

**Hardy Oil and Gas plc**

(“Hardy” or the “Company”)

**Maiden Interim Results**

for the six months ended June 2005

Hardy Oil and Gas plc (AIM : HDY), the oil and gas exploration and production company with significant interests in the India, today announces its maiden Interim Results for the six month period to 30 June 2005.

**Operational Highlights**

- Successful flotation on AIM in June 2005 at 144p per share
- New licence award in NELP 5 Licensing round with Reliance Industries
- Farm-in agreement signed in Nigeria for 40% working interest in Oza field
- PY-3 production on target
- 5 prospects on Block GS-01 identified after completion of 3D seismic re-interpretation

**Financial Highlights**

- Turnover of US\$8.61m (2004: US\$5.72m )
- Net profit at US\$3.50m (2004: US\$1.58m)
- Current trading and outlook in line with expectations

Commenting on the results, Paul Mortimer, Chairman of Hardy said:

“2005 has been a significant one in the development of Hardy. We are delighted at the successful outcome of the flotation and are pleased to be presenting results that exceed the expectations at the time of the flotation. It represents considerable growth in Hardy’s sales and profits. Current trading has started in line with our expectations and we remain confident about Hardy’s future prospects. Hardy has been consistently profitable for the last six years.”

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**Hardy Oil and Gas plc**

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## **Chairman's Statement**

The Group has remained firmly focused on its Indian operations and is committed to consolidating its market position in this area. In addition, Hardy has recently extended its area of operations to Nigeria where it sees significant opportunities for growth. Funds for this were included in the working capital estimate at the flotation.

During the first six months, the Group's revenues increased by 50 per cent to US\$8.61m, compared to US\$5.72m during the same period in 2004. This improvement is principally due to increased oil prices in the market and increased production from the redrill of the PD-3S well.

The flotation of Hardy on 7 June 2005 was a landmark event in the successful history of Hardy. The Board had given careful consideration to the future direction of the Company and concluded that Hardy's interests would be best served through a flotation on the London Stock Exchange. The flotation was successful at the placing price of 144p per share and we now have a secure and diversified shareholder base together with a clear funding capacity for our exploration opportunities.

On 5 August 2005, Hardy announced that it had received confirmation from the Ministry of Petroleum and Natural Gas in India that it had been awarded, along with Reliance Industries Ltd., India's largest private sector company, the KG-DWN-2003/1 (D3) deepwater exploration block. Hardy's interest in the block is 10 per cent.

In addition, we are now able to announce farm-in agreements into two blocks in Nigeria.

The current year has started well and very much in line with expectations. We look to the future with confidence.

## **Operational Review**

### **PY-3**

Production from the field during the period averaged at 5,414 bopd, which is 1,358 bopd lower than the previous 6 month period ending on 31 December 2004 but higher than the corresponding period of the previous year. The lower production is primarily due to the previously reported shut down of one of the wells to repair an umbilical line and carry out maintenance work on the production platform. Repairs to the umbilicals were completed and production is now back on target from all the three wells.

Discussions are currently underway with the JV partners to enter into Phase III development plan for PY-3 field which will require a new 3D seismic survey and additional infill drilling.

### **CY-OS2**

On 24 May 2005 Hardy received approval from the Government of India ("GOI") for an extension to the Phase-III development plan for an additional period of 22 months.

On 8 September 2005, Hardy commenced a programme of 3D seismic acquisition, which will cover over 550 km<sup>2</sup>. Hardy has a commitment to complete 3D seismic and drill two wells for a total commitment of US\$22m. Drilling in this block is expected to begin during the second half of 2006.

Hardy has a 75% interest in Block CY-OS2 in partnership with the Gas Authority of India Limited (“GAIL”), India’s largest gas distribution company who have a 25% working interest.

### **Saurashtra Block GS-01**

On Block GS-01, Hardy has completed the acquisition of 1,216 km<sup>2</sup> 3D seismic data and interpretation. Five prospects have been mapped, with two of the prospects finalized for exploration drilling.

Drilling is delayed pending final approval from the Ministry of Environment and is now expected to be in the first half of 2006.

### **Block D9**

During the period, Hardy completed the acquisition of 3,440 km<sup>2</sup> of 3D seismic. The data is presently being processed by M/s Western Geco at Mumbai. Drilling is expected to commence in the second half of 2006.

### **Nigeria**

Hardy Oil Nigeria has signed a Farm-In-Technical Services and a Joint Operations Agreement with the Nigerian company, Millenium Oil and Gas to acquire a 40% interest in the marginal Oza field.

Application for the transfer of the interest has commenced with the Government of Nigeria. This onshore field is within a 23 km<sup>2</sup> block that contains three oil wells which have been suspended for over twenty years. Hardy and Millenium will attempt to revive production first from the three wells, and later increase production through workovers, side-tracking and drilling of new wells. An Extended Well Test (EWT) program will commence in November 2005 to establish the well productivity of the existing wells.

Hardy’s net expenditure for the EWT program will be approximately US\$1.0m for 2005/2006. Oil-in-place on the Oza field is estimated to be about 33mmboe with undeveloped recoverable reserves of about 7mmboe.

Hardy has also signed a farm-in agreement with Bayelsa Oil Company, for a 20% interest in the Atala field. This sub-block is within Block OML 46, in water depths of approximately 8ft. The discovery well, Atala # 1 was logged and cased but not completed and tested. Hardy and Bayelsa will re-enter this well and test and complete two zones by December 2005. Volumetric estimates of oil and gas in place are 80mmboe and 300Bcf respectively. Hardy’s net costs for 2005/2006 are estimated to be US\$4.0m, inclusive of acquisition costs.

Hardy Oil Nigeria is a wholly owned subsidiary of Hardy Oil Africa which is in turn a wholly owned subsidiary of Hardy Oil and Gas plc.

### **HOEC Investments**

Hardy continues to maintain its 8.5% strategic interest in Hindustan Oil Exploration Company Limited (“HOEC”) and is valued at US\$20m at current market price (5 September 2005). HOEC is listed on the National Stock Exchange of India and the Bombay Stock Exchange. HOEC’s operations are predominantly in the Cauvery Basin in the Bay of Bengal.

## **Financial Review**

The financial results for the interim six months period were significantly strengthened due to higher oil prices. The volume weighted average price achieved for our crude sales for this period was US\$47.88 compared to a price of US\$33.78 for the same period in 2004.

The Group recorded a profit after tax of US\$3.50m on a turnover of US\$8.61m compared to a profit after tax of US\$1.58m on a turnover of US\$5.72m, for the same period last year. The turnover figures are shown as net of profit oil paid to the government. The profit oil paid to the GOI was 10% until 31 March 2005 and 25% thereafter of total revenue, after full cost recovery.

As of 30 June 2005 the Group had no long term external borrowing except for a bank loan of US\$1.0 million due to mature in December 2005.

The Group has made a tax provision of US\$1.13m as of 30 June 2005 which includes a deferred tax provision of US\$773,000 from the previous year.

## **Current Trading and Outlook**

The directors are moving forward as quickly as possible with the Company's business plan in its operated assets to complete 3D seismic in Block CYOS2 and planning for drilling two new wells in the same block in mid 2006. In its other operated asset of PY-3 the Company is working with its JV partners to implement a Phase III program which calls for additional 3D seismic and two new wells.

In its non operated assets the Company is working closely with its partner Reliance to complete the exploration work program.

As announced on the 16 August 2005, production from the PY-3 field was temporarily suspended for two weeks. However, this will not affect full year production targets, and maintenance on the well head confirmed that the well remains fully pressured when production recommenced.

The Company's financial strength remains robust, with continuing strong oil prices and production in line with expectations.

E. Paul Mortimer  
Chairman

**Hardy Oil and Gas plc**  
**Consolidated profit and loss account for the six months ended 30 June 2005**

	Note	Six months to 30th June 2005 (Unaudited) US\$	Six months to 30th June 2004 (Unaudited) US\$	Year ended 31st December 2004 (Audited) US\$
<b>Turnover</b>	2	<b>8,611,199</b>	5,722,890	13,719,650
<b>Cost of sales</b>				
Production costs		<b>(1,457,543)</b>	(1,258,764)	(3,002,584)
Increase / (decrease) in stock		<b>(283,452)</b>	(40,948)	250,915
Depletion		<b>(622,282)</b>	(590,080)	(1,464,637)
Decommissioning charge		<b>(3,526)</b>	(3,297)	(7,770)
<b>Gross Profit</b>		<b>6,244,396</b>	3,829,801	9,495,574
Administrative expenses		<b>(1,488,532)</b>	(972,901)	(2,419,096)
<b>Operating Profit</b>		<b>4,755,864</b>	2,856,900	7,076,478
Other operating income		-	-	108,502
Interest receivable and similar income		<b>47,022</b>	8,521	122,931
Interest payable and similar charges		<b>(172,747)</b>	(183,422)	(275,374)
<b>Profit on ordinary activities before taxation</b>		<b>4,630,139</b>	2,681,999	7,032,537
<b>Tax on profit on ordinary activities</b>				
-current	3	<b>(354,562)</b>	-	(275,706)
-deferred	3	<b>(773,000)</b>	(1,101,000)	(3,298,000)
		<b>(1,127,562)</b>	(1,101,000)	(3,573,706)
<b>Profit for the period</b>		<b>3,502,577</b>	1,580,999	3,458,831
Earning per share- basic	4	<b>\$0.23</b>	\$4.52	\$9.89
Earning per share- Diluted	4	<b>\$0.20</b>	\$3.92	\$8.57

**Hardy Oil and Gas plc**  
**Consolidated balance sheet at 30 June 2005**

	<b>30th June 2005 (Unaudited) US\$</b>	30th June 2004 (Unaudited) US\$	31st December 2004 (Audited) US\$
<b>Fixed assets</b>			
Intangible assets	<b>9,841,949</b>	10,955,855	8,719,525
Tangible assets	<b>4,139,711</b>	6,967,223	6,179,126
Investments	<b>2,218,122</b>	2,218,122	2,218,122
	<b>16,199,782</b>	20,141,200	17,116,773
<b>Current assets</b>			
Stocks	<b>362,817</b>	293,410	646,269
Deferred tax asset	-	2,970,000	773,000
Debtors	<b>2,555,081</b>	1,751,968	2,740,896
Cash at bank and in hand	<b>34,884,210</b>	4,078,147	9,082,162
	<b>37,802,108</b>	9,093,525	13,242,327
<b>Creditors:</b> amounts falling due within one year	<b>(4,777,409)</b>	(5,673,697)	(5,585,081)
<b>Net current assets</b>	<b>33,024,699</b>	3,419,828	7,657,246
<b>Total assets less current liabilities</b>	<b>49,224,481</b>	23,561,028	24,774,019
<b>Creditors:</b> amounts falling due after more than one year	-	(2,411,251)	-
Provisions for liabilities and charges	<b>(1,296,000)</b>	(1,296,000)	(1,296,000)
<b>Net assets</b>	<b>47,928,481</b>	19,853,777	23,478,019
<b>Capital and reserves</b>			
Called-up share capital	<b>520,467</b>	3,459	4,111
Share premium account	<b>28,683,148</b>	6,505,861	8,251,619
Profit and loss account	<b>18,724,866</b>	13,344,457	15,222,289
<b>Equity shareholders' funds</b>	<b>47,928,481</b>	19,853,777	23,478,019

**Hardy Oil and Gas plc**  
**Consolidated statement of cash flows for the six months ended at 30 June 2005**

	Note	Six months to 30th June 2005 (Unaudited) US\$	Six months to 30th June 2004 (Unaudited) US\$	Year ended 31st December 2004 (Audited) US\$
<b>Net cash inflow from operating activities</b>		<b>5,930,052</b>	<b>5,086,267</b>	<b>6,723,755</b>
<b>Returns on investments and servicing of finance</b>				
Income from investments		-	-	108,502
Interest received		47,022	8,521	122,931
Interest paid		(172,747)	(183,422)	(348,478)
<b>Net cash outflow from return of investments and servicing of finance</b>		<b>(125,725)</b>	<b>(174,901)</b>	<b>(117,045)</b>
<b>Taxation</b>		<b>(354,562)</b>	-	<b>(1,706)</b>
<b>Capital expenditure and financial investment</b>				
Expenditure on exploration assets		(1,122,424)	(2,446,807)	(1,401,134)
Expenditure on development/producing assets	5	1,604,458	(2,992,900)	(2,930,605)
Purchase of other fixed assets		(216,358)	(14,189)	(55,787)
Proceeds from disposal of interests in development assets		-	-	280,000
Proceeds from disposal of subsidiary undertakings		-	-	767,597
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>265,676</b>	<b>(5,453,896)</b>	<b>(3,339,929)</b>
<b>Net cash inflow before financing</b>		<b>5,715,441</b>	<b>(542,530)</b>	<b>3,265,075</b>
<b>Financing</b>				
Issue of shares		20,947,885	42,000	1,788,410
Repayment of bank loan		(861,278)	(441,484)	(441,484)
Repayment of unsecured loan		-	(450,000)	(1,000,000)
		<b>20,086,607</b>	<b>(849,484)</b>	<b>346,926</b>
<b>Increase / (Decrease) in cash for the period</b>		<b>25,802,048</b>	<b>(1,392,014)</b>	<b>3,612,001</b>

**Hardy Oil and Gas plc**  
**Reconciliation of operating profit to operating cash flows**

	<b>Six months to 30th June 2005 (Unaudited) US\$</b>	Six months to 30th June 2004 (Unaudited) US\$	Year ended 31st December 2004 (Audited) US\$
Operating Profit	<b>4,755,864</b>	2,856,900	7,076,478
Depletion and depreciation	<b>647,789</b>	624,347	1,530,334
Decommissioning charge	<b>3,526</b>	3,297	7,770
(Increase)/ decrease in debtors	<b>185,815</b>	(724,227)	(1,713,155)
Increase / (decrease) in creditors	<b>53,606</b>	2,296,355	145,592
(Increase)/ decrease in stocks	<b>283,452</b>	29,595	(323,264)
	<b>5,930,052</b>	<b>5,086,267</b>	<b>6,723,755</b>

**Hardy Oil and Gas plc**  
**Reconciliation of movement in shareholders' funds**

	<b>Six months to 30th June 2005 (Unaudited) US\$</b>	Six months to 30th June 2004 (Unaudited) US\$	Year ended 31st December 2004 (Audited) US\$
Total recognised gains and (losses) for the period	<b>3,502,577</b>	1,580,999	3,458,831
Issue of shares	<b>20,947,885</b>	42,000	1,788,410
<hr/>			
Net additions to shareholders' funds	<b>24,450,462</b>	1,622,999	5,247,241
Opening shareholders' funds	<b>23,478,019</b>	18,230,778	18,230,778
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Closing shareholders' funds	<b>47,928,481</b>	19,853,777	23,478,019
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## Hardy Oil and Gas plc

### Notes forming part of the financial statements for the six months ended 30 June 2005

#### 1. Preparation of interim financial information

The interim financial statements have been prepared on a basis consistent with the accounting policies adopted for the year ended 31 December 2004.

The consolidated results for the year ended 31 December 2004 have been extracted from the financial statements of Hardy Oil and Gas Limited for that year and do not constitute full statutory accounts within the meaning of the Isle of Man Companies Act.

#### 2. Profit Oil Payment

The turnover figures are shown as net of profit oil paid to the government. The profit oil paid to the Government of India was 10% up to 31 March 2005 and 25% thereafter of total revenue after full cost recovery.

#### 3. Taxation

The tax charge for the six months ended 30 June 2005 has been based on the estimated tax liability for the period ending 30<sup>th</sup> June 2005.

#### 4. Earnings per share

The basic earnings per ordinary share is calculated on a profit of US\$3,502,577 (H1 2004 US\$1,580,999) on a weighted average of 15,112,429 (H1 2004 349,621) ordinary shares. In May 2005, there was a bonus issue to the existing shareholders in the proportion of 99 new ordinary shares for every share held.

The diluted earnings per ordinary share is calculated on a profit of US\$3,502,577 (H1 2004 US\$1,580,999) on a weighted average of 17,487,295 (H1 2004 403,621) ordinary shares. In May 2005, there was a bonus issue to the existing shareholders in the proportion of 99 new ordinary shares for every share held.

#### 5. Re-drill Insurance Claim

Re-drill claim of US\$1,260,000 from insurance and US\$344,458 towards settlement of disputed claims at a lower amount than accrued were credited to the drilling expenses of well PD-3S development expenditure.

#### 6. Reconciliation of net cash flow to movement in net funds

	6 months to 30 June 2005 (Unaudited) US\$	6 months to 30 June 2004 (Unaudited) US\$	Year to 31 Dec 2004 (Audited) US\$
Increase / (decrease) in cash	25,802,048	(1,392,014)	3,612,001
Cash outflow from debt financing	861,278	891,484	1,441,484
Changes in net funds from Non-Cashflows	(56,250)	(56,250)	(56,250)
Net funds at the beginning of the period	7,277,161	2,279,926	2,279,926
Net funds at the end of the period	33,884,237	1,723,146	7,277,161

## 7. Analysis of changes in net funds

	At 1 January 2005 (Audited) US\$	Non Cashflow (Unaudited) US\$	Cashflow (Unaudited) US\$	At 30 June 2005 (Unaudited) US\$
Cash at bank and in hand	9,082,162	-	25,802,048	34,884,210
Debt financing	(1,805,001)	(56,250)	861,278	(999,973)
Net funds at the end of the period	7,277,161	(56,250)	26,663,326	33,884,237

## 8. Interim financial statements

The interim statement was approved by the Board on 9<sup>th</sup> September 2005. Further copies of the interim statements are available from the registered office of Hardy Oil and Gas plc at 15-19 Athol Street, Douglas, Isle of Man IM1 1LB.