

Update to LCF Bondholders - Independent Oil & Gas plc (“IOG”) announcement

The Joint Administrators of LCF are pleased to report that Independent Oil & Gas plc (“IOG”) has completed the “farm-out” transaction (announced on 26 July 2019) and, with its farm-out partner CalEnergy Resources Limited, has initiated the development programme to deliver first gas in July 2021.

As part of this transaction, London Oil & Gas Limited (in administration)(“LOG”) has;

- Been repaid £17.1m in respect of its non-convertible debt in IOG, and
- Converted £10.9m of convertible loans and accrued interest into circa 135m ordinary shares in IOG, taking LOG’s holding to 29.99% of IOG’s issued share capital (circa 143m shares in total), and
- Restructured the £11.6m remainder of LOG’s convertible loan and accrued interest into loan notes which are convertible at 19p into circa 61m ordinary shares in IOG. The loan notes are long-term, unsecured and non-interest bearing, and
- Retained its IOG share warrants, under which LOG has the option to acquire further shares at a range of prices, and
- Entered into an Orderly Market Agreement with IOG and its brokers in relation to the shares in IOG which it holds.

LOG, having considered all the facts, believes that the agreement with CalEnergy Resources Limited should provide IOG with a solid platform for further growth. Whilst recognising that IOG’s projects with CalEnergy Resources Limited are, by their nature, long-term projects, LOG is of the view that by entering into the arrangements with IOG, as described above, which, in turn, enabled IOG to complete the farm-out transaction, the prospect of LCF Bondholders receiving their best possible return has increased. It has also provided LCF Bondholders with an opportunity to indirectly support IOG through this journey. The Joint Administrators of LOG will continue to take expert, independent professional advice on a strategy designed to achieve the best outcome for LCF Bondholders in a reasonable timeframe and in line with the Orderly Market Agreement.

Outcome for LCF Bondholders

The Joint Administrators of LCF and of LOG are pleased to announce that the resultant outcome for the Bondholders of LCF, following the flow of funds from LOG, will enable the joint administrators of LCF to facilitate a 5% dividend to the Bondholders of LCF (based on the principal sum invested). A further announcement regarding the timing of the dividend will be made later this month. The Joint Administrators cannot provide further commentary on their position with regard to this dividend at this time.

Appointment of Conflict Administrator

The Joint Administrators confirm the appointment of Geoff Rowley, of FRP Advisory, as a conflict administrator for LCF.

The appointment of a conflict administrator is very common in many large administrations. An additional administrator is standard procedure where there is a risk, real or perceived, of a conflict of interest arising in any work an Insolvency Practitioner carries out. In the case of LCF, the appointment of Mr Rowley as a conflict administrator has been made as matters have come to light during the course of the administration which could not have been reasonably foreseen when the Smith & Williamson Joint Administrators were originally appointed. The appointment is cost neutral as the new administrator will simply be carrying out work which, in other circumstances, would have been carried out by the existing Joint Administrators.