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To the bondholders in:

ISIN NO0010673791	-	10% IGas Energy Plc Senior Secured Callable Bond Issue 2013/2018
ISIN NO0010698053	-	10% IGas Energy Plc Senior Unsecured Callable Open Bond Issue 2013/2018

Oslo, 10 July 2015

## SUMMONS TO BONDHOLDER'S MEETING – PROPOSAL FOR AMENDMENT OF CERTAIN BOND TERMS

### 1. INTRODUCTION

Nordic Trustee ASA (previously Norsk Tillitsmann ASA) (the "**Bond Trustee**") acts as trustee for the bondholders (together the "**Bondholders**") in the above mentioned bond issues (the "**Bonds**" or the "**Bond Issues**"), a senior secured bond issue of USD 165,000,000 (the "**Secured Bonds**") issued by IGas Energy Plc (the "**Issuer**") and a senior unsecured bond issue of USD 30,000,000 (the "**Unsecured Bonds**") issued by the Issuer.

Capitalized terms used herein shall have the meaning assigned to them in the bond agreement for the Secured Bonds dated 21 March 2013 (the "**Bond Agreement**") unless otherwise stated herein.

*The information in this summons regarding the Issuer and the described transactions is provided by the Issuer and the Bond Trustee expressly disclaims all liability whatsoever related to such information.*

### 2. BACKGROUND

The Issuer announced the completion of the farm-out with INEOS Upstream Ltd on 7 May 2015, and provided a trading update on 8 May 2015. As a result of the farm-out, the Issuer will benefit from (i) a stronger balance sheet following the receipt of £30m farm-out proceeds and (ii) a gross funded work programme of up to USD 285m from major partners including Total E&P UK Ltd, GDF Suez E&P UK Ltd and INEOS Upstream Ltd.

Following the trading update, final results for the year ended 31 March 2015 and dialogue with a number of Bondholders, the Issuer intends to use this opportunity to address requests made by Bondholders for enhanced information provision. The Issuer now has a broader suite of operations and business partners and to support Bondholders' continued investment in the business, the Issuer will move towards providing regular quarterly updates on production in addition to the semi-annual financial reporting in December and June.

The Issuer is also seeking a series of adjustments to the bond documentation in order to align it with its partners and reflect the operational developments of the business.

These amendments will align the Issuer's reporting periods, budgeting and planning cycles with its partners, as well as provide the flexibility in the current oil price environment to manage its operations successfully going forward.

1. **Change of accounting Year End to 31 December:** The Issuer's current accounting year end is the 31 March; however, the Issuer's major partners file their accounts on a 31 December basis. Aligning the Issuer's reporting date will remove the considerable inefficiency of preparing two sets of budgets and allow management to spend more time focusing on business operations rather than reporting. The Issuer will test covenants for the Relevant Period ending 30 September 2015 and 31 March 2016 under the current reporting, but due to the change in accounting year end the financial report for the Relevant Period ending on 31 March 2016 will be unaudited consolidated accounts of the Issuer for the quarter ending on 31 March 2016, drawn up according to GAAP. The Issuer will then move to covenant testing under the new accounting periods for the Relevant Period ending 30 June 2016, and thereafter the Issuer will have aligned testing dates with the new June/December reporting schedule. The Group intends to publish unaudited financial information for the 6-month period ending 30 September 2015 and audited financial information for the 9-month period ending 31 December 2015. The first full-year audited accounts under the new reporting will cover the 12-month period ending 31 December 2016.
2. **Net Leverage Covenant:** The Leverage Covenant in the Bond Issues is calculated on a gross basis which ignores the Issuer's improved cash position following the farm-outs. Further, this covenant incentivised bond buybacks at a discount rather than allocating this cash to invest in better projects. The Issuer proposes to move to a net debt / EBITDA covenant, which would be more in line with the market. The net debt / EBITDA covenant would be 3.5 from and including the Relevant Period ending on 30 September 2015, compared to the current gross debt / EBITDA covenant of 4.0.
3. **Exclusion of exceptional items for covenants:** The Issuer has implemented a substantial cost reduction programme, the costs of which are not excluded in the current EBITDA definition. Excluding redundancies or reorganisation costs from the covenants will encourage the Issuer to continue to run as efficient a cost-base as possible and seek further efficiencies where possible. This will also align the Issuer's bond documentation with the market, where excluding exceptional costs is customary.
4. **Continued hedging policy in appropriate currency:** The Issuer is already required to hedge a minimum of 60% of production. Where the Company holds GBP to cover GBP operating costs, there should be no requirement to hedge that position in terms of foreign exchange.
5. **Establishment of a debt service retention account for the Secured Bonds:** In consideration of approving the amendments to the Bond Agreement, the Issuer will agree to establish a debt service retention account for the Secured Bonds, into which the Issuer on or before the effective date of the amendments will transfer an amount equal to 1.5 times the sum of the interest coupon and the Scheduled Instalment falling due on 22 March 2016. The amount standing to the credit of the debt service retention account may be applied, in the discretion of the Issuer, solely to buy back Secured Bonds or for repayment of the Secured Bonds at the Maturity Date or at any earlier date on which the Issuer redeems all (but not less than all) of the Bonds. Following any withdrawal of funds from the debt service retention account to buy back Secured Bonds, the Issuer shall on a monthly basis transfer to such account an amount equal to 1/6 of the sum of the interest coupon and the Scheduled Instalment falling due on the next Interest Payment Date until the amounts standing to the credit of the debt service retention account is at least:
  - (i) if the net debt / EBITDA is above 3.0, an amount equal to 1.5 times the sum of the next interest coupon and the next Scheduled Instalment; or
  - (ii) if the net debt / EBITDA is 3.0 or below, the sum of the next interest coupon and the next Scheduled Instalment.

In addition, if the Issuer re-sells any Bonds that have been bought back by using funds drawn from the debt service retention account, subject to (i) and (ii) above, the net proceeds received by the Issuer upon such sale shall be transferred to the debt service retention account.

### 3. THE PROPOSAL

In accordance with Clause 17.1 of the Bond Agreement, the Issuer has approached the Bond Trustee to convene a meeting of Bondholders (the **"Bondholders' Meeting"**) in order to consider the Issuer's request to amend the Bond Agreements as set out in detail below (the **"Proposal"**):

#### A. Changes to the Bondholder Agreement for the Secured Bonds

- Clause 1.1 (*Definitions*) to be amended so that paragraph (a) of the definition of "Bond Security" is amended and restated to read:

*"(a) the Debt Service Retention Account Pledge;"*

- In Clause 1.1 (*Definitions*), the following definition of "Debt Service Retention Account" shall be added:

***"Debt Service Retention Account"** means an account with the Paying Agent in the name of the Issuer, blocked and pledged in favour of the Bond Trustee pursuant to the Debt Service Retention Account Pledge, which will provide that the deposited amount shall only be released and applied, at the Issuer's discretion, to buy back Bonds or for repayment of the Bonds at the Maturity Date or at any earlier date on which the Issuer redeems all (but not less than all) of the Bonds."*

- In Clause 1.1 (*Definitions*), the following definition of "Debt Service Retention Account Pledge" shall be added:

***"Debt Service Retention Account Pledge"** means the first priority Norwegian law pledge over the Issuer's claim against the bank for the amount from time to time standing to the credit of the Issuer in the Debt Service Retention Account, in respect of which the bank operating the account has waived any set-off rights."*

- Clause 1.1 (*Definitions*) to be amended so that the definition of "Interim Accounts" is amended and restated to read:

***"Interim Accounts"** means the unaudited consolidated semi-annual financial statements of the Issuer for the semi-annual period ending on 30 September 2015 and 30 June each year thereafter, drawn up according to GAAP."*

- In Clause 1.1 (*Definitions*), the following definition of "Unsecured Bonds" shall be added:

***"Unsecured Bonds"** means the 10 per cent. IGas Energy Plc Senior Unsecured Callable Open Bond Issue 2013/2016 (ISIN NO 001 0698053)."*

- The following provision shall be added as a new Clause 14.3.9:

***"14.3.9 Accounts and payments"***

- (a) *The Issuer shall on or before [the effective date of the amendments to be inserted], transfer an amount equal to 1.5 times the sum of the interest coupon and the Scheduled Instalment falling due on 22 March 2016 to the Debt Service Retention Account.*
- (b) *Any amount standing to the credit of the the Debt Service Retention Account may, at the Issuer's discretion, at any time be applied to buy back Bonds or for repayment of the Bonds at the Maturity Date or at any earlier date on which the Issuer redeems all (but not less than all) of the Bonds.*

- (c) *If, at any time, the Leverage Ratio pursuant to the most recent Compliance Certificate delivered by the Issuer to the Bond Trustee pursuant to Clause 14.2.2 (which, for the avoidance of doubt, may have been delivered before the buy back referred to in paragraph (b) above) is above 3.0, and the amount standing to the credit of the Debt Service Retention Account at any time is less than 1.5 times the sum of: (i) the amount of interest due on the next Interest Payment Date; and (ii) the amount of the next Scheduled Instalment (the "Upper DSRA Floor"), then the Issuer shall on a monthly basis commencing on the date falling one month after such buy back transfer to the Debt Service Retention Account an amount equal to 1/6 of the sum of the interest payment and the Scheduled Instalment payable on the subsequent Interest Payment Date until the amount standing to the credit of the Debt Service Retention Account is at least equal to the Upper DSRA Floor.*
- (d) *If, at any time, the Leverage Ratio pursuant to the most recent Compliance Certificate delivered by the Issuer to the Bond Trustee pursuant to Clause 14.2.2 (which, for the avoidance of doubt, may have been delivered before the buy back referred to in paragraph (b) above) is no higher than 3.0, and the amount standing to the credit of the Debt Service Retention Account at any time is less than the sum of: (i) the amount of interest due on the next Interest Payment Date; and (ii) the amount of the next Scheduled Instalment (the "Lower DSRA Floor"), then the Issuer shall on a monthly basis commencing on the date falling one month after such buy back transfer to the Debt Service Retention Account an amount equal to 1/6 of the sum of the interest payment and the Scheduled Instalment payable on the subsequent Interest Payment Date until the amount standing to the credit of the Debt Service Retention Account is at least equal to the Lower DSRA Floor.*
- (e) *If, at any time, the Leverage Ratio pursuant to the most recent Compliance Certificate delivered by the Issuer to the Bond Trustee pursuant to Clause 14.2.2 is 3.0 or below, and the amount standing to the credit of the Debt Service Retention Account is in excess of the Lower DSRA Floor, then the amount in excess of the Lower DSRA Floor shall be released to an account nominated by the Issuer.*
- (f) *If the Issuer or any other Group Company re-sells any Bonds that have been bought back by using funds drawn from the Debt Service Retention Account, the lower of: (i) the net proceeds received by the Issuer or such Group Company upon the re-sale of such Bonds; and (ii) such amount that is required to ensure that the balance standing to the credit of the Debt Service Retention Account satisfies the Upper DSRA Floor or the Lower DSRA Floor, as applicable, shall immediately upon receipt of such net proceeds be transferred to the Debt Service Retention Account.*

- Clause 14.4.1(d) to be amended and restated to read:

*"Leverage Ratio: maintains a Leverage Ratio of not more than 3.5."*

- In Clause 14.4.4, the following shall be added as a new definition of "Cash and Cash Equivalents":

*"Cash and Cash Equivalents" means, on any date, cash and cash equivalents, as determined in accordance with GAAP, and to which a Group Company has free and unrestricted access and which is not subject to any Security, except for any restrictions or Security constituted by the Bond Security or a netting or set-off arrangement entered into by any Group Company in the ordinary course of its banking arrangements (including, for the avoidance of doubt, any amount standing to the balance of the Debt Service Retention Account)."*

- Clause 14.4.4 to be amended so that the definition of "EBITDA" is amended and restated to read:

*"EBITDA" means, for any Relevant Period, the aggregate earnings before interest, taxes, depreciation and amortisation and:*

- (a) *excluding any 'non-cash' items, including mark to market of oil price swaps (or similar derivatives), interest rate swaps, currency swaps, impairment of accounts receivables or fixed assets and warrant revaluations and the charge to profit by the expensing of stock options and warrants;*
  - (b) *including EBITDA of a member of the Group for the Relevant Period (or attributable to a business or assets acquired during the Relevant Period) prior to it becoming a member of the Group or as the case may be prior to the acquisition of the business or assets;*
  - (c) *excluding EBITDA attributable to any member of the Group (or to any business or assets) disposed of during the Relevant Period;*
  - (d) *excluding any fees, costs and expenses of redundancies or reorganisations incurred in the Relevant Period; and*
  - (e) *excluding any fees, costs and expenses, stamp, registration and other taxes incurred in connection with any acquisition, sale, winding-down, liquidation, or any amendment process for the Bonds or the Unsecured Bonds, limited to an aggregate amount of USD 3,000,000 (or the equivalent thereof in any other currency) in any Relevant Period."*
- Clause 14.4.4 to be amended so that the definition of "Liquidity" is amended and restated to read:  
  
*"**Liquidity**" means the aggregate book value of the Cash and Cash Equivalents, less any amount standing to the credit of the Debt Service Retention Account."*
  - Clause 14.4.4 to be amended so that the definition of "Reporting Date" is amended and restated to read:  
  
*"**Reporting Date**" means 30 September 2015, 31 March 2016 and each 30 June and 31 December thereafter."*
  - Clause 14.4.4 to be amended so that the definition of "**Total Interest Bearing Debt**" is amended and restated to read:  
  
*"**Total Interest Bearing Debt**" means, at any time, the outstanding principal amount of any interest bearing Financial Indebtedness less the aggregate amount of Cash and Cash Equivalents."*
  - Clause 14.5.7 to be amended and restated to read:  
  
*"14.5.7 Hedging*  
  
*The Issuer undertakes to enter into hedging arrangements with a Permitted Hedge Counterparty within 6 months of the Issue Date, based on the following hedging principles: hedging between 60% and 75% of its budgeted production of hydrocarbons on a rolling basis ("**Permitted Hedging**"). Such new Permitted Hedging to be notified in writing to the Trustee and to be secured by cash collateral only."*

**B. Changes to the Bondholder Agreement for the Unsecured Bonds**

- Clause 1.1 (Definitions) to be amended so that the definition of "Interim Accounts" is amended and restated to read:  
  
*"**Interim Accounts**" means the unaudited consolidated semi-annual financial statements of the Issuer for the semi-annual period ending on 30 September 2015 and 30 June each year thereafter, drawn up according to GAAP."*
- Clause 13.4.1(d) to be amended and restated to read:

*"Leverage Ratio: maintains a Leverage Ratio of not more than 3.5."*

- In Clause 13.4.4, the following shall be added as a new definition of "Cash and Cash Equivalents":

*"**Cash and Cash Equivalents**" means, on any date, cash and cash equivalents, as determined in accordance with GAAP, and to which a Group Company has free and unrestricted access and which is not subject to any Security, except for any permitted Security for the Existing Bonds or a netting or set-off arrangement entered into by any Group Company in the ordinary course of its banking arrangements."*

- Clause 13.4.4 to be amended so that the definition of "EBITDA" is amended and restated to read:

*"**EBITDA**" means, for any Relevant Period, the aggregate earnings before interest, taxes, depreciation and amortisation and:*

- (a) *excluding any 'non-cash' items, including mark to market of oil price swaps (or similar derivatives), interest rate swaps, currency swaps, impairment of accounts receivables or fixed assets and warrant revaluations and the charge to profit by the expensing of stock options and warrants;*
- (b) *including EBITDA of a member of the Group for the Relevant Period (or attributable to a business or assets acquired during the Relevant Period) prior to it becoming a member of the Group or as the case may be prior to the acquisition of the business or assets;*
- (c) *excluding EBITDA attributable to any member of the Group (or to any business or assets) disposed of during the Relevant Period;*
- (d) *excluding any fees, costs and expenses of redundancies or reorganisations incurred in the Relevant Period; and*
- (e) *excluding any fees, costs and expenses, stamp, registration and other taxes incurred in connection with any acquisition, sale, winding-down, liquidation, or any amendment process for the Bonds or the Existing Bonds, limited to an aggregate amount of USD 3,000,000 (or the equivalent thereof in any other currency) in any Relevant Period."*

- Clause 13.4.4 to be amended so that the definition of "Liquidity" is amended and restated to read:

*"**Liquidity**" means the aggregate book value of the Cash and Cash Equivalents, less any cash balance standing to the credit of any debt service retention or escrow account securing the Existing Bonds."*

- Clause 13.4.4 to be amended so that the definition of "Reporting Date" is amended and restated to read:

*"**Reporting Date**" means 30 September 2015, 31 March 2016 and each 30 June and 31 December thereafter."*

- Clause 13.4.4 to be amended so that the definition of "Total Interest Bearing Debt" is amended and restated to read:

*"**Total Interest Bearing Debt**" means, at any time, the outstanding principal amount of any interest bearing Financial Indebtedness less the aggregate amount of Cash and Cash Equivalents."*

Implementation of the Proposal will be conditional upon receipt of the affirmative vote of Bondholders holding two-thirds of the Voting Bonds in each of the Bonds Issues represented at the Bondholders' Meeting.

#### 4. Consent and administrative fee

In consideration of approving the Proposal, the Issuer is proposing a one-time consent and administration fee of 0.50% of the Face Value of the respective Bondholder's holdings of the Bonds (the "Fee"). The Fee will be payable to all the Bondholders (with record date at the end of business on the date of the Bondholders' Meeting) within 10 Business Days after the Bondholders' Meeting, provided that the Bondholders' Meeting accepts the Proposal as set out in this Clause 3.

#### 5. FURTHER INFORMATION

Bondholders may contact the Issuer as follows for further information:

Stephen Bowler  
IGas Energy Plc  
7 Down Street  
London W1J 7AJ  
Email: [stephen.bowler@igasplc.com](mailto:stephen.bowler@igasplc.com)  
Telephone: +44 20 7993 9899

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

ABG Sundal Collier	ABG Sundal Collier	ABG Sundal Collier
Harald Erichsen	Kjetil Myklebust	Ola Nygård
+47 22016023/+47 48016023	+47 22016186/+47 90080632	+47 22016186/+47 41213410
<a href="mailto:harald.erichsen@abgsc.no">harald.erichsen@abgsc.no</a>	<a href="mailto:kjetil.myklebust@abgsc.no">kjetil.myklebust@abgsc.no</a>	<a href="mailto:ola.nygard@abgsc.no">ola.nygard@abgsc.no</a>

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

For further questions to the Bond Trustee, please contact

Vivian Trøsch  
Nordic Trustee  
Email: [trosch@nordictrustee.com](mailto:trosch@nordictrustee.com)  
Telephone: +47 22 87 94 22

## **6. EVALUATION OF THE PROPOSAL**

In the Issuer's opinion, the Proposals represent a solution that is beneficial to holders of the Bond Issues and will optimize the reporting periods, budgeting and planning cycles with its partners, as well as provide the Issuer flexibility in the current oil price environment to manage its operations successfully going forward. The Proposal should not have any negative impact on the Bond Issues.

## **7. BONDHOLDER SUPPORT**

The Issuer has informed the Bond Trustee that Bondholders representing in excess of 36% of the Voting Bonds in the Secured Bonds and in excess of 34% of the Voting Bonds in the Unsecured Bonds have given their support to the Proposal.

## **8. THE BOND TRUSTEE'S DISCLAIMER / NON-RELIANCE**

The proposal is put forward to the Bondholders without further evaluation or recommendations from the Bond Trustee. Nothing herein shall constitute a recommendation to the Bondholders by the Bond Trustee. The Bondholders must independently evaluate whether the Proposal is acceptable and vote accordingly.

The information in this summons regarding the legal, operational and financial status of the Issuer is provided by the Issuer. The Bond Trustee expressly disclaims any and all liability whatsoever related to such information given from the Issuer.

## **9. SUMMONS FOR BONDHOLDERS' MEETING**

Bondholders are hereby summoned to a Bondholders' Meeting:

**Time:** 4<sup>th</sup> August 2015 at 11:00 Oslo time  
**Place:** The premises of Nordic Trustee ASA  
Haakon VII's gate 1 – 6th floor, Oslo, Norway

There will be separate voting procedures for each class of the Bonds.

### **Agenda:**

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

It is proposed that the Bondholders' Meeting under agenda item 4 resolve the following (the "Resolution"):

The Bondholders' Meeting approves the Proposal as set out in section 3 of the summons for this Bondholders' Meeting.

Nordic Trustee ASA is authorised to prepare, negotiate, finalise and enter into the necessary agreements in connection with documenting the decisions made at the Bondholders' Meeting as well as to carry out necessary completion work, including to agreeing the necessary amendments to the Bond Agreement.

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To approve the above resolution, Bondholders representing at least 2/3 of the Bonds in each of the Bond Issues represented in person or by proxy at the Bondholders' Meeting must vote in favour of the resolution. In order to form a quorum, at least 1/2 of the Voting Bonds in each of the Bond Issues must be presented at the Bondholders' Meeting.

Please find attached hereto a Bondholder's Form from the Securities Depository (VPS), which indicates 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 ([mail@nordictrustee.no](mailto:mail@nordictrustee.no)) within 16:00 hours (4 pm) (Oslo time) the Banking Day before the meeting takes place.

Yours Sincerely,

**Nordic Trustee ASA**



Vivian Trøsch

Enclosed:      Bondholder's Form