

7 November 2013



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 2013 to the date of this announcement.

Summary

- D3 – Various geophysical studies undertaken to advance finalisation of prospect locations toward completion of the minimum work programme (MWP)
- D3 – Declaration of commerciality (DOC) for the Dhirubhai 39 and 41 natural gas discoveries is with the Government of India (GOI)
- PY-3 – Technical consensus of a full field development plan (FDP) has been achieved. Commercial aspects of the FDP remain under review by partners. The proposed FDP has been submitted to the GOI.
- GS-01 – Discussions were held with our joint venture partner to increase Hardy's interest in the block. Field development plan for Dhirubhai 33 natural gas discovery is with the GOI
- CY-OS/2 – The GOI lodged an appeal, against the Hon'ble tribunal award, with the High Court of Delhi
- The Board has agreed to synchronise the Groups' accounting reference date to 31 March
- Cash and short term investments at 31 September 2013 amounted to \$26.4 million; Hardy has no debt

Outlook

- D3 – Joint venture to seek an extension for a 12 month period to the end of 2014. Exploration drilling expected to recommence in 2014
- GS-01 – Complete discussions with our joint venture partner to increase Hardy's interest in the block
- PY-3– Secure approval of the proposed FDP
- CY-OS/2 – GOI Delhi High Court appeal of the Hon'ble tribunal's award may continue to mid 2014

Ian MacKenzie, Chief Executive Officer of Hardy, commented:

"Our short-term focus is to establish a commercial framework for all PY-3 stakeholders and encourage the D3 operator to fulfil the exploration programme in a timely manner. The longer term strategy in India will be shaped by the outcome of these activities. Progress continues to be made."

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

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REVIEW OF OPERATIONS

The Company's exploration and production assets are based in India and are held through its wholly owned subsidiary Hardy Exploration & Production (India) Inc. (HEPI).

Health Safety and Environment

The Company is committed to excellent health and safety practices which are at the forefront in all of our activities. Although all offshore activities are currently suspended, maintaining high HSE standards throughout the organisation remains core to all our undertakings. The Company's HSE policy document was reviewed and amended with increased focus on leadership and accountability.

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 interpretation of PSDM seismic data, with a focus on assessing the potential of the eastern area of the block and high grading prospects, including testing deeper play types. Exploration drilling on the D3 block is expected to commence in 2014. A GOI policy allows for the block's Phase I exploration period to be extended up to December 2014.

The operator has informed the joint venture that the Ministry of Defence (via DGH) has communicated that the southwest portion of the D3 block falls under a Defence Research & Development Organisation (DRDO) designated impact zone. The operator has initiated a dialogue with DGH and DRDO to clarify any conditions that may be imposed on the impact zone and agree to a way forward.

A revised proposal for the DOC for the Dhirubhai 39 and 41 natural gas discoveries, submitted in 2012, 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 is expected to apply for a 12 month extension of blocks exploration Phase I. Exploration drilling is expected to commence in the first half of 2014 and the GOI's review of the D3 DOC proposal will likely continue through 2013.

Background - Situated in the Krishna Godavari Basin 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)

Following a number of technical and operating committee meetings, regarding a comprehensive full field development plan (FDP), technical consensus has been achieved. Discussions between partners continued to establish an acceptable commercial framework to proceed with the recommencement of production. The proposed FDP has been submitted to the Government of India (GOI).

Outlook - Secure approval of the FDP from the GOI after which we intend to target the recommencement of production in 2014. This will be achieved by securing the appropriate offshore production and storage facilities as well as initiating planning for a development drilling programme.

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)

Operations - A detailed field development plan for the Dhirubhai 33 natural gas discovery was submitted to GOI for review and approval in 2012. This plan provides for several dry tree wells, an unmanned platform, multiphase pipeline to shore and onshore processing and export facilities.

Outlook – Conclude discussions with our joint venture partner to increase our interest in the block. A priority in the remainder of 2013 will be to secure GOI approval of the field development plan and initiate planning for development.

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)

Operations – In February 2013, the Company announced that the joint venture was successful in obtaining an extension of the CY-OS/2 licence (*award detail provided in background*). Hardy subsequently submitted a request for the GOI to comply with the Hon'ble Tribunal's award and restore the block to the CY-OS/2 joint venture. In August

2013, the Company received notification that the GOI has filed an appeal against the Hon'ble Tribunal's award with the Delhi High Court of India. The Company feels that it has a strong position as the unanimous international award is precise and well reasoned. A preliminary hearing is scheduled to take place in December 2013.

Outlook – We will continue our endeavours to ensure that the GOI restores the block to the CY-OS/2 joint venture in a timely manner. The appeal filed is currently subject to the Delhi High Court of India agreeing to hear the case. We anticipate that the Delhi High Court appeal process will continue through mid 2014.

Hardy will recommence work on the appraisal of the Ganesha-1 natural gas discovery once the block has been restored to the CY-OS/2 joint venture.

Background – Hardy is the operator of the CY-OS/2 exploration block and holds a 75 per cent participating interest*, through its wholly owned subsidiary Hardy Exploration & Production (India) Inc and GAIL holds the remaining 25 per cent participating interest. The block is located in the northern part of the Cauvery Basin immediately offshore from Pondicherry, India and covers approximately 859 km². The licence comprises of two retained areas with the Ganesha-1 natural gas discovery located in the northern area, which comprises an area of approximately 300 km².

** CY-OS/2 – In the event of a declaration of commerciality, the Government of India's nominee is entitled to assume a 30 per cent participating interest in the block. As a result Hardy's participating interest would be 52.5 per cent.*

Ganesha-1 - The natural gas discovery Ganesha-1, announced in January 2007, was drilled to a depth of 4,089 metres and, encountered sandstone reservoir within the Cretaceous section. The well flow tested at a peak rate of 10.7 mmscfd. The Company published a competent person report, prepared by Gaffney, Cline & Associates and dated March 2011, which estimates gross 2C Contingent Resources of approximately 130 BCF.

A brief summary of the Hon'ble Tribunal's award is provided below;

Dispute - Hardy along with Gas Authority of India Limited (GAIL) and Oil & Natural Gas Corporation (ONGC) are a party and operator to a Production Sharing Contract (PSC) for the CY-OS/2 block. Hardy holds 75 per cent participating interest* in the block. Hardy and GAIL declared a gas discovery on 8 January 2007 which qualified as Non Associated Natural Gas (NANG) under the terms of the PSC. The Government of India, Ministry of Petroleum and Natural Gas (MOPNG) however, stated that the discovery being Oil and the commerciality of the block not having been declared within 24 months from the date of the notification of the discovery, the block stood relinquished. Hardy had disputed the characterisation of the discovery as oil and the consequential relinquishment.

Hon'ble Tribunal - This dispute was referred to Arbitration under the PSC to a Tribunal consisting of 3 Arbitrators who were former Chief Justices of India. The Hon'ble Tribunal passed the award on 2 February 2013 at Kuala Lumpur, Malaysia.

Award summary - The Hon'ble tribunal has awarded and directed as follows:

- a) The Ganesha-1 discovery made by Hardy and GAIL is NANG;
- b) The order of relinquishment by the MOPNG was illegal, being on the erroneous impression that the discovery was oil;
- c) That the parties shall be immediately relegated to the position in which they stood prior to the order of relinquishment and the block shall be restored to Hardy and GAIL;
- d) Hardy shall be entitled to a period of 3 years from the date on which the block is restored to it, to carry out further appraisal;
- e) MOPNG shall pay to Hardy and GAIL interest at the simple rate of 9 per cent per annum on the amount of Rs.5.0 billion spent by them on the block, from the date of relinquishment till the date on which the block is restored (approximately \$24.6 million net to Hardy).

ACCOUNTING REFERENCE DATE

The Group maintains different accounting reference dates for the Company and its India based activities. To streamline the Group's reporting process the Board has decided to synchronize the Group's accounting reference date from 31 December to 31 March. As a result of this change the Company's reporting calendar will be as follows:

- Unaudited results for the 12 months ended 31 December 2013 to be announced by the end of February 2014
- Audited results for the 15 month period to 31 March 2014 to be announced by the end of June 2014
- Unaudited results for the 6 months ended 30 September to be announced by the end of November 2014

GROUP OUTLOOK

Our primary objectives remain to secure key stakeholders approvals and initiate activity that will take us closer to realising production from our portfolio of assets. The Cabinet Committee of Economic Affairs of India has approved a new pricing formula for domestic gas sales which should result in a material increase in prices realised for domestic gas production and is a step closer to realising free market based pricing as provided for in the PSC's.

Energy demand in India is growing at an exceptional rate and the countries structural supply shortfall should promote a geopolitical environment to complement our efforts. The Company remains in a strong working capital position from which to fund its planned work activity and we look forward to updating the market accordingly.

GLOSSARY OF TERMS

2C Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies
2D/3D	two dimensional/three dimensional
\$	United States Dollar
API°	American Petroleum Institute gravity
bbld	stock tank barrel per day
BCF	Billion cubic feet
BP	BP plc
CY-OS/2	Offshore exploration licence CY-OS/2 located on the east coast of India
D3	Exploration licence KG-DWN-2003/1
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
DOC	Declaration of Commerciality
GAIL	Gas Authority of India Limited
Ganesh-1	Non-associated natural gas discovery on Fan-A1 well located in CY-OS/2
GOI	Government of India
GS-01	Exploration licence GS-OSN-2000/1
Hardy	Hardy Oil and Gas plc
HEPI	Hardy Exploration & Production (India) Inc
HSE	Health Safety and Environment
km	kilometre
km ²	square kilometre
LSE	London Stock Exchange
m	metre
mmscfd	million standard cubic feet per day
MOPNG	the Ministry of Petroleum and Natural Gas of the Government of India
NANG	non associated natural gas
ONGC	Oil & Natural Gas Corporation
Prospective Resources	those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations
Rs.	Indian rupee
PSC	production sharing contract

PSDM	pre-stacked depth migration
psi	pounds per square inch
PY-3	licence CY-OS-90/1
Reliance the Company	Reliance Industries Limited Hardy Oil and Gas plc

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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