



UPDATE ON CONDITIONAL SALE OF HEPI

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Hardy Oil & Gas plc

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15 July 2019

Hardy Oil and Gas plc
(LSE: HDY)

UPDATE ON CONDITIONAL SALE OF HEPI

Hardy Oil and Gas plc ("**Hardy**" or "**Company**"), the oil and gas exploration and production company focussed in India, announced on 1 July 2019 ("**Initial Sale Announcement**") that it had entered into a conditional share purchase agreement ("**HOEC SPA**") to sell its wholly-owned subsidiary, Hardy Exploration & Production (India) Inc. ("**HEPI**") to Hindustan Oil Exploration Company Limited ("**HOEC**") for consideration of US\$1,500,000 in cash ("**HOEC Sale**").

Following the release of the Initial Sale Announcement, the Company received an unsolicited offer of US\$3,000,000 in cash from Invenire Energy Private Ltd ("**Invenire**") to acquire HEPI ("**Invenire Sale**"). The Company now announces, that following this offer, the Company has entered into a second conditional share purchase agreement ("**Invenire SPA**") to sell HEPI to Invenire.

Unless defined herein, defined terms used in this announcement shall have the same meaning as in the Initial Sale Announcement.

As outlined in the Initial Sale Announcement (in particular the section titled "*Background to and reasons for the Transaction*"), due to the difficulties arising from the litigation and disputes associated with the Assets, the Directors have concluded that disposing of HEPI is in the best interests of the Company and its shareholders. HEPI has been reliant on the Company to provide it with funds for it to continue to trade and fund the ongoing litigation and disputes and such funding obligations are a significant financial burden on Hardy, particularly when it is not certain when, or if, any of the Assets will start generating returns for shareholders.

The offer from Invenire of US\$3,000,000 for the acquisition of HEPI is twice the amount agreed to be paid by HOEC pursuant to the terms of the HOEC SPA. Accordingly, the Board unanimously believes that it is in the best interests of the Company and its shareholders to maximise the value to be realised by the sale of HEPI and to therefore proceed with the sale of HEPI to Invenire.

As with the HOEC Sale, the Invenire Sale remains of sufficient size relative to the Group to constitute a class 1 transaction for the purposes of the Listing Rules and the Invenire Sale is therefore conditional upon the approval of the Company's shareholders. The Company is in the process of preparing a circular in order to seek approval of the Company's shareholders to the Invenire Sale and to the associated proposed transfer of the Company's listing from the Premium Segment of the Official List to the Standard Segment ("**Transfer of Listing**") (resulting from the Group no longer having an independent business under FCA guidelines). It is expected that the circular will be posted to the Company's shareholders, together with a notice of an extraordinary general meeting, within the next few weeks.

Under the terms of the HOEC SPA, the Company has agreed to use its reasonable endeavours to obtain shareholder approval for the HOEC Sale and to send a circular to shareholders convening an extraordinary general meeting by no later than 30 September 2019. However, these obligations are subject to the Directors' fiduciary duties. Having regard to the significantly higher value of the offer from Invenire, the Board have been advised that to proceed with the HOEC Sale would be in breach of the Directors' fiduciary duties.

Further announcements will be made by the Company in due course regarding the Invenire Sale, any competing bids or revised offers for HEPI and the Transfer of Listing.

Impact of the Invenire Sale

Following completion of the Invenire Sale ("**Completion**"), HEPI will cease to be part of the Group and the Company will be a "cash shell" with no subsidiaries or operational assets. Given the Company will operate as a "cash shell" post-Completion, the approval of the Company's shareholders will be sought in relation to the Transfer of Listing. Completion of the Invenire Sale requires resolutions approving both the Invenire Sale and the Transfer of Listing being passed by the Company's shareholders.

Principal Terms of the Invenire Sale

Pursuant to the terms of the Invenire SPA, Invenire has agreed to acquire the whole of the capital stock of HEPI for cash consideration of US\$3,000,000. The consideration is being held by the Company's solicitors and will be released to Hardy on Completion.

Completion of the Invenire Sale is conditional only on the Company's shareholders passing (i) a resolution approving the Invenire Sale; and (ii) a resolution approving the Transfer of Listing. The Company is required, subject to the fiduciary duties of its Directors, to use its reasonable endeavours to satisfy this condition by no later than 7 October 2019. Neither the Company nor Invenire has any right to terminate the Invenire SPA between signing and Completion and the Invenire SPA is not subject to any other conditions.

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

As reported in the Initial Sale Announcement, as a result of the Company's continued financing of HEPI, as of 30 June 2019, HEPI owed the Company approximately US\$124 million by way of an intra-group debt ("**Intra-Group Debt**"). As part of the Invenire Sale the Company proposes to (i) capitalise substantially all of the Intra-Group Debt at Completion in consideration of the issue by HEPI of further shares in HEPI; and (ii) waive its rights to the repayment of the remainder of Intra-Group Debt such that the remainder of Intra-Group Debt will be written off and HEPI will not have any indebtedness to the Company following Completion ("**Capitalisation and Waiver**"). This means that the Intra-Group Debt will no longer appear in the Company's financial statements. In the event that Completion does not occur, the Company will not proceed with the Capitalisation and Waiver and the Intra-Group Debt will remain outstanding.

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 (E&P) opportunities in the current market environment. Invenire has been successful in building a portfolio of assets through acquisitions and also through direct participation in the Government bidding rounds.

Current Trading, Use of Net Proceeds and Future Prospects

As reported in the Initial Sale Announcement, given the developments outlined in the 2019 Preliminary Final Results Announcement, the Directors remain of the view that attempting to realise some value in respect of the Assets by way of a disposal of HEPI is in the best interests of the Company and its shareholders. Following Completion, the Company will transfer its listing from the Premium Segment to the Standard Segment of the Official List and the net proceeds from the Invenire Sale will be retained to provide additional working capital for the Company and will be added to the Company's cash resources for the Company to seek new investment opportunities.

Commenting on the Invenire Sale, Alasdair Locke, Chairman, said: "The Board unanimously considers that the Invenire Sale is in the best interests of all shareholders. Not only will it reduce significantly the outgoings associated with HEPI remaining part of the Group but the price secured by the Board is at a substantially higher price than that offered by HOEC. The Invenire Sale will remove a major element of uncertainty for investors and provide the Company with a significant increase in the amount of its working capital enabling the Company to seek new investment opportunities."

For further information please visit www.hardyoil.com or contact:

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