THIS CIRCULAR AND THE FORM OF PROXY BEING MADE AVAILABLE WITH THIS CIRCULAR ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional financial adviser immediately (being, in the case of Shareholders in the UK, an adviser authorised pursuant to the Financial Services and Markets Act 2000, or from another appropriately authorised independent financial adviser if you are in a territory outside the UK).

If you sell or have sold or otherwise transferred your entire holding of Ordinary Shares, please send this Circular, together with the Form of Proxy being made available with this Circular, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain this Circular and the Form of Proxy and immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

HARDY OIL AND GAS PLC

(incorporated and registered in the Isle of Man with registered number 087462C)

Proposed Disposal of Hardy Exploration & Production (India) Inc.

Proposed Transfer of Listing Category on Official List from Premium Listing to Standard Listing

and

Notice of Extraordinary General Meeting

This Circular should be read as a whole. Your attention is drawn to the letter from the Chairman of Hardy Oil and Gas plc, which is set out on pages 8 to 19 of this Circular and which contains the unanimous recommendation of the Directors that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting referred to below. Your attention is also drawn in particular to the risk factors sets out in Part II (*Risk Factors*) of this Circular.

Notice of an Extraordinary General Meeting of the Company, to be held at the offices of the Company's Solicitors at 199 Bishopsgate, London, EC2M 3UT at 11 a.m. on 1 October 2019, is set out at the end of this Circular. A Form of Proxy for use by Shareholders in connection with the Extraordinary General Meeting is enclosed. To be valid, Forms of Proxy, completed in accordance with the instructions printed thereon, must be received at the Company's registered office, First Names House, Victoria Road, Douglas, Isle of Man, IM2 4DF, as soon as possible but in any event by no later than 11 a.m. on 27 September 2019. The completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting, or any adjournment thereof, should they wish to do so.

Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this Circular to any jurisdiction outside the United Kingdom should seek appropriate advice before taking any such action. The distribution of this Circular into any jurisdiction outside the United Kingdom may be restricted by law and therefore persons into whose possession this Circular comes should inform themselves about and observe such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations in such jurisdictions.

This Circular is a shareholder circular and is being sent to you solely for your information in connection with the Resolutions to be proposed at the Extraordinary General Meeting. The contents of this Circular should not be construed as legal, business, financial, tax, investment or other professional advice.

Arden Partners plc ("**Arden**") which is authorised and regulated in the UK by the Financial Conduct Authority ("**FCA**"), acting as Sponsor, is acting exclusively for the Company and no one else in connection with this Circular, the Transaction and the Transfer of Listing and will not regard any other person (whether or not a recipient of this Circular) as its client in relation to this Circular, the Transaction or the Transfer of Listing. Accordingly, Arden will not be responsible to anyone other than the Company for providing the protections afforded to its clients, or for providing advice in connection with the Transaction, the Transfer of Listing, the contents of this Circular or any other transaction, arrangement or other matter referred to in this Circular as relevant.

Apart from the responsibilities and liabilities, if any, which may be imposed on Arden under FSMA or the regulatory regime established thereunder: (i) neither Arden nor any persons associated or affiliated with it accepts any responsibility whatsoever or makes any warranty or representation, express or implied, in relation to the contents of this Circular, including its accuracy, completeness or verification or for any other statement made or purported to be made by, or on behalf of it, the Company or Directors, in connection with the Company and/or the Transaction and/or the Transfer of Listing; and (ii) Arden accordingly disclaims, to the fullest extent permitted by law, all and any liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise be found to have in respect of this Circular or any such statement.

Capitalised terms used in this document have the meaning ascribed to them in Part VIII (*Definitions*) of this Circular.

No person has been authorised to give any information or make any representations other than those contained in this Circular and, if given or made, such representations must not be relied on as having been so authorised.

This Circular is not a prospectus but a shareholder circular and does not constitute an offer or invitation to purchase or subscribe for any securities or a solicitation of an offer or invitation to purchase or subscribe for any securities.

The Circular is a circular relating to the Transaction and the Transfer of Listing which have each been proposed in accordance with the Listing Rules. This document has been approved by the FCA.

The delivery of this Circular shall not, under any circumstances, create any implication that there has been no change to the affairs of the Company since the date of this Circular or that the information is correct as of any subsequent date.

To the extent that any document or information incorporated by reference or attached to this Circular itself incorporates any document or information by reference, either expressly or impliedly, such document or information will not form part of this Circular, except where such document or information is stated within this Circular as specifically being incorporated by reference or where this Circular is specifically defined as including such document or information.

This document is dated 22 August 2019.

CORPORATE DETAILS AND ADVISERS

Secretary and Registered Office	Jacqueline Fergusson First Names House Victoria Road Douglas Isle of Man IM2 4DF
Sponsor	Arden Partners plc 5 George Road Edgbaston Birmingham B15 1NP
Legal Adviser to the Company	Dorsey & Whitney (Europe) LLP 199 Bishopsgate London EC2M 3UT
Auditor and Reporting Accountant	Crowe U.K. LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
Company's Registrar	IQ EQ (Isle of Man) Limited First Names House Victoria Road Douglas Isle of Man IM2 4DF

TABLE OF CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Shareholders should take note of the dates and times in the table below in connection with the Transaction and the Transfer of Listing. These dates and times are indicative only and assume that the Condition to Completion has been satisfied before the date estimated for Completion. These times and/or dates may be changed by the Company (subject to any applicable requirements of the Listing Rules, law and/or the Company's Articles of Association) in which event details of the new times and/or dates will be notified to Shareholders by an announcement on a Regulatory Information Service and will be available on www.hardyoil.com/index.htm. Except where otherwise indicated, references to a time of day are to UK time.

	Time and Date
Announcement of the Transaction	15 July 2019
Publication of this Circular (which includes the Notice of Extraordinary General Meeting)	22 August 2019
Posting of this Circular (which includes the Notice of Extraordinary General Meeting) and the Form of Proxy	23 August 2019
Latest time and date for receipt of Forms of Proxy for use at the EGM	11 a.m. on 27 September 2019
Record time and date for eligibility to vote at the EGM	5 p.m. on 27 September 2019
Extraordinary General Meeting	11 a.m. on 1 October 2019
Announcement of results of the EGM	By 3 p.m. on 1 October 2019
Expected date of Completion of the Transaction	2 October 2019
Longstop Date for the Transaction	21 October 2019
Expected effective date of the Transfer of Listing	The Company will give at least 20 Business Days' notice by RIS announcement of the date that the Transfer of Listing will become effective and the earliest date the Transfer of Listing can become effective is 30 October 2019

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Language of the Circular

The language of this Circular is English.

Presentation of Financial Information

Unless otherwise stated, financial information in this Circular has been prepared in accordance with International Financial Reporting Standards and interpretations issued by the International Financial Reporting Interpretations Committee, published by the International Accounting Standards Board as adopted by the European Union and is stated in US dollars and rounded to nearest thousand unless otherwise stated.

Exchange Rates

In Part I (*Letter from the Chairman*), Part III (*Details of the Transaction*) and at paragraph 4.3 (*Remuneration Details*) of Part VII (*Additional Information*) of this Circular, the GBP:US dollar exchange rate used is 1.2143 being the spot rate quoted by Bloomberg as at the close of business on the Latest Practicable Date.

Rounding

Certain figures contained in this Circular, including financial, statistical and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the totals of data presented in this Circular may vary slightly from the actual arithmetic totals of such data and the sum of the numbers in a column or a row in tables contained in this Circular may not conform exactly to the total figure given for that column or row.

Forward-Looking Statements

This Circular contains statements about the Group that are or may be forward-looking statements. All statements other than statements of historical facts included in this Circular may be forward-looking statements. Without limitation, any statements preceded or followed by or that include the words "targets", "should", "continue", "plans", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "estimates", "projects" or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements include all matters that are not historical facts and statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, future capital-raising activities, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the potential effects of the Transaction; and (iii) the effects of government regulation on the Company's business.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are difficult to predict and outside of the Company's ability to control. Forward-looking statements are not guarantees of future performance and the actual results of the Company's operations and the development of the markets and the industry in which the Company operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Circular. In addition, even if the Company's business, results of operations, financial position and/or prospects, and the development of the markets and the industry in which the Company operates, are consistent with the forward-looking statements contained in this Circular, those results and developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments of the Company to differ materially from those expressed or implied by the forward-looking statements including, without limitation, those factors discussed in Part II (*Risk Factors*).

The forward-looking statements herein speak only at the date of this Circular and Shareholders are cautioned not to place undue reliance on such forward-looking statements. Save as required by the Market Abuse Regulations, the Disclosure Guidance and Transparency Rules, the Listing Rules or by law, the Company undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may occur due to any change in its

expectations or to reflect events or circumstances after the date of this Circular. Shareholders should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Circular.

Currencies

In this Circular, references to "**US dolla**r", "**USD**" and "**$**" are to the lawful currency of the US, references to "**pound sterling**", "**GBP**", "**Stg**" and "**£**" are to the lawful currency of the UK and references to "**rupee**", "**INR**" and "**₹**" are to the lawful currency of India.

Calculation of total issued Ordinary Shares

Unless otherwise stated, all references to total issued Ordinary Shares in this Circular are calculated based on the issued ordinary share capital of the Company as of the Latest Practicable Date, which consists of 73,764,035 Ordinary Shares.

No incorporation of website information

Without prejudice to the documents or information incorporated by reference into this Circular, information on or accessible through the Company's corporate website, www.hardyoil.com, does not form part of, and is not incorporated into, this Circular.

Certain defined terms

Certain terms used in this Circular, including capitalised terms and certain technical and other items, are defined and explained in Part VIII (*Definitions*).

Profit estimate or forecast

Other than as expressly stated, no statement in this document is intended as a profit forecast or estimate and no statement in this document should be interpreted to mean that earnings per Ordinary Share for the current or future financial years will necessarily match or exceed the historical published earnings per Ordinary Share.

PART I

LETTER FROM THE CHAIRMAN

HARDY OIL AND GAS PLC

(incorporated in Isle of Man with limited liability with registered number 087462C)

Directors
Alasdair Locke
Ian MacKenzie
Peter Milne

Registered office
First Names House
Victoria Road
Douglas
Isle of Man
IM2 4DF

22 August 2019

To the holders of Ordinary Shares

Dear Shareholder

Proposed Disposal of Hardy Exploration & Production (India) Inc.

Proposed Transfer of Listing Category on Official List from Premium Listing to Standard Listing

and

Notice of Extraordinary General Meeting

1. Introduction

The Company is an upstream oil and gas company all of whose operating assets are located in India and are held through its wholly-owned subsidiary, Hardy Exploration & Production (India) Inc. ("**HEPI**"). The Company announced on 15 July 2019 that it had entered into a conditional share purchase agreement to sell HEPI to Invenire Energy Private Ltd ("**Invenire**") for cash consideration of $3,000,000. On 22 July 2019, the Company announced that following revised offers and negotiations, the Company had agreed to sell all of the capital stock of HEPI to Invenire for increased cash consideration of $8,750,000 ("**Revised Invenire Offer**") and that it had entered into an amended share purchase agreement with Invenire setting out the terms of the Revised Invenire Offer ("**Share Purchase Agreement**").

The Company also announced that it had granted Invenire exclusivity in respect of the Revised Invenire Offer and agreed not to enter into discussions or negotiations or to solicit other offers in respect of the sale of HEPI. Following the grant to Invenire of exclusivity, certain of the Company's shareholders were contacted by a third party with the view of acquiring HEPI at a price above the Invenire Offer. The terms of this indicative offer was confirmed in an unsolicited letter to the Board. The terms of such offer were not acceptable to these shareholders and the Board understands that all such discussions have now terminated.

Invenire have paid to, and the Company's Solicitors are presently holding, a sum of $8,750,000 (representing the total consideration payable by Invenire for the acquisition of HEPI pursuant to the Revised Invenire Offer). At Completion, the Company's Solicitors will pay this sum to the Company in accordance with the terms of the Share Purchase Agreement.

The Company is selling HEPI to Invenire on an "as is" basis and the Company is only giving Invenire warranties in respect of title to the shares of HEPI, HEPI's share capital and capacity to enter into the Share Purchase Agreement and sell the shares in HEPI. No warranties are being given in respect of HEPI's business or assets. The principal terms of the Share Purchase Agreement are described in more detail in paragraph 4 of this Part I (*Letter from the Chairman*) and Part III (*Details of the Transaction*) of this Circular.

If Completion occurs, the Company will have no subsidiaries or assets (save for the Net Proceeds and existing cash and cash equivalents) and so will be deemed a "cash shell". Consequently, it will no longer meet the eligibility requirements of the Listing Rules to continue its Premium Listing on the Official List and accordingly, the Company is seeking the approval of Shareholders to transfer its listing on the London Stock Exchange from its current Premium Listing to a Standard Listing following Completion. Following the Transfer of Listing, the Directors intend to use the Net Proceeds of the cash consideration received from the Transaction for the purposes of acquiring or establishing a company, business or asset that operates in the resources sector or other industries should an appropriate investment opportunity present itself.

The Transaction is of sufficient size relative to the Group to constitute a class 1 transaction for the purposes of the Listing Rules and the Transaction is therefore conditional upon the approval of Shareholders. In accordance with the Listing Rules, the Transfer of Listing is also conditional upon Shareholder approval. Accordingly, an Extraordinary General Meeting of the Company is to be held at 11 a.m. on 1 October 2019 at the offices of the Company's Solicitors at 199 Bishopsgate, London, EC2M 3UT for the purposes of approving the Transaction and the Transfer of Listing. An explanation of the Resolutions to be proposed at the EGM is set out in paragraph 12 (*Shareholder Voting and Extraordinary General Meeting*) of this Part I of the Circular.

In the event that the Resolutions are not passed, Completion will not occur and the Company will remain the owner of HEPI which will continue to be reliant on the Company to provide it with funds for HEPI to continue to trade and fund the ongoing Litigation and Disputes. The Board estimates that the Group's total expenditure over the next four years could amount to between $11,000,000 and $14,000,000. Should existing cash resources be made available by the Company to HEPI, on a reduced basis (compared to historical expenditure), to trade and proceed with the Litigation and Disputes, the Board is of the opinion that the Company's existing funds would be sufficient to allow HEPI to continue to trade until approximately September 2021. In particular, this estimate does not take into account capital expenditure and the payment of contingent and other possible liabilities of HEPI. On a standalone basis, HEPI is projected to incur costs of $9,000,000 to $12,000,000 comprising: (a) $1,500,000 to $3,000,000 of administration expenses; (b) $2,500,000 of litigation fees; and (c) $5,000,000 to $6,500,000 to settle current outstanding liabilities.

To meet these liabilities, the Board will need to move its focus from the immediate monetisation of HEPI to seeking to secure significant new funds to offset the projected expenditures. To do so, the Company could launch a fundraising process to raise between $5,000,000 and $8,000,000 from Shareholders and new investors. In the Board's judgment, given the lack of progress with the Litigation and Disputes in India to date, Shareholders and/or new investors could be reluctant to put 'new money' into the business whilst there is limited visibility on the timeline to conclude such matters and whether this would be favourable to the Group. Therefore, the Board believes that there is a low likelihood of success in pursuing such course of action.

Alternatively, such funding requirements could be mitigated with the collection by HEPI of overdue trade receivables or HEPI securing specialist litigation funding. However, the overdue trade receivables are, themselves, the subject of ongoing arbitration (as further detailed in paragraph 8 (*Litigation*) of Part VII (*Additional Information*)). Given the delays and current status of such arbitration, the Board's view is that this process is likely to continue for many years and so HEPI will be unable to realise these trade receivables in the near to medium-term.

Following discussions regarding litigation funding, the Directors believe that there would be a medium possibility that HEPI would be successful in attracting such funding to enable HEPI to continue the Litigation and Disputes. In any event such funding would likely significantly diminish any returns to Shareholders that could arise from the Litigation and Disputes.

In the event that Shareholders do not approve the Transaction, the Board would seek to initiate a process to secure significant investment via an equity placement in the short-term with Shareholders and new investors. However, given the lack of progress with the Litigation and Disputes in India to date, the Directors can provide no assurances that any fundraise would be successful and anticipate that any equity placement would be significantly dilutive to Shareholders who do not participate in such transaction. Additionally, while the other funding options disclosed above may be available to the Group, the Directors believe that such options

would not be easy to pursue due to, among other things, the uncertainty surrounding the final outcomes of the Litigation and Disputes and the timeline for achieving this.

As set out in the Group's preliminary results for the year ended 31 March 2019 released on 27 June 2019 ("**2019 Preliminary Final Results Announcement**"), the Board disclosed a material uncertainty regarding the Group as a going concern should the Group continue to pursue it strategic objectives and not secure additional sources of funding in the year ending 2022. If an equity placement or an alternative funding solution, such as specialist litigation funding, is undeliverable or proves unfeasible, the Board will consider liquidating HEPI under Chapter 7 of Title 11 in the US Bankruptcy Code and seek other investments with the resources currently available to the Group. In order to retain the largest amount of shareholder monies within the Company and evaluate new investment opportunities, the Board would instigate such liquidation within a very short timescale.

It is important to note that in expressing judgments and opinions as detailed above, the Board is using its best knowledge and experience gained through the last seven years of Indian arbitration and judicial proceedings.

As announced on 22 July 2019, the Directors have concluded that attempting to realise some value in respect of the Assets by way of the Transaction is in the best interests of the Company and its Shareholders and accordingly, Shareholders are recommended to vote in favour of the Resolutions.

In connection with the Transaction, the Company is also proposing to capitalise substantially all of the indebtedness owed to it by HEPI ("**Intra-Group Debt**") prior to Completion and waive its rights to the repayment of the amount of the Intra-Group Debt which has not been capitalised ("**Capitalisation and Waiver**"). The Capitalisation and Waiver will be implemented pursuant to the terms and conditions of the Subscription Agreement which, subject to the satisfaction of the Condition, will be entered into by the Company and HEPI on the Completion Date. As at the date of this Circular, the amount of the Intra-Group Debt was approximately $125,250,000.

The EGM Notice and the Resolutions to be proposed and considered at the EGM are set out at pages 56 to 57 of this Circular.

The purpose of this Circular is to: (a) explain the background to and reasons for the Transaction, the Capitalisation and Waiver and the Transfer of Listing; (b) explain why the Board considers the Transaction, the Capitalisation and Waiver and the Transfer of Listing to be in the best interests of the Company and its Shareholders; and (c) convene the EGM to seek Shareholder approval for the Transaction, the Transfer of Listing and the Resolutions.

2. Background to and reasons for the Transaction

The Group's ongoing objective has been to evaluate and exploit oil and gas exploration rights in India by acquiring oil and gas block assets, exploring and appraising their value and then developing them with the ultimate goal of commencing oil and/or gas production.

The Group holds interests in the following three assets, all of which are located in India:

- *CY-OS/2:* HEPI has a 75 per cent. participating interest ("**PI**") in CY-OS/2 with the remaining 25 per cent. PI being held by GAIL (together, the "**CY-OS/2 uJV partners**") under the terms of the CY-OS/2 Production Sharing Contract;
- CY-OS-90/1 *(PY-3):* HEPI has an 18 per cent. PI in PY-3 with the remainder being held by TATA (21 per cent. PI), HOEC (21 per cent. PI) and ONGC (40 per cent. PI) (together, the "**PY-3 uJV partners**") under the terms of the PY-3 Production Sharing Contract; and
- GS-OSN-2000/1 *(GS-01):* HEPI has a 10 per cent. PI in GS-01 with the remaining 90 per cent. PI held by Reliance (together, the "**GS-01 uJV partners**") which also acts as operator under the terms of the GS-01 Production Sharing Contract.

As Shareholders are aware, and has been previously announced by the Company, the Group has faced significant challenges in operating and commercialising these Assets, as described in more detail below and in paragraphs 7 (*Material Contracts*) and 8 (*Litigation*) of Part VII (*Additional Information*) of this Circular. HEPI has nine employees and during the financial year ended 31 March 2019 made a loss of $58,326,333.

CY-OS/2 – Reserves and activities

As previously announced, in 2009 HEPI was informed that the GOI deemed the operating licence for CY-OS/2 to have been relinquished. HEPI challenged the GOI's decision, as being in breach of the terms of the CY-OS/2 Production Sharing Contract and has since then been in dispute with the GOI. As a result, in May 2010, with the consent and formal approval of the other CY-OS/2 uJV partners, GAIL and ONGC, HEPI (as operator of the CY-OS/2 block and on behalf of the CY-OS/2 uJV partners) initiated arbitration against the GOI. Three former Chief Justices of India were appointed and constituted the arbitration tribunal ("**Tribunal**"). The parties submitted evidence during the course of 2011 and 2012 and the final hearing took place in Kuala Lumpur, Malaysia in August 2012.

On 2 February 2013, the Tribunal granted an award ("**CY-OS/2 Award**") in HEPI's favour, noting the following: (a) the Ganesha Discovery was non-associated natural gas ("**NANG**"); (b) the relinquishment of the CY-OS/2 block by the GOI was illegal; (c) the CY-OS/2 block should be restored to the CY-OS/2 uJV partners by the GOI; (d) the CY-OS/2 uJV partners should be allowed three years from the date of block restoration to complete the appraisal programme in order to assess the commerciality of the Ganesha Discovery; (e) the GOI should compensate the CY-OS/2 uJV partners for being deprived of the benefit of their investment in CY-OS/2 amounting to approximately $25,000,000 (as at 31 March 2019 this award totalled approximately $80,000,000 taking into account the cumulative effect of the award calculation); and (f) the Tribunal awarded certain specific costs to the CY-OS/2 uJV partners.

The GOI subsequently attempted to overturn the CY-OS/2 Award through the Indian courts on a number of occasions. After numerous petitions and hearings since 2013, in September 2018, the Supreme Court of India upheld the GOI's appeal on jurisdiction and issued an order confirming that the Indian courts did have jurisdiction to hear the GOI's appeal in relation to the CY-OS/2 Award. The Company has continued to evaluate the legal options available to it but the Directors believe that such options are limited given the 2018 decision of the Supreme Court of India.

HEPI's dispute with the GOI relating to CY-OS/2 has been ongoing for nearly a decade. During this period, the Group has had to cease all exploration and appraisal work on CY-OS/2 and no development of CY-OS/2 has been undertaken despite the Ganesha Discovery in 2007. Given this, the Group has no Reserves in CY-OS/2 and an estimated 130 billion cubic feet ("**BCF**") gross (net: 97.5 BCF) Contingent Resources and an estimated 113 BCF (net: 84 BCF) of prospective resources as reported in the Company's final results for the year ended 31 March 2019 and the value of the Company's PI in CY-OS/2 was written off by the Group in the year ended 31 March 2019. Due to the ongoing dispute and litigation, the Group has not fully investigated the anticipated exploration potential associated with CY-OS/2. The CY-OS/2 Production Sharing Contract and CY-OS/2 Joint Operating Agreement are summarised in paragraph 7 (*Material Contracts*) of Part VII (*Additional Information*) of this Circular.

ONGC is a party to both the CY-OS/2 Production Sharing Contract and the CY/OS-2 Joint Operating Agreement (being the GOI nominee and licensee of the CY-OS/2). Currently, ONGC does not have a PI in CY-OS/2. However, under the CY-OS/2 Production Sharing Contract, ONGC has a back-in right for a 30 per cent. PI in respect of the development phase. HEPI's and GAIL's PI would accordingly reduce should ONGC exercise such option.

PY-3– Reserves and activities

As previously announced, the PY-3 field was shut-in in July 2011 because the GOI withheld approval to renew the contract for the leased Floating Production System. Since this time, the Group has been working to establish a consensus among PY-3's uJV partners regarding the optimal development of the field in order to enable the recommencement of exploration and development of PY-3 at the earliest opportunity. However, despite the PY-3 uJV partners unanimously approving a full Field Development Plan ("**FFDP**") in respect

of the PY-3 and the application for an extension of the PY-3 Production Sharing Contract (see below), all efforts to convene a block management committee meeting to approve the FFDP and the extension of the PY-3 Production Sharing Contract have been ignored by GOI. Given this, the Group has no Reserves in PY-3. Additionally, an estimated 15.8 million barrels ("**MMBBL**") gross (net: 2.84 MMBBL) of Contingent Resources and the value of the Company's PI in PY-3 was written off by the Group in its accounts for year ended 31 March 2017, as reported in the 2019 Preliminary Final Results Announcement.

The PY-3 Production Sharing Contract is due to expire in December 2019. In December 2017 and February 2018, the Group and the other PY-3 uJV partners submitted an application for an extension to the PY-3 Production Sharing Contract and a FFDP for the production life of PY-3 (with the field being estimated to produce around 15 MMBBL of oil over eight years). The FFDP is projected to realise an after tax net present value of $10,000,000 and an internal rate of return of 30 per cent. at prevailing oil prices. The FFDP will require HEPI to fund costs in excess of $25,000,000. However, HOEC has put forward an alternative integrated field development plan to utilise HOEC's existing offshore infrastructure of which the Board has both technical and commercial concerns and believes is likely to dilute the value of HEPI's PI. Under the GOI's own Production Sharing Contract extension policy, the relevant government departments should have decided on this extension request within nine months of the application being submitted. The Group has been advised that the application timetable has been disregarded for PY-3. The Group has been pursuing the GOI to convene a meeting to sanction the extension to the PY-3 Production Sharing Contract but without any success to date. There is no certainty that the Group will be granted an extension to the PY-3 Production Sharing Contract beyond December 2019. If no extension of the PY-3 Production Sharing Contract is granted before December 2019, it will expire in December 2019 in accordance with its terms. Further details of the PY-3 Production Sharing Contract and PY-3 Joint Operating Agreement are summarised in paragraph 7 (*Material Contracts*) of Part VII (*Additional Information*) of this Circular.

The Board has reason to believe that the issues relating to the PY-3 field might be linked to HEPI's efforts to enforce the CY-OS/2 Award in the Indian and international courts.

HEPI initiated arbitration in March 2017 to recover approximately $11,000,000 from the non-operating PY-3 uJV partners. This arbitration concluded in November 2018 and the tribunal's final award has been outstanding since then. Subsequently, the tribunal's self-imposed deadline of mid-June 2019 for the delivery of such award has passed with no update. Should the arbitral tribunal find in HEPI's favour, it could be entitled to up to $14,000,000 of unrecovered costs and interest. Depending on the outcome of this arbitration, the Board expects that the award will be appealed in Malaysia and India by all parties. If such appeals are unsuccessful it will be necessary for HEPI to approach the Indian courts to enforce the award. Based on HEPI's experiences of enforcement in India, the Board's view is that this process is likely to continue for many years with no certainty of outcome.

GS-01– Reserves and activities

In 2012, Reliance indicated to the Group that it did not want to continue its interest in GS-01 due to its relative small-scale reserves compared to Reliance's other offshore assets. However, Reliance said it would be willing to enter into a commercial transaction to transfer its 90 per cent. PI and operatorship of GS-01 to the Group. As a result, HEPI submitted a Field Development Plan to the GOI in 2012.

However, as has been previously announced, since 2009 Reliance has been in correspondence with the GOI regarding liquidated damages associated with the unfinished minimum work programme under the GS-01 Production Sharing Contract. Until the quantum of these liquidated damages has been agreed between the GOI, Reliance and the Group, no transfer of Reliance's interest in GS-01 to the Group would be made. The Directors also think it is possible that the dispute over liquidated damages may result in lengthy arbitration followed by litigation.

Given this, the Group has no Reserves in GS-01 and an estimated 83 BCF (net:8.3 BCF) and 1.9 MMBBL (net:0.2 MMBBL) of Contingent Resources as reported in the Company's final results for the year ended 31 March 2019 and the value of the Company's PI in GS-01 was written off by the Group in its accounts for the year ended 31 March 2016. Due to the ongoing dispute, the Group had not been able to progress any development work to realise value from GS-01. The GS-01 Production Sharing Contract and GS-01 Joint Operating Agreement are summarised in paragraph 7 (*Material Contracts*) of Part VII (*Additional Information*) of this Circular.

In addition, on 1 November 2014 the GOI introduced a pricing formula for the sale of domestically produced gas. This pricing formula is heavily weighted towards the gas sales price in three major gas exporting countries (USA, Canada and Russia) resulting in a gas sales price from producers to distributors at levels significantly below the price that is paid for imported liquefied natural gas. This means that development of GS-01 would be uncommercial at current sales prices. The Indian oil and gas industry has unanimously lobbied the GOI for a free-market gas pricing policy for a number of years but without success. As a result, the Directors believe that it is unlikely that GS-01 will become commercially viable unless there is a move away from the current GOI gas pricing formula in India to free market prices.

On 21 August 2019, Reliance wrote to the Directorate General of Hydrocarbons, Ministry of Petroleum, GOI notifying that authority that Reliance, by way of their majority PI under the GS-01 Production Sharing Contract, were relinquishing GS-01. As detailed above, the Group does not place any value on GS-01.

HEPI's indebtedness (Intra-Group Debt)

The difficulties associated with all of the Assets (as outlined above) mean that HEPI has been reliant on the Company to provide it with money for it to continue to trade and fund its ongoing Litigation and Disputes. Such funding has resulted in the Intra-Group Debt. The ongoing funding requirements of HEPI are a significant financial burden on the Company, particularly when it is not certain when, or if, any of the Assets will start generating returns for Shareholders.

As reported in the 2019 Preliminary Final Results Announcement, as part of the conclusion of the initial phase of its strategic review, the Board has explored numerous options to find a solution to the above issues and the Directors have concluded that the Transaction is the best option for the Company and its Shareholders for the following reasons:

- the development work on each Asset has been suspended for an extended period of time and so the Group has earned no revenue from any of the Assets since 2011 due to ongoing Litigation and Disputes and consequently, in recent years, the Group has been unable to commercialise or realise any value from the Assets;
- given the current status of the ongoing Litigation and Disputes, the Group cannot predict when, or if, such matters will be resolved or monetised in favour of the Group. Therefore, the Board is unable to determine when development work in respect of each Asset will recommence (if at all);
- the Transaction will eliminate the need to fund the ongoing Litigation and Disputes going forward; and
- the Transaction and Capitalisation and Waiver would eliminate ongoing operational losses, indebtedness and associated cash outflows which would arise if HEPI was to remain within the Group.

In addition, the Net Proceeds from the Transaction will be retained to provide additional working capital for the Company and will be added to the Company's cash and short-term investments ($4,200,000 as at 31 March 2019) for the purposes of acquiring or establishing a company, business or asset that operates in the resources sector or another industry should an appropriate investment opportunity arise.

As a result, for the reasons set out above, the Board unanimously believes that the Transaction is in the best interests of the Company and its Shareholders. **Shareholders should vote in favour of the Transaction and Transfer of Listing at the Extraordinary General Meeting. Failure to do so will result in Completion not occurring and the Company remaining the owner of HEPI which will continue to be reliant on the**

Company to provide it with funds for HEPI to continue to trade and fund the ongoing Litigation and Disputes. In such event, the Board would consider approaching, albeit with no assurances of a successful outcome, Shareholders for additional funding and/or the winding up of HEPI. Further details of these matters are outlined above in paragraph 1 of this Part I (*Letter from the Chairman)*.

3. Background to and reasons for the Transfer of Listing

Under the Listing Rules, there are two principal forms of listing available for the equity shares of commercial companies traded on the Main Market of the London Stock Exchange: (a) the Standard Listing that complies fully with the relevant European directives (as adopted by all EU member states); and (b) the Premium Listing to which the FCA applies a wide range of "super-equivalent" provisions.

Following Completion, the Company will be a "cash shell" and will therefore no longer meet the eligibility requirements of the Listing Rules to continue its Premium Listing. Consequently, as a result of discussions with the FCA and in accordance with the requirements of the Listing Rules, following and conditional upon the passing of the Resolutions, the Company will transfer its listing on the London Stock Exchange from the current Premium Listing segment to the Standard Listing segment of the Official List. Accordingly, the Board is seeking authority from Shareholders at the EGM for the Transfer of Listing. The Transfer of Listing is conditional upon the passing of both Resolution 1 and Resolution 2. As such, should Resolution 1 and/or Resolution 2 not be passed, neither Completion nor the Transfer of Listing will occur and the Company will continue with its Premium Listing.

Further information on the Transfer of Listing is provided in paragraph 5 below and in Part IV (*Summary of the Key Differences between the Standard and Premium Listing Categories*) of this Circular.

4. Principal Terms of the Transaction

Pursuant to the terms of the Share Purchase Agreement, Invenire has agreed to acquire the whole of the capital stock of HEPI for cash consideration of $8,750,000. Invenire have paid to, and the Company's Solicitors are presently holding, a sum of $8,750,000 (representing the total consideration payable by Invenire for the acquisition of HEPI pursuant to the Revised Invenire Offer). At Completion, the Company's Solicitors shall pay this sum to the Company in accordance with the terms of the Share Purchase Agreement.

Completion of the Transaction is only conditional on the Shareholders passing both Resolutions. Completion is scheduled to take place on 2 October 2019, being the Business Day following the date of the passing of the Resolutions. Neither the Company nor Invenire has any rights to terminate the Share Purchase Agreement between signing and Completion and the Share Purchase Agreement is not subject to any other conditions.

The Company is not giving any warranties, indemnities or tax covenants to Invenire under the terms of the Share Purchase Agreement except for warranties as to title to the shares in HEPI, HEPI's share capital and capacity to enter into the Share Purchase Agreement and sell the shares in HEPI.

The principal terms of the Share Purchase Agreement are set out in further detail in Part III (*Details of the Transaction*) of this Circular.

Part III (*Details of the Transaction*) of this Circular also sets out the terms of the Subscription Agreement pursuant to which the Capitalisation and Waiver will be implemented.

5. Information on Transfer of Listing

The Transfer of Listing will not affect the way in which Shareholders buy or sell Ordinary Shares and, following the Transfer of Listing, existing share certificates in issue in respect of Ordinary Shares will remain valid.

As with companies with a Premium Listing, companies with a Standard Listing are still required to have a minimum of 25 per cent. of their shares in public hands and will continue to be obliged to publish a prospectus when issuing new shares to the public unless such issue of shares falls within one of the permitted exemptions. Companies with a Standard Listing are also required to disclose inside information to the

market and to comply with the provisions of the Disclosure and Transparency Rules, including to make notifications of dealings in shares. They must also prepare annual audited financial reports, half-yearly financial reports and interim management statements to the same standards and within the same timeframe as companies with a Premium Listing are required to do.

A more detailed summary of the differences between the regulatory requirements of companies with a Standard Listing and those with a Premium Listing is contained in Part IV (*Summary of the Key Differences between the Standard and Premium Listing Categories*) of this Circular. While the Ordinary Shares have a Standard Listing, they will not be eligible for inclusion in the UK series of FTSE indices.

The higher level of regulation contained in the "super-equivalent" provisions referred to in paragraph 3 above has been designed to offer shareholders in Premium Listed companies additional rights and protections. Accordingly, investors should be aware that any investment in a company that has a Standard Listing is likely to carry a higher risk than an investment in a company with a Premium Listing. However, the Directors intend to maintain appropriate standards of reporting and corporate governance for a company with a Standard Listing and, to the extent they consider appropriate in light of the Company's size and future developments, will have regard to the requirements of the UK Corporate Governance Code notwithstanding the fact that such code will no longer be applicable to the Company.

Furthermore, the Board does not anticipate or intend for the Transfer of Listing to have any material impact on its strategy of seeking new investment opportunities with the Net Proceeds of the Transaction.

6. Impact of the Transaction, Capitalisation and Waiver and Transfer of Listing on the Company

Upon Completion of the Transaction the Company will be a "cash shell" and no longer have any subsidiaries or assets. Following the Capitalisation and Waiver, the Intra-Group Debt will be satisfied and/or waived and will therefore no longer appear on the Company's financial statements. The Company's status as a "cash shell" means that it will no longer meet the Listing Rules' eligibility requirements for a Premium Listing and so, following Completion, the Company will transfer to a Standard Listing on the Official List. Pursuant to the Listing Rules, the date of the Transfer of Listing must not be less than 20 Business Days after the passing of Resolution 2 and so, subject to Resolution 2 being passed, the earliest date the Transfer of Listing can become effective is 30 October 2019. Both Completion of the Transaction and the Transfer of Listing are conditional upon the passing of both Resolution 1 and Resolution 2. As such, should Resolution 1 and/or Resolution 2 not be passed, Completion, the Capitalisation and Waiver and the Transfer of Listing will not occur and the Company will continue with its Premium Listing and the Intra-Group Debt will remain outstanding.

7. Information on HEPI

HEPI is a wholly-owned subsidiary of the Company. HEPI is incorporated in the US State of Delaware and holds interests in the three Assets of the Group. During the financial year to 31 March 2019, HEPI made a loss of $58,326,000 (compared to a loss in 2018: $5,587,000 and a loss in 2017: $9,996,000) and the value of the gross assets for the year ended 31 March 2019 was $10,644,000 (compared to 2018: $61,557,000 and 2017: $60,730,000). Set out below are extracts from HEPI's audited financial statements for each of the three years ended 31 March 2019, represented without material adjustments therefrom. Summarised audited historical financial information on HEPI is contained in Part V (*Financial Information Relating to HEPI*) of this Circular.

Statements of financial position (extracts)

	As at 31 March 2017 $'000	*As at 31 March 2018 $'000*	*As at 31 March 2019 $'000*
Total non-current assets	55,870	56,202	5,087
Total current assets	4,860	5,355	5,557
TOTAL ASSETS	**60,730**	**61,557**	**10,644**
Total equity	(61,425)	(67,012)	(125,338)
Total non-current liabilities	114,201	119,683	126,765
Total current liabilities	7,954	8,886	9,217
Total liabilities	122,155	128,569	135,982
TOTAL EQUITY AND LIABILITIES	**60,730**	**61,557**	**10,644**

Statements of comprehensive income (extracts)

	Year ended 31 March 2017 $'000	*Year ended 31 March 2018 $'000*	*Year ended 31 March 2019 $'000*
Revenue	**–**	**–**	**–**
Operating cost	515	22	(868)
Impairment – Block CY-OS/2	(3,027)	–	(51,128)
Gross (loss)/profit	**(2,512)**	**22**	**(51,996)**
Administrative expenses	(977)	(3,660)	(3,331)
Operating loss	**(3,489)**	**(3,638)**	**(55,327)**
Interest income	332	340	333
Finance costs	(1,517)	(2,289)	(3,332)
Loss on ordinary activities before taxation	**(4,674)**	**(5,587)**	**(58,326)**
Taxation	(5,322)	–	–
Comprehensive loss for the period	**(9,996)**	**(5,587)**	**(58,326)**

Statements of cash flows (extracts)

	Year ended 31 March 2017 $'000	*Year ended 31 March 2018 $'000*	*Year ended 31 March 2019 $'000*
Net cash used in operating activities	(1,561)	(3,886)	(3,976)
Net cash used in investing activities	(416)	(339)	(20)
Net cash from financing activities	1,411	4,130	4,082
Net (decrease)/increase in cash and cash equivalent	**(566)**	**(95)**	**86**
Cash and cash equivalents at the beginning of the year	696	130	35
Cash and cash equivalents at the end of the year	**130**	**35**	**121**

8. Information on Invenire

Invenire is an independent upstream oil and gas company with producing assets in South East Asia, including India. Access to talent, technology and capital ably positions Invenire to pursue exploration and

production opportunities in the current market environment. Invenire has been successful in building a portfolio of assets through acquisitions and also through direct participation in government bidding rounds.

9. Use of Net Proceeds and Financial Effects of the Transaction and Capitalisation and Waiver

The cash consideration to be released to the Company on Completion of the Transaction is $8,750,000.

The Net Proceeds of the Transaction are estimated to be $8,170,000, being the estimated total cash proceeds less the payment of costs relating to the Transaction, estimated at $580,000.

Following Completion, HEPI will cease to be part of the Group and the Company will no longer have any subsidiaries or assets (save for the Net Proceeds plus existing cash and short-term investments). Following the Capitalisation and Waiver, the Intra-Group Debt will be satisfied and/or waived and will no longer appear as a non-current asset on the Company's statement of financial position. The only other change to the Company's net assets is the receipt of the Net Proceeds. Given none of the Assets are generating turnover, there will be no impact on the Company's statement of comprehensive income, save for the recognition of the Net Proceeds on disposal of HEPI, being the cash consideration less the $nil carrying value of the investment in HEPI on the Company's statement of financial position.

Following the Transfer of Listing, the Directors intend to use the Net Proceeds of the cash consideration received from the Transaction for the purposes of acquiring or establishing a company, business or asset that operates in the resources sector or other industries should an appropriate investment opportunity present itself.

10. Current Trading and Future Prospects

Information concerning the Company's current trading and prospects was included in the 2019 Preliminary Final Results Announcement:

"*Our considerable efforts to enforce the CY-OS/2 Award, handed down in 2013, have not produced a meaningful outcome. The GOI has consistently been allowed by the judicial institutions in India, UK and US to abuse legal process and frustrate enforcement.*

While the CY-OS/2 Award remains valid, having considered that it has been over five years since the tribunal issued the award and the GOI appeal in the Delhi High Court is expected to take a considerable amount of time, the intangible asset associated with the CY-OS/2 block was written down at the time of the Group's interims in November 2018. This resulted in a significant increase in the consolidated loss of the Group.

The Group is reporting a total comprehensive loss of $56,200,000 for the year ended 31 March 2019 (FY19) compared to a loss of $4,700,000 for the year ended 31 March 2018 (FY18). This included a write-down of $51,100,000 of intangible assets associated with past exploration expenditures on the CY-OS/2 asset. General and administrative expenditure of $4,800,000 included legal expenses of over $2,500,000.

Conservation of cash resources is paramount for the Group and the Board has acted to reduce certain legal and administrative expenditures. The Group is considering other actions to reduce ongoing administrative expenditures while the strategic review is ongoing. The Group projects administrative expenses for FY20 to be around $1,600,000.

Cash used in operating activities amounted to $5,400,000 for the year ended 31 March 2019 compared to a cash outflow of $5,400,000 for the year ended 31 March 2018. The Group's capital expenditure was marginal and investment income was $500,000."

Given the lack of material developments in respect of the Litigation and Disputes the Directors believe that the Transaction is the best option for Shareholders to realise some value from the Assets.

11. Risk Factors

For information on the risks and uncertainties which you should take into account when considering whether to vote in favour of the Resolutions please refer to Part II (*Risk Factors*) of this Circular.

12. Shareholder Voting and Extraordinary General Meeting

Set out on pages 56 to 57 of this Circular is a notice convening the Extraordinary General Meeting, to be held at 11 a.m. on 1 October 2019 at the offices of the Company's Solicitors at 199 Bishopsgate, London, EC2M 3UT. The purpose of the meeting is to consider, and if thought fit, approve the Resolutions set out in that notice. The full text of the Resolutions is set out in the Notice of the Extraordinary General Meeting.

Resolution 1 – Approval of the Transaction

Resolution 1, which is proposed as an ordinary resolution, proposes that the Transaction, being a class 1 transaction for the purposes of the Listing Rules, be approved and that the Directors be authorised to take all steps and to enter into all agreements and arrangements necessary or desirable to implement the Transaction.

As the Transaction is a class 1 transaction for the Company under the Listing Rules, the Company requires the approval of Shareholders to proceed with the Transaction. In the event that Resolution 1 is not passed, the Transaction will not proceed. Completion is therefore conditional on the passing of Resolution 1 at the Extraordinary General Meeting.

If passed, Resolution 1 will authorise the Transaction substantially on the terms summarised in paragraph 1 of this Part I (*Letter from the Chairman*) and Part III (*Details of the Transaction*) of this Circular. As an ordinary resolution, Resolution 1 requires the support of a simple majority of the votes cast (whether in person or by proxy) at the Extraordinary General Meeting.

Resolution 1 is interconditional with, and subject to the passing of, Resolution 2. As such, should Resolution 1 be passed but Resolution 2 not be passed, the Transaction will not proceed and the Company will continue to own the whole of the capital stock of HEPI. In addition, neither the Capitalisation and Waiver nor the Transfer of Listing will occur and the Company will continue with its Premium Listing and the Intra-Group Debt will remain outstanding.

Resolution 2 – Approval of the Transfer of Listing

Resolution 2, which is proposed as a special resolution, proposes that the Transfer of Listing be approved and the Directors be authorised to take all steps and enter into all arrangements as necessary or desirable to implement the Transfer of Listing.

Pursuant to the Listing Rules, the Transfer of Listing requires the approval of 75 per cent. of Shareholders who vote in person or by proxy at a general meeting. Consequently, Resolution 2 is being proposed as a special resolution and so requires the support of at least 75 per cent. of Shareholders who vote in person or by proxy at the Extraordinary General Meeting.

If passed, Resolution 2 will authorise the Transfer of Listing.

Resolution 2 is interconditional with, and subject to the passing of, Resolution 1 and Completion occurring. As such, should Resolution 2 be passed but Resolution 1 not be passed, neither Completion nor the Transfer of Listing will proceed and the Company will continue to own the whole of the capital stock of HEPI and continue with its Premium Listing. In addition, the Capitalisation and Waiver will not occur and the Intra-Group Debt will remain outstanding.

Failure to vote in favour of the Resolutions will result in Completion not occurring and the Company remaining the owner of HEPI which will continue to be reliant on the Company to provide it with funds for HEPI to continue to trade and fund the ongoing Litigation and Disputes. In such event, the Board would consider approaching, albeit with no assurances of a successful outcome, Shareholders for additional funding and/or the winding up of HEPI. As announced on 22 July 2019, the Directors have concluded that attempting to realise some value in respect of the Assets by way of the Transaction is in the best interests of the Company and its Shareholders. Further details of the implications of Completion not occurring are outlined above in paragraph 1 of this Part I (*Letter from the Chairman*).

13. Further information

Your attention is drawn to the further information set out in this Circular and in particular the Risk Factors set out in Part II (*Risk Factors*). **Shareholders should read the whole of this Circular and not just rely on the summarised information set out in this Part I (*Letter from the Chairman*) and the financial information set out in Part V (*Financial Information relating to HEPI*).**

14. General meeting and action to be taken

A Form of Proxy for use at the Extraordinary General Meeting is being made available with this Circular. If you cannot attend the Extraordinary General Meeting in person, it is important that you complete the Form of Proxy and return it to the Company in accordance with the instructions printed thereon as soon as possible and in any event so as to be received by no later than 11 a.m. on 27 September 2019 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). The completion and return of the Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person if you wish to do so and are entitled.

The Transaction and Transfer of Listing are subject to the approval of Shareholders. Set out on pages 56 to 57 of this Circular is a notice convening an Extraordinary General Meeting, to be held at 11 a.m. on 1 October 2019 at the offices of the Company's Solicitors at 199 Bishopsgate, London, EC2M 3UT. The purpose of the EGM is to approve the Resolutions.

15. Recommendation

The Board considers the terms of the Transaction and the Transfer of Listing to be in the best interests of the Company and its Shareholders. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, as all of the Directors intend to do in respect of their own beneficial holdings of, in aggregate, 1,870,716 Ordinary Shares, representing approximately 2.54 per cent. of the total number of voting rights in the Company as at the Latest Practicable Date.

Yours faithfully,

Alasdair Locke
Chairman
For and on behalf of the Board

PART II

RISK FACTORS

The following risk factors should be considered carefully by Shareholders when deciding what action to take in connection with the Extraordinary General Meeting.

Risks associated with the Transaction proceeding and risks associated with the Transaction not proceeding have been included. Prior to voting on the Transaction, Shareholders should consider these risks fully and carefully, together with all other information set out in this Circular. All material risks relating to the Transaction of which the Company is reasonably aware are disclosed, although these risk factors should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

The business, financial condition and results of operations of the Company could be adversely affected by certain risks following the Completion of the Transaction. Additional risks and uncertainties currently unknown to the Group, or which the Group currently deems immaterial, may also have an adverse effect on the business, financial condition and results of operations of the Company. Shareholders should read this Circular as a whole and not rely solely on the information set out in this Part II.

1. Risks associated with the Transaction

The Transaction is conditional on Shareholder approval, which might not be granted

Completion is subject to the passing of the Resolutions by Shareholders at the Company's EGM as set out in the EGM Notice at the end of this Circular. If Shareholders do not approve the Resolutions at the EGM, Completion will not occur and the Company will be required to meet its accrued costs in respect of the aborted Transaction. The Company has also incurred other transaction costs in relation to the negotiation of the Transaction and these will be incurred, irrespective of whether or not the Transaction proceeds.

In the event that the Resolutions are not passed, Completion will not occur and the Company will remain the owner of HEPI which will continue to be reliant on the Company to provide it with funds for HEPI to continue to trade and fund its ongoing Litigation and Disputes. In such event the Board would consider approaching, albeit with no assurances of a successful outcome, Shareholders for additional funding and/or the winding up of HEPI (see paragraph 4 below of this Part II (*Risk Factors*) for further details).

2. Risks associated with the Resolutions

The Resolutions are interconditional. In addition, Resolution 2 is conditional upon Completion occurring

Resolution 1 is interconditional with, and subject to the passing of, Resolution 2. In addition, Resolution 2 is also conditional upon Completion occurring. This means that if Resolution 1 is passed at the EGM but Resolution 2 is not passed (or vice versa), the Transaction will not proceed and the Company will continue to own the whole of the capital stock of HEPI. In addition, neither the Capitalisation and Waiver nor the Transfer of Listing will occur and the Company will continue with its Premium Listing and the Intra-Group Debt will remain outstanding.

3. Risks associated with the Company

The Company's status as a company listed on the standard segment of the Official List

Following the Transfer of Listing, the Company will no longer be obliged to comply with the higher level of regulation contained in the "super-equivalent" provisions referred to in paragraph 3 of Part I (*Letter from the Chairman*) which offer shareholders in Premium Listed companies additional rights and protections. Accordingly, Shareholders should be aware that any investment in a company that has a Standard Listing is likely to carry a higher risk than an investment in a company with a Premium Listing. For information on those risks please refer to Part IV (*Summary of the Key Differences between the Standard and Premium Listing Categories*) of this Circular.

The Company's post-Completion strategy

Post-Completion and following the Transfer of Listing the Company intends to use the Net Proceeds from the Transaction to provide additional working capital for the Company and for the purposes of acquiring or establishing a company, business or asset that operates in the resources sector or other industries should an appropriate investment opportunity present itself. The Company will not generate any revenues from its operations unless it completes an investment. Although the Company will seek to evaluate the risks inherent in a particular target company or business that it proposes to invest in following Completion, it cannot offer any assurance that it will make a proper discovery or assessment of all significant risks associated with investing in such target company or business. Furthermore, no assurance can be given that an investment in a particular target company or business will be successful or that any investment will be made.

The market price of the Ordinary Shares may go up or down, and may be subject to greater volatility and less liquidity following the Transaction

The value of an investment in the Company may go down as well as up in response to the market appraisal of the Transaction and the Group's current strategy. The price at which the Ordinary Shares may be quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and the Board's proposals for the Company post-Completion.

4. Risks relating to the Transaction not proceeding

Inability to realise value if the Transaction does not complete

The Board believes that the Transaction is in the best interests of the Company and its Shareholders and that the Transaction currently provides the best opportunity to realise a certain value for HEPI. If Completion does not occur, the realisable value of HEPI to the Group may be lower than can be realised by way of the Transaction and there can be no assurance that in the future HEPI will realise greater value for Shareholders and the Group than under the Transaction. In addition, if Completion does not occur, the Transfer of Listing will not proceed.

Ability to fund the Group's current strategy

In the event that the Resolutions are not passed, Completion will not occur and the Company will remain the owner of HEPI which will continue to be reliant on the Company to provide it with funds for HEPI to continue to trade and fund the ongoing Litigation and Disputes. The working capital available to the Company will not be sufficient for the Board to continue to pursue its ongoing strategy regarding the funding of the Litigation and Disputes. The Board estimates that the Group's total expenditure over the next four years could amount to between $11,000,000 and $14,000,000. Should existing cash resources be made available by the Company to HEPI, on a reduced basis (compared to historical expenditure), to trade and proceed with the Litigation and Disputes, the Board is of the opinion that the Company's existing funds would be sufficient to allow HEPI to continue to trade until approximately September 2021 as set out in further detail in paragraph 1 of Part I (*Letter from the Chairman*).

To meet these liabilities, the Board will need to move its focus from the immediate monetisation of HEPI to seeking to secure significant new funds to offset the projected expenditures. To do so, the Company could launch a fundraising process to raise between $5,000,000 and $8,000,000 from Shareholders and new investors. In the Board's judgment, given the lack of progress with the Litigation and Disputes in India to date, Shareholders and/or new investors could be reluctant to put 'new money' into the business whilst there is limited visibility on the timeline to conclude such matters and whether this would be favourable to the Group. Therefore, the Board believes that there is a low likelihood of success in pursuing such course of action.

Alternatively, such funding requirements could be mitigated with the collection by HEPI of overdue trade receivables or HEPI securing specialist litigation funding. However, the overdue trade receivables are, themselves, the subject of ongoing arbitration (as further detailed in paragraph 8 (*Litigation*) of Part VII (*Additional Information*)). Given the delays and current status of such this arbitration, the Board's view is

that this process is likely to continue for many years and so HEPI will be unable to realise these trade receivables in the near to medium-term.

Following discussions regarding litigation funding, the Directors believe that there would be a medium possibility that HEPI would be successful in attracting such funding to enable HEPI to continue the Litigation and Disputes. In any event such funding would likely significantly diminish any returns to Shareholders that could arise from the Litigation and Disputes.

In the event that Shareholders do not approve the Transaction, the Board would seek to initiate a process to secure significant investment via an equity placement in the short-term with Shareholders and new investors. However, given the lack of progress with the Litigation and Disputes in India to date, the Directors can provide no assurances that any fundraise would be successful and anticipate that any equity placement would be significantly dilutive to Shareholders who do not participate in such transaction. Additionally, while the other funding options disclosed above may be available to the Group, the Directors believe that such options would not be easy to pursue due to, among other things, the uncertainty surrounding the final outcomes of the Litigation and Disputes and the timeline for achieving this.

As set out in the 2019 Preliminary Final Results Announcement, the Board disclosed a material uncertainty regarding the Group as a going concern should the Group continue to pursue it strategic objectives and not secure additional sources of funding in the year ending 2022. If an equity placement or an alternative funding solution, such as specialist litigation funding, is undeliverable or proves unfeasible, the Board will consider liquidating HEPI under Chapter 7 of Title 11 in the US Bankruptcy Code and seek other investments with the resources currently available to the Group. In order to retain the largest amount of shareholder monies within the Company and evaluate new investment opportunities, the Board would instigate such liquidation within a very short timescale.

There can be no assurance of a future sale of HEPI if Completion does not occur

If the Resolutions are not approved by Shareholders, Completion will not occur. If Completion does not occur, there can be no assurance that the Company will be able to dispose of all or part of HEPI or the Assets at a later date, in favourable or equivalent market circumstances, or indeed be able to dispose of HEPI at all. In particular, there is no guarantee that the price of any future disposal of HEPI would be as much as the consideration to be paid by Invenire at Completion. The Board has determined that, in light of the Litigation and Disputes, the Transaction is in the best interests of the Company and its Shareholders as it seeks to enhance the prospects for Shareholders by locating a suitable new investment opportunity that intends to unlock Shareholder value in the long-term.

There may be an adverse impact on the Group's reputation if the Transaction does not complete

If the Transaction does not proceed, there may be an adverse impact on the reputation of the Group in connection with the attempted Transaction. Any such reputational risk could adversely affect the Group's strategy regarding the Litigation and Disputes.

PART III

DETAILS OF THE TRANSACTION

Principal terms of the Share Purchase Agreement

Introduction

The Share Purchase Agreement was entered into by the Company and Invenire on 15 July 2019 and amended on 22 July 2019 pursuant to a deed of variation entered into by the Company and Invenire on that date ("**Deed of Variation**"). The Share Purchase Agreement was further amended on 22 August 2019 pursuant to a further deed of variation which amended the Completion Date ("**Second Deed of Variation**"). The Share Purchase Agreement sets out the terms and conditions upon which Invenire has agreed to acquire HEPI.

Consideration

The consideration payable to the Company for HEPI is $8,750,000 and is not subject to any adjustments under the Share Purchase Agreement. $3,000,000 of the consideration had been paid to the Company's solicitors at the time of the Company and Invenire first entering into the Share Purchase Agreement on 15 July 2019. Under the terms of the Share Purchase Agreement, Invenire agreed to procure the payment of the remainder of the consideration of $5,750,000 to the Company's Solicitors no later than 20 August 2019. In the event that the Company's Solicitors had not received the remainder of the consideration of $5,750,000 by that date, the Share Purchase Agreement would have terminated automatically and the sum of $1,000,000 would have been released to the Company from the monies already held by the Company's solicitors. However, the Company's solicitors received the remainder of the consideration prior to that date and accordingly the Share Purchase Agreement has not been terminated.

The consideration will be released to the Company on completion of the Transaction. If Completion does not occur, an amount equal to the consideration less any banking fees will be repaid to Invenire.

Condition and Completion

Completion is conditional upon the Shareholders passing the Resolutions on or prior to 5.00 p.m. (London time) on the Longstop Date. The Transaction is not subject to any other condition and neither the Company nor Invenire may terminate the Share Purchase Agreement during the period between signing of the Share Purchase Agreement and Completion. If the Condition is not satisfied on or prior to 5.00 p.m. on the Longstop Date, the Share Purchase Agreement will automatically terminate except certain obligations of the parties such as those in respect of confidentiality and announcements shall remain in force following such termination.

The Share Purchase Agreement requires the Company to use its reasonable endeavours to procure that the Condition is satisfied as soon as possible and, in any event, prior to the time specified above and that this Circular is dispatched to the persons entitled to receive the Circular on or prior to 30 September 2019.

The Company is not obliged to pay to Invenire a break fee in the event that the Condition is not satisfied on or prior to the time specified above.

If the Condition has been satisfied within the required period, Completion will take place on the Completion Date.

Completion and conduct of HEPI prior to Completion

The Share Purchase Agreement provides that, during the period between the date of the Share Purchase Agreement and the earlier of the date of termination of the Share Purchase Agreement and Completion, the Company shall, subject to certain limited exceptions or as consented to by Invenire, procure that HEPI continues to carry on business in the normal course and in substantially the same manner as its business has been carried on before the date of the Share Purchase Agreement.

Use of the Hardy name following Completion

Following Completion, Invenire has agreed to change HEPI's name to a name which does not include the names "HARDY", "HARDY OIL & GAS", "HARDY EXPLORATION & PRODUCTION" or "HEPI" within 12 months of the Completion Date and has agreed to certain restrictions on the use of those names and the Company's logos and brands in order to protect them and avoid confusion with the Company following Completion. Invenire has agreed to indemnify the Company against any losses suffered by the Company arising out of Invenire's misuse of the above names and the Company's logos and brands following Completion or a breach of the restrictions referred to above.

The Company has agreed with Invenire that it has limited rights to use existing stocks of printed materials, stationary and signs displaying those names so that HEPI can continue to operate its business following Completion.

Warranties

The Share Purchase Agreement contains customary warranties given by the Company in relation to title to the shares in HEPI to be sold to Invenire, HEPI's share capital and the Company's capacity to enter into the Share Purchase Agreement and sell the shares in HEPI.

The Company is not giving any other warranties, indemnities or tax covenant to Invenire under the terms of the Share Purchase Agreement.

The Share Purchase Agreement also contains customary warranties given by Invenire in relation to its power and authority to enter into the Share Purchase Agreement and also a warranty given by Invenire in relation to it having the necessary cash resources to pay the consideration.

Liability Limitations

The Company's liability under the Share Purchase Agreement is limited as follows:

- the Company's maximum aggregate liability in respect of any and all claims under the Share Purchase Agreement is capped at $8,750,000; and
- Invenire must give notice of any claims under the Share Purchase Agreement on or before the date falling six months after the Completion Date.

Waiver of claims

Under the Share Purchase Agreement, Invenire has confirmed that, save for Invenire's rights under the Share Purchase Agreement and HEPI's rights under the Subscription Agreement, neither Invenire nor any member of Invenire's Group (as defined in the Share Purchase Agreement) has any claim or right or action against the Company, any of its officers, employees or shareholders or any of the directors of HEPI retiring as directors of HEPI at Completion arising from the Company's ownership of HEPI, the management and operation of HEPI or otherwise and has agreed to waive and release the Company and the above persons from any such claims.

Governing law and jurisdiction

The Share Purchase Agreement is governed by English law. The English courts have exclusive jurisdiction in relation to all disputes arising out of or in connection with the Share Purchase Agreement.

Principal terms of the Subscription Agreement

Introduction

The Subscription Agreement will be entered into by the Company and HEPI on the Completion Date and sets out the terms and conditions upon which the Capitalisation and Waiver will occur. The form of the Subscription Agreement has been agreed by the Company and Invenire.

Subscription for further shares in HEPI

Under the Subscription Agreement, the Company will subscribe for a yet to be specified number of new shares in the capital stock of HEPI ("**Capitalisation Shares**") at a yet to be specified total subscription price ("**Total Subscription Price**") which will be an amount which is equal to substantially all of the Intra-Group Debt and will waive its rights to the repayment of the amount of the Intra-Group Debt which has not been capitalised.

The Company's obligation to pay the Total Subscription Price for the Capitalisation Shares shall be satisfied by setting off such obligation against HEPI's obligation to repay an amount of the Intra-Group Debt equal to the Total Subscription Price.

If the Condition has been satisfied within the required period under the Share Purchase Agreement, the Subscription Agreement will be entered into by the Company and HEPI on the Completion Date and the Capitalisation Shares will be issued on the Completion Date.

Condition

The parties' obligations under the Subscription Agreement are conditional upon the Condition being satisfied on or prior to 5.00 p.m. (London time) on the Longstop Date. If the Condition is not satisfied on or prior to that time, the Subscription Agreement will not be entered into by the Company and HEPI and the Capitalisation and Waiver will not occur.

Warranties

The Subscription Agreement contains customary warranties given by the Company and HEPI in relation to their power and authority to enter into the Subscription Agreement. In addition, HEPI has given customary warranties in relation to the issue of the Capitalisation Shares.

Governing law and jurisdiction

The Subscription Agreement is governed by English law. The English courts have exclusive jurisdiction in relation to all disputes arising out of or in connection with the Subscription Agreement.

Principal terms of the Exclusivity Agreement

The Company entered into a letter with Invenire on 22 July 2019 ("**Exclusivity Letter**") pursuant to which the Company has agreed that, subject to certain exceptions, it will not enter into any agreement or arrangement with any other person relating to the sale of the shares in HEPI or initiate or engage in any discussions or negotiations, solicited or unsolicited, with any such person relating to the sale of the shares in HEPI.

Such restrictions under the Exclusivity Letter apply from 22 July 2019 and end on the earlier of (i) 21 August 2019, in the event that the Company's solicitors had not received the remainder of the consideration of $5,750,000 by 20 August 2019; (ii) 1 October 2019 (being the date of the EGM) in the event that the Resolutions are not passed at the EGM; (iii) the Completion Date; and (iv) 21 October 2019.

PART IV

SUMMARY OF THE KEY DIFFERENCES BETWEEN THE STANDARD AND PREMIUM LISTING CATEGORIES

The following paragraphs set out a summary of the key differences in the regulations applying to Standard Listings and Premium Listings, taking account of their application to the Company.

1. Companies with a Standard Listing are not required to retain a sponsor for any transactions.

2. Companies with a Standard Listing are not required to comply with the Premium Listing Principles as contained in Listing Rule 7, although they are still required to comply with the other Listing Principles contained in Listing Rule 7.

3. There are a number of miscellaneous continuing obligations imposed by Chapter 9 of the Listing Rules for companies with a Premium Listing which would not apply to companies with a Standard Listing. The main such requirements are set out in paragraphs 3(a) to 3(e) below:

   (a) Listing Rule 9.5 contains a set of obligations on companies with a Premium Listing related to particular equity transactions. In particular, it sets out the requirements relating to rights issues, placings and other offers of securities; for example, the restriction whereby listed companies making an open offer, placing or issuing shares out of treasury may not apply a discount of more than 10 per cent. to the middle market price of those shares at the time of announcement of the securities offering (unless shareholder approval has been obtained);

   (b) companies with a Premium Listing, which are proposing to issue equity securities for cash or proposing to sell treasury shares that are equity shares for cash, must first offer those equity securities to existing shareholders, unless shareholders have authorised the dis-application of such pre-emption rights in accordance with Listing Rule 9.3.12.R;

   (c) companies with a Premium Listing are required to carry on an independent business as their main activity by virtue of Listing Rule 9.2.2A;

   (d) companies with a Premium Listing which have a "controlling shareholder" (i.e. a person who exercises or controls on their own or together with persons with whom they are acting in concert, 30 per cent. or more of the votes able to be cast on all or substantially all matters at general meetings of the listed company) are subject to various provisions (in Listing Rules 9.2.2A – 9.2.2H) designed to ensure that the company can operate independently of the controlling shareholder. These provisions extend and complement the regime applicable to "substantial shareholders" which form part of the rules applicable to Related Party Transactions under chapter 11 of the Listing Rules; and

   (e) companies with a Premium Listing are subject to restrictions (in Listing Rule 9.4.4) on the grant of discounted options to employees and directors except where the grant is pursuant to certain types of employee share scheme or is approved by Shareholders.

4. The UK Corporate Governance Code does not apply directly to companies with a Standard Listing although, as set out in paragraph 5 of Part I (*Letter from the Chairman*) of this Circular, the Company has stated its intention to have regard to such requirements. The Company will be free as a company with a Standard Listing to change its intentions at any time without prior shareholder approval. However, pursuant to paragraph 7.2 of the Disclosure Guidance and Transparency Rules, many companies with a Standard Listing are still required to make a statement in the directors' report covering the governance code to which the issuer is subject in relation to the financial reporting process and certain details of its share capital. The directors of companies with a Standard Listing are also required to include a description of the internal control and risk management systems and the composition of committees.

5. A Standard Listing does not require a company to comply with the provisions of Listing Rule 10 which sets out requirements for Shareholders to be notified of certain transactions and to have the opportunity to vote on proposed significant transactions. Shareholders should be aware that the Company would, following the Transfer of Listing, be able to undertake significant transactions without Shareholder approval.

6. A Standard Listing does not require a company to comply with Listing Rule 11 which contains rules intended to prevent a related party from taking advantage of its position in respect of transactions with the listing company.

7. Companies with a Standard Listing are not required to comply with Listing Rule 12 which applies to companies dealing in their own securities, but any dealings in the Company's securities will continue to be subject to the Disclosure Guidance and Transparency Rules and the Market Abuse Regulation.

8. A company with a Standard Listing is not required to comply with the requirements relating to the content of circulars issued to shareholders of companies with a Premium Listing as detailed in Listing Rule 13.

9. Companies with a Standard Listing are not required to limit the number of shares issued pursuant to warrants/options (excluding employee share schemes) to 20 per cent. of existing issued shares.

10. Companies with a Standard Listing are not required to obtain the approval of shareholders by way of a special resolution for the cancellation of the listing of any of their shares.

11. The City Code on Takeovers and Mergers would continue to apply.

PART V

FINANCIAL INFORMATION RELATING TO HEPI

The following audited historical financial information of HEPI has been extracted, without material adjustments, from the consolidation schedules that underlie the Group's audited consolidated accounts for each of the three years ended 31 March 2019, all of which were prepared under International Financial Reporting Standards as adopted by the European Union. The Directors are satisfied that the historical financial information provides a reasonable basis for Shareholders to make a fully informed voting decision.

The historical financial information contained in this Part V does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 or, as the case may be, Section 434 of the Companies Act 2006.

The auditors' reports in respect of the historical financial information for each of the three years ended 31 March 2019 were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985 or, as the case may be, Section 498(2) or (3) of the Companies Act 2006.

Shareholders should read the whole of this Circular and not rely solely on the summarised historical financial information contained in this Part V (*Financial Information relating to HEPI*).

STATEMENTS OF FINANCIAL POSITION

The audited statements of financial position of HEPI as at 31 March 2017, 31 March 2018 and 31 March 2019 are stated below:

	As at 31 March 2017 $'000	*As at 31 March 2018 $'000*	*As at 31 March 2019 $'000*
ASSETS			
Non-current assets			
Property, plant and equipment	16	13	10
Intangible assets	51,131	51,129	–
Site restoration deposit	4,723	5,060	5,077
Total non-current assets	**55,870**	**56,202**	**5,087**
Current assets			
Inventory	942	660	20
Trade and other receivables	3,788	4,660	5,416
Cash and cash equivalents	130	35	121
Total current assets	**4,860**	**5,355**	**5,557**
TOTAL ASSETS	**60,730**	**61,557**	**10,644**
Equity			
Called-up share capital	–	–	–
Additional paid in capital	34,071	34,071	34,071
Equity contribution from parent	695	695	360
Retained loss	(96,191)	(101,778)	(159,769)
Total equity	**(61,425)**	**(67,012)**	**(125,338)**

	As at 31 March 2017 $'000	*As at 31 March 2018 $'000*	*As at 31 March 2019 $'000*
Non-current liabilities			
Long-term inter corporate loan	109,748	115,828	122,910
Provisions for decommissioning	4,453	3,855	3,855
Total non-current liabilities	**114,201**	**119,683**	**126,765**
Current liabilities			
Trade and other payables	7,954	8,886	9,217
Total current liabilities	**7,954**	**8,886**	**9,217**
Total liabilities	**122,155**	**128,569**	**135,982**
TOTAL EQUITY AND LIABILITIES	**60,730**	**61,557**	**10,644**

STATEMENTS OF COMPREHENSIVE INCOME

The audited statements of comprehensive income of HEPI for each of the three years ended 31 March 2019 are stated below:

	Year ended 31 March 2017 $'000	*Year ended 31 March 2018 $'000*	*Year ended 31 March 2019 $'000*
Revenue	–	–	–
Cost of sales			
Operating cost	515	22	(868)
Impairment - Block CY-OS/2	(3,027)	–	(51,128)
Gross (loss)/profit	**(2,512)**	**22**	**(51,996)**
Administrative expenses	(977)	(3,660)	(3,331)
Operating loss	**(3,489)**	**(3,638)**	**(55,327)**
Interest income	332	340	333
Finance costs	(1,517)	(2,289)	(3,332)
Loss on ordinary activities before taxation	**(4,674)**	**(5,587)**	**(58,326)**
Taxation	(5,322)	–	–
Comprehensive loss for the period	**(9,996)**	**(5,587)**	**(58,326)**

STATEMENTS OF CASH FLOWS

The audited statements of cash flows of HEPI for each of the three years ended 31 March 2019 are stated below:

	Year ended 31 March 2017 $'000	*Year ended 31 March 2018 $'000*	*Year ended 31 March 2019 $'000*
Operating activities			
Cash flow from operating activities	(1,659)	(3,886)	(3,974)
Taxation refund	98	–	(2)
Net cash used in operating activities	**(1,561)**	**(3,886)**	**(3,976)**
Investing activities			
Expenditure on property, plant and equipment	(4)	(3)	(3)
Income from Site Restoration Fund	(412)	(336)	(17)
Net cash used in investing activities	**(416)**	**(339)**	**(20)**
Financing activities			
Interest income	332	340	333
Finance costs	(1,517)	(2,289)	(3,332)
Inter corporate loan	2,596	6,079	7,081
Net cash from financing activities	**1,411**	**4,130**	**4,082**
Net (decrease)/increase in cash and cash equivalent	**(566)**	**(95)**	**86**
Cash and cash equivalents at the beginning of the year	696	130	35
Cash and cash equivalents at the end of the year	**130**	**35**	**121**

PART VI

CHECKLIST OF INFORMATION INCORPORATED BY REFERENCE

Certain parts of the 2019 Preliminary Final Results Announcement, the 2018 Annual Report and the 2017 Annual Report, as detailed below, are incorporated by reference into this Circular in accordance with paragraph 13 (*Information incorporated by reference*) of Part VII (*Additional information*) of this Circular and contain information which is relevant to this Circular. These documents are also available on the Group's website.

The table below sets out the various sections of such documents which are incorporated by reference into this Circular so as to provide the information required under the Listing Rules.

No part of the 2019 Preliminary Final Results Announcement, the 2018 Annual Report or the 2017 Annual Report, is incorporated by reference herein except as expressly stated below. Any part of the documents listed below which are not expressly referenced below are not relevant for the purposes of this Circular.

Reference document	*Information incorporated by reference*	*Document page/ section reference*
For financial year ended 31 March 2019		
2019 Preliminary Final Results Announcement	Related Party Disclosures	Section 26
For financial year ended 31 March 2018		
2018 Annual Report	Related Party Disclosures	Pages 74 and 82
For financial year ended 31 March 2017		
2017 Annual Report	Related Party Disclosures	Pages 74 and 82

PART VII

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names appear in paragraph 3 below, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Hardy Oil and Gas plc

The Company was incorporated and registered in the Isle of Man on 26 September 1997 and was re-registered as a public limited company on 31 May 2005. The principal legislation under which the Company currently operates is the Isle of Man Companies Act 1931-2004 and the regulations made thereunder. The liability of members of the Company is limited.

The Company's previous names include Jehan Energy Limited (26 September 1997 to 8 January 2002) and Hardy Oil and Gas Limited (8 January 2002 to 15 June 2005).

The registered office of the Company is at First Names House, Victoria Road, Douglas, Isle of Man, IM2 4DF. The Company's principal place of business in the UK is at 16 North Silver Street, Aberdeen AB10 1RL and the telephone number is +44 (0) 12 2461 2900.

3. Directors and senior management

The board of Directors consists of one executive Director and two non-executive Directors. The Directors and their positions are as follows:

Name	*Age*	*Position*
Alasdair Locke	65	Chairman/Non-Executive Director
Ian MacKenzie	62	Chief Executive Officer
Peter Milne	65	Senior Non-Executive Director

In addition, the Company has appointed Richard Galvin (aged 48) as the Group's treasurer ("**Treasurer**"), a senior management role in the Group. Each of Ian MacKenzie and Richard Galvin is also a director of HEPI but will resign from this role at Completion.

4. Interests and service contracts of the Directors and Treasurer

4.1 *Interests in Ordinary Shares*

The direct or indirect beneficial interests of the Directors and Treasurer in Ordinary Shares as at the Latest Practicable Date are as follows:

	Ordinary Shares in the Company on Latest Practicable Date	*Percentage of Ordinary Shares in the Company on Latest Practicable Date*
Alasdair Locke	1,198,153	1.62
Ian MacKenzie	350,000	0.47
Peter Milne	319,595	0.43
Richard Galvin	10,000	0.01

None of the Directors nor the Treasurer have ownership interests in HEPI. Save as disclosed above and in paragraph 11 (*Related party transactions*) of this Part VII, none of the Directors nor the Treasurer involved in the Transaction has an interest, including a conflicting interest, which is material to the Transaction.

4.2 ***Interests through stock options***

No awards have been made to any of the Directors or the Treasurer under the Unapproved Share Option Scheme which are able to be exercised.

4.3 ***Remuneration Details***

The remuneration of the Directors and Treasurer for the financial year ended 31 March 2019 is set out in the following table (in USD):

	Salary	*Fees/ Benefits*	*Bonuses*	*Share Award*	*Pension*	*Total Remuneration*
Alasdair Locke (non-executive)	59,062	–	–	–	–	59,062
Ian MacKenzie (CEO)	388,996	3,543	–	–	–	392,539
Peter Milne (non-executive)	58,870	–	–	–	–	58,870
Richard Galvin (Treasurer)	218,295	1,811	–	–	16,372	236,478

4.4 ***CEO's employment agreement***

The CEO (Ian MacKenzie) has an employment contract with the Company dated 1 February 2012. The terms of this contract are set out below.

The CEO has a remuneration package comprising a basic salary of £275,625, performance-related bonus, benefits package (including life insurance, a long-term disability insurance and a medical insurance plan), and pension entitlements of 7.5 per cent. of his basic salary. In recent years the CEO has taken such pension contribution in cash rather than pension contribution.

The Company reduced the CEO's base remuneration (comprising salary and cash equivalent pension contribution) ("**Base Remuneration**") from £296,296 per annum to £180,000 per annum with effect from 1 April 2019. However, the Base Remuneration will revert to £296,296 (i) in the event that the CEO or the Company serve notice to terminate the CEO's employment or (ii) in the event of a change of control of the Company as detailed below.

The CEO is also entitled to participate in the Company's Unapproved Share Option Scheme. Any options previously awarded to the CEO under the Unapproved Share Option Scheme have now lapsed and so are incapable of exercise.

The CEO's employment contract may be terminated by the Company or the CEO giving not less than 12 months' notice and the Company may also terminate the contract for cause. The Company may terminate the CEO's employment immediately (save where terminated for cause) upon payment in lieu of notice of 12 months' Base Remuneration ("**CEO PILON**").

The CEO is also entitled to CEO PILON where the Company is in breach if such breach is not remedied within 15 days or where the CEO is constructively dismissed (as defined under the laws of Scotland).

On a change of control of the Company, which includes the sale of all or substantially all of the Company's assets and so will be triggered by Shareholders voting in favour of the Transaction, if the CEO elects to terminate his employment, the Company must provide the CEO with CEO PILON and his benefits for the duration of his 12 month notice period provided it can do so within the terms of

its insurance arrangements and without incurring any cost additional to that which would have been incurred had notice to terminate been given and allowed to expire.

The employment contract does not contain any other right for the CEO to receive a payment upon termination of his employment contract.

The CEO's employment agreement contains various post-termination restrictive covenants.

In addition to being a director of the Company, the CEO is also a director of HEPI. Following Completion, the CEO will no longer be a director of HEPI.

4.5 ***Non-executive Directors' letters of appointment***

The non-executive Directors of the Company (including the Chairman) are appointed by letters of appointment dated, in the case of the Chairman (Alasdair Locke) 12 January 2012 and, in the case of Peter Milne 29 February 2012. The key terms of these letters of appointment are set out below.

The letters of appointment for each of the Chairman and Peter Milne sets his basic salary at £100,000 and £50,000 per annum, respectively. In recent years this basic salary has been reduced to £30,000 per annum by agreement for each non-executive Director. The total fees paid by the Company to each of the non-executive Directors for the financial year ended 31 March 2019 is set out in paragraph 4.3 *(Remuneration Details*) above.

Under the terms of each letter of appointment, the Chairman and Peter Milne were awarded 150,000 and 30,000 Ordinary Shares, respectively, on the date of each person's appointment. This award was subject to the condition that the Ordinary Shares were not disposed of for a period of at least three years from the date of the Chairman/Peter Milne's appointment. This lock-in period has now expired.

In addition, the Chairman was also granted a one-time award of restricted shares equivalent to £50,000 on the appointment of the Chief Executive Officer in 2012.

The Chairman's letter of appointment also provides for a one-time award of restricted shares equivalent to £50,000 if the average price of the Company's Ordinary Shares remains above £3.00 for any consecutive three-month period during the term of his appointment. This award of shares has not yet been granted to the Chairman.

Each non-executive Director is entitled to be reimbursed by the Company for all reasonable travel and other expenses incurred by him in the course of his duties to the Company, in accordance with the Company's expenses policy in force from time to time.

Except as outlined above, the non-executive Directors do not participate in any of the Company's share or bonus schemes and have no pension entitlements.

The date of each non-executive Director's date of appointment is set out below:

Name of Director	*Date of Appointment*
Alasdair Locke	12 January 2012
Peter Milne	29 February 2012

Under the terms of each letter of appointment, the appointment of a non-executive Director can be terminated by either the Company or the non-executive Director on three months' notice.

The Company can also terminate each letter of appointment immediately for cause.

4.6 ***Treasurer's employment agreement***

The Treasurer has an employment contract with the Company dated 1 September 2011. The terms of this contract are set out below.

The Treasurer has a remuneration package comprising a basic salary of £165,375, performance-related discretionary bonus, benefits package (including life insurance, a long-term disability

insurance and a medical insurance plan), and pension entitlements whereby the Company will contribute 7.5 per cent. of the Treasurer's basic salary to his personal pension plan.

The Treasurer and the Company have agreed a reduction of the Treasurer's salary from £165,375 per annum to £120,000 per annum with effect from 1 April 2019. However, the salary will revert to £165,375 (i) in the event that the Treasurer or the Company serve notice to terminate the Treasurer's employment or (ii) upon Completion of the Transaction.

The Company, at its discretion, may award options over Ordinary Shares to the Treasurer.

The Company may terminate the Treasurer's employment immediately (save where terminated for cause) upon payment in lieu of notice comprising six months' basic salary, benefits and bonuses earned until the date of termination ("**FC PILON**").

The Treasurer may terminate his employment on six months' notice. In the event such notice is served, the Company may request that the Treasurer immediately resign and pay to the Treasurer a sum equivalent to his salary for the six month notice period.

The Treasurer is also entitled to FC PILON where the Company is in breach if such breach is not remedied within 15 days or where the Treasurer is constructively dismissed (under the laws of England).

On a change of control of the Company, which includes the sale of all or substantially all of the Company's assets and so will be triggered by Shareholders voting in favour of the Transaction, if the Treasurer elects to terminate his employment, the Company must provide the Treasurer with FC PILON.

The employment agreement does not contain any other right for the Treasurer to receive a payment upon termination of his employment agreement.

The Treasurer's employment agreement contains various post-termination restrictive covenants.

In addition to his employment with the Company, the Treasurer is also a director of HEPI. Following Completion, the Treasurer will no longer be a director of HEPI.

5. Major Shareholders of the Company

As at the Latest Practicable Date, the Company has been notified of the following persons or groups of persons holding more than 3 per cent. of the total issued share capital of the Company:

Shareholder	*Notified Shareholding on Latest Date Practicable*	*Percentage of total Ordinary Shares in issue*
Richard Griffiths and controlled undertaking	21,931,218	29.73 per cent.
Robert Quested	15,574,354	21.11 per cent.
Universities Superannuation Scheme Limited	9,243,931	12.53 per cent.
Henderson Global Investors	3,277,403	4.44 per cent.
Yogeshwar Sharma	2,662,438	3.61 per cent.
John Grahame Whateley	2,438,169	3.31 per cent.

6. Consents

6.1 Crowe LLP is a member firm of Institute of Chartered Accountants in England and Wales and has given and not withdrawn its written consent to the publication of this Circular with the inclusion of its name in the form and context in which they appear.

6.2 Arden, as Sponsor to the Company, has given and not withdrawn its written consent to the inclusion in this Circular or the reference to its name in the form and context in which they appear.

7. Material contracts

7.1 ***The Company***

No contracts (other than contracts entered into in the ordinary course of business) have been entered into by the Company: (A) within the two years immediately preceding the date of this Circular which are, or may be, material to the Company; or (B) which contain any provision under which the Company has any obligation or entitlement which is, or may be, material to it as at the date of this Circular, save as disclosed below:

(a) *Share Purchase Agreement*

Details of the Share Purchase Agreement are set out in Part III (*Details of the Transaction*) of this Circular.

(b) *Exclusivity Letter*

The Company entered into a letter with Invenire on 22 July 2019 ("**Exclusivity Letter**") pursuant to which the Company has agreed that, subject to certain exceptions, it will not enter into any agreement or arrangement with any other person relating to the sale of the shares in HEPI or initiate or engage in any discussions or negotiations, solicited or unsolicited, with any such person relating to the sale of the shares in HEPI.

Such restrictions under the Exclusivity Letter apply from 22 July 2019 and end on the earlier of (i) 21 August 2019, in the event that the Company's solicitors had not received the remainder of the consideration of $5,750,000 by 20 August 2019; (ii) 1 October 2019 (being the date of the EGM) in the event that the Resolutions are not passed at the EGM; (iii) the Completion Date; and (iv) 21 October 2019.

(c) *Share purchase agreement with HOEC*

The Company entered into a conditional share purchase agreement with HOEC ("**HOEC SPA**") to sell HEPI to HOEC for a cash consideration of $1,500,000 on 1 July 2019 ("**HOEC Sale**"). Under the terms of the HOEC SPA, Completion of the HOEC SPA is conditional upon the Shareholders passing resolutions approving the sale of HEPI to HOEC on the terms of the HOEC SPA and the Transfer of Listing on or prior to 5.00 p.m. (London time) on 30 September 2019 (the "**HOEC SPA Condition**"). Although the HOEC Sale is not subject to any other condition other than the HOEC SPA Condition and neither the Company nor HOEC has the right to terminate the HOEC SPA, the HOEC SPA will automatically terminate if the resolutions referred to above are not passed by that time.

While the HOEC SPA requires the Company to use its reasonable endeavours to procure that the HOEC SPA Condition is satisfied as soon as possible and, in any event, prior to the time specified above and that a circular relating to the HOEC Sale is dispatched to the persons entitled to receive it within a specified period, such requirements are subject to the Directors' fiduciary duties. Having regard to the significantly higher value of the consideration payable by Invenire under the Share Purchase Agreement, the Board has been advised that to proceed with the HOEC Sale would be in breach of the Directors' fiduciary duties.

7.2 ***HEPI***

No contracts (other than contracts entered into in the ordinary course of business) have been entered into by HEPI: (A) within the two years immediately preceding the date of this Circular which are, or may be, material to HEPI; or (B) which contain any provision under which HEPI has any obligation or entitlement which is, or may be, material to HEPI as at the date of this Circular, save as disclosed below:

(a) *CY-OS/2 Production Sharing Contract*

Scope

On 19 November 1996, GOI, ONGC, Vaalco Energy Inc. ("**Vaalco**"), HOEC and TATA entered into a production sharing contract for the purpose of exploring and producing oil and gas potentially existing in CY-OS/2. There have been a number of amendments to the CY-OS/2 Production Sharing Contract and changes to the parties thereto so as at the date of the Circular, HEPI (75 per cent.) and GAIL (25 per cent.) are the existing parties to the CY-OS/02 Production Sharing Contract. HEPI is also the current operator of CY-OS/2.

The CY-OS/2 Production Sharing Contract sets out various phases in respect of the exploration and development of CY/OS-2 during the term of the contract. At the end of each phase and depending on the results of such phase, HEPI and GAIL have the option of continuing the term of the contract to move on to the next development phase or to relinquish CY/OS-2. HEPI, as operator, must meet a minimum work programme set out in the contract in respect of the exploration and development work to be undertaken in relation to CY-OS/2.

Following the completion of each phase, and subject to HEPI and GAIL exercising their right to continue with the next phase of exploration and development, the area over which the CY-OS/2 operating licence is granted under this contract ("**Contract Area**") is reduced in size to encompass particular material areas of the Contract Area comprising, ultimately, in the operating licence extending to only that part of the Contract Area which encompasses: (i) any commercial discoveries of petroleum reserves ("**Development Area**"); and (ii) any area in which, based upon results of the exploration, HEPI and GAIL believe petroleum may exist and produced in commercial quantities ("**Discovery Area**"). All other areas of the Contract Area are considered to be relinquished by HEPI and GAIL.

Costs and commercialisation of CY-OS/2

HEPI and GAIL are entitled to recover the costs that each has incurred under the CY-OS/2 Production Sharing Contract, including exploration, development and production costs, out of a percentage of the total volumes of petroleum produced from CY-OS/2. The price is determined in accordance with the calculation set out in the CY-OS/2 Production Sharing Contract. Once the costs are recovered, then the resultant petroleum is split between the GOI, HEPI and GAIL in accordance with the terms of the CY-OS/2 Production Sharing Agreement.

Term and termination

Pursuant to the CY-OS/2 Production Sharing Contract, CY-OS/2 has a term of 25 years from the effective date (19 November 1996). The CY-OS/2 Production Sharing Contract is due to expire on 18 November 2021 (unless terminated earlier by the parties or extended for a further period of not exceeding five years up to a maximum contract term of 35 years).

As outlined above, the term of the contract is split into several phases with the option for HEPI and GAIL to choose to proceed to the next phase or to relinquish CY-OS/2.

HEPI may terminate the CY-OS/2 Production Sharing Contract: (i) with respect to a Contract Area other than a Development Area (that is then producing or has produced petroleum) upon ninety days' written notice; and (ii) with respect to a Development Area (that is then producing or has produced petroleum) upon 180 days' written notice.

The GOI may terminate the CY-OS/2 Production Sharing Contract on 90 days' notice in certain circumstances, such as where HEPI and/or GAIL has: (i) intentionally and knowingly extracted or authorised the extraction of any mineral from CY-OS/2 outside of the authorisations granted under the contract (except where unavoidable as a result of the performance of obligations under the contract); (ii) been adjudged bankrupt or suffered any analogous event; or (iii) materially breached any term of the contract.

The GOI can grant HEPI or GAIL an additional period (beyond the 90 days' notice period) to remedy such breach where the contract is terminated in certain circumstances.

In the event of a termination, the GOI may require HEPI and/or GAIL, for a period of 180 days from the date of the termination, to continue the production activities until such right has been transferred to a third party.

Governing law and jurisdiction

The laws and regulations of India govern the CY-OS/2 Production Sharing Contract. In the first instance, all disputes arising out of or in connection with the CY-OS/2 Production Sharing Contract must be referred to a sole expert appointed by the parties, or in the absence of agreement, by the Secretary General of the Permanent Court of Arbitration at The Hague. Any further unresolved disputes shall be submitted to an arbitral tribunal consisting of three arbitrators. The proceedings must be conducted in accordance with the UNCITRAL Model Law on International Commercial Arbitration of 1985 and the venue shall be Kuala Lumpur, Malaysia.

(b) *PY-3 Production Sharing Contract*

Scope

On 30 December 1994, GOI, ONGC, Vaalco, HOEC and TATA entered into a production sharing contract for the purpose of exploring and producing oil and gas potentially existing in PY-3. On 12 October 1999, HEPI entered into an addendum to the PY-3 Production Sharing Contract whereby HEPI acquired 18 per cent. PI in PY-3 from Vaalco. The current PY-3 uJV partners and parties to the PY-3 Production Sharing Contract are HEPI (18 per cent.), HOEC (21 per cent.), TATA (21 per cent.) and ONGC (40 per cent.). HEPI is the current operator under the PY-3 Production Sharing Contract.

Under the terms of this contract, the PY-3 uJV partners are obliged to undertake an agreed work programme in respect of the exploration and development of PY-3. Where a commercial discovery of petroleum is discovered, the PY-3 uJV partners should submit a development plan in respect of the commercialisation of such discovery to the management committee appointed in respect of PY-3 for consideration.

Costs and commercialisation of PY-3

The PY-3 uJV partners are be entitled to recover its costs incurred under the PY-3 Production Sharing Contract, including exploration, development and production costs, out of a percentage of the total volumes of petroleum produced from PY-3. The price is determined in accordance with the calculation set out in the PY-3 Production Sharing Contract. Once the costs are recovered, then the resultant petroleum is split between the GOI and the PY-3 uJV partners as determined in accordance with the terms of the PY-3 Production Sharing Agreement.

The PY-3 uJV partners are obliged to pay the GOI production bonuses under the terms of the contract, commensurate to the number of barrels of crude oil produced from the Contract Area of PY-3.

Term and termination

The PY-3 Production Sharing Contract has a term of 25 contract years from the effective date (30 December 1994) and is due to expire on 29 December 2019 (unless terminated earlier by the parties or extended for a further period of not exceeding five years up to a maximum period of 35 years). HEPI, on behalf of the PY-3 uJV partners, applied to the GOI to extend the PY-3 Production Sharing Contract in December 2017 and February 2018. HEPI expected to receive the approval from the GOI within nine months from the date of the application. However, as at the date of this Circular, HEPI had not received a decision from the GOI as to whether or not they will extend the term of the PY-3 Production Sharing Contract.

HEPI may terminate the PY-3 Production Sharing Contract: (i) with respect to a Contract Area other than a Development Area (that is then producing or has produced petroleum) upon ninety days' written notice; and (ii) with respect of a Development Area (that is then producing or has produced petroleum) upon 180 days' written notice.

The GOI may terminate the PY-3 Production Sharing Contract on 90 days' notice in certain circumstances, such as where any of the PY-3 uJV partners has: (i) intentionally and knowingly extracted or authorised the extraction of any mineral from PY-3 outside of the authorisations granted under the contract (except where unavoidable as a result of the performance of obligations under the contract); (ii) been adjudged bankrupt or suffered any analogous event; or (iii) materially breached any term of the contract.

The GOI can grant a PY-3 uJV partner an additional period (beyond the 90 days' notice period) to remedy such breach where the contract is terminated in certain circumstances.

In the event of a termination, the GOI may require a PY-3 uJV partner, for a period of 180 days from the date of the termination, to continue the production activities until such right has been transferred to a third party.

Governing law and jurisdiction

The laws and regulations of India govern the PY-3 Production Sharing Contract. In the first instance, all disputes arising out of or in connection with the PY-3 Production Sharing Contract must be referred to a sole expert appointed by the parties, or in the absence of agreement, by the Secretary General of the Permanent Court of Arbitration at The Hague. Any further unresolved disputes must be submitted to an arbitral tribunal consisting of three arbitrators. The proceedings shall be conducted in accordance with the UNCITRAL Model Law on International Commercial Arbitration of 1985 and the venue shall be Kuala Lumpur, Malaysia.

(c) *GS-01 Production Sharing Contract*

Scope

On 17 July 2001, GOI, Reliance and HEPI entered into a production sharing contract for the purpose of exploring and producing oil and gas potentially existing in GS-01. Reliance is the current operator under the GS-01 Production Sharing Contract.

The GS-01 Production Sharing Contract sets out various phases in respect of the exploration and development of GS-01 during the term of the contract. At the end of each phase, depending on the results of such phase, HEPI and Reliance have the option of continuing the term of the contract to move on to the next development phase or to relinquish GS-01. HEPI and Reliance must meet a minimum work programme set out in the contract in respect of the exploration and development work to be undertaken in relation to GS-01.

Following the completion of each phase, and subject to HEPI and Reliance exercising their right to continue with the next phase of exploration and development, the Contract Area over which the GS-01 operating licence is granted is reduced in size to encompass particular material areas of the Contract Area comprising, ultimately, in the operating licence extending to only the Development Areas and the Discovery Areas. All other areas of the Contract Area are considered to be relinquished by HEPI and Reliance.

Costs and commercialisation of GS-01

HEPI and Reliance shall be entitled to recover the costs incurred by them under the GS-01 Production Sharing Contract, including exploration, development and production costs, out of a percentage of the total volumes of petroleum produced from GS-01. The price is determined in accordance with the calculation set out in the GS-01 Production Sharing Contract. The GOI, HEPI and Reliance also split the total value of the crude oil and natural gas produced by GS-01 in accordance with the terms of the GS-01 Production Sharing Contract.

HEPI and Reliance are obliged to pay a royalty to the GOI for offshore areas at a rate of 10 per cent. of the well-head value of crude oil and natural gas and for onshore areas at a rate of 12.5 per cent. of the well-head value of crude oil and 10 per cent. of the well-head value of natural gas. These rates are variable depending on the how deep the Contract Area is.

Term and termination

The GS-01 Production Sharing Contract has a term of up to 25 contract years from the effective date (17 July 2001) and is due to expire in 2026.

As outlined above, the term of the contract is split into several phases with the option for HEPI and Reliance to choose to proceed to the next phase or to relinquish GS-01.

HEPI and/or Reliance may terminate the GS-01 Production Sharing Contract: (i) with respect to a Contract Area other than a Development Area (then producing or has produced petroleum) upon 90 days' written notice; and (ii) with respect of a Development Area (then producing or has produced petroleum) upon 180 days' written notice.

The GOI may terminate the GS-01 Production Sharing Contract upon 90 days' written notice in certain circumstances, such as where HEPI and/or Reliance has: (i) intentionally and knowingly extracted or authorised the extraction of any mineral from GS-01 outside of the authorisations granted under the contract (except where unavoidable as a result of the performance of obligations under the contract); (ii) been adjudged bankrupt or any analogous event occurs; or (iii) materially breached any term of the contract.

The GOI can grant HEPI or Reliance an additional period (beyond the 90 days' notice period) to remedy such breach where the contract is terminated in certain circumstances.

In the event of a termination, the GOI may require HEPI and/or Reliance, for a period of 180 days from the date of the termination, to continue the production activities until such right has been transferred to a third party.

Governing law and jurisdiction

The laws and regulations of India govern the GS-01 Production Sharing Contract. In the first instance, all disputes arising out of or in connection with the GS-01 Production Sharing Contract must be referred to a sole expert appointed by the parties, or in the absence of agreement by the Chief Justice of India. Any further unresolved disputes must be submitted to an arbitral tribunal consisting of three arbitrators. The proceedings must be conducted in accordance with the Indian Arbitration and Conciliation Act, 1996 and the venue shall be New Delhi, India.

(d) *CY-OS/2 Joint Operating Agreement*

Scope

On 13 June 1997, ONGC, Vaalco, HOEC and TATA entered into a joint operating agreement for the purpose of outlining the joint operations in respect of exploring and drilling for oil and/or gas in CY-OS/2 and related activities ("**CY-OS/2 Joint Operating Agreement**"). There have been a number of amendments to the CY-OS/2 Joint Operating Agreement and changes to the parties thereto so as at the date of the Circular, HEPI (75 per cent.) and GAIL (25 per cent.) are the existing parties to the CY-OS/02 Joint Operating Agreement with HEPI being appointed as the operator of CY-OS/2.

The CY-OS/2 Joint Operating Agreement sets out the powers and duties of HEPI as the operator including, among other things, exploring, developing and operating the Contract Areas in accordance with applicable laws and regulations ("**Joint Operations**"), to lead, manage and undertake the Joint Operations (such as representing all stakeholders in discussions with the GOI in respect of CY-OS/2). HEPI must undertake the Joint Operations

within the scope of the work programme and budget approved by the operating committee of CY-OS/2 who are appointed by, and represent, the parties to the CY-OS/2 Joint Operating Agreement.

Where any assets are acquired by HEPI in respect of the Joint Operations, these shall be held by HEPI and GAIL in proportion to their interest in CY-OS/2.

Costs incurred in relation to the Joint Operations

Any costs incurred by HEPI in undertaking the Joint Operations are borne by the parties to the CY-OS/2 Joint Operating Agreement in proportion to their interest in CY-OS/2.

Term, withdrawal and assignment

The CY-OS/2 Joint Operating Agreement is in force from the date it is signed until, unless agreed otherwise by the GOI, the CY-0S/2 Production Sharing Contract terminates or all wells in the Contract Area have been plugged and abandoned and all related activities of the parties have been completed. Any party to the CY-OS/2 Joint Operating Agreement may withdraw from the agreement at any time by giving 45 days' prior written notice (or 180 days' prior written notice in the case of the operator) in the form prescribed by the agreement. No party may withdraw during the exploration period until all exploration operations for the applicable phase have been completed.

The prior consent of the GOI and other parties to the CY-OS/2 Joint Operating Agreement must be received in respect of any assignment of an interest in CY-OS/2 by a party.

Governing law and jurisdiction

The laws and regulations of India govern the CY-OS/2 Joint Operating Agreement. In the first instance, all disputes arising out of or in connection with the CY-OS/2 Joint Operating Agreement must be referred to a sole expert appointed by the parties, or in the absence of agreement, must be submitted to an arbitral tribunal consisting of three arbitrators. The proceedings must be conducted in accordance with the UNCITRAL Model Law on International Commercial Arbitration of 1985 and the venue shall be Kuala Lumpur, Malaysia.

(e) *PY-3 Joint Operating Agreement*

Scope

On 5 December 1995, ONGC, Vaalco, HOEC and TATA entered into a joint operating agreement for the purpose of outlining the joint operations in respect of exploring and drilling for oil and/or gas in PY-3 and related activities ("**PY-3 Joint Operating Agreement**"). There have been a number of amendments to the PY-3 Joint Operating Agreement and changes to the parties thereto so as at the date of the Circular, HEPI (18 per cent.), ONGC (40 per cent.), HOEC (21 per cent.) and TATA (21 per cent.) are the existing parties to the PY-3 Joint Operating Agreement with HEPI being appointed as the operator of PY-3.

The PY-3 Joint Operating Agreement sets out the powers and duties of HEPI as operator including, among other things, leading, managing and undertaking the Joint Operations (such as representing all stakeholders in discussions with the GOI in respect of PY-3). As operator, HEPI must undertake the Joint Operations within the scope of the work programme and budget approved by the operating committee of PY-3 who are appointed by and represent the parties to the PY-3 Joint Operating Agreement.

Where any assets are acquired by HEPI in respect of the Joint Operations, these shall be held by the parties to the agreement in proportion to their interest in PY-3.

Costs incurred in relation to the Joint Operations

Any costs incurred by HEPI in undertaking the Joint Operations are borne by the parties to the PY-3 Joint Operating Agreement in proportion to their interest in PY-3.

Term, withdrawal and assignment

The PY-3 Joint Operating Agreement is in force from the date it is signed until, unless agreed otherwise by the GOI, the PY-3 Production Sharing Contract terminates or all wells in the Contract Area have been plugged and abandoned and all related activities of the parties have been completed. Any party to the PY-3 Joint Operating Agreement may withdraw from the agreement at any time by giving 45 days' prior written notice (or 180 days' prior written notice in the case of the operator) in the form prescribed by the agreement. No party may withdraw either during the exploration period until all exploration operations have been completed or during the implementation of the development plan relating to PY-3.

The prior consent of the GOI and other parties to the PY-3 Joint Operating Agreement must be received in respect of any assignment of an interest in PY-3 by a party.

Governing law and jurisdiction

The laws and regulations of India govern the PY-3 Joint Operating Agreement. In the first instance, all disputes arising out of or in connection with the PY-3 Joint Operating Agreement must be referred to a sole expert appointed by the parties, or in the absence of agreement, must be submitted to an arbitral tribunal consisting of three arbitrators. The proceedings must be conducted in accordance with the UNCITRAL Model Law on International Commercial Arbitration of 1985 and the venue shall be Kuala Lumpur, Malaysia.

(f) *GS-01 Joint Operating Agreement*

Scope

On 2 November 2001, Reliance and HEPI entered into a joint operating agreement for the purpose of outlining the joint operations in respect of exploring and drilling for oil and/or gas in GS-01 and related activities ("**GS-01 Joint Operating Agreement**"). Under this agreement, Reliance is appointed as the operator of PY-3.

The GS-01 Joint Operating Agreement sets out the powers and duties of Reliance as operator including, among other things, leading, managing and undertaking the Joint Operations (such as representing all stakeholders in discussions with the GOI in respect of GS-01). As operator, Reliance must undertake the Joint Operations within the scope of the work programme and budget approved by the operating committee of GS-01 who are appointed by and represent the parties to the GS-01 Joint Operating Agreement.

All rights and interests in and to any hydrocarbons produced in the Contract Area are owned, subject to terms of the agreement, by the parties in proportion to their stake in GS-01. Where any assets are acquired by GS-01 in respect of the Joint Operations, these shall be held by HEPI and Reliance in proportion to their interest in GS-01.

Term, withdrawal and assignment

The GS-01 Joint Operating Agreement is in force from the date it is signed until, unless agreed otherwise by the GOI, the GS-01 Production Sharing Contract terminates or all wells in the Contract Area have been plugged and abandoned and all related activities of the parties have been completed. Any party to the GS-01 Joint Operating Agreement may withdraw from the agreement at any time by giving at least 60 but no more than 180 days' prior written notice. No party may withdraw until the minimum work obligation outlined in the GS-01 Production Sharing Contract has been fulfilled.

The prior consent of the GOI and other parties to the GS-01 Joint Operating Agreement must be received in respect of any transfer of an interest in GS-01 by a party.

Governing law and jurisdiction

The laws and regulations of India govern the GS-01 Joint Operating Agreement. In the first instance, all disputes arising out of or in connection with the GS-01 Joint Operating Agreement must be referred to a sole expert appointed by the parties, or in the absence of agreement by the Chief Justice of India. Any further unresolved disputes must be submitted to an arbitral tribunal consisting of three arbitrators. The proceedings must be conducted in accordance with the Indian Arbitration and Conciliation Act, 1996 and the venue shall be New Delhi, India.

8. Litigation

8.1 ***The Company***

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor is the Company aware of any such proceedings which are pending or threatened) during the last 12 months prior to the date of this Circular which may have, or during the last 12 months prior the date of this Circular have had, a significant effect on the Company and/or the Company's financial position or profitability.

8.2 ***HEPI***

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor is the Company aware of any such proceedings which are pending or threatened) during the last 12 months prior to the date of this Circular which may have, or during the last 12 months prior the date of this Circular have had, a significant effect on HEPI and/or its financial position or profitability, save as disclosed below:

(a) *Chennai Petroleum Corporation Limited ("**CPCL**") v Tamil Nadu state tax authorities ("**TN Tax Authority**"), HOEC and HEPI (Madras High Court ("**Madras HC**"))*

Under the terms of the PY-3 Production Sharing Contract, HEPI and the other PY-3 uJV partners are obliged to sell crude oil produced from PY-3 to a GOI nominee, namely CPCL. The PY-3 Production Sharing Contract states that CPCL must pay all related sales, purchase tax or value added tax ("**VAT**") in respect of such sales.

The TN Tax Authority assessed CPCL and made a claim in respect of VAT for the tax years 2006-2007, 2007-2008 and 2010-2011. HEPI and HOEC initially received notices from the TN Tax Authority including similar claims for payment of such VAT.

HEPI denied any liability in respect of these matters on the grounds that: (i) under the terms of the PY-3 Production Sharing Contract, this liability fell to be settled by CPCL; and (ii) CPCL had provided HEPI with annual statements for the years ending 2006-2007 through to the year ending 2010-2011, stating that the VAT had been paid by CPCL.

During 2014, CPCL included HOEC and HEPI as co-respondents in the writ petition filed with the Madras HC. On 19 December 2014, Madras HC sent a notice to HEPI and HOEC stating that a hearing was scheduled for 5 January 2015. On 5 June 2015, two affidavits were filed on behalf of HEPI. The Directors have not been made aware of any further development in respect of this matter since such filings in 2015.

Given that the writ petition filed by CPCL does not refer to any specific claim against HEPI, the Group cannot definitively place a value on this claim.

(b) *Samson Maritime Limited ("**Samson**") v HEPI (Indian Supreme Court and Madras HC)*

During October 2012, Samson initiated arbitration at Chennai, Tamil Nadu, India under the Indian Arbitration & Conciliation Act 1996 against all four PY-3 uJV partners jointly in respect

of unpaid monies associated with the provision of marine vessels by Samson for use in the PY-3 field. Samson's claim included unpaid vessel day-rates, contractual early termination fees and service tax levied in respect of one particular vessel provided to the PY-3 uJV partners.

Samson subsequently withdrew the arbitration and commenced a new claim solely against HEPI (as operator of PY-3 on behalf of all PY-3 uJV partners) in 2014 ("**Samson PY-3 Claim**"). The arbitration process took place during 2014 and 2015 culminating in an award being granted in Samson's favour ("**Samson Award**"). HEPI appealed the Samson Award in the Madras HC but the appeal was dismissed. Samson then sought to execute the Samson Award, and was successful in obtaining an enforcement order against HEPI from the Madras HC.

As at 31 July 2019, the value of the Samson Award (including interest) is approximately $5,390,000. To date, the Samson Award remains unpaid by HEPI, pending the outcome of HEPI PY-3 Partner Arbitration (as further detailed and defined in paragraph (i) below) and the GOI honouring the CY-OS/2 Award (as further detailed in paragraph (c) below) and in Part I (*Letter from the Chairman*) by Order of the Madras HC.

Following the announcements to the London Stock Exchange and the Indian Stock Exchanges relating to the sale of HEPI (including the HOEC Sale), Samson filed two injunction applications before the Madras HC in an attempt to prevent HOEC paying consideration of $1,500,000 to HEPI under the terms of the HOEC SPA. HEPI filed an affidavit opposing the injunction applications and highlighting to the Madras HC that any consideration would be paid by HOEC to the Company (which is not a party to the litigation proceedings instigated by Samson). Samson's injunction applications were referred to a sole judge in the Madras HC and were heard on 14 August 2019. The judge granted an injunction restraining HEPI from transferring its PI in PY3, CY/OS-2 and GS-01 to any other entity. The Madras HC has directed the applications to be listed on 9 September 2019 and HEPI intends to file its reply to the applications by that date.

(c) *HEPI v The GOI (Arbitration Kuala Lumpur, Malaysia)*

During 2007, HEPI, as operator of the CY-OS/2 block, drilled an exploration well (FAN-A1) and announced a discovery (Ganesha) which flowed gas and condensate liquid ("**Ganesha Discovery**").

Under the CY-OS/2 Production Sharing Contract, the CY-OS/2 uJV partners have up to two years to declare a commercial oil discovery and up to five years to declare a commercial gas discovery. Notwithstanding this, in March 2009, the GOI deemed that the CY-OS/2 block had been relinquished because the CY-OS/2 uJV partners had allegedly not undertaken an appraisal programme nor declared the commerciality of the Ganesha Discovery. HEPI disagreed with the GOI's conclusion and entered into unsuccessful discussions with the GOI regarding these matters.

As a result, in May 2010, with the consent and formal approval of the other CY-OS/2 uJV partners, GAIL and ONGC, HEPI (as operator of the CY-OS/2 block and on behalf of the uJV partners) initiated arbitration against the GOI before the Tribunal. On 2 February 2013, the CY-OS/2 Award was granted by the Tribunal, details of which are set out in Part I (*Letter from the Chairman*) of this Circular.

The GOI subsequently attempted to overturn the CY-OS/2 Award through the Indian courts on a number of occasions. After numerous petitions and hearings since 2013, in September 2018, the Supreme Court of India ("**SCI**") upheld the GOI's appeal on jurisdiction and issued an order confirming that the Indian courts did have jurisdiction to hear the GOI's appeal in relation to the CY-OS/2 Award. The Company has continued to evaluate the legal options available to it but the Directors believe that such options are limited given the 2018 decision of the SCI.

(d) *The GOI v HEPI (Delhi High Court, ("**Delhi HC**") India)*

In July 2013, the GOI filed an appeal ("**Original Appeal**") with the Delhi HC seeking to have the CY-OS/2 Award set aside. Following repeated adjournments, in July 2015, the GOI withdrew the Original Appeal on jurisdictional grounds and the Delhi HC dismissed the Original Appeal.

In August 2015, the GOI filed a review petition with the Delhi HC but such petition was dismissed in January 2016. Consequently, in February 2016, the GOI filed a second appeal ("**Second Appeal**") with the Division Bench of the Delhi HC ("**Delhi DB**"), seeking to have the CY-OS/2 Award set aside. The Delhi DB dismissed the Second Appeal in July 2016 on the grounds that it had no jurisdiction to set aside a Kuala Lumpur-seated arbitral award.

In October 2016, the GOI filed a special leave petition (being a request for permission to be heard in appeal against a high court and/or tribunal judgment) ("**Special Leave Petition**") with the SCI, seeking to overturn the decision of the Delhi DB. During the subsequent 19 months, the Special Leave Petition was adjourned over 45 times, for the most part, as a result of requests for adjournments and time extensions by GOI.

On 1 May 2018, the SCI ordered that the case be referred to a higher bench of the SCI and the case was listed before the Chief Justice of India and two other senior Justices. On 25 September 2018, the SCI upheld the Special Leave Petition ("**SC Judgment**") and held that India in fact had jurisdiction to rule on the Second Appeal and as such could set aside the CY-OS/2 Award, on the grounds that the Tribunal had not determined that the seat of arbitration was Kuala Lumpur.

Following the SC Judgment, HEPI filed a review petition with the SCI. However, the review petition was dismissed on 30 January 2019. The Original Appeal has been reinstated and is pending before the Delhi HC. The next hearing in relation to the Original Appeal has been listed for 23 September 2019.

(e) *HEPI v The GOI (Delhi High Court, India)*

In November 2013, HEPI filed an application ("**Execution Application**") with the Delhi HC in respect of enforcement of the CY-OS/2 Award in India. The GOI opposed the Execution Application and it is currently deferred until judgment in respect of the reinstated Original Appeal.

(f) *HEPI v The GOI (District Court, Washington DC, USA)*

In January 2016, HEPI filed a petition ("**Confirmation Petition**") with the United States District Court in the District of Columbia, USA ("**DC**") ("**DC Court**") to have the CY-OS/2 Award confirmed in DC. The DC Court dismissed the Confirmation Petition, but permitted HEPI to re-attempt service on the GOI pursuant to the US Foreign Sovereign Immunities Act.

Consequently, in February 2017, HEPI re-filed the Confirmation Petition through the Hague Service Convention process. However, in June 2018, the DC Court dismissed the Confirmation Petition on the basis that (among other things) it would be against US public policy with respect to certain elements of the CY-OS/2 Award associated with the restoration of the CY-OS/2 block to HEPI. In July 2018, HEPI filed a notice of appeal with the DC Court of Appeal. HEPI has not progressed this appeal process.

(g) *HEPI v The GOI (High Courts of Justice, Commercial Court, London, England)*

In July 2017, HEPI was granted an enforcement order ("**Enforcement Order**") by the Commercial Court in London, England ("**Commercial Court**") in relation to the CY-OS/2 Award. The Enforcement Order was served on the GOI in New Delhi. The GOI did not file an application to have the Enforcement Order set aside within the default time limits under English law. However, on 18 May 2018, the GOI successfully applied for, and was granted, a

retrospective extension of time in which to submit its application to set aside the Enforcement Order. Subsequently, the GOI submitted its application to set aside the Enforcement Order, which is still pending. No dates have been fixed for any hearings in relation to this case.

In March 2018, HEPI was granted an interim third party debt order ("**ITPDO**") by the Commercial Court in support of the Enforcement Order in respect of a debt owed by a UK registered and operating company, to the GOI. However, on 25 July 2018, the Commercial Court dismissed the ITPDO.

(h) *Aban Offshore Limited ("**AOL**") v HEPI (Arbitration New Delhi, India)*

AOL initiated arbitration at New Delhi, India under the Indian Arbitration & Conciliation Act 1996 against HEPI, as operator of the PY-3 field on behalf of the PY-3 uJV and contract holder with AOL, in respect of: (i) alleged force majeure weather conditions which caused damage to AOL's floating production system ("**FPS**") resulting in lost lease day-rate revenue of $3,290,000; (ii) FPS Floating Storage & Offloading unit ("**FSO**") mooring buoy damage resulting in lost lease day-rate revenue of $3,500,000; and (iii) fuel payment disputes in a total sum of US$1,330,000.

In May 2015, AOL subsequently increased its claim to approximately $75,000,000 ("**Second Claim**") which included a claim in respect of FPS lease day-rate revenue ($49,000 per day from 31 July 2011 going forward). In September 2016, AOL withdrew a portion of its Second Claim (from 9 June 2013) and the claim is currently in the total sum of $56,380,000 plus interest and costs.

Witness hearings were conducted between December 2015 and March 2019 and closing arguments are scheduled for August and September 2019.

(i) *HEPI v ONGC, TATA & HOEC (Arbitration Kuala Lumpur, Malaysia)*

In March 2017, HEPI initiated arbitration proceedings in Kuala Lumpur, Malaysia, under UNCITRAL Model Law against the PY-3 uJV partners in respect of costs expended by HEPI, from 31 July 2011 to date, as required in order to comply with HEPI's duties and obligations as the PY-3 operator under the PY-3 Production Sharing Contract and the PY-3 Joint Operating Agreement ("**HEPI PY-3 Partner Arbitration**"). The amount claimed as at March 2017 includes a sum of $6,047,916, the PY-3 uJV partners' share of the Samson Award in the sum of $3,224,357 plus interest and HEPI's legal costs. HEPI also requested that the tribunal rule on the ongoing liability to share the costs incurred by HEPI in its role as the PY-3 operator.

The other PY-3 uJV partners have made counterclaims against HEPI in the HEPI PY-3 Partner Arbitration, as follows:

(i) ONGC's counterclaim includes the reimbursement of the PY-3 uJV partners' share of the GOI levies in the sum of approximately $73,780,000 and the loss of production revenue in the sum of $5,700,000 all plus interests and legal costs.

(ii) HOEC's counterclaim includes: (a) a refund of head office expenses in the sum of $989,000; (b) the costs associated with one well in the sum of $10,970,000; (c) the costs of two subsea Christmas trees in the sum of $1,090,000; (d) a service tax refund in the sum of $620,000; (e) an excess cash call in the sum of $145,000; and (f) interest and legal costs.

(iii) TATA's counterclaim includes: (a) loss of production revenue in the sum of $16,060,000; (b) loss of (future) production revenue in the sum of $48,890,000; (c) the costs of wells in the sum of $20,590,000; (d) a refund of head office expenses in the sum of $989,000; (e) a service tax refund; and (f) interest and legal costs.

The arbitration proceedings were conducted throughout 2017 and 2018 and the tribunal has informed the parties that the award should be issued by mid-July 2019 at the latest. To date, no award has been issued by the arbitral tribunal.

(j) *HEPI v ONGC, TPL & HOEC (Madras HC)*

In July 2017, HEPI filed a section 9 petition seeking interim relief against the other PY-3 uJV partners under the Indian Arbitration & Conciliation Act 1996 for the specific amount pending from the Samson Award (please see paragraph (b) above for further information on the Samson Award). In December 2017, the Madras HC dismissed the petition on the basis that interim relief could not be claimed for an arbitration process seated outside India ("**Madras HC Decision**"). Shortly thereafter, HEPI filed an appeal against the Madras HC Decision on the grounds that the Indian Arbitration & Conciliation Act 1996 (as amended in 2015) allows interim relief in support of foreign-seated awards. The appeal was dismissed in January 2019. However, the Madras HC allowed HEPI to apply for future relief following the granting of the Award in the HEPI PY-3 Partner Arbitration.

(k) *HEPI v Commissioner of Central Excise and Service Tax - Chennai ("**CCEST**") (The Customs Excise and Service Tax Appellate Tribunal ("**CESTAT**") Appeal)*

In May 2009, HEPI claimed for a refund of service tax ("**Tax Refund**") which it considers was wrongly charged by AOL for the PY-3 FPS for the period between 1 June 2007 and 15 May 2008. The claim was rejected by CCEST in 2009. HEPI made an appeal which was upheld in HEPI's favour and the Tax Refund was granted in August 2011. CCEST appealed the decision to CESTAT in Chennai, India. On 15 November 2018, CESTAT dismissed the appeal and an order was issued on 2 January 2019 stating that HEPI is entitled to the Tax Refund. Subsequently, HEPI has applied for the Tax Refund. CCEST has requested: (i) HEPI to submit supporting documentation; and (ii) personal meetings with HEPI's finance and senior staff during May and June 2019. HEPI received payment of the Tax Refund on 20 August 2019. The value of the Tax Refund is INR138,847,930 (approximately $1,937,053).

(l) *Commissioner of Customs v HEPI (Chennai CESTAT Appeal)*

On 20 April 2009, the Commissioner of Customs issued a show cause notice to HEPI that it was liable to pay additional duty on marine gas oil used by a support vessel during offshore operations on the PY-3 well known as PD-4. In August 2009, HEPI appealed the order to CESTAT and made additional submissions in July 2012. A final hearing was held on 3 July 2018 and on 29 November 2018, CESTAT issued a final order for HEPI to pay the additional duty of INR12,30,644 (approximately $17,779) plus interest until the date of payment. HEPI has not appealed against this order.

(m) *Commissioner GST and Central Excise vs HEPI (Chennai CESTAT Appeal)*

In September 2014, Directorate General Central Excise Intelligence ("**DGCEI**") sent an information request relating to PY-3 and CY-OS/2 cash calls, cost recovery and profit petroleum for the period between October 2009 and September 2014. HEPI subsequently submitted the requested information. In April 2016, HEPI received a show cause notice from the DGCEI relating to service tax payable on mining services and survey and exploration services relating to the period between 31 March 2010 to 31 March 2015. HEPI challenged the validity of liability and correctness of the calculation of the service tax.

In April 2018, HEPI received a statement of demand relating to the period between 1 April 2015 to 30 June 2017 to which HEPI submitted a full response.

On 30 May 2019, the Chennai GST & Central Excise department ("**GSTCE Department**") issued an order for HEPI to pay service taxes in the sum of INR295,508,090 (approximately $4,288,942) plus a penalty in the sum of INR295,508,090 (approximately $4,288,942) and

interest which was received by HEPI on 14 June 2019). HEPI is yet to receive the GSTCE Department's response to HEPI's reply to the statement of demand.

(n) *Deputy Commissioner Income Tax, International Taxation Chennai vs HEPI (Madras HC IT Appeal)*

HEPI has claimed contribution to the PY-3 Site Restoration Fund as expenditure while computing book profits (for Minimum Alternate Tax) under section 115 JB of Income Tax Act for the Assessment Year 2008/2009 (Financial Year 2007/2008). This has been disputed by the Assessing Officer at the Income Tax Appellate Tribunal ("**ITAT**") Level. The ITAT found in favour of HEPI in February 2012.

The Income Tax department filed an appeal in the Chennai Madras High Court in 2013 (TCA 550/2013) of which HEPI was informed in January 2019. As the Group has not yet received a copy of the appeal documents, it is unable to value this claim.

(o) *Volterra Fietta*

On 14 August 2019, solicitors instructed by Volterra Fietta ("**VF**") wrote to the Company and HEPI in relation to alleged outstanding fees and disbursements owed to VF in respect of work carried out on an enforcement in England of an arbitral award against the GOI. The letter stated that VF intends to issue proceedings if the Company does not pay the allegedly outstanding fees. The letter did not quantify the amount of the threatened claim. However, VF has submitted invoices to HEPI amounting to approximately £633,500 in relation to legal fees (including counsel fees).

On 16 August 2019, the Company and HEPI replied to the letter stating that: (i) the Company is not a client of VF and so has no liability to VF; and (ii) that HEPI would defend such proceedings. A response from VF is awaited.

9. Working capital statement

The Company is of the opinion that, after taking into account existing cash and the Net Proceeds, the Company has sufficient working capital for its requirements post Transaction, that is for at least the next 12 months following the date of this Circular.

10. Significant change

10.1 ***The Company***

There has been no significant change in the trading or financial position of the Company since 31 March 2019 (the date to which the latest published financial information of the Company was prepared).

10.2 ***HEPI***

There has been no significant change in the trading or financial position of HEPI since 31 March 2019, being the date to which the most recent financial information on HEPI, presented in Part IV (*Financial Information relating to HEPI*) of this Circular, has been prepared.

11. Related party transactions

Details of related party transactions (which for these purposes are those set out in the standards adopted according to Regulation (EC) No 1606/2002) that the Company have entered into are described in the notes to the audited consolidated financial statements of the Group for the financial years ended 31 March 2019, 31 March 2018 and 31 March 2017, which are hereby incorporated by reference into this Circular and set out more specifically below:

11.1 during the financial year ended 31 March 2019, such transactions are disclosed exclusively in Section 26 of the 2019 Preliminary Final Results Announcement;

11.2 during the financial year ended 31 March 2018, such transactions are disclosed exclusively in note 26 on page 74 and note 18 on page 82 of the 2018 Annual Report;

11.3 during the financial year ended 31 March 2017, such transactions are disclosed exclusively in note 27 on page 74 and note 19 on page 82 of the 2017 Annual Report; and

11.4 during the period from 1 April 2019 to the date of this Circular, there were no new related party transactions.

12. Sources of information

The sources and basis of statements relating to the market position of the Company are set out in this Circular where the statement is made. Certain information has been obtained from external publications and, where applicable, the source of such information is stated in this Circular where the information is included. The Company confirms that this information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

13. Information incorporated by reference

Part VI (*Checklist of information incorporated by reference*) of this Circular sets out the documents that are incorporated by reference within this Circular and the location of the references.

14. Documents available for inspection

Printed copies of the following documents may be inspected at the registered office of the Company and at the principal UK offices of the Company located at 16 North Silver Street, Aberdeen AB10 1RL, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of publication of this Circular:

14.1 the Articles of Association;

14.2 the 2019 Preliminary Final Results Announcement, the 2018 Annual Report and the 2017 Annual Report;

14.3 a version of the Share Purchase Agreement incorporating the amendments made to it pursuant to the Deed of Variation and the Subscription Agreement; and

14.4 this Circular, including the Notice of EGM, and the Form of Proxy.

PART VIII

DEFINITIONS

The definitions set out below apply throughout this Circular, unless the context requires otherwise:

2018 Annual Report	the Company's annual report for the financial year ended 31 March 2018 including the audited financial statements for the financial year ended 31 March 2018;
2017 Annual Report	the Company's annual report for the financial year ended 31 March 2017 including the audited financial statements for the financial year ended 31 March 2017;
Arden	Arden Partners plc, sponsor to the Company;
Articles of Association	the articles of association of the Company for the time being;
Assets	CY-OS/2, PY-3 and GS-01 and "**Asset**" means any of them;
Board	the board of directors of the Company;
Business Day	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in London other than solely for trading and settlement in GBP;
Capitalisation and Waiver	the capitalisation of substantially all of the Intra-Group Debt prior to Completion and waiver by the Company of its rights to the repayment of the amount of the Intra-Group Debt at Completion which has not been capitalised;
CEO	chief executive officer of the Company;
Chairman	chairman of the Board;
Circular	this circular to be sent to Shareholders on or around the date hereof containing details of the Transaction;
Company	Hardy Oil and Gas plc, a public limited company incorporated in Isle of Man, with registered number 087462C;
Company's Solicitors	Dorsey & Whitney (Europe) LLP of 199 Bishopsgate, London, EC2M 3UT;
Completion	completion of the Transaction;
Completion Date	the Business Day falling after the date on which the Condition is satisfied;
Condition	the condition to Completion as described in paragraphs 1 and 12 of Part I (*Letter from the Chairman*) and Part III (*Details of the Transaction*) of this Circular;
Contingent Resources	as defined in the Petroleum Resources Management System (revised June 2018);
CY-OS/2	the oil and gas asset exploration block CY-OS/2 located offshore India's East Coast and encompassing the Ganesha Discovery;

CY-OS/2 Production Sharing Contract	a production sharing contract dated 19 November 1996 entered into between GOI, ONGC, Vaalco Energy Inc., HOEC and TATA for the purpose of exploring and producing oil and gas potentially existing in CY-OS/2, as amended from time to time, including by way of an addendum dated 30 March 2000 entered into by HEPI whereby HEPI acquired 25 per cent. PI in CY-OS/2 from Vaalco;
Deed of Variation	the deed of variation to the Share Purchase Agreement between the Company and Invenire dated 22 July 2019 amending certain terms of the Share Purchase Agreement, including the amount of the consideration payable to the Company under the Share Purchase Agreement;
Director(s)	the directors of the Company whose names are set out at paragraph 3 of Part VII (*Additional Information*) of this Circular;
Disclosure Guidance and Transparency Rules	the transparency rules made by the FCA for the purpose of Part 6 of FSMA;
EGM or **Extraordinary General Meeting**	the extraordinary general meeting of Shareholders to be held at the offices of the Company's Solicitors at 199 Bishopsgate, London, EC2M 3UT at 11 a.m. on 1 October 2019 to consider and if thought fit pass the Resolutions in connection with the Transaction and the Transfer of Listing, including any adjournment thereof, notice of which is set out at the end of this Circular;
EU	European Union;
FCA or **Financial Conduct Authority**	the UK Financial Conduct Authority or its successor from time to time;
Field Development Plan	a plan for the development and commercialisation of an Asset;
Floating Production System	a system used in oil exploration which facilitates the production of hydrocarbons and exportation of crude oil from an oil field;
Form of Proxy	the form of proxy for use at the EGM, which is being made available with this Circular;
FSMA	the Financial Services and Markets Act 2000, as amended, modified or re-enacted from time to time;
GAIL	Gas Authority of India Limited, a company incorporated in India;
Ganesha Discovery	as defined in paragraph 8 (*Litigation*) of Part VII (*Additional Information*);
GOI	the Government of India;
Great Britain	the island consisting of England, Scotland and Wales;
Group	the Company and HEPI;
GS-01	the oil and gas block GS-OSN-2000/1 located in the Gujarat-Saurashtra offshore basin off India's West Coast;
GS-01 Production Sharing Agreement	a production sharing contract dated 17 July 2001 entered into between GOI, Reliance and HEPI for the purpose of exploring and producing oil and gas potentially existing in GS-01;

HEPI	Hardy Exploration & Production (India) Inc., a corporation incorporated in the US State of Delaware;
HOEC	Hindustan Oil Exploration Company Limited, a public company limited by shares incorporated in the Republic of India with Corporate Identification Number (CIN) L11100GJ1996PLC029880 and whose registered office is at 'HOEC House', Tandalja Road, Off Old Padra Road, Vadodara – 390020, Gujarat, India;
Intra-Group Debt	the indebtedness of HEPI to the Company, being approximately $125,250,000 as at the date of this Circular;
Invenire	Invenire Energy Private Limited, a company limited by shares incorporated in India under the provisions of the Companies Act, 2013, with Corporate Identification Number U74999TN2016PTC112345 and having its registered office at Meridian House, No. 121/3, TTK Road, Alwarpet, Chennai – 600 018, India;
Latest Practicable Date or **LPD**	21 August 2019, being the latest practicable date prior to publication of this Circular;
Listing Rules	the listing rules made by the FCA under Section 73A FSMA;
Litigation and Disputes	the litigation relating to CY-OS/2 and the disputes relating to each of PY-3 and GS-01, as further detailed in paragraph 1 of Part I (*Letter from the Chairman*) and paragraph 8 (*Litigation*) of Part VII (*Additional Information*) of this Circular;
London Stock Exchange or **LSE**	the London Stock Exchange plc or its successor(s);
Longstop Date	21 October 2019;
Main Market	the main market of the LSE;
Market Abuse Regulation or **MAR**	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation);
Net Proceeds	total cash proceeds at Completion less the payment of costs relating to the Transaction;
Notice of Extraordinary General Meeting or **EGM Notice**	the notice of the EGM which is set out at the end of this Circular;
Official List	the Official List maintained by the FCA pursuant to Part VI of FSMA;
ONGC	Oil & Natural Gas Company, a company incorporated in India;
Ordinary Shares	ordinary shares of $0.01 each in the share capital of the Company;
Premium Listing	a listing of shares on the "Premium Listing (commercial company)" segment of the Official List;
PY-3	the oil field block CY-OS-90/1 located near the Tranquebar sub-basin off the East Coast of India;
PY-3 Production Sharing Contract	a production sharing contract dated 30 December 1994 entered into between GOI, ONGC, Vaalco, HOEC and TATA for the purpose of exploring and producing oil and gas potentially existing in PY-3, as

	amended from time to time, including an addendum dated 12 October 1999 entered into by HEPI whereby HEPI acquired 18 per cent. PI in PY-3 from Vaalco;
Registrar	IQ EQ (Isle of Man) Limited;
Regulatory Information Service or **RIS**	any of the services set out in Appendix II to the Listing Rules;
Reliance	Reliance Industries Limited, a private company incorporated in India;
Remuneration Committee	the remuneration committee of the Board;
Reserves	as defined in the Petroleum Resources Management System (revised June 2018);
Resolution 1	the resolution to be proposed at the EGM to approve the Transaction being Resolution 1 as set out in the Notice of EGM, with any permitted amendments thereto;
Resolution 2	the resolution to be proposed at the EGM to approve the Transfer of Listing being Resolution 2 as set out in the Notice of EGM, with any permitted amendments thereto;
Resolutions	Resolution 1 and Resolution 2;
Second Deed of Variation	the second deed of variation to the Share Purchase Agreement between the Company and Invenire dated 22 August 2019 amending the Completion Date;
Shareholders	the holders of Ordinary Shares and "**Shareholder**" shall be construed accordingly;
Share Purchase Agreement	the share purchase agreement between the Company (as seller) and Invenire (as buyer) dated 15 July 2019 (as amended by the Deed of Variation and the Second Deed of Variation) detailing the terms and conditions of the Transaction. A summary of the key terms of the Transaction are set out in Part III *(Details of the Transaction*) of this Circular;
Standard Listing	a listing of shares on the "Standard Listing" segment of the Official List;
Subscription Agreement	the agreement relating to the Capitalisation and Waiver to be entered into by the Company and HEPI on the Completion Date. A summary of the key terms of the Subscription Agreement are set out in Part III (*Details of the Transaction*) of this Circular;
TATA	TATA Petrodyne Limited, a private company incorporated in India;
Transfer of Listing	The transfer by the Company from its Premium Listing to a Standard Listing;
Transaction	the proposed disposal of the HEPI, pursuant to the terms and conditions of the Share Purchase Agreement as described in Part I (*Letter of the Chairman*) and Part III (*Details of the Transaction*) of this Circular;
Treasurer	the treasurer of the Company whose name is set out at paragraph 3 of Part VII (*Additional Information*) of this Circular;

uJV	unincorporated joint venture;
UK	United Kingdom of Great Britain and Northern Ireland;
UK Corporate Governance Code	the UK Corporate Governance Code published by the UK Financial Reporting Council;
Unapproved Share Option Scheme	the unapproved share option scheme adopted by the Company on 31 May 2005 under which the Company can grant options over Ordinary Shares; and
US or **United States**	United States of America, its territories and possessions, any State of the United States of America and the District of Columbia.

NOTICE OF EXTRAORDINARY GENERAL MEETING

HARDY OIL AND GAS PLC

(incorporated and registered in the Isle of Man with registered number 087462C)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of Hardy Oil and Gas plc ("**Company**") will be held at the offices of the Company's Solicitors at 199 Bishopsgate, London, EC2M 3UT at 11 a.m. on 1 October 2019 for the purpose of considering and, if thought fit, passing the following resolutions.

RESOLUTIONS

Resolution 1 – as an ordinary resolution

"That, subject to and conditional upon the passing of Resolution 2, the proposed sale by the Company of the whole of the capital stock of Hardy Exploration & Production (India) Inc. to Invenire Energy Private Limited ("**Transaction**"), on the terms of, and subject to the satisfaction of the condition to, the Share Purchase Agreement (as defined and summarised in the circular of the Company to its shareholders dated 22 August 2019 ("**Circular**")), which constitutes a class 1 transaction for the purpose of the Listing Rules of the FCA, of which the notice of this extraordinary general meeting forms part, be and is hereby approved and the directors of the Company (or any duly authorised committee thereof) be and are hereby authorised:

(a) to do or procure to be done all such acts and things on behalf of the Company as the directors of the Company consider necessary, desirable or expedient to implement, complete or otherwise in connection with, the Transaction and associated matters; and

(b) to agree such modifications, variations, revisions, waivers, extensions, additions or amendments to any of the terms of the Transaction and/or to any documents relating to it, as the directors of the Company (or any duly authorised committee thereof) may in their absolute discretion think fit, provided such modifications, variations, revisions, waivers, extensions, additions or amendments are not of a material nature."

Resolution 2 – as a special resolution

"That, subject to and conditional upon completion of the Transaction occurring and the passing of Resolution 1, the proposed transfer of the Company's category of equity share listing on the Official List of the FCA and on the Main Market of the London Stock Exchange plc from a Premium Listing (commercial company) to a Standard Listing (shares) ("**Transfer of Listing**") be and is hereby approved and the directors of the Company be and are hereby authorised to cause such Transfer of Listing to be effected and to do and/or procure to be done all such acts or things on behalf of the Company as the directors of the Company consider necessary, desirable or expedient in connection therewith."

By order of the Board

Jacqueline Fergusson
Company Secretary

Registered Office
First Names House
Victoria Road
Douglas
Isle of Man
IM2 4DF

22 August 2019

Notes

(1) Only those shareholders registered in the Company's register of members at 5 p.m. on 27 September 2019 or, if the EGM is adjourned, at 5 p.m. on the day two days (excluding non-Business Days) prior to the adjourned meeting, shall be entitled to attend and vote at the EGM. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend the vote at the EGM.

(2) A member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more persons as his proxy to attend and to vote in his stead. A proxy need not be a member of the Company. Appointment of a proxy does not preclude you from attending the EGM and voting in person. If you have appointed a proxy and you attend the EGM and vote in person, your proxy appointment will automatically terminate.

(3) To be effective, Forms of Proxy (together with any power of attorney or other authority (if any) under which it is signed or a duly certified copy of the same) must be completed and lodged at the Company's registered office, First Names House, Victoria Road, Douglas, Isle of Man, IM2 4DF, not later than 11 a.m. on 27 September 2019 or, if the EGM is adjourned, at 11 a.m. on the day two days (excluding non-Business Days) prior to the adjourned meeting. Lodgement of a form of proxy will not prevent a member from attending and voting in person.

(4) A corporation which is a shareholder can appoint one or more corporation representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporation exercises powers over the same share.

(5) In the absence of any specific direction, a proxy shall be deemed to be entitled to vote in respect of all shares in the relevant holding.

(6) In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

(7) Shareholders attending the EGM have the right to ask questions relating to the business being dealt with at the EGM and the Company must answer such questions unless: (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interest of the Company or the good order of the EGM that the question be answered.

(8) As at the close of business on the date immediately preceding this Notice the Company's issued share capital comprised 73,764,035 Ordinary Shares. Each Ordinary Share carries the right to one vote at the EGM and, therefore, the total number of voting rights in the Company as at the close of business on the date immediately preceding this notice is 73,764,035. On a vote by a show of hands, every member who (being an individual) is present by a person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. On a poll every member who is present in person or by proxy shall have one vote for every Ordinary Share held by him.

(9) You may not use any electronic address provided either in this notice of EGM or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.