



Hardy Oil and Gas plc



# 2008 Interim Results

## Presentation Team

- Sastry Karra Chief Executive
- Yogeshwar Sharma Chief Operating Officer
- Dinesh Dattani Finance Director



## Operational Highlights

- Two gas discoveries on D3 (Dhirubhai 39 and 41) in the Krishna Godavari basin
- Acquired 1,166 km<sup>2</sup> of 3D seismic data on GS-01 block and commenced the drilling of two exploration wells (GS01-S1 P&A; GS01-M1 drilling)
- Appraisal programme approved for the GS01-B1 (Dhuribhai 33) discovery
- Net average daily production was 505 stbd (H1 2007: 890 stbd)
- Secured offshore drilling rig for re-entry of PY3-PD4 well
- Added an onshore petroleum exploration licence in Assam



## Financial Highlights

- Revenue increased to \$9.9 million (H1 2007: \$7.0 million)
- Sales oil of 126,343 stb (H1 2007: 143,982 stb)
- Average price of \$100.97 per stb (H1 2007: \$62.80 per stb)
- Gain of \$9.0 million from the sale of 5.06 million HOEC shares
- Net profit increased to \$6.2 million (H1 2007: \$1.9 million)
- Capex amounted to \$15.1 million principally on the drilling of wells on the D3 and GS-01 blocks and the acquisition of 3D seismic data
- Cash increased to \$40.3 million (2007: \$31.2 million)



# Consolidated Income Statement

Six months ended 30 June 2008

US\$ million	H1 2008	H1 2007
Average oil sales (stbd)	694	795
Average price realised(\$/stb)	100.97	62.80
Revenue	9.9	7.0
Operating profit	0.1	2.6
Gain on HOEC shares	9.0	-
Net profit	6.2	1.9
EPS (fully diluted)	0.09	0.03



## Consolidated Balance Sheet

US\$ million	30 June 2008	31 Dec 2007
<b>Assets</b>		
Non-current assets	<b>129.9</b>	<b>121.4</b>
Current assets	<b>44.8</b>	<b>48.4</b>
<b>Liabilities</b>		
Current liabilities	<b>13.3</b>	<b>9.9</b>
Non-current liabilities	<b>16.3</b>	<b>15.9</b>
Net assets	<b>145.0</b>	<b>144.0</b>



## Consolidated Cash Flow Statement

US\$ million	H1 2008	H1 2007
Operating activities	5.0	0.7
Investing activities		
Capex	(15.1)	(28.6)
HOEC (net)	18.3	-
Financing activities	0.9	40.3
Net change in cash	9.1	12.4
Cash at beginning of period	31.2	24.5
Cash at end of period	40.3	36.9



## Focused High Potential Portfolio

Asset	PI	Operator	H1 2008 Operations	H2 2008 FY 2009 Programme
PY-3	18%	Hardy	Production	Drill 3 infill wells
CY-OS/2	75%	Hardy	G&G studies	G&G studies Drill 1 well
GS-O1 (NELP II)	10%	Reliance	Acquire 3D (1,166km <sup>2</sup> ) Drilled 1 well	Drill 2 wells
D9 (NELP III)	10%	Reliance	Arrival of Deepwater rig	Drill 4 wells
D3 (NELP V)	10%	Reliance	2 gas discoveries	Acquire 3D (1,100km <sup>2</sup> ) Drill 3 wells
Assam (NELP II)	10%	Reliance	Granted PEL	Acquire 2D (350 lkm)
Oza	20%	Millenium	Completed farmout	Install pipeline
Atala	20%	Bayelsa	-	Re-entry well





# INDIA - Operations



## Producing Asset – PY3

### Highlights

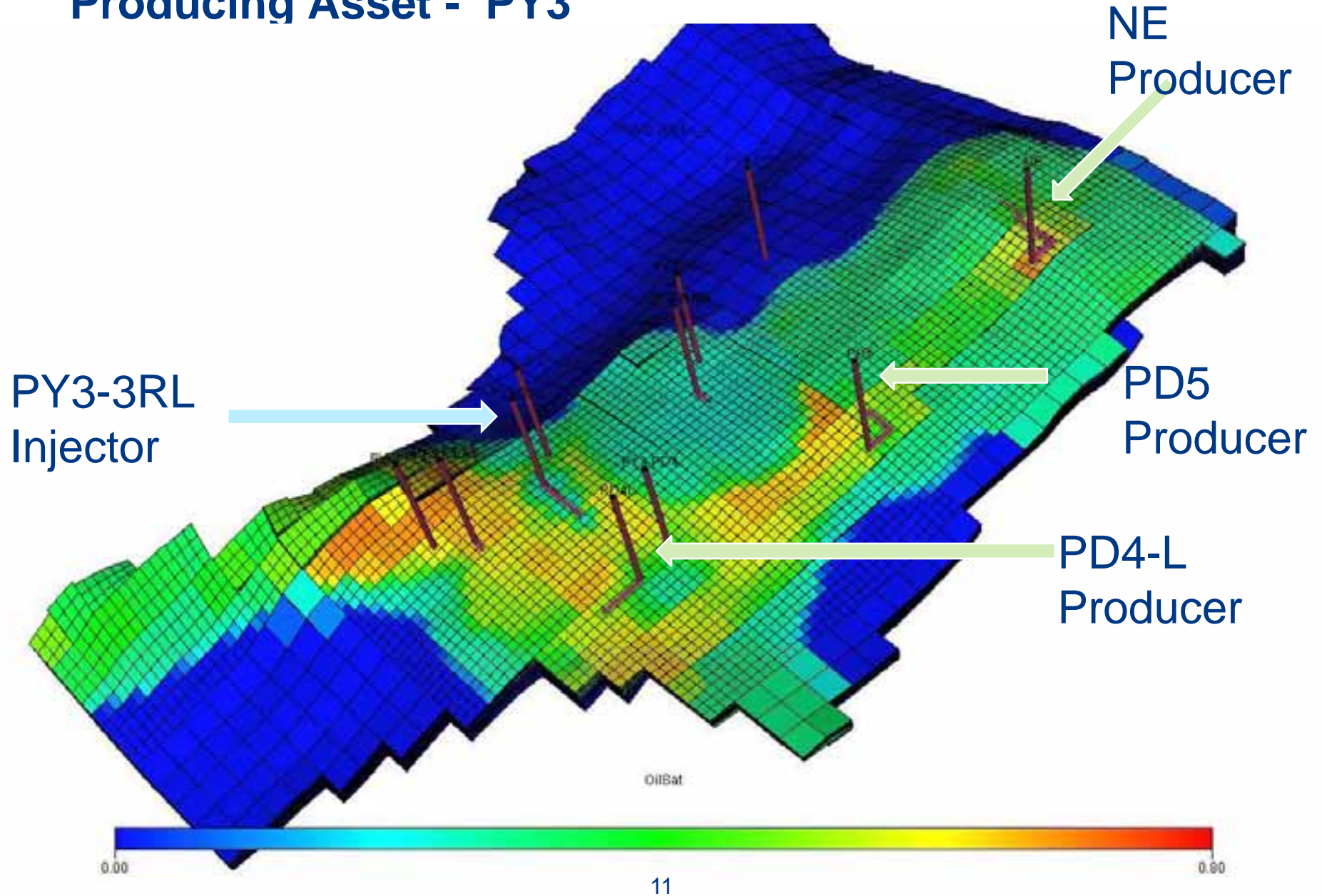
- H108 production was 2,808 stbd (H107: 4,948)
- July 2008 production was 2,780 stbd
- Converted PY3-3RL to a water injector significantly increasing injection capacity to ~ 12,000 bwpd

### Approved Phase III Development Plan

- PY-3-3RL converted into water injector
- Re-enter well PD-4, and drill a lateral to access un-drained oil
- Drill two new producers (PD-5, NE)
- Phase III will significantly increase current production rates and enhance ultimate oil recovery of the field



# Producing Asset - PY3



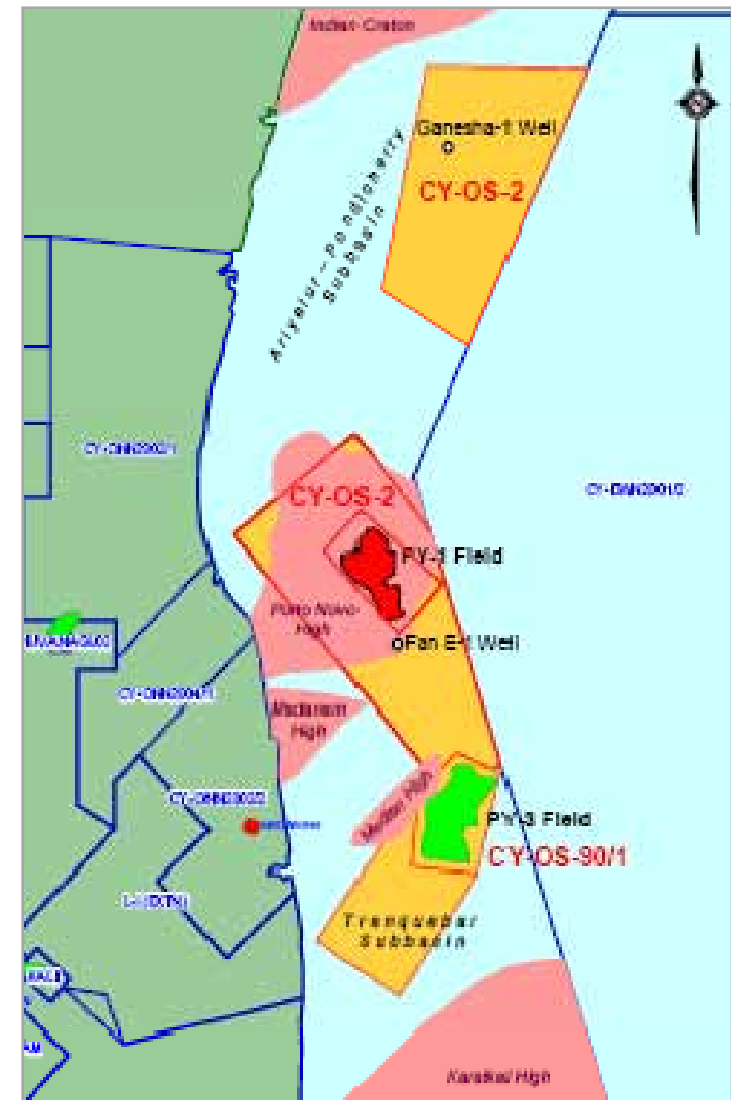
## Block CY-OS/2

### Highlights:

- Extensive G&G studies were undertaken to evaluate the Fan-A discovery
- OC has recommended modification of appraisal programme to 1 firm well (subject to MC approval)
- Drilling is expected to commence in Q109
- Farmout discussions are ongoing

### Background:

- Located in the Cauvery basin, the block covers an area of 859 km<sup>2</sup>
- CY-OS/2 ring-fences PY-3 & PY-1 fields
- Hardy is operator holding a 75 % participating interest (GAIL – 25 %)



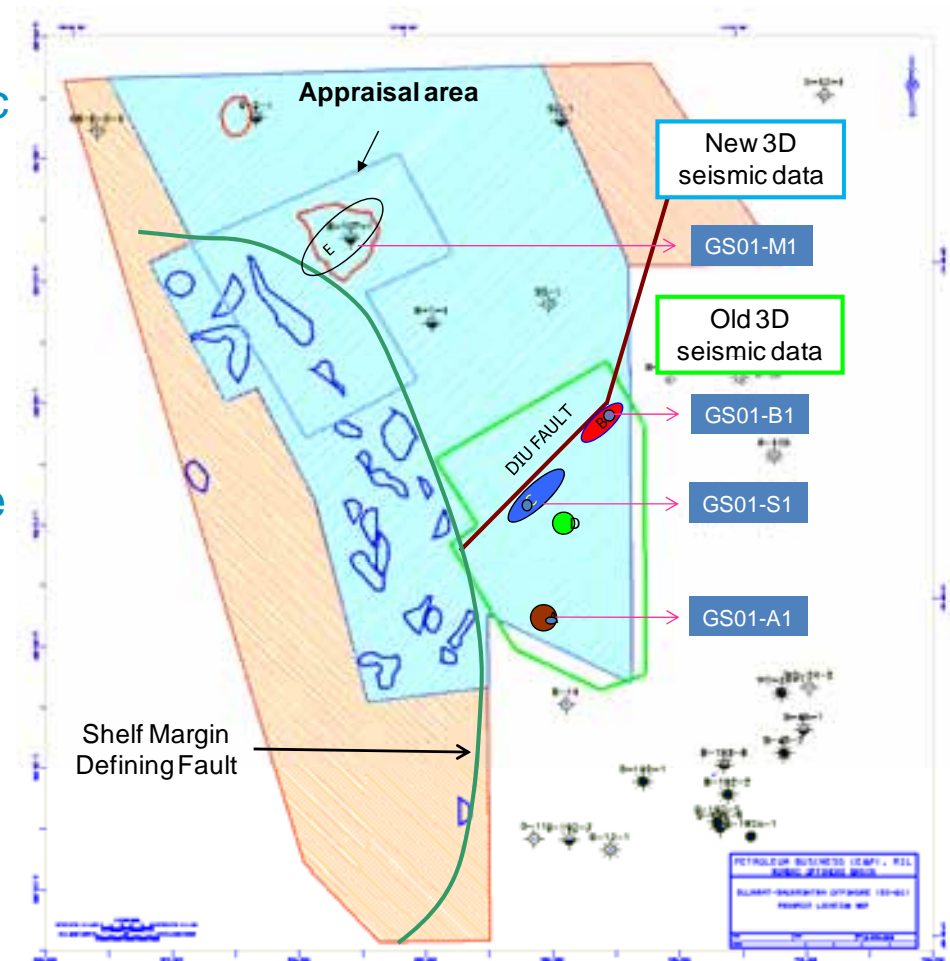
## Block GS-01 (NELP II)

### Highlights:

- Acquired 1,166 km<sup>2</sup> of 3D seismic
- Two wells commenced drilling (GS01-S1 P&A, GS01-M1 currently drilling)
- Third well (B2) planned for Q408
- Adopted an appraisal programme for Dhirubhai 33 discovery, through 2010 covering 5,890 km<sup>2</sup>

### Background:

- Located in Gujarat-Saurashtra basin the block covers 8,841 km<sup>2</sup>
- Reliance (90%) and Hardy (10%)



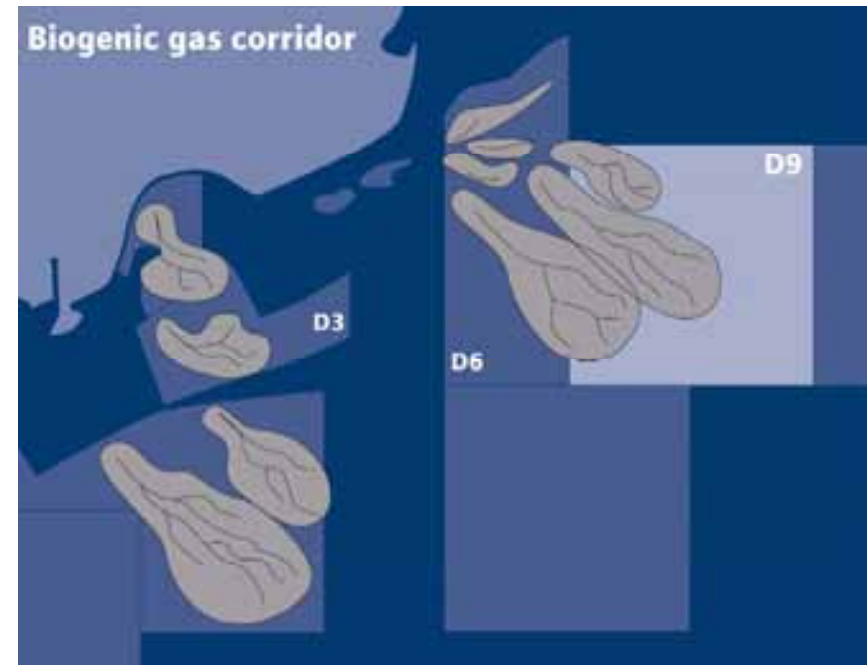
## Block D9 (NELP III)

### Highlights:

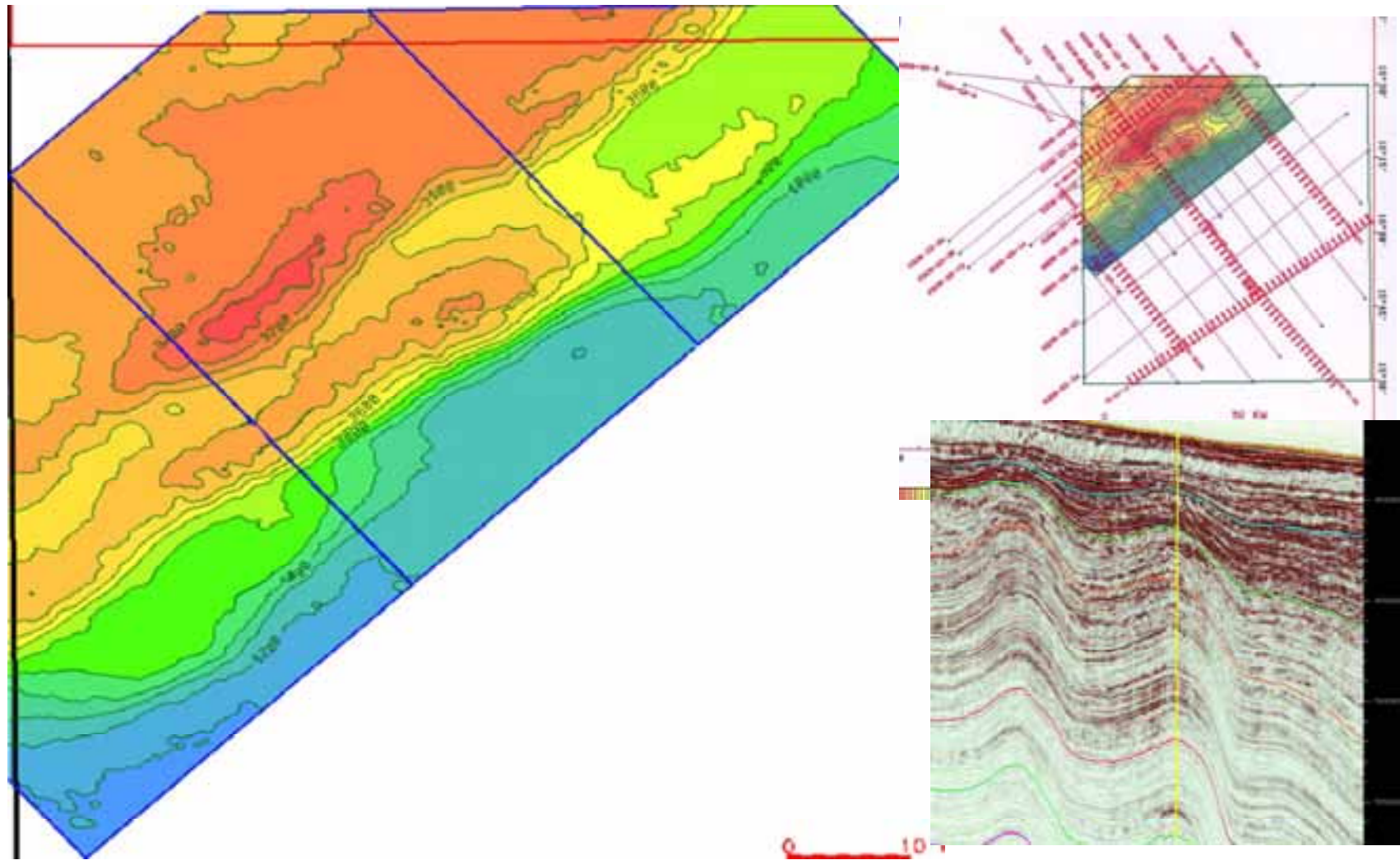
- Arrival of “Deepwater Expedition” in east coast of India
- Drilling programme expected to start in the Q408
- Drilling locations targeting stacked sands in the Miocene, Oligocene, and Pliocene

### Background:

- 3,440 km<sup>2</sup> of 3D seismic acquired and processed
- Important oil and gas discoveries in adjacent D6 block
- The 11,605 km<sup>2</sup> block is located in the KG basin Hardy holds a 10% interest with Reliance holding 90%



# Block D9 – Seismic Depth Structure Map



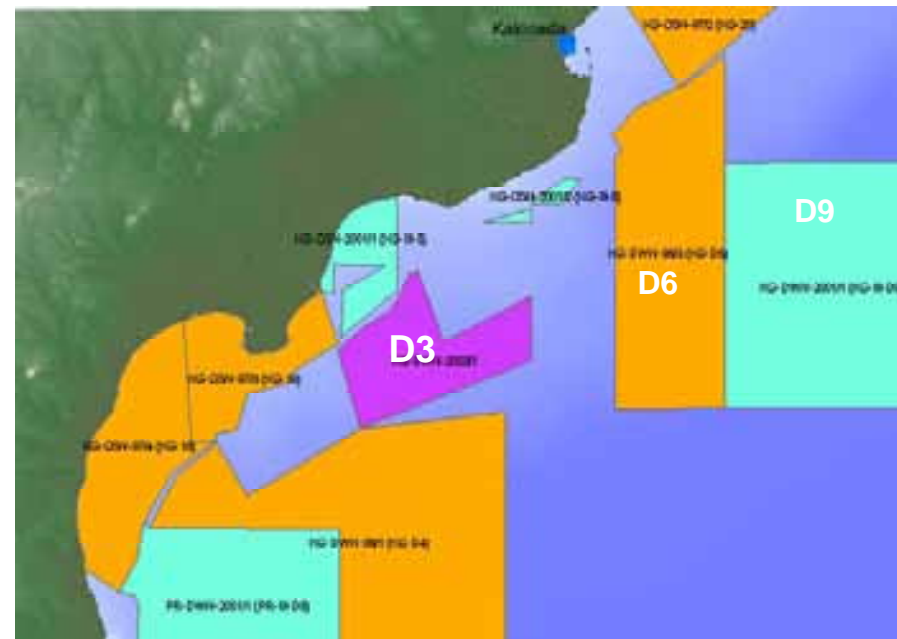
## Block D3 (NELP V)

### Highlights:

- Completed acquisition of 2,800 km<sup>2</sup> of 3D seismic, processing currently ongoing, an additional 1,000 km<sup>2</sup> to be acquired in Q408
- Two encouraging gas discoveries (Dhirubhai 39 & 41)
- Further drilling expected in H209

### Background:

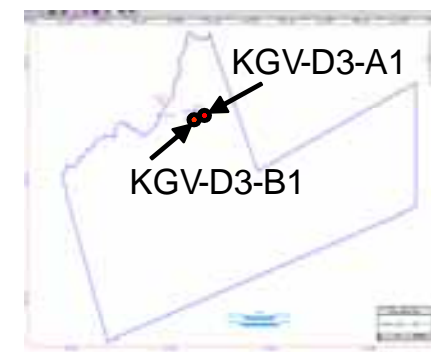
- Hardy (10%) and Reliance (90%)
- Several prospects high graded from existing 3D seismic
- The 3,288 km<sup>2</sup> block is located in the KG basin
- Committed to seismic acquisition and drilling of 6 wells in phase I





## KG-DWN-2003/1 block (D3-NELP-V)

*In 2008 two exploratory wells have been drilled resulting in first Gas Discovery in Krishna Deep Water*



### **KGV-D3-A1:**

Gas discovery in deep water fan lobe within rollover setup (1,513 m – 1,597 m)

MDT:- Points 14, Good 12, Tight 2  
Gross Thickness : 84 m  
Flow : 38.1 MMscfd

### **KGV-D3-B1:**

Pleistocene -Deep water fan complex (1,865 m – 1,878 m)

MDT:- Points 20, Good 10, Tight 8, NS/LS 2

Gross Thickness : 13 m

Miocene - Unconformity bounded channel sands (2,223 m – 2,306 m)

MDT:- Points 37, Good 22, Tight 15  
Gross Thickness : 83 m

No DST due to poor cementation in the zone of interest



## ASSAM block (NELP II)

### Highlights

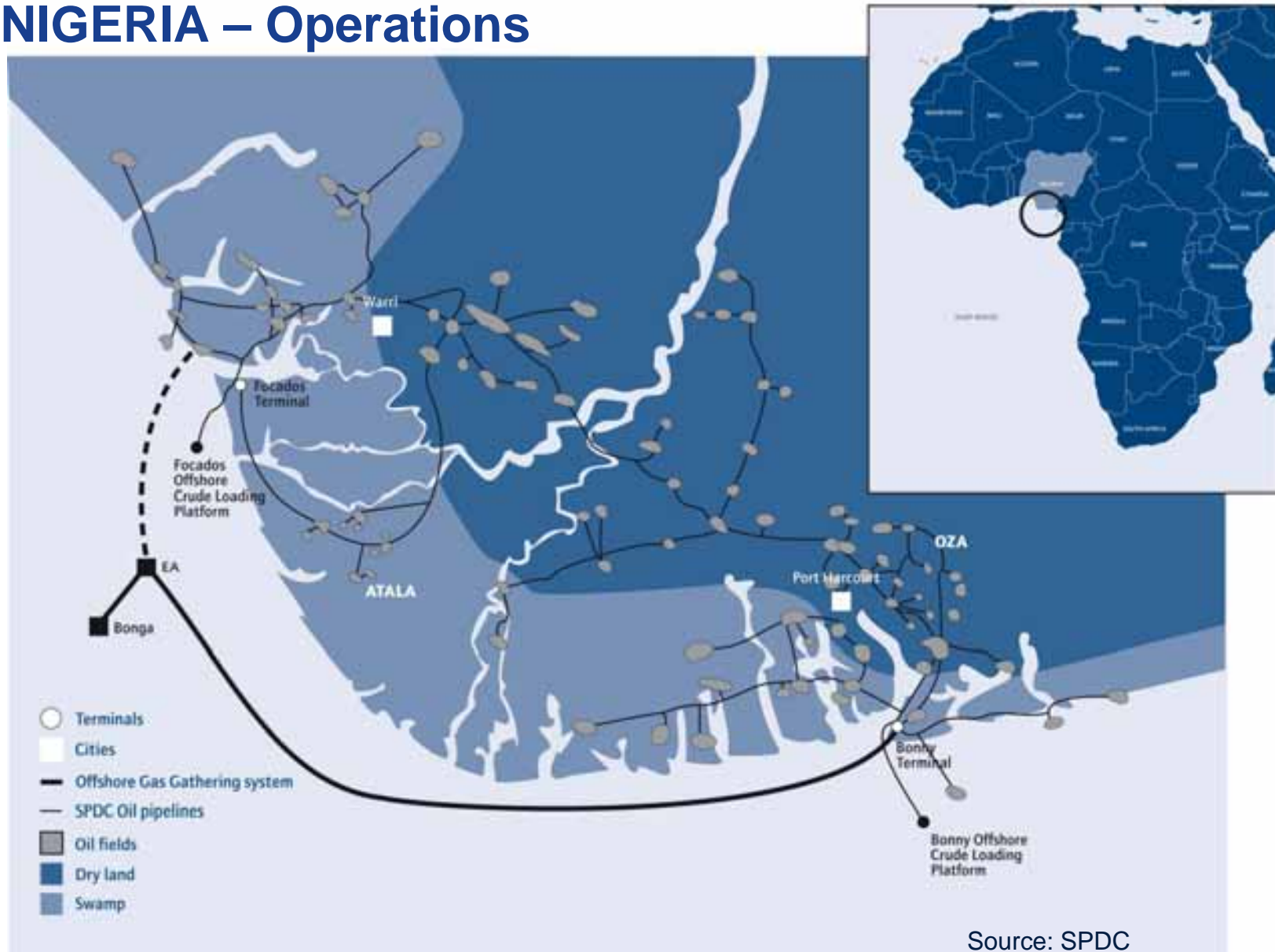
- JOA signed on 31 March 2008
- Acquisition of 350 lkm of new 2D data expected to commence in Q408

### Background

- Location: Assam Basin
- Area: 5,754 km<sup>2</sup>
- Phase I (3 years)
- Hardy Interest 10%
- Operated by Reliance
- Proven oil province



# NIGERIA – Operations



Source: SPDC



# Nigeria – OZA Block (OML 11)

## Highlights

- April 2008 – Farmout of a 20% interest to Emerald for funding initial development programme
- Pipeline installation expected to commence in Q408
- Production expected in Q209

## Background

- Located onshore in NW part of OML-11, Abia State, Nigeria, Area 23 km<sup>2</sup>
- Field produced 1MMstb (API 37°), part of SPDC's OML 11 block, 3 suspended wells
- Hardy now holds a 20% interest



## Nigeria – ATALA Block (OML46)

### Highlights

- Advanced negotiations in securing swamp-barge drilling rig
- In-house G&G work ongoing to finalise re-entry programme
- Initiated community discussions

### Background

- Located on the Dodo River; NW Bayelsa State covering 34 km<sup>2</sup>
- Operated by Bayelsa Oil & Gas Company Limited, Hardy is technical partner holding 20% interest



## Exploration & Development Timetable

	2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Seismic</b>								
D3				1,000 km <sup>2</sup>				
GS-01	1,165 km <sup>2</sup>							
Assam				350 lkm				
<b>Drilling</b>								
PY-3				PD-4		2 wells		
CY-OS/2					1 well			
D9				A1 well			3 wells	
GS-01		S1	M1	B2				
D3	2 wells					3 wells		
Oza				Workover				
Atala					Re-entry			
<b>Production</b>	PY-3				PY-3 & Oza			



## Summary & Outlook

- Significant progress to-date in commencing the de-risking of Hardy's exploration portfolio
- Strong start to the 2008 exploration drilling programme with two encouraging discoveries on D3 block
- Focus on implementing the appraisal programme for CY-OS/2 and PY-3's Phase III development programme
- Commence appraisal of Dhuribhai 33 discovery on GS-01
- Active drilling programme planned with up to 14 wells planned for the remainder of 2008 and 2009 on all of the Company's offshore exploration blocks

**“The Company is in excellent shape and we are enthusiastic about the year ahead.”**





## APPENDIX – HARDY OIL AND GAS DETAIL





## Introduction

Hardy is an upstream oil and gas company with interests principally in India and to a lesser extent in Nigeria

- Founded by Messrs Karra and Sharma in 1997
- Qualified independent offshore operator
- Significant exploration potential with one onshore and four offshore exploration blocks in India, two of which are in the prolific KG basin
- Current market capitalisation of ~ £300 million
- Active drilling programme to de-risk exploration plays and transform shareholder value in 2008 and 2009
- Moved to the Main Market of the LSE on 20 February 2008 - symbol HDY



## Corporate Highlights

- Revived the PY-3 field quadrupling recoverable reserves under new management since 1999
- Built high quality exploration and development portfolio
 

India	5 exploration licences and 1 producing block
Nigeria	2 development concessions
- Placing and IPO on AIM in June 2005; Moved to the Main Market of the LSE in February 2008
- Early exploration and development success
 

January	2007	CY-OS/2 Fan-A discovery (Ganesha)
March	2007	GS-01-B1 gas discovery (Dhirubhai 33)
November	2007	Oza successful well test
February	2008	KGV-D3-A1 gas discovery (Dhirubhai 39)
March	2008	KGV-D3-B1 gas discovery (Dhirubhai 41)



## Experienced Board



**Paul Mortimer**  
Non-Executive Chairman

Diverse board level experience. Senior Executive with Exxon, Newmont Mining, Peabody. Extensive experience as a consultant on mining, energy and venture capital projects to Placer Dome, Atlas Corp., Morgan Stanley & Hoegh Invest A/S.



**Sastry Karra**  
Chief Executive

Co-founded Hardy with 40+ years in the oil industry with senior management roles at Occidental and Petronas as well as earlier experience with Gulf Canada, Husky and Ashland and as a university lecturer.



**Yogeshwar Sharma**  
Chief Operating Officer

Co-founded Hardy with 30+ years international oil industry experience. Held senior technical positions at Schlumberger and Elf International helping found the 'Elf Geoscience Research' centre in London. He was an external examiner at Heriot Watt University for 3 years.



**Dinesh Dattani**  
Finance Director

30 years of industry and corporate experience principally with upstream oil and gas companies. Has served in senior finance capacities with publicly listed companies including Canoro Resources Ltd., Bow Valley Energy Ltd., Sherritt International Corporation, and Home Oil Company Ltd.



**Dr. Carol Bell**  
Senior Non-Executive Director

20+ years experience in the oil and gas sector. Formerly Managing Director of Chase Manhattan's Investment Bank with responsibility for oil and gas and Global Head of J.P. Morgan's Energy team in Equity Research. She was awarded a PhD in the archaeology of ancient trade in May 2005.



**Pradip Shah**  
Non-Executive Director

Founder and Chairman of IndAsia Fund Advisors Private Limited. Established Indocean Fund with affiliates of Soros Fund Management and Chemical Venture Partners. Founded and managed CRISIL, India's first and largest credit rating agency. Consulted for USAID, World Bank and the Asian Development Bank.



## Capital Structure

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<b>Trading symbol</b>	HDY
<b>Shares outstanding</b>	62.3 million
<b>Options outstanding</b>	4.8 million
<b>Fully diluted</b>	67.1 million
<b>Average daily volume</b>	0.1 million
<b>Current market capitalisation</b>	~ £300 million
<b>Directors and senior managers</b>	23%

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# Equity Financing



Placing		Jun 2005	Feb 2006	Jun 2007	22 Aug 08
<b>Price/share</b>	£	1.44	2.82	4.23	4.63
<b>Shares issued</b>	million	10.4	5.2	5.0	-
<b>Funds raised</b>	£ million	15.0	14.7	21.0	-



## India fiscal terms

Profit Sharing Contracts										As of 30 June 2008		
Asset	P.I.	Contractor Profit Oil						Tax Holiday	Cost Recovery	Royalty		Phase
		Investment Multiple (R factor)								Oil	Gas	
		< 1.5	1.5 - 2	2 - 2.5	2.5 - 3	3 - 3.5	> 3.5					
<b>PY-3</b>	18%	90	75	60	50	40	30	0	100%	n/a	n/a	Prod
<b>CY-OS/2</b>	75%	100	90	80	70	60	50	7	100%	n/a	n/a	III
<b>GS-01</b>	10%	84	60	30	21	21	21	7	100%	10%	10%	I
<b>D9</b>	10%	90	84	75	66	15	15	7	100%	5%	5%	I
<b>D3</b>	10%	84	72	60	24	24	15	7	100%	5%	5%	I
<b>Assam</b>	10%	96	75	39	30	21	21	7	100%	12.5%	10%	I

- PY-3 - Profit Oil to Contractor 40% in 2007/08
- PY-3, CY-OS/2: Royalty & Cess paid by Licensee (ONGC)
- NELP Blocks: No Cess
- CY-OS/2 – In event of declaration of commerciality ONGC entitled to assume 30% interest

