

NORSK TILLITSMANN

NORWEGIAN TRUSTEE

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To the bondholders in the 9.50 per cent. Iona Energy Company (UK) plc Senior Secured Callable Bond Issue 2013/2018 (ISIN NO 001 0689763)

Oslo, 16 April 2014

SUMMONS TO BONDHOLDERS' MEETING – REQUEST FOR AMENDMENT

Norsk Tillitsmann ASA (the “**Bond Trustee**”) acts as trustee for the bondholders of the bonds (the “**Bonds**”) in the above mentioned bond issue (the “**Bond Issue**”) where Iona Energy Company (UK) plc (formerly Iona Energy Company (UK) Limited (the “**Issuer**”)) is the issuer.

All capitalized terms used herein shall have the meaning assigned to them in the bond agreement dated 26 September 2013 and made between the Issuer, Iona Energy Inc., Iona UK Huntington Limited and the Bond Trustee (the “**Bond Agreement**”), unless otherwise stated herein. References to Clauses and paragraphs are references to Clauses and paragraphs of the Bond Agreement.

The information in this summons regarding the Issuer and market conditions are provided by the Issuer, and the Bond Trustee expressly disclaims all liability whatsoever related to such information.

1 BACKGROUND

After the issuance of the Bonds in September 2013, it has come to the attention of the Issuer that there is a logical mistake in the definition of Cash and Cash Equivalent in the Bond Agreement, as the definition does not include funds standing to the credit of the Escrow Account and the BP Structured Energy Derivative Escrow Account (together, the “**Escrow Accounts**”). The definition of Cash and Cash Equivalent in the Bond Agreement reads as follows:

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

- (a) cash in hand or amounts standing to the credit of any current and/or on deposit accounts with an acceptable bank; and*
- (b) time deposits with acceptable banks and certificates of deposit issued, and bills of exchange accepted, by an acceptable bank;*

in each case to which any Restricted Group Company is beneficially entitled at the time and to which any Restricted Group Company has free and unrestricted access and which is not subject to Security, other than the charges over the Issuer Earnings Account and the

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Huntington Subsidiary Earnings Account and any other Restricted Group Company's earnings account. An "acceptable bank" for this purpose is:

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

This logical mistake also appeared in the term sheet, which had the same definition. However, all other parts of the documentation used in the marketing of the Bonds clearly assumed that Cash and Cash Equivalent should include funds in the Escrow Accounts. As a result, there is a mismatch between the definition in the term sheet and the Bond Agreement on the one side and the marketing documents on the other, which unfortunately was not caught in the preparation of the term sheet/Bond Agreement. The financial models that were prepared to assist in structuring of the Bond Issue also assumed that funds to be held in escrow should be included when calculating the Net Interest-Bearing Debt, and the financial covenant levels were determined on this basis. Consequently there is an accidental mismatch between the financial covenant wording and the Company's underlying operations and financials, which makes the Company unable to satisfy the financial covenants.

The definition of Cash and Cash Equivalent is used in the definition of Liquidity, which reads as follows:

"Liquidity" means the aggregate book value of the Restricted Group's Cash and Cash Equivalents, including any funds standing to credit of the relevant Restricted Group Company in the Escrow Account and the BP Structured Energy Derivative Escrow Account (but excluding any Cash and Cash Equivalents in the Debt Service Retention Account).

It is also used in the definition of Net Interest-Bearing Debt, which reads as follows:

"Net Interest-Bearing Debt" means the book value of the relevant person's interest bearing Financial Indebtedness less that person's Cash and Cash Equivalents.

Indirectly, the omission of funds standing to the credit of the Escrow Accounts from the definition of Cash and Cash Equivalent has a bearing on the calculation of the Leverage Ratio, the Restricted Group Capital Employed Ratio and the Group Capital Employed Ratio.

The definition of Liquidity explicitly includes funds standing to the credit of the relevant Restricted Group Company in the Escrow Accounts. Furthermore, the manner in which the definition is drafted, indicates that such funds should have been included in the definition of Cash and Cash Equivalent, as it specifies that the Restricted Group's Cash and Cash Equivalents include "... any funds standing to credit of the relevant Restricted Group Company in the Escrow Account and the BP Structured Energy Derivative Escrow Account...".

Clause 14.6.3 of the Bond Agreement provides that if the Issuer is in breach of any of the Financial Covenants, such breach shall not constitute an Event of Default on the first relevant Quarter Date if it is again in compliance with the Financial Covenants on the subsequent Quarter Date. Applying the current definition of Cash and Cash Equivalents, and thereby not including the funds held in the Escrow Accounts in the calculation of Net Interest-Bearing Debt, the Issuer would not meet the required Leverage Ratio of maximum 3.0x when submitting its Compliance Certificate for the financial year ended 31 December 2013. Furthermore, without amending the definition of Cash and Cash Equivalents, the Issuer would on the Reporting Date for the quarter ending 31 March 2014 for a second time fail to meet the Leverage Ratio, and an Event of Default would ensue.

Needless to say, a covenant breach only a few months after the issue of the Bonds was not the intention of the parties or the term sheet, and it was quite obvious that the only way to be safely in compliance with a 3.0x ratio was to include the funds standing to the credit of the Escrow Accounts in the calculation of Cash and Cash Equivalents.

2 PROPOSAL

In accordance with Clause 16.2 (Procedural rules for Bondholders' meetings) of the Bond Agreement, the Issuer has asked the Bond Trustee to convene a Bondholders' Meeting for the Bond Issue in order to consider the Issuer's proposal (the "**Proposal**") for the following amendments to be made to the Bond Agreement (the proposed changes are underscored):

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

- (a) *cash in hand or amounts standing to the credit of any current and/or on deposit accounts with an acceptable bank, including in the Escrow Account and the BP Structured Energy Derivative Escrow Account; and*
- (b) *time deposits with acceptable banks and certificates of deposit issued, and bills of exchange accepted, by an acceptable bank;*

in each case to which any Restricted Group Company is beneficially entitled at the time and, except in respect of funds standing to the balance of the Escrow Account and the BP Structured Energy Derivative Escrow Account, to which any Restricted Group Company has free and unrestricted access and which is not subject to Security, other than the charges over the Issuer Earnings Account and the Huntington Subsidiary Earnings Account and any other Restricted Group Company's earnings account. An "acceptable bank" for this purpose is:

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

The amendments to the definition of Cash and Cash Equivalents shall take effect from the time the Proposal is approved by the Bondholders' Meeting, but be applied retroactively from the Issue Date so

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that the amendments shall also apply to any calculation of the Financial Covenants as of 31 December 2013 and 31 March 2014.

The Proposal request is put forward to the Bondholders without further evaluation or recommendations from the Bond Trustee. The Bondholders must independently evaluate whether the Proposal is acceptable.

The background for the amendment proposal is a pure drafting issue to align the Bond Agreement to the marketing documentation presented to investors and not a result of any underlying changes to the Company's operations or financials. The amendment will consequently not have any commercial or economical consequences for the Bondholders. As compensation to the Bondholders for approving the Proposal, the Issuer offers the Bondholders a one-time waiver fee of 0.10% (flat) of the face value of the Bonds, payable to the Bondholders (with record date on the end of business on the date of the Bondholders' Meeting) within ten (10) Business Days after the Bondholders' Meeting has approved the Proposal set out in section 3 of this summons letter.

3 SUMMON FOR BONDHOLDERS' MEETING

Bondholders are hereby summoned to a Bondholders' Meeting:

Time: 6 May 2014 at 13:00 hours (Oslo time)

Place: The premises of Norsk Tillitsmann ASA,
Haakon VII's gate 1, 0161 Oslo - 5th floor

Agenda:

1. Approval of the summons.
2. Approval of the agenda.
3. Election of two persons to co-sign the minutes together with the chairman.
4. Request for adoption of proposal:

It is proposed that the Bondholders' Meeting resolves the following:

"The Bondholders' Meeting approves the Proposal as described in section 2 of the summons to this Bondholders' Meeting."

To approve the above resolution, Bondholders representing at least 2/3 of the Bonds represented in person or by proxy at the Bondholders' Meeting must vote in favour of the resolution. In order to have a quorum, at least half (1/2) of the Voting Bonds must be represented at the meeting in person or by proxy. If the Proposal is not approved by the Bondholders, the Bond Agreement will remain unchanged.

Please find attached a Bondholder's Form from the Securities Depository (VPS), indicating your bondholding at the printing date. The Bondholder's Form will serve as proof of ownership of the Bonds and of the voting rights at the Bondholders' Meeting. (If the bonds are held in custody - i.e. the owner is not registered directly in the VPS - the custodian must confirm: (i) the owner of the bonds, (ii) the aggregate nominal amount of the bonds and (iii) the account number in VPS on which the bonds are registered.)

The individual Bondholder may authorise the Bond Trustee to vote on its behalf, in which case the Bondholder's Form also serves as a proxy. A duly signed Bondholder's Form, authorising the Bond Trustee to vote, must then be returned to the Bond Trustee in due time before the meeting is scheduled (by scanned e-mail, telefax or post to post@trustee.no, +47 22 87 94 10, or Norsk Tillitsmann ASA, PO Box 1470 Vika, 0116 Oslo, Norway).

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In the event that Bonds have been transferred to a new owner after the Bondholder's Form was made, the new Bondholder must bring to the Bondholders' Meeting or enclose with the proxy, as the case may be, evidence which the Bond Trustee accepts as sufficient proof of the ownership of the Bonds.

For practical purposes, we request those who intend to attend the Bondholders' Meeting, either in person or by proxy other than to the Bond Trustee, to notify the Bond Trustee by telephone or by e-mail (as set out at the first page of this letter) by 16:00 hours (4 pm) (Oslo time) the Banking Day before the meeting takes place.

Yours sincerely

Norsk Tillitsmann ASA



Sveinung Sleire

Enclosed: Bondholder's Form