29 August 2013

Hardy Oil and Gas plc
("Hardy", the "Company" or the "Group")

Half Year Results for six months ended 30 June 2013

Hardy Oil and Gas plc (LSE: HDY), the oil and gas exploration and production company focused in India, reports its Half Year Results for the six months ended 30 June 2013.

All financial amounts are stated in US dollars unless otherwise indicated.

Summary

- PY-3 – A full field development plan has been provided to partners for approval prior to submission to the GOI
- D3 – Various geophysical studies undertaken to advance finalisation of prospect locations toward completion of the MWP
- D3 – Declaration of commerciality (DOC) for the Dhirubhai 39 and 41 natural gas discoveries is under review by the Government of India (GOI)
- GS-01 – Field development plan for Dhirubhai 33 natural gas discovery is with the GOI for review. Discussions were held with our joint venture partner to increase our interest in the block
- CY-OS/2 – Hon'ble tribunal ruled in the Company's favour, allowing for a further three years to appraise the Ganesha-1 natural gas discovery and awarded interest and costs to the Company (contingent asset - $24.8 million). The GOI has lodged an appeal, against the Hon'ble tribunal award, with the High Court of Delhi

Financial

- Total loss amounted to $2.0 million (H1 2012: loss of $7.2 million)
- Cash outflow from operations (before changes in non-cash working capital) $2.2 million (H1 2012: outflow $4.4 million)
- Cash and short term investments at 30 June 2013 amounted to $27.8 million; Hardy has no debt

Outlook

- D3 – Drilling is expected to commence in the first half of 2014. The GOI's review of a declaration of commerciality proposal will continue
- GS-01 – Secure approval of field development plan by the end of 2013
- PY-3 – Submit the full field development plan to the GOI for approval with the target to recommence production in 2014
- CY-OS/2 – Subject to the outcome of the GOI appeal, have the block re-instated and initiate planning for the appraisal of the Ganesha-1 natural gas discovery

Ian MacKenzie, Chief Executive Officer of Hardy, commented:

"While the Company has experienced some headwinds recently we remain committed to delivering successful exploration and production in India.

The recent government approval of the gas pricing formula proposed by the Rangajaran Committee, along with rising gas demand across the industrial, residential and power sectors, provides us with the confidence that we are well positioned in the right environment to provide energy to the Indian market."

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

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CHAIRMAN'S STATEMENT

Overview

In the first half of 2013 we made progress on a number of initiatives set out for our India focused portfolio. The CY-OS/2 arbitration award in our favour was very positive and we have made good progress with advancing the PY-3 field development plan. Unfortunately, the exploration drilling programme at D3 was unexpectedly pushed back to the first half of 2014, due to rig availability, and did not progress as planned. The Company realised a significant reduction in loss due to no unsuccessful exploration costs and a positive contribution from measures taken in the second half of 2012 to minimise administrative expenditure.

Our Strategy

We believe India focused portfolio has the potential to add significant value to Hardy shareholders by delivering hydrocarbons to the local market. The outcome of planned activity through 2014 is expected to confirm 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.

India’s demand for natural gas is expected to grow by about 19 per cent per annum (from 194 mmscmd in 2013 to 466 mmscmd in 2017) to meet the ever increasing requirements of the power, fertiliser and other industries. The CNG and city gas sector will also see a quantum growth in natural gas use. Furthermore, it is expected that by 2017, 300 cities will be covered with city gas distribution. Domestic supply is projected to be 231 mmscmd it will fall well short of expected demand and create a robust environment in which to monetise the Company’s current and potential gas discoveries. Finally, the Government of India’s (GOI) approval of a gas pricing formula proposed by the Rangajaran Committee – featuring a doubling of the price to US$8.4 per mmbtu should entice higher production and exploration activities in the country.

Operations

During the period under review and subsequently, the Company’s activities have been focused on the finalisation of the PY-3 comprehensive field development plan (FDP) which will enable us to meet our target to recommence production in 2014. The cooperation of our joint venture partners has allowed Hardy to make good progress towards this goal and we expect to submit the FDP to the GOI shortly.

As announced on 9 May 2013 exploration drilling in D3 is now expected to restart in the first half of 2014. The operator has advised that a portion of the southwest area of the block has been identified as a DRDO impact zone area by India’s Ministry of Defence (MOD). Initial indications suggest that periodic surface access may be restricted. Accordingly, the impact of the MOD’s declaration is being understood by the joint venture and a plan going forward is currently under discussion. The D3 joint venture continued to progress a number of geotechnical studies focused on assessing the potential of the eastern area and the high grading of identified prospects.

The Hon’ble Tribunal CY-OS/2 award in favour of the joint venture was a positive development in 2013. However, the GOI has recently filed an appeal against the award in the High Court of Delhi. This action has caused a delay in the restoration of the block and recommencement of appraisal activity. We will assess the best strategy going forward once it is clear if the Delhi High Court will hear the appeal. The Company believes that the unanimous international award is well reasoned and, as per India Arbitration & Conciliation Act 1996, may not be subject to appeal in India courts.

Protracted discussions to increase our interest in GS-01 are yet to be resolved. At this time we are making all reasonable efforts to complete a transaction.

Financial

The Company is reporting a loss of $2.0 million for the six months ended 30 June 2013 compared to a loss of $7.2 million for the same period in 2012. The steps taken in 2012 to reduce our overhead and a decrease in share-based payment charge have resulted in administrative expenses falling by $2.2 million to $2.3 million in the first half of 2013 compared with the same period in 2012.

Cash out-flow from operating activities before changes in non-cash working capital was $2.2 million for the six month ended 30 June 2013 compared to a cash outflow from operating activities of $4.4 million for the same period in 2012. The Company’s capital expenditure during the six month period ended on 30 June 2013 amounted to $0.1 million, compared to $1.2 million incurred for the same period to 30 June 2012.

With cash and short-term investments of $27.8 million as at 30 June 2013, and no debt, the Company is well funded to meet its future work commitments.

Corporate

Mr Ramasamy Jeevanandam, the Chief Financial Officer of Hardy Exploration & Production (India) Inc (HEPI), a wholly owned subsidiary of Hardy, has resigned effective 6 July 2013. Mr Jeevanandam joined Hardy in 1997 in a commercial role for Indian operations and has been the CFO and Director of HEPI since 2000. We would like to thank Mr Jeevanandam for his considerable contributions to Hardy. His expertise and leadership have been instrumental in advancing a number of our strategic objectives and we wish him every success in the future.

In the interim, Mr MacKenzie, Chief Executive Officer, and Mr Galvin, Treasurer & Corporate Affairs Executive, have assumed his responsibilities regarding overall management and leadership of the Indian operation until a suitable candidate is appointed. Hardy has secured the services of India based chartered accountants to fulfil the finance and accounting function.

Risk management

The Company has previously established a risk and uncertainties review process involving the identification of key risks and implementation of strategies to mitigate these risks. The following principal risks facing the Company in the near-term remain; exploration risk inherent to oil and gas business; the timing or execution of activities may not commence as forecasted and delays may be experienced; and the possible relinquishment of exploration and appraisal acreage.

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. We have clear deliverables for each asset and management are fully accountable for the implementation of the agreed plans. Energy demand in India is growing at an exceptional rate and there are indications that a more collaborative approach by the GOI is taking hold, which we believe will complement our efforts.

The Company remains in a strong working capital position from which to fund its planned work activity.

Alasdair Locke
Chairman
29 August 2013

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).

Summary table - The table below provides a brief comparison of our stated operational objectives for 2013 and our progress to-date:

Block	Objective	Status
D3	Recommence exploration drilling programme	Finalising the prospects with associated risk estimates towards completion of the balance of the MWP
GS-01	Facilitate the GOI review of the proposed development plan	GOI review is pending resolution of acquisition discussions between Hardy and the operator
PY-3	Submission of FDP to the management committee for final approval	A number of constructive technical and operating committee meetings were held. Technical consensus has been achieved
CY-OS/2	GOI to reinstate block to Hardy and the resumption of appraisal planning	GOI has filed an appeal in the High Court Delhi

Key Performance Indicators

The Board of Hardy have identified several key performance indicators which were revised in 2012. The key performance indicators for 2013 are summarised below;

Category	KPI	2013 Aim/target	H1 2013	2012	2011
HSE	Total Recordable Injuries	Zero TRI	**0**	0	2
Operations	Contingent Resource	Increase	**174**	174	174
	Wells drilled	One well	**0**	0	1
Financial	Cash and short-term investments	> than $10 million	**$27.9**	$29.1	$36.5
	Cash flow Overhead*	Reduce	**$1.7**	$4.7[+]	$6.2

** Administrative expense less – share based payments, foreign exchange charges, partner recharge*

[+] *excludes restructuring charge of $0.7 million*

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. The budgeted work programme for FY2013/14 provided for the drilling of an exploration well in the second quarter of 2013 and another by the end of the year. On 7 May 2013 the operator notified partners that due to rig availability constraints exploration drilling on the D3 block is now expected to commence in the first half of 2014. Current 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 D3 joint venture operator, Reliance Industries Limited (Reliance) is currently operating the deep-water drillship Dhirubhai Deepwater KG2 on the east coast of India and the deep-water drillship Dhirubhai Deepwater KG1 is expected to arrive in Indian waters shortly. Correspondence with the operator indicates that drilling is to commence in the first half of 2014. The GOI's review of the D3 DOC proposal will likely continue through 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 km^2, 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 km^2 of 3D seismic data over the block.

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

We continue to work with partners and GOI to plan for the timely recommencement of production. A number of constructive technical and operating committee meetings have been held regarding a comprehensive full field development plan (FDP) and technical consensus has been achieved. Resolution of an outstanding commercial issue is to be addressed prior to the submission of the FDP to the management committee for final approval.

Outlook - Submit an FDP to the GOI for approval after which we intend to target the recommence production in 2014, by securing the appropriate offshore production and storage facilities, and initiate 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 km^2, 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. The development 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 bbld 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 km^2.

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

Operations **–** On 4 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. On 2 August 2013 the Company received notification that the GOI has filed an appeal with the Delhi High Court of India.

The Company feels that it has a strong position as the unanimous international award is well reasoned and, as per India Arbitration & Conciliation Act 1996, may not be subject to appeal in India courts.

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 High Court of India agreeing to hear the case. 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 km^2. 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 km^2.

* *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, encountering 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, 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**Error! Bookmark not defined.** in the block. Hardy and GAIL declared a gas discovery on 8 January 2007 which discovery 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).

FINANCIAL REVIEW

Overview

In the six months ended 30 June 2013, the Company recorded an operating loss of $2.3 million and exited the period with cash and short-term investments of $27.8 million with no debt. The Company currently plans to drill up to two exploration wells in 2014 which will be funded from existing cash resources.

First half results

The Company recorded a total comprehensive loss of $2.0 million for the six months ended 30 June 2013. No dividends were paid or declared during the period.

Administrative expenses

Administrative expense was $2.4 million compared to $4.4 million for the same period in 2012. The reduction is the result of a reduction to share based payments and measures taken to reduce cost in 2012 including the move of our corporate office to Aberdeen, Scotland from London and reduced staff in the UK and India.

Operating loss

The Company is reporting an operating loss of $2.4 million for the six months ended compared with a loss of $10.1 million for the same period in 2012.

Investment and other income

Investment and other income remained unchanged at $0.3 million for the six months ended 30 June 2013

Taxation

No current tax was payable for the six months ended 30 June 2013. The Company has recorded a deferred tax credit of $0.3 million against the pre tax loss of $2.3 million for the six months ended 30 June 2013. This compared to a deferred tax credit of $2.8 million for the same period in 2012.

Total Comprehensive loss

The Company recorded total comprehensive loss of $2.0 million for the six months ended 30 June 2013 compared to a total comprehensive loss of $7.2 million for the same period in 2012.

Cash Flow from operating activities

The Company's cash outflow from operating activities is $1.8 million for the six months ended 30 June 2013 compared with $5.4 million for the same period in 2012.

Capital Expenditure

The Group's capital expenditure during the six months ended 30 June 2013 amounted to $0.1 million compared to $1.2 million incurred for the same period in 2012. Capital expenditure was primarily associated with geophysical studies undertaken by the operator of the Company's D3 exploration licence.

Cash and Short-term Investments

The Company has cash and short-term investments of $27.8 million on 30 June 2013 compared to $29.1 on 31 December 2012. The Company has no debt.

Summary statement of financial position

The Company's non-current assets increase from $95.4 million at 31 December 2012 to $95.3 million at 30 June 2013. Current assets represent the Group's cash resources, trade and other receivables and inventories which have decreased from $32.5 million as at 31 December 2012 to $30.6 million as at 30 June 2013. Current liabilities are principally trade and other accounts payable which remained unchanged at $6.1 million on 30 June 2013. The Group has considered a contingent asset of $24.6 million on the interest cost awarded by the arbitration tribunal for the block CY-OS/2 (note 7).

Dividend

The Directors do not recommend the payment of a dividend in the foreseeable future.

Accounting policies

The Company's significant accounting policies and details of the significant judgements and critical accounting estimates are disclosed within the notes to the financial statements. The Company has not made any material changes to its accounting policies in the six months ended 30 June 2013.

Liquidity risk management and going concern

The Company closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including changes in timing of developments and cost overruns of our exploration activity. At 30 June 2013, the Company had liquid resources of approximately $27.8 million, in the form of cash and short-term investments, which is available to meet ongoing capital, operating and administrative expenditure. The Company's forecasts, taking into account reasonably possible changes as described above, show that the Company will have sufficient financial resources for the 12 months from the date of approval of the 2013 Interim Statement and Accounts. At the present time, the Company does not have any debt.

RISKS AND UNCERTAINTIES

The Group has a systematic approach to risk identification and management which combines the Board's assessment of risk with risk factors originating from and identified by the Group's senior management team. The processes implemented by the Board for the identification, mitigation of risk and uncertainties is outlined on page 25 of the Company's 2012 Annual Report and Accounts.

PRINCIPAL RISKS

The Board has identified principal risks and uncertainties for 2013 and establishing clear policies and responsibilities to mitigate their possible negative impact to the business, a summary of which is provided below:

RISK OR UNCERTIANTY	MITIGATING ACTION
Strategic	
Ineffective or poorly executed strategy fails to create stakeholder value or fails to meet stakeholder expectations	
Asset portfolio over-weighted to long-cycle appraisal and development licences	Preferential allocation of resources to advance current discoveries to the development stage. Continually assessing acquisition opportunities, consistent with stated objectives, offering near term production increases.
Sub-commercial exploration results	Effective portfolio management comprised with rigorous review and implementation of best practice exploration processes and techniques. Internal expertise review process and, when necessary third party consultation prior to Board approval.
Financial	
Asset performance and excessive leverage results in the Group being unable to meet its financial obligations as and when they are due.	
Absence of stakeholder approval for proposed development and appraisal programmes	Regular and proactive communication with stakeholders to identify and maintain an understanding of key agendas and constraints. Maintain sufficient working capital to account for extended delays and maintain tight controls on overhead inflation.
Liquidated damages for incomplete minimum work programmes	The Company has minimum work commitments on its exploration assets. The GS-01 block has reached the end of their exploration phase with outstanding MWP commitment and D3 has yet to be completed MWP. The Company makes provisions when the amount is ascertained by the operator of the licence.
Operational	
Operational event impacting staff, contractors, communities or the environment leading to loss of reputation and/or revenue.	

Loss of well control could occur during offshore drilling operations	The Company's planned work programme for 2014 involves the drilling of up to two deepwater wells. These wells are on non-operated blocks and as such the Company relies on the HSE and operational integrity procedures mandated by the operator and the contractors. Liabilities associated with an accident are insured to the extent reasonably possible.
Lack of control on timing of exploration on D3	Proactive communication with partners to drive corporate interests and mandates. Each licence is governed by joint operating agreements, which provide for processes and procedures designed to ensure that the input and interests of non-operating partners are considered.
Securing timely approval for a PY-3 full field development plan	Proactive communication with partners to address individual interests and agendas. Clearly formulate and articulate mutual beneficial proposals. Mitigate expenditures prior to budget approvals.
Loss of key staff and succession planning	The Company's ability to compete in the upstream oil and gas exploration and production industry is dependent on being able to retain and attract experienced technical personnel. Structured performance based remuneration practices and promote a positive and rewarding work environment.

Compliance

The overall external political, industry or market environment may negatively impact on the Company's ability to independently grow and manage its business.

Deteriorating stakeholder sentiment	Communicate with investors on a regular basis providing transparent and timely information. Effectively convey strategic goals and objectives and improve delivery.
Changing regulatory and political environment in India	Develop sustainable relationships with governments and communities. Indian PSC includes fiscal stability clauses. Actively collaborate with industry groups to formulate and communicate interests to government authorities

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, as adopted by the EU; and
- give a true and fair view of the assets, liabilities and loss of the group; and
- the Interim report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the set of interim consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year.

On behalf of the Board

Ian MacKenzie,
Chief Executive Officer
29 August 2013

INDEPENDENT REVIEW REPORT TO HARDY OIL AND GAS PLC

Introduction - We have been engaged by the Company to review the interim consolidated financial statements in the half yearly management report for the six months ended 30 June 2013 which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the consolidated statement of financial position, and the related explanatory notes. We have read the other information contained in the half yearly management report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim consolidated financial statements.

This report is made solely to the company, as a body, in accordance with our instructions. Our review has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the opinions we have reached.

Directors' Responsibilities - The half yearly management report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half yearly management report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union. The interim consolidated financial statements included in this half yearly management report have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

Our Responsibility - Our responsibility is to express to the Company a conclusion on the interim consolidated financial statements in the half yearly management report based on our review.

Scope of Review - We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom. A review of interim consolidated financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion - Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements in the half yearly management report for the six months ended 30 June 2013 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

CROWE CLARK WHITEHILL LLP
London
29 August 2013

HARDY OIL AND GAS PLC
Consolidated Statement of Comprehensive Income
For the period ended 30 June 2013

	Six months ended 30 June 2013 (Unaudited) US$	Six months ended 30 June 2012 (Unaudited) US$	Year ended 31 December 2012 (Audited) US$
Continuing operations			
Revenue	-	-	-
Cost of sales			
Production costs	-	(255,901)	(277,100)
Unsuccessful exploration costs	-	(5,364,396)	(5,358,471)
Gross (loss) / profit	**-**	**(5,620,297)**	**(5,635,571)**
Administrative expenses	(2,446,081)	(4,527,353)	(7,516,316)
Operating loss	(2,446,081)	(10,147,650)	(13,151,887)
Interest and investment income	333,693	300,372	848,850
Finance costs	(193,718)	(192,699)	(361,224)
Loss before taxation	**(2,306,106)**	**(10,039,977)**	**(12,664,261)**
Taxation	315,623	2,800,825	1,595,070
Total comprehensive loss for the period attributable to owners of the parent	**(1,990,483)**	**(7,239,152)**	**(11,069,191)**
Loss per share			
Basic and diluted	(0.03)	(0.10)	(0.15)
Comprehensive loss per share			
Basic and diluted	(0.03)	(0.10)	(0.15)

HARDY OIL AND GAS PLC
Consolidated Statement of changes in Equity
For the period ended 30 June 2013

	Share Capital US$	Share premium US$	Shares to be issued US$	Retained earnings US$	Total equity US$
At 1 January 2012	**727,852**	**119,996,084**	**4,256,526**	**1,136,050**	**126,116,512**
Total comprehensive loss for the period	-	-	-	(7,239,152)	(7,239,152)
Share based payments	-	5,654	310,395	-	316,049
Restricted shares issued	2,375	587,612	-	-	589,987
Share options exercised	100	22,601	-	-	22,701
At 30 June 2012	**730,327**	**120,611,951**	**4,566,921**	**(6,103,102)**	**119,806,097**
Total comprehensive loss for the period	-	-	-	(3,830,039)	**(3,830,039)**
Share based payments	-	-	447,390	-	**447,390**
Restricted shares issued	-	-	-	-	**-**
Share options exercised	-	-	-	-	**-**
Adjustment of lapsed vested options	-	-	**(415,566)**	**415,566**	**-**
At 31 December 2012	**730,327**	**120,611,951**	**4,598,745**	**(9,517,575)**	**116,423,448**
Total comprehensive loss for the period	-	-	-	**(1,990,483)**	**(1,990,483)**
Share based payments	-	-	**88,137**	-	**88,137**
Restricted shares issued	**407**	**74,638**	-	-	**75,045**
Share options exercised	-	-	-	-	-
Adjustment of lapsed vested options	-	-	**(370,527)**	**370,527**	-
At 30 June 2013	**730,734**	**120,686,589**	**4,316,355**	**(11,137,531)**	**114,596,147**

HARDY OIL AND GAS PLC
Consolidated Statement of Financial Position
For the period ended 30 June 2013

	30 June 2013 (Unaudited) US$	30 June 2012 (Unaudited) US$	31 December 2012 (Audited) US$
Assets			
Non-current assets			
Property, plant and equipment	5,926,884	5,869,862	5,947,203
Intangible assets – exploration	77,892,008	77,496,412	77,818,796
Intangible assets – others	1,499	7,458	4,536
Site restoration deposit	3,851,833	3,750,060	3,970,628
Deferred tax asset	7,701,534	8,802,127	7,385,911
Total non-current assets	**95,373,758**	**95,925,919**	**95,127,074**
Current assets			
Inventories	2,024,502	2,066,258	2,024,502
Trade and other receivables	826,490	1,539,326	1,410,976
Short-term investments	23,555,381	27,786,199	26,032,807
Cash and cash equivalents	4,203,703	3,077,523	3,052,150
Total current assets	**30,610,076**	**34,469,306**	**32,520,435**
Total assets	**125,983,834**	**130,395,225**	**127,647,509**
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	730,734	730,327	730,327
Share premium	120,686,589	120,611,951	120,611,951
Shares to be issued	4,316,355	4,566,921	4,598,745
Retained earnings	(11,137,531)	(6,103,102)	(9,517,575)
Total equity	**114,596,147**	**119,806,097**	**116,423,448**
Non-current liabilities			
Provisions for decommissioning	5,332,372	4,983,525	5,152,050
Current liabilities			
Trade and other payables	6,055,315	5,605,603	6,072,011
Total current liabilities	**6,055,315**	**5,605,603**	**6,072,011**
Total liabilities	**11,387,687**	**10,589,128**	**11,224,061**
Total equity and liabilities	**125,983,834**	**130,395,225**	**127,647,509**

HARDY OIL AND GAS PLC
Consolidated Statement of Cash Flows
For the period ended 30 June 2013

	Six months ended 30 June 2013 (Unaudited) US$	Six months ended 30 June 2012 (Unaudited) US$	Year ended 31 December 2012 (Audited) US$
Operating activities			
Operating loss	(2,446,081)	(10,147,650)	(13,151,887)
Unsuccessful exploration costs	-	5,364,396	5,358,471
Depletion and depreciation	24,371	23,946	52,924
Share-based payments	251,098	316,049	972,464
	(2,170,612)	(4,443,259)	(6,768,028)
Decrease / (increase) in inventory	-	2,266	44,022
Decrease / (increase) in trade and other receivables	342,009	(413,322)	(305,367)
(Decrease) / increase in trade and other payables	(16,696)	(496,060)	(29,652)
Cash flow (used in) from operating activities	**(1,845,299)**	**(5,350,375)**	**(7,059,025)**
Taxation refunded (paid)	239,476	(3,969)	606,926
Net cash (used in) from operating activities	**(1,605,823)**	**(5,354,344)**	**(6,452,099)**
Investing activities			
Expenditure on property, plant and equipment	(1,015)	-	(108,165)
Expenditure on intangible assets-exploration	(73,212)	(1,159,320)	(1,475,779)
Purchase of other fixed assets	-	(4,768)	-
Site restoration deposit	118,795	(12,555)	(233,123)
Short-term investments	2,477,426	1,907,769	3,661,161
Net cash (used in) from investing activities	**2,521,994**	**731,126**	**1,844,094**
Financing activities			
Interest and investment income	336,693	308,209	857,611
Finance costs	(13,396)	(24,174)	(24,174)
Issue of shares	(87,915)	612,688	22,700
Net cash (used in) from financing activities	**235,382**	**896,723**	**856,137**
Net increase / (decrease) in cash and cash equivalents	1,151,553	(3,726,495)	(3,751,868)
Cash and cash equivalents at the beginning of the period	3,052,150	6,804,018	6,804,018
Cash and cash equivalents at the end of the period	**4,203,703**	**3,077,523**	**3,052,150**

1. Accounting Policies

i) Basis of preparation

These interim consolidated financial statements are for the six months ended 30 June 2013 and have been prepared in accordance with International Accounting Standard 34 "*Interim Financial Statements*". The accounting policies applied are consistent with International Financial Reporting Standards (IFRS) adopted for use by the European Union. The accounting policies and methods of computation used in the interim consolidated financial statements are consistent with those used in the Company's Annual Report for 2012 and are expected to be applied for the year ended 31 December 2013.

ii) Cyclicality

The interim results for the six months ended 30 June 2013 are not necessarily indicative of the results to be expected for the full year 2013. The operations of Hardy Oil and Gas plc are not affected by seasonal variations.

2. Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are addressed below:

i) Intangible assets - exploration

Hardy has been awarded costs and interest after the conclusion of the arbitration on the CY-OS/2 block, in which it holds a 75 per cent participating interest. Hardy's share of these awards totals approximately $24.8 million and has been disclosed as a contingent asset. This is regarded as a significant area of judgment and full details are disclosed in note 7 to these financial statements.

ii) Decommissioning

The liability for decommissioning is updated to the current cost estimates of decommissioning. Accordingly, the provision made in the books will reflect the risk free discounted future cost for decommissioning and this is an annual adjustment based on the changes in costs as a result of technical advancements and other factors.

iii) Deferred Tax Asset

The deferred tax asset will be realised with the recommencement of production from PY-3 field and also from the production of oil and gas from those areas which are available for commercial development. Further details are contained in note 4.

iv) Depletion

Depletion is based on best estimates of commercial reserves existing as at the balance sheet date. The determination of commercial reserves is based on assumptions which include those relating to the future prices of crude oil and natural gas, capital expenditure plans, cost of production and other factors.

3. Segment Analysis

The Group is organised into two business units: India and United Kingdom. The India business unit is operated by the wholly owned subsidiary Hardy Exploration & Production (India) Inc, and Hardy Oil and Gas plc operates in the United Kingdom. The India business unit focuses on exploration and production of oil and gas assets in India. The United Kingdom business unit is the holding company. Management monitors these business units separately for resource allocation, decision-making and performance assessment.

	June 2013 US$			
	India	**UK**	**Inter-segment eliminations**	**Total**
Revenue				
Other income	-	-	-	-
Operating loss	(1,273,056)	(1,173,025)	-	(2,446,081)
Interest income	319,433	14,260	-	333,693
Interest on inter-corporate loan	-	566,215	(566,215)	-
Finance costs	(193,718)	-	-	(193,718)
Interest on inter-corporate loan	(566,215)	-	566,215	-
Loss before taxation	(1,713,556)	(592,550)	-	(2,306,106)
Taxation	319,554	(3,931)	-	315,623
Loss for the period	(1,394,002)	(596,481)	-	(1,990,483)
Segment assets	103,713,187	22,270,647	-	125,983,834
Inter-corporate loan		102,831,528	(102,831,528)	-
Segment liabilities	(11,300,254)	(87,433)	-	(11,387,687)
Inter-corporate borrowings	(102,831,528)	-	102,831,528	-
Capital expenditure	73,212	1,015	-	74,227
Unsuccessful exploration costs	-	-	-	-
Depreciation, depletion and amortisation	(7,552)	(16,810)	-	(24,362)

	June 2012 US$			
	India	**UK**	**Inter-segment eliminations**	**Total**
Revenue				
Other income	-	90,000	(90,000)	-
Operating loss	(8,313,277)	(1,834,373)	-	(10,147,650)
Interest income	270,990	29,382	-	300,372
Interest on inter-corporate loan	-	547,028	(547,028)	-
Finance costs	(192,699)	-	-	(192,699)
Loss before taxation	(8,234,986)	(1,257,963)	(547,028)	(10,039,977)
Taxation	2,438,783	362,042	-	2,800,825
Loss for the period	(5,796,203)	(895,921)	(547,028)	(7,239,152)
Segment assets	103,883,932	26,511,293	-	130,395,225
Inter-corporate loan	-	99,719,006	(99,719,006)	-
Segment liabilities	(10,470,727)	(118,401)	-	(10,589,128)
Inter-corporate borrowings	(99,719,006)	-	(99,719,006)	-
Capital expenditure	1,159,320	4,768	-	1,164,088
Unsuccessful exploration costs	(5,364,396)	-	-	(5,364,396)
Depreciation, depletion and amortisation	(8,982)	(14,964)	-	(23,946)

	June 2012 - US$			
	India	**UK**	**Inter-segment eliminations**	**Total**
Revenue				
Other income	-	-	-	-
Operating loss	(9,223,442)	(3,928,445)	-	(13,151,887)
Interest income	754,707	94,143	-	848,850
Interest on inter-corporate loan	-	1,121,145	(1,121,145)	-
Finance costs	(361,224)	-	-	(361,224)
Interest on inter-corporate loan	(1,121,145)	,	1,121,145	-
Loss before taxation	(9,951,104)	(2,713,157)	-	(12,664,261)
Taxation	793,183	801,887	-	1,595,070
Loss for the period	(9,157,921)	(1,911,270)	-	(11,069,191)
Segment assets	102,570,256	25,077,253		127,647,509
Inter-corporate loan	-	100,661,878	(100,661,878)	-
Segment liabilities	(11,003,670)	(220,391)	-	11,224,061
Inter-corporate borrowings	(100,661,878)	-	100,661,878	-
Capital expenditure	1,475,779	108,165	-	1,583,944
Unsuccessful exploration costs	(5,358,471)	-	-	(5,358,471)
Depreciation, depletion and amortisation	(17,828)	(35,096)	-	(52,924)

The Group is engaged in one business activity, the production of and exploration for oil and gas. Other income relates to technical services to third parties, overhead recovery from joint venture operations and miscellaneous receipts, if any. Revenue arises from the sale of oil produced from the contract area PY-3 India and the revenue by destination is not materially different from the revenue by origin.

4. Taxation

	Six months ended 30 June 2013 US$	Six months ended 30 June 2012 US$	Year ended 31 December 2012 US$
Current tax charge			
UK corporation tax	-	-	-
Foreign tax - India	-	-	(180,912)
Minimum Alternate Tax			(29,549)
Foreign tax - USA	-	-	-
Total current tax charge	-	-	(210,461)
Deferred tax (credit) / charge	(315,623)	(2,800,825)	(1,384,609)
Taxation (credit)	(315,623)	(2,800,825)	(1,595,070)

Indian operations of the Group are subject to a tax of 42.024 per cent which is higher than UK and US Corporation tax rates. To the extent that the Indian profits are taxable in the US and/or the UK, those territories should provide relief for Indian taxes paid, principally under the provisions of double taxation agreements. Based on the current expenditure plans, the Group anticipates that the tax allowances will continue to exceed the depletion charge of each year, though the timing of related tax relief is uncertain.

5. Loss per share

Loss per share is calculated on a loss of US$1,990,483 for the period ended 30 June 2013 (June 2012: US$7,239,152, FY2012: US$11,069,191) on a weighted average of 73,056,906 ordinary shares for the period ended 30 June 2013 (June 2012: 72,935,466, FY2012: 72,984,352). No diluted loss per share is calculated.

Comprehensive loss per share is calculated on a loss of US$1,990,483 for the period ended 30 June 2013 (June 2012: US$7,239,152, FY2012: US$11,069,191) on a weighted average of 73,056,906 ordinary shares for the period ended 30 June 2013 (June 2012: 72,935,466, FY2012: 72,984,352). No diluted loss per share is calculated.

6. Property, plant and equipment

	Oil and gas assets	Other fixed assets	Total
	US$	**US$**	**US$**
Cost			
At 1 January 2012	35,524,396	2,102,616	37,627,012
Additions	-	4,768	4,768
Deletions	-	(2,930)	(2,930)
At 30 June 2012	35,524,396	2,104,454	37,628,850
Additions	-	-	-
Deletions	-	(363,040)	(363,040)
At 1 January 2013	35,524,396	1,741,414	37,265,810
Additions	-	1,015	1,015
Deletions	-	-	-
At 30 June 2013	**35,524,396**	**1,742,429**	**37,266,825**
Depletion, Depreciation and amortisation			
At 1 January 2012	29,684,318	2,056,576	31,740,894
Additions	-	21,024	21,024
Deletions	-	(2,930)	(2,930)
At 30 June 2012	29,684,318	2,074,670	31,758,988
Charge for the period	-	(77,340)	(77,340)
Deletions	-	(363,040)	(363,040)
At 1 January 2013	29,684,318	1,634,290	31,318,608
Charge for the period	-	21,333	21,333
Deletions	-	-	-
At 30 June 2013	**29,684,318**	**1,655,623**	**31,339,941**
Net book value at 30 June 2013	**5,840,078**	**86,806**	**5,926,884**
Net book value at 30 June 2012	5,840,078	29,784	5,869,862
Net book value at 1 January 2012	5,840,078	46,040	5,886,118

7. Intangible assets – exploration

	India US$
At 1 January 2012	81,701,488
Additions	1,159,320
Unsuccessful exploration cost	(5,364,396)
Deletions	-
At 30 June 2012	77,496,412
Additions	316,459
Unsuccessful exploration cost	5,925
Deletions	-
At 1 January 2013	**77,818,796**
Additions	73,212
Unsuccessful exploration cost	-
Deletions	-
At 30 June 2013	**77,892,008**

In March 2009, Hardy were informed by the Government of India that the block CY-OS/2, in which Hardy holds a 75 per cent participating interest, was relinquished as Hardy had failed to declare commerciality within the two years from the date of discovery which is applicable to an oil discovery. Hardy disputed this ruling believing that the discovery was a gas discovery and consequently that it was entitled to a period of five years from the date of discovery to declare commerciality. As no agreement was reached the dispute was referred to arbitration under the terms of the PSC.

The arbitrators ruled on 2 February 2013 that the discovery was a gas discovery and consequently that the order for the relinquishment of the block was illegal. The arbitrators have ordered the Government of India to restore the block to Hardy and its partners and to allow them a period of three years from the date of restoration to complete the appraisal programme. In addition, the arbitrators awarded costs of $0.2 million and interest on the exploration expenditure incurred to date. Hardy's 75 per cent share of the interest awarded is approximately $24.6 million. On 2 August 2013 the Government of India filed an appeal, of the arbitration award, with the High Court Delhi, therefore the cost and interest award is currently treated as a contingent asset until receipt is virtually certain.

The details of the intangible assets stated above are as follows:

	US$
Exploration expenditure – block CY-OS/2	51,023,493
Exploration expenditure – block D3 (KG-DWN-2003/1)	21,817,744
Exploration expenditure – block GS-01	5,050,771
Total	**77,892,008**

8. Share capital

The Company has authorised share capital of 200 million US$ 0.01 ordinary shares. Changes in issued and fully paid ordinary shares during the six months ended 30 June 2013 are as follows:

	Number US$ 0.01 Ordinary shares	US$
Beginning of the period	73,032,706	730,327
Share options exercised during the period	-	-
Restricted shares issued during the period	40,710	407
End of period	73,073,416	730,734

Restricted shares issued during the period consist of 40,710 shares issued to non-executive directors on 15 March 2013.

9. Share Options

Changes in outstanding share options during the six months ended 30 June 2013 are summarised below:

	Number of options	Weighted average price £
Outstanding at beginning of the period	3,626,933	2.94
Outstanding at the end of the period	3,484,933	2.86
Exercisable at the end of period	2,075,933	2.43

Detail regarding the estimated fair value of granted share options has been set out in note 8 (page 61) of the Company's 2012 Annual Report and Accounts.

10. Contingent liabilities

The Group issues guarantees in respect of obligations under various Production Sharing Contracts (PSC) in the normal course of business. Bank guarantees for US$1,710,100 and US$1,693,545 have been issued to the GOI as at 30 June 2013. The Bank Guarantee were obtained by placing fixed deposits of US$1,312,500 and Rs.104,204,006 (US$1,754,276) respectively. The parent company guarantees the Group's obligation under various PSCs to the Government of India. The guarantees are deemed to have negligible fair value and are therefore accounted for as contingent liabilities.

11. Dividends

The Board of Directors do not recommend the payment of an interim dividend for the period ended 30 June 2013.

12. Approval of interim Consolidated Financial Statements

These interim consolidated financial statements have been approved by the Board of Directors on 28 August 2013.

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
CNG	
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
DRDO	
FDP	comprehensive full field development plan
GAIL	Gas Authority of India Limited
Ganesha-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
H1	Six months ended 30 June
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
mmscmd	million standard cubic metres per day
MOD	Ministry of Defence Government of India
MOPNG	the Ministry of Petroleum and Natural Gas of the Government of India
MWP	minimum work programme
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	Reliance Industries Limited
the Company	Hardy Oil and Gas plc

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 is the operator of the PY-3 oil field (shut-in July 2011) located offshore India's east coast in the 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.

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

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