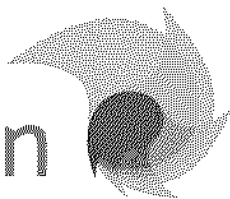


# Hardman



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## **STOCK EXCHANGE / MEDIA RELEASE**

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### **A\$1.47 BILLION RECOMMENDED OFFER FOR HARDMAN RESOURCES FROM TULLOW**

Hardman Resources Limited (ASX: HDR) today announced that it has entered into an agreement with Tullow Oil plc (LSE: TLW) for the proposed acquisition by Tullow of all of the shares in Hardman via a scheme of arrangement.

The proposed transaction is subject to a number of conditions, including Hardman shareholder approval. The attachment to this announcement sets out the key terms of the scheme implementation agreement.

Under the Tullow offer, Hardman shareholders will receive A\$2.02 (£0.7979)<sup>1</sup> cash per share, a 60 per cent premium to the Volume Weighted Average Price ("VWAP") of Hardman's shares in the week prior to the agreement<sup>2</sup>. This offer values Hardman at A\$1.471 billion (£581 million).

Tullow will also provide a Share Alternative to Hardman shareholders who wish to participate in the combined group. Hardman shareholders may elect to receive 0.22289 new Tullow shares for each Hardman share, subject to a maximum of 65 million new Tullow shares.

This Share Alternative is available for some or all of the shares owned by each Hardman shareholder. Any oversubscription to the Share Alternative will be subject to a scaleback pro-rata

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<sup>1</sup> Based on an exchange rate of £1 = A\$2.5315

<sup>2</sup> Based on the five trading days to, and including, 22 September, 2006, being the last trading day prior to the agreement being reached

to the size of the elections made. The new Tullow shares will not be listed on the ASX but will trade on the London Stock Exchange.

The Hardman Board believes that the Tullow offer is in the best interests of Hardman shareholders. In the absence of a superior proposal, the Directors unanimously recommend that Hardman shareholders vote in favour of the scheme of arrangement and each of the Directors intends to vote any shares they hold in favour of the Tullow offer at the scheme meeting.

The cash consideration of A\$2.02 (£0.7979) represents a substantial premium of:

- 56 per cent to the volume weighted average price ("VWAP") of A\$1.29 per Hardman share on 22 September 2006, being the last trading day on the ASX before this announcement;
- 60 per cent to the one week VWAP of A\$1.26 per Hardman share<sup>3</sup>; and
- 47 per cent to the one month VWAP of A\$1.38 per Hardman share.<sup>4</sup>

Hardman Chairman, Mr Robert Carroll, said: "We welcome Tullow's offer as representing attractive value. The Board unanimously recommends this offer in the absence of a superior proposal as we consider that it is in the best interests of our shareholders."

An explanatory memorandum containing information relating to the proposed transaction and reasons for the Directors' recommendation is expected to be sent to Hardman shareholders in mid November 2006.

KPMG will be engaged to prepare an independent expert's report for Hardman shareholders and provide its opinion as to whether the proposed transaction is in the best interests of Hardman shareholders. This report will be included in the explanatory memorandum.

The meeting at which Hardman shareholders will vote on the scheme of arrangement is expected to be held in mid December 2006 in Perth, Western Australia.

Mr Simon Potter, Hardman's CEO & Managing Director, said: "Hardman has assembled a broad asset portfolio, comprising prospective exploration acreage, discoveries to appraise, and potential developments, diversified both technically and by region. Significantly, the company has also developed an operating capability, which together with high margin cashflow and a strong balance sheet, give it flexibility and control over the growth of those assets.

"Tullow's offer, at an attractive premium to our recent share price, captures potentially several years of the risked upside in our portfolio. Further, it provides investors with the choice of certain value now via a cash offer or, through the scrip alternative, retaining exposure to the Hardman asset inventory with the additional leverage offered by an E&P company of substantially greater scale.

"We know Tullow well through our joint venture in Uganda. It is a highly successful E&P company with a strong exploration ethos, an excellent operational record and a broad range of assets in Africa, Asia and OECD countries. The Board has concluded that Tullow's offer has the value and flexibility to appeal to Hardman's varied shareholder base, and we recommend the offer to our investors."

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<sup>3</sup> VWAPs calculated to the close of trading on 22 September, 2006. The calculation of the VWAP is based on trading on the ASX only

<sup>4</sup> VWAPs calculated to the close of trading on 22 September, 2006. The calculation of the VWAP is based on trading on the ASX only

Hardman is being advised by Emerald Partners and Morgan Stanley as financial advisers and Blake Dawson Waldron as legal advisers. The Company's house brokers in the UK are JP Morgan Cazenove and Oriel Securities.

A Shareholder Information Line - 1300 302 137 within Australia and +61 3 9415 4278 internationally – has been established and will be fully operational from 26 September 2006.

#### **About Hardman**

Hardman is an Australian Stock Exchange listed, international oil and gas exploration and production company headquartered in Perth, Australia. The company has projects in Uganda, Tanzania, Falklands, Guyane and a major presence in the emerging petroleum province offshore Mauritania, West Africa. Hardman is also listed on the Alternative Investment Market of the London Stock Exchange (LSE).

[www.hdr.com.au](http://www.hdr.com.au)

#### **About Tullow**

Tullow is one of the largest independent oil and gas exploration and production companies in Europe with a portfolio of licenses in 15 countries and over 200 employees. The Group focuses on gas in the UK Southern North Sea, oil in Africa, and has ongoing appraisal and development in South Asia. At the time of announcement Tullow had a market capitalisation of £2.329 billion (A\$5.896 billion). Tullow is headquartered in London and listed on the main market of the LSE and the Irish Stock Exchange.

[www.tulloil.com](http://www.tulloil.com)

**ATTACHMENT**  
**SCHEME IMPLEMENTATION AGREEMENT - SUMMARY OF KEY TERMS**

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Hardman and Tullow have entered into a Scheme Implementation Agreement dated 25 September 2006 (**SIA**) in relation to a proposed scheme of arrangement for Tullow or a subsidiary of Tullow to acquire all of the shares in Hardman (**Scheme**).

The SIA sets out the obligations of Hardman and Tullow in relation to the Scheme. A copy of the SIA will be set out in the Scheme Booklet that is to be provided to Hardman shareholders prior to the Scheme meeting. A summary of some of the key terms of the SIA is set out below.

**1. CONDITIONS PRECEDENT**

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Implementation of the Scheme is subject to a number of conditions precedent which must be satisfied before the Second Court Date, including the following:

- a) **Regulatory Approvals:** FIRB approval.
- b) **Shareholder approval:** Hardman Shareholders approving the Scheme at a general meeting. The resolution for the Scheme must be passed by a majority in number of the shareholders present and voting (in person or by proxy), whose votes represent at least 75% of the total votes cast at the meeting.
- c) **Restraints:** there being no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other material legal restraint or prohibition preventing the transaction from proceeding.
- d) **Hardman Material Adverse Change:** there being no one or more changes, events, occurrences or matters which (whether individually or when aggregated with all such changes, events, occurrences or matters of a like kind) has had or is likely to have:
  - 1) the effect of a diminution in the consolidated net assets of the Hardman Group, taken as a whole (calculated on the basis of AIFRS), of at least \$50,000,000 when compared to the consolidated net assets of the Hardman Group as shown in Hardman's Interim Report as at 30 June 2006; or
  - 2) the result that Hardman is unable to carry on its business in substantially the same manner as it is currently carried on,in either case, other than as a consequence of:
  - changes in oil prices or currency exchange rates; or
  - any revision to the estimated oil reserves of the Chinguetti oil field that it is not materially different to that previously announced by Hardman on 23 August 2006; or
  - write-offs of exploration costs in the ordinary course of business or the incurring of depreciation charges in the ordinary course of business; or
  - losses covered by insurance which Hardman's insurer has agreed in writing to pay.
- e) **Hardman Prescribed Occurrence:** there being no "Hardman Prescribed Occurrence" (which include the events listed in Section 652C of the Corporations Act, certain corporate restructures, material acquisitions, disposals, restraints, financial encumbrances and financial commitments, related party transactions, hedging and insolvency events) by Hardman, and in certain circumstances, its subsidiaries.
- f) **Tullow Prescribed Occurrence:** there being no "Tullow Prescribed Occurrence" which includes certain capital restructures and insolvency events in respect of Tullow.
- g) **Court approval:** the Court approving the Scheme.

## 2. NO-TALK, NO-SHOP AND CHANGE IN RECOMMENDATION

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Under the agreement, Hardman has agreed that from the date of the SIA until its termination or the end date:

- a) **No Talk:** it must ensure that neither it nor any of its subsidiaries, nor any of their respective directors, employees, officers or agents (including for the avoidance of doubt any Financial Advisers) directly or indirectly participate in any negotiations or discussions, provide or make available any information (including by way of providing information and access to perform due diligence), or communicate any intention to do any of these things, in respect of or in response to any expression of interest, offer or proposal by any person in relation to any Competing Transaction (as defined in paragraph 3(a) below).
- b) **No Shop:** it must ensure that neither it nor any of its subsidiaries, nor any of their respective directors, employees, officers or agents (including for the avoidance of doubt any Financial Advisers) directly or indirectly solicit, encourage (including by way of providing information concerning Hardman to any person), initiate or communicate any intention to do any of these things, in respect of or in response to any expression of interest, offer or proposal by any person in relation to any Competing Transaction (as defined in paragraph 3(a) below).
- c) **Fiduciary carve out:** nothing in the No Shop or No Talk provisions prevents Hardman from undertaking an act otherwise prohibited by the No Talk provision if not undertaking that act would, in the written opinion of a Queen's Counsel or Senior Counsel, involve a breach of the fiduciary duties owed by any Hardman director or would otherwise be unlawful. Prior to undertaking an act otherwise prohibited by the No Talk provision, that is permitted by the fiduciary carve out Hardman must:
  - 1) obtain, and provide Tullow with a copy of, the written Queen's Counsel or Senior Counsel's legal opinion; and
  - 2) not, and ensure that none of its Representatives undertake any such prohibited act until the end of the next Business Day after the provision of the written Queen's Counsel or Senior Counsel's legal opinion.
- d) **Notification of approaches:** Hardman must notify Tullow immediately if it, or any of its Representatives becomes aware of any:
  - 1) negotiations or discussions;
  - 2) approach or attempt to initiate any negotiations or discussions; or
  - 3) intention to make such an approach or attempt to initiate any negotiations or discussions,in respect of any expression of interest, offer or proposal of a kind referred to in paragraphs 2(a) and 2(b) above and prior to doing an act referred to in paragraph 2(a) (which acts are only permitted to be undertaken pursuant to the fiduciary carve out mechanism set out in paragraph 2(c) above) Hardman must immediately provide in writing to Tullow the identity of the relevant person or persons and details of such expression of interest, offer or proposal (including copies of, and updates in relation to, any expressions of interest, offer or proposals).
- e) **Change of recommendation:** Hardman must notify Tullow 3 Business Days prior to announcing any change in recommendation and must consult with Tullow in good faith for those 3 days to consider if the recommendation in place at that time can be reinstated.

## 3. REIMBURSEMENT FEE

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- a) Hardman has agreed to pay a reimbursement fee to Tullow, equal to AUD\$14,711,694 if:
  - 1) the Hardman Board withdraws or modifies its recommendation that Hardman Shareholders vote in favour of the Scheme or makes a public statement indicating that it no longer supports the Transaction or that it supports some other transaction, unless there has been a Tullow Prescribed Occurrence prior to that change, withdrawal or modification and Hardman has commenced the process of terminating this agreement on the basis of the Tullow Prescribed Occurrence; or

- 2) a Competing Transaction (as defined below) is announced by a third party and that third party gains a relevant interest in at least 50% of Hardman shares or acquires, acquires control or merges with Hardman within 12 months of the announcement of the Competing Transaction; or
- 3) Hardman is in breach of its obligations under the No Shop and No Talk provisions; or
- 4) the SIA is terminated by Tullow as a result of a Hardman Prescribed Occurrence occurring prior to the Second Court Date, or pursuant to a material breach of the SIA or a breach of representation or warranty (subject to the materiality set out in paragraph 4(a) below),

Hardman must within three Business Days after receiving a written demand from Tullow pay to Tullow, without set-off or withholding, the reimbursement fee. The demand may only be made after the occurrence of an event referred to above in paragraphs (a)(1) to (a)(4). Hardman can only ever be liable to pay the reimbursement fee once.

- b) A Competing Transaction means a transaction or arrangement pursuant to which a third party will, if the transaction or arrangement is entered into or completed:
  - 1) acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in all or a substantial part of the business of the Hardman Group;
  - 2) acquire a relevant interest in, become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in 5% or more of Hardman's voting shares;
  - 3) acquire control (as determined in accordance with section 50AA of the Corporations Act) of Hardman;
  - 4) otherwise acquire or merge with Hardman; or
  - 5) enter into any agreement, arrangement or understanding requiring Hardman to abandon, or otherwise fail to proceed with the transaction,

whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction or buy back, sale or purchase of shares or assets, joint venture, dual-listed company structure (or other synthetic merger) or other transaction or arrangement.

- c) Prior to the Hardman Board modifying or changing its recommendation in accordance with the terms of the SIA, Hardman must appoint an escrow agent to hold the Reimbursement Fee in escrow on trust for Tullow on commercially reasonable terms and pay an amount equal to the Reimbursement Fee into the escrow account.

#### **4. TERMINATION**

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The SIA may be terminated at any time prior to the Second Court Date in certain circumstances:

- a) by either party if:
  - 1) the other party is in breach of any material provision of the SIA other than in respect of a breach of either a representation or warranty;
  - 2) the other party is in material breach of a representation or warranty and the loss that flows from the breach is greater than \$30 million, in the case of a breach by Hardman and \$120 million the case of a breach by Tullow;
  - 3) a court or government agency has taken any action permanently restraining or otherwise prohibiting the Scheme from proceeding or has refused to do any thing necessary to permit the Transaction Scheme to proceed (and the action or refusal has become final and cannot be appealed); or
  - 4) a condition precedent is not satisfied and Hardman and Tullow cannot reach agreement to proceed by way of alternative means,

b) by Tullow if:

- 1) the Hardman Board changes, withdraws or modifies its recommendation that Hardman Shareholders vote in favour of the Scheme or makes a public statement indicating that it no longer supports the transaction; or
- 2) Hardman is in breach of its obligations under the No-Shop and No-Talk provisions; and

c) by Hardman if, following 21 days notice to Tullow, the Hardman Board has changed, withdrawn or modified its recommendation in accordance with the terms of the SIA and by the end of the 21 day notice period the recommendation has not been reinstated the reimbursement fee has been paid to Tullow.