Hardy Oil and Gas plc

Annual Report & Accounts

FY2020

Directors, Officers and Advisers

Directors

Michael Bretherton	Chairman
Richard Galvin	Non-Executive Director

Company Secretary
Ms Jacqueline Fergusson,
First Names House,
Victoria Road, Douglas,
Isle of Man, IM2 4DF

Registrar and Registered office
IQ EQ (Isle of Man) Limited,
First Names House,
Victoria Road, Douglas,
Isle of Man, IM2 4DF

Company e-mail contact and website
Email: ir@hardyoil.com
Website: www.hardyoil.com

Independent Auditor
Crowe U.K. LLP,
St. Bride's House,
10 Salisbury Square,
London, EC4Y 8EH

Transfer Agent
Computershare Investor Services,
(Channel Islands) Limited,
Ordnance House,
31 Pier Road, St. Helier,
Jersey, JE4 8PW

Isle of Man Legal Advisers
Cains Advocates Limited,
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Isle of Man, IM1 5PD

UK Solicitors
Dorsey & Whitney (Europe) LLP,
199 Bishopsgate,
London, EC2M 3UT

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Chairman's Statement

Results

Hardy Oil and Gas Plc ("Hardy" or the "Company") and its subsidiary (together the "Group") generated a consolidated profit after tax of US$8.64 million for the year ended 31 March 2020 ("FY2020") compared to a loss of US$56.30 million in the prior year to 31 March 2019 ("FY2019"). This includes a profit from discontinued operations of US$10.24 million in relation to its wholly-owned subsidiary, Hardy Exploration & Production (India) Inc. ("HEPI") which was sold on 2 October 2019, versus a loss of US$54.99 million from the HEPI operations in the prior year and which have been reclassified as discontinued.

Following the sale of HEPI, Hardy no longer has any group subsidiaries and all reported assets and liabilities at 31 March 2020 are those of the Company.

Cash and short-term investments at 31 March 2020 amounted to US$10.40 million compared to US$4.16 million for the Group at the previous 31 March 2019 year end. The increase mainly reflects a gross consideration inflow of US$8.75 million on the sale of HEPI, partially offset by administration costs, HEPI disposal costs and net additions to short-term investments.

Net assets attributable to shareholders of Hardy at 31 March 2020 were US$10.20 million compared with US$1.56 million for the Group at 31 March 2019. The increase is attributable to the consolidated profit after tax of US$8.64 million for FY2020.

Sale of HEPI

On 1 October 2019, the Company announced that shareholder approval had been given at the general meeting that day for the proposed sale of its HEPI subsidiary to Invenire Energy Private Ltd ("Invenire") for a gross consideration of US$8.75 million and to the transfer of listing segment of its shares on the Official List from a Premium Listing to a Standard Listing. The sale of HEPI was subsequently completed on 2 October 2019 and the transfer of listing segment to a Standard Listing took effect on 30 October 2019. Following the sale of HEPI, Hardy became a 'cash shell' and no longer has any subsidiaries or assets of significance other than cash and cash equivalents and short-term investments.

The lack of progress with the litigation and disputes in India relating to the Company's oil and gas assets and the significant funding required to progress these, had by early 2019, put the Hardy Group in a situation of impending financial pressure. As a result, on 22 July 2019, the Hardy Board announced various funding options, but stated that they believed 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. In the absence of such funding or a sale of HEPI, the Board advised that it would instigate a liquidation of HEPI within a very short timescale. In these circumstances, the Board concluded that attempting to realise value by way of the US$8.75 million sale of HEPI to Invenire, was in the best interests of the Company and its shareholders.

Mandatory offer by Blake and majority shareholder controlled entity

In November 2019, Blake Holdings Limited ("Blake"), which is a wholly owned entity of Richard Griffiths and his family, announced that it had purchased additional Ordinary Shares of Hardy and as a result was required under Rule 9 of the Takeover Code to make a mandatory cash offer of 5 pence per share (the "Offer") to acquire the entire issued ordinary share capital of the Company. On 21 January 2020, Blake declared that the offer had closed and at which time Blake then owned or had received valid acceptances in respect of Hardy shares representing approximately 86.16 per cent. of Hardy's entire issued share capital.

Subsequent to the Offer, Blake purchased additional shares in Hardy such that it owned approximately 88.01 per cent. of the Company and that entire holding was transferred to Richard Griffiths on 11 May 2020. As a result, Hardy is now a controlled entity of Richard Griffiths who will, if he so wishes, be able to further increase his interests in the Company without making a mandatory offer to the remaining shareholders.

Board Changes

The Company's response circular to the Offer by Blake was posted to shareholders on 23 December 2019 and noted that if the Offer is declared unconditional such that Blake would own more 50 per cent. of Hardy, it would be the intention of Alasdair Locke and Peter Milne, the then present non-executive directors, to resign from the Board following the appointment of myself (or any other director proposed by Blake) to the Hardy Board.

Accordingly, following the closing of the Offer, I was appointed as non-executive chairman of Hardy on 22 January 2020 and Alasdair Locke and Peter Milne both resigned from the Board as planned. I would like to thank Alasdair and Peter for their contributions to the Hardy Board over the last eight years and wish them well with their other business endeavours.

Richard Galvin remained as an executive director of the Company until 31 May 2020 at which time he took on the role of an independent non-executive director of Hardy.

The composition of the Board will be kept under review and additional director appointments are expected to be made at the appropriate time as the Company evolves from being a cash shell. In the meantime, we will continue to ensure that the cost base and balance of management skills of Hardy is appropriate for the reduced size of the Company following the HEPI sale.

Delisting of shares

Blake's offer document in relation to the Offer stated the intention to cancel the Standard Listing of Hardy's ordinary shares on the London Stock Exchange and the de-listing subsequently occurred at 8.00 a.m. on 24 February 2020.

Business model and short-term investment portfolio

The stated existing strategy intention of Hardy is to use its cash resources, as enlarged by the proceeds of the cash consideration received from the HEPI sale, for the purposes of acquiring or establishing a company, business or asset that operates in the resources sector or other industries.

Such an investment opportunity has yet to present itself. However, the adverse and severe economic consequences of the ongoing spread of the new coronavirus, COVID-19, means that your Directors will take a very cautious approach to any commitment of the majority of the Company's resources in to any such single long-term investment.

In the meantime, part of the Company's resources have been deployed in short-term investments in quoted stocks in order to generate a level of return on capital. During the period to 31 March 2020, the Company realised cash inflows of US$3.91 million from liquidity fund investments and spent US$4.60 million on the purchase of quoted stocks in three businesses, all of which are in the IT/internet of things/telecoms sectors that are regarded as defensive stocks in the current COVID-19 environment. The carrying value of those 3 listed equity investments at the year-end was US$4.85 million.

Subsequent to the year end, the Company spent a further £2.51 million on the purchase of quoted stocks in two more businesses comprising an upstream gas company and a leading fleet management and vehicle leasing group. The quoted share prices of many of the Companies short-term investments have performed favourably since the year end are estimated to have generated unrealised gains £0.99 million in total on short term investments in the current financial year to date.

Change of reporting currency

Following the HEPI sale in October 2019, the Company no longer has transactions denominated in US Dollars (US$) and all of the Company's assets and liabilities at its 31 March 2020 year end were denominated in Pounds Sterling (£) other than for a very minor residual US$ bank balance. Accordingly, the reporting and presentational currency of the Company has now been changed from US$ to £ for all future reporting periods commencing on 1 April 2020.

In accordance with accounting standards, as part of that future reporting in the first year, the comparative financial information for the year ended 31 March 2020 as previously reported in US$, will also need to be restated into £. Note P9 to the Parent Company financial statements provides for illustrative purposes, a summary of the statement of financial position at 31 March 2020 restated from US$ into £ using the procedures outlined in that note.

Chairman's Statement (continued)

Re-registration and change of name proposals

Hardy is currently registered under the Isle of Man Companies Acts 1931-2004 and it is now proposed that it be re-registered under the Isle of Man Companies Act 2006. The 2006 Act updates and modernises Isle of Man company law and, amongst other things, abolishes a number of traditional company law formalities including the requirement to maintain capital (subject to solvency). Accordingly, subject to the re-registration becoming effective, it should be easier for the Company, amongst other things, to return capital to its shareholders and/or reduce its share capital as there is no requirement to seek approval of the Isle of Man Court. As part of the re-registration, the Company proposes to adopt new memorandum and articles which comply with the requirements under the 2006 Act and will be more suitable for Hardy as an unlisted private company.

In addition, as the Company no longer has an oil and gas business following the sale of HEPI, it is proposed that the name of the company be changed from Hardy Oil and Gas Plc to Hardy Plc.

The full detail of these re-registration and change of name proposals is included in the Notice of Extraordinary General Meeting which is to be held following and at the same address as the 2020 Annual General Meeting to be held at 80-83 Long Lane, London, EC1A 9ET on 17 July 2020 at 11.00 a.m.

Outlook

The impact of the Covid-19 outbreak has become one of the biggest threats to the global economy. It represents a pandemic which is suppressing domestic and worldwide growth through containment measures and restrictions on movements of people, goods and services which will have a severe adverse impact on economic prospects for some time to come.

Against this economic backdrop, your Directors will continue to maintain a rigorous and highly selective investment approach, both in terms of any long-term strategic investment and also in relation to deployment of resources in short-term quoted stocks. We remain committed to the principles of strict cost control and delivering additional value for shareholders going forward.

Michael Bretherton
Chairman

1 June 2020

Strategic Report

The Directors present their Strategic Report with the Financial Statements for Hardy Oil and Gas plc ('Hardy' or 'the Company') and its subsidiary (together the "Group") for the year ended 31 March 2020.

Principal activity and business model

Hardy's principal activity was to participate in the upstream oil and gas industry via the wholly owned subsidiary Hardy Exploration & Production (India) Inc (HEPI). HEPI is the operator of an oil field offshore India's east coast. Following the sale of HEPI the Company has sought to redeploy excess capital for the purposes of acquiring or establishing a company, business or asset that operates in the resource sector or other industries should an appropriate investment opportunity present itself. The Company has implemented an interim investing strategy to identify liquid investment opportunities offering the potential to deliver a favourable return to shareholders over the short to medium term, primarily in the form of capital gain.

Business review

A summary review of the Group's performance and prospects is included in the Chairman's Statement on pages 2 to 4 and is covered in more detail below.

Financial review

The Financial Statements have been prepared for the year to 31 March 2020.

Key performance indicators for the Group are set out below:

	31 March 2020	31 March 2019
Net assets (US$ million)	10.20	1.56
Net asset value per share (US$)	13.9	0.02
Profit/(loss) after tax (US$ million)	8.64	(56.30)
Cash and short-term investments (US$ million)	10.40	4.16

Profit and loss

The Group's profit after tax for the year ended 31 March 2020 was US$8.64 million compared to a loss of US$56.30 million in the previous year. The gain is principally due to the sale of HEPI which generated a profit on disposal of US$9.88 million. The significant loss reported in FY2019 was the result of a US$51.13 million impairment write-down of HEPI's Block CY- OS/2 asset in that year.

Administrative costs for the Company's continuing operations were US$1.97 million for the year compared to US$1.43 million in the prior year. The increase in overhead costs reflects an exceptional charge of US$0.27 million for professional costs in response to the mandatory cash offer made by Blake Holdings Inc, coupled with a US$0.46 million increase in employee costs attributed to certain performance-based awards and termination payments to departing employees. Expenses are expected to decrease significantly in 2020 due to the delisting of the company, closing of the Aberdeen office scheduled for August 2020 and the full year impact of personnel changes.

On 2 October 2019, the Company sold the wholly owned subsidiary HEPI for a gross consideration of US$8.75 million and against which the Company incurred direct expenses of US$0.67 million. As at the date of disposal, HEPI had net liabilities of US$1.79 million and had generated a profit of £0.36 million for the six months to that date, which together resulted in an overall profit of US$10.24 million attributable to this discontinued operation.

The profit on the sale of HEPI does not give rise to a tax charge liability as the investment cost of HEPI amounts to US$125.00 million and far exceeds the net proceeds received from the sale. That investment cost mainly reflects intercompany loan advances to HEPI, together with accrued loan interest, which were capitalised by the Company under a subscription agreement entered into with HEPI prior to its sale.

Balance Sheet

Net assets of the Group at 31 March 2020 amounted to US$10.20 million compared with US$1.56 million at 31 March 2019.

The carrying value of short-term investments at 31 March 2020 was US$4.89 million represented by three quoted investment holdings valued at US$4.85 million and US$0.04 million held in a liquidity funds (31 March 2019: $3.96 million represented by liquidity fund holdings only).

Cash and short-term deposit balances were US$5.51 million at 31 March 2020 compared to cash and short-term deposit balances of US$0.20 million at 31 March 2019.

Cash flow

The Group's overall cash position increased by US$5.31 million during the year. This increase mainly reflects net proceeds of US$8.09 million from the sale of HEPI, less US$(2.02) million of cash divested with that business, together with US$3.91 million realised from liquidity fund investments, less US$(4.60) million used to purchase quoted equity investments.

Risk review

Risk management

The Company's risk management objectives and exposure to various risks are detailed in Note 19.

The main risks arising from the Company's operations are strategic, financial and external in nature. The Directors review and agree policies for managing risk at least annually.

Strategic risk – The Company intends to use the net proceeds from the sale of HEPI for the purpose of acquiring or establishing a company, business or asset that has operations in the resources sector or other industries should an appropriate investment opportunity present itself. No assurance can be given that an investment in a target company or business will be successful or that any investment will be made. The Directors have established an open dialogue with the controlling shareholder to ensure its support of proposed investments and provide a source to identify appropriate targets.

Financial risk

Market price risk – The majority of the Company's assets of the Company are currently held in cash or UK listed companies. The Company is exposed to market price risk in respect of these short-term investments. The Company mitigates this risk by having established investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board.

Interest rate risk – The Company has no external financing facility; therefore, its interest rate risk is limited to the level of interest received on its cash surpluses. Interest rate risk on cash, cash equivalents and short term deposits may be mitigated partially by using an element of fixed-rate accounts and short-term deposits which the Board is considering.

Credit risk – The Company's principal financial assets are its short-term investments, its bank balances and cash held on deposit with institutions. The Company seeks to reduce the credit risk associated with cash by only holding cash with institutions that have good credit ratings. The credit risk associated with the Company's short-term investments in UK listed companies is considered acceptable.

Liquidity risk – The Company seeks to manage liquidity by ensuring enough funds are available to meet foreseeable needs and to invest cash assets safely and profitably. The Company had cash and cash equivalents balances of $5.50 million as at 31 March 2020.

In order to minimise risk to the Company's capital, surplus funds are invested in across several financial institutions with strong credit ratings. Cash forecasts are updated regularly to ensure that there is sufficient cash available for foreseeable requirements. The Directors are satisfied that the current cash balances, the liquidity of portfolio investments and the relatively low running cost base of the Company ensures that the going concern assumption remains valid.

External risks
A key risk factors to growth are the ongoing COVID-19 pandemic, implications of UK's trade negotiations with the EU and other major trading partners and the continued trade tensions between the US and China all of which have the potential for global contagion, and resultant changing of consumer trends.

The Board has carefully considered the unique risks that the COVID-19 Pandemic presents. It is unknown how significant an impact the unprecedented restrictions on movement, put in place to control the spread of the disease, will have on the global economy. The effectiveness of fiscal and monetary policies implemented by the governments across the world are unknown. Providing for this uncertainty the Board has adopted a defensive investment strategy that identifies undervalued businesses operating in industries that, by in large, are considered to be the least impacted by the restrictions in movement.

Future developments
Moving forward, the Board shall continue to seek to identify an appropriate business to acquire or establish a company, business or asset that operates in the resource sector or other industries should an appropriate investment opportunity present itself. In the interim, the Board will continue to pursue investments in liquid listed companies that may achieve accretive capital growth for shareholders. It is hoped that through maintaining a disciplined, balanced and realistic investment criterion, and through exploiting market opportunity via a positive and flexible investment mandate, that this objective can be achieved in the medium to long term.

Approved on behalf of the Board

Richard Galvin
Director

1 June 2020

Directors' Report

The Directors of Hardy Oil and Gas plc ('Hardy' or 'the Company') present their report, together with the audited financial statements for the year ended 31 March 2020. These will be presented before the shareholders at the Annual General Meeting scheduled to be held on 17 July 2020.

Principal activity

Prior to the sale of the Company's sole operating subsidiary, Hardy Exploration & Production (India) Inc ("HEPI"), on 2 October 2019, Hardy had been an operator in the resource sector for over 15 years. The Company's existing strategic intention is to now deploy its cash resources, as enlarged by the proceeds of the cash consideration received from the sale of HEPI, for the purposes of acquiring or establishing a company, business or asset that operates in the resource sector or other industries should an appropriate investment opportunity present itself. In the interim, the Company will deploy some or all of the Company's cash resources in short-term investment in publicly quoted stocks.

Business review and future developments

A full review of the Company's activities during the year ended 31 March 2020 and plans for the year ended 31 March 2020 can be found in the Chairman's Review section on pages 2 to 4 of the Annual Report, which are incorporated herein by reference.

Results and dividends

The Group's comprehensive income for the year ended 31 March 2020 was US$8.64 million (FY2019: Loss and total comprehensive loss of US$56.30 million).

No dividend (FY2019: $nil) was declared during the year and the Directors do not recommend payment of a final dividend in respect of the year ended 31 March 2020 (FY2019: $nil).

Share Capital

Full details of the Company's share capital movements are given in note 16 of the financial statements.

Directors

The Directors that served in office throughout the year ended 31 March 2020 were:

Board member	Position	Status
Michael Bretherton	Chairman	Appointed 22 January 2020
Richard Galvin	Executive Director*	Appointed 18 October 2019
Alasdair Locke	Non-Executive Chairman	Resigned 22 January 2020
Peter Milne	Non-Executive Director	Resigned 22 January 2020
Ian MacKenzie	Chief Executive Officer	Resigned 18 October 2019

Richard Galvin, was engaged as an executive director under a service agreement which may be terminated on not less than three months' notice. The service agreement sets his Director's salary at £200,000 per annum and in addition he is entitled to life and medical insurance benefits, together with a Company contribution to his personal pension scheme at a rate of 7.5 per cent of his salary. On any termination of the service agreement other than in relation to specified circumstances, including gross misconduct, the Director is entitled to receive a terminal bonus comprising seven months' salary, pension contributions and cost of life and medical insurance benefits, which will be paid within 21 days of termination.

* Under the terms of a notice of termination dated 27 February 2020, Richard Galvin remained as an executive director of the Company until the 31 May 2020 termination date, since which time he has continued as an independent non-executive director of Hardy under a letter of appointment which may be terminated on not less than three month's notice.

Michael Bretherton, is engaged as a Director on a letter of appointment which may be terminated on not less than three month's notice and which sets his Director's fee at £20,000 per annum.

Director Profiles

Michael Bretherton, Chairman

Michael Bretherton was appointed as non-executive director of Hardy on 22 February 2020 and took on the role of Chairman immediately following the resignation of Alasdair Locke. Michael is also Chief Executive Officer of Sarossa Plc, chairman of Adams Plc and is a director of e-Therapeutics plc, ORA Limited and Blake Holdings Limited. In addition, Mr Bretherton has been a director of seven other AIM quoted companies during the last ten years, including DeepMatter Group Plc, Nanoco Group Plc, Ceres Power Holdings Plc and Tissue Regenix Group Plc. He has a degree in Economics from Leeds University and is a member of the Institute of Chartered Accountants in England and Wales. His early career included working as an accountant and manager with PriceWaterhouse for seven years in London and Abu Dhabi.

Richard Galvin, Executive Director

Richard Galvin was appointed Executive Director on 18 October 2019. Mr Galvin has served Hardy for 15 years holding various management and executive roles latterly as Treasurer and Corporate Affairs Executive. Most recently, Mr Galvin was instrumental in the Company's successful sale of HEPI. Mr Galvin has over 20 years of commercial and corporate finance experience in the upstream oil and gas industry. Mr Galvin started his career at Ovintiv Inc. (formally Encana Corporation) working in progressively senior commercial roles over seven years. Mr Galvin holds a Master of Business Administration from the London Business School and a Bachelor of Commerce from the University of Calgary.

Directors' indemnity insurance

As permitted by the Articles of Association, the Company purchased and maintained Directors' and Officers' liability insurance, in respect of itself and its Directors, throughout the financial year.

Single total figure of remuneration for each Director (audited)

Set out below are the emoluments of the Directors of the Company in FY2020 for the years indicated (US$):

Executive		**Fixed**		**Long term**			
Name of Director		**Salaries/ fees**	**Benefits**	**Bonuses**	**Pension contribution**	**Other**	**Total**
Richard Galvin[1, 6]	FY2020	107,347	816		9,772	188,687	306,622
Ian MacKenzie[1, 2, 3]	FY2020	113,302	2,258	–	–	492,357	607,917
	FY2019	388,996	3,543	–	–	–	392,539
	FY2018	390,267	3,697	–	–	–	393,964
Michael Bretherton[4]	FY2020	4,717	–	–	–	–	4,717
Alasdair Locke[5]	FY2020	40,721	–	–	–	–	40,721
	FY2019	59,062	–	–	–	–	59,062
	FY2018	120,315	–	–	–	–	120,315
Peter Milne[5]	FY2020	40,721	–	–	–	–	40,721
	FY2019	58,870	–	–	–	–	58,870
	FY2018	80,210	–	–	–	–	80,210

1 Ian MacKenzie and Richard Galvin's benefits included life and medical insurance.

2 Ian MacKenzie resigned effective on 18 October 2019.

3 Ian MacKenzie's "Other" is payment in lieu of notice and other amounts paid following the disposal of HEPI on 2 October 2019.

4 Michael Bretherton was appointed on 22 January 2020.

5 Alasdair Locke and Peter Milne resigned from the Board on 22 January 2020.

6 Richard Galvin was appointed on 18 October 2019 and also received salary, benefits, bonuses and pension contributions amounting to US$180,552 in total in FY2020 prior to his appointment as a Director.

7 Richard Galvin's "Other" payment is due in relation to the terminal bonus entitlements set out on page 8 that will be payable to Mr Galvin.

Directors' Report (continued)

Directors' interests

The interests of Directors in the shares of the Company as at 31 March 2020 are given below:

	Ordinary shares of $0.01 each 31 March 2020	Ordinary shares of $0.01 each 31 March 2019
Richard Galvin	10,000	10,000
Michael Bretherton	500,000	nil

Capital structure and significant shareholders

The Company's authorised and issued share capital and changes thereto are disclosed in note 16 to the consolidated financial statements. There were no share options or other long-term incentives in place as at 31 March 2020.
At 31 March 2020 and at the date of this report, there were 73,764,035 Ordinary Shares of Hardy issued and fully paid.
Major interests in share capital of the Company, more than 3 per cent, as of the date of this report are as follows:

	Ordinary shares of $0.01 each 31 March 2020	Ordinary shares of $0.01 each 31 March 2019
Richard Griffiths and controlled undertaking	64,921,738	88.01%

Corporate governance

The Directors recognise the importance of sound corporate governance and where practical will seek to observe the principles of the UK Corporate Governance Code 2016 (UK Code). The Directors acknowledge, however, that whilst the Company is in its current state of transition, with no operating business and only 2 directors, it is not possible to comply with many aspects of the UK Code. Once the Company has acquired or established a company, business or asset that operates in the resources sector or other industries, it is the intention of the Company to follow the Quoted Companies Alliance ("QCA") Corporate Governance Code to the extent that they consider the principles appropriate for the Company's size and nature.

The Board

The Board comprises currently of a Chairman and one non-executive Director.

Audit committee

The Audit Committee's primary responsibilities are to monitor the integrity of the financial affairs and statements of the Company, to ensure that the financial performance of the Company and any subsidiary of the Company is properly measured and reported on, to review reports from the Company's auditors relating to the accounting and internal controls and to make recommendations relating to the appointment of the external auditors. The Audit Committee comprises of Richard Galvin and Michael Bretherton, who acts as chairman.

Internal Control

The Board is responsible for maintaining a sound system of internal control. The Board's measures are designed to manage, but not eliminate, risk and such a system provides reasonable but not absolute assurance against material misstatement or loss.

Some key features of the internal control system are:

i) Management accounts information, budgets, forecasts and business risk issues are regularly reviewed by the Board which meets at least four times per year;

ii) The Company has operational, accounting and employment policies in place;

iii) The Board actively evaluates the risks inherent in the business and ensures that appropriate controls and procedures are in place to manage these risks; and

iv) There is a clearly defined organisational structure and well-established financial reporting and control systems.

Annual General Meeting and Extraordinary General Meeting

The Company's next Annual General Meeting (the "AGM") will be held at 80-83 Long Lane, London, EC1A 9ET on 17July 2020 at 11.00 a.m. and at the conclusion of the meeting, will be followed by an Extraordinary General Meeting (the "EGM") to be held at the same address at the later of 11.10 a.m. or the conclusion of the AGM. The notice of the AGM and EGM and the explanatory circular to shareholders setting out business to be conducted at these meetings (the "Notice") accompanies this Annual Report and can be found on the Company's website www.hardyoil.com.

Important: COVID-19 implications – participating in the AGM and EGM. In accordance with current governmental instructions and guidance regarding Covid-19 and the restrictions on social contact, public gatherings and non-essential travel, **you should not attempt to physically attend the AGM and EGM** and any shareholder (other than those specifically requested to attend to form a quorum) who attempts to physically attend the AGM and EGM in person will, with regret, be refused admission. Instead you should vote by proxy, in accordance with the instructions set out on the forms of proxy, so as to arrive **not later than 11.00 a.m.** on 15 July 2020, being 48 hours before the time of the first meeting.

Forms of proxy for use at those meetings also accompany this document. Your attention is drawn to the notes to the forms of proxy. Due to restrictions on attendance at the AGM and EGM, when completing your proxy forms, please only reference the Chairman of the AGM as your proxy (and do not specifically name any one individual).

The business of the AGM is set out in the Notice, and comprises:

- adopting the audited accounts of the Company for the year ended 31 March 2020; and
- the re-appointment of Michael Bretherton and Richard Galvin as Directors of the Company; and
- the re-appointment of Crowe UK LLP as auditors.

Biographical details for Mr Bretherton and Mr Galvin are set out above. The Board of Directors is satisfied that the performance of all Directors continues to be effective and is also satisfied as to their commitment to their role as Directors.

The business of the EGM is set out in the Notice, and will consider the following special business:

- the re-registration of the Company under the Isle of Man Companies Act 2006;
- the adoption of the new memorandum and new articles of the Company, subject to approval of the re-registration above; and
- the change of the Company's name to Hardy Plc

Statement of Directors' responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and IFRS as adopted by the European Union. Under such requirements, the Directors are required to prepare financial statements of Hardy Oil and Gas plc for the year ended 31 March 2020, which comprise of Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity, and related notes. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Directors are responsible for ensuring that proper accounting records are kept and which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. The Directors are responsible for ensuring the Directors' Report and other information included in the Annual Report are prepared in accordance with company law of the Isle of Man.

In addition to the above, the Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities. The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Report (continued)

The Directors confirm that, to the best of their knowledge:

- The financial statements, which are prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- The Annual Report and statement of accounts includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that they face.

Internal control and risk management systems
The Board has the ultimate responsibility for the Group's internal control and risk management systems. The Audit Committee monitors internal controls and risk management systems on an annual basis. The Group has established a system of control and risk management involving an appropriate degree of oversight by senior management.

Reappointment of auditor
Crowe U.K. LLP have expressed their willingness to continue as auditor. In accordance with the Isle of Man Companies Acts 1931 to 2004, a resolution reappointing Crowe U.K. LLP as auditor of the Company will be proposed at the next Annual General Meeting.

Going concern
The financial information has been prepared assuming the Group will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. As at the 31 March 2020 the Group had cash and short-term investments of US$10.40 million. On 2 October 2019, the Group completed the sale of the wholly owned subsidiary Hardy Exploration & Production (India) Inc to Invenire Energy Private Limited ("Invenire") on an as-is basis for a gross consideration of USD 8.750 million ("Transaction"). The proceeds of the sale of HEPI significantly increased the resources of the Group and significantly reduced projected expenditures. The Directors intend to use the Group's existing cash resources and short-term investments for the purpose 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 Directors have reviewed the Group's ongoing activities and having regard to the Group's existing working capital position, the Directors are of the opinion that the Group has adequate resources to enable it to undertake its planned activities over the next 12 months from the date of these financial statements.

Risk management
The Company's risk management objectives and exposure are detailed in the Strategic Report on pages 6 to 7 and in Note 19 to the financial statements.

Disclosure of information to auditors
So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Events after 31 March 2020
Since 31 March 2020, the Company has invested a further £2.51 million in the quoted shares of two UK listed companies. There have been no other material events that have occurred since 31 March 2020 to the date of this report. The quoted share prices of many of the Companies short-term investments have performed favourably since the year end are estimated to have generated unrealised gains £0.99 million in total on short-term investments in the current financial year to date.

Approved by the Board of Directors

Richard Galvin
Director

1 June 2020

Independent auditor's report to the shareholders of Hardy Oil and Gas plc

Opinion

We have audited the financial statements of Hardy Oil and Gas Plc (the 'parent Company') and its subsidiary (the 'Group') for the year ended 31 March 2020 which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Statements of financial position, the Consolidated and Company Statements of changes in equity, the Consolidated and Company Statements of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the parent company, as applied in accordance with the requirements of the Companies Act 1931 to 2004.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and parent Company's affairs as at 31 March 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the requirements of the Companies Acts 1931 to 2004; and
- the financial statements have been prepared in accordance with the requirements of the Companies Acts 1931 to 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group and parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the shareholders of Hardy Oil and Gas plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Acts 1931 to 2004 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' loans and remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP
Statutory Auditor
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

1 June 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Notes	Year ended 31 March 2020 US$	Year ended 31 March 2019 US$
Continuing Operations			
Revenue		–	–
Cost of Sales		–	–
Gross (loss)/profit		–	–
Administrative expenses		(1,969,990)	(1,429,754)
Operating loss		(1,969,990)	(1,429,754)
Financial and investment income	11	368,528	123,972
Loss before taxation and exceptional items		(1,601,462)	(1,305,782)
Gain/(loss) from discontinued operations	3	10,243,295	(54,993,968)
Taxation	8	–	–
Gain/(loss) after taxation		8,641,833	(56,299,750)
Total comprehensive gain/(loss) for the year attributable to owners of the parent		8,641,833	(56,299,750)
Gain/(loss) per share			
Basic & diluted	9	0.12	(0.76)

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital US$	Share premium US$	Share option reserve US$	Retained earnings/ (deficit) US$	Total US$
At 1 April 2018	737,641	120,936,441	764,488	(64,578,481)	57,860,089
Total comprehensive loss for the year	–	–	–	(56,299,750)	(56,299,750)
Adjustment of lapsed options	–	–	(659,545)	659,545	–
At 31 March 2019	737,641	120,936,441	104,943	(120,218,686)	1,560,339
Total comprehensive loss for the year	**–**	**–**	**–**	**8,641,833**	**8,641,833**
Adjustment of lapsed options	**–**	**–**	**(104,943)**	**104,943**	**–**
At 31 March 2020	**737,641**	**120,936,441**	**–**	**(111,471,910)**	**10,202,172**

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	31 March 2020 US$	31 March 2019 US$
Assets			
Non-current assets			
Property, plant and equipment	12	2,746	16,811
Site restoration deposits	21	–	5,076,807
Total non-current assets		2,746	5,093,618
Current assets			
Inventories	13	–	20,000
Trade and other receivables	14	115,158	5,486,731
Short-term investments	15	4,888,513	3,957,079
Cash and cash equivalents	19	5,510,830	204,160
Total current assets		10,514,501	9,667,970
Total assets		10,517,247	14,761,588
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	16	737,641	737,641
Share premium	17	120,936,441	120,936,441
Shares option reserve	17	–	104,943
Retained earnings deficit		(111,471,910)	(120,218,686)
Total equity		10,202,172	1,560,339
Provisions			
Provision for decommissioning	21	–	3,854,995
Total provisions		–	3,854,995
Current liabilities			
Trade and other payables	18	315,075	9,346,254
Total current liabilities		315,075	9,346,254
Total liabilities		315,075	13,201,249
Total equity and liabilities		10,517,247	14,761,588

Approved and authorised for issue by the Board of Directors on 1 June 2020

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	Year ending 31 March 2020 US$	Year ending 31 March 2019 US$
Operating activities			
Cash flow used in operating activities	5	(202,734)	(5,448,232)
Tax deducted		–	(1,719)
Net Cash used in operating activities		(202,734)	(5,449,951)
Investing activities			
Purchase of other property, plant and equipment	12	(71)	(4,292)
Site restoration deposit		(172,114)	(17,284)
Net proceeds on disposal of discontinued operation	3	8,091,508	–
Cash divested with discontinued operation on disposal	3	(2,019,161)	–
Purchase of short-term equity investments		(4,603,914)	–
Realised from short-term liquidity fund investments		3,913,793	4,977,044
Net cash from investing activities		5,210,041	4,955,468
Financing activities			
Interest and investment income		299,363	456,691
Net cash from financing activities		299,363	456,691
Net increase/(decrease) in cash and cash equivalents		5,306,670	(37,792)
Cash and cash equivalents at the beginning of the year		204,160	241,952
Cash and cash equivalents at the end of the year	19	5,510,830	204,160

Notes to the Financial Statements

For the year ended 31 March 2020

1 Accounting Policies

The following accounting policies have been applied in the preparation of the financial statements of Hardy Oil and Gas plc ("Hardy" or the "Group"). The domicile, country of incorporation, address of the registered office and a description of the Group's principal activities can be found in the Directors' Report.

These financial statements are for the year ending 31 March 2020 ("FY2020").

a) Basis of measurement

Hardy prepares its financial statements on a historical cost basis except as otherwise stated.

b) Going Concern

The financial information has been prepared assuming the Group will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. As at the 31 March 2020 the Group had cash and short-term investments of US$10.40 million. On 2 October 2019, the Group completed the sale of the wholly owned subsidiary Hardy Exploration & Production (India) Inc to Invenire Energy Private Limited ("Invenire") on an as-is basis for a gross consideration of USD 8.750 million ("Transaction"). The proceeds of the sale of HEPI significantly increased the resources of the Group and significantly reduced projected expenditures. The Directors intend to use the Group's existing cash resources and short-term investments for the purpose 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 Directors have reviewed the Group's ongoing activities and having regard to the Group's existing working capital position, the Directors are of the opinion that the Group has adequate resources to enable it to undertake its planned activities over the next 12 months from the date of these financial statements.

c) Basis of Preparation

Hardy prepares its financial statements in accordance with applicable International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board as adopted by the European Union.

The Group adopted IFRS 16 'Leases' for the year commencing 1 April 2019. The Group has no leases which falls to be accounted for under the new IFRS 16 standard and the introduction of the standard has no effect on the current or prior year results, assets or liabilities shown in these financial statements.

d) Presentational currency

These financial statements are presented in US dollars. All financial information presented is rounded to the nearest US dollar ("US$"), with some disclosures rounded to the nearest million. The functional currency for the UK operations is British Pound Sterling ("£").

Following the HEPI sale in October 2019, the Group no longer has transactions denominated in US Dollars (US$) and all of the Group's assets and liabilities at its 31 March 2020 year end were denominated in Pounds Sterling (£) other than for a very minor residual US$ bank balance. Accordingly, the reporting and presentational currency of the Company has now been changed from US$ to £ for all future reporting periods commencing on 1 April 2020.

In accordance with accounting standards, as part of that future reporting in the first year, the comparative financial information for the year ended 31 March 2020 as previously reported in US$, will also need to be restated into £. Note P9 to the financial statements provides for illustrative purposes, a summary of the statement of financial position at 31 March 2020 restated from US$ into £ using the procedures outlined in that note.

e) Basis of consolidation

The consolidated financial statements include the results of Hardy Oil and Gas plc and its subsidiary undertaking. During the year the Group comprised of the parent company, Hardy Oil and Gas plc, and a wholly owned subsidiary Hardy Exploration & Production (India) Inc. ('HEPI') incorporated under the Laws of State of Delaware, United States of America, which was sold on 2 October 2019.

f) Revenue and other income

Revenue and other income is measured at the fair value of the consideration received or receivable in the normal course of business, net of discounts and other sales related taxes. The Group recognises income when the amount of income can be reliably measured and when it is probable that the future economic benefits will flow into the Company.

i) Investment return (other income)

Investment return represents the sum of realised gains and losses on the disposal of investment portfolio assets and derivative financial instruments and the unrealised gains and losses on the revaluation of these, together with and any related investment income received and receivable. Realised gains and losses on the disposal of investments is the difference between the fair value of the consideration received less any directly attributable costs on the sale and the fair value of the investments at the start of the accounting period or acquisition date if later. Unrealised gains and losses on the revaluation of investments is the movement in carrying value of investments between the start of the accounting period or acquisition date if later and the end of the accounting period. Dividends from investments are recognised when the Group's right to receive payment has been established.

ii) Interest income

Interest income is recognised as interest accrues using the effective interest rate method.

g) Investments

Investments by the parent company in its subsidiary were stated at cost less any impairment provisions.

h) Short-term investments

Short-term investments which are quoted investment assets are designated at fair value through profit or loss on initial recognition which is considered most appropriate as these investment assets are assessed and evaluated on a fair value basis and are valued at closing bid-market price at the reporting date. Any gains or losses arising from subsequent changes in fair value are presented in the Statement of Comprehensive Income as they arise.

i) Taxation

The tax expense represents the sum of current tax and deferred tax. Current tax is based on the taxable profit of the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income as it excludes certain items of income or expenses that are taxable or deductible in years other than the current year and it further excludes items that are never taxable or deductible. The current tax liability is calculated using the tax rates that have been enacted or substantially enacted by the year end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the future against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted at the year-end date.

j) Foreign currencies

Foreign currency transactions are accounted for at the exchange rate prevailing on the date of the transaction. At the year-end date, all foreign currency monetary assets and monetary liabilities are restated at the closing exchange rate. Exchange difference arising from transactions during the year and from the year end retranslation are reflected in the Statement of Comprehensive Income.

Rate of exchanges were as follows:

	At 31 March 2020	At 31 March 2019
US$ to £1	1.24	1.32
INR to US	n/a*	69.18

* The Group had no Indian Rupee ("IRN") assets or liabilities at 31 March 2020.

k) Share-based payments

Hardy has previously issued share options to Directors and employees, which are measured at fair value at the date of grant. The fair value of the equity settled options determined at the grant date is expensed on a straight-line basis over the vesting period. In performing the valuation of these options, only market conditions are considered. Fair value is derived by use of the binomial model. The expected life used in the model is based on management estimates and considers non-transferability, exercise restrictions and behavioural considerations. In case of lapsed vested options, the amount recognised in the shares option reserve is adjusted to retained earnings as a reserve movement.

2 Critical accounting estimates and judgements

The preparation of the Group's financial statements requires the use of estimates and judgements that affect the carrying value of assets and liabilities at the reporting date and the reported amounts of revenue and expenditure for the year. These estimates and judgements are made based on management's knowledge of the facts, taking into account historical experiences and expectations of future events that are believed to be reasonable under the particular circumstances. By definition the actual results will most likely differ from the estimates made.

3 Discontinued Operations

On 2 October 2019, the Group completed the sale of its wholly-owned subsidiary, Hardy Exploration & Production (India) Inc. ("HEPI") to Invenire Energy Private Ltd for a gross consideration of US$8,750,000 and which generated a profit of US$9,882,129 on disposal and deconsolidation of the related net assets and liabilities at 2 October 2019, as follows:

	US$	US$
Gross consideration		8,750,000
Less costs of disposal		(658,492)
Net proceeds		8,091,508
Add net liabilities/(assets) deconsolidated		
Property, plant and equipment	(7,565)	
Site restoration deposits	(5,248,921)	
Inventories	(20,000)	
Trade and other receivables	(5,616,475)	
Cash and cash equivalents	(2,019,161)	
Trade and other payables	10,847,748	
Provision for decommissioning	3,854,995	
	1,790,621	1,790,621
Profit on disposal of discontinued operations		9,882,129

3 Discontinued Operations – continued

The above profit of US$9,882,129 on disposal, together with HEPI profits of US$361,169 incurred on ordinary activities after tax up until deconsolidation on 2 October 2019, gives a total profit from discontinued operations of US$10,243,295 in the year to 31 March 2020 as set out below:

Results of discontinued operations	**FY2020 US$**	**FY2019 US$**
Revenue	–	–
Production cost	(40,984)	(867,363)
Administrative expenses	230,002	(3,331,052)
Impairment	–	(51,128,272)
Operating gain/(loss)	189,018	(55,326,687)
Financial income	172,148	332,719
Gain/(loss) on ordinary activities before taxation	361,166	(54,993,968)
Taxation	–	–
Gain/(loss) on ordinary activities after taxation	361,166	(54,993,968)
Profit on disposal of discontinued operations	9,882,129	–
Tax on disposal of discontinued operations	–	–
Total loss from discontinued operations	10,243,295	(54,993,968)

In addition, HEPI cash inflows until deconsolidation on 2 October 2019 amounted to US$1,621,011 as set out below:

Cash flows of discontinued operations	**FY2020 US$**	**FY2019 US$**
Operating cash inflows/(outflows)	1,620,978	(3,975,315)
Investing cash inflows/(outflows)	(172,115)	(20,106)
Financing cash inflows/(outflows)	172,148	332,719
Net cash inflows/(outflows)	1,621,011	(3,662,702)

4 Segmental Reporting

Post disposal of HEPI to Invenire Energy Private Limited, the Company operates in a single geographical segment. There are no reportable segments of the Group.

5 Reconciliation of operating loss to operating cash flows

	FY2020 US$	**FY2019 US$**
Operating loss of continuing operations	(1,969,990)	(1,429,754)
Operating profit/(loss) of discontinued operations	189,019	(55,326,687)
	(1,780,971)	(56,756,441)
Impairment of Block CY-OS/2	–	51,128,272
Depletion, amortisation and depreciation	6,571	10,846
Decrease in inventory	–	639,656
Increase in trade and other receivables	(244,902)	(744,864)
Increase in trade and other payables	1,816,568	274,299
Cash (used in) operating activities	(202,734)	(5,448,232)

The only movement in debt during the year was arising from cash flows.

6 Staff costs for continuing operations

	FY2020 US$	FY2019 US$
Wages and salaries	475,617	701,007
Social security costs	183,775	152,681
Termination benefits expense	684,758	–
	1,344,150	853,688

Staff costs include executive Directors' salaries, fees, life and medical insurance benefits, pension contributions and terminal benefits. The Company has no pension commitments as at the year-end dates.

The termination benefits expense includes payments in lieu of notice and termination payments to departing employees. In addition, for FY2020, this also includes an amount of US$188,687 has been accrued in staff costs in FY2020 in relation to the termination notice set out on page 8 and the terminal bonus entitlements that will be payable to Richard Galvin on that termination on 31 May 2020. Social security costs for FY2020 also include and amount of US$23,696 that has been accrued in relation to that Termination bonus entitlement.

The weighted average monthly number of employees, including executive Directors and individuals employed by the Company, are as follows:

	FY2020	FY2019
Management and administration	2	3

7 Share-based payments

Changes in outstanding share options during the year are summarised below:

	FY2020 Number of options	Weighted average price	FY2019 Number of options	Weighted average price
Outstanding at beginning of the year	250,000	£0.65	675,000	£1.74
Granted during the year	–	–	–	–
Lapsed during the year	250,000	£0.65	425,000	£2.37
Outstanding at the end of the year	–	–	250,000	£0.65
Exercisable at the end of the year	–	–	–	–

There was no share-based payments charge to the statement of comprehensive income in the year (FY2019: US$ nil) but an adjustment was made in the statement of changes in equity to release US$104,943 from the share option reserve to retained earnings in order to reflect the vested options that lapsed during the year (FY2019: US$659,545 release).

8 Taxation

a) Analysis of taxation charge/(credit) for the year

	FY2020 US$	FY2019 US$
Current tax charge		
UK corporation Tax	–	–
Foreign Tax – India	–	–
Minimum alternate tax	–	–
Foreign tax – USA	–	–
Total current tax charge	–	–
Deferred tax charge	–	–
Taxation charge	–	–

	FY2020 US$	FY2019 US$
Charge in respect of change in tax rates	–	–
Gain/(loss) incurred during the year	1,728,367	(23,220,650)
Origination and reversal of temporary differences	–	562,381
De-recognition due to potential non-reversal of deferred tax asset	(1,728,367)	22,658,269
Deferred tax charge	–	–

b) Factors affecting tax charge for the year

	FY2020 US$	FY2019 US$
Continuing operations loss before taxation and exceptional items	(1,601,462)	(1,305,782)
Loss before taxation multiplied by the appropriate rate of tax in respective countries (FY2020: 19%, FY2019: 41.2%)	(304,277)	(248,099)
Gain/(loss) before taxation from discontinued operations	10,243,295	(54,993,968)
Gain/(loss) before taxation multiplied by the appropriate rate of tax (FY2020: 20%, FY2019: 41.2%)	2,048,659	(23,042,472)
Total tax on continuing and discontinued operations	1,744,382	(23,290,571)
Tax on losses due to investment write off	(25,000,653)	–
Others	45,849	562,381
De-recognition due to potential non-reversal of deferred tax asset	23,210,422	22,658,269
Total tax charge	–	–

Following the sale of HEPI, Hardy's operational and investment activity is subject to tax in the UK only at a rate of 19 and 20 per cent respectively. Prior to the sale of HEPI, the Group's equity investment in HEPI was $129,596,999. Previously the Group's operating activity was subject to tax in India and the US wherein India corporate tax rate was the highest at 41.2 per cent. Based on the current plans, the Group anticipates that the tax allowances will continue to exceed operating and investment income of each year, though the timing of related tax relief is uncertain. No deferred tax asset has been recognised in FY2020.

9 Gain/(loss) per share

Gain per share is calculated on a gain of US$8,641,833 for the year ended 31 March 2020 (FY2019: US$56,299,750) on a weighted average of 73,764,035 Ordinary Shares for the year ended 31 March 2020 (FY2019: 73,764,035) to give a gain per share of 11.72 $cents for FY2020 (FY2019: loss 76.32 $cents). No diluted loss per share is calculated.

10 Audit fees

Audit fees payable to the Group's auditors for the audit of the Group's financial statements for the year ended 31 March 2020 is US$28,520 (2019: US$60,000).

11 Financial and investment income

	FY2020 US$	FY2019 US$
Unrealised gains on investments	241,313	–
Dividends	127,215	123,972
	368,528	123,972

Note that the Group's discontinued operations also earned financial income in the year – see note 3.

12 Property, plant and equipment

	Oil and gas assets US$	Other fixed assets US$	Total US$
Cost			
At 1 April 2018	35,465,279	1,795,691	37,260,970
Additions	–	4,292	4,292
Disposals	–	–	–
At 31 March 2019	35,465,279	1,799,983	37,265,262
Additions	–	71	71
Deletions – Discontinued Operations	(35,465,279)	(1,595,395)	(37,060,674)
At 31 March 2020	–	204,659	204,659
Depletion, depreciation and amortisation			
At 1 April 2018	35,465,279	1,772,828	37,238,107
Charge for the year	–	10,344	10,344
Disposals	–	–	–
At 31 March 2019	35,465,279	1,783,172	37,248,451
Charge for the year	–	6,571	6,571
Deletions – Discontinued Operations	(35,465,279)	(1,587,830)	(37,053,109)
At 31 March 2020	–	201,913	201,913
Net book value at 31 March 2020	–	2,746	2,746
Net book value at 31 March 2019	–	16,811	16,811

13 Inventories

	At 31 March 2020 US$	At 31 March 2019 US$
Drilling and production stores and spares	–	20,000
	–	20,000

14 Trade and other receivables

	At 31 March 2020 US$	At 31 March 2019 US$
Other receivables	104,607	13,750
Prepayments and accrued income	10,551	57,288
Amounts due from Joint Venture Partners	–	5,332,406
	115,158	5,486,731

15 Short-term investments

	At 31 March 2020 US$	At 31 March 2019 US$
Equity Investments	4,845,227	–
HSBC US$ Liquidity Fund	43,055	3,956,841
HSBC £ Liquidity Fund	231	238
	4,888,513	3,957,079

The above investments are in liquid funds and quoted equity investments which can be converted into cash at short notice. Fair value of these investments approximates book values as at 31 March 2020 and 31 March 2019.

16 Share capital

	Number $0.01 Ordinary shares	Nominal Value US$
Authorised Ordinary Shares		
At 1 April 2018	200,000,000	2,000,000
At 31 March 2019	200,000,000	2,000,000
At 31 March 2020	200,000,000	2,000,000
Allotted, issued and fully paid Ordinary Shares		
At 1 April 2018	73,764,035	737,641
Shares issued	–	–
At 31 March 2019	73,764,035	737,641
Shares issued	–	–
At 31 March 2020	73,764,035	737,641

Ordinary Shares issued have equal voting and other rights with no guarantee to dividend or other payments.

17 Reserves

Hardy holds the following reserves, in addition to share capital and retained earnings:

	At 31 March 2020 US$	At 31 March 2019 US$
Share premium	120,936,441	120,936,441
Share option reserve	–	104,943

Share premium

The share premium is the additional amount over and above the nominal share capital that is received for shares issued less any share issue costs.

Share option reserve

The fair value of share options issued to Directors and employees are charged to operating profit over the overall vesting period of the award with a corresponding credit to the share option reserve. All of the Company's share options expired and lapsed in the year to 31 March 2020 (see note 7) and as a result the whole of the share option reserve was released to the retained earnings/(deficit) reserve in the year.

18 Trade and other payables

	At 31 March 2020 US$	At 31 March 2019 US$
Trade payables	14,000	7,162,319
Accruals	301,075	2,183,935
	315,075	9,346,254

19 Financial risk management

Hardy finances its operations through a mixture of equity and retained earnings. Finance requirements are reviewed by the Board when funds are required for acquisition or other projects. Hardy's objective is to maintain a strong financial position to sustain future development of the business. The Group expanded its capital management approach to allow for the short-term investment in UK listed equities.

Hardy's treasury functions are responsible for managing fund requirements and investments which include banking, cash flow management, interest and foreign exchange exposure to ensure adequate liquidity to meet cash requirements. Hardy's principal financial instruments are cash, deposits, short-term investments, receivables and payables. Hardy's main financial risks are foreign currency risk, liquidity risk, interest rate risk and credit risks. Set out below are policies that are used to manage such risks:

Foreign currency risk

Following the sale of HEPI on 2 October 2019, the Company no longer has transactions denominated in US Dollars (US$) and the majority of the Company's assets and liabilities as at 31 March 2020 were denominated in Pounds Sterling (£). The reporting and presentational currency of the Company has now been changed from US$ to £ for all future reporting periods commencing on 1 April 2020.

Liquidity risk

The Group currently has cash which has been placed in deposits and short-term investments which can be converted into cash at short notice, ensuring sufficient liquidity to meet the Group's expenditure requirements. Hardy has no outstanding loan obligations.

Interest rate risk

Some of the Group's surplus funds are placed in deposits and short-term investments at fixed or floating rates. Hardy's policy is to place deposits only with well-established banks or financial institutions that offer competitive interest rates. Further details are disclosed in note 14.

19 Financial risk management – continued

Credit risk

Deposits and other money market instruments, as a general rule, are placed with banks and financial institutions that have ratings of not less than AA or equivalent, which are verified before placing the deposits. Cash surpluses may also be invested in short-term investments in certain liquid funds and securities.

The Board will continue to assess the strategies for managing credit risk and is satisfied with the existing policies. The maximum financial risk exposure relating to the financial assets is the carrying value of such financial assets as at the year-end date.

Capital Management

The Group monitors the long-term cash flow requirements of the business in order to assess the requirement for changes to the capital structure to meet that objective and to maintain flexibility. The Group considers its capital to consist of share capital only. The Board manages the structure of its capital and makes necessary adjustments to accommodate the changes in the economic conditions. To maintain or adjust the capital structure, the Board may issue new shares for cash. No significant changes were made in the objectives, policies or processes during the year ended 31 March 2020.

Interest rate risk profile of financial assets

The interest rate risk profile of the financial assets of the Group as at 31 March 2020 is as follows:

FY2020	Fixed rate Financial assets US$	Floating rate Financial asset US$	Financial asset no interest is earned US$	Total US$
US Dollars	–	–	21,802	21,802
Pound Sterling	–	70	5,488,958	5,489,028
Short-term investments	–	43,286	4,845,227	4,888,513
Cash and cash equivalents	–	43,356	10,355,987	10,399,343

The interest rate risk profile of the financial assets of the Group as at 31 March 2019 is as follows:

FY2019	Fixed rate Financial assets US$	Floating rate Financial asset US$	Financial asset no interest is earned US$	Total US$
US Dollars	–	9,636	161,527	71,163
Pound Sterling	–	74	85,311	85,385
Indian Rupees	–	–	47,612	47,612
Short-term investments	–	3,957,079	–	3,957,079
Cash and cash equivalents	–	3,966,789	194,450	4,161,239

Financial asset includes cash and deposits and the floating interest rates are based on the base rate of the relevant central bank.

Currency exposures

The currency exposures of the monetary assets denominated in currencies other than US$ of the Company are as follows:

	At 31 March 2020	At 31 March 2019
UK£	5,489,028	69,770

Foreign exchange gain recognised on account of exchange rate for the year ended 31 March 2020 is US$219 (2019: loss of US$20,961).

20 Financial instruments

Book values and fair values of the Group's financial assets and liabilities as follows:

Financial assets

Primary financial instruments	Book value 2020 US$	Fair Value 2020 US$	Book value 2019 US$	Fair Value 2019 US$
Short-term investments	4,888,513	4,888,513	3,957,079	3,957,079
Cash and short-term deposits	5,510,830	5,510,830	204,160	204,160
Trade and other receivables	115,158	115,158	5,486,731	5,486,731
Site Restoration fund	–	–	5,076,807	5,076,807
	10,514,501	10,514,501	14,724,777	14,724,777

All the above financial assets are current and unimpaired as at 31 March 2020.

Financial liabilities

Primary financial instruments	Book value 2020 US$	Fair Value 2020 US$	Book value 2019 US$	Fair Value 2019 US$
Accounts Payable	(315,075)	(315,075)	(9,346,254)	(9,346,254)

All of the above financial liabilities are current as at 31 March 2020.

21 Provision for decommissioning

	US$
At 1 April 2018	3,854,995
Change in decommissioning estimate	–
At 31 March 2019	3,854,995
Divested with the sale of HEPI – see note 3	(3,854,995)
At 31 March 2020	–

The provision by HEPI for the decommissioning of an oil field was made by estimating the cost of abandonment of existing wells and any required reclamation of the area at current prices using existing technology. The projected costs comprise primarily of the cost of a drillship to abandon the field's existing wells the provision has been calculated using a drillship day-rate of US$143,000. The estimate is calculated based on decommissioning occurring after the end of the current Production Sharing Contract in December 2019. The provision of US$3,854,995 was divested from the Group on the sale of HEPI on 2 October 2019.

At the time of the sale of the Group's HEPI subsidiary, HEPI held an amount of INR351,213,465 (US$5,248,291) on deposit with State Bank of India for site restoration obligations (31 December 2019; deposit amount US$5,076,807). This deposit was divested from the Group at the 2 October 2019 date of the HEPI sale.

Notes to the Financial Statements

For the year ended 31 March 2020

22 Related party transactions

Related party transactions with Directors and the key management personnel of the Group, comprise only remuneration payments. The aggregate remuneration for these is as follows:

	FY2020 US$	FY2019 US$
Short-term employee benefits	500,207	778,570
Termination payments	681,044	–
	1,181,250	778,570

Key management personnel include the Directors and also Richard Galvin as Treasurer and Corporate Affairs Executive prior to his appointment as a director on 18 October 2019. Further information about the remuneration of individual Directors is provided on page 9 of the Directors' Report.

Transactions between the Company and its wholly owned subsidiary, HEPI, in the year, are eliminated on consolidation and, therefore, are not disclosed in this note to the consolidated financial statements. However, those transactions are disclosed in the notes to the Parent Company financial statements – see note P10.

Parent Company Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital US$	Share premium US$	Share option reserve US$	Retained earnings/ (deficit) US$	Total US$
At 1 April 2018	737,641	120,936,441	764,489	(64,578,476)	57,860,097
Total comprehensive loss for the year	–	–	–	(53,535,376)	(53,535,374)
Adjustment of lapsed vested options	–	–	(659,546)	323,725	(335,821)
At 31 March 2019	737,641	120,936,441	104,943	(117,790,123)	3,988,902
Total comprehensive loss for the year	–	–	–	6,213,270	6,213,270
Adjustment of lapsed options	–	–	(104,943)	104,943	–
At 31 March 2020	737,641	120,936,441	–	(111,471,910)	10,202,172

Parent Company Statement of Financial Position

As at 31 March 2020

	Notes	31 March 2020 US$	31 March 2019 US$
Assets			
Non-current assets			
Property, plant and equipment	P4	2,746	6,766
Total non-current assets		2,746	6,766
Current assets			
Trade and other receivables	P5	115,158	71,038
Short-term investments	P6	4,888,513	3,957,079
Cash and cash equivalents		5,510,830	82,791
Total current assets		10,514,501	4,110,908
Total assets		10,517,247	4,117,674
Equity and liabilities			
Equity attributable to the owners			
Equity			
Called-up share capital	16	737,641	737,641
Share premium	17	120,936,441	120,936,441
Share option reserve	17	–	104,943
Retained earnings deficit		(111,471,910)	(117,790,123)
Total equity		10,202,172	3,988,902
Current liabilities			
Trade and other payables	P7	315,075	128,772
Total liabilities		315,075	128,772
Total equity and liabilities		10,517,247	4,117,674

Approved and authorised for issue by the Board of Directors on 1 June 2020

Parent Company Statement of Cash Flows

For the year ended 31 March 2020

	Notes	FY2020 US$	FY2019 US$
Operating activities			
Cash flow used in operating activities	P3	(1,823,716)	(1,474,628)
Net Cash used in operating activities		(1,823,716)	(1,474,628)
Investing activities			
Expenditure on fixed assets	P4	(71)	(1,471)
Net proceeds on disposal of discontinued operation	P3	8,091,508	–
Purchase of short-term equity investments		(4,603,914)	–
Realised from short-term liquidity fund investments		3,913,793	4,977,044
Net cash from investing activities		7,401,316	4,975,573
Financing activities			
Investment income		127,215	123,972
Inter corporate loan		(276,776)	(3,749,423)
Net cash used in financing activities		(149,561)	(3,625,451)
Net increase/(decrease) in cash and cash equivalents		5,428,039	(124,506)
Cash and cash equivalents at the beginning of the year		82,791	207,297
Cash and cash equivalent at the end of the year		5,510,830	82,791

Notes to the Parent Company Financial Statements

For the year ended 31 March 2020

P1 Accounting Policies

The Company follows the accounting policies of the Group.

P2 Statement of comprehensive Income

The Company has taken advantage of the exemption provided under section 3 of the Isle of Man Companies Act 1982 not to publish its statement of comprehensive income and related notes. The Company's gain for the year was US$6,213,270 (FY2019: US$53,535,374).

That Parent Company gain for the year comprises the continuing operations loss before tax and exceptional items of US$(1,601,462) as disclosed in the consolidated statement of comprehensive income, plus interest income of US$1,816,856 charged on the intercompany loan to the Company's wholly-owned subsidiary, Hardy Exploration & Production (India) Inc. ("HEPI"), plus a Parent Company profit of US$5,997,876 generated on the sale of HEPI to Invenire Energy Private Ltd ("Invenire") on 2 October 2019.

The Parent Company profit of US$5,997,876 generated on the sale of HEPI reflects the receipt of net proceeds of US$8,081,508 less the Company's carrying value of its investment in HEPI of US$(2,093,632) at the date of sale.

Disclosures relating to the continuing operations loss before tax are included in note disclosures to the consolidated financial statements including note 6 in relation to staff costs and headcount, note 7 in relation to share-based payments and note 9 in relation to audit fees.

P3 Reconciliation of operating loss to operating cash flows

	FY2020 US$	FY2019 US$
Operating loss	(1,969,990)	(1,429,754)
Depreciation	4,091	4,091
	(1,965,899)	(1,425,663)
(Increase)/decrease in trade and other receivables	(44,120)	8,682
Increase/(decrease) in trade and other payables	186,303	(57,647)
Cash flow used in operating activities	(1,823,716)	(1,474,628)

P4 Property, plant and equipment

	Total US$
Cost	
At 31 March 2018	203,118
Additions	1,471
Deletion	–
At 31 March 2019	204,589
Additions	71
Deletion	–
At 31 March 2020	204,660
Depreciation	
At 31 March 2018	193,732
Charge for the year	4,091
Deletion	–
At 31 March 2019	197,823
Charge for the year	4,091
Deletion	–
At 31 March 2020	201,914
Net book value at 31 March 2020	2,746
Net book value at 31 March 2019	6,766

Notes to the Parent Company Financial Statements

For the year ended 31 March 2020

P5 Trade and other receivables

	At 31 March 2020 US$	At 31 March 2019 US$
Other receivables	104,604	13,750
Prepayments and accrued income	10,551	57,288
	115,158	71,038

P6 Short-term investments

	At 31 March 2020 US$	At 31 March 2019 US$
Equity Investments	4,845,227	–
HSBC US$ Liquidity Fund	43,055	3,956,841
HSBC £ Liquidity Fund	231	238
	4,888,513	3,957,079

The above investments are in liquid funds and quoted equity investments which can be converted into cash at short notice. Fair value of these investments approximates book values as at 31 March 2020 and 31 March 2019.

P7 Trade and other payables

	At 31 March 2020 US$	At 31 March 2019 US$
Trade payables	14,000	38,690
Accruals	301,075	90,075
	315,075	128,764

P8 Financial risk management and financial instruments

Following the sale of HEPI to Invenire on 2 October 2019, the Company no longer has any subsidiaries and the consolidated statement of financial position at 31 March 2020, comprises only that of the Company and is the same as the Company.

Therefore, the disclosures relating to financial risk management, financial instruments and related as included in note disclosures 19 and 20 to the consolidated financial statements, are also applicable to the Company's statement of financial position at 31 March 2020.

P9 Change of reporting currency

Following the sale of HEPI in October 2019, the Company no longer has transactions denominated in US Dollars (US$) and all of the Company's assets and liabilities at its 31 March 2020 year end were denominated in Pounds Sterling (£) other than for a very minor residual US$ bank balance. Accordingly, the reporting and presentational currency of the Company has now been changed from US$ to £ for all future reporting periods commencing on 1 April 2020.

In accordance with accounting standards, as part of that future reporting in the first year, the comparative financial information for the year ended 31 March 2020 as previously reported in US$, will also need to be restated into £.

P9 Change of reporting currency – continued

Set out below for illustrative purposes, is a summary of the Company's statement of financial position at 31 March 2020 restated from US$ into £.

	31 March 2020 US$	Restated to £ 31 March 2020 £
Assets		
Property, plant and equipment	2,746	2,218
Trade and other receivables	115,158	93,027
Short-term investments	4,888,513	3,949,037
Cash and cash equivalents	5,510,830	4,451,757
Total assets	10,517,247	8,496,039
Equity and Liabilities		
Equity attributable to the owners		
Equity		
Called-up share capital	737,641	414,925
Share premium	120,936,441	68,249,145
Foreign currency translation reserve	–	24,203,938
Retained earnings deficit	(111,471,910)	(84,626,493)
Total equity	10,202,172	8,241,515
Current liabilities		
Trade and other payables	315,075	254,524
Total equity and liabilities	10,517,247	8,496,039

The above illustrative retranslation of the Company's statement of financial position at 31 March 2020 from US$ to £ has been undertaken on the following basis:

- assets and liabilities denominated in non-sterling currencies have been translated into £ at the period end 31 March 2020 closing rates of exchange of US$/£1.2379; and
- historic trading results have been translated into sterling at average rates of exchange for the relevant periods; and
- share capital and share premium have been translated at the historic rates prevalent at the dates of the historic issue of shares transactions; and
- foreign exchange translation differences resulting from the above retranslations have been taken to a foreign currency translation reserve.

P10 Related party transactions

Related party transactions with Directors and the key management personnel of the Group are set out in note 22 to the consolidated financial statements.

Transactions in the year between the Company and its wholly owned subsidiary, comprised intercompany cash loan advances of US$276,776 made by the Company to HEPI, together with intercompany loan interest of US$1,816,856 charged by the Company to HEPI. The resultant intercompany loan balance was US$2,093,632 before the sale of HEPI in October 2019. Historic prior period intercompany loan advances and loan interest amounting to approximately US$122.9 million, were provided against and written down to US$ nil in FY2019 and earlier periods.

The total investment in HEPI by the Company, including all historic intercompany cash loan advances and loan interest, amounts to US$125.00 million and was capitalised by the Company under a subscription agreement entered into with HEPI prior to its sale on 2 October 2019.

Hardy Oil and Gas plc