

8 November 2012



**Hardy Oil and Gas plc
(LSE: HDY)**

Interim Management Statement

Hardy Oil and Gas plc ('Hardy' or 'the Company'), the oil and gas exploration and production company with assets in India, today issues its Interim Management Statement for the period from 1 July 2012 to the date of this announcement.

Summary

Corporate

- Completed strategic review reaffirming our commitment to the Company's India focused portfolio
- Relocation of the corporate office to Aberdeen, the UK's centre of excellence for upstream oil and gas expertise
- Cost rationalisation exercise undertaken resulting in a reduction in annual overhead costs of approximately \$1.0 million
- Cash and short term investments at 30 September 2012 amounted to \$30.3 million which is sufficient for the Company's committed exploration drilling programme; the Company has no debt

Operational

- D3 - PSDM processing of 3D seismic data of 1,292 km² covering the eastern area of the block is in progress and expected to be completed by the year end
- D3 – Declaration of commerciality for the Dhirubhai 39 and 41 natural gas discoveries under review by the Government of India ('GOI')
- PY-3 – Secured partner consensus on a timeline for the submission of a revised full field development plan by the end of 2012
- GS-01 – Ongoing discussions with the operator regarding the submission of a development plan for Dhirubhai 33 natural gas discovery
- CY-OS/2 –The dispute resolution is in progress to extend the production sharing contract

Outlook

- D3 – Carry out the geotechnical studies to rank prospects and finalise the next locations for drilling. It is expected that the drilling of the fifth exploration well is likely to commence in the first half of 2013
- CY-OS/2 – Award of the tribunal on the dispute with the GOI is expected by the end of 2012

- PY-3 – Submit a full field development plan to the GOI for their review and seek to secure their approval by the first quarter of 2013. Subject to approval, complete the tendering process for facilities and initiate planning for a drilling programme to recommence production in 2014
- GS-01 – Development plan schedule to be submitted to the GOI by the end of 2012

Ian MacKenzie, Chief Executive Officer of Hardy, commented:

“Following our review, we have concluded that Hardy’s India focused portfolio has the potential to add significant shareholder value and our medium-term focus will therefore remain on India. The outcome of planned activity through 2013 is expected to crystallise our view on the longer-term prospects of our portfolio. In the interim we will continue to consider all opportunities to accelerate value creation for our shareholders.”

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

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CORPORATE

Strategic Review

The Board has completed its strategic review. Our review focused on assessing Hardy's existing assets, organisational competencies and potential opportunities to create value for shareholders. Whilst the Company continues to evaluate long-term upstream growth opportunities, the Board believes that Hardy's India focused portfolio, in the medium-term, provides a good platform from which to create shareholder value.

India focused portfolio – Our review concluded that the Company's asset portfolio, being spread across the spectrum of early exploration, appraisal and development, has substantial underlying value which should be realised through the implementation of the planned programmes. Consequently, we reaffirm our medium term commitment to our India focused strategy.

India's improving investment climate – In 2013 we look forward to the GOI reaffirming its commitment to encouraging investment in India's upstream oil and gas sector and the resolution of a number of industry concerns. We very much hope that this will result in an acceleration of the approvals process. India's gas market fundamentals remain strong and the gap between demand and supply is expected to remain high with consequent upward pressure on future gas pricing.

Reorganisation – An objective of our review was to more closely align our underlying overhead requirements to our overall activities without compromising the competencies required to remain an offshore operator. Based on our review, the Company's corporate office has been relocated to Aberdeen. The relocation has resulted in a reduction in annualised overhead of approximately \$1.0 million. Locating to Aberdeen also brings the Company closer to the expertise and resource base in designing, planning and executing complex offshore hydrocarbon projects which will be of benefit to the Company in the implementation of development programmes.

Ongoing assessment - As plans for PY-3 and CY-OS/2 become clearer, further direct recruitment or engagement of support resources will be put in place. We will continue to assess and evaluate further opportunities that complement our existing portfolio in India and identify longer term upstream opportunities to diversify the Company's portfolio.

REVIEW OF OPERATIONS

Financial Position

As at 30 September 2012, the Company had cash and short term investments of \$30.3 million and no debt.

Block KG-DWN-2003/1 (D3): *Exploration (Hardy 10 per cent interest)*

Update - The joint venture continued to undertake a number of geotechnical studies including the PSDM reprocessing of over 1,292 km² of 3D data. Geotechnical studies have been focused on assessing the potential of the eastern area of the block and high grading prospects, including testing deeper play types.

A revised proposal for the declaration of commerciality (DOC) for the Dhirubhai 39 and 41 natural gas discoveries, submitted earlier this year, remained under review by the GOI. The proposed development plan provides for a dry gas, sub-sea cluster development with the flexibility to add in additional wells and to include possible adjoining area of discoveries.

Outlook - The joint venture will continue the geotechnical work into 2013.

The deep-water drillship Dhirubhai Deepwater KG2, contracted to Reliance Industries Limited (Reliance), is expected to arrive in Indian waters by the end of the year. Drilling of a fifth exploration well is expected to commence in the first half of 2013.

The GOI's review of the D3 DOC proposal will likely continue into 2013.

Background - Situated in the Krishna Godavari Basin, a prolific petroleum province on the East coast of India, the D3 exploration licence encompasses an area of 3,288 km², in water depths of 400 m to 2,200 m, and is located approximately 45 km offshore. The D3 block is operated by Reliance which holds a 60 per cent participating interest, BP and Hardy hold participating interests of 30 per cent and 10 per cent respectively. To date, four consecutive gas discoveries have been made via the Dhirubhai 39, 41, 44 and 52 (KGV-D3-A1, B1, R1 and W1) exploration wells. The joint venture has acquired approximately 3,250 km² of 3D seismic data over the block.

Block CY-OS 90/1 (PY-3): *Oil Field (Hardy 18 per cent interest – Operator)*

Update - As previously announced, the PY-3 field remained shut-in. We continued working with partners and government authorities to plan for the timely recommencement of production. We have held a number of constructive meetings with partners and the India upstream oil and gas regulator ('DGH'). As a result we have agreed to a timeline to submit a full field development plan.

Outlook - Assuming timely approvals from partners, a full field development plan is to be submitted for the GOI's review and approval by the end of the first quarter of 2013. Once the revised plan is approved, we intend to initiate a tendering process for the required production facility and drilling services. Based on current assumptions, production could recommence in the first half of 2014. The field's existing well is capable of producing at a gross daily rate of over 3,000 bbl/d and with future planned wells, the field has the potential to reach 8,000 bbl/d.

Background - The PY-3 field is located off the east coast of India 80 km south of Pondicherry in water depths between 40 m and 450 m. The Cauvery Basin was developed in the late Jurassic / early Cretaceous period and straddles the present-day east coast of India. The licence, which covers 81 km², produces high quality light crude oil (49° API).

Block GS-OSN-2000/1 (GS-01): *Appraisal (Hardy 10 per cent interest)*

Update - Hardy continued discussion with the operator to facilitate the preparation of a detailed field development plan for the Dhirubhai 33 natural gas discovery. The field development plan is scheduled to be submitted to GOI for review by the end of the year.

Outlook – The GOI's review of the field development plan will likely continue through 2013.

Background – In 2011, the GS-01 joint venture secured the GOI's approval for a DOC proposal for the Dhirubhai 33 discovery (GS01-B1, drilled in 2007) which flow-tested at a rate of 18.6 mmscfd gas with 415 bbl/d of condensate through a 56/64 inch choke at flowing tubing head pressure of 1,346 psi. The GS-01 licence is located in the Gujarat-Saurashtra offshore basin off the west coast of India, northwest of the prolific Bombay High oil field, with water depths varying between 80 m and 150 m. The retained discovery area covers 600 km²

Block CY-OS/2: *Appraisal (Hardy 75 per cent interest – Operator)*

Update - The dispute resolution process with the GOI, to secure an extension of the production sharing contract, is progressing. The final hearing of the tribunal took place in the third quarter of 2012.

Outlook – The award of the tribunal is expected prior to the end of 2012.

Background - Block CY-OS/2 is located in the northern part of the Cauvery Basin immediately offshore from Pondicherry, India and covers an area of approximately 859 km². The licence encapsulates the fields of PY-3 and PY-1.

In January 2007, the Company announced that the Fan A-1 exploration well had discovered hydrocarbons. The Company proceeded to the appraisal of the non-associated natural gas (NANG) discovery to establish potential commerciality.

In 2009 the DGH informed the Company that, in their opinion, the discovery should be classified as an oil discovery and that the allowed period to declare commerciality had lapsed. Provisions of the CY-OS/2 production sharing contract (PSC) provides for a period of 60 months to declare commerciality from date of discovery for NANG discoveries whereas it is 24 months for oil. As a result, the Company initiated formal dispute resolution as provided for in the PSC.

OUTLOOK

The D3 exploration licence in the Krishna Godavari Basin remains at the core of our near term growth potential. The Krishna Godavari Basin is a world-class petroleum province and together with rapidly improving Indian gas pipeline infrastructure and the high demand for gas, the prospects for the economic development of gas resources in this area are excellent.

Through 2013 we will continue to collaborate actively with our partners Reliance and BP to optimise the exploration programme for this highly prospective block. The declaration of commerciality proposal for the D3 block is being reviewed by the GOI and this process is expected to continue into 2013. Processing of 3D seismic data covering the eastern area of the D3 block is also expected to be completed by the end of 2012. Assuming the arrival of the drillship Dhirubhai Deepwater KG2 in Indian waters by the end of 2012, drilling of the fifth exploration well is expected to commence in the first half of 2013.

The resolution of the CY-OS/2 dispute and the securing of timely approvals for the PY-3 redevelopment plan are additionally instrumental in shaping our planned operating activity beyond 2013.

The working capital position of the Company remains strong and we are well funded to meet our planned work programmes. We will continue to seek opportunities to build value for shareholders.

GLOSSARY OF TERMS

\$	United States Dollar
bbl/d	stock tank barrel per day
BP	BP plc
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
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
PSC	production sharing contract
PSDM	pre-stacked depth migration
PY-3	licence CY-OS-90/1
Reliance	Reliance Industries Limited

NOTES TO THE EDITORS

Hardy Oil and Gas plc is an upstream oil and gas company focused on 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 is the operator of an offshore oil field in India's Cauvery basin. Hardy also has interests in three offshore exploration blocks in India's Saurashtra, Cauvery, and Krishna Godavari basins.

Hardy is incorporated under the laws of the Isle of Man and headquartered in Aberdeen, 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.

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