

16 May 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 January 2012 to the date of this announcement.

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

Summary

Corporate

- In January 2012 the Company announced the appointment of Alasdair Locke as Non-Executive Chairman
- On 1 March 2012 the Company announced the appointment of Ian MacKenzie as Chief Executive Officer and Peter Milne as a Non-Executive Director. Yogeshwar Sharma, the current Chief Executive Officer, will become a Non-Executive Director at the Company's Annual General Meeting being held today
- A comprehensive review, being led by Ian MacKenzie, of the Group's strategy, assets and objectives has commenced with recommendations to be presented to shareholders by September 2012
- Cash and short term investments at 31 March 2012 amounted to \$34.6 million which is sufficient for the Company's committed exploration drilling programme; the Company has no long term debt

Operational

- D3 – The joint venture awarded a PSDM seismic processing contract for 3D data over the east portion of the block
- PY-3 – The joint venture has stopped providing various support vessels and auxiliary services to the field's offshore facilities
- D9 - On 23 April 2012, the Company announced the D9 joint venture's decision to relinquish the block, in which the Company held a 10 per cent interest

2012 Outlook

- D3 - PSDM reprocessing of 3D seismic covering the east portion of the block followed by the drilling of an exploration well in the first half of 2013
- GS-01 - Submission of a field development plan for the GS-01 Dhirubhai 33 natural gas discovery prior to the end of the year

- PY-3 - Discussions are continuing with partners and Indian authorities in relation to field development options. A re-development plan with new facilities will be submitted to secure the approval of all concerned

Ian MacKenzie, Chief Executive Officer of Hardy, commented:

“We have initiated a comprehensive review of our long-term strategic goals and objectives in order to realise value for shareholders. We look forward to reporting the results of the review in due course but in any event, no later than September 2012.”

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

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CORPORATE

The Board has undergone a reorganisation resulting in the appointment of three new Directors and the retirement of three other Non-Executive Directors.

Non-Executive Chairman – On 13 January 2012, the Company announced the appointment of Alasdair Locke as Non-Executive Chairman of the Board. Mr Locke is the former executive Chairman of Abbot Group plc, an oil services company which he founded in 1992. It was listed on the London Stock Exchange from 1995 until its sale in 2008 for £906 million to Turbo Alpha Ltd, a company controlled by a US private equity fund.

Chief Executive Officer (CEO) - On 1 March 2012, the Company announced the appointment of Ian MacKenzie as CEO. Mr MacKenzie has held several senior management and executive level positions with public and privately held oil and gas sector companies. Mr MacKenzie gained an honours degree in Engineering Science from Aberdeen University and a Postgraduate Diploma in Offshore Engineering from Robert Gordons, Aberdeen. He also has formal qualifications in Finance & Accounts. He is a Chartered Mechanical Engineer, FEANI registered European Engineer, member of the Energy Institute, Society of Petroleum Engineers and a past External Examiner in the RGU Oil & Gas MSc course.

Mr Yogeshwar Sharma will retire from his role as CEO effective 16 May 2012 at the Company's AGM and will remain on the Board as a Non-Executive Director. We are grateful to Yogeshwar Sharma, one of the founders of the Company, for his invaluable contribution over many years and the Board is particularly appreciative that he provided continuity in this period of transition.

Non-Executive Directors – On 1 March 2012, the Company announced the appointment of Peter Milne as a Non-Executive Director. Peter has a proven track record in the oil sector having been the head of finance for Abbot Group plc, the largest UK headquartered drilling contractor, for over 15 years. His extensive financial expertise and experience fills a core competency gap. Mr Milne will be designated the Senior Independent Non-Executive Director and assume the Chairmanship of the Audit Committee following his re-election at this year's Annual General Meeting.

Paul Mortimer, Carol Bell and Ian Bruce have not put themselves forward for re-election and will retire from the Board effective 16 May 2012. The Board would like to thank Paul, Carol and Ian for their contribution over their tenure. Former Chairman, Mr Mortimer, has been a member of the Board for over 13 years and provided invaluable leadership to the Board before, during and since the Company became publicly listed.

REVIEW OF OPERATIONS

Financial Position

As at 31 March 2012, the Company had cash and short term investments of \$34.6 million and no debt.

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

The joint venture continued to undertake a number of geotechnical studies. Exploration activity is currently focused on assessing the potential of the eastern area of the block and high grading prospects to test deeper play types within the central portion of the block. The D3 joint venture recently awarded a contract for the PSDM seismic processing of 1,150 km². The processing work is expected to be completed by the end of 2012.

The Government of India continued to review the Commerciality Report for the Dhirubhai 39 and 41 natural gas discoveries submitted by the joint venture. The proposed development provides for a dry gas subsea cluster development with the flexibility to add in additional discoveries.

The D3 operator has indicated that the fifth exploration well is expected to commence drilling in the first half of 2013. Prospects in the eastern and central areas will be evaluated following the completion of the PSDM seismic processing. The processing is expected to facilitate the ranking of prospects and optimise the future drilling programme.

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

The field has remained shut-in due to the absence of approval for the award of a contract extension for the field's floating production and storage vessels and the subsequent falling out of class. As a result, we expect the field to remain shut-in as we work with partners and authorities to plan a suitable way forward. Earlier this year the joint venture stopped providing various support vessels and auxiliary services to the field's offshore facilities, which amounted to a net annualised saving of \$1.2 million.

The field's existing wells are capable of producing at a gross daily rate of over 3,000 bbld and at 8,000 bbld with the future planned wells. The Company is working to submit a re-development plan with a suitable option to secure necessary approvals from partners and Indian authorities.

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

The joint venture will commence work on a detailed field development plan for the Dhirubhai 33 natural gas discovery, which is expected to be submitted by the end of the year.

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

The formal dispute resolution process to extend the expiry date of this licence is progressing. We expect the process to continue into the second half of 2012. Following an award confirming the extension period Hardy will continue the activities necessary to fully appraise the Ganesha discovery.

Block KG-DWN-2001/1 (D9): Relinquished (Hardy 10 per cent interest)

On 23 April 2012, the Company received a proposal from Reliance Industries Limited, the operator of the D9 block, for the relinquishment of the block. The proposal stated that following the integration of all geoscientific data and the results of the three exploration wells, including the KG-D9-A2 natural gas discovery, the block's hydrocarbon potential is deemed low and does not merit further exploration or appraisal activity. Subsequently, Hardy has provided its consent to the relinquishment of the block.

OUTLOOK

The declaration of commerciality proposal for the D3 block is being reviewed by the Government of India and this process will continue through 2012. Reprocessing of seismic data covering the eastern area of the D3 block is also expected to continue through 2012. As a result, drilling on the D3 block is expected to re-commence in the first half of 2013.

The D3 exploration licence in the Krishna Godavari Basin remains the core of our potential. The Krishna Godavari Basin is an emerging world-class petroleum province and, together with rapidly improving Indian gas pipeline infrastructure and high demand for gas, the prospects for the economic development of gas resources in this area are excellent. Through 2012 we will continue to collaborate actively with our partners Reliance and BP to optimise the exploration programme for this highly prospective block.

With the recent adoption of the declaration of commerciality for the GS-01 block we have until the end of the year to submit a field development plan for the Dhuribhai 33 natural gas discovery.

Following the appointment of Ian MacKenzie, as Chief Executive Officer, we have initiated a comprehensive review of our long-term strategic goals and objectives in order to realise value for shareholders. We look forward to reporting the results of the review in due course but in any event, no later than at the time of our half-year results in September 2012. The Company remains in a strong working capital position from which to fund any planned work activity and is well positioned to take advantage of opportunities in the industry.

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
H1	the first six months 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 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 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.

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