and each of Santa Maria Limited and the La Covadonga Limited have entered into an agreement whereby the Parent as manager shall arrange for mobilisation, import to the relevant area of operation and commissioning of each of the Rigs in order for the Rigs to be ready and accepted under their respective initial Drilling Contracts and the first operations under the initial Drilling Contracts. These services shall be provided in the period from (and to a certain extent prior to) the execution of the agreement until the first payment is received from the client under the initial Drilling Contract related to Rig 1 and Rig 2 respectively. The Parent shall incur costs for the services under the agreement based on the budgets in Section 6.8.1 and Section 6.8.2 respectively (the "**Pre-Operational Costs**"), and each of Santa Maria Limited and La Covadonga Limited shall reimburse the Parent for the Pre-Operational Costs with no mark-up.

The Pre-Operational Costs are envisaged to not exceed USD 25,000,000 for Rig 1 and USD 30,000,000 for Rig 2. However, if such budget is exceeded, the shortfall shall be funded firstly by cash in the relevant RigCo Liquidity Account up to an amount of USD 5,000,000, and thereafter in cash through (i) a corresponding additional cash equity contribution and/or (ii) increased Subordinated Loans. The agreement is governed by Mexican law.

Pursuant to the Parent Undertaking the Parent's right to receive fees under the agreement is subordinated to the Bondholders rights to receive payments under the Bonds in the event of a default under the Bonds,

provided that the Parent will not be under any obligation to provide services if payment for such services are not made.

#### *6.14.3 G&A Services Agreements*

The Parent and the Issuer, Santa Maria Offshore Limited and La Covadonga Limited have entered into an agreement whereby the Parent shall provide commercial management, accounting, general and administrative services to the Issuer Group. The agreement shall be effective from the date of the agreement until it is terminated by mutual agreement between the parties.

The Issuer Group shall pay monthly fee of (i) USD 7,500 per day in the period from the Delivery Date until Rig 1 is accepted under its initial Drilling Contract, (ii) USD 11,250 per day in the period from Rig 1 is accepted under its initial Drilling Contract until Rig 2 is accepted under its initial Drilling Contract and (iii) USD 15,000 per day thereafter. The agreement is governed by Mexican law.

Pursuant to the Omnibus Manager's Undertaking the Parent's right to receive fees under the agreement is subordinated to the Bondholders rights to receive payments under the Bonds in the event of a default under the Bonds, provided that the Parent will not be under any obligation to provide services if payment for such services are not made.

A similar G&A Services Agreement with respect to Rig 1 shall only was effective between the Parent and Santa Maria Limited up until the Actual Delivery Date.

#### *6.14.4 Operational Management Agreement*

In the event that the Direct RigCo Contract Regime is being implemented (or a Rig is without a Drilling Contract), the relevant RigCo and the Parent (or another third party reputable rig operator reasonably acceptable to the Trustee) shall enter into a management agreement whereby the Parent (or the said third party rig operator) shall provide technical management, crewing and all other services related to the marketing and operational management of the relevant Rig. The agreement shall include the required management services for the relevant type of Drilling Contract and shall be entered into on arm's length terms and for fair market value (such terms to be disclosed to the Trustee in writing in conjunction with the notification of implementation of the Direct RigCo Contract Regime ). The agreement shall be effective upon the implementation of the Direct Contract Regime (or upon expiry of a Drilling Contract where the Rig is not subsequently employed under another Drilling Contract) until the relevant Rig is employed under a Drilling Contract with the Parent as the contractual party towards the client. The agreement is governed by Mexican law.

Pursuant to the Omnibus Manager's Undertaking the Parent's right to receive fees under the agreement is subordinated to the Bondholders rights to receive payments under the Bonds in the event of a default under the Bonds, provided that the Parent will not be under any obligation to provide services if payment for such services are not made.

#### *6.14.5 Novation Agreements from the Parent*

The Rig 1 Construction Contract was novated to Santa Maria Offshore Limited before delivery of Rig 1. The Rig 2 Construction Contract was novated to La Covadonga Offshore at the same time.

#### *6.14.6 Subordinated Loan Agreements*

The Parent has lent USD 5,000,000 to the Issuer and the Issuer lent USD 5,000,000 to Santa Maria Offshore Limited to fund mobilization and pre-operational expenses for Rig 1.

The Parent has further lent USD 16,375,000 to the Issuer and the Issuer lent USD 16,375,000 to La Covadonga Limited to fund mobilization and pre-operational expenses of Rig 2. Subordinated loans

may further be provided (i) from the Parent and/or HoldCo as lender to the Issuer as borrower and/or (ii) from the Issuer and/or Guarantors as lender to the Issuer and/or the Guarantors as borrower.

Subordinated Loans from the Parent and/or HoldCo as lender to the Issuer as borrower shall, save for Permitted Distributions, have a maturity date (and actually be partly or fully repaid) later than the date of the redemption of the Bonds in full, and with no interest or amortization payment during the term of the Bonds. No Subordinated Loan may be granted or serviced between the Guarantors if there is any Event of Default.

The rights of the Parent or HoldCo, Issuer and/or the Guarantors (as applicable) as lender under such loans shall be subordinated to the rights of the Bondholders and subject to a first priority assignment in favour of the Trustee to secure the obligations of the Issuer under the Bonds.

#### *6.14.7 Intercompany Loans*

The forwarding of proceeds from the Tap Issue by the Issuer to La Covadonga Limited and the assumption by the Issuer of the obligations under the consolidated bond (i.e. assuming the obligations of Santa Maria Offshore Limited under the Existing Bond) will result in the RigCos owing corresponding amounts to the Issuer in separate Intercompany Loans.

The Intercompany Loans shall be entered into on such terms as acceptable to the Bond Trustee. The Intercompany Loans shall be serviced in accordance with the application of earnings described in Section 5.3.2 above.

## **7 PRESENTATION OF THE LATINA GROUP**

### **7.1 The Parent**

The Parent was incorporated as a public limited liability company under the laws of Mexico with the name of Constructora y Perforadora Latina S.A. de C.V., pursuant to public deed number 22,818, dated June 21, 1972, granted before Mr. Eduardo del Valle, notary public number 61 of the Federal District, registered before the Public Registry of Commerce of the Federal District, under mercantile registration number 19,490. The Parent has its registered office at Paseo de la Reforma 540, Lomas de Chapultepec, Miguel Hidalgo, Postal Code 11000, Federal District, Mexico. Its website is [www.cplatina.com](http://www.cplatina.com). The Parent's auditor is García, Sabaté, Castañeda, Navarrette, S.C.

As of the date of this Prospectus, the Parent has a share capital of 6,117,307 shares, with no par value, divided into "A" shares and "B" shares. The class "A" shares represents the fixed portion of the capital stock and the class "B" shares represent the variable portion of the capital stock. The shares are equal in all respects and each share entitles its holder to one vote at the general meetings of shareholders. Please see Section 7.5 for a description of the shareholder structure of the Parent.

### **7.2 Latina Group**

#### *7.2.1 General*

The Latina Group is an energy drilling group. Operations started with drilling of onshore oil and geothermal wells in Mexico only. Currently, the main business segments of the Parent and its subsidiaries (jointly referred to as the Latina Group) are drilling for geothermal energy (the Geothermal Division) and hydrocarbons (the Onshore and Offshore Drilling Division).



### 7.2.2 Capabilities

The Latina Group has 14 onshore rigs (800 - 1,500HP), 3 workover rigs (300 - 500HP) and 5 complete cementing fleets in operation and is currently expanding activities into management of mature oil fields, steel pipeline operations and directional drilling.

The Latina Group has approximately 1000 employees, allocated as follows between the business areas:

| EMPLOYEES                     |                    |                 |               |             |
|-------------------------------|--------------------|-----------------|---------------|-------------|
| Division                      | Professional staff | Technical staff | Support staff | Total       |
| Geothermal                    | 140                | 230             | 80            | 450         |
| Onshore and Offshore Drilling | 150                | 240             | 60            | 450         |
| Corporate support             | 60                 | 10              | 30            | 100         |
| Total                         | <b>350</b>         | <b>480</b>      | <b>170</b>    | <b>1000</b> |

The Latina Group expects to expand its capacities to offshore drilling. The Latina Group has taken delivery of the La Santa Maria from the Yard on 31 July 2013 and its sister rig La Covadonga from the Yard on 28 November 2013. Please see Section 6 for further information on the two rigs.

### 7.2.3 History

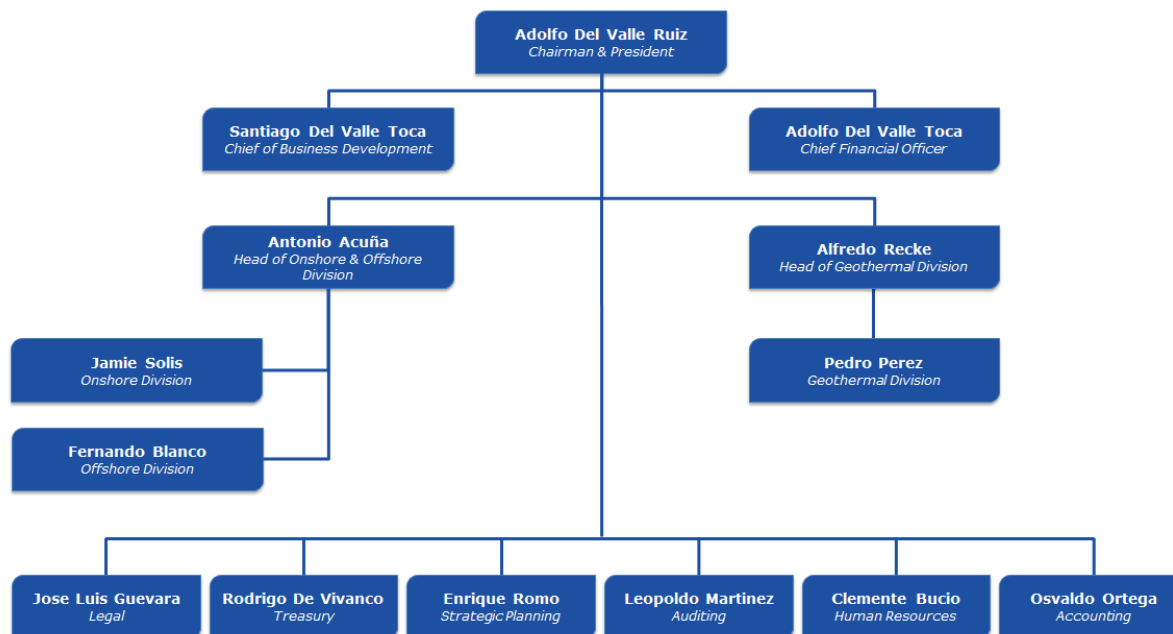
In 1983 the Latina Group engaged in international operations when it won a geothermal bid to be executed in the Republic of Costa Rica. It is currently the largest geothermal drilling company in Latin America. It has over 40 years of experience in exploration, development, operation and maintenance of geothermal and oil and gas projects, operating under an integrated business model. It owns its equipment directly and offers services ranging from drilling, cementing, testing laboratories, mechanical and civil engineering, and environmental controls.

The history of the Latina Group can be summarized as follows:

| HISTORY OF THE LATINA GROUP |  |
|-----------------------------|--|
| Year                        |  |
| <b>1972:</b>                | Commences drilling operations for oil and geothermal energy                      |
| <b>1978:</b>                | Oil drilling is discontinued due to the price of oil                             |
| <b>1990 - 2000:</b>         | Operator of largest geothermal field in Mexico and third largest world-wide      |
| <b>2001:</b>                | Acquired by del Valle family   |
| <b>2004:</b>                | International operations begins with acquisition of two concessions in Guatemala |
| <b>2004:</b>                | Resumes drilling for oil in Mexico   |

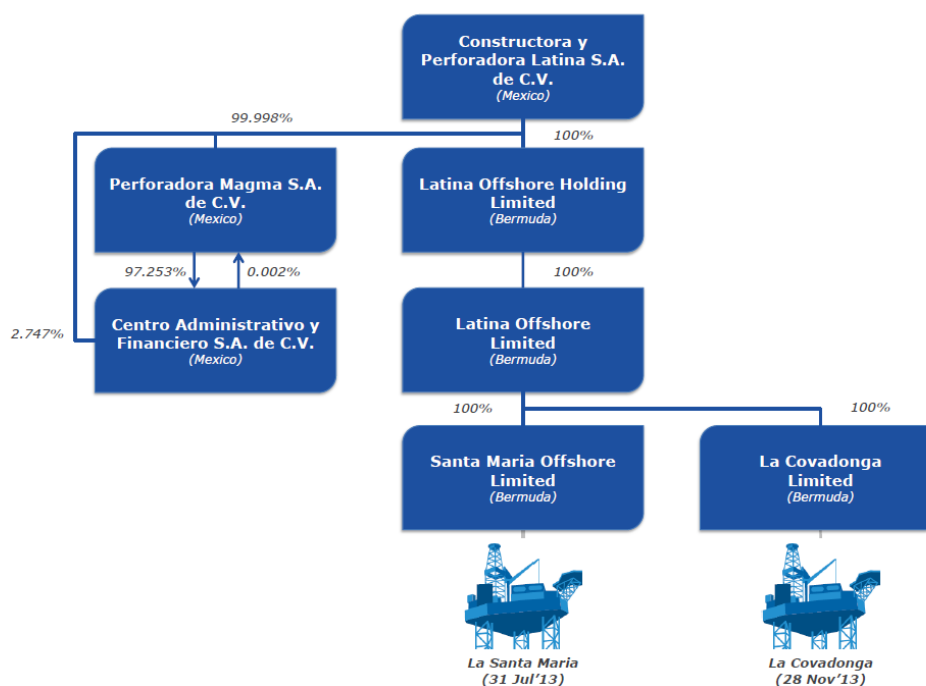
#### 7.2.4 Group structure

The Latina Group organization is as follows:



#### 7.2.5 Legal structure

The legal structure of the Latina Group is as follows:



### **7.3 Onshore and Offshore Drilling Division**

#### *7.3.1 General*

The Onshore operations of the Onshore and Offshore Drilling Division was created within the group to carry out studies of geology, petrophysics, reservoir engineering, exploitation of fields, including the construction of surface installations and civil and road engineering infrastructure.

The Offshore Division was created in 2012 to acquire controlling interests in operating companies, strategic assets and assignable contracts in the Oil & Gas services, in order to position the Latina Group as one of the main integrated exploration and production service suppliers to Pemex. Please see Section 6 for a description of the Rigs and the Issuer.

Since its incorporation in 2004, the Onshore Drilling Division has participated in multiple service contracts in the drilling sector. In 2005, Petroenergy, a company controlled by Grupo Creativa, the controlling shareholder of the Parent, acquired 100% of the shares of Petroenergy, S.A. de C.V., a company which holds the concessions to manage and exploit the Chocop and Yalpemech fields in the Republic of Guatemala, both fields have 8'000,000 tested barrels in reserve. The area is being drilled by the Latina Group.

The Latina Group has participated in several onshore drilling contracts with Pemex in Poza Rica, Veracruz, Mexico. At the date of this Prospectus, more than 180 wells, with depths between 2,000 and 3,000 meters, have been completed. Pemex is the biggest customer for onshore drilling services provided by the Latina Group. The Division has a contract for drilling an additional 80 onshore oil wells for Pemex over the next two years. The Latina Group is also pursuing a strategic alliance with Scientific Drilling to develop an area of discretionary drilling in Mexico. Scientific Drilling is a US-based independent service provider of navigation and drilling, supporting oil and gas, geothermal and mining industries and has advanced technological developments in its field such as measurements while drilling (MWD) and logging while drilling (LWD).

### **7.4 Geothermal Division**

#### *7.4.1 General*

Mexico is the third largest producer of geothermic energy in the world, and the largest in Latin America, due to the availability of areas that produce geothermal energy. Since 1970, the Latina Group has developed more than 90% of total geothermal fields in Mexico and is a national leader in geothermal drilling activities. The Latina Group has built more than 1,300 wells throughout the principal areas of Mexico: Cerro Prieto, Santa Rosalía, Los Hornos and Los Azufres in the states of Baja California, Puebla and Michoacán. The Latina Group has also drilled wells in Costa Rica, Guatemala, El Salvador and Nicaragua. The Latina Group has two complete bases for cementing wells, located in Mexicali, Baja California, and Poza Rica, Veracruz, each of which is completely equipped with state-of-the-art technology.

#### *7.4.2 Current projects and customers*

The chief customer of geothermal drilling services in Mexico is the state utility entity Comisión Federal de Electricidad (the Federal Electricity Commission, hereinafter the "CFE"). Mexican regulations provide that the State is responsible for the control and development of the national electric industry and CFE is the sole producer of electricity in Mexico.

As of the date of this Prospectus, the Latina Group is operating and drilling geothermal energy wells for the CFE with an order backlog of approximately USD 160,000,000 for the next two years.

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### Latina Group Geothermal wells for CFE

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### 7.4.3 History

The geothermal drilling division has executed the following projects for the CFE over the last 15 years:

| <b>GEOHERMAL DRILLING PROJECTS</b> |  |                    |  |
|------------------------------------|--|--------------------|--|
| <b>Year</b>                        | <b>Type</b>  | <b>Value (USD)</b> | <b>Location</b>                                |
| 1990                               | Steam supply contract  | USD 177,000,000    | Cerro Prieto, Baja California, Mexico          |
| 1993                               | Construction of 2 geothermal wells   | USD 3,000,000      | Las Tres Virgenes, Baja California Sur, Mexico |
| 1993                               | Construction of 3 geothermal wells   | USD 4,000,000      | Ceboruco, Nayarit, Mexico                      |
| 1993                               | Drilling of 3 geothermal wells   | USD 2,000,000      | Cerro Prieto, Baja California, Mexico          |
| 1998                               | Drilling and tubing of 6 production wells and 4 injecting wells                          | USD 24,000,000     | Cerro Prieto, Baja California, Mexico          |
| 1999                               | Drilling of 14 production wells and 4 injecting wells                                    | USD 25,000,000     | Cerro Prieto, Baja California, Mexico          |
| 1999                               | Drilling of 10 wells   | USD 21,000,000     | Cerro Prieto, Baja California, Mexico          |
| 2001                               | Drilling of 9 substituting wells   | USD 26,000,000     | Cerro Prieto, Baja California, Mexico          |
| 2003                               | Drilling contract of 9 production wells  | USD 39,000,000     | Cerro Prieto, Baja California, Mexico          |
| 2004                               | Drilling of 30 production wells  | USD 119,000,000    | Cerro Prieto, Baja California, Mexico          |
| 2004                               | Drilling of 4 production wells and 4 injecting wells                                     | USD 24,000,000     | Cerro Prieto, Baja California, Mexico          |
| 2005                               | Intervention in the LV-8 well  | MXN 12,000,000     | Las Tres Virgenes, Baja California Sur, Mexico |
| 2005                               | Interconnection for the geothermoelectric centrals of Cerro Prieto I and Cerro Prieto II | MXN 32,000,000     | Cerro Prieto, Baja California, Mexico          |
| 2006                               | Repair of wells in geothermal field  | MXN 378,000,000    | Cerro Prieto, Baja California, Mexico          |
| 2006                               | Drilling and intervention of production steam wells                                      | MXN 180,000,000    | Las Tres Virgenes, Baja California Sur, Mexico |
| 2007                               | Drilling of production wells for steam   | MXN                | Los Humeros, Puebla, Mexico                    |

|      |   |                 |                                       |
|------|---|-----------------|---------------------------------------|
|      | reservoir and one exploring well          | 243,000,000     |                                       |
| 2007 | Drilling of 12 replacement wells of steam | MXN 662,000,000 | Cerro Prieto, Baja California, Mexico |
| 2008 | Drilling of 20 geothermal wells           | USD 118,000,000 | Cerro Prieto, Baja California, Mexico |
| 2009 | Drilling production wells                 | MXN 199,000,000 | Los Azufres, Michoacan, Mexico        |
| 2010 | Drilling exploration wells                | MXN 83,000,000  | Telecheck, Baja California, Mexico    |

### 7.5 Shareholder structure of the Parent

As of the date of this Prospectus, the Parent's capital shares are held by 3 shareholders:

#### SHAREHOLDERS OF THE PARENT

| SHAREHOLDER  | Class A | Class B   | Ownership |
|--|---------|-----------|-----------|
| Grupo Creatica, S. A. de C. V.                         | 200     | 6,054,054 | 98.97 %   |
| Grupo Bursátil Mexicano, S. A. de C. V., Casa de Bolsa | -       | 22,649    | 0.37 %    |
| Adolfo del Valle Ruiz                                  | -       | 40,404    | 0.66 %    |
| <b>Total</b>   | 200     | 6,117,107 | 100.00 %  |

Grupo Creatica, S.A. de C.V., ("Grupo Creatica") is the Parent's main shareholder owning approximately 98.97% of the shares. Since 2001 Grupo Creatica has provided financial, accounting, legal, HR, management and administrative services the Parent.

As of the date of this Prospectus, Grupo Creatica capital shares are held by 3 shareholders, of which all are Mexican citizens, in the following proportions:

#### SHAREHOLDERS OF GROUPO CREATICA

| SHAREHOLDER            | Shareholding |
|------------------------|--------------|
| Adolfo del Valle Ruíz  | 80.74 %      |
| Ignacio del Valle Ruiz | 14.26 %      |

|                       |                 |
|-----------------------|-----------------|
| Carlos Ruiz Sacristán | 5.00 %          |
| <b>Total</b>          | <b>100.00 %</b> |

## 7.6 Management and Board of the Parent

### 7.6.1 Board of Directors

The business affairs of the Latina Group are managed under the direction of the Board of Directors of the Parent. As at the date of this Prospectus, the board of directors of the Parent consists of the following individuals:

- Adolfo del Valle Ruiz - President and CEO
- Carlos Ruiz Sacristan - Member
- Ignacio del Valle Ruiz - Member
- Adolfo del Valle Toca - Member
- Santiago del Valle Toca - Member

### 7.6.2 Management

As at the date of this Prospectus, the management of the Parent consists of the following persons:

- Adolfo del Valle Ruiz - President and CEO
- Alfredo Recke - Head of Geothermal Division
- Antonio Acuña - Head of Onshore and Offshore Drilling Division
- Adolfo del Valle Toca - CFO
- Santiago del Valle Toca – Chief of Business Development
- Rodrigo de Vivanco - Treasurer
- Enrique Romo - Director of Strategic Planning

## 7.7 Financial information

Constructora y Perforadora Latina, S.A. de C.V. and subsidiaries (subsidiary of Grupo Creatica, S.A. de C.V.). Consolidated Income Statement for the years ended 2010, 2011 and 2012:

| <i><b>P&amp;L (MXN \$)m</b></i>                  | <i><b>2010</b></i> | <i><b>2011</b></i> | <i><b>2012</b></i> |
|--|--------------------|--------------------|--------------------|
| Income from drilling and services                | 1 874,0            | 1 615,7            | 1 528,2            |
| Income for price adjustments                     | 83,4               | -                  | -                  |
| Cost of drilling and services                    | (1 846,4)          | (1 396,1)          | (1 220,6)          |
| <b>Gross profit</b>                              | <b>111,1</b>       | <b>219,6</b>       | <b>307,7</b>       |
| Administration expenses                          | (124,8)            | (115,8)            | (130,9)            |
| <b>EBITDA</b>                                    | <b>(13,7)</b>      | <b>103,8</b>       | <b>176,8</b>       |
| Depreciation and amortization                    | -                  | (60,1)             | (63,2)             |
| <b>EBIT</b>                                      | <b>(13,7)</b>      | <b>43,7</b>        | <b>113,6</b>       |
| Other net income and expenses                    | 1,6                | 5,0                | 4,3                |
| Integral result of financing                     | 0,6                | (49,6)             | (7,7)              |
| Participation in the results of the subsidiaries | 12,7               | 8,3                | 7,8                |
| <b>Profit before taxes</b>                       | <b>1,2</b>         | <b>7,4</b>         | <b>118,1</b>       |
| Taxes to profits                                 | 107,3              | 16,8               | (37,2)             |

|                   |              |             |             |
|-------------------|--------------|-------------|-------------|
| <b>Net profit</b> | <b>108,5</b> | <b>24,2</b> | <b>80,8</b> |
|-------------------|--------------|-------------|-------------|

Constructora y Perforadora Latina, S.A. de C.V. and subsidiaries (subsidiary of Grupo Creatica, S.A. de C.V.). Consolidated Balance Sheet Statement for the years ended 2010, 2011 and 2012:

| <b><i>Balance Sheet (MXN \$)m</i></b>                      | <b><i>2010</i></b> | <b><i>2011</i></b> | <b><i>2012</i></b> |
|--|--------------------|--------------------|--------------------|
| <b>Assets</b>  |                    |                    |                    |
| <b>Non-current assets</b>                                  |                    |                    |                    |
| Related Parties  | 27,6               | 32,0               | 30,2               |
| Net properties, plants and equipment.                      | 461,1              | 427,1              | 662,5              |
| Net investments in associates and other permanent accounts | 135,2              | 143,4              | 151,3              |
| Net construction and improvement in non-owned buildings    | 12,2               | 10,8               | 9,3                |
| <b>Total non-current assets</b>                            | <b>636,2</b>       | <b>613,3</b>       | <b>853,3</b>       |
| <b>Current assets</b>                                      |                    |                    |                    |
| Cash and temporary investments                             | 8,8                | 43,5               | 22,1               |
| Accounts receivable  | -                  | -                  | -                  |
| Clients  | 235,1              | 197,4              | 599,7              |
| Receivables and price adjustments                          | 83,4               | 83,4               | -                  |
| Diverse debtors  | 14,0               | 25,3               | 26,6               |
| Recoverable taxes  | 12,4               | 22,9               | 38,1               |
| Value added tax to be credited                             | 77,2               | 64,1               | 92,1               |
| Expenses paid in advance                                   | 19,1               | -                  | 80,3               |
| Inventory  | 78,5               | 54,3               | 132,8              |
| Payment advances to suppliers                              | 25,8               | 69,6               | 25,2               |
| Other current assets from contributions                    | 321,7              | 353,0              | 381,1              |
| <b>Total current assets</b>                                | <b>876,2</b>       | <b>913,6</b>       | <b>1 398,0</b>     |
| <b>Total assets</b>  | <b>1 512,3</b>     | <b>1 526,9</b>     | <b>2 251,3</b>     |
| <b>Liabilities and equity</b>                              |                    |                    |                    |
| <b>Short term liabilities</b>                              |                    |                    |                    |
| Suppliers  | 477,6              | 475,5              | 757,2              |
| Diverse creditors  | 21,8               | 24,4               | 48,1               |
| Bank loans   | 94,7               | 100,2              | 169,8              |
| Taxes, fees and quotas                                     | 58,9               | 16,5               | 1,4                |
| Transferred value added tax but not cashed                 | 32,3               | 13,1               | 21,3               |
| Payment advances from clients                              | -                  | -                  | 4,9                |
| <b>Total short term liabilities</b>                        | <b>685,2</b>       | <b>629,7</b>       | <b>1 002,9</b>     |
| <b>Long term liabilities</b>                               |                    |                    |                    |
| Related Parties  | 107,0              | 103,6              | 125,5              |
| Income Taxes   | 71,5               | 50,5               | 87,7               |
| <b>Total long term liabilities</b>                         | <b>178,6</b>       | <b>154,1</b>       | <b>213,3</b>       |
| <b>Total liabilities</b>                                   | <b>863,7</b>       | <b>783,8</b>       | <b>1 216,1</b>     |
| <b>Contributed capital</b>                                 |                    |                    |                    |
| Capital Stock  | 353,5              | 353,5              | 353,5              |



|                                     |                |                |                |
|-------------------------------------|----------------|----------------|----------------|
| Contributions to be formalized      | 75,0           | 145,3          | 356,6          |
| <b>Total Contributed Capital</b>    | <b>428,5</b>   | <b>498,9</b>   | <b>710,1</b>   |
| <b>Earned capital</b>               |                |                |                |
| Legal Reserve                       | 3,3            | 3,3            | 3,3            |
| Accrued Results                     | 136,4          | 160,5          | 241,4          |
| Revaluation Reserve                 | 80,4           | 80,4           | 80,4           |
| <b>Total Earned Capital</b>         | <b>220,0</b>   | <b>244,2</b>   | <b>325,1</b>   |
| <b>Total equity</b>                 | <b>648,6</b>   | <b>743,1</b>   | <b>1 035,2</b> |
| <b>Total liabilities and equity</b> | <b>1 512,3</b> | <b>1 526,9</b> | <b>2 251,3</b> |

Constructora y Perforadora Latina, S.A. de C.V. and subsidiaries (subsidiary of Grupo Creatica, S.A. de C.V.). Consolidated Cash Flow Statement for the years ended 2010, 2011 and 2012:

| <i>Cash Flow (MXN \$)m</i>  | <i>2010</i>    | <i>2011</i>   | <i>2012</i>    |
|---|----------------|---------------|----------------|
| <b>Profit before income taxes</b>                                 | <b>1,2</b>     | <b>7,4</b>    | <b>118,1</b>   |
| <b>Change in investing activities</b>                             |                |               |                |
| Depreciation  | 37,1           | 60,1          | 62,8           |
| Profit on sale of fixed assets                                    | (0,0)          | -             | (0,1)          |
| Interest income   | (2,7)          | (0,6)         | (2,2)          |
| Difference in change  | (17,0)         | 31,2          | (3,9)          |
| <b>Change in financing activities</b>                             |                |               |                |
| Interest income   | 19,1           | 19,0          | 13,6           |
| <b>Sum</b>  | <b>37,6</b>    | <b>117,1</b>  | <b>188,3</b>   |
| Decrease (increase) in accounts receivables                       | 482,7          | (14,7)        | (402,0)        |
| Decrease (increase) in inventories                                | 73,7           | 35,0          | (121,3)        |
| Increase in related parties                                       | 14,9           | (7,8)         | 63,1           |
| Increase (decrease) in suppliers                                  | 186,8          | (2,1)         | 408,9          |
| Decrease in other payables  | (131,2)        | (112,8)       | (48,0)         |
| <b>Net cash flow from operating activities</b>                    | <b>664,5</b>   | <b>14,7</b>   | <b>89,1</b>    |
| <b>Investments</b>  |                |               |                |
| Acquisition of fixed assets                                       | (181,4)        | (24,6)        | (295,3)        |
| <b>Excess cash (enough) to apply for financing activities</b>     | <b>(181,4)</b> | <b>(24,6)</b> | <b>(295,3)</b> |
| <b>Financing activities</b>                                       |                |               |                |
| Refund (increase) in contributions to formalize assets            | (70,7)         | (31,3)        | (50,5)         |
| Increase (repayment) of capital contributions to formalize assets | (5,8)          | 70,3          | 167,2          |
| Payment of loans to non-related parties                           | (451,7)        | 5,5           | 69,6           |
| <b>Net cash flow from financing activities</b>                    | <b>(528,3)</b> | <b>44,6</b>   | <b>186,4</b>   |
| <b>Increase (decrease) in cash and cash equivalents</b>           | <b>(45,2)</b>  | <b>34,7</b>   | <b>(19,8)</b>  |
| <b>Cash and cash equivalents at beginning of period</b>           | <b>54,0</b>    | <b>8,8</b>    | <b>43,5</b>    |
| <b>Cash and cash equivalents at end of period</b>                 | <b>8,8</b>     | <b>43,5</b>   | <b>23,7</b>    |

## **8 DESCRIPTION OF THE BOARD OF DIRECTORS AND MANAGEMENT OF THE ISSUER, THE GUARANTORS AND OF THE PARENT**

### **8.1 The Issuer**

The curriculum vitae of the directors of the Issuer, who are also directors of the Parent and of the Guarantors, can be summarized as follows:

#### ***Antonio Acuña***

Mr. Acuña is head of the Onshore and Offshore Drilling Division, and has worked for the Latina Group since 2006.

From 1984 to 1988, Mr. Acuña was the project coordinator of the Projects Sub direction of Petróleos Mexicanos (Pemex). In 1988, he became the construction coordinator of the Projects Sub direction. In 1990, he was appointed Sub Director of Exploration and Production Services. In 1995, he became Sub Director of the Northwest Navy Region. He was later Chief Executive of the Cantarell Project.

Mr. Acuña is a petrochemical engineer with an MBA in project management from the Manchester Institute of Science and Technology.

#### ***Enrique Romo***

Mr. Romo has 18 years of experience in mergers and acquisitions, capital advisory and investment management. Prior to working for the Issuer, Mr. Romo worked 18 years as an investment banker at advisory firms such as Lehman Brothers, Credit Suisse, First Boston and ABN AMRO in New York. Mr. Romo is currently the Director of Strategic Planning in the Latina Group.

Mr. Romo holds a Masters in Business Administration (MBA) from the University of Texas in Austin and master's degree in finance from the Monterrey Institute of Technology.

#### ***Fernando Blanco***

From 2007 to 2012, Mr. Blanco was the operations coordinator and technical representative of COSL Mexico, S.A. de C.V., a leading company of drilling equipment leasing and termination. From 2003 to 2007, he was the project coordinator of Goimar, S.A. de C.V. in the leasing the semi-submersible platform of Kantan IV. From 1994 to 1996, Mr. Blanco was manager of the water well drilling division of Construcciones Protexa, S.A. de C.V. From 1986 to 1994, he held several posts such as superintendent/submanager of operations and project director for Perforaciones Maritimas Mexicanas, S.A. de C.V. From 1980 to 1983, Mr. Blanco was superintendent of operations in Protexa Drilling Co., a US-based drilling services company, where he managed the drilling contracts of Petronas Carigali Sdn. Bhd. in Malaysia. From 1977 to 1980, he was superintendent of operations for Construcciones Protexa, S.A. de C.V.

Mr. Blanco has an Industrial Engineering degree from Technological Regional Institute of Laguna, Tlaxiaco, Coahuila, Mexico.

### **8.2 The Guarantors**

Please refer to the concise biographies of Messrs. Antonio Acuña, Enrique Romo and Fernando Blanco above.

### **8.3 The Parent**

The curriculum vitae of the directors of the Parent can be summarized as follows:

#### ***Adolfo Del Valle Ruiz, President***

Mr. Adolfo Del Valle Ruiz is the President and controlling shareholder of the Latina Group. He is a member of the board of directors of Mexichem, S.A.B. de C.V., chemical and petrochemical industrial group with operations in Latin America.

From 1992 to 2002, he was the Vice-president of the Banco de Crédito y Servicio, S.A. and an advisor for Grupo Financiero Bital, S.A. de C.V., which was acquired by HSBC Holdings PLC in 2002. He has also served as the Corporate Director for Banco de Crédito y Servicio, S.A.

Mr. Del Valle received an MBA from IPADE and holds a degree in Private Accounting from Escuela Bancaria y Comercial.

#### ***Adolfo del Valle Toca***

Mr. Adolfo Del Valle Toca is the Chief Financial Officer of the Latina Group. He has over 20 years of experience in auditing, financial services and business analysis. He also serves as a member to the Board of Directors of Mexichem SAB de CV.

Mr. Adolfo Del Valle graduated from Universidad de las Americas with a bachelor's degree in Business Administration.

#### ***Santiago Del Valle Toca***

Mr. Santiago Del Valle Toca is the Chief of Business Development at the Latina Group. He joined the company in 2002. He also serves on the Board of Directors as a member.

He holds a degree in Business Administration from Newport University.

#### ***Carlos Ruiz Sacristán***

Mr. Carlos Ruiz Sacristán has been Chairman and Chief Executive Officer of Sempra Mexico since June 25, 2012. In November 2001, he founded and still is Managing Partner of Proyectos Estrategicos Integrales, S.C., a company engaged in investment banking and the development of infrastructure projects. In 2007, Mr. Ruiz was appointed member of the Board of Directors of Sempra Energy, and in 2012 he was appointed President and Chief Executive Officer of Sempra Mexico, both companies operate natural gas-fired plants, pipelines and storage facilities. Additionally, Mr. Ruiz serves as a Director of Asarco LLC, Banco Ve Por Mas and the Parent, and has been an Independent Director of Southern Copper Corp., (alternate name Southern Peru Copper Corp), a mining company, since February 13, 2004. In 1994, Mr. Ruiz was appointed Chief Executive Officer of Petróleos Mexicanos.

From 1995 to 2000, Mr. Ruiz served as Secretary of the Communications and Transport Ministry in Mexico, where he oversaw the restructuring of the communications and transport sector of the country to increase investment, competitiveness and improve infrastructure. From 1988 to 1994, he served in various positions as General Director of Public Credit, Deputy Undersecretary of Standards and Expenditure of the Ministry of Finance and Public Credit.

From 1974 to 1988, he began his career at the Central Bank of Mexico, where he was appointed in several positions as trader, assistant manager and manager of international operations, the later was appointed Trust Manager for Exchange Risks Coverage.

Mr. Ruiz has a Bachelor's Degree in Business Administration from the Anahuac University of Mexico City and a Master's Degree in Business Administration from Northwestern University.

***Ignacio Del Valle Ruiz***

Mr. Ignacio Del Valle Ruiz serves as a member and shareholder to the Board of Directors of the Latina Group. He is also part of the board of various other companies such as Vialcoma S.A., Mexichem S A B and Servicios Financieros Comunitarios SA de CV.

Mr. Del Valle Ruiz received an MBA from IPADE and holds a degree in Public Accounting from Escuela Bancaria y Comercial.

***Jose Ignacio Del Valle Espinoza***

Mr. José Del Valle serves as an Advisor to the Board of Latina Group. He also serves as Member of the Executive Committee at Mexichem SAB de CV.




The persons presented in this section 8 may be contacted at the following business address: Reforma 540, Col. Reforma Lomas Mexico City 11000.

## 9 MARKET OVERVIEW

### 9.1 Introduction to the offshore drilling market

Offshore drilling rigs are divided into two main categories; Jack-up rigs and floaters, the latter including both semi-submersibles and drillships.

#### OFFSHORE DRILLING RIGS – MAIN CATEGORIES

| Jack-ups   | Semi-submersibles   | Drillships   |
|--|---|--|
|   |    |   |
| <p>A self-contained combination drilling rig and floating barge, fitted with long support legs that can be raised or lowered independently of each other. Upon arrival at the drilling location, the legs are jacked down onto the seafloor, preloaded to securely drive them into the sea bottom, and then further jacked down. Since the legs have been preloaded and will not penetrate the seafloor further, this jacking down of the legs has the effect of raising the jacking mechanism, which is attached to the barge and drilling package. A Jack-up rig can naturally only work in water depths that are less than the length of its legs, and typically this limits operations to less than 400 feet of water depth.</p> | <p>A particular type of floating vessel that is supported primarily on large pontoon-like structures submerged below the sea surface. The operating decks are elevated perhaps 100 or more feet above the pontoons on large steel columns. This design has the advantage of submerging most of the area of components in contact with the sea and minimizing loading from waves and wind. Semisubmersibles can operate in a wide range of water depths, including deep water. Semi-submersibles can be used in different operations, such as drilling, workover operations and production, depending on the equipment with which they are equipped.</p> | <p>A maritime vessel modified to include a drilling rig and using station-keeping equipment similar to semi-submersibles. The vessel is typically capable of operating in deep water. A drillship must stay relatively stationary on location in the water for extended periods of time. Drill ships typically carry larger payloads than semisubmersible drilling vessels, but their motion characteristics are usually inferior.</p> |

The industry commonly classifies offshore drilling into four main water depth categories: shallow water (0 to 500 feet), midwater (500 to 3,000 feet), deepwater (3,000 to 7,500 feet) and ultra-deepwater “UDW” (7,500 feet+).

The US Energy Information Administration (“EIA”) expects that global oil and gas production will grow by an average of 1% per annum over the next 20 years. Of the nearly 140 million barrels of oil equivalents (figures include approximately 55 mmboe gas) of current global petroleum production, approximately 45 mmboe (32%) comes from offshore fields (source: BP Statistical Review 2011, EIA International Energy Outlook 2011). By 2020, offshore production is expected to increase to 75 mmboe, an increase of approximately 67%. In order to achieve this, global exploration and production (“E&P”) spending is expected to increase further.

E&P spending is closely related to the oil price. The financial crisis and the sharp drop in the oil price in 2008 had a significant impact on 2009 E&P spending which showed a year on year double-digit decline. The oil price and E&P spending has since rebounded. Going forward it is expected that the current strong oil prices combined with a continued strengthening of the global economic outlook will provide support for further increase in E&P spending. Oil service companies’ (“OSC”) revenues can be used as an indirect measure of E&P spending. During 2013, OSC revenues are expected to increase by 8% in 2013 and by 10% in 2014.

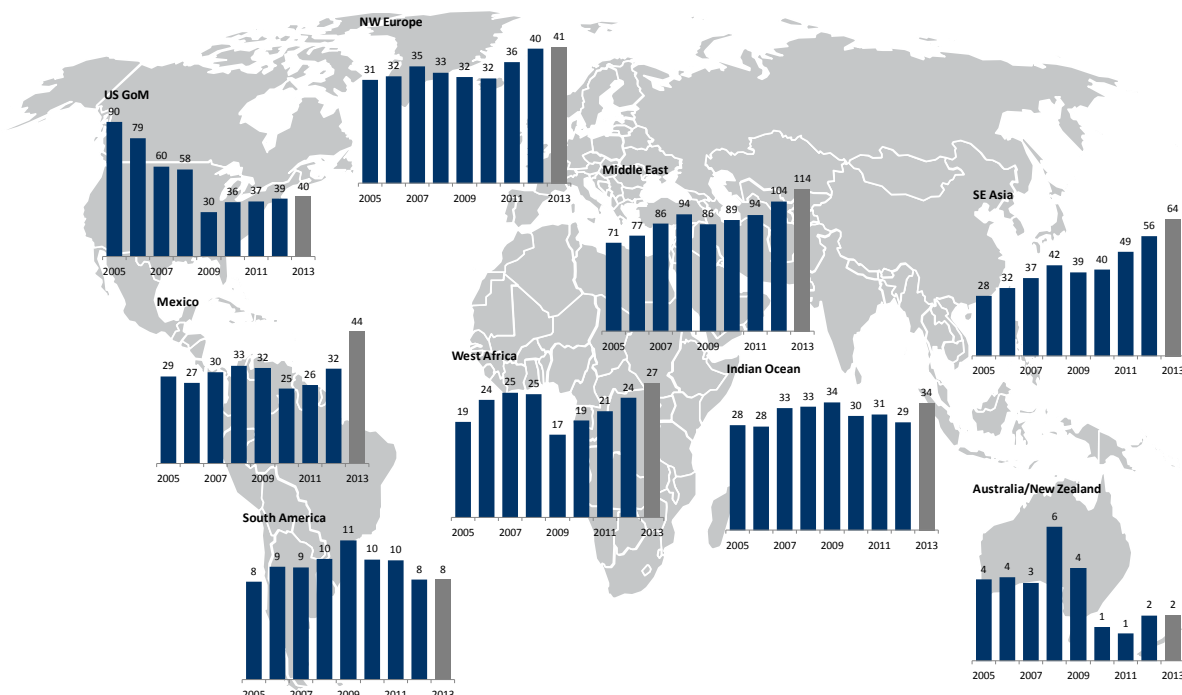
## **9.2 Key drivers of offshore drilling demand**

**Global Economic Recovery:** The recent volatility in the financial markets led to a global decline in economic activity and increased the uncertainty of the future economic outlook. The decline in economic activity resulted in a worldwide decrease in demand for oil and natural gas, as well as a steep decline in commodity prices, which caused many oil and gas companies to curtail planned capital spending. A global economic recovery will increase the demand for energy generally and oil and gas especially, thus driving up the price of these commodities. Historically, sustained high commodity prices have led to an increase in expenditures for offshore drilling activities.

**Favorable Commodity Price Environment Relative to Historical Levels:** As is common throughout the oilfield services industry, actual or anticipated changes in the price of oil and natural gas influence the capital investment decisions of E&P companies, which in turn drive the demand for offshore drilling rigs.

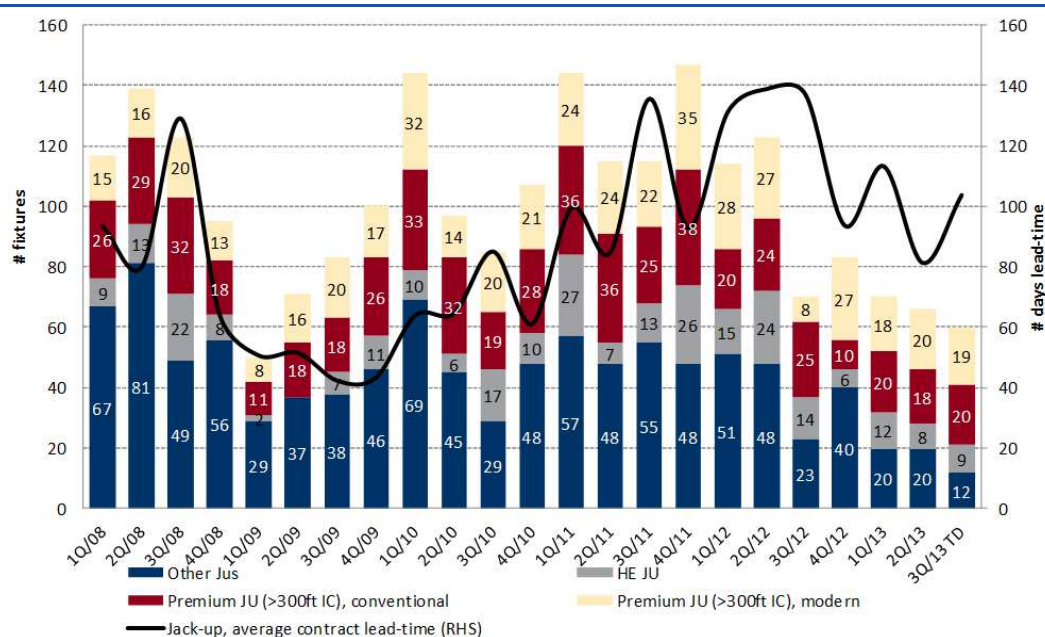
**Advances in Drilling Technology:** The majority of the oil and natural gas provinces onshore and in shallow water have been explored. In order to maintain the output from mature fields and develop new discoveries in technologically challenging locations, more capable and safer assets are required. This has driven the increase in demand for modern equipment over the past years and is expected to continue going forward.

### 9.3 Jack-up market



In spite of the generally strong demand seen in the jack-up market, the general contracting activity has slowed during the past months. The mentioned trend is evident from the chart below and it can be attributed to limited availability and high fleet utilization. These occurrences have left a limited number of rigs available for near-term contracts. In the lower specification segments this development seems to hold particularly true.

#### JACK-UP CONTRACTS



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Source: ODS Petrodata, RS Platou Markets AS

#### 9.4 Fleet utilization and dayrates

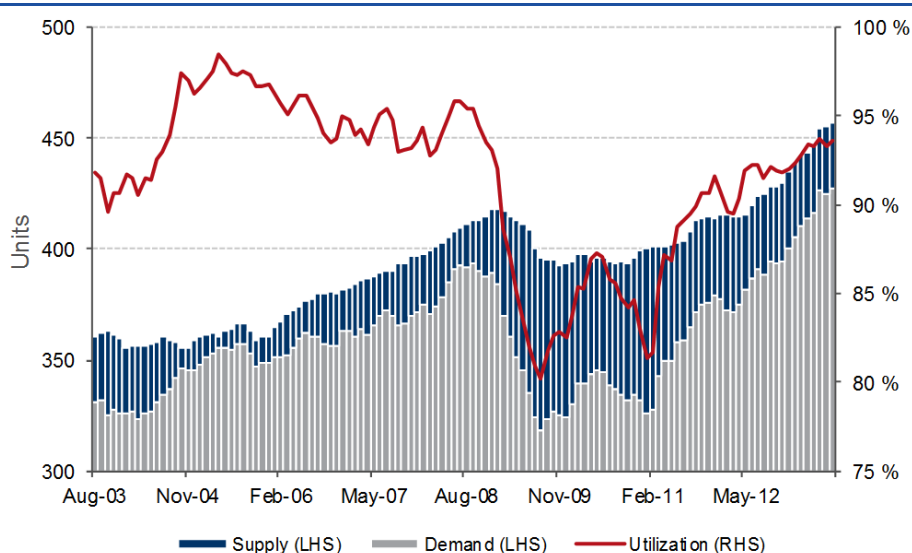
Marketed jack-up fleet utilization continues to see a steady increase, and now stands at approximately 95% for the first time since the beginning of the financial crisis. However, the operational jack-up fleet is now at an all-time high as there are nearly 420 jack-ups in operation. The resurgence of global demand, which was described in the previous section, has driven older conventional rigs back in operation.

With a stable high oil price and the resulting increase in offshore activity, global jack-up demand has seen a steady increase over the past years. As a corollary of this development, the utilization rate has increased from the low-80% level following the Macondo accident in 2010, to the mid-90% level.

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#### GLOBAL JACK-UP SUPPLY VS. DEMAND

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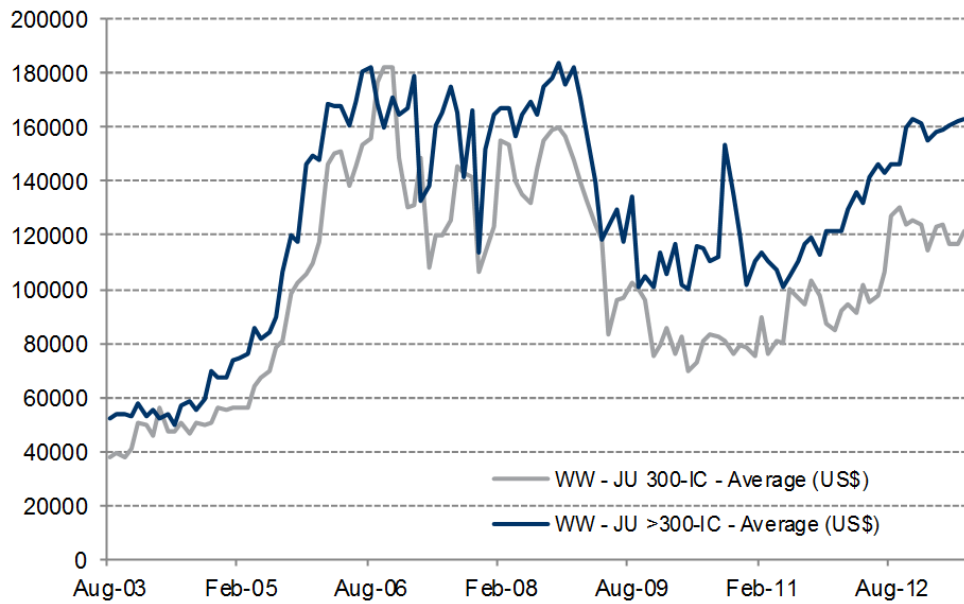
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Source: ODS Petrodata, RS Platou Markets AS

Premium jack-up rates have increased to around USD 160 thousand per day, with dayrates for leading-edge units seen at the USD 180 thousand-level. Perhaps more important is the rise in conventional dayrates toward the USD 120-130 thousand range. This range is now more than USD 20 thousand above the levels seen a year ago.



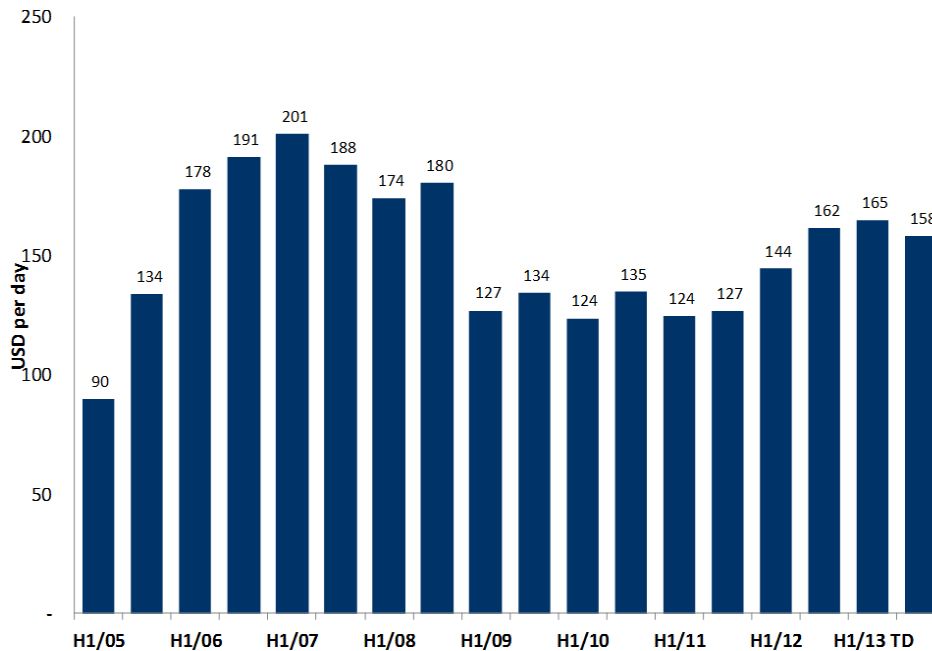
## GLOBAL JACK-UP DAYRATES



Source: ODS Petrodata, RS Platou Markets AS

Year to date, new contracts for premium jack-ups have averaged ~USD 160 thousand per day. This is similar to the levels seen during the last part of 2012. Rig capabilities continue to weight on the pricing of the contracts, and with limited availability, pricing power is likely to continue to increase for contractors with availability.

## DAYRATES FOR MODERN JACK-UPS – BUILT POST 1998



Source: ODS Petrodata, RS Platou Markets AS

The trend of higher dayrates is also evident from the list below, with the most recent fixtures averaging more than USD 165 thousand.

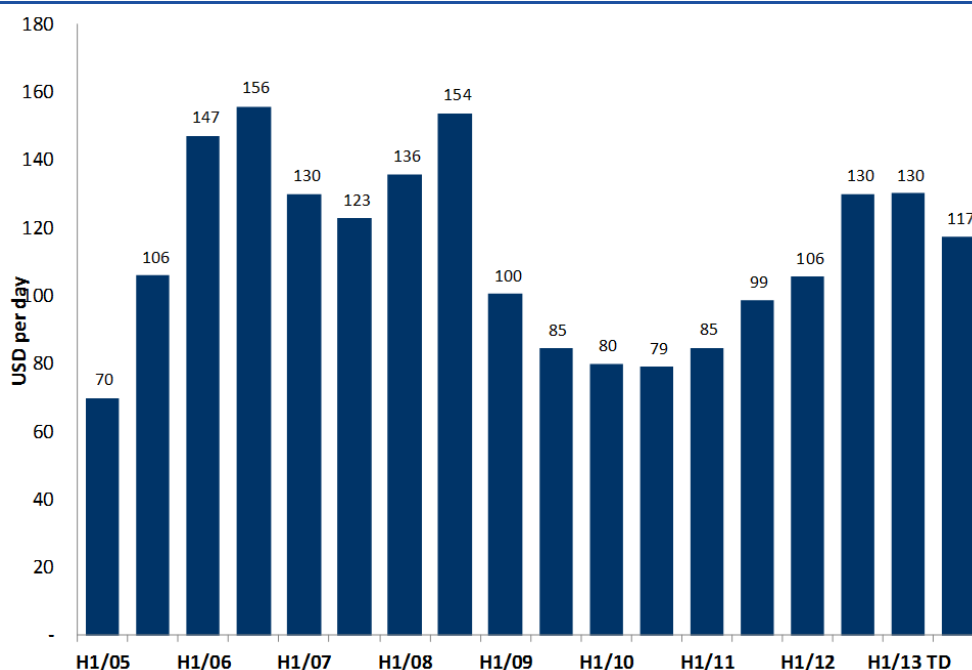
### PREMIUM JACK-UP FIXTURES – BUILT POST 1998, EX NORWAY

| Rig Name          | Rig type    | Manager             | WD (ft) | Fixture date | Contract start | Duration (days) | Dayrate (USDk) | Country   | Operator             | Contract Lead Time (days) |
|-------------------|-------------|---------------------|---------|--------------|----------------|-----------------|----------------|-----------|----------------------|---------------------------|
| Atwood Manta      | 361-400 ft. | Atwood              | 400     | 29-Aug-13    | 2-Dec-13       | 730             | 159            | Malaysia  | Coastal Energy       | 95                        |
| ENSCO 105         | 361-400 ft. | Ensco               | 375     | 22-Aug-13    | 30-Nov-13      | 365             | NA             | Malaysia  | Shell                | 100                       |
| Hakuryu-11        | 400+ ft.    | Japan Drilling      | 425     | 19-Aug-13    | 8-Nov-13       | 461             | NA             | Indonesia | Premier              | 81                        |
| Noble Hans Deul   | HE HS       | Noble               | 400     | 9-Aug-13     | 1-Aug-14       | 730             | 235            | UK        | Shell                | 357                       |
| La Santa Maria    | 361-400 ft. | CP Latina           | 400     | 5-Aug-13     | 5-Dec-13       | 2 555           | 158            | Mexico    | PEMEX                | 122                       |
| Covadonga         | 361-400 ft. | CP Latina           | 400     | 5-Aug-13     | 22-Mar-14      | 2 555           | 158            | Mexico    | PEMEX                | 229                       |
| Ocean Scepter     | 301-360 ft. | Diamond Offshore    | 350     | 24-Jul-13    | 29-Jul-13      | 155             | 135            | Mexico    | PEMEX                | na                        |
| PROSPECTOR 5      | HE HS       | Prospector Offshore | 400     | 19-Jul-13    | 1-Sep-14       | 1 095           | NA             | UK        | Total                | 409                       |
| El Qaher II       | 361-400 ft. | Egyptian Drilling   | 375     | 18-Jul-13    | 10-May-13      | 365             | 143            | Egypt     | Petrobel             | -                         |
| ENSCO 106         | 361-400 ft. | Ensco               | 400     | 16-Jul-13    | 11-Oct-13      | 365             | 155            | Malaysia  | Newfield Exploration | 87                        |
| West Freedom      | 301-360 ft. | Seadrill            | 350     | 11-Jul-13    | 4-Nov-13       | 913             | 234            | Venezuela | Cardon IV            | 116                       |
| Rowan EXLIII      | 301-360 ft. | Rowan               | 350     | 4-Jul-13     | 4-Jul-13       | 22              | 160            | USA       | McMoRan              | -                         |
| Greatdrill Chetna | 301-360 ft. | Greatship           | 350     | 1-Jul-13     | 20-Nov-13      | 1 095           | 120            | India     | ONGC                 | 142                       |
| Sapphire Driller  | 361-400 ft. | Vantage Drilling    | 375     | 26-Jun-13    | 1-Sep-13       | 730             | NA             | Angola    | Operator Tba         | 67                        |
| ENSCO 107         | 361-400 ft. | Ensco               | 400     | 19-Jun-13    | 1-Oct-13       | 45              | 170            | Vietnam   | Santos               | 104                       |
| <b>Average</b>    |             |                     |         |              |                | <b>812</b>      | <b>166</b>     |           |                      | <b>136</b>                |

Source: ODS Petrodata, RS Platou Markets AS

The average dayrate for new conventional contracts at around USD 120k are also flat compared to the levels seen during the latter part of 2012. Given an expectation of a continued strong premium market, it is reasonable to believe that the pricing power for these older rigs will remain fairly strong over the coming quarters.

### DAYRATES FOR CONVENTIONAL JACK-UPS – BUILT PRE 1998



Source: ODS Petrodata, RS Platou Markets AS

The most recent fixtures add to the picture of a strong market for conventional units, with the 15 most recent conventional fixtures averaging USD 150 thousand per day.

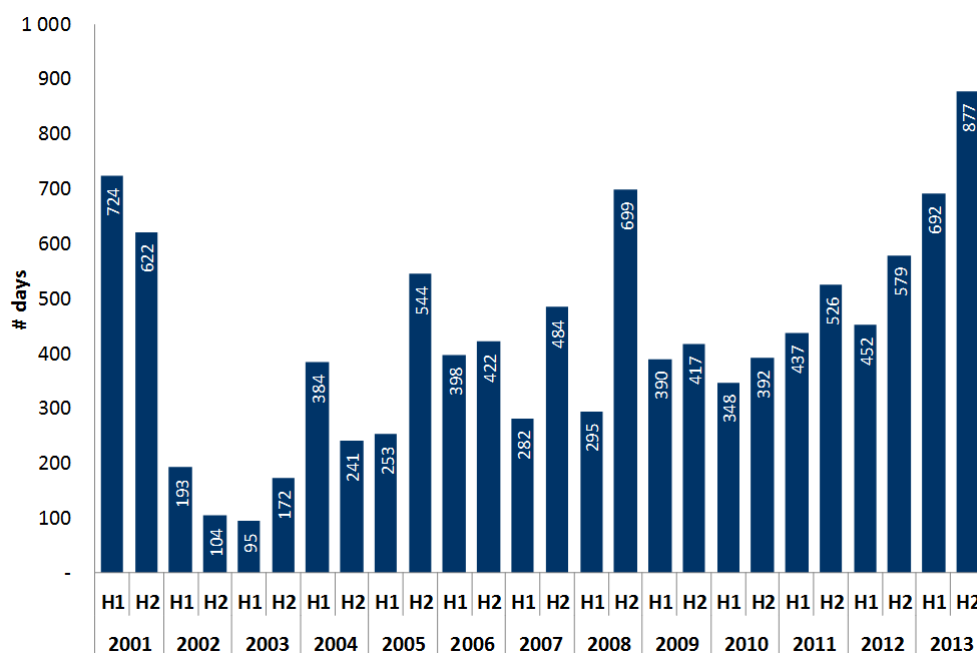
### CONVENTIONAL JACK-UP FIXTURES – BUILT PRE 1998, EX NORWAY

| Rig Name               | Rig type    | Manager               | WD (ft) | Fixture date | Contract start | Duration (days) | Dayrate (USDk) | Country             | Operator                        | Contract Lead Time (days) |
|------------------------|-------------|-----------------------|---------|--------------|----------------|-----------------|----------------|---------------------|---------------------------------|---------------------------|
| Astra                  | >300 ft.    | Eurasia Drilling      | 148     | 30-Aug-13    | 16-Jul-13      | 117             | NA             | Kazakhstan          | Shell                           | -                         |
| Aban VII               | >300 ft.    | Aban Offshore         | 250     | 19-Aug-13    | 15-Oct-13      | 50              | NA             | Oman                | Lime Petroleum                  | 57                        |
| ENSCO 53               | 300 ft.     | Ensco                 | 300     | 16-Aug-13    | 23-Aug-13      | 72              | 105            | Malaysia            | Shell                           | 7                         |
| Noble Ronald Hoop      | HE std.     | Noble                 | 220     | 13-Aug-13    | 31-Dec-13      | 365             | 166            | Netherlands         | GDF SUEZ                        | 140                       |
| Rowan Gorilla III      | 361-400 ft. | Rowan                 | 375     | 12-Aug-13    | 1-Oct-13       | 30              | 145            | Trinidad and Tobago | Energy Exploration & Production | 50                        |
| Noble Piet van Ede     | HE std.     | Noble                 | 220     | 9-Aug-13     | 3-Jan-14       | 365             | 169            | Netherlands         | GDF SUEZ                        | 147                       |
| Noble George Sauvageau | HE std.     | Noble                 | 250     | 9-Aug-13     | 31-Dec-13      | 540             | 168            | Netherlands         | Wintershall                     | 144                       |
| Noble Ed Noble         | >300 ft.    | Noble                 | 250     | 9-Aug-13     | 25-Sep-13      | 76              | 133            | Cameroon            | Glencore                        | 47                        |
| Noble Al White         | HE std.     | Noble                 | 360     | 9-Aug-13     | 1-Jun-14       | 548             | 175            | Netherlands         | Total                           | 296                       |
| Spartan 151            | >300 ft.    | Spartan Offshore Dril | 150     | 8-Aug-13     | 2-Sep-13       | 730             | NA             | USA                 | Furie Operating                 | 25                        |
| GSF Galaxy I           | HE HS       | Transocean            | 394     | 8-Aug-13     | 18-Dec-13      | 1 096           | 215            | UK                  | Total                           | 132                       |
| J.T. Angel             | 300 ft.     | Shelf Drilling        | 300     | 2-Aug-13     | 3-Feb-14       | 1 095           | 85             | India               | ONGC                            | 185                       |
| Adriatic IX            | 301-360 ft. | Shelf Drilling        | 350     | 2-Aug-13     | 1-Mar-14       | 735             | 160            | Nigeria             | Afren Energy                    | 211                       |
| Trident IX             | 361-400 ft. | Shelf Drilling        | 400     | 26-Jul-13    | 30-Jul-13      | 730             | 135            | Malaysia            | Petrofac                        | 4                         |
| Spartan 151            | >300 ft.    | Spartan Offshore Dril | 150     | 8-Aug-13     | 2-Sep-13       | 730             | NA             | USA                 | Furie Operating                 | na                        |
| <b>Average</b>         |             |                       |         |              |                | <b>485</b>      | <b>150</b>     |                     |                                 | <b>103</b>                |

Source: ODS Petrodata, RS Platou Markets AS

Contract durations have followed the positive development of general demand, and operators now seem more willing to commit to longer contracts. With limited near-term availability, continued positive development is expected.

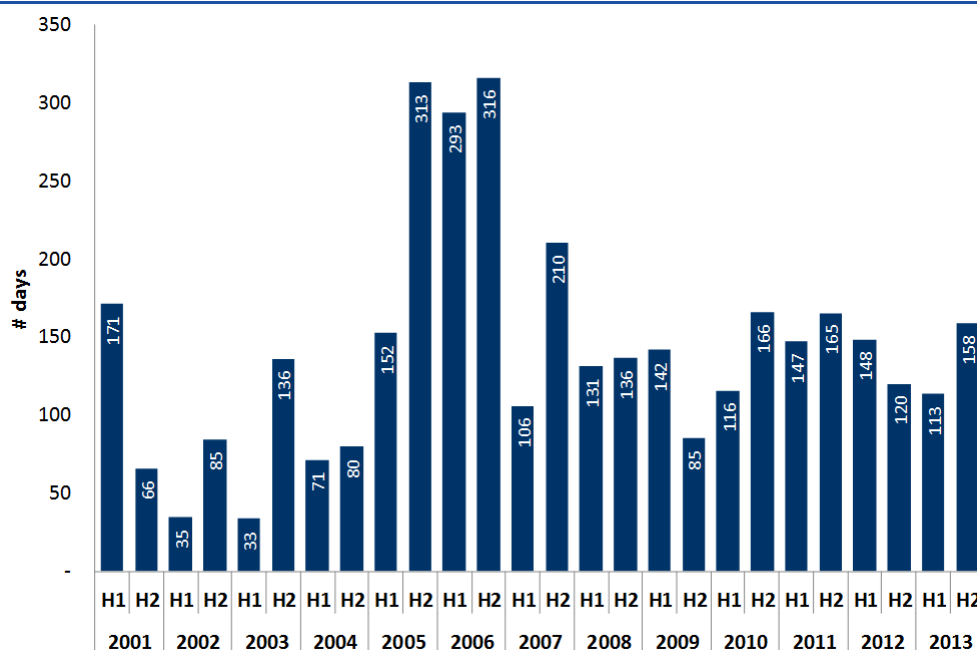
### DURATION FOR NEW JACK-UP FIXTURES – 350 FT. + BUILT POST 1998, EX NORWAY



Source: ODS Petrodata, RS Platou Markets AS

Contract lead-time has been stable at around 4 months since the second half of 2010. While most regions follow this pattern, there are some exceptions in the South and Central North Sea, where supply is booked well into the future. Considering the limited premium jack-up availability over the coming quarters and the increasing conventional jack-up utilization, the general trend is expected to continue.

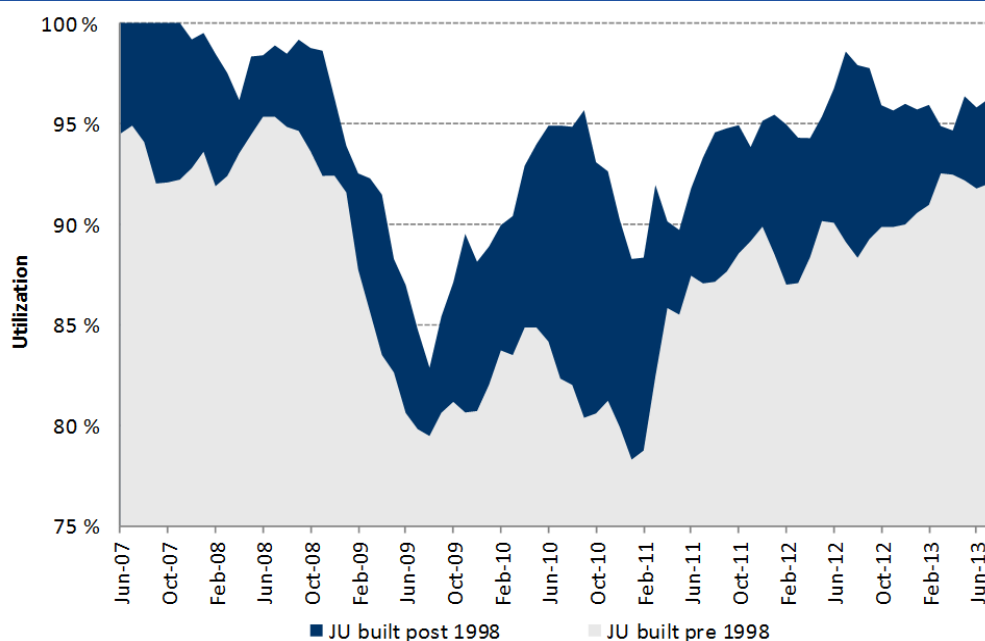
## LEAD TIME FOR NEW JACK-UP FIXTURES – 350 FT. + BUILT POST 1998, EX NORWAY



Source: ODS Petrodata, RS Platou Markets AS

Although utilization among premium units has trended slightly above 95%, the fleet remains more or less fully utilized as the decline mainly reflects several rigs with only minor gaps between contracts. The high utilization and dayrates seen in the premium segment have incentivized the process of bringing old rigs back into operation. In turn, this process has brought the utilization spread between modern and older rigs to the lowest level since the financial crisis.

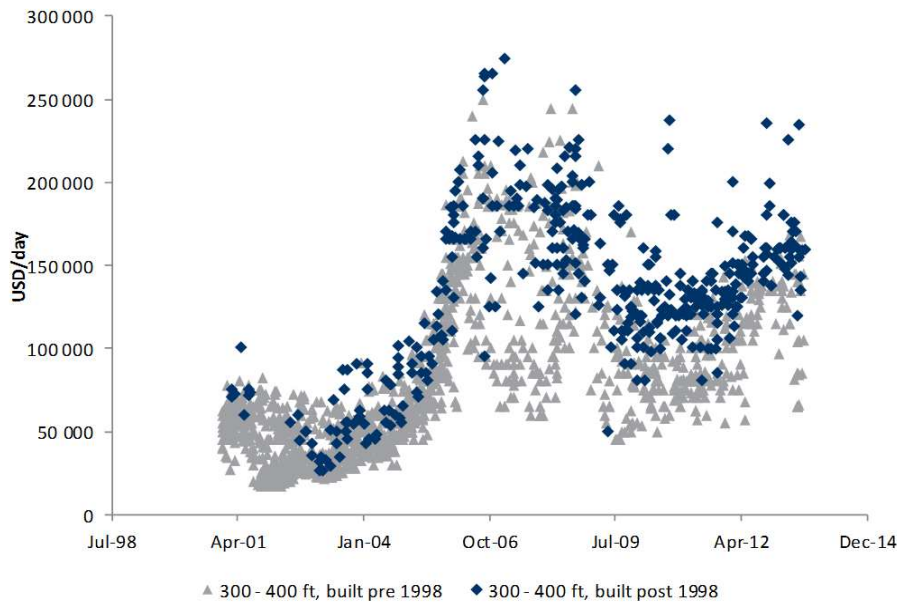
## JACK-UP UTILIZATION SPREAD



Source: ODS Petrodata, RS Platou Markets AS

The closing of the spread between modern and older rigs is also evident when looking at the plot of dayrates within the two segments. As evident from the graph below, recent fixtures are now more closely aligned than they were only a year ago (when availability within the premium segment was higher).

JACK-UP DAYRATE SPREAD EX NORWAY

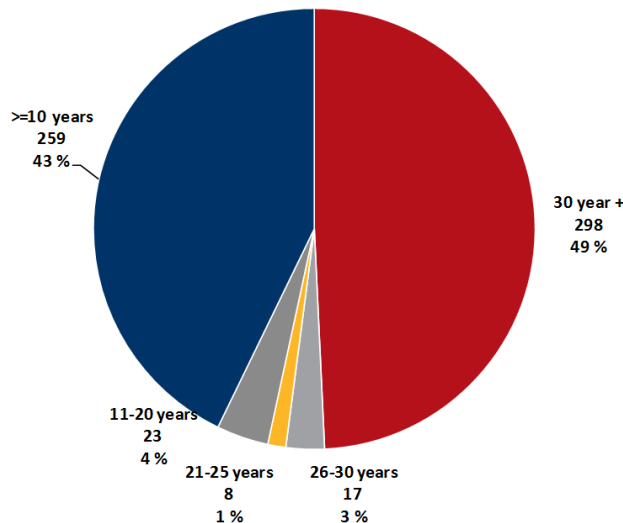


Source: ODS Petrodata, RS Platou Markets AS

### 9.5 Fleet profile

While demand for older rigs has increased due to an overall rise in demand, it is expected that a number of these older rigs will gradually be pushed out of the market as more newbuilds enter into service later this year. With 50% of the current jack-up fleet being 30 years or older, the need for replacement appears to be significant over the next 5-7 years. This seems particularly likely considering that operators continue to prefer modern, more technically advanced, and safer assets.

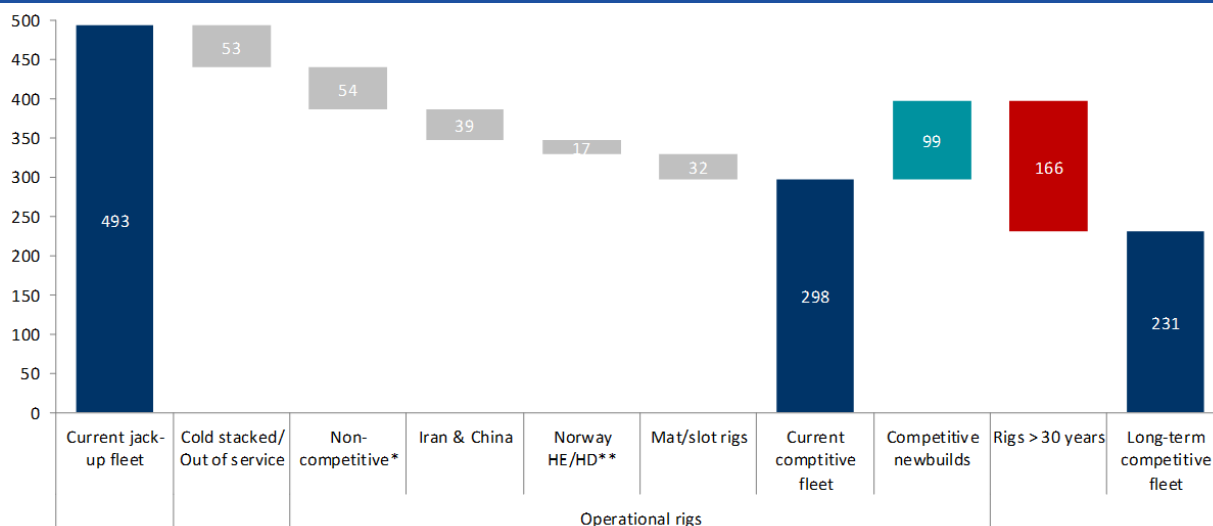
GLOBAL JACK-UP FLEET AGE DISTRIBUTION (END 2013)



Source: ODS Petrodata, RS Platou Markets AS

In fact, when looking closely at the jack-up fleet, the long-term competitive fleet is less than half of the current operational fleet. This is based on the assumption that more than 160 rigs aged 30 years or older will leave the fleet over the coming years.

### THE GLOBAL JACK-UP FLEET IS NOT WHAT IT APPEARS TO BE



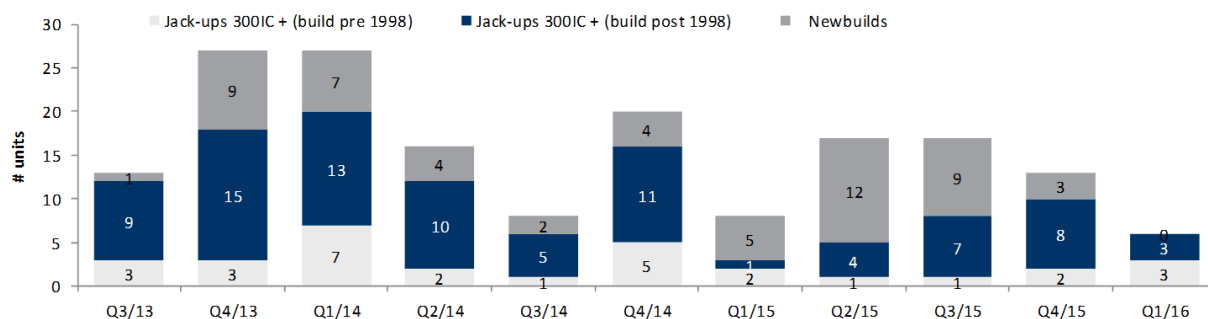
\* Excludes state-owned and other rigs which are not offered for hire in the open market

\*\* Heavy Duty rigs and units contracted in Norway, including 5 rigs under construction

Source: ODS Petrodata, RS Platou Markets AS

The near-term supply of premium jack-ups might appear abundant at a first glance. However, considering an average of 30 new contracts and extensions per quarter since 2010, as well as the strong incremental demand from Mexico, the Middle East, the UK, and South East Asia combined with the continued push for fleet renewal, the jack-up market is expected to continue to build strength. As a sign of this development, available rigs are now being bid in above USD 170 thousand per day. Vintage jack-ups are also gaining foothold as the number of available and capable rigs are dwindling.

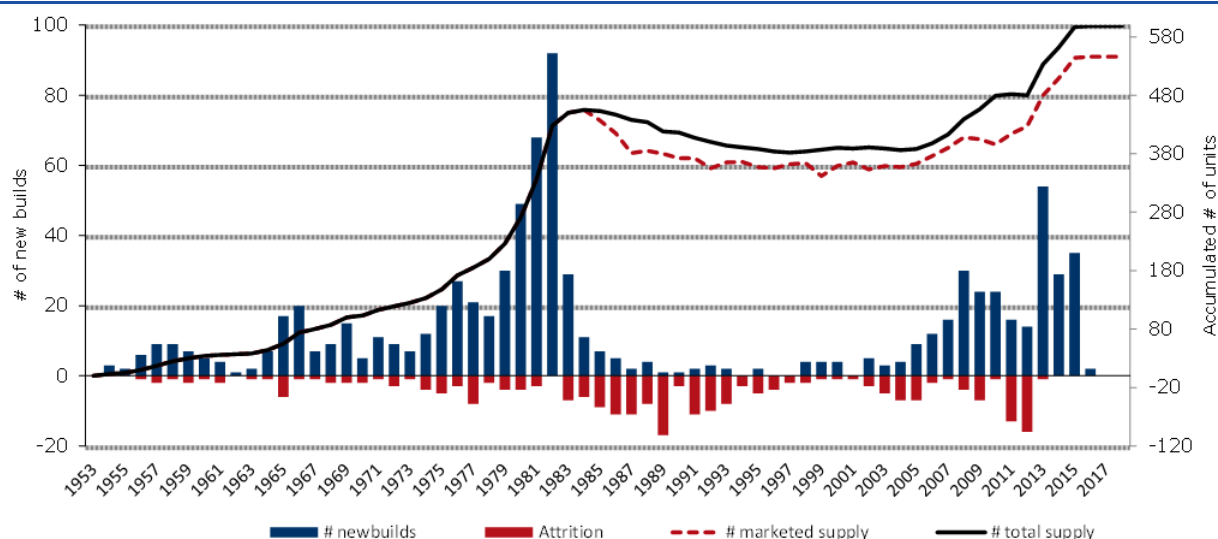
### JACK-UP AVAILABILITY 2013-2016 (300IC + FT.)



Source: ODS Petrodata, RS Platou Markets AS

## 9.6 Order book, newbuild prices, and secondhand values

### JACK-UP NEWBUILDS AND SUPPLY



Source: ODS Petrodata, RS Platou Markets AS

### JACK-UP – YEARLY DEVELOPMENT

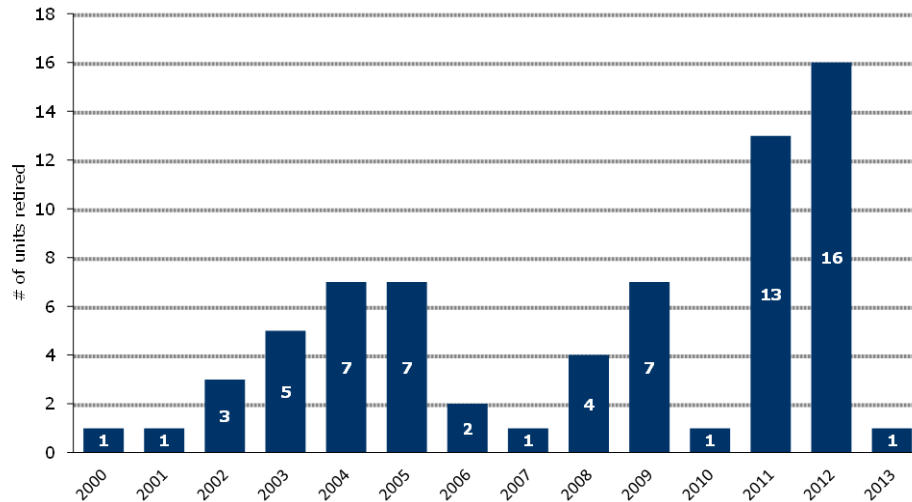
| Jack-up fleet     | 2006 | 2007 | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  |
|-------------------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| # units at start  | 388  | 398  | 413   | 439   | 456   | 479   | 482   | 480   | 531   | 560   | 608   |
| # newbuilds       | 12   | 16   | 30    | 24    | 24    | 16    | 14    | 52    | 29    | 48    | 8     |
| Attrition         | -2   | -1   | -4    | -7    | -1    | -13   | -16   | -1    | 0     | 0     | 0     |
| # total supply    | 398  | 413  | 439   | 456   | 479   | 482   | 480   | 531   | 560   | 608   | 616   |
| Out of service    | 22   | 23   | 31    | 51    | 77    | 68    | 53    | 53    | 53    | 53    | 53    |
| # marketed supply | 376  | 390  | 408   | 405   | 396   | 414   | 427   | 478   | 507   | 555   | 563   |
| Rig years retired | -51  | -30  | -109  | -190  | -44   | -408  | -560  | -36   |       |       |       |
| Rig years         | 9505 | 9873 | 10177 | 10426 | 10838 | 10909 | 10831 | 11275 | 11806 | 12366 | 12974 |
| Average age at YE | 23.9 | 23.9 | 23.2  | 22.9  | 22.6  | 22.6  | 22.6  | 21.2  | 21.1  | 20.3  | 21.1  |

Source: ODS Petrodata, RS Platou Markets AS

The size of the order book is often the center of debate. As mentioned earlier, approximately 50% of the jack-up fleet is more than 30 years old and as a result, real capacity in 2015 and beyond is not likely to exceed the current fleet plus rigs on order.

Scrapping of older rigs has accelerated in recent years, with the total number of rigs leaving the fleet in 2011 and 2012 exceeding the combined number of rigs scrapped in the preceding 5 years. While the number of rigs to leave the fleet has slowed in 2013, the influx of newbuilds during the second half of 2013 and beyond will lead to more removals. In fact, with about 20 jack-ups aged 30 years or older (these units are due for special surveys each year going forward), attrition is expected to resume for years to come. So, while newbuilds continue to enter into service, the net supply increase is partly mitigated by older rigs leaving the fleet.

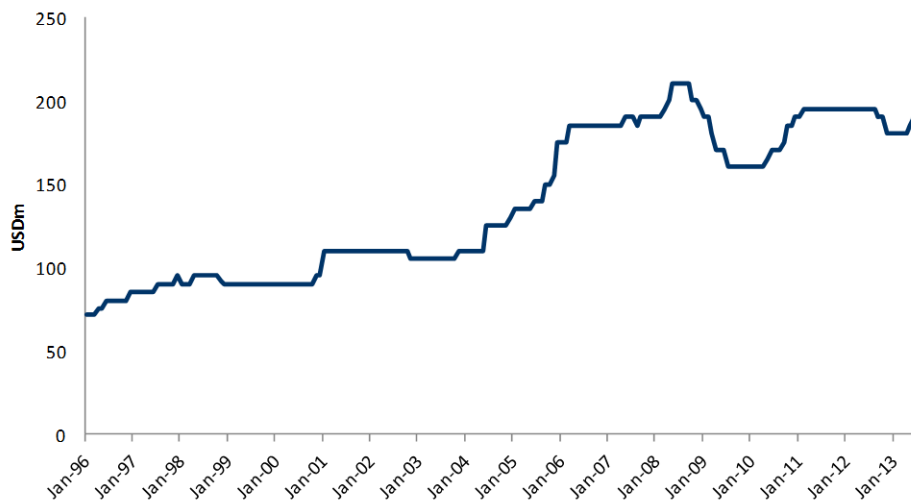
## JACK-UP ATTRITION



Source: ODS Petrodata, RS Platou Markets AS

Newbuild prices have remained fairly stable around USD 190 million to USD 210 million. With few newbuild orders in the pipeline, and Chinese yards eager to increase their market share further, it is expected that prices will remain flat at best.

## JACK-UP NEWBUILD PRICES (EX SPARES AND FINANCING COSTS)



Source: RS Platou Offshore

Secondhand asset values have seen a flat development for the past months, lingering around USD 220-230 million for premium assets. This level has also been confirmed through several asset sales, mainly by Standard Drilling. It is important to notice that the majority of the assets have been sold pre-delivery; hence an additional USD 30-35 million in spare parts, tools, financing, mobilization, and other pre-operational costs must be added to the transaction cost in order to prepare the unit for drilling.



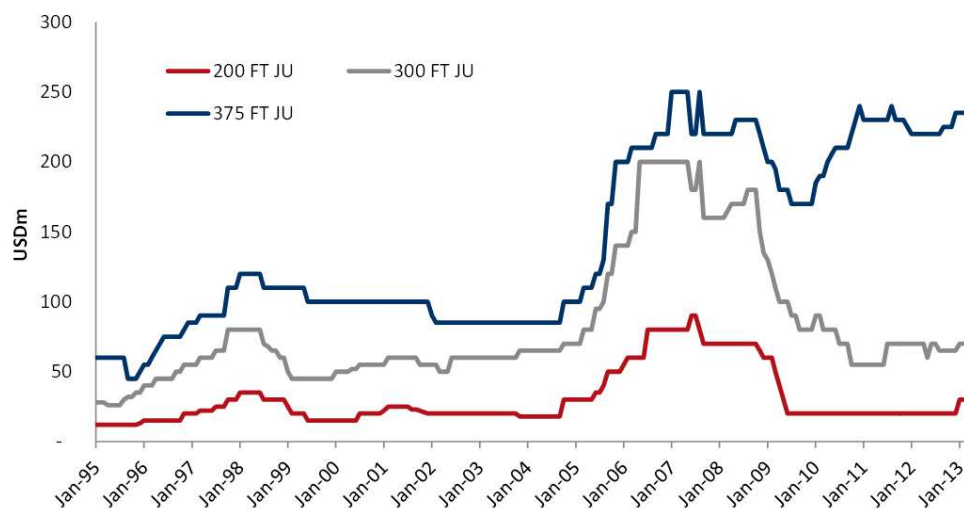
## JACK-UP 2<sup>ND</sup> HAND TRANSACTIONS

| Date   | Name                           | Build year | Design                         | WD  | Seller            | Buyer              | Price (USDm)   | All inclusive |
|--|--------------------------------|------------|--------------------------------|-----|-------------------|--------------------|----------------|---------------|
| May-13   | Standard Virtue                | 2014       | KFELS MOD V B                  | 400 | Standard Drilling | UMW                | 223            | 248           |
| May-13   | Standard Tbn 5                 | 2013       | KFELS MOD V B                  | 400 | Standard Drilling | ADC                | 220            | 245           |
| Jan-13   | Standard Tbn 4                 | 2013       | KFELS MOD V B                  | 400 | Standard Drilling | CP Latina          | 222.5          | 248           |
| Jan-13   | Standard Tbn 5                 | 2014       | KFELS MOD V B                  | 400 | Standard Drilling | CP Latina          | 223.5          | 249           |
| Nov-12   | Prospector Rig 4               | 2013       | F&G 2000E                      | 400 | Prospector        | Perforadora Mexico | 230            | 255           |
| Oct - 12   | Prospector Rig 2               | 2013       | F&G 2000E                      | 400 | Prospector        | Perforadora Mexico | 230            | 255           |
| Jul-12   | Jasper Adventurer              | 2013       | KFELS MOD V B                  | 400 | Jasper            | N/A                | 218            | 243           |
| Jul-12   | Standard TBN 3                 | 2013       | KFELS MOD V B                  | 400 | Standard Drilling | ADC                | 213.5          | 239           |
| Jun-12   | Standard TBN 2                 | 2013       | KFELS MOD V B                  | 400 | Standard Drilling | UMW                | 213.5          | 239           |
| Nov-11   | Standard TBN 1                 | 2012       | KFELS MOD V B                  | 400 | Standard Drilling | n/a                | 220            | 245           |
| Apr-11   | West Juno                      | 2010       | KFELS MOD V B                  | 400 | Seadrill          | n/a                | 249            | 274           |
| Feb-11   | Greatdrill Chetna              | 2009       | KFELS MOD V B                  | 350 | Mercator          | Greatship          | 250            | 275           |
| Jan-11   | Trident 20                     | 2000       | KFELS MOD CS V Class           | 375 | Transocean        | EURASIA            | 260            | 285           |
| Dec-10   | Petrojack IV                   | 2009       | Baker Marine Pacific Class 375 | 375 | Petrojack         | Seadrill           | 180            | 205           |
| Nov-10   | Transocean Honor               | 2011       | Baker Marine Pacific Class 400 | 400 | PPL Shipyard      | Transocean         | 195            | 220           |
| Jul-10   | Ocean Shield                   | 2008       | KFELS MOD V Super B Class      | 350 | Diamond Offshore  | ENSCO              | 186            | 211           |
| Jun-10   | Offshore Courageous            | 2007       | LeTourneau Super 116E          | 350 | Scorpion Offshore | Seadrill           | 175            | 200           |
| Jun-10   | Offshore Defender <sup>1</sup> | 2007       | LeTourneau Super 116E          | 350 | Scorpion Offshore | Seadrill           | 175            | 200           |
| Jun-10   | Offshore Resolute <sup>1</sup> | 2008       | LeTourneau Super 116E          | 350 | Scorpion Offshore | Seadrill           | 175            | 200           |
| Jun-10   | Offshore Vigilant <sup>1</sup> | 2008       | LeTourneau Super 116E          | 350 | Scorpion Offshore | Seadrill           | 175            | 200           |
| Jun-10   | Offshore Intrepid <sup>1</sup> | 2009       | LeTourneau Super 116E          | 350 | Scorpion Offshore | Seadrill           | 175            | 200           |
| Jun-10   | Offshore Freedom <sup>1</sup>  | 2009       | LeTourneau Super 116E          | 350 | Scorpion Offshore | Seadrill           | 175            | 200           |
| Jun-10   | Offshore Mischief <sup>1</sup> | 2010       | LeTourneau Super 116E          | 350 | Scorpion Offshore | Seadrill           | 175            | 200           |
| (1) Implied value per: company level transaction |                                |            |                                |     |                   |                    | <b>Average</b> | <b>207</b>    |
|  |                                |            |                                |     |                   |                    |                | <b>232</b>    |

Source: RS Platou Offshore, RS Platou Markets AS

Despite of increasing dayrates for older assets, there have been limited changes to the appetite for these assets in the secondhand market. The price remains in the range of USD 30-50 million, depending on the state and quality of the asset. This also lends support to the thesis that both operators and contractors see more value in modern assets when looking into the future.

## JACK-UP 2<sup>ND</sup> HAND VALUES



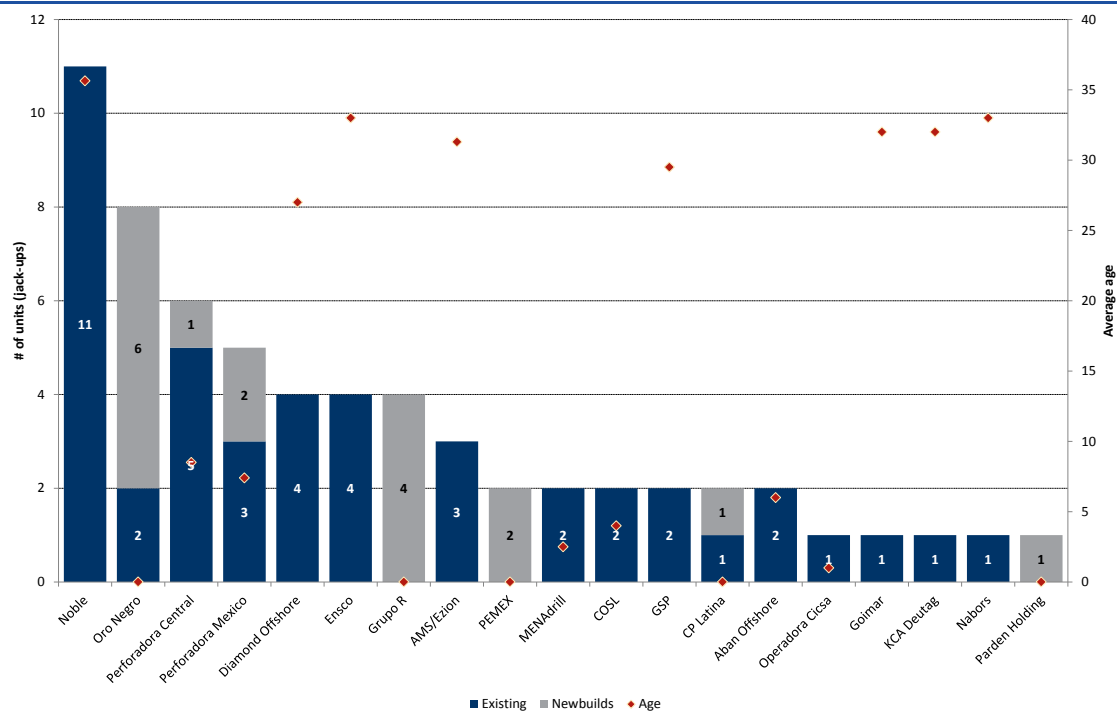
Source: RS Platou Offshore

## 9.7 Mexico & the Mexican jack-up market

Mexico is among the world's largest oil producers and a major exporter to the U.S. As of January 2013, the country's oil reserves reached a level of 13.86 billion barrels (Brownsville Economic Development Council, 2013). According to Mexican law, the Mexican national oil company Petroleos Mexicanos (PEMEX) is the only company that can exploit the country's oil reserves (Reuters, 2012). PEMEX is currently Mexico's largest and the America's 13th largest company (Pemex, 2013). Taxes and royalties from PEMEX account for as much as approximately 35% of the Mexican government's total revenue (EIA, 2012). However, Mexico has struggled with declining production over some time and in order to improve production PEMEX is planning to increase its 2013 capital expenditures to a level of USD 25.3 billion (Brownsville Economic Development Council, 2013). USD 20 billion of the total budget will be allocated towards upstream activities and tendering activity is expected to rise (Brownsville Economic Development Council, 2013). The declining trend in oil production and the expected increase in PEMEX capital spending can be seen from the graph titled "Pemex oil & gas production vs. Pemex capex".

The Mexican part of the Gulf of Mexico consists mainly of shallow water fields, where jack-ups are deployed for drilling. PEMEX has favored newer assets, and has included age restrictions in their most recent jack-up tender. The theory that PEMEX is likely to favor newer assets was recently strengthened, when it was earlier this year announced that the company obtained a USD 1 billion dollar credit line from the Chinese government. According to the press release, the purpose of the credit line is to renew PEMEX's current offshore fleet (Bloomberg, 2013). The chart below gives an overview of the ownership and the average age of the jack-ups currently deployed in Mexico.

**MEXICO JACK-UP LEAGUE TABLE AND AVERAGE AGE OF FLEET**

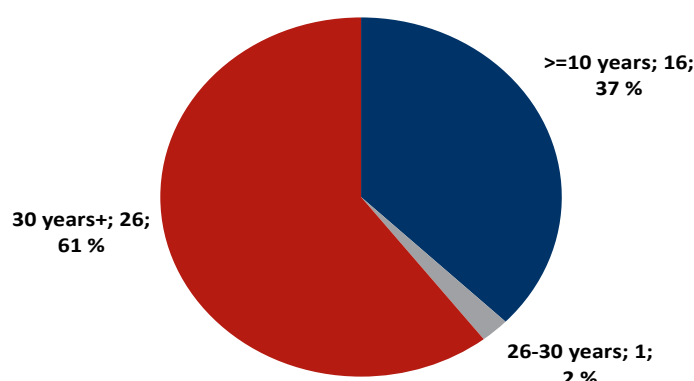


Source: RS Platou Markets AS

There are currently 43 jack-ups operating in Mexico with an additional 15 units under construction controlled by Mexican owners. The units under construction are expected to mobilize to Mexico following yard delivery.

The average age of the operating fleet in Mexico is about 25 years and rapidly increasing. Noble's fleet is on average 36 years old and a gradual fleet rejuvenation driven by age requirements and changes in Pemex's contracting scheme should be expected. Going forward, it is also expected that Pemex will favor local content.

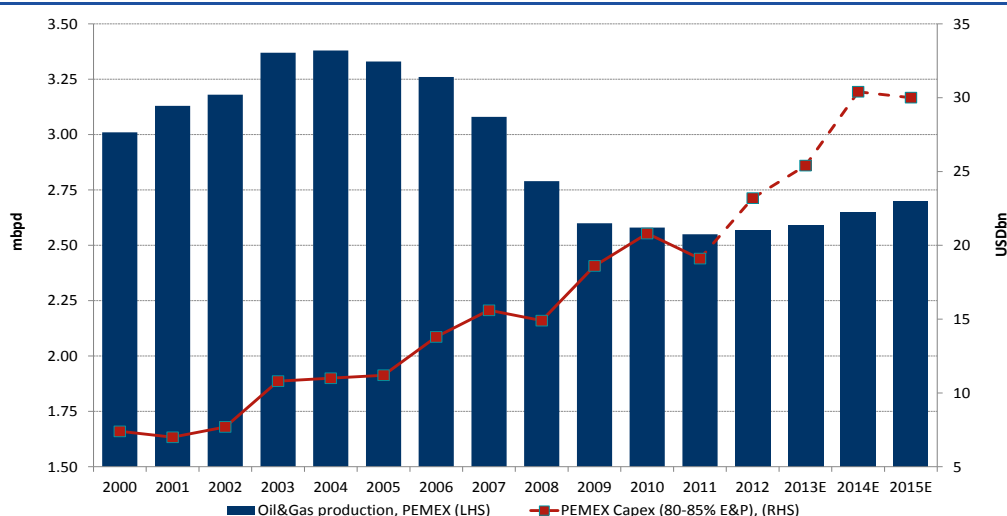
### AGE DISTRIBUTION ACROSS THE JACK-UP FLEET



Source: RS Platou Markets AS

In addition to the fleet rejuvenation, a general increase in the number of jack-ups is expected to counterbalance Mexico's declining oil and gas production. PEMEX has seen a 24 percent decline in oil and gas production from its peak year in 2004, hence in order to offset the declining trend, PEMEX's E&P budget is expected to sharply increase over the next years. This upward trend is evident from the graph below.

### PEMEX OIL & GAS PRODUCTION VS. PEMEX CAPEX



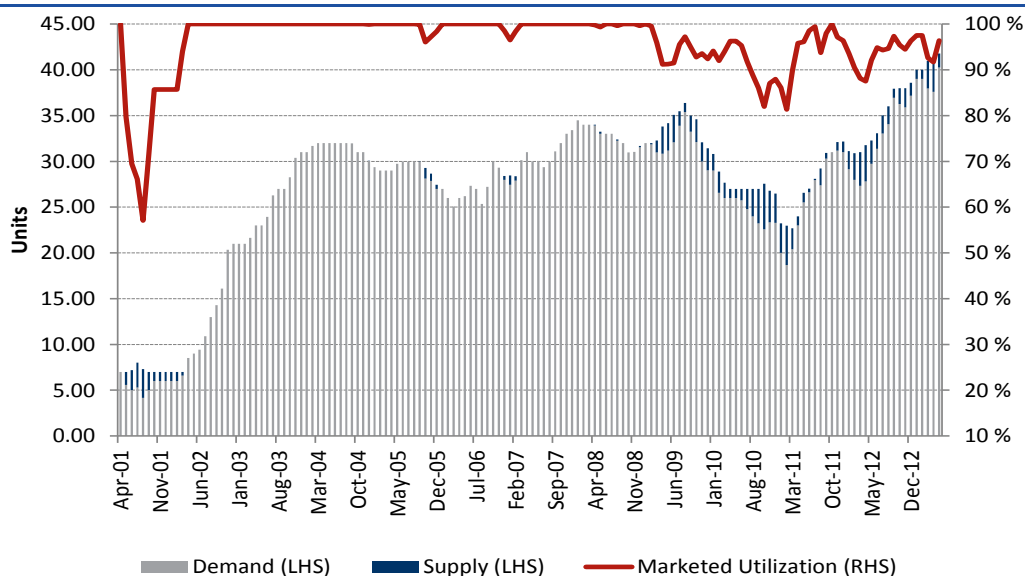
Source: RS Platou Offshore, RS Platou Markets AS

The prospect of increased activity in the Mexican oil industry was further strengthened by the recent change in Mexico's political regime. According to Reuters (2013), President Enrique Peña Nieto is determined to reform Mexican energy and tax laws, in order to increase the economic activity in the country. More specifically, President Peña Nieto stated that he will aim for a constitutional reform which will allow private investors to help develop Mexico's energy infrastructure (Reuters, 2013). A constitutional reform of this nature may allow PEMEX to create strategic associations with the private oil and gas sector (Reuters, 2012). Such partnerships are expected to increase activity and efficiency in the region (Reuters, 2012). The Chinese credit line and the recent comment by President Peña Nieto regarding strategic partnerships are both examples of how Mexico now seems more inclined to cooperate with foreign partners. Access to new capital and more advanced technology are motivating Mexico's plan to reform its energy sector. As such, large international oil companies will likely partner with PEMEX under a new regulatory regime.

Some companies have already initiated the process of forging closer ties with Mexico and PEMEX. Statoil (majority owned by the Norwegian government) have set up a technology sharing office in Mexico (Forbes, 2012) and have signed a five-year non-commercial agreement in order to promote technological cooperation (Reuters, 2013). Exxon recently also signed a similar agreement (Reuters, 2013). As a third example, Repsol (9.5% owned by Pemex) has formed a relationship with PEMEX during the last few years (Forbes, 2012). As new legislation moves closer, other companies are likely to follow suit. Strong interest in the Mexican part of the Gulf of Mexico seems particularly likely considering that the major oil companies all have substantial experience from the U.S. part of the Gulf of Mexico (Forbes, 2012). The world's largest oil refining center is also located in the U.S. part of the Gulf of Mexico (Forbes, 2012).

A stable high oil price combined with declining PEMEX oil and gas production has resulted in a steady increase in jack-up demand since the middle of 2011. Utilization has increased from the low-80% level following the Macondo accident in 2010, to the mid-90% level. This is similar to the overall trend discussed in the section covering the global jack-up market.

#### MEXICO JACK-UP SUPPLY VS. DEMAND



Source: ODS Petrodata, RS Platou Markets AS

Dayrates for leading-edge units are now seen at the USD 160 thousand level, and the underlying trend in Mexico is to award multi-year contracts for premium jack-ups. The dayrates for these units have been in the USD 150-160 thousand range. Additional contracts that will match or exceed current dayrate levels are expected to be announced in the near term.

## MEXICO JACK-UP FIXTURES

| Rig Name                | Rig type | Manager             | WD (ft) | Fixture date | Contract start | Duration (days) | Dayrate (USDk) | Country | Operator | Contract Lead Time (days) |
|-------------------------|----------|---------------------|---------|--------------|----------------|-----------------|----------------|---------|----------|---------------------------|
| La Santa Maria          | Jackup   | CP Latina           | 400     | 5-Aug-13     | 5-Dec-13       | 2,555           | 158            | Mexico  | PEMEX    | 122                       |
| Covadonga               | Jackup   | CP Latina           | 400     | 5-Aug-13     | 22-Mar-14      | 2,555           | 158            | Mexico  | PEMEX    | 229                       |
| Ocean Scepter           | Jackup   | Diamond Offshore    | 350     | 24-Jul-13    | 29-Jul-13      | 155             | 135            | Mexico  | PEMEX    | 5                         |
| Deep Driller 1          | Jackup   | Aban Offshore       | 375     | 10-May-13    | 29-Jul-13      | 1,115           | 159            | Mexico  | PEMEX    | 80                        |
| Primus                  | Jackup   | Vantage Drilling    | 400     | 7-May-13     | 27-May-13      | 1,030           | NA             | Mexico  | PEMEX    | 20                        |
| Laurus                  | Jackup   | Vantage Drilling    | 400     | 7-May-13     | 22-Sep-13      | 1,233           | NA             | Mexico  | PEMEX    | 138                       |
| Independencia 1         | Jackup   | Operadora Cicsa     | 400     | 7-May-13     | 1-Jun-13       | 2,555           | 162            | Mexico  | PEMEX    | 25                        |
| Deep Driller 7          | Jackup   | Aban Offshore       | 375     | 7-May-13     | 31-Mar-13      | 1,005           | 151            | Mexico  | PEMEX    | -                         |
| GSP Orizont             | Jackup   | GSP                 | 300     | 12-Apr-13    | 1-Feb-13       | 1,095           | NA             | Mexico  | PEMEX    | -                         |
| GSP Atlas               | Jackup   | GSP                 | 300     | 12-Apr-13    | 1-Jan-13       | 1,095           | NA             | Mexico  | PEMEX    | -                         |
| Papaloapan              | Jackup   | Perforadora Central | 375     | 4-Apr-13     | 24-Apr-13      | 1,356           | NA             | Mexico  | PEMEX    | 20                        |
| Ocean Nugget            | Jackup   | Diamond Offshore    | 300     | 29-Jan-13    | 1-May-13       | 1,136           | 97             | Mexico  | PEMEX    | 92                        |
| Independencia 1         | Jackup   | Operadora Cicsa     | 400     | 1-Jan-13     | 15-Feb-13      | 2,555           | 155            | Mexico  | PEMEX    | 45                        |
| Grijalva                | Jackup   | Perforadora Central | 200     | 30-Aug-12    | 1-Oct-12       | 425             | 50             | Mexico  | PEMEX    | 32                        |
| Noble Tom Jobe          | Jackup   | Noble               | 250     | 31-May-12    | 23-Jun-12      | 1,049           | 85             | Mexico  | PEMEX    | 23                        |
| Noble Earl Frederickson | Jackup   | Noble               | 250     | 31-May-12    | 22-Jun-12      | 809             | 85             | Mexico  | PEMEX    | 22                        |
| <b>Average</b>          |          |                     |         |              |                | <b>1358</b>     | <b>127</b>     |         |          | <b>53</b>                 |

Source: ODS Petrodata, RS Platou Markets AS

## 10 ARTICLES OF ASSOCIATION

Please find below a summary and description of the key provisions of the articles of association of the Issuer (the “Articles of Association”).

### 10.1 Share rights – voting

The Shareholders will be entitled to one vote per share on all matters submitted to a vote of the Shareholders. Any action to be taken by the Shareholders at any meeting at which a quorum is in attendance shall be decided by the affirmative votes of a simple majority of the votes cast at such meetings, except as otherwise set forth in the Articles of Association (some instances of which are set out below).

### 10.2 Share rights – dividends

Under the Articles of Association and Bermudian law, the Board of Directors may declare and pay dividends from time to time unless there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due or that the realisable value of its assets would thereby be less than the aggregate of its liabilities and issued share capital and share premium accounts. Depending on the rights attached a particular class of shares in the company, the Shareholders are entitled to dividends only if, as and when dividends are declared by the Board of Directors.

### 10.3 Capitalisation of profits and reserves

Pursuant to the Articles of Association, the Board of Directors may (i) capitalise all or any part of the amount of the company’s share premium or other reserve accounts or any amount credited to its profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro rata (except in connection with the conversion of shares) to the Shareholders; or (ii) capitalise any sum standing to the credit of a reserve account or sums otherwise available for dividend or distribution by paying up in full partly paid shares of those Shareholders who would have been entitled to such sums if they were distributed by way of dividend or distribution.

#### **10.4 Changes to rights of a class**

If at any the Company has more than one class of shares outstanding, the rights attached to any class, unless otherwise provided for by the terms of issue of the relevant class, may be varied either: (i) with the consent in writing of the holders of 75 per cent in nominal value of the issued shares of that class; or (ii) with the sanction of a majority of votes cast at a general meeting of the relevant class of Shareholders at which a quorum, consisting of two or more persons holding or representing by proxy one-third of the issued shares of the class, is present. The Articles of Association specify that the creation or issue of shares ranking equally with existing shares will not, unless expressly provided by the terms of issue of those shares, vary the rights attached to existing shares.

#### **10.5 Rights upon liquidation**

In the event of the company's liquidation, dissolution or winding up, holders of Common Shares are entitled to share rateably in proportion to the shareholding in the company's assets, if any, remaining after the payment of all of the company's debts and liabilities, subject to any liquidation preference on any outstanding preference shares.

#### **10.6 Transfer of shares**

The Board of Directors may in its absolute discretion and without assigning any reason refuse to register the transfer of share that is not fully paid. The Board of Directors may also refuse to recognise an instrument of transfer of a Common Share unless it is accompanied by the relevant share certificate and such other evidence of the transferor's right to make the transfer as the Board of Directors shall reasonably require. Subject to these restrictions, a holder of Common Shares may transfer the title to all or any of its shares by completing a form of transfer in such other common form as the Board of Directors may accept.

#### **10.7 Repurchase rights**

The Board of Directors may, at its discretion, authorise the purchase by company of its own shares of any class, at any price (whether at par or above or below par), as long as the purchase is made in accordance with the provisions of the Bermuda Companies Act. The repurchased shares may be cancelled or held as treasury shares, at the option of the Board.

#### **10.8 Pre-emptive, redemption, sinking fund and conversion rights**

The Articles of Association (and Bermudian law generally) give no pre-emptive, redemption, conversion or sinking fund rights to holders of Common Shares.

#### **10.9 Election and removal of Directors**

The Articles of Association provide for the number of members of the Board of Directors. Each Director is elected for a one-year term of office, expiring at each annual general meeting.

A Director may be removed by shareholders' resolution at a general meeting provided notice is given to the Director of the shareholders' meeting convened for the purpose of removing the Director. The notice must contain a statement of the intention to remove the Director and a summary of the facts justifying the removal and must be served on the Director not less than fourteen (14) days before the meeting. The Director is entitled to attend the meeting and be heard on the motion for his removal.

Any vacancy arising from the removal of a Director for cause may be filled by the Shareholders at the meeting at which such Director was removed. If the Shareholders do not fill such vacancy, it may be filled by the Board of Directors. Any casual vacancy among Directors may be filled for the unexpired

term by the remaining Directors, provided that a quorum remains in office. During any vacancy the remaining Directors shall have full power to act as the Board of Directors.

#### **10.10 Indemnification of Directors**

The company shall indemnify any current or former Director, officer, resident representative, member of a committee duly constituted under the Articles of Association and any liquidator, manager or trustee for the time being acting in relation to the affairs of the company, and his heirs, executors and, against expenses actually and reasonably incurred in connection with any threatened, pending or completed action, suit or proceeding.

Under the Bermuda Companies Act and the Articles of Association, no indemnification may be provided if the individual is fraudulent, dishonest or grossly negligent in the performance of his duties to the company.

Under the Articles of Association, each Shareholder waives any claim whether on his behalf or on behalf of the company, against any Director or officer for any action taken by the Director or officer, or the failure of the Director or officer to take any action in the performance of his duties, provided that this waiver does not extend to any matter involving any fraud, dishonesty or grossly negligent on the part of the Director or officer.

The indemnification provided for in the Articles of Association is not exclusive of other rights to which a Director or officer may be entitled, including rights provided pursuant to the Articles of Association, any agreement, any insurance purchased by the company, vote of shareholders or disinterested Directors, or otherwise, provided that indemnification does not extend to fraud, dishonesty or gross negligence.

#### **10.11 Proceedings of the Board of Directors**

The Articles of Association provide that the company's business is to be managed and conducted by the Board of Directors. Bermudian law allows for corporate directors as well as individual directors, but there is no requirement in its Articles of Association or under Bermudian law requiring the Directors to hold any shares of the company. There is also no requirement in the Articles of Association or under Bermudian law requiring the Directors to retire at a certain age.

The remuneration of the Directors is determined by the company in general meeting or by the Board of Directors. The Directors may also be reimbursed for all travel, hotel and other expenses properly incurred by them in connection with the company's business or their duties as Directors.

A Director must disclose a direct or indirect interest in any contract or arrangement with the company as required by Bermudian law. A Director is entitled to vote in respect of any contract or arrangement in which he is interested.

#### **10.12 Annual General Meeting**

Under Bermudian law, a company is required to convene at least one general meeting of shareholders each calendar year. Under Bermudian law, at least 5 clear days' notice in writing of an annual general meeting must be given to each Shareholder entitled to vote at such meeting. This notice requirement is subject to the ability to hold such meetings on shorter notice if such notice is agreed by all of the Shareholders entitled to attend and vote at such annual general meeting.

At least one Shareholder entitled to attend and vote on the business to be transacted at the meeting constitutes a quorum and if not present, the meeting must be adjourned and the company must provide notice to Shareholders in the event the meeting is to be reconvened.

### **10.13 Special General Meetings**

A special general meeting is any Shareholders' meeting other than an annual general meeting. It may be called by the Chairman of the Board of Directors or requisitioned by the holders of at least ten per cent of the shares as provided by the Bermuda Companies Act.

Under the Articles of Association, at least five clear days' notice in writing of a special general meeting must be given to each Shareholder entitled to vote at such meeting. This notice requirement is subject to the ability to hold such meetings on shorter notice if such notice is agreed by a majority of Shareholders entitled to attend and vote at the meeting holding not less than 95 per cent of the shares entitled to vote at such special general meeting.

At least one Shareholder entitled to attend and vote on the business to be transacted at the meeting constitutes a quorum and if not present, the meeting must be adjourned and the company must provide notice to shareholders in the event the meeting is to be reconvened.

### **10.14 Shareholder consent in writing**

The Articles of Association provide that Shareholders may take action by written consent with majority Shareholder consent required. Any action that can be approved by the Shareholders in a general meeting can be approved in writing, except the removal of a Director or the removal of an auditor of the company.

### **10.15 Alteration of Memorandum of Association and Bye-Laws**

The Articles of Association provide that the Articles of Association may be amended from time to time by resolution of the Board of Directors, but subject to approval by a resolution of the Shareholders in general meeting. The Articles of Association may be altered with a resolution of the Shareholders.

### **10.16 Discontinuance**

The Board of Directors has been given all the powers of the company in Bermuda to discontinue the company to another jurisdiction.

## **11 INSOLVENCY AND BANKRUPTCY PROVISIONS OF BERMUDA LAW**

As the Issuer is incorporated under the laws of Bermuda, an insolvency proceeding relating to the Issuer, even if brought in another jurisdiction, would likely involve Bermuda insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of those of other jurisdictions with which you are familiar. You should also note that the process of making a claim as creditor of the Issuer under Bermuda laws may be complex and time-consuming, and could result in substantial reduction in payments to you as holder of the Bonds.

In Bermuda, there are two forms liquidation, namely voluntary winding up and compulsory liquidation by the court. The Issuer may be voluntarily wound up if it resolves to do so by a resolution of its shareholders. If each of the directors of the Issuer makes a statutory declaration that they are of the view that the Issuer will be able to pay its debts in full within a period of 12 months after the commencement of the winding up, then the winding up will proceed as a members' voluntary liquidation. In such circumstances, the shareholders will appoint the liquidator. If the directors do not make such a statutory declaration, then the winding up will proceed as a creditors' voluntary winding up, in which case the directors must call a meeting of creditors in order to appoint the liquidator.

The Issuer may also be compulsorily wound up by an order of court pursuant to a petition presented by inter alia (i) the Issuer or the directors of the Issuer or (ii) a creditor (including a contingent or



prospective creditor) or (iii) the Official Receiver or (iv) a member if it can show a tangible interest in a subsequent liquidation;. If a petition is presented, the court may order the winding up of the Issuer if, inter alia (i) the Issuer has by resolution resolved that it be wound up by the court; or (ii) the Issuer is unable to pay its debts (taking into account contingent and prospective liabilities); or and (iii) that the court is of opinion that it is just and equitable that the Issuer be wound up. The most common ground for winding up is that a company is unable to pay its debts. Under Bermuda law, the Issuer shall be deemed unable to pay its debts if there has been a (i) the failure to pay a sum demanded in excess of \$500 within 3 weeks of such demand; (ii) an unsatisfied judgment, decree or order of any court in favour of a creditor; or (iii) if it is proved to the satisfaction of the court that the Issuer is unable to pay its debts and in determining whether the Issuer is unable to pay its debts, the court will take into account the contingent and prospective liabilities of the Issuer.

If winding up proceedings against the Issuer commence, your ability to receive payment on the Bonds may be affected because although creditors have priority over members to the residual assets of the Issuer, the assets of the Issuer needs to be distributed pro rata to all unsecured creditors of the Issuer. As an unsecured creditor, you will rank behind secured and preferred creditors and even amongst the unsecured creditors, all unsecured debts rank equally and if there is insufficient assets to pay everyone, the debts abate in equal proportions and so you will be treated *pari passu* with the rest of the unsecured creditors of the Issuer for payment. Secured creditors need not prove for their debts but can realise their security and obtain full satisfaction. If security is inadequate they may then prove as unsecured creditors for the balance. Once the secured creditors have been paid out of the assets that comprise their securities, the remainder of the assets (if any) will be distributed among the preferred creditors. Subject to the payment of the costs, charges and expenses of winding up the business or the company, employees are given special priority, including over the Crown. Subject to certain conditions, employees are entitled to receive payment in full for: (a) vacation accrued but not taken; (b) wages earned but not paid; and (c) severance allowance calculated in accordance with the Employment Act 2000, up to a maximum of 26 weeks' wages. These debts will rank equally among themselves and are paid in full unless the assets available for general creditors are insufficient to meet them, in which case they will abate in equal proportions. Such employees are given priority over other preferential payments listed in section 236 of the Companies act 1981. Broadly, those preferential payments are as follows: (a) all taxes owing to the Government and rates owing to a municipality at the relevant date; (b) specified sums for wages or salary and accrued vacation remuneration, (c) subject to certain conditions, all amounts due in respect of contributions payable under the Contributory Pensions Act 1970; and (d) subject to certain conditions, all amounts due in respect of any compensation or liability for compensation under the Workmen's Compensation Act 1965. Only after all the secured and preferred debts are paid will the unsecured creditors get paid (if at all).

In the case of winding up by the court, any disposition of the property of the Issuer, any transfer of shares or alteration in the status of members made after the commencement of winding up by the court shall be void unless approved by the court. Once a winding up application is made, any execution by a judgment creditor that has not been fully completed against the Issuer before the commencement of winding up (whether the winding up is by the court or voluntary), may be avoided as against the liquidator. Such a judgment creditor would have to prove in the liquidation for his debt. Similarly, after the commencement of winding up by the court or a creditors' voluntary liquidation, any attachment, sequestration, distress or execution put in force against the estate or effects of the Issuer shall be void. In addition, in the case of winding up by the court, at any time after the presentation of the petition and before a winding up order has been made, the Issuer or any creditor may apply to the court to stay any proceedings pending against the Issuer. When a winding up order has been made, no action may be started against the Issuer or proceeded with except with the leave of the court. Similarly, in the case of

voluntary winding up, after the commencement of winding up, an action commenced or proceeded with against the Issuer may be stated.

In a winding up, the board of directors will be replaced by the liquidator who is tasked to get in the assets of the Issuer so that these can be realized and the proceeds distributed to creditors with any balance going to the members. In most cases, this is a straightforward process. However, there may be circumstances where the Issuer's property has been improperly transferred to third parties and the liquidator must attempt to recover such property. Two common instances involve fraudulent preferences and transactions that are undervalued. Bermuda law prohibits fraudulent preferences and transactions at an undervalue intended to put property beyond the reach of creditors. Generally speaking, a transfer of property amounts to a fraudulent preference if it was made in favour of a creditor of the Issuer at a time when it was insolvent, within 6 months prior to the commencement of the winding-up of the Issuer and for the purpose of preferring that creditor. The transfer must put the creditor in a better position than he would otherwise have been in the winding up of the Issuer. Where the liquidator has established that an act constitutes a fraudulent preference, the act will be considered void and allow the liquidator to recover the property transferred. A transaction entered into by the Issuer with a third party at an undervalue may be set aside by the court where there is disposition of the Issuer's the dominant purpose was put the property which is the subject of that disposition beyond the reach of a person or a class of persons who is making, or may at some time make, a claim against the transferor. A transaction such as this would be voidable at the instance of an eligible creditor if the creditor falls within one of the following categories: (a) a person to whom on, or within 2 years after, the date of the transfer the transferor owed an obligation which obligation remains unsatisfied on the date of the action or proceeding; (b) a person to whom, on the date of the transfer, the transferor owed a contingent liability and since that date the contingency has fallen in, with the liability remaining unsatisfied; and (c) a person to whom the transferor owed an obligation in consequence of a claim that he made against the transferor, where the cause of action giving rise to the claim occurred prior to, or within 2 years of, the transfer.

In addition to the above common instances of improper transfer of property the following actions are also void: (a) any disposition of the property of a company including things in action, after the commencement of the winding-up unless approved by the court; (b) fraudulent trading where the business of a company is carried on with the intent to defraud creditors of the company or for any other fraudulent purpose. Any person found by the court to have been conducting business in this way may be held personally liable for any or all debts of the company; (c) floating charges granted by a company which it was insolvent and within 12 months prior to the commencement of a liquidation unless it is proved that immediately after the creation of the charge the company was solvent except to the extent of cash advances made in consideration for the floating charge; and (d) a conveyance or assignment by a company of all its property to trustees for the benefit of its creditors.

## **12 GENERAL INFORMATION**

### **12.1 Listing**

Application has been made to list the Bonds on the Official List of the Luxembourg Stock Exchange and to admit the Bonds to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

All notices to Bondholders including any notice of any additional redemption, change of control or any change in the rate of interest payable on the Bonds will be published in a Luxembourg newspaper of general circulation (which is expected to be the *Luxemburger Wort*) or, to the extent and in the same manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## **12.2 Documents available**

For so long as the Bonds are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, copies of the following documents may be downloaded free of charge from the website [www.cplatina.com](http://www.cplatina.com):

- (a) the Issuer's and the Guarantors' Memorandum and Articles of Association;
- (b) the Bond Agreement (containing the terms and conditions of the representation of the Bondholders);
- (c) the agreements containing the Guarantees (as defined in the Bond Agreement);
- (d) the Issuer's and the Guarantors' 2013 audited consolidated financial statements;
- (e) future Financial Statements and Interim Accounts as defined in the Bond Agreement, i.e. consolidated annual audited and quarterly unaudited financial statements of the Issuer and unconsolidated annual audited and quarterly unaudited financial statements of each of the Guarantors.

## **12.3 Clearing of the Bonds**

The Bonds have been accepted for clearance through the facilities of Clearstream Banking S.A., Luxembourg and Euroclear SA, Luxembourg, under the ISIN number NO0010683832 and common code 09467043.

## **12.4 Yield**

On the basis of the issue price of 100% of their principal amount and an interest rate of 8.875 % per annum, the yield of the Bonds is 8.875 % on an annual basis.

## **12.5 Authorisation**

The issue of the Bonds was authorised by a decision of the board of directors of the Issuer passed on 10 October 2013.

## **12.6 No significant change**

Save as discussed elsewhere in this Prospectus, there have not been any significant changes in the capitalisation of the Issuer and of the Guarantors since 31 December 2013. In particular, no significant change occurred since that date in the Issuer's or the Guarantors' financial or trading position.

## **12.7 Important agreements and intellectual property**

Save for delivery of Rig 1 under the Rig 1 Construction Contract and of Rig 2 under the Rig 2 Construction Contract, both described elsewhere in this Prospectus, the Issuer and the Guarantors are not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes, nor are such factors of fundamental importance to the Issuer's business or profitability.

## **12.8 Legal and arbitration proceedings**

Save as disclosed in this Prospectus, there has been no legal or arbitration proceedings during the period between the dates of incorporation of the Issuer and of the Guarantors and the date of this Prospectus which may have or have had a significant effect on the Issuer's and the Guarantors' financial positions or profitability.

### **12.9 Time of validity of claims**

Claims for payment of interest or capital are governed by the Norwegian Limitation Act of 18 May 1979, No. 18. The general limitation for claims registered in VPS is ten years from the respective due date of the payment.

### **12.10 Independent Auditors**

Deloitte, with registered office at Paseo de la Reforma 505, Cuauhtémoc, Distrito Federal, is the Issuer's and the Guarantors' independent auditor. Deloitte has audited the Issuer's consolidated financial statements included in this Prospectus and has provided the report to that effect. Deloitte has given, and has not withdrawn, its consent to the inclusion of its report and the reference to itself herein in the form and context in which it is included.

**ANNEX 1: THE BOND AGREEMENT DATED 11 OCTOBER 2013**

ISIN NO 001068383.2

**AMENDED AND RESTATED BOND AGREEMENT**

between

**Latina Offshore Limited**

(Issuer)

and

**Norsk Tillitsmann ASA**

(Bond Trustee)

on behalf of

**the Bondholders**

in the bond issue

8.875 per cent Latina Offshore Limited  
Senior Secured Callable Bond Issue 2013/2018

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This amended and restated bond agreement (the "**Bond Agreement**") has been entered into on \_\_\_\_\_ October 2013 between

- (1) Latina Offshore Limited (a company existing under the laws of Bermuda with registration number 47772), as issuer (the "**Issuer**"), and
- (2) Norsk Tillitsmann ASA (a company existing under the laws of Norway with registration number 963 342 624) as bond trustee (the "**Bond Trustee**").

The Bond Agreement amends, restates and replaces in full the bond agreement entered into between the Bond Trustee and Santa Maria Offshore Limited dated 3 July 2013 (the "**Original Bond Agreement**") and any and all liabilities and obligations incurred by Santa Maria Offshore Limited as Issuer under the Original Bond Agreement are hereby transferred to and assumed by the Issuer and the Trustee releases Santa Maria Offshore Limited from any and all liabilities and obligations incurred by it as Issuer in relation to the Original Bond Agreement and this Bond Agreement.

## 1 **INTERPRETATION**

### 1.1 **Definitions**

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

"**Account Bank**" means the Paying Agent or (other) first class international bank(s) with a credit rating of at least "A" from Standard & Poor or similar level from Moody or Fitch.

"**Account Manager**" means a Bondholder's account manager in the Securities Depository.

"**Accounts**" means the Escrow Account, the Additional Escrow Account, the Interest Retention Account, the Rig 1 Owner Interest Retention Account, the Rigowner Earnings Accounts, the Issuer Equity Account, the Rigowner Liquidity Accounts, the Issuer Liquidity Account, the Parent Earnings Accounts and, to the extent relevant, any accounts for operating expenses or other accounts related to the operations of the Rigs held by the Parent, the Guarantors and/or the Issuer.

"**Additional Escrow Account**" means an account in the name of the Issuer or any of the Rigowners, as the case may be, into which a part of the net proceeds from the Bond Issue may be transferred from the Escrow Account, pledged and blocked on first priority as Security for the Issuer's obligations under the Finance Documents.

"**Additional Escrow Account Pledge**" means the first priority pledge over the Issuer's claim against the bank for the amount from time to time standing to the credit of the Issuer in the Additional Escrow Account, where the bank operating the account has waived any set-off rights.

"**Additional Security**" means all Security provided in accordance with the provisions of Clause 8.2.

"**Amended and Restated Rig 1 Security**" means the security established and perfected in conjunction with settlement of the Original Bond Issue and the delivery of Rig 1 that is to be maintained as Security, amended and restated to apply for the Bonds, including the following:

- (i) the Mortgage over Rig 1;
- (ii) the Assignments of Insurances for Rig 1;
- (iii) the Assignment of Pre-Operational Management Agreement for Rig 1;

- (iv) the assignment of the Original G&A Services Agreement with the Parent;
- (v) the Rigowner Share Charge for the Rig 1 Owner;
- (vi) the Floating Charge from the Rig 1 Owner; and
- (vii) pledge of the relevant Accounts established under the Original Bond Issue, i.e. the Parent Earnings Account relating to Rig 1, the Rigowner Earnings Account in the name of Rig 1 Owner, the Rig 1 Owner Interest Retention Account, the Rigowner Liquidity Account in the name of Rig 1 Owner.

**"Assignment of Bareboat Charter"** means an assignment (or such similar Security under the relevant jurisdiction) on first priority of all earnings and other rights of the relevant Rigowner under any Bareboat Charter.

**"Assignment of Charter Contract"** means an assignment (or such similar Security under the relevant jurisdiction) on first priority of all other rights than earnings of the Parent, the relevant Rigowner or Rigowner Subsidiary (as the case may be) under the Charter Contract.

**"Assignment of Earnings"** means an assignment (or such similar Security under the relevant jurisdiction) on first priority of all earnings and monies due in respect of any of the Rigs and the operation thereof and services rendered in relation thereto which are payable to the Parent, the relevant Rigowner or Rigowner Subsidiary (as the case may be), including any such earnings deriving from the Charter Contract.

**"Assignment of G&A Service Agreement"** means an assignment (or such similar Security under the relevant jurisdiction) on first priority of all earnings and other rights of the Parent under the G&A Service Agreement.

**"Assignment of Insurances"** means an assignment (or such similar Security under the relevant jurisdiction) on first priority of all claims in respect of policies and contracts of insurance in relation to each of the Rigs (other than third party liability insurances).

**"Assignment of Intercompany Loans"** means an assignment (or such similar Security under the relevant jurisdiction) on first priority of all monetary claims and other rights of the Issuer under the Intercompany Loans.

**"Assignment of Operational Management Agreements"** means assignment (or such similar Security under the relevant jurisdiction) on first priority of all earnings and other rights of the Parent under the Operational Management Agreements.

**"Assignment of Pre-Operational Management Agreements"** means assignment (or such similar Security under the relevant jurisdiction) on first priority of all earnings and other rights of the Parent under the Pre-Operational Management Agreements.

**"Assignment of Subordinated Loans"** means an assignment (or such similar Security under the relevant jurisdiction) on first priority of all monetary claims and other rights of the Parent, Holdco, the Issuer and any of the Guarantors (as the case may be) under any Subordinated Loan.

**"Attachments"** means the attachments to this Bond Agreement.

**"Bareboat Charter"** means any bareboat charter entered into between the Parent or (as the case may be) a Rigowner Subsidiary as charterer and any of the Rigowners as owner with respect to any of the Rigs from time to time.



**"Bareboat Charter Hire Adjustment"** means an adjustment to be made to the calculation of the charter hire under any Bareboat Charter to reflect fair market value terms in the relevant jurisdiction in the event of a Bareboat Charter being entered into with respect to operation in any other jurisdiction than Mexico.

**"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 16.

**"Bond Issue"** means the Original Bond Issue and the Tap Issue.

**"Bonds"** means the debt instruments issued by the Rig 1 Owner in the Original Bond Issue and the Issuer in the Tap Issue, all regulated exclusively under this Bond Agreement and the other Finance Documents.

**"Business Day"** means any day on which Norwegian and New York banks are open for general business, and when Norwegian and New York banks can settle foreign currency transactions and the Norwegian Central Bank's Settlement System is open.

**"Business Day Convention"** means that no adjustment will be made, notwithstanding that the period end date occurs on a day that is not a Business Day, and if such date is not a Business Day, payments of interest 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.

**"Change of Control Event"** means if any person or group (i) other than the Parent, becomes the owner, directly or indirectly, of 50% or more of the outstanding shares and/or voting rights of Holdco, or (ii) other than members of the Del Valle family, becomes the owner, directly or indirectly, of 50% or more of the outstanding shares and/or voting rights of the Parent.

**"Charter Contract"** means any charter contract entered into by the Parent, any of the Rigowners or a Rigowner Subsidiary (as the case may be) towards clients for employment of any of the Rigs from time to time.

**"Construction Budget"** means the project budget for capital requirements and funding as described in the Offering Memorandum.

**"Construction Contracts"** means the Rig 1 Construction Contract and the Rig 2 Construction Contract.

**"Construction Management Agreements"** means agreements entered into between Parent and GL Noble Denton to plan, supervise and manage the construction of each of the Rigs as further described in the Offering Memorandum.

**"Decisive Influence"** means a person having, as a result of an agreement or through the ownership of shares or interests in another person:

- (i) a majority of the voting rights in that other person; or
- (ii) 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 18.2.

**"Delivery Date"** means the date Rig 2 is delivered from the Yard, expected to be on or about 30 November 2013.

**"Equity"** means the aggregate amount which would in accordance with IFRS be shown in the Issuer's consolidated Financial Statements as the shareholders' equity, for the avoidance of doubt to include the outstanding amount of Subordinated Loans.

**"Equity Ratio"** means Equity to Total Assets.

**"Escrow Account"** means an account in the name of the Issuer, into which the net proceeds from the Tap Issue will be paid, pledged and blocked on first priority as Security for the Issuer's obligations under the Finance Documents.

**"Escrow Account Pledge"** means the first priority pledge over the Issuer's claim against the bank for the amount from time to time standing to the credit of the Issuer in the Escrow Account, where the bank operating the account has waived any set-off rights.

**"Event of Default"** means the occurrence of an event or circumstance specified in Clause 15.1.

**"Exchange"** means (i) a securities exchange or other reputable regulated market, or (ii) the Luxembourg Stock Exchange, the Euro MTF Market or such other internationally recognized stock exchanged approved by the Bond Trustee, on which the Bonds are listed, or where the Issuer has applied for listing of the Bonds.

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

**"Finance Documents"** means

- (viii) this Bond Agreement;
- (ix) the agreement between the Bond Trustee and the Issuer referred to in Clause 14.2;
- (x) the Security Documents (including any notice, acknowledgement and other ancillary documentation relating thereto);
- (xi) the Guarantees;
- (xii) the Parent Undertaking;
- (xiii) the Holdco Undertaking;
- (xiv) any document executed in relation to the granting of any Security to the Bond Trustee under the Finance Documents;
- (xv) any other document (whether creating a Security or not) which is executed at any time by the Issuer or any other person in relation to any amount payable under this Bond Agreement; and
- (xvi) any other document (whether creating a Security or not) designated as a Finance Document.

**"Financial Indebtedness"** means any indebtedness for or in respect of:

- (i) moneys borrowed (including acceptance credit and any overdraft facility);
- (ii) any bond, note, debenture, loan stock or other similar instrument;

- (iii) the amount of any liability in respect of any lease, hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;
- (iv) receivables sold or discounted (other than any receivables sold on a non-recourse basis);
- (v) any sale and lease-back transaction, or similar transaction which is treated as indebtedness under IFRS;
- (vi) any liability under a deferred purchase agreement where the deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that asset;
- (vii) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price, including without limitation currency or interest rate swaps, caps or collar transactions (and, when calculating the value of the transaction, only the marked-to-market value shall be taken into account);
- (viii) any amounts raised under any other transactions having the commercial effect of a borrowing or raising of money, (including any forward sale or purchase agreement);
- (ix) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of any underlying liability; and (without double counting); any guarantee, indemnity or similar assurance against financial loss of any person in respect of any of the items referred to above.

**"Financial Statements"** means the audited consolidated and unconsolidated financial statements of the Issuer and the unconsolidated annual financial statements of each of the Guarantors for any financial year, drawn up according to GAAP, such accounts to include a profit and loss account, balance sheet, cash flow statement and report from (as applicable) the Issuer's and the Guarantors' board of directors, provided always that such preparation and publication of reports is in accordance with applicable rules and regulations.

**"Floating Charges"** means the first priority floating charges creating security over all relevant assets, rights (including intellectual property rights) and revenues of each of the Issuer and the Guarantors from time to time and **"Floating Charge"** means any one of them.

**"GAAP"** means the generally accepted accounting practice and principles in the country in which the Issuer is incorporated including, if applicable, IFRS.

**"G&A Service Agreement"** means an agreement to be entered into between the Parent on the one side and each of the Obligors on the other side for the commercial management, accounting, general and administrative services by the Parent to the Obligors, effective from the Delivery Date.

**"Guarantees"** means the on demand guarantees (in Norwegian: *påkravsgaranti*) granted by each of the Guarantors, also including *inter alia* relevant representations and warranties, the Guarantor special covenants as set out in Clause 13.7 and certain event of default provisions and **"Guarantee"** means any one of them.

**"Guarantors"** means the Rig 1 Owner and the Rig 2 Owner and **"Guarantor"** means any one of them.

**"Holdco"** means Latina Offshore Holding Limited, a company existing under the laws of Bermuda with registration number 48193, being the legal and beneficial owner of 100 % of the outstanding shares in the Issuer.

**"Holdco Undertaking"** means an undertaking from Holdco dated on or about the date of the Bond Agreement including inter alia subordination statements for any claims due to the Holdco from the Issuer or any Guarantor under any Subordinated Loans, relevant representations and warranties, the Holdco special covenants as set out in Clause 13.9 and certain events of default provisions.

**"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.

**"Interest Retention Account"** means an account in the name of the Issuer, into which the Issuer shall deposit certain funds for use of payment of interest under the Bonds and the Rig 1 Owner shall transfer all funds from the Rig 1 Owner Interest Retention Account.

**"Interest Retention Account Pledge"** means the first priority pledge over the Issuer's claim against the bank for the amount from time to time standing to the credit of the Issuer in the Interest Retention Account, where the bank operating the account has waived any set-off rights.

**"Interest Payment Date"** means 3 January and 3 July each year and the Maturity Date. Any adjustment will be made according to the Business Day Convention.

**"Intercompany Loans"** means debt established against each of the Rigowners as a result of (i) the forwarding of proceeds from the Tap Issue by the Issuer to Rig 2 Owner and (ii) the assumption by the Issuer of the obligations of Rig 1 Owner under the Original Bond Issue, on such terms and conditions as acceptable to the Bond Trustee, and which shall be serviced in accordance with the Application of Earnings provisions herein.

**"Interim Accounts"** means the unaudited consolidated and unaudited financial statements of the Issuer and the unaudited consolidated statements of each of the Guarantors for any quarter ending on a Quarter Date, drawn up according to GAAP, such accounts to be prepared in accordance with IFRS and include a profit and loss account, balance sheet, cash flow statement and management commentary or report from the Issuer's and the Guarantors' board of directors, provided always that such preparation and publication of reports is in accordance with applicable rules and regulations.

**"ISIN"** means International Securities Identification Number – the identification number of the Bond Issue.

**"Issue Date"** means 11 October 2013.

**"Issuer Account Pledges"** means the Interest Retention Account Pledge, the Issuer Equity Account Pledge, the Issuer Liquidity Account Pledge, the Escrow Account Pledge, and any other pledge on first priority over the Issuer's claim against the bank for the amount from time to time standing to the credit of the Issuer in any other bank accounts from time to time.

**"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.

**"Issuer Equity Account"** means an account in the name of the Issuer into which the Minimum Equity shall be paid.

**"Issuer Equity Account Pledge"** means the first priority pledge over the Issuer's claim against the bank for the amount from time to time standing to the credit of the Issuer in the Issuer Equity Account, where the bank operating the Issuer Equity Account has waived any set-off rights.

**"Issuer Liquidity Account"** means an account in the name of the Issuer into which *inter alia* the Issuer shall deposit funds in accordance with Clause 13.5.

**"Issuer Liquidity Account Pledge"** means the first priority pledge over the Issuer's claim against the bank for the amount from time to time standing to the credit of the Issuer in the Issuer Liquidity Account, where the bank operating the Issuer Liquidity Account has waived any set-off rights.

**"Issuer Share Charge"** means a first priority charge by Holdco over all outstanding shares and related rights in the Issuer from time to time.

**"Issuer Subordinated Loan"** means a loan in the amount of USD 5,000,000 granted from the Issuer to Rig 1 Owner in accordance with a subordinated loan agreement dated on or about the date hereof.

**"Liquidity"** means, at any given time, the aggregate book value of the freely available and unencumbered (save for the Issuer Liquidity Account Pledge, the Rig 1 Owner Liquidity Account Pledge and the Rig 2 Owner Liquidity Account Pledge) cash standing to the credit of the Issuer in the Issuer Liquidity Account, the Rig 1 Owner in the Rig 1 Owner Liquidity Account and the Rig 2 Owner in the Rig 2 Owner Liquidity Account.

**"Management Agreements"** means the Construction Management Agreements, the Pre-Operational Management Agreements, the G&A Service Agreement and the Operational Management Agreements.

**"Manager"** means the manager for the Bond Issue, being RS Platou Markets AS.

**"Mandatory Prepayment Event"** means the occurrence of any of the following events:

- (i) any of the Rigs are sold,
- (ii) the Rig 2 Construction Contract is terminated by the Yard,
- (iii) Rig 2 is not delivered on or prior to 31 December 2013 unless (a) such delay is caused by circumstances qualifying as permissible delay under the Rig 2 Construction Contract (including force majeure) and (b) Rig 2 is delivered no later than on 28 February 2014,
- (iv) the Bonds are not listed in accordance with Clause 3 by 3 March 2014, or, as of the Bonds being listed, if the Bonds are no longer listed as required by Clause 3,
- (v) the Issuer ceases to be the direct owner of 100% of the shares in any of the Guarantors, and
- (vi) Holdco ceases to be the direct owner of 100% of the shares in the Issuer.

**"Material Adverse Effect"** means a material adverse effect on: (a) the financial condition or operations of the Issuer or any of the Guarantors, (b) any Obligor or the Parent's ability to

perform and comply with its obligations under any of the Finance Documents; or (c) the validity or enforceability of any of the Finance Documents.

**"Maturity Date"** means 3 July 2018. Any adjustment will be made according to the Business Day Convention.

**"Mexican Trust"** means a Mexican law trust arrangement with Deutsche Bank or another first class international bank with a credit rating of at least 'A' from Standard & Poor or similar level from Moody or Fitch for (to the extent necessary) perfection of Security Documents and securing the application of earnings under the Charter Contract.

**"Minimum Equity"** means an amount of USD 16,375,000, consisting of equity capital and/or Subordinated Loan, to be transferred to the Issuer Equity Account and the Rigowner Liquidity Account held in the name of Rig 2 Owner in accordance with Clause 6.1.2(viii).

**"Mortgages"** means the Panamanian ship mortgages over the Rigs on first priority and **"Mortgage"** means any one of them.

**"NOK"** means Norwegian kroner, being the legal currency of Norway.

**"Obligor"** means the Issuer and the Guarantors, or any of them.

**"Offering Memorandum"** means the offering memorandums prepared for the marketing of the Bonds, dated 10 June 2013 with respect to the Original Bond Agreement and 18 September 2013 with respect to the Tap Issue.

**"One Rig Prepayment Event"** means a Mandatory Prepayment Event relating to only one of the Rigs or Guarantors, i.e. relevant for section (i), (ii), (iii) and (v) under the definition of Mandatory Prepayment Event above.

**"Operational Management Agreement"** means an agreement to be entered into by and between the Parent (or, as the case may be, another third party reputable rig operator reasonably acceptable to the Bond Trustee) and any of the Rigowners or (as the case may be) the relevant Rigowner Subsidiary pursuant to Clause 8.2.1 for the provision of all marketing, operation, crewing, supplying, technical management and any other required management services under the relevant Charter Contract.

**"Original Bond Issue"** means the issue of Bonds in the amount of USD 175,000,000 on the Original Issue Date by the Rig 1 Owner at a price of 100% of par value.

**"Original Equity"** means an amount of USD 27,500,000, consisting of at least USD 22,500,000 in equity capital and up to USD 5,000,000 in Subordinated Loan to the Rig 1 Owner.

**"Original Finance Documents"** means the Original Bond Agreement, security documents and other finance documents relevant to the Original Bond Issue.

**"Original G&A Service Agreement"** means the agreement entered into between the Parent and the Rig 1 Owner prior to disbursement of the Original Bond Issue for the commercial management, accounting, general and administrative services by the Parent to Rig 1 Owner related to Rig 1.

**"Original Issue Date"** means 3 July 2013.

**"Outstanding Bonds"** means the Bonds not redeemed or otherwise discharged.

**"Parent"** means Constructora y Perforadora Latina S.A., a company existing under the laws of Mexico with registration number CPL801111PS2, as at the Issue Date being the direct legal and

beneficial owner of 100% of the outstanding shares in the Holdco and indirectly legal and beneficial owner of 100% of the outstanding shares in the Issuer and the Guarantors.

**"Parent Earnings Accounts"** means the accounts in the name of the Parent, into which all its earnings under any Charter Contract to which it is a party and all its other net earnings, in each case relating to Rig 1 and/or Rig 2, shall be paid.

**"Parent Earnings Account Pledge"** means the first priority pledge over the Parent's claim against the bank for the amount from time to time standing to the credit of the Parent in the Parent Earnings Accounts.

**"Parent Subordinated Loan"** means a loan in the amount of USD 5,000,000 granted from the Parent to the Issuer in accordance with a subordinated loan agreement dated on or about the date hereof.

**"Parent Undertaking"** means an undertaking from the Parent dated on or about the date of the Bond Agreement including *inter alia* subordination statements for any claims due to the Parent from the Issuer or any Guarantor under any Management Agreement and any Subordinated Loans, relevant representations and warranties, the Parent special covenants as set out in Clause 13.8 and certain events of default provisions.

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

**"Paying Agent"** means DNB Bank ASA, appointed by the Issuer to act as its paying agent in the Securities Registry with respect to the Bonds.

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

**"Pemex"** means PEMEX Exploración y Producción.

**"Pemex Commitments"** means a letter from Pemex to the Parent dated 30 May 2013, confirming an intention to enter into a seven-year Drilling Contract at a day-rate of approximately USD 158,000 related to Rig 1, as well as subsequent internal approvals within Pemex for awarding seven-year Drilling Contracts for both Rigs at a day-rate of approximately USD 158,000, the Parent expecting a final Pemex approval of such Drilling Contracts on 13 October 2013.

**"Permitted Distributions"** means such distributions as described in Clauses 13.2.16(i) - 13.2.16(iii).

**"Pre-Operational Budgets"** means the project budgets for pre-operational costs for each of the Rigs as described in the Offering Memorandum.

**"Pre-Operational Management Agreements"** means (i) an agreement dated 1 July 2013 entered into by and between the Parent and the Rig 1 Owner for the Parent's responsibility as manager for arranging mobilisation, import and commissioning of Rig 1 and (ii) an agreement to be entered into by and between the Parent and the Rig 2 Owner for the Parent's responsibility as manager for arranging mobilisation, import and commissioning of Rig 2, in each case in order for the relevant Rig to be ready and accepted under the first Charter Contract and the first operations under the first Charter Contract, and **"Pre-Operational Management Agreement"** means any one of them.

**"Pre-Drilling Security"** means:

- (i) the Assignment of Bareboat Charters;
- (ii) the Assignment of Earnings;

- (iii) the Assignment of Charter Contracts; and
- (iv) the Assignment of Operational Management Agreements.

**"Pre-Issue Security"** means:

- (i) the Escrow Account Pledge;
- (ii) the Issuer Equity Account Pledge;
- (iii) the Guarantee from the Rig 1 Owner;
- (iv) the Assignment of Subordinated Loans with respect to the Parent Subordinated Loan and Issuer Subordinated Loan and any additional Subordinated Loans established prior to or in conjunction with settlement of the Tap Issue (e.g. relating to payment of the Minimum Equity);
- (v) the Assignment of Intercompany Loans as relates to Rig 1;
- (vi) the Amended and Restated Rig 1 Security.

**"Pre-Utilisation Security"** means:

- (i) the Mortgage over Rig 2;
- (ii) the Additional Escrow Account Pledge;
- (iii) the Issuer Account Pledges (other the Escrow Account Pledge and the Issuer Equity Account Pledge);
- (iv) the Assignment of Insurances as relates to Rig 2;
- (v) the Floating Charge from the Rig 2 Owner;
- (vi) the Floating Charge from the Issuer;
- (vii) the Guarantee from the Rig 2 Owner;
- (viii) the Issuer Share Charge;
- (ix) the Rigowner Share Charge for the Rig 2 Owner;
- (x) the Assignment of Intercompany Loans as relates to Rig 2;
- (xi) the Assignment of Pre-Operational Management Agreement as relates to Rig 2;
- (xii) the Assignment of G&A Service Agreement;
- (xiii) (if applicable) the Parent Earnings Account Pledge as relates to Rig 2; and
- (xiv) (if applicable) the Assignment of Subordinated Loans.

**"Project Documents"** means the Construction Contracts, the Management Agreements (or any substitution thereof), the Charter Contract(s) and the Bareboat Charter(s).



**"QEL"** means a quiet enjoyment letter issued by the Bond Trustee if required by a client under any Charter Contract, with a wording as reasonably requested by such third party client and providing for e.g. (i) the Bond Trustee to be notified by the relevant client of any default under a Charter Contract by the Parent, a Guarantor or a Guarantor Subsidiary (as the case may be) and to be capable of remedying a default within 10 days and (ii) the Bond Trustee to be entitled to nominate a reputable drilling operator with financial strength and technical capability satisfactory to the relevant client to step into the relevant Charter Contract and (iii) as a condition that all amounts due and payable under the relevant Charter Contract are duly made pursuant to the terms thereof (or as otherwise instructed by the Bond Trustee after an Event of Default).

**"Quarter Date"** means each 31 March, 30 June, 30 September and 31 December.

**"Rig 1"** means the offshore jack-up Keppel FELS Mod V-B drilling rig named La Santa Maria, constructed at the Yard and registered in the Panamanian Ship Registry and with international call sign 3FNV4 and delivered to the Rig 1 Owner on 31 July 2013.

**"Rig 1 Construction Contract"** means an agreement entered into by and between the Parent and the Yard, dated 29 April 2011 (as amended from time to time), for the construction of Rig 1, which has been novated from the Parent to the Rig 1 Owner.

**"Rig 1 Owner Interest Retention Account"** means the interest retention account of the Rig 1 Owner established in conjunction with disbursement of the Original Bond Issue, with IBAN: NO92 1250 0501 195.

**"Rig 1 Owner"** means Santa Maria Offshore Limited, a company existing under the laws of Bermuda with registration number 47770.

**"Rig 2"** means the offshore jack-up Keppel FELS Mod V-B drilling rig identified as Hull No. B338 with the Yard, to be named "La Covadonga" and to be delivered to the Rig 2 Owner on the Delivery Date.

**"Rig 2 Construction Contract"** means an agreement entered into by and between the Parent and the Yard, dated 29 April 2011 (as amended from time to time), for the construction of Rig 2, which has been novated from the Parent to the Rig 2 Owner.

**"Rig 2 Owner"** means La Covadonga Limited, a company existing under the laws of Bermuda with registration number 47771.

**"Rigowner Earnings Accounts"** means the accounts in the name of the respective Rigowner, into which all its earnings under any relevant Bareboat Charter or Charter Contract to which it is a party and all its other net earnings relating to the relevant Rig shall be paid, and **"Rigowner Earnings Account"** means any one of them.

**"Rigowner Earnings Account Pledge"** means the first priority pledge over the relevant Rigowner's claim against the bank for the amount from time to time standing to the credit of said Rigowner in the relevant Rigowner Earnings Account.

**"Rigowner Liquidity Accounts"** means the accounts in the name of the respective Rigowner into which *inter alia* the relevant Rigowner shall deposit funds in accordance with Clause 13.5.

**"Rigowner Liquidity Account Pledge"** means the first priority pledge over the relevant Rigowner's claim against the bank for the amount from time to time standing to the credit of said Rigowner in the relevant Rigowner Liquidity Account, where the bank operating the Rigowner Liquidity Account has waived any set-off rights.

**"Rigowners"** means the Rig 1 Owner and Rig 2 Owner together and **"Rigowner"** means any one of them.

**"Rigowner Share Charges"** means a first priority charge by the Issuer over all outstanding shares and related rights in each of the Rigowners from time to time and **"Rigowner Share Charge"** means any one of them.

**"Rigowner Subsidiary"** means a wholly owned subsidiary of any of the Rigowners incorporated to enter into a Charter Contract related to any of the Rigs.

**"Rigowner Subsidiary Earnings Account"** means an account in the name of a Rigowner Subsidiary, into which all its earnings under any Charter Contract to which it is a party and all its other net earnings relating to the relevant Rig shall be paid.

**"Rigs"** means Rig 1 and Rig 2 (either of them a **"Rig"**).

**"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 17.4.

**"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 18.2.

**"Security Documents"** means, collectively, all the documents evidencing, creating or granting the Security Interests.

**"Security Interests"** means

- (i) the Pre-Issue Security,
- (ii) the Pre-Utilisation Security, and
- (iii) the Pre-Drilling Security and (as the case may be) any Additional Security.

**"Stamdata"** means the web site [www.stamdata.no](http://www.stamdata.no), maintained by the Bond Trustee.

**"Subordinated Loans"** means the Parent Subordinated Loan and the Issuer Subordinated Loan and any other loan or credit that (i) the Parent and/or Holdco may provide to the Issuer from time to time and (ii) the Issuer and/or the Guarantors may provide to the Issuer and/or the Guarantors from time to time. **"Subordinated Loan Agreement"** means an agreement documenting a Subordinated Loan.

**"Subsidiary"** means a company over which another company or person has Decisive Influence.

**"Tap Issue"** means the issue of new Bonds in the amount of USD 175,000,000 on the Issue Date as an increase and amendment of the Original Bond Issue, such new Bonds being issued at a price of 103.50% of par value giving gross proceeds of USD 181,125,000.

**"Total Assets"** means the aggregate amount which would in accordance with IFRS be shown in the consolidated Financial Statements as the Issuer's total assets.

**"Total Loss Event"** means an actual, constructive, compromised, agreed, arranged or other total loss of any of the Rigs as defined under the Nordic Marine Insurance Plan of 2013 (as amended from time to time).

**"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.

**"Yard"** means Keppel FELS in Singapore.

## 1.2 Construction

In this Bond Agreement, unless the context otherwise requires:

- (i) headings are for ease of reference only;
- (ii) words denoting the singular number shall include the plural and vice versa;
- (iii) references to Clauses are references to the Clauses of this Bond Agreement;
- (iv) references to a time is a reference to Oslo time unless otherwise stated herein;
- (v) 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;
- (vi) an Event of Default is "continuing" if it has not been remedied or waived; and
- (vii) 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 18.1.

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

The Issuer has resolved to issue a series of Bonds in the maximum amount of USD 350,000,000 (U.S. Dollar three hundred and fifty million). The Bonds are being issued in the amount of USD 175,000,000 through the Original Bond Issue and the amount of USD 175,000,000 through the Tap Issue.

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

The Bonds will be described as "8.875 per cent Latina Offshore Limited Senior Secured Callable Bond Issue 2013/2018".

The ISIN of the Bonds will be NO 001068383.2.

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

### 2.3 **Purpose and utilisation**

2.3.1 *The net proceeds from the Original Bond Issue and the Original Equity shall be applied:*

- (i) firstly, to fund the Rig 1 Owner Interest Retention Account with an amount of USD 15,531,250;
- (ii) secondly, towards payment of an amount up to USD 153,600,000 of the delivery installment to the Yard under the Rig 1 Construction Contract;
- (iii) thirdly, for transfer to the relevant Rigowner Liquidity Account to be applied towards payment of (a) mobilisation and pre-operation costs as incurred in accordance with the Pre-Operational Management Agreement relevant for Rig 1 as set out in the corresponding Pre-Operational Budget, (b) up to USD 1,000,000 to be paid to the Yard in accordance with the Rig 1 Construction Contract following the acceptance of Rig 1 under a Charter Contract and (c) otherwise for general corporate purposes of the Rig 1 Owner.

2.3.2 *The net proceeds from the Tap Issue shall be applied:*

- (i) firstly, to fund the Interest Retention Account in accordance with Clause 13.2.17 herein;
- (ii) secondly, towards payment of an amount up to USD 153,600,000 of the delivery installment to the Yard under the Rig 2 Construction Contract;
- (iii) thirdly, for transfer to the Issuer Liquidity Account to be applied as follows (a) forwarded to the Rigowner Liquidity Account in the name of Rig 2 Owner for payment of mobilisation and pre-operation costs as incurred in accordance with the Pre-Operational Management Agreement relevant for Rig 2 as set out in the corresponding Pre-Operational Budget, (b) up to USD 1,000,000 to be paid to the Yard in accordance with the Rig 2 Construction Contract following the acceptance of Rig 2 under a Charter Contract and (c) otherwise for general corporate purposes of the Issuer and the Rig 2 Owner.

## 3 **LISTING**

3.1 The Issuer shall apply for listing of the Bonds on the Luxembourg Stock Exchange, the Euro MTF Market or such other internationally recognized stock exchanged approved by the Bond Trustee and ensure the completion of such listing within eight (8) months following the Original Issue Date.

- 3.2 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 Bonds shall prior to the applicable disbursement date for the Original Bond Issue and the Tap Issue 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 Subject to the restrictions set forth in this Clause 5, the Bonds are freely transferable and may be pledged.
- 5.2 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.
- 5.3 The Bonds are being offered only (i) to non-“U.S. persons” in “offshore transactions” within the meaning of Rule 902 under the U.S. Securities Act of 1933, as amended (“Securities Act”) and (ii) to “qualified institutional buyers” (“QIBs”) within the meaning of Rule 144A under the Securities Act in a transaction exempt from the registration requirements under the Securities Act. In addition to the application form that each investor will be required to execute, each U.S. investor that wishes to purchase Bonds will be required to execute and deliver to the Issuer a certification in a form to be provided by the Issuer stating, among other things, that the investor is a QIB.
- 5.4 The Bonds will not be offered to and may not be purchased by any investor save for in accordance with the abovementioned exemptions within the United States or appropriate exemptions under the laws of any other jurisdictions.
- 5.5 The Bonds may not be purchased by, or for the benefit of, persons resident in Canada. See further details and description of applicable subscription and transfer restrictions in the Offering Memorandum and the Application Form. Failure by investors to comply with these restrictions may constitute a violation of applicable securities legislation.
- 5.6 For the avoidance of doubt and notwithstanding the above, a Bondholder which has purchased the Bonds in breach of this Clause 5 or other applicable mandatory restrictions may nevertheless utilise its rights (including, but not limited to, voting rights) under this Bond Agreement.

## 6 CONDITIONS PRECEDENT

### 6.1 Conditions precedent for the issuance of the Bonds

6.1.1 Issuance of Bonds and transfer of the net proceeds (after deduction for fees to the Bond Trustee, the Manager, legal advisors and any other agreed costs and expenses) from the Original Bond Issue was 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 the Original Issue Date:

- (i) the Original Bond Agreement duly executed;
- (ii) confirmation from the Rig 1 Owner that no potential or actual Event of Default exists;
- (iii) certified copies of all necessary corporate resolutions of the Rig 1 Owner to issue the relevant Bonds, and of the Parent, the Issuer and the Rig 1 Owner to execute the relevant Original Finance Documents;
- (iv) (to the extent not included in (iii) above) a power of attorney from each of the Parent, the Issuer and the Rig 1 Owner to relevant individuals for their execution of the relevant Original Finance Documents, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute the Original Finance Documents on behalf of each such party;
- (v) certified copies of (i) the Certificate of Incorporation or other similar official document for each of the Issuer and the Rig 1 Owner, evidencing that it is validly registered and existing and (ii) the Articles of Association of each of the Issuer and the Rig 1 Owner;
- (vi) to the extent necessary, any public authorisations required for the Original Bond Issue;
- (vii) the relevant security which was established prior to settlement of the Original Bond Issue duly executed and perfected by all parties thereto;
- (viii) documentation satisfactory to the Bond Trustee that the Issuer has received into the relevant Rigowner Earnings Account at least USD 19,500,000 of the Original Equity and the remaining part of the Original Equity into the relevant Rigowner Liquidity Account;
- (ix) the Parent's undertaking in relation to the Original Bond Issue duly executed;
- (x) certified copies of the Rig 1 Construction Contract and the corresponding Construction Management Agreement;
- (xi) certified copy of the Pre-Operational Management Agreement for Rig 1 and the Original G&A Service Agreement duly executed by the relevant parties;
- (xii) documentation of the Rig 1 Construction Contract duly novated from the Parent to the Rig 1 Owner in a form satisfactory to the Bond Trustee;
- (xiii) the Bond Trustee fee agreement for the Original Bond Issue duly executed;

- (xiv) 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 for the Original Bond Issue;
- (xv) confirmation from the Paying Agent that the Bonds issued in the Original Bond Issue have been registered in the Securities Depository;
- (xvi) copies of any written documentation used in the marketing of the Bonds or made public by the Rig 1 Owner or the Manager in connection with the Original Bond Issue;
- (xvii) copy of the opening balance of the Issuer and the Rig 1 Owner;
- (xviii) all legal opinions in respect of the bond loan agreement for the relevant security applicable for the Original Bond Issue; and
- (xix) any other documents or evidence as the Bond Trustee may reasonably require.

6.1.2 Issuance of the Bonds and transfer of the net proceeds (after deduction for fees to the Bond Trustee, the Manager, legal advisors and any other agreed costs and expenses) from the Tap Issue to the Issuer's Escrow Account 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 the Issue Date:

- (i) the Bond Agreement duly executed;
- (ii) confirmation from the Issuer that no potential or actual Event of Default exists;
- (iii) certified copies of all necessary corporate resolutions of the Issuer to issue the Bonds, and of the Parent and the Obligors to execute the relevant Finance Documents;
- (iv) (to the extent not included in 6.1.1(iii) above) a power of attorney from the Parent, Holdco and each of the Obligors to relevant individuals for their execution of the relevant Finance Documents, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute the Finance Documents on behalf of each such party;
- (v) certified copies of (i) the Certificate of Incorporation or other similar official document for each of the Obligors, evidencing that it is validly registered and existing and (ii) the Articles of Association of each of the Obligors;
- (vi) to the extent necessary, any public authorisations required for the Tap Issue;
- (vii) the Pre-Issue Security duly executed and perfected by all parties thereto (including all applicable notices, acknowledgements and consents);
- (viii) documentation satisfactory to the Bond Trustee that the Issuer has received into the Issuer Equity Account the Minimum Equity;
- (ix) the Parent Undertaking duly executed;

- (x) the Holdco Undertaking duly executed;
- (xi) the Intercompany Loan Agreement and Subordinated Loan Agreement relating to Rig 1 Owner duly executed;
- (xii) certified copies of the Rig 2 Construction Contract and the corresponding Construction Management Agreement;
- (xiii) documentation of the Rig 2 Construction Contract duly novated from the Parent to the Rig 2 Owner in a form satisfactory to the Bond Trustee;
- (xiv) the Bond Trustee fee agreement set out in Clause 14.2, duly executed;
- (xv) 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 for the Tap Issue;
- (xvi) confirmation from the Paying Agent that the Bonds issued in the Tap Issue have been registered in the Securities Depository;
- (xvii) copies of any written documentation used in the marketing of the Bonds in the Tap Issue or made public by the Issuer or the Manager in connection with the Tap Issue;
- (xviii) all legal opinions in respect of the Bond Agreement and the Pre-Issue Security; and
- (xix) any other documents or evidence as the Bond Trustee may reasonably require.

6.1.3 The Bond Trustee may, in its reasonable opinion, waive the deadline or requirements for documentation as set forth in Clause 6.1.2.

6.1.4 Upon the satisfaction or waiver of the conditions set forth in Clause 6.1.2, the Bond Trustee shall issue a notice to the Issuer, the Manager and the Paying Agent confirming that such conditions have been met, upon receipt of which the Manager shall transfer the net proceeds (after deduction for fees to the Bond Trustee, the Manager, legal advisors and any other agreed costs and expenses) from the Tap Issue to the Escrow Account.

6.1.5 Upon transfer of the net proceeds from the Tap Issue to the Escrow Account, the Bond Trustee may, in its reasonable opinion, authorise transfer of any amounts from the Escrow Account to the Additional Escrow Account.

6.1.6 In relation to the issuance of the Bonds and transfer of the net proceeds from the Tap Issue to the Escrow Account or the Additional Escrow Account, as the case may be, the Trustee shall release the Issuer from any and all liabilities and obligations under the Guarantee provided as security in relation to the Original Bond Issue and the Parent shall be released from any and all liabilities and obligations under the Parent Undertaking provided in relation to the Original Bond Issue.

6.2 **Conditions precedent for release from the Escrow Account and/or the Additional Escrow Account.**



- 6.2.1 The net proceeds from the Original Bond Issue shall only be used in accordance with the purpose set out in Clause 2.3.1, and any release of proceeds from the Original Bond Issue to the Rig 1 Owner was subject to customary closing mechanisms as agreed between the Rig 1 Owner and the Bond Trustee and the Bond Trustee receiving prior to or (as the case may be) no later than on the disbursement date of the Original Bond Issue the documents listed below, in form and substance satisfactory to it:
- (i) a duly executed release notice from the Rig 1 Owner (including a statement regarding use of funds in accordance with the purpose set out in Clause 2.3.1 and confirmation of no potential or actual Event of Default);
  - (ii) copies of necessary corporate resolutions from the Parent, the Issuer and the Rig 1 Owner to execute the relevant security to be established prior to disbursement of the Original Bond Issue;
  - (iii) documentation evidencing that the relevant Accounts are opened;
  - (iv) confirmation from each of the Issuer and the Rig 1 Owner that no Financial Indebtedness, security or guarantees (other than that expressly permitted under the Original Finance Documents) exists;
  - (v) satisfactory evidence that all applicable insurances have been taken out (and come into effect simultaneously with delivery of Rig 1 from the Yard), including report or opinion from an insurance adviser acceptable to the Bond Trustee confirming that the insurances are in compliance with the terms set out herein;
  - (vi) the relevant security to be established prior to disbursement of the Original Bond Issue duly executed and perfected (or evidence that such relevant security will be perfected simultaneously with delivery of Rig 1 from the Yard);
  - (vii) evidence of (a) the amounts standing to the credit of the Rig 1 Owner in the relevant Rigowner Liquidity Account at the date of release of the net proceeds from the Original Bond Issue, and (b) the application of funds withdrawn from the relevant Rigowner Liquidity Account towards the payment of such pre-operational costs as set out in the Pre-Operational Management Agreement applicable for Rig 1;
  - (viii) the Rig 1 Owner having accepted Rig 1 under the Rig 1 Construction Contract and legal title being transferred to the Rig 1 Owner upon payment of the amount due under the Rig 1 Construction Contract;
  - (ix) evidence of due provisional registration in the relevant flag state of Panama of Rig 1 in the name of the Rig 1 Owner;
  - (x) provisional class certificates in respect of Rig 1 confirming that it maintains class free of all overdue recommendations and conditions of the relevant classification society;
  - (xi) certified copy of the Pre-Operational Management Agreement applicable for Rig 2 and the G&A Service Agreement duly executed by the relevant parties;

- (xii) documentation of the Rig 2 Construction Contract being duly novated from the Parent to the Rig 2 Owner;
- (xiii) all legal opinions reasonably requested by the Bond Trustee in respect of the relevant security to be established prior to disbursement of the Original Bond Issue; and
- (xiv) any other documents or evidence as the Bond Trustee may reasonably require.

6.2.2 The net proceeds from the Tap Issue shall only be used in accordance with the purpose set out in Clause 2.3.2, and any release from the Escrow Account and/or the Additional Escrow Account (and/or release of the relevant part of the Minimum Equity from the Issuer Equity Account) (as the case may be) to the Issuer in accordance with Clause 6.2.4, will be subject to customary closing mechanisms as agreed between the Issuer and the Bond Trustee and the Bond Trustee receiving prior to or (as the case may be) no later than on the date of release from the Escrow Account and/or the Additional Escrow Account (and/or release of the relevant part of the Minimum Equity from the Issuer Equity Account (as the case may be)) the documents listed below, in form and substance satisfactory to it:

- (i) a duly executed release notice from the Issuer (including a statement regarding use of funds in accordance with the purpose set out in Clause 2.3 and confirmation of no potential or actual Event of Default);
- (ii) copies of necessary corporate resolutions from the Parent, Holdco, the Guarantors and the Issuer to execute the Pre-Utilisation Security (unless delivered under Clause 6.1);
- (iii) documentation evidencing that the relevant Accounts are opened (other than the Escrow Account and Issuer Equity Account);
- (iv) confirmation from each of the Obligors that no Financial Indebtedness, security or guarantees (other than that expressly permitted under the Finance Documents) exists;
- (v) satisfactory evidence that all applicable insurances have been taken out (and come into effect simultaneously with delivery of Rig 2 from the Yard), including report or opinion from an insurance adviser acceptable to the Bond Trustee confirming that the insurances are in compliance with the terms set out herein;
- (vi) the Pre-Utilisation Security duly executed and perfected (or evidence that such relevant Security Interest will be perfected simultaneously with delivery of Rig 2 from the Yard);
- (vii) evidence of (a) the amounts standing to the credit of the Issuer in the Issuer Liquidity Account at the date of release of the net proceeds from the Tap Issue from the Escrow Account and/or the Additional Escrow Account (as the case may be), and (b) the application of funds withdrawn from the Liquidity Account towards the payment of such pre-operational costs as set out in the Pre-Operational Management Agreement applicable to Rig 2;

- (viii) the Issuer having accepted Rig 2 under the Rig 2 Construction Contract and legal title being transferred to the Rig 2 Owner upon payment of the amount due under the Rig 2 Construction Contract;
  - (ix) evidence of due provisional registration in the relevant flag state of Panama of Rig 2 in the name of the Rig 2 Owner;
  - (x) provisional class certificates in respect of Rig 2 confirming that it maintains class free of all overdue recommendations and conditions of the relevant classification society;
  - (xi) all legal opinions reasonably requested by the Bond Trustee in respect of the Pre-Utilisation Security; and
  - (xii) any other documents or evidence as the Bond Trustee may reasonably require.
- 6.2.3 The Bond Trustee may, in its reasonable opinion, waive the deadline or requirements for documentation as set out in Clause 6.2.2. The Bond Trustee may, on behalf of the Bondholders, agree on a closing procedure with the Issuer and the Yard to which the delivery of conditions precedent will be subject.
- 6.2.4 Upon the satisfaction or waiver of the conditions set forth in Clause 6.2.2, the Bond Trustee shall issue a notice to the Issuer and the bank(s) operating the Escrow Account and/or the Additional Escrow Account and/or the Issuer Equity Account (if applicable) confirming that the relevant funds may be released to the Issuer.
- 6.2.5 Notwithstanding anything to the contrary in this Clause 6, the Bond Trustee shall be authorised to pay any fees and costs (including legal costs) due and owing related to the Original Bond Issue and/or the Tap Issue as evidenced through invoice from the Manager (attested by the Issuer) using the proceeds in the Escrow Account, to the extent such fees and costs have not been fully deducted from the proceeds transferred to the Escrow Account.

## 7 REPRESENTATIONS AND WARRANTIES

- 7.1 The Issuer represents and warrants to the Bond Trustee with respect to (i) the Original Bond Issue as of the Original Issue Date and the disbursement date for the Original Bond Issue and (ii) the Tap Issue as of the execution date of this Bond Agreement and on the Issue Date and on the date of disbursement from the Escrow Account and/or the Additional Escrow Account that:

### 7.1.1 *Status*

Each of the Obligors is a limited liability company, duly incorporated and validly existing and registered under the laws of its jurisdiction of incorporation, and has the power to own its assets and carry on its business as it is being conducted.

### 7.1.2 *Power and authority*

Each of the Obligors 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 (and Original Finance Document as the case may be) to which it is a party and the transactions contemplated by those Finance Documents (and Original Finance Document as the case may be).

#### 7.1.3 *Valid, binding and enforceable obligations*

This Bond Agreement and each other Finance Document (and Original Finance Document as the case may be) to which any of the Obligors is a party constitutes (or will constitute, when executed by the respective parties thereto) its legal, valid and binding obligations, 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 each of the Obligors of this Bond Agreement and any other Finance Document (and Original Finance Document as the case may be) to which it is a party and the transactions contemplated thereby do not and will not conflict with (i) any applicable law or regulation or judicial or official order; (ii) its constitutional documents; or (iii) any agreement or instrument which is binding upon it or any of its assets.

#### 7.1.5 *No Event of Default*

- (i) No Event of Default exists or is likely to result from the making of any drawdown under this Bond Agreement (or the Original Bond Agreement as the case may be) or the entry into, the performance of, or any transaction contemplated by, any Finance Document (or Original Finance Document as the case may be).
- (ii) 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 any of the Obligors which has or is likely to have a Material Adverse Effect.

#### 7.1.6 *Authorisations and consents*

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

- (i) to enable any of the Obligors to enter into, exercise its rights and comply with its obligations under this Bond Agreement or any other Finance Document (or Original Finance Document as the case may be) to which it is a party; and
- (ii) to carry on the business of the Obligors as presently conducted and as contemplated by this Bond Agreement (or the bond loan agreement applicable for the Original Bond Issue as the case may be),

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 any of the Obligors.

#### 7.1.8 *Financial Statements*

The most recent Financial Statements and Interim Accounts (to the extent provided to the Bond Trustee) fairly and accurately represent the relevant assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with GAAP, consistently applied.

7.1.9 *Financial Indebtedness*

No Obligor has any Financial Indebtedness outstanding other than as permitted by this Bond Agreement (or the Original Bond Agreement as the case may be).

7.1.10 *No Material Adverse Effect*

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

7.1.11 *No misleading information*

Any factual information provided by the Issuer or the Rig 1 Owner to the subscribers of Bonds or the Bond Trustee for the purposes of the Original Bond Issue and/or the Tap 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.

7.1.12 *No withholdings*

No Obligor is 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 (or the Original Bond Agreement as the case may be).

7.1.13 *Environmental compliance*

Each of the Obligors is in compliance with any relevant applicable environmental law or regulation in all material respects and no circumstances have occurred which would prevent such compliance in a manner which has or is likely to have a Material Adverse Effect.

7.1.14 *Pari passu ranking*

The payment obligations under this Bond Agreement or any other Finance Document (or Original Finance Document as the case may be) to which any of the Obligors is a party rank at least *pari passu* as set out in Clause 8.1.

7.1.15 *Security*

No Security exists over any of the present assets of any of the Obligors in conflict with this Bond Agreement (or the bond loan agreement applicable for the Original Bond Issue as the case may be).

7.1.16 *Project Documents*

Each Project Document (to the extent applicable) is in full force and effect, and no default or event of default has occurred with respect to any such Project Document, which could reasonably be expected to have a Material Adverse Effect.

## 8 **STATUS OF THE BONDS AND SECURITY**

### 8.1 **Status and ranking**

- 8.1.1 The Bonds shall constitute senior debt obligations of the Issuer and 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 similar laws of general application) and shall rank ahead of subordinated debt.
- 8.1.2 The Bonds, including accrued but unpaid interest, costs and expenses, shall be secured by the Security Interest.
- 8.2 **Charter Contracts and Additional Security**
- 8.2.1 Charter Contracts may be, subject to Clause 13.5, entered into;
- (i) between any of the Rigowners and the relevant client, in which case such Rigowner shall enter into an Operational Management Agreement;
  - (ii) between the Parent and the relevant client, in which case the relevant Rigowner and the Parent shall enter into a Bareboat Charter and an Operational Management Agreement; or
  - (iii) between any Rigowner Subsidiary and the relevant client, in which case such Rigowner Subsidiary shall enter into a Bareboat Charter and an Operational Management Agreement, or under any different structure if required for tax or operational purposes in the relevant jurisdiction, provided that the Bondholders will obtain a position with respect to the Security which is no less favorable to the Bondholders than as contemplated herein.
- 8.2.2 To the extent required (if required by a client under a Charter Contract), in order to perfect any Security provided or to be provided as security for the obligations under the Finance Documents, secure the application of earnings under relevant Charter Contract or otherwise the Bond Trustee shall be authorised to:
- (i) negotiate, finalise and execute the QEL; and/or
  - (ii) establish a Mexican Trust in such form and substance reasonably requested by the Bond Trustee and to be acknowledged by the relevant client, allowing for the receipt of the earnings under any Charter Contract in a trust account located in Mexico, conversion of any amounts received into USD and transfer of such USD in accordance with Clause 13.5.1, Clause 13.5.2 or Clause 13.5.3 to the relevant Parent Earnings Account, Rigowner Earnings Account and/or the Rigowner Subsidiary Earnings Account (as the case may be).
- 8.2.3 The Issuer shall in connection with start of operation under the first and/or any subsequent Charter Contract, subject to the following deadlines and conditions, procure and evidence that the Pre-Drilling Security have been duly executed and perfected by all parties thereto:
- (i) with respect to Assignment of Bareboat Charter at the latest ten (10) days after the date of the relevant Charter Contract, but in any event no later than ten (10) days prior to the commencement date of such Charter Contract;
  - (ii) with respect to Assignment of Earnings, at the latest sixty (60) days after the date of the relevant Charter Contract, but in any event no later than ten (10) days prior to the commencement date of such Charter Contract;

- (iii) with respect to Assignment of Charter Contract if and to the extent (a) permitted by applicable law, (b) permitted by the relevant Charter Contract, and (c) required consents or authorisations from the relevant client is obtained by the Parent, the relevant Rigowner or the Rigowner Subsidiary (as the case may be) by using reasonable best endeavours, at the latest thirty (30) days after consent has been obtained; and
- (iv) with respect to Assignment of Operational Management Agreement, if a Charter Contract is entered into by any of the Rigowners (or, as the case may be a Rigowner Subsidiary), at the latest ten (10) days after the date of the relevant Charter Contract, but in any event no later than ten (10) days prior to the commencement date of such Charter Contract.

8.2.4 In the event that a Charter Contract is entered into in accordance with Clause 8.2.1(iii), the Issuer shall procure that the relevant Rigowner shall (i) execute and/or procure the execution of such additional relevant Security and related documentation as the Bond Trustee may reasonably require in order for the Bondholders to at all times maintain Security corresponding to the Security Interest or otherwise set out in this Bond Agreement, and (ii) without limitation to the generality of the foregoing, (a) the relevant Rigowner shall provide a pledge on first priority of all the shares in the relevant Rigowner Subsidiary and (b) the relevant Rigowner Subsidiary shall issue an on demand guarantee, containing such representations and warranties and covenants and events of default provisions as set out in Clauses 7, 13 and 15 herein as the Bond Trustee may reasonably require and which shall apply mutatis mutandis to such Rigowner Subsidiary, and (c) such Rigowner Subsidiary shall be regarded as a "Guarantor" under this Bond Agreement.

8.2.5 The Issuer shall ensure that the rights of the Parent, Holdco and/or any of the Guarantors (as the case may be) under any Subordinated Loans are assigned (or subject to similar Security under the relevant jurisdiction) on first priority in favour of the Bond Trustee to secure the all outstanding obligations under the Finance Documents.

8.2.6 The Issuer shall procure that legal opinions in respect of any Additional Security are provided to the Bond Trustee (on behalf of the Bondholders), such legal opinions to include, inter alia, confirmations on capacity, validity, perfection and enforceability of such Additional Security (in form and content satisfactory to the Bond Trustee), together with any such other relevant documents, evidence and confirmations as the Bond Trustee may reasonably require.

## 9 INTEREST

9.1 The Issuer shall pay interest on the Face Value of the Outstanding Bonds as from, and including, the Original Issue Date at a fixed rate of 8.875 per cent per annum (the "**Fixed Rate**").

9.2 Interest payments shall be made in arrears on the Interest Payment Dates each year, the first Interest Payment Date being 3 January 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 Outstanding Bond for a relevant calculation period shall be calculated as follows:

$$\text{Interest} = \frac{\text{Face Value}}{\text{Amount}} \times \frac{\text{Fixed Rate}}{\text{Day Count Fraction}} \times \text{Fixed Rate}$$

## 10 MATURITY OF THE BONDS AND REDEMPTION

### 10.1 Maturity

- 10.1.1 The Bonds shall be repaid by the Issuer with an amount of USD 8,750,000 on the Interest Payment Date in January 2015 and with an amount of USD 15,000,000 on each subsequent Interest Payment Date up to and including the Interest Payment Date in January 2018. The remaining outstanding amount under the Bonds shall be repaid at the Maturity Date.

- 10.1.2 Payment of installments must be carried out at par (100%) and pro rata in accordance with the procedures of the Securities Depository.

### 10.2 Call Option

- 10.2.1 The Issuer may redeem the Bonds (all or nothing) as follows:

- (i) anytime from and including the Issue Date to, but not including, the Interest Payment Date in July 2015 at a price equivalent to the sum of:
  - (a) the present value on the relevant record date of 105% of par value as if such payment originally should have taken place on the Interest Payment Date in July 2015;
  - (b) the present value on the relevant record date of the remaining interest payments (less any accrued but unpaid interest) through and including the Interest Payment Date in July 2015; and
  - (c) accrued but unpaid interest on redeemed amount,

the present value under both (a) and (b) 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 mentioned Interest Payment Day in July 2015) on the 10th Business Day prior to the date of the repayment and where "relevant record date" shall mean a date agreed upon between the Bond Trustee and the Issuer in connection with such repayment;



- (ii) anytime from and including the Interest Payment Date in July 2015 to, but not including, the Interest Payment Date in July 2016, at a price equal to 105% of par value (plus accrued but unpaid interest on redeemed amount);
  - (iii) anytime from and including the Interest Payment Date in July 2016 to, but not including, the Interest Payment Date in July 2017 at a price equal to 103% of par value (plus accrued but unpaid interest on redeemed amount); and
  - (iv) anytime from and including the Interest Payment Date in July 2017 to, but not including, the Final Maturity Date at a price equal to 101% of par value (plus accrued but unpaid interest on redeemed amount).
- 10.2.2 Exercise of the Call Option shall be notified by the Issuer in writing to the Bond Trustee and the Bondholders, in case of exercise in accordance with Clause (i) above, at least 10 Business Days or, otherwise, at least 30 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 but unpaid interest.
- 10.3.2 The Put Option must be exercised within two months 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 two month 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.
- 10.4 **Mandatory Prepayment and Total Loss**
- 10.4.1 Upon a Mandatory Prepayment Event occurring, the Issuer shall not later than thirty (30) days following the relevant Mandatory Prepayment Event (unless there is an Event of Default in which case it will be promptly), redeem 100%, other than in a One Rtg Prepayment Event, in which case it shall redeem 50%, of the outstanding Bonds at a price corresponding to the Call Option level at that time, however, for the avoidance of doubt, based on the date the Mandatory Prepayment Event occurred and not based on the date of repayment.

- 10.4.2 If the Bonds are redeemed according to this Mandatory Prepayment provision, the entire amount on the Escrow Account, Additional Escrow Account and Interest Retention Account and any amounts received as damages payment under the Rig 1 Construction Contract or Rig 2 Construction Contract, any amounts received under the relevant sale contract for any of the Rigs or any insurance proceeds, may be used as part payment in relation to the Mandatory Repayment.
- 10.4.3 Upon a Total Loss Event, the Issuer shall promptly once insurance proceeds are available, but in any event no later than sixty (60) days following the Total Loss Event redeem (i) 100% of the Outstanding Bonds at 100% of par value (plus accrued but unpaid interest on redeemed amount) if related to both Rigs or (ii) 50% of the Outstanding Bonds if related to one of the Rigs.
- 10.4.4 Upon the occurrence of several Mandatory Prepayment Events, the Issuer shall only be obliged to pay one redemption amount. Upon the occurrence of (i) a Total Loss Event and (ii) a Mandatory Prepayment Event, the Issuer shall only pay the lowest applicable redemption amount.

## **11 PAYMENTS**

### **11.1 Payment mechanics**

- 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.
- 11.1.2 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 11.2.
- 11.1.3 In case of irregular payments, the Bond Trustee may instruct the Issuer, the Guarantor or Bondholders of other payment mechanisms than described in Clause 11.1.1 or 11.1.2 above. The Bond Trustee may also obtain payment information regarding Bondholders' accounts from the Securities Depository or Account Managers.

### **11.2 Currency**

- 11.2.1 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.
- 11.2.2 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 11.2.1 within five (5) 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.

- 11.2.3 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.

**11.3 Set-off and counterclaims**

The Issuer may not apply or perform any counterclaims or set-off against any payment obligations pursuant to this Bond Agreement or any other Finance Document.

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

- 11.4.1 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 5.00 per cent per annum.

- 11.4.2 The interest charged under this Clause 11.4 shall be added to the defaulted amount on each respective Interest Payment Date relating thereto until the defaulted amount has been repaid in full.

- 11.4.3 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 15.1.1, cf. Clauses 15.2 - 15.4.

**11.5 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:

- (i) firstly, in or towards payment of any unpaid fees, costs and expenses of the Bond Trustee under the Finance Documents;
- (ii) 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
- (iii) 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 COVENANTS**

The Issuer undertakes until such time that no amounts are outstanding under this Bond Agreement or any other Finance Document, to the Bond Trustee, to comply or procure the compliance by (as applicable) each of the Guarantors, Holdco or the Parent, with such covenants as further set out in this Clause 13.

**13.1 Information Covenants**

- 13.1.1 The Issuer shall:

- (i) without being requested to do so, promptly inform the Bond Trustee in writing of any Event of Default, any event or circumstance which the Issuer understands or ought to understand may lead to an Event of Default and any other event which may have a Material Adverse Effect;
- (ii) without being requested to do so, inform the Bond Trustee in writing if the Issuer or any of the Guarantors agrees to sell or dispose of all or a substantial part of its assets or operations, or change the nature of its business;
- (iii) without being requested to do so, prepare Financial Statements and make them available on its website or a website relating to the Issuer (e.g. the Parent's website) (alternatively by arranging for publication at Stamdata) as soon as they become available, and not later than 120 days after the end of the financial year;
- (iv) without being requested to do so, prepare Interim Accounts and make them available on its website or a website relating to the Issuer (e.g. the Parent's website) in the English language (alternatively by arranging for publication on Stamdata) as soon as they become available, and not later than 60 days after the end of the relevant quarter;
- (v) at the request of the Bond Trustee, report the balance of the Issuer's Bonds;
- (vi) without being requested to do so, send the Bond Trustee copies of any statutory notifications of the Issuer or any of the Guarantors, including but not limited to in connection with mergers, de-mergers and reduction of share capital or equity;
- (vii) after 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;
- (viii) if the shares in Holdco are listed on an Exchange, without being requested to do so, send a copy to the Bond Trustee of its notices to the Exchange;
- (ix) if any of the Obligors 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;
- (x) without being requested to do so, inform the Bond Trustee of changes in the registration of the Bonds in the Securities Depository; and
- (xi) within a reasonable time, provide such information about the Issuer's or any of the Guarantors' business, assets and financial condition as the Bond Trustee may reasonably request.

13.1.2 The Issuer shall in connection with the publication of its Financial Statements and Interim Reports under Clause (iii) and (iv), confirm to the Bond Trustee in writing the Issuer's compliance with the covenants in this Clause 13, 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.

## 13.2 **General Covenants**

### 13.2.1 *Pari passu ranking*

The Issuer shall ensure that its obligations under this Bond Agreement and any other Finance Document shall at all time rank at least *pari passu* as set out in Clause 8.1.

### 13.2.2 *Security*

The Issuer shall ensure the timely establishment and perfection of any Additional Security and at all times ensure that the Security created under the Security Documents remains duly created, enforceable and perfected on its relevant priority, at the expense of the Issuer.

### 13.2.3 *Mergers*

The Issuer shall not carry out any merger or other business combination or corporate reorganisation involving a consolidation of the assets and obligations of the Issuer with any other companies or entities if such transaction would have a Material Adverse Effect.

### 13.2.4 *De-mergers*

The Issuer shall not carry out any de-merger or other corporate reorganisation involving a split of the Issuer into two or more separate companies or entities, if such transaction would have a Material Adverse Effect.

### 13.2.5 *Continuation of business*

The Issuer shall not cease to carry on its business, and shall procure that no substantial change is made to the general nature of its business from that carried on at the date of this Bond Agreement and/or as set out in this Bond Agreement.

### 13.2.6 *No other business and investments*

The Issuer shall not invest or make any capital expenditures or take part in any other activity than solely related to the Bonds and the ownership of the Rigowners.

### 13.2.7 *Disposal of business*

The Issuer shall not, sell or otherwise dispose of all or a substantial part of its assets or operations, except from sale of shares in the Guarantors provided that the mandatory prepayment provisions set out in Clause 10.4 can be and are met.

### 13.2.8 *Ownership to and funding of the Guarantors*

The Issuer shall maintain 100% legal and beneficial ownership of the Guarantors and ensure sufficient funding of the Guarantors, to enable each of them to meet its obligations under the Project Documents (to which such Guarantor is a party) from time to time, except from sale of such shares in accordance with the Mandatory Prepayment provisions set out in Clause 10.4.

### 13.2.9 *Accounts*

The Issuer shall not open any other bank accounts than the Escrow Account, the Additional Escrow Account, the Issuer Equity Account, the Interest Retention Account and the Issuer Liquidity Account, and to the extent relevant any account opened in connection with the Mexican Trust in accordance with Clause 8.2.2(ii), and procure that all such accounts are held with an Account Bank.

#### 13.2.10 *Corporate status*

The Issuer shall not change its type of organisation or jurisdiction of incorporation.

#### 13.2.11 *Compliance with laws*

The Issuer shall carry on its business in accordance with acknowledged, careful and sound practices in all material aspects and comply in all material respects with all laws and regulations it may be subject to from time to time. Furthermore, the Issuer shall ensure that it is not engaged in any conduct prohibited by any legal requirement of any program administered by the Office of Foreign Asset Control ("OFAC") of the U. S. Department of Treasury and the Issuer shall not engage in any conduct that would cause adverse consequences to the Issuer or the bondholders under any program administered by OFAC.

#### 13.2.12 *Financial Indebtedness*

The Issuer shall not incur or permit to remain outstanding, any Financial Indebtedness (whether secured or unsecured) other than (i) the Financial Indebtedness arising under the Bond Issue or (ii) any Subordinated Loans or (iii) any guarantees to the Yard in respect of the obligations of the Rig 2 Owner under the Rig 2 Construction Contract.

#### 13.2.13 *Negative pledge*

The Issuer shall not create, permit to subsist or allow to exist any security over any of its present or future respective assets or revenues, other than:

- (i) the Security under this Bond Issue; or
- (ii) any lien or security arising by operation of law in the ordinary course of business in respect of claims that are not overdue.

#### 13.2.14 *Financial assistance*

The Issuer shall not grant any loans, guarantees or other financial assistance (including, but not limited to granting security) to any third party, other than (i) Subordinated Loans and Intercompany Loans in accordance with the terms of this Bond Agreement or (ii) any guarantees to the Yard in respect of the obligations of the Rig 2 Owner under the Rig 2 Construction Contract.

#### 13.2.15 *Arm's length transactions*

The Issuer shall not engage directly or indirectly, in any transaction with any party (without limitation, the purchase, sale or exchange of assets or the rendering of any service), except in the ordinary course of business and upon fair and reasonable terms that are not less favourable to the Issuer, as the case may be, than those which might be obtained in an arm's length transaction at the time.

#### 13.2.16 *Dividend and distributions*

The Issuer shall not declare or make any dividend payments, loans or other distributions, including repayment of Subordinated Loans, or make any other transactions implying a transfer of value to its shareholders – whether in cash or in kind – including without limitation repurchase of shares, any total return swaps or instruments with similar effect and reductions in its share capital or equity, other than:

- (i) dividend distribution or payment of amortisations and/or interest on the Subordinated Loans in an amount up to 50% of the Issuer's net profit after taxes for the previous financial year based on the audited annual accounts, without any carry-forward of unused amount;
- (ii) an amount up to USD 10,000,000 to be used for amortisations and/or payment of interest on Subordinated Loans from the Issuer Liquidity Account; and
- (iii) payment of amortisations and/or interest on the Subordinated Loans in an amount equivalent to any new equity contribution provided to the Issuer from Holdco,

provided (a) with respect to (ii) that the amount in the Issuer Liquidity Account and the Rigowner Liquidity Accounts during the last two months prior to such repayment has at least been equal to USD 40,000,000, (b) with respect to (i) and (ii) that no payment shall be made prior to 30 September 2014 and (c) with respect to (i) to (iii) that all covenants and other provisions of the Finance Documents are complied with by the Obligors and the Parent and no Event of Default will arise as a consequence of or immediately following such dividend, payment or transfer.

#### 13.2.17 *Interest Retention Account*

The Issuer shall:

- (i) first; (a) upon disbursement of the net proceeds from the Tap Issue from the Escrow Account deposit an amount equal to six (6) months' interest on the Bonds issued in the Tap Issue in the Interest Retention Account and (b) procure the transfer of the entire funds in the Rig 1 Owner Interest Retention Account to the Interest Retention Account, resulting in the Interest Retention Account holding an amount equal to at least six (6) months' interest on all Bonds; and
- (ii) as from six (6) months after the Original Issue Date; ensure that an amount equal to 1/6 of the next interest payment on the Bonds shall be paid on a monthly basis to the Interest Retention Account; and

ensure that any amounts deposited on such account are used for payment of interest on the next relevant Interest Payment Date.

### 13.3 **Contract related covenants**

#### 13.3.1 *G&A Service Agreement*

The Issuer shall enter into the G&A Service Agreement and shall not amend, assign or terminate or allow any amendments, assignment or termination of such agreement other than as set out in this Bond Agreement.

#### 13.3.2 *Project Documents*

The Issuer shall:

- (i) enter into such Project Documents as contemplated for in this Bond Agreement on such terms as set out in the Offering Memorandum or otherwise as acceptable to the Bond Trustee;

- (ii) perform and observe in all material respects with all of its covenants and agreements contained in any of the Project Documents to which it is or becomes a party;
- (iii) take all necessary action to prevent the termination of any such Project Documents or (to the extent relevant) in accordance with the terms thereof or otherwise, other than as a result of expiry of the relevant contract period or termination by counter party against payment of early termination fees reflecting remaining contract period;
- (iv) take any and all action as may be reasonably necessary promptly to enforce its rights and to collect any and all sums due to it under such Project Documents; and
- (v) not consent to any amendment of any such Project Document or exercise any material option thereunder except for consents or exercise of options within the Construction Budget and/or Pre-Operational Budget or if not having any material negative impact on the value of the Rig.

#### 13.3.3 *Subordinated Loans*

The Issuer shall ensure that any Subordinated Loan shall (i) be unsecured and fully subordinated to the Bonds, (ii) save for Permitted Distribution have a maturity date (and actually be partly or fully repaid) later than the date of the redemption of the Bonds in full, (iii) have no interest or amortization payment during the term of the Bonds and (iv) be subject to Assignment of Subordinated Loan, i.e. all currently existing and future Subordinated Loans shall as a condition precedent to their granting be subject to assignment in favour of the Bond Trustee.

#### 13.3.4 *Subordinated management payments*

The Issuer shall ensure that any amounts payable under or in respect of the Management Agreements or any other management and agreements for similar services with the Parent or any of its Subsidiaries in respect of the Rig are paid as they fall due, and that all such payments shall be fully subordinated to the Bond.

### 13.4 **Rig covenants**

#### 13.4.1 *Arrangements concerning the Rig*

The Issuer shall not, and shall ensure that none of the Rigowners shall, make any financial or other arrangements concerning any of the Rigs and its employment other than provided for in the Finance Documents, which is likely to have a Material Adverse Effect.

#### 13.4.2 *Ownership to the Rigs*

The Issuer shall ensure that Rig 1 Owner and Rig 2 Owner shall maintain 100% legal and beneficial ownership of Rig 1 and Rig 2, respectively, except from sale of any of the Rigs provided that the mandatory prepayment provisions set out in Clause 10.4 can be and are met.

#### 13.4.3 *Insurance*

- (i) The Obligors shall procure that each of the Rigs are adequately insured against relevant risks, including but not limited to, (a) Hull and Machinery (with an insured value of the Rigs being the greater of their fair market value and 120% of the aggregated outstanding amounts under the Finance



Documents), (b) Hull Interest and/or Freight Interest, (c) Loss of Hire, (d) war risks (including acts of terrorism, war risks, P&I, piracy and confiscation) and (e) Protection & Indemnity (including a maximum club cover for oil pollution liability for the Rigs) in such amounts and currencies (taking into account amongst other the area of operation) and placed or entered with such reputable insurers, brokers or P&I clubs as the Bond Trustee from time to time may approve, including any additional insurance required under any applicable law or the relevant Charter Contract.

- (ii) The Obligors shall procure that the Bond Trustee (on behalf of the Bondholders) is noted as first priority mortgagee and sole loss payee in the relevant insurance contracts, together with the confirmation from the underwriters to the Bond Trustee thereof that the notice of assignment with regards to the insurances and the loss payable clauses (with a monetary threshold of USD 5,000,000) are noted in the insurance contracts and that standard letters of undertaking are executed by the insurers.
- (iii) Not later than 14 days before the expiry date of the relevant insurances, the Issuer shall procure the delivery to the Bond Trustee of a certificate from the insurance broker(s) through whom the insurances referred to in (i) have been renewed and taken out in respect of each of the Rigs, that such insurances are in full force and effect and that the Bond Trustee (on behalf of the Bondholders) has been noted by the relevant insurers.
- (iv) If any of the insurances referred to in (i) have been taken out on conditions other than the Nordic Marine Insurance Plan of 2013 (as amended from time to time) and/or form part of a fleet cover, the Obligors shall procure that the insurers shall undertake to the Bond Trustee that they shall neither set-off against any claims in respect of any of the Rigs any premiums due in respect of other rigs under such fleet cover or any premiums due for other insurances, nor cancel this insurance for reason of non-payment of premiums for other rigs under such fleet cover or of premiums for such other insurances, and shall undertake to issue a separate policy in respect of the Rigs if and when so requested by the Bond Trustee.
- (v) The Obligors shall procure that the Rigs always are employed in conformity with the terms of the instruments of insurances (including any warranties expressed or implied therein) and comply with such requirements as to extra premium or otherwise as the insurers may prescribe.
- (vi) The Obligors will not make any material changes to the insurances described under (i) above without the prior written consent of the Bond Trustee.
- (vii) Upon the occurrence of a Total Loss Event, the Issuer shall, within sixty (60) days after date of the Total Loss Event, obtain and present to the Bond Trustee a written confirmation from the relevant insurers that the claim relating to the Total Loss Event has been accepted in full, and the insurance proceeds shall, as soon as they are released, be applied in a Mandatory Prepayment pursuant to Clause 10.4.
- (viii) The Issuer shall on demand reimburse the Bond Trustee for any cost payable in respect of such insurance opinion as provided in accordance with Clause 6.2.2(v) and any premium payable in respect of any Mortgagees' Interest Insurance or Mortgagees' Additional Perils Insurance up to, in

aggregate for each, 120% of the outstanding amount under the Finance Documents taken out by the Bond Trustee in respect of each of the Rigs.

13.4.4 *Flag, name, registry*

The Obligors shall ensure that the Rigs are maintained under the relevant flag, registered in the Panama Ship Registry (or other ship registry acceptable to the Bond Trustee) under their present name in the ownership of the Rig 1 Owner for Rig 1 and the Rig 2 Owner for Rig 2.

13.4.5 *Class*

The Obligors shall ensure that the class of each of the Rigs is maintained at the highest applicable class with Det Norske Veritas, Lloyds Register of Shipping, Bureau Veritas, American Bureau of Shipping or another first class, internationally recognised classification society that is member of the International Association of Classification Societies, acceptable to the Bond Trustee, all times free of all overdue extensions and conditions of class, and not change the class nor classification society for each of the Rigs and upon request provide the Bond Trustee with all information regarding each of the Rigs' class position (including but not limited to information on extensions and conditions of class).

13.4.6 *Operations in accordance with laws etc.*

The Obligors shall at all times ensure that each of the Rigs is operated in accordance with any laws, regulations (environmental or otherwise), administrative decisions and/or other public authorities as applicable from time to time and jurisdiction to jurisdiction.

13.4.7 *Condition*

The Obligors shall ensure satisfactory maintenance of each of the Rigs and all relevant equipment related thereto at all times, including to ensure that each of the Rigs is maintained and preserved in a good and safe condition and state of repair consistent with first class ship ownership and management practice, complying with all other marine safety and other regulations and requirements from time to time applicable to rigs registered in the Panama Ship Registry and applicable to rigs operating in any jurisdiction in which any of the Rigs may trade from time to time. During operation of the Rigs, the Obligors shall ensure that any charterer or client operates and maintains the relevant Rig in accordance with the applicable maintenance system.

13.4.8 *Release of charges*

The Obligors shall as soon as possible and not later than ten (10) Business Days, or if contested in good faith, fifteen (15) Business Days, after becoming aware of the same ensure that maritime liens (other than statutory liens for claims which are not overdue), distress or other similar charges on any of the Rigs or other assets of the Obligors shall be released or that relevant legal proceedings shall have been instigated in good faith with a view to discharge such lien, distress or charges.

13.4.9 *Prevention and release from arrests*

The Obligors shall promptly discharge all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against any of the Rigs, any earnings related to any of the Rigs or the insurances related to any of the Rigs and, forthwith upon receiving notice of the arrest of such Rig, or of its detention in exercise or purported exercise of any lien or claim, the

relevant Obligor shall as soon as possible and not later than within three (3) Business Days procure its release by providing bail or otherwise as the circumstances may requires.

#### 13.4.10 *Notification*

The Obligors shall ensure that the Bond Trustee is notified forthwith by letter, or in case of urgency by facsimile, of:

- (i) any accident to any of the Rigs involving repairs the cost whereof is likely to exceed USD 1,500,000 (or the equivalent in any other currency);
- (ii) any occurrence in consequence whereof a Total Loss Event has occurred or is likely to occur;
- (iii) any material requirement or recommendation made by any insurer or classification society or by any competent authority which is not immediately complied with;
- (iv) any piracy, theft and hijacking of any of the Rigs;
- (v) any arrest or detention of any of the Rigs, any exercise of any lien on any of the Rigs or its earnings or any requisition of any of the Rigs for hire; and
- (vi) any actual or threatened or alleged breach (not being immaterial) of laws and regulations applicable to any of the Rigs and/or the operation thereof (environmental or otherwise).

### 13.5 **Application of Earnings**

#### 13.5.1 *Application of Earnings - Charter Contract with the Parent*

To the extent a Charter Contract is entered into by the Parent, the Issuer shall, for as long as any earning and other payments are received under that Charter Contract, ensure that such earnings and other payments are paid into the Parent Earnings Account applicable for the relevant Rig, and thereafter the following transfers and payments shall be made on a monthly basis within five (5) days after receipt of such earnings (the "**Transfer Date**"):

- (i) firstly, from such Parent Earnings Account to the relevant Rigowner Earnings Account an amount equal to the monthly rate (to the extent relevant on the first Transfer Date, such rate multiplied with the number of months since start of operations under the relevant Charter Contract) under the relevant Bareboat Charter; and therefrom (a) as from six (6) months after the Original Issue Date, to the Interest Retention Account an amount which in aggregate with any similar payments from the other Rigowner Earnings Account shall be equal to 1/6 of the next interest payment, all such payments from the Rigowner Earnings Accounts constituting a payment to the Issuer under the Intercompany Loans and reducing the outstanding Intercompany Loans with the corresponding amount, and (b) to the relevant Rigowner Liquidity Account the remaining amount in the relevant Rigowner Earnings Account after the payment under (a) above, to pay the Rigowner's operating expenses (including under the relevant Management Agreements), for general corporate purposes and to make Permitted Distributions;
- (ii) secondly, from the relevant Parent Earnings Account to an operating account nominated by the Parent to cover the operating expenses for the

calendar month following the relevant Transfer Date (in the maximum amount of (a) USD 51,000 per day for Rig 1 and (b) USD 52,500 per day for Rig 2 for operation in Mexico, and otherwise in accordance with the Bareboat Charter Hire Adjustment); and

- (iii) thirdly, from the relevant Parent Earnings Account to the relevant Rigowner Liquidity Account any remaining amount on said Parent Earnings Account.

#### 13.5.2 *Application of Earnings - Charter Contract with a Rigowner*

To the extent a Charter Contract is entered into by a Rigowner, it shall, for as long as any earning and other payments are received under that Charter Contract, ensure that such earnings and other payments are paid into the relevant Rigowner Earnings Account, and thereafter the following transfers and payments shall be made on each Transfer Date:

- (i) firstly, as from six (6) months after the Original Issue Date, to the Interest Retention Account an amount which in aggregate with any similar payments from the other Rigowner Earnings Account shall be equal to 1/6 of the next interest payment, all such payments from the Rigowner Earnings Accounts constituting a payment to the Issuer under the Intercompany Loans and reducing the outstanding Intercompany Loans with the corresponding amount; and
- (ii) secondly, to the relevant Rigowner Liquidity Account the remaining amount in the relevant Rigowner Earnings Account after the payment under (i) above, to (a) pay said Rigowner's operating expenses (including under the relevant Management Agreements) (b) repayment in accordance with Clause 10.1, (c) for general corporate purposes and (d) to make Permitted Distributions.

#### 13.5.3 *Application of Earnings - Charter Contract with a Rigowner Subsidiary*

To the extent a Charter Contract is entered into by a Rigowner Subsidiary, the relevant Rigowner shall, for as long as any earnings and other payments are received under that Charter Contract, ensure that such earnings and other payments are paid into the Rigowner Subsidiary Earnings Account, and thereafter the following transfers and payments shall be made on each Transfer Date:

- (i) firstly, from the Rigowner Subsidiary Earnings Account to the relevant Rigowner Earnings Account an amount equal to the monthly rate (to the extent relevant on the first Transfer Date, such rate multiplied with the number of months since start of operations under the relevant Charter Contract) under the relevant Bareboat Charter (such rate to be subject to any necessary adjustments to comply with any applicable tax and/or transfer pricing regulations); and therefrom (a) as from six (6) months after the Original Issue Date, to the Interest Retention Account an amount which in aggregate with any similar payments from the other Rigowner Earnings Account shall be equal to 1/6 of the next interest payment, all such payments from the Rigowner Earnings Accounts constituting a payment to the Issuer under the Intercompany Loans and reducing the outstanding Intercompany Loans with the corresponding amount, and (b) to the relevant Rigowner Liquidity Account the remaining amount in the relevant Rigowner Earnings Account after the payment under (a) above, to pay said Rigowner's operating expenses (including under the relevant Management

Agreements), for general corporate purposes and to make Permitted Distributions;

- (ii) secondly, from the Rigowner Subsidiary Earnings Account to an operating account nominated by the Rigowner Subsidiary to cover the operating expenses (including under the relevant Management Agreements) for the calendar month following the relevant Transfer Date (in the maximum amount of (a) USD 51,000 for Rig 1 and (b) USD 52,500 for Rig 2 per day for operation in Mexico, and otherwise in accordance with the Bareboat Charter Hire Adjustment); and
- (iii) thirdly, from the Rigowner Subsidiary Earnings Account to the Rigowner Liquidity Account any remaining amount on the Rigowner Subsidiary Earnings Account.

#### 13.5.4 *Funding of mobilisation, pre-operational cost and operational costs prior to first Transfer Date*

Prior to the first Transfer Date in respect of the first Charter Contract, any mobilisation, pre-operational cost and operating expenses (as set out in the Pre-Operational Budget amounting to approximately USD 25,000,000 for Rig 1 and USD 30,000,000 for Rig 2) may be funded by use of funds standing to the credit of the relevant Rigowner on the corresponding Rigowner Liquidity Account, provided however that any amount exceeding the relevant Pre-Operational Budget by more than USD 5,000,000 shall be funded by cash through (i) a corresponding additional cash equity contribution and/or (ii) increased or additional Subordinated Loan through Holdco and the Issuer or directly from the Parent into the relevant Rigowner Liquidity Account.

#### 13.5.5 *Funding of amortisations*

Notwithstanding the structuring of the Charter Party and the flow of earnings therefrom, each of the Rigowners shall make contributions to payments of the amortisations (as specified herein) of the Bonds by way of payments from its relevant Rigowner Liquidity Account to the Issuer Liquidity Account (from which the amortisations will be paid), all such payments from the Rigowner Liquidity Accounts constituting a payment to the Issuer under the Intercompany Loans and reducing the outstanding Intercompany Loans with the corresponding amount .

### 13.6 **Financial covenants**

#### 13.6.1 *Liquidity*

The Liquidity shall (on a consolidated basis) at all time be minimum USD 10,000,000.

#### 13.6.2 *Equity Ratio*

The Issuer shall on a consolidated basis with the Rigowners at all times maintain an Equity Ratio of minimum (i) 25% in the period until and including 31 December 2014, (ii) 27.5% in the period from and including 1 January 2015 until and including 31 December 2015 and (iii) 30% thereafter.

### 13.7 **Guarantor special covenants**

#### 13.7.1 *Subordination*

Each of the Guarantors shall ensure that any Subordinated Loans provided by it shall (i) be unsecured and fully subordinated to the Bonds, (ii) save for Permitted Distribution, have a maturity date (and actually be partly or fully repaid) later than the date of the redemption of the Bonds in full, (iii) have no interest or amortization payment during the term of the Bonds and (iv) be subject to Assignment of Subordinated Loan, i.e. all currently existing and future Subordinated Loans shall as a condition precedent to their granting be subject to assignment in favour of the Bond Trustee.

#### 13.7.2 *Pari passu ranking*

Each of the Guarantors shall ensure that its obligations under any Finance Document to which it is a party shall all time rank at least pari passu with all other obligations of said Guarantor (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application) and that such obligations rank ahead of subordinated debt.

#### 13.7.3 *Ownership*

Each of the Guarantors shall maintain 100% direct ownership and control over its respective Rig, except as set out in Clause 13.7.8 below.

#### 13.7.4 *Mergers*

Neither of the Guarantors shall carry out any merger or other business combination or corporate reorganisation involving a consolidation of the assets and obligations of such Guarantor with any other companies or entities if such transaction would have a Material Adverse Effect.

#### 13.7.5 *De-mergers*

Neither of the Guarantors shall carry out any de-merger or other corporate reorganisation involving a split of such Guarantor into two or more separate companies or entities, if such transaction would have a Material Adverse Effect.

#### 13.7.6 *Continuation of business*

Neither of the Guarantors shall cease to carry on its business, and shall procure that no substantial change is made to the general nature of its business from that carried on at the date of this Bond Agreement and/or as set out in this Bond Agreement.

#### 13.7.7 *No other business and investments*

Neither of the Guarantors shall invest or take part in any other activity than solely related to the ownership and operation of the relevant Rig in accordance with the terms herein.

#### 13.7.8 *Disposal of business*

Neither of the Guarantors shall sell or otherwise dispose of all or a substantial part of its assets or operations, unless (i) such sale or disposal is on arm's length terms and for fair market value and (ii) the Bonds can be and are redeemed in full in accordance with the mandatory prepayment provisions set out in Clause 10.4 in relation to sale or disposal of a Rig only.

#### 13.7.9 *Corporate status*

Neither of the Guarantors shall change its type of organisation or jurisdiction of incorporation.

#### 13.7.10 *Compliance with laws*

Each of the Guarantors shall carry on its business in accordance with acknowledged, careful and sound practices in all material aspects and comply in all material respects with all laws and regulations it may be subject to from time to time. Furthermore, the Guarantor shall ensure that it is not engaged in any conduct prohibited by any legal requirement of any program administered by the Office of Foreign Asset Control ("OFAC") of the U. S. Department of Treasury and the Guarantor shall not engage in any conduct that would cause adverse consequences to any of the Obligors or the bondholders under any program administered by OFAC.

13.7.11 *Financial Indebtedness*

Neither of the Guarantors shall incur or permit to remain outstanding, any Financial Indebtedness (whether secured or unsecured) other than (i) the Financial Indebtedness arising under the Bonds or any Finance Documents, (ii) (iii) any Subordinated Loans under which the Parent or Holdco is lender, (iv) the Intercompany Loans or (v) as a result of seller's credit provided by third party suppliers in the ordinary course of business consistent with market practice.

13.7.12 *Negative pledge*

Neither of the Guarantors shall create or permit to subsist any security over any of its assets or enter into arrangements having a similar effect other than (i) the Security for the Bonds, (ii) as a result of seller's credit provided by third party suppliers in the ordinary course of business consistent with market practice or (iii) any lien or security arising by operation of law in ordinary course of business in respect of claims that are not overdue.

13.7.13 *Financial assistance*

Neither of the Guarantors shall grant any loans, guarantees or other financial assistance (including, but not limited to granting security) to any third party, other than (i) any guarantee to the Yard in respect of the obligations under the Rig 1 Construction Contract or the Rig 2 Construction Contract, as the case may be, (ii) any Subordinated Loans to the Issuer or the other Guarantor and (iii) in the ordinary course of business.

13.7.14 *Arm's length transactions*

The Guarantors shall not engage directly or indirectly, in any transaction with any party (without limitation, the purchase, sale or exchange of assets or the rendering of any service), except in the ordinary course of business and upon fair and reasonable terms that are not less favourable to the Guarantor, as the case may be, than those which might be obtained in an arm's length transaction at the time.

13.7.15 *Pre-Operational Management Agreement, the G&A Service Agreement etc.*

Each of the Guarantors shall enter into a Pre-Operational Management Agreement relevant for it, the G&A Service Agreement, Operational Management Agreement (if applicable pursuant Clause 8.2.1(i) and any Bareboat Charter (if applicable pursuant to Clause 8.2.1(ii) and shall not amend, assign or terminate or allow any amendments, assignment or termination of any such agreements other than as set out in this Bond Agreement.

13.7.16 *Charter Contracts*

Each of the Guarantors shall:

- (i) ensure that a Charter Contract is entered into only if (a) the relevant client is an internationally reputable oil company and (b) such client's drilling operations or jurisdiction of incorporation is not any of Iran, North Korea, Venezuela or any other jurisdiction which is on any applicable United Nations, European Union or the United States of America's sanctions list;
- (ii) if a Charter Contract is entered into with Pemex in Mexico in accordance with the Pemex Commitment, use its reasonable best endeavours to obtain consent from Pemex to novate the said Charter Contract from the Parent to the relevant Rigowner or (subject to establishment of relevant Additional Security) a Rigowner Subsidiary incorporated in Mexico;
- (iii) use its reasonable best endeavours to ensure that any other Charter Contract is entered into directly by the relevant Rigowner (or, as the case may be, a Rigowner Subsidiary in the relevant jurisdiction), and if necessary, obtain a performance guarantee from the Parent in such form and substance as reasonably requested by the relevant client; and
- (iv) prior to it (or, as the case may be, a Rigowner Subsidiary in the relevant jurisdiction) becoming a direct party to a Charter Contract, (a) procure that it (or, as the case may be, such Rigowner Subsidiary) enter into an Operational Management Agreement and procure the termination of any Bareboat Charter with the Parent upon effectiveness of such Operational Management Agreement, and (b) notifying the Bond Trustee thereof, including the terms of the relevant Charter Contract and the Operational Management Agreement.

#### 13.7.17 *Project Documents*

Each of the Guarantors shall:

- (i) enter into such Project Documents as contemplated for in this Bond Agreement on such terms as set out in the Offering Memorandum or otherwise as acceptable to the Bond Trustee;
- (ii) perform and observe in all material respects with all of its covenants and agreements contained in any of the Project Documents to which it is or becomes a party;
- (iii) take all necessary action to prevent the termination of any such Project Documents in accordance with the terms thereof or otherwise, other than as a result of expiry of the relevant contract period or termination by counter party against payment of early termination fees reflecting remaining contract period;
- (iv) take any and all action as may be reasonably necessary promptly to enforce its rights and to collect any and all sums due to it under such Project Documents; and
- (v) not consent to any amendment of any such Project Document or exercise any material option thereunder except for consents or exercise of options within the Construction Budget and/or the Pre-Operational Budget or if not having any material negative impact on the value of the Rig.



### 13.8 **Parent special covenants**

#### 13.8.1 *Subordination and no enforcement*

The Parent shall ensure:

- (i) that any Subordinated Loans provided by it shall (a) be unsecured and fully subordinated to the Bonds, (b) save for Permitted Distribution, have a maturity date (and actually be partly or fully repaid) later than the date of the redemption of the Bonds in full, (c) have no interest or amortization payment during the term of the Bonds and (d) be subject to Assignment of Subordinated Loan, i.e. all currently existing and future Subordinated Loans shall as a condition precedent to their granting be subject to assignment in favour of the Bond Trustee;
- (ii) that any amounts payable to it under or in respect of any of the Management Agreements or any other management and similar services in respect of any of the Rigs are fully subordinated to the Bond; and
- (iii) not enforce any monetary claim against any of the Obligors without prior written consent of the Bond Trustee, nor permit any affiliated party to enforce such claim.

#### 13.8.2 *Loyalty*

The Parent shall in its capacity as controlling shareholder of Holdco and the Obligors to the extent applicable act in accordance with and loyalty to the terms of the Finance Documents, e.g. not demand or vote in favour of any dividend payments or other distributions from the Issuer other than allowed herein.

#### 13.8.3 *Ownership*

The Parent shall procure that the Issuer remains a wholly owned subsidiary of Holdco and the Guarantors remain wholly owned subsidiaries of the Issuer, except from sale of such shares in accordance with the Mandatory Prepayment provisions set out in Clause 10.4.

#### 13.8.4 *Security*

The Parent shall ensure the due and timely execution and perfection of any Additional Security to which it shall become a party and at all times ensure that Security created under Security Documents to which it is a party remains duly created, enforceable and perfected on its relevant priority.

#### 13.8.5 *Parent Earnings Accounts*

The Parent shall maintain the Parent Earnings Accounts with an Account Bank.

#### 13.8.6 *Parent Earnings*

As long as a Charter Contract to which the Parent is a party is in place, the Parent shall ensure that all earnings received from such Charter Contract(s) shall be received into the relevant Parent Earnings Account, and ensure distribution of such earnings in accordance with Clause 13.5.1.

#### 13.8.7 *Payment and funding of operational expenses*

As long as a Charter Contract to which the Parent is a party is in place for any of the Rigs, the Parent shall ensure the timely and full payment of any and all operating expenses with respect to such Rig(s), and to the extent such operating expenses exceeds such amounts as from time to time standing or transferred to the relevant Parent operating account in accordance with Clause 13.5.1(ii), promptly fund such additional operation expenses. The Parent may notwithstanding the foregoing be reimbursed any operating expenses and other amounts as per the Pre-Operational Management Agreement in accordance with Clause 13.5.4 provided that it complies with the funding arrangements as set out therein in the event that the Pre-Operational Budget is exceeded by more than USD 5,000,000.

13.8.8 *Transfer of mobilisation fee*

To the extent the Parent becomes the party to a Charter Contract, promptly transfer to the relevant Rigowner any mobilisation fee remuneration received from the relevant client to such Charter Contract (to the extent such Charter Contract is entered into in accordance with the Pemex Commitment) in amount of at least USD 8,000,000.

13.8.9 *Charter Contracts*

The Parent shall:

- (i) ensure that a Charter Contract, to which it will be a party, is entered into only if (a) the relevant client is an internationally reputable oil company and (b) such client's drilling operations or jurisdiction of incorporation is not any of Iran, North Korea, Venezuela or any other jurisdiction which is on any applicable United Nations, European Union or the United States of America's sanctions list;
- (ii) if any Charter Contract with Pemex in Mexico is entered into use its reasonable best endeavours to obtain consent from Pemex to novate the said Charter Contract from the Parent to the relevant Rigowner or (subject to establishment of relevant Additional Security) a Rigowner Subsidiary incorporated in Mexico; and
- (iii) use its reasonable best endeavours to ensure that any other Charter Contract is entered into directly by the relevant Rigowner or a Rigowner Subsidiary in the relevant jurisdiction, and if necessary, issue a performance guarantee in such form and substance as reasonably requested by the relevant client under such Charter Contract.

13.8.10 *Project Documents*

The Parent shall:

- (i) enter into such Project Documents as contemplated for in this Bond Agreement on such terms as set out in the Offering Memorandum or otherwise as acceptable to the Bond Trustee;
- (ii) perform and observe in all material respects with all of its covenants and agreements contained in any of the Project Documents to which it is or becomes a party;
- (iii) take all necessary action to prevent the termination of any such Project Documents in accordance with the terms thereof or otherwise, other than as

a result of expiry of the relevant contract period or termination by counter party against payment of early termination fees reflecting remaining contract period; and

- (iv) take any and all action as may be reasonably necessary promptly to enforce its rights and to collect any and all sums due to it under such Project Documents, (vi) not consent to any amendment of any such Project Document or exercise any material option thereunder except for consents or exercise of options within the Construction Budget and/or Pre-Operational Budget or if not having any material negative impact on the value of the relevant Rig(s).

#### 13.8.11 *Manager*

The Parent shall in its capacity as manager of any of the Rigs under any of the Management Agreements market and operate the Rigs in accordance with good industry standards and in accordance with the Project Documents and in compliance with the terms hereof and the relevant Finance Documents.

#### 13.8.12 *Negative pledge*

The Parent shall not (save for Security granted by it for the Bonds) create, permit to subsist or allow to exist any security over any of its assets included as Security for the Bonds.

### 13.9 **Holdco special covenants**

#### 13.9.1 *Subordination and no enforcement*

Holdco shall ensure:

- (i) that any Subordinated Loans provided by it shall (a) be unsecured and fully subordinated to the Bonds, (b) save for Permitted Distribution, have a maturity date (and actually be partly or fully repaid) later than the date of the redemption of the Bonds in full, (c) have no interest or amortisation payment during the term of the Bonds and (d) be subject to Assignment of Subordinated Loan, i.e. all currently existing and future Subordinated Loans shall as a condition precedent to their granting be subject to assignment in favour of the Bond Trustee; and
- (ii) not enforce any monetary claim against any of the Obligors without prior written consent of the Bond Trustee, nor permit any affiliated party to enforce such claim.

#### 13.9.2 *Loyalty*

Holdco shall in its capacity as controlling shareholder of the Obligors to the extent applicable act in accordance with and loyalty to the terms of the Finance Documents, e.g. not demand or vote in favour of any dividend payments or other distributions from the Issuer other than allowed herein.

#### 13.9.3 *Ownership*

Holdco shall maintain 100% direct ownership of the Issuer and procure that the Guarantors remain wholly owned subsidiaries of the Issuer, except from sale of such shares in accordance with the Mandatory Prepayment provisions set out in Clause 10.4.

#### 13.9.4 *Negative pledge*

Holdco shall not (save for Security granted by it for the Bonds) create, permit to subsist or allow to exist any security over any of its assets included as Security for the Bonds.

#### 14        **FEES AND EXPENSES**

- 14.1        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. 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 Documents, to set-off and cover any such costs and expenses.
- 14.2        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).
- 14.3        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.
- 14.4        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.
- 14.5        The Issuer shall in the event that a Charter Contract is entered into with a client in Mexico procure that it is qualifying to pay the minimum withholding tax on Interest Payments (*currently 4.9%*).
- 14.6        The Issuer is responsible for withholding any withholding tax imposed by applicable law on any payments to the Bondholders.
- 14.7        If the Issuer is required by law to withhold any withholding tax from any payment under any Finance Document:
- (i)        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
  - (ii)       the Issuer shall at the request of the Bond Trustee deliver to the Bond Trustee evidence that the required tax deduction or withholding has been made.

- 14.8 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 30 Business Days prior to the settlement date of the call.

## 15 **EVENTS OF DEFAULT**

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

### 15.1.1 *Non-payment*

The Issuer, or as the case may be, any of the Guarantors or the Parent, fails to fulfil any payment obligation due under this Bond Agreement, any Finance Document or any Bareboat Charter when due, unless, in the opinion of the Bond Trustee, it is likely that such payment will be made in full within five (5) Business Days following the original due date.

### 15.1.2 *Breach of other obligations*

The Issuer, or as the case may be, any of the Guarantors or the Parent, does not comply with any provision pursuant to this Bond Agreement, any Finance Document or any Bareboat Charter (other than non-payment), unless, in the opinion of the Bond Trustee, such failure is capable of being remedied and is remedied within ten (10) Business Days after notice thereof is given to the Issuer by the Bond Trustee.

### 15.1.3 *Cross default – Financial Indebtedness*

If for the Issuer or the Guarantors:

- (i) any Financial Indebtedness is not paid when due nor within any originally applicable grace period;
- (ii) 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);
- (iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or
- (iv) 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),

always provided that a threshold in the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) above of USD 2,000,000, or the equivalent thereof in other currencies, shall apply.

### 15.1.4 *Cross acceleration – Financial Indebtedness*

If for the Parent or Holdco:

- (i) 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); or

- (ii) any creditor notify the Parent of its intention to accelerate and/or to start or starts proceedings to enforce any Financial Indebtedness, any guarantee or security provided for any Financial Indebtedness,

always provided that a threshold in the aggregate amount of Financial Indebtedness or commitment, guarantee or security for Financial Indebtedness falling within paragraphs (i) and (ii) above of USD 5,000,000, or the equivalent thereof in other currencies, shall apply.

#### 15.1.5 *Misrepresentations*

Any representation, warranty or statement (including statements in compliance certificates) made under this Bond Agreement, any other Finance Document or in the Offering Memorandum or in connection any such documents is or proves to have been incorrect, inaccurate or misleading in any material respect when made or deemed to have been made.

#### 15.1.6 *Insolvency*

- (i) Any Obligor 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.
- (ii) The value of the assets of any Obligor is less than its liabilities (taking into account contingent and prospective liabilities).
- (iii) A moratorium is declared in respect of any indebtedness of any Obligor.

#### 15.1.7 *Insolvency proceedings and dissolution*

Any corporate action, legal proceedings or other procedure step is taken against any Obligor in relation to:

- (i) 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 reorganisation;
- (ii) a composition, compromise, assignment or arrangement with any creditor, having an adverse effect on the Issuer's ability to perform its payment obligations hereunder;
- (iii) 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
- (iv) its dissolution,

or any analogous procedure or step is taken in any jurisdiction.

#### 15.1.8 *Creditors' process*

A substantial proportion of an Obligor's assets are impounded, confiscated, attached or subject to distraint, or is subject to enforcement of any Security over any of its assets.

#### 15.1.9 *Impossibility or illegality*

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

15.1.10 *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.

- 15.2 In the event that one or more of the circumstances mentioned in Clause 15.1 occurs and is continuing, the Bond Trustee can, in order to protect the interests of the Bondholders, by notice to the Issuer 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.

- 15.3 In the event that one or more of the circumstances mentioned in Clause 15.1 occurs and is continuing, the Bond Trustee shall by notice to the Issuer declare the Outstanding Bonds including accrued interest, costs and expenses to be in default and due for immediate payment if:

- (i) 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
- (ii) 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.

- 15.4 In the event that the Bond Trustee pursuant to the terms of Clauses 15.2 or 15.3 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 **BONDHOLDERS' MEETING**

### 16.1 **Authority of the Bondholders' Meeting**

- 16.1.1 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.

- 16.1.2 The Bondholders' Meeting cannot resolve that any overdue payment of any installment 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.

- 16.1.3 If a resolution by or an approval of the Bondholders is required, such resolution shall be passed at a Bondholders' Meeting, see however Clause 17.1. Resolutions passed at Bondholders' Meetings shall be binding upon all Bondholders and prevail for all the Bonds.
- 16.2 **Procedural rules for Bondholders' meetings**
- 16.2.1 *A Bondholders' Meeting shall be held at the written request of:*
- (i) the Issuer;
  - (ii) Bondholders representing at least 1/10 of the Voting Bonds;
  - (iii) the Exchange, if the Bonds are listed; or
  - (iv) the Bond Trustee.
- 16.2.2 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.
- 16.2.3 If the Bond Trustee has not summoned a Bondholders' Meeting within ten (10) Business Days after having received a valid request, then the requesting party may summons the Bondholders' Meeting itself.
- 16.2.4 The notice of a Bondholders' Meeting shall be dispatched no later than ten (10) 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.
- 16.2.5 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.
- 16.2.6 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.
- 16.2.7 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.
- 16.2.8 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.
- 16.2.9 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.



- 16.2.10 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.
- 16.2.11 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.

**16.3 Resolutions passed at Bondholders' Meetings**

- 16.3.1 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.

- 16.3.2 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.
- 16.3.3 In order to form a quorum, at least half (1/2) of the Voting Bonds must be represented at the meeting, see however Clause 16.4. Even if less than half (1/2) of the Voting Bonds are represented, the Bondholders' Meeting shall be held and voting completed.
- 16.3.4 Resolutions shall be passed by simple majority of the Voting Bonds represented at the Bondholders' Meeting, unless otherwise set out in Clause 16.3.5.
- 16.3.5 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.
- 16.3.6 The Bondholders' Meeting may not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.
- 16.3.7 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.
- 16.3.8 The Issuer, the Bondholders and the Exchange shall be notified of resolutions passed at the Bondholders' Meeting.

**16.4 Repeated Bondholders' meeting**

16.4.1 If the Bondholders' Meeting does not form a quorum pursuant to Clause 16.3.3, 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.

16.4.2 A valid resolution may be passed at a repeated Bondholders' meeting even though less than half (1/2) of the Voting Bonds are represented.

## **17 THE BOND TRUSTEE**

### **17.1 The role and authority of the Bond Trustee**

17.1.1 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.

17.1.2 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.

17.1.3 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.

17.1.4 The Bond Trustee may reach decisions binding for all Bondholders in circumstances other than those mentioned in Clause 17.1.3 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 (5) Business Days following the dispatch of such notification.

17.1.5 The Bond Trustee may reach other decisions than set out in Clauses 17.1.3 or 17.1.4 to amend or rectify decisions which due to spelling errors, calculation mistakes, misunderstandings or other obvious errors do not have the intended meaning.

17.1.6 The Bond Trustee may not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.

17.1.7 The Issuer, the Bondholders and the Exchange shall be notified of decisions made by the Bond Trustee pursuant to Clause 17.1 unless such notice obviously is unnecessary.

- 17.1.8 The Bondholders' Meeting can decide to replace the Bond Trustee without the Issuer's approval, as provided for in Clause 16.3.5.
- 17.1.9 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.
- 17.1.10 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.
- 17.2 **Liability and indemnity**
- 17.2.1 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.
- 17.2.2 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.
- 17.2.3 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 15.3(i) or 16.2.1 (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.
- 17.3 **Change of Bond Trustee**
- 17.3.1 Change of Bond Trustee shall be carried out pursuant to the procedures set out in Clause 16. The Bond Trustee shall continue to carry out its duties as bond trustee until such time that a new Bond Trustee is elected.
- 17.3.2 The fees and expenses of a new bond trustee shall be covered by the Issuer pursuant to the terms set out in Clause 14, 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.
- 17.3.3 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.
- 17.4 **Appointment of Security Agent**

17.4.1 The Bond Trustee is appointed to act as Security Agent for the Bonds.

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.

17.4.2 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 the Obligors 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.

17.4.3 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.

## 18 MISCELLANEOUS

### 18.1 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:

- (i) the Bondholders are bound by the terms of this Bond Agreement;
- (ii) 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 Bonds and/or any Security created from time to time by or pursuant to the Security Documents, opening of bankruptcy or other insolvency proceedings;
- (iii) 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
- (iv) this Bond Agreement establishes a community between Bondholders meaning that:
  - (d) the Bonds rank pari passu between each other;
  - (e) 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;

- (f) the Issuer may not, based on this Bond Agreement, act directly towards the Bondholders;
- (g) the Bondholders may not cancel the Bondholders' community; and
- (h) the individual Bondholder may not resign from the Bondholders' community.

## 18.2 **Defeasance**

18.2.1 The Issuer may, at its option and at any time, elect to have certain obligations discharged (see Clause 18.2.2) upon complying with the following conditions ("**Security and Covenant Defeasance**"):

- (i) 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 an exercise of a notified Call Option) or any other amount agreed between the Parties;
- (ii) 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;
- (iii) if the Bonds are secured, the Defeasance Pledge shall be considered as a replacement of the Security established prior to the Defeasance Pledge;
- (iv) 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
- (v) 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 (a) the compliance of the conditions of the Security and Covenant Defeasance, (b) 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 any Obligor or any bankruptcy, insolvency, reorganisation 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, (c) any relevant tax issues concerning the Bondholders, (d) any valuation of any assets or (e) any other certificate or opinion regarding the Security and Covenant Defeasance or the Defeasance Pledge.

18.2.2 Upon the exercise by the Issuer of its option under Clause 18.2.1:

- (i) the Obligors shall be released from their obligations under all provisions in Clause 13, except Clauses 13.1.1(i), (v), (viii), (x) and (xi), or as otherwise agreed;
- (ii) the Issuer or the relevant Obligor 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;
- (iii) the 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;
- (iv) any Security provided for the Bonds 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 Interest from the relevant register, notice to third parties or as otherwise required, or as otherwise agreed; and
- (v) all other provisions of this Bond Agreement (except (i) - (iii) above) shall remain fully in force without any modifications, or as otherwise agreed.

18.2.3 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.

### 18.3 **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.

### 18.4 **Access to information**

18.4.1 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.

18.4.2 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.

### 18.5 **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.

**18.6 Notices, contact information**

18.6.1 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:

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

18.6.2 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.

18.6.3 Unless otherwise specifically provided, all notices or other communications under or in connection with this Bond Agreement between the Bond Trustee and the Obligors 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:

- (i) if by letter, when delivered at the address of the relevant Party;
- (ii) if by e-mail, when received; and
- (iii) if by fax, when received.

18.6.4 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.

18.6.5 When determining deadlines set out in this Bond Agreement, the following shall apply (unless otherwise stated):

- (i) 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.
- (ii) 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.
- (iii) If a deadline ends on a day which is not a Business Day, the deadline is postponed to the next Business Date.

**18.7 Dispute resolution and legal venue**

18.7.1 This Bond Agreement and all disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and any Obligor, shall be governed by Norwegian law.

18.7.2 All disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and any Obligor, shall, subject to Clause 18.7.3

below, be exclusively resolved by the courts of Norway, with the District Court of Oslo as sole legal venue.

- 18.7.3 Clause 18.7.2 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.

18.8 **Process Agent**

The Issuer shall, and shall procure that the Guarantors and Parent, 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 (in Norwegian: *motta varsler*) and acceptance of service of process (in Norwegian: *vedta forkynnelse*) or any notices as set out in this Bond Agreement.

\*\*\*\*\*

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

**Issuer**

**Bond Trustee**

.....

.....

By:

By:

Position:

Position:



## **Attachment 1**

### **COMPLIANCE CERTIFICATE**

Norsk Tillitsmann ASA

P.O. Box 1470 Vika

N-0116 Oslo

Norway

Fax: + 47 22 87 94 10

E-mail: mail@trustee.no

Dear Sirs,

#### **8.875 per cent Latina Offshore Limited Senior Secured Callable Bond Issue 2013/2018- ISIN NO 0010683832**

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 the Bond Agreement.

With reference to Clause 13.1.2 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 or the Guarantors 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 the Bond Agreement;
4. in accordance with Clause 13.6.1, the Liquidity as of [date] is XX; and
5. in accordance with Clause 13.6.2, the Equity Ratio as of [ ] is XX.

Copies of our latest consolidated [Financial Statements] / [Interim Accounts] are enclosed together with the latest [Financial Statements] / [Interim Accounts] of the Guarantors.

Yours faithfully,

Latina Offshore Limited

---

*Name of authorised person*

Enclosure: [*copy of any written documentation*]

**Attachment 2**

**RELEASE NOTICE - ESCROW ACCOUNT**

Norsk Tillitsmann ASA

P.O. Box 1470 Vika

N-0116 Oslo

Norway

Fax: + 47 22 87 94 10

E-mail: mail@trustee.no

[  
date]

Dear Sirs,

**8.875 per cent Latina Offshore Limited Senior Secured Callable Bond Issue 2013/2018 -  
ISIN NO 0010683832**

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 shall have the same meaning as in the 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 potential or actual Event of Default event which constitutes an Event of Default has occurred or exists, 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,

Latina Offshore Limited

---

*Name of authorised person*

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

## ANNEX 2 – MAIN TERMS OF BAREBOAT CHARTER CONTRACTS

Parties: Rig #1: Santa Maria Rigco as "Owner" and Parent as "Charterer".

Rig #2: Covadonga Rigco as "Owner" and Parent as "Charterer".

Bareboat charter hire: A monthly hire, payable five (5) banking days after the payment date in the relevant Drilling Contract for that same month of operation, based on a dayrate calculated as follows:

- (i) the day-rate in USD of the applicable Drilling Contract at the time of the start of such Drilling Contract, less
- (ii) an amount equal to (a) for Rig #1 USD 51,000 and (b) for Rig #2 USD 52,500 per day for each day of the month, which amounts shall not be subject to any adjustment during the term of the relevant Bareboat Charter Contract.

In addition, the Charterer shall transfer to the Owner the mobilisation fee remuneration to be received by the Charterer under the first Drilling Contract (in an amount of at least USD 8 million for each of the Rigs).

The principles for calculation of the bareboat charter hire as set out above are applicable only to the extent the Drilling Contract is entered into with Client for operation in Mexico. In the event of a Bareboat Charter Contract being entered into with respect to operation in any other jurisdiction, said calculations shall be adjusted to reflect fair market value terms in that jurisdiction.

Risk allocation: Each of the Rigs shall in the period of the Bareboat Charter Contracts be at the risk of the Charterer. The Charterer shall thus bear the risk with respect to the levels of e.g. all opex, insurance and other costs related to the Rig, deviating tax and VAT calculations etc., as well as the risk of down-time on the Rigs affecting the earnings on the relevant Drilling Contract, save for if such down-time is caused by:

- (i) special periodic surveys carried out in the ordinary course and at customary intervals;
- (ii) technical default with the relevant Rig (latent defects) caused by the Yard, for which the Yard has provided warranties and/or the relevant Rigco has insurance coverage, or
- (iii) cancellation or termination of the Drilling Contract for other reasons than the negligence or other fault of the Charterer.

Upon termination of the applicable Drilling Contract, the Charterer shall in cooperation with the relevant Rigco (and if applicable the Issuer) market the relevant Rig and be entitled to enter into a new Drilling Contract, subject to compliance with the provisions of the Finance Documents.

Start-up: Same date and time as the (first) Drilling Contract for the relevant Rig.

Duration: Same duration as the applicable Drilling Contract, and to the extent a new Drilling Contract is entered into by the Parent with respect to the relevant Rig, the Bareboat Charter Contract shall be extended to apply for the duration of such new Drilling Contract.

### **ANNEX 3: FINANCIAL INFORMATION**

**Latina Offshore Limited and  
Subsidiaries**  
(Subsidiary of Latina Offshore Holding  
Limited)

Consolidated Financial Statements for  
the period from June 6, 2013 to  
December 31, 2013, and Independent  
Auditors' Report Dated February 14,  
2014



**Latina Offshore Limited and Subsidiaries**  
**(Subsidiary of Latina Offshore Holding Limited)**

# **Independent Auditors' Report and Consolidated Financial Statements for 2013**

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## **Independent Auditors' Report to the Board of Directors and Stockholders of Latina Offshore Limited**

We have audited the accompanying consolidated financial statements of Latina Offshore Limited and subsidiaries (the Entity), which comprise the consolidated statement of financial position as of December 31, 2013 and the related consolidated statements of changes in stockholders' equity and cash flows for the period from June 6, 2013 to December 31, 2013, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Responsibility of Independent Auditors***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Latina Offshore Limited and subsidiaries as of December 31, 2013 and their cash flows for the period from June 6, 2013 to December 31, 2013 in accordance with International Financial Reporting Standards.

Galaz, Yamazaki, Ruiz Urquiza, S. C.  
Member of Deloitte Touche Tohmatsu Limited

A handwritten signature in black ink, appearing to be "C. P. C. César Román Navarrete Esparza", written over a circular stamp or seal.

C. P. C. César Román Navarrete Esparza  
February 14, 2014

**Latina Offshore Limited and Subsidiaries**  
**(Subsidiary of Latina Offshore Holding Limited)**

**Consolidated Statement of Financial Position**

As of December 31, 2013

(In US dollars)

| <b>Assets</b>   | <b>Note</b> | <b>2013</b>           |
|---|-------------|-----------------------|
| Current assets:   |             |                       |
| Cash and restricted cash  | 5           | \$ 59,830,440         |
| Rodelva, Servicios Administrativos, S. A. de C. V., related party | 13          | <u>118,794</u>        |
| Total current assets  |             | <u>59,949,234</u>     |
| Non-current assets:   |             |                       |
| Machinery and equipment   | 7           | <u>452,233,710</u>    |
| Total assets  |             | <u>\$ 512,182,944</u> |
| <b>Liabilities and Equity</b>                                     |             |                       |
| Current liabilities:  |             |                       |
| Constructora y Perforadora Latina, S. A. de C. V., related party  | 13          | \$ 619,648            |
| Other current liabilities   |             | <u>12,042,312</u>     |
| Total current liabilities   |             | <u>12,661,960</u>     |
| Non-current liabilities:  |             |                       |
| Long-term debt  | 9           | <u>348,708,592</u>    |
| Total non-current liabilities                                     |             | <u>348,708,592</u>    |
| Total liabilities   |             | <u>361,370,552</u>    |
| Stockholders' equity:   |             |                       |
| Capital stock   | 12          | <u>150,812,392</u>    |
| Total stockholders' equity  |             | <u>150,812,392</u>    |
| Total liabilities and stockholders' equity                        |             | <u>\$ 512,182,944</u> |

See accompanying notes to consolidated financial statements.

**Latina Offshore Limited and Subsidiaries**  
**(Subsidiary of Latina Offshore Holding Limited)**

**Consolidated Statement of Changes in Stockholders' Equity**

For the period from June 6, 2013 to December 31, 2013  
(In US dollars)

|   | Capital<br>stock      | Total stockholders'<br>equity |
|---|-----------------------|-------------------------------|
| Initial stockholders' contribution – June 6, 2013 | \$ 100                | \$ 100                        |
| Issuance of common stock                          | <u>150,812,292</u>    | <u>150,812,292</u>            |
| Balance, December 31, 2013                        | <u>\$ 150,812,392</u> | <u>\$ 150,812,392</u>         |

See accompanying notes to consolidated financial statements.

**Latina Offshore Limited and Subsidiaries**  
**(Subsidiary of Latina Offshore Holding Limited)**

**Consolidated Statement of Cash Flows**

For the period from June 6, 2013 to December 31, 2013

(In US dollars)

|   | 2013                 |
|---|----------------------|
| Cash flows from operating activities:                             |                      |
| Changes in assets and liabilities:                                |                      |
| Rodelva, Servicios Administrativos, S. A. de C. V., related party | \$ (118,794)         |
| Constructora y Perforadora Latina, S. A. de C. V., related party  | <u>619,648</u>       |
| Net cash flows provided by operating activities                   | <u>500,854</u>       |
| Cash flows from investing activities:                             |                      |
| Purchase of machinery and equipment                               | <u>(311,891,398)</u> |
| Net cash flows used in investing activities                       | <u>(311,891,398)</u> |
| Cash flows from financing activities:                             |                      |
| Proceeds from long-term debt                                      | 355,283,839          |
| Bonds issuance cost   | (6,575,247)          |
| Issuance of common stock  | <u>22,512,392</u>    |
| Net cash flows provided by financing activities                   | <u>371,220,984</u>   |
| Cash at end of the period   | <u>\$ 59,830,440</u> |

See accompanying notes to consolidated financial statements.

**Latina Offshore Limited and Subsidiaries**  
(Subsidiary of Latina Offshore Holding Limited)

## **Notes to the Consolidated Financial Statements**

For the period from June 6, 2013 to December 31, 2013  
(In US dollars)

### **1. General information**

Latina Offshore Limited (the "Entity") was incorporated as a Bermuda exempted company on June 6, 2013 under the laws of Bermuda. Its parent company is Latina Offshore Holding Limited and its ultimate holding company is Constructora y Perforadora Latina, S. A. de C. V., a related party incorporated in Mexico (CP Latina).

The Entity has a registered office at Canon's Court 22 Victoria Street, Hamilton, Bermuda. For Mexican tax purposes, the Entity's address is Fuente de la Templanza 31, Lomas de Tecamachalco, Mexico City, and Zip Code 53950.

The main activities of the Entity and its subsidiaries (the "Group") are the leasing of two rigs for oil and gas drilling to CP Latina. As of December 31, 2013, the Group is in the pre-operating stage; per the terms of the lease agreement signed with CP Latina, drilling operations will be initiated in March 2014.

The Entity's management team, operating and administrative personnel are employed by Rodelva Servicios Administrativos, S.A. de C.V., a related party. Therefore, the Company has no employees and is not subject to any labor obligations other than any joint and several obligations that may arise from the labor agreements executed with the related party.

### **2. New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective**

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9, *Financial Instruments*<sup>2</sup>

Amendments to IFRS 9 and IFRS 7, *Mandatory Effective Date of IFRS 9 and Transition Disclosures*<sup>3</sup>

Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment Entities*<sup>1</sup>

Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*<sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors of the Group anticipate that the application of these new and revised IFRSs in the future may not have significant impact on amounts reported in respect of the Group's financial consolidated statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS mentioned above until a detailed review has been completed.

### **3. Significant accounting policies**

#### **a. Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

b. ***Basis of preparation***

The accompanying consolidated financial statements have been prepared on a historical cost basis; disclosures of fair value have been included where required by IFRS.

i. **Historical cost**

Historical cost is generally measured as the fair value of the consideration given in exchange for goods and services.

ii. **Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Entity and its controlled subsidiaries. Control is achieved when the Entity:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

d. ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable.

Rental income from operating leases will be recognized on a straight-line basis over the term of the relevant lease.



e. ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

f. ***Income taxes***

The expense for income taxes represents the sum of current and deferred tax.

1. **Current tax**

Current income tax is recorded in the year as incurred.

2. **Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

g. ***Machinery and equipment***

Acquisitions are recorded at acquisition cost. Cost includes purchase price, including import duties, any costs directly attributable to bringing the asset to the location and condition necessary or it to be capable of operating in the manner intended by management of the Group and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of machinery and equipment commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost less residual values of assets over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of machinery and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

h. ***Impairment of tangible assets***

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

i. ***Provisions***

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

j. *Financial instruments*

Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, including transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities.

k. *Financial assets*

The Group's only financial assets consist of loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade, leasing and other receivables, bank balances and cash, and others) are measured at amortized cost using the effective interest method, less any impairment. The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past an average credit period established by the Group, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of trade or lease receivables is reduced through the use of an allowance account. When a trade or lease receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

1. ***Financial liabilities and equity instruments***

1. **Classification as debt or equity**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2. **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

3. **Financial liabilities**

The Group only holds 'other financial liabilities'.

Other financial liabilities, which include borrowings and trade and other payables are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

4. **Derecognition of financial liabilities**

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. **Critical accounting judgments and key sources of estimation uncertainty**

a. ***Critical judgments in applying accounting policies***

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Entity are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

b. **Operating leases**

As described in Note 14, the Group's managements classified its lease agreement as an operating leases based on the following:

- a. The lease does not transfer ownership of the machinery and equipment to the lease by the end of the lease term.
- b. The lease does not contain an option to purchase the machinery and equipment.
- c. The lease term does not represent a substantial portion of the economic life of the machinery and equipment.
- d. At the inception of the lease the present value of the minimum lease payments amounts does not represent a substantial portion of fair value of the leased machinery and equipment.
- e. The leased machinery and equipment can be used by another interested party without major modifications.

c. **Key sources of estimation uncertainty**

As of December 31, 2013, there were no significant estimates included in the accompanying consolidated financial statements. However, as mentioned in Note 7c, the Entity in the process of determining the components of fixes assets, their respective useful lives and residual values.

5. **Cash**

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks.

|                              | 2013                 |
|------------------------------|----------------------|
| Cash                         | \$ 44,299,190        |
| Restricted cash (see Note 9) | <u>15,531,250</u>    |
|                              | <u>\$ 59,830,440</u> |

6. **Non-cash transactions**

During the current year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- a. In October 2013, in accordance with the resolutions of the Ordinary Stockholders' Meeting, variable capital was increased by \$128,300,000 through the assignment of rights to purchase the Santa Maria and La Covadonga rigs.
- b. As of December 31, 2013 unpaid financing cost of \$12,042,312 was added to the cost of machinery and equipment.

7. **Machinery and equipment**

|       | 2013                  |
|-------|-----------------------|
| Cost  | <u>\$ 452,233,710</u> |
| Rigs  | \$ 452,172,067        |
| Other | <u>61,643</u>         |
|       | <u>\$ 452,233,710</u> |

- a. The total amount of machinery and equipment is pledged as collateral for the bonds, as indicated in Note 9.
- b. Unamortized capitalized financing cost was \$12,042,312 as of December 31, 2013.
- c. At December 31, 2013, the rigs are not yet in operation, as they are being tested to ensure they meet the standards required for which they will be used. Accordingly, the Entity in the process of determining the components, their respective useful lives and residual values.

## 8. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

| Name of subsidiary            | Main activity                              | Place of incorporation<br>/and operation | % Ownership<br>2013 |
|-------------------------------|--|--|---------------------|
| Santa María Offshore Limited  | Leasing of rig for<br>oil and gas drilling | Bermuda / Mexico                         | 100%                |
| La Covadonga Offshore Limited | Leasing of rig for<br>oil and gas drilling | Bermuda / Mexico                         | 100%                |

As mentioned in Note 9, the Group's subsidiaries are pledged as a guarantee under the bonds.

## 9. Long-term debt

|   | 2013                        |
|---|-----------------------------|
| <i>Secured – at amortized cost</i>  |                             |
| Senior secured callable bond for \$350,000,000 maturing on July 3, 2018, bearing interest, payable on a semi-annual basis, at 8.875% Premium (see Note 9 a.ii.) | \$ 350,000,000<br>5,283,839 |
| Less:   |                             |
| Bond issuance cost  | <u>(6,575,247)</u>          |
|   | <u>\$ 348,708,592</u>       |

### Overview of the bonds issuance

#### a. The Bonds

The Group issued a series of bonds for a maximum amount of \$350,000,000. The bonds were issued as follows:

- i. First issuance (Original Bond Issue) in the amount of \$175,000,000 on July 3, 2013 (Original Issue Date) at a face value of \$1. The Original Bond was issued by Santa Maria Offshore Limited.
- ii. Second issuance (Tap Issue) in the amount of \$175,000,000 on October 11, 2013 as an increase and amendment of the Original Bond Issue. Such new bonds were issued at a price of 103.02% of par value, providing gross proceeds of \$180,283,839. The Tap portion was issued by Latina Offshore Limited.

The bonds have been entirely placed and subscribed by RS Platou Markets AS (a Norwegian limited liability company) acting as the manager of the bond issue.

On October 11, 2013, the original bond agreement was amended and restated as a consequence of the Tap Issue. The relevant changes are mentioned below:

- (i) Change of issuer of the Original Bond Issue, from Santa Maria Offshore Limited to Latina Offshore Limited, with Santa Maria Offshore Limited and La Covadonga Limited acting as Guarantors;
- (ii) Increase in the loan amount from \$175,000,000 to \$350,000,000.
- (iii) Both rigs are pledged as collateral under the loans. In addition, collection rights derived from the operating lease agreement related to both rigs will be assigned as a guarantee under the bonds.
- (iv) Certain changes to financial covenants and mandatory prepayment provisions as described below.

**b. Purpose and utilization**

Proceeds from the bonds were used as follows:

- i. Financing the delivery instalment of two rigs named La Santa Maria (Rig 1) and La Covadonga (Rig 2).
- ii. The Group shall maintain an amount equivalent to 6 months' interest on the bonds as restricted cash.
- iii. Payment of mobilization and pre-operating cost for the two rigs.

**c. Listing**

The Group shall apply for listing of the bonds on the Luxembourg Stock Exchange, the Euro MTF Market or such other internationally recognized stock exchange approved by Norsk Tillitsmann ASA (a Norwegian incorporated limited liability company) (Bond Trustee) and ensure the completion of such listing within eight months following the Original Issue Date.

**d. Registration in the securities depository**

The Bonds shall prior to the applicable disbursement date for the Original Bond Issue and the Tap Issue 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.

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.

**e. Interest**

The Group shall pay interest on the face value of the outstanding bonds as from, and including the Original Issue Date at a fixed rate of 8.875% per cent per annum, payable on semi-annual basis being January 3, 2014, the first interest payment date.

**f. Maturity of the bonds**

The bonds shall be repaid by the Group at an amount of \$8,750,000 on January 3, 2015 and at an amount of \$15,000,000 on a semi-annual basis through January 3, 2018. The remaining outstanding amount under the bonds shall be repaid on January 3, 2018.

**g. Call option**

The Group may redeem the bonds (Call Option) anytime starting July 2015 at a price equivalent to the present value of 105% of par value (103% and 101% if call option is exercised in July 2016 and 2017, respectively), plus the present value of the remaining interest payments and accrued but unpaid interest on redeemed amount.

Exercise of the Call Option shall be notified by the Group in writing to the Bond Trustee and the Bondholders at least 10 business days or, otherwise, at least 30 business days prior to the settlement date of the Call Option.

**h. Relevant covenants**

The Group shall ensure compliance with several negative and affirmative covenants. The relevant covenants are as follows:

- i Restrictions (50%) on distributions from the Group to its Parent Company.
- ii Restrictions on the incurrence of new debt and the right to create security over assets, with certain carve-outs.
- iii The Issuer is also subject to a minimum (free and unrestricted) liquidity covenant in the amount of \$10,000,000 on consolidated basis, and an equity ratio covenant of a minimum of (i) 25% in the period until and including December 31, 2014, (ii) 27.5% in the period from January 1, 2015 until and including December 31, 2015 and (iii) 30% thereafter.
- iv The Group shall maintain an amount equivalent to 6 months' interest on the bonds as restricted cash.

The mandatory prepayment and total loss provisions have been amended to reflect that the bonds are secured by both rigs. This means that a mandatory prepayment or total loss event only relating to one of the rigs (or one of its subsidiaries) will only cause 50% of the Bonds to be repayable.

At the date of the issuance of the financial statement the Entity has complied with the covenants established in the agreement.

**10. Income taxes**

The Group is not subject to income taxes in Bermuda.

The Group is subject to ISR in Mexico.

**ISR** - The ISR rate was 30% in 2013 and under the new income tax law in 2014, the ISR rate will continue at 30% and subsequent years.

In 2013, the Group did not incur any income taxes as it did not generate any taxable income.

Deferred income tax assets totaling \$3,480,286, resulting from deductible temporary differences and tax loss carryforward have not been recognized, as the Group is in pre-operating activities.

**11. Financial risk management**

**a. Capital management**

The Entity manages its capital to ensure that it will continue as a going concern, while it maximizes returns to its shareholders through the optimization of the balances of debt and equity. The capital structure of the Entity is composed by its net debt and stockholders' equity.



The Group is subject to an equity ratio covenant of a minimum of (1) 25% in the period until and including December 31, 2014, (11) 27.5% in the period January 1, 2015 until and including December 31, 2015 and (iii) 30% thereafter.

|                           | <u>Amount</u>      |
|---------------------------|--------------------|
| Consolidated equity       | \$ 150,812,392     |
| Total consolidated assets | <u>512,182,944</u> |
| Equity ratio              | <u>29.4%</u>       |

b. *Interest rate risk management*

The Group is exposed to interest rate risk as a result of fluctuations in market rates when compared to the fixed rates under which its debt accrues interest. The risk is not currently considered significant but may be managed in the future by entering into derivative financial instruments to hedge such risk.

c. *Credit risk management*

Credit risk refers to the situation in which the borrower defaults on its contractual obligations, thereby generating a financial loss for the Entity and which is essentially derived from customer accounts receivable and liquid funds. The Group does not believe it has a significant credit risk as of December 31, 2013 a result of its financial position as of such date.

d. *Liquidity risk management*

Corporate Treasury has the ultimate responsibility for liquidity management, and has established appropriate policies to control this through monitoring of working capital, managing short, medium and long-term funding requirements, maintaining cash reserves, continuously monitoring cash flows (projected and actual), and reconciling the maturity profiles of financial assets and liabilities.

The Group is subject to a minimum (free and unrestricted) liquidity covenant in the amount of \$10,000,000 on consolidated basis.

The following table details the Group's remaining contractual maturity for its liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows or financial liabilities based on the earliest date on which the Entity can be required to pay. The table includes both interest and principal cash flows.

|                                 | Weighted<br>average<br>effective<br>interest<br>rate | 1-6 months<br>USD<br>'000 | 6 months<br>to 1 year<br>USD<br>'000 | 1 - 5<br>years<br>USD<br>'000 | Total<br>USD<br>'000 | Carrying<br>amount<br>USD<br>'000 |
|---------------------------------|--|---------------------------|--------------------------------------|-------------------------------|----------------------|-----------------------------------|
| Non-interest rate bearing       | -  | \$ 620                    | \$ -                                 | \$ -                          | \$ 620               | \$ 620                            |
| Fixed interest rate instruments | 8.64%  | <u>11,907</u>             | <u>15,618</u>                        | <u>459,144</u>                | <u>486,669</u>       | <u>360,750</u>                    |
|                                 |  | <u>\$ 12,527</u>          | <u>\$ 15,618</u>                     | <u>\$ 459,144</u>             | <u>\$ 487,289</u>    | <u>\$ 361,370</u>                 |

e. *Fair value measurements*

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis, but for which disclosure of their fair value is required are as follows.

|  | Carrying amount | Fair value at<br>December 31, 2013 |
|--|-----------------|------------------------------------|
| <b>Financial assets:</b>                             |                 |                                    |
| Receivables from related parties                     | \$ 118,794      | \$ 118,794                         |
| <b>Financial liabilities held at amortized cost:</b> |                 |                                    |
| Bonds  | \$ 348,708,592  | \$ 354,762,760                     |
| Payables to related parties                          | 619,648         | 619,648                            |

Management believes that the carrying value of receivables from and payables to related parties approximate their fair values based on their nature and short-term maturities. The fair value of bonds was determined by Group's management, which is a Level 2 input. The fair value of the bonds was calculated by Entity using discounted cash flow valuation technique at a discount rate of 8.875% that reflects the entity's current borrowing rate at the end of the reporting period.

12. **Stockholders' equity**

- a. The historical amount of subscribed and paid-in common stock of the Group as of December 31, 2013, is as follows:

|                  | <u>Number of shares</u> | <u>Amount</u>         |
|------------------|-------------------------|-----------------------|
| <b>Fixed:</b>    |                         |                       |
| Series A         | 12,000                  | \$ 12,000             |
| <b>Variable:</b> |                         |                       |
| Series A         | <u>150,800,392</u>      | <u>150,800,392</u>    |
|                  | <u>150,812,392</u>      | <u>\$ 150,812,392</u> |

Common stock consists of ordinary, nominative shares with par value of \$1.

- b. In June 2013, in accordance with the resolutions of the Ordinary Stockholders' Meeting an initial contribution of fixed capital was made in an amount of \$100.
- c. In October 2013, in accordance with the resolutions of the Ordinary Stockholders' Meeting authorized capital was increased by \$11,900 through a cash contribution.
- d. In October 2013, in accordance with the resolutions of the Ordinary Stockholders' Meeting variable capital was increased by \$22,500,392 through a cash contribution.
- e. In October 2013, in accordance with the resolutions of the Ordinary Stockholders' Meeting, variable capital was increased by \$128,300,000 through the assignment of rights to purchase the Santa Maria and La Covadonga rigs.

**13. Balances and transactions with related parties**

Balances and transactions between the Entity and its subsidiaries, which are related parties of the Entity, have been eliminated in consolidation and are not disclosed in this note.

Balances receivable and payable with related parties are presented within the consolidated statement of financial position.

**14. Operating lease arrangements**

Operating leases relate to the rental of the rigs owned by the Group and leased to CP Latina, with lease terms of 2,366 days at \$107,000 per day for Rig 1 and 2,303 days at \$105,500 per day for Rig 2, with an option to extend for an increased number of days, as long as there is work in progress. CP Latina does not have an option to purchase the rigs at the end of the lease period. Lease commencement date is March 2014.

**15. Authorization to issue the financial statements**

On February 14, 2014, the issuance of the accompanying consolidated financial statements was authorized by Ing. Antonio Acuña, Chief Executive Officer; consequently, they do not reflect events that occurred after that date, and are subject to the approval at the Entity's ordinary shareholders' meeting, where they may be modified, based on provisions set forth in the Bermuda Law.

\* \* \* \* \*

**Santa Maria Offshore Limited**  
**(Subsidiary of Latina Offshore Limited)**

Financial Statements for the period from  
June 6, 2013 to December 31, 2013, and  
Independent Auditors' Report Dated  
February 14, 2014

**Santa Maria Offshore Limited**  
(Subsidiary of Latina Offshore Limited)

## **Independent Auditors' Report and Financial Statements for 2013**

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## **Independent Auditors' Report to the Board of Directors and Stockholders of Santa Maria Offshore Limited**

We have audited the accompanying financial statements of Santa Maria Offshore Limited (the Entity), which comprise the statement of financial position as of December 31, 2013, and the related statements of changes in stockholders' equity and cash flows for the period from June 6, 2013 to December 31, 2013, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Responsibility of Independent Auditors***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Santa Maria Offshore Limited as of December 31, 2013 and its cash flows for the period from June 6, 2013 to December 31, 2013 in accordance with International Financial Reporting Standards.

Galaz, Yamazaki, Ruiz Urquiza, S. C.  
Member of Deloitte Touche Tohmatsu Limited

A handwritten signature in black ink, appearing to be "C. P. C. César Román Navarrete Esparza", written over a circular stamp or seal.

C. P. C. César Román Navarrete Esparza  
February 14, 2014

**Santa Maria Offshore Limited**  
**(Subsidiary of Latina Offshore Limited)**

**Statement of Financial Position**

As of December 31, 2013  
(In US dollars)

| <b>Assets</b>                              | <b>Note</b> | <b>2013</b>           |
|--|-------------|-----------------------|
| Current assets:                            |             |                       |
| Cash                                       |             | \$ 12,520,840         |
| Accounts receivable from related parties   | 9           | <u>20,824,581</u>     |
| Total current assets                       |             | 33,345,421            |
| Non-current assets:                        |             |                       |
| Machinery and equipment                    | 6           | <u>232,014,656</u>    |
| Total assets                               |             | <u>\$ 265,360,077</u> |
| <b>Liabilities and Equity</b>              |             |                       |
| Current liabilities:                       |             |                       |
| Other liabilities                          |             | \$ 558,083            |
| Non-current liabilities:                   |             |                       |
| Latina Offshore Limited, parent company    | 9           | <u>174,401,469</u>    |
| Total liabilities                          |             | 174,959,552           |
| Stockholders' equity:                      |             |                       |
| Capital stock                              | 8           | <u>90,400,525</u>     |
| Total stockholders' equity                 |             | <u>90,400,525</u>     |
| Total liabilities and stockholders' equity |             | <u>\$ 265,360,077</u> |

See accompanying notes to financial statements.



**Santa Maria Offshore Limited**  
(Subsidiary of Latina Offshore Limited)

**Statement of Changes in Stockholders' Equity**

For the period from June 6, 2013 to December 31, 2013  
(In US dollars)

|   | Capital<br>stock     | Total stockholders'<br>equity |
|---|----------------------|-------------------------------|
| Initial stockholders' contribution – June 6, 2013 | \$ 100               | \$ 100                        |
| Issuance of common stock                          | <u>90,400,425</u>    | <u>90,400,425</u>             |
| Balance, December 31, 2013                        | <u>\$ 90,400,525</u> | <u>\$ 90,400,525</u>          |

See accompanying notes to financial statements.

**Santa Maria Offshore Limited**  
**(Subsidiary of Latina Offshore Limited)**

**Statement of Cash Flows**

For the period from June 6, 2013 to December 31, 2013  
(In US dollars)

|   | 2013                 |
|---|----------------------|
| Cash flows from operating activities:           |                      |
| Changes in assets and liabilities:              |                      |
| Accounts receivable from related parties        | \$ (20,824,581)      |
| Net cash flows used in operating activities     | <u>(20,824,581)</u>  |
| Cash flows from investing activities:           |                      |
| Purchase of machinery and equipment             | <u>(155,807,647)</u> |
| Net cash flows used in investing activities     | <u>(155,807,647)</u> |
| Cash flows from financing activities:           |                      |
| Proceeds from related parties                   | 180,000,000          |
| Interest paid to the parent company             | (7,748,926)          |
| Debt issuance cost                              | (5,598,531)          |
| Issuance of common stock                        | <u>22,500,525</u>    |
| Net cash flows provided by financing activities | <u>189,153,068</u>   |
| Cash at end of the period                       | <u>\$ 12,520,840</u> |

See accompanying notes to financial statements.

**Santa Maria Offshore Limited**  
(Subsidiary of Latina Offshore Limited)

## **Notes to the Financial Statements**

For the period from June 6, 2013 to December 31, 2013  
(In US dollars)

### **1. General information**

Santa Maria Offshore Limited (the "Entity") was incorporated as a Bermuda exempted company on June 6, 2013 under the laws of Bermuda. Its parent company is Latina Offshore Limited (subsidiary of Latina Holding Limited) and its ultimate holding company is Constructora y Perforadora Latina, S. A. de C. V., a related party incorporated in Mexico (CP Latina).

The Entity has a registered office at Canon's Court Victoria Street, Hamilton, Bermuda. For Mexican tax purposes, the Entity's address is Fuente de la Templanza 31, Lomas de Tecamachalco, Mexico City, and Zip Code 53950.

The main activity of the Entity is the leasing of a rig for oil and gas drilling (La Santa Maria) to CP Latina. As of December 31, 2013, the Entity is in the pre-operating stage; per the terms of the lease agreement signed with CP Latina, drilling operations will be initiated in March 2014.

The Entity's management team, operating and administrative personnel are employed by Rodelva Servicios Administrativos, S. A. de C. V., a related party. Therefore, the Company has no employees and is not subject to any labor obligations other than any joint and several obligations that may arise from the labor agreements executed with the related party.

### **2. New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective**

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9, *Financial Instruments*<sup>2</sup>

Amendments to IFRS 9 and IFRS 7, *Mandatory Effective Date of IFRS 9 and Transition Disclosures*<sup>3</sup>

Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment Entities*<sup>1</sup>

Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*<sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors of the Entity anticipate that the application of these new and revised IFRSs in the future may not have significant impact on amounts reported in respect of the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS mentioned above until a detailed review has been completed.

### **3. Significant accounting policies**

#### **a. Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

b. ***Basis of preparation***

The accompanying financial statements have been prepared on a historical cost basis; disclosures of fair values have been included where required by IFRS.

i. **Historical cost**

Historical cost is generally measured as the fair value of the consideration given in exchange for goods and services.

ii. **Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable.

- **Rental income**

Rental income from operating leases will be recognized on a straight-line basis over the term of the relevant lease.

d. ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

e. ***Income taxes***

The expense for income taxes represents the sum of current and deferred tax.

1. **Current tax**

Current income tax is recorded in the year as incurred.

## 2. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### f. *Machinery and equipment*

Acquisitions are recorded at acquisition cost. Cost includes purchase price, including import duties, any cost directly attributable to bringing the asset to the location and condition necessary or it to be capable of operating in the manner intended by management of the Group and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of machinery and equipment commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost less residual values of the assets over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of machinery and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

g. *Impairment of tangible assets*

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Entity of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

h. *Provisions*

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

i. *Financial instruments*

Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, including, transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities.

j. *Financial assets*

The Entity's only financial assets consist of loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade, leasing and other receivables, bank balances and cash, and others) are measured at amortized cost using the effective interest method, less any impairment. The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past an average credit period established by the Entity, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of trade or lease receivables is reduced through the use of an allowance account. When a trade or lease receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

### Derecognition of financial assets

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

## k. *Financial liabilities and equity instruments*

### 1. Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### 2. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognized at the proceeds received, net of direct issue costs.

### 3. Financial liabilities

The Entity only holds 'other financial liabilities'.

Other financial liabilities, which include borrowings and trade and other payables are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

4. Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. **Critical accounting judgments and key sources of estimation uncertainty**

a. *Critical judgements in applying accounting policies*

In the application of the Entity's accounting policies, which are described in Note 3, the directors of the Entity are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

**Operating leases**

As described in Note 11, the Entity's managements classified its lease agreement as an operating lease based on the following:

- a. The lease does not transfer ownership of the machinery and equipment to the lease by the end of the lease term.
- b. The lease does not contain an option to purchase the machinery and equipment.
- c. The lease term does not represent a substantial portion of the economic life of the machinery and equipment.
- d. At the inception of the lease the present value of the minimum lease payments do not represent a substantial portion of the fair value of the leased machinery and equipment.
- e. The leased machinery and equipment can be used by another interested party without major modifications.



**b. Key sources of estimation uncertainty**

As of December 31, 2013, there were no significant estimates included in the accompanying financial statements. However, as mentioned in Note 6c, the Entity in the process of determining the components of fixed assets, their respective useful lives and residual values.

**5. Non-cash transactions**

During the current year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- a. In October 2013, in accordance with the resolutions of the Ordinary Stockholders' Meeting, variable capital was increased by \$67,900,000 through the assignment of rights to the Santa Maria rig.
- b. As of December 31, 2013 unpaid financing cost of \$8,307,010 was added to the cost of machinery and equipment.

**6. Machinery and equipment**

2013

Rig (La Santa Maria) - cost \$ 232,014,656

- a. The total amount of machinery and equipment is pledged as collateral for the bonds discussed in Note 8.
- b. Unamortized capitalized financing cost was \$8,307,009 as of December 31, 2013.
- c. At December 31, 2013, the rig is not yet in operation, as it is being tested to ensure it meets the standards required for which it will be used. Accordingly, the Entity is in the process of determining the components, their respective useful lives and residual values.

**7. Income taxes**

The Entity is not subject to income taxes in Bermuda.

The Entity is subject to ISR in Mexico.

**ISR** - The ISR rate was 30% in 2013 and under the new income tax law in 2014 the ISR rate will continue at 30% and subsequent years.

In 2013, the Entity did not incur any income tax as it did not generate any taxable income.

Deferred income tax assets totaling \$2,485,263, resulting from deductible temporary differences and tax loss carryforward, have not been recognized, as the Entity is in pre-operating activities.

**8. Stockholders' equity**

- a. The historical amount of subscribed and paid-in common stock of the Entity as of December 31, 2013, is as follows:

|                  | <u>Number of shares</u> | <u>Amount</u>        |
|------------------|-------------------------|----------------------|
| <b>Fixed:</b>    |                         |                      |
| Series A         | 100                     | \$ 100               |
| <b>Variable:</b> |                         |                      |
| Series A         | <u>90,400,425</u>       | <u>90,400,425</u>    |
|                  | <u>90,400,525</u>       | <u>\$ 90,400,525</u> |

Common stock consists of ordinary, nominative shares with par value of \$1.

- b. In June 2013, in accordance with the resolutions of the Ordinary Stockholders Meeting an initial contribution of fixed capital was made in an amount of \$100.
- c. In June 2013, in accordance with the resolutions of the Ordinary Stockholders Meeting variable capital was increased for \$22,500,425 through a cash contribution.
- d. In October 2013, in accordance with the resolutions of the Ordinary Stockholders Meeting variable capital was increased by \$67,900,000 through the assignment of rights to the Santa Maria rig.

**9. Balances and transactions with related parties**

Balances with related parties are as follows:

|   | 2013                  |
|---|-----------------------|
| Receivable-   |                       |
| Constructora y Perforadora Latina, S. A. de C. V., ultimate holding company   | \$ 20,209,581         |
| La Covadonga Limited, affiliate entity  | <u>615,000</u>        |
|   | <u>\$ 20,824,581</u>  |
| Intercompany loan with parent company – at amortized cost   |                       |
| Loan of \$175,000,000 maturing on July 3, 2018, bearing interest, payable in a quarterly basis, at 8.875%.                            | \$ 175,000,000        |
| Subordinated loan of \$5,000,000 maturing in July 3, 2018 bearing interest, payable at monthly average rate of the US Treasury Bonds. | 5,000,000             |
| Less:   |                       |
| Debt issuance cost  | <u>(5,598,531)</u>    |
|   | <u>\$ 174,401,469</u> |

On July 3, 2013, the Entity issued a bond (Original bond) in the amount of \$175,000,000.

On October 11, 2013, the original bond agreement was amended and restated assigning the obligations of the Original bond from the Entity to its parent company, with the Entity and La Covadonga Limited (affiliate entity) acting as Guarantors. The rig owned by the Entity is pledged as collateral under the loans. In addition, collection rights derived from the operating lease agreement related to both rigs will be assigned as a guarantee under the bonds.

Subsequently, the parent company provided an intercompany loan to the Entity based on the terms noted above. The bonds shall be repaid at an amount of \$8,750,000 on January 3, 2015 and at an amount of \$15,000,000 on a semi-annual basis through January 3, 2018. The remaining outstanding amount under the bonds shall be repaid on January 3, 2018.

The Entity is subject to certain covenants contained in the Original bond held by its parent company, including restrictions on distributions (50%) to the parent company and restrictions on the incurrence of new debt and the right to create security over assets, with certain carve out.

## 10. Financial risk management

### a. Capital management

The Entity manages its capital to ensure that it will continue as a going concern, while it maximizes returns to its shareholders through the optimization of the balances of debt and equity. The capital structure of the Entity is composed by its net debt and stockholders' equity.

### b. Interest rate risk management

The Entity is exposed to interest rate risk as a result of fluctuations in market rates when compared to the fixed rates under which its debt accrues interest. The risk is not currently considered significant but may be managed in the future by entering into derivative financial instruments to hedge such risk.

### c. Credit risk management

Credit risk refers to the situation in which the borrower defaults on its contractual obligations, thereby generating a financial loss for the Entity and which is essentially derived from customer accounts receivable and liquid funds. The Entity does not believe it has a significant credit risk as of December 31, 2013 as result of its financial position as of such date.

### d. Liquidity risk management

Corporate Treasury has the ultimate responsibility for liquidity management, and has established appropriate policies to control this through monitoring of working capital, managing short, medium and long-term funding requirements, maintaining cash reserves, continuously monitoring cash flows (projected and actual), and reconciling the maturity profiles of financial assets and liabilities.

The following table details the Entity's remaining contractual maturity for its liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows or financial liabilities based on the earliest date on which the Entity can be required to pay. The table includes both interest and principal cash flows.

|                                    | Weighted<br>average<br>effective<br>interest rate | 1-6 months      | 6 months to 1<br>year | 1 – 5 years       | Total             | Carrying<br>amount |
|------------------------------------|---|-----------------|-----------------------|-------------------|-------------------|--------------------|
|                                    | %   | USD '000        | USD '000              | USD '000          | USD '000          | USD '000           |
| Non-interest<br>rate bearing       | -   | \$ 558          | \$ -                  | \$ -              | \$ 558            | \$ 558             |
| Fixed interest<br>rate instruments | 9.68%   | <u>8,165</u>    | <u>8,032</u>          | <u>236,373</u>    | <u>252,570</u>    | <u>174,401</u>     |
|                                    |   | <u>\$ 8,723</u> | <u>\$ 8,032</u>       | <u>\$ 236,373</u> | <u>\$ 253,128</u> | <u>\$ 174,959</u>  |

e. ***Fair value measurements***

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis, but for which disclosure of their fair value is required are as follows:

|  | Carrying amount | Fair value at<br>December 31, 2013 |
|--|-----------------|------------------------------------|
| <b>Financial assets:</b>                             |                 |                                    |
| Receivables from related parties                     | \$ 20,824,581   | \$ 20,824,581                      |
| <b>Financial liabilities held at amortized cost:</b> |                 |                                    |
| Payables to related parties                          | 174,401,469     | 177,429,293                        |
| Other liabilities                                    | 558,083         | 558,083                            |

Management believes that the carrying value of receivables from related parties approximate their fair values based on their nature and short-term maturities. The fair value of amounts payable to related parties was determined by Entity's management, which is a Level 2 input. The fair value of the related parties debt was calculated by Entity using discounted cash flow valuation technique at a discount rate of 8.875% that reflects the entity's current borrowing rate at the end of the reporting period,

**11. Operating lease arrangements**

Operating leases relate to the rental of the rig La Santa Maria owned by the Entity and leased to CP Latina with lease terms of 2,366 days at \$107,000 per day, with an option to extend for an increased number of days, as long as there is work in progress. CP Latina does not have an option to purchase the rigs at the end of the lease period. Lease commencement date is March 2014.

**12. Authorization to issue the financial statements**

On February 14, 2014, the issuance of the accompanying financial statements was authorized by Ing. Antonio Acuña, Chief Executive Officer; consequently, they do not reflect events that occurred after that date, and are subject to the approval at the Entity's ordinary shareholders' meeting, where they may be modified, based on provisions set forth in the Bermuda Law.

\* \* \* \* \*

**La Covadonga Limited**  
**(Subsidiary of Latina Offshore Limited)**

Financial Statements for the period from  
June 6, 2013 to December 31, 2013, and  
Independent Auditors' Report Dated  
February 14, 2014

**La Covadonga Limited**  
(Subsidiary of Latina Offshore Limited)

## **Independent Auditors' Report and Financial Statements for 2013**

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| Statement of Changes in Stockholders' Equity | 4           |
| Statement of Cash Flows                      | 5           |
| Notes to Financial Statements                | 6           |



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## **Independent Auditors' Report to the Board of Directors and Stockholders of La Covadonga Limited**

We have audited the accompanying financial statements of La Covadonga Limited (the Entity), which comprise the statement of financial position as of December 31, 2013, and the related statements of changes in stockholders' equity and cash flows for the period from June 6, 2013 to December 31, 2013, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Responsibility of Independent Auditors***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of La Covadonga Limited as of December 31, 2013 and its cash flows for the period from June 6, 2013 to December 31, 2013 in accordance with International Financial Reporting Standards.

Galaz, Yamazaki, Ruiz Urquiza, S. C.  
Member of Deloitte Touche Tohmatsu Limited

A handwritten signature in black ink, appearing to read "C. P. C. César Roman Navarrete Esparza".

C. P. C. César Roman Navarrete Esparza

February 14, 2014



**La Covadonga Limited**  
**(Subsidiary of Latina Offshore Limited)**

**Statement of Financial Position**

As of December 31, 2013  
(In US dollars)

| <b>Assets</b>                                  | <b>Note</b> | <b>2013</b>           |
|--|-------------|-----------------------|
| Current assets:                                |             |                       |
| Cash   |             | \$ 31,763,883         |
| Accounts receivable from related parties       | 9           | <u>1,069,461</u>      |
| Total current assets                           |             | 32,833,344            |
| Non-current assets:                            |             |                       |
| Machinery and equipment                        | 6           | <u>220,219,054</u>    |
| Total assets                                   |             | <u>\$ 253,052,398</u> |
| <b>Liabilities and Equity</b>                  |             |                       |
| Current liabilities:                           |             |                       |
| Santa Maria Offshore Limited, affiliate entity | 9           | \$ 615,000            |
| Other liabilities                              |             | <u>4,165,689</u>      |
| Total current liabilities                      |             | 4,780,689             |
| Non-current liabilities:                       |             |                       |
| Latina Offshore Limited, parent company        | 9           | <u>187,871,609</u>    |
| Total liabilities                              |             | 192,652,298           |
| Stockholders' equity:                          |             |                       |
| Capital stock                                  | 8           | <u>60,400,100</u>     |
| Total stockholders' equity                     |             | <u>60,400,100</u>     |
| Total liabilities and stockholders' equity     |             | <u>\$ 253,052,398</u> |

See accompanying notes to financial statements.

**La Covadonga Limited**  
(Subsidiary of Latina Offshore Limited)

**Statement of Changes in Stockholders' Equity**

For the period from June 6, 2013 to December 31, 2013  
(In US dollars)

|   | Capital<br>stock     | Total stockholders'<br>equity |
|---|----------------------|-------------------------------|
| Initial stockholders' contribution – June 6, 2013 | \$ 100               | \$ 100                        |
| Issuance of common stock                          | <u>60,400,000</u>    | <u>60,400,000</u>             |
| Balance, December 31, 2013                        | <u>\$ 60,400,100</u> | <u>\$ 60,400,100</u>          |

See accompanying notes to financial statements.

**La Covadonga Limited**  
(Subsidiary of Latina Offshore Limited)

**Statement of Cash Flows**

For the period from June 6, 2013 to December 31, 2013

(In US dollars)

|   | 2013                 |
|---|----------------------|
| Cash flows from operating activities:           |                      |
| Changes in assets and liabilities:              |                      |
| Accounts receivable from related parties        | \$ (415,690)         |
| Net cash flows used in operating activities     | <u>(415,690)</u>     |
| Cash flows from investing activities:           |                      |
| Purchase of machinery and equipment             | <u>(155,737,066)</u> |
| Net cash flows used in investing activities     | <u>(155,737,066)</u> |
| Cash flows from financing activities:           |                      |
| Proceeds from debt with parent company          | 188,544,930          |
| Debt issuance cost                              | (628,391)            |
| Issuance of common stock                        | 100                  |
| Net cash flows provided by financing activities | <u>187,916,639</u>   |
| Cash at end of the period                       | <u>\$ 31,763,883</u> |

See accompanying notes to financial statements.

**La Covadonga Limited**  
(Subsidiary of Latina Offshore Limited)

## **Notes to the Financial Statements**

For the period from June 6, 2013 to December 31, 2013  
(In US dollars)

### **1. General information**

La Covadonga Limited (the "Entity") was incorporated as a Bermuda exempted company on June 6, 2013 under the laws of Bermuda. Its parent company is Latina Offshore Limited (subsidiary of Latina Holding Limited) and its ultimate holding company is Constructora y Perforadora Latina, S. A. de C. V., a related party incorporated in Mexico (CP Latina).

The Entity has a registered office at Canon's Court Victoria Street, Hamilton, Bermuda. For Mexican tax purposes, the Entity's address is Fuente de la Templanza 31, Lomas de Tecamachalco, Mexico City, and Zip Code 53950.

The main activity of the Entity is the leasing of a rig for oil and gas drilling (La Covadonga) to CP Latina. As of December 31, 2013, the Entity is in the pre-operating stage; per the terms of the lease agreement signed with CP Latina, drilling operations will be initiated in March 2014.

The Entity's management team, operating and administrative personnel are employed by Rodelva Servicios Administrativos, S. A. de C. V., a related party. Therefore, the Company has no employees and is not subject to any labor obligations other than any joint and several obligations that may arise from the labor agreements executed with the related party.

### **2. New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective**

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9, *Financial Instruments*<sup>2</sup>

Amendments to IFRS 9 and IFRS 7, *Mandatory Effective Date of IFRS 9 and Transition Disclosures*<sup>3</sup>

Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment Entities*<sup>1</sup>

Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*<sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors of the Entity anticipate that the application of these new and revised IFRSs in the future may not have significant impact on amounts reported in respect of the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS mentioned above until a detailed review has been completed.

### **3. Significant accounting policies**

#### **a. Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

b. ***Basis of preparation***

The accompanying financial statements have been prepared on a historical cost basis; disclosures of fair values have been included where required by IFRS.

i. **Historical cost**

Historical cost is generally measured as the fair value of the consideration given in exchange for goods and services.

ii. **Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable.

- **Rental income**

Rental income from operating leases will be recognized on a straight-line basis over the term of the relevant lease.

d. ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

e. ***Income taxes***

The expense for income taxes represents the sum of current and deferred tax.

1. **Current tax**

Current income tax is recorded in the year as incurred.

2. **Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

f. *Machinery and equipment*

Acquisitions are recorded at acquisition cost. Cost includes purchase price, including import duties, any cost directly attributable to bringing the asset to the location and condition necessary or it to be capable of operating in the manner intended by management of the Entity and, for qualifying assets, borrowing costs capitalized in accordance with the Entity accounting policy. Depreciation of machinery and equipment commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost less residual values of assets over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of machinery and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

g. *Impairment of tangible assets*

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Entity of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

**h. Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**i. Financial instruments**

Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, including transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities

**j. Financial assets**

The Entity's only financial assets consist of loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade, leasing and other receivables, bank balances and cash, and others) are measured at amortized cost using the effective interest method, less any impairment. The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past an average credit period established by the Entity, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of trade or lease receivables is reduced through the use of an allowance account. When a trade or lease receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

### Derecognition of financial assets

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

## k. *Financial liabilities and equity instruments*

### 1. Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### 2. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognized at the proceeds received, net of direct issue costs.



3. Financial liabilities

The Entity only holds 'other financial liabilities'.

Other financial liabilities, which include borrowings and trade and other payables are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

4. Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. **Critical accounting judgments and key sources of estimation uncertainty**

a. *Critical judgments in applying accounting policies*

In the application of the Entity's accounting policies, which are described in Note 3, the directors of the Entity are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

**Operating leases**

As described in Note 11, the Entity's managements classified its lease agreement as an operating lease based on the following:

- a. The lease does not transfer ownership of the machinery and equipment to the lease by the end of the lease term.
- b. The lease does not contain an option to purchase the machinery and equipment.
- c. The lease term does not represent a substantial portion of the economic life of the machinery and equipment.
- d. At the inception of the lease the present value of the minimum lease payments do not represent a substantial portion of the fair value of the leased machinery and equipment.
- e. The leased machinery and equipment can be used by another interested party without major modifications.

**b. Key sources of estimation uncertainty**

As of December 31, 2013, there were no significant estimates included in the accompanying financial statements. However, as mentioned in Note 6c, the Entity in the process of determining the components of fixed assets, their respective useful lives and residual values.

**5. Non-cash transactions**

During the current year, the Entity entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- a. In October 2013, in accordance with the resolutions of the Ordinary Stockholders' Meeting, variable capital was increased by \$60,400,000 through the assignment of rights to the La Covadonga rig.
- b. As of December 31, 2013 unpaid financing cost of \$4,081,988 was added to the cost of machinery and equipment.

**6. Machinery and equipment**

2013

Rig (La Covadonga) - cost \$ 220,219,054

- a. The total amount of machinery and equipment is pledged as collateral for the bonds discussed in Note 8.
- b. Unamortized capitalized financing cost was \$4,081,988 as of December 31, 2013.
- c. At December 31, 2013, the rig is not yet in operation, as it is being tested to ensure it meets the standards required for which it will be used. Accordingly, the Entity is in the process of determining the components, their respective useful lives and residual values.

**7. Income taxes**

The Entity is not subject to income taxes in Bermuda.

The Entity is subject to ISR in Mexico.

**ISR** - The ISR rate was 30% in 2013 and under the new income tax law in 2014 the ISR rate will continue at 30% and subsequent years.

In 2013, the Entity did not incur any income taxes as it did not generate any taxable income.

Deferred income tax assets totaling \$995,023, resulting from deductible temporary differences and tax loss carryforward, have not been recognized, as the Entity is in pre-operating activities.

**8. Stockholders' equity**

- a. The historical amount of subscribed and paid-in common stock of the Entity as of December 31, 2013, is as follows:

|           | <u>Number of shares</u> | <u>Amount</u>        |
|-----------|-------------------------|----------------------|
| Fixed:    |                         |                      |
| Series A  | \$ 100                  | \$ 100               |
| Variable: |                         |                      |
| Series A  | <u>60,400,000</u>       | <u>60,400,000</u>    |
|           | <u>\$ 60,400,100</u>    | <u>\$ 60,400,100</u> |

Common stock consists of ordinary, nominative share with par value of \$1.

- b. In June 2013, in accordance with the resolutions of the Ordinary Stockholders' Meeting an initial contribution of fixed capital was made an amount of \$100.
- c. In October 2013, in accordance with the resolutions of the Ordinary Stockholders' Meeting variable capital was increased for \$60,400,000 through the assignment of rights to the Covadonga rig.

**9. Balances and transactions with related parties**

Balances with related parties are as follows:

|  | 2013                |
|--|---------------------|
| Receivable-  |                     |
| Constructora y Perforadora Latina, S. A. de C. V.,         |                     |
| ultimate holding company                                   | \$ 950,667          |
| Rodelva Servicios Administrativos, S. A. de C. V., related |                     |
| party  | <u>118,794</u>      |
|  | <u>\$ 1,069,461</u> |

Intercompany loan with parent company – at amortized cost

|  |                       |
|--|-----------------------|
| Loan of \$175,000,000 maturing on July 3, 2018, bearing    |                       |
| interest payable on a quarterly basis at 8.875%.           | \$ 175,000,000        |
| Subordinated loan of \$13,500,000 maturing in July 3, 2018 |                       |
| bearing interest payable at monthly average rate of the US |                       |
| Treasury Bonds.  | 13,500,000            |
| Less:  |                       |
| Debt issuance cost   | <u>(628,391)</u>      |
|  | <u>\$ 187,871,609</u> |

On July 3, 2013, Santa Maria Offshore Limited (affiliate entity) issued a bond (Original bond) in the amount of \$175,000,000.

On October 11, 2013, the original bond agreement was amended and restated assigning the obligations of the Original bond from its affiliate entity to its parent company, with the Entity and its affiliate acting as Guarantors. The rig owned by the Entity is pledged as collateral under the loans. In addition, collection rights derived from the operating lease agreement related to both rigs will be assigned as a guarantee under the bonds.

Subsequently, the parent company provided an intercompany loan to the Entity based on the terms noted above. The bonds shall be repaid at an amount of \$8,750,000 on January 3, 2015 and at an amount of \$15,000,000 on a semi-annual basis through January 3, 2018. The remaining outstanding amount under the bonds shall be repaid on January 3, 2018.

The Entity is subject to certain covenants contained in the Original bond held by its parent company, including restrictions on distributions (50%) to the parent company and restrictions on the incurrence of new debt and the right to create security over assets, with certain carve out.

## 10. Financial risk management

### a. Capital management

The Entity manages its capital to ensure that it will continue as a going concern, while it maximizes returns to its shareholders through the optimization of the balances of debt and equity. The capital structure of the Entity is composed by its net debt and stockholders' equity.

### b. Interest rate risk management

The Entity is exposed to interest rate risk as a result of fluctuations in market rates when compared to the fixed rates under which its debt accrues interest. The risk is not currently considered significant but may be managed in the future by entering into derivative financial instruments to hedge such risk.

### c. Credit risk management

Credit risk refers to the situation in which the borrower defaults on its contractual obligations, thereby generating a financial loss for the Entity and which is essentially derived from customer accounts receivable and liquid funds. The Group does not believe it has a significant credit risk as of December 31, 2013 a result of its financial position as of such date.

### d. Liquidity risk management

Corporate Treasury has the ultimate responsibility for liquidity management, and has established appropriate policies to control this through monitoring of working capital, managing short, medium and long-term funding requirements, maintaining cash reserves, continuously monitoring cash flows (projected and actual), and reconciling the maturity profiles of financial assets and liabilities.

The following table details the Entity's remaining contractual maturity for its liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows or financial liabilities based on the earliest date on which the Entity can be required to pay. The table includes both interest and principal cash flows.

|                                 | Weighted<br>average<br>effective<br>interest<br>rate | 1-6<br>months   | 6 months<br>to 1 year | 1 - 5<br>years   | Total            | Carrying<br>amount |
|---------------------------------|--|-----------------|-----------------------|------------------|------------------|--------------------|
|                                 |  | USD<br>'000     | USD<br>'000           | USD<br>'000      | USD<br>'000      | USD<br>'000        |
| Non-interest rate bearing       | -  | \$ 615          | \$ -                  | \$ -             | \$ 615           | \$ 615             |
| Fixed interest rate instruments | 10.28%   | <u>4,013</u>    | <u>8,413</u>          | <u>247,996</u>   | <u>260,422</u>   | <u>187,872</u>     |
|                                 |  | <u>\$ 4,628</u> | <u>\$ 8,413</u>       | <u>\$247,996</u> | <u>\$261,037</u> | <u>\$174,959</u>   |

e. ***Fair value measurements***

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis, but for which disclosure of their fair value is required are as follows

|  | Carrying amount | Fair value at<br>December 31, 2013 |
|--|-----------------|------------------------------------|
| <b>Financial assets:</b>                             |                 |                                    |
| Receivables from related parties                     | \$ 1,069,461    | \$ 1,069,461                       |
| <b>Financial liabilities held at amortized cost:</b> |                 |                                    |
| Payables to related parties                          | 187,871,609     | 191,133,291                        |
| Other liabilities                                    | 615,000         | 615,000                            |

Management believes that the carrying value of receivables from and payables to related parties approximate their fair values based on their nature and short-term maturities. The fair value of bonds was determined by Entity's management, which is a Level 2 input. The fair value of the related parties debt was calculated by Entity using discounted cash flow valuation technique at a discount rate of 8.875% that reflects the entity's current borrowing rate at the end of the reporting period.

**11. Operating lease arrangements**

Operating leases relate to the rental of the rig La Covadonga owned by the Entity and leased to CP Latina with lease terms of 2,303 days at \$105,500 per day, with an option to extend for an increased number of days, as long as there is work in progress. CP Latina does not have an option to purchase the rigs at the end of the lease period. Lease commencement date is March, 2014.

**12. Authorization to issue the financial statements**

On February 14, 2014, the issuance of the accompanying financial statements was authorized by Ing. Antonio Acuña, Chief Executive Officer; consequently, they do not reflect events that occurred after that date, and are subject to the approval at the Entity ordinary shareholders' meeting, where they may be modified, based on provisions set forth in the Bermuda Law.

\* \* \* \* \*

**REGISTERED OFFICE OF THE PARENT**

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