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To the bondholders in:
ISIN NO 001 068 9763

9.50 per cent. Iona Energy Company (UK) Limited Senior Secured Callable Bond Issue 2013/2018

Oslo, 5 October 2015

Summons to Bondholders' Meeting

1. PARTIES

Nordic Trustee ASA (formerly Norsk Tillitsmann ASA (the "**Bond Trustee**")) acts as trustee for the holders of the bonds (the "**Bondholders**") in the above mentioned bond issue (the "**Bond Issue**" or the "**Bonds**") in respect of which Iona Energy Company (UK) plc (formerly Iona Energy Company (UK) Limited (the "**Issuer**")) is the issuer and Iona Energy Inc. ("**Iona**" or the "**Parent**") and Iona UK Huntington Limited (the "**Huntington Subsidiary**") are the guarantors.

All capitalized terms used herein shall have the meaning assigned to them in the bond agreement originally dated 26 September 2013 (as amended on 3 June 2014 and as amended and restated on 17 April 2015) and made between the Issuer, the Parent, the Huntington Subsidiary and the Bond Trustee (the "**Bond Agreement**") or in the summons dated 30 July 2015 to the Bondholders' Meeting held 6 August 2015 (including the attachments thereto, the "**July Summons**") or in the summons dated 23 September 2015 (including the attachments thereto, the "**September Summons**"), unless otherwise stated herein or therein.

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.

2. BACKGROUND AND SUMMARY OF THE PROPOSAL

As highlighted in the September Summons, substantial progress has been made to satisfy the conditions precedent to the Restructuring.

However, certain macro-economic factors and certain items specific to the Issuer have impacted the Issuer's view of future potential liquidity requirements up to First Oil at the Orlando Asset. These include:

- (a) volatility in the oil price;
- (b) volatility in the GBP:USD FX rate; and
- (c) a provision for later Huntington capex and consequent re-phasing of revenue arising from that Huntington capex.

With respect to the Huntington Asset, the Issuer and its joint venture partners have continued to progress technical work to support further investment in the field and the Issuer expects that investment in a sidetrack to a water injector well will be sanctioned during Q4 2015. However, the timing of the new investment is likely to be later than assumed in the Issuer's prior financial planning and so the cash flow benefit from this investment is unlikely to be seen until after First Oil at the Orlando Asset. The Issuer is strongly supportive of the water injector sidetrack project, which is expected to increase recoverable reserves and extend field life at the Huntington Asset.

To provide the Issuer with additional liquidity to accommodate the factors referred to in points (a) to (c) above, and following extensive discussions with the Ad Hoc Committee, the Issuer is proposing to defer the USD 24 million Restricted Cash Repayment originally proposed to be paid on the Restructuring Implementation Date and retain this cash to provide additional financial headroom.

The terms of the Proposal (as defined below) are summarised in Clause 3 and set out in full in the term sheet (the "**New Money Term Sheet**") attached to this summons as Schedule A – Proposed Terms - Bondholders' New Money.

3. PROPOSAL

Based on the above, the Issuer hereby proposes certain amendments to the terms of the Restructuring approved by the Bondholders' Meeting held on 6 August 2015, as amended by the Bondholders' Meeting held on 30 September 2015 (the "**Proposal**"):

3.1 Amendments to the terms of the Restructuring

- (a) The Restricted Cash Payment to Bondholders contemplated on the Restructuring Implementation Date in an amount of USD 24 million will be deferred. Accordingly, on the Restructuring Implementation Date, the Bond Debt will be reduced to USD 144 million, rather than to USD 120 million.
- (b) Due to the deferral of the Restricted Cash Payment, the percentage of Warrants which will be exchanged into new warrants with a shorter term until 11 May 2016 pursuant to section 2.1 of the terms of the Warrants will be reduced from approximately 59% to approximately 54%.
- (c) On the Restructuring Implementation Date, USD 24 million will be transferred from the Escrow Account to a separate account (the "**Bondholder New Money Account**"). The Bondholder New Money Account will be blocked and charged in favour of the Bond Trustee.
- (d) The amounts standing to the credit of the Bondholder New Money Account will be disbursed to the Issuer pursuant to the terms and conditions which are set out in Schedule A - Proposed Terms - Bondholders' New Money.
- (e) The Intercreditor Principles between the Issuer, the Parent, the Huntington Subsidiary, Lender A, Lender B, BTL, the Security Agent and the Bond Trustee (on behalf of the Bondholders) will be updated to reflect the principles set out in Schedule B - Proposed Amendments to Intercreditor Principles - Bondholder New Money.

3.2 Appointment of FTI

The Bond Trustee shall be authorized to appoint, at the cost of the Issuer, FTI Consulting LLP ("**FTI**") to advise the Bond Trustee with respect to the satisfaction of certain conditions precedent for the disbursement of amounts standing to the credit of the Bondholder New

Money Account as set out in Schedule A - Proposed Terms - Bondholders' New Money, and the Bond Trustee shall be authorized to rely on FTI's advice in that respect.

4. FURTHER INFORMATION

For more detailed information about the Issuer or the Proposal, please see www.ionaenergy.com or contact:

Iona Energy Inc.
Tom Reynolds
CEO
+44 (0) 1224 228400

Iona Energy Inc.
Robert Gair
CFO
+44 (0) 1224 228400

The Issuer has engaged ABG Sundal Collier ASA as its financial adviser (the "Adviser"). Accordingly, Bondholders may contact the Adviser for further information:

ABG Sundal Collier
Harald Erichsen
+47 22016023/+47 48016023
harald.erichsen@abgsc.no

ABG Sundal Collier
Kjetil Myklebust
+47 22016186/+47 90080632
kjetil.myklebust@abgsc.no

ABG Sundal Collier
Ola Nygård
+47 22016186/+47 41213410
ola.nygard@abgsc.no

The Adviser acts solely for the Issuer and no-one else in connection herewith. No due diligence investigations have been carried out by the Adviser with respect to the Issuer, and the Adviser expressly disclaims any and all liability whatsoever in connection with the Proposal (including but not limited to the information contained herein).

5. EVALUATION OF THE PROPOSAL

5.1 The Issuer's evaluation

In the Issuer's opinion, the Proposal represents the best alternative given the current circumstances. It will allow the Issuer time and financial flexibility to pursue its strategy to the benefit of all stakeholders, including the Bondholders.

5.2 Non-reliance

The Proposal is put forward to the Bondholders without further evaluation or recommendations from the Bond Trustee and nothing herein shall constitute a recommendation to the Bondholders by the Bond Trustee. The Bondholders must independently evaluate the Proposal and vote accordingly. It is recommended that the Bondholders seek counsel from their own legal, financial and tax advisors regarding the effect of the Proposal.

5.3 Pre-acceptance

The Issuer has informed the Bond Trustee that Bondholders holding in excess of 59% of the Outstanding Bonds have indicated their support for the Proposal and that they will provide irrevocable undertakings ahead of the Bondholders' Meeting.

6. BONDHOLDERS' MEETING

Bondholders are hereby summoned to a Bondholders' Meeting:

Time: 13 October 2015 at 13:00 hours (Oslo time),
Place: The premises of Nordic Trustee ASA,
Haakon VII's gt 1, 0161 Oslo - 6th 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. Consent to the Proposal

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

The Bondholders' Meeting hereby adopt the resolution set out in the Proposal as described in section 3 of the summons for this Bondholders' Meeting.

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To approve the Proposal, Bondholders representing at least 2/3 of the Bonds represented in person or by proxy at the meeting must vote in favour of the resolution. In order to have a quorum, at least 5/10 of the voting Bonds must be represented at the meeting. If the Proposal is not adopted, the terms of the Restructuring approved by the Bondholders' Meeting held on 6 August 2015, and as amended by the Bondholders' Meeting held on 30 September 2015, 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 – please see the first page of this letter for further details).

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 (www.mail@trustee.no) within 16:00 hours (4 pm) (Oslo time) the Banking Day before the meeting takes place.

Yours sincerely
Nordic Trustee ASA

A handwritten signature in blue ink, appearing to be 'Vivian Trøsch', written over a horizontal line.

Vivian Trøsch

Enclosed: Bondholder's Form
Schedule A - Proposed Terms - Bondholders' New Money
Schedule B - Proposed Amendments to Intercreditor Principles - Bondholder New Money

PROPOSED TERMS- BONDHOLDERS' NEW MONEY

Further to the Restructuring Term Sheet (including the relevant schedules thereto, being the Remaining Bond Term Sheet and the Intercreditor Principles) issued with the summons dated 29 July 2015 and approved at the meeting of Bondholders on 6 August 2015, the Company proposes certain amendments to the Restructuring Term Sheet and the Remaining Bond Term Sheet as set out below. Capitalised terms used herein shall have the meaning given to them in the Restructuring Term Sheet and the Remaining Bond Term Sheet. In this Term Sheet, references to the Bond Trustee "being satisfied" or "to the satisfaction of the Bond Trustee", and similar phrases refers to the Bond Trustee acting on the advice of FTI Consulting LLP.

1. Amended Terms

1.1 Summary

- (a) The payment to Bondholders on the Restructuring Implementation Date of an amount equal to USD 24 million will be deferred. Accordingly, on the Restructuring Implementation Date, the Bond Debt will be reduced to USD 144 million, rather than to USD 120 million (as currently contemplated by the Restructuring Term Sheet and the Remaining Bond Term Sheet).
- (b) On the Restructuring Implementation Date, USD 24 million will be transferred to a separate Norwegian bank account (the "**Bondholder New Money Account**"). The Bondholder New Money Account will be blocked and charged in favour of the Bond Trustee pursuant to account pledge governed by Norwegian law.
- (c) All amounts standing to the credit of the Bondholder New Money Account will only be capable of being disbursed to the Company subject to the satisfaction of certain conditions described below, and will only be applied by the Company towards achieving Orlando First Oil.

1.2 Conditions for disbursement from Bondholder New Money Account

- (a) The Bondholder New Money Account will be provided on a "last money in" basis (i.e., after all other financing available or anticipated to be available to the Group as at the Restructuring Implementation Date has been fully drawn down and is being utilised (or in the case of any deferred payment or loan arrangements, will be drawn down and utilised) by the Company for the operation of the Orlando Field (including the Super Senior Secured Debt),

subject to the retention by the Company of the Maximum Unrestricted Cash Balance.

- (b) Disbursements from the Bondholder New Money Account will be subject, *inter alia*, to the satisfaction of the following terms and conditions precedent. Conditions marked with an *, are required to be met prior to each drawdown, each other condition need only be satisfied on the first drawdown:
- (i) *Disbursements may not be made more frequently than once a month.
 - (ii) *Disbursements will be based on a disbursement request which sets forth the Orlando expenditures which are payable within the next thirty days following the disbursement request, and the amount disbursed will be limited to the expenditures which are payable within the next thirty days following the disbursement request.
 - (iii) Prior to the first disbursement, receipt by the Bond Trustee of evidence reasonably satisfactory to it that completion of the Orlando Farm-Out has occurred in accordance with the agreed terms of the Farm-Out SPA.
 - (iv) Prior to the first disbursement, receipt by the Bond Trustee of evidence reasonably satisfactory to it that (i) the agreements constituting the Industry Funding, and (ii) the Service Agreements in relation to the Orlando Field, have in each case been entered into.
 - (v) *Receipt by the Bond Trustee of evidence reasonably satisfactory to it that (i) the agreements constituting the Industry Funding, and (ii) the Service Agreements in relation to the Orlando Field, in each case, have not been terminated and no Event of Default (that would allow a party to terminate such Service Agreement) has occurred or is continuing thereunder or under the Bond Agreement.
 - (vi) Receipt by the Bond Trustee of an Orlando project schedule dated no later than 2 Business Days prior to the first disbursement, evidencing to the satisfaction of the Bond Trustee (acting reasonably) that Orlando First Oil will occur within 6 months of the first disbursement from the Bondholder New Money Account.
 - (vii) *Receipt by the Bond Trustee of a certificate from the Company (signed by its Chief Financial Officer) certifying that it will be solvent as of the date of the delivery of the request for disbursement, the date of the disbursement and is expected to be solvent until 6 calendar months after the scheduled date of Orlando First Oil.
 - (viii) Receipt by the Bond Trustee of a certificate from the Company (signed by its Chief Financial Officer) certifying that the Lender B Loan and all other funds available to the Company have been fully drawn down and are being utilised (or in the case of any deferred payment or loan arrangements, will

be drawn down and utilised) by the Company for the operation of the Orlando Field (including the Super Senior Debt), subject to the retention by the Company of the Maximum Unrestricted Cash Balance.

- (ix) Receipt by the Bond Trustee of cash flow projections from the Company at least 10 Business Days prior to the first disbursement request, which enable the Bond Trustee to determine, to its satisfaction and in its sole discretion (but in each case acting reasonably), that as of the scheduled date of Orlando First Oil and through the repayment date, the Group will have sufficient cash flow and liquidity to meet its obligations under its financing arrangements (including the amended and restated Bond Agreement), its other credit arrangements and its obligations with respect to the working interest in the Huntington oil field.

2.3 *Financing Terms*

- (a) The principal amount of the Bonds relating to the amount that is disbursed to the Company from the Bondholder New Money Account (the “**Drawn Amount**”) will bear interest on the same basis as the remainder of the Bonds. Interest will not accrue on an amount of the Bonds equal to the amount standing to the credit of the Bondholder New Money Account.
- (b) A commitment fee of 3% per annum of the aggregate amount standing to the credit of the Bondholder New Money Account on the date which is 5 Business Days prior to each Interest Payment Date will be payable by the Company (the “**Commitment Fee**”). The Commitment Fee will be paid in kind in arrears on each Interest Payment Date (as defined in the Bond Agreement) and will rank, along with the PIK Interest on the Bonds, as set out in the Amended Intercreditor Principles.
- (c) The sum of: (i) the interest accrued on the Bonds (including on the Drawn Amount) and (ii) the Commitment Fee will be treated as accrued interest and rank with the Bonds in accordance with the terms of the Bond Agreement (as amended by the Remaining Bond Term Sheet and this Term Sheet).
- (d) The Company will be entitled to repay all or any amount standing to credit of the Bondholder New Money Account or any Drawn Amount at any time without penalty subject to the terms of the Intercreditor Principles (as amended). Any amount so repaid will be permanently cancelled and will not be available for redrawing, nor attract interest or the Commitment Fee.



**PROPOSED AMENDMENTS TO INTERCREDITOR PRINCIPLES
BONDHOLDERS' NEW MONEY**

Further to the Intercreditor Principles agreed on 29 July 2015, the Company proposes the following amendments to those Intercreditor Principles. Capitalised terms herein shall have the meaning given to them in the original Intercreditor Principles or as given to them in the New Money Terms (as defined below).

Bondholder New Money \$24,000,000 (representing amounts currently held in the [Restricted Account] and to be transferred to a separate blocked account charged in favour of the Bond Trustee (the “**Bondholder New Money Account**”) pending draw down by the Company). The terms of the Bondholder New Money are set out in the paper entitled “Proposed Terms – Proposed Bondholders’ New Money Terms” dated 5 October 2015 (the “**New Money Terms**”).

Availability of the Bondholder New Money The Bondholder New Money would be provided on a “last money in” basis (i.e. after all other financing available or anticipated to be available to the Group as at the Restructuring Implementation Date has been fully drawn down and is being utilised (or in the case of any deferred payment or loan arrangements, will be drawn down and utilised) by the Company for the operation of the Orlando Field including the Super Senior Secured Debt). Please refer to the New Money Terms for other conditions to disbursement from the Bondholder New Money Account.

Any amounts standing to the credit of the Bondholder New Money Account as at the occurrence of First Oil shall, at that time, be paid to the Bond Trustee (on behalf of the Bondholders) in repayment of outstanding Bond Debt at 100% of par value.

Permitted Payments Prior to the Super Senior Discharge Date, no payment of the Bondholder New Money and the Bond Debt can be made, other than (a) any PIK Interest (which shall be paid by the issue of additional Bonds instead of the payment of cash interest) which is due and payable under the Amended and Restated Bond Agreement, (b) any Commitment Fee (which shall be paid by the issue of additional Bonds instead of payment of a cash fee) which is due and payable under the Amended and Restated Bond Agreement, and (c) any repayment funded from amounts standing to the credit of the Bondholder New Money Account upon the occurrence of Orlando First Oil or upon the Bondholder New Money ceasing to be available for draw down.

Repayment of Bondholder New Money: The Bondholder New Money will be paid in accordance with the existing agreed terms in respect of the Bonds save that any amount standing to the credit of the Bondholder New Money Account at the date of First Oil shall be paid at that time to the Bond Trustee (on behalf of the Bondholders) in repayment of outstanding Bond Debt at 100% of par value.

Transaction Security As per the original Intercreditor Principles, save that any security over the cash in the Bondholder New Money Account will be solely for the benefit of the Bondholders.

Enforcement Action As per the existing Intercreditor Principles, except that enforcement action in respect of the the Transaction Security over the Bondholder New Money

Account may be taken by the Security Agent on the instruction of the Bond Trustee only.

**Application of Proceeds
post-Enforcement**

Any monies received by the Security Agent as a result of enforcement of the Transaction Security or that has been turned over to the Security Agent as a result of the turnover to be applied in the following order:

First: amounts standing to the credit of the Bondholder New Money Account shall be applied in repayment of the Bond Debt only;

Second: pro rata and *pari passu*, the costs and expenses of the Security Agent (including reimbursement of any amounts advanced by a Secured Creditor to the Security Agent or the Bond Trustee to fund the Enforcement Action), each Super Senior Secured Creditor, the Bond Trustee and any receiver;

Third: pro rata and *pari passu*, the Super Senior Secured Debt;

Fourth: pro rata and *pari passu*, the Bond Debt (including all accrued and unpaid PIK Interest and the Commitment Fee); and

Fifth: to the relevant debtor(s) or any other person entitled to it.

Option to Purchase

As per the original Intercreditor Principles.