

To the holders of:

**ISIN: NO 001 0838857 - 10.00% G3 Exploration Ltd. (formerly known as Green Dragon Gas Ltd.) Senior Secured Callable Bond Issue 2014/2017**

Oslo, 18 November 2019

## **Notice of a Written Bondholders' Resolution: Liquidation Application**

### **1. INTRODUCTION**

- 1.1 Nordic Trustee AS acts as trustee (the "**Bond Trustee**") for the bondholders (the "**Bondholders**") in the above-mentioned bond issue where G3 Exploration Ltd. (formerly known as Green Dragon Gas Ltd.) is the issuer (the "**Issuer**").
- 1.2 All capitalized terms used and not otherwise defined in this notice (the "**Notice**") shall have the meaning assigned thereto in the bond agreement for the above mentioned bond issue originally dated 19 November 2014, as amended (with the approval of Bondholders) pursuant to the amendment and waiver agreement no.1 (the "**Amendment Agreement**") entered into between the Issuer and the Bond Trustee on 31 May 2017 (the "**Bond Agreement**").
- 1.3 The Bond Trustee has not prepared or verified the statements in this Notice and expressly disclaims all liability whatsoever related to such information. Further, neither the Bond Trustee nor its advisers shall accept or be responsible for any liability arising in connection with the matters set out in this Notice.
- 1.4 The Bond Trustee has elected to issue this request for a Bondholders' written resolution pursuant to Clause 16.5 (*Written Resolutions*) of the Bond Agreement to consider and approve the Proposal (as defined below). Bondholders are reminded that Clause 16.5 (*Written Resolutions*) was introduced to the Bond Agreement pursuant to the Amendment Agreement.

### **2. BACKGROUND AND EXISTING EVENTS OF DEFAULT**

#### *Payment Default*

- 2.1 Pursuant to Clause 10.1 (*Maturity*) of the Bond Agreement, the Bonds matured in full on 20 November 2017 and should have been repaid on that date at a rate of 102% of par, together with all accrued and unpaid interest. However, as at the date of this Notice, no such repayment has been made by the Issuer (or any other Obligor) in respect of the Bonds. An Event of Default has therefore occurred and is continuing under Clause 15.1.1 (*Non-payment*) of the Bond Agreement as a result of the Issuer's failure to fulfil its payment obligations under the Bond Agreement when due (the "**Specified Payment Default**").

### *Initial Enforcement Action*

- 2.2 In light of the Specified Payment Default and the Issuer's continued failure to repay amounts outstanding under the Bond Agreement, holders of more than 50% of the Voting Bonds (the "**Instructing Bondholders**") instructed the Bond Trustee, in accordance with Clause 15.3(a) of the Bond Agreement, on 9 September 2019, to (a) formally declare the Bonds to be in default (the "**September Default Declaration**"), and (b) issue a payment demand to the Issuer (the "**September Payment Demand**") for the purposes of notifying the Issuer that unless the Obligors immediately discharged all amounts outstanding under the Finance Documents, the Bond Trustee reserved the right to exercise all and any of its rights or remedies under the Finance Documents.
- 2.3 The Instructing Bondholders also authorised and instructed the Bond Trustee, following the delivery of the September Payment Demand to the Issuer, to, among other things, appoint, jointly and severally, (i) Mr Cosimo Borrelli of Borrelli Walsh Limited, Level 17, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong, and (ii) Mr Mitchell Mansfield of Borrelli Walsh (Cayman) Limited, PO Box 30847, 3rd Floor, Strathvale House, 90 North Church Street, Grand Cayman, KY-1204, Cayman Islands (together, the "**Receivers**"), to be joint receivers of the Issuer's shares in Greka Gas China Ltd. (the "**Mortgaged Shares**") and all rights, benefits and advantages deriving from or incidental to the Mortgaged Shares (the "**September Receivership Appointments**") in accordance with its rights under the Share Mortgage.
- 2.4 Following the authorisations and instructions detailed in sections 2.2 and 2.3 above, on 9 September 2019, the Bond Trustee formally declared the Bonds to be in default pursuant to the September Default Declaration, executed and delivered the September Payment Demand and a deed of appointment of receivers and effected the September Receivership Appointments.

### *Subsequent Bondholder Ratification and Enforcement Action*

- 2.5 Notwithstanding the foregoing, as previously communicated to Bondholders, on 14 October 2019, the Issuer issued in the court of the Cayman Islands (i) an originating summons addressed to (1) the Bond Trustee and (2) each of the Receivers, contesting, among other things, the validity of the September Receivership Appointments, and (ii) an ex parte summons seeking an order restraining, among other things, the Receivers from exercising any powers as receivers over the Mortgaged Shares (together, the "**Cayman Proceedings**").
- 2.6 The Bond Trustee strongly opposed the allegations made by the Issuer in connection with the Cayman Proceedings and did not believe the Cayman Proceedings to have any merit whatsoever. However, without prejudice to the Bond Trustee's position that the Cayman Proceedings were wholly without merit and in the interests of ensuring that the Receivers could continue their work for the benefit of the Bondholders, on 21 October 2019, the Bond Trustee invited Bondholders to vote in respect of a Bondholders' written resolution pursuant to Clause 16.5 (*Written Resolutions*) of the Bond Agreement to, among other things:

- (i) ratify, approve, affirm and authorise the September Default Declaration, the September Payment Demand, the September Receivership Appointments and all steps taken to date by the Bond Trustee and all steps taken by the Receivers in connection with and following the September Receivership Appointments; and
- (ii) authorise, approve and instruct the Bond Trustee to, for the avoidance of doubt, (1) once again formally declare the Bonds to be in default (the “**October Default Demand**”), (2) issue a second payment demand to the Issuer (the “**October Demand Letter**”), and (3) following completion of (1) and (2), take the following steps:
  - A. execute and deliver a deed of ratification and reappointment to appoint, jointly and severally, Cosimo Borrelli from Borrelli Walsh, and Mitchell Mansfield from Borrelli Walsh as joint receivers of the Mortgaged Shares and all rights, benefits and advantages deriving from or incidental to the Mortgaged Shares (the “**October Receivership Appointments**”); and
  - B. do all things and to take such steps on behalf of the Bondholders as may be necessary in connection with the implementation of the October Receivership Appointments,

(together, the “**October Bondholder Resolutions**”).

- 2.7 The October Bondholder Resolutions were approved by the requisite majority of Bondholders on 21 October 2019. Accordingly, the Bond Trustee proceeded later that day to make the October Default Declaration, deliver the October Demand Letter to the Issuer and effect the October Receivership Appointments.
- 2.8 The recent ratification action taken by the Bond Trustee was intended to prevent the Issuer from continuing spurious litigation. Consequently, and as communicated to Bondholders pursuant to a notice dated 25 October 2019, the Issuer ultimately decided to withdraw the Cayman Proceedings.

#### *Other Breaches of Bond Agreement*

- 2.9 In addition to the continuing payment default under the Bond Agreement, as previously communicated to Bondholders on 11 October 2019, the Bond Trustee was recently made aware by the Receivers of the occurrence of another breach of the terms of the Bond Agreement and related finance documents, namely the purported granting by an Obligor, Green Dragon Gas Limited (“**GDG**”), of a guarantee in favour of GIC Private Limited (“**GIC**”) in connection with the Issuer’s obligations under the certain convertible bonds previously issued to GIC by the Issuer (the “**GIC Guarantee**”). The existence of the GIC Guarantee was disclosed by GIC to the Receivers for the first time only as recently as 8 October 2019, but was at no time disclosed by the Group to the Bond Trustee.

- 2.10 The GIC Guarantee effectively purports to elevate GIC from the position of a unsecured creditor who is structurally subordinated to the Bondholders to a *pari passu* creditor in respect of the assets of GDG and was entered into in breach of clause 13.4.6 of the Bond Agreement and clause 9.12 and clause 9.14 of the guarantee previously provided by GDG in favour of the Bond Trustee in respect of the Bonds.
- 2.11 The Bond Trustee has written to the Issuer, the guarantors, the former director of GDG and GIC to fully reserve its rights against those parties in connection with GDG's entry into the GIC Guarantee in breach of the terms of the Bonds.

### **3. LIQUIDATION APPLICATION**

- 3.1 In light of the foregoing, the Bond Trustee is particularly concerned that the existing board of the Issuer does not recognise the need for the Issuer to now act (given the extent of its existing financial difficulties) in the best interests of its creditors, including the Bondholders as the only secured creditors of the Group. Indeed, the commencement of the Cayman Proceedings to challenge the appointment of the Receivers and the execution of the GIC Guarantee demonstrate that the Issuer is willing to take action which is contrary to the interests of the Bondholders.
- 3.2 It is therefore proposed that the Bond Trustee (acting in consultation with its professional advisers) attempt to place the Issuer under the control of an independent office holder by issuing a winding-up petition with respect to the Issuer in the Cayman Islands. It is further proposed that the Bond Trustee be authorised to select the identity of the proposed liquidator in consultation with its professional advisers.
- 3.3 Any such action would be intended to support and protect the operating business of the Group such that its business would remain as a going concern without any material impact on its day-to-day running. The current intention would also be for the Receivers to continue in their ongoing efforts to effect a sale of the Group's material assets against the backdrop of any liquidation proceedings that are ultimately ordered by the Cayman court in respect of the Issuer, such that any realised sales proceeds in respect of those assets may be applied in repayment of the Bonds.

#### 4. PROPOSAL

- 4.1 Based on the matters set out above, the Bond Trustee proposes that Bondholders adopt the following resolution (the “**Proposal**”):

*“The Bond Trustee is hereby authorised and instructed to take the following actions:*

- (i) immediately file a winding-up petition with respect to the Issuer, or authorise the Bond Trustee’s legal advisers to do the same, at the courts of the Cayman Islands; and*
- (ii) in consultation with the Bond Trustee’s advisers, do all things and take such steps on behalf of the Bondholders as may be necessary in connection with the filing of the aforementioned winding-up petition, including, without limitation, taking all such steps as may be necessary to effect the appointment of liquidators to the Issuer, including, without limitation, negotiating, documenting, and entering into legal agreements and giving instructions, consents, approvals and directions.”*

#### 5. EVALUATION OF THE PROPOSAL

- 5.1 The Proposal set out in this Notice is put to the Bondholders without further evaluation or recommendation from the Bond Trustee. The Bondholders must independently evaluate whether the Proposal is acceptable to them.
- 5.2 Bondholders holding in excess of a simple majority of the Voting Bonds have indicated to the Bond Trustee that they are supportive of the Proposal set out above.

#### 6. WRITTEN BONDHOLDERS’ RESOLUTION

- 6.1 Bondholders are hereby provided with a voting request for a Bondholders’ written resolution pursuant to Clause 16.5 (*Written Resolutions*) of the Bond Agreement.
- 6.2 Bondholders are reminded that pursuant to Clause 16.5.1 of the Bond Agreement, subject to the provisions in the Bond Agreement, anything which may be resolved by the Bondholders in a Bondholders’ Meeting pursuant to Clause 16.1 (*Authority of the Bondholders’ Meeting*) may also be resolved by way of a Written Resolution. A Written Resolution passed with the relevant majority is as valid as if it had been passed by the Bondholders in a Bondholders’ Meeting, and any reference in any Finance Document to a Bondholders’ Meeting is to be construed accordingly.
- 6.3 For the avoidance of doubt, only Bondholders are entitled to vote with respect to the Proposal in accordance with the terms of the Bond Agreement.
- 6.4 In order for a vote to be valid, the Bond Trustee must have received a completed voting form in the form enclosed (“**Voting Form**”), together with evidence of the Bondholder’s holding of Bonds satisfactory to the Bond Trustee, by mail, courier or e-mail to the address indicated in the Voting Form by no later than 22 November 2019 at 17.00 hours CET (the “**Voting Deadline**”).

- 6.5 Notwithstanding the Voting Deadline, and subject to the provisions of Clause 16.5 (*Written Resolutions*) of the Bond Agreement, the Proposal will be approved automatically upon receipt of affirmative votes by or on behalf of Bondholders who at the date of this notice represent such majority of votes as would be required if the Proposal was voted on at a Bondholders' Meeting at which all Bondholders entitled to attend and vote were present and voting.
- 6.6 Votes which are submitted are final and cannot be withdrawn. In the event that the Bonds are transferred to a new owner after votes have been submitted in respect of such Bonds, the new Bondholders shall accordingly not be entitled to vote.

Yours sincerely

**Nordic Trustee AS**

  
Fredrik Lundberg

**Enclosed: Schedule: Voting Form**

**Schedule**  
*(Voting Form)*

**ISIN: NO 001 0838857 - 10.00% G3 Exploration Ltd. (formerly known as Green Dragon Gas Ltd.) Senior Secured Callable Bond Issue 2014/2017**

The undersigned holder or authorised person/entity, votes in the following manner:

1. The Proposal as defined in the notice for written resolution dated \_\_\_\_ November 2019 :

☐ **In favour** of the Proposal

☐ **Against** the Proposal

ISIN <b>NO 001 0838857</b>	Amount of bonds owned
Custodian name	Account number at Custodian
Company	Day time telephone number
	Email

Enclosed to this form is the complete printout from our custodian/VPS, verifying our bondholding in the above securities as of \_\_\_\_\_

We acknowledge that Nordic Trustee AS in relation to the written Bondholders' resolution for verification purposes may obtain information regarding our holding of bonds on the above stated account in the securities register VPS.

.....

Place, date

.....

Authorised signature

**Return:**

Nordic Trustee AS

P.O.Box 1470 Vika

N-0116 Oslo

Telefax: +47 22 87 94 10

Tel: +47 22 87 94 00

mailto: mail@nordictrustee.com