9 June 2016

Hardy Oil and Gas plc

("Hardy", the "Company" or the "Group")

Preliminary Results
for the twelve months ended 31 March 2016

Hardy Oil and Gas plc (LSE: HDY), the oil and gas exploration and production company focused in India, reports its preliminary results for the twelve months ended 31 March 2016.

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

Summary

PY-3

- A Management Committee meeting was held in June 2015. However, the minutes of meeting documenting the matters agreed is pending ratification. Recent GOI fiscal and PSC policies have not facilitated the uJV's proposed FFDP. The proposed FFDP remained under consideration by MOPNG.
- Well monitoring has been proposed to the uJV and the sanctioning of such activity is pending.

GS-01

- Resolution of the quantification of liquidated damages associated with the UFWMP is awaited, GOI's agreement with the uJV's proposal would facilitate the Company's plans going forward.

CY-OS/2

- The GOI's appeal of the international arbitration award was dismissed due to withdrawal by the GOI. The GOI subsequently filed a second appeal in the Delhi High Court and the Company's Execution petition in the same court has been adjourned four times and most recently (in February 2016) until July 2016.
- To avoid statute of limitation constraints, the Company initiated the process of having the international award confirmed by a court in the US.

Financial

- Due to the prevailing adverse market conditions the Company provided for the write-down of the PY-3, GS-01 and deferred tax assets amounting to $12.9 million resulting in a total comprehensive loss of $16.8 million
- Cash and short-term investments at 31 March 2016 amounted to $17.6 million; Hardy has no debt.

Outlook

- **PY-3** – The future of PY-3 is solely dependent on the GOI and its Nominee/Licensee agreeing to honour the PSC in full. Well monitoring activity has been proposed and failing the timely adoption of a FFDP and past budgets, planning for abandonment will be initiated.
- **GS-01** – It is expected that the resolution of penalties associated with UMWP will continue through the remainder of the year. Further capital investment decision will be dependent upon gas pricing under GOI's pricing policies
- **CY-OS/2** – Enforcement of the arbitration award within the India judicial system is our priority.

Alasdair Locke, Chairman of Hardy, commented: "Our main objectives remain to secure key stakeholders' approvals and initiate activity that will take us closer to realising production from our portfolio of assets for the benefit of our shareholders. The enforcement of the CY-OS/2 Award would present new resources to expand our portfolio. Through the down cycle in commodity prices we can achieve tangible value creation provided we have the constructive collaboration of all stakeholders of our India based assets. The actions of our joint arrangement partners and sovereign authorities will shape our future in India."

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

Hardy Oil and Gas plc 012 2461 2900
Ian MacKenzie, Chief Executive Officer
Richard Galvin, Treasurer & Corporate Affairs Executive

Arden Partners plc 020 7614 5900
Steve Douglas
James Felix

Tavistock 020 7920 3150
Simon Hudson
Ed Portman

CHAIRMAN'S STATEMENT

Introduction

The 2016 financial year did not deliver several of our primary objectives for the year. Early in the year we had built a consensus with stakeholders of the PY-3 field. However, this was subsequently side-tracked by parties to this consensus linking unrelated issues and reneging on commitments. The Government of India (GOI) demonstrated its intent to take decisions and move quickly with several key policy announcements. Policies such as the marketing and pricing freedom for deepwater and high temperature, high pressure discoveries, dated 21 March 2016, are a positive step towards effective free market-pricing of gas. However, the new policies on levies and extensions of PSCs are unlikely to be effective in facilitating new investment and enhancing recovery.

Strategy

The Company's strategy for its India portfolio remains largely unchanged. Having considered the low price environment, we believe that the PY-3 field offers the earliest opportunity for the Group to create value within our current portfolio. Upon a successful conclusion to the enforcement of the CY-OS/2 arbitration award (the Award) process, the Company may be well positioned to participate in the opportunities generated as a result of present market conditions. The practices adopted by the GOI that have frustrated our efforts to achieve the timely conclusion of the enforcement process have been in stark contrast to Prime Minister Modi's stated objectives to improve the "Ease of Doing Business" in India and will continue to compromise our way forward in India if not changed.

We will, of course, continue our open and transparent discussion with shareholders regarding the strategic direction of the Company.

Market overview

Commodity markets continued to experience a high level of volatility throughout the year and into FY17. The volatility has been driven by a number of factors, including the resilience of US unconventional supply, OPEC's strategy of pursuing market share over price, the return of Iran to the global oil market and concerns around global economic growth. We remain optimistic on the long term pricing profile for oil, as future supply should be impacted by the significant reduction in capital investment we are observing today. Current market conditions have resulted in an industry focus on reducing its cost base which presents an opportunity to potentially implement our development plans at much lower costs.

As a net importer of energy, India has benefited more than most from the price collapse. However, recent incremental rises in energy prices coupled with Prime Minister Modi's objective to increase domestic production and improve energy security has resulted in more proactive measures being taken by the Indian government.

Performance

As at 31 March 2016 the Company had over $17.6 million of cash and short term investments with no debt. The Group remains in a strong financial position from which to either fund its planned work activity for the Indian asset portfolio or to implement a change of geographical focus. The Group maintains robust internal control and risk management systems appropriate for a Company of our size and resources.

The Group's near-term principal risks remain: the timing or execution of activities may not commence as forecast and delays may be experienced, the possible relinquishment of appraisal acreage; and liabilities related to ongoing disputes.

Objectives and outlook

We have in place clear plans for all our assets. Considering the recent upward trend in commodity prices, our main objectives remain to secure key stakeholders' approvals and initiate activity that will take us closer to realising production from our portfolio of assets for the benefit of our shareholders. The enforcement of the CY-OS/2 Award would present new resources to expand our portfolio. Through the down cycle in commodity prices we can achieve tangible value creation provided we have the constructive collaboration of all stakeholders of our India based assets. The actions of our joint arrangement partners and sovereign authorities will shape our future in India.

Alasdair Locke
Chairman
8 June 2016

CHIEF EXECUTIVE OFFICER'S STRATEGIC REVIEW

Introduction

Achieving meaningful progress in India remained a challenge throughout the year. We had made good progress with the PY-3 FFDP early in FY16 but further deterioration in oil prices and new GOI policies side-tracked our momentum with field stakeholders. More recently we are encouraged by the improved pace of the CY-OS/2 legal process in India and the more broadly renewed impetus of GOI officials to address specific constraints on the smaller independents operating in India.

Implementing our strategy

The sustained depression of global commodity prices and policy changes in India prompted a reordering of our strategic priorities. Under current assumptions the prescribed non-free-market gas price environment in India is not at a level to support the GS-01 development. Our plans for the recommencement of production in the PY-3 field remain viable but will likely require an equitable arrangement between the GOI and ONGC (a State owned company) to be in place for Hardy to achieve its objectives in a timely manner. Enforcement of the CY-OS/2 award (the Award) is our primary focus. Successful implementation of the Award will create a robust platform for Hardy to opportunistically acquire assets in the current market environment.

Health, safety and environment (HSE)

As an offshore operator, the Company is committed to excellent health and safety practices which are at the forefront in all of our activities. Although all offshore activities were suspended in 2012, our intention to initiate activities in the future means that we will continue our commitment to maintain high HSE standards throughout the organisation. Our HSE policy stresses leadership and accountability and our commitment to HSE, operational integrity and business ethics will be cornerstones of future personnel recruitment as well as the conduct of our business.

Operations

Realising value from our Indian portfolio remains largely in the hands of the GOI. In the near term our focus has shifted to the enforcement of the Award.

The GOI’s appeal, filed in the Delhi HC, challenging the Award, continued. There was some progress with respect to the dismissal of the appeal by the Hon’able HC judge but the GOI has subsequently filed a second appeal petition which has been heard and the HC Division Bench ruling is expected later in the year. In our opinion:

- The arbitration award, issued by a tribunal, comprising of three former Chief Justices of India, was unanimous and well-reasoned;
- The dispute resolution articles of the Production Sharing Contract (PSC) clearly state that an arbitration award is to be final and binding on all Parties. Therefore the GOI’s HC appeal is in contravention of the PSC.
- The HC appeal and the systematic request for adjournments (13 out of 22 hearings) could be considered an abuse of the legal process.

More recently we have observed an improved rate of progress with the HC Division Bench due to the shortening of the duration between scheduled hearings.

India is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign

Arbitral Awards 1958 (New York Convention). This allows entities / nation states the right to enforce foreign arbitral awards in any jurisdiction which is a signatory to the New York Convention. Statute of limitation constraints prompted Hardy to initiate legal proceedings in early 2016 in the USA to preserve our rights to enforce the Award. Our preference remains to conclude the process within the framework of India's judicial system.

The resumption of production from our PY-3 asset remains a priority. However, due to new GOI policies relating to contract extension and levies (Cess rates), an equitable way forward needs to be agreed between the GOI and the state owned company, ONGC, which holds a 40 per cent participating interest in the PY-3 field. We are currently providing all possible support to these stakeholders to facilitate a timely conclusion. Should these parties not be able to reach an agreement then we will be required to consider well abandonment which will result in the stranding of reserves and a significant loss of direct and indirect revenue to the GOI.

We remain committed to see through our plan to acquire a further interest in, and operatorship of, our GS-01 asset. The acquisition process is largely dependent on settlement of payments due to the GOI relating to UMWP. The GOI current gas pricing policy currently prescribes a price of $3.08 per mmbtu which does not support the proposed development plan for Dhirubai 33 that was submitted in 2012. In the event that we can conclude the acquisition process we will need to explore alternative development plans or observe a change in the GOI policy to allow pricing closer to free market levels.

Financial

The Group is reporting a total comprehensive loss of $16.7 million for the 12 months ended 31 March 2016 compared to a loss of $25.0 million for the 12 months ended 31 March 2015. The loss is attributable to the write-down of Intangible Assets - Exploration associated with GS-01 ($5.0 million), Property Plant and Equipment associated with the PY-3 oil field ($2.8 million) and associated Deferred Tax asset ($5.2 million). In FY15 the Company's Comprehensive loss was primarily attributed to a $22.6 million write-down of Intangible Assets - Exploration due to the relinquishment of the D3 exploration license. During the year the Company took further steps to reduce our administrative expenditure, including the reduction of staff, although total general and administrative expenditure increased to $4.0 million. The increase is primarily due to non-recurring expenditures amounting to $1.6 million. The Group expects administrative expenses for FY17 to remain at around this level due to legal expenditures of approximately $1.0 million.

Cash used in operating activities amounted to $3.7 million for the 12 months ended 31 March 2016 compared to a cash outflow of $3.5 million for the 12 months ended 31 March 2015. The Group's capital expenditure and investment income was nominal at $0.3 million. With cash and short-term investments of $17.6 million as at 31 March 2016, and no debt, the Group is well funded to meet its current work commitments on the Indian asset portfolio.

Outlook

We are committed to achieving the enforcement of the CY-OS/2 Award. A successful outcome in this regard will leave the Company well positioned to participate in opportunities that the current down cycle in commodity prices presents. In the interim we will continue to support the GOI in achieving our mutual goal to recommence production from the PY-3 field.

Ian MacKenzie
Chief Executive Officer
8 June 2016

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).

Health, safety and environment

The Company is committed to excellent health and safety practices which are at the forefront of 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 is regularly reviewed and amended.

Block CY-OS 90/1 (PY-3):

Oil Field (Hardy 18 per cent interest – Operator)

Operations – A PY-3 MC meeting was convened in June 2015 to consider the OC's recommended FFDP and budgets. Several agenda items were agreed but finalisation of the minutes of meeting remain pending. The FFDP envisages a resumption of production from one well at the rate of around 3,000 bbl/d and subsequently to drill two new producers and undertake the side-tracking of a third well. Production is estimated to peak at around 8,000 bbl/d. The FFDP remained under consideration while the GOI representatives consulted with higher authority regarding the necessary PSC extension and Cess and Royalty treatment.

On 29 February 2016 the GOI announced a policy change to calculation of Cess from a fixed rate per weight to an ad valorem basis at a rate of 20 per cent of gross revenue. Analysis indicates that the change in policy was of benefit to ONGC (the Licensee) only at oil prices lower than $45 per barrel. At an expected price below $45 per barrel the PY-3 consortium would not be able to sanction the proposed FFDP. As a result the policy change has compounded the projected loss to be realised by the Licensee.

On 28 March 2016 the GOI announced a PSC extension policy to be applied to Pre-NELP PSC's including PY-3. The GOI policy provided for many new terms and conditions upon the Contractor. Some key conditions are; the Contractor is to agree to pay levies (Cess and royalty) at prevailing rates and in proportion to each party's participating interest (for the duration of the extended period); the GOI will also be entitled to an additional 10 per cent share of Profit Oil. The policy appears to have created an incentive for the GOI nominated Licensee to defer investment until the beginning of the extension period as its economic position is significantly enhanced. In relation to PY-3 this would mean activity being delayed until 2020.

In May 2016 the Hon'able Minister of State, Sri Pradhan, Hardy and other senior representatives of stakeholders met to discuss matters which have prolonged deliberation regarding the proposed FFDP and to identify a viable way forward. It was stressed that the proposed FFDP is projected to generate considerable value directly to the GOI via levies, profit petroleum and taxes which would be several times larger than the projected losses to the GOI owned Licensee and as a result should be supported by the GOI nominee.

Hardy has proposed to initiate well monitoring activity to provide the PY-3 JV and MOPNG more time to conclude discussions and identify a mutually beneficial way forward. In the absence of support from stakeholders for monitoring activity, Hardy will need to consider the initiation of decommissioning activity.

Objectives – Secure timely approval of the FFDP from the GOI after which we intend to target the recommencement of production in FY18. This may be achieved by securing the appropriate offshore production and storage facilities while simultaneously initiating planning for a development drilling programme. This may require funding in excess of the Company's current resources.

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). The field has produced over 24.8 mmbbl and was shut-in in July 2011 due to the expiry of the production facilities' marine classification and the refusal by the GOI to allow the extension of the contract.

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

Operations – A number of meetings were held with DGH and Ministry representatives to facilitate the timely conclusion to Hardy's acquisition of Reliance's 90 per cent interest and Operatorship. General commercial terms have been agreed and a draft farm-out agreement is under review by both parties. However, both parties have advised the GOI that the matter of possible liquidated damages associated with UMWP, being considered by the GOI since 2009, needs to be closed out prior to the conclusion of the acquisition process. In March 2015 both Parties made a constructive proposal to the GOI, to fulfil the UMWP liabilities, but we continue to await a response from the GOI.

An FDP, for the Dhirubhai 33 natural gas discovery, was submitted to the 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. As noted earlier, the GOI Natural Gas Pricing Policy, announced in 2014, benchmarks against a basket of markets which are predominantly net exporters of natural gas. As a result current gas prices have fallen substantially to $3.10 per mcf and projected to fall further through 2016. The proposed FDP was based on an assumption of realised natural gas and condensate prices being higher than current rates. We have noted that the GOI's recent marketing of Marginal Field and HELP auctions, which provided for freedom to market gas and recent gas pricing policies indicate a possible intent to progressively migrate to full marketing freedom.

Objective – Finalise the quantum of liquidated damages outstanding prior to concluding discussions with Reliance to acquire its participating interest and the Operatorship of the block. Following this, a priority will be to revisit the proposed FDP and establish a consensus amongst stakeholders regarding a viable FDP. As noted above, due to current GOI gas pricing policy the prevailing prices do not support the previously proposed FDP and as a result the plan may need to be modified. A change in the GOI natural gas pricing policy would also facilitate development of the Dhirubhai 33 discovery.

Background – In 2011, the GS-01 joint venture secured the GOI's agreement for the declaration of commerciality (DOC) proposal for the Dhirubhai 33 discovery GS01-B1 (drilled in 2007) which flow-tested at a rate of 18.6 mmscf/d gas with 415 bbl/d 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)

The GOI's appeal in the Delhi HC, against the unanimous international arbitration award, passed by three former Chief Justices of India, to restore the block to the joint venture continued. The GOI is appealing against the jurisdiction of the tribunal and merit of the award. We are disappointed that the GOI has chosen not to comply with the tribunal award and pursued an appeal in the HC. In our opinion;

- The arbitration award, issued by a tribunal, comprising of three former Chief Justices of India, was unanimous and well-reasoned;
- The dispute resolution articles of the Production Sharing Contract (PSC) clearly state that an arbitration award is to be final and binding on all Parties. Therefore the GOI's HC appeal is in contravention of the PSC.

Appeal - On 9 July 2015 the Delhi HC questioned its territorial jurisdiction and the appeal petition was dismissed due to the GOI's withdrawal of the appeal. On 4 August 2015 the GOI filed a review petition which was heard on 20 January 2016. The Hon'able Judge dismissed the GOI review petition on the basis that no error had been proved and that GOI had voluntarily withdrawn the appeal petition in July 2015. On 19 February 2016 the GOI filed a further appeal (under Section 37 of the Arbitration Act) with the Delhi HC Division Bench which was heard on 16 April 2016. The Hon'able HC Division Bench ruling is expected shortly.

Enforcement - In November 2013 Hardy had filed an execution petition with the HC of Delhi and this has run in parallel with the GOI appeal. The HC has continually adjourned the matter due to the ongoing GOI appeal. The next execution hearing is scheduled for 29 July 2016.

The CY-OS/2 arbitration award is an international award and may be enforced within a number of judicial jurisdictions. Most jurisdictions have statute of limitations and as a result in February 2016 the Company was compelled to initiate Confirmation proceedings in the Federal Court of Washington DC United States of America (USA). This action has been initiated to maintain the option to enforce the Award in the USA. However, our primary objective is to conclude the appeal and enforcement processes within the Indian judicial system. The timely conclusion of the dispute resolution process within Indian institutions will validate our longstanding commitment to India and facilitate our future participation in meeting the country's growing energy requirements.

Contingent Asset – As at 31 March 2016, Hardy's 75 per cent share of the interest awarded by the Hon'ble Arbitration Tribunal amounted to approximately $52.9 million.

Objective – We will continue to seek the restoration of the block to the CY-OS/2 joint venture in a timely manner. The appeal and enforcement process in India is likely to continue throughout 2016. The Company believes that it has a strong position as the unanimous international award is well reasoned. 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 HEPI and Gas Authority of India Limited (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 two retained areas with the Ganesha-1 natural gas discovery located in the northern area of approximately 300 km^2. Ganesha-1 – The natural gas discovery, announced in January 2007, was drilled to a depth of 4,089 m, encountering a sandstone reservoir within the Cretaceous section. The well flow tested at a peak rate of 10.7 mmscf/d.

A dispute between the GOI and Hardy was referred to arbitration under the PSC to a Hon'ble Tribunal consisting of three Arbitrators who were former Chief Justices of India. The Hon'ble Tribunal passed the arbitral award on 02 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 non-associated natural gas;

b. The order of relinquishment by the Ministry of Petroleum and Natural Gas (MOPNG) of the GOI 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 three 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 of the award.

From the date of award interest will accrue at a rate of 18 per cent per annum on the amount of Rs. 5.0 billion until such time as the block is restored to the parties (as at 31 March 2016 – US$52.9 million net to Hardy).

FINANCIAL REVIEW

Overview

In the 12 months ended 31 March 2016, the Group recorded a total comprehensive loss of $16.8 million and at year end had total cash and short-term investments of $17.6 million with no debt.

Summary statement of comprehensive income	FY16 (audited) $ million	FY15 (audited) $ million
Operating expense The Company has considered the fall in offshore services and made an adjustment to the underlying cost assumptions associated with decommissioning. As a result a write-back to the Decommissioning Provision of $0.4 million was credited. The Company has provided for $0.6 million due to an arbitration award issued against Hardy, as operator, in regard to a claim made by a former service provider to the PY-3 field. The Company is currently appealing the award in the Madras High Court (MHC).	**(0.2)**	-
Unsuccessful exploration write-down The GOI's natural gas pricing policy benchmarks against prices in gas exporting countries. As a result, despite continued growth in demand in India pricing is well below replacement fuel alternatives and has recently fallen from $4.8 per mcf to $3.1 per mcf. Providing for current pricing, the GS-01 development is not considered viable and the Group has fully impaired exploration costs associated with the Dhirubhai 33 discovery in the block. This amounted to a provision of $5.0 million being made. In the previous year the Company had expensed $22.1 million of exploration costs incurred in association with the drilling of gas discoveries on the relinquished D3 block. These expenses had previously been capitalised and recorded under Intangible Asset – exploration.	**(5.0)**	(22.6)
Impairment of PY-3 The PY-3 asset was partially impaired resulting in a write-down of Property, Plant and Equipment of by $2.8 million. Management has considered the prevailing oil price, new GOI policies (outlining an increase in levy rates and additional terms and conditions required for the extension of the PSC) and recent dialogue amongst stakeholders. It was concluded that the proposed PY-3 development plan remains viable but an impairment in value has occurred. The Company remains committed to implementing the proposed plan, provided the GOI and the state owned company ONGC can establish an equitable framework to distribute their collective cash flows.	**(2.8)**	-
Administrative expense Administrative expense increased by $0.2 million. Having consideration for the depressed macro environment and uncertainty regarding the sanctioning of development projects, management took steps to further reduce the underlying overhead of the Company with a reduction of staff and contracted services in India. The net increase was primarily due to various provisions and non-reoccurring costs amounting to $1.6 million. FY17 administrative expenses are expected to remain at current levels due a budgeted increase in legal	**(4.0)**	(3.8)

costs associated with the enforcement of CY-OS/2 arbitration award and other ongoing litigation.		
Investment income and Finance cost The Company realised interest income of $ 0.4 million (FY15 $0.3 million) and no finance costs. The Company had incurred finance costs of $0.2 million associated with bank guarantee charges and the unwinding of future value discounting of the PY-3 decommissioning provision.	**0.4**	(0.2)
Taxation No current tax is payable for the 12 months ended 31 March 2016. Having consideration for the medium term outlook for the oil price and continued delay of sanctioning of the PY-3 asset, the projected tax payable that may be offset by the Group's carried forward losses is reduced. As a result a write-down of the deferred tax asset of $5.2 million was provided for.	**(5.2)**	1.7
Total comprehensive loss The Group's significant total comprehensive loss is largely attributable to the write-downs associated with PY-3 and GS-01 and the Deferred Tax assets.	**(16.8)**	(24.5)

Summary statement of financial position

	31 March 2016 (audited) $ million	31 March 2015 (audited) $ million
Non-current assets Non-current assets primarily represent successful or work-in-progress exploration expenditure. The $14.0 million decrease is the result of the $5.0 million write off of GS-01, a $2.8 million impairment charge against PY-3 and a write-down of the deferred tax asset by $5.2 million. The downward revision of values for PY-3 and the deferred tax asset is due to the medium term outlook for oil prices and management's assessment of the impact of changes to GOI policy. The assessment of GS-01 impairment was based on the current low gas price. Management plan to conclude the acquisition of GS-01 and subsequently evaluate alternative development concepts. For the Dhirubhai 33 discovery, should the GOI gas pricing policy change to allow free market pricing, the current proposal could become viable.	**63.0**	76.0
Current assets The Group's cash and short-term investments reduced by $3.4 million to $17.6 million. This is essentially due to the payment of general and administrative expenses. The Group incurred an inventory write-down of $0.2 million following a third party inspection of well tubing and casing and other equipment. Trade and other receivables of $3.2 million represent amounts due to be recovered from joint arrangements operated by Hardy.	**21.8**	23.0
Non-current liabilities The Group's non-current liabilities represent a provision for the decommissioning of the PY-3 field. The provision has been estimated based on observed long-term industry cost trends. Management also considered the current depressed cost environment and uncertainty regarding the timing of decommissioning. As a result, the provision was reduced in the current year. Management will continue to evaluate its underlying assumptions.	**5.3**	5.6

Current liabilities Trade and other accounts payable comprises of amounts due to vendors and other provisions associated with various joint arrangements.	**7.8**	5.0

Summary statement of cash flows

	FY16 (audited) $ million	FY15 (audited) $ million
Cash flow (used in) operating activities Cash used in operating activities comprised $4.4 million of administrative costs. Net debtor and creditor movement was $0.5 million and there was a decrease in inventory of $0.2 million.	**(3.7)**	(3.5)
Capital expenditure The Company did not incur any material capital expenditures in the year.	**0.0**	(0.2)
Financing activity Interest and investment income realised predominantly from its Indian rupee deposits amounted to $0.3 million	**0.3**	0.4
Cash and short-term Investments Sufficient resources are available to meet ongoing capital, operating and administrative expenditure. The Group has no debt.	**17.6**	21.0

Liquidity risk management and going concern and Long term viability

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 activity. At 31 March 2016, the Company had liquid resources of approximately $17.6 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 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 Preliminary Results Statement and Accounts for the 12 months ended 31 March 2017. At the present time, the Group does not have any debt.

PRINCIPAL RISKS AND UNCERTAINTIES

As an oil and gas exploration and production company with operations focused in India, Hardy is subject to a variety of risks and uncertainties. Managing risk effectively is a critical element of our corporate responsibility and underpins the safe delivery of our business plans and strategic objectives.

Board

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. Risks are identified, assessed for materiality, documented, and monitored through a risk register with senior management involved in the process. Risks that are identified as high and/or trending upwards are noted and assigned to the Executive Director to monitor and, if possible, pro-actively mitigate. The risk register is a part of a dynamic database in which new risks may be added when identified or removed as they are eliminated or become immaterial. The Board has formed a sub-committee on risk which reports periodically to the Audit Committee. The Board is provided with regular updates of the identified principal risks at scheduled Board meetings.

Principal risks and uncertainties The underlying risks and uncertainties inherent in Hardy's current business model have been grouped into four categories; strategic, financial, operational and compliance. The Board has identified principal risks and uncertainties for FY2017 and established clear policies and responsibilities to mitigate their possible negative impact on the business, a summary of which is provided below;

RISK OR UNCERTAINTY	MITIGATING ACTION

Strategic - The Group's strategy is predominantly driven by the appraisal, development and production of its existing assets in India. There are risks inherent in the appraisal, development and production of oil and gas reserves and resources.

1. Asset portfolio over-weighted to long-cycle appraisal and development licences	Preferential allocation of resources to advance current discoveries to the development stage. Assess acquisition opportunities, consistent with stated objectives, offering near term production increases
2. Asset portfolio exclusively in one geopolitical region	Convey business constraints to accomplishing our objective via direct and open dialog with government officials, active participation in industry lobby groups including the Association of Oil and Gas Operators. Further additions to the India portfolio will not be considered until tangible progress in our existing portfolio. Screening of acquisition opportunities to be focused in other geographical locations wherein management most likely have direct experience

Financial - Volatility and decreases in international crude oil prices and Indian natural gas prices has adversely affected some of the Group's prospects and projected results from future operations. Other major financial risks facing the Company could be financing constraints for further appraisal and development; cost overruns and adverse results from ongoing or pending litigation.

Prolonged delay in enforcement of CY-OS/2 arbitration award	Secure high quality and reputable legal counsel. Management of stakeholder expectation. Settlement unlikely without court order for enforcement. Preserve right to enforce in other jurisdictions including the USA and UK.
Litigation - the Company is involved in a number of disputes with service providers, uJV partners and Indian tax authorities	Sanctioning of the PY-3 FFDP could mitigate a number of outstanding or pending disputes. The Company has secured high quality reputable legal counsel in India and other jurisdictions. Proactive and constructive engagement with uJV partners. In some instances security may be required to avoid business disruption.
Cost of litigation	Budget for litigation has increased substantially. Effective management and monitoring of advisory costs. Explore timely resolution of disputes not strategic in nature.
Liquidated damages (LD), unfinished MWP (GS-01 and D9)	Monitor through media and dialogue with operator, prepare for dispute. The operator is expected to initiate arbitration. Provision made based on Management view on likely outcome. Contingent liability assigned for D9. Risk of uJV partners trading favour with GOI by "trading" LD from other blocks to D9 and GS-01.

Operational – Offshore exploration and production activities by their nature involve significant risks. Risks such as delays in executing work programmes, construction and commissioning of production facilities or other technical difficulties, lack of access to key infrastructure, adverse weather conditions, environmental hazards, industrial accidents, occupational and health hazards, technical failures, labour disputes, unusual or unexpected geological formations, explosions and other acts of God are inherent to the business.

1.	Securing timely final approval for the PY-3 full field development plan (FFDP)	Proactive communication with partners to address individual interests and agendas. Clearly formulate and articulate mutual beneficial proposals. Articulate that total combined benefit to GOI several multiples of ONGC projected loss. Mitigate expenditures prior to budget approvals.
2.	PY-3 HSE – Status of PY-3 wells	Three subsea wells were securely shut-in on March 2012. The shut-in of wells has been longer than expected and, in the absence of timely sanctioning of the FFDP, monitoring of wells or full abandonment of the PY-3 field will be initiated.
3.	Contractual dispute with uJV partners	Maintain communication with senior members of PY-3 uJV partners. Written MC approval of budgets for FY2012 to present remain outstanding. To minimise statute of limitation risk, dispute resolution process will be initiated in FY17. Highly reputable law firm secured to facilitate initiation of dispute.

Compliance - The Group's current business is dependent on the continuing enforceability of the PSCs, farm-in agreements and exploration and development licences. The Group's core operational activities are dependent on securing various governmental approvals. Developments in politics, laws, regulations and/or general adverse public sentiment could compromise securing such approvals in the future.

1.	Regulatory and political environment in India	Develop sustainable relationships with governments and communities. Actively collaborate with industry groups to formulate and communicate interests to government authorities. Ensure full compliance of all laws, regulations and provision of contracts.
2.	Taxation and third party claims	Secured the services of leading professional and legal service providers. Proactive communication with taxation authorities to ensure queries are addressed and assessments are agreed or challenged as required.

HARDY OIL AND GAS plc

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2016

	Notes	Year ending 31 March 2016 US$	Year ending 31 March 2015 US$
Continuing Operations			
Revenue	3	**-**	-
Cost of Sales			
Production costs	4	**(179,386)**	-
Unsuccessful exploration costs	5	**(4,935,149)**	(22,560,297)
Impairment of Block CY-OS-90/1 (PY-3)	15	**(2,754,273)**	-
Gross profit/ (loss)		**(7,868,808)**	(22,560,297)
Administrative expenses		**(4,037,221)**	(3,831,445)
Operating loss	6	**(11,906,029)**	(26,391,742)
Interest and investment income	11	**336,197**	393,131
Finance costs	12	**-**	(171,230)
Loss before taxation		**(11,569,832)**	(26,169,841)
Taxation	13	**(5,187,327)**	1,675,456
Loss after taxation		**(16,757,159)**	(24,494,385)
Total other comprehensive income		-	-
Total comprehensive loss for the period attributable to owners of the parent		**(16,757,159)**	(24,494,385)
Loss per share			
Basic & diluted	14	**(0.23)**	(0.33)

HARDY OIL AND GAS plc

Consolidated Statement of Changes in Equity
For the year ended 31 March 2016

	Share capital US$	Share Premium US$	Shares option reserve US$	Retained earnings/(loss) US$	Total US$
At 31 March 2014	**731,484**	**120,778,131**	**3,702,603**	**(12,475,951)**	**112,736,267**
Total Comprehensive loss for the year	**-**	**-**	**-**	**(24,494,385)**	**(24,494,385)**
Share based payment	**-**	**-**	**355,904**	**-**	**355,904**
Share based payment - Forex adjustment	**-**	**-**	**(389,441)**	**-**	**(389,441)**
Restricted shares issued	**1,830**	**82,500**	**-**	**-**	**84,330**
At 31 March 2015	**733,314**	**120,860,631**	**3,669,066**	**(36,970,336)**	**88,292,675**
Total Comprehensive loss for the year	**-**	**-**	**-**	**(16,757,159)**	**(16,757,159)**
Share based payment	**-**	**-**	**84,814**	**-**	**84,814**
Adjustment of lapsed vested options	**-**	**-**	**(1,899,531)**	**1,899,531**	**-**
Restricted shares issued	**4,327**	**75,810**	**-**	**-**	**80,137**
At 31 March 2016	**737,641**	**120,936,441**	**1,854,349**	**(51,827,964)**	**71,700,467**

HARDY OIL AND GAS plc

Consolidated Statement of Financial Position
As at 31 March 2016

	Notes	31 March 2016	31 March 2015
		US$	US$
Assets			
Non-Current assets			
Property, plant and equipment	15	**3,062,290**	5,820,048
Intangible assets	16	**51,132,228**	56,175,450
Site restoration deposits	22	**4,311,198**	4,285,515
Deferred tax asset	13	**4,485,662**	9,672,992
Total non-current assets		**62,991,378**	75,954,005
Current assets			
Inventories	17	**942,365**	1,164,988
Trade and other receivables	18	**3,250,236**	829,600
Short-term investments	19	**16,767,941**	17,763,245
Cash and cash equivalents	24	**828,379**	3,267,097
Total current assets		**21,788,921**	23,024,930
Total assets		**84,780,299**	98,978,935
Equity and Liabilities			
Equity attributable to owners of the parent			
Share capital	20	**737,641**	733,314
Share premium	21	**120,936,441**	120,860,631
Shares option reserve	21	**1,854,349**	3,669,066
Retained loss		**(51,827,964)**	(36,970,336)
Total equity		**71,700,467**	88,292,675
Non-current liabilities			
Provision for decommissioning	22	**5,256,097**	5,644,478
Current liabilities			
Trade and other payables	23	**7,823,735**	5,041,782
Total current liabilities		**7,823,735**	5,041,782
Total liabilities		**13,079,832**	10,686,260
Total equity and liabilities		**84,780,299**	98,978,935

Approved and authorised for issue by the Board of Directors on 8 June 2016

HARDY OIL AND GAS plc

Consolidated Statement of Cash Flows
For the year ended 31 March 2016

	Notes	**Year ending 31 March 2016 US$**	Year ending 31 March 2015 US$
Operating activities			
Cash flow (used in) operating activities	7	**(3,738,079)**	(3,537,113)
Taxation refund		21,023	1,635
Net Cash (used in) operating activities		**(3,717,056)**	(3,535,478)
Investing activities			
Expenditure on intangible assets – exploration		**-**	(223,584)
Expenditure on intangible assets – other		**(5,182)**	-
Expenditure on other fixed assets		**(22,294)**	(20,820)
Site restoration deposit		**(25,683)**	(201,739)
Realised from short term investments		**995,304**	2,889,135
Net cash from investing activities		**942,145**	2,442,992
Financing activities			
Interest and investment income		**336,197**	394,355
Bank guarantee charges		**-**	(39,446)
Net cash from financing activities		**336,197**	354,909
Net increase/(decrease) in cash and cash equivalents		**(2,438,714)**	(737,577)
Cash and cash equivalents at the beginning of the year		**3,267,093**	4,004,674
Cash and cash equivalents at the end of the year	24	**828,379**	3,267,097

Notes to the Consolidated Financial statements
For the year ended 31 March 2016

1. Accounting Policies

The following accounting policies have been applied in preparation of consolidated financial statements of Hardy Oil and Gas plc ("Hardy" or the "Group"). The domicile, country of incorporation, address of the registered office and a description of the Group's principal activities can be found in the Director's Report.

These financial statements are for the year ending 31 March 2016.

a) Basis of measurement

Hardy prepares its financial statements on a historical cost basis except as otherwise stated.

b) Going Concern

The Group has in the past generated working capital from its production activities and successfully raised finance to provide additional funding for its ongoing exploration and development programmes. The Directors have reviewed the Group's ongoing activities including its future intentions in respect of the drilling of exploration wells and having regard to the Group's existing working capital position and its ability to potentially raise finance, if required, the Directors are of the opinion that the Group has adequate resources to enable it to undertake its planned work programme of exploration, appraisal and development activities over the next 12 months from the date of these financial statements (in coming to this opinion the Directors have not included the receipt of any funds from the CY-OS/2 arbitration award).

c) Basis of Preparation

Hardy prepares its financial statements in accordance with applicable International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board as adopted by the European Union.

As at the date of approval of these financial statements, there are a number of standards and interpretations that are in issue but not yet effective. The Directors do not anticipate that the adoption of these standards and interpretations in future reporting periods will have a material impact on the Group's results.

d) Functional and presentation currency

These financial statements are presented in US dollars which is the Group's functional currency. All financial information presented is rounded to the nearest US dollar.

e) Basis of consolidation

The consolidated financial statements include the results of Hardy Oil and Gas plc and its subsidiary undertaking. The Group comprises of the parent company, Hardy Oil and Gas plc, and the wholly owned subsidiary Hardy Exploration & Production (India) Inc. which is incorporated under the Laws of State of Delaware, United States of America. The members of the Group are engaged in the business of exploration and production of oil and gas and all are included in the consolidated financial statements.

The Group participates in several unincorporated joint arrangements which involve the joint control of assets used in the Group's oil and gas exploration and production activities. The Group accounts for all its joint arrangements as joint operations by recognising its share of assets, liabilities, income and expenditure of joint arrangement in the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income as appropriate.

f) Revenue
Revenue represents the sale value of the Group's share of oil (which excludes the profit oil sold and paid to the Government of India as a part of profit sharing). Revenues are recognised when crude oil has been lifted and title has been passed to the buyer.

g) Oil and gas assets

i) Exploration and evaluation assets
Hardy has adopted the successful efforts based accounting policy for its oil and gas assets.

Costs incurred prior to acquiring the legal rights to explore an area are expensed immediately in the income statement.

Expenditure incurred in connection with and directly attributable to the acquisition, exploration and appraisal of oil and gas assets are capitalised for each licence granted and are held within intangible exploration assets and not depleted.

Exploration drilling costs are initially capitalised on a well-by-well basis until the success or otherwise of the well has been established. The success or failure is assessed on a well-by-well basis. Exploration well costs are written off on completion of the well unless the results indicate the presence of hydrocarbons which have reasonable commercial potential.

Following appraisal of such wells, if commercial reserves are established and technical feasibility for extraction is demonstrated, the related capital intangible exploration and appraisal costs are transferred into a cost centre within the Property Plant and Equipment – development assets after testing for impairment, if any. Where exploration well results indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs will be written-off to the income statement.

ii) Oil and gas development and producing assets
Development and production assets are accumulated on a field-by-field basis. These comprise the cost of developing commercial reserves discovered to put them into production and the exploration and evaluation costs transferred from intangible exploration and evaluation assets, as stated in the policy above. In addition, interest payable and exchange differences incurred on borrowings directly attributable to development projects, if any, and assets acquired for the production phase, as well as cost of recognising provision for future restoration and decommissioning, are capitalised.

iii) Decommissioning
At the end of the producing life of a field, costs are incurred in removing and decommissioning facilities, plugging and abandoning wells. The full discounted cost of decommissioning is estimated and considered as an asset and liability. The decommissioning cost is included within the cost of property, plant and equipment development assets. Any revision in the estimated cost of decommissioning which alters the provisions required also adjusted in the cost of asset. The amortisation of the asset, calculated on a unit of production basis based on proved reserves, is shown as 'Decommissioning charge' in the Statement of Comprehensive Income and unwinding of the discount on the provision is included in the finance costs.

iv) Disposal of assets
Proceeds from any disposal of assets are credited against the specific capitalised costs included in the relevant cost pool and any loss or gain on disposal is recognised in the Statement of Comprehensive Income.

h) Depletion and impairment

i) Depletion

The net book values of the producing assets are depreciated on a field by field basis using the unit of production method, based on proved and probable reserves. Hardy periodically obtains an independent third party assessment of reserves which is used as a basis for computing depletion.

ii) Impairment

Exploration assets are reviewed regularly for indications of impairment following the guidance in IFRS 6 Exploration and Evaluation of Mineral Resources, where circumstances indicate that the carrying value might not be recoverable. In such circumstances, if the exploration asset has a corresponding development / producing cost pool, then the exploration costs are transferred to the cost pool and depleted on unit of production. In cases where no such development/producing cost pool exists, the impairment of exploration costs is recognised in the Statement of Comprehensive Income. Impairment reviews on development / producing oil and gas assets for each field is carried out on each year by comparing the net book value of the cost pool with the associated discounted future cash flows. If there is any impairment in a field representing a material component of the cost pool, an impairment test is carried out for the cost pool as a whole. If the net book value of the cost pool is higher than the associated discounted future cash flows, the excess amount is recognised in the Statement of Comprehensive Income as impairment and deducted from the pool value.

i) Property, plant and equipment

Property, plant and equipment, other than oil and gas assets, are measured at cost and depreciated over their expected useful economic lives as follows:

	Annual Rate (%)	Depreciation Method
Leasehold improvements	over lease period	Straight line
Furniture and fixtures	20	Straight line
Information technology and computers	33	Straight line
Other equipment	20	Straight line

Depreciation expenses are included within administrative expenses.

j) Intangible assets

Intangible assets, other than oil and gas assets, are measured at cost and depreciated over their expected useful economic lives as follows:

	Annual Rate (%)	Depreciation Method
Computer software	33	Straight line

Amortisation charges are included within administrative expenses.

k) Investments

Investments by the parent company in its subsidiaries are stated at cost.

l) Short term investments

Short term investments are regarded as “financial assets at fair value through profit or loss” and are carried at fair value. In practice, the nature of these investments is such that all income is remitted and recognised as interest and investment income and the fair value equates to the value of initial outlay and therefore, in normal circumstances, no fair value gain or loss is recognised in the Statement of Comprehensive Income.

m) Inventory
Inventory of crude oil is valued at the lower of average cost or net realisable value. Average cost is determined based on actual production cost for the year. Inventories of drilling stores are recorded at cost including taxes, duties and freight. Provision is made for obsolete or defective items where appropriate, based on technical evaluation.

n) Financial instruments
Financial assets and financial liabilities are recognised at fair value in the Group's Statement of Financial Position based on the contractual provisions of the instrument.

Trade receivables are not interest bearing and their fair value is deemed to be their nominal value as reduced by necessary provisions for estimated irrecoverable amounts.

Trade payables are not interest bearing and their fair value is deemed to be their nominal value.

o) Equity
Equity instruments issued by Hardy are recorded at net proceeds after direct issue costs.

p) Taxation
The tax expense represents the sum of current tax and deferred tax.

Current tax is based on the taxable profit of the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income as it excludes certain items of income or expenses that are taxable or deductible in years other than the current year and it further excludes items that are never taxable or deductible. The current tax liability is calculated using the tax rates that have been enacted or substantially enacted by the year end date.
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred income tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the future against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted at the year end date.

q) Foreign currencies
Foreign currency transactions are accounted for at the exchange rate prevailing on the date of the transaction. At the year end date, all foreign currency monetary assets and monetary liabilities are restated at the closing rate. Exchange difference arising out of actual payments / realisations and from the year end restatement are reflected in the Statement of Comprehensive Income.

Rate of exchanges were as follows:

	31 March 2016	31 March 2015
£ to US$	1.42	1.49
US$ to Indian Rupees	66.35	62.12

r) Leasing commitments
Rental charges payable under operating leases are charged to the Statement of Comprehensive Income as part of general and administration costs over the lease term.

s) Share based payments
Hardy issues share options to Directors and employees, which are measured at fair value at the date of grant. The fair value of the equity settled options determined at the grant date is expensed on a straight line basis over the vesting period. In performing the valuation of these options, only market conditions are taken into account. Fair value is derived by use of the binomial model. The expected life used in the model is based on management estimates and considers non-transferability, exercise restrictions and behavioural considerations. In case of lapsed vested options, the amount recognised in the shares option reserve is adjusted to retained earnings as a reserve movement.

t) Contingent assets
Contingent assets are disclosed but not recognised where the receipt of income is probable but not virtually certain. The asset and related income is only recognised in the year when the receipt becomes virtually certain.

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 next 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 $52.4 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 16 to these financial statements.

ii) Decommissioning
The liability for decommissioning is reviewed based on cost estimates which are predominated by the charter hire charges of drill ships and supply boats. Accordingly, the provision made in the books will reflect the risk free discounted estimated future cost for decommissioning. Further details are contained in note 22.

iii) Deferred Tax Asset
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgement is required to determine the value of the deferred tax asset, based upon timing and level of future taxable profits. Should production not recommence from the PY-3 field or should production from the field be less profitable than expected due to further declines in the global oil price or technical issues with the field an assessment of the carrying value of the deferred tax asset would be made which could result in a de-recognition of all or part of the asset. Further details are contained in note 13.

iv) Carrying value of Oil & Gas and Exploration assets
Management has performed impairment tests on the Group's oil and gas assets due to the volatility in oil & gas prices. The calculation of the recoverable amount requires estimation of future cash flows. Key assumptions and estimates in the impairment models relate to: commodity prices that are based on forward commodity price estimates, fiscal structuring specific to individual assets, commercial reserves and the related cost profiles. Further deterioration of market prices will require further assessment and may result in an impairment. Further details are contained in note 15 and 16.

3. Segment analysis

The Group is organised into two business units as at end of the year: India and United Kingdom. The Indian 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.

	2016 US$			
	India	**UK**	**Inter-segment eliminations**	**Total**
Revenue				
Other income	-	-	-	-
	-	-	-	-
Operating loss	(9,926,411)	(1,979,618)	-	(11,906,029)
Interest income	308,692	27,505	-	336,197
Interest income on inter-corporate loan	-	1,218,911	(1,218,911)	-
Interest expense on inter-corporate loan	(1,218,911)	-	1,218,911	-
Loss before taxation	(10,836,630)	(733,202)	-	(11,569,832)
Taxation	(5,311,032)	123,705	-	(5,187,327)
Loss for the period	(16,147,662)	(609,497)	-	(16,757,159)
Segment assets	68,653,438	16,126,861	-	84,780,299
Inter-corporate loan	-	107,151,962	(107,151,962)	-
Segment liabilities	(12,922,688)	(157,143)	-	(13,079,831)
Inter-corporate borrowings	(107,151,962)	-	107,151,962	-
Capital expenditure	22,523	4,953	-	27,476
Unsuccessful exploration costs	(4,935,149)	-	-	(4,935,149)
Impairment of Block CY-OS-90/1 (PY-3)	(2,754,273)	-	-	(2,754,273)
Depreciation, depletion and amortisation	(4,789)	(22,216)	-	(27,005)

	2015 US$			
	India	UK	Inter-segment eliminations	Total
Revenue				
Other income	-	-	-	-
Operating loss	(23,936,596)	(2,455,146)	-	(26,391,742)
Interest income	382,265	10,866	-	393,131
Interest income on inter-corporate loan	-	1,117,150	(1,117,150)	-
Finance costs	(171,230)	-	-	(171,230)
Interest expense on inter-corporate loan	(1,117,150)	-	1,117,150	-
Loss before taxation	(24,842,711)	(1,327,130)	-	(26,169,841)
Taxation	1,380,070	295,386	-	1,675,456
Loss for the period	(23,462,641)	(1,031,744)	-	(24,494,385)
Segment assets	81,870,624	17,108,311	-	98,978,935
Inter-corporate loan	-	106,682,121	(106,682,121)	-
Segment liabilities	(10,514,696)	(171,564)	-	(10,686,260)
Inter-corporate borrowings	(106,682,121)	-	106,682,121	-
Capital expenditure	227,087	17,317	-	244,404
Unsuccessful exploration costs	(22,560,297)	-	-	(22,560,297)
Depreciation, depletion and amortisation	(2,262)	(38,538)	-	(40,800)

The Group is engaged in one business activity, the exploration, development and production of oil and gas. Other income relates to technical services to third parties, overhead recovery from joint arrangement 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. Cost of Sales

Production cost, related to PY-3, included in the cost of sales consists of:

	2016 US$	2015 US$
Production costs	**567,767**	-
Change in decommissioning estimate	**(388,381)**	-
Cost of Sales	**179,386**	-

Production cost for FY 2015-16 includes a provision in respect of an arbitration award which is made in favour of a service provider for Block PY-3.

5. Unsuccessful exploration costs

Unsuccessful exploration costs consist of:

	2016 US$	2015 US$
Impairment / (reversal) of Block D3	**(9,492)**	22,097,640
Impairment / (reversal) of Block D9	**(102,537)**	-
Impairment of Block GS-OS1	**5,047,178**	-
Other liquidated damages accrual	**-**	462,657
	4,935,149	22,560,297

6. Operating loss

Operating loss is stated after charging:

	2016 US$	2015 US$
Unsuccessful exploration costs	**4,935,149**	22,560,297
Depreciation and amortisation	**27,005**	40,800
Operating lease costs - Land and buildings	**167,220**	159,663
External auditors' remuneration		
- Fees payable to the company's auditors for the audit of the Company's annual accounts	**94,754**	82,456
- Audit related assurance services	**12,754**	13,287
Exchange loss / (gain)	**372,050**	(189,331)

The Group has a policy in place which requires approval of the Audit Committee for the award of non-audit services to be provided by the auditors. No non-audit services were provided during the year.

7. Reconciliation of operating loss to operating cash flows

	2016 US$	2015 US$
Operating loss	**(11,906,029)**	(26,391,742)
Unsuccessful exploration costs	**4,935,149**	22,560,297
Impairment of Block PY-3	**2,754,273**	-
Depletion, amortisation, and depreciation	**27,005**	40,800
Share based payment expense	**164,951**	211,247
	(4,024,651)	(3,579,398)
Decrease in inventory	**222,623**	524,959
Increase in trade and other receivables	**(2,441,649)**	(77,651)
Increase / (Decrease) in trade and other payables	**2,505,598**	(405,023)
Cash (used in) operating activities	**(3,738,079)**	(3,537,113)

8. Staff costs

	2016 US$	2015 US$
Wages and salaries	**1,156,633**	1,231,738
Social security costs	**206,496**	222,473
Share based payments charge	**84,814**	139,803
	1,447,943	1,594,014

Staffs costs, including executive Directors' salaries, fees, benefits and share based payments, are shown gross before amounts recharged to joint arrangements.

The average monthly number of employees, including executive Directors and individuals employed by the Group working on joint arrangement operations are as follows:

	2016	2015
Management and administration	**11**	10
Operations	**10**	11
	21	21

The number of permanent employees on the rolls of Company as on 31 March 2016 is 15 (2015: 21).

9. Share based payments

Share options have been granted to subscribe for Ordinary Shares of US$0.01 each in the capital of the Company, which are exercisable between 2016 and 2025 at prices of £0.65 to £7.69 per Ordinary Share.

Hardy has an unapproved share option scheme for the Directors and employees of the Group. Options are exercisable at the quoted market prices of the Company's shares on the date of grant. The vesting period is three years with a stipulation that the options are granted in proportion to the period of employment after the grant subject to a minimum of one year, or, with respect to options from 2010 onwards, the period is three years, subject to compounded share price growth. The options are exercisable for a period of 10 years from the date of grant. Details of the share options outstanding during the years are as follows:

	2016		2015	
	Number of options	**Weighted average price**	Number of options	Weighted average price
Outstanding at beginning of the year	3,419,933	£1.98	3,169,933	£1.98
Granted during the year	-	-	250,000	£0.66
Lapsed during the year	1,704,933	£2.18	-	-
Outstanding at the end of the year	1,715,000	£0.90	3,419,933	£1.98
Exercisable at the end of the year	200,000	£5.38	2,094,933	£2.48

The inputs into the binomial model for computation of value of options granted during the period are as follows:

	2016	2015
Share price at grant date	-	£0.65
Option exercise price at grant date	-	£0.65
Expected life	-	5
Expected volatility	-	40%
Expected dividend	-	-
Risk free rate	-	2.2%
Cost per option	-	£0.28

Expected volatility was determined by calculating Hardy's historical volatility. The expected life used has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Details of outstanding options at the end of the year with the weighted average exercise (WAEP) price as follows:

	1 April 2015		Lapsed FY 2016		31 March 2016	
FY	Number	WAEP	Number	WAEP	Number	WAEP
2006	1,140,933	1.52	1,140,933	1.52	-	-
2007	115,000	3.07	15,000	3.08	100,000	3.07
2008	300,000	4.31	300,000	4.31	-	-
2009	120,000	7.69	20,000	7.69	100,000	7.69
2010	-	-	-	-	-	-
2011	419,000	2.12	229,000	2.12	190,000	2.12
2012	750,000	1.55	-	-	750,000	1.55
2013	50,000	1.19	-	-	50,000	1.19
2014	275,000	0.66	-	-	275,000	0.66
2015	250,000	0.65	-	-	250,000	0.65
2016	-	-	-	-	-	-
Total	**3,419,933**	**1.98**	**1,704,933**	**2.18**	**1,715,000**	**0.90**

The weighted average contractual life of options outstanding is 5.9 years (2015: 4.6 years).

Restricted Ordinary Shares are issued to Non-Executive Directors in consideration for services rendered in 2015 at a price of 13 pence per Ordinary Share, being the closing price on the day prior to issue. The cost of issuing such shares is charged to the Statement of Comprehensive Income for the year ending March 31, 2016.

On 21 March 2016, the Company issued 432,693 restricted Ordinary Shares having an aggregate market value of US$80,137 (£ 56,250) to its Non-Executive Directors and Chairman in the following manner;

Name	Number of Ordinary Shares Issued
Alasdair Locke (Chairman)	**221,154**
Peter Milne	**115,385**
Pradip Shah	**96,154**
Total	**432,693**

The Group has expensed a net amount of US$164,951 in the current period (2015: US$211,247) towards equity settled share based payments. The value of shares option reserve as at 31 March 2016 is US$1,854,349 (2015: US$3,669,066).

10. Directors' emoluments

Details of each Director's remuneration and share options are set out in the Directors' Remuneration Report that forms part of the Company's Annual report. Directors' emoluments are included within the remuneration of the key management personnel in note 28.

11. Interest and investment income

	2016 US$	2015 US$
Bank interest	**298,896**	382,265
Other interest income	**9,796**	-
Dividend	**27,505**	10,866
	336,197	393,131

12. Finance costs

	2016 US$	2015 US$
Bank guarantee charges	**-**	39,446
Other finance cost	**-**	131,784
	-	171,230

Other finance cost is a charge incurred as a result of the unwinding of the discount to the decommissioning provision.

13. Taxation

a) Analysis of taxation charge / (credit) for the year

	2016 US$	2015 US$
Current tax charge		
UK corporation Tax	**-**	-
Foreign Tax – India	**-**	-
Minimum alternate tax	**-**	-
Foreign tax – USA	**-**	-
Total current tax charge/ (credit)	**-**	-
Deferred tax charge/ (credit)	**5,187,327**	(1,675,456)
Taxation charge / (Credit)	**5,187,327**	(1,675,456)

	2016 US$	2015 US$
Charge in respect of change in tax rates	**-**	2,251,461
Losses incurred during the year	**(4,124,085)**	(6,958,713)
Origination and reversal of temporary differences	**2,555,458**	3,031,796
De-recognition due to potential non-reversal of deferred tax asset	**6,755,954**	-
Deferred tax charge/ (credit)	**5,187,327**	(1,675,456)

Deferred tax analysis:

	2016 US$	2015 US$
Difference between accumulated depletion, depreciation and amortisation and capital allowances	**(1,373,481)**	(1,562,789)
Carried forward losses	**5,859,143**	11,235,781
Deferred tax asset	**4,485,662**	9,672,992

b) Factors affecting tax charge for the year

	2016 US$	2015 US$
Loss before taxation from continuing operations	**(11,569,832)**	(26,169,841)
Loss before taxation multiplied by the appropriate rate of tax in respective countries (2015: 42.23%)	**(4,611,931)**	(10,343,979)
Adjustment for expired carried forward losses	**2,555,455**	6,484,019
Others	**487,849**	(66,958)
Effect of change in tax rates	**-**	2,251,462
De-recognition due to potential non-reversal of deferred tax asset	**6,755,954**	-
Foreign tax on overseas income – current year	**-**	-
Total tax charge/ (credit)	**5,187,327**	(1,675,456)

Indian operations of the Group are subject to a tax rate of 41.2 per cent which is higher than UK and US corporations 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. When considering deferred tax assets the Group considers the highest and best use of the losses available, this is considered to be in India. 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.

Write-back of Deferred Tax Asset

The Deferred Tax Asset will be realised upon production from the PY-3 field which Management expect to recommence during 2018. The assumptions considered to determine future tax liability that may be offset from the Group's carried forward tax losses has been consistent with those assumptions provided for in note 15. As a result an adjustment of $5,187,327 has been calculated.

14. Loss per share

Loss per share is calculated on a loss of US$16,757,159 for the year ended 31 March 2016 (2015; US$24,494,385) on a weighted average of 73,343,164 Ordinary Shares for the year ended 31 March 2016 (2015: 73,158,941). No diluted loss per share is calculated.

Diluted loss per share on loss attributable to parent company for the year ended 31 March 2016 and 31 March 2015 have not been calculated.

15. Property, plant and equipment

Oil and gas assets represent interest in producing oil and gas assets falling under the India cost pool. Other fixed assets consist of office furniture, computers, workstations and office equipment.

	Oil and gas assets US$	Other fixed assets US$	Total US$
Cost			
At 1 April 2014	**35,465,279**	**1,780,255**	**37,245,534**
Additions	-	20,820	**20,820**
Disposals	-	(714)	**(714)**
At 1 April 2015	**35,465,279**	**1,800,361**	**37,265,640**
Additions	**-**	**22,294**	**22,294**
Disposals	-	**(42,485)**	**(42,485)**
At 31 March 2016	**35,465,279**	**1,780,170**	**37,245,449**

Depletion, depreciation and amortization			
At 1 April 2014	**29,684,318**	**1,721,188**	**31,405,506**
Charge for the year	**-**	40,800	**40,800**
Disposals	**-**	(714)	**(714)**
At 1 April 2015	**29,684,318**	**1,761,274**	**31,445,592**
Charge for the year	**-**	**25,779**	**25,779**
Impairment of Block PY-3 asset	**2,754,273**	**-**	**2,754,273**
Disposals	**-**	**(42,485)**	**(42,485)**
At 31 March 2016	**32,438,591**	**1,744,568**	**34,183,159**
Net book value at 31 March 2016	**3,026,688**	**35,602**	**3,062,290**
Net book value at 31 March 2015	5,780,961	39,087	5,820,048

Impairment

The impairment charge of $2,754,273 million against the PY-3 oil field was calculated by comparing the future discounted cash flows expected to be delivered from the production of commercial reserves (the value-in-use) with the carrying value of the asset.

The future cash flows were estimated using an oil price assumption of approximately $53 per bbl which is comparable to an average price per barrel of Dated Brent forward contract against the projected production profile provided for in the proposed FFDP. These projected cash flows were discounted at a rate of 10 per cent. Other assumptions involved in the impairment measurement included estimates of commercial reserves and production volumes, and the level and of timing of expenditures all of which are inherently uncertain. The principal cause of the impairment charge recognised in the year is a reduction in the medium-term oil price assumption and changes to GOI policies in regard to calculation of levies and the criteria for extension of the PSC.

Sensitivity

A one per cent increase in the discount rates used when determining the value-in-use for each asset would result in a further impairment charge of approximately US$0.4 million and a US$1 per bbl reduction to the oil price for the life of the field would trigger an increase in the impairment charge of approximately US$0.6 million.

16. Intangible assets

	Exploration US$	Others US$	Total US$
Costs and net book value			
At 1 April 2014	**78,049,506**	**-**	**78,049,506**
Additions	**223,584**	**-**	**223,584**
Unsuccessful exploration cost	**(22,097,640)**	**-**	**(22,097,640)**
At 1 April 2015	**56,175,450**	**-**	**56,175,450**
Additions	**-**	**5,182**	**5,182**
Unsuccessful exploration cost	**(5,047,178)**	**-**	**(5,047,178)**
Amortisation for the year	**-**	**(1,226)**	**(1,226)**
At 31 March 2016	**51,128,272**	**3,956**	**51,132,228**

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

	US$
Exploration expenditure – block CY-OS/2	51,128,272
Total	**51,128,272**

Impairment of Block GS-01

The write-off of $5.0 million against the GS-01 exploration license was calculated by comparing the future discounted cash flows projected to be delivered from the production of resources provided for in an unapproved FDP submitted by the Group (the value-in-use) with the carrying value of the asset.

The future cash flows were estimated using a gas price equal to $3.1 per MMBTU, which is the comparable to the current notified price by the GOI, against the production profile provided for in a proposed FDP. These projected cash flows were discounted at a rate of 10 per cent. Other assumptions involved in impairment measurement included the estimates of resources and production volumes, and the level and of timing of expenditures all of which are inherently uncertain. The principal cause of the full impairment charge recognised in the year is that the low gas price prescribed under the GOI's policy does not provide reasonable level of return to justify the sanctioning of development. Should the GOI policy on gas pricing change, to allow free market pricing which is estimated to be between US$6 to US$8 per MMBTU, then the unapproved FDP for the Dhirubhai 33 gas discovery may be viable.

Legal proceedings concerning block CY-OS/2

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. As at 31 March 2015, Hardy's 75 per cent share of the interest awarded is approximately $52.4 million. On 2 August 2013 the Government of India filed an appeal, against the arbitration award, with the High Court Delhi, and the Company subsequently filed an execution petition before the High Court Delhi. Seventeen hearings have been scheduled and adjourned and the next hearing is scheduled in July 2016.

The Company believes that the unanimous international tribunal award is well reasoned and, based upon external legal advice that the award may not be subject to appeal in the Indian courts as per the India Arbitration and Conciliation Act 1996.

Impairment of block D3 in prior year

On 23 December 2014, Management Committee of Block D3 approved a proposal from the operator of the D3 block, in which the Group holds 10 per cent interest, for the relinquishment of the block. The proposal set out that as per the Government of India (GOI) Notification O-22013/27/2012-ONG-D-V dated 10 November 2014, access restrictions have been imposed by the GOI and the Operator recommended the relinquishment of the block with immediate effect under clause 3.1 (a), and (e) and 3.2, of the referenced Government Policy.

The relinquishment of the block has released Hardy from any further work programme liability including any further financial liability related to unfinished Minimum Work Programme penalties. $22,097,640 of the Group's Intangible Assets, which were attributable to the D3 block, have been written off in the previous financial year.

17. Inventories

	2016 US$	2015 US$
Drilling and production stores and spares	**942,365**	1,164,988
	942,365	1,164,988

An amount of $ 222,623 (2015: $ 524,959) has been recognised as an expense in the year relating to an impairment in the carrying value of inventory.

18. Trade and other receivables

	2016 US$	2015 US$
Other receivables	**3,238,846**	822,309
Prepayments	**11,390**	7,291
	3,250,236	829,600

19. Short term investments

	2016 US$	2015 US$
HSBC US$ Liquidity Fund Class-A	**16,743,300**	17,763,242
HSBC £ Liquidity Fund Class-A	**24,641**	3
	16,767,941	17,763,245

The above investments are in liquid funds which can be converted into cash at short notice. The book value of these investments approximates to their fair values. The fair value is determined based on quoted market prices and is considered to be a level 1 valuation under IFRS 13.

Income will increase or decrease by US$167,680 (2015: US$177,632) for every one percent change in interest rates.

20. Share Capital

	Number $0.01 Ordinary Shares	US$
Authorised Ordinary Shares		
At 1 April 2015	200,000,000	2,000,000
At 31 March 2016	**200,000,000**	**2,000,000**
Allotted, issued and fully paid Ordinary Shares		
At 1 April 2014	73,148,416	731,484
Restricted shares issued during the period	182,926	1,830
At 1 April 2015	**73,331,342**	**733,314**
Restricted shares issued during the period	**432,693**	**4,327**
At 31 March 2016	**73,764,035**	**737,641**

Ordinary Shares issued have equal voting and other rights with no guarantee to dividend or other payments.

Included within Ordinary Shares are 943,671 restricted shares in issue (2015: 510,978 restricted shares) with a value of $859,290 (2015: $779,153). The restricted shares have been issued to certain directors and will unconditionally vest three years from the date of issue provided the individual is still a director of Hardy. During the period of restriction, while Directors are eligible for voting rights and dividend, they are not allowed to dispose these shares.

21. Reserves

Hardy holds the following reserves, in addition to share capital and retained earnings:

Share premium account

The share premium account is the additional amount over and above the nominal share capital that is received for shares issued less any share issue costs.

Share option reserve

The share option reserve represents the fair value of share options issued to Directors and employees.

22. Provision for decommissioning

	US$
At 1 April 2014	5,512,694
Change in decommissioning estimate	131,784
At 1 April 2015	**5,644,478**
Change in decommissioning estimate	**(388,381)**
At 31 March 2016	**5,256,097**

A provision for the decommissioning of the PY-3 field has been made by estimating the cost of abandonment of existing wells and any required reclamation of the area at current prices using existing technology. The projected costs comprise primarily of the cost of a drillship to abandon the field's existing wells. The abandonment of the PY-3 field is expected to be undertaken between 2020 and 2025. These underlying assumptions are reviewed on a regular basis

Having considered the fall in drillship rates the Company has reduced the projected decommissioning cost by US$388,381. A 5 per cent change in the underlying assumption for the drillship rate would result in an adjustment of approximately US$0.2 million to the Decommissioning Provision.

An amount of Rs.286,049,748 (US$4,311,198) (2015: Rs.266,216,197 (US$4,285,515)) has been deposited with State Bank of India for site restoration obligations. This amount has been treated as a non-current asset as this deposit has end use restriction for site restoration.

23. Trade and other payables

	2016 **US$**	2015 US$
Trade payables	**4,455,510**	3,811,799
Accruals and other payables	**3,368,224**	1,229,983
	7,823,734	5,041,782

Trade and other payables are unsecured and payable on demand.

24. Financial risk management

Hardy finances its operations through a mixture of equity and retained earnings. Finance requirements are reviewed by the Board when funds are required for acquisition, exploration and development of projects.

Hardy's policy is to maintain a strong financial position to sustain future development of the business. There were no changes to the Group's capital management approach during the year.

Hardy's treasury functions are responsible for managing fund requirements and investments which include banking, cash flow management, interest and foreign exchange exposure to ensure adequate liquidity at all times to meet cash requirements.

Hardy's principal financial instruments are cash, deposits and short term investments and these instruments are only for the purpose of meeting its requirement for operations.

Hardy's main financial risks are foreign currency risk, liquidity risk, interest rate risk, commodity price risk and credit risks. Set out below are policies that are used to manage such risks:

Foreign currency risk
The Group reports in US dollars and the majority of its business is conducted in US dollars. All revenues from oil sales are received in US dollars and the majority of costs except a portion of expenses for overhead are incurred in US dollars. For currency exposure other than US dollars, a portion of the cash is kept on deposit in other currencies to meet its payments as required. No forward exchange contracts were entered into during the period.

Liquidity risk
The Group currently has surplus cash which has been placed in deposits and short term investments which can be converted into cash at short notice, ensuring sufficient liquidity to meet the Group's expenditure requirements. Hardy has no outstanding loan obligations at period end dates.

Interest rate risk
Surplus funds are placed in deposits and short term investments at fixed or floating rates. Hardy's policy is to place deposits only with well established banks or financial institutions that offer competitive interest rates.

Commodity price risks
The Group's share of production of crude oil from PY-3 field is sold to the Government of India's nominee Chennai Petroleum Corporation Limited. The sale price is arrived at based on an average price of Brent crude for the 30 days period commencing 15 days before and ending 15 days after the delivery of crude oil. No commodity price hedging contracts have been entered into by the Group.

Credit risk
All Hardy's sales are to Chennai Petroleum Corporation Limited, a state oil company in India. As it is the Government of India nominee for the purchase of crude oil, the credit risk is considered negligible.

Where the Group is the operator of, or is the largest owner in, a field it recovers a percentage of the costs incurred from its joint arrangement partners in accordance with the levels of participating interests. Partners may either be Indian state owned companies or private enterprises. Cash calls on partners are usually made in advance of incurring field expenditure.

Deposits and other money market instruments, as a general rule, are placed with banks and financial institutions that have ratings of not less than AA or equivalent, which are verified before placing the deposits. Cash surpluses are also invested in short-term investments in certain liquid funds. These funds are primarily invested in terms deposits and graded commercial papers of not less than AA or equivalent.

The Board will continue to assess the strategies for managing credit risk and is satisfied with the existing policies for sale of crude oil to Chennai Petroleum Corporation Limited. At the period end, the Group did not have any bad debt risk. The maximum financial risk exposure relating to the financial assets is the carrying value of such financial assets as on the period end date.

Capital Management

The objective of the Group's capital management is to ensure that there is sufficient liquidity within the Group to carry out the committed work programme requirements of all its production sharing contracts. The Group monitors the long-term cash flow requirements of the business in order to assess the requirement for changes to the capital structure to meet that objective and to maintain flexibility. The Group considers its capital to consist of share capital only.

The Board manages the structure of its capital and makes necessary adjustments to accommodate the changes in the economic conditions. To maintain or adjust the capital structure, the Board may issue new shares for cash. No significant changes were made in the objectives, policies or processes during the year ended 31 March 2016.

Maturity of non current financial liabilities

The maturity of non-current financial liabilities, which consist of the decommissioning provision as at 31 March 2016 and 31 March 2015 are as follows:

	2016 US$	2015 US$
In more than two years but not more than five years	**-**	-
In more than five years	**5,256,097**	5,644,478

The Group does not have any fixed maturity or interest bearing financial liabilities as at 31 March 2016 or 31 March 2015.

Interest rate risk profile of financial assets

The interest rate risk profile of the financial assets of the Group as at 31 March 2016 is as follows:

2016	Fixed rate Financial assets US$	Floating rate Financial assets US$	Financial assets - no interest is earned US$	Total US$
US Dollars	**-**	**516,935**	**115,790**	**632,725**
Pound Sterling	**-**	**131**	**99,534**	**99,665**
Indian Rupees	**-**	**-**	**95,989**	**95,989**
Cash and cash equivalents	**-**	**517,066**	**311,313**	**828,379**

2015	Fixed rate Financial assets US$	Floating rate Financial assets US$	Financial assets - no interest is earned US$	Total US$
US Dollars	1,855,500	948,909	176,903	2,981,312
Pound Sterling	-	157	112,425	112,582
Indian Rupees	-	-	173,203	173,203
Cash and cash equivalents	1,855,500	949,066	462,531	3,267,097

An amount of Rs.286,049,748 (US$4,311,198) (2015: Rs.266,216,197 (US$4,285,515)) deposited with State Bank of India for site restoration obligation is treated as a non-current asset. The interest rate of this deposit is based on the highest rate of interest as applicable for the period paid by the State Bank of India.

Interest income will increase or decrease by US$5,417 (2015: US$28,046) for every one percent change in interest rates.

Currency exposures
The currency exposures of the monetary assets denominated in currencies other than US dollars of the Group as at 31 March 2016 are as follows:

2016	Indian Rupees US$	Pound Sterling US$	Total US$
US$	**4,407,187**	**124,299**	**4,531,486**

2015	Indian Rupees US$	Pound Sterling US$	Total US$
US$	4,458,718	112,582	4,571,300

An amount of US$140,995 (2015: US$158,583) was recognised as foreign exchange loss on account of exchange rate fluctuations on bank balances and investments made in currencies other than US dollars.

Exchange gains will increase by US$45,768 (2015: US$46,170) for every one percent appreciation of Indian rupee and sterling and loss of US$44,862 (2015: US$45,256) for one percent depreciation of Indian rupee and sterling.

25. Financial instruments

Book values and fair values of Hardy's financial assets and liabilities are as follows:

Financial assets

Financial assets at fair value through profit or loss	**Book value 2016 US$**	**Fair value 2016 US$**	Book value 2015 US$	Fair value 2015 US$
Short term investments	**16,767,941**	**16,767,941**	17,763,245	17,763,245
Financial assets – loans and receivables				
Cash and short term deposits	**828,379**	**828,379**	3,267,097	3,267,097
Trade and other receivables	**3,250,236**	**3,250,236**	829,600	829,600
Site restoration deposit	**4,311,198**	**4,311,198**	4,285,515	4,285,515
	25,157,754	**25,157,754**	26,145,457	26,145,457

Financial liabilities

Financial liabilities measured at amortised cost	**Book value 2016 US$**	**Fair value 2016 US$**	Book value 2015 US$	Fair value 2015 US$
Accounts payable	**(7,823,734)**	**(7,823,734)**	(5,041,782)	(5,041,782)

All of the above financial assets and liabilities are current at the period end dates.

26. Other financial commitments under operating leases

The Group entities have entered into commercial leases for land and building and office equipment. These leases have an average life of one to five years and there are no restrictions placed on the lessee by entering into these leases. The minimum future lease payments for the non-cancellable operating leases are as follows:

	2016 **US$**	2015 US$
Land and buildings:		
One year	**155,053**	28,989
Two to five years	**82,882**	-
After five years	**-**	-
Others		
One year	**-**	4,117
Two to five years	**-**	-
After five years	**-**	-

27. Contingent liabilities

Liquidated Damages
The Group has minimum work commitments in associated with various exploration licences granted by sovereign authorities through joint arrangements. A number of these commitments have not been fulfilled and as a consequence the Group is liable to pay liquidated damages. When a liquidated damage payment is probable a provision is created based on management's best judgement. In some instances there may be a high degree of uncertainty. In such instances an additional contingent liability is recognised. Currently a contingent liability estimated at $1.7 million associated with unfinished minimum work programme liquidated damages. Management do not expect this to be resolved in the next twelve months.

Litigation
In the normal course of business the Group may be involved in legal disputes which may give rise to claims. Provision is made in the financial statements for all claims where a cash outflow is considered probable. No separate disclosure is made of the detail of claims as to do so could seriously prejudice the position of the Group.

Others
In addition, the parent company guarantees the Group's obligations under various PSC's to the Government of India. These guarantees are deemed to have negligible fair value and are therefore accounted for as contingent liabilities.

28. Related party transactions

The aggregate remuneration of Directors and the key management personnel, including its subsidiary undertaking, of the Group is as follows:

	2016 **US$**	2015 US$
Short term employee benefits	**1,181,975**	1,266,168
Share based payments	**103,417**	107,610
	1,285,392	1,373,778

Key management personnel include the Directors and members of the Management Committee of the Group as set out in the overview of the Board of Directors in the business review. Further information about the remuneration of individual Directors is provided in the Director's Remuneration Report which forms part of the Group's 2016 Annual Report.

-ends-

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 two offshore exploration blocks in India's Saurashtra and Cauvery basins.

Hardy is incorporated under the laws of the Isle of Man and headquartered in Aberdeen, 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

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
The Award	CY-OS/2 arbitration award
Bbld	stock tank barrel per day
BCF	billion cubic feet
CNG	compressed natural gas
CY-OS/2	Offshore exploration licence CY-OS/2 located on the east coast of India
DGH	Directorate General of Hydrocarbons
Dhirubhai 33	gas discovery on GS-01-B1 announced on 15 May 2007
DOC	Declaration of Commerciality
DRDO	Defence Research & Development Organisation of India
FFDP	comprehensive full field development plan
FY	financial year ended 31 March
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
Hardy	Hardy Oil and Gas plc
HEPI	Hardy Exploration & Production (India) Inc
HC	High Court
HSE	Health Safety and Environment
IPO	initial public offering
JA	joint arrangement
KPI	key performance indicator
Km	Kilometre
km^2	square kilometre
LSE	London Stock Exchange
M	Metre
mmbtu	million British Thermal Units
mmscfd	million standard cubic feet per day
mmscmd	million standard cubic metres per day
MC	management committee
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
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
Rs.	Indian Rupee
the Company	Hardy Oil and Gas plc
the Group	Hardy Oil and Gas plc and Hardy Exploration & Production (India) Inc.
TRI	total recordable injuries
uJV	unincorporated joint venture
UMWP	unfinished minimum work programme

Hardy Oil and Gas plc
16 North Silver Street
Aberdeen, UK AB10 1RL

Tel: +44 (0) 1224 61 2900
Fax: +44 (0) 1224 63 3995
Investors Relations Contact Richard Galvin
richard.galvin@hardyoil.com