

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor or other independent professional adviser authorised under the Financial Services and Markets Act 2000.**

**The whole of this document should be read, but your attention is, in particular, drawn to the letter from your Chairman which is set out on pages 3 to 8 of this document and which recommends you vote in favour of the Resolution to be proposed at the Extraordinary General Meeting referred to below.**

If you have sold or transferred all of your Ordinary Shares, please forward this document, together with the enclosed Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold or transferred only part of your holding of Ordinary Shares, please retain these documents.

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# **HARDY OIL AND GAS PLC**

*(Incorporated and registered in the Isle of Man with registered no. 087462C)*

## **Proposed Disposal of Hardy Oil (Africa) Limited**

**and**

## **Notice of Extraordinary General Meeting**

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Arden Partners, which is authorised and regulated in the United Kingdom by the FSA, is acting only for Hardy Oil and Gas plc and no-one else in connection with the proposed Disposal. Arden Partners is not acting for, nor will be responsible to, any person other than Hardy Oil and Gas plc for providing the protections afforded to their clients or for advising any other person on the contents of this document or any transaction or arrangement referred to herein.

Notice of an Extraordinary General Meeting to be held at 10.00 a.m. on 27 October 2010 at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU, is set out at the end of this document. The accompanying Form of Proxy for use in connection with the Extraordinary General Meeting should be completed and returned as soon as possible but, in any event, so as to be received at the Company's registered office at 15-19 Athol Street, Douglas, Isle of Man, IM1 1LB by no later than 10.00 a.m. on 25 October 2010. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting at the Extraordinary General Meeting should they so wish.

This document does not constitute or form part of any offer or instruction to purchase, subscribe for or sell any shares or other securities in the Company nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with any contract therefor. The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or the accompanying Form of Proxy comes should inform themselves about and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

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### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 25 October 2010
Extraordinary General Meeting of the Company	10.00 a.m. on 27 October 2010
Expected date of Completion	27 October 2010

## PART I

### LETTER OF RECOMMENDATION FROM THE CHAIRMAN OF HARDY

*(Incorporated and registered in the Isle of Man with registered no. 087462C)*

*Registered office:*  
15-19 Athol Street  
Douglas  
Isle of Man  
IM1 1LB

*Directors:*

Edward Paul Mortimer *(Non-Executive Chairman)*  
Yogeshwar Sharma *(Chief Executive Officer)*  
Dinesh Dattani *(Finance Director)*  
Dr Carol Bell *(Senior Non-Executive Director)*  
Perayya Sastry Karra *(Non-Executive Director)*  
Pradip Panalal Shah *(Non-Executive Director)*  
Ian Bruce *(Non-Executive Director)*

11 October 2010

*To Shareholders and, for information only, to option holders of the Company*

Dear Shareholder,

### **Proposed Disposal of Hardy Oil (Africa) Limited**

#### **1. Introduction**

Hardy is an upstream international oil and gas company whose assets are located principally in India. On 21 September 2010, the Company announced that it had entered into an agreement for the proposed disposal by the Company of its wholly owned Nigerian business by way of a sale of the entire issued share capital of Hardy Oil (Africa) Limited and outstanding shareholder loans for cash consideration of US\$4,550,001 to Inergia Petroleum Limited, a newly incorporated upstream energy company focused on Nigeria.

Mr Sastry Karra is a non-executive director of Hardy and holds 10.0 per cent. of the issued share capital of Hardy. Mr Karra is also a director and officer of IPL and holds a significant equity position in that company. As a result, the Disposal is a related party transaction within the meaning of the Listing Rules. Completion of the Disposal is therefore conditional on approval by Shareholders. An Extraordinary General Meeting is being convened at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU for 10.00 a.m. on 27 October 2010 at which an ordinary resolution will be proposed to approve the Disposal. The notice convening the EGM is set out at the end of this document.

The purpose of this document is to provide Shareholders with details of the Disposal, including the background to and reasons for it, to explain why the Board, who have been so advised by Arden Partners, believes that the Disposal is fair and reasonable and in the best interests of the Company and its Shareholders as a whole and to set out the reasons why the Board is recommending Shareholders to vote in favour of the Resolution.

#### **2. Background to and reasons for the Disposal**

##### ***Background***

Hardy Oil (Africa) Limited (“HOA”) is a wholly owned subsidiary of the Company and is registered in the Isle of Man. Hardy Oil Nigeria Limited (“HON”) is a wholly owned subsidiary of HOA and is registered in Nigeria. HON’s primary assets are the Oza and Atala marginal fields located in Nigeria.

HON has a project office located in Lagos Nigeria and the Nigerian business has 11 employees. During 2009, HOA incurred a loss US\$0.74 million (2008: US\$0.50 million) principally resulting from ongoing general and administrative and financing charges. As at 31 December 2009, HOA's gross assets were approximately US\$4.40 million (2008: US\$4.20 million).

Further details relating to the assets of HON are set out below:

**Oza:** HON holds a 20 per cent. working interest in the Oza Field, which is located on-land in the north western part of OML 11, near Port Harcourt, with three suspended wells in the field and a concession area of 20 km<sup>2</sup>. The Oza field is subject to a farm-out agreement and in 2005 HON acquired a 40 per cent. interest in the Oza field. Subsequently in 2008, HON farmed out a 20 per cent. working interest in the field. Under the terms of that agreement, and as consideration for the interest, a third party assumed HON's obligation to fund the initial work programme of the Oza Field. After some initial funding of the agreed development programme, the third party has not been able to fund ongoing development due to liquidity constraints, which has resulted in delays to this programme. The Board believed that it had limited options in this regard and was unwilling to provide further funding to the joint venture. To mitigate the ongoing liquidity constraints, in December 2009, the Oza joint venture entered into a service and financing contract with a consortium of indigenous service companies, to perform a well work-over and install a 10 km multi-phase pipeline to the Isimiri flow station. The joint venture has faced ongoing delays with respect to the development of the Oza field through to production. The Board anticipates such delays to continue.

**Atala:** The Atala Field is located within OML 46, which is situated within a mangrove swamp on the Dodo River, a coastal area of Bayelsa State. The concession area is 34 km<sup>2</sup>. The Atala Field was discovered in 1982 with the drilling of the Atala-1 well. The joint venture has been planning the re-entry of the Atala-1 well to undertake a flow test and proceed to a phased development of the oil resources with subsequent development of the natural gas resources in a second phase. For the past four years, the joint venture has been unable to secure the necessary equipment to undertake the planned re-entry programme. The Atala joint venture's inability to secure the necessary equipment can be attributed to the result of security and commercial constraints. Due to ongoing militant actions of various groups in the Niger Delta, the overall supply of the required specialised equipment has been limited. In addition, the short duration of the planned work programme has frustrated attempts to negotiate reasonable rates for available equipment. The Atala operator has taken steps to overcome the commercial constraints by participating in a consortium of marginal field operators facing similar challenges by "pooling" the respective work programmes. To date the group has been unsuccessful in negotiating an appropriate contract with a service provider. As a result, the Board does not anticipate the re-entry programme to be executed soon. HON acquired its 20 per cent. working interest via a farm-in agreement dated 28 July 2005. As consideration for the 20 per cent. interest in Atala, HON is committed to carry Bayelsa for the first US\$2.0 million of capital expenditures ("the Carry"). In addition HON is responsible for funding its ongoing share (20 per cent.) of capital expenditure which, with respect to the Atala re-entry programme, is estimated to be \$2 million. To date, the joint venture has not made any significant expenditure on Atala.

The Disposal of HOA is in line with the Company's strategy of focusing time and resources on developing its business in India, where it has a high impact exploration portfolio, valuable experience and strong relationships. The Board initiated the sale process in July 2010 and provided an independent and experienced consultant with a formal mandate to manage the sale process. A sales memorandum was circulated to a number of potential purchasers and as of 20 September 2010, being the date the Share Purchase Agreement was executed, the Company had only received IPL's indicative offer.

### ***Consideration***

On 20 September 2010, Hardy entered into the conditional Share Purchase Agreement which also provides for the entry into a deed of assignment of shareholder loan between Hardy and HOA at Completion. The total cash consideration for the Disposal is US\$4,550,001 comprising of US\$4,550,000 payable on assignment of an intercompany loan and US\$1 for the issued share capital of HOA. A deposit of US\$200,000 has been received by Hardy from IPL which will be applied towards the total consideration for the Disposal. Completion is conditional on the approval of Shareholders and is anticipated to occur immediately following Shareholder approval of the Resolution at the EGM. The

Board notes that the book value of the Nigerian assets is approximately US\$4.5 million. Following Completion the Purchaser has been permitted to allow HON to continue to operate under its current registered name until 20 September 2012.

### ***Disposal rational***

Hardy has been operating in India since 1999. It has six assets in India, has been producing crude oil since 1999 from the PY-3 field and has built an attractive portfolio of exploration assets. To date, its drilling programme has resulted in six gas discoveries, all in India.

Hardy's original entry into Nigeria was driven by its strategy to increase production in the near term since most of the exploration efforts on blocks in India have long lead times to production. As a result of significant delays in executing the work programmes on Oza and Atala by the joint venture partners, and in-line with Hardy's focus on India, the Board believes it is appropriate for Hardy now to exit from its Nigerian operations. In addition, an exit from Nigeria has been driven by the following factors:

- Drain on resources: Consistent with the Company's stated India focused strategy; the Board wishes to mitigate possible capital requirements outside India and has dedicated the Company's technical and financial resources to its high impact exploration activities in India.
- Pending capital requirements: The Disposal will eliminate significant capital expenditure requirements to the Company through to 2012.
  - Oza – The Company is currently not subject to any funding obligations with regard to the Oza Field's development until commencement of commercial production. The Board has observed ongoing liquidity constraints in regard to the completion of the Oza development plan, which, in its opinion, may not be realised without immediate and significant funding to the Oza joint venture being available. To complete the expected initial phase, the Board estimates that the Oza joint venture will require an additional US\$23 million.
  - Atala – At such time as the Atala joint venture secures the appropriate drilling equipment, the Company will be obliged to provide a minimum of US\$4 million for the re-entry programme (US\$2 million for the Carry and US\$2 million for HON's 20 per cent. share of the re-entry programme). Should the results of the re-entry programme be successful, HON's share of the development costs to commence production are estimated to be US\$ US\$28 million.
- Overhead: HON's current overhead charges amount to approximately US\$0.9 million per annum. The proposed Disposal will relieve the Company of all of this expenditure which will further enhance the Company's working capital position and improve its operating results.
- Management time/strategic focus: An immediate exit from Nigeria will free up valuable management time and corporate resources that can solely be devoted to Hardy's India focused strategy.

Reserves: The Board commissioned an independent assessment report of reserves and resources for the Oza and Atala fields, which was provided by RPS in April 2010 (the "Report"). The Report provides an estimate of the net present value of Hardy's net undeveloped reserves in Nigeria based on a number of assumptions. The Board further notes that, since the publication of the Report in April 2010, there has not been any meaningful progress made on the work programmes of both Oza and Atala and therefore there continues to be significant delays experienced by both the joint ventures. The realisation of the values contained in the Report is contingent upon the incurring of significant capital expenditures which the joint ventures partners have not been able to secure fully. In the circumstances, the Board believes that the Report may require revisions in any future updates.

The current values contained within the Report are as follows:

	<i>P90</i>	<i>P50</i>
Net Undeveloped Reserves Oza field (mdbl)	0.19	0.41
NPV15 (US\$ million)	5.55	10.27
NPV20 (US\$ million)	5.08	9.28

A key assumption of the Report is that the service company consortium will immediately undertake the agreed work programme with production to start within six months from the date of the Report. This has not materialised since the publication of the Report and the Board has observed significant delays resulting from a lack of funding by the liable parties. The Board believes that in the absence of substantial capital being provided to the joint venture, the Oza field is highly unlikely to commence production in 2011. The Board believes that a one year delay in the commencement of production would have the following illustrative impact on the NPV valuation provided above.

<i>12 month delay in commencement of production</i>	<i>P90</i>	<i>P50</i>
Net Undeveloped Reserves (mdbl)	0.19	0.41
NPV15 (US\$ million)	4.20	7.77
NPV20 (US\$ million)	3.53	6.44

*Note: The above table is an estimate provided by the Board and has not been verified by RPS or other expert.*

Contingent resources: The Board has not assigned value to the contingent resources of the Oza and Atala Fields. To realise value of the estimated contingent resources of Oza, the Company would be required to contribute a considerable amount of capital for phase II and there is significant uncertainty underlying the Oza joint ventures execution of phase I. The Board also assigned nominal value to the Atala Field due to underlying geopolitical and commercial risks such as gas pricing, community unrest, and the granting of an extension to the licence.

### **3. Principal terms of the Share Purchase Agreement**

Pursuant to the terms of the Share Purchase Agreement, IPL has agreed to acquire the entire issued share capital of HOA and outstanding shareholder loans between the Company and HOA for an aggregate consideration of US\$4,550,001 subject to adjustment at Completion. The adjustment to consideration will be increased to reflect any further sums advanced by the Company to HOA for operational expenses, which are capped at US\$100,000, from the period from 1 October 2010 until Completion. The Share Purchase Agreement is conditional upon the passing of the Resolution at the EGM.

The principal terms of the Share Purchase Agreement are described in more detail in Part II of this document.

### **4. Related party transaction**

As IPL is a newly incorporated entity in which Mr Karra has significant equity participation, the transaction is classified under the Listing Rules as a related party transaction and is therefore subject to, and conditional upon, the approval of the Shareholders.

Mr Karra's current equity participation in IPL, based upon subscriptions and firm indications therefor, is 12 per cent. and Mr Karra's intention is to raise his ultimate stake in IPL to 30 per cent. He presently does not have an employment contract with IPL. It is anticipated that an employment contract will be entered into by Mr Karra on commercial terms with IPL following Completion when his role within IPL will be determined.

### **5. Effects of the Disposal on Hardy**

The Directors (other than the Related Party Director) consider that the principal benefits of the Disposal will be as follows:

- The Disposal will eliminate ongoing operating losses and associated cash outflows which would arise if the Nigerian business was to remain within the Group;
- The Disposal will eliminate the need to fund any future expenditures on Oza, following the initial development to first oil, as well as the Atala re-entry programme;
- The net proceeds from the Disposal will be retained to provide additional working capital for the Group and will be added to Hardy's cash resources for continued investment in Hardy's assets in India; and

- An immediate exit from Nigeria will free up valuable management time and corporate resources that can solely be devoted to Hardy's India focused strategy.

The Directors (other than the Related Party Director) expect that the Disposal will not have any material impact on the Company's consolidated income or loss for the year ended 31 December 2010.

Hardy has undertaken due diligence on the Purchaser and believes the Purchaser will be in a position to complete the Disposal immediately following the EGM. If the Disposal is not completed following Shareholder approval, the Company will retain the deposit of US\$200,000 which will become non-refundable.

In the event that the Disposal does not become unconditional, the Company would continue its process of seeking a suitable buyer or pursue other options that would result in the financial impact on the Company being minimal. Other than ongoing overhead, HON does not have any financial obligations during 2010 or 2011. Until a suitable exit is achieved, the Group will incur ongoing overheads with respect to its Nigerian operations of around US\$75,000 per month. Although the Company would minimise its financial commitments with respect to its Nigerian operations, the Board believes it is possible that the value of its Nigerian assets will continue to deteriorate in the absence of ongoing field operations.

## **6. Current trading and prospects of the Group**

The Company's current plans provide for the completion of the initial evaluation of its Krishna Godavari Basin assets by the end of 2011. At 30 June 2010, the Company had US\$26 million of cash and short term investments, which, together with net proceeds from the Disposal, will be sufficient to fund its planned work programme of high impact exploration drilling. Set out below is the Company's planned operating activity in the coming months:

### ***Exploration***

- D3 – Drilling of two additional exploration wells is being planned with the operator.
- D9 – The Board anticipates the drilling of the second exploration well prior to the end of 2010 and the D9 joint venture is committed to completing the minimum work programme, of a further two exploration wells, during phase one of the exploration period.

### ***Appraisal***

- D3 – The joint venture is continuing geological and engineering appraisal evaluation of the Dhirubhai 39 and 41 gas discoveries.
- GS-01 – The joint venture is continuing discussions with the Government of India regarding the proposal for commerciality submitted in May of 2010. The Board does not anticipate any significant expenditure on the GS-01 block in 2010 or 2011.
- CY-OS/2 – The arbitration process has been initiated to determine the expiry date of this licence. Further drilling, to appraise the Company's Ganesha natural gas discovery, will be contingent on the outcome of the arbitration process.

### ***Development***

- PY-3 – The Company continues to work with partners to secure approval for the drilling of additional wells and the securing of facilities to handle gas compression for gas lift and gas export. The drilling and gas lift installation programme is expected to increase gross daily to over 8,000 bbld in 2012.

### ***Production:***

- PY-3 – The Board expects the field to continue to produce at 3,400 bbld during the second half of 2010. The joint venture is planning modest downtime during the monsoon season in November and December 2010, resulting in a projected average gross daily production of 3,100 bbld for 2010. Hardy has 18 per cent. interest in the PY-3 field.

## **7. Extraordinary General Meeting**

A notice convening the Extraordinary General Meeting to be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU at 10.00 a.m. on 27 October 2010 is set out at the end of this document.

The Resolution, which is set out in full in the notice convening the EGM, will be proposed at the EGM to approve the Disposal.

## **8. Action to be taken**

You will find enclosed with this document a Form of Proxy for use at the EGM. Whether or not you intend to be present at the EGM, please complete and sign the Form of Proxy in accordance with the instructions printed on it and return it to the Company's registered office at 15-19 Athol Street, Douglas, Isle of Man, IM1 1LB as soon as possible and, in any event, so as to be received not later than 10.00 a.m. on 25 October 2010.

Completion and return of the Form of Proxy will not preclude you from attending the EGM and voting in person should you so wish.

## **9. Further information**

Your attention is drawn to the additional information set out in Parts II to III of this document. You are advised to read the whole of this document and not merely rely on the key or summarised information in this letter.

## **10. Recommendation**

**The Board, who have been so advised by Arden Partners, consider that the terms of the Disposal are fair and reasonable so far as Shareholders are concerned. In giving advice to the Board, Arden Partners has taken account of the Board's commercial assessment of the Disposal. The Board also believes that the Disposal is in the best interests of Hardy and its Shareholders as a whole.**

**The Board accordingly unanimously recommends Shareholders to vote in favour of the Resolution to be proposed at the forthcoming EGM, as they intend to do in respect of their own beneficial holdings of Ordinary Shares which amount, in aggregate, to 6,085,896 Ordinary Shares, representing approximately 8.88 per cent. of the total voting rights of the Company.**

**Mr Karra has not participated in the Board's consideration of the Disposal and will not vote on the Resolution and has undertaken that he will take all reasonable steps to ensure that his associates will not vote on the Resolution at the EGM.**

Yours faithfully

**Paul Mortimer**

*Chairman*

## PART II

### PRINCIPAL TERMS AND CONDITIONS OF THE SHARE PURCHASE AGREEMENT

**The following is a summary of the material terms of the Share Purchase Agreement. As set out in paragraph 7 of Part III of this document, the Share Purchase Agreement is available for inspection by Shareholders.**

The Company currently holds the entire issued share capital in HOA which in turn holds the entire issued share capital of HON save for two nominee shares which are held by two of the Directors on trust for HOA (and which pursuant to the terms of the Share Purchase Agreement will also be transferred to the Purchaser (or its nominee) at Completion).

The Company announced on 21 September 2010 that it had entered into a conditional share purchase agreement in relation to the sale of all the shares in HOA to the Purchaser. As the Purchaser is an entity in which Mr Karra (a non executive director and a 10.0 per cent. shareholder of Hardy) has a significant equity participation, the transaction is classified under the Listing Rules as a related party transaction and is therefore subject to, and conditional upon, the approval of the Shareholders. Accordingly, notice of an extraordinary general meeting to be held on 27 October 2010 is set out at the end of this document at which the Resolution will be proposed to approve the Disposal. It is anticipated that Completion of the Disposal will occur immediately following the conclusion of the EGM.

As part of the Disposal, the outstanding shareholder loan made by the Company to HOA will be assigned to the Purchaser pursuant to a deed of assignment to be delivered at Completion. The aggregate consideration payable to the Company in relation to the Disposal will be approximately US\$4,550,001, subject to adjustment. The adjustment to the consideration will be to reflect any further sums advanced by the Company to HOA for operational expenses for the period from 1 October 2010 until Completion and is capped at US\$100,000. Accordingly, the maximum aggregate consideration payable to the Company will be US\$4,650,001.

A deposit of US\$200,000 has been received by Hardy from IPL which will be applied towards the total consideration for the Disposal. The Disposal has been structured so that the consideration attributable to the transfer of the shares in HOA will be for a nominal sum of US\$1.00 with the balance of the consideration attributed to the assignment of the shareholder loan.

The Share Purchase Agreement contains certain restrictive covenants on the Purchaser in respect of the use of the Hardy name and logo by the Purchaser, HOA and HON following Completion, save that the Purchaser has been permitted to allow HON to continue to operate under its current registered name until no later than 20 September 2012.

The Company has, subject to certain limitations, given the Purchaser limited warranties as to title to the shares in HOA and HOA's ownership of shares in HON, but otherwise the Disposal is being made on an 'as is, where is' basis.

The Share Purchase Agreement will terminate automatically in the event that the Resolution has not been passed by 6.00 p.m. on 29 October 2010 (or such later date as may be agreed in writing between the Company and the Purchaser, being no later than 12 November 2010).

## PART III

### ADDITIONAL INFORMATION

#### 1. The Company

The Company was incorporated 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 Acts 1931-2004 and the regulations made thereunder. The liability of members of the Company is limited.

The registered office of the Company is at 15-19 Athol Street, Douglas, Isle of Man IM1 1LB. The principal place of business of the Company in the UK is at Lincoln House 137-143 Hammersmith Road, London W13 0QL and the telephone number is +44 (0) 20 7471 9850.

#### 2. Major Shareholders

As at 8 October 2010 (being the latest practicable date prior to the publication of this document) the Company had been notified or was aware of the following, direct or indirect, interests in 3 per cent. or more of the Company's issued share capital:

<i>Holder</i>	<i>Number of Ordinary Shares held</i>	<i>Percentage of current issued share capital</i>
Lloyds TSB Group plc.	7,174,636	10.5%
Sastry Karra	6,861,679	10.0%
Aegon Asset Management	5,491,514	8.0%
Yogeshwar Sharma	4,158,135	6.1%
Aequitas Investments Limited	3,928,866	5.7%
Grahame Whately	3,430,361	5.0%
Universities Superannuation Scheme Limited	3,149,522	4.6%
Standard Life Investments Ltd	3,111,312	4.5%
Limpopo Investments Limited	2,554,829	3.7%
Legal and General	2,479,938	3.6%

#### 3. Related Party Director's interests and service contracts

As at 8 October 2010, being the latest practicable date prior to the publication of this document, Mr Karra holds 6,861,679 Ordinary Shares. Mr Karra has pledged 3,000,000 of his Ordinary Shares as collateral for a loan facility of US\$537,000 with UBS. In addition, Mr Karra currently holds options granted pursuant to the Company's share option scheme over (i) 780,700 Ordinary Shares with an exercise price of 144p and expiry date of 6 June 2015 and (ii) a further 400,000 Ordinary Shares with an exercise price of 431p and expiry date of 1 July 2017. All of the stock options have vested.

Mr Karra has entered into an agreement effective from 31 March 2010 with the Company in respect of his non-executive director appointment. The appointment is subject to termination on three months' notice and Mr Karra is paid £36,000 per annum. In addition, as a non-executive director Mr Karra is entitled to an annual award of Ordinary Shares, equivalent to 25 per cent. of his annual fee. Other than in respect of such appointment letter, there are no other administrative, management or supervisory body service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment of Mr Karra.

#### 4. Related party transactions

There have been no related party transactions with Mr Karra during the 12 months preceding the date of this document.

## **5. Significant change**

There has been no significant change in the financial or trading position of the Group since 30 June 2010, being the date to which the last consolidated unaudited interim accounts of the Company were published.

## **6. General**

Arden Partners has given and not withdrawn its written consent to the reference to its name in this document in the form and context in which it appears.

## **7. Documents available for inspection**

Copies of the following documents may be inspected at the offices of Hardy Oil and Gas plc, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including the date of the EGM and will also be available for inspection at the EGM at least 15 minutes prior to and during the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the consolidated audited accounts of the Group for each of the financial years ended 31 December 2008 and 2009 and the unaudited half yearly results for the six months ended 30 June 2010;
- (iii) the consent letter referred to in paragraph 6 above;
- (iv) the Share Purchase Agreement; and
- (v) this document and the Form of Proxy.

## DEFINITIONS

“Arden Partners”	Arden Partners plc
“bbld”	barrels of oil per day
“the Carry”	a farm-in agreement between Hardy Oil Nigeria Limited and Bayelsa Oil Company Limited, dated 28 July 2005 which provides for HON to pay Bayelsa Oil Company Limited’s share of capital expenditures of up to US\$2.0 million.
“the Company” or “Hardy”	Hardy Oil and Gas plc
“Completion”	the completion of the Disposal in accordance with the Share Purchase Agreement
“Directors” or “Board”	the directors of the Company whose names are set out on page 3 of this document
“Disposal”	the proposed disposal by the Company of HOA and the associated shareholder loan
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held on 27 October 2010
“Form of Proxy”	the form of proxy accompanying this document for use in connection with the EGM
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000
“Group”	the Company and its subsidiaries as at the date of this document
“HOA”	Hardy Oil (Africa) Limited, a company incorporated in the Isle of Man with company number 110217C
“HON”	Hardy Oil Nigeria Limited, a company incorporated in Nigeria with company number RC614917 and a subsidiary of HOA
“London Stock Exchange”	London Stock Exchange plc
“mbbl”	thousand barrels of oil
“Ordinary Shares”	ordinary shares of US\$0.01 each in the capital of the Company
“Purchaser” or “IPL”	Inergia Petroleum Limited, a company incorporated in the Isle of Man with company number 005587V
“Related Party Director”	Mr Sastry Karra
“Resolution”	the resolution to be proposed at the EGM to approve the Disposal, as set out in the notice of EGM forming part of this document
“RPS”	RPS Energy Limited
“Shareholders”	holders of Ordinary Shares in the Company
“Share Purchase Agreement”	the conditional agreement dated 20 September 2010 between the Company and the Purchaser, further details of which are set out in Part II of this document
“US\$”	US Dollars

# **HARDY OIL AND GAS PLC**

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

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Hardy Oil and Gas plc (the "Company") will be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU on 27 October 2010 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution.

### **ORDINARY RESOLUTION**

THAT the Disposal, on the terms set out in the Share Purchase Agreement, (capitalised terms both as defined in the circular to Shareholders of which this notice forms part) be and is hereby approved and that the Directors (or a committee of the Directors) be and are hereby authorised to waive, amend, vary or extend any of the terms of the Share Purchase Agreement (provided that such waivers, amendments, variations or extensions are not of a material nature) and to do all things (provided that such things are not of a material nature) as they may consider to be necessary or expedient to give effect to, or otherwise in connection with, the Disposal and any matters incidental to the Disposal.

Dated: 11 October 2010

**BY ORDER OF THE BOARD**

**R V Vanderplank**  
*Company Secretary*

**Notes:**

1. A member of the Company entitled to attend and vote at the extraordinary general meeting is entitled to appoint another person as his proxy to attend and to vote in his stead. A proxy need not be a member of the Company.
2. To be effective, forms of proxy must be lodged at the Company's registered office, 15-19 Athol Street, Douglas, Isle of Man IM1 1LB, not later than 10.00 a.m. on 25 October 2010. Lodgement of a form of proxy will not prevent a member from attending and voting in person.
3. As at 8 October 2010, the Company's issued share capital comprised 68,552,533 ordinary shares of US\$0.01 each. Each Ordinary Share carries the right to one vote at the extraordinary general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 8 October 2010 is 68,552,533.

