

Appendix 1 – Restructuring Term Sheet

<p><b>Introduction:</b></p>	<p>This restructuring term sheet (the "<b>Restructuring Term Sheet</b>") (part I) sets out the key terms for the proposed restructuring of Farstad Shipping ASA (the "<b>Issuer</b>" or "<b>Farstad</b>") and certain of its subsidiaries (the "<b>Subsidiaries</b>"), including proposed amendments to certain of the Group's senior bank facilities and two senior unsecured bond issues issued by the Issuer, FAR03 and FAR04 (the bonds issued thereunder are referred to herein as the "<b>Bonds</b>" and the bond agreements setting out the terms and conditions of the Bonds are referred to herein as the "<b>Bond Agreements</b>") and certain other agreements and arrangements (the "<b>Restructuring</b>").</p> <p>Part 2 of this Restructuring Term Sheet sets out the key terms of the proposed mergers/business combinations between the Issuer, Solstad Offshore ASA and Deep Sea Supply Plc, whereby the Issuer will be merged into a subsidiary of Solstad Offshore ASA and Deep Sea Supply Plc's assets and obligations will be transferred to another subsidiary of Solstad Offshore ASA in a merger-like transaction.</p>
<p><b>PART I – RESTRUCTURING</b></p>	
<p><b>Restructuring-transaction steps:</b></p>	<p>The Restructuring consists of the following key transactions:</p> <p><b>Step 1: Equitisation of debt</b> On or before Completion, the Issuer shall assume:</p> <ul style="list-style-type: none"> <li>(a) NOK 940 million of the principal amount of secured debt owed to certain financial institutions and export agencies by the Subsidiaries; and</li> <li>(b) NOK 70 million of payment obligations owed (or to become owed) by Farstad Supply AS to F-Shiplease AS under certain bare boat charters.</li> </ul> <p>As a result of the assumption of debt, the Issuer will have corresponding recourse claims towards the relevant Subsidiaries. Those recourse claims shall be converted into share capital/premium in the relevant Subsidiary upon or as soon as practicable following Completion.</p> <p>As a result of the transactions described above and the amendments to the Bond Agreements (as described below), the Issuer will have the following obligations:</p> <p><b>Bondholders:</b> NOK 1,406,895,444.44 <b>F-Shiplease:</b> NOK 70 million <b>Senior Lenders:</b> NOK 940 million</p> <p>The Issuer will then resolve to issue, and each of the creditors listed above will subscribe for and be allocated, shares for an amount equal to the debt owing to it listed above (subject to adjustments required in accordance with the below). The subscription price in the private placement(s) shall be Share Price 1. Each creditor's payment obligation in connection with the aforementioned private placement(s) shall be settled in full by way of set-off of their claims for its respective debt.</p>

No fractional shares will be issued as part of the private placement(s) and each creditor accepts and agrees that the debt owing to it will automatically be reduced (without compensation) so as to be divisible by Share Price 1.

**Step 2: Equitisation of interest and other amounts on senior secured debt**

On or before Completion:

- (a) the Senior Lenders shall release (by adjusting the margin under the relevant loan agreements) certain Subsidiaries of those Subsidiaries' obligation to pay an aggregate amount of NOK 332 million of future interest on senior debt; and
- (b) F-Shiplease AS shall release (by adjusting the hire under the bare boat charters) Farstad Supply AS of Farstad Supply AS' obligation to pay an aggregate amount of NOK 109,036,299 under the bare boat charters.

In consideration for the aforementioned amendments, the Issuer shall undertake a payment obligation towards:

- (a) the relevant Senior Lenders in the amount of NOK 271 million (being the equivalent of the net present value of the amount released by the Senior Lenders); and
- (b) F-Shiplease AS in the amount of NOK 90,858,516 (being the equivalent of the net present value of the amount released by F-Shiplease AS under the bare boat charters).

As a result of the Issuer undertaking the above mentioned payment obligations, the Issuer will have corresponding recourse claims towards the relevant Subsidiaries. Those recourse claims shall be converted into share capital/premium in the relevant Subsidiary upon or as soon as practicable following Completion.

As a result of the transactions described above the Issuer will have the following obligations:

**Senior Lenders:** NOK 271 million

**F-Shiplease:** NOK 90,858,516

The Issuer will then resolve to issue, and each of the creditors listed above will subscribe for and be allocated, shares for an amount equal to the debt owing to it listed above (subject to adjustments required in accordance with the below). The subscription price in the private placement(s) shall be Share Price 2. Each creditor's payment obligation in connection with the aforementioned private placement(s) shall be settled in full by way of set-off of their claims for its respective debt.

No fractional shares will be issued as part of the private placement(s) and each creditor accepts and agrees that the debt owing to it will automatically be reduced (without compensation) so as to be divisible by Share Price 2.

### **Step 3: Equity Issues**

#### *a. Private placement 1*

The Issuer shall offer to issue shares to Aker Capital AS ("**Aker**") and Hemen Holding Limited ("**Hemen**") in a private placement ("**Private Placement 1**") with a total cash subscription amount of NOK 450 million. The share price in the private placement will be fixed at Share Price 2.

Aker and Hemen will each subscribe for, and be allocated, Shares for an amount of NOK 225 million. However, if Tyrholm & Farstad Invest AS ("**Tyrholm**") is allocated less than NOK 50 million in Private Placement 2 (as defined below), Tyrholm shall have the right to subscribe for and be allocated shares in Private Placement 1 for the difference.

#### *b. Private Placement 2*

The Issuer shall offer to issue shares and/or Convertible Bonds in a private placement ("**Private Placement 2**") with a total subscription amount of NOK 150 million. The share price in the private placement will be fixed at Share Price 2 and the Convertible Bonds will (if issued) be issued at par value (i.e. NOK 1 (*one krone*)). The conversion price for the Convertible Bonds (as per the issue date in respect thereof) will be fixed at Share Price 2.

The Convertible Bonds may only be subscribed for by the Bondholders. If the convertible bond issue is not subscribed for in a minimum aggregate amount of NOK 80 million, no Convertible Bonds will be issued.

The Bondholders will be preferred in the allocation of shares and Convertible Bonds. If the Bondholders does not subscribe for the full amount of Private Placement 2, Tyrholm will be preferred in the allocation of shares for an amount of up to NOK 50 million. If any amount remains unsubscribed for after taking into account the aforementioned, existing shareholders in the Issuer will be preferred in the allocation of shares.

The minimum allocation in the shares and the Convertible Bonds (respectively) offered in Private Placement 2 will be NOK 1,000,000 or the amount in NOK equal to EUR 100,000 (if higher).

Certain large Bondholders have pre-subscribed for shares/Convertible Bonds and will be allocated NOK 50 million of shares/Convertible Bonds.

### **Step 4: Repair Issue**

The Issuer shall resolve to carry out a private placement in which the existing shareholders in the Issuer (as per such date as determined by the board of directors in the Issuer) that are not allocated shares in Private Placement 2 shall be offered to subscribe for shares for a total subscription of up to NOK 50 million. The share price in the private placement will be fixed at Share Price 2.

Each such shareholder will have a preferential, non-transferrable, right to subscribe for and be allocated shares for its *pro rata* part of such shares. Notwithstanding the aforementioned, the board of directors in the Issuer might resolve to include Bondholders who have not been allocated shares/Convertible

	<p>Bonds in Private Placement 2 in the above mentioned repair issue.</p> <p><b>Underwriting:</b> Any amount that remain unsubscribed for in Private Placement 2 and the repair issue described in Step 4 (<i>Repair Issue</i>) have been fully guaranteed by Aker and Hemen (on a several and pro rata basis).</p> <p><b>Timing and conditions:</b> Transaction step 1 through 3 shall be carried out on or before the Completion. The repair issue described in Step 4 shall be carried out following Completion. The Bondholders shall only be required to participate in the above mentioned transaction steps relevant to them, provided that the conditions precedent to conversion have been fulfilled (see below).</p>	
<b>Amendments to Bond Agreements:</b>	<p><b>Interest:</b> The Bonds will become non-interest bearing from and including 1 January 2017 with the effect that interest accrued in respect of the Bonds from and including 1 January 2017 and until Completion will be cancelled and discharged (without any compensation) in full.</p> <p><b>Equitisation of Bonds:</b> Bonds and interest for an aggregate amount of NOK 1,406,895,444.44 (which amount includes all interest accrued, but unpaid, as per 31 December 2016) shall be converted into shares in the Issuer (pro rata between the two Bond series, and pro rata between Bondholders in each bond series) at a conversion price equal to Share Price 1.</p> <p><b>Right to participate in Equity Issue and Repair Issue:</b> The Bondholders will be given the opportunity to participate in Private Placement 2.</p>	
<b>Amendments to bare boat charters with F-Shiplease AS</b>	<p>As part of the Restructuring, the hire under the bare boat charters for FAR Senator and FAR Statesman will be reduced, inter alia, as a result of the transactions described in Step 1 (<i>Equitisation of debt</i>) and Step 2 (<i>Equitisation of interest and other amounts on senior secured debt</i>) above. Furthermore, part of the charter hire (90% of the amortisation element under the bare boat charters until 2022) will be deferred until December 2023. A cash sweep mechanism will be introduced. The payments under the bare boat charters will be guaranteed by the Issuer.</p>	
<b>Amendments to bank facilities<sup>1</sup></b>	<p>As part of the Restructuring, several of the senior bank facilities to which the members of the Group are party will be amended (or amended and restated). The key terms of the proposed restructuring consist of the following:</p>	
	<b>Extension of maturity:</b>	Loans with maturity prior to 29 December 2023 will be extended so that the maturity date in respect thereof fall on 29 December 2023

<sup>1</sup> Loan facilities with BNDES and Westpac will be unaffected by the Restructuring

	<p><b>Repayment profiles:</b></p>	<p>Instalments which have been deferred in the period commencing 1 July 2016 and ending 1 January 2017, will be repaid as follows (a) 10% of the total amount deferred will be repaid on 31 December 2021 and (b) the remaining 90% will be repaid in linear instalments of 20% per year commencing on 1 January 2022.</p> <p>Instalments falling due in the period commencing on 1 January 2017 and ending on 31 December 2021 will, after taking into account the conversion of senior secured debt set out in Step 1 (<i>Equitisation of debt</i>), be reduced by 90%.</p> <p>Commencing on 1 January 2022, the balance of senior secured amortizing debt then outstanding, will become amortising in linear instalments of 20% per year.</p> <p>Senior secured debt with bullet repayment profiles will receive a one-off repayment of 4% of the total outstanding principal amount on 30 June 2019. The remaining balance will be required to be repaid on 29 December 2023.</p>
	<p><b>Interest:</b></p>	<p>Payable in accordance with the existing loan agreements, but reduced by the conversion described in Step 2 (<i>Equitisation of interest and other amounts on senior secured debt</i>) until 31 December 2021.</p>
	<p><b>Cash sweep:</b></p>	<p>Cash sweep to be implemented from and including Completion until 1 January 2022.</p>
	<p><b>Covenants:</b></p>	<p>Inter alia:</p> <ul style="list-style-type: none"> <li>• Financial covenants which will, during the Restructuring Period, inter alia, consist of requirement to debt service cover ratio (EBITDA+ Free cash above NOK 200 million to interest expenses and scheduled amortisations must exceed 1:1), minimum value clause (100% after 31 December 2019) and minimum liquidity covenant (at least NOK 250 million). After the Restructuring Period other and more onerous financial covenants may apply.</li> <li>• Restrictions on the incurrence of new debt</li> <li>• Restrictions on dividends and other distributions</li> <li>• Restrictions on capital increases and equity issues</li> <li>• Restrictions on capital expenditures</li> </ul>

	<p><b>Guarantee and security:</b></p>	<p>As per the existing loan agreements, but so that all senior bank debt will be guaranteed by the Issuer and the senior bank debt will get security over the shares in Farstad Offshore AS. Additional security and guarantees may be granted in favour of the member of the Group's creditors.</p>
	<p><b>Sale of vessels:</b></p>	<p>Pre-approval of sale of older vessels at prices below secured debt using agreed mechanisms.</p>
	<p><b>Change of control:</b></p>	<p>If any person or group of persons gains negative control over the Issuer (other than Aker and its affiliates, Hemen and its affiliates or Aker and Hemen and their respective affiliates collectively (and following the completion of the Proposed Merger, Solstad Offshore ASA and its affiliates)).</p>
<p><b>Newbuild:</b></p>	<p>The newbuild "FAR Superior" (Vard Vung Tau with hull no. 838) will be owned and financed in a single purpose company to be established as a subsidiary of the Issuer. Subject to certain conditions Aker and Hemen will participate in the financing of the vessel with up to NOK 50 million each (total NOK 100 million) in a NOK 300 million take-out financing. If Aker and Hemen participates in the take-out financing, any such advance shall be considered an advance on their subscription obligation in Private Placement 1 and reduce their remaining subscription NOK for NOK.</p>	
<p><b>Conditions precedent to conversion:</b></p>	<p>The Bondholders agreement to the terms and transactions contemplated in this Restructuring Term Sheet will be subject to the following conditions precedent being fulfilled on or prior to 30 June 2017 (the "<b>Long Stop Date</b>"): </p> <ul style="list-style-type: none"> <li>(i) Confirmation from the Issuer that it has received binding subscriptions for shares and/or Convertible Bonds in Private Placement 1 and Private Placement 2 for an amount of no less than NOK 600 million.</li> <li>(ii) Approval of the Restructuring at a meeting of the Bondholders in each Bond Issue by Bondholders representing at least 2/3 of the principal amount outstanding in the respective Bond Issue present and voting.</li> <li>(iii) A confirmation from the Issuer that the term sheet(s) for the financing of the Newbuild has been entered into by the parties thereto.</li> <li>(iv) A confirmation from the Issuer that the Restructuring has been approved by (a) the respective credit committees of each Senior Lender, (b) the board of directors of F-Shiplease AS and (c) the board of directors of the Issuer and its Subsidiaries.</li> <li>(v) A confirmation from the Issuer that the general meeting of the Issuer has resolved, with the requisite majority, to carry out the transactions described in Step 1 through Step 3 above.</li> <li>(vi) Neither the Issuer nor any Subsidiary having entered into any bankruptcy, liquidation, administration, receivership or any other</li> </ul>	

	<p>insolvency procedure (or any analogous proceeding in any other jurisdiction), whether voluntary or involuntary.</p> <p>(vii) No enforcement or acceleration or debt recovery action having been taken by or on behalf of any of the other creditors of the Issuer or any member of the Group under or in connection with any financial indebtedness subject to the Restructuring.</p> <p>(viii) A confirmation from the Issuer that, to the best of its knowledge, all the Completion Conditions have or will be satisfied immediately following the conversion by the Bondholders.</p>
<p><b>Conditions for Completion of the Restructuring:</b></p>	<p>The relevant parties' obligation to complete the Restructuring is conditional on the following conditions having been fulfilled:</p> <p>(a) the Restructuring shall have been approved (in so far as relevant to each of them) by:</p> <ul style="list-style-type: none"> <li>(i) a duly convened bondholders' meeting in each of the Bond Issues in accordance with the terms of the relevant bond agreements; and</li> <li>(ii) the respective credit committees of each of the Senior Lenders;</li> </ul> <p>(b) the general meeting of the Issuer shall have resolved to carry out the transactions described in Step 1 through Step 4 above;</p> <p>(c) Farstad shall have received binding subscriptions for Shares and/or CBs in the private placement described in Step 3 for an amount of no less than NOK 600 million;</p> <p>(d) the term sheets for the NewBuild financing shall have been entered into by the parties thereto;</p> <p>(e) (save for servicing of senior loans owing to ECA lenders) no service of any senior loans, by payment of instalments or interest, shall have taken place in the period between the 31 December 2016 and Completion;</p> <p>(f) no payment in respect of the Bonds, by payment of instalments, interests, buy-back of bonds or exercise of any call or put options shall have taken place in the period between 31 December 2016 and Completion;</p> <p>(g) no lease payments under the agreements with F-Shiplease for "Far Senator" and "Far Statesman" shall have taken place in the period between 31 December 2016 and Completion;</p> <p>(h) there shall not be any order issued by a governmental body which suspends or ceases trading in the shares in the Issuer or operates to prevent or restrict the lawful distribution of the shares in the Issuer (which suspension, cessation, prevention or restriction, as the case may</p>

	<p>be, is continuing);</p> <p>(i) neither the Issuer nor any subsidiary shall have entered into any bankruptcy, liquidation, administration, receivership or any other insolvency procedure (or any analogous proceeding in any other jurisdiction), whether voluntary or involuntary;</p> <p>(j) no enforcement or acceleration or debt recovery action shall have been taken by or on behalf of any of the creditors and/or suppliers of the Issuer or any subsidiary under or in connection with any indebtedness or due amounts of the Issuer or any subsidiary;</p> <p>(k) all reasonable fees and out-of-pocket expenses of:</p> <p>(i) the Senior Lenders and all reasonable fees and disbursements of the professional advisers to the Senior Lenders;</p> <p>(ii) the Bond trustee related to financial adviser and legal counsel in accordance with the terms and conditions of the agreements for the Bond Issues;</p> <p>(iii) F-Shiplease AS related to legal costs in connection with the Restructuring;</p> <p>(l) shall have been paid by the Issuer; and</p> <p>(m) none of the other parties to the restructuring agreement (entered into on or about the date of the Summons) shall be in material breach of any of their respective obligations under that agreement.</p>
<b>Cost and expenses:</b>	The Issuer shall pay all reasonable and out-of-pocket expenses of the Bond Trustee related to financial advisers and legal counsel in accordance with the terms and conditions of the Bond Agreements.
<b>PART II – PROPOSED MERGERS</b>	
<b>Mergers – transaction steps</b>	<p><b>Step 1: Merger between Farstad and Solstad</b> Farstad will merge with a newly incorporated subsidiary of Solstad Offshore ("<b>SubCo 1</b>"), with SubCo 1 being the surviving entity and Farstad's former shareholders receiving shares in Solstad Offshore as merger consideration (the "<b>Triangular Merger</b>"). The exchange ratio in the Triangular Merger will be 0.35:12.50 Farstad shares per Solstad Offshore share.</p> <p><b>Step 2: Merger between Deep Sea Supply and Solstad</b> Contemporaneously with the Triangular Merger, Deep Sea Supply Plc ("<b>DESSC</b>") will combine with Solstad Offshore in a merger or merger-like transaction whereby all of DESSC's assets, rights and obligations will ultimately be transferred to a subsidiary of Solstad Offshore ("<b>SubCo 2</b>") against consideration in the form of Solstad Offshore shares (such transaction together</p>

	<p>with the Triangular Merger, the "<b>Combination</b>"). The amount of Solstad Offshore consideration shares issued will be based on an agreed exchange ratio of 1.32:12.50 DESSC shares per Solstad Offshore share.</p> <p><b>Step 3: Removal of share classes in Solstad</b> Solstad Offshore's existing Class B share class will be collapsed upon completion of the Combination, and current Class A and Class B shareholders will receive 1 ordinary share in Solstad Offshore in exchange for each Class A or Class B held.</p> <p><b>Step 4: Status post mergers</b> Following completion of the Combination, SubCo 1 will hold all of Farstad's assets, rights and obligations, whereas SubCo 2 will hold all of DESSC's former assets, rights and obligations.</p> <p><b>Step 5: Private placement in Solstad</b> In connection with the Combination, Solstad Offshore will complete a NOK 200 million private placement directed towards Hemen at a subscription price of NOK 12.50 per share. The proceeds from the private placement will be passed on by Solstad Offshore to SubCo 2 and its subsidiaries (i.e. the former DESSC structure).</p> <p><b>Step 6: Change of Issuer of Convertible Bonds</b> Solstad Offshore shall assume the obligations under outstanding Convertible Bonds as of such time that the Triangular Merger becomes effective and the right conferred by Convertible Bonds to have issued shares in Farstad shall be exchanged in rights to have issued shares in Solstad Offshore ASA at a price per share of NOK 12.50, being equal to the price per Solstad Offshore share on which the exchange ratios in the Combination is based.</p>
<b>PART III – DEFINITIONS</b>	
<b>Definitions</b>	<p><b>"Completion"</b> means the date when (i) all the Completion Conditions are satisfied (or waived as the case may be) and (ii) the equity issues described in Step 1 through Step 3 above have been duly registered in the Norwegian Registry of Business Enterprises (<i>Norw. Foretaksregisteret</i>).</p> <p><b>"Completion Conditions"</b> means the conditions precedent to the completion of the Restructuring set out in the section "Conditions for Completion of the Restructuring" above.</p> <p><b>"Convertible Bonds"</b> means the subordinated convertible bonds that may be issued as part of Private Placement 2 on substantially the terms set out in the term sheet attached in Schedule E to the Summons.</p> <p><b>"Restructuring Period"</b> means the period from and including 1 January 2017 to and including 31 December 2021.</p> <p><b>"Senior Lenders"</b> means the senior lenders listed in appendix 1 to this Restructuring Term Sheet.</p>

"**Share Price 1**" means NOK 1.25 (*one point twentyfive Norwegian kroner*).

"**Share Price 2**" means NOK 0.35 (*zero point thirtyfive kroner*).

"**Summons**" means the summons to the bondholders' meetings in FAR03 and FAR04 dated [•] February 2017.