



Hardy Oil and Gas plc

("Hardy" or "the Company")

Interim Management Statement

Hardy Oil and Gas plc (LSE: HDY), the oil and gas exploration and production company with assets in India, today issues its Interim Management Statement for the period from 1 January 2011 to the date of this announcement.

** All financial amounts are stated in US dollars unless otherwise noted.*

Operational Highlights

- D3: Elected not to exercise option to acquire additional three per cent participating interest in the block for \$150 million. The option consideration implies a gross value of approximately \$5.0 billion for the D3 exploration licence (\$500 million net to Hardy)
- D3: Submitted a proposal for the declaration of commerciality for the Dhirubhai 39, 41 and 52 natural gas discoveries
- PY-3: Gross daily production in the first quarter of 2011 averaged 3,491 bbl/d (Q1 2010 2,529 bbl/d) (net: 628 bbl/d, Q1 2010: 455 bbl/d). Average gross daily production for the month of April 2011 was 3,368 bbl/d
- D9: The joint venture extended the block for six months to the end of June 2011 and relinquished 25 per cent of the block
- D9: The second exploration well recorded gas shows while drilling; however, MDT testing of the penetrated sands indicated high water saturation. The well proved the existence of reservoir quality sands and a petroleum system in this frontier, deep water block. Following MDT testing, the well was plugged and abandoned
- Published a CPR providing an update to the Company's reserves and resources estimates. The full report has been posted on the Company's website www.hardyoil.com

Financial Highlights

- Net sales oil of 58,506 bbl of oil were realised for the three months ended 31 March 2011 (Q1 2009: 30,712 bbl); the average price realised was \$107.66 per bbl (Q1 2010: \$78.93 per bbl)
- Capital expenditure amounted to \$0.9 million principally on exploration activities on the KG Basin blocks
- Cash and short term investments at 31 March 2011 amounted to \$34.1 million which is sufficient for the Company's committed exploration drilling programme; the Company has no long term debt.

Outlook

- PY-3: Gross daily production from PY-3 estimated to average 3,100 bbl/d (net: 558 bbl/d) in 2011
- D3: Drill one exploration well by the end of the first quarter of 2012
- D9: Drill the remaining two committed exploration wells in 2011
- GS-01: Approval of commerciality for the GS-01 Dhirubhai 33 natural gas discovery is expected in the near future
- PY-3: Secure approval from partners and the GOI during the second quarter of 2011 to drill two further producing wells in 2012, and upgrade the production facilities to include artificial gas lift to increase recoverable reserves and extend the field life

Yogeshwar Sharma, Chief Executive Officer of Hardy, commented:

“The PY-3 field continues to perform well and we have made good progress in the approval process for phase III development to enhance production. BP’s acquisition of interests from Reliance in the KG basin is a welcome development for Hardy. The value put on our D3 block alone by this transaction, exceeds our current market capitalisation and this is a major endorsement of the quality of our portfolio.”

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FINANCIAL POSITION

During the three months ended 31 March 2011, Hardy sold 58,506 bbl of oil (Q1 2010: 30,712 bbl). The average realised price in this period was \$107.66 per bbl (Q1 2010: \$78.93 per bbl).

Total capital expenditure incurred during the three months ended 31 March 2011 amounted to \$0.9 million principally on exploration activities on the KG Basin blocks.

As at 31 March 2011, the Company had cash and short term investments of \$34.1 million and no long-term debt.

Hardy is well positioned to see itself through its key exploration activities in 2011.

CORPORATE

Reliance BP transaction: Following BP's announcement with respect to its acquisition of a 30 per cent interest in the RIL operated D3, D9 and Assam exploration licences (subject to GOI approval), Hardy waived its pre-emptive rights to increase its participating interest in all of these blocks, while retaining an option to increase its participating interest in D3 by three per cent from Reliance. If exercised, the consideration for the exercise of the three per cent option in D3 would have been a cash payment by Hardy to Reliance of approximately \$150 million, payable in three instalments over a seven month period from the closing of the BP acquisition. The option consideration implies a gross value of approximately \$5.0 billion for the D3 exploration licence (\$500 million net to Hardy).

After due consideration of the Company's cash position and future capital requirements under the existing production sharing contracts, the Board elected not to exercise this option and so Hardy's participating interest in the D3 exploration licence will remain at 10 per cent.

REVIEW OF OPERATIONS

Health Safety and Environment

The Company was the recipient of the India Coast Guard's inaugural Environmental Awards 2010 for Oil handling agency category. The award is in recognition of efforts made by the Company for the implementation of Oil Pollution Prevention Measures and Endeavours for Protection of Marine Environment.

Block KG-DWN-2003/1 (D3): Exploration

(Hardy 10 per cent interest)

Declaration of Commerciality of Dhirubhai 39 and 41: In February 2011, the D3 joint venture Operating Committee reviewed and approved for Governmental submittal a Commerciality Report of the Dhirubhai 39 and 41 gas discoveries in conjunction with the recently drilled Dhirubhai 52 discovery. The proposed development is a dry gas, subsea cluster development with the flexibility to add in additional zones and future area discoveries. It is

anticipated that PSC management committee approval will occur in 2011 following government review after which a detailed Field Development Plan will be prepared for submission to DGH.

Appraisal of Dhirubhai 44: In February 2011, the D3 joint venture operating committee reviewed and approved an appraisal programme for the evaluation of the Dhirubhai 44 gas discovery (KGV-D3-R1). The appraisal programme provides for the undertaking of various geological, geophysical and development concept studies.

Outlook - Further drilling is subject to additional G&G studies, including the PSDM processing and interpretation of 3D seismic acquired over the toe-thrust portion of the block ("Pan-handle area").

Block KG-DWN-2001/1 (D9): Exploration

(Hardy 10 per cent interest)

KG-D9-B3: On 5 January 2011, the Company announced the plugging and abandonment of the second exploration well on the D9 block. The well, KG-D9-B3, was drilled in a water depth of 2,948 m to a total measured depth of 3,829 m. The nearest well control is 47 km distant. The well encountered two Tertiary aged reservoir quality sand packages of gross thickness 70 and 40 m each, with gas shows ranging from 6 per cent to 9 per cent recorded while drilling. Testing was carried out with the MDT tool which indicated high water saturation in the sand packages.

The joint venture has subsequently secured a six month extension of the D9 licence to the end of June 2011. As per the DGH extension policy, the joint venture was required to relinquish 25 per cent of the licence at the time of the extension request. The joint venture has subsequently relinquished the south-east corner of the block and has retained approximately 8,700 km². No identified prospects exist over the relinquished area.

Outlook - Drilling of the committed two exploration wells is expected to be completed by the end of 2011.

Block AS-ONN-2000/1 (Assam): Exploration

(Hardy 10 per cent interest)

A request for a six month extension of phase one has been submitted to the GOI which is under consideration.

Block GS-OSN-2000/1 (GS-01): Appraisal

(Hardy 10 per cent interest)

The Operator is expecting the GOI to communicate the acceptance of the commerciality proposal submitted by the joint venture. It is expected that the joint venture will receive approval of commerciality in respect of the application made for the GS-01 Dhirubhai 33 natural gas discovery in the near future.

India (Operated)

Block CY-OS 90/1 (PY-3): Producing Oil Field

(Hardy 18 per cent interest – Operator)

Gross daily production in the first quarter of 2011 averaged 3,491 bbl/d (Q1 2010: 2,529 bbl/d) (net: 628 bbl/d, Q1 2010: 455 bbl/d). Average gross daily production for the month of April 2011 was 3,368 bbl/d. The Company expects gross daily production in 2011 to average 3,100 bbl/d.

The joint venture secured a one month contract extension to the field's production facilities as an interim measure pending the finalisation of a longer-term arrangement.

Outlook - Secure approval from partners and the GOI during the second quarter of 2011 to drill two further producing wells in 2012, and upgrade the production facilities to include artificial gas lift to increase recoverable reserves and extend the field life.

Block CY-OS/2: Exploration

(Hardy 75 per cent interest – Operator)

The formal dispute resolution process to extend the expiry date of this licence is progressing.

Outlook - Following confirmation of the extension period, through the dispute resolution process, Hardy will undertake the activities necessary to fully appraise the Ganesha discovery. It is unlikely that an appraisal well will be drilled in 2011.

Competent Persons Report

In conjunction with the Company's 2010 preliminary results an updated Competent Persons Report (CPR), undertaken by Gaffney, Cline & Associates Ltd (GCA), was published. The GCA report highlights the significant prospective resource potential of the Company's Krishna Godavari Basin assets. The full report has been posted on the Company's website www.hardyoil.com.

OUTLOOK

The Company anticipates production on PY-3 to average approximately 3,100 bbl/d in 2011 and is working with partners to secure partner approval to commence phase II. In addition, the D9 joint venture plans to drill the third exploration well by the end of the second quarter of 2011 and expected to meet drilling commitments by the end of 2011. Further drilling on the D3 block is expected to take place during the first quarter of 2012.

GLOSSARY OF TERMS

\$	United States Dollar
Assam block	Exploration licence AS-ONN-2000/1
bbbl	stock tank barrel
bbld	stock tank barrel per day
BP	BP plc
CPR	Competent Persons Report
D3	Exploration licence KG-DWN-2003/1
D9	Exploration licence KG-DWN-2001/1
DGH	Directorate General of Hydrocarbons
Dhirubhai 33	gas discovery on GS-01-B1 announced on 15 May 2007
Dhirubhai 39	gas discovery on KGV-D3-A1 announced on 13 February 2008
Dhirubhai 41	gas discovery on KGV-D3-B1 announced on 1 April 2008
Dhirubhai 44	gas discovery on KGV-D3-R1 announced on 22 December 2009
Dhirubhai 52	gas discovery on KGV-D3-W1 announced on 31 August 2010
Ganesh	non-associated gas discovery announced on 8 January 2007
GCA	Gaffney Cline & Associates Ltd
GOI	Government of India
GS-01	Exploration licence GS-OSN-2000/1
KG basin	the Krishna Godavari sedimentary basin located on the east coast of India
km	kilometre
km ²	square kilometre
m	metre
MDT	Modular formation dynamics tester
PSC	production sharing contract
PSDM	pre-stacked depth migration
PY-3	licence CY-OS-90/1
Q1	the first quarter of the calendar year
Reliance	Reliance Industries Limited

NOTES TO THE EDITORS

Hardy Oil and Gas plc is an upstream oil and gas company focused in India. Its portfolio includes a blend of exploration, appraisal, and production assets. Hardy's goal is to evaluate and exploit its asset base with a view to creating significant value for its shareholders.

Hardy Oil and Gas plc has existing production from an offshore field in India's Cauvery basin. Hardy also has interests in four offshore exploration blocks in India's Saurashtra, Cauvery, and Krishna Godavari basins, and one onshore exploration block in the Assam Basin.

Hardy is incorporated under the laws of the Isle of Man and headquartered in London, UK. Ordinary shares of Hardy were admitted to the Official List and the London Stock Exchange's market for listed securities effective 20 February 2008 under the symbol HDY.

The Company's Indian assets are held through the wholly owned subsidiary Hardy Exploration & Production (India) Inc, located in Chennai, India.

For further information please refer to our website at www.hardyoil.com

DISCLAIMER

This "Interim Management Statement" contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst the Company believes the expectations reflected herein to be reasonable in light of the information available to it at this time, the actual outcome may be materially different owing to factors beyond the Company's control or within the Company's control where, for example, the Company decides on a change of plan or strategy.