

PRESS RELEASE

London Capital & Finance Plc and London Oil & Gas Limited administrators welcome £165m funding agreement

The joint administrators of London Capital & Finance Plc ('LCF') and London Oil & Gas Limited ('LOG') have welcomed today's announcement by Independent Oil and Gas Plc ('IOG') that it has agreed up to £165m in funding with Berkshire Hathaway Energy Company's subsidiary, CalEnergy Resources Limited ('CER'). When it completes, this deal will represent the most significant funding round to date for IOG and will allow IOG to take the next steps towards realising the value of its natural resource assets in the Southern North Sea.

The joint administrators of both LCF and LOG have always maintained that the LCF bondholders' interest in IOG has significant potential value for the creditors of LOG and ultimately to the LCF bondholders. The loans and convertible instruments in IOG that accrue to the creditors of LOG and ultimately to the LCF bondholders have always been the most significant visible assets in the highly complex administration of LCF. Today's deal is the first major step towards unlocking the value in those visible assets. The administrators of LCF and LOG have other very substantial financial claims to pursue for the benefit of the LCF bondholders but these assets are less immediately visible and mostly amount to claims against a variety of parties. These claims can now be funded by way of part of the proceeds from the orderly disposal of IOG shares.

LOG's interest in IOG will be realised in a series of transactions starting at legal completion of the Farm Out deal, which is expected to take place in September. On legal completion, IOG will immediately repay certain loans, totaling £16.6m, to LOG. The two residual loans can be converted by LOG into shares in IOG and sold down into the market at the appropriate time or left in IOG as loans. The decision on whether to convert the loans into equity or leave them as debt will depend on the movement in IOG's share price over the short to medium term. It will also take into account other considerations, such as the demand for shares in the market and ensuring that LOG's shareholding does not exceed 29.9%, which would otherwise trigger a requirement to make an offer for IOG under the Takeover Code. In converting the bondholders' indirect, through LOG, interest in IOG into shares and from there into cash, the joint administrators' overriding goal is to achieve the best possible recovery in a reasonable time.

Henry Shinnars, partner at Smith & Williamson and joint administrator of London Capital & Finance Plc said: “The joint administrators of LCF and LOG are very aware of the significant amount of work that has gone into the deal announced today and would like to thank all of those involved at IOG. We would also like to particularly thank our lawyers, Mishcon de Reya, for their sterling work. The ‘Farm Out’ deal is good news for all the shareholders of IOG and more importantly, from my point of view, for the bondholders of LCF who have a very large indirect interest in IOG.”

Finbarr O’Connell, partner at Smith & Williamson and joint administrator of London Oil & Gas Limited said: “There is a lot more work to be done before all of LCF’s and LOG’s interest in IOG can be unlocked and released to the joint administrators for the benefit of the bondholders. However, we are on track with the timetable we set down back in April at the bondholders’ meeting. These IOG share proceeds will, after taxes and costs, provide an essential ‘fighting fund’ for the joint administrators of LOG and LCF to pursue more difficult, but highly valuable, avenues of recovery and will also allow for a distribution to the LCF bondholders in the short to medium term.”

Background

The LCF bondholders’ interest in IOG comes through loans made by LCF to LOG and then on to IOG. The most up to date position as regards these loans was set out in the proposals to creditors made by the joint administrators of LOG. The position was:

IOG, which is quoted on the AIM market, is a gas development and production company operating in the Southern North Sea with proven gas reserves. It also owns a pipeline connecting its gas field assets to the Norfolk coast.

IOG’s indebtedness to LOG, which is secured by way of debenture, stands at £37.52 million. The Company also holds 20,497,204 shares in IOG together with various convertible instruments allowing it to convert certain loans into shares and various warrants. Prior to the administration of the Company, the LCF joint administrators commissioned an independent report by an oil & gas specialist and engaged other

specialist professional advisers to assist them to assess the best strategy for realising the Company's financial interests in IOG, which are charged to LCF.

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The tax treatment depends on the individual circumstances of each client and may be subject to change in future.

The affairs, business and property of London Oil & Gas Limited (LOG) are being managed by the joint administrators Finbarr O'Connell, Adam Stephens and Colin Hardman of Smith & Williamson LLP, and Lane Bednash of CMB Partners UK Limited. They act as agents of the Company and without personal liability. Finbarr O'Connell, Adam Stephens, Colin Hardman and Lane Bednash are licensed as insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales. London Oil & Gas Limited is incorporated in England and Wales under the Companies Act 2006 with registered number 09734575.

The affairs, business and property of London Capital & Finance Plc ('the Company') are being managed by the joint administrators Finbarr O'Connell, Adam Stephens, Colin Hardman and Henry Shinnars of Smith & Williamson LLP. They act as agents of the Company and without personal liability. Finbarr O'Connell, Adam Stephens, Colin Hardman and Henry Shinnars are licensed as insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales. London Capital & Finance Plc is incorporated in England and Wales under the Companies Act 2006 with registered number 08140312. The Company is authorised and regulated by the Financial Conduct Authority with FRN 722603.

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