

22 February 2017

IONA ENERGY COMPANY (UK) LIMITED (IN ADMINISTRATION) – EXECUTION OF AGREEMENT FOR THE SALE AND PURCHASE OF THE ENTIRE ISSUED SHARE CAPITAL OF IONA ENERGY COMPANY (UK) LIMITED (IN ADMINISTRATION)

Reference is made to the Joint Administrators' Report for the period 6 July 2016 to 5 December 2016 as published by Iona Energy Company (UK) Limited (in administration) (the "**Company**") on 16 December 2016, and the information provided therein in respect of the Joint Administrators' efforts to assess alternative options to, inter alia, sell the entire issued share capital in the Company (the "**Shares**") following the discontinued sales process involving Bridge Petroleum 2 Limited.

Furthermore, reference is made to the summons dated 15 December 2016 to a bondholders' meeting in the "9.50 per cent. Iona Energy Company (UK) Limited Senior Secured Callable Bond Issue 2013/2018" issued by the Company under ISIN NO 001 0689763 (the "**Bond Issue**", and the bond agreement which constitutes the Bond Issue, the "**Bond Agreement**"), and the notice from the said bondholders' meeting published by the Company on 22 December 2016 relating to the alternative transaction being pursued by the Joint Administrators.

The Joint Administrators and Nordic Trustee ASA ("**NT**"), as bond trustee for the bondholders in the Bond Issue, have entered into a conditional sale and purchase agreement on 21 February 2017 with Decipher Energy Limited ("**Decipher**") for the sale of the Shares to Decipher (the "**Decipher SPA**", and the transaction under the Decipher SPA, the "**Decipher Transaction**"). Under the Decipher SPA, Decipher has agreed to acquire the Shares for consideration of USD 1. Decipher has also agreed to procure that the Company shall (and to the extent necessary, shall put the Company in funds at the relevant time in order that it may):

- (i) pay an amount equal to USD 2,000,000 on completion under the Decipher SPA to allow distributions to the Company's unsecured creditors pursuant to the company voluntary arrangement in respect of the Company;
- (ii) on completion under the Decipher SPA, pay an amount equal to USD 1,504,970 as a repayment of principal of the outstanding bonds in the Bond Issue ;
- (iii) pay an amount equal to USD 495,030 to participants of the Company's management incentive plan, including applicable PAYE and National Insurance; and
- (iv) following the reduction of the outstanding bonds and any accrued but unpaid interest and default interest (if any) down to a principal amount of USD 5,004,970 and the payment referenced in (ii) above (with the result that all exceeding amounts of principal and interest are released and cancelled), repay the remaining balance of outstanding bonds in an amount of USD 3,500,000 (the "**Deferred Bond Repayment Amount**") within fifteen business days of the satisfaction of the first to occur of one of the conditions as outlined in the Bond Agreement (as amended and restated at completion under the Decipher SPA) (the "**Deferred Bond Repayment Conditions**").

The Deferred Bond Repayment Conditions are: (A) the entry into effect of the instrument (whether deed, agreement, letter, notice, confirmation or otherwise) issued by the OGA (or with respect to a notice, received by the OGA) extending the second term of the Orlando Licence to a date no earlier than 30 June 2018 or continuing the Orlando Licence into a third term beyond 30 June 2018, with

such extension or continuation into the third term provided to allow for completion of the field development plan in respect of the Orlando Field; or (B) the granting to the Company or any affiliate of the Company and/or Decipher of a new licence by the OGA in respect of the Orlando Field on such terms and for such duration as have equivalent effect to (A) above. The Company's obligation to pay the Deferred Bond Repayment Amount is released automatically if neither of the above conditions are satisfied on or before the date that is the later of (A) the date a licence in respect of the Orlando Field is awarded to a party that is not an affiliate of Decipher; or (B) the date of the announcement of the completion of an OGA licensing round in which the Orlando Field is offered but no licence is awarded to a party.

Completion of the Decipher Transaction is subject to certain conditions precedent, including, but not limited to:

- (i) receipt of written confirmation from the OGA that it will not exercise its rights to revoke or terminate the Company's Orlando and Kells Licences as a result of the change of control of the Company;
- (ii) approval from the requisite majority of the bondholders in the Bond Issue of the proposals in a summons to be circulated shortly to bondholders to, inter alia, amend the bond agreement for the Bond Issue to implement the Decipher Transaction and reduce the amount outstanding under the bonds (as referenced above) (the "**Summons**"), and, prior to the date the condition precedent in (v) below is satisfied, no further bondholders' meeting having resolved on matters which are inconsistent with the proposals in the Summons;
- (iii) the completion of certain steps relating to a company voluntary arrangement entered into on 17 June 2016 (to be amended and restated shortly) in relation to the Company;
- (iv) receipt by Decipher's funding providers of certain European Commission or Bundeskartellamt merger control and/or competition clearances; and
- (v) the entry by NT, the Company, Iona UK Huntington Limited (in administration) and the Joint Administrators into (A) an amendment and restatement agreement to amend the bond agreement to implement, amongst other things, the matters outlined in (ii) above, and (B) a deed of release to reduce the outstanding bonds and any accrued but unpaid interest and default interest (if any) down to a principal amount of USD 5,004,970, which will become effective at completion.

Decipher is an independent oil and gas company which was established in 2016.

It is the view of the Joint Administrators that the Decipher Transaction represents the best option available in the circumstances to maximise recoveries to bondholders in the Bond Issue and other stakeholders of the Company, taking into account both value and execution risk.

As noted above, the Company will separately be seeking the consent of the bondholders in the Bond Issue to, inter alia, amend the current bond agreement for the Bond Issue to implement the Decipher Transaction and reduce the amount outstanding under the bonds, as referenced above.

The Joint Administrators of the Company may be contacted for further information:

Chad Griffin
+44 203 727 1212
chad.griffin@fticonsulting.com

Lisa Rickelton
+44 203 727 1441
lisa.rickelton@fticonsulting.com