

LICENSE

to prospect for hydrocarbons

Orkustofnun, National Energy Authority, having consulted the Ministry of Fisheries and Agriculture, and the Ministry for the Environment, hereby grants ION GX Technology, 2101 City West Blvd, Building III, Suite 900, Houston, TX 77042, USA, hereafter referred to as the licensee, a license to prospect for hydrocarbons. The license is granted on the basis of permission in Act No. 13/2001 on prospecting, exploration and production of hydrocarbons, with later amendments. The license is restricted to the area designated in Article 2 of this license and bound by the conditions set out in Act No. 13/2001, regulation No. 38/2009 on the same topic, and rules No. 351/2009 on the same topic and the conditions set out in this license.

This license is subject to the laws and regulations mentioned above, as well as other laws and regulations that at any time apply to prospecting for hydrocarbons.

Art. 1

License period

The license is valid from the date of signature by the National Energy Authority through 31 December 2009.

The licensee may surrender the license at any time with notice in writing to the National Energy Authority.

Art. 2

License area

The license covers prospecting for hydrocarbons within Icelandic territorial waters and economic zone and on the Icelandic continental shelf in accordance with Act No. 13/2001.

The license is not valid in areas for which an exclusive exploration or production license has been granted or may be granted at a later date under Act No. 13/2001, unless permission is obtained from the holder of the exclusive license and the National Energy Authority.

The license covers an area bounded on the south by 66°N, on the west by 12°W, and on the north and east by the boundary of the Icelandic economic zone, cf the attached map.

Art. 3

Scope of license

The license entitles the holder to prospect for hydrocarbons using the following methods

1. Magnetic methods.
2. Electromagnetic resistivity methods.
3. Seismic methods.
4. Gravimetric methods.
5. Heat-flow methods.
6. Radiometric methods. Geochemical methods.
7. Geological sampling of the seabed without drilling.

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8. Drilling for samples from the seabed to a depth of 25 meters below the seafloor.

The license includes a permission to drill for the purpose of obtaining information about general conditions for the formation and conservation of hydrocarbons. If prospecting includes drilling to a depth greater than 25 meters below the seafloor, a separate application shall be sent to the National Energy Authority with such information as the authority deems necessary.

The license does not give the licensee a right to drill for hydrocarbons, produce hydrocarbons nor a priority for obtaining such a license later.

Art. 4

Environmental considerations

In prospecting the licensee shall make sure that activities do not cause danger or damage to persons or property. The licensee shall also make sure not to cause pollution or damage to the environment.

In case of prospecting using a ship, the licensee shall take the interests of the fishing fleet fully into account in carrying out the prospecting.

Art. 5

Inspection

Representatives of the National Energy Authority or other governmental authorities as decided by the National Energy Authority are entitled to be present and monitor prospecting and other activities that fall under the license at any stage of the activities.

The representatives have a right to monitor all the activities of the licensee and demand from him information on all aspects of his activities under a license.

The representatives are entitled to make use of the licensee's communication facilities as required.

The licensee shall cover all expenses incurred by the representatives for travelling, board and lodging as a result of the inspection.

Art. 6

Duty of notification

Notification of a planned prospecting survey

Every prospecting survey for hydrocarbons in or above Icelandic waters shall be notified to the National Energy Authority no later than 5 weeks before it starts.

A shipborne survey shall also be notified to the Icelandic Coast Guard within the deadline given in Para. 1. A notification shall include the following:

1. That the survey is aimed at prospecting for hydrocarbons according to a license
2. Information regarding the licensee, the survey contractor, the survey ship and how these parties may be contacted.
3. Whether it is intended to make use of service or auxiliary vessels or aircraft in carrying out the survey.
4. Short description of the purpose of the survey.
5. Corner coordinates of the survey area.
6. Information regarding the minimum area required to operate the ship during surveying.

An airborne survey shall also be notified to the Icelandic Civil Aviation Administration and the Icelandic Coast Guard within the deadline given in Para. 1. A notification shall include the following:

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1. That the survey is aimed at prospecting for hydrocarbons according to a license
2. Information regarding the licensee, the survey contractor, the survey aircraft and how these parties may be contacted.
3. Whether it is intended to make use of service or auxiliary vessels or aircraft in carrying out the survey.
4. Short description of the purpose of the survey.
5. Corner coordinates of the survey area.
6. Information regarding flight altitude during surveying

In case of an aircraft carrying a special airworthiness certificate, the party responsible for it (owner/operator) shall send a copy of the certificate and of the aircraft's insurance certificate to the Icelandic Civil Aviation Administration within the deadline given in Para 1.

The National Energy Authority may grant dispensation from the deadline given in Para 1.

Notification that a shipborne prospecting survey is about to begin

A shipborne survey shall be notified to the National Energy Authority and the Icelandic Coast Guard. A notification shall include the following:

1. That the survey is aimed at prospecting for hydrocarbons according to a license
2. Name of licensee.
3. Name of contractor.
4. Name of ship and port of registry.
5. Registry.
6. Radio call sign.
7. Inmarsat numbers for telephone, telefax and e-mail communications.
8. Type.
9. Date.
10. Time.
11. Position.
12. Last port of call prior to entering Icelandic waters (port and country).
13. First port of call after leaving Icelandic waters (port and country).
14. Estimated time and position of arrival in the survey area
15. Information on planned portcalls in Icelandic ports (ports and estimated times of arrival)
16. Name and address of agent in Iceland.

If the survey is launched outside Iceland or is carried out with a foreign vessel, notification of the survey shall be given when entering Icelandic waters, i.e. at the outer boundary of the economic zone or at the outer boundary of the continental shelf where it extends beyond the economic zone. Otherwise, notification of the survey shall be given when leaving an Icelandic port.

A notification may include a request to the Icelandic Coast Guard to issue a warning about a planned survey to other vessels in the survey area

Calls in Icelandic ports shall be notified to the Icelandic Coast Guard and other Icelandic authorities at least 24 hrs. in advance, preferably through the licensee's agent

Notification that an airborne prospecting survey is about to begin

An airborne survey shall be notified to the National Energy Authority, the Icelandic Civil Aviation Administration and the Icelandic Coast Guard.

A notification shall include the following:

1. That the survey is aimed at prospecting for hydrocarbons according to a license
2. Name of licensee.

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3. Name of contractor.
4. Registry.
5. Call sign.
6. Date.
7. Time.
8. Position.
9. Estimated time and position of arrival in the survey area

If the survey is launched outside Iceland or is carried out with a foreign aircraft, notification of the survey shall be given when entering Icelandic waters, ie. at the outer boundary of the economic zone or at the outer boundary of the continental shelf where it extends beyond the economic zone. Otherwise, notification of the survey shall be given when leaving an Icelandic airport

If the survey is to be conducted within the Icelandic flight information region (OCA/BIRD), a flight plan shall be submitted to the Icelandic Civil Aviation Administration no later than one hour before entering the region

Notification of arrival and departure from a survey area

Arrival and departure of a survey vessel or aircraft and its service or auxiliary vessels or aircraft from a survey area shall be notified to the National Energy Authority. An airborne survey shall also be notified to the Icelandic Civil Aviation Administration and the Icelandic Coast Guard, whereas a shipborne survey shall be notified to the Icelandic Coast Guard.

The notification shall include the registry, call sign and position of the vessel or aircraft. In case of arrival in the survey area, the notification shall also include information on the planned movements of the vessel or aircraft during the next 24 hrs. In case of a shipborne survey, the notification may include a request to the Icelandic Coast Guard to issue a warning about the planned survey to other vessels or aircraft in the survey area.

Daily notification

Every day between 11:00 and 15:00 hrs. Greenwich Mean Time the position and planned movements of a survey vessel or aircraft during the next 24 hrs. shall be notified. Notification shall be given to the Icelandic Civil Aviation Administration and the Icelandic Coast Guard in case of an airborne survey, but to Icelandic Coast Guard in case of a shipborne survey.

Art. 7

Reporting and submission of data

During a prospecting survey in a survey area, the licensee shall submit a weekly report to the National Energy Authority by telefax or electronic mail accurately summarizing the prospecting activities.

No later than two months after a prospecting survey has been completed, the licensee shall submit a survey report to the National Energy Authority. The report shall contain an accurate overview of the survey, including a description of the prospecting activities, prospecting equipment, data acquisition and taking of samples.

For every calendar year the licensee shall submit reports to the National Energy Authority on all geological, geophysical and geochemical investigations that have been made in the license area. The reports shall be sent to the National Energy Authority as soon as possible and no later than April 1 in the year after the investigations were made.

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The reports shall be accompanied by copies of data, analyses and results of data processing in accordance with more detailed instructions issued by the National Energy Authority. The licensee shall submit geological, geophysical or geochemical samples to the National Energy Authority should the Authority so request

The National Energy Authority may grant dispensation from the deadline given in Para. 3.

Should data that has been acquired under the license be reprocessed, the licensee shall within two months from completion of the reprocessing submit a report on the reprocessing together with a copy of the reprocessed data to the National Energy Authority in accordance with more detailed instructions issued by the Authority. This obligation remains after a license expires.

The licensee shall keep all original field data that has been acquired under the license for at least one year after the license expires. Should the licensee decide to discard the original field data after this period, he shall offer the data to the National Energy Authority before it is destroyed. In the event of such delivery, other important documents connected to such data and information shall also be delivered.

The licensee shall submit to the National Energy Authority information as to whom reports or data according to this Article have been sold or handed over should the Authority so request.

The licensee shall fulfill all obligations according to this Article without charge to the National Energy Authority.

Art. 8 Confidentiality

Information submitted by the licensee in pursuance of Article 11 of regulation No. 38/2009 shall be treated confidentially for a period of 10 years from the end of the year that the data was acquired.

The provisions of Para. 1 do not prevent the National Energy Authority or other governmental authorities as decided by the Ministry of Industry, Energy and Tourism from:

1. Disclosing information of a general nature in connection with public announcements, annual reports or the like concerning hydrocarbon activities
2. Handing over information as part of cooperation with another state, provided that similar provisions for ensuring confidentiality of this information apply in the state in question.
3. Making use of information in order to increase understanding of the geology and resources of submarine strata.

Art. 9 Revocation of a license

The National Energy Authority may revoke the license if the licensee does not comply with the conditions set out in this license, Act No. 13/2001, regulation No. 38/2009 or rules No. 351/2009.

Prior to revoking the license, the National Energy Authority shall give the licensee notice in writing and a deadline for providing a remedy. If the licensee takes no heed of the notice by the National Energy Authority within the set time limits, the National Energy Authority may withdraw or change the licence

The license may be revoked if bankruptcy proceedings are taken against a licensee's estate or he is forced to seek agreement with his creditors.

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Art. 10
Transfer of a license

This license can not be transferred to other parties, nor can it be placed as collateral for financial obligations without permission from the National Energy Authority.

Art. 11
Liability

Licenseses will be liable for damages under this Act for any loss or damage caused by hydrocarbon activity, including environmental damage, regardless of whether the loss or damage was caused by culpable conduct or not

Compensation for physical injury or for loss of provider may be reduced or cancelled if the party who suffered loss or damage, or who died, caused loss or damage intentionally or through gross negligence. Compensation for material loss or damage may be reduced or cancelled if the party who suffered loss or damage caused the loss or damage intentionally or through gross negligence.

Compensation for environmental damage may be lowered or not awarded if the damage sustained is proven to be caused by a natural catastrophe or other unpreventable causes, without any fault on the licensee's behalf

The provisions of Para 1-3 do not in any way limit the right to compensation according to general rules of the law of tort.

The National Energy Authority may at its discretion require the licensee to provide a guarantee for the performance of his undertakings pursuant to this license, including possible liability for damages.

Art. 12
Application and license fees

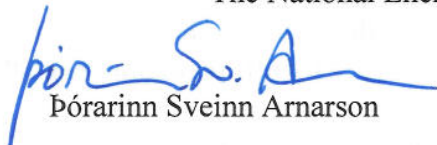
The licensee has already paid an application fee of ISK 150.000 to the National Energy Authority.

The licensee shall pay an license fee of ISK 600.000 to the National Energy Authority for defraying the costs of preparing and issuing the license

The licensee shall pay a fee of ISK 500.000 to the National Energy Authority for each year that the license is valid for defraying the costs of supervision, preparation and safekeeping of data that result from activities related to the license. The payment date of a yearly fee, due for the first time after this license is issued, is 15 days after the license is issued. The payment date of subsequent yearly fees is the last day of the first calendar month of the year of payment

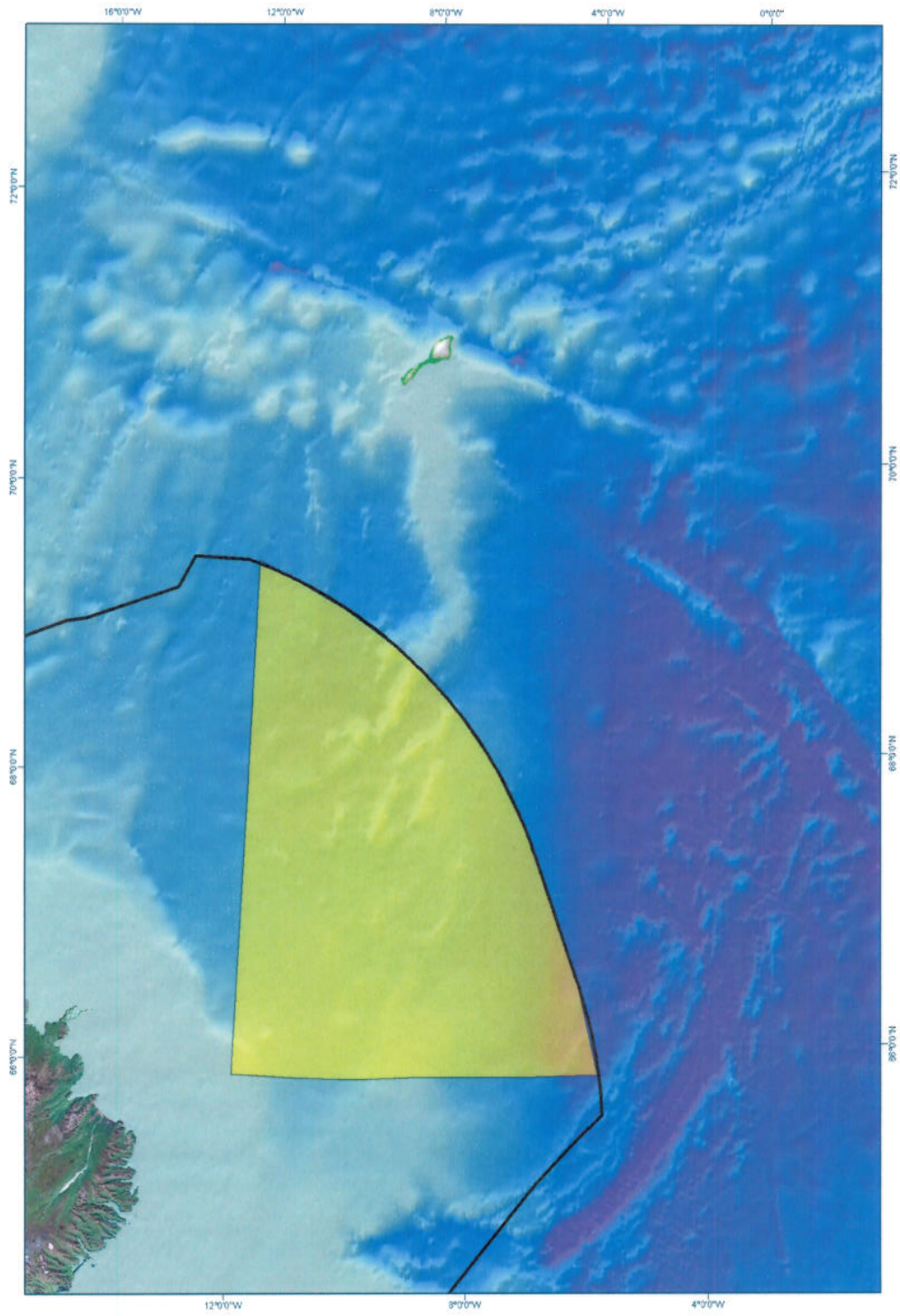
The license lapses if the license fee is not paid in due time.

The National Energy Authority, June 5, 2009


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Map of the license area



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