

# Final Results

**Building positive momentum**

March 2013



Hardy Oil and Gas plc



# Presentation team



Hardy Oil and Gas plc



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**Alasdair Locke**  
Non-Executive Chairman

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**Ian MacKenzie**  
Chief Executive Officer

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# Summary

Positive momentum going into an important year



Hardy Oil and Gas plc

## Operational summary

- D3 - Submitted a revised Declaration of Commerciality proposal for the Dhirubhai 39 and 41 natural gas discoveries
- D3 - Completed PSDM processing of 3D data covering the eastern area of 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)
- GS-01 – Submitted field development plan for the Dhirubhai 33 natural gas discovery
- PY-3 - Remained shut-in pending partner consensus on the field's facility requirement and the subsequent approval of a redevelopment plan
- D9 - Relinquished the block due to poor hydrocarbon potential of the block

## 2013 Outlook

- D3 - Drill the fifth exploration well in the first half of 2013, GOI review of declaration of commerciality proposal
- GS-01 – Secure approval of field development plan in latter part of 2013
- PY-3 - Submit a redevelopment plan for approval and secure timely approvals
- CY-OS/2 – Re-engage with the regulator and initiate planning for the appraisal of the Ganesha-1 natural gas discovery

# 2012 results summary

## Strategic review



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- Refreshed the board of directors with NED and CEO appointment
- Determined that existing India focused assets portfolio contains real shareholder value
- Identified tangible short term plans for each asset
- Realised immediate organisational efficiencies

# Consolidated Statement of Income

For the year ended 31 December 2012



Hardy Oil and Gas plc

US\$ million	2012	2011
Revenue	-	11.3
Cost of sales	(5.6)	(9.1)
Gross (loss) profit	(5.6)	2.2
Administrative costs	(7.5)	(6.9)
Operating loss	(13.1)	(4.7)
Interest and investment income	0.8	0.4
Finance cost	(0.4)	(0.4)
Loss before taxation	(12.7)	(4.6)
Taxation	1.6	2.7
<b>Total comprehensive loss</b>	<b>(11.1)</b>	<b>(1.9)</b>

# Statement of Financial position

As at 31 December 2012



Hardy Oil and Gas plc

US\$ million	2012	2011
<b>Assets</b>		
Non-Current	95.1	97.3
Current	32.5	39.7
<b>Total</b>	<b>127.6</b>	<b>137.0</b>
<b>Equity and Liabilities</b>		
Equity attributable owners	116.4	126.1
Non current liabilities	5.1	4.8
Current liabilities	6.1	6.1
<b>Total equity and liabilities</b>	<b>127.6</b>	<b>137.0</b>

CY-OS/2 arbitration award (February 2013) - Contingent assets of \$24.8 million

# Consolidated Statement of Cash Flow

For the year ended 31 December 2012



Hardy Oil and Gas plc

US\$ million	2012	2011
Cash flow used in operating activities	(7.1)	(3.4)
Taxation refund/(paid)	0.6	(0.1)
<b>Cash flow used in operating activities</b>	<b>(6.5)</b>	<b>(3.5)</b>
Investment in continuing operations	(1.7)	1.1
<b>Cash flow from Investing activities</b>	<b>(1.7)</b>	<b>1.1</b>
Issue of shares	0.0	2.0
Other	0.9	0.4
<b>Cash flow from financing activities</b>	<b>0.9</b>	<b>2.4</b>
<b>Change in cash and short-term investments</b>	<b>(7.4)</b>	<b>-</b>
<b>Cash and short-term investments</b>	<b>29.1</b>	<b>36.5</b>

# Hardy's assets portfolio

## India focused, momentum building



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Asset	Partners	%	2013 programme
D3 (NELP V)	Hardy Reliance* BP	10 60 30	5 <sup>th</sup> and 6 <sup>th</sup> wells to be drilled
GS-01 (NELP II)	Hardy Reliance	10 90	Seeking to increase interest
PY-3 (Pre NELP)	Hardy* Tata HOEC ONGC	18 21 21 40	Field development plan to be submitted
CY-OS/2 (Pre NELP)	Hardy* GAIL	75 25	Arbitration ruling in JV's favour, appraisal planning to commence

\* Operator of the block



# Krishna Godavari Basin – D3

## Organic growth potential

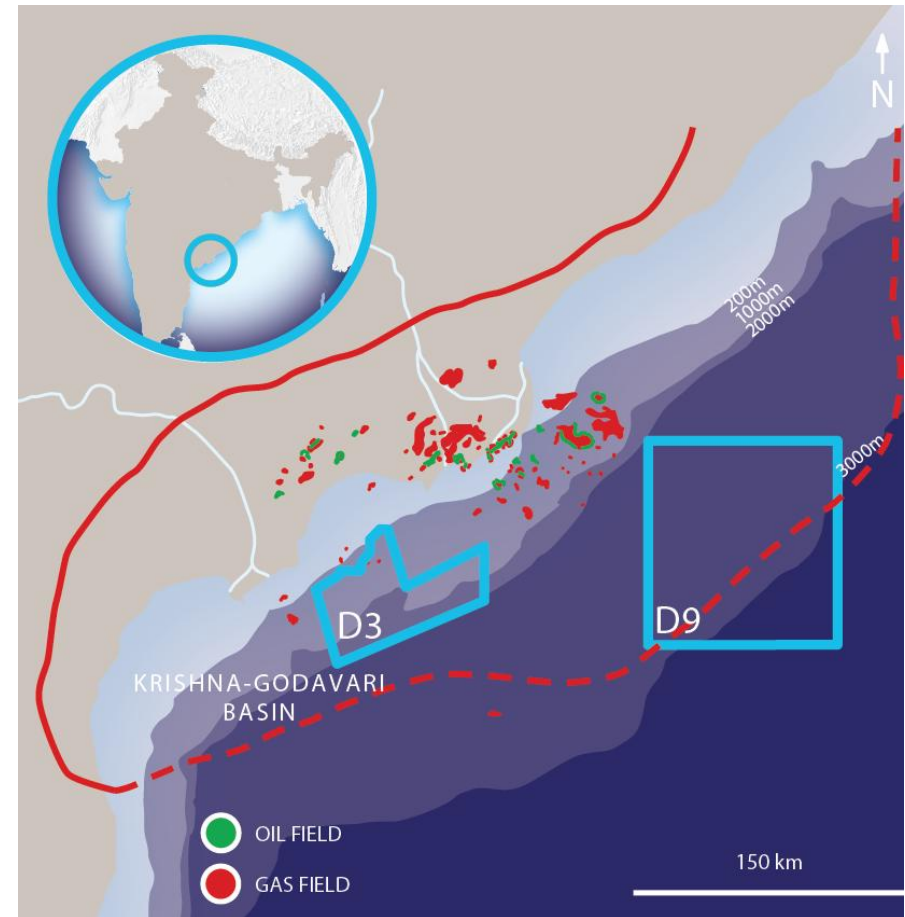


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### Targeting New Resources

- Now in the de-risking and high potential value addition phase of the exploration programme
- BP's acquisition valued the D3 block at ~\$5 billion (net \$500 million)
- KG Basin is close to existing offshore infrastructure and onshore facilities
- Drilling to recommence Q2 2013

Net Risked Prospective Resources		2011	
D3	Prospects and leads	bcf	396

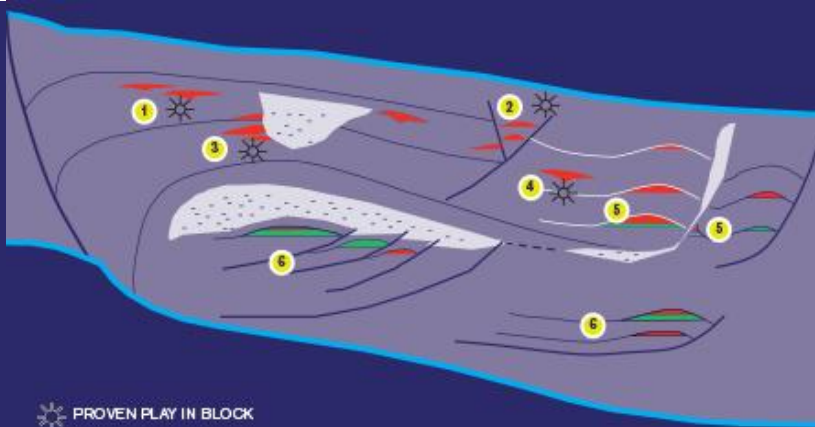


# D3 - Unique exploration block

## Six play types present



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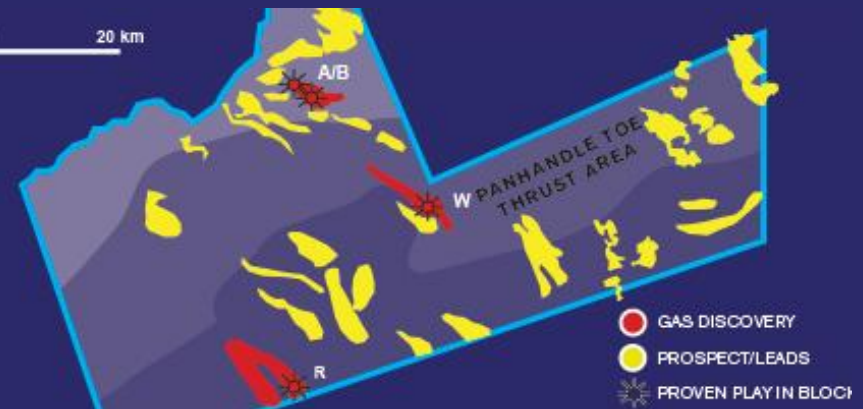
PROVEN PLAY IN BLOCK

- 1 PLEIST. BIOGENIC STRATIGRAPHIC
- 2 PLEIST. BIOGENIC STRUCTURAL
- 3 PLOCENE BIOGENIC UNCONFORMITY
- 4 MIOCENE BIOGENIC STRAT/STR.
- 5 MIOCENE MIXED TOE THRUST
- 6 LWR. TERTIARY MIXED SUB SHALE

- Four consecutive natural gas discoveries
- DOC for A1, B1 resubmitted in 2012
- Net Contingent Resources 68 bcf
- Block area 3,288 km<sup>2</sup>
- HDY 10%, BP 30%
- Reliance operated

- Ongoing geotechnical evaluation integrated with special processing of 3D data
- Several proven shallow biogenic play types
- High-grading of prospects for the 2013 drilling campaign are ongoing with a focus on deeper plays

0 20 km



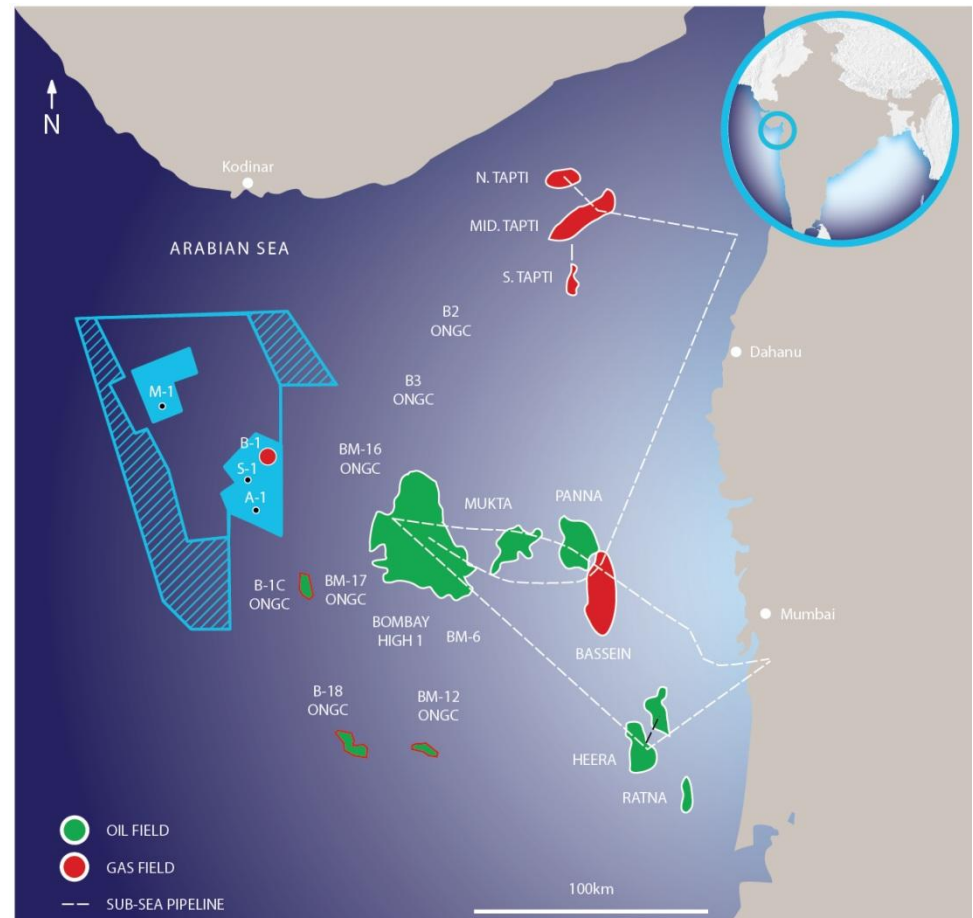


### Outlook

- DOC accepted by GOI in late 2011
- Submit a field development plan in 2012
- Development concept – unmanned platform, three wells w. dry trees, ~100 km multiphase pipeline, onshore processing
- Discussion with RIL to increase interest

### Background

- Discovery (Dhirubhai 33) May 2007, Net contingent resources 8.3 bcf (2C), Net risked prospective resources 14 bcf
- Located in Gujarat-Saurashtra basin retained area 600 km<sup>2</sup>



# PY-3

## Stakeholder consultation



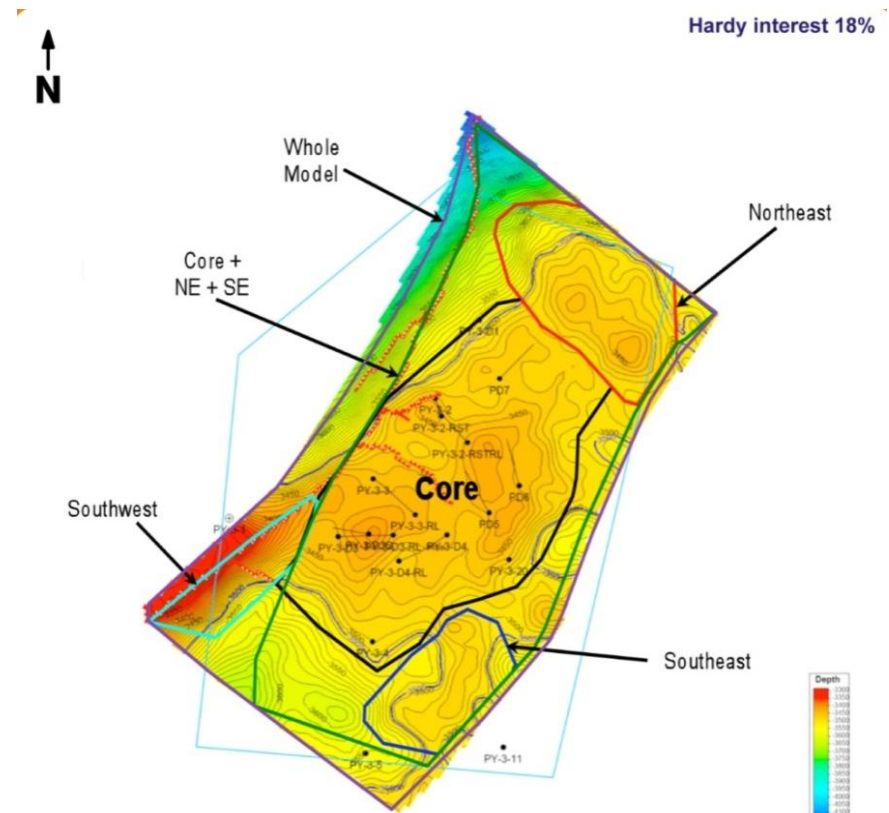
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### Summary

- Secured partner consensus on the field's facility technical specifications
- Continuing work towards the submission of a full field development plan
- It is estimated that the field is capable of gross daily production of 8,000 bbl/d with the drilling of two additional wells

### Background

- The field has been shut-in from July 2011
- Average rate prior to shut-in was ~3,350 bbl/d
- Hardy operates PY-3, which is located 80 km south of Pondicherry

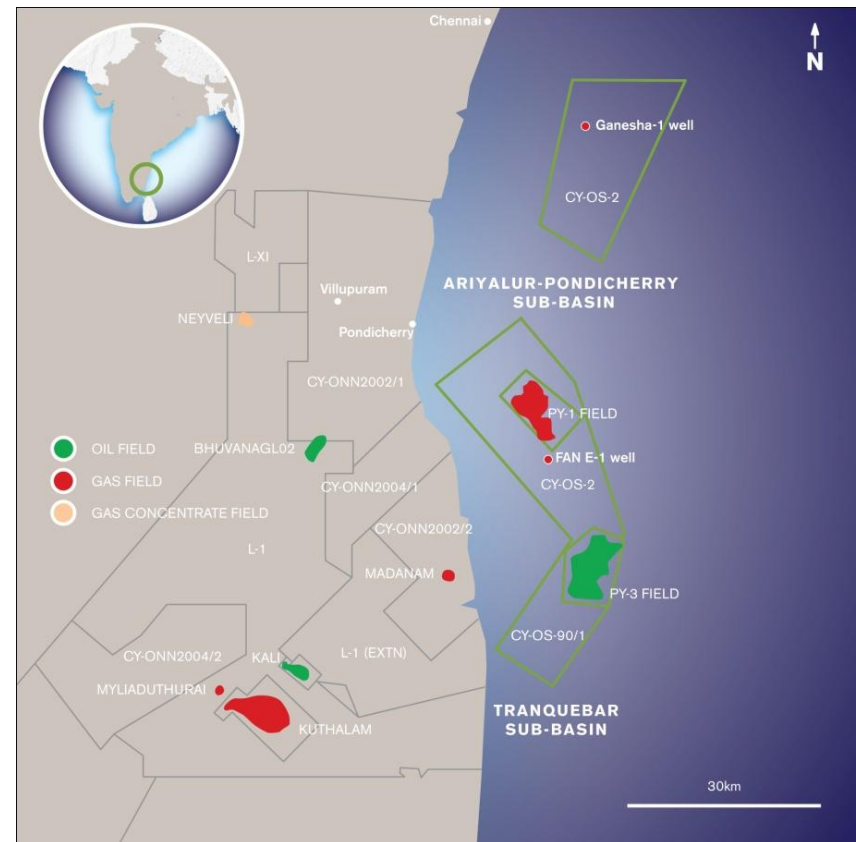




### Outlook

- Arbitration award restored block to the joint venture and allows a further three years to complete the appraisal of the Ganesha-1 natural gas discovery.
- Awarded interest cost and costs associated with the arbitration process of \$24.8 million
- Provided as contingent assets in the financial statements
- Background
- Ganesh-1 Natural gas discovery announced in 2007, net Contingent Resources 97 bcf (2C), net risked Prospective Resources 84 bcf
- Hardy operated with 75% interest

### Map





# India natural gas demand

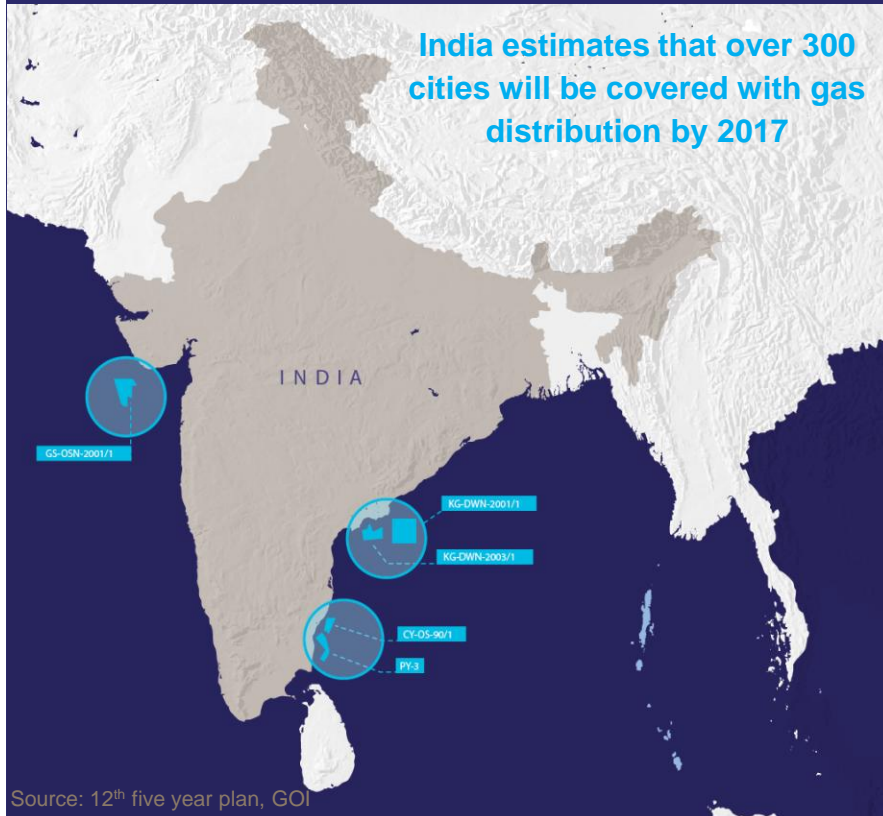
## Market for monetisation



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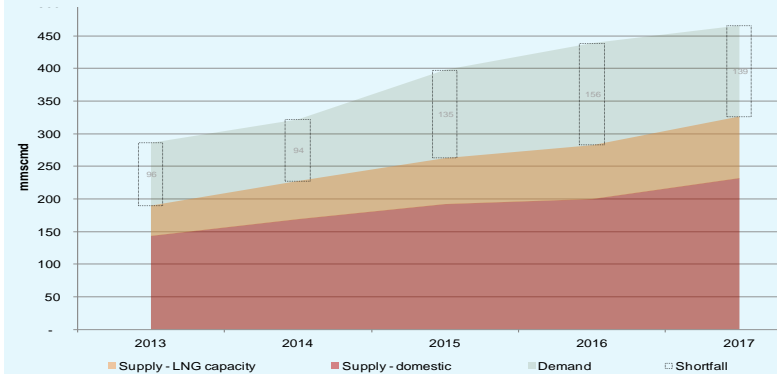
### Creating a national grid to unlock demand

India estimates that over 300 cities will be covered with gas distribution by 2017



Source: 12<sup>th</sup> five year plan, GOI

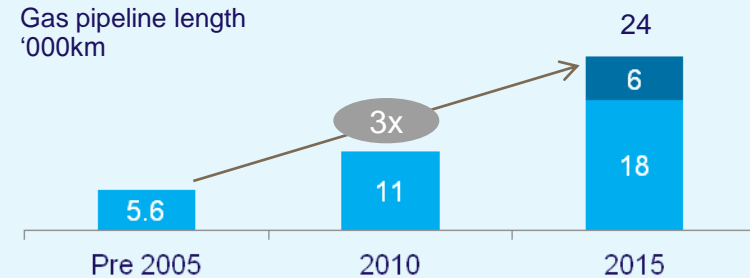
### Natural gas demand to outstrip domestic supply



Source: 12<sup>th</sup> five year plan, GOI

### Significant enhancement of India's natural gas pipeline infrastructure

Gas pipeline length '000km



Source: McKinsey & Company – Gas 2015 Unlocking Opportunities

# India Investment Environment

## Leadership comments



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“Gas from these projects will deliver energy to millions of Indians and would significantly help India in reducing import dependence. My ministry is committed to provide necessary support to promote such investment in the domestic Oil & Gas sector. We will do the needful to fast track these projects and help them attain economic viability”

**Dr Veerappa Moily, Minister of Petroleum and Natural Gas, Government of India**

Source – BP announcement, 19 February 2013

“Revival of investment in the industrial sector, is a key challenge. The Cabinet Committee on Investment (CCI) has been set up to monitor investment proposals as well as projects under implementation, including stalled projects, and guide decision-making in order to remove bottlenecks and quicken the pace of implementation.

“The natural gas pricing policy will be reviewed and uncertainties regarding pricing will be removed. NELP blocks that were awarded but are stalled will be cleared.”

**P Chidambaram, Finance Minister, Government of India**

Source - Budget Speech 2013, 28 February 2013

# Outlook 2013

## An important year for Hardy



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- D3 - Drill the fifth exploration well in the first half of 2013, GOI review of declaration of commerciality proposal
- GS-01 – Secure approval of field development plan in latter part of 2013
- PY-3 - Submit a redevelopment plan for approval and secure timely approvals
- CY-OS/2 – Re-engage with the regulator and initiate planning for the appraisal of the Ganesha-1 natural gas discovery

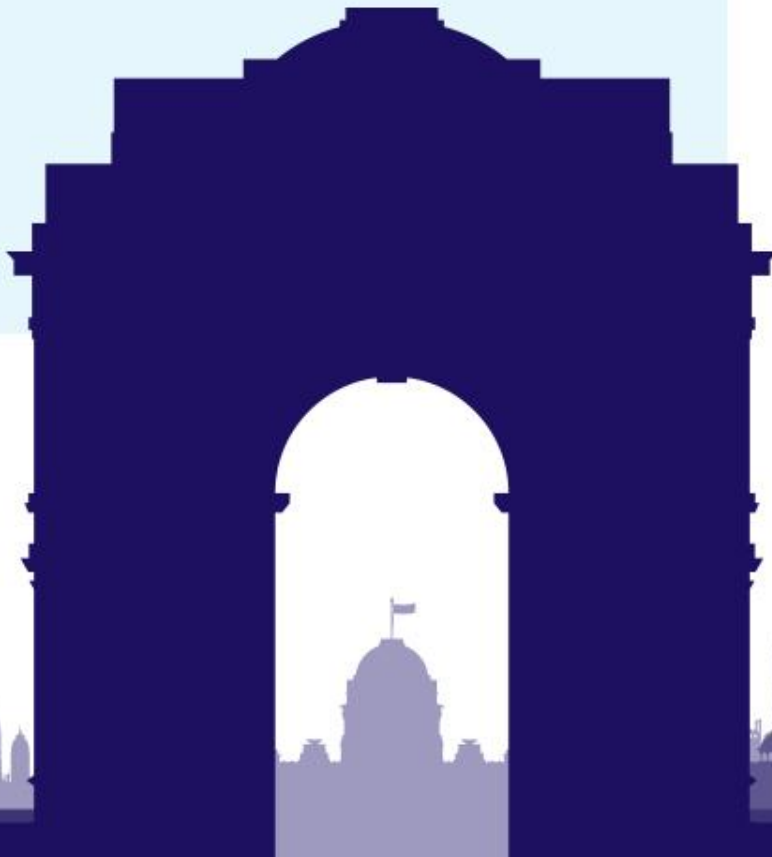
**“In 2013, our primary objectives will be to build on current momentum by securing key stakeholders’ approvals and initiating activity to take us closer to realising production from our D3, PY-3 and GS-01 blocks. We have clear deliverables for each asset in 2013 and management has built positive momentum going into an important year for Hardy.”**



# Appendix



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# Capital Structure

LSE Main Market listing



Hardy Oil and Gas plc

Shares outstanding

**73.0** million

Options outstanding

**3.6** million

Fully diluted

**76.6** million

Average daily volume

**~0.1** million

Current market capitalisation

**~£85** million

Directors and senior managers

**~8.7** %

Trading symbol

**HDY.L**

# CPR 2011 – reserves



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## Competent Person's Report on Hardy's petroleum interests

				Current	
RESERVES (Proven + Probable)				Gross	Net
PY-3	Producing	Oil	mmbbl	15.1	2.1

Reserve Category	Pre-tax NPV (\$ million)			Post-tax NPV (\$ million)		
	7.5%	10.0%	12.5%	7.5%	10.0%	12.5%
1P	12.3	12.0	11.8	12.3	12.0	11.8
2P	66.0	60.6	55.8	43.5	39.9	36.7
3P	97.9	88.6	80.5	57.7	51.8	46.7

Year	1P			2P			3P		
	Prod mmbbl	CAPEX \$ million	OPEX \$ million	Prod mmbbl	CAPEX \$ million	OPEX \$ million	Prod mmbbl	CAPEX \$ million	OPEX \$ million
2011	1,151.5	0	35	1,151.5	0	35	1,151.5	0	35
2012	802.9	0	37	2,156.4	162	37	2,156.4	162	37
2013	557.6	0	37	2,981.5	0	45	4,039.5	162	45
2014	0	0	0	2,205.6	0	45	2,771.2	0	445

# CPR 2011 – contingent resources



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## Competent Person's Report on Hardy's petroleum interests

CONTINGENT RESOURCES (2C)				Gross	Net
GS-01	B1 (Dhirubhai 33)	Gas	BCF	83.0	8.3
CY-OS/2	Ganesha 1	Gas	BCF	130.0	97.5
D3	A1 (Dhirubhai 39)	Gas	BCF	210.0	21.0
D3	B1 (Dhirubhai 41)	Gas	BCF	213.0	21.3
D3	R1 (Dhirubhai 44)	Gas	BCF	98.0	9.8
D3	W1 (Dhirubhai 52)	Gas	BCF	162.4	16.2
GS-01	B1 (Dhirubhai 33)	Oil	mmbbl	1.85	0.19

<b>Total Contingent Resources (2C)</b>	<b>Gas</b>	<b>BCF</b>	<b>896.4</b>	<b>174.1</b>
	<b>Oil</b>	<b>mmbbl</b>	<b>1.85</b>	<b>0.19</b>

# CPR 2011 – prospective resources

## Competent Person's Report on Hardy's petroleum interests



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Risky Prospective Resources (Best Estimate)					Current	
					Gross	Net
D3	Prospects and Leads	Gas	BCF	3,959	396	
CY-OS/2	Prospects	Gas	BCF	113	84	
GS-01	Prospects	Gas	BCF	142	14	
<b>Total Risked Prospective Resources (Best Estimate)</b>			<b>Gas</b>	<b>BCF</b>	<b>4,214</b>	<b>494</b>

Aggregated risky Prospective Resources have been derived by Hardy and are not aggregated or provided as risky volumes by GCA.

# India fiscal terms



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## Profit Sharing Contracts

Asset	P.I.	Contractor Profit Oil <i>Investment Multiple (R factor)</i>						Tax <sup>5</sup> Holiday	Cost Recover	Royalty		
		<1.5	1.5-2	2.0-2.5	2.5-3.0	3.0-3.5	>3.5			Oil	Gas	Phase
<b>PY-3<sup>1</sup></b>	18%	90	75	60	50	40	30	0	100%	n/a	n/a	Prod
<b>CY-OS/2<sup>1-3</sup></b>	75% <sup>2</sup>	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<sup>4</sup></b>	10%	90	84	75	66	15	15	7	100%	5%	5%	I
<b>D3<sup>4</sup></b>	10%	84	72	60	24	24	15	7	100%	5%	5%	I

1. PY-3, CY-OS/2: Royalty & Cess paid by Licensee (ONGC)
2. CY-OS/2 – In event of declaration of commerciality ONGC entitled to assume 30 per cent interest
3. CY-OS/2 – Current subject to arbitration hearings regarding the status of the licence
4. Deepwater blocks (D9, D3) royalties increase to 10 per cent 7 years after commencement of production
5. Tax Holiday for natural gas undertakings is under dispute – to be determined by courts

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